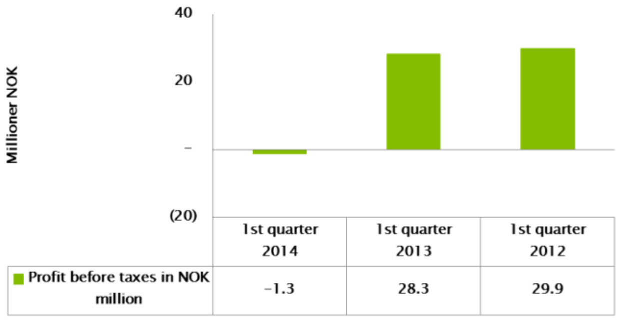
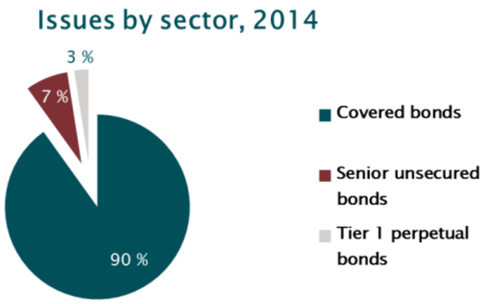
Eika Boligkreditt AS

Interim report for the first quarter 2014

Unaudited

Highlights





First quarter 2014

- **Pre-tax loss NOK 1.3 million (2013: profit of NOK 28 million)**
- **Pre-tax profit NOK 56.3 million excluding the negative value changes related to changes in the price of basis swaps.**
- **Turnover up 4.6 per cent from previous quarter**
- **Lending up by 1.8 per cent**
- **Commissions, including arrangement commissions, to distributors NOK 143.5 million (2013: NOK 95 million)**
- **NOK 8.1 billion in bond and certificate issues**
- **NOK 200 million in tier 1 perpetual bond issues**

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

INTERIM REPORT FOR THE FIRST QUARTER 2014

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. At 31 March 2014, the owner banks had transferred a total of NOK 58.7 billion in residential mortgages and thereby reduced their own funding needs by a corresponding amount. The company 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 directed at the household sector. By concentrating funding activities relating to covered bonds in Eika Boligkreditt, the owners 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 FIRST QUARTER 2014

Pre-tax loss

Eika Boligkreditt showed a pre-tax loss of NOK 1.3 million for the first quarter, compared with a pre-tax profit of NOK 28.3 million in the same period of 2013. Excluding the negative value changes related to basis swaps, the pre-tax profit for the first quarter was NOK 56.3 million. The first-quarter loss includes negative changes in the value of financial instruments of NOK 54.9 million, as against a positive NOK 0.8 million for the same period of 2013. The negative change in the value of financial instruments relates almost entirely to NOK 57.6 million in negative change in basis swaps. Basis swaps are a price component in the derivative contracts entered into in connection with long-term borrowing. 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 over time, so that the unrealised loss at 31 March 2014 will be reversed until the derivatives mature. This means that changes in spreads 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.

Income

Eika Boligkreditt's total income amounted to NOK 609.3 million in the first quarter, compared with NOK 507.9 million in the same period of 2013. Its net interest income was NOK 205.7 million, compared with NOK 132.5 million for the first quarter of 2013.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 143.5 million in the first quarter, compared with NOK 95 million for the same period of 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 NOK 77.3 billion at 31 March, up by NOK 7.4 billion or 10.6 per cent from 1 January 2014.

Lending

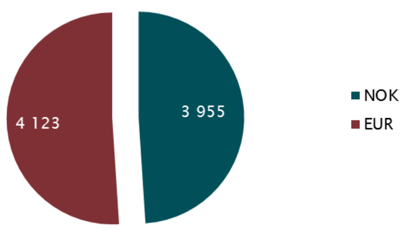
Eika Boligkreditt's residential mortgage portfolio at 31 March totalled NOK 58.7 billion, which represented a net increase of NOK 1 billion or 1.8 per cent from 1 January 2014. This rise reflected a general growth in lending by the owner banks combined with the fact that the owner banks reduce their own need for market financing through the transfer of residential mortgages to Eika Boligkreditt.

Borrowing

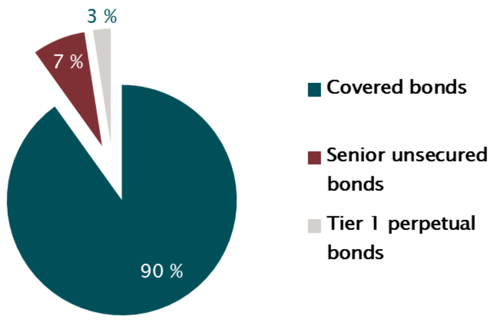
Eika Boligkreditt's borrowing from the issue of securities at 31 March totalled NOK 71.2 billion, which represented a net increase of NOK 7.3 billion from 31 March 2013.

Eika Boligkreditt raised NOK 7.3 billion from issuing covered bonds during the first quarter, as well as NOK 0.6 billion from senior unsecured bonds and NOK 200 million in tier 1 perpetual bonds, representing a total issue volume of NOK 8.1 billion.

Issues by currency, 2014 (in NOK million)



Issues by sector, 2014



Of the total issue volume of NOK 8.1 billion, 51 per cent was issued in euros and 49 per cent in Norwegian kroner. 90 per cent of the issues are related to covered bonds.

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

Issues (amounts in NOK million)	Q1 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)	3 155	10 508	5 713	11 830
Senior unsecured bonds (issued in NOK)	600	2 300	1 900	340
Subordinated loans (issued in NOK)	-	250	-	-
Tier 1 perpetual bonds (issued in NOK)	200	250	-	-
Totalt issued	**8 078**	**21 642**	**23 300**	**12 170**

The average tenor for new financing in the first quarter was 6.5 years, while the average tenor for the company's whole borrowing portfolio was 4.8 years – unchanged from 1 January 2014.

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

Carrying value in NOK million	31 March 2014	31 Dec. 2013	31 Dec. 2012
Covered Bonds	67 908	61 129	43 613
Swap arrangement with the Norwegian govt.	–	–	6 920
Senior unsecured bonds	2 950	2 410	1 150
Senior unsecured certificates	325	350	900
Subordinated loans	429	429	319
Tier 1 perpetual bonds	448	249	–
Total borrowing	**72 060**	**64 567**	**52 901**

Liquidity

Following the EUR 500 million issue at the beginning of March and a high level of activity in issuing covered bonds in Norwegian kroner during the first quarter, the company has maintained a high level of liquidity in 2014. At 31 March, the company had a total liquidity portfolio of NOK 14.9 billion, including cash collateral of NOK 2.3 billion received from counterparties to derivative contracts. Cash collateral is held in bank deposits.

Risk management and capital adequacy

Eika Boligkreditt increased its total primary (tier 2) capital during the first quarter through the issue of NOK 200 million in tier 1 perpetual bonds. The company had a total primary (tier 2) capital of NOK 3 274 million at 31 March 2014, which represented an increase of NOK 197 million from 31 December 2013.

Residential mortgages in Eika Boligkreditt's cover pool have a maximum loan-to-value ratio of 60 per cent of the mortgaged property at origination. The basis for calculating the capital adequacy ratio has increased in line with the growth in total lending, and amounted to NOK 22.7 billion at 31 March. This amount represents a quantification of the company's risk, and its total primary (tier 2) 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 March 2014	31 Dec. 2013	31 Dec. 2012
Risk-weighted assets	22 683	21 445	17 150
Total primary capital (tier 2 capital)	3 274	3 077	2 029
Capital adequacy ratio in per cent	14.4 %	14.3 %	11.8 %

Capital adequacy is calculated in accordance with the standard method specified by Basel II.

The company's capital targets apply from 1 July 2013 and are specified as follows:

- core tier 1 capital ratio: nine per cent (unchanged) (10.6 per cent at 31 March 2014)
- tier 1 capital ratio: 10,5 per cent (12.5 per cent at 31 March 2014)
- tier 2 capital ratio: 12.5 per cent. (14.4 per cent at 31 March 2014)

The new targets satisfy new regulatory requirements which came into force on 1 July 2013, and are adequate in relation to capital requirements based on the company's internal risk assessment. To satisfy higher capital requirements expected in coming years, the company will need to increase both its tier 1 and tier 2 capital. In addition to capital provided by the owner banks, Eika Boligkreditt will seek to use the financial market to meet the new targets, primarily through issuing new tier 1 perpetual bonds and subordinated loans. Based on new legislative requirements, the company's capital targets will need to be increased again with effect from 1 July 2014. On the basis of forthcoming changes in requirements for a systemic risk buffer and the company's assessment of internal risk conditions, the new capital targets from 1 July 2014 will be one percentage point higher than the current targets.

The general meeting resolved on 29 April 2014 to increase the company's equity by NOK 500 million. This will be accomplished by issuing 121 372 743 new shares to the company's shareholders, allocated in accordance with the respective owner bank's share of the company's residential mortgage portfolio at 31 December 2013.

Outlook

The board expects continued stable growth in the residential mortgage portfolio as its owner banks increase their lending and reduce their own funding requirements by transferring residential mortgages.

House prices developed more positively during the spring of 2014 after a weak performance in late 2013. After falling by 3.7 per cent during the final quarter of 2013, they rose by 3.9 per cent in the first three months of 2014[1]. Corrected for seasonal variations, house prices fell by 0.4 per cent during the first quarter and were 0.3 per cent higher than a year before. Developments in the housing market so far offer support for those who have maintained that this sector in Norway will experience a soft landing.

The average margin (commission) of the banks on the company's mortgage portfolio was 0.96 per cent at 31 March 2014. The corresponding figure was 0.75 per cent a year earlier. Increased mortgage margins over the past couple of years are a consequence of the fact that banks and financial institutions need more capital to satisfy the higher capital requirements set by the authorities. The board expects margins to stabilise at the present level, but they could come under pressure at banks which are located in areas where competition is strong or which wish to increase their share of the residential mortgage market.

Although the international financial market, and particularly the eurozone and emerging economies, is likely to remain affected by some turbulence in the time to come, the board believes that interest in Norwegian covered bonds will be good. Norway's good macroeconomic position compared with other European countries, combined with a generally positive economic position for households and companies, means that Norwegian issuers of covered bonds are in demand among domestic and international investors. The company accordingly expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 13 May 2014

The board of directors for Eika Boligkreditt AS

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

[1] Reference: Eiendom Norge

Statement of comprehensive income

Amounts in NOK 1,000	Notes	**1Q 2014**	1Q 2013	2013
INTEREST INCOME				
Interest from loans to customers		**560 077**	451 592	2 006 957
Interest from loans and receivables on credit institutions		**10 554**	8 622	33 999
Interest from bonds, certificates and financial derivatives		**33 862**	43 904	147 952
Other interest income		**4 802**	3 785	16 033
Total interest income		**609 295**	507 903	2 204 941
INTEREST EXPENSES				
Interest on debt securities issued		**388 975**	371 054	1 533 154
Interest on subordinated loan capital		**8 821**	2 810	24 114
Other interest expenses		**5 771**	1 574	10 903
Total interest expenses		**403 567**	375 438	1 568 171
Net interest income		**205 728**	132 465	636 770
Commission costs		**140 446**	91 319	448 527
Net interest income after commissions costs		**65 282**	41 146	188 243
Dividend from shares classified as available for sale		**-**	-	4 769
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE				
Net gains and losses on bonds and certificates	Note 3	**1 899**	(1 034)	(994)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 8	**(56 630)**	2 972	(115 654)
Net gains and losses on financial derivatives	Note 3	**2 469**	2 494	22 606
Net gains and losses on loans at fair value	Note 3	**(2 592)**	(3 600)	(16 937)
Total gains and losses on financial instruments at fair value		**(54 854)**	832	(110 979)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				
Salaries, fees and other personnel expenses		**5 723**	5 130	22 235
Administrative expenses		**2 937**	3 940	14 742
Total salaries and administrative expenses		**8 660**	9 070	36 977
Depreciation		**470**	421	1 730
Other operating expenses		**2 578**	4 200	13 893
Losses on loans and guarantees		**-**	-	-
PROFIT BEFORE TAXES		**(1 280)**	28 287	29 433
Taxes		**(350)**	7 789	8 357
PROFIT FOR THE PERIOD		**(929)**	20 498	21 076
Other comprehensive income that will not be reclassified subsequently to P&L		**-**	-	(1 350)
Taxes on other comprehensive income		**-**	-	365
COMPREHENSIVE INCOME FOR THE PERIOD		**(929)**	20 498	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 March 2014**	31 March 2013	31 Dec. 2013
ASSETS				
Lending to and receivables from credit institutions		**4,036,411**	1,993,249	3,402,638
Lending to customers	Note 4, 9	**58,723,069**	49,970,379	57,691,853
Other financial assets		**617,790**	121,844	94,994
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	**10,385,649**	7,618,415	5,366,627
Financial derivatives	Note 8,9	**3,444,623**	960,501	3,217,425
Shares classified as available for sale	Note 9	**15,000**	15,000	15,000
Total securities		**13,845,272**	8,593,916	8,599,052
Other intangible assets				
Deferred tax assets		**35,395**	5,186	35,045
Fixed intangible assets		**6,130**	4,275	5,177
Total other intangible assets		**41,525**	9,461	40,222
TOTAL ASSETS		**77,264,067**	60,688,849	69,828,760
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 12	**2,312,031**	345,236	2,347,027
Financial derivatives	Note 8,9	**56,829**	727,528	72,092
Debt securities issued	Note 6	**71,182,505**	57,189,135	63,888,693
Other liabilities		**372,587**	323,239	379,245
Pension liabilities		**4,507**	2,709	4,507
Subordinated loan capital	Note 7	**877,339**	179,658	677,998
TOTAL LIABILITIES		**74,805,798**	58,767,505	67,369,562
Called-up and fully paid capital				
Share capital		**592,082**	420,015	592,082
Share premium reserve		**1,368,300**	820,368	1,368,300
Paid-in, non-registered capital increase		-	100,000	-
Other paid-in equity		**477,728**	477,728	477,728
Total called-up and fully paid capital	Note 11	**2,438,110**	1,818,111	2,438,110
Retained earnings				
Other equity		**20,159**	103,234	21,088
Total retained equity	Note 11	**20,159**	103,234	21,088
TOTAL EQUITY		**2,458,269**	1,921,345	2,459,198
TOTAL LIABILITIES AND EQUITY		**77,264,067**	60,688,849	69,828,760

Statement of changes in equity

Amounts in NOK 1,000	Share capital [1]	Share premium reserve [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**

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	1Q 2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	(929)	21 056
Taxes	(350)	
Income taxes paid	(12 247)	(24 495)
Gains on bonds and certificates	-	-
Ordinary depreciation	470	1 730
Non-cash pension costs	-	465
Change in loans to customers	(1 031 216)	(10 606 058)
Change in bonds and certificates	(5 019 022)	703 472
Change in financial derivatives and debt securities issued	78 017	61 353
Interest expenses	403 567	1 568 171
Paid interest	(400 708)	(1 534 814)
interest income	(604 493)	(2 188 908)
received interests	581 694	2 173 016
Changes in other assets	(499 997)	271
Changes in short-term liabilities and accruals	2 731	54 078
Net cash flow relating to operating activities	**(6 502 483)**	**(9 762 306)**
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(1 423)	(2 589)
Net cash flow relating to investing activities	**(1 423)**	**(2 589)**
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	7 871 664	21 124 354
Gross payments of bonds and commercial paper	(898 330)	(12 840 843)
Gross receipts on issue of subordinated loan capital	199 341	498 244
Gross payments of subordinated loan capital	-	(138 847)
Gross receipts from issue of loan from credit institution	-	1 951 995
Gross payments from loan from credit institution	(34 996)	-
Payments of dividend	-	(81 738)
Paid-up new share capital	-	720 000
Net cash flow from financing activities	**7 137 679**	**11 233 165**
Net changes in lending to and receivables from credit institutions	633 773	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	**4 036 411**	**3 402 638**

Notes

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 first 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 2012, management is required to make judgements, 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 March 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.

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Note 3 – Net gains and losses on financial instruments at fair value

Net gains and losses on financial instruments at fair value

Amounts in NOK 1,000	1st quarter 2014	1st quarter 2013	2013
Net gains and losses on loans at fair value	(2 593)	(3 600)	(16 937)
Net gains and losses on bonds and certificates	1 899	(1 076)	(1 036)
Net gains and losses on financial debts, hedged[1]	(320 478)	(47 518)	(3 022 415)
Net gains and losses on interest swaps related to lending	2 469	5 508	25 242
Net gains and losses on interest swaps related to bonds and certificates	-	42	42
Net gains and losses on interest and currency swaps related to liabilities	263 848	50 490	2 906 761
Net gains and losses on interest swaps not related to liabilities	-	(3 014)	(2 636)
Net gains and losses on financial instruments at fair value [2]	**(54 854)**	**832**	**(110 979)**

[1]The company utilizes 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]The negative change in value for financial instruments in the first quarter of 2014 relate almost entirely to negative changes in basis swaps totalling NOK 57.6 million, compared with a negative NOK 118.5 million for the whole of 2013. 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. The accounting effects will thereby reverse over time, so that the unrealised loss at 31 March 2014 will be reversed until 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, which would be unusual given the company's business.

Eika Boligkreditt utilises interest rate and currency swaps in order to convert borrowing in foreign currency 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 March 2014	31 March 2013	31 Dec. 2013
Installment loans - retail market	49 834 167	42 869 623	48 557 318
Installment loans - housing cooperatives	8 860 537	7 056 460	9 103 576
Adjustment fair value lending to customers [1]	28 366	44 296	30 959
Total lending before specific and general provisions for losses	**58 723 069**	**49 970 379**	**57 691 853**
Individual impairments	0	0	0
Unspecified group impairments	0	0	0
Total lending to and receivables from customers	**58 723 069**	**49 970 379**	**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 March 2014.

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

31 March 2014

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	57 496 743	57 496 743
Fixed rate loans	1 197 961	1 226 327
Toal lending	**58 694 703**	**58 723 069**

31 March 2013

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	48 357 280	48 357 280
Fixed rate loans	1 568 803	1 613 098
Toal lending	**49 926 083**	**49 970 379**

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 fair 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 March 2014

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Commercial banks	50 000	50 100	50 128
Corporations owned by municipalities	25 000	25 011	25 047
Municipalities	3 998 367	3 998 564	3 998 199
Credit institutions	4 596 500	4 614 197	4 618 729
Treasury bills	1 700 000	1 693 617	1 693 545
Total bonds and certificates at fair value through profit or loss	**10 369 867**	**10 381 489**	**10 385 649**
Change in value charged to the profit and loss account			**4 160**

Average effective interest rate is 1.87 per cent annualised.

The calculation is based on a weighted fair value.

	31 March 2014
Average term to maturity	**1.0**
Average duration when hedging is taken into account	**0.2**

31 December 2013

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair 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. 2013
Average term to maturity	**1.1**
Average duration when hedging is taken into account	**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 March 2014	31 March 2013	31 Dec. 2013
CH0034269511	225 000	CHF	Fixed	3.14 %	2007	2013	-	1 380 160	-
NO0010502149	5 000 000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	1 214 557	-	860 225
NO0010542244	1 000 000	NOK	Floating	3M Nibor + 0.35 %	2009	2014	-	399 981	21 002
NO0010536089	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	349 763	-	349 699
NO0010561103	2 000 000	NOK	Fixed	5.00 %	2009	2019	2 017 840	1 742 956	2 020 854
NO0010565211	2 000 000	NOK	Fixed	4.40 %	2010	2015	827 852	1 211 829	1 211 093
NO0010572373	5 000 000	NOK	Floating	3M Nibor + 0.53 %	2010	2016	4 607 696	4 996 292	4 997 196
XS0537088899	500 000	EUR	Fixed	2.13 %	2010	2015	4 129 415	3 721 610	4 171 905
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010612179	1 000 000	NOK	Fixed	4.65 %	2011	2018	711 922	714 768	712 624
NO0010612039	2 500 000	NOK	Floating	3M Nibor + 0.55 %	2011	2018	2 502 131	1 950 165	2 502 256
NO0010625429	2 000 000	NOK	Floating	3M Nibor + 0.40 %	2011	2014	905 620	1 393 757	914 451
NO0010625346	1 600 000	NOK	Fixed	4.60 %	2011	2026	1 501 141	1 501 232	1 501 164
NO0010630148	2 500 000	NOK	Floating	3M Nibor + 0.45 %	2011	2014	1 234 770	2 009 169	1 234 685
NO0010631336	1 000 000	NOK	Fixed	3.75 %	2011	2016	850 993	851 439	851 103
XS0736417642	500 000	EUR	Fixed	2.25 %	2012	2017	4 121 077	3 712 947	4 163 486
NO0010648884	2 000 000	NOK	Floating	3M Nibor + 0.42 %	2012	2015	1 097 612	1 199 216	1 097 531
NO0010648892	2 000 000	NOK	Floating	3M Nibor + 0.74 %	2012	2017	1 401 390	1 401 826	1 401 497
XS0794570944	650 000	EUR	Fixed	2.00 %	2012	2019	5 341 004	4 810 641	5 396 187
XS0851683473	1 000 000	EUR	Fixed	1.25 %	2012	2017	8 244 000	7 430 682	8 329 544
NO0010663727	5 500 000	NOK	Floating	3M Nibor + 0.60 %	2012	2019	5 047 310	499 228	4 140 899
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53 %	2012	2018	1 001 495	199 786	1 001 574
NO0010663743	1 000 000	NOK	Fixed	3.25 %	2012	2019	1 009 754	350 000	1 010 178
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	995 776	497 780	995 701
XS0881369770	1 000 000	EUR	Fixed	2.125 %	2013	2023	8 224 989	7 414 420	8 311 211
NO0010685480	3 000 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	2 833 166	-	1 173 554
NO0010685704	1 000 000	NOK	Fixed	3.50 %	2013	2020	553 011	-	300 749
NO0010687023	1 000 000	NOK	Fixed	4.10 %	2013	2028	150 000	-	150 000
NO0010697204	500 000	SEK	Fixed	2.38 %	2013	2018	277 150	-	282 697
NO0010697212	1 500 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	647 809	-	660 811
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	4 098 974	-	-
Value adjustments							1 009 612	346 149	365 276
Total covered bonds [1]							**67 907 828**	**50 736 037**	**61 129 152**

Covered bonds used as collateral in the swap arrangement with the Norwegian government - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 March 2014	31 March 2013	31 Dec. 2013
NO0010502149	5 000 000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	-	1 619 000	-
NO0010513476	5 000 000	NOK	Floating	3M Nibor + 0.65 %	2009	2015	-	1 061 500	-
NO0010536089	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	-	1 586 000	-
Covered bonds used as collateral in the swap arrangement with the Norwegian government [1]							-	**4 266 500**	-
Unrecognised covered bonds issued related to the swap arrangement							-	**(4 266 500)**	-
Total covered bonds [1]							**67 907 828**	**50 736 037**	**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.

Swap arrangement with the Norwegian government - amounts in NOK 1,000

Description	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 March 2014	31 March 2013	31 Dec. 2013
Swap agreement with the Gov	1 487 382	NOK	Floating	6 M Nibor - 0.11 %	2009	2014	-	1 487 382	-
Swap agreement with the Gov	987 036	NOK	Floating	6 M Nibor - 0.11 %	2009	2014	-	987 036	-
Swap agreement with the Gov	1 474 614	NOK	Floating	6 M Nibor + 0.24 %	2009	2013	-	1 474 614	-
Total borrowing from Norwegian government							**-**	**3 949 032**	**-**

At 31 December 2013, all debt related to the swap arrangement had matured or been redeemed early, so that Eika Boligkreditt has no debt outstanding under the swap arrangement with the government.

Senior unsecured bonds - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 March 2014	31 March 2013	31 Dec. 2013
NO0010532906	1 000 000	NOK	Floating	3M Nibor + 0.90 %	2009	2014	289 946	349 771	349 894
NO0010662521	1 000 000	NOK	Floating	3M Nibor + 0.80 %	2012	2014	109 996	199 892	109 982
NO0010672157	500 000	NOK	Floating	3M Nibor + 0.65 %	2013	2014	199 985	199 944	199 975
NO0010673106	250 000	NOK	Floating	3M Nibor + 0.80 %	2013	2015	250 461	49 971	250 581
NO0010685043	500 000	NOK	Floating	3M Nibor + 0.42 %	2013	2014	499 945	-	499 921
NO0010685035	300 000	NOK	Floating	3M Nibor + 0.43 %	2013	2014	299 907	-	299 870
NO0010691991	500 000	NOK	Floating	3M Nibor + 0,69%	2013	2015	199 907	-	199 893
NO0010697733	600 000	NOK	Floating	3M Nibor + 0,90%	2013	2016	600 026	-	299 751
NO0010699234	500 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 717	-	199 702
NO0010637531	200 000	NOK	Floating	3M Nibor + 0.70 %	2012	2013	-	199 960	-
NO0010656804	500 000	NOK	Floating	3M Nibor + 0.50 %	2012	2013	-	400 075	-
NO0010705593	300 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	299 799	-	-
Total senior unsecured bonds							**2 649 889**	**1 399 613**	**2 409 569**

Senior unsecured certificates - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 March 2014	31 March 2013	31 Dec. 2013
NO0010682123	200 000	NOK	Fixed	2.13 %	2013	2014	199 994	-	199 984
NO0010690704	150 000	NOK	Floating	3M Nibor + 0.32 %	2013	2014	124 994	-	149 989
NO0010649031	100 000	NOK	Fixed	3.06 %	2012	2013	-	99 997	-
NO0010656549	200 000	NOK	Floating	3M Nibor + 0.40 %	2012	2013	-	149 972	-
NO0010659980	250 000	NOK	Fixed	2.50 %	2012	2013	-	249 943	-
NO0010661697	150 000	NOK	Fixed	2.49 %	2012	2013	-	149 992	-
Total senior unsecured certificates							**324 988**	**649 905**	**349 973**
Total debt securities issued							**71 182 505**	**57 189 135**	**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 March 2014	31 March 2013	31 Dec. 2013
NO0010679640	250 000	NOK	Floating	3M Nibor + 4,20 % [1]	2013	Perpetual	248 757	-	248 683
NO0010701220	250 000	NOK	Floating	3M Nibor + 3,5 % [2]	2014	Perpetual	199 212	-	
Total tier 1 perpetual bonds							**447 969**	**-**	**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 March 2014	31 March 2013	31 Dec. 2013
NO0010592991	180 000	NOK	Floating	3M Nibor + 2,40 % [1]	2010	2020	179 784	179 658	179 753
NO0010679632	250 000	NOK	Floating	3M Nibor + 2,20 % [2]	2013	2023	249 586	-	249 561
Total subordinated loans							**429 370**	**179 658**	**429 314**

[1] Subordinated loan of NOK 180 million with maturity date 15 December 2020, with redemption right (call) 15 December 2015. If the redemption right is unexercised, interest terms are 3M Nibor + 3,15%. This issue has a regulatory call allowing the issuer to call the bond at par + accrued interest should regulatiory changes mean that the issuer is prohibited from including the capital in its tier 2 capital calculation.

[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	**877 339**	**179 658**	**677 998**

Note 8 – Coverpool

	Fair Value		
Amounts in NOK 1,000	31 March 2014	31 March 2013	31 Dec. 2012
Lending to customers	58 723 069	49 970 379	57 691 853
Substitute assets and derivatives:			
Financial derivatives (net)	3 387 794	233 351	3 145 333
Substitute assets [1]	12 608 341	9 264 367	6 420 907
Total	**74 719 205**	**59 468 097**	**67 258 093**
The cover pool's overcollateralisation	109.97 %	107.04 %	109.99 %

Issued Covered Bonds

	31 March 2014	31 March 2013	31 Dec. 2012
Covered Bonds	67 907 828	51 190 586	61 129 152
Swap arrangment with the Norwegian government	-	4 266 500	-
Premium/Discount	37 438	101 611	21 137
Total Covered Bonds	**67 945 266**	**55 558 697**	**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 March 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]	42 550 563	3 444 623	37 178 063	3 217 196
Total financial derivative assets	**42 550 563**	**3 444 623**	**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]	1 244 300	47 696	1 520 425	50 394
Interest rate and currency swap [2]	383 000	9 133	1 500 000	21 698
Total financial derivative liabilities	**1 627 300**	**56 829**	**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.

Amounts in NOK 1,000	31 March 2014 Nominal amount	31 March 2014 Value recognised in balance sheet	31 Dec. 2013 Nominal amount	31 Dec. 2013 Value recognised in balance sheet
Hedging instruments: Interest rate and currency swaps [1,2]	42 167 563	3 435 490	38 678 063	3 195 498
Hedged items: Financial commitments incl foreign exchange [2]	42 167 563	(3 628 704)	38 678 063	(3 308 226)
Net value recognised in Balance Sheet	-	**(193 214)**	-	**(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	1st quarter 2014	1st quarter 2013	2013
Hedging instruments	263 848	50 490	2 906 761
Hedged items	(320 478)	(47 518)	(3 022 415)
Net gains/losses (inefffectiveness)	**(56 630)**	**2 972**	**(115 654)**

[3]The negative change in value for financial instruments in the first quarter of 2014 relate almost entirely to negative changes in basis swaps totalling NOK 57.6 million See note 3 for more information.

Note 10 – Fair value hierarchy

Eika Boligkreditt AS measures financial instruments at fair value and classify 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 unobservable 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.

31 March 2014

Amounts in NOK 1,000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1 226 327
Bonds and certificates at fair value through profit or loss	1 693 545	8 692 104	-
Financial derivatives	-	3 444 623	-
Shares classified as available for sale	-	-	15 000
Total financial assets	**1 693 545**	**12 136 727**	**1 241 327**
Financial liabilities			
Financial derivatives	-	56 830	-
Total financial liabilities	**-**	**56 830**	**-**

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	**1 march 2014**
Lending to customers (fixed rate loans)	1 226 327	(53 644)	79 570	-	(25 926)	-	1 226 327
Shares available for sale	15 000	-	-	-	-	-	15 000
Total	**1 241 327**	**(53 644)**	**79 570**	**-**	**(25 926)**	**-**	**1 241 327**

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. 2013**
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 March 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 32.6 million. The effect of a decrease in interest rates would be an increase of NOK 32.6 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 March 2014 and cumulatively.

Note 11 – Capital adequacy ratio

Amounts in NOK 1,000	31 March 2014	31 March 2013	31 Dec. 2013
Share capital	592 082	420 015	592 082
Share premium reserve	1 368 300	820 368	1 368 300
Paid, but not registered, share capital	-	100 000	-
Other paid-in equity	477 728	477 728	477 728
Total comprehensive income for the period	(929)	-	-
Other equity	997	997	997
Total equity recognised in the balance sheet	**2 438 178**	**1 819 108**	**2 439 107**
Intangible assets	(6 130)	(4 275)	(5 177)
Deferred tax assets	(35 395)	(5 186)	(35 045)
Total core tier 1 capital	**2 396 653**	**1 809 647**	**2 398 885**

Core capital adequacy ratio (core tier 1 capital)	31 March 2014	31 March 2013	31 Dec. 2013
Weighted calculation basis	22 682 538	18 415 000	21 444 688
Core tier 1 capital	2 396 653	1 809 647	2 398 885
Core tier 1 capital ratio	**10.6 %**	**9.8 %**	**11.2 %**
			-
Total core tier 1 capital	2 396 653	1 809 647	2 398 885
Tier 1 perpetual bonds	447 969	-	248 683
Total tier 1 capital	**2 844 622**	**1 809 647**	**2 647 568**

Capital adequacy ratio (tier 1 capital)	31 March 2014	31 March 2013	31 Dec. 2013
Weighted calculation basis	22 682 538	18 415 000	21 444 688
Tier 1 capital	2 844 622	1 809 647	2 647 568
Tier 1 capital ratio	**12.5 %**	**9.8 %**	**12.3 %**
Total tier 1 capital	2 844 622	1 809 647	2 647 568
Subordinated loan capital	429 370	179 658	429 314
Total primary capital (tier 2 capital)	**3 273 992**	**1 989 305**	**3 076 882**

Capital adequacy ratio (tier 2 capital)	31 March 2014	31 March 2013	31 Dec. 2013
Weighted calculation basis	22 682 538	18 415 000	21 444 688
Total primary capital (tier 2 capital)	3 273 992	1 989 305	3 076 882
Capital adequacy ratio	**14.4 %**	**10.8 %**	**14.3 %**
Required capital corresponding to eight per cent of calculation basis	1 814 603	1 473 200	
Surplus equity and subordinated capital	1 459 389	516 105	

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

31 March 2014

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	22 435 038	1 794 803
Operational risk	247 500	19 800
Total	**22 682 538**	**1 814 603**

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

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 capitalize continued strong growth in the residential mortgage portfolio. Its internal capital targets are nine per cent core tier 1 capital, 10.5 per cent tier 1 capital and 12.5 per cent tier 2 capital. These targets satisfy proposed regulatory requirements which came into force on 1 July 2013, and will be adequate in relation to capital requirements based on the company's internal risk assessment. To satisfy new capital requirements, the company will need to increase both its tier 1 and tier 2 capital. Based on new legislative requirements, the company's capital targets will need to be increased again with effect from 1 July 2014. On the basis of forthcoming changes in capital requirements, the company will make a new assessment of capital targets as part of next year's ICAAP.

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 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 in 2013. 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. During the first quarter of 2014, Eika Boligkreditt received cash collateral of NOK 2.3 billion posted by counterparties to derivative contracts.

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

Unaudited

Amounts in NOK 1,000	31 March 2014	31 March 2013	31 Dec. 2013
Balance sheet development			
Lending to customers	58 723 069	49 970 379	57 691 853
Debt securities issued	71 182 505	57 189 135	63 888 693
Subordinated loan capital	877 339	179 658	677 998
Equity	2 458 269	1 921 345	2 459 198
Equity in % of total assets	3.18	3.17	3.52
Average total assets	73 546 414	58 426 980	63 765 113
Total assets	77 264 067	60 688 849	69 828 760
Rate of return / profitability			
Combined average spread for lending and deposits, annualised (%) [1]	1.12	0.91	1.00
Fee and commission income in relation to average total assets, annualised (%)	0.76	0.63	0.70
Other operating expences in relation to average total assets, annualised (%)	0.01	0.03	0.02
Staff and general administration expenses in relation to average total assets, annualised (%)	0.05	0.06	0.06
Cost/income ratio (%) [2]	5.69	10.34	8.26
Return on total capital, annualised (%) [3]	(0.01)	0.14	0.03
Return on equity, after taxes annualised (%) [4]	(0.15)	4.53	1.05
Return on equity, before taxes annualised (%) [5]	(0.21)	6.25	1.47
Total assets per full-time position	4 109 791	3 841 066	3 695 159
Financial strength			
Core tier 1 capital	2 396 653	1 809 647	2 398 885
Tier 1 capital	2 844 622	1 809 647	2 647 568
Total primary capital (Tier 2 capital)	3 273 992	1 989 305	3 076 882
Calculation basis capital adequacy ratio	22 682 538	18 415 000	21 444 688
Core tier 1 capital ratio (%)	10.6	9.8	11.2
Tier 1 capital ratio (%)	12.5	9.8	12.3
Capital adequacy ratio % (Tier 2 capital)	14.4	10.8	14.3
Defaults in % of gross loans	0.00	0.00	0.00
Loss in % of gross loans	0.00	0.00	0.00
Staff			
Number of full-time positions at end of period	18.8	15.8	18.8

Overview of liquidity indicators and prognosis

	Actual		Prognosis		
As of	**31 Mar. 2014**	**30 Jun. 2014**	**30 Sep. 2014**	**31 Dec. 2014**	**31 Mar. 2015**
Liquidity Indicator I [6]	112 %	109 %	102 %	103 %	111 %
Liquidity Indicator II [7]	121 %	118 %	115 %	113 %	119 %
Average of indicators	**117 %**	**114 %**	**109 %**	**108 %**	**115 %**

[1] Net interest income in % of average total assets.
[2] Total operating expences in % of net interest income.
[3] Net profit/loss for the year in % of average total assets.
[4] Net profit/loss for the year in % of average equity (return on equity).
[5] Profit/loss before takes for the year in % of average equity (return on equity).

[6] Liquidity Indicator I $\frac{\text{Funding with remaining time to maturity exceeding 12 months}}{\text{Illiquid assets}}$

[7] Liquidity Indicator II $\frac{\text{Funding with remaining time to maturity exceeding 1 month}}{\text{Illiquid assets}}$

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