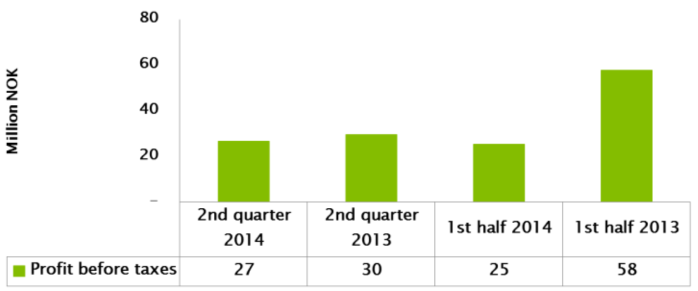
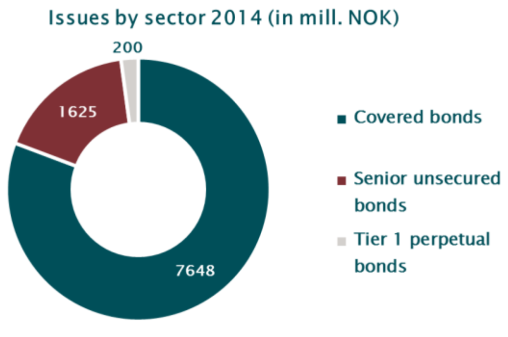
Eika Boligkreditt AS

Interim report for second quarter and first half 2014

Unaudited

Highlights





Second quarter 2014

- Pre-tax profit NOK 27 million (2013: NOK 30 million)
- Pre-tax profit NOK 28 million excluding the negative value changes related to changes in basis swaps
- Lending up by 2.6 per cent quarter on quarter
- Commissions to owner banks of NOK 154 million (2013: NOK 108 million)
- NOK 1.4 billion in bond issues

First half 2014

- Pre-tax profit NOK 25,5 million (2013: NOK 58 million)
- Pre-tax profit NOK 84 million excluding the negative value changes related to changes in basis swaps
- Lending up by 8.9 per cent in first half (annual rate)
- Commissions to owner banks of NOK 298 million (2013: NOK 203 million)
- NOK 9.5 billion in bond issues

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

INTERIM REPORT FOR THE SECOND QUARTER AND FIRST HALF 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. The object of the company's business is to reduce risk for the owner banks. At 30 June 2014, the owner banks had transferred a total of NOK 60.2 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 second quarter and first half 2014

Pre-tax profit

Eika Boligkreditt showed a pre-tax profit of NOK 27 million for the second quarter, compared with NOK 30 million in the same period of 2013. Excluding the negative value changes related to basis swaps, the pre-tax profit for the second quarter was NOK 28 million. The second-quarter profit includes positive changes in the value of financial instruments of NOK 0.7 million, as against a negative NOK 3.2 million for the same period of 2013.

The company showed a pre-tax profit of NOK 25.5 million for the first half, compared with NOK 58 million in the same period of 2013. Excluding the negative value changes related to basis swaps, the pre-tax profit for the first half was NOK 84.3 million. In addition to the negative value changes on basis swaps, value changes to financial instruments included NOK 1.2 million in net gain on lending at fair value, a loss of NOK 4.3 million of fair value hedging on debt securities issued, and a net gain of NOK 7.7 million on bonds and certificates. The first-half profit accordingly includes negative changes of NOK 54.2 million in the value of financial instruments, as against a negative NOK 2.4 million for the same period of 2013.

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 towards maturity. 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.

Income

Eika Boligkreditt's total income amounted to NOK 630 million in the second quarter, compared with NOK 541 million in the same period of 2013. Its net interest income was NOK 186 million, compared with NOK 145 million for the second quarter of 2013.

The company's total income amounted to NOK 1 239 million in the first half, compared with NOK 1 049 million in the same period of 2013. Its net interest income was NOK 392 million, compared with NOK 277 million for the first half of 2013.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 154 million in the second quarter, compared with NOK 108 million for the same period of 2013.

For the first half, distributor commissions, including arrangement commissions, paid to the owner banks came to NOK 298 million, compared with NOK 203 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 79 billion at 30 June, up by NOK 9.1 billion or 13 per cent from 1 January 2014.

Lending

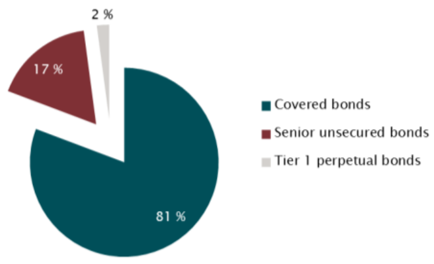
Eika Boligkreditt's residential mortgage portfolio at 30 June totalled NOK 60.2 billion, which represented a net increase of NOK 2.6 billion or 4.4 per cent from 1 January 2014. This rise reflected a general growth in lending by the owner banks, combined with the fact that the owner banks transfer current residential mortgages from their own balance sheets to Eika Boligkreditt.

Borrowing

Eika Boligkreditt had a total issue volume of NOK 9.5 billion in the first half, which included NOK 7.7 billion as covered bonds, NOK 1.6 billion as senior unsecured bonds and NOK 200 million in tier 1 perpetual bonds.

Issues by currency (in NOK million), 2014

Issues by sector (in %), 2014



Of the company's total issue volume of NOK 9.5 billion, 44 per cent was issued in euros and 56 per cent in Norwegian kroner. Covered bond issues accounted for 81 per cent of the issue volume.

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

Issues (amounts in NOK million)	30 June 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)	3 525	10 508	5 713	11 830
Senior unsecured bonds (issued in NOK)	1 625	2 300	1 900	340
Subordinated loans (issued in NOK)	–	250	–	–
Tier 1 perpetual bonds (issued in NOK)	200	250	–	–
Totalt issued	**9 473**	**21 642**	**23 300**	**12 170**

The average tenor for new financing in 2014 is 6.1 years, while the average tenor for the company's whole borrowing portfolio was 4.6 years at 30 June 2014 – down by 0.2 years from 1 January 2014.

The company's total borrowing (liabilities established by issuing securities) at 30 June 2014 was NOK 73,5 billion, up by NOK 8.9 billion from 1 January 2014.

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

Carrying value in NOK million	30 June 2014	30 June 2013	31 Dec. 2013
Covered Bonds	69 189	56 710	61 129
Swap arrangement with the Norwegian govt.	-	2 474	-
Senior unsecured bonds	3 265	1 400	2 410
Senior unsecured certificates	125	750	350
Subordinated loans	429	429	429
Tier 1 perpetual bonds	448	249	249
Total borrowing	73 456	62 012	64 567

Liquidity

With the high level of activity in issuing covered bonds during the first quarter and a somewhat lower level of lending activity than expected in the first half, the company has maintained a high level of liquidity in 2014. At 30 June 2014, the company had a total liquidity portfolio of NOK 13.8 billion, including repurchase agreements (reversed repo) and cash collateral of NOK 2.1 billion received from counterparties to derivative contracts. Cash collateral is held in bank deposits. In addition to cash collateral, the company has received bonds worth NOK 1.3 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.

Risk management and capital adequacy

Eika Boligkreditt increased its total primary (tier 2) capital during the second quarter through a NOK 500 million share issue placed with existing shareholders. The company had a total primary capital of NOK 3 776 million at 30 June 2014, which represented an increase of NOK 500 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 23.2 billion at 30 June 2014. This amount represents a quantification of the company's risk, and its total 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	30 June 2014	31 Dec. 2013	30 June 2013	31 Dec. 2012
Risk-weighted assets	23 182	21 445	19 917	17 150
Total primary capital (tier 2 capital)	3 776	3 077	2 658	2 029
Capital adequacy ratio in per cent	16,3 %	14,3 %	13,3 %	11,8 %

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

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 (12.5 per cent at 30 June 2014)
- tier 1 capital ratio: 11.5 per cent (14.4 per cent at 30 June 2014)
- tier 2 capital ratio: 13.5 per cent. (16.3 per cent at 30 June 2014)

The new 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. 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.

Outlook

The board expects growth in the residential mortgage portfolio during 2014 and in subsequent years to be somewhat lower than the company has experienced in recent years. Lending growth in the company is declining more rapidly than expected towards the average growth in debt for Norwegian households. Statistics Norway's credit indicator showed a 12-monthly increase in household debt of 6.8 per cent in May 2014. Eika Boligkreditt's estimate for lending growth in the second half of 2014 has been revised downwards by NOK 2.1 billion to NOK 2.5 billion. Combined with the rise in lending during the first half, this gives an overall estimate of NOK 5.1 billion in 2014, corresponding to an annual growth rate of nine per cent. The estimate for the annual growth in lending for 2014 at 1 January was 16 per cent.

House prices developed positively in the first half 2014 after a weak performance in late 2013. They rose by 5.8 per cent during the first half after falling by 3.7 per cent in the fourth quarter of 2013[1], and are 1.1 per cent higher than a year earlier. Developments in the housing market during the first half provide support for those who expected that this sector would experience a soft landing after many years of high price rises.

The average margin (commission) of the banks on the company's mortgage portfolio was 0.93 per cent at 30 June 2014, compared with 0.90 per cent a year earlier and 0.97 per cent at 1 January 2014. It has declined from an all-time high of 1.05 per cent in April, but remains higher than the 2013 and 2012 averages of 0.87 and 0.54 per cent respectively. 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. The board expects margins to stabilise at the present level, but that 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.

[1] Source: Eiendom Norge

Although the international financial market, and particularly the eurozone and emerging economies, is likely to remain affected by some uncertainty 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, 14 August 2014
The board of directors of Eika Boligkreditt AS

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

DECLARATION PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

We hereby confirm that, to the best of our knowledge, the company's interim financial statements for the period from 1 January to 30 June 2014 have been prepared in accordance with applicable accounting standards, and that the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the business.

To the best of our knowledge, the directors' half-year report provides a true and fair overview of important events in the accounting period and their influence on the financial statements, and a description of the most important risk factors and uncertainties facing the business in the next accounting period

Oslo, 14 August 2014

The board of directors of Eika Boligkreditt AS

Martin Mæland
Chair

Odd Inge Løfald

Bjørn Riise

Tor Egil Lie

Terje Svendsen

Kjartan M. Bremnes
CEO

Statement of comprehensive income

Amounts in NOK 1,000	Notes	2Q 2014	2Q 2013	1st half 2012	1 st half 2013	2013
INTEREST INCOME						
Interest from loans to customers		567 069	489 216	1 127 146	940 807	2 006 957
Interest from loans and receivables on credit institutions		11 062	8 216	21 617	16 838	33 999
Interest from bonds, certificates and financial derivatives		47 165	39 859	81 026	83 763	147 952
Other interest income		4 548	3 992	9 350	7 778	16 033
Total interest income		629 844	541 283	1 239 138	1 049 186	2 204 941
INTEREST EXPENSES						
Interest on debt securities issued		427 507	390 000	816 482	761 053	1 533 154
Interest on subordinated loan capital		10 947	4 674	19 768	7 484	24 114
Other interest expenses		5 156	1 848	10 927	3 423	10 903
Total interest expenses		443 611	396 522	847 178	771 960	1 568 171
Net interest income		186 233	144 761	391 961	277 226	636 770
Commission costs		150 591	103 474	291 037	194 793	448 527
Net interest income after commissions costs		35 642	41 287	100 924	82 433	188 243
Dividend from shares classified as available for sale		4 769	4 769	4 769	4 769	4 769
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses on bonds and certificates	Note 3	5 779	1 486	7 678	452	(994)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	(6 403)	(6 460)	(63 032)	(3 488)	(115 654)
Net gains and losses on financial derivatives	Note 3	(3 314)	9 767	(845)	12 261	22 606
Net gains and losses on loans at fair value	Note 3	4 623	(8 002)	2 030	(11 603)	(16 937)
Total gains and losses on financial instruments at fair value		684	(3 209)	(54 170)	(2 378)	(110 979)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES						
Salaries, fees and other personnel expenses		5 881	5 173	11 604	10 302	22 235
Administrative expenses		4 302	4 556	7 239	8 496	14 742
Total salaries and administrative expenses		10 183	9 729	18 843	18 798	36 977
Depreciation		502	420	971	841	1 730
Other operating expenses		3 682	2 982	6 260	7 182	13 893
Losses on loans and guarantees		-	-	-	-	-
PROFIT BEFORE TAXES		26 729	29 716	25 450	58 003	29 433
Taxes		5 722	6 878	5 372	14 667	8 357
PROFIT FOR THE PERIOD		21 007	22 838	20 078	43 336	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		21 007	22 838	20 078	43 336	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	30 June 2014	30 June 2013	31 Dec. 2013
ASSETS				
Lending to and receivables from credit institutions		**3 932 609**	2 232 966	3 402 638
Lending to customers	Note 4, 9	**60 247 974**	52 855 543	57 691 853
Other financial assets		**641 369**	636 259	94 994
Securities		-	-	
Bonds and certificates at fair value through profit or loss	Note 5,9	**9 393 336**	8 234 633	5 366 627
Financial derivatives	Note 8,9	**4 699 466**	1 518 459	3 217 425
Shares classified as available for sale	Note 10	**15 000**	15 000	15 000
Total securities		**14 107 801**	9 768 092	8 599 052
Other intangible assets				
Deferred tax assets		**35 045**	5 186	35 045
Fixed intangible assets		**6 034**	4 057	5 177
Total other intangible assets		**41 079**	9 243	40 222
Tangible fixed assets				
Operating equipment		-	22	-
Tangible fixed assets		-	22	-
TOTAL ASSETS		**78 970 833**	65 502 126	69 828 760
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 12	**2 110 811**	1 030 958	2 347 027
Financial derivatives	Note 8,9	**57 141**	85 890	72 092
Debt securities issued	Note 6	**72 578 897**	61 334 008	63 888 693
Other liabilities		**382 779**	338 385	379 245
Pension liabilities		**4 507**	2 709	4 507
Subordinated loan capital	Note 7	**877 510**	677 733	677 998
TOTAL LIABILITIES		**76 011 646**	63 469 683	67 369 562
Called-up and fully paid capital				
Share capital		**713 455**	443 333	592 082
Share premium		**1 746 928**	897 050	1 368 300
Paid-in, non-registered capital increase		-	170 000	-
Non-registered reduction of share premium reserve		-	-	-
Other paid-in equity		**477 728**	477 728	477 728
Total called-up and fully paid capital	Note 11	**2 938 111**	1 988 111	2 438 110
Retained earnings				
Other equity		**21 077**	44 333	21 088
Total retained equity	Note 11	**21 077**	44 333	21 088
TOTAL EQUITY		**2 959 187**	2 032 444	2 459 198
TOTAL LIABILITIES AND EQUITY		**78 970 833**	65 502 126	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**

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	2Q 2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	20 078	21 056
Taxes	5 372	8 357
Income taxes paid	(37 175)	(24 495)
Gains on bonds and certificates	-	-
Ordinary depreciation	971	1 730
Non-cash pension costs	-	465
Change in lending to customers	(2 556 121)	(10 606 058)
Change in bonds and certificates	(4 026 709)	703 472
Change in financial derivatives and debt securities issued	86 367	61 353
Interest expenses	847 178	1 568 171
Paid interest	(826 403)	(1 534 814)
interest income	(1 229 789)	(2 188 908)
received interests	1 200 884	2 173 016
Changes in other financial assets	(517 470)	271
Changes in short-term liabilities and accruals	14 564	54 078
Net cash flow relating to operating activities	**(7 018 253)**	**(9 762 306)**
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(1 829)	(2 589)
Net cash flow relating to investing activities	**(1 829)**	**(2 589)**
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	9 293 149	21 124 354
Gross payments of bonds and commercial paper	(2 186 304)	(12 840 843)
Gross receipts on issue of subordinated loan capital	199 512	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	-236 216	-
Payments of dividend	(20 089)	(81 738)
Paid-up new share capital	500 000	720 000
Net cash flow from financing activities	**7 550 052**	**11 233 165**
Net changes in lending to and receivables from credit institutions	529 971	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	**3 932 609**	**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 second 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 30 June 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 gains and losses on financial instruments at fair value

Net gains and losses on financial instruments at fair value Amounts in NOK 1,000	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	2013
Net gains and losses on loans at fair value	4 623	(8 003)	2 030	(11 603)	(16 937)
Net gains and losses on bonds and certificates	5 779	1 486	7 678	410	(1 036)
Net gains and losses on financial debts, hedged[1]	(1 262 881)	(1 183 463)	(1 583 359)	(1 230 981)	(3 022 415)
Net gains and losses on interest swaps related to lending	(3 314)	9 363	(845)	14 871	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	1 256 478	1 177 003	1 520 327	1 227 493	2 906 761
Net gains and losses on interest swaps not related to liabilities	-	404	-	(2 609)	(2 636)
Net gains and losses on financial instruments at fair value [2]	**684**	**(3 209)**	**(54 170)**	**(2 378)**	**(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] Negative changes in the value of financial instruments during the second quarter of 2014 relate to negative changes in basis swaps which totalled NOK 1.2 million and NOK 58.8 million for the second quarter and first half of 2014 respectively, compared with a negative change of 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 30 June 2013 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 currencies to Norwegian kroner. A typical example is when a loan raised in euros is converted to Norwegian kroner through an interest-rate and currency swap which includes a basis swap. In this case, Eika Boligkreditt would pay a Norwegian interest rate with a margin of three months Nibor in the swap and receive a euro interest rate in the swap which corresponds to the coupon it pays on the loan in euros. Derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting.

Note 4 – Lending to customers

Amounts in NOK 1,000	30 June 2014	30 June 2013	31 Dec. 2013
Installment loans - retail market	51 185 408	45 271 570	48 557 318
Installment loans - housing cooperatives	9 029 577	7 547 680	9 103 576
Adjustment fair value lending to customers [1]	32 989	36 293	30 959
Total lending before specific and general provisions for losses	**60 247 974**	**52 855 543**	**57 691 853**
Individual impairments	0	0	0
Unspecified group impairments	0	0	0
Total lending to and receivables from customers	**60 247 974**	**52 855 543**	**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 30 September 2013.

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

30 June 2014

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	59 091 776	59 091 776
Fixed rate loans	1 123 210	1 156 199
Toal lending	**60 214 986**	**60 247 974**

30 June 2013

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	51 351 604	51 351 604
Fixed rate loans	1 467 647	1 503 940
Toal lending	**52 819 250**	**52 855 543**

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

30 June 2014

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Commercial banks	-	-	-
Corporations owned by municipalities	25 000	25 007	25 050
Municipalities	3 937 167	3 937 499	3 937 446
Credit institutions	4 901 000	4 923 052	4 932 111
Treasury bills	500 000	498 588	498 729
Total bonds and certificates at fair value through profit or loss	**9 363 167**	**9 384 146**	**9 393 336**
Change in value charged to the profit and loss account			**9 190**

Average effective interest rate is 1.87 per cent annualised. The calculation is based on a weighted fair value.

30 June 2013

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Market value
Commercial banks	50 000	50 489	50 581
Corporations owned by municipalities	25 000	25 023	25 076
Municipalities	3 167 779	3 167 912	3 168 717
Credit institutions	3 680 000	3 695 617	3 699 423
Treasury bills	1 295 000	1 290 495	1 290 835
Total bonds and certificates at fair value through profit or loss	**8 217 779**	**8 229 536**	**8 234 633**
Change in value charged to the profit and loss account			**5 097**

Average effective interest rate is 1.82 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	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.

	30 June 2014	30 June 2013	31 Dec. 2013
Average term to maturity	**1,1**	**1,0**	**1,1**
Average duration when hedging is taken into account	**0,2**	**0,2**	**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	30 June 2014	30 June 2013	31 Dec. 2013
CH0034269511	225 000	CHF	Fixed	3,14 %	2007	2013	-	1 447 569	-
NO0010502149	5 000 000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	1 213 825	354 796	860 225
NO0010542244	1 000 000	NOK	Floating	3M Nibor + 0.35 %	2009	2014	-	250 069	21 002
NO0010536089	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	314 822	454 608	349 699
NO0010561103	2 000 000	NOK	Fixed	5,00 %	2009	2019	2 014 793	1 740 804	2 020 854
NO0010565211	2 000 000	NOK	Fixed	4,40 %	2010	2015	827 608	1 211 586	1 211 093
NO0010572373	5 000 000	NOK	Floating	3M Nibor + 0.53 %	2010	2016	4 607 971	4 996 591	4 997 196
XS0537088899	500 000	EUR	Fixed	2,13 %	2010	2015	4 192 888	3 945 466	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	711 212	714 058	712 624
NO0010612039	3 500 000	NOK	Floating	3M Nibor + 0.55 %	2011	2018	2 502 004	2 502 513	2 502 256
NO0010625429	2 000 000	NOK	Floating	3M Nibor + 0.40 %	2011	2014	905 789	1 268 995	914 451
NO0010625346	1 600 000	NOK	Fixed	4,60 %	2011	2026	1 501 118	1 501 210	1 501 164
NO0010630148	2 500 000	NOK	Floating	3M Nibor + 0.45 %	2011	2014	1 035 144	1 679 386	1 234 685
NO0010631336	1 000 000	NOK	Fixed	3,75 %	2011	2016	850 882	851 328	851 103
XS0736417642	500 000	EUR	Fixed	2,25 %	2012	2017	4 184 631	3 936 884	4 163 486
NO0010648884	2 000 000	NOK	Floating	3M Nibor + 0.42 %	2012	2015	972 729	1 199 306	1 097 531
NO0010648892	2 000 000	NOK	Floating	3M Nibor + 0.74 %	2012	2017	1 401 281	1 401 717	1 401 497
XS0794570944	650 000	EUR	Fixed	2,00 %	2012	2019	5 423 573	5 101 707	5 396 187
XS0851683473	1 000 000	EUR	Fixed	1,25 %	2012	2017	8 370 375	7 877 822	8 329 544
NO0010663727	5 500 000	NOK	Floating	3M Nibor + 0.60 %	2012	2019	5 249 263	3 064 429	4 140 899
NO0010664428	1 000 000	NOK	Floating	3M Nibor + 0.53 %	2012	2018	1 001 415	1 001 735	1 001 574
NO0010663743	1 000 000	NOK	Fixed	3,25 %	2012	2019	1 009 326	1 011 044	1 010 178
NO0010669922	1 000 000	NOK	Fixed	4,00 %	2013	2028	995 852	497 818	995 701
XS0881369770	1 000 000	EUR	Fixed	2,125 %	2013	2023	8 350 678	7 860 874	8 311 211
NO0010685480	5 000 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	3 004 796	-	1 173 554
NO0010685704	1 000 000	NOK	Fixed	3,50 %	2013	2020	552 899	-	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	274 506	-	282 697
NO0010697212	1 500 000	SEK	Floating	3M Stibor + 0.50%	2013	2018	641 579	-	660 811
XS1044766191	500 000	EUR	Fixed	1,50 %	2014	2021	4 162 491	-	-
Value adjustments							1 765 493	(162 333)	365 276
Total covered bonds [1]							**69 188 944**	**56 709 983**	**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	30 June 2014	30 June 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	-
Covered bonds used as collateral in the swap arrangement with the Norwegian government [1]							-	**2 680 500**	-
Unrecognised covered bonds issued related to the swap arrangement							-	**(2 680 500)**	-
Total covered bonds [1]							**69 188 944**	**56 709 983**	**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	30 June 2014	30 June 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	-
Total borrowing from Norwegian government							-	2 474 418	-

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	30 June 2014	30 June 2013	31 Dec. 2013
NO0010532906	1 000 000	NOK	Floating	3M Nibor + 0.90 %	2009	2014	289 980	349 811	349 894
NO0010662521	1 000 000	NOK	Floating	3M Nibor + 0.80 %	2012	2014	-	199 917	109 982
NO0010672157	500 000	NOK	Floating	3M Nibor + 0.65 %	2013	2014	-	199 954	199 975
NO0010673106	250 000	NOK	Floating	3M Nibor + 0.80 %	2013	2015	250 340	49 975	250 581
NO0010685043	500 000	NOK	Floating	3M Nibor + 0.42 %	2013	2014	99 994	-	499 921
NO0010685035	300 000	NOK	Floating	3M Nibor + 0.43 %	2013	2014	299 944	-	299 870
NO0010691991	500 000	NOK	Floating	3M Nibor + 0,69%	2013	2015	199 922	-	199 893
NO0010697733	600 000	NOK	Floating	3M Nibor + 0,90%	2013	2016	600 023	-	299 751
NO0010699234	500 000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199 732	-	199 702
NO0010637531	200 000	NOK	Floating	3M Nibor + 0.70 %	2012	2013	-	199 985	-
NO0010656804	500 000	NOK	Floating	3M Nibor + 0.50 %	2012	2013	-	400 039	-
NO0010705593	600 000	NOK	Floating	3M Nibor + 0.65 %	2014	2017	500 607	-	-
NO0010708936	500 000	NOK	Floating	3M Nibor + 0.82%	2014	2019	224 763	-	-
NO0010711716	600 000	NOK	Floating	3M Nibor + 0.82%	2014	2016	399 849	-	-
NO0010713753	500 000	NOK	Floating	3M Nibor + 0.72%	2014	2019	199 801	-	-
Total senior unsecured bonds							3 264 956	1 399 681	2 409 569

Senior unsecured certificates - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 June 2014	30 June 2013	31 Dec. 2013
NO0010682123	200 000	NOK	Fixed	2,13 %	2013	2014	-	199 964	199 984
NO0010690704	150 000	NOK	Floating	3M Nibor + 0.32 %	2013	2014	124 997	-	149 989
NO0010656549	200 000	NOK	Floating	3M Nibor + 0.40 %	2012	2013	-	149 991	-
NO0010659980	250 000	NOK	Fixed	2,50 %	2012	2013	-	249 975	-
NO0010661697	150 000	NOK	Fixed	2,49 %	2012	2013	-	149 996	-
Total senior unsecured certificates							124 997	749 926	349 973
Total debt securities issued							72 578 897	61 334 008	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	30 June 2014	30 June 2013	31 Dec. 2013
NO0010679640	250 000	NOK	Floating	3M Nibor + 4,20 % [1]	2013	Perpetual	248 832	248 532	248 683
NO0010701220	250 000	NOK	Floating	3M Nibor + 3,50 % [2]	2014	Perpetual	199 252	-	
Total tier 1 perpetual bonds							**448 084**	**248 532,04**	**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	30 June 2014	30 June 2013	31 Dec. 2013
NO0010592991	180 000	NOK	Floating	3M Nibor + 2,40 % [1]	2010	2020	179 816	179 690	179 753
NO0010679632	250 000	NOK	Floating	3M Nibor + 2,20 % [2]	2013	2023	249 611	249 511	249 561
Total subordinated loans							**429 426**	**429 201**	**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	**877 510**	**677 733**	**677 998**

Note 8 – Coverpool

	Fair Value		
Amounts in NOK 1,000	30 June 2014	30 June 2013	31 Dec. 2013
Lending to customers	60 247 974	52 855 543	57 691 853
Substitute assets and derivatives:			
Financial derivatives (net)	4 624 325	1 432 543	3 145 333
Substitute assets [1]	11 730 404	9 937 827	6 420 907
Total	**76 620 702**	**64 225 913**	**67 258 093**
The cover pool's overcollateralisation	110,69 %	108,03 %	109,99 %

Issued Covered Bonds

	30 June 2014	30 June 2013	31 Dec. 2013
Covered Bonds	69 188 944	56 709 983	61 129 152
Swap arrangment with the Norwegian government	-	2 680 500	-
Premium/Discount	29 204	60 677	21 137
Total Covered Bonds	**69 218 147**	**59 451 160**	**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.

Assets	30 June 2014		31 Dec. 2013	
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	4 699 466	37 178 063	3 217 196
Total financial derivative assets	**43 050 563**	**4 699 466**	**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]	1 167 374	51 010	1 520 425	50 394
Interest rate and currency swap [2]	383 000	6 131	1 500 000	21 698
Total financial derivative liabilities	**1 550 374**	**57 141**	**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.

	30 June 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]	42 667 563	4 693 335	38 678 063	3 195 498
Hedged items: Financial commitments incl foreign exchange [2]	42 667 563	(4 891 585)	38 678 063	(3 308 226)
Net value recognised in Balance Sheet	-	**(198 250)**	-	**(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	2nd quarter 2014	2nd quarter 2013	1st half 2014	1st half 2013	2013
Hedging instruments	1 256 478	1 177 003	1 520 327	1 227 493	2 906 761
Hedged items	(1 262 881)	(1 183 463)	(1 583 359)	(1 230 981)	(3 022 415)
Net gains/losses (inefffectiveness)	**(6 403)**	**(6 460)**	**(63 032)**	**(3 488)**	**(115 654)**

[3]The negative change in value for financial instruments in the second quarter of 2014 relate almost entirely to negative changes in basis swaps totaling NOK 1.2 million. 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 30 June 2014.

30 June 2014

Amounts in NOK 1,000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1 156 199
Bonds and certificates at fair value through profit or loss	498 729	8 894 607	-
Financial derivatives	-	4 699 466	-
Shares classified as available for sale	-	-	15 000
Total financial assets	**498 729**	**13 594 073**	**1 171 199**
Financial liabilities			
Financial derivatives	-	57 141	-
Total financial liabilities	**-**	**57 141**	**-**

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	30 June 2014
Lending to customers (fixed rate loans)	1 401 495	82 277	(329 602)	-	2 030	-	1 156 199
Shares available for sale	15 000	-	-	-	-	-	15 000
Total	**1 416 495**	**82 277**	**(329 602)**	**-**	**2 030**	**-**	**1 171 199**

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 30 June 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 30.4 million. The effect of a decrease in interest rates would be an increase of NOK 30.4 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 30 June 2014 and cumulatively.

Note 11 – Capital adequacy ratio

Amounts in NOK 1,000	30 June 2014	30 June 2013	31 Dec. 2013
Share capital	713 455	443 333	592 082
Share premium	1 746 928	897 050	1 368 300
Paid, but not registered, share capital	-	170 000	-
Other paid-in equity	477 728	477 728	477 728
Total comprehensive income for the period	-	-	-
Other equity	997	997	997
Total equity recognised in the balance sheet	**2 939 109**	**1 989 108**	**2 439 107**
Intangible assets	(6 034)	(4 057)	(5 177)
Deferred tax assets	(35 045)	(5 186)	(35 045)
Total core tier 1 capital	**2 898 030**	**1 979 865**	**2 398 885**

Core capital adequacy ratio (core tier 1 capital)	30 June 2014	30 June 2013	31 Dec. 2013
Weighted calculation basis	23 181 825	19 922 800	21 444 688
Core tier 1 capital	2 898 030	1 979 865	2 398 885
Core tier 1 capital ratio	**12,5 %**	**9,9 %**	**11,2 %**
			-
Total core tier 1 capital	2 898 030	1 979 865	2 398 885
Tier 1 perpetual bonds	448 084	248 532	248 683
Total tier 1 capital	**3 346 114**	**2 228 397**	**2 647 568**

Capital adequacy ratio (tier 1 capital)	30 June 2014	30 June 2013	31 Dec. 2013
Weighted calculation basis	23 181 825	19 922 800	21 444 688
Tier 1 capital	3 346 114	2 228 397	2 647 568
Tier 1 capital ratio	**14,4 %**	**11,2 %**	**12,3 %**
Total tier 1 capital	3 346 114	2 228 397	2 647 568
Subordinated loan capital	429 426	429 201	429 314
Total primary capital (tier 2 capital)	**3 775 540**	**2 657 598**	**3 076 882**

Capital adequacy ratio (tier 2 capital)	30 June 2014	30 June 2013	31 Dec. 2013
Weighted calculation basis	23 181 825	19 922 800	21 444 688
Total primary capital (tier 2 capital)	3 775 540	2 657 598	3 076 882
Capital adequacy ratio	**16,3 %**	**13,3 %**	**14,3 %**
Required capital corresponding to eight per cent of calculation basis	1 854 546	1 593 824	1 715 575
Surplus equity and subordinated capital	1 920 994	1 063 774	1 361 307

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

30 June 2014

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	22 934 325	1 834 746
Operational risk	247 500	19 800
Total	**23 181 825**	**1 854 546**

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 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.

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 30 June 2014, Eika Boligkreditt had received cash collateral of NOK 2.1 billion posted by counterparties to derivative contracts. In addition to cash collateral, the company has received bonds worth NOK 1.3 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.

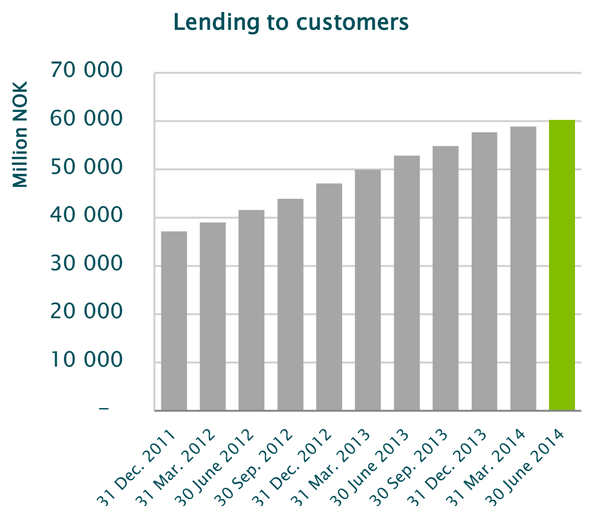
Note 13 – Contingency and overdraft facilities

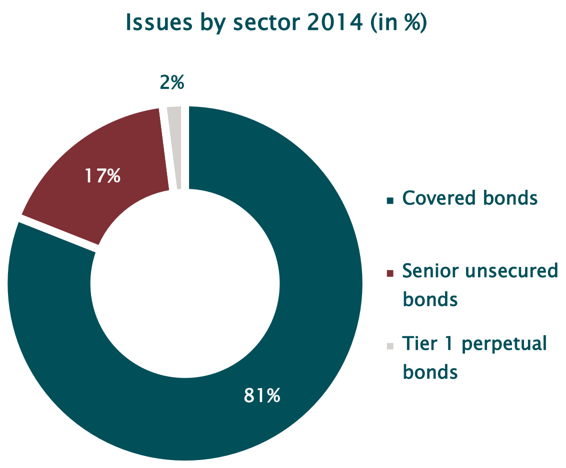
The company has an overdraft facility with DNB Bank ASA (DNB). It also has a contingency facility with DNB which allows covered bonds to be issued for an amount not exceeding NOK 1 billion. Note 15 to the annual financial statements for 2013 provides a more detailed presentation of the overdraft and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

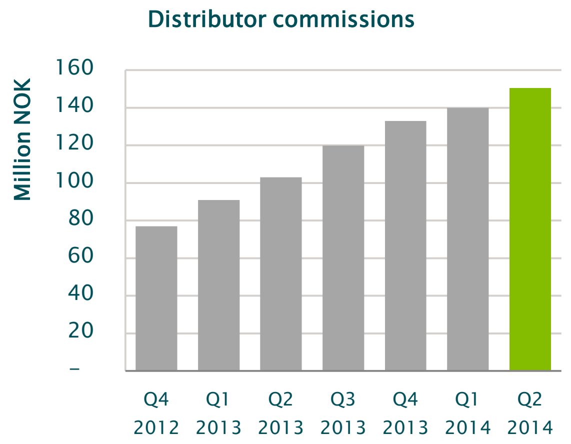
Note 14 – Risk management

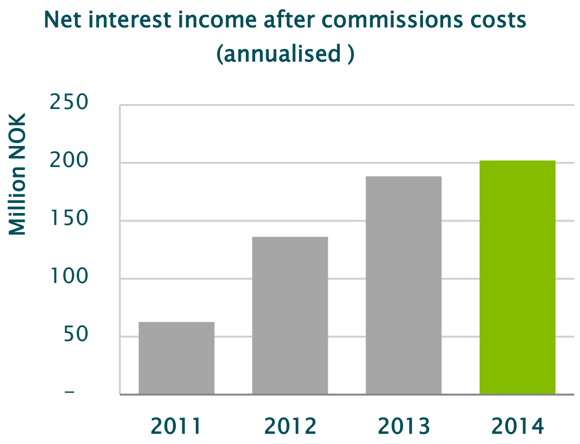
Eika Boligkreditt AS has established a framework for risk management and control in the company that defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts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

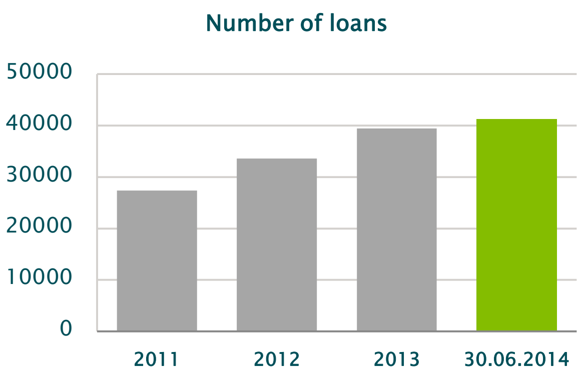
Key figures – Development

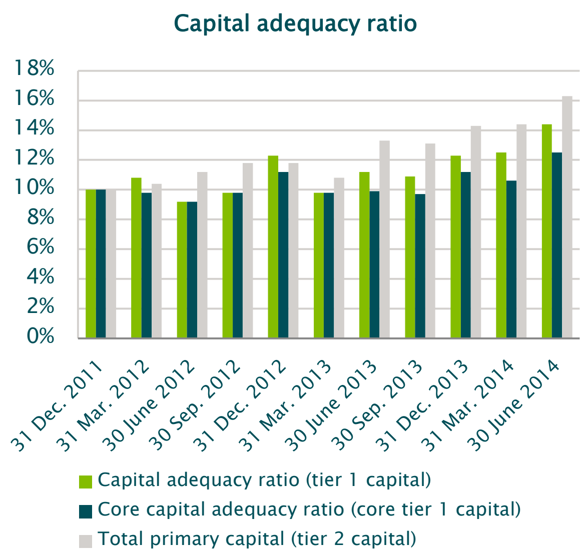












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Key figures – Unaudited

Amounts in NOK 1,000	30 June 2014	30 June 2013	31 Dec. 2013
Balance sheet development			
Lending to customers	60 247 974	52 855 543	57 691 853
Debt securities issued	72 578 897	61 334 008	63 888 693
Subordinated loan capital	877 510	677 733	677 998
Equity	2 959 187	2 032 444	2 459 198
Equity in % of total assets	3,75	3,10	3,52
Average total assets	75 354 553	58 426 980	63 765 113
Total assets	78 970 833	65 502 126	69 828 760
Rate of return / profitability			
Fee and commission income in relation to average total assets, annualised (%)	0,77	0,67	0,70
Staff and general administration expenses in relation to average total assets, annualised (%)	0,05	0,06	0,06
Return on equity, before taxes annualised (%) [1]	1,95	6,56	1,48
Total assets per full-time position	4 200 576	3 898 936	3 714 296
Cost/income ratio (%) [2]	25,84	32,54	27,94
Financial strength			
Core tier 1 capital	2 898 030	1 979 865	2 398 885
Tier 1 capital	3 346 114	2 228 397	2 647 568
Total primary capital (Tier 2 capital)	3 775 540	2 657 598	3 076 882
Calculation basis capital adequacy ratio	23 181 825	19 917 150	21 444 688
Core tier 1 capital ratio (%)	12,5	9,9	11,2
Tier 1 capital ratio (%)	14,4	11,2	12,3
Capital adequacy ratio % (Tier 2 capital)	16,3	13,3	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	16,8	18,8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	**30 Jun. 2014**	**30 Sep. 2014**	**31 Dec. 2014**	**31 Mar. 2015**	**30.06.2015**
Liquidity Indicator I [3]	110 %	102 %	101 %	107 %	100 %
Liquidity Indicator II [4]	119 %	114 %	111 %	115 %	115 %
Average of indicators	**114 %**	**108 %**	**106 %**	**111 %**	**108 %**

[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] Liquidity Indicator I:

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

[4] Liquidity Indicator II:

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

Tel: +47 22 87 81 00
E-mail: boligkreditt@eika.no
Parkveien 61
PO Box 2349 Solli
0201 Oslo

www.eikabk.no