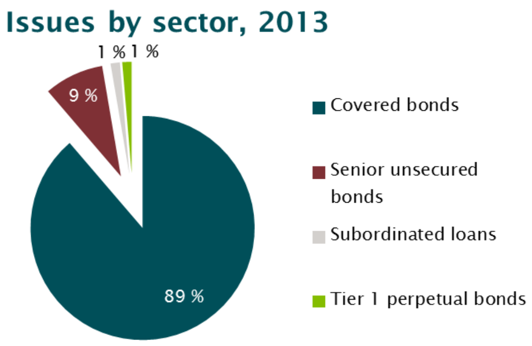
Eika Boligkreditt AS

Interim report for the fourth quarter 2013

Unaudited

HIGHLIGHTS



Fourth quarter 2013

- A negative change of NOK 118.5 million in the valuation of derivatives is reflected in the accounts. The effects over the term of the derivatives will be zero.
- Turnover up by 1.7 per cent
- Lending up by 5.2 per cent
- Commissions, including arrangement commissions, to distributors NOK 138 million (NOK 81.2 million)
- NOK 3 billion in bond and certificate issues
- Covered bonds denominated in SEK issued for the first time in the company's history

Full year 2013

- Turnover up by 22.1 per cent
- Lending up by 22.5 per cent
- Commissions, including arrangement commissions, to distributors NOK 467 million (NOK 229 million)
- NOK 21.6 billion in bond and certificate issues
- NOK 1 220 million raised in new primary (tier 2) capital (core tier 1 capital, tier 1 perpetual bonds and subordinated loans)
- NOK 6.9 billion of swap agreement with Norwegian government redeemed
- Brand name changed to Eika Boligkreditt

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

INTERIM REPORT FOR THE FOURTH QUARTER 2013

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 December 2013, the owner banks had transferred a total of NOK 57.7 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 FOURTH QUARTER 2013

Pre-tax loss

Eika Boligkreditt showed a pre-tax loss of NOK 69.6 million for the fourth quarter, compared with a pre-tax profit of NOK 27.2 million in the same period of 2012. The pre-tax loss for the fourth quarter includes negative changes in the value of financial instruments of NOK 114.6 million, as against a positive NOK 2.3 million for the same period of 2012. The negative change in the value of financial instruments relates almost entirely to NOK 118.5 million in negative change to basis swaps. Basis swaps are derivative contracts entered into in connection with long-term borrowing in foreign currency, whereby the foreign currency is converted to Norwegian kroner. These are hedging instruments, and the effect is zero over the term of the instrument. The accounting effects will thereby reverse over time, so that the unrealised loss at 31 December 2013 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.

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 spread 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.

During the fourth quarter, changes in currency basis spreads and credit charges created a need for adjustments to the valuation model for unlisted currency and interest rate derivatives, where spreads have been added to reflect changes in currency basis spreads and credit charges.

For the full year, pre-tax profit was NOK 29.4 million as against NOK 112.3 million for 2012. Pre-tax profit for 2013 includes negative changes of NOK 110.9 million in the value of financial instruments, compared with a positive change of NOK 15.9 million for the year before.

Income

Eika Boligkreditt's total income amounted to NOK 582.6 million in the fourth quarter, compared with NOK 472.8 million in the same period of 2012. Its net interest income was NOK 191.5 million, compared with NOK 115.2 million for the fourth quarter of 2012.

Total income for the full year was NOK 2 204.9 million, compared with NOK 1 806 million for 2012. Net interest income was NOK 636.8 million, compared with NOK 348.4 million for the year before.

Distributor commissions

Distributor commissions, including arrangement commissions, paid to the local banks and OBOS came to NOK 138 million in the fourth quarter, compared with NOK 82.1 million for the same period of 2012. 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.

Commission payments for the full year, including arrangement commissions, totalled NOK 467 million, compared with NOK 229 million in the same period of 2012.

BALANCE SHEET AND LIQUIDITY

Balance sheet

Assets under management by Eika Boligkreditt amounted to NOK 69.8 billion at 31 December 2013, up by NOK 13.7 billion or 24.3 per cent from 31 December 2012.

Lending

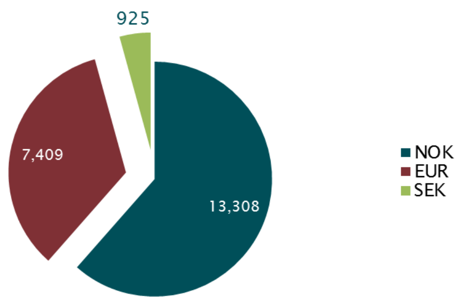
Eika Boligkreditt's residential mortgage portfolio at 31 December totalled NOK 57.7 billion, which represented a net increase of NOK 10.6 billion or 22.5 per cent from 31 December 2012. This rise reflected a general growth in lending by the owner banks combined with the fact that the owner banks reduce their own need for market financing through the transfer of residential mortgages to Eika Boligkreditt.

Borrowing

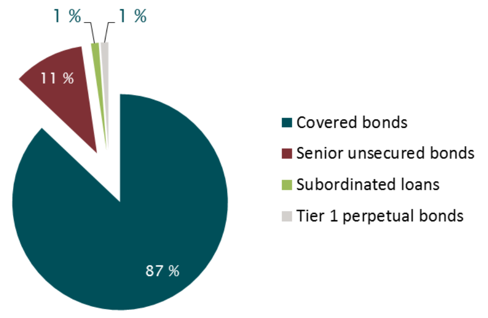
Eika Boligkreditt's borrowing portfolio at 31 December totalled NOK 63.9 billion, which represented a net increase of NOK 11.2 billion from 31 December 2012.

Eika Boligkreditt raised NOK 2.3 billion from issuing covered bonds during the fourth quarter, as well as NOK 0.7 billion from senior unsecured bonds, representing a total issue volume of NOK 3 billion.

Issues by currency in NOK million



Issues by sector 2013



The company raised NOK 21.6 billion in bond and certificate issues during 2013, with about 34 per cent issued in euros, 62 per cent in Norwegian kroner and the remaining 4 per cent in Swedish kroner. Covered bond issues accounted for 87 per cent of the issue volume. During 2013, the company repurchased its own bonds for NOK 3.7 billion, redeemed NOK 3.9 billion of the swap arrangement with the Norwegian government early, and redeemed maturing bonds corresponding to NOK 5.4 billion. Net growth in borrowing during 2013 – including subordinated loans and tier 1 perpetual bonds – was NOK 8.6 billion.

The table below shows issues in 2013 and the three previous years by sector.

Issues (amounts in NOK million)	2013	2012	2011	2010
Covered bonds (issued in SEK)	925	–	–	–
Covered bonds (issued in EUR)	7,409	15,687	–	8,787
Covered bonds (issued in NOK)	10,508	5,713	11,830	4,300
Senior unsecured bonds (issued in NOK)	2,300	1,900	340	550
Subordinated loans (issued in NOK)	250	–	–	180
Tier 1 perpetual bonds (issued in NOK)	250	–	–	–
Totalt issued	**21,642**	**23,300**	**12,170**	**13,817**

This represents the highest volume of covered bond issues in Norwegian kroner since 2011. It is very positive that the company experienced greater depth of access and better liquidity in Norway's bond market during 2013 than the year before. Issues in foreign currencies require hedging transactions in the derivatives market for currency risk in particular, which increases financing costs and draws on the capacity of Eika Boligkreditt's lines of credit with key counterparties.

The average tenor for new financing during 2013 was 7.5 years, while the average tenor for the company's whole borrowing portfolio rose from 3.9 years at 31 December 2012 to 4.8 years at 31 December 2013.

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

Carrying value in NOK million	31 Dec. 2013	31 Dec. 2012
Covered Bonds	**61,129**	**43,613**
Swap arrangement with the Norwegian govt.	-	**6,920**
Senior unsecured bonds	**2,410**	**1,150**
Senior unsecured sertificates	**350**	**900**
Subordinated loans	**429**	**319**
Tier 1 perpetual bonds	**249**	-
Total borrowing	**64,567**	**52,901**

Liquidity

Following the EUR 1 billion bond issue in late January and a high level of activity in issuing covered bonds in Norwegian kroner during the second and third quarters, the company maintained a high level of liquidity in 2013. At 31 December, the company had a total liquidity portfolio of NOK 8.7 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 obtained NOK 1 220 million in new equity and subordinated loan capital during 2013 in the form of NOK 720 million in core tier 1 capital, NOK 250 million in tier 1 perpetual bonds and NOK 250 million in subordinated loans. The company exercised its right to redeem a subordinated loan of NOK 139 million during the first quarter. The company had a total primary capital (tier 2 capital) of NOK 3 077 million at 31 December 2013, which represents an increase of NOK 1 048 million from 31 December 2012.

Eika Boligkreditt's operations are confined exclusively to mortgage lending secured with collateral in residential property, where the maximum loan to value of the property is 60 per cent at origination. The basis for calculating the capital adequacy ratio has increased in line with the growth in total lending, and amounted to NOK 21.4 billion at 31 December. This amount represents a quantification of the company's risk, and its primary capital is calculated as a value in relation to this calculation base.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	31 Dec. 2013	31 Dec. 2012
Risk-weighted assets	21,445	17,150
Total primary capital (tier 2 capital)	3,077	2,029
Capital adequacy ratio in per cent	14.3 %	11.8 %

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

The board of Eika Boligkreditt resolved at its meeting of 10 April 2013 to increase the company's capital targets from a core tier 1 capital ratio of nine per cent and a primary capital (tier 2 capital) ratio of 10 per cent. These new targets apply from 1 July 2013 and are as follows:

- core tier 1 capital ratio: nine per cent (unchanged) (11.2 per cent at 31 December 2013)
- tier 1 capital ratio: 10.5 per cent (12.3 per cent at 31 December 2013)
- tier 2 capital ratio: 12.5 per cent. (14.3 per cent at 31 December 2013)

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 the Bill from the Ministry of Finance, 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 this year's ICAAP.

OUTLOOK

The board expects continued strong growth in the residential mortgage portfolio as its owner banks reduce their own funding requirements with financing from the company. It expects net growth of NOK 9 billion or 16 per cent in the mortgage portfolio during 2014. By comparison, net growth in the mortgage portfolio in 2013 was NOK 10.6 billion.

The temperature in the Norwegian housing market changed in the course of 2013. After an initial growth in house prices of 3.3 per cent during the first quarter, they declined by about 1.4 per cent over the year as a whole. Somewhat lower activity has been reported in house viewings and bidding rounds. Developments in January 2014 showed a price rise of 2.4 per cent, which means that cumulative prices are down by about one per cent from a year earlier. Although some disagreement exists between housing market analysts on future price trends, the general impression is that the trend in the housing market will be weaker than in recent years, and the possibility cannot be excluded of some fall in prices over the short and medium terms. If the housing market performs more weakly in 2014 than in recent years, this is expected to have some effect on mortgage demand in Eika Boligkreditt's owner banks, and could thereby slow the rate of growth in its mortgage portfolio.

A possible reduction in house prices during 2014 will have little significance for the credit quality of loans in Eika Boligkreditt. The average loan-to-value ratio in the company's mortgage portfolio is as low as 43.5 per cent, based on market prices for the residential properties at 31 December 2013. This low loan-to-value ratio reflects the fact that the company has maintained 60 per cent as the highest permitted loan-to-value ratio since it commenced mortgage lending in 2005, while the regulations for Norwegian covered bonds permit a loan-to-value ratio of up to 75 per cent. The company accordingly has a substantial buffer against falling prices before mortgages exceed the 75 per cent limit.

The average margin (commission) of the banks on the company's mortgage portfolio was 0.97 per cent at 31 December 2013. The corresponding figure was 0.76 per cent in January 2013 and as low as 0.31 per cent in January 2012. The margin was stable during the final four months of 2013. 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 wish to increase their market share.

Growth in the international economy is expected to be moderate in the time to come, but with big differences between individual countries. Both the USA and the UK experienced a marked improvement in growth during 2013. After experiencing recession for six consecutive quarters, the eurozone showed weak progress during the second half of 2013. Norway's mainland economy grew below trend during the year. A sharp weakening in the Norwegian kroner during 2013 and increased international growth are expected to boost exports from Norway in coming years.

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 demand for 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, 10 February 2014

The board of directors for Eika Boligkreditt AS

Martin Mæland Chair	Odd Inge Løfald
Bjørn Riise	Øivind Gaarder
Terje Svendsen	Kjartan M Bremnes CEO

Statement of comprehensive income

Amounts in NOK 1,000	Notes	4Q 2013	4Q 2012	2013	2012
INTEREST INCOME					
Interest from loans to customers		**543,596**	430,526	**2,006,957**	1,613,171
Interest from loans and receivables on credit institutions		**9,724**	8,468	**33,999**	58,572
Interest from bonds, certificates and financial derivatives		**25,228**	30,229	**147,952**	120,992
Other interest income		**4,075**	3,577	**16,033**	13,222
Total interest income		**582,623**	472,800	**2,204,941**	1,805,957
INTEREST EXPENSES					
Interest on debt securities issued		**377,787**	352,440	**1,533,154**	1,436,900
Interest on subordinated loan capital		**8,279**	3,307	**24,114**	14,771
Other interest expenses		**5,070**	1,865	**10,903**	5,854
Total interest expenses		**391,136**	357,612	**1,568,171**	1,457,524
Net interest income		**191,487**	115,188	**636,770**	348,432
Commission costs		**133,439**	77,265	**448,527**	212,315
Net interest income after commissions costs		**58,048**	37,923	**188,243**	136,118
Dividend from shares classified as available for sale		**-**	-	**4,769**	3,356
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE					
Net gains and losses on bonds and certificates	Note 3	**(967)**	689	**(994)**	6,274
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**(116,461)**	99	**(115,654)**	3,601
Net gains and losses on financial derivatives	Note 3	**578**	4,475	**22,606**	(1,327)
Net gains and losses on loans at fair value	Note 3	**2,252**	(2,945)	**(16,937)**	7,361
Total gains and losses on financial instruments at fair value		**(114,598)**	2,318	**(110,979)**	15,909
Other income		**-**	(5)	**-**	-
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES					
Salaries, fees and other personnel expenses		**6,115**	5,836	**22,235**	17,165
Administrative expenses		**2,646**	3,679	**14,742**	13,386
Total salaries and administrative expenses		**8,761**	9,515	**36,977**	30,551
Depreciation		**460**	398	**1,730**	1,553
Other operating expenses		**3,779**	3,081	**13,893**	10,999
Losses on loans and guarantees		**-**	-	**-**	-
PROFIT BEFORE TAXES		**(69,550)**	27,242	**29,433**	112,280
Taxes		**(17,341)**	8,188	**8,357**	30,541
PROFIT FOR THE PERIOD		**(52,209)**	19,054	**21,076**	81,739
Other comprehensive income that will not be reclassified subsequently to P & L		**(1,350)**	-	**(1,350)**	315
Taxes on other other comprehensive income		**365**	-	**365**	-
COMPREHENSIVE INCOME FOR THE PERIOD		**(53,194)**	**19,054**	**20,091**	**82,054**

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

Balance sheet

Amounts in NOK 1,000	Notes	**31 Dec. 2013**	31 Dec. 2012
ASSETS			
Lending to and receivables from credit institutions		**3,402,638**	1,934,368
Lending to customers	Note 4,10	**57,691,853**	47,085,795
Securities			
Bonds and certificates at fair value through profit or loss	Note 5,10	**5,366,627**	6,070,099
Financial derivatives	Note 9,10	**3,217,425**	970,974
Shares classified as available for sale	Note 10	**15,000**	15,000
Total securities		**8,599,052**	7,056,073
Other intangible assets			
Deferred tax assets		**35,045**	5,186
Intangible assets		**5,177**	4,318
Total other intangible assets		**40,222**	9,504
Tangible fixed assets			
Operating equipment		-	-
Tangible fixed assets		-	-
Other financial assets		**94,994**	79,372
TOTAL ASSETS		**69,828,760**	**56,165,112**
LIABILITIES AND EQUITY			
Loans from credit institutions		**2,347,027**	395,032
Financial derivatives	Note 9,10	**72,092**	786,703
Debt securities issued	Note 6	**63,888,693**	52,582,767
Other liabilities		**379,245**	278,454
Pension liabilities		**4,507**	2,709
Subordinated loan capital	Note 7	**677,998**	318,601
TOTAL LIABILITIES		**67,369,562**	**54,364,266**
Called-up and fully paid capital			
Share capital		**592,082**	391,735
Share premium		**1,368,300**	728,648
Paid-in, non-registered capital increase		-	120,000
Other paid-in equity		**477,728**	477,728
Total called-up and fully paid capital		**2,438,110**	1,718,111
Retained earnings			
Other equity		**21,088**	82,735
Total retained equity		**21,088**	82,735
TOTAL EQUITY		**2,459,198**	**1,800,846**
TOTAL LIABILITIES AND EQUITY		**69,828,760**	**56,165,112**

Statement of changes in equity

Amounts in NOK 1,000	Share capital	Share premium reserve	Other paid in equity	Retained earnings: other equity	Total equity
Balance sheet as at 1 January 2010	**155,383**	**477,413**	**315**	**2,857**	**635,968**
Result for the period	-	-	-	32,220	**32,220**
Equity issue	67,488	207,512	-	-	**275,000**
Reduction of share premium reserve	-	(477,413)	477,413	-	-
Disbursed group contribution and dividends for 2009	-	-	-	(34,079)	**(34,079)**
Balance sheet as at 31 December 2010	**222,871**	**207,512**	**477,728**	**998**	**909,109**
Profit for the period	-	-	-	24,831	**24,831**
Equity issue	40,000	120,000	-	-	**160,000**
Disbursed group contribution and dividends for 2010	-	-	-	(24,408)	**(24,408)**
Balance sheet as at 31 December 2011	**262,871**	**327,512**	**477,728**	**1,422**	**1,069,533**
Amendment to IAS 19 effective at 1 January 2012	-	-	-	(740)	**(740)**
Result for the period	-	-	-	22,553	**22,553**
Equity issue	40,000	120,000	-	-	**160,000**
Balance sheet as at 31 March 2012	**302,871**	**447,512**	**477,728**	**23,235**	**1,251,345**
Result for the period	-	-	-	26,218	**26,218**
Equity issue	53,217	166,783	-	-	**220,000**
Balance sheet as at 30 June 2012	**356,088**	**614,295**	**477,728**	**49,453**	**1,497,564**
Result for the period	-	-	-	13,914	**13,914**
Equity issue	35,646	114,354	-	-	**150,000**
Balance sheet as at 30 September 2012	**391,734**	**728,649**	**477,728**	**63,367**	**1,661,478**
Result for the period after the amendment to IAS 19	-	-	-	19,369	**19,369**
Equity issue	28,280	91,720	-	-	**120,000**
Balance sheet as at 31 December 2012	**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	**592,083**	**1,368,300**	**477,728**	**21,087**	**2,459,198**

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	2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	**21,056**	81,739
Taxes	**8,357**	
Income taxes paid	**(24,495)**	(7,615)
Gains on bonds and certificates	-	-
Ordinary depreciation	**1,730**	1,553
Non-cash pension costs	**465**	393
Change in loans to customers	**(10,606,058)**	(9,891,963)
Change in bonds and certificates	**703,472**	(4,187,518)
Change in financial derivatives	**(2,961,062)**	199,457
Interest expenses	**1,568,171**	1,457,524
Paid interest	**(1,534,814)**	(1,455,543)
interest income	**(2,188,908)**	
received interests	**2,173,016**	
Changes in other assets	**270**	(273)
Changes in short-term liabilities and accruals	**54,078**	64,803
Net cash flow relating to operating activities	(12,784,722)	(13,711,363)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	**(2,589)**	(1,172)
Net cash flow relating to investing activities	**(2,589)**	(1,172)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	**21,124,354**	23,326,643
Gross payments of bonds and commercial paper	**(12,840,843)**	(11,771,452)
Gross receipts on issue of subordinated loan capital	**498,244**	-
Gross payments of subordinated loan capital	**(138,847)**	280
Gross receipts from issue of loan from credit institution	**1,951,995**	395,032
Gross receipts from loan from credit institution	-	-
Gross payments from loan from credit institution	-	(100,000)
Payments of group contribution and dividend	**(81,737)**	-
Paid-up new share capital	**720,000**	650,000
Currency and hedging effects	**3,022,415**	(183,951)
Net cash flow from financing activities	14,255,581	12,316,552
Net changes in lending to and receivables from credit institutions	**1,468,270**	(1,395,983)
Lending to and receivables from credit institutions at 1 January	**1,934,368**	3,330,351
Lending to and receivables from credit institutions at end of period	**3,402,638**	1,934,368

Notes

Note 1 - Accounting policies

General
Eika Boligkreditt has prepared the accounts for 2013 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 2012 contains further details of accounting policies after IFRS.

The financial statements for the fourth quarter of 2013 have been prepared in accordance with IAS 34, Interim financial reporting.

Below is a description of the modified standard, which came to force on 1 January 2014. Eika Boligkreditt has chosen to apply this for 2013.

IAS 39 Financial Instruments: Recognition and Measurement
The IASB adopted minor amendments on 27 June 2013 to the chapter on hedge accounting in IAS 39 Financial Instruments: Recognition and Measurement. Without these amendments to IAS 39, a change of counterparty (noviation) in derivative contracts would have terminated recognition of the hedge in the financial statements, and required the possible establishment of a new hedge contract. The amendments to IAS 39 provide a specific exemption which means it will no longer be compulsory to terminate a hedge when the following conditions are satisfied:

- The change of counterparty in the hedge instrument must be a consequence of legislation or statutory regulations, or the adoption of new legislation or statutory regulations.
- Changes to the contract are limited to those necessary to implement the change of counterparty.

The amendments have retrospective application, and came into force for accounting periods commencing on 1 January 2014 or later. The amendments were approved by the EU on 19 December 2013.

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 December 2013.

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

Amounts in NOK 1,000	**4th quarter 2013**	**4th quarter 2012**	**2013**	**2012**
Net gains and losses on loans at fair value	2,252	(2,945)	(16,937)	7,361
Net gains and losses on bonds and certificates	(967)	350	(1,036)	6,754
Net gains and losses on financial debts, hedged [1]	(907,489)	70,261	(3,022,415)	183,951
Net gains and losses on interest swaps related to lending	578	9,880	25,242	(4,375)
Net gains and losses on interest swaps related to bonds and certificates	-	339	42	(481)
Net gains and losses on interest and currency swaps related to liabilities	791,028	(70,162)	2,906,761	(180,350)
Net gains and losses on interest swaps not related to liabilities	-	(5,405)	(2,636)	3,048
Net gains and losses on financial instruments at fair value [2]	**(114,598)**	**2,318**	**(110,979)**	**15,909**

[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] During the fourth quarter, changes in currency basis spreads and credit charges created a need for adjustments to the valuation model for unlisted currency and interest rate derivatives, where margins have been added to reflect changes in currency basis spreads and credit charges.

The negative change in the value of financial instruments relates almost entirely to NOK 118.5 million in negative change to basis swaps. Basis swaps are derivative contracts entered into in connection with long-term borrowing in foreign currency, whereby the foreign currency is converted to Norwegian kroner. These are hedging instruments, and the effect is zero over the term of the instrument. The accounting effects will thereby reverse over time, so that the unrealised loss at 31 December 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 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 Dec. 2013	31 Dec. 2012
Installment loans - retail market	48,557,318	40,349,237
Installment loans - housing cooperatives	9,103,576	6,688,662
Adjustment fair value lending to customers [1]	30,959	47,896
Total lending before specific and general provisions for losses	**57,691,853**	**47,085,795**
Individual impairments	0	0
Unspecified group impairments	0	0
Total lending to and receivables from customers	**57,691,853**	**47,085,795**

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 60 per cent at origination. The company has no non-performing loans as of 31 December 2013.

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

31 Dec. 2013

Amounts in NOK 1 000	Book 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**

31 Dec. 2012

Amounts in NOK 1 000	Book value	Fair value
Variable rate loans	45,384,606	45,384,606
Fixed rate loans	1,653,293	1,701,189
Toal lending	**47,037,899**	**47,085,795**

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 Dec. 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**

The average effective interest rate is 1.82 per cent. The calculation is based on a weighted market value.

	31 Dec. 2013
Average term to maturity	**1.1**
Average duration when hedging is taken into account	**0.2**

31 Dec. 2012

Amounts in NOK 1,000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair value
Commercial banks	50,000	50,747	50,756
Savings banks	25,000	25,031	25,057
Municipalities	2,217,219	2,217,478	2,217,543
Credit institutions	2,094,000	2,099,357	2,104,264
Treasury bills	1,678,000	1,671,983	1,672,478
Total bonds and certificates at fair value through profit or loss	**6,064,219**	**6,064,595**	**6,070,099**
Change in value charged to the profit and loss account			**5,504**

Average effective interest rate was 1.98 per cent taking into account the fair value of the corresponding interest rate swap. The calculation is based on a weighted market value.

	31 Dec. 2012
Average term to maturity	**0.9**
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 Dec. 2013	31 Dec. 2012
CH0034269511	225,000	CHF	Fixed	3.14 %	2007	2013	-	1,369,966
NO0010421332	250,000	NOK	Fixed	5.40 %	2008	2013	-	104,996
NO0010421340	441,000	NOK	Floating	3M Nibor + 0.20 %	2008	2013	-	316,488
NO0010502149	5,000,000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	860,225	-
NO0010542244	1,000,000	NOK	Floating	3M Nibor + 0.35 %	2009	2014	21,002	999,671
NO0010536089	5,000,000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	349,699	454,492
NO0010561103	2,000,000	NOK	Fixed	5.00 %	2009	2019	2,020,854	1,468,208
NO0010565211	2,000,000	NOK	Fixed	4.40 %	2010	2015	1,211,093	1,212,070
NO0010572373	5,000,000	NOK	Floating	3M Nibor + 0.53 %	2010	2016	4,997,196	4,995,997
XS0537088899	500,000	EUR	Fixed	2.13 %	2010	2015	4,171,905	3,659,368
NO0010605587	1,000,000	NOK	Fixed	5.20 %	2011	2021	1,000,000	1,000,000
NO0010612179	1,000,000	NOK	Fixed	4.65 %	2011	2018	712,624	715,470
NO0010612039	2,500,000	NOK	Floating	3M Nibor + 0.55 %	2011	2018	2,502,256	1,197,916
NO0010625429	2,000,000	NOK	Floating	3M Nibor + 0.40 %	2011	2014	914,451	1,728,414
NO0010625346	1,600,000	NOK	Fixed	4.60 %	2011	2026	1,501,164	1,501,255
NO0010630148	2,500,000	NOK	Floating	3M Nibor + 0.45 %	2011	2014	1,234,685	2,008,995
NO0010631336	1,000,000	NOK	Fixed	3.75 %	2011	2016	851,103	851,549
XS0736417642	500,000	EUR	Fixed	2.25 %	2012	2017	4,163,486	3,650,625
NO0010648884	2,000,000	NOK	Floating	3M Nibor + 0.42 %	2012	2015	1,097,531	1,199,127.12
NO0010648892	2,000,000	NOK	Floating	3M Nibor + 0.74 %	2012	2017	1,401,497	1,401,934
XS0794570944	650,000	EUR	Fixed	2.00 %	2012	2019	5,396,187	4,729,672
XS0851683473	1,000,000	EUR	Fixed	1.25 %	2012	2017	8,329,544	7,306,763
NO0010663727	5,500,000	NOK	Floating	3M Nibor + 0.60 %	2012	2019	4,140,899	499,199
NO0010664428	1,000,000	NOK	Floating	3M Nibor + 0.53 %	2012	2018	1,001,574	199,777
NO0010663743	1,000,000	NOK	Fixed	3.25 %	2012	2019	1,010,178	350,000
NO0010669922	1,000,000	NOK	Fixed	4.00 %	2013	2028	995,701	-
XS0881369770	1,000,000	EUR	Fixed	2.125 %	2013	2023	8,311,211	-
NO0010685480	3,000,000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	1,173,554	-
NO0010685704	1,000,000	NOK	Fixed	3.500 %	2013	2020	300,749	-
NO0010687023	1,000,000	NOK	Fixed	4.100 %	2013	2028	150,000	-
NO0010697204	500,000	SEK	Fixed	2.375 %	2013	2018	282,697	-
NO0010697212	1,500,000	SEK	Floating	3M Stibor + 0.50%	2013	2018	660,811	-
Value adjustments							365,276	691,244
Total covered bonds[1]							**61,129,152**	**43,613,195**

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 Dec. 2013	31 Dec. 2012
NO0010502149	5,000,000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	-	4,791,000
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]							**-**	**7,438,500**
Unrecognised covered bonds issued related to the swap arrangement							**-**	**(7,438,500)**
Total covered bonds[1]							**61,129,152**	**43,613,195**

[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 Dec. 2013	31 Dec. 2012
Swap agreement with the Gov	2,971,071	NOK	Floating	6 M Nibor - 0.11 %	2009	2013	-	2,971,071
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							**-**	**6,920,103**

At 31 December, 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 Dec. 2013	31 Dec. 2012
NO0010532906	1,000,000	NOK	Floating	3M Nibor + 0.90 %	2009	2014	349,894	349,730
NO0010662521	1,000,000	NOK	Floating	3M Nibor + 0.80 %	2012	2014	109,982	199,868
NO0010672157	500,000	NOK	Floating	3M Nibor + 0.65 %	2013	2014	199,975	-
NO0010673106	250,000	NOK	Floating	3M Nibor + 0.80 %	2013	2015	250,581	-
NO0010685043	500,000	NOK	Floating	3M Nibor + 0.42 %	2013	2014	499,921	-
NO0010685035	300,000	NOK	Floating	3M Nibor + 0.43 %	2013	2014	299,870	-
NO0010691991	500,000	NOK	Floating	3M Nibor + 0,69%	2013	2015	199,893	-
NO0010697733	600,000	NOK	Floating	3M Nibor + 0,90%	2013	2016	299,751	-
NO0010699234	500,000	NOK	Floating	3M Nibor + 1.14%	2013	2018	199,702	-
NO0010637531	200,000	NOK	Floating	3M Nibor + 0.70 %	2012	2013	-	199,936
NO0010656804	500,000	NOK	Floating	3M Nibor + 0.50 %	2012	2013	-	400,110
Total senior unsecured bonds							**2,409,569**	**1,149,644**

Senior unsecured certificates - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec. 2013	31 Dec. 2012
NO0010682123	200,000	NOK	Fixed	2.13 %	2013	2014	199,984	-
NO0010690704	150,000	NOK	Floating	3M Nibor + 0.32 %	2013	2014	149,989	-
NO0010649031	100,000	NOK	Fixed	3.06 %	2012	2013	-	99,992
NO0010649023	200,000	NOK	Fixed	2.93 %	2012	2013	-	199,994
NO0010656549	200,000	NOK	Floating	3M Nibor + 0.40 %	2012	2013	-	199,938
NO0010659980	250,000	NOK	Fixed	2.50 %	2012	2013	-	249,913
NO0010661697	150,000	NOK	Fixed	2.49 %	2012	2013	-	149,989
Total senior unsecured certificates							**349,973**	**899,825**
Total debt securities issued							**63,888,693**	**52,582,767**

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. Des 2013	31. Dec 2012
NO0010679640	250,000	NOK	Floating	3M Nibor + 4,20 % [1]	2013	Perpetual	248,683	-
Total tier 1 perpetual bonds							**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.

Subordinated loans - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31. Des 2013	31. Dec 2012
NO0010418924	139,000	NOK	Floating	3M Nibor + 1,50 % [1]	2008	2018	-	138,973
NO0010592991	180,000	NOK	Floating	3M Nibor + 2,40 % [2]	2010	2020	179,753	179,627
NO0010679632	250,000	NOK	Floating	3M Nibor + 2,20 % [3]	2013	2023	249,561	-
Total subordinated loans							**429,314**	**318,601**

[1] Subordinated loan of NOK 139 million with maturity date 6 March 2018, with redemption right (call) 6 March 2013. The call option is exercised, and the loan was repaid 6 March 2013.

[2] 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.

[3] 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	**677,998**	**318,601**

Note 8 – Coverpool

	Fair Value	
Amounts in NOK 1,000	31 Dec. 2013	31 Dec. 2012
Lending to customers	57,691,853	47,085,795
Substitute assets and derivatives:		
Financial derivatives (net)	3,145,333	181,635
Substitute assets [1]	6,420,907	7,607,339
Total	67,258,093	54,874,768
The cover pool's overcollateralisation	**109.99 %**	**107.32 %**

Issued Covered Bonds

	31 Dec. 2013	31 Dec. 2012
Covered Bonds	61,129,152	43,613,195
Swap arrangment with the Norwegian government	-	7,438,500
Premium/Discount	21,137	78,683
Total Covered Bonds	61,150,288	51,130,378

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

Note 9 – Derivatives and hedging

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

	31 Dec. 2013		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	(90,000)	1,033
Interest rate and currency swap [2]	37,178,063	3,217,196	13,735,805	969,940
Total financial derivative assets	**37,137,003**	**3,217,425**	**13,645,805**	**970,974**
Liabilities				
Amounts in NOK 1,000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap investments	-	-	80,500	103
Interest rate swap lending	1,520,425	50,394	1,796,521	77,409
Interest rate and currency swap [1]	1,500,000	21,698	21,810,763	709,191
Total financial derivative liabilities	**3,020,425**	**72,092**	**23,687,784**	**786,703**

[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 Dec. 2013 Nominal amount	31 Dec. 2013 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]	38,678,063	3,195,498	28,634,568	258,113
Hedged items: Financial commitments incl foreign exchange [2]	38,678,063	(3,308,226)	28,634,568	(285,811)
Net value recognised in Balance Sheet	-	**(112,728)**	-	**(27,698)**

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

Gains/losses on fair value hedging

Amounts in NOK 1,000	4th quarter 2013	4th quarter 2012	2013	2012
Hedging instruments	791,028	(70,162)	2,906,761	(180,350)
Hedged items	(907,489)	70,261	(3,022,415)	183,951
Net gains/losses (inefffectiveness) [3]	**(116,461)**	**99**	**(115,654)**	**3,601**

[3]During the fourth quarter, changes in currency basis spreads and credit charges created a need for adjustments to the valuation model for unlisted currency and interest rate derivatives, where margins have been added to reflect changes in currency basis spreads and credit charges. 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. 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 market values of interest and currency swaps based on swap curves and investments in certificates and bonds not issued by a national state.

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 market value of fixed-rate loans is measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed interest rate and the interest rate at the balance sheet date.

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 have taken place in 2013.

31 Dec 2012

Amounts in NOK 1,000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1,701,189
Bonds and certificates at fair value through profit or loss	1,672,478	4,397,621	-
Financial derivatives	-	970,974	-
Shares classified as available for sale	-	-	15,000
Total financial assets	**1,672,478**	**5,368,595**	**1,716,189**
Financial liabilities			
Financial derivatives	-	786,703	-
Total financial liabilities	**-**	**786,703**	**-**

No significant transactions between the different levels took place in 2012.

Detailed statement of assets classified at level 3

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**

2012 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)	2,564,687	14,389	(885,247)	-	7,361	-	1,701,189
Shares available for sale	15,000	-	-	-	-	-	15,000
Total	**2,579,687**	**14,389**	**(885,247)**	**-**	**7,361**	**-**	**1,716,189**

Interest rate sensitivity of assets classified at Level 3 at 31 December 2013
A one percentage point increase in all interest rates would reduce the value of the company's fixed-rate loans at fair value at year-end by NOK 33.4 million. The effect of a decrease in interest rates would be an increase of NOK 33.4 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 31 December 2013 and cumulatively.

Note 11 – Capital adequacy ratio

Total primary capital

Amounts in NOK 1,000	31 Dec. 2013	31 Dec. 2012
Share capital	592,082	391,735
Share premium reserve	1,368,300	728,648
Paid, but not registered, share capital	-	120,000
Other paid-in equity	477,728	477,728
Other equity	997	1,422
Total equity recognised in the balance sheet	**2,439,107**	**1,719,533**
Intangible assets	(5,177)	(4,318)
Deferred tax assets	(35,045)	(5,021)
Total core tier 1 capital	**2,398,885**	**1,710,194**

Core capital adequacy ratio (core tier 1 capital)	**31 Dec. 2013**	**31 Dec. 2012**
Weighted calculation basis	21,444,688	17,149,938
Core tier 1 capital	2,398,885	1,710,194
Core tier 1 capital ratio	**11.2 %**	**10.0 %**
Total core tier 1 capital	2,398,885	1,710,194
Tier 1 perpetual bonds	248,683	-
Total tier 1 capital	**2,647,568**	**1,710,194**

Capital adequacy ratio (tier 1 capital)	**31 Dec. 2013**	**31 Dec. 2012**
Weighted calculation basis	21,444,688	17,149,938
Tier 1 capital	2,647,568	1,710,194
Tier 1 capital ratio	**12.3 %**	**10.0 %**
Total tier 1 capital	2,647,568	1,710,194
Subordinated loan capital	429,314	318,601
Total primary capital (tier 2 capital)	**3,076,882**	**2,028,795**

Capital adequacy ratio (tier 2 capital)	**31 Dec. 2013**	**31 Dec. 2012**
Weighted calculation basis	21,444,688	17,149,938
Total primary capital (tier 2 capital)	3,076,882	2,028,795
Capital adequacy ratio	**14.3 %**	**11.8 %**
Required capital corresponding to eight per cent of calculation basis	1,715,575	1,371,995
Surplus equity and subordinated capital	1,361,307	656,800

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

31 December 2013

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	21,194,875	1,695,590
Operational risk	249,813	19,985
Total	**21,444,688**	**1,715,575**

The capital adequacy calculation for 2012 has not been restated to take account of the adjustment to the balance sheet as a consequence of the change to IAS 19.

The company employs the standardised approach for calculating credit risk and the basic indicator approach for calculating operational risk. In 2013, the company has changed its method for calculating capital requirements for the liquidity portfolio to the standardised method under credit risk. The standardised method for market risk was applied at 31 December 2012.

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. 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 the regulatory requirements from the Ministry of Finance, the company's capital targets will need to be increased 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 25 to the annual financial statements for 2012.

Note 12 – 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 2012 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 2012.

Note 13 – 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 2012 describes the company's financial risk which also applies to the financial risk in 2013.

Key figures – unaudited

Amounts in NOK 1,000	31 Dec. 2013	31 Dec. 2012
Balance sheet development		
Lending to customers	57,691,583	47,085,795
Debt securities issued	69,468,995	52,582,767
Subordinated loan capital	677,998	318,601
Equity	2,459,198	1,800,846
Equity in % of total assets	3.54	3.21
Average total assets	63,765,113	50,013,244
Total assets	69,468,995	56,165,112
Rate of return / profitability		
Combined average spread for lending and deposits, annualised (%) [1]	1.00	0.70
Fee and commission income in relation to average total assets, annualised (%)	0.70	0.42
Other operating expences in relation to average total assets, annualised (%)	0.02	0.02
Staff and general administration expenses in relation to average total assets, annualised (%)	0.06	0.06
Cost/income ratio (%) [2]	8.26	12.37
Return on total capital, annualised (%) [3]	0.03	0.16
Return on equity, after taxes annualised (%) [4]	1.01	8.29
Return on equity, before taxes annualised (%) [5]	1.48	7.82
Total assets per full-time position	3,695,159	3,554,754
Financial strength		
Core tier 1 capital	2,398,885	1,710,194
Tier 1 capital	2,647,568	1,710,194
Total primary capital (Tier 2 capital)	3,076,882	2,028,795
Calculation basis capital adequacy ratio	21,444,688	17,149,938
Core tier 1 capital ratio (%)	11.2	10.0
Tier 1 capital ratio (%)	12.3	10.0
Capital adequacy ratio % (Tier 2 capital)	14.3	11.8
Defaults in % of gross loans	0.00	0.00
Loss in % of gross loans	0.00	0.00
Staff		
Number of full-time positions at end of period	18.8	15.8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	**31 Dec. 2013**	**31 Mar. 2014**	**30 June 2014**	**30 Sept. 2014**	**31 Dec. 2014**
Liquidity Indicator I [6]	104 %	110 %	107 %	100 %	105 %
Liquidity Indicator II [7]	110 %	119 %	117 %	112 %	115 %
Average of indicators	**107 %**	**115 %**	**112 %**	**106 %**	**110 %**

[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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