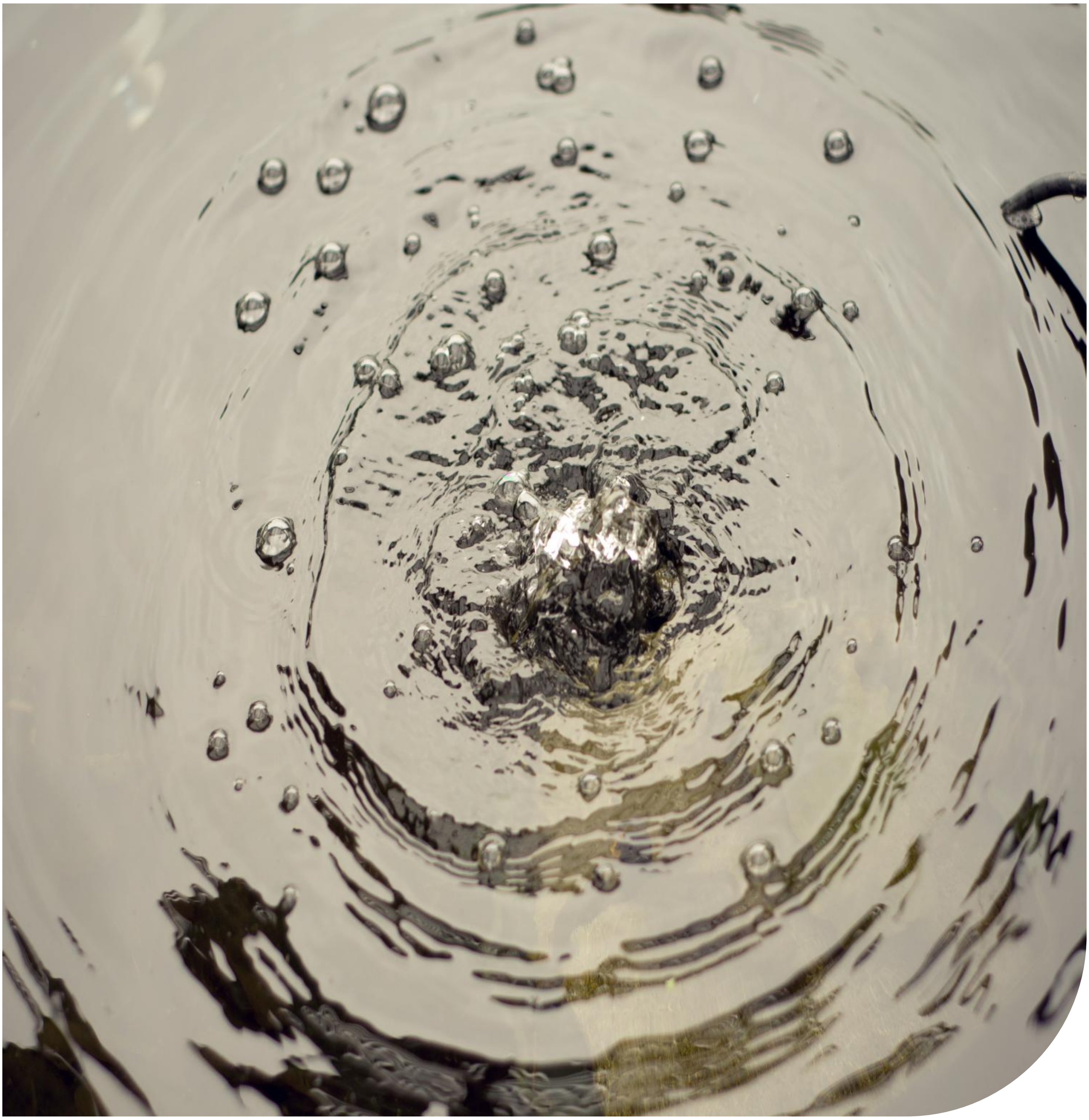
Eika Boligkreditt AS

Interim report for the second quarter and first half of 2013

Unaudited



Key figures

SECOND QUARTER AND FIRST HALF OF 2013

- The company had a pre-tax profit of NOK 29.7 million for the second quarter, compared with NOK 36.4 million in the same period of 2012. Pre-tax profit includes negative changes in the value of financial instruments (realised/unrealised and IFRS effects) of NOK 3.2 million, as against a positive NOK 6.3 million for the same period of 2012.

- For the first half, pre-tax profit was NOK 58 million as against NOK 66.3 million in the same period of 2012. Pre-tax profit includes negative changes in the value of financial instruments (realised/unrealised and IFRS effects) of NOK 2.4 million, compared with a positive NOK 16.5 million for the same period of 2012.

- Total assets under management amounted to NOK 65.5 billion at 30 June, up by 16.6 per cent from 31 December and 21.5 per cent from a year earlier.

- The company's mortgage portfolio totalled NOK 52.9 billion at 30 June, up by 12.3 per cent from 31 December and 27 per cent from a year earlier.

- The company's borrowing portfolio totalled NOK 61.3 billion at 30 June, up by 16.6 per cent from 31 December and 21.2 per cent from a year earlier.

- Distributor commissions paid to the local banks and OBOS totalled NOK 103 million in the second quarter and NOK 193.9 for the first half, compared with NOK 50.7 million and NOK 80.1 for the respective periods of 2012.

- At 30 June, the company had core tier 1 capital and tier 1 capital ratios of 9.9 per cent and 11.2 per cent respectively and a capital adequacy ratio of 13.3 per cent. That compares with core tier 1 capital and tier 1 capital ratios of 10 per cent and a capital adequacy ratio of 11.8 per cent at 31 December 2012. The comparable figures at 30 June 2012 were 9.2 per cent and 11.2 per cent. The capital adequacy ratio is calculated in accordance with the standard method specified by Basel II.

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

INTERIM REPORT FOR THE SECOND QUARTER AND FIRST HALF OF 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 in the Norwegian and international financial markets. 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 from the financial market with regard to the length of loans, their terms, and the depth of access. At 30 June 2013, the owner banks had transferred a total of NOK 52.9 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 owner banks and OBOS have secured a player in the bond market with the necessary requirements for securing competitive terms in both Norwegian and international bond markets.

PROFIT AND LOSS ACCOUNT FOR THE SECOND QUARTER AND FIRST HALF OF 2013

Pre-tax profit

Eika Boligkreditt achieved a pre-tax profit of NOK 29.7 million for the second quarter, compared with NOK 36.4 million in the same period of 2012. Pre-tax profit includes negative changes in the value of financial instruments (realised/unrealised and IFRS effects) of NOK 3.2 million, as against a positive NOK 6.3 million for the same period of 2012.

For the first half, pre-tax profit was NOK 58 million as against NOK 66.3 million in the same period of 2012. Pre-tax profit includes negative changes in the value of financial instruments (realised/unrealised and IFRS effects) of NOK 2.4 million, compared with a positive NOK 16.5 million for the same period of 2012.

Income

Eika Boligkreditt's total income amounted to NOK 541.2 million in the second quarter, compared with NOK 437.9 million in the same period of 2012. Its net interest income was NOK 144.8 million, compared with NOK 90.9 million for the second quarter of last year.

Total income for the first half was NOK 1 049.2 million, compared with NOK 876.6 million in the same period of 2012. Net interest income was NOK 277.2 million, compared with NOK 146.6 million for the first half of last year.

Distributor commissions

Distributor commissions paid to the local banks and OBOS came to NOK 103 million in the second quarter, compared with NOK 50.7 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 first half totalled NOK 193.9 million, compared with NOK 80.1 million in the same period of 2012.

BALANCE SHEET AND LIQUIDITY

Balance sheet

Assets under management by Eika Boligkreditt amounted to NOK 65.5 billion at 30 June, up by NOK 9.3 billion or 16.6 per cent from 31 December.

Lending

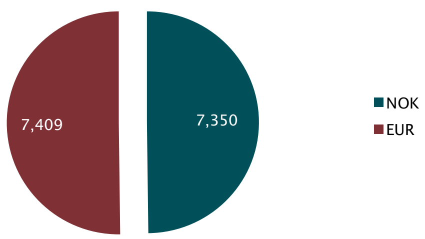
Eika Boligkreditt's residential mortgage portfolio at 30 June totalled NOK 52.9 billion, which represented a net increase of NOK 5.8 billion or 12.3 per cent from 31 December. This rise reflected a general growth in lending by the owner banks combined with the fact that the owner banks reduce their own need for market financing through the transfer of residential mortgages to Eika Boligkreditt.

Borrowing

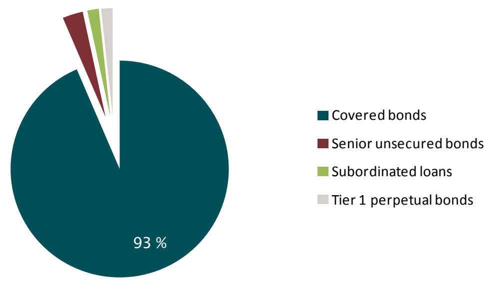
The company's borrowing at 30 June totalled NOK 61.3 billion, up by NOK 8.8 billion from 31 December.

Eika Boligkreditt raised NOK 4.9 billion from issuing covered bonds during the second quarter, as well as NOK 200 million from senior unsecured bonds, NOK 250 million from subordinated loans and NOK 250 million from tier 1 perpetual bonds. That represented a total issue volume of NOK 5.6 billion.

Issues by currency, 2013 (in NOK million)



Issues by sector, 2013



The company raised NOK 14.8 billion in bond and certificate issues during the first half, with 50 per cent issued in euros and 93 per cent as covered bonds. During the period, the company carried out repurchases of its own bonds, early redemption of the swap arrangement with the Norwegian government and redemption of maturing bonds to a total value of NOK 6.9 billion, so that the net growth in borrowing – including subordinated loans and tier 1 perpetual bonds – was NOK 7.9 billion.

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

Issues (amounts in NOK million)	1st half 2013	2012	2011	2010
Covered bonds (issued in EUR)	7,409	15,687	-	8,787
Covered bonds (issued in NOK)	6,400	5,713	11,830	4,300
Senior unsecured bonds (issued in NOK)	450	1,900	340	550
Subordinated loans (issued in NOK)	250	-	-	180
Tier 1 perpetual bonds (issued in NOK)	250	-	-	-
Totalt issued	**14,759**	**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 is experiencing greater depth of access and better liquidity in Norway's bond market during 2013 than the year before. Issues in euros require hedging transactions for both currency and interest rate risk in the derivatives market, 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 in the first half was 8.2 years. The average tenor for the company's whole borrowing portfolio increased from 3.9 years at 1 January to 4.7 years by 30 June.

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

Carrying value in NOK million	30 June 2013	30 June 2012	31 Dec. 2013
Covered bonds	56,710	38,572	43,613
Swap arrangement with the Norwegian govt.	2,474	10,365	6,920
Senior unsecured bonds	1,400	1,218	1,150
Senior unsecured certificates	750	450	900
Subordinated loans	429	318	319
Tier 1 perpetual bonds	249	-	-
Total borrowing	**62,012**	**50,924**	**52,901**

Liquidity

Following the EUR 1 billion bond issue in late January, the company maintained a high level of liquidity through the first half – particularly until the redemption of NOK 3 billion under the swap arrangement with the Norwegian government on 20 March and early redemption of NOK 1.5 billion under the same arrangement on 19 June. At 30 June, the company had a total liquidity of NOK 10.5 billion, including cash collateral of just over NOK 1 billion received from counterparties to derivative contracts. Cash collateral is held in bank deposits and government securities. In addition, the company had booked NOK 0.5 billion in reverse repurchase agreements (reverse repo) at 30 June.

RISK MANAGEMENT AND CAPITAL ADEQUACY

The company obtained NOK 170 million in new equity during May through a private placement with the owner banks. It also raised NOK 250 million from subordinated bonds and NOK 250 million from subordinated loans (treated as subordinated capital) on 23 May.

Eika Boligkreditt's tier 1 perpetual bond issue was the first of its kind from a covered bond issuer in Norway. The order book had reached no less than NOK 934 million when it was closed after one hour, and no less than 70 per cent of the orders were placed by institutional investors.

The company strengthened its capital by NOK 670 million in the second quarter. At 30 June, it had a total primary capital (tier 2 capital) of NOK 2 658 million.

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 19.9 billion at 30 June. 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	30 June 2013	30 June 2012	31 Dec. 2013
Risk-weighted assets	19,917	15,574	17,150
Total primary capital (tier 2 capital)	2,658	1,752	2,029
Capital adequacy ratio in per cent	13.3 %	11.2 %	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) (9.9 per cent at 30 June 2013)
- tier 1 capital ratio: 10.5 per cent (11.2 per cent at 30 June 2013)
- tier 2 capital ratio: 12.5 per cent (13.3 per cent at 30 June 2013)

The new targets will satisfy proposed regulatory requirements which came into force on 1 July 2013, and 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. 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 next year's ICAAP process.

OUTLOOK

The board expects the strong growth in the mortgage portfolio to continue through 2013 as its owner banks and OBOS reduce their own funding requirements with financing from the company. At NOK 5.8 billion, growth in the residential mortgage portfolio during the first half was more than NOK 1 billion above the expectations reported by the owner banks when setting budget targets for 2013. This suggests that the relative competitiveness of the owner banks remains strong, which supports expectations of continued growth in the residential mortgage portfolio.

House prices in Norway rose by 4.6 per cent during the first half, but flattened out in the second quarter after rising by 4.3 per cent in the first three months. Growth over the past 12 months was 5.7 per cent. The 12-monthly figure for the rise in house prices has fallen for every month in 2013, and the growth rate is slowing. Sale prices in June were 2.5 per cent higher than the guideline prices set when properties were put on the market. That represents a reduction from 6.3 per cent in March, which was on a par with the all-time high and indicates a good but declining temperature in the bidding rounds. Unsold homes in June totalled 11 039, continuing a rising trend from an all-time low of 7 897 residential units at 31 December. At just over 30 000 units, housebuilding over the past 12 months is approaching the peak level set before the 2008 financial crisis. Taken together, this points to a flattening in house prices in the time to come. But good growth and capacity utilisation in the Norwegian economy and low unemployment, which contributes in turn to rising incomes and demand, are factors providing continued support for prices. Low interest rates and population growth also contribute to higher demand for homes. The consensus in the market is that the growth in house prices will probably slow down and flatten out.

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

Oslo, 13 August 2013

The board of directors for Eika Boligkreditt AS

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

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

We hereby confirm that the company's interim financial statements for the period 1 January to 30 June 2013 have to the best of our knowledge been prepared in accordance with prevailing accounting standards, and that the information provided in the accounts gives a true and fair view of the company's assets, liabilities, financial position and performance as a whole.

To the best of our knowledge, the interim report for the first half provides a true and fair view of important events during the accounting period and their influence on the interim financial statements, plus a description of the most important risk and uncertainty factors facing the company during the next accounting period.

Oslo, 13 August 2013

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	**2Q 2013**	2Q 2012	**1st half 2013**	1st half 2012	2012
INTEREST INCOME						
Interest from loans to customers		**489,216**	391,525	**940,807**	778,285	1,613,171
Interest from loans and receivables on credit institutions		**8,216**	16,113	**16,838**	41,354	58,572
Interest from bonds, certificates and financial derivatives		**39,859**	27,007	**83,763**	50,662	120,992
Other interest income		**3,992**	3,206	**7,778**	6,263	13,222
Total interest income		**541,283**	437,851	**1,049,186**	876,564	1,805,957
INTEREST EXPENSES						
Interest on debt securities issued		**390,000**	341,982	**761,053**	719,838	1,436,900
Interest on subordinated loan capital		**4,674**	3,751	**7,484**	7,883	14,771
Other interest expenses		**1,848**	1,222	**3,423**	2,223	5,854
Total interest expenses		**396,522**	346,955	**771,960**	729,944	1,457,524
Net interest income		**144,761**	90,896	**277,226**	146,620	348,432
Commission costs		**103,474**	50,950	**194,793**	80,588	212,315
Net interest income after commissions costs		**41,287**	39,946	**82,433**	66,032	136,118
Dividend from shares classified as available for sale		**4,769**	-	**4,769**	3,356	3,356
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses on bonds and certificates	Note 3	**1,486**	1,063	**452**	4,567	6,274
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**(6,460)**	6,893	**(3,488)**	4,785	3,601
Net gains and losses on financial derivatives	Note 3	**9,767**	(11,076)	**12,261**	2,771	(1,327)
Net gains and losses on loans at fair value	Note 3	**(8,002)**	9,447	**(11,603)**	4,401	7,361
Total gains and losses on financial instruments at fair value		**(3,209)**	6,327	**(2,378)**	16,524	15,909
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES						
Salaries, fees and other personnel expenses		**5,173**	3,671	**10,302**	7,308	17,165
Administrative expenses		**4,556**	3,569	**8,496**	6,440	13,386
Total salaries and administrative expenses		**9,729**	7,240	**18,798**	13,748	30,551
Depreciation		**420**	392	**841**	769	1,553
Other operating expenses		**2,982**	2,225	**7,182**	5,079	10,999
Losses on loans and guarantees		-	-	-	-	-
PROFIT BEFORE TAXES		**29,716**	36,416	**58,003**	66,316	112,280
Taxes		**6,878**	10,198	**14,667**	17,545	30,541
PROFIT FOR THE PERIOD		**22,838**	26,218	**43,336**	48,771	81,739
Other comprehensive income		-	-	-	-	315
COMPREHENSIVE INCOME FOR THE PERIOD		**22,838**	26,218	**43,336**	48,771	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	**30 June 2013**	30 June 2012	31 Dec 2012
ASSETS				
Lending to and receivables from credit institutions		**2,232,966**	1,680,874	1,934,368
Lending to customers	Note 4,10	**52,855,543**	41,633,202	47,085,795
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,10	**8,234,633**	9,579,822	6,070,099
Financial derivatives	Note 9,10	**1,518,459**	847,016	970,974
Shares classified as available for sale	Note 10	**15,000**	15,000	15,000
Total securities		**9,768,093**	10,441,838	7,056,073
Other intangible assets				
Deferred tax assets		**5,186**	12,027	5,186
Fixed intangible assets		**4,057**	4,175	4,318
Total other intangible assets		**9,243**	16,202	9,504
Tangible fixed assets				
Operating equipment		**22**	-	-
Tangible fixed assets		**22**	-	-
Other financial assets		**636,259**	138,356	79,372
TOTAL ASSETS		65,502,125	53,910,472	56,165,112
LIABILITIES AND EQUITY				
Loans from credit institutions		**1,030,958**	330,315	395,032
Financial derivatives	Note 9,10	**85,890**	920,765	786,703
Debt securities issued	Note 6	**61,334,008**	50,605,066	52,582,767
Other liabilities		**338,385**	235,549	278,454
Pension liabilities		**2,709**	2,753	2,709
Subordinated loan capital	Note 7	**677,733**	318,460	318,601
TOTAL LIABILITIES		63,469,682	52,412,908	54,364,266
Called-up and fully paid capital				
Share capital		**443,333**	302,871	391,735
Share premium reserve		**897,050**	447,512	728,648
Paid-in, non-registered capital increase		**170,000**	220,000	120,000
Non-registered reduction of share premium reserve		-	-	-
Other paid-in equity		**477,728**	477,728	477,728
Total called-up and fully paid capital		**1,988,111**	1,448,111	1,718,111
Retained earnings				
Other equity		**44,333**	49,453	82,735
Total retained equity		**44,333**	49,453	82,735
TOTAL EQUITY		2,032,444	1,497,564	1,800,846
TOTAL LIABILITIES AND EQUITY		65,502,126	53,910,472	56,165,111

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**
Reduction of share premium reserve	-	-	-	-	-
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**

Statement of cash flows

Amounts in NOK 1,000	2Q 2013	2012
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	**43,335**	112,279
Income taxes paid	**(23,822)**	(7,614)
Ordinary depreciation	**841**	1,553
Non-cash pension costs	-	393
Change in loans to customers	**(5,769,748)**	(9,891,963)
Change in bonds and certificates	**(2,164,534)**	(4,187,518)
Change in financial derivatives	**(1,248,298)**	199,457
Changes in other assets	**(556,887)**	(4,734)
Changes in short-term liabilities and accruals	**83,750**	66,784
Net cash flow relating to operating activities	**(9,635,363)**	(13,711,363)
INVESTMENT ACTIVITIES		
Payments related to acquisition of fixed assets	**(601)**	(1,172)
Payments from shares classified as available for sale	-	-
Net cash flow relating to investment activities	**(601)**	(1,172)
FUNDING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	**14,268,948**	23,326,643
Gross payments of bonds and commercial paper	**(6,748,689)**	(11,771,452)
Gross receipts on issue of subordinated loan capital	**498,074**	-
Gross payments of subordinated loan capital	**(138,942)**	280
Gross receipts from issue of loan from credit institution	-	395,032
Gross payments from loan from credit institution	**635,926**	(100,000)
Payments of group contribution and dividend	**(81,737)**	-
Paid-up new share capital	**270,000**	650,000
Currency and hedging effects	**1,230,981**	(183,951)
Net cash flow from funding activities	**9,934,562**	12,316,552
Net changes in bank deposits, cash and cash equivalents	**298,598**	(1,395,983)
Bank deposits, cash and cash equivalents at 1 January	**1,934,368**	3,330,351
Bank deposits, cash and cash equivalents at end of period	**2,232,966**	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 second quarter of 2013 have been prepared in accordance with IAS 34, Interim financial reporting.

Note 2 – Use of estimates and discretion

In the application of the accounting policies, which are described in note 1 of the annual report for 2012, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Lending, non-performing/doubtful loans and writedowns
If there are objective indications of an impairment loss having occurred, the loss is measured as the difference between the value of the asset recognised in the Balance Sheet and the present value of the estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate calculated at initial recognition). In measuring future cash flows, guarantees furnished by the banks distributing the loans are taken into account. The value of the asset recognised in the Balance Sheet is reduced by means of a provision account. The amount of loss is recognised in the result for the year.

No loans were written down per 30 June 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	2nd quarter 2013	2nd quarter 2012	1st half 2013	1st half 2012	2012
Net gains and losses on loans at fair value	(8,003)	9,448	(11,603)	4,401	7,361
Net gains and losses on bonds and certificates	1,486	1,105	410	5,302	6,754
Net gains and losses on financial debts, hedged 1)	(1,183,463)	113,067	(1,230,981)	416,442	183,951
Net gains and losses on interest swaps related to lending	9,363	(8,028)	14,871	(2,997)	(4,375)
Net gains and losses on interest swaps related to bonds and certificates	-	(43)	42	(735)	(481)
Net gains and losses on interest and currency swaps related to liabilities	1,177,003	(106,174)	1,227,493	(411,657)	(180,350)
Net gains and losses on interest swaps not related to liabilities	404	(3,048)	(2,609)	5,769	3,048
Net gains and losses on financial instruments at fair value	**(3,208)**	**6,327**	**(2,378)**	**16,524**	**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.

Note 4 – Lending to customers

Amounts in NOK 1,000	30 June 2013	30 June 2012	31 Dec 2012
Installment loans - retail market	45,271,570	35,612,428	40,349,237
Installment loans - housing cooperatives	7,547,680	5,975,838	6,688,662
Adjustment fair value lending to customers [1]	36,293	44,936	47,896
Total lending before specific and general provisions for losses	**52,855,543**	**41,633,202**	**47,085,795**
Individual impairments	0	0	0
Unspecified group impairments	0	0	0
Total lending to and receivables from customers	**52,855,543**	**41,633,202**	**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 30 June 2013.

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

30 June 2013

Amounts in NOK 1 000	Book 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**

30 June 2012

Amounts in NOK 1 000	Book value	Fair value
Variable rate loans	39,704,375	39,704,375
Fixed rate loans	1,883,891	1,928,827
Toal lending	**41,588,266**	**41,633,202**

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 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 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**

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

	30 June 2013
Average term to maturity	**1.0**
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	Market 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 3.24 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.

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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 2013	30 June 2012	31 Dec 2012
CH0034269511	225,000	CHF	Fixed	3.14 %	2007	2013	1,447,569	1,410,639	1,369,966
NO0010421332	250,000	NOK	Fixed	5.40 %	2008	2013	-	154,963	104,996
NO0010421340	441,000	NOK	Floating	3M Nibor + 0.20 %	2008	2013	-	316,438	316,488
NO0010502149	5,000,000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	354,796	-	-
NO0010542244	1,000,000	NOK	Floating	3M Nibor + 0.35 %	2009	2014	250,069	999,532	999,671
NO0010536089	5,000,000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	454,608	454,373	454,492
NO0010561103	2,000,000	NOK	Fixed	5.00 %	2009	2019	1,740,804	1,138,166	1,468,208
NO0010565211	2,000,000	NOK	Fixed	4.40 %	2010	2015	1,211,586	1,212,563	1,212,070
XS0494543175	552,000	EUR	Fixed	2.00 %	2010	2012	-	4,157,284	-
NO0010572373	5,000,000	NOK	Floating	3M Nibor + 0.53 %	2010	2016	4,996,591	4,995,392	4,995,997
XS0537088899	500,000	EUR	Fixed	2.13 %	2010	2015	3,945,466	3,749,773	3,659,368
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	714,058	500,000	715,470
NO0010612039	2,500,000	NOK	Floating	3M Nibor + 0.55 %	2011	2018	2,502,513	1,197,722	1,197,916
NO0010625429	2,000,000	NOK	Floating	3M Nibor + 0.40 %	2011	2014	1,268,995	1,727,972	1,728,414
NO0010625346	1,600,000	NOK	Fixed	4.60 %	2011	2026	1,501,210	1,501,301	1,501,255
NO0010630148	2,500,000	NOK	Floating	3M Nibor + 0.45 %	2011	2014	1,679,386	2,008,730	2,008,995
NO0010631336	1,000,000	NOK	Fixed	3.75 %	2011	2016	851,328	851,774	851,549
XS0736417642	500,000	EUR	Fixed	2.25 %	2012	2017	3,936,884	3,740,865	3,650,625
NO0010648884	2,000,000	NOK	Floating	3M Nibor + 0.42 %	2012	2015	1,199,306	1,198,945.64	1,199,127
NO0010648892	2,000,000	NOK	Floating	3M Nibor + 0.74 %	2012	2017	1,401,717	1,098,373	1,401,934
XS0794570944	650,000	EUR	Fixed	2.00 %	2012	2019	5,101,707	4,847,088	4,729,672
XS0851683473	1,000,000	EUR	Fixed	1.25 %	2012	2017	7,877,822	-	7,306,763
NO0010663727	3,500,000	NOK	Floating	3M Nibor + 0.60 %	2012	2019	3,064,429	-	499,199
NO0010664428	1,000,000	NOK	Floating	3M Nibor + 0.53 %	2012	2018	1,001,735	-	199,777
NO0010663743	1,000,000	NOK	Fixed	3.25 %	2012	2019	1,011,044	-	350,000
NO0010669922	1,000,000	NOK	Fixed	4.00 %	2013	2028	497,818	-	-
XS0881369770	1,000,000	EUR	Fixed	2.125 %	2013	2023	7,860,874	-	-
Value adjustments							(162,333)	310,310	691,244
Total covered bonds[1]							**56,709,983**	**38,572,206**	**43,613,195**

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

ISIN	Nominal amounts[2]	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 June 2013	30 June 2012	31 Dec 2012
NO0010502149	5,000,000	NOK	Floating	3M Nibor + 0.70 %	2009	2019	1,619,000	4,791,000	4,791,000
NO0010513476	5,000,000	NOK	Floating	3M Nibor + 0.65 %	2009	2015	1,061,500	4,766,500	1,061,500
NO0010536089	5,000,000	NOK	Floating	3M Nibor + 0.40 %	2009	2015	-	1,586,000	1,586,000
Covered bonds used as collateral in the swap arrangement with the Norwegian government[1,2]							**2,680,500**	**11,143,500**	**7,438,500**
Unrecognised covered bonds issued related to the swap arrangement							**(2,680,500)**	**(11,143,500)**	**(7,438,500)**
Total covered bonds[1]							**56,709,983**	**38,572,206**	**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	30 June 2013	30 June 2012	31 Dec 2012
Swap agreement with the Govt.	2,971,071	NOK	Floating	6 M Nibor - 0.11 %	2009	2013	-	2,971,071	2,971,071
Swap agreement with the Govt.	1,487,382	NOK	Floating	6 M Nibor - 0.11 %	2009	2014	1,487,382	1,487,382	1,487,382
Swap agreement with the Govt.	987,036	NOK	Floating	6 M Nibor - 0.11 %	2009	2014	987,036	987,036	987,036
Swap agreement with the Govt.	3,445,211	NOK	Floating	6 M Nibor + 0.21 %	2009	2013 [3]	-	3,445,211	-
Swap agreement with the Govt.	1,474,614	NOK	Floating	6 M Nibor + 0.24 %	2009	2013 [3]	-	1,474,614	1,474,614
Total borrowing from Norwegian government [2]							**2,474,418**	**10,365,314**	**6,920,103**

[2] A nominal amount of NOK 2,474,418,000 is interest-bearing debt. The nominal value of covered bonds ascribed to the company's cover pool is NOK 2,680,500,000. See the table above.

Eika Boligkreditt participated in 2009 in the swap arrangement with the Norwegian government. The arrangement is administered by Norges Bank and entitles the company to swap its covered bonds with government securities. At 31 December, Eika Boligkreditt, with its five participations in the swap arrangement, raised interest-bearing debt totalling NOK 10,365,314,000. See the table above. The term to maturity for these swap arrangements is four and five years.

[3] Eika Boligkreditt opted in December 2012 and June 2013 for early redemption of two of the loans in the swap arrangement, totalling NOK 4.9 billion. These loans originally matured in December 2013.

Senior unsecured bonds - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 June 2013	30 June 2012	31 Dec 2012
NO0010502156	1,500,000	NOK	Floating	3M Nibor + 1.25 %	2009	2012	-	668,076	-
NO0010532906	1,000,000	NOK	Floating	3M Nibor + 0.90 %	2009	2014	349,811	349,648	349,730
NO0010637531	200,000	NOK	Floating	3M Nibor + 0.70 %	2012	2013	199,985	199,886	199,936
NO0010656804	500,000	NOK	Floating	3M Nibor + 0.50 %	2012	2013	400,039	-	400,110
NO0010662521	1,000,000	NOK	Floating	3M Nibor + 0.80 %	2012	2014	199,917	-	199,868
NO0010672157	500,000	NOK	Floating	3M Nibor + 0.65 %	2013	2014	199,954	-	-
NO0010673106	250,000	NOK	Floating	3M Nibor + 0.80 %	2013	2015	49,975	-	
Total senior unsecured bonds							**1,399,681**	**1,217,609**	**1,149,644**

Senior unsecured certificates - amounts in NOK 1,000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 June 2013	30 June 2012	31 Dec 2012
NO0010637382	150,000	NOK	Fixed	3.24 %	2012	2012	-	149,983	-
NO0010649031	100,000	NOK	Fixed	3.06 %	2012	2013	-	99,982	99,992
NO0010649023	200,000	NOK	Fixed	2.93 %	2012	2013	-	199,974	199,994
NO0010656549	200,000	NOK	Floating	3M Nibor + 0.40 %	2012	2013	149,991	-	199,938
NO0010659980	250,000	NOK	Fixed	2.50 %	2012	2013	249,975	-	249,913
NO0010661697	150,000	NOK	Fixed	2.49 %	2012	2013	149,996	-	149,989
NO0010682123	200,000	NOK	Fixed	2.13 %	2013	2014		-	-
Total senior unsecured certificates							**549,962**	**449,939**	**899,825**

Total debt securities issued	**61,334,008**	**50,605,066**	**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	30 June 2013	30 June 2012	31 Dec 2012
NO0010679640	250,000	NOK	Floating	3M Nibor + 4,20 % [1]	2013	Perpetual	248,532	-	-
Total tier 1 perpetual bonds							**248,532**	**-**	**-**

[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	30 June 2013	30 June 2012	31 Dec 2012
NO0010418924	139,000	NOK	Floating	3M Nibor + 1,50 % [1]	2008	2018	-	138,896	138,973
NO0010592991	180,000	NOK	Floating	3M Nibor + 2,40 % [2]	2010	2020	179,690	179,564	179,627
NO0010679632	250,000	NOK	Floating	3M Nibor + 2,40 % [3]	2013	2023	249,511	-	-
Total subordinated loans							**429,201**	**318,460**	**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	**677,733**	**318,460**	**318,601**

Note 8 – Coverpool

	Market value		
Amounts in NOK 1,000	**31 June 2013**	**30 June 2012**	**31 Dec 2012**
Lending to customers	52,855,543	41,633,202	47,085,795
Substitute assets and derivatives:			
Financial derivatives (net)	1,432,543	(83,668)	181,635
Substitute assets [1]	9,937,827	10,929,541	7,607,339
Total	64,225,913	52,479,075	54,874,768
The cover pool's overcollateralisation	**108.03 %**	**105.35 %**	**107.32 %**

[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 2012		31 Dec 2012	
Amounts in NOK 1,000	Nominal amount	Market value	Nominal amount	Market value
Interest rate swap lending [1]	(48,000)	630	(90,000)	1,033
Interest rate and currency swap [2]	27,576,418	1,517,830	13,735,805	969,940
Total financial derivative assets	**27,528,418**	**1,518,459**	**13,645,805**	**970,974**

Liabilities				
Amounts in NOK 1,000	Nominal amount	Market value	Nominal amount	Market value
Interest rate swap investments	-	-	80,500	103
Interest rate swap lending	1,648,624	62,134	1,796,521	77,409
Interest rate and currency swap [1]	12,009,450	23,755	21,810,763	709,191
Total financial derivative liabilities	**13,658,074**	**85,890**	**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.

	30 June 2012		31 Dec 2012	
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]	37,098,868	1,494,047	28,634,568	258,113
Hedged items: Financial commitments incl foreign exchange [2]	37,098,868	(1,516,792)	28,634,568	(285,811)
Net value recognised in Balance Sheet	**-**	**(22,745)**	**-**	**(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	2Q 2013	2Q 2012	1st half 2013	1st half 2012	2012
Hedging instruments	1,177,003	(106,174)	1,227,493	(411,657)	(180,350)
Hedged items	(1,183,463)	113,067	(1,230,981)	416,442	183,951
Net gains/losses (inefffectiveness)	**(6,460)**	**6,893**	**(3,488)**	**4,785**	**3,601**

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 June 2012

Amounts in NOK 1,000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1,503,940
Bonds and certificates at fair value through profit or loss	1,290,835	6,943,798	-
Financial derivatives	-	1,518,459	-
Shares classified as available for sale	-	-	15,000
Total financial assets	**1,290,835**	**8,462,257**	**1,518,940**
Financial liabilities			
Financial derivatives	-	85,890	-
Total financial liabilities	**-**	**85,890**	**-**

No significant transactions between the different levels took place in the first half of 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 Mar 2013
Lending to customers (fixed rate loans)	1,701,189	16,567	(202,213)	-	(11,603)	-	1,503,940
Shares available for sale	15,000	-	-	-	-	-	15,000
Total	**1,716,189**	**16,567**	**(202,213)**	**-**	**(11,603)**	**-**	**1,518,940**

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 2012
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 30 June 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 43.3 million. The effect of a decrease in interest rates would be an increase of NOK 43.3 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 2013 and cumulatively.

Note 11 – Capital adequacy ratio

Amounts in NOK 1,000	30 June 2013	30 June 2012	31.12.2013
Share capital	443,333	302,871	391,735
Share premium reserve	897,050	447,512	728,648
Paid, but not registered, share capital	170,000	220,000	120,000
Other paid-in equity	477,728	477,727	477,728
Other equity	997	1,422	1,422
Total equity recognised in the balance sheet	**1,989,108**	**1,449,532**	**1,719,533**
Intangible assets	(4,057)	(4,175)	(4,318)
Deferred tax assets	(5,186)	(11,738)	(5,021)
Total core tier 1 capital	**1,979,865**	**1,433,619**	**1,710,194**

Core capital adequacy ratio (core tier 1 capital)	30 June 2013	30 June 2012	31.12.2013
Weighted calculation basis	19,917,150	15,574,088	17,149,938
Core tier 1 capital	1,979,865	1,433,619	1,710,194
Core tier 1 capital ratio	**9.9 %**	**9.2 %**	**10.0 %**
Total core tier 1 capital	1,979,865	1,433,619	1,710,194
Tier 1 perpetual bonds	248,532	-	-
Total tier 1 capital	**2,228,397**	**1,433,619**	**1,710,194**

Capital adequacy ratio (tier 1 capital)	30 June 2013	30 June 2012	31.12.2013
Weighted calculation basis	19,917,150	15,574,088	17,149,938
Tier 1 capital	2,228,397	1,433,619	1,710,194
Tier 1 capital ratio	**11.2 %**	**9.2 %**	**10.0 %**
Total tier 1 capital	2,228,397	1,433,619	1,710,194
Subordinated loan capital	429,201	318,460	318,601
Total primary capital (tier 2 capital)	**2,657,598**	**1,752,079**	**2,028,795**

Capital adequacy ratio (tier 2 capital)	30 June 2013	30 June 2012	31.12.2013
Weighted calculation basis	19,917,150	15,574,088	17,149,938
Total primary capital (tier 2 capital)	2,657,598	1,752,079	2,028,795
Capital adequacy ratio	**13.3 %**	**11.2 %**	**11.8 %**
Required capital corresponding to eight per cent of calculation basis	1,593,372	1,245,927	1,371,995
Surplus equity and subordinated capital	1,064,226	506,152	656,800

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

30 June 2013

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	19,724,913	1,577,993
Operational risk	192,238	15,379
Total	**19,917,150**	**1,593,372**

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.

A buffer will be maintained by the company at all times in relation to the minimum capital requirement of eight per cent. The buffer must be sufficient to cope with relevant risks which could affect the company. The company’s internal capital adequacy assessment process (ICAAP) is pursued to ensure that the company has a sufficient buffer in relation to the minimum requirement. The company is planning to capitalise continued strong growth in the mortgage portfolio. The board of EBK 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 tier 2 capital ratio of 10 per cent. These new targets apply from 1 July 2013 and are a core tier 1 capital ratio of nine per cent (unchanged), a tier 1 capital ratio of 10.5 per cent, and a tier 2 capital ratio of 12.5 per cent. The new targets will satisfy proposed regulatory requirements from their adoption on 1 July 2013, and 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 Bill from the Ministry of Finance, the company's capital targets will need to be increased again with effect from 1 July 2014. A new assessment of capital targets will be undertaken in next year's ICAAP process on the basis of the forthcoming changes in capital requirements.

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	30 June 2013	30 June 2012	31 Dec. 2012
Balance sheet development			
Lending to customers	52,855,543	41,633,202	47,085,795
Debt securities issued	61,334,008	50,605,066	52,582,767
Subordinated loan capital	677,733	318,460	318,601
Equity	2,032,444	1,497,564	1,800,846
Equity in % of total assets	3.10	2.78	3.21
Average total assets	60,785,362	45,129,150	50,013,186
Total assets	65,502,126	53,910,472	56,165,112
Rate of return / profitability			
Combined average spread for lending and deposits, annualised (%) [1]	0.91	0.65	0.70
Fee and commission income in relation to average total assets, annualised (%)	0.64	0.36	0.42
Other operating expences in relation to average total assets, annualised (%)	0.02	0.02	0.02
Staff and general administration expenses in relation to average total assets, annualised (%)	0.06	0.06	0.06
Cost/income ratio (%) [2]	9.67	13.37	12.37
Return on total capital, annualised (%) [3]	0.14	0.22	0.16
Return on equity, after taxes annualised (%) [4]	4.70	7.71	8.29
Return on equity, before taxes annualised (%) [5]	6.30	10.48	9.77
Total assets per full-time position	3,898,936	3,906,556	3,554,754
Financial strength			
Core tier 1 capital	1,979,865	1,433,619	1,710,194
Tier 1 capital	2,228,397	1,433,619	1,710,194
Total primary capital (Tier 2 capital)	2,657,598	1,752,079	2,028,795
Calculation basis capital adequacy ratio	19,917,150	15,574,088	17,149,938
Core tier 1 capital ratio (%)	9.9	9.2	10.0
Tier 1 capital ratio (%)	11.2	9.2	10.0
Capital adequacy ratio % (Tier 2 capital)	13.3	11.2	11.8
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	16.8	13.8	15.8

Overview of liquidity indicators and prognosis

	Actual	Prognosis			
As of	**30 June 2013**	**30 Sept. 2013**	**31 Dec. 2013**	**31 Mar. 2014**	**30 Jun. 2014**
Liquidity Indicator I [6]	107 %	112 %	112 %	108 %	105 %
Liquidity Indicator II [7]	118 %	119 %	125 %	119 %	116 %
Average of indicators	**113 %**	**116 %**	**119 %**	**114 %**	**111 %**

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

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

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