eika. Boligkreditt

Annual report 2014

At your side.

***Front page photo:** Scanpix*

Contents

The Eika Alliance

The Eika Alliance comprises the Eika banks, Eika Gruppen and Eika Boligkreditt. It ranks collectively as one of the largest players in the Norwegian financial market, with total assets of NOK 300 billion and almost a million customers. The alliance pays special attention to private customers, the local business community and small companies. Competitive financial products, services and infrastructure for both private and business markets are supplied to the bank alliance through Eika Boligkreditt and Eika Gruppen. Taken together, this makes Eika one of the most important players in Norway’s local communities.

EIKA BOLIGKREDITT

Eika Boligkreditt AS is a credit institution owned at 31 December 2014 by 74 Norwegian local banks and OBOS. Its principal purpose is to provide access for the local banks to long-term and competitive funding. The company has an international rating and is licensed as a credit institution, and funds its lending by issuing covered bonds. This means that Eika Boligkreditt can issue bonds in the Norwegian and international financial markets, and secure finance wherever the best market terms can be obtained at any given time. Through Eika Boligkreditt, the alliance banks can accordingly access very favourable financing and maintain their competitiveness in relation to large Norwegian and international banks. Eika Boligkreditt consequently makes an important contribution to ensuring that customers of the local banks achieve competitive terms for their residential mortgages.

THE ALLIANCE BANKS IN EIKA

Savings banks have contributed to local settlement, economic development and security for private customers and small companies in Norwegian communities for almost 200 years. The banks in the Eika Alliance are fully independent and control their own strategy, brand and visual identity. Closeness to, and personal involvement with their customers and the local community, plus detailed knowledge of the local market for individuals and companies, are the banks’ most important competitive advantages. The local bank thereby serves as a unique and important financial adviser and credit provider for both private individuals and Norwegian businesses. Through their philanthropic donations, moreover, the savings banks contribute to innovation, growth and development locally, and to the financing of local culture, sport and voluntary organisations. Levels of customer satisfaction with and loyalty to the alliance banks in Eika are among the highest in Norway.

EIKA GRUPPEN

Eika Gruppen serves as the financial services group in the Eika Alliance, and is owned in part by 74 local banks. Its strategic foundation is to strengthen the independent local banks in the alliance. The group delivers a complete platform for bank infrastructure, including IT and payment processing, and a broad range of financial products and expertise-boosting services. Collectively, Eika Gruppen’s deliveries contribute to the strong market position and competitiveness of the local banks. Its most important product companies are Eika Forsikring, Eika Kredittbank, Eika Kapitalforvaltning and Aktiv Eiendomsmegling. Eika Gruppen’s products and services are distributed through some 400 offices in Norway. Including its owner banks and the stockbroking business, it has some 3 500 employees – including about 400 who work directly for Eika Gruppen AS. The company thereby ranks as one of the biggest players in the Norwegian market for the development and sale of financial solutions, products and services.

Eika Boligkreditt in brief

History

2003

- Eika Boligkreditt is founded on 24 March.

2005

- The first residential mortgage is disbursed on 28 February to Røros-banken.
- The mortgage portfolio exceeds NOK 1 billion as early as October.

2007

- The Norwegian regulations for covered bonds come into force in June.
- Eika Boligkreditt's covered bonds are rated Aaa by Moody's Investor Service in the same month.
- The company issues its first covered bond in Norway during August, while the first international transaction takes place on 24 October.

2009

- The net mortgage portfolio exceeds NOK 20 billion during November.
- The company's covered bonds are downgraded to Aa2 by Moody's Investor Service.
- Activity is increasing, and the company receives more than 1 000 loan applications in a single month for the first time in June.
- Eika Boligkreditt participates in a NOK 10.4 billion swap arrangement with the Norwegian government.

2010

- Eika Boligkreditt moves with Eika Gruppen to new Oslo premises in Parkveien.
- Kjartan M Bremnes takes over as chief executive of Eika Boligkreditt.

2012

- Eika Boligkreditt is demerged from Eika Gruppen and becomes directly owned by the local banks and OBOS.
- A tighter structure of agreements is established between the new owners and the company.
- Total assets exceed NOK 50 billion during June.
- The company issues its first "jumbo" (EUR 1 billion) bond in the euro market.

2013

- The company changes its name to Eika Boligkreditt on 21 March.
- Eika Boligkreditt issues its first jumbo with a 10-year tenor in the euro market.
- The net mortgage portfolio grows by 22.5 per cent to NOK 57.7 billion.
- Distributor commissions of NOK 467 million, compared with NOK 229 million in 2012.

2014

- Moody's Investor Service upgrades the company's covered bonds to Aa1.
- EBK's covered bonds are registered on the Oslo Stock Exchange's benchmark list.
- The net residential mortgage portfolio exceeds NOK 60 billion in June.
- Record distributor commissions of NOK 583 million.

2014: Highlights

74

LOCAL BANKS

Eika Boligkreditt was directly owned by 74 local banks and OBOS at 31 December 2014.

378

LOCAL AUTHORITIES

Eika Boligkreditt has mortgagees in 378 local authorities.

81.3 BN.

TOTAL ASSETS

Total assets were NOK 81.3 billion at 31 December.

41 THOUSAND

MORTGAGEES

Eika Boligkreditt has 41 536 mortgagees in its portfolio.

29.8 %

MORTGAGEES

Proportion of residential mortgagees who live in Norway's 10 largest cities.

33.7 %

MORTGAGED PROPERTY

33.7 per cent of the mortgaged property lies in Oslo and Akershus.

43.4 %

LTV

The average loan to value (LTV) was 43.4 per cent on the whole mortgage portfolio, and 15.5 per cent on mortgages to residential cooperatives.

599

MORTGAGES TO RESIDENTIAL COOPERATIVES

In addition to standalone residential mortgages, the portfolio included 599 mortgages to residential cooperatives.

Eika Boligkreditt in brief

Eika Boligkreditt is a credit institution directly owned by 74 Norwegian local banks and the OBOS housing association. Its main purpose is to secure access for the owner banks (the banks and OBOS) in the Eika Alliance to long-term 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 and reduce their financing risk – including refinancing risk. At 31 December 2014, the local banks and OBOS had transferred a total of NOK 60.9 billion in residential mortgages to Eika Boligkreditt and thereby relieved their own funding requirements by a corresponding amount.

The company is licensed as a credit institution and authorised to raise loans in the market by issuing covered bonds. Norwegian regulations for covered bonds were adopted in 2007, establishing a new type of bond which has become, within a few years, an important source of financing for banks and credit institutions. By concentrating funding activities related to covered bonds in Eika Boligkreditt, the local banks and OBOS have secured a player in the bond market which can, by virtue of its size, achieve competitive terms in both Norwegian and international bond markets.

Funding activity began at Eika Boligkreditt in February 2005 and, with current total assets of NOK 81.3 billion, the company represents an important funding channel for the alliance banks and OBOS. To secure diversified funding sources for the banks and OBOS, the company aims to be an active issuer in both Norwegian and international markets

Owner structure and brand name

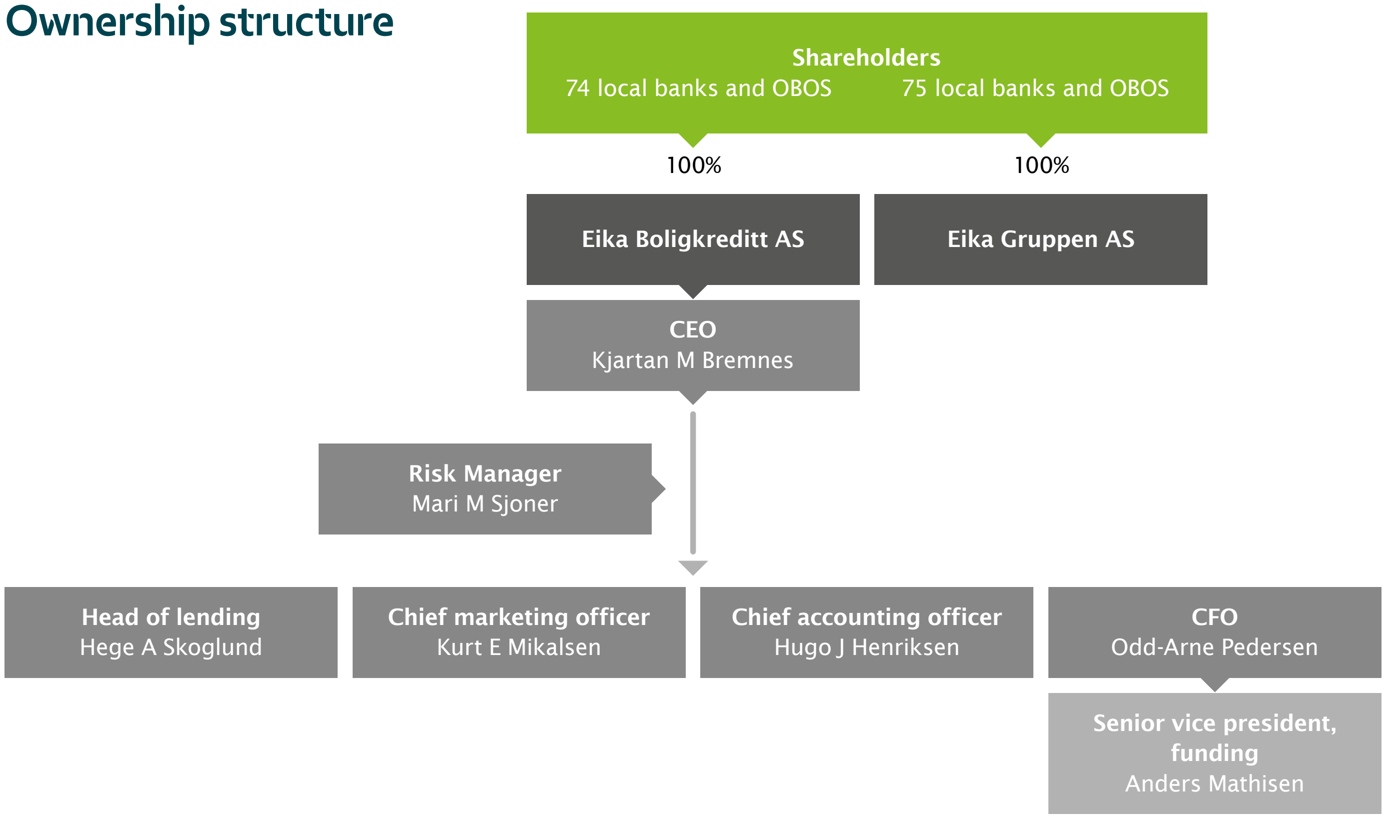
Eika Boligkreditt was demerged from the Eika Gruppen AS financial group in May 2012, and became directly owned by the local banks in the Eika Alliance and the OBOS housing association.

In conjunction with the changes to the ownership structure, a shareholder agreement was entered into which stipulates in part that the ownership of the company is to be rebalanced on an annual basis. This will ensure an annual adjustment so that the holding of each owner bank corresponds to its share of the company's residential mortgage portfolio.

Brand name

Despite the demerger from Eika Gruppen in 2012, it was always clear that the Eika ("Oak") brand name would be retained and that the company would remain part of the bank alliance. This was considered natural since Eika Boligkreditt secures funding exclusively for the owner banks, and is wholly owned by these same banks and OBOS. The underlying ownership structures of Eika Gruppen and Eika Boligkreditt have since diverged marginally.

Ownership structure



Board of directors

Odd Inge Løfald
Director
- Born: 1950.
- Position: CEO, Midt-Norsk Sparebankgruppe, consultant.
- Education: civil engineer, business economist.
- Other directorships: chair, Rindalshallen AS, director, Trollheimsporten AS, Trollheimen AS and Rindal Chamber of Commerce.
- Director since 2012.

Bjørn Riise
Director
- Born: 1963.
- Position: CEO, Klæbu Sparebank.
- Education: BSc computing finance, Trondheim Engineering College, business economics, Trondheim Business School.
- Other directorships: chair, AITel, Sør-Trøndelag University College, and Klæbu advisory board, Mid-Norway Chamber of Commerce and Industry.
- Director since 2008.

Martin Mæland
Chair
- Born: 1949.
- Position: CEO, OBOS.
- Education: BA, MSc economics, University of Oslo.
- Other directorships: chair, Veidekke ASA, deputy chair, Entra Eiendom AS.
- Director since 2009 and chair from 2012.

Terje Svendsen
Director
- Born: 1956.
- Position: independent consultant.
- Education: MSc business economics, Norwegian School of Economics.
- Other directorships: chair, Football Media AS and Tercon AS, director, Nordenfjeldske Eiendomsfond AS and Norsk Byggmontering AS
- Director since 2011.

Tor Egil Lie
Director
- Born: 1955.
- Position: CEO, Jæren Sparebank.
- Education: BSc economics and administration, Rogaland Regional College/University of Stavanger (UiS), chartered auditor.
- Other directorships: director, Aktiv Jæren Eiendomsmegling AS and Safi, UiS.
- Director since 2014.

Executive management

Anders Mathisen
Senior vice president, funding
- Born: 1967.
- Education: MBE, BI Norwegian Business School.
- Career: Terra Forvaltning, SEB, Norges Bank.
- Joined company in 2012.

Mari M Sjoner
Risk manager
- Born: 1985.
- Education: MSc business economics, Norwegian School of Economics.
- Joined company in 2010.

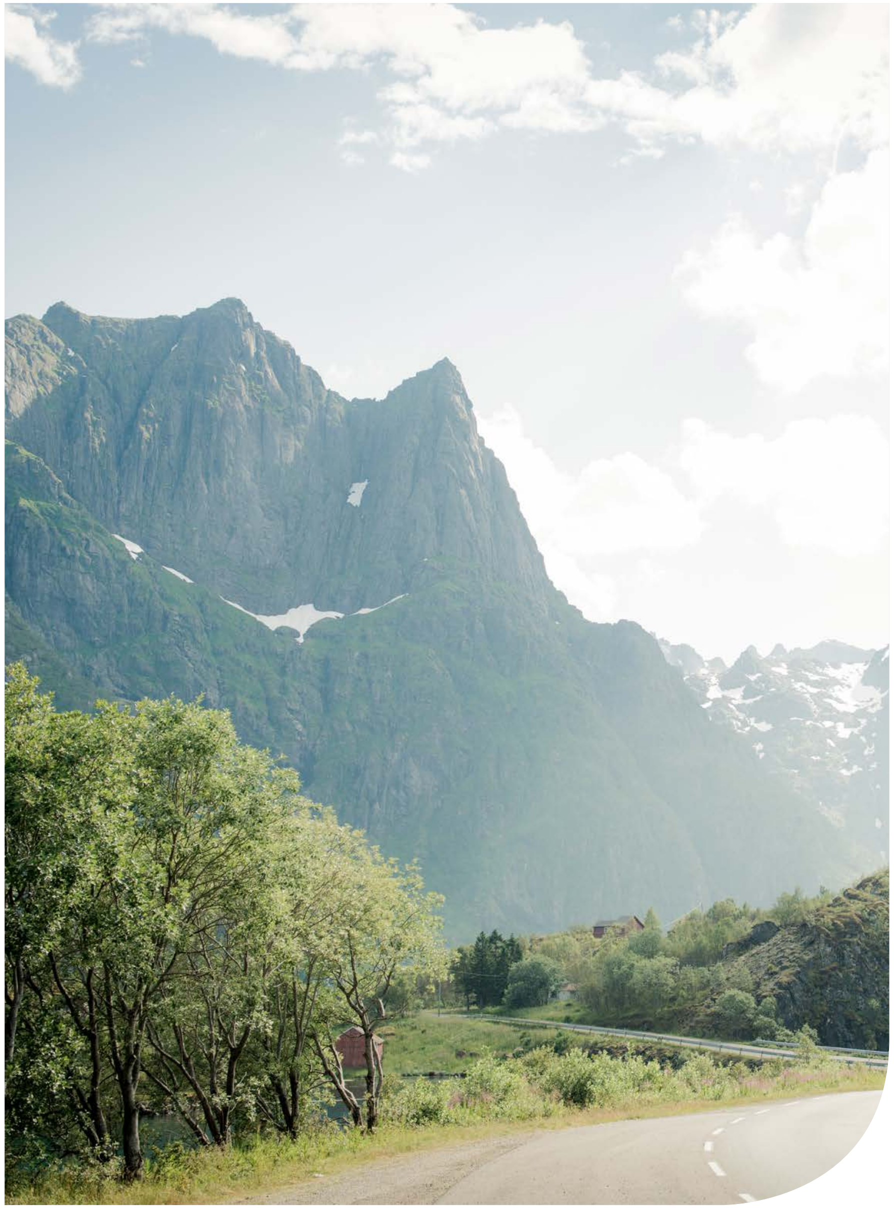
Kurt E Mikalsen
Chief marketing officer
- Born: 1968.
- Education: BA, University of Bodø.
- Career: DNB, GMAC Commercial Finance.
- Joined company in 2006.

Kjartan M Bremnes
CEO
- Born: 1965.
- Education: law degree, University of Oslo/ King's College London.
- Career: BA-HR law firm, Follo Consulting Team AS, Vesta Hygea AS.
- Joined company in 2004.

Odd Arne Pedersen
CFO
- Born: 1962.
- Education: MBE, BI Norwegian Business School, AFA and Master of Finance, Norwegian School of Economics.
- Career: Terra Forvaltning, Terra Securities, Terra-Gruppen, Fearnley Fonds, DN Hypotekforening.
- Joined company in 2008.

Hege Skoglund
Head of lending
- Born: 1966.
- Education: Diploma, business economics, BI Norwegian Business School.
- Career: Sparebanken Gjensidige Nor, Sparebanken Kreditt AS.
- Joined company in 2005.

Hugo J Henriksen
Chief accounting officer
- Born: 1969.
- Education: MSc business economics, University of Bodø.
- Career: Terra-Gruppen, Ernst & Young.
- Joined company in 2007.



A strategically important company for the banks

Common denominators for the local banks in the Eika Alliance are their strong local roots, that they rank among the smallest banks in Norway, and that a generally high proportion of their activity is directed at the private and residential mortgage market.

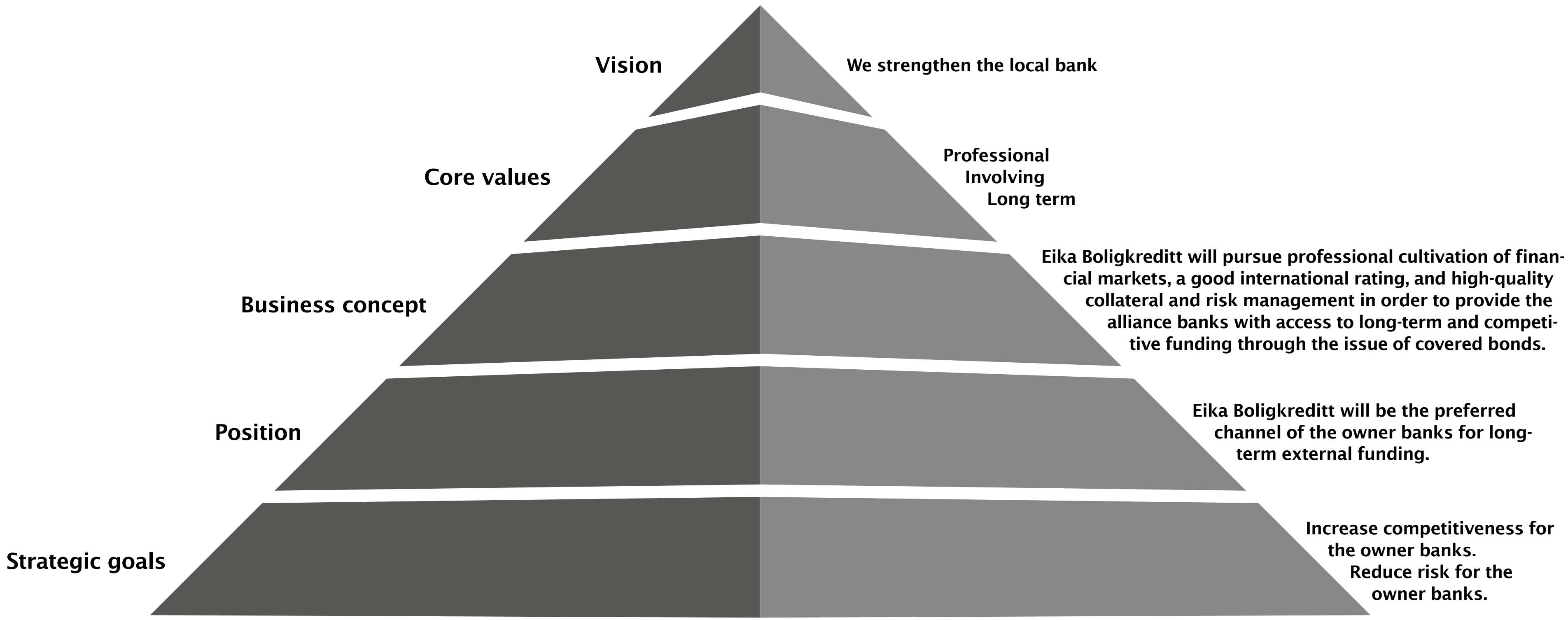
The decision by the local banks 12 years ago to establish a joint mortgage credit institution was a direct consequence of a trend where they – like all the other banks – experienced a decline in their deposit-to-loan ratio and a corresponding increase in the need for external financing from the bond market.

For small local banks, this meant increased vulnerability in achieving competitive borrowing costs and higher risk exposure because they would be subject to price fluctuations in the Norwegian bond market. The most important reasons for establishing Eika Boligkreditt were accordingly to maintain competitiveness in the residential mortgage segment – which was and remains the most important market for the local banks – and to reduce financing and refinancing risk in the bond market.

Through Eika Boligkreditt, the local banks and OBOS achieve indirect access to favourable borrowing through an internationally rated credit institution licensed to issue covered bonds in the Norwegian and international markets. Use by the local banks is very broad (95 per cent), and the owner banks had established a mortgage portfolio of NOK 60.9 billion in Eika Boligkreditt at 31 December 2014. That corresponds to about half of total external financing for the local banks, and this share is rising.

The funding profile through Eika Boligkreditt involves longer tenors at a significantly more favourable rate and with access to far larger and more stable investor markets than the local banks or OBOS could have achieved individually. This is precisely why Eika Boligkreditt has become strategically important for the local banks and OBOS, contributing to enhanced competitiveness and lower risk exposure.

Strategy pyramid



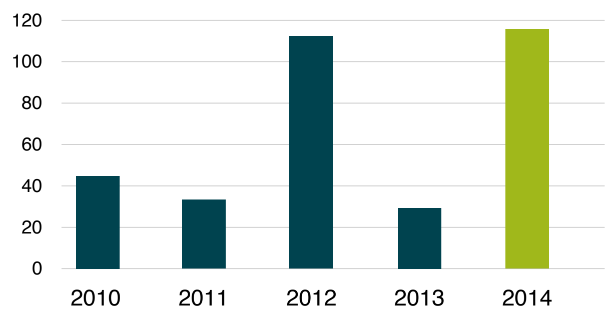
COMPANY PRIORITIES

- Sustainable growth
- Good international rating
- Profitability and cost-efficiency
- Quality at every level

Results and key figures

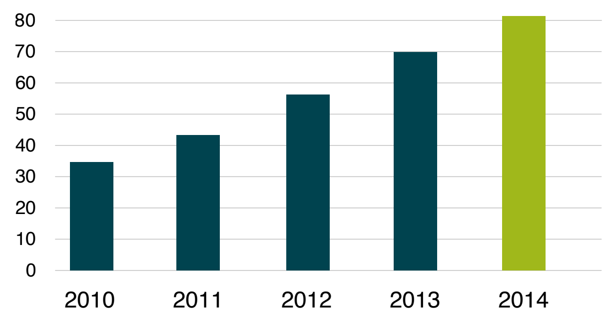
PROFIT BEFORE TAX

Amounts in NOK million



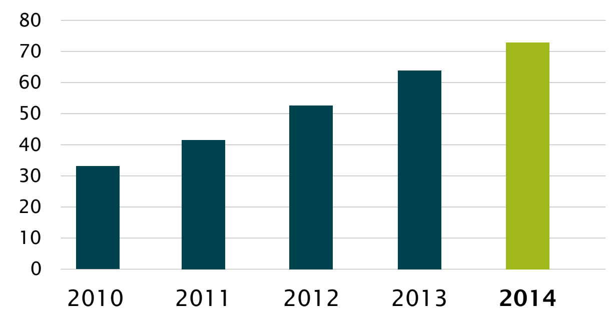
TOTAL ASSETS

Amounts in NOK billion



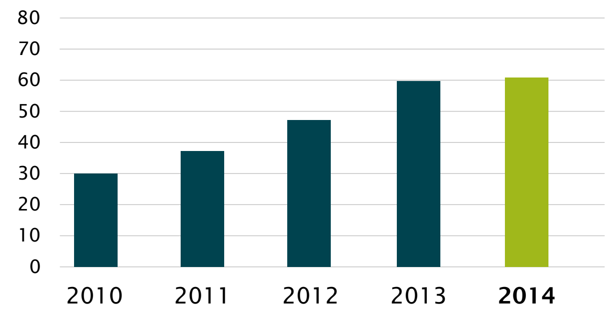
BORROWING PORTFOLIO

Amounts in NOK billion



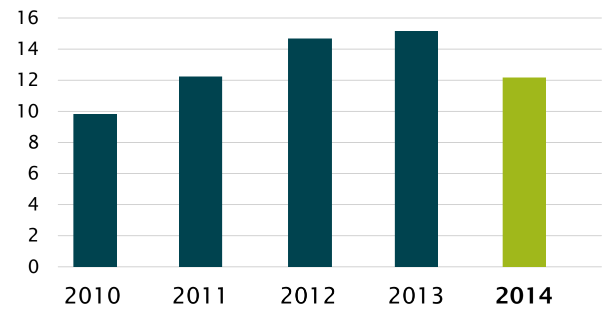
MORTGAGE PORTFOLIO

Amounts in NOK billion



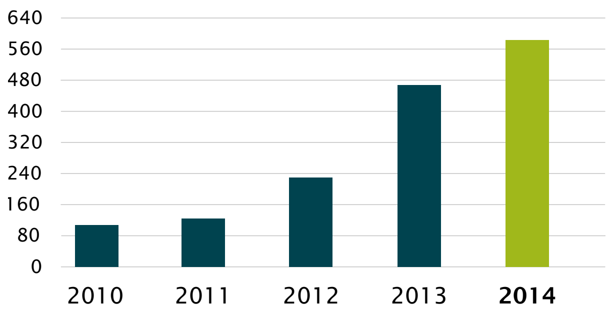
NEW MORTGAGES

In thousands



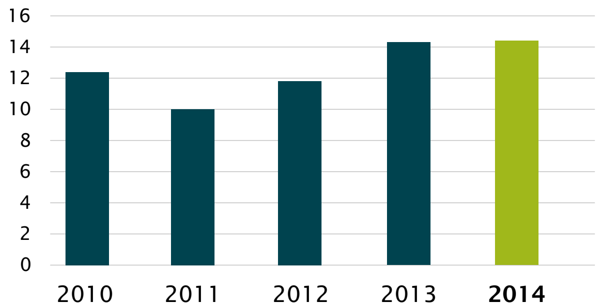
DISTRIBUTOR COMMISSIONS

Amounts in NOK million



CAPITAL ADEQUACY RATIO[1]

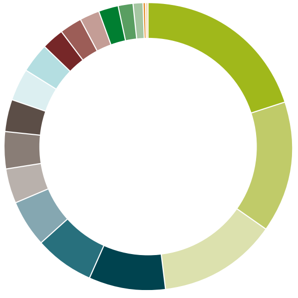
Value in per cent



[1] The company employs the standard method specified by the capital requirement regulations for calculating capital requirements for credit risk.

GEOGRAPHICAL DISTRIBUTION

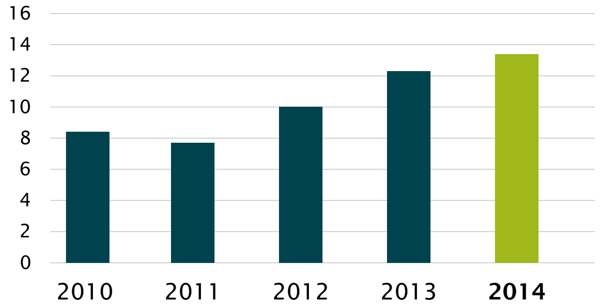
By county



Oslo	20.03%
Akershus	14.95%
Sør-Trøndelag	13.17%
Rogaland	8.57%
Østfold	6.71%
Telemark	5.26%
Buskerud	4.01%
Nord-Trøndelag	4.00%
Møre og Romsdal	3.79%
Vestfold	3.59%
Nordland	3.17%
Aust-Agder	2.75%
Vest-Agder	2.42%
Hordaland	2.30%
Hedmark	2.23%
Oppland	1.46%
Troms	1.07%
Sogn og Fjordane	0.48%
Finnmark	0.05%

CORE TIER 1 CAPITAL RATIO

Value in per cent



LTV[1]

Specified in per cent and NOK

LTV:	0-≤40%	NOK 20 042.6 mill	32.94%
LTV:	>40%-≤50%	NOK 12 082.2 mill	19.86%
LTV:	>50%-≤60%	NOK 26 251.1 mill	43.15%
LTV:	>60%-≤70%	NOK 2 358.4 mill	3.88%
LTV:	>70%-≤75%	NOK 104.5 mill	0.17%

[1] Eika Boligkreditt does not permit an LTV of more than 60 per cent of the value of the residential property provided as collateral. In subsequent calculations of price trends for housing, statistical methods are used to determine the updated value. Variations could arise during this process between the valuation established by a surveyor/valuer or estate agent and that determined using statistical methods. The LTV in the table has been determined solely on the basis of statistical methods. This means that the LTV for certain mortgages could exceed 60 per cent.

Improved competitiveness
Reduced risk exposure

Directors' report and financial statements

Financial highlights 2014

115.7 MILL.

Pre-tax profit of NOK 115.7 million, compared with NOK 29.4 million in 2013.

81.3 BN.

The company had total assets of NOK 81.3 billion at 31 December, compared with NOK 69.8 billion a year earlier.

72.9 BN.

The borrowing portfolio totalled NOK 72.9 billion, a net increase of NOK 3.2 billion or 5.5 per cent from 31 December 2013.

5.5 %

The mortgage portfolio totalled NOK 60.9 billion, a net increase of NOK 3.2 billion or 5.5 per cent from 31 December 2013.

740.6 MILL.

Net interest revenues were NOK 740.6 million, up by 16.3 per cent from 2013.

583 MILL.

Distributor commissions to the owner banks totalled NOK 583 million, compared with NOK 467 million in 2013.

14.4 %

The company's capital adequacy ratio was 14.4 per cent at 31 December, compared with 14.3 per cent a year earlier. Capital adequacy is calculated in accordance with the capital requirement regulations.

43.4 %

The average LTV was 43.4 per cent for the whole mortgage portfolio, and 15.5 per cent on mortgages to residential cooperatives.

Directors' report 2014

The company's business

Nature of the business

Eika Boligkreditt's principal purpose is to secure access for the local banks in the Eika Alliance and OBOS (the owner banks) to long-term and competitive funding through the issuance of 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 financing in the Norwegian and international financial markets with regard to maturities, terms and depth. At 31 December 2014, the owner banks had transferred a total of NOK 60.9 billion in mortgages and thereby reduced their own funding requirements by a corresponding amount. The company is licensed as a credit institution and authorised to raise loans in the market through the issue of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and thereby established a new type of bond which has become important within a few years as a source of finance for lending by banks and credit institutions to the household sector. By concentrating funding activities related to covered bonds in Eika Boligkreditt, the owner banks have secured a player in the bond market with the necessary requirements to obtain competitive terms in both Norway and internationally. Funding activity began at Eika Boligkreditt in February 2005 and, with today's total assets of NOK 81.3 billion, it serves as an important borrowing channel for the owner banks. To secure diversified borrowing sources for the latter, the company's goal is to be an active issuer in both Norwegian and international markets.

Ownership structure

Eika Boligkreditt was demerged from Eika Gruppen AS in May 2012 and became owned directly by the local banks and OBOS. In conjunction with the changes to the ownership structure, a shareholder agreement was entered into which stipulates in part that the ownership of the company is to be rebalanced on an annual basis. This will ensure an adjustment so that the holding of each owner bank corresponds to its share of the company's residential mortgage portfolio.

By agreement between Eika Boligkreditt and OBOS, the latter acts as the shareholder in the company for the interest which the OBOS bank would have in Eika Boligkreditt on the basis of its share of the residential mortgage portfolio.

Agreements on liquidity and capital support

Agreements were entered into in 2012 to regulate support for liquidity and capital respectively from the owner banks to Eika Boligkreditt. Liquidity support is regulated by an agreement dated 10 May 2012 on the purchase of covered bonds. OBOS is a party to this agreement for the share of the residential mortgage portfolio held by the OBOS bank. The main features of this agreement are that the owner banks, for as long as they have residential mortgage portfolios in the company and under given circumstances, are committed to provide Eika Boligkreditt with liquidity. This liquidity obligation is limited to the maturity of the company's covered bonds issued under the Euro Medium Term Covered Note Programme (EMTCN Programme) and associated derivative agreements over the coming 12 months. To the extent that covered bonds have been purchased by the owner banks under the liquidity agreement and have not been redeemed, these are deducted from the calculation of each owner bank's outstanding liquidity obligation. Each owner bank's liquidity obligation is primarily limited to its pro rata share of the issued amount, which is calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their liquidity obligation pursuant to the agreement, the liquidity obligation of the other owner banks can be increased up to a limit of twice their original pro rata share.

Capital support from the owner banks is regulated by a shareholder agreement dated 10 May 2012. OBOS is a party to this agreement for the share of the residential mortgage portfolio held by the OBOS bank. This includes a commitment by the owner banks that, under given circumstances, they will have to provide the company with the capital required to maintain the company's applicable targets at any given time for tier 1 capital and total primary capital ratios, or higher tier 1 capital and/or total primary capital ratios as required or recommended by the Financial Supervisory Authority of Norway. The board of Eika Boligkreditt resolved to amend the company's internal capital targets with effect from 1 July 2014 to a minimum of 10 per cent for the core tier 1 capital ratio, 11.5 per cent for the tier 1 capital ratio, and 13.5 per cent for the tier 2 capital ratio. The individual owner bank's capitalisation obligation is primarily limited to its pro rata share of capital issues, calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their capitalisation obligation pursuant to the agreement, the capitalisation obligation of the remaining owner banks can be raised to a limit of twice their original pro rata share. The agreement on purchasing covered bonds and the shareholder agreement can be terminated under certain conditions.

International rating

The company's covered bonds have an international rating from Moody's Investor Service (Moody's), which resolved on 16 October 2014 to upgrade the company's covered bonds from Aa2 to Aa1 (AA to AA+). According to the agency, this uprating reflected a reassessment of the level of company debt which can be used to cover losses in the event of a liquidation.

Residential mortgages included in Eika Boligkreditt's cover pool must have a maximum loan-to-value (LTV) of 60 per cent at origination. This is a stricter standard than the 75 per cent maximum permitted in the Norwegian covered bond regulations. In addition, the owner banks have provided guarantees against defaults on transferred residential mortgages. The particularly high credit quality of the residential mortgages in Eika Boligkreditt's cover pool has repeatedly been confirmed by Moody's in its quarterly EMEA Covered Bonds Monitoring Overview. In the latest report, published by Moody's on 25 February 2015, Eika Boligkreditt was ranked first among European issuers for the lowest risk of loss on residential mortgages in the cover pool. The primary purpose of the report is to support Moody's rating of covered bonds, and to provide insight into various key assumptions which are decisive for the rating. The report embraces more than 200 European covered-bond issuers rated by Moody's. This ranking by the agency confirms that the local banks and the OBOS bank provide the company with high-quality residential mortgages.

Development of the mortgage portfolio

The owner banks had a total mortgage portfolio in Eika Boligkreditt of NOK 60.9 billion at 31 December 2014, representing an increase of NOK 3.2 billion or 5.5 per cent year over year. Standalone residential mortgages accounted for 85.6 per cent of the portfolio, with mortgages to residential cooperatives accounting for the remaining 14.4 per cent. Standalone mortgages include loans for holiday homes. The average LTV for the company's mortgages was 46.4 per cent based on the value of the properties at origination – 51.1 per cent for standalone mortgages and 18.2 per cent for mortgages to residential cooperatives. If subsequent price developments for the mortgaged properties are taken into account, the average LTV for the company's mortgages was 43.4 per cent at 31 December 2014 – 48.1 per cent for standalone mortgages and 15.5 per cent for mortgages to residential cooperatives. Since lending activity began in 2005, the company has experienced no defaults exceeding 90 days or losses related to its mortgage business. Guarantees issued by the owner banks have reduced the risk of loss.

A new supplement to the distribution agreement with the banks was entered into in January 2015. This incorporates regulations which mean that the net interest rate for the distributor – in other words, the price it pays for financing through Eika Boligkreditt – will be influenced by the market price for new borrowing in the covered bond market and by whether the distributor increases or reduces its financing through Eika Boligkreditt. If the overall value of the distributor's share of the mortgage portfolio in Eika Boligkreditt falls at any time below a specified level of the distributor's commitment pursuant to the supplementary agreement, the distributor is obliged – after a written warning – to pay Eika Boligkreditt the present value of the company's estimated costs for a corresponding redemption of its borrowing in the market. A claim against the distributor pursuant to the agreement can be netted by Eika Boligkreditt against commission payments due to the distributor.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 72.9 billion at 31 December, up by NOK 9 billion from the end of 2013. Eika Boligkreditt issued bonds and certificates corresponding to NOK 10 billion in 2014. About 41 per cent were issued in euros and 59 per cent in Norwegian kroner. Of the total issue volume, 78 per cent related to the issue of covered bonds. During 2014, repurchases of the company's own bonds totalled NOK 3.4 billion and maturing bonds amounted to NOK 3 billion. Net nominal growth in borrowing, including subordinated loans and tier 1 perpetual bonds, amounted to NOK 9 billion in 2014.

The company's covered-bond issues are conducted under its Euro Medium Term Covered Note Programme, which is listed on the London Stock Exchange. This programme was last revised in October 2014. The borrowing limit in the programme is EUR 20 billion. Issues in 2014 and the three previous years are presented by sector in the table below.

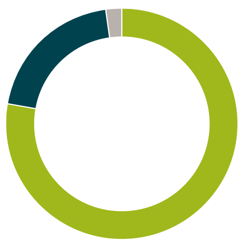
ISSUES BY CURRENCY

(in NOK mill) in 2014

NOK	5 925
EUR	4 123

ISSUES BY SECTOR

(in %) in 2014



Covered bonds	78%
Senior unsecured bonds	20%
Tier 1 perpetual bonds	2%
Subordinated loans	0%

ISSUES BY SECTOR

(amounts in NOK million)

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

The issue volume was lower than planned in 2014 and below the levels of 2013 and 2012. That reflected some decline in the volume of mortgage lending during 2014.

Eika Boligkreditt is very satisfied at the continuation of the trend seen in 2013 towards greater depth and better liquidity in the Norwegian bond market than in 2012. Issues in other currencies call for transactions to hedge the foreign exchange risk through the derivatives market, which increases financing costs and draws on the capacity of the company's lines of credit with key counterparties.

The average tenor for new financing in 2014 was six years, while the average tenor for the company's borrowing portfolio at 31 December declined from 4.8 years in 2013 to 4.4 years. The table below shows the breakdown of the company's borrowing in various instruments.

Profit and loss account

Pre-tax profit

Eika Boligkreditt delivered a pre-tax profit of NOK 116 million for 2014, compared with NOK 29 million the year before. Excluding value changes for basis swaps, the pre-tax profit for the full year was NOK 131 million. In addition to the NOK 15 million in negative value changes for basis swaps, value changes to financial instruments included NOK 18 million in net gain on lending at fair value, a net loss of NOK 11 million on financial derivatives, a loss of NOK 5 million on fair value hedging of debt securities issued, and a net gain of NOK 10 million on bonds and certificates. Profit for the full year accordingly includes negative changes of NOK 3 million in the value of financial instruments, as against a negative NOK 111 million for 2013.

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

Profit for 2014 was influenced by a declining money market interest rate (three month Nibor) from a level around 1.67 per cent at 1 January 2014 to 1.48 per cent at 31 December. This decline reduced interest charges for the company, which in turn boosted net interest earnings for the company and increased the operating margin for the mortgage portfolio.

Revenues

The company's total interest income amounted to NOK 2 462 million in 2014, compared with NOK 2 205 million the year before. This change primarily reflected growth in the mortgage portfolio and total assets during the year.

Net interest income

Net interest income amounted to NOK 741 million in 2014, compared with NOK 637 million the year before. This increase reflects growth in the mortgage portfolio, reduced interest rates (three month Nibor) and increased margins on mortgages. About 98.2 per cent of the residential mortgages in Eika Boligkreditt's portfolio have a variable interest rate. This means that the company, in consultation with the owner banks, can adjust the interest rate on its mortgages in line with interest-rate fluctuations in the market.

Distributor commissions

Distributor commissions to the owner banks increased to NOK 583 million in 2014, compared with NOK 467 million the year before. Together with the growth in the mortgage portfolio, the rise in commissions showed that the owner banks increased their margins on the portfolio compared with 2013.

Balance sheet and liquidity

Balance sheet

Assets in the company's balance sheet amounted to NOK 81.3 billion at 31 December 2014, up from NOK 11.5 billion a year earlier. Net lending to customers rose by NOK 3.2 billion or 5.5 per cent from 31 December 2013.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 72.9 billion at 31 December, up by NOK 9 billion from the end of 2013.

Liquidity

Following a high level of issuance of covered bonds in Norwegian kroner during the first quarter of 2014, the company maintained substantial liquidity during 2014. New funding totalling NOK 10 billion was issued by Eika Boligkreditt during 2014. Over the same period, the mortgage portfolio increased by NOK 3.2 billion while loan matured and early redemptions amounted to NOK 6.5 billion. The company increased capital by an additional NOK 500 million in equity from the owners during the year and received NOK 1.9 billion in cash collateral from swap counterparties. Overall liquidity for the company rose by about NOK 2.8 billion during 2014.

Swap counterparties provided the company with NOK 4.3 billion in cash collateral during 2014. Cash collateral is held as bank deposits and invested in high-quality securities. In addition to cash collateral, the company received collateral in the form of securities (high-quality bonds) with a value corresponding to NOK 3.3 billion. The value of the securities provided as collateral is not recognised in the company's balance sheet. At 31 December, the company had an overall liquidity portfolio of NOK 11.6 billion – including NOK 4.3 billion in cash collateral received.

In line with the regulations governing covered bonds, this liquidity is exclusively invested in a way which ensures low risk and a high degree of liquidity. It was invested at 31 December 2014 in Norwegian government securities, municipal bonds and cov-

BORROWING IN VARIOUS INSTRUMENTS

Capitalised amounts in NOK million

	31 Dec 2014	31 Dec 2013
Covered bonds	**69 952**	61 129
Bond loans from the government	-	-
Senior unsecured bond loans	**2 926**	2 410
Senior unsecured certificates	-	350
Subordinated loans	**250**	429
Tier 1 perpetual bonds	**448**	249
Total borrowing	**73 576**	64 567

DEVELOPMENT IN CAPITAL ADEQUACY

(Amounts in NOK million)	31 Dec 2014		31 Dec 2013	
Risk-weighted calculation basis	**25 155**		21 445	
Core tier 1 capital	**2 925**	11.6%	2 399	11.2%
Tier 1 capital	**3 374**	13.4%	2 648	12.3%
Total primary capital (tier 2 capital)	**3 623**	14.4%	3 077	14.3%

ered bonds, and as deposits in banks with an international rating of A-/A3 or better. The size of the company's liquidity reserve, combined with a relatively low return resulting from a very conservative investment universe, involves not insignificant costs for the company. Eika Boligkreditt has nevertheless elected to maintain a relatively high liquidity ratio on the basis of continued strong growth in the mortgage portfolio and a conservative liquidity policy.

In addition to the agreement with the owner banks on purchasing covered bonds, the company has a contingency facility with DNB Bank ASA for an amount not exceeding NOK 1 billion. Both facilities are intended to secure liquidity for the company in circumstances where it cannot borrow in the financial market.

Risk management and capital adequacy

Eika Boligkreditt obtained a total of NOK 700 million in additional primary capital (tier 2 capital) during 2014, including NOK 500 million in core tier 1 capital and NOK 200 million in hybrid capital. During the fourth quarter, the company exercised its right to redeem a subordinate loan of NOK 180 million early (regulatory call). At 31 December, the company had a total primary capital (tier 2 capital) of NOK 3 623 million, up by NOK 546 million from a year earlier.

The table above presents the development in capital adequacy.

Eika Boligkreditt's operations are confined exclusively to residential mortgage lending with security of up to 60 per cent of the mortgaged property at origination. The basis for calculating the capital adequacy ratio has increased in line with the growth in total lending and capital requirements related to derivatives (credit valuation adjustment risk), and amounted to NOK 25.2 billion at 31 December 2014. This represents a quantification of Eika Boligkreditt's risk, and the company's total primary capital (tier 2 capital) is calculated as an economic variable in relation to this calculation basis.

Given the increase in the system risk buffer from two to three per cent which came into effect on 1 July 2014, the company has increased its internal capital targets. The board of Eika Boligkreditt set these as follows:

		(At 31 Dec)
Core tier 1 capital	10.0%	(11.6%)
Tier 1 capital	11.5%	(13.4%)
Primary capital (tier 2 capital)	13.5%	(14.4%)

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

To satisfy the expected increase in countercyclical buffer requirements for capital from 0 to one per cent at 1 July 2015, and the growth in lending, 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 satisfy its capital targets, primarily through raising subordinated loans. The company uses the standard method specified by the capital requirement regulations for calculating capital requirements for credit risk.

Risk exposure

Activities in Eika Boligkreditt AS are exposed to various forms of risk. The company gives great emphasis to good continuous management and control of all the risks to which it is exposed. The board has implemented a framework for risk management and control which builds on the Coso framework for coherent risk management. This defines the company's willingness to accept risk and the principles for managing risk and capital, which build on the Basel II regulations. The company's performance target is to achieve a competitive return on equity. Its risk management will contribute to the attainment of this target both through the exploitation of business opportunities and by limiting the risk of possible negative results. Strategies, routines and instructions have been developed in connection with risk reviews to ensure that the company handles various risk factors in a satisfactory manner. Periodic checks are conducted to ensure that risk management routines are complied with and functioning as intended. The company is exposed to the following risks: strategic and business, credit and counterparty, market, liquidity and refinancing, and operational.

Strategic and business risk

Strategic and business risk is the risk of unexpected loss or income failure because of changes in external conditions, such as the market position or government regulations. It comprises rating, reputational and owner risk. The fact that the banks which transfer mortgages are also the company's shareholders reduces its strategic risk. Risk is further reduced because the costs of the company's distribution system depend directly on the size and quality of the portfolio. Agreements with non-shareholder banks will moderately increase the strategic risk. In addition to the company's own reputation, reputational risk is linked to a considerable extent to Eika as a brand.

Credit and counterparty risk

Eika Boligkreditt is exposed to credit risk from granting credit to its customers. This risk relates primarily to mortgage lending with real property as collateral. The granting of credit is managed through strategies for asset liability management, credit risk on loans and the credit manual, and through compliance with the administrative approval procedures and a well-developed set of rules for procedures and documentation which help to ensure adequate consideration. Portfolio risk is continuously monitored in order to expose possible defaults and to ensure rapid and adequate treatment of non-performing mortgages and advances. The risk of loss is further reduced through guarantees from the owner banks as distributors of the mortgages. The company had no losses on lending or guarantees in 2014. It maintains a conservative credit policy and expects no changes in future credit risk.

The company also has credit risk associated with the management of surplus liquidity, including bank deposits and the investment of surplus liquidity in interest-bearing instruments. In addition, the company has counterparty risk in derivative contracts with other financial institutions and banks. Extensive frameworks have been established for managing counterparty risk, related both to capital management and derivatives. A credit support annex has also been established in association with ISDA agreements with all derivative counterparties, which limits Eika Boligkreditt's counterparty risk in that the counterparty unilaterally provides collateral in accordance with limits defined in relation to the counterparty's rating risk.

Market risk

The market risk included in the company's risk limits consists of interest-rate and credit risk related to securities. Eika Boligkreditt is exposed to interest-rate risk both through investments in interest-bearing securities and in relation to net interest income. Risk associated with net interest income arises from differences between interest terms for borrowing and lending, and from the company borrowing in different markets than those it lends to, so that the borrowing interest rate may change without the company being able to adjust the lending rate equally quickly. This risk is reduced by coordinating the interest terms for borrowing and lending. The company is also exposed to credit risk on its investment of surplus liquidity. Through strategies for asset liability management and capital management, exposure limits have been established for maximum and average duration in the balance sheet, maximum tenor on investments and maximum credit risk as part of the management of surplus liquidity.

Currency risk

The company is exposed to currency risk through its borrowings in foreign currencies. This risk is linked to fluctuations in the value of foreign currency borrowings. The company's currency risk is reduced to a minimum through the use of financial derivatives in line with the company's asset liability management strategy.

Operational risk

This type of risk and source of loss relates to day-to-day operation, including failures in systems and routines, lack of competence or mistakes by suppliers, staff and so forth. Operational risk comprises compliance and legal risk. The company has developed strategies for operational risk, descriptions of routines, formal approval procedures and so forth. Together with a clearly defined division of responsibility, these measures are designed to reduce operational risk. Appropriate insurance schemes and relevant contingency plans for dealing with emergencies have also been put in place.

Liquidity and refinancing risk

A liquidity risk, including a refinancing risk, is associated with the company's business. This is the risk that the company will not be able to meet its liabilities when they fall due without incurring heavy costs in the form of expensive refinancing or facing the need to realise assets prematurely. Eika Boligkreditt has substantial external funding and expects continued growth in its mortgage portfolio. In order to keep liquidity risk at an acceptably low level, the company's financing strategy emphasises a good diversification of financial instruments, markets and maturities for its borrowings and for investments made in managing surplus liquidity.

Internal control for financial reporting

Eika Boligkreditt has established frameworks for risk management and internal control related to its financial reporting process. These are considered by the board on an annual basis. The purpose of risk management and internal control is to reduce risk to an acceptable level. The company is organised with a chief accounting officer responsible for the company's accounting function. In addition, the company purchases accounting services such as accountancy and financial reporting from Eika Gruppen AS. The company's accounting department is responsible for ensuring that all financial reporting complies with applicable legislation, accounting standards and board guidelines. Furthermore, the department has established routines to ensure that financial reporting meets acceptable quality standards. All transactions are registered in the front office system and detailed reconciliation checks are conducted on a daily and monthly basis. These measures help to ensure that the company's reporting is accurate, valid and complete. Control measures such as reasonableness and probability tests have also been established.

Corporate social responsibility at Eika Boligkreditt

Eika Boligkreditt's clear intentions is to be a positive contributor to society in general and to the many local communities where its owner banks are located in particular. The company's strategy makes it clear that Eika Boligkreditt's vision is to strengthen the local banks.

Strengthening local communities

Eika Boligkreditt is strongly entrenched in the respective local communities through its owner banks. Many of these have histories which reach back to the 19th century, and have been and remain an important contributor to the self-government, self-financing and development of their local communities. Their primary concern is with private customers, combined with local small and medium sized enterprises and the primary sector, and loans have been financed almost entirely through deposits.

Ever since the owner banks were established, they have made donations to philanthropic causes in their local communities, including culture, sports, clubs and societies. Increased market shares and high levels of customer satisfaction and loyalty confirm the important position and significance of the owner banks in their local communities.

Despite enormous social and structural changes since the first of the owner banks were established, it is not difficult to recognise the profile and role of these institutions today. As a result of such factors as the sharp increase in house prices over the past 20 years, the owner banks have become more dependent on external financing. For many of them, the growth in their lending and their overall loan portfolios have exceeded their total deposits. The establishment of Eika Boligkreditt is a direct consequence of this development.

Through long-term and competitive funding, Eika Boligkreditt enhances the competitiveness of its owner banks and helps to reduce their risk exposure. That makes it indirectly an important contributor to strengthening a great many local communities in Norway. Profits made by Eika Boligkreditt are also returned directly to these communities in the form of commissions and dividends to the owner banks.

Professional and ethical perspective

Eika Boligkreditt has a clear goal of acting in a predictable manner and maintaining a high level of transparency in relation to processes and changes taking place within the applicable framework. This is achieved in part by good and clear communication and by a concentration on the needs and risk exposure of the owner banks. A high level of accessibility and a good correspondence between promises and deliveries are other crucial factors.

The company works actively to maintain a high score in the annual alliance survey, which measures the satisfaction of the owner banks with the quality of its products and services. Priority is given to taking action when areas for improvement are identified. Eika Boligkreditt's goal for overall satisfaction by the owner banks is high, at 75 per cent or better. It scored 81 points in the 2014 survey.

Eika Boligkreditt works actively to maintain a good internal working environment, and to ensure that employee rights are well maintained in accordance with Norwegian law. This is done in part through extensive efforts in and information flow across departments where appropriate. An annual employee satisfaction survey is also conducted, where scores have been very high (80) and where results are reviewed and evaluated with a view to further improvements.

All financial institutions are required to comply with the provisions of the money laundering regulations, which are intended to prevent and expose transactions associated with the proceeds of crime or terrorist activities. Eika Boligkreditt's collaboration agreement with the owner banks contains provisions which ensure that identity checks are conducted when establishing mortgages or transferring them to the company. In addition, it has good routines for on-going checks of the mortgage portfolio aimed at exposing possible suspicious transactions pursuant to the money laundering rules. Eika Boligkreditt has established electronic monitoring of its mortgage portfolio, which regularly identifies suspicious transactions and then follows them up – initially with the bank concerned and subsequently by reporting if necessary to the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim). The company reported one case to Økokrim in 2014.

Human rights are not considered a particularly relevant issue for the company's own business but are incorporated in Eika Gruppen's procurement routines, which are transferrable to Eika Boligkreditt in most contexts. When selecting suppliers, Eika Gruppen has routines for choosing reputable companies with solid references and their own ethical guidelines.

Eika Boligkreditt invest its surplus liquidity in securities issued by the Norwegian government, Norwegian county councils and local authorities, credit institutions and banks, and on deposit with banks which have an international rating of A-/A3 or better. These are all enterprises with a core business which, in the company's view, does not breach generally accepted principles for unethical behaviour or activity (such as breaches of human rights, corruption, serious harm to the climate or the environment, or the manufacture of landmines, cluster bombs, nuclear weapons or tobacco products).

Natural environment, working environment and equal opportunities

Eika Boligkreditt had 20 permanent employees at 31 December. It also has an agreement with Eika Gruppen concerning the purchase of services in a number of areas. Customers of the company are mainly serviced by the owner banks. The working environment is regarded as good, and there were no injuries or accidents involving employees at work in 2014. Overall sickness absence was 1.5 per cent of total working hours. The goal of Eika Boligkreditt is to be a workplace where full equality prevails between men and women. Its policy incorporates regulations related to equal opportunities, which aim to ensure that no gender-based discrimination occurs in such areas as pay, promotion or recruitment. Women made up 24 per cent of the workforce at 31 December and, all other conditions being equal, it will desirable to increase this proportion when making new appointments. The business in which Eika Boligkreditt is engaged causes no significant pollution or emissions which could harm the natural environment. Environment- and climate-friendly operation Eika BoligKreditt wants to have the smallest possible impact on the natural environment. It entered into an agreement in 2013 with CO_2focus, which has prepared a dedicated energy and climate accounting (environmental report) for the business.

Eika Gruppen, the company's landlord, has energy- and heat-saving installations which help to limit energy consumption. Hydropower has also been selected as the sole energy source, which has led to the company receiving a "Pure Hydropower" certificate. This certification helps to increase the commitment to environment-friendly energy. All areas in the offices also have round-the-clock energy-saving regulation of both temperature and light sources.

The owner banks are widely spread around Norway, which has helped encourage Eika Boligkreditt to utilise video and web conferencing to a great and growing extent for training and information flow. That not only saves the environment but also reduces unnecessary travel time and stress in a busy life for everyone concerned.

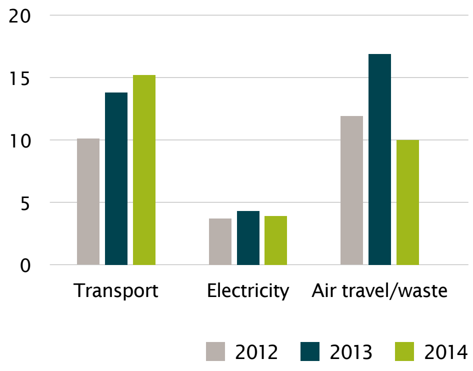
Eika Boligkreditt has a conscious approach to the use of paper and electronic templates and documents, in addition to postage costs. It has a clear goal of reducing paper consumption to a necessary minimum.

The company commissioned an overview of its greenhouse gas emissions and energy consumption in 2013 and 2014. This analysis is based on direct and indirect energy consumption related to its activities.

ANNUAL GREENHOUSE GAS EMISSIONS

Tonnes of carbon equivalent

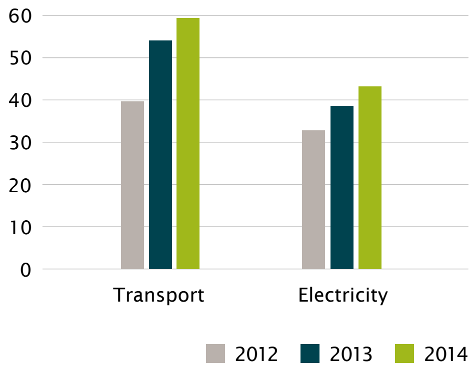
	2014	2013	2012
Transport	**15.2**	13.8	10.1
Electricity	**3.9**	4.3	3.7
Air travel/waste	**10.0**	16.9	11.9
Total	**29.1**	35.1	25.7



ANNUAL ENERGY CONSUMPTION

MWh

	2014	2013	2012
Transport	**59.4**	54.1	39.6
Electricity	**43.2**	38.6	32.8
Total	**102.6**	92.8	72.4



A climate footprint provides a general overview of the company's greenhouse gas emissions converted to tonnes of carbon equivalent, and is based on information from both internal and external systems. This analysis has been conducted in accordance with the Greenhouse Gas (GHG) Protocol Initiative. Developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD), this ranks today as the most important international standard for measuring greenhouse gas emissions from an enterprise.

The GHG Protocol divides emissions into three main scopes, covering both direct and indirect sources, and takes the following greenhouse gases into account: carbon dioxide, methane, nitrous oxide, sulphur hexafluoride, hydrofluorocarbons and perfluorocarbons.

Comments on the annual financial statements

The financial statements for 2014 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The board is of the opinion that the financial statements, including the balance sheet, give a true and fair view of the operations and financial position of the company at 31 December. The directors' report also gives a true and fair view of the development and results of operations and of the company's financial position. Interest income totalled NOK 2 462 million, interest charges NOK 1 721 million, net interest income NOK 741 million, and net interest charges after commission costs NOK 169 million in 2014. No losses were incurred in 2014 on loans or guarantees. The financial statements for 2014 show a net profit of NOK 84 620 000, compared with NOK 20 091 000 for 2013.

Going concern

Pursuant to section 3-3 of the Norwegian Accounting Act, the board confirms that the financial statements for the year have been compiled on the assumption that the company is a going concern. No significant events have occurred since the balance sheet date which are expected to affect the company's business.

Balance sheet, liquidity and capital adequacy ratio

The book value of equity was NOK 3 024 million at 31 December 2014. Eika Boligkreditt had a capital adequacy ratio of 14.4 per cent at that date. The capital adequacy ratio is calculated in accordance with the standard method specified by Basel II.

Allocation of net profit

Net profit for 2014 is NOK 84 620 000. In its assessment of the proposed dividend for 2014, the board has given emphasis to conducting a consistent dividend policy over time. The board has accordingly proposed that the whole of the net profit of NOK 84 620 000 be allocated to dividend for 2014. Allocating the whole profit for the period to dividend is also justified by the contractual capitalisation commitments which apply to the owner banks, and which are outlined in the section above concerning agreements on liquidity and capital support.

Outlook

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

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

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

Since the summer, oil prices have halved, the exchange rate of the Norwegian kroner has fallen considerably and the outlook for Norway's petroleum-dependent economy has worsened considerably. Economic growth is expected to slow (while remaining at a higher level than in the eurozone), and unemployment will probably rise somewhat (from a very low level). Since Norway has its own currency, the weakening of the krone – combined with more moderate pay rises – has improved Norwegian competitiveness. This will help to simplify restructuring of Norwegian industry towards sectors other than petroleum. The government pension fund – global and the fiscal rule mean that the Norwegian authorities have considerable room to manoeuvre if required, while the amount of oil money available for into the economy is virtually seperated from the government's current oil and gas revenues. Norway differs from most of the other major oil and gas exporting countries in this respect.

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

Oslo, 16 March 2015 – The board of directors for Eika Boligkreditt AS

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

Declaration pursuant to section 5-5 of the Norwegian Securities Trading Act

We hereby confirm that the company's financial statements for the period from 1 January to 31 December 2014 have been prepared to the best of our knowledge in accordance with prevailing accounting standards, and that the information provided in the financial statements 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 annual report provides a true and fair view of important events during the accounting period and their influence on the financial statements, plus a description of the most important risk factors and uncertainties facing the company during the next accounting period.

Oslo, 16 March 2015
The board of directors for Eika Boligkreditt AS

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

Translation - not to be signed.

Statement of comprehensive income

Amounts in NOK 1 000	Notes	2014	2013
INTEREST INCOME			
Interest from loans to customers		**2 242 552**	2 006 957
Interest from loans and receivables on credit institutions		**41 060**	33 999
Interest from bonds, certificates and financial derivatives		**159 174**	147 952
Other interest income		**18 772**	16 033
Total interest income		**2 461 558**	2 204 941
INTEREST EXPENSES			
Interest on debt securities issued		**1 661 167**	1 533 154
Interest on subordinated loan capital		**41 731**	24 114
Other interest expenses		**18 059**	10 903
Total interest expenses		**1 720 957**	1 568 171
Net interest income		**740 600**	636 770
Commission costs	23	**571 145**	448 527
Net interest income after commissions costs		**169 456**	188 243
Dividend from shares classified as available for sale	11	**4 769**	4 769
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE			
Net gains and losses on bonds and certificates	11	**10 073**	(994)
Net gains and losses of fair value hedging on debt securities issued	8, 11	**(20 653)**	(115 654)
Net gains and losses on financial derivatives	11	**(11 264)**	22 606
Net gains and losses on loans at fair value	11	**18 407**	(16 937)
Total gains and losses on financial instruments at fair value		**(3 437)**	(110 979)
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES			
Salaries, fees and other personnel expenses	17, 18	**24 855**	22 235
Administrative expenses	24	**15 571**	14 742
Total salaries and administrative expenses		**40 426**	36 977
Depreciation	13	**1 962**	1 730
Other operating expenses	24	**12 652**	13 893
Losses on loans and guarantees	4	**-**	-
PROFIT BEFORE TAXES		**115 748**	29 433
Taxes	20	**29 924**	8 357
PROFIT FOR THE PERIOD		**85 824**	21 076
Other comprehensive income that will not be reclassified subsequently to P & L		**(1 650)**	(1 350)
Taxes on other other comprehensive income		**445**	365
COMPREHENSIVE INCOME FOR THE PERIOD		**84 620**	20 091

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

Balance sheet
Assets

Amounts in NOK 1 000	Notes	31 Dec 2014	31 Dec 2013
ASSETS			
Lending to and receivables from credit institutions	4, 10, 12	**3 708 022**	3 402 638
Lending to customers	4, 9, 10, 12, 16	**60 888 984**	57 691 853
Other financial assets	4, 10, 21	**119 841**	94 994
Securities			
Bonds and certificates at fair value through profit or loss	4, 9	**7 920 530**	5 366 627
Financial derivatives	4, 8, 9	**8 608 941**	3 217 425
Shares classified as available for sale	9, 10, 14	**15 000**	15 000
Total securities		**16 544 471**	8 599 052
Other intangible assets			
Deferred tax assets	20	**32 419**	35 045
Intangible assets	13	**4 609**	5 177
Total other intangible assets		**37 028**	40 222
TOTAL ASSETS		**81 298 346**	69 828 760

Balance sheet
Liabilities and equity

Amounts in NOK 1 000	Notes	31 Dec 2014	31 Dec 2013
LIABILITIES AND EQUITY			
Loans from credit institutions	4, 5	**4 260 484**	2 347 027
Financial derivatives	5, 8, 9, 10	**76 018**	72 092
Debt securities issued	5, 6, 10, 12, 15	**72 877 916**	63 888 693
Other liabilities	4, 10, 22	**355 539**	379 245
Pension liabilities	19	**6 683**	4 507
Subordinated loan capital	5, 10, 12, 15	**697 976**	677 998
TOTAL LIABILITIES		**78 274 617**	67 369 562
Called-up and fully paid capital			
Share capital	25	**713 455**	592 082
Share premium		**1 746 928**	1 368 300
Other paid-in equity		**477 728**	477 728
Total called-up and fully paid capital	25, 26	**2 938 111**	2 438 110
Retained earnings			
Other equity		**85 618**	21 088
Total retained equity	25, 26	**85 618**	21 088
TOTAL EQUITY		**3 023 729**	2 459 198
TOTAL LIABILITIES AND EQUITY		**81 298 346**	69 828 760

Oslo, 16 March 2015
The board of directors for Eika Boligkreditt AS

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

Translation - not to be signed.

Statement of changes in equity

Amounts in NOK 1 000	Share capital[1]	Share premium reserve[1]	Other paid in equity[2]	Retained earnings: other equity[3]	**Total equity**
Balance sheet as at 01 January 2012	**262 871**	**327 512**	**477 728**	**1 422**	**1 069 533**
Implementation IAS 19R	-	-	-	(740)	(740)
Result for the period	-	-	-	82 054	82 054
Equity issue	157 143	492 857	-	-	650 000
Balance sheet as at 31 December 2012	**420 014**	**820 369**	**477 728**	**82 736**	**1 800 846**
Result for the period	-	-	-	20 092	20 092
Equity issue	172 069	547 931	-	-	720 000
Dividends for 2012				(81 738)	(81 738)
Balance sheet as at 31 December 2013	**592 082**	**1 368 300**	**477 728**	**21 088**	**2 459 198**
Result for the period	-	-	-	84 621	84 621
Equity issue	121 373	378 628	-	-	500 000
Dividends for 2013				(20 089)	(20 089)
Balance sheet as at 31 December 2014	**713 455**	**1 746 928**	**477 728**	**85 618**	**3 023 729**

The specification of equity comprises accounting items pursuant to the provisions in the Norwegian Private Limited Liability Companies Act:

1 Share capital and the share premium comprises paid-in capital

2 Other paid-in capital comprises paid-in capital which has earlier been taken from the share premium reserve

3 Other equity comprises earned and retained profits

Statement of cash flow

Amounts in NOK 1 000	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	**85 824**	21 056
Taxes	**29 924**	8 357
Income taxes paid	**(37 455)**	(24 495)
Ordinary depreciation	**1 962**	1 730
Non-cash pension costs	**527**	465
Change in loans to customers	**(3 197 131)**	(10 606 058)
Change in bonds and certificates	**(2 553 903)**	703 472
Change in financial derivatives and debt securities issued	**52 343**	61 353
Interest expenses	**1 720 957**	1 568 171
Paid interest	**(1 741 973)**	(1 534 814)
Interest income	**2 461 558**	(2 188 908)
Received interests	**(2 437 420)**	2 173 016
Changes in other assets	**(48 985)**	271
Changes in short-term liabilities and accruals	**7 914**	54 078
Net cash flow relating to operating activities	**(5 655 859)**	(9 762 306)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	**(1 394)**	(2 589)
Net cash flow relating to investing activities	**(1 394)**	(2 589)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	**9 866 770**	21 124 354
Gross payments of bonds and commercial paper	**(6 317 480)**	(12 840 843)
Gross receipts on issue of subordinated loan capital	**199 632**	498 244
Gross payments of subordinated loan capital	**(179 653)**	(138 847)
Gross receipts from issue of loan from credit institution	**1 913 457**	1 951 995
Payments of dividend	**(20 089)**	(81 738)
Paid-up new share capital	**500 000**	720 000
Net cash flow from financing activities	**5 962 637**	11 233 165
Net changes in lending to and receivables from credit institutions	**305 384**	1 468 270
Lending to and receivables from credit institutions at 1 January	**3 402 638**	1 934 368
Lending to and receivables from credit institutions at end of period	**3 708 022**	3 402 638

Notes to the accounts

NOTE 1: ACCOUNTING POLICIES

General

Eika Boligkreditt AS is licensed as a credit institution and entitled to issue covered bonds (CB). The company was established on 24 March 2003, and commenced its lending operations on 15 February 2005. The company exclusively offers residential mortgages up to 60 per cent of the collateral value (loan to value) at origination, and the loans are distributed via the local banks (savings banks and two commercial banks) and the OBOS bank, hereafter called the distributors.

Residential mortgages also include mortgages for holiday homes. The company's objectives are to cover a substantial part of the funding needs of the owner banks and the Oslo Bolig- og Sparelag (OBOS) housing association, while reducing the future refinancing risks for the company's owner banks.

Eika Boligkreditt has prepared the accounts for 2014 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). The accounts have been prepared in accordance with the historical 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, and fair value hedges, which have been recorded at fair value. Financial statements are prepared on the assumption that the entity is a going concern. The financial statements were approved by the board of directors and authorised for issue on 18 March 2013.

Approved and implemented standards and interpretations

New or amended standards or interpretations which came into effect during 2014, and which are significant for Eika Boligkreditt's financial statements, are specified below.

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.

New and revised IFRSs in issue but not yet effective

IFRS 9 Financial instruments

The regulations in IFRS 9 will be effective for fiscal years beginning on 1 January 2018 or subsequent periods. Earlier adoption is permitted, provided that all completed sub-projects are implemented at the same time (if everything is not implemented). The standard cannot be adopted in Norway until it has been endorsed by the EU. Eika Boligkreditt will assess the impact of the new IFRS 9 for the future.

Foreign currency

Functional and presentation currency

The financial statements of Eika Boligkreditt are presented in NOK, which is also the company's functional currency.

Foreign currency translation

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Revenue recognition

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts or expenses of the financial asset or liability through the expected life to that asset or liability's net carrying amount on initial recognition. When calculating the effective interest, the cash flows are estimated and all fees and remunerations paid or received between the parties of the contract are included as an integrated part of the effective interest rate. Dividends on investments are recognised from the date the dividends were approved at the general meeting.

Financial instruments

Classification

Financial assets and liabilities are classified into one of the following categories:

- financial asset and liability at fair value through profit or loss:
  - held for trading
  - designated at fair value through profit or loss
- loans and receivables
- available for sale
- Other financial liabilities.

Financial asset and liability at fair value through profit or loss

Apart from derivatives, Eika Boligkreditt does not have financial assets and liabilities classified as held for trading.

A financial asset is designated through profit or loss if:

- it eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases; or
- a group of financial assets, financial liabilities or both financial assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the company is provided internally on that basis to the entity's key management personnel.

Fixed-rate loans to customers, bills and bonds are designated as at fair value through profit or loss.

The company does not classify any financial assets as held to maturity.

Loans and receivables

A financial asset is classified in the category loans and receivables if it is a non-derivative financial asset with payments that are fixed or determinable, and is not quoted in an active market, except if it is

- classified as held for trading,
- designated as at fair value through profit or loss, or
- designated as available for sale.

For Eika Boligkreditt, this category includes lending to and receivables from credit institutions, floating rate lending to customers, interest revenues earned and other short-term claims.

Financial assets available for sale

A financial asset that is not a derivative and not classified as a loan and a receivable or as financial asset designated as at fair value through profit or loss, is classified as available for sale. Eika Boligkreditt has classified shares as available for sale.

Other financial liabilities

Financial liabilities are classified in the category other financial liabilities if the financial asset is a non-derivative financial liability and if it is not designated as at fair value through profit or loss. Eika Boligkreditt has classified loans from credit institutions, debt securities issued, subordinated loan capital, and other liabilities in this category.

Cash collateral

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt AS has been provided with such collateral in the form of cash in 2014. These cash sums are managed by Eika Boligkreditt AS for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost.

Recognition and derecognition

Financial assets and liabilities are recognised when Eika Boligkreditt becomes party to the contractual provisions of the instrument. Normal purchase or sale of a financial instrument is recognised at the trade date.

When a financial asset or financial liability is recognised initially, it is measured at its fair value plus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or financial liability.

Financial assets are derecognised when the contractual rights to the cash flows from the investments have expired or when Eika Boligkreditt has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Subsequent measurement of financial assets and liabilities

Fair value

Financial assets classified as at fair value through profit or loss and financial assets classified as available for sale are measured at fair value on the balance-sheet date. Fair value is the amount for which an asset could be exchanged between knowledgeable, willing parties in an arm's length transaction.

The fair value of bills and bonds traded in active markets is based on the current quoted bid price. For bills, bonds, shares and derivatives that are not traded in an active market, the fair value is determined by using valuation techniques. Valuation techniques include the use of comparable recent arm's length transactions between knowledgeable and willing parties, if available, reference to the current fair value of other instruments that are substantially the same, and discounted cash flow analysis. If there is a valuation method that is commonly used by market participants to price the instrument and this method has proven to provide reliable estimates of prices obtained in actual market transactions, this method is used.

Amortised cost

Subsequent to initial recognition, financial instruments classified as loans and receivables or financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is described under the "Revenue recognition" section.

Cash and cash equivalents

Cash and cash equivalents include lending to and receivables from credit institutions.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet if Eika Boligkreditt

- has a legally enforceable right to offset the recognised amounts, and
- intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

Eika Boligkreditt does not have financial assets and liabilities that are offset.

Impairment of financial assets

Financial assets measured at amortised cost or classified as available for sale are assessed at each balance sheet date to determine whether any objective evidence exists that the financial asset or group of financial assets are impaired. If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of the loss is recognised in statement of comprehensive income.

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and objective evidence exists that the asset is impaired, the cumulative loss that had been recognised in other comprehensive income will be removed from equity and recognised in profit or loss even though the financial asset has not been derecognised.

By the end of 2014, there is no objective evidence that impairment loss on financial assets carried at amortised cost has incurred.

Hedge accounting

Eika Boligkreditt AS use fair value hedging of fixed-rate financial liabilities, where the hedged item is the interest rate and the financial liability, excluding credit spreads. Gain or loss on the hedged item attributable to the hedged risk will adjust the carrying amount of the hedged item and be recognised in profit or loss. Gain or loss on the hedged item is presented under "Net gains and losses of fair value hedging on debt securities issued".

Intangible assets

Intangible assets consist of purchased software and are carried at cost less accumulated amortisation or impairment losses. Depreciation in the accounts is classified as ordinary depreciation under a depreciation schedule with a useful economic life on 5 years.

Commission costs

The owner banks are paid commissions for arranging and managing mortgages. Commissions are expensed on a current basis and presented in the line "commission costs" in the statement of comprehensive income. Accrued, unpaid costs to the owner banks at year-end are accrued and recognised as liabilities in the balance sheet.

Segment

The loans are made to private individuals and housing cooperatives. The company's business therefore consists solely of one segment.

Pensions

Defined contribution plans

Defined contribution plans are accounted for in accordance with the matching principle. Contributions to the pension plan are recorded as expenses.

Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. In accounting for defined benefit plans, the obligation is expensed over the service life in accordance with the plan benefit formula. The method of allocation corresponds to the plan benefit formula, unless the bulk of the service costs accrue towards the end of the service life. In such instances, the service cost is allocated on a straight-line basis. A straight-line allocation is therefore applied for post-employment benefit plans operated in accordance with the occupational pension legislation.

The discount rate is used to calculate the interest element, which must be calculated on the basis of net liabilities or net assets. The difference between the actual return on plan assets and the return calculated using the discount rate is treated as a change in estimates. Actuarial gains and losses are incorporated in other income and expenses. The effects of retrospective plan amendments that are not dependent on future service by the employee are recognised in the income statement immediately. Retrospective plan amendments that are dependent on future service are amortised on a straight-line basis until future service is no longer a condition.

The net post-employment benefit obligation is the difference between the present value of the pension obligations and the value of plan assets that are invested for the purpose of paying the post-employment benefits. Plan assets are recognised at fair value. A valuation of post-employment benefit obligations and plan assets is carried out at the balance sheet date. An accrual for social security costs is included in the figures, calculated on the basis of the net actual post-employment benefit deficit.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax, and is recognised in the statement of comprehensive income.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTE 2: USE OF ESTIMATES AND DISCRETION

In the application of the accounting policies described in note 1, 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 (ie., the effective interest rate calculated at initial recognition). In measuring future cash flows, guarantees furnished by the owner 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 at 31 December 2014. For more information about lending, see note 4.

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 note 4, note 5, note 8, note 9, note 10 and note 11.

NOTE 3: FINANCIAL RISK

Eika Boligkreditt has established a framework for risk management and control in the company to define risk willingness and principles for managing risk and capital. This framework is based on the Basel II regulations. The company is obliged to review its risk pursuant to the regulations relating to capital requirement and the internal control regulations.

The company's key strategy is, through the issuance of covered bonds in the Norwegian and the international markets, to resolve a substantial part of the owner banks' funding requirements and to reduce their refinancing risk. The company's risk management is intended to help attain this objective through profitability and growth, funding and rating, cost efficiency and quality in all parts of the company's operations.

Routines and instructions have been established with the aim of ensuring that the company handles the various risk factors in a satisfactory manner. The company's cooperation with the owner banks contributes significantly to the management of risk through its customer selection processes. The owner banks operate in their local environment and are therefore close to their customers. The company is exposed to the following risks: credit and counterparty, market (including interest rate and currency), liquidity and operational risk, in addition to the company's overarching business risk, which entails strategic and reputational risk.

The company has implemented risk strategies based on the company's risk management of the balance sheet composition. The strategy for managing assets and liabilities forms the basis for ensuring that collateral for outstanding covered bonds is in compliance with regulatory requirements. Total risk limits have been established for managing the credit and counterparty risk linked to lending, risk related to capital management, liquidity risk related to borrowing, and operational risk.

For additional description of risk, see note 4, note 5 and note 6.

NOTE 4: CREDIT AND COUNTERPARTY RISK

Credit risk is the risk of loss posed by customers or counterparties failing to meet their payment obligations. Credit risk affects all claims on customers/counterparties, lending, and counterparty risk that arises through derivatives and foreign exchange contracts. The credit risk related to lending must be low, and the same applies to counterparty risk. Credit risk is managed through the company's strategy for credit risk on lending. A credit manual and other routines have been prepared and implemented, including preparation of documentation requirements and clarification of the ability of customers who have been granted loans to service their loan, and requirements for collateral for residential mortgage loans of up to 60 percent of the value of the property at origination. Established requirements to be satisfied by customers and mortgaged objects are considered to entail low risk. In addition, the owner banks have ceded a case guarantee, loss guarantee and a pro rata framework guarantee. This contributes to reducing Eika Boligkreditt's credit risk. See note 4.2 related to lending to customers.

The company is also exposed to credit risk through its investments in bonds and certificates, bank deposits and counterparties to derivative contracts.

When investing in bonds and certificates, the company is subject to laws and regulations related to the types of investments that may be included in the company's cover pool as substitute assets. The company has also established counterparty limits to reduce counterparty risk related to the issuers to which the company desires to be exposed. The counterparty risk related to all counterparties in derivative contracts is reduced through the Credit Support Annex to the Schedule to the ISDA Master Agreement. Eika Boligkreditt manages counterparty risk through its investment strategy.

Note 4.1 Maximum exposure to credit risk

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
Financial assets recognised in balance sheet		
Lending to and receivables on credit institutions [1]	**3 708 022**	3 402 638
Lending to customers	**60 888 984**	57 691 853
Others financial assets	**119 841**	94 994
Bonds and certificates at fair value through profit or loss	**7 920 530**	5 366 627
Financial derivatives	**8 608 941**	3 217 425
Total credit risk exposure	**81 246 318**	69 773 537
Off-balance sheet financial assets		
Overdraft facility	**50 000**	50 000
Drawing-rights, limit [2]	**1 000 000**	1 000 000
Note Purchase Agreement [3]	**-**	-
Granted, but undisbursed loans	**1 083 944**	1 316 262

[1] Restricted funds for tax withholdings were NOK 919 thousand in 2014 and NOK 765 thousand in 2013. Restricted funds for pension liabilities were NOK 964 thousand in 2013 and NOK 567 thousand in 2013.
[2] The company has a contingency facility through the ability to issue listed covered bonds up to a limit of NOK 1 billion set by DNB.
[3] The owner banks have accepted a liquidity obligation (Note Purchase Agreement) towards Eika BoligKreditt, see note 15 for more information. The amount per 31 December 2014 in the table above is NOK 0,- as the company's own liquidity is deducted at the time of measurement.

Note 4.2 Lending to customers

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
Installment loans - retail market	**52 047 723**	48 557 318
Installment loans - housing cooperatives	**8 791 895**	9 103 576
Adjustment fair value lending to customers [1]	**49 365**	30 959
Total lending before specific and general provisions for losses	**60 888 984**	57 691 853
Individual impairments	-	-
Unspecified group impairments	-	-
Total lending to and receivables from customers	**60 888 984**	57 691 853

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 60 per cent at origination. The company has no non-performing loans as of 30 September 2013.

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

31 Dec 2014

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

31 Dec 2013

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

Calculation of fair value of loans: The margin on the loans is considered to be on market terms. The market value of variable rate loans is therefore measured as equal to amortized cost. The market value of fixed rate loans is correspondingly measured as equal to amortized 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.

Guarantees

All lending involves residential mortgages with a loan-to-value ratio of up to 60 per cent at origination. Guarantees furnished by the company's owner banks reduce the risk for Eika Boligkreditt. Upon transfer to Eika Boligkreditt, the owner banks assume mandatory guarantees for the mortgages they have transferred. The main features of these guarantees are as follows:

1. **Case guarantee**, covering the entire amount of the mortgage over the period from the distributor's request for payment until the mortgage's collateral has been perfected (legally registered) and the custody department of the distributor has checked the documentation.
2. **Loss guarantee**, covering the portion of the principal upon payment that exceeds 50 per cent of the reasonable value of the mortgaged property or properties (determined upon payment). The minimum loss guarantee liability of the distributors will be NOK 25 000 per mortgage, irrespective of the mortgaged amount and the value of the collateral. The guarantee will remain in force for a period of six years from the date on which the collateral has been perfected (legally registered) or on which payment is requested, if later. The loss guarantee comes into effect when the case guarantee expires.
3. **Proportion of a framework guarantee**, covering a total of one per cent of the mortgage portfolio transferred by the distributors at any given time. The distributor's share in the framework guarantee will be calculated on the basis of the distributor's actual share of the mortgage portfolio transferred by the distributors at any given time.

If a mortgage transferred to Eika Boligkreditt by the distributors remains in default one month after the due date of an instalment, Eika Boligkreditt will be entitled to invoke the loss guarantee and, if applicable, the case guarantee. The distributor concerned can thereby choose between paying the outstanding and overdue instalment, paying the full amount of the guarantee to Eika Boligkreditt or having the mortgage transferred back to it.

A mortgage is defined as being in default when payments are delayed by more than 90 days, and the delay is not the result of random circumstances affecting the borrower. Doubtful loans are not necessarily in default, but the customer's financial position and the value of the collateral indicate a risk of loss.

The company had no non-performing loans at 31 December 2014.

New supplement to the distribution agreement

A new supplement to the distribution agreement with the banks was entered into in January 2015. This incorporates regulations which mean that the net interest rate for the distributor – in other words, the price it pays for financing through Eika Boligkreditt – will be influenced by the market price for new borrowing in the covered bond market and by whether the distributor increases or reduces its financing through Eika Boligkreditt. In this way, the terms achieved by the distributor as a result of securing finance through Eika Boligkreditt will be influenced by the distributor's own use of Eika Boligkreditt, and only affected to a limited extent by the increase in or reduction of financing by other distributors in Eika Boligkreditt. The distributor is committed to maintain an overall financing in Eika Boligkreditt which accords with the maturity profile for the distributor's financing in Eika Boligkreditt. The distributor's financing in Eika Boligkreditt is the overall value of the distributor's share of the mortgage portfolio in Eika Boligkreditt. If the overall value of the distributor's share of the mortgage portfolio in Eika Boligkreditt falls at any time below 75 per cent of the distributor's commitment pursuant to the supplementary agreement, the distributor is obliged – after a written warning – to pay Eika Boligkreditt the present value of the company's estimated costs for a corresponding redemption of its borrowing in the market. If the distributor's overall financing in Eika Boligkreditt is reduced in a way which means that Eika Boligkreditt must conduct an overall repurchase of its borrowing in the market in a calendar year which corresponds to five per cent or more of the mortgage portfolio, the distributor's obligation to pay costs pursuant to the agreement can be triggered by a shortfall smaller than the level of 75 per cent of the distributor's commitment. A claim against the distributor pursuant to the agreement can be netted by Eika Boligkreditt against commission payments due to the distributor.

Past due loans not subject to impairment

The table below shows overdue amounts on loans that are not due to delays in payment transfers from Eika BoligKreditt.

Past due loans are subject to continual monitoring.

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
1 - 29 days	**220 600**	44 848
30 - 60 days	**41 521**	89 811
60 - 90 days	-	-
> 90 days	-	-
Total past due loans not subject to impairment (principal)	**262 120**	134 659

Note 4.2.1 Lending by geographical area[1]

Amounts in NOK 1 000		Lending 31 Dec 2014	Lending 31 Dec 2013	Lending as a % 2014
NO01	Østfold county	4 083 300	4 289 555	6.71%
NO02	Akershus county	9 093 775	9 160 104	14.95%
NO03	Oslo	12 188 651	12 382 631	20.03%
NO04	Hedmark county	1 357 455	1 257 764	2.23%
NO05	Oppland county	889 186	938 100	1.46%
NO06	Buskerud county	2 438 034	2 314 573	4.01%
NO07	Vestfold county	2 182 287	1 839 744	3.59%
NO08	Telemark county	3 197 987	3 085 399	5.26%
NO09	Aust-Agder county	1 675 649	1 454 294	2.75%
NO10	Vest-Agder county	1 471 543	1 334 874	2.42%
NO11	Rogaland county	5 212 903	4 828 667	8.57%
NO12	Hordaland county	1 400 595	1 176 398	2.30%
NO14	Sogn og Fjordane county	291 852	183 319	0.48%
NO15	Møre og Romsdal county	2 305 694	1 842 765	3.79%
NO16	Sør-Trøndelag county	8 013 841	7 083 773	13.17%
NO17	Nord-Trøndelag county	2 432 202	2 092 629	4.00%
NO18	Nordland county	1 925 900	1 797 226	3.17%
NO19	Troms county	650 479	572 640	1.07%
NO20	Finnmark county	28 284	26 437	0.05%
Total		**60 839 619**	**57 660 894**	**100%**

[1] The geographical distribution is based on the portfolio at amortised cost.

Note 4.3 Derivatives

Counterparty exposure related to derivative contracts

Assets	31 Dec 2014		31 Dec 2013	
Amounts in NOK 1 000	**Book value**	**Net value[1]**	Book value	Net value[1]
Financial derivatives	**8 608 941**	**8 375 338**	3 217 425	3 145 333
Received collateral	**4 260 484**	**7 567 198**	2 347 027	2 347 027
Net exposure	**4 348 457**	**808 140**	**870 397**	**798 306**

Liability	31 Dec 2014		31 Dec 2013	
Amounts in NOK 1 000	**Book value**	**Net value[1]**	Book value	Net value[1]
Financial derivatives	**76 018**	-	72 092	-
Received collateral	-	-	-	-
Net exposure	**76 018**	-	**72 092**	-

[1] Counterparties to hedging contracts provided the company with NOK 4.3 billion in cash collateral during 2014, compared to NOK 2.3 billion in 2013. Cash collateral is held as bank deposits and as various high quality securities. In addition to cash collateral, the company received collateral in the form of securities (high-quality bonds) with a value corresponding to NOK 3.3 billion. The value of the securities provided as collateral is not included in the company's balance sheet.

Note 4.4 Bonds and certificates at fair value through profit or loss

Bonds broken down by issuer sector

31 Dec 2014 Amounts in NOK 1 000	Nominal value	Cost price	Fair Value
Municipalities	1 225 524	1 225 549	1 225 999
Credit institutions	4 800 416	4 824 927	4 825 490
Government bonds	726 612	737 758	737 367
Treasury bills	1 132 273	1 132 699	1 131 674
Total bonds and certificates at fair value through profit or loss	**7 884 824**	**7 920 933**	**7 920 530**
Change in value charged to the profit and loss account			**(403)**

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

31 Dec 2013 Amounts in NOK 1 000	Nominal value	Cost price	Fair Value
Commercial banks	50 000	50 228	50 273
Corporations owned by municipalities	25 000	25 015	25 077
Municipalities	1 652 300	1 652 395	1 652 602
Credit institutions	3 323 500	3 338 629	3 340 580
Treasury bills	300 000	298 089	298 095
Total bonds and certificates at fair value through profit or loss	**5 350 800**	**5 364 355**	**5 366 627**
Change in value charged to the profit and loss account			**2 272**

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

	31 Dec 2014	31 Dec 2013
Average term to maturity	**1.4**	1.1
Average duration when hedging is taken into account	**0.1**	0.2

All the bonds are rated AA-/Aa3 or better if the maturity exceeds 100 days, and A-/A3 if the maturity is 100 days or below. The rating is performed by an internationally recognised rating agency.

Note 4.5 Lending to and receivables from credit institutions

When assessing the rating, only ratings from Standard & Poor's, Moody's and Fitch are utilised. If a counterparty is rated by all three agencies, the median is applied to assess the credit quality step. If the counterparty is rated by two agencies, the average is applied, and if there is only one rating from an accredited agency, it is applied.

Of the company's lending to and receivables from credit institutions, 30 per cent are deposited in banks with Aa3/AA- rating, 8 per cent in banks with A1/A+ rating, 39 per cent in banks with A2/A rating, 23 per cent in banks with A3/A- rating.

NOTE 5: LIQUIDITY RISK

Liquidity risk is the risk of the company failing to meet its commitments at the due date without major costs arising in the form of refinancing or the need for premature realisation of assets. In the worst case, liquidity risk is the risk of the company being unable to obtain sufficient refinancing to meet its commitments on the due date. The company has loans maturing in 2015 of NOK 5.7 billion net when the currency hedge is taken into account. At 31 December 2014, the company had liquid funds in the form of bank deposits amounting to NOK 3.7 billion, a securities portfolio of NOK 7.9 billion and overdraft facility of NOK 50 million. These assets can be sold to cover the company's liabilities. The company also has a contingency facility with DNB through the ability to issue covered bonds up to a limit of NOK 1 billion. A note purchase agreement has also been entered into with the owners on buying the company's bonds.

More information and conditions related to the contingency facilities and the Note Purchase Agreement are provided in note 15. The liquidity risk is managed through set limits for funding structures, requirements for spreads on securities, tenors and markets, and the establishment of contingency facilities.

Liquidity risk

The tables show the undiscounted contractual cash flows of the financial liabilities.

Financial liabilities as at 31 December 2014 Amounts in NOK 1 000	Book value 31 Dec 2014	Without pre-determined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Financial liabilities								
Debt securities issued	72 877 916	-	339 671	978 883	5 899 866	47 985 948	22 806 428	**78 010 795**
Subordinated loan capital	697 976	-	(199 700)	8 725	28 852	813 087	201 872	**852 836**
Financial derivatives (net)	(8 532 923)	-	(221 601)	46 976	(598 450)	(4 181 066)	(2 375 126)	**(7 329 267)**
Loans from credit institutions[1]	4 260 484	4 260 484	-	-	-	-	-	**4 260 484**
Other debt with remaining term to maturity[2]	355 539	-	148 110	2 536	33 883	-	-	**184 528**
Total financial liabilities	**69 658 992**	**4 260 484**	**66 479**	**1 037 119**	**5 364 150**	**44 617 970**	**20 633 174**	**75 979 377**

Amounts in NOK 1 000	Without pre-determined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Derivatives							
Financial derivatives (gross)							
Incoming flow	-	(112 563)	(182 342)	(4 735 966)	(19 638 749)	(13 131 987)	**(37 801 606)**
Outgoing flow	-	334 163	135 366	5 334 416	23 819 815	15 507 113	**45 130 873**
Financial derivatives (net)	-	**221 601**	**(46 976)**	**598 450**	**4 181 066**	**2 375 126**	**7 329 267**
Ordinary maturity is used as the basis for classification							

Ordinary maturity is used as the basis for classification

Financial liabilities as at 31 December 2013 Amounts in NOK 1 000	Book value 31 Dec 2013	Without pre-determined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Financial liabilities								
Debt securities issued	63 888 693	-	327 078	186 645	5 029 180	37 731 521	29 457 261	**72 731 685**
Subordinated loan capital	677 998	-	-	7 960	25 373	789 245	-	**822 578**
Financial derivatives (net)	(3 145 333)	-	(213 502)	108 792	81 591	(862 079)	(677 928)	**(1 563 126)**
Loans from credit institutions[1]	2 347 027	2 347 027	-	-	-	-	-	**2 347 027**
Other debt with remaining term to maturity[2]	379 245	-	141 532	2 393	43 291	-	-	**187 217**
Total financial liabilities	**64 147 630**	**2 347 027**	**255 109**	**305 790**	**5 179 436**	**37 658 687**	**28 779 332**	**74 525 381**

Amounts in NOK 1 000	Without pre-determined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Derivatives							
Financial derivatives (gross)							
Incoming flow	-	(107 670)	(180 958)	(800 893)	(20 331 917)	(15 465 353)	**(36 886 791)**
Outgoing flow	-	321 172	72 166	719 302	21 193 996	16 143 281	**38 449 917**
Financial derivatives (net)	-	**213 502**	**(108 792)**	**(81 591)**	**862 079**	**677 928**	**1 563 126**

Ordinary maturity is used as the basis for classification

[1] Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt AS has been provided with such collateral in the form of cash in 2014. These cash sums are managed by Eika Boligkreditt AS for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost.

[2] Accrued interest related to debt established through the issue of securities, subordinated loan capital and financial derivatives is included under the respective items.

NOTE 6: MARKET RISK

Market risk arises through the company's exposure in the interest and foreign exchange market.

Note 6.1 Interest rate risk

The company is also exposed to interest-rate risk related to net interest loss. Eika Boligkreditt finances its loan portfolio through external funding in the form of covered bonds and senior financing. Varying fixed interest rates and benchmark rates of interest on lending and borrowing affect the company's net interest income. The interest-rate risk is reduced to a great extent by adapting borrowing and lending to the same interest terms.

Interest sensitivity

Changes in the level of interest rates will have an effect on profits as a result of changes in both fair value and net interest income.

Effect on profit of a change in fair value

A one percentage point increase in all interest rates, calculated over a period of 12 months on the basis of the portfolio at 31 December 2014, would reduce the value of the company's assets at 31 December by NOK 18.1 million, while the value of liabilities would be cut by NOK 58.4 million. The net effect on pre-tax profit would consequently have been an increase of NOK 40.3 million. The effect of a decrease in interest rates would be an increase of NOK 18.1 million of the value of assets, an increase of NOK 58.4 million in the value of liabilities and a reduction in pre-tax profit of NOK 40.3 million. These amounts are calculated on the basis of duration – in other words, the remainder of the fixed interest period – for both assets and liabilities. The corresponding interest-rate hedge is taken into account when calculating duration. The valuation comprises the fair value of fixed-interest mortgages, bonds and certificates at fair value through profit and loss, derivatives and debt established through the issue of fixed-interest securities, which are financial instruments not measured at amortised cost.

Effect on profit of change in net interest income

The effect of a one percentage point increase in all interest rates would be to increase interest income at 31 December by NOK 717 million, while interest expense would be increased by NOK 736 million. The effect on net interest income would accordingly have been a reduction of NOK 18.9 million. A reduction in interest rates would decrease interest income by NOK 717 million and interest expenses by NOK 736 million. That would yield an increase of NOK 18.9 million in net interest income. When calculating the profit effect on net interest income, the change in interest rates comprises the company's portfolio with floating interest rates and the fair value of fixed-interest mortgages, loans to and receivables from credit institutions, derivatives, bonds and certificates at fair value through profit and loss, debt securities issued and subordinated loans.

Overall effect on profit of changes in fair value and net interest income

A one percentage point increase in all interest rates would produce an overall change through fair value and net interest income of NOK 21 million in pre-tax profit. A reduction of one percentage point in all interest rates would produce an overall negative change through fair value and net interest income of NOK 21 million in pre-tax profit. It is assumed in the calculation that the distributor commissions are not affected by this change.

Note 6.2 Currency risk

The company has debts through covered bonds issued in euros and Swedish kroner. These debts are hedged through currency derivatives. This means that the company has no currency risk. An overview of the book value of financial instruments in foreign currencies is provided below. The table is stated in NOK. Fair value adjustments related to the interest element and changes in basis swap in the currency hedge on debt securities issued are not included in the statement.

Currency risk as at 31 December 2014 Amounts in NOK 1 000	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Debt securities issued in CHF	-	-	-	-	-	-
Debt securities issued in EUR	-	-	4 404 735	19 392 848	13 498 031	**37 295 613**
Debt securities issued in SEK	-	-	-	959 877	-	**959 877**
Currency derivatives in CHF	-	-	-	-	-	-
Currency derivatives in EUR	-	-	(4 404 735)	(19 392 848)	(13 498 031)	**(37 295 613)**
Currency derivatives in SEK	-	-	-	(959 877)	-	**(959 877)**
Net currency exposure	-	-	-	-	-	-

Currency risk as at 31 December 2013 Amounts in NOK 1 000	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Debt securities issued in CHF	-	-	-	-	-	-
Debt securities issued in EUR	-	-	-	16 664 935	13 707 398	**30 372 333**
Debt securities issued in SEK	-	-	-	943 508	-	**943 508**
Currency derivatives in CHF	-	-	-	-	-	-
Currency derivatives in EUR	-	-	-	(16 664 935)	(13 707 398)	**(30 372 333)**
Currency derivatives in SEK	-	-	-	(943 508)	-	**(943 508)**
Net currency exposure	-	-	-	-	-	-

NOTE 7: OTHER RISK

Risk relating to capital management

Issuance of covered bonds causes the company to have surplus liquidity during the periods after the loan is raised. The need for liquid funds increases as a result of balance sheet growth. This means there is a need to increase the number of lines to place liquidity with solvent counterparties pursuant to the regulations governing covered bonds. The company is exposed to risk linked to capital management through securities in Norway, including government securities, municipal bonds, and Norwegian covered bonds. A framework for managing surplus liquidity has been established to limit the interest and credit spread risk on the investments. The management is subject to the reporting and position framework determined by the company's board of directors. This framework is reviewed once a year. The company's total market risk is assessed on the basis of stress scenarios prepared in line with the recommendations of Norway's Financial Supervisory Authority and the Basel Committee. See note 4.4 relating to certificates, bonds and other securities with fixed yield.

NOTE 8: FINANCIAL DERIVATIVES

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.

Financial derivatives

	31 Dec 2014		31 Dec 2013	
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	Nominal amount	Fair value
Assets				
Interest rate swap lending[1]	-	-	(41 060)	229
Interest rate and currency swap[2]	**43 050 563**	**8 608 941**	37 178 063	3 217 196
Total financial derivative assets	**43 050 563**	**8 608 941**	**37 137 003**	**3 217 425**

	31 Dec 2014		31 Dec 2013	
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	Nominal amount	Fair value
Liabilities				
Interest rate swap lending[1]	**1 000 352**	**61 429**	1 520 425	50 394
Interest rate and currency swap[2]	**487 865**	**14 589**	1 500 000	21 698
Total financial derivative liabilities	**1 488 217**	**76 018**	**3 020 425**	**72 092**

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

Fair value hedging

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

	31 Dec 2014		31 Dec 2013	
Amounts in NOK 1 000	**Nominal amount**	**Value recognised in balance sheet**	Nominal amount	Value recognised in balance sheet
Hedging instruments: Interest rate and currency swaps[1,2]	**42 562 698**	**8 594 352**	38 678 063	3 195 498
Hedged items: Financial commitments incl foreign exchange[2]	**42 562 698**	**(8 748 159)**	38 678 063	(3 308 226)
Net value recognised in Balance Sheet	**-**	**(153 807)**	-	(112 728)

Gains/losses on fair value hedging

Amounts in NOK 1 000	**2014**	2013
Hedging instruments	**5 419 280**	2 906 761
Hedged items	**(5 439 933)**	(3 022 415)
Net gains/losses (inefffectiveness)[3]	**(20 653)**	(115 654)

[1] The hedging instruments related to the lending portfolio with fixed interest rate are rebalanced when necessary.
[2] Nominal amount is converted to historical currency exchange rate. The negative nominal value is a result of a previously entered swap being reversed as a result of rebalancing.
[3] The negative change in value for financial instruments relate almost entirely to negative changes in basis swaps totalling NOK 15 million. This is described further below.

The negative change in the value of financial instruments related almost entirely to NOK 15.6 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 2014 will be reversed until the derivatives mature. This means that changes in margins only have an accrual effect with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early, which would be unusual given the company's business.

Eika Boligkreditt utilises interest rate and currency swaps in order to convert borrowing in foreign currency to Norwegian kroner. A typical example is when a loan raised in euros is converted to Norwegian kroner through an interest rate and currency swap which includes a basis swap. In this case, Eika Boligkreditt would pay a Norwegian interest rate with a margin of three months Nibor in the swap and receive a euro interest rate in the swap which corresponds to the coupon it pays on the loan in euros. The derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting.

NOTE 9: FAIR VALUE HIERARCHY

Eika Boligkreditt AS measures financial instruments at fair value, and classifies the related fair value at three different levels, which are based on the market conditions at the balance sheet date.

Level 1: Financial instruments where the measurement is based on quoted prices in an active market

Included in Level 1 are financial instruments where the measurement is based on quoted prices in active markets for identical assets. Quoted prices are obtained from the Oslo Stock Exchange and Bloomberg. The company's investments in Treasury bills and bonds in Euros are included in this category.

Level 2: Financial instruments where the measurement is based on observable market data

Level 2 comprises financial instruments that are measured using market information not consisting of quoted prices but which may be either directly or indirectly observable. Indirectly observable market data entail that the price is derived from corresponding financial instruments and commitments on which the market has based its valuation. This category consists of the fair values of interest and currency swaps based on swap curves and investments in certificates and bonds not issued by a national state. Discounted cash flow is used in the valuation. Market data is obtained from an acknowledge provider of market data.

Level 3: Financial instruments where the measurement is based on information other than observable market data

Level 3 comprises loans at fixed interest rates and shares available for sale. The fair value of fixed-rate loans is measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the corresponding interest rate at 31 of December.

31 Dec 2014

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	1 070 626
Bonds and certificates at fair value through profit or loss	2 082 004	5 838 525	-
Financial derivatives	-	8 608 941	-
Shares classified as available for sale	-	-	15 000
Total financial assets	**2 082 004**	**14 447 466**	**1 085 626**
Financial liabilities			
Financial derivatives	-	76 018	-
Total financial liabilities	**-**	**76 018**	**-**

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

31 Dec 2013

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

No significant transactions between the different levels have taken place in 2013.

Detailed statement of assets classified at level 3

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

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

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

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

Changes in fair value of fixed rate loans attributable to a change in credit risk

Because of the company's fixed rate lending at fair value is considered to have an unchanged credit spread, no change in fair value is attributable to a change in the credit risk. This applies both for 31 December 2014 and cumulatively.

NOTE 10: CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 Dec 2014	Financial instruments at fair value through profit or loss				Financial instruments at amortised cost		
Amounts in NOK 1 000	Held for trading	Fair value option	Derivatives for hedging	Available for sale	Financial assets and liabilities	Held to maturity	Total
Financial assets							
Lending to and receivables from credit institutions	-	-	-	-	3 708 022	-	3 708 022
Lending to customers	-	1 070 626	-	-	59 818 358	-	60 888 984
Bonds and certificates at fair value through profit or loss	-	7 920 530	-	-	-	-	7 920 530
Financial derivatives	-	-	8 608 941	-	-	-	8 608 941
Shares classified as available for sale	-	-	-	15 000	-	-	15 000
Other fnancial assets	-	-	-	-	119 841	-	119 841
Total financial assets	**-**	**8 991 156**	**8 608 941**	**15 000**	**63 646 221**	**-**	**81 261 318**
Financial liabilities							
Financial derivatives	61 429	-	14 589	-	-	-	76 018
Debt securities issued	-	-	-	-	72 877 916	-	72 877 916
Loans from credit institutions	-	-	-	-	4 260 484	-	4 260 484
Other liabilities	-	-	-	-	355 539	-	355 539
Subordinated loan capital	-	-	-	-	697 976	-	697 976
Total financial liabilities	**61 429**	**-**	**14 589**	**-**	**78 191 915**	**-**	**78 267 933**

31 Dec 2013	Financial instruments at fair value through profit or loss				Financial instruments at amortised cost		
Amounts in NOK 1 000	Held for trading	Fair value option	Derivatives for hedging	Available for sale	Financial assets and liabilities	Held to maturity	Total
Financial assets							
Lending to and receivables from credit institutions	-	-	-	-	3 402 638	-	3 402 638
Lending to customers	-	1 401 495	-	-	56 290 358	-	57 691 853
Bonds and certificates at fair value through profit or loss	-	5 366 627	-	-	-	-	5 366 627
Financial derivatives	229	-	3 217 196	-	-	-	3 217 425
Shares classified as available for sale	-	-	-	15 000	-	-	15 000
Other fnancial assets	-	-	-	-	94 994	-	94 994
Total financial assets	**229**	**6 768 122**	**3 217 196**	**15 000**	**59 787 990**	**-**	**69 668 041**
Financial liabilities							
Financial derivatives	50 394	-	21 698	-	-	-	72 092
Debt securities issued	-	-	-	-	63 888 693	-	63 888 693
Loans from credit institutions	-	-	-	-	2 347 027	-	2 347 027
Other liabilities	-	-	-	-	379 245	-	379 245
Subordinated loan capital	-	-	-	-	677 998	-	677 998
Total financial liabilities	**50 394**	**-**	**21 698**	**-**	**67 292 963**	**-**	**67 452 548**

NOTE 11: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE

Full year 2014

Amounts in NOK 1 000	Held for trading	Fair value option	Hedging accounting	Available for sale	Total	Of which realised	Of which unrealised
Lending to customers (fixed income)	-	18 407	-	-	18 407	-	18 407
Bonds and certificates at fair value through profit or loss	-	10 073	-	-	10 073	2 380	7 693
Shares available for sale	-	-	-	4 769	4 769	4 769	
Debts from issuance of securities	-	-	(5 439 933)	-	(5 439 933)	-	(5 439 933)
Financial derivatives	(11 264)	-	5 419 280	-	5 408 016	-	5 408 016
Total	**(11 264)**	**28 480**	**(20 653)**	**4 769**	**1 332**	**7 149**	**(5 816)**

Full year 2013

Amounts in NOK 1 000	Held for trading	Fair value option	Hedging accounting	Available for sale	Total	Of which realised	Of which unrealised
Lending to customers (fixed income)	-	(16 937)	-	-	(16 937)	-	(16 937)
Bonds and certificates at fair value through profit or loss	-	(994)	-	-	(994)	2 196	(3 190)
Shares available for sale	-	-	-	4 769	4 769	4 769	
Debts from issuance of securities	-	-	(3 022 415)	-	(3 022 415)	-	(3 022 415)
Financial derivatives	22 606	-	2 906 761	-	2 929 367	(969)	2 930 336
Total	**22 606**	**(17 932)**	**(115 654)**	**4 769**	**(106 210)**	**5 997**	**(112 207)**

NOTE 12: FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST

	31 Dec 2014		31 Dec 2013	
Amounts in NOK 1 000	**Book value**	**Fair value**	Book value	Fair value
Financial assets				
Loans to and deposits with credit institutions	**3 708 022**	**3 708 022**	3 402 638	3 402 638
Lending to customers	**60 888 984**	**60 888 984**	57 691 853	57 691 853
Total financial assets	**64 597 006**	**64 597 006**	**61 094 491**	**61 094 491**
Financial liabilities				
Debt securities in issue	**72 877 916**	**73 790 175**	63 888 693	64 224 609
Subordinated loan capital	**697 976**	**684 556**	677 998	650 170
Total financial liabilities	**73 575 892**	**74 474 731**	**64 566 691**	**64 874 779**

The fair value of lending to customers with floating interest rates and of lending to and receivables from credit institutions is considered to be equal to book value, and is considered to be equal to amortised cost. The fair value of fixed-rate loans is measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the interest rate at the balance sheet date. The share of fixed and floating rate loans is presented in note 4.2. The fair value of Norwegian debt securities in issue and subordinated loan capital are based on tax-related prices published by the Norwegian Securities Dealers Association (Norsk Fondsmeglerforbund). The fair value of foreign debt securities in issue is based on quoted prices provided by Bloomberg.

NOTE 13: INTANGIBLE ASSETS

Amounts in NOK 1 000	Software	Total
Original cost 1 January	17 329	17 329
Additions	1 394	1 394
Disposals	141	141
Original cost 31 December	**18 582**	**18 582**
Accumulated depreciation 1 January	12 152	12 152
Accumulated depreciation 31 December	13 973	13 973
Book value 31 December	**4 609**	**4 609**
Depreciation charge for the year	1 962	1 962
Useful economic life	5 years	
Depreciation schedule	Linear	
Off-balance-sheet annual rent on fixed tangible assets and rent on premises	2 697	

NOTE 14: SHARES CLASSIFIED AS AVAILABLE FOR SALE

Amounts in NOK 1 000	Number of shares	Cost price	Book value	Owner share
Eiendomsverdi AS	353 269	15 000	15 000	18.79%
Total	-	**15 000**	**15 000**	-

NOTE 15: LIABILITIES

Eika Boligkreditt has an overdraft facility with DNB Bank ASA (DNB). Amounting to NOK 50 million, this facility was undrawn at 31 December 2014 and 31 December 2013. Equity conditions apply to the overdraft facility.

The company also has a contingency facility through its ability to issue covered bonds (CB) up to a limit of NOK 1 billion set by DNB. The committed credit line from DNB has a rolling 12-month duration. These bonds will have a maximum of 18 months to maturity when issued, but EBK is obliged to buy back the bonds after 12 months following the issue if DNB so requires. The credit agreement with DNB contains terms and conditions related to equity ratio, ownership changes and the rating of issued bonds, plus the guarantee structure with the company's owner banks.

The credit agreement with DNB was undrawn at 31 December 2014 and 31 December 2013.

Liquidity support from the owner banks is regulated by an agreement dated 10 May 2012 on the purchase of covered bonds. The main features of this agreement are that the owner banks, for as long as they have residential mortgage portfolios in the company and under given circumstances, are committed to provide Eika Boligkreditt with liquidity. This liquidity obligation is limited to the maturity of the company's covered bonds issued under the Euro Medium Term Covered Note Programme (EMTCN Programme) and associated swap agreements over the coming 12 months. To the extent that covered bonds have been purchased by the owner banks under the liquidity agreement and have not been redeemed, these are deducted from the calculation of each owner bank's outstanding liquidity obligation. Each owner bank's liquidity obligation is primarily limited to its pro rata share of the issued amount, which is calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their liquidity obligation pursuant to the agreement, the liquidity obligation of the other owner banks can be increased up to a limit of twice their original pro rata share.

The agreement on purchasing covered bonds can be terminated under certain conditions.

Conditions also apply to the lender concerning overcollateralisation. For CBs ascribed to the company's cover pool, requirements relating to overcollateralisation of 105 per cent apply to loans included in the EMTCN-Programme. This means that the company must at all times have assets in its cover pool that constitute at least 105 per cent of total outstanding covered bonds.

At 31 December 2014, the company had bonds and certificates in issue with a nominal value of NOK 64 150 698 000.

Amounts in NOK 1 000	**31 Dec 2014**	31 Dec 2013
Nominal value of certificates	-	350 000
Difference in fair value	-	(27)
Nominal value of bonds	**64 150 698**	60 252 063
Difference in fair value	**8 727 219**	3 286 658
Nominal value of subordinated loan capital	**700 000**	680 000
Difference in fair value	**(2 024)**	(2 003)
Total	**73 575 893**	64 566 691

Note 15.1 Debts from issuance of securities

Covered bonds

Amounts in NOK 1 000

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

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

Senior unsecured bonds

Amounts in NOK 1 000

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

Senior unsecured certificates

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establish-ment	Maturity	31 Dec 2014	31 Dec 2013
NO0010682123	200 000	NOK	Fixed	2.13%	2013	2014	-	199 984
NO0010690704	150 000	NOK	Floating	3M Nibor + 0.32%	2013	2014	-	149 989
Total senior unsecured certificates							**-**	**349 973**
Total debt securities issued							**72 877 916**	**63 888 693**

Tier 1 perpetual bonds

Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establish-ment	Maturity	31 Dec 2014	31 Dec 2013
NO0010679640	250 000	NOK	Floating	3M Nibor + 4.20%[1]	2013	Perpetual	**248 983**	248 683
NO0010701220	200 000	NOK	Floating	3M Nibor + 3.50%[2]	2014	Perpetual	199 332	-
Total tier 1 perpetual bonds							**448 315**	**248 683**

[1] NOK 250 million in tier 1 perpetual bonds which can be called at 23 May 2018 and thereafter quarterly at each interest date. A regulatory call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 1 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.
[2] NOK 200 million in tier 1 perpetual bonds which can be called at 5 March 2019 and thereafter quarterly at each interest date. A regulatory call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 1 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

Subordinated loans

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

[1] NOK 180 million in subordinate loan maturing on 15 December 2020 incorporate the right to a call on 15 December 2015. This loan was redeemed on 15 December 2014 because new official regulations have introduced changes which meant it could no longer be treated in full as tier 2 capital.
[2] NOK 200 million in tier 1 perpetual bonds which can be called at 5 March 2019 and thereafter quarterly at each interest date. A regulatory call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 1 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

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

NOTE 16: COVER POOL

Cover Pool

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

Issued Covered Bonds

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
Covered Bonds	**69 951 642**	61 129 152
Premium/Discount	**22 215**	21 137
Total Covered Bonds	**69 973 856**	**61 150 288**

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

NOTE 17: PAYROLL COSTS

Amounts in NOK 1 000	2014	2013
Pay, fees, etc	**18 680**	16 895
National insurance contributions	**3 048**	2 774
Pension costs	**1 899**	1 588
Other personnel costs	**1 228**	978
Total	**24 855**	**22 235**
Average number of employees (full-time equivalent)	**19.8**	17.2

NOTE 18: REMUNERATION OF SENIOR EXECUTIVES, GOVERNING BODIES, AUDITORS, ETC

Amounts in NOK 1 000		Pay [1]	Other [2]	Bonus [3]	Pension cost
Kjartan M Bremnes	CEO	1 978	244	500	614

The company has implemented guidelines for variable remuneration in order to ensure compliance with the remuneration regulations for financial institutions. The CEO is included in the company's bonus scheme. Bonuses are calculated on the basis of a number of criteria, including the company's pre-tax profit, cost developments and development of the mortgage portfolio. Fifty per cent of the bonus awarded is paid as a lump sum in March of the year of award. The remaining 50 per cent is retained by the company and paid in equal annual instalments over a three-year period. Interest at the three-month Nibor rate is paid on bonuses awarded but not paid. All amounts in the bonus bank remain the company's property until payment takes place.

The CEO is included in the company's ordinary pension scheme. In addition, an agreement was entered into in 2012 on a individual pension for Kjartan M Bremnes which gives him the right to receive 66 per cent of his pay between the ages of 63 to 67.

The CEO has no agreement on pay after termination of his employment.

[1] Includes pay and holiday pay for 2014 exclusive bonus accrued in 2013.
[2] Fringe benefits and other benefits.
[3] 50 per cent of the bonus earned for 2014 will, in accordance with the guidelines mentioned above, be paid in 2015.

Directors

Amounts in NOK 1 000	Fees
Martin Mæland	150
Bjørn Riise	100
Øivind Gaarder	100
Terje Svendsen	100
Odd Inge Løfald	100
Elling Berntsen	5
Total director's fee	**555**

Control committee

Amounts in NOK 1 000	Fees
Siv Sandvik	12
Rune Iversen	12
Hans Petter Gjeterud	10
Nina Marie Holte	6
Total control committee	**40**

Supervisory board

Amounts in NOK 1 000	Fees
Jon Håvard Solum	8
Odd Nordli	2
Bjørg Storengen	2
Per Evjen	4
Tor Egil Lie	4
Tore Karlsen	4
Arne Gravdal	2
Per Olav Nærstad	2
Total supervisory board	**28**

Auditor

Remuneration to Deloitte AS and their associates is as follows:

Amounts in NOK 1 000	2014	2013
Statutory audit	**782**	705
Other assurance services	**323**	336
Tax advise	**20**	
Other services unrelated to audit	-	28
Total	**1 125**	1 069

The figures above exclude VAT.

NOTE 19: PENSION COST

The company is required to have an occupational pension scheme in accordance with Norwegian legislation on defined contribution pensions ("lov om innskuddspensjon"). The company has arrangements that comply with the statutory requirements. The company's defined benefit scheme was closed with effect from 1 January 2005, and a defined contribution scheme covering all employees was established instead. Those who were employed before the defined benefit scheme was closed had the opportunity to switch voluntarily to the defined contribution scheme.

Defined contribution scheme

This scheme is based on an agreement that the company has to provide a contribution of five per cent of pay rates from one to six times the national insurance base rate (G) and eight per cent of pay from the six to 12 G. In addition, the company provides risk insurance that includes disability and children's pensions for those included in the defined contribution scheme.

Defined benefit scheme

This arrangement gives the right to defined future benefits based on years of service, salary at retirement and payments from the national insurance systems. The obligations are wholly guaranteed by contract with an insurance company.

Unfunded scheme

The company has an unfunded pension plan for the chief executive. In connection with this plan, a secured loan agreement provides that an amount corresponding to the pension obligation is deposited in an escrow account

Pension costs and pension liabilities include employer's national insurance contributions.

Financial assumptions:

	2014	2013
Discount rate	**3.00%**	4.10%
Expected increase in salaries	**3.25%**	3.75%
Expected increase in the NI base rate	**3.00%**	3.50%
Expected increase in pensions	**3.00%**	3.50%
Expected return on pension plan assets	**3.00%**	4.10%

Akturarmessige forutsetninger:
Actuarial assumptions for demographic factors and retirement are based on assumptions commonly used in insurance.

	2014	2013
Number of employees in the defined benefit pension scheme	**3**	3
Number of employees in the unfunded scheme	**1**	1
Number of employees in the defined contribution pension scheme	**17**	16

Pension expenses Amounts in NOK 1 000	**Unfunded scheme 2014**	Unfunded scheme 2013	**Funded scheme 2014**	Funded scheme 2013
Net present value of pension entitlements	**441**	422	**719**	583
Interest expenses on pension commitments	**14**	12	**302**	205
Anticipated return on pension funds	**-**	-	**(128)**	(96)
Amortisation of changes in estimates not recorded in the accounts	**-**	-	**-**	-
Total defined benfit pension schemes	**455**	434	**893**	692
Defined contribution pension schemes	**-**	-	**808**	683
Net pension expenses	**455**	434	**1 701**	1 375

Pension commitments Amounts in NOK 1 000	**31 Dec 2014**	31 Dec 2013	**31 Dec 2014**	31 Dec 2013
Accrued pension commitments	**962**	564	**9 190**	6 836
Value of pension funds	**-**	-	**4 295**	3 450
Net pension commitments	**962**	564	**4 895**	3 386
Employer's contributions	**136**	79	**690**	478
Net pension liability	**1 098**	643	**5 585**	3 864

Distribution of pension funds	**31 Dec 2014**	31 Dec 2013
Equity	**7%**	11%
Bonds	**65%**	61%
Real property	**11%**	11%
Money market	**12%**	12%
Other	**5%**	5%
Total	**100%**	**100%**

NOTE 20: TAXES

Amounts in NOK 1 000	**2014**	2013
Total tax		
Income tax payable for the year	**26 954**	37 749
Change in deferred tax	**3 071**	(30 778)
Change in tax from previous years	**(102)**	102
Effect of changes to tax rate on deffered tax	**-**	1 284
Taxes	**29 924**	**8 357**
Reconciliation of expected and actual tax		
Pre-tax profit	**115 748**	29 433
Expected tax on income at nominal tax rate (27 percent)	**31 252**	8 241
Reversal of earlier provisions for taxes	**(102)**	102
Tax effect of permanent differences	**(1 227)**	(1 270)
Deffered tax for change in tax rate	**-**	1 284
Taxes	**29 924**	**8 357**
Effective tax rate	**25.9%**	28.4%
Deferred taxes in other comprehensive income relates to the following temporary differences		
Pension liabilities	**(445)**	(365)
Taxes	**(445)**	(365)
Deferred taxes in the income statement affect the following temporary differences		
Fixed assets	**(34)**	55
Pensions	**588**	(94)
Financial instruments	**(3 438)**	(28 416)
Other temporary differences	**259**	(1 039)
Total change in deferred tax	**(2 626)**	(29 494)
Deferred tax asset and deferred tax in the balance relate to the following temporary differences		
Fixed assets	**296**	422
Net pension commitments	**6 683**	4 507
Financial instruments	**108 283**	121 017
Other temporary differences	**4 807**	3 849
Total temporary differences	**120 069**	129 795
Deferred tax assets	**32 419**	35 045

NOTE 21: OTHER FINANCIAL ASSETS

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
Prepaid expenses	2 650	1 941
Accrued interests	117 191	93 053
Short-term receivables	-	-
Total other financial assets	**119 841**	**94 994**

NOTE 22: OTHER LIABILITIES

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
Accrued costs		
Commissions on bank lending	145 855	139 838
Accrued interest	171 010	192 026
Accrued employer's national insurance contributions	1 636	1 417
Deferred directors' fees	648	690
Accrued holiday pay	1 851	1 574
Deferred bonus	4 808	3 849
Other accrued costs	1 003	475
Total accrued costs	**326 810**	**339 869**
Other debt		
Debt to companies in the same group	-	-
Accounts payable	1 253	1 221
Unpaid withholding tax	889	737
Unpaid VAT	11	239
Tax payable	26 576	37 179
Other debt	-	-
Total	**28 729**	**39 376**
Total other liabilities	**355 539**	**379 245**

NOTE 23: COMMISSION COSTS

Amounts in NOK 1 000	2014	2013
Portfolio commission[1]	566 404	444 303
Underwriter's commission	2 956	2 596
Banking services	1 785	1 628
Total commission costs	**571 145**	**448 527**

[1] The company's distributors have the right to a portfolio commission for mortgages included in the mortgage portfolio. This commission equals the lending interest rate on the individual mortgage less a specified net interest rate. Distributors qualify for commission on the basis of the same calculation principles applied when calculating the mortgage interest rate to be paid by the mortgagee.

NOTE 24: ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Amounts in NOK 1 000	2014	2013
IT costs	5 701	4 239
Phone, postage, etc	791	722
Accessories and equipment	328	269
Marketing	374	433
Other administrative expenses	8 377	9 080
Total administrative expenses	**15 571**	**14 742**
External services	8 613	9 704
Operating expenses on rented premises	2 113	2 146
Insurance cost	357	367
Other operating expenses	1 569	1 676
Total other operating expenses	**12 652**	**13 893**

NOTE 25: SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of 713 455 176 shares, each with a nominal value of NOK 1.00.
All shares were authorised, issued and fully paid at 31 December 2014.

List of shareholders at 31 December 2014	Number of shares	Ownership share
OBOS BBL	99 180 457	13.90%
Jernbanepersonalets Sparebank	48 183 335	6.75%
Time Sparebank	22 669 039	3.18%
Aurskog Sparebank	22 291 277	3.12%
Klepp Sparebank	21 993 486	3.08%
Lillestrøm Sparebank	21 388 634	3.00%
Sparebanken Narvik	20 253 933	2.84%
Totens Sparebank	18 716 308	2.62%
Askim Sparebank	17 490 114	2.45%
Melhus Sparebank	15 080 582	2.11%
Selbu Sparebank	14 223 124	1.99%
Eidsberg Sparebank	13 713 838	1.92%
Bamble Sparebank	13 278 952	1.86%
Rørosbanken Røros Sparebank	13 061 642	1.83%
Hjartdal Og Gransherad Sparebank	12 972 319	1.82%
Aasen Sparebank	11 609 765	1.63%
Spydeberg Sparebank	11 302 393	1.58%
Larvikbanken Brunlanes Sparebank	11 269 249	1.58%
Surnadal Sparebank	10 768 369	1.51%
Marker Sparebank	10 540 421	1.48%
Kragerø Sparebank	10 262 191	1.44%
Skue Sparebank	10 106 793	1.42%
Drangedal Og Tørdal Sparebank	10 098 239	1.42%
Orkdal Sparebank	9 755 460	1.37%
Berg Sparebank	9 642 882	1.35%
Strømmen Sparebank	9 434 417	1.32%
Grong Sparebank	9 187 481	1.29%
Bud,Fræna Og Hustad Sparebank	9 149 887	1.28%
Kvinesdal Sparebank	8 887 782	1.25%
Bien Sparebank As	8 841 677	1.24%
Trøgstad Sparebank	8 629 897	1.21%
Blaker Sparebank	8 502 092	1.19%
Indre Sogn Sparebank	8 457 932	1.19%
Odal Sparebank	8 188 343	1.15%
Andebu Sparebank	8 178 117	1.15%
Tinn Sparebank	7 757 879	1.09%
Høland Og Setskog Sparebank	7 607 344	1.07%
Hegra Sparebank	7 085 238	0.99%

List of shareholders at 31 December 2014	Number of shares	Ownership share
Stadsbygd Sparebank	6 972 709	0.98%
Fornebu Sparebank	6 888 632	0.97%
Klæbu Sparebank	6 741 879	0.94%
Tolga-Os Sparebank	6 366 985	0.89%
Hønefoss Sparebank	6 332 716	0.89%
Meldal Sparebank	6 047 851	0.85%
Ørland Sparebank	5 931 748	0.83%
Sunndal Sparebank	5 452 790	0.76%
Hjelmeland Sparebank	5 138 556	0.72%
Valle Sparebank	5 101 620	0.72%
Harstad Sparebank	4 899 928	0.69%
Birkenes Sparebank	4 648 303	0.65%
Ofoten Sparebank	4 456 241	0.62%
Sparebanken Hemne	4 375 798	0.61%
Opdals Sparebank	4 355 230	0.61%
Sparebanken DIN	4 119 325	0.58%
Gjerstad Sparebank	4 009 865	0.56%
Arendal Og Omegns Sparekasse	3 613 717	0.51%
Vegårshei Sparebank	3 517 805	0.49%
Haltdalen Sparebank	3 026 092	0.42%
Evje Og Hornnes Sparebank	3 002 030	0.42%
Ørskog Sparebank	2 659 103	0.37%
Grue Sparebank	2 484 338	0.35%
Åfjord Sparebank	2 448 418	0.34%
Soknedal Sparebank	2 363 166	0.33%
Tysnes Sparebank	1 869 245	0.26%
Nesset Sparebank	1 535 364	0.22%
Vik Sparebank	1 486 138	0.21%
Vestre Slidre Sparebank	1 055 080	0.15%
Rindal Sparebank	890 291	0.12%
Vang Sparebank	686 082	0.10%
Aurland Sparebank	421 092	0.06%
Voss Veksel- Og Landmandsbank Asa	329 169	0.05%
Gildeskål Sparebank	275 161	0.04%
Lofoten Sparebank	178 063	0.02%
Etnedal Sparebank	13 757	0.00%
Bjugn Sparebank	1	0.00%
Total	**713 455 176**	**100%**

The shares have full voting rights pursuant to the company's articles of association.

NOTE 26: CAPITAL ADEQUACY RATIO

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

Core capital adequacy ratio (core tier 1 capital)	31 Dec 2014	31 Dec 2013
Weighted calculation basis	25 154 656	21 444 688
Core tier 1 capital	2 925 294	2 398 885
Core tier 1 capital ratio	**11.6%**	**11.2%**
Total core tier 1 capital	2 925 294	2 398 885
Tier 1 perpetual bonds	448 315	248 683
Total tier 1 capital	**3 373 609**	**2 647 568**

Capital adequacy ratio (tier 1 capital)	31 Dec 2014	31 Dec 2013
Weighted calculation basis	25 154 656	21 444 688
Tier 1 capital	3 373 609	2 647 568
Tier 1 capital ratio	**13.4%**	**12.3%**
Total tier 1 capital	3 373 609	2 647 568
Subordinated loan capital	249 661	429 314
Total primary capital (tier 2 capital)	**3 623 270**	**3 076 882**

Capital adequacy ratio (tier 2 capital)	31 Dec 2014	31 Dec 2013
Weighted calculation basis	25 154 656	21 444 688
Total primary capital (tier 2 capital)	3 623 270	3 076 882
Capital adequacy ratio	**14.4%**	**14.3%**
Required capital corresponding to eight per cent of calculation basis	2 012 372	1 715 575
Surplus equity and subordinated capital	1 610 897	1 361 307

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

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

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

[1] Deferred tax asset attributable to temporary differences and amounting to less than 10 per cent of core tier 1 capital is not deducted from core tier 1 capital, but risk-weighted by 250 per cent. See the changes to the calculation regulations which came into force on 31 December 2014.
[2] At 31 December Eika Boligkreditt had taken account of the risk of credit valuation adjustment (CVA) when calculating capital requirements for credit risk. This represents a supplement to the existing capital requirement for credit risk related to counterparty risk for derivatives.

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

Capital support from the owner banks is regulated by a shareholder agreement dated 10 May 2012. This includes a commitment by the owner banks that, under given circumstances, they will have to provide the company with the capital required to maintain the company's applicable targets at any given time for tier 1 capital and total primary capital ratios, or higher tier 1 capital and/or total primary capital ratios as required or recommended by the Financial Supervisory Authority of Norway. The individual owner bank's capitalisation obligation is primarily limited to its pro rata share of capital issues, calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their capitalisation obligation pursuant to the agreement, the capitalisation obligation of the remaining owner banks can be raised to a limit of twice their original pro rata share. The agreement on purchasing covered bonds and the shareholder agreement can be terminated under certain conditions.

NOTE 27: OWNERSHIP

Eika Boligkreditt was demerged from Eika Gruppen AS with effect from 18 May 2012. Following the demerger, the company is owned directly by 74 Norwegian banks and OBOS (the owner banks). In conjunction with the owner banks becoming the shareholders of Eika Boligkreditt, a shareholder agreement was entered into which stipulates in part that the ownership of the company is to be rebalanced on an annual basis. This will ensure an annual adjustment so that the holding of each owner bank corresponds to its share of the company's residential mortgage portfolio.

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To the Annual Shareholders' Meeting of Eika Boligkreditt AS

INDEPENDENT AUDITOR’S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Eika Boligkreditt AS, which comprise the balance sheet as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU. and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Eika Boligkreditt AS as at December 31, 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Deloitte.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors’ report and the statements on Corporate Governance and Corporate Social Responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and in the statements on Corporate Governance and Corporate Social Responsibility, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company’s accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, March 16, 2015
Deloitte AS

Roger Furholm
State Authorised Public Accountant (Norway)

Translation has been made for information purposes only

Translation from the original Norwegian version

To:
The supervisory board and general meeting of Eika Boligkreditt AS

The control committee's statement for the 2014 financial year

Pursuant to legislation, statutory regulations and the instructions of the supervisory board, the control committee has audited the company's business. The committee has reviewed the minutes of board meetings with associated case documents since the annual general meeting in 2014. The committee has reviewed interim accounts and key figures. It has been provided with documentation on the company's control systems and risk management.

The committee has held five meetings during the period, including one focused on special areas of attention. The committee has met key people from the board, the executive management and central control functions.
The committee has received all the assistance and documentation it has requested from the company's board and management.

The control committee has reviewed the financial statements adopted by the board, the directors' report and the auditor's report.

The committee finds the board's assessment of the company's financial position to be accurate, and recommends that the financial statements and directors' report for 2014 be approved.

Oslo, 17 March 2015

Atle Degré Chair	Rune Iversen	Hans Petter Gjeterud

Key figures

Amounts in NOK 1 000	31 Dec 2014	31 Dec 2013
Balance sheet development		
Lending to customers	**60 888 984**	57 691 853
Debt securities issued	**72 877 916**	63 888 693
Subordinated loan capital	**697 976**	677 998
Equity	**3 023 729**	2 459 198
Equity in % of total assets	**3.72**	3.52
Average total assets	**76 845 438**	63 765 113
Total assets	**81 298 346**	69 828 760
Rate of return / profitability		
Fee and commission income in relation to average total assets, annualised (%)	**0.74**	0.70
Staff and general administration expenses in relation to average total assets, annualised (%)	**0.05**	0.06
Return on equity, before taxes annualised (%)[1]	**4.17**	1.48
Total assets per full-time position	**4 105 977**	3 714 296
Cost/income ratio (%)[2]	**32.48**	27.94
Financial strength		
Core tier 1 capital	**2 925 294**	2 398 885
Tier 1 capital	**3 373 609**	2 647 568
Total primary capital (Tier 2 capital)	**3 623 270**	3 076 882
Calculation basis capital adequacy ratio	**25 154 656**	21 444 688
Core tier 1 capital ratio (%)	**11.6**	11.2
Tier 1 capital ratio (%)	**13.4**	12.3
Capital adequacy ratio % (Tier 2 capital)	**14.4**	14.3
Leverage ratio (%)[3]	**3.97**	-
Defaults in % of gross loans	**0.00**	0.00
Loss in % of gross loans	**0.00**	0.00
Staff		
Number of full-time positions at end of period	**19.8**	18.8

Overview of liquidity indicators and prognosis

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

[1] Profit/loss before taxes, in % of average equity (return on equity).
[2] Total operating expences in % of net interest income after commissions costs.
[3] Leverage ratio is calculated in accordance to the CRR/CRD IV regulatory. The calculation of the leverage ratio is described in the regulations article 416 and 417.
[4] Liquidity Indicator I: $\frac{\text{Funding with remaining time to maturity exceeding 12 months}}{\text{Illiquid assets}}$
[5] Liquidity Indicator II: $\frac{\text{Funding with remaining time to maturity exceeding 1 month}}{\text{Illiquid assets}}$