



6th. year

Quarterly report 2014

2. quarter 2014



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Key figures

	30/06/2014	30/06/2013	31/12/2013
Return on equity (%)	16.29	14.97	15.74
Net interest income as % of total assets	1.65	1.59	1.63
Cost/income ratio (%)	11.88	12.96	11.77
Losses as a % of net lending	0.00	0.00	0.00
Provision percentage for non-performing loans	0.00	0.00	0.00
Non-performing loans as a % of net lending	0.00	0.00	0.00
Capital adequacy %	14.87	16.93	18.70
Tier 1 capital adequacy %	14.87	16.93	18.70
Return (NOK million)	0.0	0.0	50.0
Average total assets (NOK million)	8,553.5	7,885.3	7,935.5

Quarterly report Q2 2014

Sparebanken Øst Boligkreditt AS was founded on 14 April 2009.

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst and is a financing institution established for the purpose of issuing covered bonds.

Trends in the Norwegian and international capital markets in recent years have shown that the establishment of an independent mortgage lender as a wholly owned subsidiary of Sparebanken Øst was the right decision.

In its participation in the market, Sparebanken Øst Boligkreditt AS has played a vital role in securing long-term and favourable financing for the Group, and will continue to do so in the coming year.

Total lending secured against residential property amounted to NOK 9,101.1 million at the end of Q2 2014, while securities debt in the form of covered bonds amounted to NOK 7,755.9 million.

Business Concept

Sparebanken Øst Boligkreditt AS's purpose is to grant or acquire residential mortgages, commercial mortgages, loans secured against other real estate assets, and public loans, as well as to finance lending operations primarily by issuing covered bonds.

Sparebanken Øst Boligkreditt AS shall be a profitable company run in accordance with business principles and with high ethical standards.

Report on the Quarterly Accounts

Income Statement

Total interest income as at Q2 2014 amounted to NOK 161.2 million compared with NOK 152.1 million at the same point in 2013. The vast majority of interest income relates to lending to customers. Net interest and credit commission income totalled NOK 70.0 million (NOK 61.9 million for the first half of 2013). The change is due to increased volume; margins are at an almost unchanged level since year end.

The company's operating profit before tax for the first half of 2014 amounted to NOK 61.7 million (NOK 53.9 million in first half of 2013), while profit after estimated tax amounted to NOK 45.0 million (NOK 38.8 million in first half of 2013).

Total operating expenses in the first half of 2014 amounted to NOK 8.3 million (NOK 8.0 million in the first half of 2013) of which NOK 6.2 million (NOK 5.7 million in the first half of 2013) relates to management fees paid to the parent bank.

Sparebanken Øst Boligkreditt AS has a formal partnership with Sparebanken Øst regulated by a comprehensive management agreement which ensures competency within key fields related to the business and helps to ensure overall cost-effective operations. In line with the management agreement, the fee is calculated according to the lending portfolio being managed at the time.

No lending losses were reported on the company's portfolio in the first half of 2014. Similarly, there was no reason to undertake individual or group write-downs.

Calculated tax expenses amounted to NOK 16.7 million for the first half of 2014 compared with NOK 15.1 million for the same period last year.

Balance Sheet

The company's balance sheet showed total capital of NOK 9,423.2 million at the end of the first half of 2014, which represents an increase of NOK 1,356.0 million from the first half of 2013 and an increase of NOK 1,707.9 million from 31.12.13. Of the total balance sheet, net lending to customers

accounted for NOK 9,101.1 million, which represents an increase of NOK 1,252.1 million (16 %) from the first half of 2013 and an increase of NOK 1,669.2 million since year end. The managed volume originates in the acquisition of the residential mortgage portfolio from Sparebanken Øst and Boligkreditt.no. Other assets largely comprise deposits in the parent bank.

Bond debt at the end of Q2 2014 amounted to NOK 7,755.9 million, which represents an increase of NOK 861.9 million compared with the same point last year and an increase of NOK 1,340.4 million since year end. Sparebanken Øst Boligkreditt AS has this year issued covered bonds with a nominal value totalling NOK 1,300 million, NOK 900 million of which were issued in Q2.

At the end of the quarter, NOK 1,044.8 million was drawn from an approved credit facility with a limit of NOK 2,200 million, which was made available from Sparebanken Øst.

Risk

Sparebanken Øst Boligkreditt AS seeks to maintain a low risk profile in line with regulatory requirements, which also ensures that the company has confidence in the market for covered bonds. The business requires a certain degree of risk-taking, but Sparebanken Øst Boligkreditt AS seeks to maintain a conscious and measured approach to this. This applies particularly to credit risk, interest rate risk, liquidity risk, and operational risk (including ICT risk).

Sparebanken Øst Boligkreditt AS shall achieve its economic objectives over time. These objectives include a return on equity equivalent to risk-free interest over time, capital adequacy at the highest level as stipulated by regulations and the company's own evaluations, and liquidity management that minimises the risk related to future liquidity challenges.

Overall risk management

The Board and management have ultimate responsibility for risk management and internal control. The Board adopts the overall risk strategy and approves principles for monitoring, control, and risk thresholds. The Board regularly evaluates strategies and guidelines pertaining to risk management and control.

Sparebanken Øst Boligkreditt AS monitors risk trends by way of systematic quarterly measurements and risk reports for the most crucial areas, including the actual level of risk compared to established limits.

The general manager is responsible for executing and implementing adequate internal controls and risk management. The company has its own controller, who prepares quarterly reports using the existing portfolio as the basis for making spot-checks against credit risk and regulatory provisions. Additionally, checks and reports are carried out for each portfolio transfer from the parent bank to Sparebanken Øst Boligkreditt AS. A quarterly Board and Management Report providing a picture of current risks and trends will be submitted to the Board. The company has established guidelines and a framework for the management and control of various types of risk. Foreign exchange, interest rate, and liquidity risks are managed in accordance with the provisions of the Norwegian Financial Institutions Act for covered bonds, and the framework laid down by the company's Board of Directors. The general manager holds quarterly meetings with the parent bank to review the current status, trends, and prospects on the basis of the financial report that has been compiled. Separate minutes are prepared following these quarterly meetings. A financial report together with minutes is submitted to the Board on a quarterly basis. The Board deems the overall financial risk to be low.

A management agreement has been entered into with Sparebanken Øst covering administration, IT operations, and the production of various banking services, as well as finance, clearing, and accounting services. As at the end of Q2 2014, the company had leased a total of 1.4 FTEs including a general manager to assist in assignments such as follow-ups and controls related to outsourced services. The structures and systems related to this have been developed considerably during the year. The general manager submits an annual report regarding the implementation of internal control and risk management. The Board deems operational risk to be low.

Sparebanken Øst has issued a guarantee for all covered bond liabilities in the mortgage company. Additionally, Sparebanken Øst Boligkreditt AS has drawing rights in Sparebanken Øst.

The assets primarily consist of lending secured against real estate within legal requirements with regard to quality and loan-to-value ratio. The loan-to-value ratio is calculated in relation to the reasonable property value determined in accordance with applicable legislation. The general assessment criteria related to the approval and maintenance of the loan follow the guidelines established by Sparebanken Øst. All collateral is established by way of a value assessment conducted by a competent and independent third party. The Board deems the quality of the lending portfolio to be good. The over-collateralisation of the cover pool was 121 % at the end of Q1.

The Board is of the opinion that overall risk exposure in Sparebanken Øst Boligkreditt AS is very low.

At the end of Q2 2014, Sparebanken Øst Boligkreditt AS had a total subordinated capital of NOK 535.2 million. Total subordinated capital corresponds to a capital adequacy of 14.9 % of which tier 1 capital adequacy amounted to 14.9 %. Risk-weighted balance as of Q2 2014 is NOK 3,600.0 million. Capital adequacy is calculated using the standard method in the Basil II framework.

The Board deems the company's risk capacity to be satisfactory.

The Market

Credit spreads in the market for Norwegian covered bonds have contracted by around 15 basis points (hundredths of a percentage) to date in 2014. Covered bonds issued with an AAA rating and a 5-year term to maturity had a credit spread of roughly 28-30 basis points as at the end of Q1.

In Q2, Sparebanken Øst Boligkreditt AS issued covered bonds in with a nominal value of NOK 700 million that mature in 2020 and covered bonds with a nominal value of NOK 200 million that mature in 2021.

The cover pool contains secured mortgages from every county in the country. The majority of the objects are located in the centre of south east Norway with loans from Buskerud, Oslo, and Akershus accounting for 74 % of the total. The loans in the cover pool have good security.

Future prospects

Sparebanken Øst Boligkreditt AS took a market approach related to the strategy of the parent bank, and general adaptability to market conditions. Growth in 2014 was adjusted to the parent bank's capital supply. The supply of capital through the issue of covered bonds has been satisfactory. The issue of covered bonds has helped Sparebanken Øst to achieve a robust liquidity position.

Growth in the Norwegian economy has slowed after having previously shown strong growth driven by high oil prices and investments in oil. The global economy appears to be slowly coming out of the downturn, however interest rates are at an all time low in most countries.

House prices have stabilised again and risen slightly after falling in the latter half of 2013. There is some uncertainty about how they will develop going forward, but there is no reason to believe prices will drop massively given how the market has developed. The trends of house prices and growth in household debt are particularly important to the Norwegian economy, not to mention Sparebanken Øst Boligkreditt AS.

Mortgage margins are expected to decrease slightly because of greater competition in the market, after a period where they have stayed up due to higher capital requirements. Sparebanken Øst Boligkreditt AS has good control over its costs, with no considerable costs expected in addition to costs which would arise naturally as a result of an increased portfolio. Consequently, the Board expects that the company will achieve the adopted objective of a satisfactory return on equity.

Drammen, 15 July 2014

The Board of Directors of Sparebanken Øst Boligkreditt AS

Kjell Engen
Chairman of the Board

Pål Strand
Deputy Chairman of the Board

Lars-Runar Groven

Per Øyvind Mørk

Frode Lindbeck
General Manager

Income Statement

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Interest income and similar income	161,169	152,093	309,292
Interest charges and similar expenses	91,152	90,172	180,656
Net interest and credit commission income	70,017	61,921	128,636
Commission income and income from banking services	8	9	16
Commission expenses and expenses for banking services	6,163	5,722	11,579
Net value change and gains/losses on financial instruments	-16	0	0
Administrative expenses	153	138	280
Other operating expenses	1,998	2,165	3,287
PROFIT BEFORE LOSSES	61,695	53,905	113,506
Lending and guarantee losses	0	0	0
PROFIT BEFORE TAX	61,695	53,905	113,506
Tax expenses	16,658	15,093	31,782
PROFIT AFTER TAX	45,037	38,812	81,724
Earnings per share	4.22	3.64	7.67
Diluted earnings per share	4.22	3.64	7.67

Total profit

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
TOTAL PROFIT	45,037	38,812	81,724

Balance Sheet

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Lending to and receivables from credit institutions	178,930	144,673	209,856
Lending to and receivables from customers	9,101,085	7,848,992	7,431,917
- Individual write-downs	0	0	0
- Write-down of groups of loans	0	0	0
Financial derivatives	112,035	58,702	60,251
Other assets	15,682	0	1,100
Expenses prepaid but not accrued, and income accrued but not received	15,491	14,802	12,158
TOTAL ASSETS	9,423,223	8,067,169	7,715,282
Debt to credit institutions	1,045,155	593,250	663,847
Debt established upon the issue of securities	7,755,851	6,893,993	6,415,409
Financial derivatives	0	0	0
Other debt	17,835	18,495	32,848
Accrued expenses and income accrued but not received	24,188	19,186	18,021
Total debt	8,843,029	7,524,924	7,130,125
Called-up and fully paid capital	449,990	449,990	449,990
Retained earnings	85,167	53,443	135,167
Retained earnings	45,037	38,812	0
Total equity	580,194	542,245	585,157
TOTAL DEBT AND EQUITY	9,423,223	8,067,169	7,715,282

Drammen, 15 July 2014

Kjell Engen
Chairman of the Board

Pål Strand
Deputy Chairman of the Board

Lars-Runar Groven

Per Øyvind Mørk

Frode Lindbeck
General Manager

Cash flow analysis

(Amounts in NOK 1,000)		30/06/2014	30/06/2013	31/12/2013
Operating activities				
Profit before tax		61,695	53,905	113,506
Adjustments for:				
Change in lending		-1,669,168	450,009	867,084
Change in other assets		-17,915	4,052	5,596
Change in loans from credit institutions		381,308	-956,655	-886,058
Change in other debt		6,278	1,533	-1,968
Change in premium/discount on securities issued		782	652	4,603
Net cash flow from financing activities		16	0	0
Tax payable for the period		-31,782	-18,042	-18,042
Net cash flow from operating activities	A	-1,268,786	-464,546	84,721
Financing activities				
Payments for buyback of securities		-12,016	0	-983,234
Receipts on issue of securities		1,299,876	499,430	998,580
Dividend paid		-50,000	0	0
Net cash flow from financing activities	B	1,237,860	499,430	15,346
Net change in cash and cash equivalents	A+B	-30,926	34,884	100,067
Cash and cash equivalents at the start of the period		209,856	109,789	109,789
Holding of cash and cash equivalents at the end of the period		178,930	144,673	209,856

Liquid assets consist solely of bank deposits.

Changes in equity

(Amounts in NOK 1,000)

Q2 2014	Total equity	Share capital	Share premium reserve	Other equity	Retained earnings
Equity as at 31/12/2013	585,157	266,500	183,490	135,167	0
Total profit	45,037	0	0	0	45,037
Dividend 2013 finally adopted	-50,000	0	0	-50,000	0
Equity as at 30/06/2014	580,194	266,500	183,490	85,167	45,037

Q2 2013	Total equity	Share capital	Share premium reserve	Other equity	Retained earnings
Equity as at 31.12.12	503,433	266,500	183,490	53,443	0
Total profit	38,812	0	0	0	38,812
Group contributions issued	0	0	0	-45,000	0
Group contributions received	0	0	0	45,000	0
Equity as at 30/06/2013	542,245	266,500	183,490	53,443	38,812

2013	Total equity	Share capital	Share premium reserve	Other equity
Equity as at 31.12.12	503,433	266,500	183,490	53,443
Total profit	81,724	0	0	81,724
Group contributions issued	-45,000	0	0	-45,000
Group instalments received	45,000	0	0	45,000
Equity as at 31/12/2013	585,157	266,500	183,490	135,167

The proposed dividend for the year is NOK 50 million and is included in other equity until finally adopted.

General information

Sparebanken Øst Boligkreditt AS has its headquarters in Drammen and is a wholly owned subsidiary of Sparebanken Øst. 2014 is the company's sixth year of trading. The company was established on 14 April 2009 and registered in the Norwegian Register of Business Enterprises on 27 April 2009. The business address is Bragernes Torg 2, NO-3017 Drammen, Norway.

The purpose of the company is to acquire mortgage loans from Sparebanken Øst and issue covered bonds in the money market.

The quarterly accounts for Q2 2014 were approved by the Board of Sparebanken Øst Boligkreditt AS on 15 July 2014.

The company is included in the consolidated accounts of Sparebanken Øst - business address Stasjonsgt. 14, NO-3300 Hokksund, Norway.

Accounting principles

The accounts for Sparebanken Øst Boligkreditt AS for Q2 2014 have been prepared in accordance with IFRS standards as approved by the EU, and IFRIC interpretations.

The accounts are based on historical cost principles, apart from financial derivatives, which are measured at fair value. Where the company uses hedge accounting, the value of the hedging object is adjusted for the change in value related to the hedged risk.

Please refer to the annual accounts for 2013 for a more in-depth description of the accounting principles. The quarterly accounts have been prepared in line with the accounting principles and measuring system used in the annual accounts.

The quarterly accounts have not been audited.

Use of estimates and assumptions

Due to the uncertainty inherent in the business activities, accounting items cannot be measured accurately; rather they must be evaluated and estimated. Judgement has been exercised in applying accounting principles, and has used assumptions and expectations regarding future events that are considered likely. Estimates and assessments are evaluated regularly and are based on the most recent reliable data available, as well as experience from similar assessments. There will always be an inherent uncertainty related to accounting items that cannot be measured accurately, and the assessment and best estimates may differ significantly from actual outcomes.

Transactions with related parties

Sparebanken Øst Boligkreditt AS is a wholly owned subsidiary of Sparebanken Øst and is defined as a related party. The company has entered into agreements with Sparebanken Øst regarding management, the lease of a general manager, controller compliance, and the purchase of residential mortgages. Transactions between the companies are conducted in accordance with normal commercial terms and principles.

EARNINGS (Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Interest income, deposits in parent bank	1,694	1,143	2,618
Interest expenses, loans from parent bank	10,064	10,932	21,966
Interest expenses, covered bond debt to parent bank	4,069	11,512	17,301
Commission expenses to parent bank	6,163	5,722	11,579
Administrative expenses to parent bank	138	138	276
Other operating expenses to parent bank	600	600	1,251
BALANCE SHEET (Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Deposits in parent bank	178,930	144,673	209,856
Other receivables from parent bank	15,682	0	1,100
Accrued interest income from parent bank	1,694	1,144	0
Loans from parent bank	1,045,155	593,250	663,847
Covered bond debt to parent bank	528,648	1,178,666	241,847
Other debt to parent bank	1,127	3,393	997
Accrued interest costs, covered bonds	1,477	1,098	629

Lending to customers by geographical distribution of collateral

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Drammen	1,170,088	1,271,155	1,084,509
Øvre Eiker	454,281	500,583	450,780
Nedre Eiker	654,725	776,052	663,973
Rest of Buskerud	456,064	454,686	417,242
Akershus	1,907,580	1,517,906	1,490,084
Oslo	2,100,676	1,499,919	1,504,433
Vestfold	616,913	613,494	569,723
Østfold	339,415	311,991	289,525
Rest of country	1,401,343	903,206	961,648
Total lending to and receivables from customers	9,101,085	7,848,992	7,431,917

No lending losses were reported on the company's portfolio in Q2 2014. Nor are there any doubtful or non-performing loans in the cover pool. The company found no reason to undertake either individual or group write-downs in the portfolio.

Cover pool

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Gross lending secured against property	9,091,508	7,847,654	7,410,489
Other substitute assets (bank deposits)	178,930	144,673	209,856
Total cover pool	9,270,438	7,992,327	7,620,345
Cover pool occupancy *	121 %	117 %	119 %

*The total cover pool is valued at the nominal value. When calculating the occupancy of the cover pool, bond loans are valued at the total of the discounted value of the nominal value and discounted coupon payments.

Lending by customer groups

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Employees	9,057,523	7,795,672	7,385,667
Self-employed	43,562	53,320	46,250
Total lending to and receivables from customers	9,101,085	7,848,992	7,431,917

Non-performing and doubtful commitments

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Gross non-performing commitments (over 90 days)			
Commercial	0	0	0
+ Personal	0	0	0
= Gross non-performing commitments	0	0	0
- Individual write-downs	0	0	0
= Net non-performing commitments	0	0	0
Doubtful (not non-performing) commitments			
Commercial	0	0	0
+ Personal	0	0	0
= Gross doubtful commitments	0	0	0
- Individual write-downs	0	0	0
= Net doubtful commitments	0	0	0
Gross non-performing and doubtful commitments			
Commercial	0	0	0
+ Personal	0	0	0
= Gross non-performing and doubtful commitments	0	0	0
- Individual write-downs	0	0	0
= Net non-performing and doubtful commitments	0	0	0

Securitised debt

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Covered bonds in NOK	7,398,000	6,590,000	6,110,000
Covered bonds in SEK (converted to NOK)	274,740	269,490	284,160
Value adjustment (including conversion/exchange rate)	83,111	34,503	21,249
Total securitised debt	7,755,851	6,893,993	6,415,409

Change securitised debt	30/06/2014	Issued	Payable/ Redeemed	Change currency exchange rate	31/12/2013
Covered bonds in NOK	7,398,000	1,300,000	12,000	0	6,110,000
Covered bonds in SEK (converted to NOK)	274,740	0	0	-9,420	284,160
Value adjustment (including conversion/exchange rate)	83,111	0	0	0	21,249
Total securitised debt	7,755,851	1,300,000	12,000	-9,420	6,415,409

Financial derivatives

Interest-rate and currency derivatives to reduce interest-rate and currency risk have been entered into for the company's fixed rate and foreign currency bond loans. The hedge ratio is 1:1 and hedge accounting has been used.

(Amounts in NOK 1,000)

Financial derivatives used for hedge accounting	Contract total	Fair value 30/06/2014	
		Assets	Liabilities
<i>Currency instruments</i>			
Currency swaps	252,101	22,639	0
Total currency instruments	252,101	22,639	0
<i>Interest instruments</i>			
Interest rate swaps	1,500,000	89,396	0
Total interest instruments	1,500,000	89,396	0
Total derivatives		112,035	0

No significant inefficiencies have been reported for the hedges.

Financial derivatives used for hedge accounting	Contract total	Fair value 30/06/2013	
		Assets	Liabilities
<i>Currency instruments</i>			
Currency swaps	252,101	17,389	0
Total currency instruments	252,101	17,389	0
<i>Interest instruments</i>			
Interest rate swaps	900,000	41,313	0

Total interest instruments	900,000	41,313	0
Total derivatives		58,702	0

No significant inefficiencies have been reported for the hedges.

Financial derivatives used for hedge accounting	Contract total	Fair value 31/12/2013	
		Assets	Liabilities
<i>Currency instruments</i>			
Currency swaps	252,101	32,059	0
Total currency instruments	252,101	32,059	0
<i>Interest instruments</i>			
Interest rate swaps	900,000	28,192	0
Total interest instruments	900,000	28,192	0
Total derivatives		60,251	0

No significant inefficiencies have been reported for the hedges.

Financial instruments

Sparebanken Øst Boligkreditt AS's financial instruments in this category at fair value consist of derivatives. Other instruments are measured at amortised cost.

The company has only lent at variable interest rates. The fair value of loans at variable interest rates is subject to the influence of changing interest rate levels and credit margins, but can be re-priced on an ongoing basis in the short term. The Norwegian Act on Financial Contracts and Financial Assignments permits re-pricing with six weeks' notice (less in case of major changes to the company's borrowing rate). Sparebanken Øst Boligkreditt AS's assessment of the best estimates for the remaining lending portfolio is that the amortised cost gives a good approximation of fair value.

Valuation of financial instruments at fair value

In general

Sparebanken Øst Boligkreditt AS uses the following valuation hierarchy to determine the fair value of financial instruments:

Level 1: Observable market prices.

Level 2: Observable market prices in less active markets, or the use of inputs which are either directly or indirectly observable.

Level 3: Valuation techniques not based on observable market data.

Derivatives

Sparebanken Øst Boligkreditt AS does not use derivatives that are traded in an active market. The derivatives' fair values are based on observable yield curves and exchange rates. All of the company's derivatives are invested at level 2 of the pricing hierarchy.

30/06/2014	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Net lending to and receivables from credit institutions	0	178,930	0	178,930	178,930
Net lending to and receivables from customers	0	0	9,101,085	9,101,085	9,101,085
Total assets at amortised cost	0	178,930	9,101,085	9,280,015	9,280,015
Debt to credit institutions	0	1,045,155	0	1,045,155	1,045,155
Debt established upon the issue of securities	0	7,837,024	0	7,837,024	7,755,851

Total liabilities at amortised cost	0	8,882,179	0	8,882,179	8,801,006
Fair value					
Financial derivatives	0	112,035	0	112,035	112,035
Total assets at fair value	0	112,035	0	112,035	112,035
Financial derivatives	0	0	0	0	0
Total liabilities at fair value	0	0	0	0	0
30/06/2013	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Net lending to and receivables from credit institutions	0	144,673	0	144,673	144,673
Net lending to and receivables from customers	0	0	7,848,992	7,848,992	7,848,992
Total assets at amortised cost	0	144,673	7,848,992	7,993,665	7,993,665
Debt to credit institutions	0	593,250	0	593,250	593,250
Debt established upon the issue of securities	0	6,954,358	0	6,954,358	6,893,993
Total liabilities at amortised cost	0	7,547,608	0	7,547,608	7,487,243
Fair value					
Financial derivatives	0	58,702	0	58,702	58,702
Total assets at fair value	0	58,702	0	58,702	58,702
31/12/2013	Level 1	Level 2	Level 3	Fair value	Book value
Amortised cost					
Net lending to and receivables from credit institutions	0	209,856	0	209,856	209,856
Net lending to and receivables from customers	0	0	7,431,917	7,431,917	7,431,917
Total assets at amortised cost	0	209,856	7,431,917	7,641,773	7,641,773
Debt to credit institutions	0	663,847	0	663,847	663,847
Debt established upon the issue of securities	0	6,516,519	0	6,516,519	6,415,409
Total liabilities at amortised cost	0	7,180,366	0	7,180,366	7,079,256
Fair value					
Financial derivatives	0	60,251	0	60,251	60,251
Total assets at fair value	0	60,251	0	60,251	60,251

Financial derivatives - offsetting

Sparebanken Øst Boligkreditt AS' netting is in accordance with general rules set out in Norwegian legislation.

Sparebanken Øst Boligkreditt AS has entered into standardised and mainly bilateral ISDA agreements with financial institutions entitling the parties to netting in the event of any defaults. Additional agreements have also been entered into concerning provision of security (CSA) for the same counterparties.

As at 30/06/2014 the exposure was as follows:	Gross amount	Offset	Capitalised value	Amount subject to net settlement	Amount following any net settlement
Financial derivatives assets	112,035	0	112,035	0	112,035
Financial derivatives debts	0	0	0	0	0

As at 30/06/2013 the exposure was as follows:	Gross amount	Offset	Capitalised value	Amount subject to net settlement	Amount following any net settlement
Financial derivatives assets	58,702	0	58,702	0	58,702
Financial derivatives debts	0	0	0	0	0

As at 31/12/2013 the exposure was as follows:	Gross amount	Offset	Capitalised value	Amount subject to net settlement	Amount following any net settlement
Financial derivatives assets	60,251	0	60,251	0	60,251
Financial derivatives debts	0	0	0	0	0

Capital adequacy

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Share capital	266,500	266,500	266,500
Share premium reserve	183,490	183,490	183,490
Other reserves included in tier 1 capital	85,167	53,443	135,167
Deductions from core capital	0	0	-50,000
Net tier 1 capital	535,157	503,433	535,157
Subordinated loans	0	0	0
Net tier 2 capital	0	0	0
Net subordinated capital	535,157	503,433	535,157
Basis of calculation			
Basis of calculation for balance sheet items	3,348,874	2,833,876	2,723,708
Basis of calculation for items off-balance sheet	130,832	91,593	89,908
Basis of calculation for operational risk	120,273	48,794	48,794
Total basis of calculation (risk-weighted balance sheet)	3,599,979	2,974,263	2,862,410
Capital adequacy	14.87 %	16.93 %	18.70 %
Tier 1 capital adequacy	14.87 %	16.93 %	18.70 %

Sparebanken Øst Boligkreditt AS uses the standard method of the Basel II framework for calculating minimum equity and subordinated capital requirements for credit risk. The calculation related to operational risk is calculated based on the basic method.

The credit institution's equity and subordinated capital shall comply with minimum capital adequacy requirements at all times, with the addition of a buffer equivalent to the company's accepted risk tolerance.

Please refer to the Group's Pillar III document, which is available on Sparebanken Øst's website.

Operating segments

Sparebanken Øst Boligkreditt AS operates in only one customer-facing segment. This is also how the management have organised the company for operational and management purposes.

Through Boligkreditt.no, Sparebanken Øst Boligkreditt AS only offers residential mortgages up to 70% of a reasonable valuation. Information regarding the geographical distribution of the lending portfolio is provided on page 9. No customer may be deemed more important to the company than others based on size and similar. The company is not dependent on individual customers. No single customer accounts for more than 10%.

Guarantees and secured debt - nominal value

(Amounts in NOK 1,000)	30/06/2014	30/06/2013	31/12/2013
Guarantees	0	0	0
Secured debt	0	0	0
Preferential rights in accordance with the Norwegian Financial Institutions Act, section 2-35	7,672,740	6,859,490	6,394,160

Ownership structure

The share capital of Sparebanken Øst Boligkreditt AS amounts to NOK 266.5 shared across 10.66 million shares each with a nominal value of NOK 25. All shares in Sparebanken Øst Boligkreditt AS are owned by Sparebanken Øst.

Profit performance

Year to date

(Amounts in NOK 1,000)	30/06/2014	31/03/2014	31/12/2013	30/09/2013	30/06/2013
Interest income and similar income	161,169	75,775	309,292	233,298	152,093
Interest charges and similar expenses	91,152	41,552	180,656	138,565	90,172
Net interest and credit commission income	70,017	34,223	128,636	94,733	61,921
Commission income and income from banking services	8	3	16	13	9
Commission expenses and expenses for banking services	6,163	2,863	11,579	8,734	5,722
Net value change and gains/losses on financial instruments	-16	0	0	0	0
Administrative expenses	153	75	280	208	138
Other operating expenses	1,998	1,139	3,287	2,640	2,165
PROFIT BEFORE LOSSES	61,695	30,149	113,506	83,164	53,905
Lending and guarantee losses, etc.	0	0	0	0	0
PROFIT BEFORE TAX	61,695	30,149	113,506	83,164	53,905
Tax expenses	16,658	8,140	31,782	23,286	15,093
PROFIT AFTER TAX	45,037	22,009	81,724	59,878	38,812
Earnings per share	4.22	2.06	7.67	5.62	3.64
Diluted earnings per share	4.22	2.06	7.67	5.62	3.64

Quarter

(Amounts in NOK 1,000)	Q2 14	Q1 14	Q4 13	Q3 13	Q2 13
Interest income and similar income	85,394	75,775	75,994	81,205	76,507
Interest charges and similar expenses	49,600	41,552	42,091	48,393	43,751
Net interest and credit commission income	35,794	34,223	33,903	32,812	32,756
Commission income and income from banking services	5	3	3	4	5
Commission expenses and expenses for banking services	3,300	2,863	2,845	3,012	2,815
Net value change and gains/losses on financial instruments	-16	0	0	0	0
Administrative expenses	78	75	72	70	69
Other operating expenses	859	1,139	647	475	1,484
PROFIT BEFORE LOSSES	31,546	30,149	30,342	29,259	28,393
Lending and guarantee losses, etc.	0	0	0	0	0
PROFIT BEFORE TAX	31,546	30,149	30,342	29,259	28,393
Tax expenses (calculated in the quarterly accounts)	8,518	8,140	8,496	8,193	7,950
EARNINGS FOR THE PERIOD	23,028	22,009	21,846	21,066	20,443
Earnings per share	2.16	2.06	2.05	1.98	1.92
Diluted earnings per share	2.16	2.06	2.05	1.98	1.92

Declaration with reference to section 5-6 of the Securities Trading Act

We confirm that to the best of our conviction the company's half-yearly financial statements for the period 1 January to 30 June 2014 have been prepared in accordance with IAS 34 Interim Financial Reporting and that the information in the financial statements gives a true picture of the company's assets, liabilities, financial position and financial results as a whole, pursuant also to section 5-6 paragraph four of the Securities Trading Act.

Drammen, 15 July 2014

The Board of Directors of Sparebanken Øst Boligkreditt AS

Kjell Engen
Chairman of the Board

Pål Strand
Deputy Chairman of the Board

Lars-Runar Groven

Per Øyvind Mørk

Frode Lindbeck
General Manager