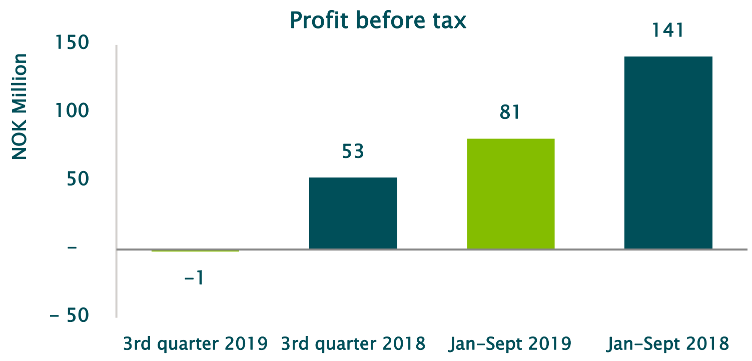
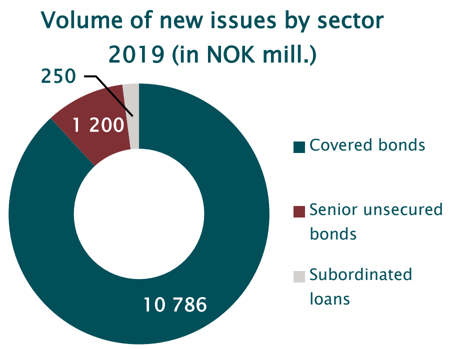
Eika Boligkreditt AS

Interim report for the third quarter 2019

Unaudited

Highlights





Third quarter 2019

- Pre-tax loss NOK 1.5 million (2018: profit of NOK 52.7 million)
- Comprehensive income (taking account of fair value changes in basis swaps) negative at NOK 4.8 million (2018: positive at NOK 42.1 million)
- Financing of owner banks up by 0.9 per cent, corresponding to an annualised growth of 3.7 per cent
- Commissions to owner banks of NOK 141.4 million (2018: NOK 103.7 million)
- NOK 5.5 billion in bonds issued (2018: NOK 5.3 billion)
- Required return on equity in Eika Boligkreditt changed from three months Nibor plus two percentage points to zero with effect from 1 July 2019

First nine months 2019

- Pre-tax profit NOK 81.3 million (2018: NOK 141.4 million)
- Comprehensive income (taking account of fair value changes in basis swaps) NOK 115.5 million (2018: NOK 81.3 million)
- Financing of owner banks up by 2.7 per cent, corresponding to an annualised growth of 3.6 per cent. The annualised growth rate adjusted for OBOS-banken is 6.2 per cent
- Commissions to owner banks of NOK 368.5 million (2018: NOK 370.4 million)
- NOK 12.2 billion in bonds issued (2018: NOK 13.2 billion)

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

INTERIM REPORT FOR THE THIRD QUARTER 2019

Introduction

Eika Boligkreditt's main purpose is to ensure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding by issuing covered bonds. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets with regard to the tenor of loans, their terms and the depth of access. The object of the company's business is to reduce risk for the owner banks. At 30 September 2019, the owner banks had NOK 84.2 billion in total financing with Eika Boligkreditt and had thereby reduced the need for their own market and deposit financing by a corresponding amount.

Eika Boligkreditt is licensed as a credit institution and entitled to raise loans in the market through the issuance of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and this type of bond has become an important source of financing for the lending activities of banks and credit institutions. By concentrating financing activities relating to covered bonds in Eika Boligkreditt, the owner banks have secured a player in the bond market with the necessary requirements for securing competitive terms and depth of access to financing both in Norway and internationally.

Profit and loss account for the third quarter

Amount in NOK thousand	3rd quarter 2019	3rd quarter 2018	Jan-Sept 2019	Jan-Sept 2018
Total interest income	672 783	537 374	1 909 838	1 590 207
Net interest income	158 195	154 467	477 902	513 113
Commission costs	135 093	97 946	350 578	351 991
Total gain and losses on financial instruments at fair value	(10 449)	12 835	(5 901)	21 363
Profit before tax	**(1 487)**	**52 674**	**81 277**	**141 359**
Comprehensive income (taking account of fair value changes in basis swaps)	**(4 788)**	**42 102**	**115 537**	**81 316**

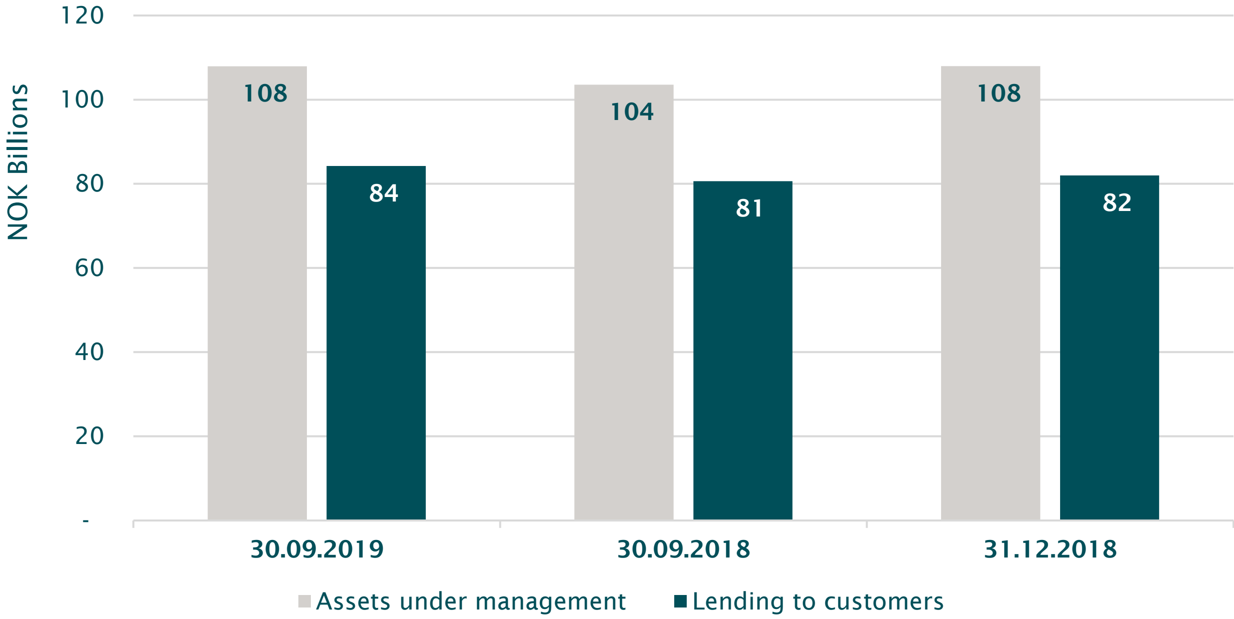
A rise corresponding to 25.2 per cent in the company's interest income in the third quarter compared with the same period of 2018 reflected some increase in lending volumes, but was primarily attributable to higher interest rates on residential mortgages. Net interest income in the third quarter was up by 2.4 per cent from the same period of last year because higher money market interest rates have had less impact on borrowing rates than the repricing of lending rates. In addition, net interest income has been affected by a provision of NOK 10 million in contribution to the Norwegian Banks Guarantee Fund's resolution fund. This cost has been recognised as an interest charge. The final cost of the contribution for the year will be recognised on the basis of an invoice during the fourth quarter of 2019. Commission payments to the owner banks increased by 37.9 per cent from the third quarter of 2018. This reflects higher margins on residential mortgages at the owner banks after the target for return on equity by the company was set at zero with effect from 1 July 2019, and will therefore increase commissions to the owner banks correspondingly. Changes to the fair value of financial instruments were negative at NOK 10.4 million, down by NOK 23.3 million from the same period of 2018. The negative change to the fair value of financial instruments in the third quarter reflected unrealised fair value adjustments to fixed interest mortgages and financial derivatives recognised at fair value. The pre-tax loss for the third quarter was NOK 1.5 million, down by NOK 54.1 million from the same period of 2018.

A rise corresponding to 20.1 per cent in the company's interest income for the first nine months compared with the same period of 2018 reflected some increase in lending volumes, but was primarily attributable to higher interest rates on residential mortgages. Net interest income in the first nine months was down by 6.9 per cent from the same period of last year because interest rates on borrowing have risen by more than the repricing of lending rates. Commission payments to the owner banks were roughly on a par with the first nine months of 2018, declining by 0.4 per cent. Increased margins on residential mortgages following the change in target return, which first took effect in the third quarter, thereby failed to compensate fully for the lower margins in the first half. Changes to the fair value of financial instruments were negative at NOK 5.9 million, down by NOK 27.3 million from the same period of 2018. Pre-tax profit for the first nine months of 2019 was down by NOK 60.1 million from the same period of last year.

Interest on tier 1 perpetual bonds of NOK 7.4 million in the third quarter and NOK 22.4 for the first nine months is not presented as an interest expense in the income statement, but as a reduction in equity.

Comprehensive income includes negative changes in the value of basis swaps of NOK 5.1 million (2018: NOK 2.5 million) for the third quarter and positive changes of NOK 59.9 million (2018: negative at NOK 50 million) in the first nine months. Over the term of the derivatives, the effect of such value changes will be zero. The accounting effects will thereby reverse until the derivatives mature. This means that changes in the value of basis swaps only have accrual effects 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.

Balance sheet and liquidity



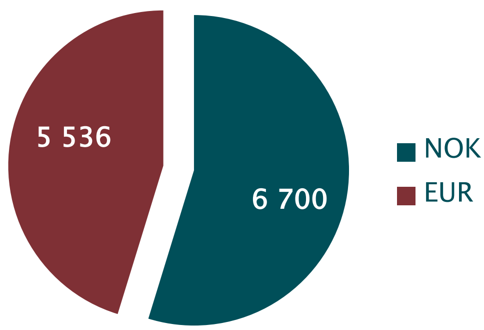
Assets under management by Eika Boligkreditt amounted to NOK 107.9 billion at 30 September 2019. Financing of the owner banks (residential mortgage lending to customers) came to NOK 84.2 billion at 30 September, representing a net increase of NOK 0.8 billion in the third quarter and NOK 3.6 billion for the past 12 months. That represents a net growth in lending of 4.5 per cent year on year. Over the past 12 months, OBOS-banken – now in its third year of running down after Eika Boligkreditt cancelled the distribution agreement with effect from the first quarter of 2017 – ran down its financing from Eika Boligkreditt by NOK 1.1 billion. OBOS-banken's residual financing from Eika Boligkreditt at 30 September was NOK 3.6 billion. Adjusted for OBOS-banken, financing from Eika Boligkreditt for the remaining owner banks grew by NOK 4.7 billion over the past 12 months, representing a 6.2 per cent rise. This reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

Borrowing

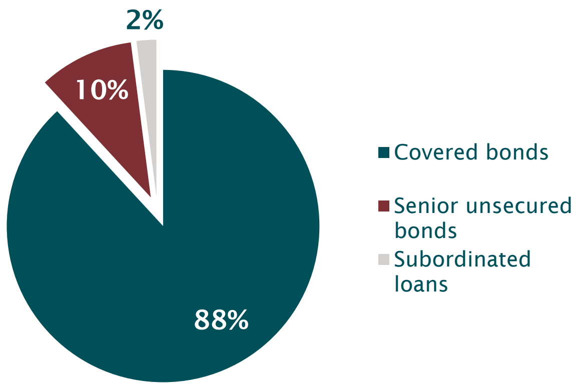
Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 5.5 billion in the third quarter, compared with NOK 5.3 billion in the same period of 2018. Issues in the third quarter broke down between NOK 5.25 billion in covered bonds and NOK 250 million in subordinated loans.

During the first nine months, Eika Boligkreditt issued bonds with a nominal value of NOK 12.2 billion, compared with NOK 13.2 billion in the same period of 2018. Issues in the first nine months broke down between NOK 10.8 billion in covered bonds, NOK 1.2 billion in senior unsecured loans and NOK 250 million in subordinated loans.

Issues by currency (in NOK mill) in 2019



Issues by sector (in %) in 2019



Of bond issues in 2019, 45.2 per cent were denominated in euros and 54.8 per cent in Norwegian kroner. Covered bonds accounted for 88.1 per cent of the issue volume.

The table below shows issues (excluding tier 1 perpetual bonds) in 2019, 2018 and 2017.

New issues (amounts in NOK million)	Jan-Sept 2019	Jan-Sept 2018	2018	2017
Covered bonds (issued in EUR)	5 536	4 848	4 848	9 298
Covered bonds (issued in NOK)	5 250	7 600	10 650	7 625
Senior unsecured bonds (issued in NOK)	1 200	450	750	1 800
Subordinated loans (issued in NOK)	250	325	325	-
Totalt issued	**12 236**	**13 223**	**16 573**	**18 723**

The average tenor for covered bonds issued in the first nine months was 8.2 years. The average tenor for the company's borrowing portfolio at 30 September was 4.05 years, compared with 3.74 years at 1 January.

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

Carrying value in NOK million	30 Sep 2019	30 Sep 2018	31 Dec 2018	31 Dec 2017
Covered bonds	92 270	90 267	93 913	87 203
Senior unsecured bonds	3 974	3 276	3 376	2 827
Subordinated loans	889	674	674	600
Total borrowing	**97 133**	**94 217**	**97 963**	**90 630**

Total borrowing at 30 September was NOK 97.1 billion, down by NOK 0.8 billion from 1 January.

Liquidity

At 30 September, the company had a liquidity portfolio of NOK 15.9 billion. That includes cash collateral of NOK 4.5 billion received from counterparties to derivative contracts. Cash collateral received is held as bank deposits, repo agreements and various high-quality securities. In addition to cash collateral, the company has received collateral in the form of high-quality bonds corresponding in value to NOK 1.1 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

About the Eika Alliance

The Eika Alliance comprises more than 60 local banks, Eika Gruppen and Eika Boligkreditt. It has a total assets of NOK 440 billion, almost a million customers, 3 000 employees and more than 200 local bank offices. The Eika Alliance is thereby one of the biggest players in the Norwegian financial market and an important player for many Norwegian local communities. The 10 banks which have terminated their agreements with Eika Gruppen have decided to establish Lokalbankalliansen (Local Bank Alliance). These agreements with Eika Gruppen run to the end of 2021. Agreements with Eika Boligkreditt are not covered by the termination, but it is natural that these expire at the same time as the agreements with Eika Gruppen.

Customer satisfaction for banks in the Eika Alliance is among the highest in Norway among both personal and business customers. That reflects a conscious commitment to a good customer experience through personal service and advice, an intelligent bank for day-to-day transactions and a genuine combination of local presence and satisfactory digital solutions.

The management and collaboration model in the alliance has been under revision over the past year. As a result, the alliance banks established the Eika Banksamarbeidet DA company in September 2019. This will play a procurement role on behalf of the alliance banks, with Eika Gruppen and Eika Boligkreditt as suppliers and partners. The new company will serve as an important link between the banks, Eika Boligkreditt and Eika Gruppen in order to ensure correct and cost-effective deliveries.

Change to target return on equity for Eika Boligkreditt

With effect from 1 July 2019, the target return on equity for Eika Boligkreditt's underlying operations was altered from three-months Nibor plus two percentage points to zero. The background for this change was that the owner banks prefer to receive their return from Eika Boligkreditt's operations exclusively in the form of commissions rather than a split with the main emphasis on return commissions and some in the form of dividend. The former target corresponded in the 2019 budget to a pre-tax profit (taking account of interest costs related to tier 1 perpetual bonds) of about NOK 155 million or just under NOK 40 million per quarter. The company has emphasised conducting a consistent dividend policy over time. This means that the overall profit not attributable to investors in the tier 1 perpetual bonds is distributed as dividend. The change to the required return has only temporary effects on the company's capital position.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 6.1 billion at 30 September, a net increase of NOK 235 million since 1 January. This rise reflected the redemption of a tier 1 perpetual bond amounting to NOK 131 million in the first quarter, an equity issue of NOK 150 million in the second quarter, and a subordinated loan of NOK 250 million plus the redemption of a subordinated loan of NOK 35 million in the third quarter.

Capital adequacy is calculated in accordance with the standardised method specified in the regulations on capital requirements.

The basis for calculating the capital adequacy ratio at 30 September amounted to NOK 34.4 billion. This amount represents a quantification of the company's credit and counterparty risk. Eika Boligkreditt's primary capital ratio is calculated as a proportion of this calculation base. The calculation base also includes the risk of credit value adjustment (CVA) at counterparties.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	30 Sep 2019	31 Dec 2018	31 Dec 2017
Risk-weighted assets	34 377	33 731	31 447
Total primary capital (tier 2 capital)	6 137	5 902	5 305
Capital adequacy ratio in per cent	**17.9 %**	**17.5 %**	**16.9 %**

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 13.0% (13.6% at 30 September 2019)
- tier 1 capital ratio: 14.5% (15.3% at 30 September 2019)
- tier 2 capital ratio: 16.5% (17.9% at 30 September 2019)

These targets are adequate in relation to legal requirements, the company's Pillar 2 requirement of 0.5 per cent and capital requirements based on Eika Boligkreditt's internal risk assessment. As shown above, the applicable buffer requirements were fulfilled at 30 September with a core tier 1 capital adequacy of 13.6 per cent. The Norwegian Ministry of Finance resolved on 13 December 2018, on the advice of Norges Bank, to increase the requirement for the countercyclical capital buffer from two to 2.5 per cent with effect from 31 December 2019. This will mean a corresponding rise in the company's capital targets.

Eika Gruppen submitted its consultation response to the proposed capital requirements concerning an increase of 1.5 percentage points in the systemic risk buffer on behalf of 93 standardised banks and Eika Boligkreditt on 30 September. This response argued that the proposed 1.5 percentage point change to the buffer is unreasonable for the standardised banks and banks using the basic internal ratings-based (IRB) approach. The proposal from the finance ministry is justified by a desire to counter the benefits to the IRB banks (DNB and the five largest savings banks) from the removal of the Basel I floor and the introduction of the small and medium-sized enterprise (SME) discount. The standardised banks will not benefit from the removal of the Basel I floor. Nevertheless, they will face the same increased requirement for a systemic risk buffer of 1.5 per cent. For these banks, the overall result will be a clear tightening in requirements. The proposed changes will therefore distort competition to the benefit of the big IRB banks. The consultation response called for an amendment to the finance ministry's proposal. To counteract the unreasonable consequences of the proposal while maintaining the requirements for capital adequacy, the response proposes that the proposal be replaced by a differentiated increase in the systemic risk buffer and that this be set to 0.5 percentage points for the standardised banks rather than 1.5 percentage points. If the finance ministry's proposal is introduced as it stands, the proposed 1.5-percentage-point increase in the systemic risk buffer will be introduced in three stages of 0.5 percentage points each for the standardised banks, with the first rise occurring with effect from 31 December 2019. The finance ministry has signalled that the introduction will be delayed in relation to the plans outlined in its proposal.

Eika Boligkreditt is planning a NOK 400 million share issue in the fourth quarter to take account of the expected one-percentage-point tightening in the overall buffer requirements from 31 December 2019.

Outlook

The company's financing of the owner banks grew by a net NOK 0.8 billion in the third quarter and NOK 3.6 billion over the past 12 months, representing a 12-monthly growth of 4.5 per cent. Adjusted for the agreed reduction in OBOS-banken's financing by stages, the 12-monthly growth was 6.2 per cent Statistics Norway's credit indicator for August 2019 showed a 12-monthly increase of 5.1 per cent in Norwegian household debt, down from 5.8 per cent 12 months ago.

The lending survey from Norges Bank for the third quarter of 2019 showed unchanged demand for residential mortgages, unchanged credit practice, a slight increase in interest rates for residential mortgages and weakly declining margins on lending. Increased interest rates on residential mortgages reflect the rise in the central bank's base rate, while margins on such loans are declining because financing costs have increased and competition has strengthened. The banks expect small changes in mortgage demand and credit practice during the fourth quarter, while mortgage interest rates and financing costs are expected to rise somewhat in the time to come.

According to the house price report from Real Estate Norway for September 2019, average Norwegian house prices had risen 2.6 per cent over the previous 12 months. The moderate trend for price growth has now persisted continuously for two years – the longest period of moderate house-price rises in the statistics since 2003. The balance between supply and demand in the housing market is good, with many sales across much of the country during the first nine months. That trend is expected to persist as many completed new homes arrive in the market because of the increased level of housebuilding in recent years. Combined with the base rate rises already implemented by Norges Bank and retention of the mortgage regulations, the company expects house-price growth to remain moderate.

The bond market in the first nine months of 2019 was characterised by a high level of activity, particularly in the first quarter. The credit margin paid by Eika Boligkreditt when issuing new five-year covered bonds in Norwegian kroner declined by about 11 basis points during the period. That reversed the whole upturn seen in the Norwegian market in the autumn of 2018. By comparison, credit margins in the euro market for similar bonds declined about eight basis points in the first nine months. An important explanation for the fall in credit margins for covered bonds seen so far in 2019 is that these bonds were perceived by the banks as attractive placements for their liquidity reserves after the margin rise in 2018. The European Central Bank (ECB) announced at its rate-setting meeting on September that its bond purchase programme would be stepped up again by EUR 20 billion in net purchases with effect from November because of the weaker growth and inflation prospects for the eurozone. Covered bonds are part of the ECB's bond purchase programme, and the bank has subscribed for substantial proportions of new issues from issuers domiciled in the eurozone during recent years. Following the contraction in credit margins during the first nine months, many analysts anticipate that margins in the euro market will lie at the lower end of the interval they are expected to move within during 2019, while the ECB's decision to step up its purchase programme is likely to support the low credit margins.

The Norwegian economy is experiencing a moderate and broad-based cyclical upturn. Annual growth in mainland GDP has exceeded the estimated annual trend increase of just over two per cent for almost three years. Marked growth in oil and manufacturing investment will help to sustain the boom during 2019. An escalation in the US-China trade war and the imminence of Brexit will probably slow growth from 2020. According to Statistics Norway, the Norwegian economy will nevertheless be almost cyclically neutral up to 2022. With such a cyclical outlook, Eika Boligkreditt believes that Norges Bank has completed its interest rate rises in this tightening cycle, so that the base rate will remain at today's 1.5 percentage points for the time to come.

Norway's robust macroeconomic conditions and good results for Norwegian financial institutions suggest good future demand for covered bonds from Norwegian issuers. The bond market is also affected positively by substantial redemptions of bonds, and by the ECB becoming a net buyer of covered bonds from November while also having a substantial reinvestment requirement. Liquidity is good in both Norwegian and international financial markets, and Eika Boligkreditt expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 7 November 2019

The board of directors of Eika Boligkreditt AS

Tor Egil Lie
Chair

Dag Olav Løseth

Terje Svendsen

Olav Sem Austmo

Rune Iversen

Torleif Lilløy

Kjartan M. Bremnes
Adm. direktør

Statement of comprehensive income

Amounts in NOK 1 000	Notes	3Q 2019	3Q 2018	Jan.-Sept 2019	Jan.-Sept 2018	2018
INTEREST INCOME						
Interest from loans to customers at amortised cost		**576 411**	499 790	**1 628 068**	1 482 740	1 892 554
Interest from loans to customers at fair value		**39 544**	-	**104 972**	-	112 835
Interest from loans and receivables on credit institutions		**5 015**	3 591	**13 249**	14 097	17 323
Interest from bonds, certificates and financial derivatives		**42 546**	26 134	**137 617**	70 170	107 905
Other interest income at amortised cost		**8 782**	7 859	**24 590**	23 200	29 931
Other interest income at fair value		**485**	-	**1 342**	-	1 303
Total interest income		**672 783**	537 374	**1 909 838**	1 590 207	2 161 852
INTEREST EXPENSES						
Interest on debt securities issued		**497 549**	377 502	**1 403 128**	1 060 043	1 457 774
Interest on subordinated loan capital		**6 391**	5 299	**17 677**	16 825	22 199
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**10 000**	-	**10 000**	-	-
Other interest expenses		**649**	106	**1 131**	226	358
Total interest expenses		**514 588**	382 907	**1 431 936**	1 077 094	1 480 331
Net interest income		**158 195**	154 467	**477 902**	513 113	681 521
Commission costs		**135 093**	97 946	**350 578**	351 991	457 836
Net interest income after commissions costs		**23 102**	56 521	**127 324**	161 122	223 686
Income from shares in associated company		**2 984**	-	**10 138**	-	10 911
Dividend from shares		**-**	-	**-**	7 419	7 419
Total income from shares	Note 11	**2 984**	-	**10 138**	7 419	18 330
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**4 351**	8 255	**3 355**	3 546	5 994
Net gains and losses on financial derivatives	Note 3	**(1 893)**	15 070	**(3 505)**	32 377	13 933
Net gains and losses on loans at fair value	Note 3	**(12 907)**	(10 490)	**(5 751)**	(14 559)	2 126
Total gains and losses on financial instruments at fair value		**(10 449)**	12 835	**(5 901)**	21 363	22 053
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES						
Salaries, fees and other personnel expenses		**8 068**	7 679	**23 756**	22 595	31 132
Administrative expenses		**5 490**	4 812	**13 684**	13 642	18 435
Total salaries and administrative expenses		**13 558**	12 491	**37 440**	36 237	49 567
Depreciation		**984**	490	**2 946**	1 453	1 942
Other operating expenses		**2 582**	3 701	**9 898**	10 856	15 932
Losses on loans and guarantees		**-**	-	**-**	-	-
PROFIT BEFORE TAXES		**(1 487)**	52 674	81 277	141 359	196 627
Taxes		**(1 117)**	5 168	**17 811**	23 317	44 672
PROFIT FOR THE PERIOD		**(370)**	47 506	63 466	118 042	151 956
Net gains and losses on bonds and certificates	Note 3	**(796)**	(4 659)	**9 533**	931	(6 880)
Fair value adjustment, shares	Note 3	**-**	-	**-**	-	(14 700)
Net gains and losses on basis swaps	Note 3	**(5 095)**	(2 546)	**59 896**	(49 899)	(106 139)
Taxes on other comprehensive income		**1 473**	1 801	**(17 357)**	12 242	28 255
COMPREHENSIVE INCOME FOR THE PERIOD		**(4 788)**	42 102	**115 537**	81 316	52 491

Of the total comprehensive income for the period above, NOK 93.1 million is attributable to the shareholders of the company and NOK 22.4 million to the hybrid capital investors.

Balance sheet

Amounts in NOK 1 000	Notes	**30 Sep 2019**	30 Sep 2018	31 Dec 2018
ASSETS				
Lending to and receivables from credit institutions		**1 541 860**	1 644 109	956 021
Lending to customers	Note 4, 9	**84 231 552**	80 608 325	82 014 685
Other financial assets	Note 13	**128 709**	629 233	486 551
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	**14 361 503**	14 800 730	16 593 308
Financial derivatives	Note 8,9	**7 558 329**	5 804 398	7 812 493
Shares classified as available for sale	Note 10,11	**2 500**	-	2 500
Shares in associated company	Note 11	**54 706**	32 200	54 441
Total securities		**21 977 038**	20 637 328	24 462 742
Other intangible assets				
Deferred tax assets		**44 085**	20 578	44 085
Lease benefits	Note 15	**17 223**	-	-
Intangible assets		**4 914**	5 605	5 116
Total other intangible assets		**66 222**	26 183	49 201
TOTAL ASSETS		**107 945 380**	103 545 177	107 969 200
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 14	**4 541 029**	2 915 194	3 855 067
Financial derivatives	Note 8,9	**52 872**	545 268	70 406
Debt securities issued	Note 6	**96 244 457**	93 543 327	97 288 469
Other liabilities		**830 486**	744 995	787 100
Pension liabilities		**4 075**	3 005	4 075
Lease obligations	Note 15	**17 165**	-	-
Subordinated loan capital	Note 7	**888 964**	674 210	674 273
TOTAL LIABILITIES		**102 579 047**	98 425 999	102 679 390
Called-up and fully paid capital				
Share capital		**1 129 368**	1 093 319	1 093 319
Share premium		**3 081 015**	2 967 063	2 967 063
Other paid-in equity		**477 728**	477 728	477 728
Total called-up and fully paid capital	Note 12	**4 688 111**	4 538 111	4 538 111
Retained earnings				
Fund for unrealised gains		**10 265**	14 700	10 265
Other equity		**94 126**	67 087	36 461
Total retained equity	Note 12	**104 391**	81 787	46 726
Hybrid capital				
Tier 1 capital		**573 831**	499 282	704 974
Total hybrid capital		**573 831**	499 282	704 974
TOTAL EQUITY		**5 366 332**	5 119 179	5 289 810
TOTAL LIABILITIES AND EQUITY		**107 945 380**	103 545 177	107 969 200

Statement of changes in equity

Amounts in NOK 1 000	Share capital [1]	Share premium [1]	Other paid in equity [2]	Fund for unrealised gains [3]	Retained earnings: other equity [4]	Tier 1 perpetual bonds [5]	Total equity
Balance sheet as at 31 December 2017	**1 003 932**	**2 681 452**	**477 728**	**14 700**	**42 297**	**549 540**	**4 769 647**
Result for the period	-	-	-	-	36 363	6 811	43 174
Equity issue	41 768	133 231	-	-	-	-	175 000
Interest tier 1 capital	-	-	-	-	-	(7 249)	(7 249)
Hybrid capital	-	-	-	-	-	76 800	76 800
Taxes on interest tier 1 capital	-	-	-	-	1 703	-	1 703
Balance sheet as at 31 March 2018	**1 045 700**	**2 814 683**	**477 728**	**14 700**	**80 363**	**625 902**	**5 059 075**
Result for the period	-	-	-	-	(10 497)	6 537	(3 960)
Equity issue	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	(7 787)	(7 787)
Disbursed dividends for 2017	-	-	-	-	(41 282)	-	(41 282)
Hybrid capital	-	-	-	-	-	(126 800)	(126 800)
Taxes on interest tier 1 capital	-	-	-	-	1 634	-	1 634
Balance sheet as at 30 June 2018	**1 045 700**	**2 814 683**	**477 728**	**14 700**	**30 218**	**497 852**	**4 880 881**
Result for the period	-	-	-	-	35 124	6 978	42 102
Equity issue	47 620	152 380	-	-	-	-	200 000
Interest tier 1 capital	-	-	-	-	-	(5 549)	(5 549)
Taxes on interest tier 1 capital	-	-	-	-	1 745	-	1 745
Balance sheet as at 30 September 2018	**1 093 319**	**2 967 064**	**477 728**	**14 700**	**67 087**	**499 282**	**5 119 179**
Result for the period	-	-	-	(4 435)	(32 705)	8 314	(28 826)
Equity issue	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	(9 021)	(9 021)
Hybrid capital	-	-	-	-	-	206 400	206 400
Taxes on interest tier 1 capital	-	-	-	-	2 078	-	2 078
Balance sheet as at 31 December 2018	**1 093 319**	**2 967 064**	**477 728**	**10 265**	**36 461**	**704 974**	**5 289 810**
Result for the period	-	-	-	-	5 902	7 927	13 829
Equity issue	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	(7 830)	(7 830)
Hybrid capital	-	-	-	-	-	(131 400)	(131 400)
Balance sheet as at 31 March 2019	**1 093 319**	**2 967 064**	**477 728**	**10 265**	**42 362**	**573 671**	**5 164 409**
Result for the period	-	-	-	-	99 423	7 073	106 496
Equity issue	36 048	113 952	-	-	-	-	150 000
Interest tier 1 capital	-	-	-	-	-	(6 994)	(6 994)
Disbursed dividends for 2018	-	-	-	-	(35 445)	-	(35 445)
Hybrid capital	-	-	-	-	-	-	-
Balance sheet as at 30 June 2019	**1 129 368**	**3 081 015**	**477 728**	**10 265**	**106 340**	**573 751**	**5 378 466**
Result for the period	-	-	-	-	(12 214)	7 426	(4 788)
Equity issue	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	(7 346)	(7 346)
Hybrid capital	-	-	-	-	-	-	-
Balance sheet as at 30 September 2019	**1 129 368**	**3 081 015**	**477 728**	**10 265**	**94 125**	**573 831**	**5 366 332**

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]The fund for unrealised gains comprises from value changes on financial instruments at fair value.

[4]Other equity comprises earned and retained profits.

[5]Tier 1 perpetual bonds form part of tier 1 capital pursuant to section 3a of the Norwegian regulations concerning the calculation of regulatory capital. A regulatory right of redemption also exists. Should government regulations introduce changes which affect the extent to which the capital can be regarded as tier 1 capital, the bonds can be redeemed at a price equal to 100 per cent plus accrued interest. The company has recognised the following tier 1 perpetual bonds as equity:

- Tier 1 perpetual bond, issued NOK 100 million in 2017, with interest terms of three months Nibor plus 3.25 per cent. The loan provides for a call at 16 June 2022, and quarterly thereafter on each date interest payment falls due.
- Tier 1 perpetual bond, issued NOK 200 million in 2018, with interest terms of three months Nibor plus 3.15 per cent. The loan provides for a call at 2 February 2023, and quarterly thereafter on each date interest payment falls due.
- Tier 1 perpetual bond, issued NOK 275 million in 2018, with interest terms of three months Nibor plus 3.75 per cent. The loan provides for a call at 30 October 2023, and quarterly thereafter on each date interest payment falls due.

Eika Boligkreditt has the right to pay no interest to the investors. Interest is not recognised as interest expense in the profit and loss account, but as a reduction to equity.

Statement of cash flows

Amounts in NOK 1 000	**3Q 2019**	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	115 537	52 491
Taxes	35 168	16 417
Income taxes paid	(32 764)	(20 501)
Ordinary depreciation	1 380	1 942
Non-cash pension costs	-	1 070
Change in loans to customers	(2 216 867)	(4 728 735)
Change in bonds and certificates	2 231 805	(3 881 008)
Change in financial derivatives and debt securities issued	41 145	(421 695)
Interest expenses	1 431 936	1 480 331
Paid interest	(1 430 571)	(1 008 943)
interest income	(1 883 905)	(2 130 618)
received interests	1 886 099	2 108 818
Changes in other assets	355 648	(131 732)
Changes in short-term liabilities and accruals	22 026	(28 657)
Net cash flow relating to operating activities	**556 637**	(8 690 819)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(1 179)	(1 069)
Share of profit/loss in associated companies	(10 138)	-
Payments from shares in associated companies	9 873	-
Net cash flow relating to investing activities	**(1 444)**	(1 069)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	12 036 942	16 306 972
Gross payments of bonds and commercial paper	(12 867 935)	(8 993 413)
Gross receipts on issue of subordinated loan capital	249 643	324 588
Gross payments of subordinated loan capital	(34 952)	(249 961)
Gross receipts from issue of loan from credit institution	685 962	63 534
Gross payments from loan from credit institution	-	-
Gross receipts from issuing tier 1 perpetual bonds	-	475 000
Gross payments from issuing tier 1 perpetual bonds	(131 400)	(376 846)
Interest to the hybrid capital investors	(22 169)	28 640
Payments of dividend	(35 445)	(41 282)
Paid-up new share capital	150 000	375 000
Net cash flow from financing activities	**30 646**	7 912 233
Net changes in lending to and receivables from credit institutions	585 839	(779 655)
Lending to and receivables from credit institutions at 1 January	956 021	1 735 677
Lending to and receivables from credit institutions at end of period	**1 541 860**	956 021

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt will prepare financial statements for 2019 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). Financial assets and liabilities are measured at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. Note 1 to the annual financial statements for 2018 provides more details about accounting principles pursuant to the IFRS.

The financial statements for the third quarter of 2019 have been prepared in accordance with IAS 34 Interim financial reporting.

Note 2 – Use of estimates and discretion

In the application of the accounting policies described in note 1 to the annual financial statements for 2018, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which 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, which 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

Pursuant to IFRS 9, provisions for losses will be recognised on the basis of expected credit losses in the light of relevant information available at the reporting date. The combination of the low loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks means that the company does not expect significant effects on EBK's profit or equity. See note 4.2.2 to the annual financial statements for 2018 for further information.

No loans were written down at 30 September 2019.

Fair value of financial instruments

The company applies various measurement methods to determine the fair value of financial instruments which are not traded in an active market. The chosen measurement methods are based on market conditions at the end of the reporting period. This means that, if observable market data are unavailable, the company will make assumptions and apply discretion as to what the market will base its evaluation of corresponding financial instruments on. More information about the financial instruments can be found in notes 4, 5, 9, 10 and 11.

Note 3 – Net gain and loss on financial instruments at fair value

Net gains and losses on financial instruments at fair value recognised through profit and loss

Amounts in NOK 1 000	3rd quarter 2019	3rd quarter 2018	Jan-Sept 2019	Jan-Sept 2018	2018
Net gains and losses on loans at fair value	(12 907)	(10 490)	(5 751)	(14 559)	2 126
Net gains and losses on financial debts, hedged[1]	(1 207 666)	811 279	153 123	2 560 144	50 791
Net gains and losses on interest swaps related to lending	(1 893)	15 070	(3 505)	32 377	13 933
Net gains and losses on interest and currency swaps related to liabilities	1 212 018	(803 025)	(149 768)	(2 556 598)	(44 797)
Net gains and losses on financial instruments at fair value	**(10 449)**	**12 835**	**(5 901)**	**21 363**	**22 053**

[1] The company utilises hedge accounting for long-term borrowing in foreign currency, where the cash flows are matched 1:1 through derivative contracts versus the corresponding hedging object.

Net gains and losses on financial instruments at fair value recognised through comprehensive income

Amounts in NOK 1 000	3rd quarter 2019	3rd quarter 2018	Jan-Sept 2019	Jan-Sept 2018	2018
Net gains and losses on bonds and certificates	(5 093)	(4 532)	13 291	1 096	(6 715)
Net gains and losses on interest-rate swaps related to bonds and certificates	4 298	(127)	(3 758)	(165)	(165)
Fair value adjustment, shares	-	-	-	-	(14 700)
Net gains and losses on basis swaps [1]	(5 095)	(2 546)	59 896	(49 899)	(106 139)
Net gains and losses on financial instruments at fair value	**(5 890)**	**(7 205)**	**69 428**	**(48 968)**	**(127 720)**

[1] Comprehensive profit for the first nine months of 2019 includes positive changes of NOK 59.9 million in the value of 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. 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.

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

Note 4 – Lending to customers

Amounts in NOK 1 000	30 Sep 2019	30 Sep 2018	31 Dec 2018
Installment loans - retail market	78 670 742	74 109 562	75 685 305
Installment loans - housing cooperatives	5 547 357	6 495 258	6 309 164
Adjustment fair value lending to customers[1]	13 454	3 504	20 214
Total lending before specific and general provisions for losses	**84 231 552**	**80 608 325**	**82 014 685**
Impairments on lending to customers	-	-	-
Total lending to and receivables from customers	**84 231 552**	**80 608 325**	**82 014 685**

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

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 60 per cent at origination. The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 30 September 2019.

IFRS 9

Pursuant to IFRS 9, provision for losses must be recognised on the basis of the expected credit loss indicated by relevant information available at the reporting date. The combination of the residential mortgage portfolio's loan-to-value ratio and the credit guarantees provided by the owner banks means that implementation of the standard has not had significant effects on EBK's profits or equity. See note 4.2.2 to the annual financial statements for 2018 for further information.

30 Sep 2019

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	78 265 325	78 265 325
Fixed rate loans	5 952 774	5 966 227
Toal lending	**84 218 098**	**84 231 552**

30 Sep 2018

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	76 146 563	76 146 563
Fixed rate loans	4 458 257	4 461 762
Toal lending	**80 604 820**	**80 608 325**

31 Dec 2018

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	77 184 505	77 184 505
Fixed rate loans	4 809 964	4 830 180
Toal lending	**81 994 470**	**82 014 685**

Calculation of fair value of loans: The margin on the loans is considered to be on market terms. The market value of variable rate loans is therefore measured as equal to amortised cost. The market value of fixed-rate loans is correspondingly measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the applicable offered fixed rate at the balance sheet date.

Note 5 – Bonds and certificates at fair value

30 September 2019

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	5 916 427	5 942 308	5 981 016
Credit institutions	6 134 000	6 174 019	6 180 846
Government bonds	2 193 973	2 195 996	2 199 640
Government bonds	**14 244 400**	**14 312 324**	**14 361 503**
Change in value charged to other comprehensive income			**49 179**

Average effective interest rate is 1.48 per cent annualised. The calculation is based on a weighted fair value of NOK 14.9 billion. The calculation takes account of a return of NOK 165.5 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

30 September 2018

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	5 905 032	5 912 342	5 909 394
Credit institutions	6 225 000	6 252 300	6 265 042
Government bonds	2 651 902	2 653 137	2 626 295
Total bonds and certificates at fair value	**14 781 934**	**14 817 779**	**14 800 730**
Change in value charged to other comprehensive income			**(17 048)**

Average effective interest rate is 1.38 per cent annualised. The calculation is based on a weighted fair value of NOK 11.1 billion. The calculation takes account of a return of NOK 115.3 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

31 December 2018

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair value
Municipalities	5 438 386	5 439 810	5 437 976
Credit institutions	6 485 000	6 519 729	6 525 679
Government bonds	4 538 440	4 544 130	4 629 653
Total bonds and certificates at fair value	**16 461 826**	**16 503 669**	**16 593 308**
Change in value charged to other comprehensive income			**89 639**

Average effective interest rate is 1.09 per cent annualised. The calculation is based on a weighted fair value of NOK 11.9 billion. The calculation takes account of a return of NOK 129.39 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

	30 Sep 2019	30 Sep 2018	31 Dec 2018
Average term to maturity	**1.4**	**0.9**	**0.9**
Average duration	**0.2**	**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 fewer. The rating is performed by an internationally recognised rating agency.

Note 6 – Debt securities issued

Covered bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 Sep 2019	30 Sep 2018	31 Dec 2018
NO0010502149	-	NOK	Floating	3M Nibor + 0.70 %	2009	2019	-	430 526	430 233
NO0010561103	1 264 000	NOK	Fixed	5.00 %	2009	2019	1 266 683	1 962 842	1 959 785
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 644	1 500 734	1 500 712
NO0010663727	328 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	328 137	5 226 322	4 256 621
NO0010663743	200 000	NOK	Fixed	3.25 %	2012	2019	111 060	250 742	200 470
NO0010664428	-	NOK	Floating	3M Nibor + 0.53%	2012	2018	-	25 002	-
XS0794570944	-	EUR	Fixed	2.00 %	2012	2019	-	6 137 491	6 436 913
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 457	997 153	997 229
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	5 131 914	5 137 624	5 136 185
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	550 547	550 993	550 881
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000	150 000
NO0010697204	-	SEK	Fixed	2.38 %	2013	2018	-	274 752	-
NO0010697212	-	SEK	Floating	3M Stibor + 0.50%	2013	2018	-	641 130	-
XS0881369770	1 000 000	EUR	Fixed	2.13 %	2013	2023	9 866 111	9 421 678	9 879 560
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	4 935 844	4 710 766	4 940 427
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 974 944	7 964 347	7 967 018
NO0010733694	2 000 000	NOK	Fixed	1.75 %	2015	2021	1 147 411	1 146 130	1 146 452
XS1312011684	500 000	EUR	Floating	0.625 %	2015	2021	4 934 219	4 710 360	4 939 699
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	843 749	843 212	843 347
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2016	2020	2 838 992	4 999 264	4 999 382
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 488	699 421	699 438
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	4 922 364	4 697 962	4 926 983
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 007 808	5 010 496	5 009 818
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	4 923 397	4 700 339	4 929 108
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	4 918 623	4 695 844	4 924 377
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 588 901	1 588 074	1 588 282
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 044 902	4 995 426	8 043 920
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	4 916 377	4 693 734	4 922 155
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	4 900 878	-	-
XS1969637740	10 000	EUR	Fixed	1.25 %	2019	2039	98 906	-	-
XS1997131591	60 000	EUR	Fixed	1.11 %	2019	2039	593 331	-	-
NO0010863178	5 250 000	NOK	Floating	3M Nibor + 0.25 %	2019	2024	5 244 810	-	-
Value adjustments							2 832 563	1 104 666	1 533 790
Total covered bonds[1]							**92 270 057**	**90 267 031**	**93 912 784**

[1] For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of five per cent applies in accordance with the company's borrowing programme (Euro Medium Term Covered Note Programme). An overcollateralization of five per cent is also necessary to maintain the Aaa rating from Moody's Investor Service.

Senior unsecured bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 Sep 2019	30 Sep 2018	31 Dec 2018
NO0010699234	-	NOK	Floating	3M Nibor + 1.14%	2013	2018	-	199 987	-
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 001	425 147	425 110
NO0010713753	-	NOK	Floating	3M Nibor + 0.70%	2014	2019	-	249 966	249 978
NO0010739287	600 000	NOK	Floating	3M Nibor + 0.70%	2015	2020	599 904	599 761	599 797
NO0010764160	-	NOK	Floating	3M Nibor +0.95%	2016	2019	-	350 170	350 096
NO0010776099	500 000	NOK	Floating	3M Nibor +0.92%	2016	2020	499 926	499 852	499 871
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	501 158	501 665	501 537
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 813	449 748	449 764
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 584	-	299 533
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 648	-	-
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 805	-	-
NO0010849433		NOK	Floating	3M Nibor + 0.74 %	2019	2024	299 659	-	-
NO0010851975		NOK	Floating	3M Nibor + 0.27 %	2019	2021	299 903	-	-
Total senior unsecured bonds							**3 974 401**	**3 276 296**	**3 375 685**
Total debt securities issued							**96 244 457**	**93 543 327**	**97 288 469**

Note 7 – Subordinated loan capital

Subordinated loan capital - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 Sep 2019	30 Sep 2018	31 Dec 2018
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85%[1]	2015	2025	164 985	199 922	199 937
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40%[2]	2016	2026	149 912	149 852	149 868
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40%[3]	2018	2028	324 566	324 436	324 469
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55%[4]	2019	2029	249 501	-	-
Total subordinated loan capital							**888 964**	**674 210**	**674 273**

[1] Subordinated loan of NOK 200 million maturing on 21 January 2025, with a redemption right (call) on 21 January 2020 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest. Eika Boligkreditt redeemed the equivalent of NOK 35 million before the call date during the third quarter of 2019 which give a remaining outstanding nominal value of NOK 165 million as of 30 September 2019.

[2] Subordinated loan of NOK 150 million maturing on 17 March 2026, with a redemption right (call) on 17 March 2021 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[3] Subordinated loan of NOK 325 million maturing on 2 February 2028, with a redemption right (call) on 2 February 2023 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[4] Subordinated loan of NOK 250 million maturing on 27 September 2029, with a redemption right (call) on 27 September 2024 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

Note 8 – Coverpool

For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of five per cent applies in accordance with the company's borrowing programme (Euro Medium Term Covered Note Programme). An overcollateralization of five per cent is also necessary to maintain the Aaa rating from Moody's Investor Service. Nominal values are used when calculating the five-per-cent overcollateralisation. Pursuant to section 11-7 of the financial institutions regulations, an overcollateralisation of at least two per cent of the value of the covered bonds in the cover pool is required. Calculating the two-per-cent requirement is based on fair value with the exception of the credit spread on covered bonds, and account is also taken of the company's own holding of covered bonds.

Calculation of overcollateralisation at fair value (calculated in accordance to section 11-7 of the financial institutions regulations)

Cover Pool

		Fair value	
Amounts in NOK 1 000	**30 Sep 2019**	**30 Sep 2018**	**31 Dec 2018**
Lending to customers [2]	83 816 911	79 981 938	81 541 489
Substitute assets and derivatives:			
Financial derivatives without accrued interest (net)	7 132 656	4 835 218	7 323 128
Substitute assets [3]	10 758 089	14 028 619	14 046 298
Total cover pool	**101 707 655**	**98 845 776**	**102 910 916**
The cover pool's overcollateralisation [4]	106.50%	108.02%	107.06%

Covered bonds issued

	30 Sep 2019	**30 Sep 2018**	**31 Dec 2018**
Covered bonds	92 270 057	90 267 031	93 912 784
Premium/discount	216 379	203 717	200 252
Own holding (Covered bonds) [1]	3 011 000	1 032 000	2 010 000
Total covered bonds	**95 497 435**	**91 502 748**	**96 123 036**

[1]When calculating the two-per-cent requirement, account has been taken of the company's own holding of covered bonds.

Calculation of overcollateralisation using nominal values (calculated in accordance to the requirements in the company's borrowing programme and according to Moody's Investors Service methodology)

Cover Pool

	Nominal values		
Amounts in NOK 1 000	**30 Sep 2019**	**30 Sep 2018**	**31 Dec 2018**
Lending to customers [2]	83 803 457	79 978 434	81 521 274
Substitute assets:			
Substitute assets [3]	10 679 762	13 980 758	13 993 519
Total cover pool	**94 483 219**	**93 959 192**	**95 514 793**
The cover pool's overcollateralisation [4]	111.20%	110.16%	110.58%

Covered bonds issued

	30 Sep 2019	**30 Sep 2018**	**31 Dec 2018**
Covered bonds	84 967 550	85 291 213	86 373 213
Total covered bonds	**84 967 550**	**85 291 213**	**86 373 213**

[2]Loans, which have collateral without legal protection, are excluded.

[3]Substitute assets include lending to and receivables from credit institutions, bond and certificates at fair value and repo agreements.

[4] Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 30 September 2019, liquid assets totalling NOK 600 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation. Had this liquidity also been taken into account when valuing the cover pool, overcollateralisation would have been 7.13 per cent at fair value and 11.91 per cent at nominal value.

Note 9 – Derivatives and hedging

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

Assets

	30 Sep 2019		31 Dec 2018	
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	3 202 515	15 294	1 864 130	12 005
Interest rate and currency swap[2]	50 214 550	7 542 751	55 027 640	7 800 488
Interest swap placement	98 906	284	-	-
Total financial derivative assets including accrued interest	**53 515 971**	**7 558 329**	**56 891 770**	**7 812 493**

Liabilities

Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	2 266 112	25 257	2 562 335	18 997
Interest rate and currency swap[2]	850 000	11 756	2 000 000	51 410
Interest swap placement	1 473 699	15 859	-	-
Total financial derivative liabilities including accrued interest	**4 589 811**	**52 872**	**4 562 335**	**70 406**

[1]The hedging instruments related to the lending portfolio with fixed interest rate are rebalanced when necessary.

[2]The nominal amount is converted to the historical currency exchange rate.

Fair value hedging

Eika Boligkreditt applies fair value hedging on fixed-rate financial liabilities. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

	30 Sep 2019		31 Dec 2018	
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]	49 364 550	7 169 747	46 866 213	7 334 528
Hedged items: financial commitments incl foreign exchange[2]	49 364 550	(7 532 111)	46 866 213	(7 745 130)
Net capitalised value without accrued interest	**-**	**(362 364)**	**-**	**(410 602)**

[1]The nominal amount is converted to historical currency exchange rate.

[2]The book value of the hedging instruments is their net market value less accrued interest. The book value of the hedged objects is less accrued interest and the cumulative change in value associated with the hedged risk is an adjustment of financial liabilities at amortised cost.

Gains and losses on fair value hedging recorded in profit and loss

Amounts in NOK 1 000	3rd quarter 2019	3rd quarter 2018	Jan-Sept 2019	Jan-Sept 2018	2018
Hedging instruments	1 212 018	(803 025)	(149 768)	(2 556 598)	(44 797)
Hedged items	(1 207 666)	811 279	153 123	2 560 144	50 791
Net gains/losses (inefffectiveness) recorded in profit and loss[3]	**4 351**	**8 255**	**3 355**	**3 546**	**5 994**

[3] Changes in the value of financial instruments related to changes in basis swaps are recognized in other comprehensive income. See note 3 for more information.

Note 10 – Fair value hierarchy

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

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

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

Level 3: Financial instruments where the measurement is based on information other than observable market data
Level 3 includes fixed-interest mortgages and shares at fair value over profit and loss. The fair value of the fixed-interest mortgages is their amortised cost adjusted for the present value of the difference between the mortgage's fixed interest rate and the applicable fixed interest rate offered on the balance sheet date. Shares are valued on the basis of discounted cash flows.

30 September 2019

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	5 966 227
Bonds and certificates	1 190 445	13 171 058	-
Financial derivatives	-	7 558 329	-
Shares classified at fair value recognised in profit or loss	-	-	2 500
Total financial assets	**1 190 445**	**20 729 387**	**5 968 727**
Financial liabilities			
Financial derivatives	-	52 872	-
Total financial liabilities	**-**	**52 872**	**-**

No significant transactions between the different levels have taken place in 2019.

31 December 2018

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	4 830 180
Bonds and certificates at fair value through profit or loss	5 437 976	11 155 332	-
Financial derivatives	-	7 812 493	-
Shares classified as available for sale	-	-	2 500
Total financial assets	**5 437 976**	**18 967 825**	**4 832 680**
Financial liabilities			
Financial derivatives	-	70 406	-
Total financial liabilities	**-**	**70 406**	**-**

No significant transactions between the different levels have taken place in 2018.

Detailed statement of assets classified as level 3 assets

2019 Amounts in NOK 1 000	01 Jan 2019	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2019	Other comprehensive income	30 Sep 2019
Lending to customers (fixed-rate loans)	4 830 180	1 711 316	(569 518)	-	(5 751)	-	5 966 227
Shares at fair value over profit or loss	2 500	-	-	-	-	-	2 500
Total	**4 832 680**	**1 711 316**	**(569 518)**	**-**	**(5 751)**	**-**	**5 968 727**

2018 Amounts in NOK 1 000	01 Jan 2018	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2018	Other comprehensive income	31 Dec 2018
Lending to customers (fixed-rate loans)	3 647 877	2 202 231	(1 022 055)	-	2 126	-	4 830 180
Shares at fair value over OCI	29 700	-	-	(29 700)	-	-	-
Shares at fair value over profit or loss	2 500	-	-	-	-	-	2 500
Total	**3 680 077**	**2 202 231**	**(1 022 055)**	**(29 700)**	**2 126**	**-**	**4 832 680**

Interest rate sensitivity of assets classified as Level 3 at 30 September 2019

A one-percentage point increase in all interest rates would reduce the value of the company's fixed-rate loans at fair value at by NOK 222 million. The effect of a decrease in interest rates would be an increase of NOK 222 million in the value of fixed-rate loans at fair value. The amounts are calculated by 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

Since the company’s fixed-rate lending at fair value has an unchanged credit spread, no change in fair value is attributable to a change in the credit risk. That applies both for 30 September 2019 and cumulatively.

Detailed statement of changes in debt related to currency changes

2019 Amounts in NOK 1 000	01 Jan 2019	Issued/matured	Currency changes	30 Sep 2019
Change in debt securities issued [1]	46 079 640	1 123 313	(2 002 911)	45 200 042
Total	**46 079 640**	**1 123 313**	**(2 002 911)**	**45 200 042**

2018 Amounts in NOK 1 000	01 Jan 2018	Issued/matured	Currency changes	31 Dec 2018
Change in debt securities issued 1	41 887 570	3 923 000	269 070	46 079 640
Total	**41 887 570**	**3 923 000**	**269 070**	**46 079 640**

[1]The table shows currency changes related to bonds issued in foreign currencies. Currency changes related to liabilities with credit institutions are not shown.

Note 11 – Shares at fair value recognised in profit in loss and shares in associated company

Shares classified at fair value recognised in profit and loss

Amounts in NOK 1 000	Number of shares	Cost price	Book value 30 sep 2019	Owner share
Nordic Credit Rating AS	10 000	2 500	2 500	4.99 %
Total	**10 000**	**2 500**	**2 500**	

Shares in associated company

Assets in associated companies are recognised using the equity method.

Amounts in NOK 1 000	Number of shares	Owner share
Eiendomsverdi AS	470 125	25.00 %
Total	**470 125**	

Amounts in NOK 1 000	2019	2018
Carrying amount at 1 January	54 441	29 700
Addition/disposal	-	28 530
Revalulation at acquisition cost	-	(14 700)
Share of profit/loss	10 138	10 911
Dividend	(9 873)	–
Carrying amount	**54 706**	**54 441**

EBK's investment in Eiendomsverdi during 2018 increased its shareholding to 25 per cent. The investment the investment is treated as an associated company calculated in accordance with the equity method. The shareholding in Eiendomsverdi is valued at the overall acquisition price on the basis of a staged acquisition adjusted for EBK's share of the profit and dividend received.

Note 12 – Capital adequacy ratio

Amounts in NOK 1 000	30 Sep 2019	30 Sep 2018	31 Dec 2018
Share capital	1 129 368	1 093 319	1 093 319
Share premium	3 081 015	2 967 063	2 967 063
Paid, but not registered, share capital	-	-	-
Other paid-in equity	477 728	477 728	477 728
Other equity	1 016	1 015	1 015
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**4 689 127**	**4 539 126**	**4 539 126**
Fund for unrealised gains	10 265	14 700	10 265
Intangible assets	(4 914)	(5 605)	(5 116)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(20 745)	(19 651)	(21 867)
Total core tier 1 capital	**4 673 732**	**4 528 570**	**4 522 408**

Core capital adequacy ratio (core tier 1 capital)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Weighted calculation basis	34 376 711	32 827 580	33 731 370
Core tier 1 capital	4 673 732	4 528 570	4 522 408
Core tier 1 capital ratio	**13.6%**	**13.8%**	**13.4%**

Total core tier 1 capital	4 673 732	4 528 570	4 522 408
Tier 1 perpetual bonds	573 831	499 282	704 974
Total tier 1 capital	**5 247 563**	**5 027 851**	**5 227 381**

Capital adequacy ratio (tier 1 capital)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Weighted calculation basis	34 376 711	32 827 580	33 731 370
Tier 1 capital	5 247 563	5 027 851	5 227 381
Tier 1 capital ratio	**15.3%**	**15.3%**	**15.5%**

Total tier 1 capital	5 247 563	5 027 851	5 227 381
Subordinated loans	888 964	674 210	674 273
Total primary capital (tier 2 capital)	**6 136 527**	**5 702 061**	**5 901 654**

Capital adequacy ratio (tier 2 capital)	30 Sep 2019	30 Sep 2018	31 Dec 2018
Weighted calculation basis	34 376 711	32 827 580	33 731 370
Total primary capital (tier 2 capital)	6 136 527	5 702 061	5 901 654
Capital adequacy ratio	**17.9%**	**17.4%**	**17.5%**

Required capital corresponding to eight per cent of calculation basis	2 750 137	2 626 206	2 698 510
Surplus equity and subordinated capital	3 386 390	3 075 854	3 203 145

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

30 September 2019

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	32 053 981	2 564 318
Operational risk	450 599	36 048
CVA risk[2]	1 872 131	149 770
Total	**34 376 711**	**2 750 137**

Leverage Ratio	30 Sep 2019	30 Sep 2018	31 Dec 2018
Total Leverage Ratio exposure	110 859 151	101 589 758	110 627 267
Tier 1 capital	5 247 563	4 829 705	5 227 381
Levereage Ratio	**4.7 %**	**4.8 %**	**4.7 %**

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

[1]Deferred tax assets attributable to temporary differences and amounting to less than 10 per cent of core tier 1 capital are 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 30 September 2014.

[2]At 30 September 2019, 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 capital requirement for credit risk related to counterparty risk for derivatives.

The calculation basis comprised NOK 34.4 billion at 30 September 2019. This amount represented a quantification of the company's risk. After account has been taken of the growth in overall lending, and changes to the company's liquidity portfolio, the calculation basis for capital adequacy at 30 September 2019 was NOK 0.6 billion higher than at 1 January.

At all times, the company must have a buffer in relation to the minimum capital adequacy requirement of eight per cent. This buffer must be sufficient to cover relevant risks which could affect the company. The company's internal capital adequacy assessment process (ICAAP) is pursued to ensure that it has an adequate buffer in relation to the minimum requirement. The company plans to capitalise continued growth in the residential mortgage portfolio. The company's capital targets are a core tier 1 capital ratio of 13 per cent, a tier 1 capital ratio of 14.5 per cent and a tier 2 capital ratio of 16.5 per cent. These targets are adequate in relation to the legal requirements, the company's Pillar 2-demands, and capital requirements based on the company's internal assessment of risk. As can be seen above, the applicable buffer requirement was met at 30 June 2019 with a core tier 1 capital ratio of 13.6 per cent. The Norwegian Ministry of Finance resolved on 13 December 2018, on the advice of Norges Bank, to increase the requirement for the countercyclical capital buffer from two to 2.5 per cent with effect from 31 December 2019. This will mean a corresponding rise in the company's capital targets.

If the finance ministry's proposal is introduced as it stands, the proposed 1.5-percentage-point increase in the systemic risk buffer will be introduced in three stages of 0.5 percentage points each for the standardised banks, with the first rise occurring with effect from 31 December 2019. The finance ministry has signalled that the introduction will be delayed in relation to the plans outlined in its proposal.

Eika Boligkreditt is planning a NOK 400 million share issue in the fourth quarter to take account of the expected one-percentage-point tightening in the overall buffer requirements from 31 December 2019.

The company has a shareholder agreement which commits the owner banks, under given circumstances, to provide it with necessary capital. More information on the shareholder agreement can be found in note 26 to the annual financial statements for 2018.

Note 13 – Other financial assets

Amounts in NOK 1 000	30.09.2019	30.09.2018	31.12.2018
Prepaid expenses	2 431	2 396	1 452
Repo agreements	0	502 963	356 439
Accrued interests	126 466	123 874	128 660
Short-term receivables	5	-	-
Total other financial assets	**128 902**	**629 233**	**486 551**

Note 14 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost. At 30 September 2019, Eika Boligkreditt had received cash collateral of NOK 4.5 billion posted by counterparties to derivative contracts. Cash collateral is held in bank deposits, repo agreements and in various high-quality bonds. In addition to cash collateral, the company had also received NOK 1.1 billion in bonds as collateral from counterparties to derivative agreements. The value of the bonds provided as collateral is not recognised in the company's balance sheet.

Note 15 – IFRS 16 Lease benefits

IFRS 16 on lease accounting requires that all leases are recognised in the balance sheet by recognising the beneficial use of an asset as an asset, while making provision for the lease obligation as a liability. EBK has only one lease, covering office premises, which is subject to this standard. The beneficial use and lease obligation are recognized as NOK 17.2 million in the company's balance sheet at 30 September 2019, representing the present value of future rent payments over the duration of the lease. The lease duration which forms the basis for calculating future rent payments corresponds to the remaining period until the termination of the lease (about 8.3 years at 30 September 2019). Possible options are not added to the lease duration. In addition, the beneficial use is depreciated over the duration of the lease while interest on the lease obligation is expensed. Depreciation is presented together with other depreciation in the statement of comprehensive income, while interest is included in financial expenses in the statement of comprehensive income. Interest costs are calculated by applying the discount rate (the company's incremental borrowing rate) to the lease obligation.

Note 15 – Contingency and overdraft facilities

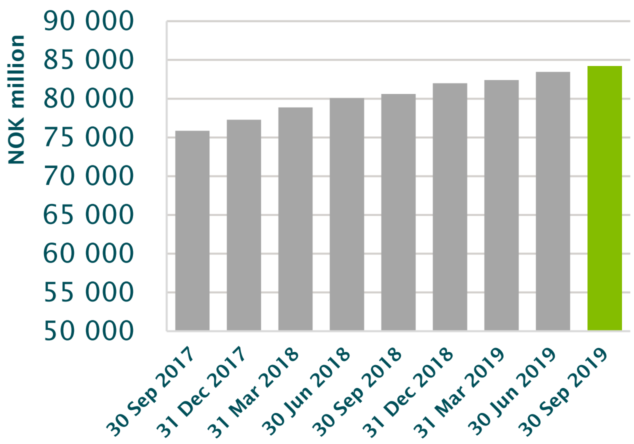
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2018 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby the owner banks and OBOS have accepted a liquidity obligation towards Eika Boligkreditt. More information on the note purchase agreement can be found in note 15 to the annual financial statements for 2018.

Note 16 – Risk management

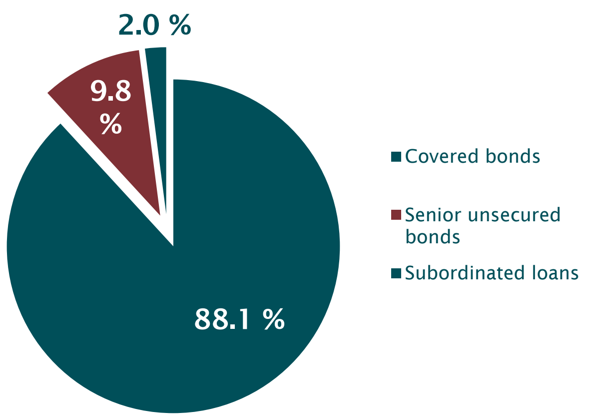
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2018 describes the company's financial risk, which also applies to financial risk in 2019.

Key figures – Development

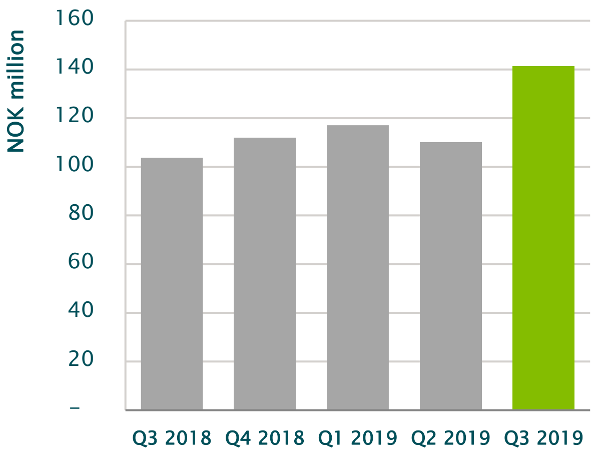
Lending to customers



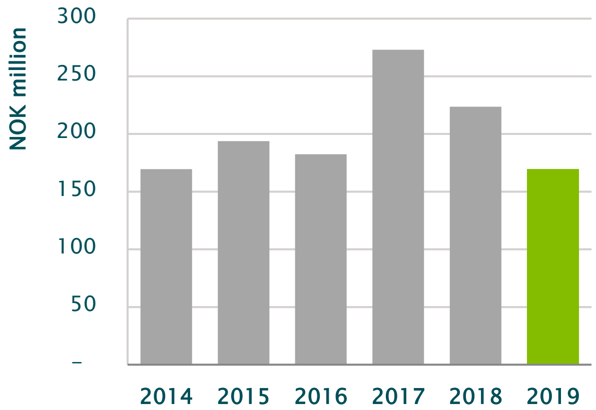
Issues by sector 2019



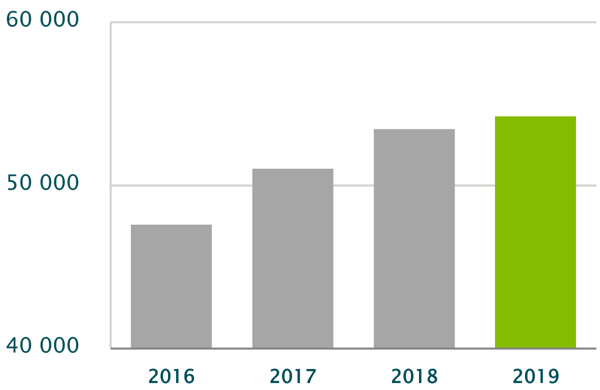
Distributor commissions



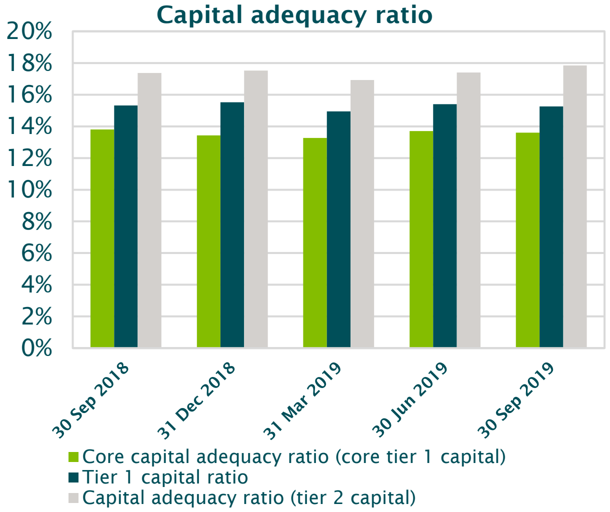
Net interest income after commissions costs (annualised)



Number of loans



Capital adequacy ratio



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Key figures – Unaudited

Amounts in NOK 1 000	30 Sep 2019	30 Sep 2018	31 Dec 2018
Balance sheet development			
Lending to customers	84 231 552	80 608 325	82 014 685
Debt securities issued	96 244 457	93 543 327	97 288 469
Subordinated loan capital	888 964	674 210	674 273
Equity	5 366 332	5 119 179	5 289 810
Equity in % of total assets	5.0	4.9	4.9
Average total assets [1]	107 923 811	100 187 740	101 744 032
Total assets	107 945 380	103 545 177	107 969 200
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.4	0.5	0.4
Staff and general administration expenses in relation to average total assets, annualised (%)	0.03	0.05	0.03
Return on equity before tax, annualised (%) [2]	2.3	3.3	4.5
Total assets per full-time position	5 451 787	5 229 554	5 452 990
Cost/income ratio (%) [3]	39.5	30.1	30.1
Financial strength			
Core tier 1 capital	4 673 732	4 528 570	4 522 408
Tier 1 capital	5 247 563	5 027 851	5 227 381
Total primary capital (tier 2 capital)	6 136 527	5 702 061	5 901 654
Calculation basis capital adequacy ratio	34 376 711	32 827 580	33 731 370
Core tier 1 capital ratio (%)	13.6	13.8	13.4
Tier 1 capital ratio (%)	15.3	15.3	15.5
Capital adequacy ratio % (tier 2 capital)	17.9	17.4	17.5
Leverage ratio (%) [4]	4.7	4.7	4.7
NSFR totalindicator i % [5]	100	103	97
Defaults in % of gross loans	-	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	19.8	19.8	19.8

Liquidity Coverage Ratio (LCR) [6]:

30 Sep 2019	Totalt	NOK	EUR
Stock of HQLA	5 354 996	895 008	383 763
Net outgoing cash flows next 30 days	4 210 495	1 443 450	217 019
LCR indicator (%)	**127 %**	**62 %**	**177 %**

30 Sep 2018	NOK	EUR	Totalt
Stock of HQLA	3 632 064	288 365	8 389 373
Net outgoing cash flows next 30 days	696 143	75 948	2 525 528
LCR indicator (%)	**522 %**	**380 %**	**332 %**

31 Dec 2018	Totalt	NOK	EUR
Stock of HQLA	10 105 760	4 438 752	334 757
Net outgoing cash flows next 30 days	2 512 269	685 595	21 278
LCR indicator (%)	**402 %**	**647 %**	**1573 %**

[1] Total assets are calculated as a quarterly average for the last period.

[2] Annualised profit before tax as a percentage of average equity on a quarterly basis (return on equity).

[3] Total operating expenses in % of net interest income after commissions costs.

[4] Leverage ratio is calculated in accordance with the CRR/CRD IV regulatory. The calculation of the leverage ratio is described in articles 416 and 417 of the regulations.

[5] NSFR totalindicator: Is calculated in accordance with the CRR/CRD IV regulatory and is based on the Basel Committee recommendations.

[6] Liquidity Coverage Ratio (LCR): $\frac{High-quality\ liquid\ assets}{Net\ outgoing\ cash\ flows\ next\ 30\ days}$

LCR indicators: Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 30 September 2019, liquid assets totalling NOK 600 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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