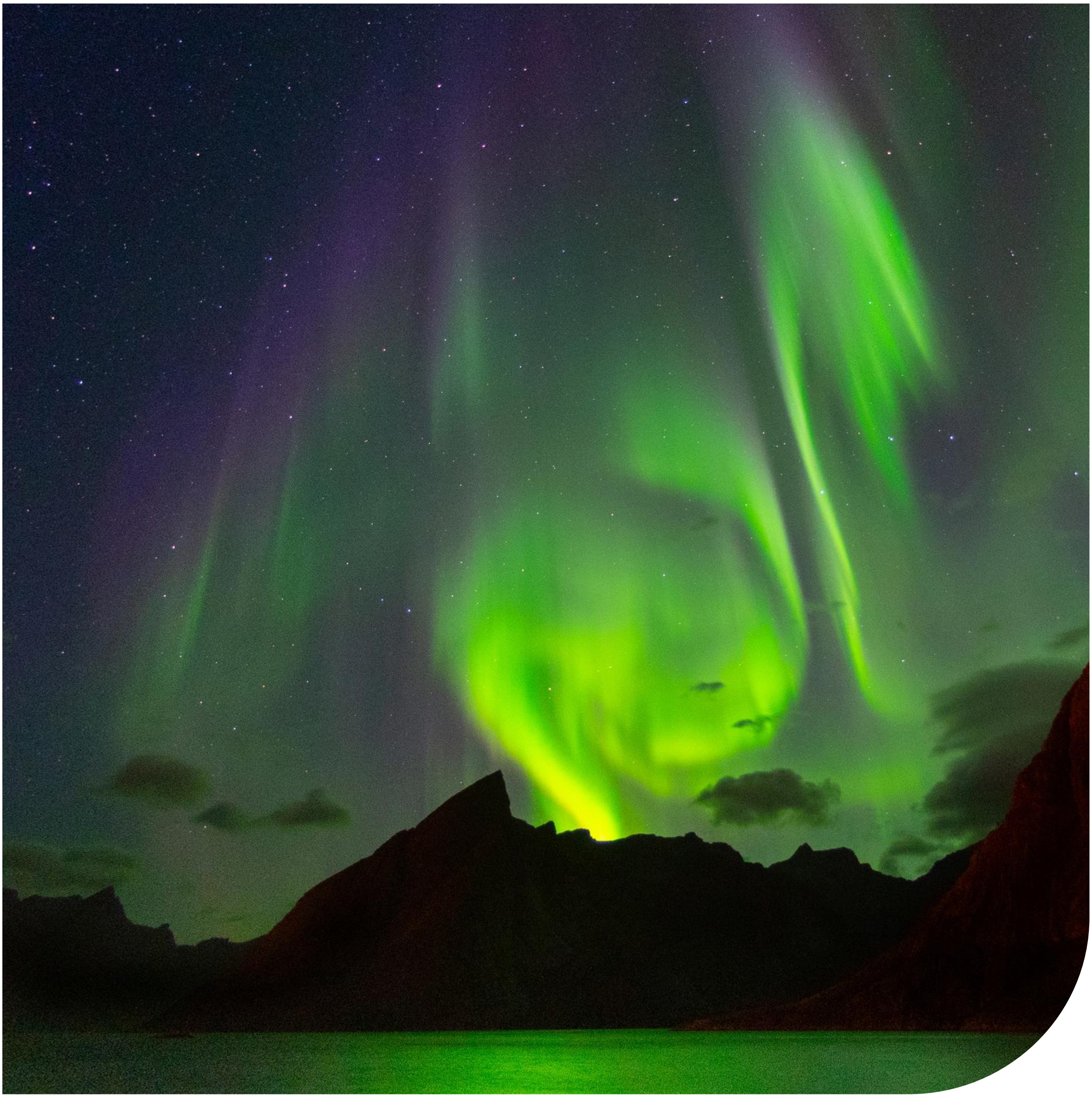
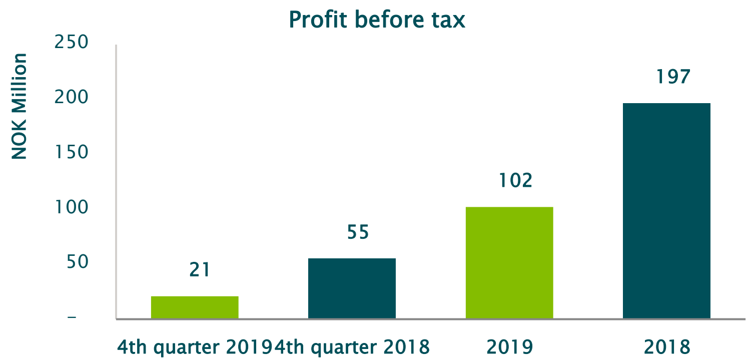
Eika Boligkreditt AS

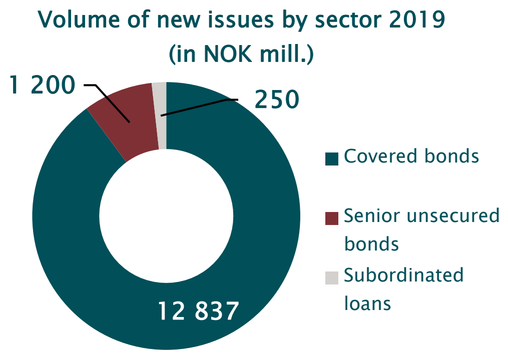
Interim report for the fourth quarter 2019

Unaudited



Highlights





Fourth quarter 2019

- Pre-tax profit NOK 20.9 million (2018: NOK 55.3 million)
- Comprehensive income (taking account of fair value changes in basis swaps) of NOK 17.8 million (2018: negative at NOK 28.2 million)
- Financing of owner banks up by 0.6 per cent, corresponding to an annualised growth of 2.4 per cent
- Commissions to owner banks of NOK 144 million (2018: NOK 111.9 million)
- NOK 2.1 billion in bonds issued (2018: NOK 3.4 billion)
- Maximum loan-to-value for residential mortgages raised from 60 per cent to the legal limit of 75 per cent with effect from 10 December 2019

2019

- Pre-tax profit NOK 102.2 million (2018: NOK 196.6 million)
- Comprehensive income (taking account of fair value changes in basis swaps) positive at NOK 133.4 million (2018: positive at NOK 52.5 million)
- Financing of owner banks up by 3.3 per cent. The annualised growth rate was 4.9 per cent adjusted for OBOS-banken, which is now in the third year of running down its portfolio in Eika Boligkreditt after the cancellation of its distribution agreement on 1 January 2017
- Commissions to owner banks of NOK 513 million (2018: NOK 482.4 million)
- NOK 14.3 billion in bonds issued (2018: NOK 16.6 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

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

INTERIM REPORT FOR THE FOURTH 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 31 December 2019, the owner banks had NOK 84.7 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 fourth quarter

Amount in NOK thousand	4th quarter 2019	4th quarter 2018	2019	2 018
Total interest income	714 068	571 645	2 239 530	2 161 852
Net interest income	170 177	168 408	648 079	681 521
Commission costs	139 275	105 844	489 852	457 836
Total gain and losses on financial instruments at fair value	(75)	690	(5 976)	22 053
Profit before tax	**20 932**	**55 268**	**102 208**	**196 627**
Comprehensive income (taking account of fair value changes in basis swaps)	**17 831**	**(28 825)**	**133 368**	**52 491**

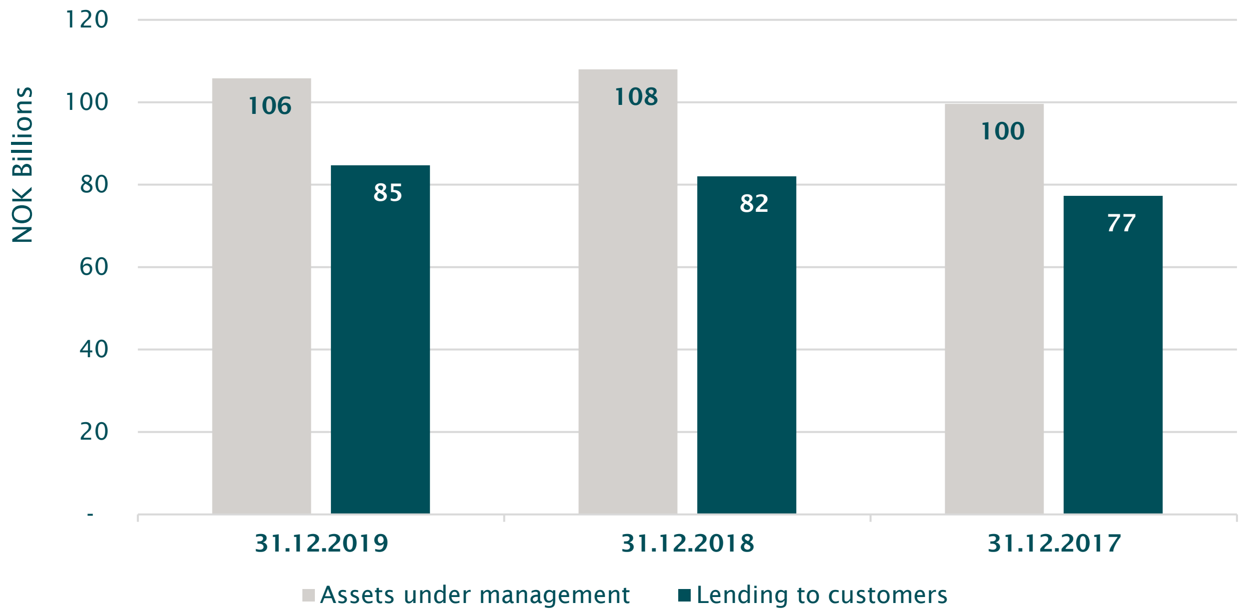
A rise corresponding to 24.9 per cent in the company's interest income in the fourth quarter compared with the same period of 2018 reflected some increase in lending volumes, but was primarily attributable to higher interest rates on residential mortgages. Net interest income in the fourth quarter was up by 1.1 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 expensing NOK 8.3 million in contribution to the Norwegian Banks Guarantee Fund's resolution fund. This cost has been recognised as an interest charge. Commission payments to the owner banks increased by 31.6 per cent from the fourth 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. Changes to the fair value of financial instruments were negative at NOK 0.1 million, down by NOK 0.8 million from the same period of 2018. Pre-tax income for the fourth quarter was NOK 20.9 million, down by NOK 34.3 million from the same period of 2018.

A rise corresponding to 3.6 per cent in the company's interest income for the full year compared with 2018 partly reflected some increase in lending volumes, but was primarily attributable to higher interest rates on residential mortgages. Net interest income in the full year was down by 4.9 per cent from 2018 because interest rates on borrowing have risen by more than the repricing of lending rates. Expensing NOK 18.3 million in contribution to the Norwegian Banks Guarantee Fund's resolution fund for 2019 also reduced net interest income. Commission payments totalled NOK 489.9 million for the year, up by seven per cent from 2018. This rise must be viewed in relation to the change in target return from 1 July 2019, which resulted in higher commission payments and a corresponding reduction in dividend to the owner banks. Changes to the fair value of financial instruments were negative at NOK 6 million, down by NOK 28 million from 2018. Pre-tax profit for 2019 was down by NOK 94.4 million from the year before.

Interest on tier 1 perpetual bonds of NOK 7.7 million in the fourth quarter and NOK 30.2 for the full year 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 6.9 million (2018: NOK 56 million) for the fourth quarter and positive changes of NOK 53 million (2018: negative at NOK 164 million) in the full year. 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



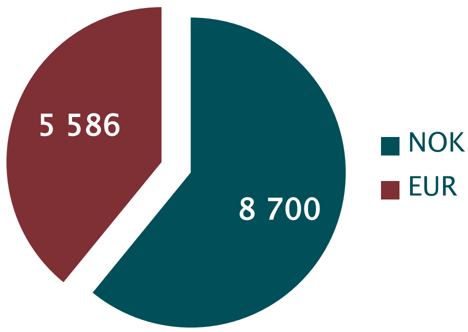
Assets under management by Eika Boligkreditt amounted to NOK 105.8 billion at 31 December 2019. Financing of the owner banks (residential mortgage lending to customers) came to NOK 84.7 billion at 31 December, representing a net increase of NOK 0.5 billion in the fourth quarter and NOK 2.7 billion for the past 12 months. That represents a net growth in lending of 3.3 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 billion. OBOS-banken's residual financing from Eika Boligkreditt at 31 December was NOK 3.4 billion. Adjusted for OBOS-banken, financing from Eika Boligkreditt for the remaining owner banks grew by NOK 3.8 billion over the past 12 months, representing a 4.9 per cent rise. This reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

Borrowing

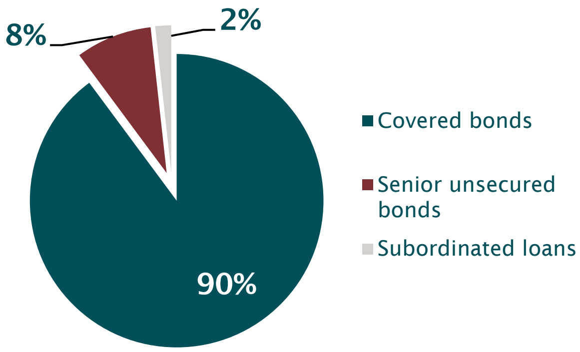
Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 2.1 billion in the fourth quarter, compared with NOK 3.4 billion in the same period of 2018. Issues in the fourth quarter were confined to covered bonds.

During the full year, Eika Boligkreditt issued bonds with a nominal value of NOK 14.3 billion, compared with NOK 16.6 billion for 2018. Issues in 2019 broke down between NOK 12.8 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, 39.1 per cent were denominated in euros and 60.9 per cent in Norwegian kroner. Covered bonds accounted for 89.9 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)	2019	2018	2017
Covered bonds (issued in EUR)	5 586	4 848	9 298
Covered bonds (issued in NOK)	7 250	10 650	7 625
Senior unsecured bonds (issued in NOK)	1 200	750	1 800
Subordinated loans (issued in NOK)	250	325	-
Total issued	**14 287**	**16 573**	**18 723**

The average tenor for covered bonds issued 2019 was 7.7 years. The average tenor for the company's borrowing portfolio at 31 December was 3.94 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	31 Dec 2019	31 Dec 2018	31 Dec 2017
Covered bonds	90 751	93 913	87 203
Senior unsecured bonds	3 549	3 376	2 827
Subordinated loans	889	674	600
Total borrowing	**95 189**	**97 963**	**90 630**

Total borrowing by the company at 31 December was NOK 95.2 billion, down by NOK 2.8 billion from 1 January.

Liquidity

At 31 December, the company had a liquidity portfolio of NOK 14.3 billion. That includes cash collateral of NOK 3.9 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 0.9 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 total assets exceeding 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 (the 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 purposeful 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 maximum loan-to-value for residential mortgages

With effect from 10 December 2019, Eika Boligkreditt increased its maximum LTV for residential mortgages from 60 per cent to the legal limit of 75 per cent. This corresponds to the ceiling applied by other Norwegian mortgage lenders. The right of the owner banks to transfer residential mortgages with up to 75 per cent LTV is conditional on entering into a supplementary agreement to their distribution agreement. Most of the owner banks are expected to take advantage of the new LTV limit.

An important reason for raising the maximum LTV is to increase the range of residential mortgages in the Eika Alliance which qualify for financing by Eika Boligkreditt, and thereby provide the Eika banks with competitive terms for covered-bond financing which are closer to those available to other banks. The change will also increase flexibility for the Eika banks when they need to replace mortgages in the cover pool.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 6.4 billion at 31 December, a net increase of NOK 470 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, a subordinated loan of NOK 250 million plus the granted redemption of a subordinated loan of NOK 200 million in the fourth quarter, and an equity issue of NOK 400 million in the fourth quarter.

Capital adequacy is calculated in accordance with the standardised method specified in the capital requirements regulations (CRR).

The basis for calculating the capital adequacy ratio at 31 December amounted to NOK 34,1 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	31 Dec 2019	31 Dec 2018	31 Dec 2017
Risk-weighted assets	34 074	33 731	31 447
Total primary capital (tier 2 capital)	6 372	5 902	5 305
Capital adequacy ratio in per cent	**18.7 %**	**17.5 %**	**16.9 %**

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 13.5% (14.9% at 31 December 2019)
- tier 1 capital ratio: 15.0% (16.6% at 31 December 2019)
- tier 2 capital ratio: 17.0% (18.7% at 31 December 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 31 December with a core tier 1 capital adequacy of 14.9 per cent. The company' capital targets were increased by 0.5 percentage points with effect from 31 December 2019. This was because 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.

The Ministry of Finance resolved on 11 December 2019 to increase the required systemic risk buffer from three to 4.5 per cent with effect from 31 December 2022. This will increase the company's capital targets correspondingly. The buffer requirement addresses structural vulnerabilities and other systemic risks in the Norwegian economy, and will therefore apply only to bank engagements in Norway. That contrasts with today's requirement, which applies to all activity. The basis for Norway's 4.5 per cent systemic risk buffer is described in greater detail in a new memorandum from the finance ministry.

Allocation of profit

Overall profit for 2019, after taking account of NOK 52 974 000 in positive changes to the fair value of basis swaps, came to NOK 133 368 000. In addition, the reserve for unrealised gains related to changes in the fair value of financial instruments has been reduced by NOK 668 000. The reduction thus increases the dividend basis accordingly. In assessing its proposed dividend for 2019, the board has emphasised conducting a consistent dividend policy over time. The board proposes to pay a dividend of NOK 103 875 000 to the owner banks for 2019. NOK 30 161 000 of the overall profit is attributed to the investors in the tier 1 perpetual bonds. Furthermore, the dividend payment is considered to leave Eika Boligkreditt with a prudent level of equity and liquidity.

Outlook

The company's financing of the owner banks grew by a net NOK 500 million in the fourth quarter and NOK 2.7 billion for the full year, representing a 12-monthly growth of 3.3 per cent. Adjusted for the agreed reduction in OBOS-banken's financing, the 12-monthly growth was 4.9 per cent. Statistics Norway's credit indicator for November 2019 showed a 12-monthly increase of 5.2 per cent in Norwegian household debt, down from 5.6 per cent 12 months ago.

The lending survey from Norges Bank for the fourth quarter of 2019 showed no change in credit practice for residential mortgages. Surprisingly enough, however, demand for such loans increased in the fourth quarter. That contrasts with actual credit growth for Norwegian households, which slowed during the autumn and winter. This survey relates only to residential mortgages, and part of the decline we have now seen can be attributed to lower growth in consumer borrowing. Given the interest rate increase, it is surprising that demand for residential mortgages has not fallen somewhat. In any event, the survey provides no indications of a further slowdown to the growth in household borrowing for the time to come. Interest rates on residential mortgages rose slightly for the second quarter in a row, in line with some rise in financing costs, but margins on lending also rose weakly. The banks expect some increase in mortgage demand during the first quarter of 2020, but no change in credit practice. That accords well with the continuation of the residential mortgage guidelines in 2020. Both interest rates and margins on lending are expected to remain more or less unaltered in the first quarter of 2020.

According to the house price report from Real Estate Norway for December 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 2.5 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 full year. Uncertainty related to drivers in the housing market was lower at 1 January 2020 than a year earlier. The residential mortgage guidelines have been clarified for 2020, housebuilding is at a high level nationally, population growth is moderate and the Norges Bank interest-rate projection is flat after four base-rate rises.

The bond market was characterised in 2019 by a high level of activity, particularly in the first quarter, but activity also increased in the fourth quarter after the European Central Bank (ECB) stepped up its bond-buying programme again to EUR 20 billion in net purchases with effect from November. The move reflected weaker growth and inflation prospects for the eurozone. The credit margin paid by Eika Boligkreditt when issuing new covered bonds with a five-year tenor in Norwegian kroner declined by about 10 basis points during 2019. That reversed the upturn seen in the Norwegian market in the autumn of 2018. By comparison, credit margins in the euro market for similar bonds declined by about nine basis points over the year. An important explanation for the contraction in credit margins for covered bonds seen in 2019 is that these bonds were perceived by investors as attractive placements after the credit margin downturn in 2018. 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 2019, many analysts anticipate that margins in the euro market will remain low in 2020 because the ECB's bond purchase programme is expected to help keep them so. The ECB is expected to buy about 40 per cent of the covered bonds issued by issuers in the eurozone.

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 about three years. Marked growth in oil and manufacturing investment helped to sustain the boom during 2019. The positive impulses from petroleum investment are not expected to persist in coming years when viewed as a whole. Statistics Norway expects mainland GDP to rise by 2.5 per cent in 2019 and 2.4 per cent in 2020, while its growth forecast of just under two per cent for 2021 and 2022 is in line with the trend figure for the economy. It expects Norges Bank to keep its base rate unchanged in coming years.

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, 5 February 2020

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	4Q 2019	4Q 2018	2019	2018
INTEREST INCOME					
Interest from loans to customers at amortised cost		**611 462**	493 242	**2 239 530**	1 892 554
Interest from loans to customers at fair value		**46 382**	29 407	**151 353**	112 835
Interest from loans and receivables on credit institutions		**6 521**	3 226	**19 770**	17 323
Interest from bonds, certificates and financial derivatives		**41 635**	37 736	**179 252**	107 905
Other interest income at amortised cost		**7 528**	7 713	**32 118**	29 931
Other interest income at fair value		**540**	321	**1 882**	1 303
Total interest income		**714 068**	571 645	**2 623 905**	2 161 852
INTEREST EXPENSES					
Interest on debt securities issued		**526 578**	397 731	**1 929 706**	1 457 774
Interest on subordinated loan capital		**8 296**	5 374	**25 973**	22 199
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**8 355**	-	**18 355**	-
Other interest expenses		**662**	132	**1 792**	358
Total interest expenses		**543 891**	403 237	**1 975 826**	1 480 331
Net interest income		**170 177**	168 408	**648 079**	681 521
Commission costs		**139 275**	105 844	**489 852**	457 836
Net interest income after commissions costs		**30 902**	62 564	**158 227**	223 686
Income from shares in associated company		**8 979**	10 911	**19 117**	10 911
Dividend from shares		**-**	-	**-**	7 419
Total income from shares	Note 11	**8 979**	10 911	**19 117**	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	**(8 619)**	2 448	**(5 264)**	5 994
Net gains and losses on financial derivatives	Note 3	**37 888**	(18 443)	**34 383**	13 933
Net gains and losses on loans at fair value	Note 3	**(28 493)**	16 686	**(34 245)**	2 126
Fair value adjustment, shares	Note 3	**(850)**	-	**(850)**	-
Total gains and losses on financial instruments at fair value		**(75)**	690	**(5 976)**	22 053
Other income		**63**	-	**63**	-
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES					
Salaries, fees and other personnel expenses		**8 500**	8 537	**32 256**	31 132
Administrative expenses		**4 641**	4 794	**18 326**	18 435
Total salaries and administrative expenses		**13 141**	13 331	**50 581**	49 567
Depreciation		**999**	490	**3 945**	1 942
Other operating expenses		**4 798**	5 076	**14 696**	15 932
Losses on loans and guarantees		**-**	-	**-**	-
PROFIT BEFORE TAXES		**20 932**	55 268	102 208	196 627
Taxes		**(4 264)**	25 030	**13 546**	44 672
PROFIT FOR THE PERIOD		**25 196**	30 238	88 662	151 956
Net gains and losses on bonds and certificates	Note 3	**(2 899)**	(7 811)	**6 634**	(6 880)
Fair value adjustment, shares	Note 3	**-**	(14 700)	**-**	(14 700)
Net gains and losses on basis swaps	Note 3	**(6 922)**	(56 240)	**52 974**	(106 139)
Taxes on other comprehensive income		**2 455**	19 688	**(14 902)**	28 255
COMPREHENSIVE INCOME FOR THE PERIOD		**17 831**	(28 825)	**133 368**	52 491

Of the total comprehensive income for the period above, NOK 103.2 million is attributable to the shareholders of the company and NOK 30.2 million to the hybrid capital investors.

Balance sheet

Amounts in NOK 1 000	Notes	31 Dec 2019	31 Dec 2018
ASSETS			
Lending to and receivables from credit institutions		968 309	956 021
Lending to customers	Note 4, 9	84 718 544	82 014 685
Other financial assets	Note 13	142 095	486 551
Securities			
Bonds and certificates at fair value	Note 5,9	13 362 946	16 593 308
Financial derivatives	Note 8,9	6 478 291	7 812 493
Shares	Note 10,11	1 650	2 500
Total securities		19 842 887	24 408 301
Shares in associated company	Note 11	63 685	54 441
Other intangible assets			
Deferred tax assets		77 868	44 085
Intangible assets		4 553	5 116
Total other intangible assets		82 421	49 201
Tangible fixed assets			
Right-of-use assets	Note 15	16 701	-
Tangible fixed assets		16 701	-
TOTAL ASSETS		105 770 956	107 914 759
LIABILITIES AND EQUITY			
Loans from credit institutions	Note 14	3 937 698	3 855 067
Financial derivatives	Note 8,9	68 756	70 406
Debt securities issued	Note 6	94 300 106	97 288 469
Other liabilities		840 908	787 100
Pension liabilities		5 021	4 075
Lease obligations	Note 15	16 593	-
Subordinated loan capital	Note 7	889 050	674 273
TOTAL LIABILITIES		100 058 132	102 679 390
Called-up and fully paid capital			
Share capital		1 225 497	1 093 319
Share premium		3 384 886	2 967 063
Other paid-in equity		477 728	477 728
Total called-up and fully paid capital	Note 12	5 088 111	4 538 111
Retained earnings			
Fund for unrealised gains		9 596	10 265
Other equity		104 891	36 461
Total retained equity	Note 12	114 487	46 726
Hybrid capital			
Tier 1 capital		573 912	704 974
Total hybrid capital		573 912	704 974
TOTAL EQUITY		5 776 510	5 289 810
TOTAL LIABILITIES AND EQUITY		105 834 641	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	-	-	-	-	150 000.00
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**
Result for the period	-	-	-	-669	10 766	7 735	17 832
Equity issue	96 129	303 871	-	-	-	-	400 000
Interest tier 1 capital	-	-	-	-	-	(7 654)	(7 654)
Hybrid capital	-	-	-	-	-	-	-
Taxes on interest tier 1 capital	-	-	-	-	-	-	-
Balance sheet as at 31 December 2018	**1 225 496**	**3 384 886**	**477 728**	**9 596**	**104 891**	**573 912**	**5 776 510**

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	**4Q 2019**	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	133 368	52 491
Taxes	28 448	16 417
Income taxes paid	(32 764)	(20 501)
Ordinary depreciation	1 857	1 942
Non-cash pension costs	946	1 070
Change in loans to customers	(2 703 859)	(4 728 735)
Change in bonds and certificates	3 230 362	(3 881 008)
Change in financial derivatives and debt securities issued	22 993	(421 695)
Interest expenses	1 975 826	1 480 331
Paid interest	(1 981 301)	(1 008 943)
interest income	(2 589 905)	(2 130 618)
received interests	2 578 588	2 108 818
Changes in other assets	356 621	(131 732)
Changes in short-term liabilities and accruals	28 059	(28 657)
Net cash flow relating to operating activities	**1 049 240**	(8 690 819)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(1 294)	(1 069)
Share of profit/loss in associated companies	(19 117)	-
Payments from shares in associated companies	9 873	-
Net cash flow relating to investing activities	**(10 538)**	(1 069)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	14 060 594	16 306 972
Gross payments of bonds and commercial paper	(15 737 748)	(8 993 413)
Gross receipts on issue of subordinated loan capital	249 729	324 588
Gross payments of subordinated loan capital	(34 952)	(249 961)
Gross receipts from issue of loan from credit institution	82 631	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	(29 823)	28 640
Payments of dividend	(35 445)	(41 282)
Paid-up new share capital	550 000	375 000
Net cash flow from financing activities	**(1 026 414)**	7 912 233
Net changes in lending to and receivables from credit institutions	12 288	(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	**968 309**	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 fourth quarter of 2019 have been prepared in accordance with IAS 34 Interim financial reporting.

Interest rate benchmark reform (Ibor reform)

The IASB published Interest rate benchmark reform – amendments to IFRS 9 and IFRS 7 in September 2019. These changes mean that the assumption is interest rates will not alter as a result of the interbank offered rate (Ibor) reform, and hedge accounting will continue as before without alterations to hedge documentation.

These amendments came into force on 1 January 2020, but could be applied earlier. Eika Boligkreditt has chosen to apply the IFRS 9 changes early for the reporting period ending on 31 December 2019.

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 31 December 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	4th quarter 2019	4th quarter 2018	2019	2018
Net gains and losses on loans at fair value	(28 493)	16 686	(34 245)	2 126
Net gains and losses on financial debts, hedged [1]	1 105 112	(2 509 353)	1 258 235	50 791
Net gains and losses on interest swaps related to lending	37 888	(18 443)	34 383	13 933
Net gains and losses on interest and currency swaps related to liabilities [1]	(1 113 731)	2 511 801	(1 263 499)	(44 797)
Fair value adjustment, shares	(850)	-	(850)	-
Net gains and losses on financial instruments at fair value	**(75)**	**690**	**(5 976)**	**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	4th quarter 2019	4th quarter 2018	2019	2018
Net gains and losses on bonds and certificates	(7 453)	(7 811)	5 839	(6 715)
Net gains and losses on interest-rate swaps related to bonds and certificates	4 554	-	796	(165)
Fair value adjustment, shares	-	(14 700)	-	(14 700)
Net gains and losses on basis swaps [2]	(6 922)	(56 240)	52 974	(106 139)
Net gains and losses on financial instruments at fair value	**(9 821)**	**(78 751)**	**59 608**	**(127 720)**

[2] Comprehensive profit for the in 2019 includes positive changes of NOK 53 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	31 Dec 2019	31 Dec 2018
Installment loans - retail market	79 150 938	75 685 305
Installment loans - housing cooperatives	5 582 664	6 309 164
Adjustment fair value lending to customers[1]	(15 058)	20 215
Total lending before specific and general provisions for losses	**84 718 544**	**82 014 685**
Impairments on lending to customers	-	-
Total lending to and receivables from customers	**84 718 544**	**82 014 685**

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

With effect from 10 December 2019, the company increased its maximum loan-to-value (LTV) ratio for residential mortgages from 60 per cent of the property's value to the legal limit of 75 per cent. Before 10 December 2019, all lending related to residential mortgages fell within the 60 per cent LTV limit at origination. The company had no non-performing engagements at 31 December 2019 where instalments due remained unpaid beyond 90 days.

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.

31 Dec 2019

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	78 400 667	78 400 667
Fixed rate loans	6 332 935	6 317 876
Toal lending	**84 733 602**	**84 718 544**

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

31 December 2019

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	5 177 901	5 199 634	5 219 468
Credit institutions	6 256 000	6 293 016	6 296 828
Government bonds	1 876 478	1 877 999	1 846 650
Government bonds	**13 310 379**	**13 370 649**	**13 362 946**
Change in value charged to other comprehensive income			**(7 703)**

Average effective interest rate is 1.55 per cent annualised. The calculation is based on a weighted fair value of NOK 13.8 billion. The calculation takes account of a return of NOK 213.9 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.

	31 Dec 2019	31 Dec 2018
Average term to maturity	**1.4**	**0.9**
Average duration	**0.2**	**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	31 Dec 2019	31 Dec 2018
NO0010502149	-	NOK	Floating	3M Nibor + 0.70 %	2009	2019	-	430 233
NO0010561103	-	NOK	Fixed	5.00 %	2009	2019	-	1 959 785
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 620	1 500 712
NO0010663727	-	NOK	Floating	3M Nibor + 0.60%	2012	2019	-	4 256 621
NO0010663743	-	NOK	Fixed	3.25 %	2012	2019	-	200 470
XS0794570944	-	EUR	Fixed	2.00 %	2012	2019	-	6 436 913
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 537	997 229
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	5 130 475	5 136 185
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	550 430	550 881
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000
XS0881369770	1 000 000	EUR	Fixed	2.13 %	2013	2023	9 823 464	9 879 560
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	4 915 227	4 940 427
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 977 615	7 967 018
NO0010733694	2 000 000	NOK	Fixed	1.75 %	2015	2021	1 147 747	1 146 452
XS1312011684	500 000	EUR	Floating	0.625 %	2015	2021	4 913 307	4 939 699
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	843 890	843 347
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2016	2020	2 061 001	4 999 382
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 505	699 438
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	4 901 787	4 926 983
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 007 130	5 009 818
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	4 902 450	4 929 108
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	4 897 680	4 924 377
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 589 113	1 588 282
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 045 233	8 043 920
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	4 895 435	4 922 155
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	4 879 971	-
XS1969637740	10 000	EUR	Fixed	1.25 %	2019	2039	98 460	-
XS1997131591	60 000	EUR	Fixed	1.11 %	2019	2039	590 657	-
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25 %	2019	2024	7 243 266	-
XS2085864911	5 000	EUR	Fixed	0.56 %	2019	2039	49 165	-
Value adjustments							1 939 521	1 533 790
Total covered bonds[1]							**90 750 687**	**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	31 Dec 2019	31 Dec 2018
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	-	425 110
NO0010713753	-	NOK	Floating	3M Nibor + 0.70%	2014	2019	-	249 978
NO0010739287	600 000	NOK	Floating	3M Nibor + 0.70%	2015	2020	599 940	599 797
NO0010764160	-	NOK	Floating	3M Nibor +0.95%	2016	2019	-	350 096
NO0010776099	500 000	NOK	Floating	3M Nibor +0.92%	2016	2020	499 944	499 871
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	501 030	501 537
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 829	449 764
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 602	299 533
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 663	-
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 816	-
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74 %	2019	2024	299 678	-
NO0010851975	1 000 000	NOK	Floating	3M Nibor + 0.27 %	2019	2021	299 918	-
Total senior unsecured bonds							**3 549 419**	**3 375 685**

Total debt securities issued	**94 300 106**	**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	31 Dec 2019	31 Dec 2018
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% [1]	2015	2025	164 997	199 937
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% [2]	2016	2026	149 928	149 868
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40% [3]	2018	2028	324 598	324 469
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55% [4]	2019	2029	249 526	-
Total subordinated loan capital							**889 050**	**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 31 December 2019. The company has decided to exercise the redemption right on 21 January 2020. The loan is therefore not included in the company's Tier 2 capital at 31 December 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)

	Fair value	
Amounts in NOK 1 000	**31 Dec 2019**	**31 Dec 2018**
Lending to customers [2]	84 345 467	81 541 489
Substitute assets and derivatives:		
Financial derivatives without accrued interest (net)	6 079 459	7 323 128
Substitute assets [3]	9 838 148	14 046 298
Total cover pool	**100 263 074**	**102 910 916**
The cover pool's overcollateralisation [4]	105.81%	107.06%

Covered bonds issued

	31 Dec 2019	31 Dec 2018
Covered bonds	90 750 687	93 912 784
Premium/discount	217 963	200 252
Own holding (Covered bonds) [1]	3 789 000	2 010 000
Total covered bonds	**94 757 650**	**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)

	Nominal values	
Amounts in NOK 1 000	**31 Dec 2019**	**31 Dec 2018**
Lending to customers [2]	84 360 526	81 521 274
Substitute assets:		
Substitute assets [3]	9 775 435	13 993 519
Total cover pool	**94 135 960**	**95 514 793**
The cover pool's overcollateralisation [4]	111.35%	110.58%

Covered bonds issued

	31 Dec 2019	**31 Dec 2018**
Covered bonds	84 537 050	86 373 213
Total covered bonds	**84 537 050**	**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 31 December 2019, liquid assets totalling NOK 550 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 6.39 per cent at fair value and 12.01 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

	31 Dec 2019		31 Dec 2018	
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	5 064 060	35 709	1 864 130	12 005
Interest rate and currency swap[2]	47 600 550	6 441 900	55 027 640	7 800 488
Interest swap placement	98 460	682	-	-
Total financial derivative assets including accrued interest	**52 763 070**	**6 478 291**	**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]	856 576	7 165	2 562 335	18 997
Interest rate and currency swap[2]	2 050 500	51 299	2 000 000	51 410
Interest swap placement	1 467 054	10 293	-	-
Total financial derivative liabilities including accrued interest	**4 374 130**	**68 756**	**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 and cash flow hedging on debt securities issued

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.

The company separates out the basis margin related to foreign currency from financial instruments by excluding this from earmarking of the fair-value hedge, and has identified the currency element in the hedging as a cash flow hedge. This means that the fair value changes which arise in basis swaps when utilising currency swap agreements with the company's borrowing in foreign currencies in order to convert the cash flow from euros to Norwegian kroner are recognised as a cash flow hedge. Changes in fair value related to the basis margin will therefore be recognised in other comprehensive income.

	31 Dec 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]	45 550 050	6 061 740	46 866 213	7 334 528
Hedged items: financial commitments incl foreign exchange[2]	45 550 050	(6 433 921)	46 866 213	(7 745 130)
Net capitalised value without accrued interest	**-**	**(372 181)**	**-**	**(410 602)**

[1] The nominal amount is converted to historical currency exchange rate. Figures for 2018 are corrected 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	4th quarter 2019	4th quarter 2018	2019	2018
Hedging instruments	(1 113 731)	2 511 801	(1 263 499)	(44 797)
Hedged items	1 105 112	(2 509 353)	1 258 235	50 791
Net gains/losses (inefffectiveness) recorded in profit and loss[3]	**(8 619)**	**2 448**	**(5 264)**	**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 Government bonds 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 bonds and certificates not issued by a national state. 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.

31 December 2019

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	6 317 876
Bonds and certificates	794 342	12 568 604	-
Financial derivatives	-	6 478 291	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	**794 342**	**19 046 895**	**6 319 526**
Financial liabilities			
Financial derivatives	-	68 756	-
Total financial liabilities	**-**	**68 756**	**-**

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	31 Dec 2019
Lending to customers (fixed-rate loans)	4 830 180	2 307 239	(785 298)	-	(34 245)	-	6 317 876
Shares at fair value over profit or loss	2 500	-	-	-	(850)	-	1 650
Total	**4 832 680**	**2 307 239**	**(785 298)**	**-**	**(35 095)**	**-**	**6 319 526**

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 31 December 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 234 million. The effect of a decrease in interest rates would be an increase of NOK 234 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 31 December 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	31 Dec 2019
Change in debt securities issued [1]	46 079 640	1 173 813	(2 208 003)	45 045 450
Total	**46 079 640**	**1 173 813**	**(2 208 003)**	**45 045 450**

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 31 des 2019	Owner share
Nordic Credit Rating AS	10 000	2 500	1 650	1.67 %
Total	**10 000**	**2 500**	**1 650**	

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	19 117	10 911
Dividend	(9 873)	–
Carrying amount	**63 685**	**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	31 Dec 2019	31 Dec 2018
Share capital	1 225 497	1 093 319
Share premium	3 384 886	2 967 063
Paid, but not registered, share capital	-	-
Other paid-in equity	477 728	477 728
Other equity	1 016	1 015
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**5 089 127**	**4 539 126**
Fund for unrealised gains	9 596	10 265
Intangible assets	(4 553)	(5 116)
Deferred tax assets[1]	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(20 106)	(21 867)
Total core tier 1 capital	**5 074 063**	**4 522 408**

Core capital adequacy ratio (core tier 1 capital)	31 Dec 2019	31 Dec 2018
Weighted calculation basis	34 073 656	33 731 370
Core tier 1 capital	5 074 063	4 522 408
Core tier 1 capital ratio	**14.9%**	**13.4%**

Total core tier 1 capital	5 074 063	4 522 408
Tier 1 perpetual bonds	573 912	704 974
Total tier 1 capital	**5 647 975**	**5 227 381**

Capital adequacy ratio (tier 1 capital)	31 Dec 2019	31 Dec 2018
Weighted calculation basis	34 073 656	33 731 370
Tier 1 capital	5 647 975	5 227 381
Tier 1 capital ratio	**16.6%**	**15.5%**

Total tier 1 capital	5 647 975	5 227 381
Subordinated loans	724 052	674 273
Total primary capital (tier 2 capital)	**6 372 027**	**5 901 654**

Capital adequacy ratio (tier 2 capital)	31 Dec 2019	31 Dec 2018
Weighted calculation basis	34 073 656	33 731 370
Total primary capital (tier 2 capital)	6 372 027	5 901 654
Capital adequacy ratio	**18.7%**	**17.5%**

Required capital corresponding to eight per cent of calculation basis	2 725 892	2 698 510
Surplus equity and subordinated capital	3 646 135	3 203 145

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

31 December 2019

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	32 020 854	2 561 668
Operational risk	394 304	31 544
CVA risk[2]	1 658 498	132 680
Total	**34 073 656**	**2 725 892**

Leverage Ratio	31 Dec 2019	31 Dec 2018
Total Leverage Ratio exposure	108 698 255	110 627 267
Tier 1 capital	5 647 975	5 227 381
Levereage Ratio	**5.2 %**	**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 31 December 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 34.1 billion at 31 December 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 31 December 2019 was NOK 0.3 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 13.5 per cent, a tier 1 capital ratio of 15.0 per cent and a tier 2 capital ratio of 17.0 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 31 December 2019 with a core tier 1 capital ratio of 14,9 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 increase has been taken into account in the company's capital targets.

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	31.12.2019	31.12.2018
Prepaid expenses	2 068	1 452
Repo agreements	-	356 439
Accrued interests	139 977	128 660
Short-term receivables	50	-
Total other financial assets	**142 095**	**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. At 31 December 2019, Eika Boligkreditt had received cash collateral of NOK 3.9 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 0.9 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 Leases

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 16.7 million and NOK 16.6 million respectively, in the company's balance sheet at 31 December 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 years at 31 December 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.

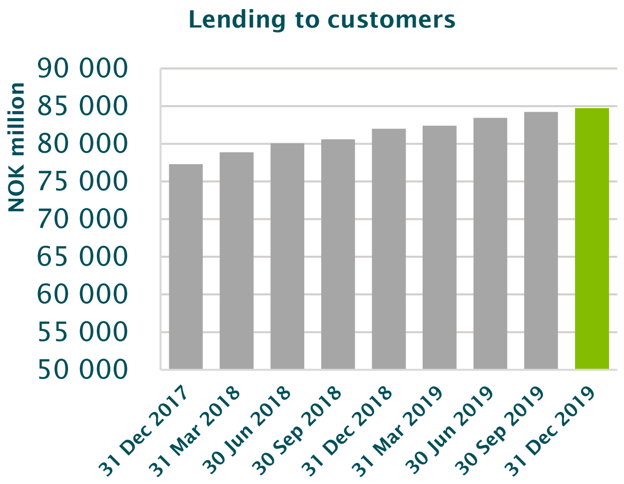
Note 16 – Contingency and overdraft facilities

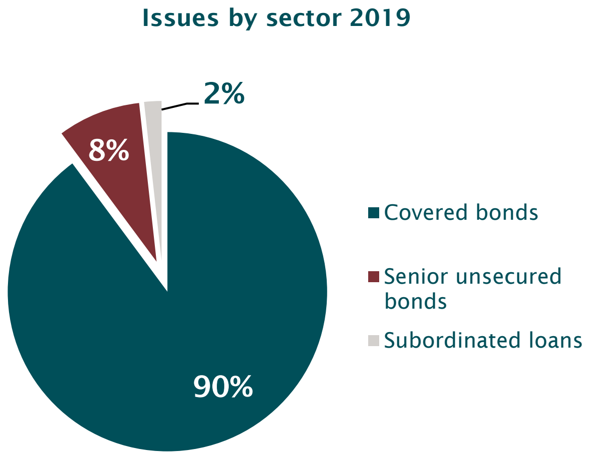
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2018 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby 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.

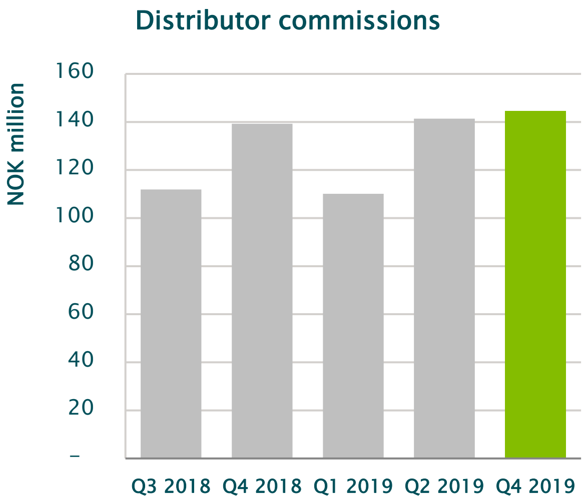
Note 17 – Risk management

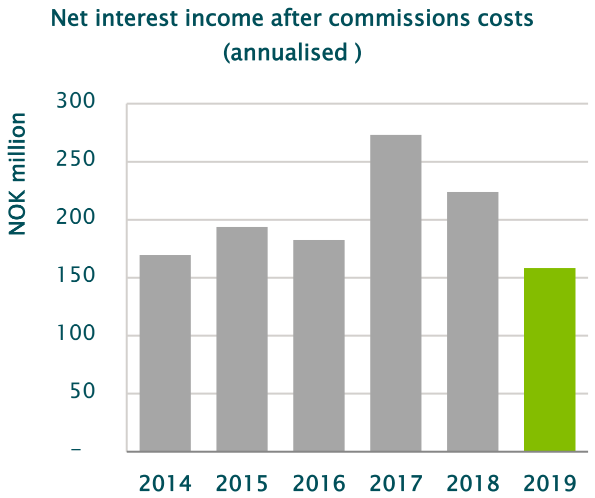
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

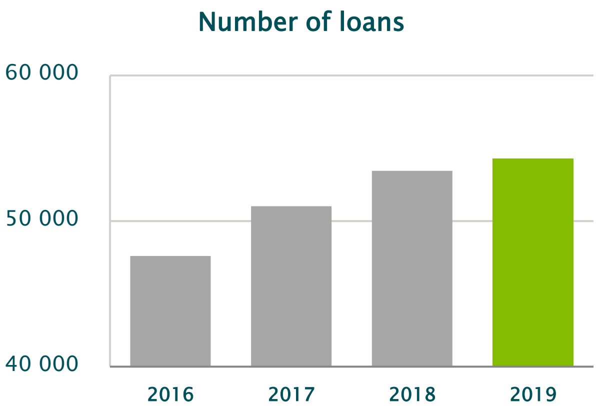
Key figures – Development

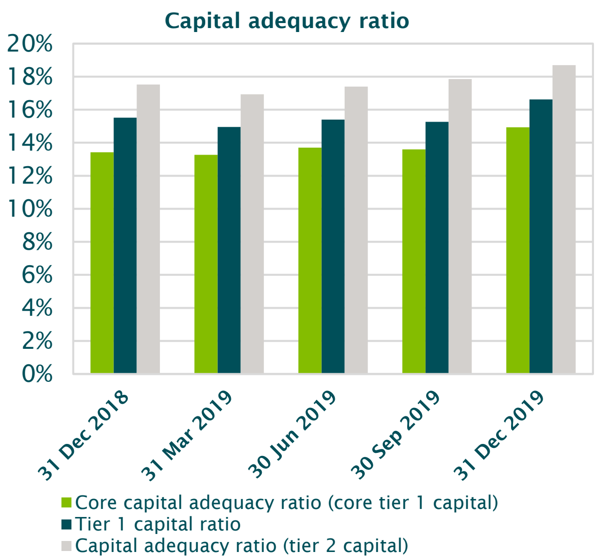












Key figures

Amounts in NOK 1 000	31 Dec 2019	31 Dec 2018
Balance sheet development		
Lending to customers	84 718 544	82 014 685
Debt securities issued	94 300 106	97 288 469
Subordinated loan capital	889 050	674 273
Equity	5 776 510	5 289 810
Equity in % of total assets	5.5	4.9
Average total assets[1]	107 505 977	101 744 032
Total assets	105 834 641	107 969 200
Rate of return/profitability		
Fee and commission income in relation to average total assets, annualised (%)	0.5	0.4
Staff and general administration expenses in relation to average total assets, annualised (%)	0.03	0.03
Return on equity before tax, annualised (%) [2]	2.2	4.5
Total assets per full-time position	5 345 184	5 452 990
Cost/income ratio (%) [3]	43.7	30.1
Financial strength		
Core tier 1 capital	5 074 063	4 522 408
Tier 1 capital	5 647 975	5 227 381
Total primary capital (tier 2 capital)	6 372 027	5 901 654
Calculation basis capital adequacy ratio	34 073 656	33 731 370
Core tier 1 capital ratio (%)	14.9	13.4
Tier 1 capital ratio (%)	16.6	15.5
Capital adequacy ratio % (tier 2 capital)	18.7	17.5
Leverage ratio (%) [4]	5.2	4.7
NSFR totalindicator i % [5]	99	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

Liquidity Coverage Ratio (LCR) [6]:

31 Dec 2019	Totalt	NOK	EUR
Stock of HQLA	4 904 632	762 793	359 753
Net outgoing cash flows next 30 days	4 334 152	1 246 420	252 920
LCR indicator (%)	**113 %**	**61 %**	**142 %**

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 31 December 2019, liquid assets totalling NOK 550 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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