

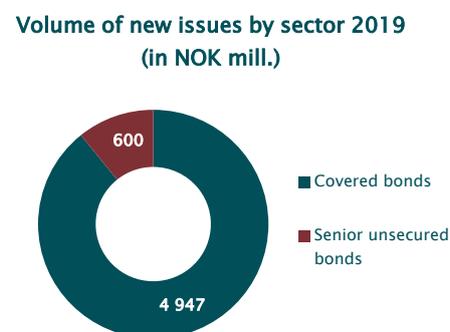
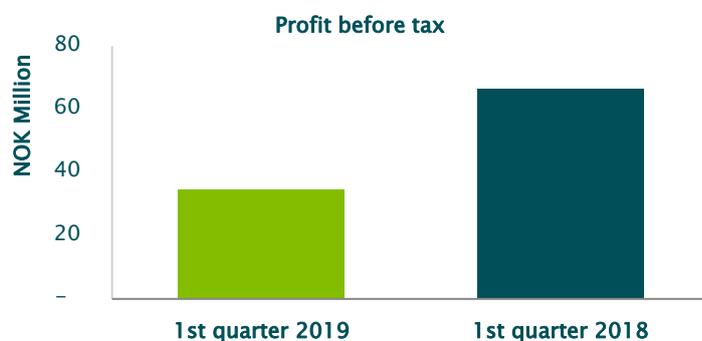
Eika Boligkreditt AS

Interim report for the first quarter 2019

Unaudited



Highlights



First quarter 2019

- Pre-tax profit NOK 34.5 million (2018: NOK 66.5 million)
- Comprehensive income for the period (taking account of fair value changes in basis swaps) NOK 13.8 million (2018: NOK 43.2 million)
- Financing of owner banks up by 0.5 per cent, corresponding to an annualised growth of 2 per cent
- Commissions to owner banks of NOK 117.1 million (2017: NOK 139.2 million)
- NOK 5.5 billion in bonds issued (2018: NOK 2.9 billion)

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

INTERIM REPORT FOR THE FIRST QUARTER OF 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 March 2019, the owner banks had NOK 82.4 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 first quarter

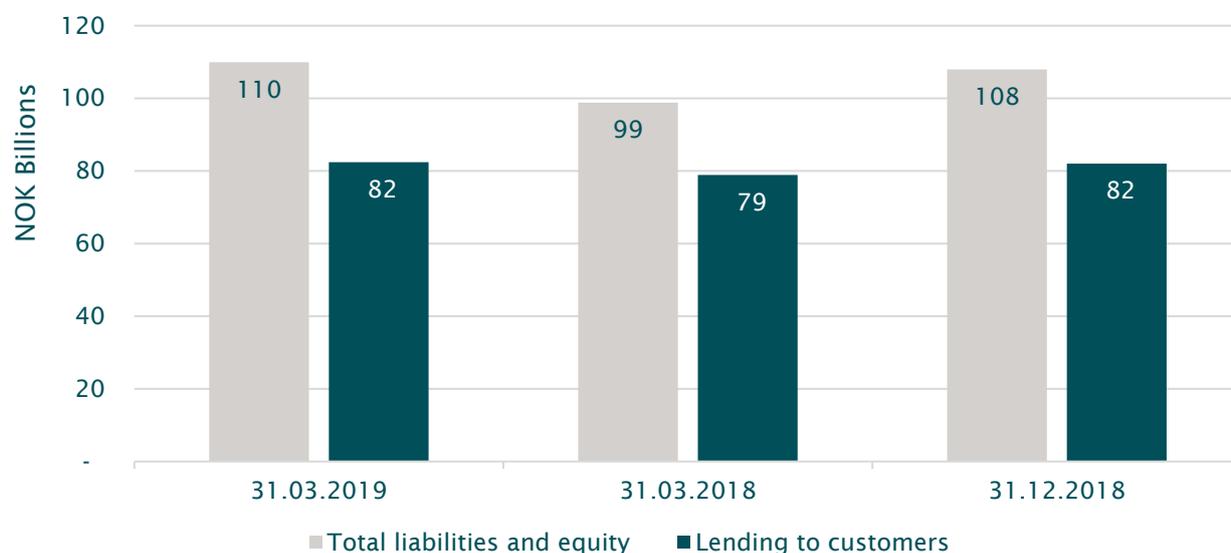
Amount in NOK thousand	1st quarter 2019	1st quarter 2018	2018
Total interest income	603 852	520 265	2 161 852
Net interest income	159 138	200 785	681 521
Commission costs	111 656	133 636	457 836
Total gain and losses on financial instruments at fair value	942	15 210	22 053
Profit before tax	34 487	66 520	196 627
Comprehensive income (taking account of fair value changes in basis swaps)	13 829	43 175	52 491

A rise corresponding to 16.1 per cent in the company's interest income in the first quarter compared with the same period of 2018 reflected increased lending volumes as well as rather higher interest rates on residential mortgages. Net interest income in the first quarter was down by 20.7 per cent from the same period of last year because the impact of money market interest rates was greater on borrowing than on lending. Commission payments to the owner banks declined by 16.5 per cent from the first quarter of 2018 as a result of lower margins on residential mortgages at the owner banks. Changes to the fair value of financial instruments came to NOK 0.9 million, which was NOK 14.3 million lower than the same period of 2018. Pre-tax profit for the first quarter was NOK 34.5 million, down by NOK 32 million from the same period of 2018.

Interest of NOK 7.9 million on tier 1 perpetual bonds in the first quarter is not presented as an interest expense in the income statement, but as a reduction in equity.

Overall profit includes negative changes of NOK 25.7 million (2018: NOK -12.2 million) in the value of basis swaps for the first quarter. 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

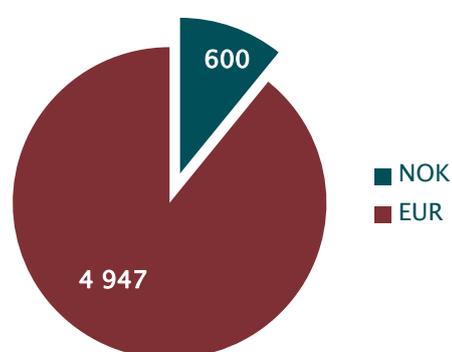


Assets under management by Eika Boligkreditt amounted to NOK 109.9 billion at 31 March 2019. Financing of the owner banks (residential mortgage lending to customers) came to NOK 82.4 billion at 31 March, representing a net increase of NOK 0.4 billion in the first quarter and NOK 3.5 billion for the past 12 months. That represents a net growth in lending of 4.5 per cent year on year. This reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

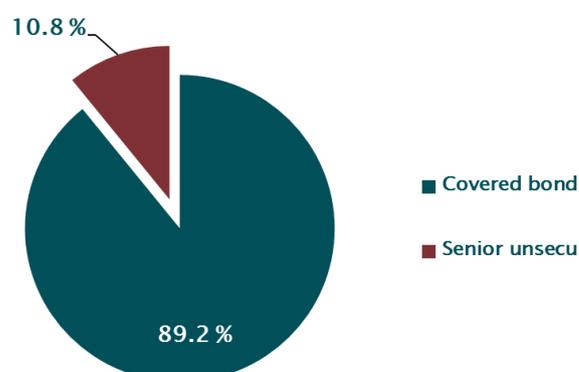
Borrowing

Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 5.5 billion in the first quarter, compared with NOK 2.9 billion in the same period of 2018. Issues in the first quarter broke down between NOK 4.9 billion in covered bonds and NOK 600 million in senior unsecured loans.

Issues by currency (in NOK mill) in 2019



Issues by sector (in %) in 2019



Eighty-nine per cent of bond issues in 2019 were denominated in euros and 11 per cent in Norwegian kroner. Covered bonds accounted for 89.2 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)	Q1 2019	Q1 2018	2018	2017
Covered bonds (issued in EUR)	4 947	-	4 848	9 298
Covered bonds (issued in NOK)	-	2 600	10 650	7 625
Senior unsecured bonds (issued in NOK)	600	-	750	1 800
Subordinated loans (issued in NOK)	-	325	325	-
Total issued	5 547	2 925	16 573	18 723

The average tenor for covered bonds issued in 2019 was 10.2 years. The average tenor for the company's borrowing portfolio at 31 March 2019 was 3.95 years, up from 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 Mar 2019	31 Mar 2018	31 Dec 2018	31 Dec 2017
Covered bonds	96 453	86 513	93 913	87 203
Senior unsecured bonds	3 585	2 827	3 376	2 827
Subordinated loans	674	675	674	600
Total borrowing	100 712	90 015	97 963	90 630

The company's total borrowing at 31 March was NOK 100.7 billion, up by NOK 2.7 billion from 1 January.

Liquidity

At 31 March 2019, the company had a liquidity portfolio of NOK 20.5 billion when account is taken of NOK 3.5 billion in existing repo agreements recognised as other financial assets. The overall liquidity figure includes cash collateral of NOK 3.4 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 1.7 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 5.8 billion at 31 March 2019, a net decrease of NOK 131 million since 1 January. This decline reflected the redemption of a tier 1 perpetual bond amounting to NOK 131 million in the first quarter.

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

The basis for calculating the capital adequacy ratio at 31 March 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 Mar 2019	31 Dec 2018	31 Dec 2017
Risk-weighted assets	34 084	33 731	31 447
Total primary capital (tier 2 capital)	5 771	5 902	5 305
Capital adequacy ratio in per cent	16.9 %	17.5 %	16.9 %

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 13.0% (13.3% at 31 March 2019)
- tier 1 capital ratio: 14.5% (15.0% at 31 March 2019)
- tier 2 capital ratio: 16.5% (16.9% at 31 March 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 March 2019 with a core tier 1 capital adequacy of 13.3 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.

Outlook

The company's financing of the owner banks grew by a net NOK 0.4 billion in the first quarter and NOK 3.5 billion over the past 12 months, representing a 12-monthly growth of 4.5 per cent. Statistics Norway's credit indicator for February 2019 showed a 12-monthly increase of 5.6 per cent in Norwegian household debt.

The lending survey from Norges Bank for the first quarter of 2019 showed minor changes in demand for residential mortgages and virtually unchanged credit practice. The banks expected mortgage demand from households to rise in the second quarter. They reported that margins on lending to households contracted slightly in the first quarter, driven by increased financing costs. Competition between the banks grew more than expected during the first quarter, and the banks predicted higher interest rates on lending in the second quarter following the base rate rise in March.

According to the house price report from Real Estate Norway for March 2019, average Norwegian house prices were 0.7 per cent higher than at 1 January and up by 3.2 per cent over the previous 12 months. The strongest 12-monthly price growth was in Asker/Bærum, at 6.1 per cent, while Trondheim had the weakest performance with a rise of 0.7 per cent. The balance between supply and demand in the housing market is good, with many sales across much of the country during the first quarter. That is expected to persist in 2019 in line with the simultaneous arrival of many completed new homes on the market because of the high level of housebuilding in recent years. Combined with the base rate rises already implemented and given warning of by Norges Bank, the company expects the growth in house prices to remain moderate in 2019.

The bond market in the first quarter of 2019 was characterised by a high level of activity, particularly in the early part of the period. The credit margin paid by Eika Boligkreditt when issuing new five-year covered bonds in Norwegian kroner contracted by about seven basis points over the quarter. This reversed most of the upturn seen in the Norwegian market last autumn. By comparison, credit margins in the euro market declined about six basis points in the first quarter. 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. Covered bonds are part of the ECB's bond purchase programme, and it has subscribed for substantial proportions of new issues from issuers domiciled in the eurozone during recent years. This practice will not continue in 2019, but the ECB will remain a substantial buyer in the secondary market in order to reinvest its redemptions. Following the contraction in credit margins during the first quarter, 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.

The Norwegian economy is experiencing a moderate cyclical upturn. GDP for Norway's mainland economy grew by 2.2 per cent in 2018. Annual growth in mainland GDP has exceeded the estimated trend increase of just over two per cent for more than two years. An expansive financial policy, a weak exchange rate for the

Norwegian krone, low pay growth and low interest rates have contributed to the upturn. Statistics Norway expects these factors to become more neutral or even contractive in coming years. With positive impulses from oil investment and a modest international revival, the moderate upturn in the Norwegian economy is likely to persist. Norway's robust macroeconomic position and good results for Norwegian financial institutions are expected to mean good future demand for covered bonds from Norwegian issuers. The bond market is also affected positively by substantial redemptions of bonds and by the fact that the ECB has a substantial requirement for reinvestment in covered bonds. Liquidity is good in both Norwegian and international financial markets. Eika Boligkreditt expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 8 May 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
CEO

Statement of comprehensive income

Amounts in NOK 1 000	Notes	1Q 2019	1Q 2018	2018
INTEREST INCOME				
Interest from loans to customers at amortised cost		515 989	493 111	1 892 554
Interest from loans to customers at fair value		31 490	(5 599)	112 835
Interest from loans and receivables on credit institutions		3 686	5 456	17 323
Interest from bonds, certificates and financial derivatives		44 418	19 711	107 905
Other interest income at amortised cost		7 852	7 586	29 931
Other interest income at fair value		417	-	1 303
Total interest income		603 852	520 265	2 161 852
INTEREST EXPENSES				
Interest on debt securities issued		439 021	314 130	1 457 774
Interest on subordinated loan capital		5 499	4 915	22 199
Other interest expenses		194	436	358
Total interest expenses		444 714	319 480	1 480 331
Net interest income		159 138	200 785	681 521
Commission costs		111 656	133 636	457 836
Net interest income after commissions costs		47 482	67 148	223 686
Income from shares in associated company		3 064	-	10 911
Dividend from shares		-	-	7 419
Total income from shares	Note 11	3 064	-	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	(2 243)	5 874	5 994
Net gains and losses on financial derivatives	Note 3	473	25 743	13 933
Net gains and losses on loans at fair value	Note 3	2 713	(16 408)	2 126
Total gains and losses on financial instruments at fair value		942	15 210	22 053
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				
Salaries, fees and other personnel expenses		7 743	7 533	31 132
Administrative expenses		3 916	4 382	18 435
Total salaries and administrative expenses		11 659	11 915	49 567
Depreciation		988	481	1 942
Other operating expenses		4 355	3 442	15 932
Losses on loans and guarantees		-	-	-
PROFIT BEFORE TAXES		34 487	66 520	196 627
Taxes		7 860	15 016	44 672
PROFIT FOR THE PERIOD		26 627	51 504	151 956
Net gains and losses on bonds and certificates	Note 3	8 613	1 096	(6 880)
Fair value adjustment, shares		-	-	(14 700)
Net gains and losses on basis swaps	Note 3	(25 677)	(12 202)	(106 139)
Taxes on other comprehensive income		4 266	2 777	28 255
COMPREHENSIVE INCOME FOR THE PERIOD		13 829	43 175	52 491

Of the total comprehensive income for the period above, NOK 5.9 million is attributable to the shareholders of the company and NOK 7.9 million to the hybrid capital investors.

Balance sheet

Amounts in NOK 1 000	Notes	31 March 2019	31 March 2018	31 Dec. 2018
ASSETS				
Lending to and receivables from credit institutions		1 192 214	1 761 154	956 021
Lending to customers	Note 4, 9	82 427 372	78 876 990	82 014 685
Other financial assets	Note 13	3 624 429	118 804	486 551
Securities				
Bonds and certificates at fair value through profit or loss	Note 5,9	15 765 315	11 271 350	16 593 308
Financial derivatives	Note 8,9	6 792 308	6 713 851	7 812 493
Shares classified as available for sale	Note 10,11	2 500	-	2 500
Shares in associated company	Note 11	57 505	32 200	54 441
Total securities		22 617 628	18 017 401	24 462 742
Other intangible assets				
Deferred tax assets		44 085	20 578	44 085
Lease benefits		18 267	-	-
Intangible assets		5 332	6 476	5 116
Total other intangible assets		67 683	27 053	49 201
TOTAL ASSETS		109 929 326	98 801 403	107 969 200
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 14	3 376 467	2 939 461	3 855 067
Financial derivatives	Note 8,9	54 450	187 517	70 406
Debt securities issued	Note 6	100 037 514	89 339 913	97 288 469
Other liabilities		599 823	597 348	787 100
Pension liabilities		4 075	3 005	4 075
Lease obligations		18 254	-	-
Subordinated loan capital	Note 7	674 334	675 085	674 273
TOTAL LIABILITIES		104 764 917	93 742 328	102 679 390
Called-up and fully paid capital				
Share capital		1 093 319	1 045 700	1 093 319
Share premium		2 967 063	2 814 683	2 967 063
Other paid-in equity		477 728	477 728	477 728
Total called-up and fully paid capital	Note 12	4 538 111	4 338 111	4 538 111
Retained earnings				
Fund for unrealised gains		10 265	14 700	10 265
Other equity		42 363	80 362	36 461
Total retained equity	Note 12	52 628	95 062	46 726
Hybrid capital				
Tier 1 capital		573 671	625 902	704 974
Total hybrid capital		573 671	625 902	704 974
TOTAL EQUITY		5 164 409	5 059 075	5 289 810
TOTAL LIABILITIES AND EQUITY		109 929 326	98 801 403	107 969 200

Statement of changes in equity

Amounts in NOK 1 000	Share capital ¹	Share premium ¹	Innbetalt ikke registrert kapital- forhøyelse ⁶	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

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

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

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

³The fund for unrealised gains comprises from value changes on financial instruments at fair value.

⁴Other equity comprises earned and retained profits.

⁵Tier 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.

⁶Paid-in unregistered increase in capital comprises paid in but not registered at the end of the period.

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	1Q 2019	2018
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	13 829	52 491
Taxes	3 594	16 417
Income taxes paid	(10 250)	(20 501)
Ordinary depreciation	466	1 942
Non-cash pension costs	-	1 070
Change in loans to customers	(412 687)	(4 728 735)
Change in bonds and certificates	827 993	(3 881 008)
Change in financial derivatives and debt securities issued	1 707 655	(421 695)
Interest expenses	444 714	1 480 331
Paid interest	(630 824)	(1 008 943)
interest income	(595 583)	(2 130 618)
received interests	590 360	2 108 818
Changes in other assets	(3 132 655)	(131 732)
Changes in short-term liabilities and accruals	(10 477)	(28 657)
Net cash flow relating to operating activities	(1 203 866)	(8 690 819)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(682)	(1 069)
Payments from shares classified as available for sale	(3 064)	-
Net cash flow relating to investing activities	(3 746)	(1 069)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	5 490 698	16 306 972
Gross payments of bonds and commercial paper	(3 429 123)	(8 993 413)
Gross receipts on issue of subordinated loan capital	61	324 588
Gross receipts from issue of loan from credit institution	-	63 534
Gross payments from loan from credit institution	(478 600)	-
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	(7 830)	28 640
Payments of dividend	-	(41 282)
Paid-up new share capital	-	375 000
Net cash flow from financing activities	1 443 806	7 912 233
Net changes in lending to and receivables from credit institutions	236 194	(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	1 192 214	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 first quarter of 2019 have been prepared in accordance with IAS 34 Interim financial reporting.

Standards and interpretations approved and in force – IFRS 16 Lease accounting

IFRS 16 on lease accounting must be implemented for accounting years which start on 1 January 2019. The new standard received 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 18.8 million in the company’s balance sheet at 1 January 2019 (NOK 18.3 million at 31 March 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 nine years at 1 January 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 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 March 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	1st quarter 2019	1st quarter 2018	2018
Net gains and losses on loans at fair value	2 713	(16 408)	2 126
Net gains and losses on financial debts, hedged ¹	768 496	1 152 519	50 791
Net gains and losses on interest swaps related to lending	473	25 743	13 933
Net gains and losses on interest and currency swaps related to liabilities	(770 739)	(1 138 571)	(44 797)
Net gains and losses on interest swaps not related to liabilities	-	(8 073)	-
Net gains and losses on financial instruments at fair value	942	15 210	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	1st quarter 2018	1st quarter 2017	2018
Net gains and losses on bonds and certificates	11 708	1 155	(6 715)
Net gains and losses on interest-rate swaps related to bonds and certificates	(3 096)	(59)	(165)
Net gains and losses on basis swaps ¹	(25 677)	(12 202)	(106 139)
Net gains and losses on financial instruments at fair value	(17 064)	(11 106)	(113 020)

¹ Comprehensive profit for the first quarter of 2019 includes negative changes of NOK 25.7 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 Mar 2019	31 Mar 2018	31 Dec 2018
Installment loans - retail market	76 424 327	71 595 691	75 685 305
Installment loans - housing cooperatives	5 980 439	7 279 060	6 309 164
Adjustment fair value lending to customers ¹	22 606	2 238	20 214
Total lending before specific and general provisions for losses	82 427 372	78 876 990	82 014 685
Impairments on lending to customers	-	-	-
Total lending to and receivables from customers	82 427 372	78 876 990	82 014 685

¹The 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 31 March 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.

31 Mar 2019

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	77 452 389	77 452 389
Fixed rate loans	4 952 377	4 974 983
Toal lending	82 404 766	82 427 372

31 Mar 2018

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	75 147 706	75 147 706
Fixed rate loans	3 727 045	3 729 284
Toal lending	78 874 751	78 876 990

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 March 2019

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	4 701 137	4 702 156	4 702 222
Credit institutions	6 577 000	6 613 105	6 624 581
Government and government guaranteed bonds	4 437 399	4 460 305	4 438 512
Total bonds and certificates at fair value	15 715 536	15 775 567	15 765 315
Change in value charged to other comprehensive income			(10 252)

Average effective interest rate is 1.51 per cent annualised. The calculation is based on a weighted fair value of NOK 15.9 billion. The calculation takes account of a return of NOK 60.04 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

31 March 2018

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	3 465 319	3 467 433	3 495 947
Credit institutions	5 110 000	5 126 113	5 144 742
Government and government guaranteed bonds	2 647 392	2 648 926	2 630 661
Total bonds and certificates at fair value	11 222 711	11 242 473	11 271 350
Change in value charged to other comprehensive income			28 878

Average effective interest rate is 1.08 per cent annualised. The calculation is based on a weighted fair value of NOK 10.8 billion. The calculation takes account of a return of NOK 29.1 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 and government guaranteed 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 Mar 2019	31 Mar 2018	31 Dec 2018
Average term to maturity	1.1	1.0	0.9
Average duration	0.2	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 Mar 2019	31 Mar 2018	31 Dec 2018
NO0010502149	-	NOK	Floating	3M Nibor + 0.70 %	2009	2019	-	521 316	430 233
NO0010561103	1 948 000	NOK	Fixed	5.00 %	2009	2019	1 272 796	1 968 955	1 959 785
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010612039	-	NOK	Floating	3M Nibor + 0.55%	2011	2018	-	3 491 212	-
NO0010612179	-	NOK	Fixed	4.65 %	2011	2018	-	332 546	-
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 689	1 500 780	1 500 712
NO0010663727	5 220 000	NOK	Floating	3M Nibor + 0.60%	2012	2019	3 990 231	5 229 026	4 256 621
NO0010663743	1 000 000	NOK	Fixed	3.25 %	2012	2019	200 348	1 002 885	200 470
NO0010664428	-	NOK	Floating	3M Nibor + 0.53%	2012	2018	-	65 020	-
XS0794570944	616 450	EUR	Fixed	2.00 %	2012	2019	5 965 732	6 280 247	6 436 913
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 304	997 000	997 229
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	5 134 777	5 140 486	5 136 185
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	550 771	551 218	550 881
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000	150 000
NO0010697204	-	SEK	Fixed	2.38 %	2013	2018	-	282 319	-
NO0010697212	-	SEK	Floating	3M Stibor + 0.50%	2013	2018	-	658 910	-
XS0881369770	1 000 000	EUR	Fixed	2.13 %	2013	2023	9 653 027	9 644 244	9 879 560
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	4 827 837	4 820 642	4 940 427
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 969 631	7 959 034	7 967 018
NO0010733694	1 150 000	NOK	Fixed	1.75 %	2015	2021	1 146 767	1 145 487	1 146 452
XS1312011684	500 000	EUR	Floating	0.625 %	2015	2021	4 826 835	4 820 816	4 939 699
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	843 479	842 942	843 347
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2016	2020	4 999 497	4 999 030	4 999 382
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 454	699 387	699 438
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	4 814 684	4 807 571	4 926 983
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 009 155	5 011 844	5 009 818
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	4 816 408	4 810 719	4 929 108
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	4 811 770	4 806 150	4 924 377
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 588 485	1 587 659	1 588 282
NO0010821192	5 000 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 044 244	-	8 043 920
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	4 809 590	-	4 922 155
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	4 794 488	-	-
XS1969637740	10 000	EUR	Fixed	1.25 %	2019	2039	96 806	-	-
Value adjustments							1 937 746	1 385 609	1 533 790
Total covered bonds¹							96 452 553	86 513 051	93 912 784

¹ For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of 5 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 Mar 2019	31 Mar 2018	31 Dec 2018
NO0010699234	-	NOK	Floating	3M Nibor + 1.14%	2013	2018	-	199 957	-
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	425 074	425 220	425 110
NO0010713753	250 000	NOK	Floating	3M Nibor + 0.70%	2014	2019	84 997	249 943	249 978
NO0010739287	600 000	NOK	Floating	3M Nibor + 0.70%	2015	2020	599 832	599 690	599 797
NO0010764160	350 000	NOK	Floating	3M Nibor + 0.95%	2016	2019	125 024	350 319	350 096
NO0010776099	500 000	NOK	Floating	3M Nibor + 0.92%	2016	2020	499 889	499 815	499 871
NO0010782048	500 000	NOK	Floating	3M Nibor + 0.95%	2017	2022	501 412	501 919	501 537
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 780	-	449 764
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 550	-	299 533
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 621	-	-
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 784	-	-
Total senior unsecured bonds							3 584 961	2 826 862	3 375 685
Total debt securities issued							100 037 514	89 339 913	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 Mar 2019	31 Mar 2018	31 Dec 2018
NO0010679632	-	NOK	Flytende	3M Nibor + 2.20% ¹	2013	2023	-	1 000	-
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85% ²	2015	2025	199 952	199 892	199 937
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% ³	2016	2026	149 882	149 822	149 868
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40% ⁴	2018	2028	324 501	324 371	324 469
Total subordinated loan capital							674 334	675 085	674 273

¹ Subordinated loan of NOK 250 million maturing on 23 May 2023, with a redemption right (call) on 23 May 2018 and thereafter quarterly at each interest date. A regulatory call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest. Eika Boligkreditt redeemed the the loan in its entirety on 23 May 2018.

² 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.

³ 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.

⁴ 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.

Note 8 – Coverpool

For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of 5 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 requirements 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

Amounts in NOK 1 000	Fair value		
	31 Mar 2019	31 Mar 2018	31 Dec 2018
Lending to customers ²	82 055 304	78 000 851	81 541 489
Substitute assets and derivatives:			
Financial derivatives without accrued interest (net)	6 521 925	6 256 453	7 323 128
Substitute assets ³	16 312 719	10 089 488	14 046 298
Total cover pool	104 889 948	94 346 792	102 910 916
The cover pool's overcollateralisation ⁴	106.07%	105.88%	107.06%

Covered bonds issued

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Covered bonds	96 452 553	86 513 051	93 912 784
Premium/discount	230 115	181 626	200 252
Own holding (Covered bonds) ¹	2 203 000	2 412 000	2 010 000
Total covered bonds	98 885 668	89 106 677	96 123 036

¹With effect from 31 December 2017, account has been taken of the company's own holding of covered bonds when calculating the two per cent requirement.

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

Amounts in NOK 1 000	Nominal values		
	31 Mar 2019	31 Mar 2018	31 Dec 2018
Lending to customers ²	82 032 698	77 998 330	81 521 274
Substitute assets:			
Substitute assets ³	16 226 187	10 054 627	13 993 519
Total cover pool	98 258 885	88 052 957	95 514 793
The cover pool's overcollateralisation ⁴	109.56%	109.87%	110.58%

Covered bonds issued

	31 Mar 2019	31 Mar 2018	31 Dec 2018
Covered bonds	89 688 603	80 145 213	86 373 213
Total covered bonds	89 688 603	80 145 213	86 373 213

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

³Substitute 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 March 2019, liquid assets totalling NOK 750 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 106.83 per cent at fair value and 110.39 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 Mar 2019		31 Dec 2018	
	Nominal amount	Fair value	Nominal amount	Fair value
Amounts in NOK 1 000				
Interest rate swap lending ¹	2 464 710	12 176	1 864 130	12 005
Interest rate and currency swap ²	58 891 112	6 780 132	55 027 640	7 800 488
Total financial derivative assets including accrued interest	61 355 822	6 792 308	56 891 770	7 812 493
Liabilities				
Amounts in NOK 1 000				
Interest rate swap lending ¹	2 050 649	18 680	2 562 335	18 997
Interest rate and currency swap ²	1 300 000	29 862	2 000 000	51 410
Interest swap placement	484 030	5 908	-	-
Total financial derivative liabilities including accrued interest	3 834 679	54 450	4 562 335	70 406

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

²The 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.

Amounts in NOK 1 000	31 Mar 2019		31 Dec 2018	
	Nominal amount	Value recognised in balance sheet	Nominal amount	Value recognised in balance sheet
Hedging instruments: interest rate and currency swaps ^{1,2}	60 191 112	6 540 982	53 027 640	7 334 528
Hedged items: financial commitments incl foreign exchange ²	60 191 112	(7 002 311)	53 027 640	(7 745 130)
Net capitalised value without accrued interest	-	(461 329)	-	(410 602)

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

²The 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	1st quarter 2019	1st quarter 2018	2018
Hedging instruments	(770 739)	(1 138 571)	(44 797)
Hedged items	768 496	1 152 519	50 791
Net gains/losses (ineffectiveness) recorded in profit and loss³	(2 243)	13 947	5 994
Net gains and losses from redemption of debt	-	(8 073)	-
Net gains/losses of fair value hedging on debt securities issued	(2 243)	5 874	5 994

³The change in value for financial instruments in 2019 relate almost entirely to changes in basis swaps. 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.

31 March 2019

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	4 974 983
Bonds and certificates	3 405 035	12 360 280	-
Financial derivatives	-	6 792 308	-
Shares classified at fair value recognised in profit or loss	-	-	2 500
Total financial assets	3 405 035	19 152 588	4 977 483
Financial liabilities			
Financial derivatives	-	54 450	-
Total financial liabilities	-	54 450	-

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 Beløp i tusen kroner	01 Jan 2019	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2018	Other comprehensive income	31 Mar 2019
Lending to customers (fixed-rate loans)	4 830 180	342 150	(200 059)	-	2 713	-	4 974 983
Shares at fair value over profit or loss	2 500	-	-	-	-	-	2 500
Total	4 832 680	342 150	(200 059)	-	2 713	-	4 977 483

2018 Amounts in NOK 1 000	01 Jan 2018	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2017	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 March 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 160 million. The effect of a decrease in interest rates would be an increase of NOK 160 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 March 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 Mar 2019
Change in debt securities issued ¹	46 079 640	4 947 500	(1 400 028)	49 627 112
Total	46 079 640	4 947 500	(1 400 028)	49 627 112

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

¹The 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	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
Revaluation at acquisition cost	-	(14 700)
Share of profit/loss	3 064	10 911
Carrying amount	57 505	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.

Note 12 – Capital adequacy ratio

Amounts in NOK 1 000	31 Mar 2019	31 Mar 2018	31 Dec 2018
Share capital	1 093 319	1 045 700	1 093 319
Share premium	2 967 063	2 814 683	2 967 063
Other paid-in equity	477 728	477 728	477 728
Other equity	1 015	1 015	1 015
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	4 539 126	4 339 125	4 539 126
Fund for unrealised gains	10 265	14 700	10 265
Intangible assets	(5 332)	-	(5 116)
Deferred tax assets ¹	-	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(21 237)	(15 064)	(21 867)
Total core tier 1 capital	4 522 821	4 332 285	4 522 408

Core capital adequacy ratio (core tier 1 capital)	31 Mar 2019	31 Mar 2018	31 Dec 2018
Weighted calculation basis	34 083 955	32 037 149	33 731 370
Core tier 1 capital	4 522 821	4 332 285	4 522 408
Core tier 1 capital ratio	13.3%	13.5%	13.4%

Total core tier 1 capital	4 522 821	4 332 285	4 522 408
Tier 1 perpetual bonds	573 671	625 902	704 974
Total tier 1 capital	5 096 492	4 958 188	5 227 381

Capital adequacy ratio (tier 1 capital)	31 Mar 2019	31 Mar 2018	31 Dec 2018
Weighted calculation basis	34 083 955	32 037 149	33 731 370
Tier 1 capital	5 096 492	4 958 188	5 227 381
Tier 1 capital ratio	15.0%	15.5%	15.5%

Total tier 1 capital	5 096 492	4 958 188	5 227 381
Subordinated loans	674 334	675 085	674 273
Total primary capital (tier 2 capital)	5 770 826	5 633 272	5 901 654

Capital adequacy ratio (tier 2 capital)	31 Mar 2019	31 Mar 2018	31 Dec 2018
Weighted calculation basis	34 083 955	32 037 149	33 731 370
Total primary capital (tier 2 capital)	5 770 826	5 633 272	5 901 654
Capital adequacy ratio	16.9%	17.6%	17.5%

Required capital corresponding to eight per cent of calculation basis	2 726 716	2 562 972	2 698 510
Surplus equity and subordinated capital	3 044 110	3 070 300	3 203 145

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

31 March 2019

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	31 877 256	2 550 180
Operational risk	450 599	36 048
CVA risk ²	1 756 100	140 488
Total	34 083 955	2 726 716

Leverage Ratio	31 Mar 2019	31 Mar 2018	31 Dec 2018
Total Leverage Ratio exposure	112 799 051	101 496 191	110 627 267
Tier 1 capital	5 096 492	4 958 188	5 227 381
Leverage Ratio	4.5 %	4.9 %	4.7 %

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

¹Deferred 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.

²At 31 March 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 March. This amount represented a quantification of the company's risk. After account has been taken of the growth in overall lending, and in changes to the company's liquidity portfolio, the calculation basis for capital adequacy at 31 December was NOK 0.4 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 31 March 2019 with a core tier 1 capital ratio of 13.3 per cent.

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

Aomunts in NOK 1 000	31.03.2019	31.03.2018	31.12.2018
Prepaid expenses	2 258	1 908	1 452
Repo agreements	3 488 267	-	356 439
Accrued interests	133 883	116 896	128 660
Short-term receivables	20	-	-
Total other financial assets	3 624 429	118 804	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 31 March 2019, Eika Boligkreditt had received cash collateral of NOK 3.4 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 1.7 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.

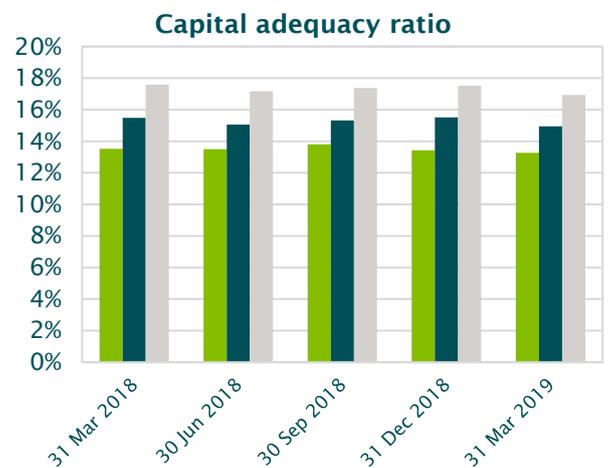
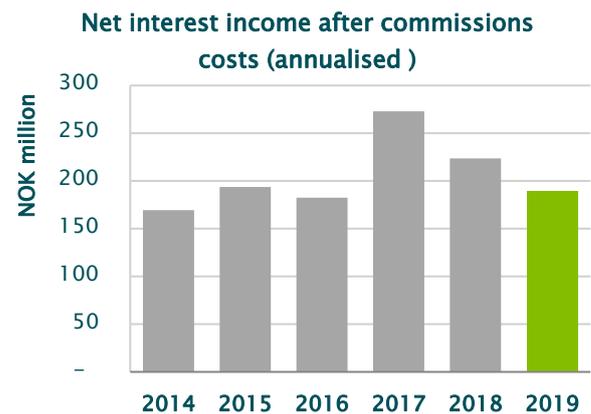
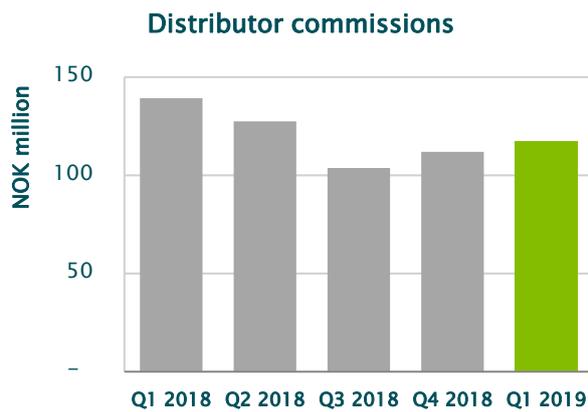
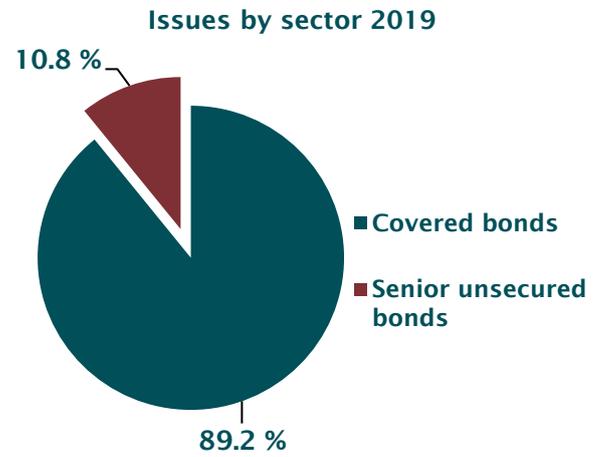
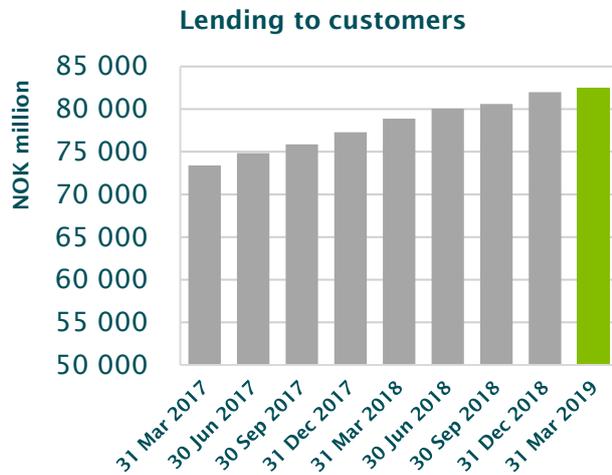
Note 15 – Contingency and overdraft facilities

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



■ Core capital adequacy ratio (core tier 1 capital)
■ Tier 1 capital ratio
■ Capital adequacy ratio (tier 2 capital)

Key figures – Unaudited

Amounts in NOK 1 000	31 Mar 2019	31 Mar 2018	31 Dec 2018
Balance sheet development			
Lending to customers	82 427 372	78 876 990	82 014 685
Debt securities issued	100 037 514	89 339 913	97 288 469
Subordinated loan capital	674 334	675 085	674 273
Equity	5 164 409	5 059 075	5 289 810
Equity in % of total assets	4.7	5.1	4.9
Average total assets ¹	108 949 263	99 202 189	101 744 032
Total assets	109 929 326	98 801 403	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 (%)	0.04	0.05	0.03
Return on equity before tax, annualised (%) ²	3.0	1.7	4.5
Total assets per full-time position	5 847 305	4 989 970	5 452 990
Cost/income ratio (%) ³	35.8	23.6	30.1
Financial strength			
Core tier 1 capital	4 522 821	4 332 285	4 522 408
Tier 1 capital	5 096 492	4 958 188	5 227 381
Total primary capital (tier 2 capital)	5 770 826	5 633 272	5 901 654
Calculation basis capital adequacy ratio	34 083 955	32 037 149	33 731 370
Core tier 1 capital ratio (%)	13.3	13.5	13.4
Tier 1 capital ratio (%)	15.0	15.5	15.5
Capital adequacy ratio % (tier 2 capital)	16.9	17.6	17.5
Leverage ratio (%) ⁴	4.5	4.9	4.7
NSFR totalindicator i % ⁵	96	101	97
Defaults in % of gross loans	-	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	18.8	19.8	19.8
Liquidity Coverage Ratio (LCR)⁶:			
31 Mar 2019	Total	NOK	EUR
Stock of HQLA	5 142 314	750 000	300 349
Net outgoing cash flows next 30 days	3 045 187	1 036 711	84 724
LCR indicator (%)	169 %	72 %	355 %
31 Mar 2018	Total	NOK	EUR
Stock of HQLA	7 288 788	2 319 870	258 344
Net outgoing cash flows next 30 days	3 227 421	918 349	95 785
LCR indicator (%)	226 %	253 %	270 %
31 Dec 2018	Total	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):
$$\frac{\text{High-quality liquid assets}}{\text{Net outgoing cash flows next 30 days}}$$

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 March 2019, liquid assets totalling NOK 750 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

eika.

Tel: +47 22 87 81 00
E-mail: boligkreditt@eika.no
Parkveien 61
PO Box 2349 Solli
0201 Oslo

www.eikbol.no