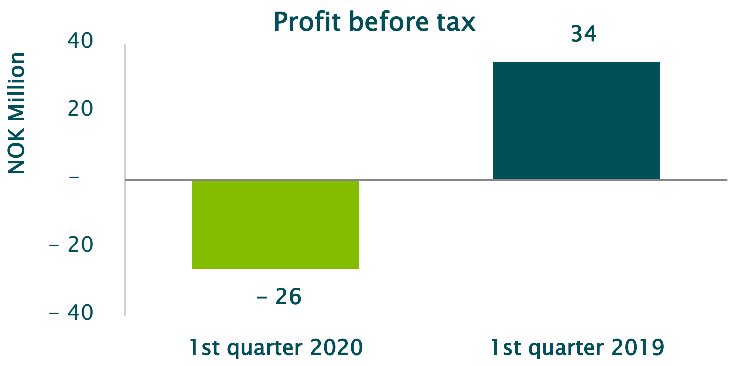
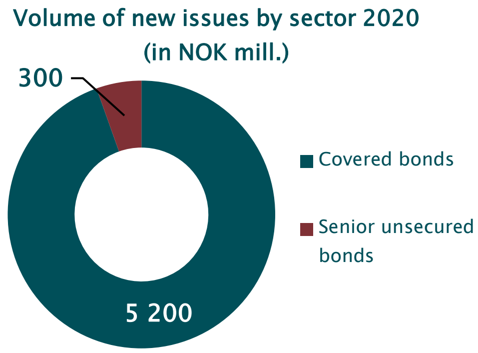
Eika Boligkreditt AS

Interim report for the first quarter 2020

Unaudited

Highlights





First quarter 2020

- Pre-tax of loss NOK 26.1 million (2019: profit of NOK 34.5 million)
- Comprehensive income (taking account of fair value changes to basis swaps) of NOK 14.7 million (2019: NOK 13.8 million)
- Financing of owner banks (excluding OBOS-banken) up by 1.3 per cent, corresponding to an annualised growth of 5.3 per cent
- Commissions to owner banks of NOK 149.8 million (2019: NOK 117.1 million)
- NOK 5.5 billion in bonds issued (2019: NOK 5.5 billion)

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

INTERIM REPORT FOR THE FIRST QUARTER 2020

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 2020, the owner banks had NOK 85.8 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

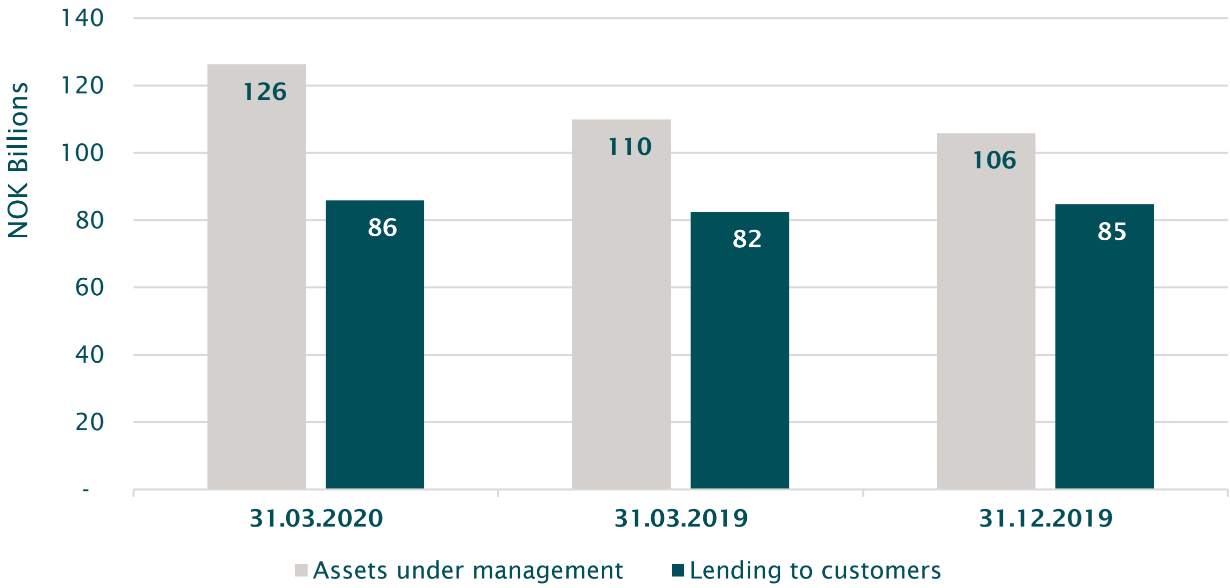
Amount in NOK thousand	1st quarter 2020	1st quarter 2019	2019
Total interest income	738 180	603 852	2 623 905
Net interest income	202 895	159 138	648 079
Commission costs	143 789	111 656	489 852
Total gain and losses on financial instruments at fair value	(70 846)	943	(5 976)
Profit before tax	**(26 089)**	**34 487**	**102 208**
Comprehensive income (taking account of fair value changes in basis swaps)	**14 746**	**13 829**	**133 368**

A rise corresponding to 22.2 per cent in the company's interest income during the first quarter compared with the same period of 2019 reflected some increase in lending volumes, but was primarily attributable to higher interest rates on residential mortgages. Net interest income in the first quarter was up by 27.5 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 4.9 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 28.8 per cent from the first quarter of 2019. 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, which increased commissions to the owner banks. Changes to the fair value of financial instruments were negative at NOK 70.8 million, down by NOK 71.8 million from the same period of 2019. These changes primarily reflect a sharp increase in credit margins and decline in the interbank rate during March. The pre-tax loss for the first quarter was NOK 26.1 million, a reduction of NOK 60.6 million from the same period of 2019.

Interest on tier 1 perpetual bonds of NOK 7.6 million in the first quarter is not presented as an interest expense in the income statement, but as a reduction in equity.

Comprehensive income for the first quarter includes positive changes in the value of basis swaps of NOK 66.6 million (2019: negative at NOK 25.7 million). 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



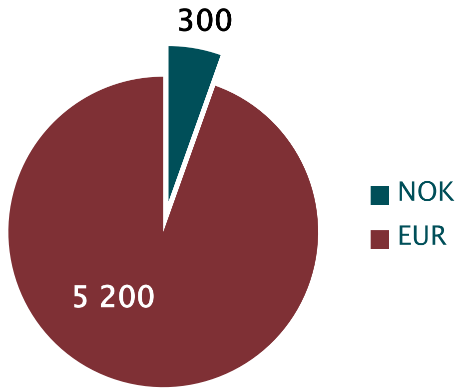
Assets under management by Eika Boligkreditt amounted to NOK 126.3 billion at 31 March 2020. The sharp rise in this figure since 1 January primarily reflects a substantial fall in the krone's exchange rate against the euro, with a corresponding increase in the carrying amount in the balance sheet – reflecting the krone value of bonds issued in euros in terms of liabilities and correspondingly the value of swap agreements hedging the currency risk for bonds issued in euros on the asset side. The effect of the weakened krone on the carrying amount in the first quarter amounted to NOK 8-9 billion. In addition, the company issued bonds totalling NOK 5.5 billion in the first quarter, which exceeded the collective NOK 1.6 billion in maturation and early redemption during the same period.

Financing of the owner banks (residential mortgage lending to customers) came to NOK 85.8 billion at 31 March, representing a net increase of NOK 1.1 billion in the first quarter and NOK 3.2 billion for the past 12 months. That amounts to a net growth of four per cent in lending 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 – ran down its financing from Eika Boligkreditt by NOK 0.9 billion. OBOS-banken's residual financing from Eika Boligkreditt at 31 March was NOK 3.2 billion. Adjusted for OBOS-banken, financing from Eika Boligkreditt for the remaining owner banks grew by NOK 4.2 billion over the past 12 months, representing a 5.3 per cent rise. That reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

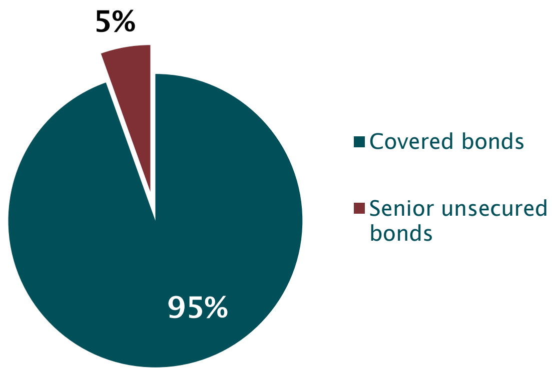
Borrowing

Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 5.5 billion in the first quarter. This amount was identical with issues in the same period of 2019. Covered bonds and senior unsecured bonds accounted for NOK 5.2 billion and NOK 300 million respectively of the issue volume in the first quarter.

Issues by currency (in NOK mill) in 2020



Issues by sector (in %) in 2020



Of bond issues in 2020, 94.5 per cent were denominated in euros and 5.5 per cent in Norwegian kroner. Covered bonds accounted for 94.5 per cent of the issue volume.

The table below shows issues (excluding tier 1 perpetual bonds) in 2020, 2019 and 2018.

New issues (amounts in NOK million)	1st quarter 2020	1st quarter 2019	2019	2018
Covered bonds (issued in EUR)	5 200	4 947	5 586	4 848
Covered bonds (issued in NOK)	-	-	7 250	10 650
Senior unsecured bonds (issued in NOK)	300	600	1 200	750
Subordinated loans (issued in NOK)	-	-	250	325
Total issued	**5 500**	**5 547**	**14 286**	**16 573**

The average tenor for covered bonds issued in the first quarter of 2020 was seven years. The average tenor for the company's borrowing portfolio at 31 March was 3.94 years, compared with 3.96 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 2020	31 Mar 2019	31 Dec 2019	31 Dec 2018
Covered bonds	104 070	96 453	90 751	93 913
Senior unsecured bonds	3 734	3 585	3 549	3 376
Subordinated loans	724	674	889	674
Total borrowing	**108 529**	**100 712**	**95 189**	**97 963**

Total borrowing by the company at 31 March was NOK 108.5 billion, up by NOK 13.3 billion from 1 January.

Liquidity

At 31 March, the company had a liquidity portfolio of NOK 24.5 billion. That includes cash collateral of NOK 11.2 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 1.9 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Effects of the coronavirus epidemic

The coronavirus epidemic has meant an increase in both lay-offs and unemployment in Norway. This position has contributed in turn to a rise in the number of applications for a temporary repayment (interest only) break or full payment holiday (including both instalments and interest) on residential mortgages included in the company's cover pool. The proportion of the interest-only mortgages in the cover pool rose from 28 per cent at 1 January to 32 per cent at 31 March as a result of the coronavirus epidemic. The company approved a total of 41 applications for full payment holidays from mid-March to mid-April.

The krone weakened substantially against the euro in March. On the weakest intraday, the exchange rate reached NOK 13 to the euro. The krone declined from 10.4 to the euro at 1 March to over 12.5 on 20 March. During the first quarter, Eika Boligkreditt entered into currency swap agreements totalling just over NOK 5 billion to hedge bonds for a corresponding amount issued in euros. A weakening of about NOK 2 in the krone exchange rate against the euro meant that the overall market value of these agreements increased by an estimated NOK 9 billion during the first quarter. The company uses hedge accounting and the hedged effects related to currency fluctuations for derivatives are therefore recognised as a corresponding change in the value of borrowings in euros.

Pursuant to the derivative agreements, the company's derivative counterparties must deposit collateral if the value of the agreements rises. The company is obliged reinvest collateral deposits to avoid exceeding the limits on its commitments. The weakening of the krone in March exceeded all conceivable stress-test scenarios for exchange rate developments, but good management in line with established routines ensured compliance with regulatory ceilings on the size of its commitments.

The increase in credit margins during March yielded an unrealised price loss of NOK 19.6 million on the liquidity portfolio. That excludes cash collateral from counterparties to derivative agreements. The unrealised loss amounts to 0.16 percentage points of the value of the liquidity portfolio. It is offset by NOK 20.5 million in interest income and NOK 0.2 million in realised price gain, which means that the overall return in March was a marginally positive NOK 1.2 million or 0.01 percentage points. The first-quarter return on the liquidity portfolio (excluding the return on reinvested cash collateral received) was NOK 32 million, which corresponds to a rise in value of 0.32 percentage points over the quarter or an annualised increase of 1.30 percentage points. This demonstrates that the capital management strategy established for the liquidity reserve is robust against turbulence in the financial markets.

The retail market is less exposed to losses on lending than other sectors. Eika Boligkreditt's lending is confined to residential mortgages with a generally low loan-to-value ratio, and it is therefore less exposed to loss. Social security provision in Norway, including specific measures introduced in connection with the coronavirus position, also helps to reduce the risk of loss in the conditions now affecting society. Nevertheless, a risk of increased losses exists in the retail market because of the long-term consequences of the epidemic. As a result of changed economic conditions related to these circumstances, the company recalculated expected losses on mortgage lending for the first quarter. In light of the low LTV ratio on the residential mortgages in the cover pool, and the provision by the owner banks of guarantees to the company against losses, no accounting loss has been incurred in the first quarter of 2020.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 6.4 billion at 31 March, virtually unchanged from 1 January.

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 March amounted to NOK 36.4 billion, up by NOK 2.3 billion from 1 January. This rise primarily reflects increased exposure to the company's derivative counterparties, an increase in cash collateral received, and an enhanced risk of weaker creditworthiness – a credit value adjustment (CVA) – for these counterparties as a result of the fall of the krone against the euro. The rest of the increase is explained by the rise in residential mortgage lending to customers. The amount of the calculation base represents a quantification of the company's credit and counterparty risk, and Eika Boligkreditt's primary capital ratio is calculated as a proportion of this base.

The table below presents developments in the capital adequacy ratio.

Amounts in NOK million	31 Mar 2020	31 Mar 2019	31 Dec 2019
Risk-weighted assets	36 421	34 084	34 074
Total primary capital (tier 2 capital)	6 364	5 771	6 372
Capital adequacy ratio in per cent	**17.5 %**	**16.9 %**	**18.7 %**

On 13 March 2020, the Ministry of Finance reduced the countercyclical capital buffer from 2.5 to one per cent with immediate effect. Norges Bank takes the view that the Norwegian economy faces the risk of a marked downturn as a result of the coronavirus outbreak. The buffer requirement has been reduced in order to prevent more stringent lending practice by the banks reinforcing a downturn. This has meant changes to capital targets for Eika Boligkreditt from 13 March 2020.

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 12.0% (13.9% at 31 March 2020)
- tier 1 capital ratio: 13.5% (15.5% at 31 March 2020)
- tier 2 capital ratio: 15.5% (17.5% at 31 March 2020)

These targets are adequate in relation to legal requirements, the company's Pillar II requirement of 0.5 per cent and capital requirements based on Eika Boligkreditt's internal risk assessment (0.5 per cent). As shown above, the applicable buffer requirements were fulfilled at 31 March with a core tier 1 capital adequacy of 13.9 per cent.

Allocation of profit for 2019

The company has reassessed its proposed dividend for fiscal 2019. Based on the financial statements for the year, Eika Boligkreditt had a net profit of NOK 133.4 million. Payment of a dividend of NOK 103.9 million to the owner banks for 2019 has been proposed to the annual general meeting. The company's capital adequacy is considered to be good, with a good buffer in relation to its capital requirements. Eika Boligkreditt considers that the risk of failing to meet its capital targets and of realised non-performing engagements in the company is low. In addition, the dividend will remain within the Eika Alliance, helping to strengthen the system as a whole. On that basis, the board's decision of 11 March 2020 to propose that the AGM approve a dividend of NOK 103.9 million to the owners for 2019 will stand.

Outlook

The company's financing of the owner banks grew by a net NOK 0.94 billion in the first quarter and NOK 3.2 billion for the past 12 months, representing a 12-monthly growth of four per cent. Adjusted for the agreed reduction in OBOS-banken's financing, the 12-monthly growth was 5.3 per cent. Statistics Norway's credit indicator for March 2020 showed a 12-monthly increase of 4.7 per cent in Norwegian household debt, down from 5.9 per cent 12 months earlier.

The lending survey from Norges Bank for the first quarter of 2020 largely reflects the position before Norway shut down in response to the coronavirus. Expectations for the second quarter are affected by the outbreak and the measures taken. The banks report that household demand for credit declined somewhat in the first quarter and that associated financing costs fell a little as a result of the reduction in base rates. As a result of the coronavirus outbreak and the controls imposed, the banks expect a decline in household demand for credit during the second quarter. If these expectations are fulfilled, it would represent the biggest fall in demand for residential mortgages since the financial crisis. The banks also expect a decline in interest rates on lending and financing costs during the second quarter. It also emerges from the survey that a number of customers are requesting a short-term repayment break in order to help them cope with lay-offs or redundancies.

According to the house price report from Real Estate Norway for March 2020, average Norwegian house prices had risen 1.5 per cent over the previous 12 months. They fell by 1.4 per cent in March, and this downturn affected all geographical areas covered in the report. The supply of homes has not changed significantly in the wake of the measures adopted to deal with the coronavirus epidemic, but turnover fell sharply (by 40-50 per cent) in the weeks after 12 March. Uncertainty about future house price developments is unusually great as a result of the coronavirus position, and it is very uncertain how long the measures will last. Calculating the longer-term effects which this will have for unemployment, economic growth, prices and interest rates is difficult. Viewed overall, the declining trend for house prices is likely to continue, even though the central bank's base rate has been reduced to a record low 0.25 per cent and pulled market interest rates down by about 1.2 per cent.

The bond market in the first quarter was characterised by a high level of activity until the coronavirus position escalated in March. Since then, the market was virtually closed by the virus for a couple of weeks during the month, and credit margins increased sharply for bonds in all sectors. A number of coronavirus-related measures have been adopted, and activity has subsequently risen again. On 12 March, the European Central Bank (ECB) introduced measures to strengthen liquidity in the markets and to give the banks incentives to maintain their lending activities. This is being done in part through an extraordinary and temporary long-term repo operation (LTRO) intended to ensure liquidity in the financial system. In addition, the ECB will be buying bonds for a further EUR 120 billion up to the end of the year. That comes in addition to the stepped-up EUR 20 billion per month which was already planned. On 18 March, the ECB launched its pandemic emergency purchase programme (PEPP). With a ceiling of EUR 750 billion, this covers purchases of a broad set of securities to be made during the year. At the same time, the ECB has made it clear that exceptions will be made to earlier restrictions on possible purchases if necessary. If the ECB's purchases are spread equally over the remaining months of the year, they corresponding to spending NOK 80-90 billion per month on buying securities in addition to the above-mentioned EUR 20 billion per month. This thereby involves overall purchases of securities which clearly exceed earlier rounds of quantitative easing by the ECB.

Norges Bank has reduced its base rate in two stages from 1.5 to 0.25 per cent, has provided liquidity through a number of extraordinary F-loans in both Norwegian krone and US dollars, has relaxed its guidelines on securities approved for deposit, and has intervened to strengthen the krone for the first time since the 1990s. The government has introduced a number of measures, including a guarantee scheme for small, medium-sized and large companies (unable to access the bond market) which is administered through the banks, and re-established a government bond fund of NOK 50 billion to relieve the position for large companies with access to the bond market. In addition, it has increased equity in Kommunalbanken by NOK 750 million, which increases its lending capacity to the local government sector by up to NOK 25 billion.

The credit margin for covered bonds with a five-year tenor in Norwegian kroner issued by Eika Boligkreditt so far this year ranged from a low of 0.25 percentage points to a peak of 0.66 in the first quarter, before falling back to 0.41 percentage points after 31 March. By comparison, credit margins quoted in the eurozone secondary market for similar bonds increased by some 15 basis points for the first quarter. Levels in the euro secondary market quoted on monitors have not reflected actual trades or levels in the primary market for new emissions. Issuers have had to pay a premium averaging 0.2 percentage points above secondary market levels on the 14 issues made in March and so far in April.

The coronavirus epidemic is hitting the Norwegian and international economies hard, with normal economic activity largely locked down in many countries. Global growth prospects have been sharply downgraded. As recently as January, the International Monetary Fund (IMF) estimated that the world economy would grow by 3.3-3.4 per cent in both 2020 and 2021. On 14 April, it estimated that global gross domestic product (GDP) is now falling, with a decline of three per cent expected this year. The eurozone countries are expected to see a record GDP contraction of 7.5 per cent for 2020, and will recover by only 4.7 per cent next year. In that event, it would take a long time for them to return to full employment.

Great uncertainty prevails about how deep and long-lasting the Norwegian downturn will be. Oil prices look like being substantially lower than the NOK 475 per barrel estimated by the government in this year's national budget. According to the IMF in January, mainland Norway's GDP was set to grow by almost 2.5 per cent this year – more or less unchanged from 2.3 per cent in 2019. Overall GDP is now expected to decrease by 6.3 per cent, which would mean a decline of about nine per cent for mainland Norway over the year. Given that the public sector will see a moderate increase this year, the IMF's estimate indicates a decline of 10-15 per cent in mainland production of goods and services by the private sector. By comparison, Statistics Norway estimates that the level of activity in the mainland economy dropped by 14 per cent from 1-31 March.

The IMF estimates that unemployment will rise from four per cent in 2019 to 13 per cent this year, and is expected to recover only to seven per cent in 2021. According to figures from the Labour and Welfare Administration (NAV), Norwegian unemployment (including people laid off) at 31 March was 11.7 per cent. While most of the jobless will get back into work, it is unlikely that all can do so. Given the sharp downturn in expected investment activity, the number out of a job is likely to stabilise at a clearly higher level than the 3.8 per cent before the crisis hit.

Credit growth is likely to turn into a contraction for both households and non-financial enterprises towards the end of the year. Household demand for loans in the third quarter – normally the strongest in the year – will be restrained by measures introduced in the fight against the coronavirus. Declining house prices and lower housebuilding will reduce household demand for credit. However, lack of liquidity among those hard hit by the crisis could increase overdrafts and liquidity loans. Approval of repayment breaks will reduce loan redemptions and help to maintain the volume of lending.

Losses by the banks will depend on the scope and duration of the pandemic, and on which measures are adopted by the government. Official responses are likely to get larger and more numerous during the year. If unemployment remains high, the central government budget for 2021 will also probably be very expansive. Calculations of the potential size of financial stimulation for the Norwegian economy during 2020, published in early April, expect it to be no less than 4.5 per cent of GDP given the appropriations proposed up to that point. This is far greater than the 2.4 per cent used during the 2008-09 financial crisis. New packages of measures will probably come later and increase the size of this historic stimulation.

Spending of oil revenues in 2021 could reach five-six per cent of the expected value of the government pension fund - global at 31 December 2020, or NOK 500-600 billion, if the government gives priority to combating unemployment rather than keeping close to the fiscal rule for using its oil income. Such an expansive financial policy would also mean that the Norwegian economy rebounds more quickly than the forecast by the IMF.

The Ministry of Finance has reduced the countercyclical capital buffer from 2.5 to one per cent. The residential mortgage regulations have been moderated. Applying the IMF's forecast, the countercyclical capital buffer can be expected to be set to zero in the near future. Nor can further interest-rate cuts by the central bank and new relaxations in the mortgage regulations by the finance ministry be excluded.

On 14 April, the Storting (parliament) approved the government's support package for covering unavoidable company overheads. Together with other measures adopted, this will help to increase the survival capability of companies and thereby reduce potential losses in the banking sector – at least in the short term. The scheme can be extended and possibly adjusted if required.

Viewed collectively, the Eika banks are very well capitalised with a good buffer against their capital requirements. This means they are well placed in terms of capital adequacy to cope with the challenges presented by the coronavirus epidemic.

Despite a more complex macroeconomic position and expectations of increased losses for Norwegian banks in the time to come, the market for covered bonds in euros and Norwegian kroner is expected to be open. Eika Boligkreditt therefore expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 13 May 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	1Q 2020	1Q 2019	2019
INTEREST INCOME				
Interest from loans to customers at amortised cost		**629 648**	515 989	2 239 530
Interest from loans to customers at fair value		**49 411**	31 490	151 353
Interest from loans and receivables on credit institutions		**7 690**	3 686	19 770
Interest from bonds, certificates and financial derivatives		**41 831**	44 418	179 252
Other interest income at amortised cost		**9 045**	7 852	32 118
Other interest income at fair value		**556**	417	1 882
Total interest income		**738 180**	603 852	2 623 905
INTEREST EXPENSES				
Interest on debt securities issued		**522 476**	439 021	1 929 706
Interest on subordinated loan capital		**7 162**	5 499	25 973
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**4 927**	-	18 355
Other interest expenses		**720**	194	1 792
Total interest expenses		**535 285**	444 714	1 975 826
Net interest income		**202 895**	159 138	648 079
Commission costs		**143 789**	111 656	489 852
Net interest income after commissions costs		**59 106**	47 482	158 227
Income from shares in associated company		**2 984**	3 064	19 117
Total income from shares	Note 11	**2 984**	3 064	19 117
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE				
Net gains and losses on bonds and certificates	Note 3	**(6 985)**	-	-
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**(49 159)**	(2 243)	(5 264)
Net gains and losses on financial derivatives	Note 3	**(205 140)**	473	34 383
Net gains and losses on loans at fair value	Note 3	**190 438**	2 713	(34 245)
Fair value adjustment, shares	Note 3	**-**	-	(850)
Total gains and losses on financial instruments at fair value		**(70 846)**	943	(5 976)
Other income		**16**	-	63
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				
Salaries, fees and other personnel expenses		**7 991**	7 743	32 256
Administrative expenses		**5 005**	3 916	18 326
Total salaries and administrative expenses		**12 997**	11 659	50 581
Depreciation		**1 105**	988	3 945
Other operating expenses		**3 246**	4 355	14 696
Losses on loans and guarantees		**-**	-	-
PROFIT BEFORE TAXES		**(26 089)**	34 487	102 208
Taxes		**(9 284)**	7 860	13 546
PROFIT FOR THE PERIOD		**(16 804)**	26 627	88 662
Net gains and losses on bonds and certificates	Note 3	**(24 492)**	8 613	6 634
Net gains and losses on basis swaps	Note 3	**66 559**	(25 677)	52 974
Taxes on other comprehensive income		**(10 517)**	4 266	(14 902)
COMPREHENSIVE INCOME FOR THE PERIOD		**14 746**	13 829	133 368

Of the total comprehensive income for the period above, NOK 4.1 million is attributable to the shareholders of the company, NOK 7.7 million to the hybrid capital investors and NOK 2.9 million to the fund for valuation differences.

Balance sheet

Amounts in NOK 1 000	Notes	31 Mar 2020	31 Mar 2019	31 Dec 2019
ASSETS				
Lending to and receivables from credit institutions		**2 182 174**	1 192 214	968 309
Lending to customers	Note 4, 9	**85 846 107**	82 427 372	84 718 544
Other financial assets	Note 13	**561 346**	3 624 429	142 095
Securities				
Bonds and certificates at fair value	Note 5,9	**21 873 535**	15 765 315	13 362 946
Financial derivatives	Note 8,9	**15 654 051**	6 792 308	6 478 291
Shares	Note 10,11	**1 650**	2 500	1 650
Total securities		**37 529 236**	22 560 123	19 842 887
Shares in associated company	Note 11	**66 668**	57 505	63 685
Intangible assets				
Deferred tax assets		**77 868**	44 085	77 868
Intangible assets		**4 125**	5 332	4 553
Total other intangible assets		**81 993**	49 417	82 421
Tangible fixed assets				
Right-of-use assets	Note 15	17 639	18 267	16 701
Tangible fixed assets		**17 639**	18 267	16 701
TOTAL ASSETS		**126 285 163**	109 929 326	105 834 641
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 14	**11 181 874**	3 376 467	3 937 698
Financial derivatives	Note 8,9	**193 167**	54 450	68 756
Debt securities issued	Note 6	**107 804 516**	100 037 514	94 300 106
Other liabilities		**575 167**	599 823	840 908
Pension liabilities		**5 021**	4 075	5 021
Lease obligations	Note 15	**17 700**	18 254	16 593
Subordinated loan capital	Note 7	**724 125**	674 334	889 050
TOTAL LIABILITIES		**120 501 567**	104 764 917	100 058 132
Called-up and fully paid capital				
Share capital		**1 225 497**	1 093 319	1 225 497
Share premium		**3 384 886**	2 967 063	3 384 886
Other paid-in equity		**477 728**	477 728	477 728
Total called-up and fully paid capital	Note 12	**5 088 111**	4 538 111	5 088 111
Retained earnings				
Fund for unrealised gains		**9 596**	10 265	9 596
Fund for valuation differences		**20 155**	-	20 155
Other equity		**91 742**	42 363	84 736
Total retained equity	Note 12	**121 493**	52 628	114 487
Hybrid capital				
Tier 1 capital		**573 992**	573 671	573 912
Total hybrid capital		**573 992**	573 671	573 912
TOTAL EQUITY		**5 783 596**	5 164 409	5 776 509
TOTAL LIABILITIES AND EQUITY		**126 285 163**	109 929 326	105 834 641

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]	Fund for valuation differences [4]	Retained earnings: other equity [5]	Tier 1 perpetual bonds [6]	Total equity
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)	20 155	(9 389)	7 735	17 832
Equity issue	96 129	303 871	-	-	-	-	-	400 000
Interest tier 1 capital	-	-	-	-	-	-	(7 654)	-7 654
Hybrid capital	-	-	-	-	-	-	-	-
Balance sheet as at 31 December 2019	**1 225 496**	**3 384 886**	**477 728**	**9 596**	**20 155**	**84 736**	**573 912**	**5 776 510**
Result for the period	-	-	-	-	-	7 006	7 740	14 746
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(7 660)	(7 660)
Hybrid capital	-	-	-	-	-	-	-	-
Balance sheet as at 31 March 2020	**1 225 496**	**3 384 886**	**477 728**	**9 596**	**20 155**	**91 742**	**573 992**	**5 783 596**

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] The fund for valuation differences comprises the positive difference between the carried amount in the balance sheet and the acquisition price for investments in shares in associated companies.

[5]Other equity comprises earned and retained profits.

[6]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	**1Q 2020**	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	14 746	133 368
Taxes	1 232	28 448
Income taxes paid	(16 382)	(32 764)
Ordinary depreciation	428	1 857
Non-cash pension costs	-	946
Change in loans to customers	(1 127 563)	(2 703 859)
Change in bonds and certificates	(8 510 589)	3 230 362
Change in financial derivatives and debt securities issued	230 336	22 993
Interest expenses	535 285	1 975 826
Paid interest	(797 087)	(1 981 301)
interest income	(728 579)	(2 589 905)
received interests	705 577	2 578 588
Changes in other assets	(396 249)	356 621
Changes in short-term liabilities and accruals	135 789	28 059
Net cash flow relating to operating activities	**(9 953 056)**	1 049 240
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	-	(1 294)
Share of profit/loss in associated companies	(2 984)	(19 117)
Payments from shares in associated companies	-	9 873
Net cash flow relating to investing activities	**(2 984)**	(10 538)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	5 568 276	14 060 594
Gross payments of bonds and commercial paper	(1 469 961)	(15 737 748)
Gross receipts on issue of subordinated loan capital	-	249 729
Gross payments of subordinated loan capital	(164 925)	(34 952)
Gross receipts from issue of loan from credit institution	7 244 176	82 631
Gross payments from loan from credit institution	-	-
Gross receipts from issuing tier 1 perpetual bonds	-	-
Gross payments from issuing tier 1 perpetual bonds	-	(131 400)
Interest to the hybrid capital investors	(7 660)	(29 823)
Payments of dividend	-	(35 445)
Paid-up new share capital	-	550 000
Net cash flow from financing activities	**11 169 906**	(1 026 414)
Net changes in lending to and receivables from credit institutions	1 213 866	12 288
Lending to and receivables from credit institutions at 1 January	968 308	956 021
Lending to and receivables from credit institutions at end of period	**2 182 174**	968 308

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt will prepare financial statements for 2020 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 2019 provides more details about accounting principles pursuant to the IFRS.

The financial statements for the first quarter of 2020 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. See note 8 to the annual financial statements for 2019 for further information.

Note 2 – Use of estimates and discretion

In the application of the accounting policies described in note 1 to the annual financial statements for 2019, 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 and 4.2.2 to the annual financial statements for 2019 for further information.

No loans were written down at 31 March 2020.

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 2020	1st quarter 2019	2019
Net gains and losses on bonds and certificates including currency effects [1]	(6 985)	-	-
Net gains and losses on loans at fair value	190 438	2 713	(34 245)
Net gains and losses on financial debts, hedged [2]	(9 472 655)	768 496	1 258 235
Net gains and losses on interest swaps related to lending	(205 140)	473	34 383
Net gains and losses on interest and currency swaps related to liabilities [2]	9 423 496	(770 739)	(1 263 499)
Fair value adjustment, shares	-	-	(850)
Net gains and losses on financial instruments at fair value	**(70 846)**	**943**	**(5 976)**

[1] The accounting line consists of net realised gains and losses on bonds and certificates and currency effects related to cash collateral and reinvested collateral in foreign currency.

[2] 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 2020	1st quarter 2019	2019
Net gains and losses on bonds and certificates	(19 486)	11 708	5 839
Net gains and losses on interest-rate swaps related to bonds and certificates	(5 006)	(3 096)	796
Net gains and losses on basis swaps [3]	66 559	(25 677)	52 974
Net gains and losses on financial instruments at fair value	**42 067**	**(17 064)**	**59 609**

[3] Comprehensive profit for the in 2020 includes positive changes of NOK 66.6 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 2020	31 Mar 2019	31 Dec 2019
Installment loans - retail market	80 213 242	76 424 327	79 150 938
Installment loans - housing cooperatives	5 457 951	5 980 439	5 582 664
Adjustment fair value lending to customers[1]	174 913	22 606	(15 058)
Total lending before specific and general provisions for losses	**85 846 107**	**82 427 372**	**84 718 544**
Impairments on lending to customers	-	-	-
Total lending to and receivables from customers	**85 846 107**	**82 427 372**	**84 718 544**

[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 March 2020 where instalments due remained unpaid beyond 90 days.

Provision for losses

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 retail market is less exposed to losses on lending than other sectors. Eika Boligkreditt's lending is confined to residential mortgages with a generally low loan-to-value ratio, and it is therefore less exposed to loss. Social security provision in Norway, including specific measures introduced in connection with the coronavirus position, also helps to reduce the risk of loss in the conditions now affecting society. Nevertheless, a risk of increased losses exists in the retail market because of the long-term consequences of the epidemic. Given the credit guarantees provided by the owner banks in combination with the LTV ratio for the mortgage portfolio, Eika Boligkreditt's profits or equity are not expected to be significantly affected despite the increased risk.

As a result of changed economic conditions related to these circumstances, the company recalculated expected losses on mortgage lending for the first quarter. New calculations performed by the company show that expected losses on loans will amount to NOK 90 000 at 31 March 2020. This assessment rests on new assumptions about the development of house prices in the time to come. The calculations show a substantial increase in provision for losses, but from a very low level of about NOK 15 000 for 2018 and 2019. Calculated losses expected for the first quarter of 2020 are therefore six times larger than in both 2018 and 2019. As a result of credit guarantees of NOK 879 million from the owner banks at 31 March 2020, this will involve no accounting loss for the company in the first quarter of 2020. Furthermore, a supplementary impairment charge based on a general adjustment factor for outstanding exposure is assessed to have no effect on the accounting provision for losses.

See note 4.2.2 to the annual financial statements for 2019 for further information.

31 Mar 2020

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	79 138 850	79 138 850
Fixed rate loans	6 532 344	6 707 257
Toal lending	**85 671 194**	**85 846 107**

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 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**

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 2020

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	7 073 913	7 099 927	7 520 438
Credit institutions	6 823 000	6 860 265	6 843 454
Government bonds	7 283 762	7 295 444	7 509 643
Total bonds and certificates at fair value	**21 180 675**	**21 255 635**	**21 873 535**
Change in value charged to other comprehensive income [1]			**617 900**

[1] The large value change in the first quarter of 2020 is primarily related to agio effects on bonds denominated in euros (reinvested cash collateral received) recognised through profit and loss. Corresponding agio effects on loans to credit institutions is also recognised through profit and loss.

Average effective interest rate is 1.30 per cent annualised. The calculation is based on a weighted fair value of NOK 9.9 billion. The calculation takes account of a return of NOK 32 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

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 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 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
Total bonds and certificates at fair value	**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 Mar 2020	31 Mar 2019	31 Dec 2019
Average term to maturity	**1.1**	**1.1**	**1.4**
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 2020	31 Mar 2019	31 Dec 2019
NO0010561103	-	NOK	Fixed	5.00 %	2009	2019	-	1 272 796	-
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010625346	1 500 000	NOK	Fixed	5.20 %	2011	2026	1 500 597	1 500 689	1 500 620
NO0010663727	-	NOK	Floating	3M Nibor + 0.60%	2012	2019	-	3 990 231	-
NO0010663743	-	NOK	Fixed	3.25 %	2012	2019	-	200 348	-
XS0794570944	-	EUR	Fixed	2.00 %	2012	2019	-	5 965 732	-
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 614	997 304	997 537
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	5 129 051	5 134 777	5 130 475
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	550 318	550 771	550 430
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000	150 000
XS0881369770	1 000 000	EUR	Fixed	2.13 %	2013	2023	11 522 509	9 653 027	9 823 464
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	5 766 187	4 827 837	4 915 227
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 980 257	7 969 631	7 977 615
NO0010733694	2 000 000	NOK	Fixed	1.75 %	2015	2021	1 148 069	1 146 767	1 147 747
XS1312011684	500 000	EUR	Floating	0.625 %	2015	2021	5 763 586	4 826 835	4 913 307
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	844 025	843 479	843 890
NO0010775190	5 000 000	NOK	Floating	3M Nibor + 0.40 %	2016	2020	706 000	4 999 497	2 061 001
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 522	699 454	699 505
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	5 750 401	4 814 684	4 901 787
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 006 460	5 009 155	5 007 130
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	5 750 755	4 816 408	4 902 450
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	5 745 141	4 811 770	4 897 680
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 589 321	1 588 485	1 589 113
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 045 560	8 044 244	8 045 233
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	5 742 497	4 809 590	4 895 435
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	5 724 322	4 794 488	4 879 971
XS1969637740	10 000	EUR	Fixed	1.25 %	2019	2039	115 468	96 806	98 460
XS1997131591	60 000	EUR	Fixed	1.11 %	2019	2039	692 689	-	590 657
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25 %	2019	2024	7 243 624	-	7 243 266
XS2085864911	5 000	EUR	Fixed	0.56 %	2019	2039	57 659	-	49 165
XS2133386685	5 200 000	EUR	Fixed	0.11 %	2020	2027	5 857 662	-	-
Value adjustments							2 991 056	1 937 746	1 939 521
Total covered bonds[1]							**104 070 352**	**96 452 552**	**90 750 687**

[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 Mar 2020	31 Mar 2019	31 Dec 2019
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	-	425 074	-
NO0010713753	-	NOK	Floating	3M Nibor + 0.70%	2014	2019	-	84 997	-
NO0010739287	600 000	NOK	Floating	3M Nibor + 0.70%	2015	2020	484 979	599 832	599 940
NO0010764160	-	NOK	Floating	3M Nibor +0.95%	2016	2019	-	125 024	-
NO0010776099	500 000	NOK	Floating	3M Nibor +0.92%	2016	2020	499 962	499 889	499 944
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	500 904	501 412	501 030
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 845	449 780	449 829
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 619	299 550	299 602
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 677	299 621	299 663
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 827	299 784	299 816
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74 %	2019	2024	299 695	-	299 678
NO0010851975	1 000 000	NOK	Floating	3M Nibor + 0.27 %	2019	2021	299 933	-	299 918
NO0010874944	300 000	NOK	Floating	3M Nibor + 0.58 %	2020	2025	299 723	-	-
Total senior unsecured bonds							**3 734 164**	**3 584 961**	**3 549 419**
Total debt securities issued							**107 804 516**	**100 037 514**	**94 300 106**

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 2020	31 Mar 2019	31 Dec 2019
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85%[1]	2015	2025	-	199 952	164 997
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40%[2]	2016	2026	149 942	149 882	149 928
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40%[3]	2018	2028	324 631	324 501	324 598
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55%[4]	2019	2029	249 551	-	249 526
Total subordinated loan capital							**724 125**	**674 334**	**889 050**

[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. The company has decided to exercise the redemption right on 21 January 2020.

[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 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Lending to customers [2]	85 657 836	82 055 304	84 345 467
Substitute assets and derivatives:			
Financial derivatives without accrued interest (net)	15 343 901	6 521 925	6 079 459
Substitute assets [3]	12 417 264	16 312 719	9 838 148
Total cover pool	**113 419 002**	**104 889 948**	**100 263 074**
The cover pool's overcollateralisation [4]	106.17%	106.07%	105.81%

Covered bonds issued

	31 Mar 2020	31 Mar 2019	31 Dec 2019
Covered bonds	104 070 352	96 452 553	90 750 687
Premium/discount	110 254	230 115	217 963
Own holding (Covered bonds) [1]	2 644 400	2 203 000	3 789 000
Total covered bonds	**106 825 006**	**98 885 668**	**94 757 650**

[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 Mar 2020**	**31 Mar 2019**	**31 Dec 2019**
Lending to customers [2]	85 482 923	82 032 698	84 360 526
Substitute assets:			
Substitute assets [3]	12 360 943	16 226 187	9 775 435
Total cover pool	**97 843 866**	**98 258 885**	**94 135 960**
The cover pool's overcollateralisation [4]	110.71%	109.56%	111.35%

Covered bonds issued

	31 Mar 2020	**31 Mar 2019**	**31 Dec 2019**
Covered bonds	88 382 050	89 688 603	84 537 050
Total covered bonds	**88 382 050**	**89 688 603**	**84 537 050**

[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 March 2020, liquid assets totalling NOK 850 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 6.97 per cent at fair value and 11.67 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 2020		31 Dec 2019	
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Interest rate swap lending[1]	402 070	456	5 064 060	35 709
Interest rate and currency swap[2]	54 851 050	15 652 082	47 600 550	6 441 900
Interest swap placement	115 468	1 513	98 460	682
Total financial derivative assets including accrued interest	**55 368 588**	**15 654 051**	**52 763 070**	**6 478 291**

Liabilities				
Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Interest rate swap lending[1]	5 613 970	176 806	856 576	7 165
Interest rate and currency swap[2]	-	-	2 050 500	51 299
Interest swap placement	2 471 015	16 361	1 467 054	10 293
Total financial derivative liabilities including accrued interest	**8 084 985**	**193 167**	**4 374 130**	**68 756**

[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 Mar 2020		31 Dec 2019	
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]	54 851 050	15 574 840	45 550 050	6 061 740
Hedged items: financial commitments incl foreign exchange[2]	54 851 050	(15 840 016)	45 550 050	(6 433 921)
Net capitalised value without accrued interest	-	**(265 176)**	-	**(372 181)**

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

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

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

Amounts in NOK 1 000	1st quarter 2020	1st quarter 2019	2019
Hedging instruments	9 423 496	(770 739)	(1 263 499)
Hedged items	(9 472 655)	768 496	1 258 235
Net gains/losses (inefffectiveness) recorded in profit and loss[3]	**(49 159)**	**(2 243)**	**(5 264)**

[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 March 2020

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	6 707 257
Bonds and certificates	4 488 921	17 384 614	-
Financial derivatives	-	15 654 051	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	**4 488 921**	**33 038 665**	**6 708 907**
Financial liabilities			
Financial derivatives	-	193 167	-
Total financial liabilities	**-**	**193 167**	**-**

No significant transactions between the different levels have taken place in 2020.

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 at fair value through profit or loss	794 342	12 568 604	-
Financial derivatives	-	6 478 291	-
Shares classified as available for sale	-	-	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.

Detailed statement of assets classified as level 3 assets

2020 Amounts in NOK 1 000	01 Jan 2020	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2019	Other comprehensive income	31 Mar 2020
Lending to customers (fixed-rate loans)	6 317 876	523 726	(324 783)	-	190 438	-	6 707 257
Shares at fair value over profit or loss	1 650	-	-	-	-	-	1 650
Total	**6 319 526**	**523 726**	**(324 783)**	**-**	**190 438**	**-**	**6 708 907**

2019 Amounts in NOK 1 000	01 Jan 2019	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2018	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**

Interest rate sensitivity of assets classified as Level 3 at 31 March 2020

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 249 million. The effect of a decrease in interest rates would be an increase of NOK 249 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 2020 and cumulatively.

Detailed statement of changes in debt related to currency changes

2020 Amounts in NOK 1 000	01 Jan 2020	Issued/matured	Currency changes	31 Mar 2020
Change in debt securities issued [1]	45 045 450	5 200 000	8 354 560	58 600 010
Total	**45 045 450**	**5 200 000**	**8 354 560**	**58 600 010**

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**

[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 mar 2020	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	25.0 %
Total	**470 125**	

Amounts in NOK 1 000	2020	2019
Carrying amount at 1 January	63 685	54 441
Addition/disposal	-	-
Revalulation at acquisition cost	-	-
Share of profit/loss	2 984	19 117
Dividend	-	(9 873)
Carrying amount	**66 668**	**63 685**

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. The positive difference between the carried amount in the balance sheet and the acquisition price is recognised in fund for valuation differences.

Note 12 – Capital adequacy ratio

Amounts in NOK 1 000	31 Mar 2020	31 Mar 2019	31 Dec 2019
Share capital	1 225 497	1 093 319	1 225 497
Share premium	3 384 886	2 967 063	3 384 886
Other paid-in equity	477 728	477 728	477 728
Other equity	1 016	1 015	1 016
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**5 089 127**	**4 539 126**	**5 089 127**
Fund for unrealised gains	9 596	10 265	9 596
Intangible assets	(4 125)	(5 332)	(4 553)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(29 039)	(21 237)	(20 106)
Total core tier 1 capital	**5 085 714**	**4 522 821**	**5 074 064**

Core capital adequacy ratio (core tier 1 capital)	31 Mar 2020	31 Mar 2019	31 Dec 2019
Weighted calculation basis	36 420 740	34 083 955	34 073 656
Core tier 1 capital	5 065 559	4 522 821	5 074 064
Core tier 1 capital ratio	**13.9%**	**13.3%**	**14.9%**

Total core tier 1 capital	5 065 559	4 522 821	5 074 064
Tier 1 perpetual bonds	573 992	573 671	573 912
Total tier 1 capital	**5 639 551**	**5 096 492**	**5 647 976**

Capital adequacy ratio (tier 1 capital)	31 Mar 2020	31 Mar 2019	31 Dec 2019
Weighted calculation basis	36 420 740	34 083 955	34 073 656
Tier 1 capital	5 639 551	5 096 492	5 647 976
Tier 1 capital ratio	**15.5%**	**15.0%**	**16.6%**

Total tier 1 capital	5 639 551	5 096 492	5 647 976
Subordinated loans	724 125	674 334	724 052
Total primary capital (tier 2 capital)	**6 363 676**	**5 770 826**	**6 372 028**

Capital adequacy ratio (tier 2 capital)	31 Mar 2020	31 Mar 2019	31 Dec 2019
Weighted calculation basis	36 420 740	34 083 955	34 073 656
Total primary capital (tier 2 capital)	6 363 676	5 770 826	6 372 028
Capital adequacy ratio	**17.5%**	**16.9%**	**18.7%**

Required capital corresponding to eight per cent of calculation basis	2 913 659	2 726 716	2 725 892
Surplus equity and subordinated capital	3 450 017	3 044 110	3 646 135

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

31 March 2020

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	33 532 652	2 682 612
Operational risk	394 304	31 544
CVA risk[2]	2 493 784	199 503
Total	**36 420 740**	**2 913 659**

Leverage Ratio	31 Mar 2020	31 Mar 2019	31 Dec 2019
Total Leverage Ratio exposure	129 703 081	101 496 191	108 698 255
Tier 1 capital	5 639 551	4 958 188	5 647 976
Levereage Ratio	**4.3 %**	**4.9 %**	**5.2 %**

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 March 2020, 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 basis for calculating the capital adequacy ratio at 31 March amounted to NOK 36.4 billion, up by NOK 2.3 billion from 1 January. This rise primarily reflects increased exposure to the company's derivative counterparties, an increase in cash collateral received, and an enhanced risk of weaker creditworthiness – a credit value adjustment (CVA) – for these counterparties as a result of the fall of the krone against the euro. The rest of the increase is explained by the rise in residential mortgage lending to customers. The amount of the calculation base represents a quantification of the company's credit and counterparty risk.

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 12.0 per cent, a tier 1 capital ratio of 13.5 per cent and a tier 2 capital ratio of 15.5 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 2020 with a core tier 1 capital ratio of 13.9 per cent. The Norwegian Ministry of Finance resolved on 13 March 2020, to decrease the requirement for the countercyclical capital buffer from 2.5 to one per cent with immediate effect. 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 2019.

Note 13 – Other financial assets

Amounts in NOK 1 000	**31.03.2020**	**31.03.2019**	**31.12.2019**
Prepaid expenses	2 210	2 258	2 068
Repo agreements	396 109	3 488 267	-
Accrued interests	162 979	133 883	139 977
Short-term receivables	48	20	50
Total other financial assets	**561 346**	**3 624 429**	**142 095**

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 March 2020, Eika Boligkreditt had received cash collateral of NOK 11.2 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 1.9 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 17.6 million and NOK 17.7 million respectively, in the company's balance sheet at 31 March 2020, 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 7.5 years at 31 March 2020). 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

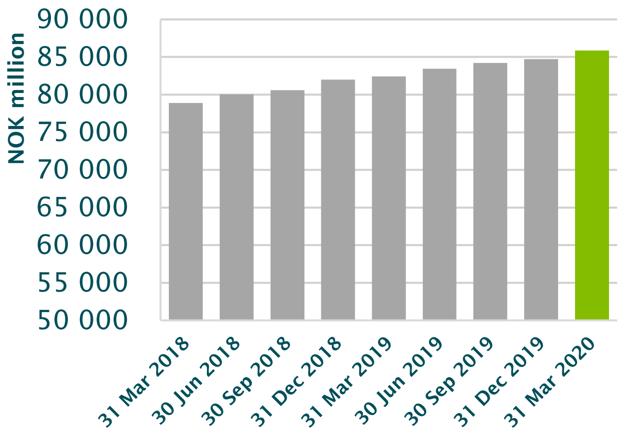
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2019 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby 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 2019.

Note 17 – Risk management

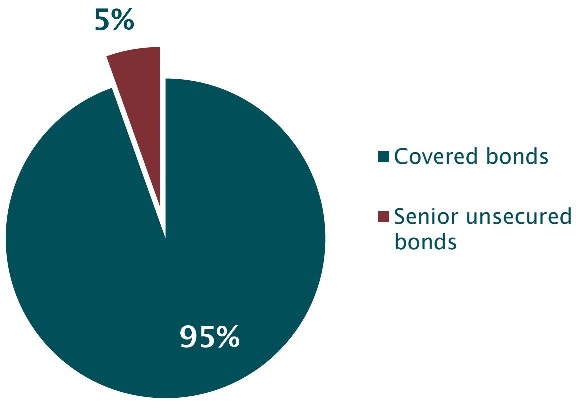
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2019 describes the company's financial risk, which also applies to financial risk in 2020.

Key figures – Development

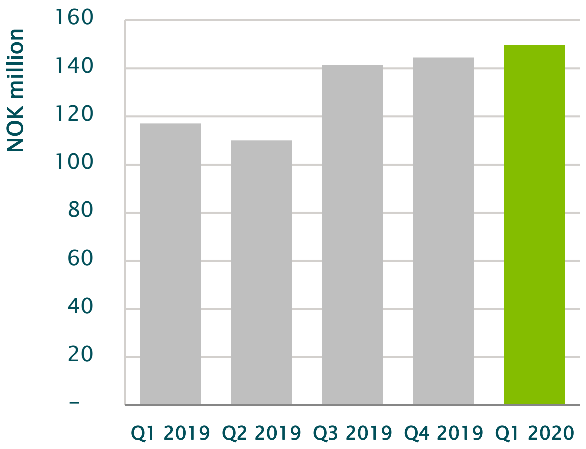
Lending to customers



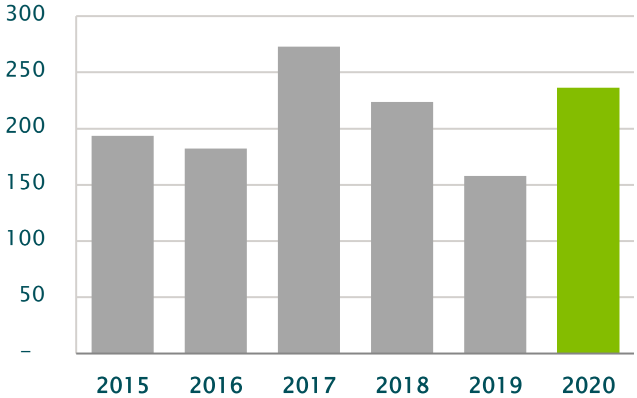
Issues by sector 2020



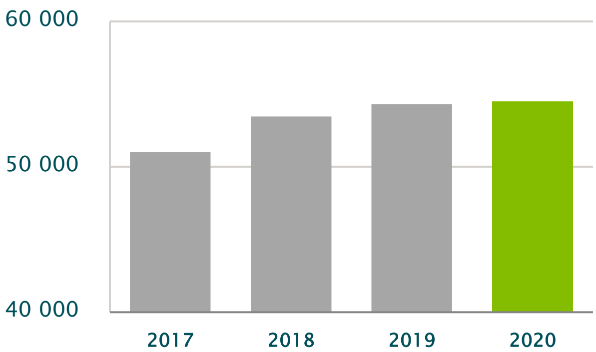
Distributor commissions



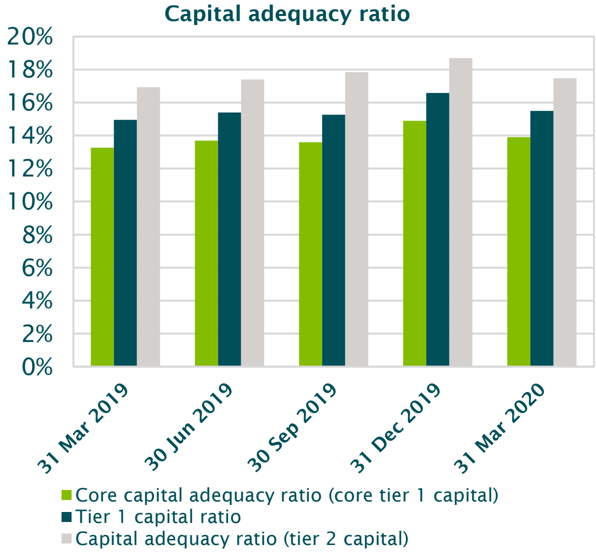
Net interest income after commissions costs (annualised)



Number of loans



Capital adequacy ratio



Key figures

Amounts in NOK 1 000	31 Mar 2020	31 Mar 2019	31 Dec 2019
Balance sheet development			
Lending to customers	85 846 107	82 427 372	84 718 544
Debt securities issued	107 804 516	100 037 514	94 300 106
Subordinated loan capital	724 125	674 334	889 050
Equity	5 783 596	5 164 409	5 776 510
Equity in % of total assets	4.6	4.7	5.5
Average total assets[1]	116 059 902	108 949 263	107 505 977
Total assets	126 285 163	109 929 326	105 834 641
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.5	0.4	0.5
Staff and general administration expenses in relation to average total assets, annualised (%)	0.03	0.04	0.03
Return on equity before tax, annualised (%)[2]	-1.9	3.0	2.2
Total assets per full-time position	6 717 296	5 847 305	5 345 184
Cost/income ratio (%)[3]	29.3	35.8	43.7
Financial strength			
Core tier 1 capital	5 065 559	4 522 821	5 074 063
Tier 1 capital	5 639 551	5 096 492	5 647 975
Total primary capital (tier 2 capital)	6 363 676	5 770 826	6 372 027
Calculation basis capital adequacy ratio	36 420 740	34 083 955	34 073 656
Core tier 1 capital ratio (%)	13.9	13.3	14.9
Tier 1 capital ratio (%)	15.5	15.0	16.6
Capital adequacy ratio % (tier 2 capital)	17.5	16.9	18.7
Leverage ratio (%)[4]	4.3	4.5	5.2
NSFR totalindicator i %[5]	105	96	99
Defaults in % of gross loans	-	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	18.8	18.8	19.8

Liquidity Coverage Ratio (LCR)[6]:

31 Mar 2020	Totalt	NOK	EUR
Stock of HQLA	12 383 941	1 067 053	847 788
Net outgoing cash flows next 30 days	3 111 967	1 762 807	190 326
LCR indicator (%)	**398 %**	**61 %**	**445 %**

31 Mar 2019	NOK	EUR	Totalt
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 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 %**

[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 March 2020, liquid assets totalling NOK 850 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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