



# Interim report 2019

Storebrand Boligkreditt AS

(unaudited)

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This document may contain forward-looking statements. By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances that may be beyond the Storebrand Group's control. As a result, the Storebrand Group's actual future financial condition, performance and results may differ materially from the plans, goals and expectations set forth in these forward-looking statements. Important factors that may cause such a difference for the Storebrand Group include, but are not limited to: (i) the macroeconomic development, (ii) change in the competitive climate, (iii) change in the regulatory environment and other government actions and (iv) market related risks such as changes in equity markets, interest rates and exchange rates, and the performance of financial markets generally. The Storebrand Group assumes no responsibility to update any of the forward-looking statements contained in this document or any other forward-looking statements it may make.

# Storebrand Boligkreditt AS

## - Interim report for the third quarter of 2019

(Profit figures for the corresponding period in 2018 are shown in brackets. Balance sheet figures in brackets are for the end of 2018)

- Profit before taxes of NOK 24 million in the third quarter.
- Good portfolio quality

### FINANCIAL PERFORMANCE

Pre-tax profit was NOK 24 million (NOK 17 million) for the third quarter and a pre-tax profit of NOK 62 (NOK 56 million) year to date.

Net interest income was NOK 44 million (NOK 35 million) in the third quarter and NOK 120 million (NOK 112 million) year to date. The interest margin has improved in the quarter due to increased customer interest rates. As a percentage of average total assets, net interest income was 0.95 per cent (0.82 per cent) for the the quarter and 0.88 per cent (0.88 per cent) year to date.

Other operating income in the third quarter amounted to minus NOK 2 million (minus NOK 0.2 million) and minus NOK 2 million (minus NOK 3 million) year to date, and are related to commission income on loans and net loss on financial instruments at fair value and amortised cost.

Operating expenses remained stable in the quarter and totalled NOK 18 million (NOK 19 million) in the third quarter and NOK 57 million (NOK 53 million) year to date

Losses in the portfolio are low, and in the third quarter the company recognised income of NOK 0.2 million (recognised income of NOK 0.3 million) for write-downs on lending, and NOK 0.2 million recognised as income (NOK 0.1 million recognised as expenses) year to date.

### BALANCE SHEET PERFORMANCE

The lending volume has decreased by NOK 0.3 billion since the end of 2018 and amounted to NOK 18.2 billion (NOK 18.5 billion). Storebrand Bank ASA and Storebrand Boligkreditt AS operate with restrictive lending practices. The average loan-to-value ratio in the portfolio was 53 per cent at the end of the quarter, a decrease of 2 per cent compared with year end 2018. On the date of transfer, the loan-to-value ratio never exceeds 75 per cent. The risk in the loan portfolio is considered to be very low. The company has over-collateralisation of 120 per cent (129 per cent).

Defaulted loans at the end of the third quarter amounted to NOK 43 million (NOK 31 million), equivalent to 0.24 per cent of gross loans in the company (0.17 per cent). All the loans have a loan-to-value ratio within 75 per cent of market value or have mainly been written down. Loan loss

provisions amounted to NOK 1.0 million (NOK 1.2 million) at the end of the third quarter.

The company's loan programme is AAA rated by S&P Global Ratings.

At the end of the third quarter of 2019, the company had a liquidity portfolio consisting of fixed-income securities with a AAA rating and AA+ rating from S&P Global Ratings with a market value of NOK 399 million, of which NOK 43 million is classified at amortised cost and NOK 356 million is classified at fair value option in the balance sheet.

The company's total assets under management as at 30 September 2019 were NOK 19.2 billion (NOK 18.8 billion), an increase of NOK 0.4 billion compared with the end of 2018.

At the end of the third quarter of 2019, the company had issued covered bonds with a total carrying amount of NOK 15.3 billion with remaining terms of approximately 1 month to 4 years. NOK 14.2 billion of these bonds has been placed in the market, while NOK 1.1 billion is being held by the parent bank.

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these is a normal overdraft facility, with a ceiling of NOK 6.0 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice. The other facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity. Both agreements require a sufficient ceiling at all times to be able to cover interest and repayment on covered bonds and associated derivatives for the next 31 days.

Equity in the company at the end of the third quarter amounted to NOK 1.5 billion (NOK 1.5 billion) after group contributions paid/received. The eligible capital (Tier 1 capital + Tier 2 capital) at the end of the quarter amounted to NOK 1.5 billion (NOK 1.5 billion). The capital base of Storebrand Boligkreditt AS consists entirely of Core Equity Tier 1 (CET1). The CET1 adequacy ratio in the company was 20.6 per cent (20.5 per cent) at the end of the third quarter. The requirement for the capital base was 15.5 per cent as of 30 September 2019. The countercyclical capital buffer requirement will increase by 0.5 percentage points from 31 December 2019. The company has satisfactory solvency and liquidity based on the company's business activities.

The company satisfied the combined capital and capital buffer requirements by a good margin at the end of the quarter.

Storebrand Boligkreditt AS must comply with an LCR of 100 per cent. At the end of the third quarter of 2019, the company's LCR was 142 per cent.

### **STRATEGY AND FUTURE PROSPECTS**

In 2019, Storebrand Boligkreditt AS will continue its core activity, which is the acquisition and management of home mortgages from Storebrand Bank ASA. The company is aiming for moderate growth in collateralisation during 2019.

The market trends and the non-performing loans are being closely monitored. Efforts to ensure good working procedures and high data quality will continue and thereby ensure that government and rating requirements continue to be fulfilled. Developments in the Norwegian and international capital markets, interest rates, unemployment and the property market are regarded as the key risk factors that can affect the results of Storebrand Boligkreditt AS in 2019.

New issues of covered bonds will be made available when the company decides it is favourable to do so and there is sufficient collateral. Storebrand Boligkreditt AS will continue to contribute to Storebrand Bank ASA having diversified financing.

The Board of Directors are not aware of any events of material importance to the preparation of the interim financial statements that have occurred since the balance sheet date.

Lysaker, 22 October 2019

The Board of Directors of Storebrand Boligkreditt AS

# Storebrand Boligkreditt AS

## Income statement

(NOK million)	note	Q3			Full Year	
		2019	2018	30.09.2019	30.09.2018	2018
Interest income from financial instruments valued at amortised cost	4, 13	1.1	0.2	2.3	1.6	1.9
Interest income from financial instruments valued at fair value	4, 13	127.9	96.4	355.8	288.6	393.9
Interest expense	4,13	-84.9	-61.3	-237.4	-178.1	-244.6
<b>Net interest income</b>	<b>13</b>	<b>44.2</b>	<b>35.3</b>	<b>120.6</b>	<b>112.1</b>	<b>151.2</b>
Net gains on financial instruments valued at amortised cost					-1.7	-1.7
Net gains on other financial instruments		-1.8	-0.2	-1.6	-1.1	-1.9
Other income		-0.1		-0.1	0.1	0.0
<b>Total other operating income</b>		<b>-1.9</b>	<b>-0.2</b>	<b>-1.7</b>	<b>-2.7</b>	<b>-3.6</b>
Staff expenses			-0.2	-0.1	-0.2	-0.3
General administration expenses					-0.1	-0.2
Other operating costs	4	-18.2	-18.3	-56.9	-52.7	-71.5
<b>Total operating costs</b>		<b>-18.1</b>	<b>-18.5</b>	<b>-57.0</b>	<b>-53.1</b>	<b>-72.0</b>
<b>Operating profit before loan losses</b>		<b>24.2</b>	<b>16.6</b>	<b>61.9</b>	<b>56.4</b>	<b>75.6</b>
Loan losses for the period	15	0.2	0.3	0.2	-0.1	-0.5
<b>Profit before tax</b>		<b>24.3</b>	<b>16.9</b>	<b>62.1</b>	<b>56.2</b>	<b>75.0</b>
Tax	3	-5.3	-3.9	-13.7	-12.9	-17.9
<b>Profit for the year</b>		<b>19.0</b>	<b>13.0</b>	<b>48.5</b>	<b>43.3</b>	<b>57.2</b>

## Statement of comprehensive income

(NOK million)	Q3			Full Year	
	2019	2018	30.09.2019	30.09.2018	2018
Profit for the period	19.0	13.0	48.5	43.3	57.2
Other comprehensive income					
<b>Total comprehensive income for the period</b>	<b>19.0</b>	<b>13.0</b>	<b>48.5</b>	<b>43.3</b>	<b>57.2</b>

# Storebrand Boligkreditt AS

## Statement of financial position

(NOK million)		30.09.2019	30.09.2018	31.12.2018
Loans to and deposits with credit institutions	6	555.8	130.3	248.0
Loans to customers	6, 11, 14, 15	18,176.9	16,520.8	18,484.8
Financial assets designated at fair value through profit and loss:				
Bonds and other fixed-income securities	6, 11	356.6	40.5	40.4
Derivatives	6	46.6	97.8	39.5
Bonds at amortised cost	6	42.6		
Deferred tax assets			2.3	
Other current assets	4, 6	30.7	13.6	10.2
<b>Total assets</b>		<b>19,209.1</b>	<b>16,805.2</b>	<b>18,822.9</b>
Liabilities to credit institutions	4, 6, 8	2,377.9	3,791.0	3,001.7
Other financial liabilities:				
Commercial papers and bonds issued	6, 9	15,295.5	11,857.6	14,333.4
Other liabilities	4, 6	14.4	13.6	14.8
Provisions for accrued expenses and liabilities				
Deferred tax		0.9		0.9
<b>Total liabilities</b>		<b>17,688.7</b>	<b>15,662.2</b>	<b>17,350.9</b>
Paid in equity		1,444.4	1,080.3	1,395.3
Retained earnings		76.0	62.8	76.7
<b>Total equity</b>	<b>10</b>	<b>1,520.4</b>	<b>1,143.1</b>	<b>1,472.0</b>
<b>Total liabilities and equity</b>		<b>19,209.1</b>	<b>16,805.2</b>	<b>18,822.9</b>

Lysaker, 22 October 2019  
The Board of Directors of Storebrand Boligkreditt AS

# Storebrand Boligkreditt AS

## Statement of changes in equity

(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
<b>Equity at 31.12.2017</b>	<b>455.0</b>	<b>270.1</b>	<b>349.3</b>	<b>1,074.4</b>	<b>79.0</b>	<b>79.0</b>	<b>1,153.4</b>
Effect of implementing IFRS 9 in equity 01.01.2018					2.8	2.8	2.8
Profit for the period					57.2	57.2	57.2
Other comprehensive income						0.0	0.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>57.2</b>	<b>57.2</b>	<b>57.2</b>
Equity transactions with the owner:							
Capital increase	35.0	280.0		315.0			315.0
Group contribution received			5.9	5.9			5.9
Provision for group contribution					-62.2	-62.2	-62.2
<b>Equity at 31.12.2018</b>	<b>490.0</b>	<b>550.1</b>	<b>355.2</b>	<b>1,395.3</b>	<b>76.7</b>	<b>76.7</b>	<b>1,472.0</b>
Profit for the period					48.5	48.5	48.5
Other comprehensive income						0.0	0.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>48.5</b>	<b>48.5</b>	<b>48.5</b>
Equity transactions with the owner:							
Group contribution received			49.1	49.1			49.1
Provision for group contribution					-49.1	-49.1	-49.1
<b>Equity at 30.09.2019</b>	<b>490.0</b>	<b>550.1</b>	<b>404.3</b>	<b>1,444.4</b>	<b>76.0</b>	<b>76.0</b>	<b>1,520.4</b>
(NOK million)	Share capital	Share premium	Other paid-in equity	Total paid-in equity	Other equity	Total retained earnings	Total equity
<b>Equity at 31.12.2017</b>	<b>455.0</b>	<b>270.1</b>	<b>349.3</b>	<b>1,074.4</b>	<b>79.0</b>	<b>79.0</b>	<b>1,153.4</b>
Effect of implementing IFRS 9 in equity 01.01.2018					2.8	2.8	2.8
Profit for the period					43.3	43.3	43.3
Other comprehensive income						0.0	0.0
<b>Total comprehensive income for the period</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>43.3</b>	<b>43.3</b>	<b>43.3</b>
Equity transactions with the owner:							
Group contribution received			5.9	5.9			5.9
Provision for group contribution					-62.2	-62.2	-62.2
<b>Equity at 30.09.2018</b>	<b>455.0</b>	<b>270.1</b>	<b>355.2</b>	<b>1,080.3</b>	<b>62.8</b>	<b>62.8</b>	<b>1,143.1</b>

Storebrand Boligkreditt AS is 100 per cent owned by Storebrand Bank ASA. Number of shares are 35 000 000 of nominal value NOK 13 per share.

# Storebrand Boligkreditt AS

## Statement of cash flow

(NOK million)	30.09.2019	30.09.2018
<b>Cash flow from operations</b>		
Net receipts of interest, commissions and fees from customers	355.5	291.2
Net disbursements/payments on customer loans	287.2	-1,973.8
Net receipts/payments on securities	-358.4	-0.1
Payments of operating costs	-54.2	-56.6
<b>Net cash flow from operating activities</b>	<b>230.1</b>	<b>-1,739.2</b>
<b>Cash flow from financing activities</b>		
Payments - repayments of loans and issuing of bond debt	-1,159.8	-2,125.0
Receipts - new loans and issuing of bond debt	1,500.0	3,995.3
Payments - interest on loans	-247.9	-175.8
Receipts - group contribution	49.1	5.9
Payments - group contribution	-63.8	-81.9
<b>Net cash flow from financing activities</b>	<b>77.6</b>	<b>1,618.4</b>
<b>Net cash flow in the period</b>	<b>307.7</b>	<b>-120.8</b>
Cash and bank deposits at the start of the period	248.0	251.2
<b>Cash and bank deposits at the end of the period</b>	<b>555.8</b>	<b>130.3</b>

Storebrand Boligkreditt AS has credit facility agreements with Storebrand Bank ASA . The amount drawn on the credit facilities is recognised in the item "Liabilities to credit institutions" as at 30.09.2019. See also Note 8.



# Storebrand Boligkreditt AS

## Notes

### Note 01 | Accounting principles

The financial statements are prepared in accordance with IAS 34 Interim Financial Reporting. The interim financial statements do not contain all the information that is required in full annual financial statements. The financial statements of Storebrand Boligkreditt AS have been prepared in accordance with International Financial Reporting Standards (IFRS) and appurtenant interpretations.

A description of the accounting policies applied in the preparation of the financial statements is provided in the 2018 annual report, and the interim financial statements are prepared with respect to these accounting policies.

There are new accounting standards that entered into effect in 2019.

#### IFRS 16

IFRS 16 Leases replaces the current standard IAS 17, and entered into force from 1 January 2019. IFRS 16 sets out principles for recognition, measurement, presentation and publication of leases. The new leasing standard do not entail any major changes for lessors, but significantly change lessees' accounting. IFRS 16 requires that lessees must, as a starting point, recognise all lease contracts in the balance sheet according to a simplified model that resembles accounting of financial leases under IAS 17. The present value of total lease payments must be recognised as a lease liability and an asset that reflect a right of use of the asset during the lease period. The recognised asset is amortised over the lease period, and the depreciation cost is recognised in the income statement on an ongoing basis as an operating cost. Interest charges on the lease commitment are recognised as a financial cost.

IFRS 16 can be implemented either in accordance with the full retrospective method or modified retrospective method, and Storebrand has selected the modified retrospective method. This means that comparable figures are not restated and the effect is entered in the balance sheet for the implementation year of 2019. Upon implementation, the `right of use` asset and liability is the same amount and have no effect on equity. Storebrand Boligkreditt AS did not have any lease agreements according to IFRS 16 as of 1 January 2019.

Storebrand Boligkreditt AS has no lease agreements according to IFRS 16 at the end of the third quarter of 2019.

### Note 02 | Estimates

Critical accounting estimates and judgements are described in the 2018 annual financial statements' note 2 and valuation of financial instruments at fair value are described in note 8.

In preparing financial statements the management are required to make judgements, estimates and assumptions of uncertain amounts. The estimates and underlying assumptions are reviewed on an ongoing basis and are based on historical experience and expectations of future events and represent the management's best judgment at the time the financial statements were prepared.

Actual results may differ from these estimates

### Note 03 | Tax

In December 2018, the Norwegian Parliament (Stortinget) agreed to reduce the company tax rate from 23 to 22 per cent with effect from 1 January 2019. It was also agreed to maintain the tax rate at 25 per cent for companies subject to the financial tax. Storebrand Boligkreditt AS has activities within "Section K" (financing and insurance activities as defined in Standard Industrial Classification 2007) which exceed 30 per cent and are therefore subject to the financial tax, but since the company does not have any employees it is not subject to finance tax. A tax rate of 22 per cent has been used for capitalizing deferred tax asset in the balance sheet.

## Note 04 | Related Parties

### ISSUED COVERED BONDS

Storebrand Bank ASA has invested NOK 1.1 billion in covered bonds issued by Storebrand Boligkreditt AS as of 30 September 2019.

### LOANS TRANSFERRED FROM STOREBRAND BANK ASA

Storebrand Bank ASA sells loans to the mortgage company Storebrand Boligkreditt AS. Once the loans are transferred, Storebrand Boligkreditt AS assumes all the risks and benefits of owning the loan portfolio. It is Storebrand Boligkreditt AS that receives all the cash flows from the loan customer. Storebrand Bank ASA shall arrange the transfer and return of loans when changes have to be made in case of change from variable to fixed interest and conversion to a flexible mortgage. In some cases Storebrand Bank ASA shall arrange the transfer and return of loans when changes of loan amount or conversion to another mortgage product have to be made. The costs are included in the contractual administration fee.

Non-performing loans in Storebrand Boligkreditt AS remain in the company. These loans will, pursuant to the service agreement with Storebrand Bank ASA, be treated in the same way as non-performing loans in the bank. Specific reports are prepared for non-performing loans in Storebrand Boligkreditt AS. These loans are not included in the cover pool.

Loans to employees can be transferred to Storebrand Boligkreditt AS. The difference between the market interest rate and the subsidised interest rate is covered monthly by the company in which the debtor is employed.

Storebrand Bank ASA has not pledged any guarantees in connection with loans to Storebrand Boligkreditt AS.

### CREDIT FACILITIES WITH STOREBRAND BANK ASA

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. See note 8 for more information.

### OTHER

Storebrand Boligkreditt AS has no employees, and purchases personnel resources from Storebrand Bank ASA and services including accounting functions from Storebrand Livsforsikring AS.

Storebrand Boligkreditt AS conducts transactions with close associates as part of its normal business activities. The terms for transactions with senior employees and related parties are stipulated in note 26 in the 2018 annual report for Storebrand Boligkreditt AS.

## Note 05 | Financial risk

Storebrand Boligkreditt AS' financial assets and liabilities fluctuate in value due to risk in the financial markets. Notes 4 to 8 in the 2018 annual report provide a more detailed overview of the company's financial risk.

## Note 06 | Valuation of financial instruments

The Storebrand group categorises financial instruments on three different levels. Criteria for the categorisation and processes associated with valuing are described in more detail in note 8 in the 2018 annual report for Storebrand Boligkreditt AS.

The levels express the differing degrees of liquidity and different measurement methods used. The company has established valuation models to gather information from a wide range of well-informed sources with a view to minimising the uncertainty of valuations.

## VALUATION OF FINANCIAL INSTRUMENTS AT AMORTISED COST

(NOK million)	Fair value 30.09.2019	Fair value 31.12.2018	Book value 30.09.2019	Book value 31.12.2018
<b>Financial assets</b>				
Loans to and deposits with credit institutions	555.8	248.0	555.8	248.0
Loans to customers - retail market				
Other current assets	30.7	10.2	30.7	10.2
Bonds classified as loans and receivables	42.5		42.6	
<b>Financial liabilities</b>				
Liabilities to credit institutions	2,377.9	3,001.7	2,377.9	3,001.7
Commercial papers and bonds issued	15,409.4	14,338.0	15,295.5	14,333.4
Other liabilities	14.4	14.8	14.4	14.8

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT AND LOSS (FVTPL)

(NOK million)	Stage 1 Quoted prices	Stage 2 Observable assumptions	Stage 3 Non-observable assumptions	Book value 30.09.2019	Book value 31.12.2018
Government and government guaranteed bonds		155.9		155.9	40.4
Mortgage and asset backed bonds		200.7		200.7	
<b>Total bonds 30.09.2019</b>	<b>0.0</b>	<b>356.6</b>	<b>0.0</b>	<b>356.6</b>	
Total bonds 31.12.2018		40.4			
Interest rate derivatives		46.6		46.6	39.5
<b>Total derivatives 30.09.2019</b>	<b>0.0</b>	<b>46.6</b>	<b>0.0</b>	<b>46.6</b>	
Derivatives with a positive fair value		46.6		46.6	39.5
Derivatives with a negative fair value					
Total derivatives 31.12.2018		39.5			

There have not been any changes between quoted prices and observable assumptions on the various financial instruments in the quarter.

## VALUATION OF FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (FVOCI)

(NOK million)	Stage 1	Stage 2	Stage 3	Book value 30.09.2019	Book value 31.12.2018
Loans to customers - retail market			18,176.9	18,176.9	18,484.8
<b>Total loans to customers</b>			<b>18,176.9</b>	<b>18,176.9</b>	<b>18,484.8</b>

## Note 07 | Segment information

Business segments are the company's primary reporting segments. The company has only one segment, Retail Lending. This segment comprises lending to private individuals, and all loans are purchased from Storebrand Bank ASA. The company's accounts for the 3rd quarter of 2019 therefore relate entirely to the Retail Lending segment.

## Note 08 | Liabilities to credit institutions

Storebrand Boligkreditt AS has two credit facilities with Storebrand Bank ASA. One of these facilities is a normal overdraft facility, with a commitment of NOK 6 billion. This has no expiry date, but can be terminated by the bank on 15 months' notice.

The amount of the other facility is the payment obligations of Storebrand Boligkreditt the following 31 days on interest and principal amounts regarding Covered Bonds, including any connected derivatives. This facility may not be terminated by Storebrand Bank ASA until at least 3 months after the maturity date of the covered bond and the associated derivatives with the longest period to maturity.

In 2019 all covenant requirements are fulfilled.

## Note 09 | Commercial papers and bonds issued

### COVERED BONDS

(NOK million) ISIN Code	Nominal value	Currency	Interest	Maturity <sup>1)</sup>	Book value 30.09.2019
NO0010548373	721.0	NOK	Fixed	28.10.2019	756.2
NO0010736903	2,500.0	NOK	Floating	17.06.2020	2,500.5
NO0010760192	4,000.0	NOK	Floating	16.06.2021	4,017.3
NO0010786726	4,000.0	NOK	Floating	15.06.2022	4,015.8
NO0010813959	4,000.0	NOK	Floating	20.06.2023	4,005.7
<b>Total commercial papers and bonds issued <sup>2)</sup></b>	<b>15,221.0</b>				<b>15,295.5</b>
Total commercial papers and bonds issued as at 31.12.2018	14,250.0				14,333.4

1) Maturity date in this summary is the first possible maturity date (Call date).

2) For covered bonds (CBs) that are allocated to the company's security, regulatory requirements for over-collateralisation of 102 per cent and an over-collateralisation requirement of 109.5 per cent apply for bonds issued prior to 21 June 2017. In 2019 all covenants are fulfilled. See note 11.

## Capital Adequacy

### ELIGIBLE CAPITAL

(NOK million)	30.09.2019	31.12.2018
Share capital	490.0	490.0
Other equity	1,030.4	982.0
<b>Total equity</b>	<b>1,520.4</b>	<b>1,472.0</b>
Deductions		
Profit not included in the calculation of eligible capital	-48.5	
AVA adjustments	-18.6	-18.8
Provision for group contribution		-49.1
Additions		
Group contribution received		49.1
<b>Core Equity Tier 1 (CET1)</b>	<b>1,453.4</b>	<b>1,453.2</b>
Additional Tier 1 capital		
Capital instruments eligible as Additional Tier 1 capital		
Additions		
<b>Tier 1 capital</b>	<b>1,453.4</b>	<b>1,453.2</b>
Tier 2 capital		
Subordinated loans		
Tier 2 capital deductions		
<b>Eligible capital (Tier 1 capital + Tier 2 capital)</b>	<b>1,453.4</b>	<b>1,453.2</b>

### MINIMUM CAPITAL REQUIREMENT

(NOK million)	30.09.2019	31.12.2018
Credit risk	541.7	543.8
Of which:		
International organisations		
Local and regional authorities		
Institutions	10.1	5.7
Retail market		
Loans secured against real estate	504.3	514.1
Loans past-due	4.2	2.8
Covered bonds	1.6	0.0
Other	21.6	21.2
<b>Total minimum requirement for credit risk</b>	<b>541.7</b>	<b>543.8</b>
<b>Total minimum requirement for market risk</b>	<b>0.0</b>	<b>0.0</b>
Operational risk	20.6	21.6
CVA risk <sup>1)</sup>	0.7	0.7
Deductions		
Loan loss provisions on groups of loans		
<b>Minimum requirement for net primary capital</b>	<b>563.1</b>	<b>566.2</b>

1) Regulation on own funds requirements for credit valuation adjustment risk.

## CAPITAL ADEQUACY

(NOK million)	30.09.2019	31.12.2018
Capital ratio	20.6 %	20.5 %
Tier 1 capital ratio	20.6 %	20.5 %
Core equity Tier 1 (CET1) capital ratio	20.6 %	20.5 %

The standard method is used for credit risk and market risk and the basis method is used for operational risk. Total requirement to Core Equity Tier 1 (CET1) and eligible capital (Tier 1 capital + Tier 2 capital) are 12 per cent and 15.5 per cent. The countercyclical capital buffer requirement will be increased by 0.5 percentage points from 31 December 2019.

## BASIS OF CALCULATION (RISK-WEIGHTED VOLUME)

NOK million	30.09.2019	31.12.2018
Credit risk	6,771.7	6,797.5
Of which:		
International organisations		
Local and regional authorities		
Institutions	126.3	71.0
Retail market		
Loans secured against real estate	6,303.3	6,426.3
Loans past-due	52.0	35.6
Covered bonds	20.1	0.0
Other	270.0	264.4
<b>Total basis of calculation credit risk</b>	<b>6,771.7</b>	<b>6,797.3</b>
<b>Total basis of calculation market risk</b>	<b>0.0</b>	<b>0.0</b>
Operational risk	257.4	270.5
CVA risk	9.3	9.0
Deductions		
Loan loss provisions on groups of loans		
<b>Total basis of calculation of minimum requirements for capital base</b>	<b>7,038.4</b>	<b>7,076.7</b>

Note  
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Loan to value ratios and collateral

(NOK million)	30.09.2019	31.12.2018
Gross loans <sup>1)</sup>	18,177.9	18,486.0
Average loan balance per customer	2.1	2.0
No. of loans	9,026	9,432
Weighted average seasoning (months)	38	37
Weighted average remaining term (months)	265	262
Average loan to value ratio	53 %	55 %
Over-collateralisation <sup>2)</sup>	120 %	129 %
<b>Cover pool:</b>		
Residential mortgages <sup>1)</sup>	18,059.9	18,390.4
Supplementary security	346.9	50.4
<b>Total</b>	<b>18,406.8</b>	<b>18,440.8</b>

1) In accordance with the Regulation for credit institutions that issue covered bonds, lending cannot exceed 75% of the value of collateral (i.e. value of properties pledged as collateral).

As per 30 September 2019, the company had NOK 67 million that exceeds the loan to value limit and has therefore not been included in the cover pool. As per 30 September 2019, the company has 16 non-performing loans without evidence of impairment, equivalent to NOK 38 million. There are 5 non-performing loans with evidence of impairment of NOK 5 million where the impairment is assessed to be NOK 0.5 million. Non-performing loans with and without evidence of impairment, are not included in the cover pool.

2) Over-collateralisation has been calculated based on total volume of issued covered bonds of NOK 15.2 billion (nominal value)..

Note  
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Key figures

(NOK million)	Q3			Full Year	
	2019	2018	30.09.2019	30.09.2018	2018
<b>Profit and loss account: (as % of avg. total assets) <sup>1)</sup></b>					
Net interest income	0.95 %	0.82 %	0.88 %	0.88 %	0.86 %
<b>Main balance sheet figures:</b>					
Total assets			19,209.1	16,805.2	18,822.9
Average total assets	18,411.0	16,992.9	18,394.1	17,008.5	17,575.7
Gross loans to customers			18,177.9	16,522.4	18,486.0
Equity			1,520.4	1,143.1	1,472.0
<b>Other key figures:</b>					
Loan losses and provisions as % of average total lending	0.00 %	-0.01 %	0.00 %	0.00 %	0.00 %
Individual loan loss provisions as % of gross loss-exposed loans <sup>3)</sup>			2.7 %	8.1 %	5.0 %
Cost/income ratio	42.8 %	52.8 %	48.0 %	48.5 %	48.8 %
Core equity Tier 1 (CET1) capital ratio			20.6 %	16.9 %	20.5 %
LCR <sup>3)</sup>			142.0 %	118.0 %	214.0 %

Definitions:

1) Average total assets is calculated on the basis of monthly total assets for the quarter and for the year respectively.

2) Gross loss-exposed loans with evidence of impairment.

3) Liquidity coverage requirement.

Note  
13

Net interest income

NOK million	Q3		01.01. - 30.09.		Full Year
	2019	2018	30.09.2019	30.09.2018	2018
<i>Interest on financial assets valued at amortised cost</i>					
Interest on loans to credit institutions	0.9	0.2	2.0	1.6	1.9
Interest on loans to customer					
Interest on commercial papers, bonds and other interest-bearing securities	0.2		0.3		
Other interest income					
<b>Total interest on financial assets valued at amortised cost</b>	<b>1.1</b>	<b>0.2</b>	<b>2.3</b>	<b>1.6</b>	<b>1.9</b>
<i>Interest on financial assets valued at fair value through other comprehensive income (OCI)</i>					
Interest on loans to customer	127.9	96.3	355.5	288.3	393.5
<b>Total interest on financial assets valued at fair value through other comprehensive income (OCI)</b>	<b>127.9</b>	<b>96.3</b>	<b>355.5</b>	<b>288.3</b>	<b>393.5</b>
<i>Interest on financial assets valued at fair value through profit and loss</i>					
Interest on commercial papers, bonds and other interest-bearing securities	0.1	0.1	0.2	0.3	0.4
<b>Total interest on financial assets valued at fair value through profit and loss</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>0.4</b>
<b>Total interest income</b>	<b>129.1</b>	<b>96.7</b>	<b>358.0</b>	<b>290.2</b>	<b>395.8</b>
<i>Interest on financial liabilities valued at amortised cost</i>					
Interest on debt to credit institutions	-6.9	-14.8	-17.2	-37.1	-50.0
Interest on securities issued	-77.9	-46.5	-220.2	-141.0	-194.6
<b>Total interest on financial liabilities valued at amortised cost</b>	<b>-84.9</b>	<b>-61.3</b>	<b>-237.4</b>	<b>-178.1</b>	<b>-244.6</b>
<b>Total interest on financial liabilities valued at fair value through profit and loss</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Total interest expenses</b>	<b>-84.9</b>	<b>-61.3</b>	<b>-237.4</b>	<b>-178.1</b>	<b>-244.6</b>
<b>Net interest income</b>	<b>44.2</b>	<b>35.3</b>	<b>120.6</b>	<b>112.1</b>	<b>151.2</b>

Note  
14

Off balance sheet liabilities and contingent liabilities

(NOK million)	30.09.2019	31.12.2018
Unused credit facilities	1,320.5	1,401.1
<b>Total contingent liabilities</b>	<b>1,320.5</b>	<b>1,401.1</b>

Unused credit facilities encompass unused flexible mortgage facilities.

Per 30 September 2019, the company has not pledged any collateral.



## Non-performing loans and loan losses

(NOK million)	30.09.2019	31.12.2018
<b>Non-performing loans</b>		
Non-performing loans without evidence of impairment	38.2	25.1
Loss-exposed loans with evidence of impairment	4.6	5.6
<b>Gross non-performing and loss-exposed loans</b>	<b>42.8</b>	<b>30.7</b>
Loan loss provisions on individual loans excl. statistical provisions (IFRS9)	-0.5	-0.2
<b>Net non-performing and loss-exposed loans</b>	<b>42.4</b>	<b>30.5</b>
<b>Key figures</b>		
Net non-performing and loss-exposed loans as % of gross loans	0.24 %	0.17 %

Loans are regarded as non-performing and loss-exposed:

- when a credit facility has been overdrawn for more than 90 days and the overdrawn amount minimum is NOK 2,000
- when an ordinary mortgage has arrears older than 90 days and the arrears minimum is NOK 2,000
- when a credit card has arrears older than 90 days

When one of the three situations described above occurs, the specific loan is considered as non-performing, without taking into account the customer's other engagements.

(NOK million)	30.09.2019	31.12.2018
The periods change in impairment losses stage 1	0.2	-0.2
The periods change in impairment losses stage 2	0.3	-0.4
The periods change in impairment losses stage 3	-0.3	1.2
Realised losses		-1.3
Recoveries on previously realised losses		
Credit loss on interest-bearing securities		
Other changes		
<b>Loss expense for the period</b>	<b>0.2</b>	<b>-0.5</b>

## LOAN PORTFOLIO AND GUARANTEES

(NOK million)	30.09.2019 Book value	31.12.2018 Book value
Loans to customers at amortised cost		
Loans to customers at fair value through profit and loss		
Loans to customers at fair value through other comprehensive income (OCI)	18,177.9	18,486.0
<b>Loss expense for the period</b>	<b>18,177.9</b>	<b>18,486.0</b>
Provision for expected loss Stage 1	-0.2	-0.4
Provision for expected loss Stage 2	-0.3	-0.6
Provision for expected loss Stage 3	-0.5	-0.2
<b>Net loans to customers</b>	<b>18,176.9</b>	<b>18,484.8</b>

### CHANGE IN GROSS LOANS TO CUSTOMERS VALUED AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (OCI)

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	17,416.3	1,039.1	30.7	18,486.0
Transfer to stage 1	208.2	-204.2	-4.0	0.0
Transfer to stage 2	-313.8	323.1	-9.2	0.0
Transfer to stage 3	-6.3	-27.9	34.2	0.0
New loans	4,435.3	130.9	0.0	4,566.1
Derecognition	-4,302.6	-242.4	-6.4	-4,551.3
Other changes	-306.7	-13.8	-2.4	-322.9
<b>Gross loans 30.09.2019</b>	<b>17,130.4</b>	<b>1,004.7</b>	<b>42.8</b>	<b>18,177.9</b>

### CHANGE IN MAXIMUM EXPOSURE FOR GUARANTEES AND UNUSED CREDITS

(NOK million)	Stage 1	Stage 2	Stage 3	Total gross loans
Gross loans 01.01.2019	1,397.2	3.9		1,401.1
Transfer to stage 1	1.5	-1.5		0.0
Transfer to stage 2	-2.6	2.6		0.0
Transfer to stage 3				0.0
New loans	36.9	0.2		37.1
Derecognition	-161.0	-0.6		-161.6
Other changes	45.7	-1.8		43.9
<b>Gross loans 30.09.2019</b>	<b>1,317.6</b>	<b>2.9</b>	<b>0.0</b>	<b>1,320.5</b>

### TOTAL LOAN LOSS PROVISIONS IN THE BALANCE SHEET

(NOK million)	Stage 1 12-month ECL	Stage 2 Lifetime ECL - no objective evidence of impairment	Stage 3 Lifetime ECL - objective evidence of impairment	Total
Loan loss provisions 01.01.2019	0.4	0.6	0.2	1.3
Transfer to stage 1 (12-month ECL)	0.1	-0.1		0.0
Transfer to stage 2 (lifetime ECL - no objective evidence of impairment)				0.0
Transfer to stage 3 (lifetime ECL - objective evidence of impairment)				0.0
Net remeasurement of loan losses	-0.1	0.1	0.2	0.1
New financial assets originated or purchased				0.1
Financial assets that have been derecognised	-0.1	-0.1	0.0	-0.2
ECL changes of balances on financial assets without changes in stage in the period	-0.2	-0.1	0.1	-0.2
Changes due to modification without any effect in derecognition				0.0
ECL allowance on written-off (financial) assets				0.0
Changes in models/risk parameters				0.0
Foreign exchange and other changes				0.0
<b>Loan loan loss provisions 30.09.2019</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>1.0</b>
Loan loss provisions on loans to customers valued at amortised cost				0.0
Loan loss provisions on loans to customers valued at fair value through other comprehensive income (OCI)	0.2	0.3	0.5	1.0
Loan loss provisions on guarantees and unused credit limits				0.0
<b>Total loan loss provisions</b>	<b>0.2</b>	<b>0.3</b>	<b>0.5</b>	<b>1.0</b>

Quarterly income statement

	Q3	Q2	Q1	Q4	Q3
(NOK million)	2019	2019	2019	2018	2018
Interest income	129.1	115.8	113.2	105.6	96.7
Interest expense	-84.9	-76.0	-76.5	-66.6	-61.3
<b>Net interest income</b>	<b>44.2</b>	<b>39.8</b>	<b>36.7</b>	<b>39.0</b>	<b>35.3</b>
Net gains on financial instruments	-1.8	-1.6	1.8	-0.8	-0.2
Other income	-0.1	-0.1		-0.1	
<b>Total other operating income</b>	<b>-1.9</b>	<b>-1.6</b>	<b>1.8</b>	<b>-0.9</b>	<b>-0.2</b>
Staff expenses			-0.1	-0.1	-0.2
General administration expenses				-0.1	
Other operating cost	-18.2	-19.5	-19.3	-18.8	-18.3
<b>Total operating costs</b>	<b>-18.1</b>	<b>-19.5</b>	<b>-19.4</b>	<b>-18.9</b>	<b>-18.5</b>
<b>Operating profit before loan losses</b>	<b>24.2</b>	<b>18.7</b>	<b>19.0</b>	<b>19.2</b>	<b>16.6</b>
Loan losses for the period	0.2	-0.2	0.3	-0.4	0.3
<b>Profit before tax</b>	<b>24.3</b>	<b>18.4</b>	<b>19.4</b>	<b>18.8</b>	<b>16.9</b>
Tax	-5.3	-4.1	-4.3	-4.9	-3.9
<b>Profit for the year</b>	<b>19.0</b>	<b>14.4</b>	<b>15.1</b>	<b>13.9</b>	<b>13.0</b>

## Financial Calender



<b>12 February 2020:</b>	Results Q4 2019
<b>30 March 2020:</b>	Annual Report
<b>30 April 2020:</b>	Results Q1 2020
<b>15 July 2020:</b>	Results Q2 2020
<b>21 October 2020:</b>	Results Q3 2020
<b>10 February 2021:</b>	Results Q4 2020

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