

Quarterly Report

Third quarter 2018
SSB Boligkreditt AS
(unaudited)



SSB Boligkreditt

Directors' Report Third quarter 2018

SSB Boligkreditt is the funding company of the Sandnes Sparebank Group, for the issuance of covered bonds. The Company has its registered office in the municipality of Sandnes. SSB Boligkreditt is a wholly owned subsidiary of Sandnes Sparebank.

The accounts are reported in accordance with IFRS and quarterly accounts are prepared in accordance with IAS 34 standards. The applicable accounting principles are described in Note 1 to the financial statements.

Figures in parentheses apply to the corresponding period in 2018.

Earnings performance third quarter 2018

Profit before tax was NOK 8.1 (16.4) million. After tax profit was NOK 6.1 (12.3) million. The Company's net interest income was NOK 18.9 (21.1) million. Other income was NOK -6,2 (-0.1) million. Other income is adversely affected by repurchase and write-down of outstanding covered bonds related to a larger refinancing and extension of the Company's maturity profile. The refinancing resulted in a loss of MNOK 5.9 in the 3rd quarter. The Company took advantage of favorable market conditions, and reduced the liquidity risk going forward.

The Company's operating costs during the 3rd quarter of 2018 were NOK 4.6 (4.8) million. The cooperation with Sandnes Sparebank is formalised by a management agreement. The Bank's management fee amounted to NOK 4.2 (4.2) million. Collective provisions for loan losses remained unchanged this quarter.

Balance sheet and asset management

At the end of the third quarter of 2018, SSB Boligkreditt had NOK 7.7 (7.2) billion of assets under management. Loans to customers constituted NOK 7.1 (6.7) billion. As per June 30 2018, SSB Boligkreditt had issued covered bonds with a total nominal amount of NOK 6.5 (5.9) billion. The Company had no holdings of retained or repurchased bonds as per the reporting date. Issued fixed rate bonds amount to NOK 1.4 billion, and the rest floating rate notes. SSB Boligkreditt issued bonds with a total nominal value of 1,1 billion during the quarter. The company has in the same period repurchased own short dated maturities with a nominal value of 920 million. Repurchased nominal holdings of NOK 920 million were written down before the end of the quarter.

At the end of the quarter, the overcollateralization level calculated on net issued bonds was 15.4 %. This is 6.9 percentage points above the rating requirement of 8.5 %. Finanstilsynet has a somewhat different interpretation of the framework for calculating the overcollateralization. The methodology adopted by Finanstilsynet results in a lower OC-level, but the it's still above the legal minimum requirement. For more details please see Note 8.

The Other liabilities item includes debt to the Parent Bank of NOK 0.7 (0.7) billion. This is related to temporary financing of SSB Boligkreditt's purchase of mortgage loans from Sandnes Sparebank.

The Company's liquidity situation is satisfactory.

Market conditions

The covered bonds market have been relatively stable in the third quarter. Liquidity has been good, however credit spreads widened slightly towards the end of the quarter. For SSB Boligkreditt, the indicated spread for 5-year financing has increased marginally, and is currently around +42 basis points during the quarter. 3 Month NIBOR was 0.99 % at the start of the quarter and 1.10 % at the end. The average NIBOR was 1.05 %, down 0.02 percentage points from the previous quarter. Long interest rates trended upwards throughout the quarter. The 10-year swap rate started the quarter at 2.15 % and ended at 2.30 %.

The positive trend in the labour market continues. Unemployment in Rogaland continued at an unchanged level of 2.6 % in the third quarter of 2018. Unemployment for Norway as a whole increased from 2.2 % to 2.3 %. The unemployment rate in Rogaland is currently around the same level as in Hordaland and Oslo.

According to housing price statistics from the Norwegian Association of Real Estate Agents, house prices in Norway were unchanged (not seasonally adjusted) over the quarter. In the area around Stavanger prices also remained unchanged. The sales execution time for Norway as a whole increased from 41 days to 43 days during the third quarter. In comparison the average time to conduct a sale in the Stavanger dropped from 63 to 76. The market in the Bank's primary area of interest is considered stable.

Risk factors

Pursuant to laws and regulations stipulated by the authorities, companies with license to issue Covered Bonds (Obligasjoner med Fortrinnsrett - OMF) shall have a low level of risk. The Board of Directors of SSB Boligkreditt emphasizes that the Company shall identify, measure and manage the various risk factors in such a way that the confidence in SSB Boligkreditt is maintained in the market.

Credit risk

As per 30 September 2018, the Company had a mortgage portfolio totaling NOK 7.1 billion. The weighted average loan to value was 52.5 %. All valuations are third party valuations. No loans were in default at the end of the period.

The Board of Directors considers the quality of the loan portfolio to be very good, and the credit risk considered to be low.

Market risk

Market risk is defined as economic loss due to changes in observable market variables, such as interest rates, foreign exchange rates and prices on financial instruments.

SSB Boligkreditt is to maintain a low level of market risk. The Company has established exposure limits for both interest rate and currency risk. The Company uses financial derivatives in order to keep the risk at a low level. As per June 30 2018, the Company had issued bonds with a net nominal value of NOK 6.5 billion, of which NOK 5.1 billion carry a floating rate. NOK 1.4 billion is issued with fixed rate, and the corresponding interest rate risk is hedged to floating rate using interest rate swaps.

The Company has exposure in NOK only. With respect to the mortgage loan, 100 % of the loans carry a floating rate. The Company uses financial derivatives to hedge interest rate risk in order to keep it low. At the end of the third quarter 2018, the Company had no positions in foreign exchange, and thus no currency risk.

The Board of Directors considers the overall market risk to be low.

Liquidity risk

This is the risk of the Company not being able to refinance upon maturity, or not being able to finance its assets at market terms. SSB Boligkreditt issues bonds that enables the Company to extend the maturity of its funding by 12 months if the Company should experience refinancing problems at the ordinary maturity date. SSB Boligkreditt also has a revolving credit facility with Sandnes Sparebank that covers all net payments next 12 months related to issued covered bonds.

The Board of Directors considers the Company's liquidity risk to be low.

Operational risk

This is the risk of loss due to errors or irregularities in the handling of transactions, lack of internal controls or irregularities in the systems used. SSB Boligkreditt has entered into a management agreement with Sandnes Sparebank regarding management, production, IT, and financial and risk management.

The Board of Directors considers the operational risk to be low.

The Board of Directors is of the opinion that the overall risk exposure of SSB Boligkreditt is low.

Organization, employees and environment

The Company has entered into an agreement with Sandnes Sparebank regarding the management of the Company's loan portfolio. Prices and terms and conditions are adjusted annually. The Company has no employees. Formally, the Managing Director is employed by Sandnes Sparebank.

There are four individuals on the Board of Directors.

The company does not pollute the environment.

Outlook

The Company expects a moderately increase in volume the next 12 months. Despite an uncertain macroeconomic environment, credit losses are not expected to increase materially for SSB Boligkreditt.

The current rating by Fitch of bonds issued by SSB Boligkreditt is AAA Stable outlook. The rating is expected maintain at the same level going forward. The Fitch required nominal OC level is 8.5 %. SSB Boligkreditt is committed to keep the nominal OC level at minimum 8.5 %.

The Board of Directors of SSB Boligkreditt AS
25 October 2018



Erik Kvå Hansen
Chairman of the Board



Arild Ollestad
Director



Tom Risa
Director



Tomas N. Middelthon
Director



Carl Fredrik Hjelle
Managing Director

Key financial figures per 30.09.2018

Profit summary (amounts in NOK thousands)	3. quarter 2018	3. quarter 2017	Jan-Sep. 2018	Jan-Sep. 2017	Year 2017
Net interest income	18.870	21.091	52.823	59.181	80.886
Other operating income	-6.206	317	-145	1.948	-419
Other operating cost	4.627	4.778	14.462	14.793	19.561
Net loss/writedowns	-56	187	77	-2.516	-4.211
Operating profit before taxes	8.094	16.443	38.139	48.852	65.118
Tax expense	2.024	4.111	9.535	12.213	16.266
Operating profit after taxes	6.071	12.332	28.604	36.639	48.852
Other income and cost (after taxes)	-	-	-	-	-
Total profits	6.071	12.332	28.604	36.639	48.852
Balance sheet excerpts (amounts in NOK thousands)					
	3. quarter 2018	3. quarter 2017	Jan-Sep. 2018	Jan-Sep. 2017	Year 2017
Total assets			7.727.916	7.154.098	7.073.894
Average total assets	7.691.388	7.183.091	7.400.905	7.124.103	7.084.001
Loans to customers			7.113.173	6.691.161	6.656.851
Notes and bonds			293.307	242.898	242.752
Equity			525.128	535.065	497.278
Key figures					
	3. quarter 2018	3. quarter 2017	Jan-Sep. 2018	Jan-Sep. 2017	Year 2017
Profitability					
Net interest income in % of avg. Total assets	0,97 %	1,16 %	1,06 %	1,11 %	1,14 %
Total cost in % of avg. Total assets	0,2 %	0,3 %	0,3 %	0,3 %	0,3 %
Return on equity before taxes	6,2 %	12,3 %	9,9 %	12,6 %	13,1 %
Return on equity after taxes	4,6 %	9,2 %	7,4 %	9,5 %	9,8 %
Solvency					
Capital ratio			16,5 %	17,6 %	17,7 %
Tier-1 capital ratio			16,5 %	17,6 %	17,7 %
Core Tier-1 capital ratio			16,5 %	17,6 %	17,7 %
Risk-weighted capital			3.005.289	2.831.792	2.806.768

Profit and loss statement

<i>Amounts in NOK thousands</i>	Note	3. quarter 2018	3. quarter 2017	Jan - Sep 2018	Jan - Sep 2017	Year 2017
Interest income		45.474	45.131	135.221	134.693	178.924
Interest expense	3	26.603	24.040	76.544	75.512	98.037
Net interest income		18.870	21.091	58.677	59.181	80.886
Commissions and income from banking services		24	442	174	1.334	1.760
Net change in value on financial instruments at fair value	5	(6.230)	(124)	(6.173)	614	(2.179)
Total other operating revenues		(6.206)	317	(6.000)	1.948	(419)
Salaries		-	8	40	98	107
Other operating costs	3	4.627	4.770	14.422	14.694	19.454
Depreciations and impairment		-	-	-	-	-
Total operating costs		4.627	4.778	14.462	14.793	19.561
Write downs and losses on lending and guarantees	2	(56)	187	77	(2.516)	(4.211)
Operating profit before taxes		8.094	16.443	38.139	48.852	65.118
Tax cost		2.024	4.111	9.535	12.213	16.266
Operating profit after taxes		6.071	12.332	28.604	36.639	48.852
Other income and expenses (after taxes)		-	-	-	-	-
Total comprehensive income		6.071	12.332	28.604	36.639	48.852

Balance sheet

<i>Amounts in NOK thousands</i>	Note	30.09.2018	30.09.2017	31.12.2017
Bank deposits	2,6,7	275.386	165.335	119.273
Loans to customers	2,6,7	7.113.173	6.691.161	6.656.851
Notes and bonds	6	293.307	242.898	242.752
Financial derivatives	6,7	43.388	50.381	48.072
Deferred tax assets		1.210	810	959
Other assets			327,4	
Prepaid expenses and accrued income	6	1.452	3.185,3	5.987
Total assets		7.727.916	7.154.098	7.073.894
Debts securities issued	6,7	6.453.149	5.921.331	6.023.631
Financial derivatives	6,7	33.389	3.071	2.729
Other debts	6	667.463	685.564	528.712
Taxes payable		22.440	4.162	16.423
Accrued expenses and prepaid income	7		4.905	5.121
Provisions	2,6,7	126		
Total liabilities		7.202.788	6.619.033	6.576.616
Equity certificate capital		227.600	227.600	227.600
Share premium		122.500	122.500	122.500
Other equity		175.028	184.965	147.178
Total equity		525.128	535.065	497.278
Total equity and liabilities		7.727.916	7.154.098	7.073.894

Statement of equity

Parent company	Equity certificate capital	Share premium	Other equity	Total
Equity as of 31.12.2016	227.600	122.500	148.326	498.426
Profit or loss			48.852	48.852
Dividend			(50.000)	(50.000)
Equity as of 31.12.2017	227.600	122.500	147.178	497.278
Profit or loss			28.604	28.604
Change in group writedown, IFRS 9			(754)	(754)
Equity as of 30.09.2018	227.600	122.500	175.028	525.128

Cash flow statement

<i>Amounts in NOK thousands</i>	3. quarter 2018	3. quarter 2017	Year 2017
Cash flow from operating activities			
Interest / commission received and fees received from customers	141.845	136.716	174.129
Net cash flows from financial derivatives	0	0	0
Interest receivable on securities	3.433	2.324	6.766
Disbursements for operations	-18.675	3.020	-158.272
Taxes	-1.746	-15.390	-7.330
Net cash flow from operating activities	124.856	126.670	15.293
Cash flow from investing activities			
Net cash flows from interest bearing securities	-51.380	-26.240	-28.887
Net cash flow from investing activities	-51.380	-26.240	-28.887
Cash flow from funding activities			
Net receipts / disbursements of repayment loans, credit lines	-320.726	-31.426	4.578
Net investments/borrowing in credit institutions	26.222		
Certificates and bond debts issued	1.600.000	800.000	1.000.000
Certificates and bond debts repaid	-1.140.527	-785.249	-880.982
Disbursement of dividend		0	-50.000
Net interest payments on financing activities	-82.331	-76.509	-98.818
Net cash flow from funding activities	82.637	-93.184	-25.223
Net cash flow for the period	156.113	7.246	-38.817
Cash and cash equivalents at the beginning of the period	119.273	158.089	158.089
Cash and cash equivalents at the end of the period	275.386	165.335	119.273

NOTE 1 General Accounting Policies

GENERAL

The financial statements for the third quarter 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU, including IAS 34 – Interim reporting. The accounting principles used has been described in the annual report for 2017.

New or amended accounting standards effective as of 01.01.2018: IFRS 9 Financial instruments

IFRS 9 was implemented for the Group as of 01.01.2018.

For a detailed description, and the Bank's approach to the accounting standard, please refer to note 27 of the Annual Report for 2017, which also includes a description of changes in the accounting principles, a new model for classification and recognition of financial assets and a new model for writing down financial assets.

APPLICATION OF ESTIMATES

The preparation of accounts in compliance with generally accepted accounting principles in some cases requires the management to apply estimates and assumptions. The estimates are based on historical experience and assumptions that management consider reasonable and prudent. The estimates and valuations on which decisions are based affect the recognised amounts of assets, debts and liabilities, as well as income and costs in the accounts. Actual results may subsequently differ to some extent from the estimates and assumptions.

In the preparation of the financial statements for the second quarter of 2018, the same estimation techniques and assumptions were used as described in the annual financial statements for 2017, with the exception of IFRS 9 which was effective as of 01.01.2018.

Note 2 Losses

	3. quarter 2018	3. quarter 2017	Jan - Sep 2018	Jan - Sep 2017	Year 2017
Writedowns and losses on loans					
Changes in step 3 writedowns during the period (prev. Individual writedowns)					
Changes in step 1 and 2 writedowns during the period (prev. Group writedowns)	-56	187	76	-2.516	-4.211
Confirmations of previous writedowns					
Confirmations without previous writedowns					
Recoveries of realized losses in previous periods					
Writedowns and losses on loans	-56	187	76	-2.516	-4.211
Writedowns of loans					
Group writedowns as of 1.1			5.232	6.322	6.322
- Transferred from Sandnes Sparebank			0	2.398	2.115
+ Change in group writedown			76	-2.516	-4.211
Group writedowns as of 30.09 / 31.12			5.308	6.203	4.226
Changes in provisions for losses:					
	Step 1	Step 2	Step 3	Total	
	12-month loss	Lifetime loss	Lifetime loss	writedowns	
Provisions for losses as of 1/1/2018 (revised)	1.014	4.218	-	5.232	
Movements with impact on earnings:					
Transfers:					
Transfers between Step 1 and Step 2	-76	1.510	-	1.435	
Transfers between Step 1 and Step 3	-	-	-	-	
Transfers between Step 2 and Step 1	120	-1.335	-	-1.215	
Transfers between Step 2 and Step 3	-	-	-	-	
Transfers between Step 3 and Step 2	-	-	-	-	
Transfers between Step 3 and Step 1	-	-	-	-	
New financial assets issued or purchased	236	172	-	408	
Financial assets excluded during the period	-123	-814	-	-937	
Modification of cash flows from non-excluded assets	235	151	-	386	
Provisions for losses as of 30.09	1.405	3.903	-	5.308	
Recognized as a reduction of loans to / claims on credit institutions				84	
Recognized as a reduction of loans to customers				5.099	
Recognized as provisions for debit items				126	
Total Provisions for losses as of 30.09				5.308	
Gross loans to customers recognized in the balance sheet					
	Step 1	Step 2	Step 3	Total	
				loans	
Gross loans to customers recognized in the balance sheet as of 1/1/2018	5.667.598	993.479	-	6.661.078	
Transfers:					
Transfers between Step 1 and Step 2	-272.330	313.859	-	41.529	
Transfers between Step 1 and Step 3	-	-	-	-	
Transfers between Step 2 and Step 1	355.164	-301.070	-	54.094	
Transfers between Step 2 and Step 3	-	-	-	-	
Transfers between Step 3 and Step 2	-	-	-	-	
Transfers between Step 3 and Step 1	-	-	-	-	
New financial assets issued or purchased	575.810	26.072	-	601.881	
Financial assets excluded during the period	-681.922	-199.429	-	-881.351	
Modification of cash flows from non-excluded assets	886.503	24.015	-	910.518	
Gross loans to customers recognized in the balance sheet as of 30.09	6.530.823	856.926	-	7.387.749	

* The above table is based on gross loans at the time of reporting, including loans to customers and claims on credit institutions. The table does not include interest accrued on loans or guarantees/unused lines of credit.

There are no losses on non performing loans and advances per 30.09.2018

Note 3 Related parties transactions

	3. quarter 2018	3. quarter 2017	Jan - Sep 2018	Jan - Sep 2017	Year 2017
Transactions within the Group					
Profit and loss statement					
Deposit rate	9	2	34	34	41
Interest paid / credit commissions	-3.254	-3.571	-9.825	-10.517	-13.516
Management fees	-4.238	-4.238	12.713	-13.003	-17.240
Balance sheet					
			30.09.2018	30.09.2017	31.12.2017
Loans and advances to credit institutions			174.707	65.335	18.383
Other liabilities			670.738	685.126	528.964

Note 4 Capital adequacy

Net subordinated capital	30.09.2018	30.09.2017	31.12.2017
Equity certificate capital	227.600	227.600	227.600
Share premium reserve	122.500	122.500	122.500
Other equity	146.423	148.326	147.178
Equity	496.523	498.426	497.278
Deduction for goodwill and other intangible assets	-1.210	-810	-959
Value adjustment due to the requirements for prudent valuation.	-293		-243
Total tier 1 capital	495.019	497.616	496.076
Net subordinated capital	495.019	497.616	496.076

Risk-weighted assets:			
Credit risk - standard method	2.809.797	2.622.135	2.599.073
Operational risk	147.528	161.370	147.528
CVA risk	47.964	48.287	60.166
Total risk-weighted assets	3.005.289	2.831.792	2.806.768
Capital adequacy ratio	16,5	17,6	17,7
Tier 1 capital ratio	16,5	17,6	17,7
Core Tier 1 capital ratio	16,5	17,6	17,7

Spesification of calculation base	30.09.2018	30.09.2017	31.12.2017
<i>Standard method</i>			
Institutions	70.287	52.178	44.834
Companies	-	-	-
Loans secured by real estate	2.699.624	2.549.804	2.514.691
Covered bonds	28.563	20.154	20.152
Others	11.323	-	19.397
Credit risk	2.809.797	2.622.135	2.599.073
Operational risk	147.528	161.370	147.528
Cva surcharge	47.964	48.287	60.166
Sum beregningsgrunnlag	3.005.289	2.831.792	2.806.768

Note 5 Net change of value and gains/losses on currency and securities valued as current assets

Net change in valuation of financial instrume	3. quarter 2018	3. quarter 2017	Jan - Sep 2018	Jan - Sep 2017	Year 2017
Net change in valuation of notes and bonds	-376	-124	-319	614	468
Gains/losses repayment treasury bonds	-5.854	-	-5.854		-2.647
Net change in valuation of currency and financia	-	-	-		
Net change in valuation of loans at fair value	-	-	-		
Net change in valuation of financial derivatives, l	-11.893	-2.148	-51.374	-4.777	-6.744
Net change in valuation of hedged financial liabil	11.893	2.148	51.374	4.777	6.744
Net change in valuation of financial instruments at fair value	-6.230	-124	-6.173	614	-2.179

Note 6 Classification of financial instruments

In connection with the implementation of IFRS9, new principles for the classification and measurement of financial assets have been adopted. The IAS 39 measurement categories for financial assets (fair value through the income statement, available for sale, hold until maturity and loans and receivables at amortized cost) have been replaced by the following three measurement categories pursuant to IFRS 9:

- Amortized cost
- Fair value with valuation changes through comprehensive income (FVOCI)
- Fair value with valuation changes through profit or loss (FVTPL)

The rules for financial liabilities are essentially the same as in the current IAS 39.

30.09.2018

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement (FVTPL)		Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Cash and deposits	275.386					275.386
Loans to customers	7.113.173					7.113.173
Notes and bonds		293.307				293.307
Financial derivatives				43.388		43.388
Accrued income					1.452	1.452
Other assets					1.210	1.210
Total assets	7.388.558	0	293.307	43.388	2.663	7.727.916
Liabilities						
Payable to credit institutions	26.222					26.222
Debt in relation to issued securities	6.453.149					6.453.149
Financial derivatives				33.389		33.389
Accrued cost					-	-
Other liabilities	689.903					689.903
Accruals	126					126
Total liabilities	7.169.399			33.389	-	7.202.788

Assets	Financial assets and liabilities valued at amortized cost	Financial instruments at fair value through the income statement			Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
		Trading portfolio	Decided recognized at fair value				
Cash and deposits	165.335						165.335
Loans to customers	6.691.161						6.691.161
Notes and bonds			242.898				242.898
Financial derivatives				50.381			50.381
Accrued income	3.185						3.185
Other assets						1.138	1.138
Total assets	6.859.681	0	242.898	50.381		1.138	7.154.098
Liabilities							
Debt in relation to issued securities	5.921.331						5.921.331
Financial derivatives				3.071			3.071
Accrued cost	4.905						4.905
Other liabilities	685.564						685.564
Accruals						4.162	4.162
Total liabilities	6.611.799	0		3.071		4.162	6.619.033

31.12.2017

**Financial instruments at fair
value
through the income
statement**

Assets	Financial assets and liabilities valued at amortized cost	Trading portfolio	Decided recognized at fair value	Financial derivatives as hedging instruments	Non-financial assets and liabilities	Total
Cash and deposits	119.273					119.273
Loans to customers	6.656.851					6.656.851
Notes and bonds			242.752			242.752
Financial derivatives				48.072		48.072
Accrued income	5.987					5.987
Other assets					959	959
Total assets	6.782.111	0	242.752	48.072	959	7.073.894
Liabilities						
Debt in relation to issued securities	6.023.631					6.023.631
Financial derivatives				2.729		2.729
Accrued cost	5.121					5.121
Other liabilities	528.712					528.712
Accruals					16.423	16.423
Total liabilities	6.557.464	0		2.729	16.423	6.576.616

Note 7 Fair value of financial instruments

Financial instruments valued at amortized cost

	30.09.2018		30.09.2017		31.12.2017	
	Recognized value in the balance sheet	Fair value	Recognized value in the balance sheet	Fair value	Recognized value in the balance sheet	Fair value
Assets						
Cash and deposits	275.386	275.386	165.335	165.335	119.273	119.273
Loans to customers	7.113.173	7.113.173	6.691.161	6.691.161	6.656.851	6.656.851
Accrued income		0	3.185	3.185	5.987	5.987
Total assets	7.388.558	7.388.558	6.859.681	6.859.681	6.782.111	6.782.111
Liabilities						
Payable to credit institutions	26.222	26.222				
Debt in relation to issued securities	6.453.149	6.480.601	5.921.331	5.946.880	6.023.631	6.054.935
Accrued expenses	-	-	4.905	4.905	5.121	5.121
Accruals	126	126				
	689.903		685.564			
Total liabilities	7.169.399	6.506.949	6.611.799	5.894.114	6.028.752	6.060.056

Financial instruments valued at fair value

Determination of fair value at the end of the period pursuant to the valuation hierarchy

	Level 1	Level 2	Level 3	Total as of
				30.09.2018
Financial instruments at fair value through the income statement				
Loans to customers			0	0
Notes and bonds		293.307		293.307
Financial derivatives		0		0
Financial derivatives, hedging instrument		43.388		43.388
Total	0	336.695	0	336.695

Financial instruments at fair value through the income statement				
Financial derivatives		0		0
Financial derivatives, hedging instrument		33.389		33.389
Total	0	33.389	0	33.389

Determination of fair value at the end of the period pursuant to the valuation hierarchy

	Level 1	Level 2	Level 3	Total as of
				30.09.2017
Financial instruments at fair value through the income statement				
Loans to customers			0	0
Notes and bonds		242.898		242.898
Financial derivatives		0		0
Financial derivatives, hedging instrument		50.381		50.381
Total	0	293.279	0	293.279

Financial instruments at fair value through the income statement				
Financial derivatives		0		0
Financial derivatives, hedging instrument		3.155		3.155
Total	0	3.155	0	3.155

Determination of fair value at the end of the period pursuant to the valuation hierarchy

	Level 1	Level 2	Level 3	Total as of
				31.12.2017
Financial instruments at fair value through the income statement				
Loans to customers			0	0
Notes and bonds		242.752		242.752
Financial derivatives		0		0
Financial derivatives, hedging instrument		48.072		48.072
Total	0	290.824	0	290.824

Financial instruments at fair value through the income statement				
Financial derivatives		0		0
Financial derivatives, hedging instrument		2.729		2.729
Total	0	2.729	0	2.729

Note 8 Asset coverage

Asset coverage is calculated in accordance with Financial Institutions Act § 11-11 requirement for asset coverage.

The law requires that the collateral value at any time exceeds 102 % of the value of the covered bonds to cover the collateral value.

Asset coverage - net issued covered bonds (NOK 1000)

	30.9.18	30.9.17	2017
Covered bonds	6.453.149	5.978.589	6.060.038
Fiancial derivatives	-10.000	-67.752	-45.343
Total covered bonds	6.443.149	5.910.837	6.014.694
Loans to customers	7.045.047	6.636.476	6.583.646
Deposits with fiancial institutions (min. rating A-/F1)	100.000	100.000	100.000
Liquid assets (min. rating AA)	292.802	242.896	242.752
Haircut on substitute assets*	-	-	-
Total cover pool	7.437.849	6.979.372	6.926.398
Asset coverage (OC)	115,4 %	118,1 %	115,2 %
Minimum requirement from rating agency	108,5 %	114,0 %	114,0 %

Asset coverage - gross issued covered bonds and gross cover pool according to Norwegian FSA

Apart from the ordinary asset coverage tests, The Norwegian FSA (Finanstilsynet) has instructed the covered bond companies to calculate the OC based on gross issued volume of covered bonds, and at the same time exclude such holdings as a part of the substitute assets.

Covered bonds	6.453.149	5.978.589	6.060.038
Retained/repurchased covered bonds	-	-	600.000
Total covered bonds	6.453.149	5.978.589	6.660.038
Loans to customers	7.045.047	6.636.476	6.583.646
Deposits with fiancial institutions (min. rating A-/F1)	100.000	100.000	100.000
Liquid assets (min. rating AA)	292.802	242.896	242.752
Finansielle derivater	10.000	67.752	45.343
Haircut on substitute assets**	-53.500	-19.000	-17.000
Total cover pool	7.394.349	7.028.124	6.954.741
Asset coverage (OC)	114,6 %	117,6 %	104,4 %
Regulatory minimum requirement (Norwegian FSA)	102,0 %	100,0 %	100,0 %

* / ** Substitute assets may only consists of liquid and secure holdings. The cover pool cannot contain more than 20% substitute assets. In extraordinary circumstances the FSA can grant a temporary increase of the limit to 30% .

When calculation the asset coverage, any amount of substitute assets exceeding the 20% limit will be excluded from the cover pool ,unless an extended limit has been granted by Finanstilsynet.

Finanstilsynet has determined that liquid assets used for LCR-coverage cannot be considered a part of the cover pool. Hence, cover pool assets used for LCR-purposes are deducted from the cover pool value when calculation the asset coverage according to Finanstilsynet's methodology.