

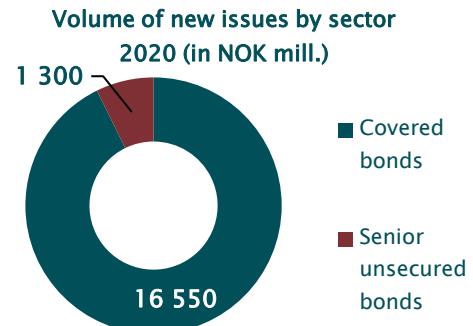
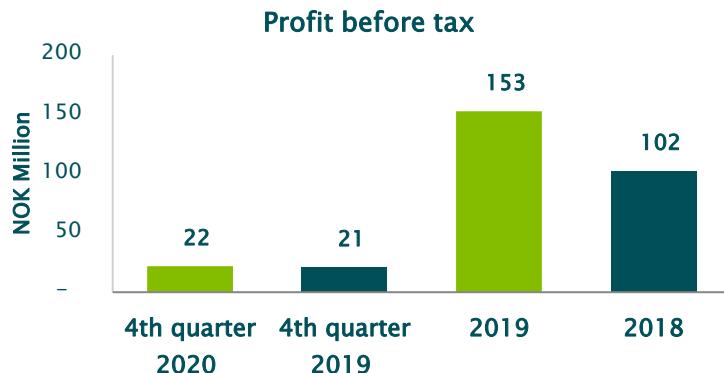
Eika Boligkreditt AS

Interim report for the fourth quarter 2020

Unaudited



Highlights



Fourth quarter 2020

- Pre-tax profit of NOK 21.8 million (2019: NOK 20.9 million)
- Comprehensive income (taking account of fair value changes to basis swaps) of NOK 31.7 million (2019: NOK 17.8 million)
- Financing of owner banks up by 0.9 per cent, corresponding to an annualised growth of 3.7 per cent
- Commissions to owner banks of NOK 211 million (2019: NOK 144 million)
- NOK 0.5 billion in bonds issued (2019: NOK 2.1 billion)

2020

- Pre-tax profit of NOK 152.6 million (2019: NOK 102.2 million)
- Comprehensive income (taking account of fair value changes to basis swaps) of NOK 204 million (2019: NOK 133.4 million)
- Financing of owner banks up by 5.4 per cent (4.9 per cent)
- Commissions to owner banks of NOK 674.8 million (2019: NOK 513 million)
- NOK 17.9 billion in bonds issued (2019: NOK 14.3 billion)

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

INTERIM REPORT FOR THE FOURTH QUARTER 2020

Introduction

Eika Boligkredit's main purpose is to ensure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding by issuing covered bonds. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets with regard to the tenor of loans, their terms and the depth of access. The object of the company's business is to reduce risk for the owner banks. At 31 December 2020, the owner banks had NOK 89.3 billion in total financing with Eika Boligkredit and had thereby reduced the need for their own market and deposit financing by a corresponding amount.

Eika Boligkredit 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 Boligkredit, the owner banks have secured a player in the bond market with the necessary requirements for securing competitive terms and depth of access to financing, both in Norway and internationally.

Profit and loss account for the fourth quarter

Amount in NOK thousand	4th quarter 2020	4th quarter 2019	2020	2 019
Total interest income	454 316	714 068	2 229 871	2 623 905
Net interest income	217 945	170 177	811 949	648 079
Commission costs	204 603	139 275	646 521	489 852
Total gain and losses on financial instruments at fair value	23 687	(74)	43 046	(5 976)
Profit before tax	21 787	20 932	152 644	102 208
Comprehensive income (taking account of fair value changes in basis swaps)	31 740	17 830	203 959	133 368

A reduction corresponding to 36.4 per cent in the company's interest income during the fourth quarter compared with the same period of 2019 primarily reflected lower interest rates on residential mortgages as a result of the fall in interbank rates. Net interest income in the fourth quarter was up by 28.1 per cent from the same period of the year before because borrowing rates declined by more than the repricing of lending rates. In addition, net interest income was affected by expensing NOK 7.5 million in contribution to the Norwegian Banks Guarantee Fund's resolution fund, which has been recognised as an interest charge. Commission payments to the owner banks increased by 46.9 per cent from the fourth quarter of 2019. This reflected higher margins on residential mortgages in addition to the growth in lending volume. Changes to the fair value of financial instruments recognised in profit and loss amounted to NOK 23.7 million, up by NOK 23.8 million from the same period of 2019. The fourth-quarter change primarily reflected fair value changes following fluctuations in the level of interest rates. Pre-tax profit for the fourth quarter was NOK 21.8 million, up by NOK 0.9 million from the same period of 2019.

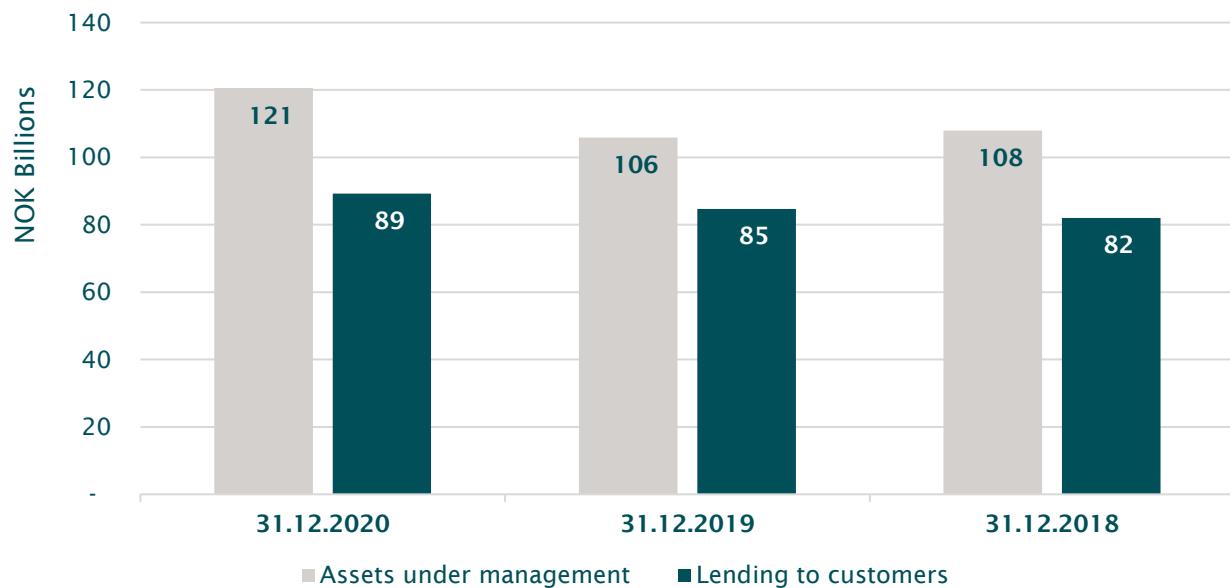
A 15 per cent reduction in the company's interest income for 2020 compared with the same period of 2019 primarily reflected lower interest rates on residential mortgages. Net interest income for the year was up by 25.3 per cent from 2019. That reflected higher margins on residential mortgages because borrowing costs declined by more than interest rates on lending. Commission payments to the owner banks for 2020 also rose by 32 per cent from 2019, which reflected higher margins on residential mortgages and growth in lending volumes. Changes to the fair value of financial instruments recognised in profit and loss came to NOK 43 million, up by NOK 49 million from 2019. Pre-tax profit for 2020 was thereby NOK 152.6 million, a rise of NOK 50.4 million from 2019.

Interest on tier 1 perpetual bonds of NOK 5.7 million and NOK 25.8 million in the fourth quarter and the full year respectively is not presented as an interest expense in the income statement, but as a reduction in equity.

Comprehensive income includes changes in the value of basis swaps of NOK 17.3 million (2019: negative at NOK 6.9 million) for the fourth quarter and NOK 98.7 million (2019: NOK 53 million) for the full year. Over

the term of the derivatives, the effect of such value changes will be zero. The accounting effects will thereby reverse until the derivatives mature. This means that changes in the value of basis swaps only have accrual effects with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early.

Balance sheet and liquidity



Assets under management by Eika Boligkreditt amounted to NOK 120.6 billion at 31 December 2020. The increase of NOK 14.8 billion over the year primarily reflects three factors. First, the krone exchange rate against the euro weakened considerably and interest rates declined sharply, with a rise in carrying amounts on both sides of the balance sheet – the krone value of bonds issued in euros where liabilities are concerned and correspondingly the value of swap agreements to hedge the currency risk for bonds issued in euros on the asset side. The sharp decline in interest rates also increased the value of fixed-interest bonds issued and correspondingly the value on the asset side of the interest-rate swap agreements which hedge the interest-rate risk for these bonds. A weakened krone and declining interest rates for the year increased the carrying amount in the balance sheet by just under NOK 3.5 billion. Second, the company issued NOK 17.9 billion in bonds in 2020, which was NOK 8 billion higher than the overall NOK 9.9 billion in maturation and early redemption for the year. The residential mortgage portfolio grew by NOK 4.6 billion in 2020, which meant that NOK 3.4 billion of the net NOK 8 billion in increased bond debt was added to the liquidity portfolio. Third, cash collateral received under derivative agreements rose by NOK 3 billion. Cash collateral is capitalised by the company because it is reinvested on receipt in bonds and bank deposits. This latest increase not only reflects the effects of the weaker krone and lower interest rates, but also the choices made by counterparties to Eika Boligkreditt's derivative agreements over depositing collateral in the form of bonds, which are not capitalised by the company, or as cash, which is capitalised.

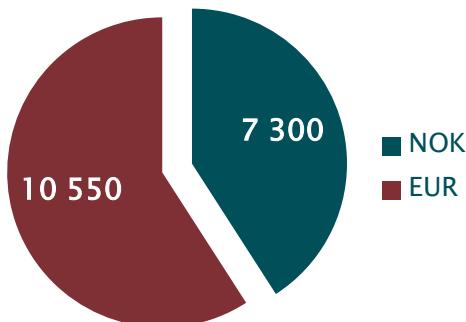
Financing of the owner banks (residential mortgage lending to customers) came to NOK 89.3 billion at 31 December, representing a net increase of NOK 0.8 billion in the fourth quarter and NOK 4.6 billion for the past 12 months. That amounts to a net growth of 5.4 per cent in lending year-on-year. Over the past 12 months, OBOS-banken – now in its fourth year of running down after the distribution agreement was terminated – ran down its financing from Eika Boligkreditt by NOK 0.8 billion. OBOS-banken's residual financing from Eika Boligkreditt at 31 December was NOK 2.6 billion. Adjusted for OBOS-banken, financing from Eika Boligkreditt for the remaining owner banks grew by NOK 5.3 billion over the past 12 months, representing a 6.3 per cent rise. That reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

Borrowing

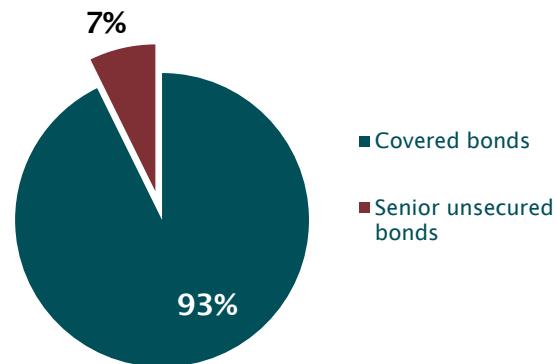
Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 500 million in the fourth quarter, compared with NOK 2.1 billion in the same period of 2019. Senior unsecured bonds accounted for NOK 500 million of the issue volume in the fourth quarter of 2020.

Bonds with a nominal value of NOK 17.9 billion were issued by Eika Boligkreditt during 2020, compared with NOK 14.3 billion in 2019. Covered bonds and senior unsecured bonds accounted for NOK 16.6 billion and NOK 1.3 billion respectively of the issue volume in the full year.

Issues by currency (in NOK mill) in 2020



Issues by sector (in %) in 2020



Of bond issues in 2020, 59.1 per cent were denominated in euros and 40.9 per cent in Norwegian kroner. Covered bonds accounted for 92.7 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)	2020	2019	2018
Covered bonds (issued in EUR)	10 550	5 586	4 848
Covered bonds (issued in NOK)	6 000	7 250	10 650
Senior unsecured bonds (issued in NOK)	1 300	1 200	750
Subordinated loans (issued in NOK)	-	250	325
Total issued	17 850	14 287	16 573

The average tenor for covered bonds issued in 2020 was 6.45 years. At 31 December, the average tenor for the company's borrowing portfolio was 3.78 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	31.12.2020	31.12.2019	31.12.2018
Covered bonds	102 378	90 751	93 913
Senior unsecured bonds	3 749	3 549	3 376
Subordinated loans	724	889	674
Total borrowing	106 851	95 189	97 963

Total borrowing by the company at 31 December was NOK 106.9 billion, up by NOK 17.9 billion from 1 January when account is taken of NOK 8 billion in net bond issues and effects totalling NOK 3.4 billion from a weaker krone exchange rate for bonds issued in euros and lower interest rates for fixed-interest bonds.

Liquidity

At 31 December, the company had a liquidity portfolio of NOK 20.8 billion. That includes cash collateral of NOK 6.9 billion received from counterparties to derivative contracts. Cash collateral received is held as bank deposits, repo agreements and various high-quality securities. In addition to cash collateral, the company has received collateral in the form of high-quality bonds corresponding in value to NOK 1.3 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Accounting effects and the coronavirus position

The coronavirus epidemic has meant an increase in both lay-offs and unemployment in Norway. This position has contributed in turn to some increase 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.

	1th quarter	2th quarter	3th quarter	4th quarter
Interest-only (in %)	32 %	31 %	27 %	26 %
Payment holiday (approved applications)	24	53	5	2
Flexibility-quota mortgages national excl Oslo (in %)	7.0 %	8.9 %	8.0 %	7.5 %
Flexibility-quota mortgages Oslo (in %)	7.3 %	11.9 %	10.5 %	7.8 %

In response to the coronavirus epidemic, the government gave financial institutions greater flexibility in awarding residential mortgages by increasing from 10 to 20 per cent the quota for loans which fail to fulfil all the requirements in the residential mortgage regulations. This easing initially applied to the second quarter, and was extended to the third quarter but not the fourth. Eika Boligkredit is not subject to the requirements in the residential mortgage regulations at sole lender level, but the owner banks consolidate the residential mortgages they have financed through Eika Boligkredit with the loans they have funded over their own balance sheet. Use of the flexibility quota increased somewhat, particularly in the second quarter, but had returned to a normal level in the fourth quarter.

The krone had a volatile journey during 2020, and weakened against the euro and other currencies over the year. A weaker krone increases the value of debt issued in euros, counterbalanced by a corresponding rise in the value of the basis swap agreements on the asset side of the balance sheet which the company uses as hedge transactions and which are included in its hedge accounting.

Pursuant to the derivative agreements, the company's derivative counterparties must deposit collateral if the value of the agreements rises. Correspondingly, the company must return collateral deposits if the value of the agreements decreases.

	31.12.2019	1th quarter	2th quarter	3th quarter	4th quarter	Year 2020
Change NOK/EUR (in %)		-16.7 %	5.8 %	-1.2 %	4.2 %	-6.5 %
Exchange rate NOK/EUR, change in NOK	9.84	11.48/1.64	10.81/-0.67	10.94/0.13	10.48/-0.46	0.64
Money-weighted return on liquidity portfolio (in %)		0.32 %	0.43 %	0.13 %	0.10 %	0.93 %

The liquidity portfolio experienced an unrealised price loss of NOK 13.8 million in the fourth quarter, compared with a loss of NOK 5.5 million in the third quarter, a gain of NOK 15 million in the second and a loss of NOK 22.7 million in the first. That excludes cash collateral from counterparties to derivative agreements. The fourth-quarter return on the liquidity portfolio totalled NOK 15 million, which corresponds to a rise in value of 0.1 percentage points over the quarter. For the full year, the total return was NOK 129.5 million, corresponding to a rise in value of 0.93 percentage points. This demonstrates that the capital management strategy established for the liquidity reserve was robust against the turbulence experienced in the financial markets during 2020.

The retail market is less exposed to losses on lending for residential purposes than other segments and sectors. Eika Boligkredit's lending is confined to residential mortgages with a generally low loan-to-value ratio, and is therefore less exposed to loss. Social security provision in Norway, including specific measures introduced in connection with the coronavirus, 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 has recalculated expected losses on mortgage lending for the fourth quarter. In light of the low LTV ratio on the residential mortgages in the cover pool, and the provision of guarantees against losses to the company from the owner banks, no accounting loss has been incurred for 2020.

New developments in the alliance

The board of Eika Boligkredit resolved on 14 October to give notice of cancelling the distribution agreement with Selbu Sparebank, Nidaros Sparebank, Aasen Sparebank, Sparebank 68° Nord, Tolga Os Sparebank, Drangedal Sparebank, Askim & Spydeberg Sparebank, Sparebanken DIN, Stadsbygd Sparebank and Ørland Sparebank (the Local Bank Alliance). This notice means that the agreement will terminate on 31 December 2021, and is in line with the advance notice given to these banks in February 2020. Once the agreement is terminated, the banks will be unable to increase their financing in Eika Boligkredit. Financing established at 31 December 2021 will be run down in accordance with a specified plan for each bank.

At 31 December, the members of the Local Bank Alliance had transferred NOK 14.3 billion in residential mortgages to the cover pool. This corresponded to 16.1 per cent of the total residential mortgage volume. A process will now be initiated with the banks to establish a termination agreement. Pursuant to this agreement, the banks will continue during the run-down phase to enjoy management of the residential mortgages included in the cover pool with the associated right to receive the interest margin on these. In cooperation with the banks, Eika Boligkredit will work to achieve the best possible termination of the contractual relationship.

On 24 November, the boards of Surnadal Sparebank, a member of the Eika Alliance, and SpareBank1 Nordvest, a member of the SpareBank1 Alliance, agreed on a merger of the two banks with the latter as the acquiring bank. Implementation of the merger is conditional on the general meetings of the banks taking the required decisions and on the Financial Supervisory Authority of Norway giving the necessary approval of the takeover and refraining from imposing conditions which significantly alter the assumptions underpinning the decision by the banks. The aim is to implement the merger around 1 May 2021. The merged bank will be named Sparebank1 Nordmøre, and will become part of the SpareBank1 Alliance. If the merger goes ahead, the distribution agreement between the merged bank and Eika Boligkredit will be terminated. At 31 December, Surnadal Sparebank had transferred NOK 1.6 billion in residential mortgages to Eika Boligkredit. This represented 1.8 per cent of Eika Boligkredit's overall residential mortgage portfolio.

The boards of Tysnes and Etne Sparebank announced on 6 December that they would begin negotiations with the intention of merging. Tysnes is a member of the Eika Alliance, while Etne is a collaborating bank in DSS (www.dssbank.no). The decision on a possible alliance or collaboration affiliation will be clarified as part of the negotiations. Total assets of a merged bank, including residential mortgages transferred to Eika and Verd Boligkredit, would be NOK 6.8 billion.

Vekselbank reassessed its alliance affiliation with Eika in the fourth quarter. With its head office in Voss, this commercial bank joined the Eika Alliance in 2012. The board of bank resolved on 15 December to remain a full member of the alliance, on the basis that Eika is an important supplier to the bank and its customers in a number of product areas. In addition, the alliance collaboration gives access to expertise and solutions which provide Vekselbank, as a small local bank, with substantial economies of scale.

On 18 December, the Eika Alliance signed an agreement on behalf of 53 member banks – in other words, all the alliance banks with the exception of the Local Bank Alliance and Surnadal Sparebank – with TietoEVRY on the delivery of a new core banking system. The existing system comes from Danish software provider SDC. The agreement with TietoEVRY is expected to provide substantial cost savings for the alliance banks in Eika compared with the current arrangement. It runs for five years with extension opportunities for a total of four more. This agreement will strengthen the long-term competitiveness of the alliance banks through substantially enhanced cost efficiency, stronger development capabilities and greater strategic flexibility. The banks will acquire a forward-looking IT platform which meets ever-growing customer expectations for digital

solutions and services. With a conversion plan set to be determined during the first quarter of 2021, the transition to TietoEVRY's solutions is expected to be completed in the second half of 2022 and possibly into 2023. In connection with the adoption of a new core banking system by the Eika Alliance from 2022, management of residential mortgages in Eika Boligkreditt's cover pool will be converted from today's lending system supplied by BanQsoft to the new core banking system delivered by TietoEVRY.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 6.4 billion at 31 December, 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 December amounted to NOK 37.2 billion, up by NOK 3.1 billion from 1 January. This rise primarily reflects growth in lending to customers, 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 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 Dec 2020	31 Dec 2019	31 Dec 2018
Risk-weighted assets	37 222	34 074	33 731
Total primary capital (tier 2 capital)	6 397	6 372	5 902
Capital adequacy ratio in per cent	17.2 %	18.7 %	17.5 %

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 a more stringent lending practice by the banks from 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% (13.7% at 31 December 2020)
- tier 1 capital ratio: 13.5% (15.2% at 31 December 2020)
- tier 2 capital ratio: 15.5% (17.2% at 31 December 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 December with a core tier 1 capital adequacy of 13.7 per cent.

Allocation of profit

Overall profit for 2020, after taking account of NOK 98 710 000 in positive changes to the fair value of basis swaps, came to NOK 203 959 000. The reserve for unrealised profit has been increased by NOK 17 992 000 in connection with fair value changes to financial instruments. This year's increase thereby reduces the dividend basis by a corresponding amount. In assessing its proposed dividend for 2020, the board has emphasised conducting a consistent dividend policy over time. NOK 12 631 000 has also been allocated to the revaluation reserve fund for valuation differences related to positive differences arising between the carrying amount of investments in shares in associates and their acquisition cost. Capital adequacy for the company is considered to be good, with a good buffer against its capital requirements. The company has assessed the risk of breaching

its capital targets and of suffering actual losses on lending to be low. In addition, dividend paid will remain within the Eika Alliance, helping to strengthen the system as a whole. The board therefore proposes to pay a dividend of NOK 146 267 000 to the owner banks for 2020. NOK 25 789 000 of the overall profit is attributed to the investors in the tier 1 perpetual bonds, and NOK 1 280 000 has been allocated to other equity. Furthermore, the dividend payment is considered to leave Eika Boligkreditt with a prudent level of equity and liquidity.

Outlook

The company's financing of the owner banks grew by a net NOK 0.8 billion in the fourth quarter and NOK 4.6 billion for the past 12 months, representing a 12-monthly growth of 5.4 per cent. Adjusted for the agreed rundown in OBOS-banken's financing, the 12-monthly growth was 6.3 per cent. Statistics Norway's credit indicator for 2020 showed a 12-monthly increase of 4.9 per cent in Norwegian household debt, marginally down from 5.0 per cent 12 months earlier.

According to the latest lending survey from Norges Bank, demand for borrowing by households and non-financial enterprises was more or less unchanged during the autumn's wave of infection. Where households are concerned, the banks report that ending the temporary easing of restrictions in the residential mortgage regulations did not have a significant impact. Nor did the rise in infections during the autumn yield the same demand for interest-only mortgages as in the first wave earlier in the year. Overall, although certain banks reported some increase in requirements for security and equity in the hardest-hit sectors, borrowing terms were also unchanged.

According to the house price report from Real Estate Norway, average Norwegian house prices rose by 8.7 per cent in 2020. This represents the strongest growth since the 2016 record, and can largely be explained by the sharp fall in interest rates for residential mortgages related to the coronavirus measures in monetary policy. Norges Bank reduced its base rate in three stages from 1.5 to zero per cent in the spring of 2020. House prices in Oslo rose by no less than 12 per cent during the year. In addition to the contribution from reduced interest rates, low levels of supply and housebuilding represent an important driver of price developments in the capital. Looking ahead, house prices are expected to grow somewhat more slowly than in 2020 because much of the effect of lower interest rates should have been exhausted.

The credit margin for covered bonds with a five-year tenor in Norwegian kroner issued by Eika Boligkreditt contracted during the fourth quarter by 0.04 percentage points to a level of 0.23 percentage points. This represented a reversal of more than the entire expansion of 0.37 percentage points achieved late in the first quarter. Credit margins quoted in the eurozone secondary market for similar bonds declined by one basis point in the fourth quarter. During 2020 as a whole, credit margins contracted by about 10 basis points in both Norwegian kroner and euros. They are also expected to remain low in 2021, with good help from the ECB's bond purchase programme and other long-term ECB loan arrangements for banks in the eurozone.

The coronavirus epidemic is hitting the Norwegian and international economies hard, with much of normal economic activity locked down in many countries. Norway is also hit hard, but less than many other countries and less than many forecasters predicted. In its economic trends report of 9 December, Statistics Norway expected the mainland economy to contract by three per cent in 2020, before reversing in 2021 with a growth of 3.7 per cent. Unemployment in December was 3.9 per cent, representing a reduction of more than 60 per cent from the peak of 10.4 per cent at 31 March, but still substantially higher than before the epidemic and marginally higher than before the round of tightened infection controls in November.

Losses on lending by the banks will depend on the scope and duration of the epidemic, and on which countermeasures are adopted by the government. The use of oil revenues is being clearly reduced next year (by NOK 90 billion), since the need for coronavirus measures will be significantly lower than earlier expected. The budget stimulation will thereby be clearly negative (by 2.9 per cent). Corrected for the coronavirus measures, however, the stimulation is estimated at one per cent next year. The government budget assumes a decline of 3.1 per cent in the mainland economy this year (marginally below the Statistics Norway estimate of three per cent in the economic trends report) and an upturn of 4.4 per cent in 2021 (Statistics Norway estimates 3.7 per cent). According to estimates from the Labour and Welfare Administration (NAV), unemployment is expected to decline further to 3.1 per cent. The government appears rather more optimistic about the recovery of the economy than most other analysts.

All in all, 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, investor interest in new covered bond issues in euros and Norwegian kroner is expected to be good in 2021. Eika Boligkreditt therefore expects to be an active issuer in both Norwegian and international financial markets during the coming year. Its financing requirement in 2021 is expected to be on a par with or higher than in 2020, which indicates three new covered-bond issues in benchmark format.

Oslo, 03 Februar 2021

The board of directors of Eika Boligkreditt AS

Dag Olav Løseth
Chair

Rune Iversen

Terje Svendsen

Olav Sem Austmo

Gro Furunes Skårsmoen

Torleif Lilløy

Kjartan M Bremnes
CEO

Statement of comprehensive income

Amounts in NOK 1 000	Notes	4Q 2020	4Q 2019	Aret 2020	2019
INTEREST INCOME					
Interest from loans to customers at amortised cost		402 440	611 462	1 917 207	2 239 530
Interest from loans to customers at fair value		32 154	46 382	161 079	151 353
Interest from loans and receivables on credit institutions		6 713	6 521	27 951	19 770
Interest from bonds, certificates and financial derivatives		4 892	41 635	88 140	179 252
Other interest income at amortised cost		7 443	7 528	33 033	32 118
Other interest income at fair value		675	540	2 461	1 882
Total interest income		454 316	714 068	2 229 871	2 623 905
INTEREST EXPENSES					
Interest on debt securities issued		223 739	526 578	1 373 221	1 929 706
Interest on subordinated loan capital		4 118	8 296	21 009	25 973
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		7 573	8 355	20 842	18 355
Other interest expenses		941	662	2 849	1 792
Total interest expenses		236 372	543 891	1 417 921	1 975 826
Net interest income		217 945	170 177	811 949	648 079
Commission costs					
Net interest income after commissions costs		13 342	30 902	165 428	158 227
Income from shares in associated company		2 729	8 979	12 631	19 117
Total income from shares	Note 11	2 729	8 979	12 631	19 117
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE					
Net gains and losses on bonds and certificates	Note 3	3 793	-	(1 303)	-
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	6 986	(8 619)	7 774	(5 264)
Net gains and losses on financial derivatives	Note 3	87 078	37 888	(150 131)	34 383
Net gains and losses on loans at fair value	Note 3	(74 170)	(28 493)	186 706	(34 245)
Fair value adjustment, shares	Note 3	-	(850)	-	(850)
Total gains and losses on financial instruments at fair value		23 687	(74)	43 046	(5 976)
Other income		-	63	16	63
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES					
Salaries, fees and other personnel expenses		7 770	8 500	31 304	32 256
Administrative expenses		5 814	4 641	19 310	18 326
Total salaries and administrative expenses		13 583	13 141	50 613	50 581
Depreciation		1 020	999	4 135	3 945
Other operating expenses		3 368	4 798	13 728	14 696
Losses on loans and guarantees		-	-	-	-
PROFIT BEFORE TAXES		21 787	20 932	152 644	102 208
Taxes		3 687	(4 264)	28 790	13 546
PROFIT FOR THE PERIOD		18 100	25 196	123 854	88 662
Net gains and losses on bonds and certificates	Note 3	901	(2 899)	8 097	6 634
Net gains and losses on basis swaps	Note 3	17 285	(6 922)	98 710	52 974
Taxes on other comprehensive income		(4 547)	2 455	(26 702)	(14 902)
COMPREHENSIVE INCOME FOR THE PERIOD		31 740	17 830	203 959	133 368

Of the total comprehensive income for the period above, NOK 146.3 million is attributable to the shareholders of the company, NOK 25.8 million to the hybrid capital investors, NOK 18.0 million to the fund for unrealised gains, NOK 12.6 million to the fund for valuation differences and NOK 1.3 million to other equity.

Balance sheet

Amounts in NOK 1 000	Notes	31 Dec 2020	31 Dec 2019
ASSETS			
Lending to and receivables from credit institutions		971 759	968 309
Lending to customers	Note 4, 9	89 268 662	84 718 544
Other financial assets	Note 13	105 662	142 095
Securities			
Bonds and certificates at fair value	Note 5,9	19 810 358	13 362 946
Financial derivatives	Note 8,9	10 302 016	6 478 291
Shares	Note 10,11	1 650	1 650
Total securities		30 114 024	19 842 887
Shares in associated company	Note 11	57 441	63 685
Intangible assets			
Deferred tax assets		25 864	77 868
Intangible assets		3 270	4 553
Total other intangible assets		29 133	82 421
Tangible fixed assets			
Right-of-use assets	Note 15	15 932	16 701
Tangible fixed assets		15 932	16 701
TOTAL ASSETS		120 562 614	105 834 641
LIABILITIES AND EQUITY			
Loans from credit institutions	Note 14	6 881 420	3 937 698
Financial derivatives	Note 8,9	164 377	68 756
Debt securities issued	Note 6	106 127 106	94 300 106
Other liabilities		792 002	840 908
Pension liabilities		5 974	5 021
Lease obligations	Note 15	16 267	16 593
Subordinated loan capital	Note 7	724 343	889 050
TOTAL LIABILITIES		114 711 488	100 058 132
Called-up and fully paid capital			
Share capital		1 225 497	1 225 497
Share premium		3 384 886	3 384 886
Other paid-in equity		477 728	477 728
Total called-up and fully paid capital	Note 12	5 088 111	5 088 111
Retained earnings			
Fund for unrealised gains		27 588	9 596
Fund for valuation differences		13 911	20 155
Other equity		147 283	84 736
Total retained equity	Note 12	188 782	114 487
Hybrid capital			
Tier 1 capital		574 232	573 912
Total hybrid capital		574 232	573 912
TOTAL EQUITY		5 851 125	5 776 509
TOTAL LIABILITIES AND EQUITY		120 562 614	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
Result for the period	-	-	-	-	-	125 435	6 680	122 240
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(6 600)	(6 600)
Disbursed dividends for 2018	-	-	-	-	-	(103 873)	-	(103 873)
Hybrid capital	-	-	-	-	-	-	-	-
Taxes on interest tier 1 capital	-	-	-	-	-	-	-	-
Balance sheet as at 30 June 2020								
	1 225 496	3 384 886	477 728	9 596	10 280	113 304	574 071	5 795 362
Result for the period	-	-	-	-	-	29 534	5 699	35 233
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(5 618)	(5 618)
Disbursed dividends for 2018	-	-	-	-	-	-	-	-
Hybrid capital	-	-	-	-	-	-	-	-
Taxes on interest tier 1 capital	-	-	-	-	-	-	-	-
Balance sheet as at 30 September 2020								
	1 225 496	3 384 886	477 728	9 596	10 280	142 838	574 151	5 824 976
Result for the period	-	-	-	17 992	3 631	4 445	5 671	31 739
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(5 590)	(5 590)
Disbursed dividends for 2018	-	-	-	-	-	-	-	-
Hybrid capital	-	-	-	-	-	-	-	-
Taxes on interest tier 1 capital	-	-	-	-	-	-	-	-
Balance sheet as at 30 December 2020								
	1 225 496	3 384 886	477 728	27 588	13 911	147 284	574 232	5 851 125

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

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

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

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

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.

⁵Other equity comprises earned and retained profits.

⁶Tier 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 Boligkredit 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	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	203 959	133 368
Taxes	55 492	28 448
Income taxes paid	(62 232)	(32 764)
Ordinary depreciation	1 751	1 857
Non-cash pension costs	953	946
Change in loans to customers	(4 550 118)	(2 703 859)
Change in bonds and certificates	(6 447 412)	3 230 362
Change in financial derivatives and debt securities issued	(370 503)	22 993
Interest expenses	1 417 921	1 975 826
Paid interest	(1 474 426)	(1 981 301)
Interest income	(2 194 376)	(2 589 905)
Received interests	2 231 328	2 578 588
Changes in other assets	(519)	356 621
Changes in short-term liabilities and accruals	162 407	28 059
Net cash flow relating to operating activities	(11 025 774)	1 049 240
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(468)	(1 294)
Share of profit/loss in associated companies	(12 631)	(19 117)
Payments from shares in associated companies	18 875	9 873
Net cash flow relating to investing activities	5 776	(10 538)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	18 138 395	14 060 594
Gross payments of bonds and commercial paper	(9 764 618)	(15 737 748)
Gross receipts on issue of subordinated loan capital	-	249 729
Gross payments of subordinated loan capital	(164 707)	(34 952)
Gross receipts from issue of loan from credit institution	2 943 722	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	(25 469)	(29 823)
Payments of dividend	(103 873)	(35 445)
Paid-up new share capital	-	550 000
Net cash flow from financing activities	11 023 450	(1 026 414)
Net changes in lending to and receivables from credit institutions	3 452	12 288
Lending to and receivables from credit institutions at 1 January	968 309	956 021
Lending to and receivables from credit institutions at end of period	971 759	968 309

Notes

Note 1 – Accounting policies

General

Eika Boligkredit 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 fourth quarter of 2020 have been prepared in accordance with IAS 34 Interim financial reporting.

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 write-downs

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 December 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	4th quarter		4th quarter	
	2020	2019	2020	2019
Net gains and losses on bonds and certificates including currency effects ¹	3 793	-	(1 303)	-
Net gains and losses on loans at fair value	(74 170)	(28 493)	186 706	(34 245)
Net gains and losses on financial debts, hedged ²	3 757 466	1 105 112	(3 551 932)	1 258 235
Net gains and losses on interest swaps related to lending	87 078	37 888	(150 131)	34 383
Net gains and losses on interest and currency swaps related to liabilities ²	(3 750 480)	(1 113 731)	3 559 706	(1 263 499)
Fair value adjustment, shares	-	(850)	-	(850)
Net gains and losses on financial instruments at fair value	23 687	(74)	43 046	(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	4th quarter		4th quarter	
	2020	2019	2020	2019
Net gains and losses on bonds and certificates	(2 841)	(7 453)	19 105	5 839
Net gains and losses on interest-rate swaps related to bonds and certificates	3 742	4 554	(11 008)	796
Net gains and losses on basis swaps ³	17 285	(6 922)	98 710	52 974
Net gains and losses on financial instruments at fair value	18 186	(9 821)	106 806	59 608

³ Comprehensive profit for the in 2020 includes positive changes of NOK 98.7 million in the value of basis swaps.

Basis swaps are derivative contracts entered into in connection with long-term borrowing in foreign currency, whereby the foreign currency is converted to Norwegian kroner. These are hedging instruments, and the effect is zero over the term of the instrument. This means that changes in margins only have an accrual effect with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early.

Eika Boligkreditt utilises interest-rate and currency swaps in order to convert borrowing in foreign currencies to Norwegian kroner. A typical example is when a loan raised in euros is converted to Norwegian kroner through an interest-rate and currency swap which includes a basis swap. In this case, Eika Boligkreditt would pay a Norwegian interest rate with a margin of three months Nibor in the swap and receive a euro interest rate in the swap which corresponds to the coupon it pays on the loan in euros. Derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting.

Note 4 – Lending to customers

Amounts in NOK 1 000	31 Dec 2020	31 Dec 2019
Installment loans - retail market	83 910 819	79 150 938
Installment loans - housing cooperatives	5 198 781	5 582 664
Adjustment fair value lending to customers ¹	159 063	(15 058)
Total lending before specific and general provisions for losses	89 268 662	84 718 544
Impairments on lending to customers	-	-
Total lending to and receivables from customers	89 268 662	84 718 544

¹The table below shows fair value lending to customers.

With effect from 10 December 2019, the company increased its maximum loan-to-value (LTV) ratio for residential mortgages from 60 per cent of the property's value to the legal limit of 75 per cent. Before 10 December 2019, all lending related to residential mortgages fell within the 60 per cent LTV limit at origination. The company had no non-performing engagements at 31 December 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. New calculations performed by the company show that expected losses on loans will amount to NOK 11 000 at 31 December 2020. This assessment rests on new assumptions about the development of house prices in the time to come. The calculation shows a lower provision for losses than in 31.03.2020 of NOK 90 000 and in 30.06.2020 of NOK 16 000. The calculation in 30.09.2020 amounted to NOK 2 000. The range of the provision for losses for 2018 and 2019 was of NOK 15 000. As a result of credit guarantees of NOK 914 million from the owner banks at 31 December 2020, this will involve no accounting loss for the company in the fourth 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 Dec 2020	Nominal value	Fair value
Amounts in NOK 1 000		
Variable rate loans	80 812 265	80 812 265
Fixed rate loans	8 297 340	8 456 402
Toal lending	89 109 605	89 268 668

31 Dec 2019	Nominal value	Fair value
Amounts in NOK 1 000		
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 December 2020

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	6 945 270	6 957 799	7 107 131
Credit institutions	7 394 000	7 432 334	7 438 909
Government bonds	5 491 984	5 507 858	5 264 319
Total bonds and certificates at fair value	19 831 253	19 897 991	19 810 358
Change in value charged to other comprehensive income ¹			(87 633)

¹ The value change in 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 as net gains and losses on bonds and certificates.

Average effective interest rate is 0.93 per cent annualised. The calculation is based on a weighted fair value of NOK 13.9 billion. The calculation takes account of a return of NOK 129.5 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 Dec 2020 31 Dec 2019

Average term to maturity	1.2	1.4
Average duration	0.2	0.2

All the bonds are rated AA-/Aa3 or better if the maturity exceeds 100 days, and A-/A3 if the maturity is 100 days or fewer. The rating is performed by an internationally recognised rating agency.

Note 6 – Debt securities issued

Covered bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2020	31 Dec 2019
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	566 000	1 000 000
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 528	1 500 620
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 843	997 537
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	-	5 130 475
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	-	550 430
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 988 242	7 977 615
NO0010733694	2 000 000	NOK	Fixed	1.75 %	2015	2021	741 076	1 147 747
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	844 430	843 890
NO0010775190	-	NOK	Floating	3M Nibor + 0.40 %	2016	2020	-	2 061 001
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 572	699 505
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 004 434	5 007 130
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 589 944	1 589 113
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 046 550	8 045 233
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25 %	2019	2024	7 244 704	7 243 266
NO0010881162	6 000 000	NOK	Floating	3M Nibor + 0.41%	2020	2025	5 997 886	-
XS0881369770	1 000 000	EUR	Fixed	2.125 %	2013	2023	10 454 132	9 823 464
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	5 233 823	4 915 227
XS1312011684	500 000	EUR	Fixed	0.625 %	2015	2021	5 230 507	4 913 307
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	5 219 444	4 901 787
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	5 218 604	4 902 450
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	5 213 458	4 897 680
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	5 211 030	4 895 435
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	5 194 438	4 879 971
XS1969637740	10 000	EUR	Fixed	1.245 %	2019	2039	104 703	98 460
XS1997131591	60 000	EUR	Fixed	1.112 %	2019	2039	628 114	590 657
XS2085864911	5 000	EUR	Fixed	0.56 %	2019	2039	52 286	49 165
XS2133386685	500 000	EUR	Fixed	0.01 %	2020	2027	5 303 271	-
XS2234711294	500 000	EUR	Fixed	0.01 %	2020	2028	5 327 202	-
Value adjustments							2 616 270	1 939 521
Total covered bonds¹							102 378 493	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 Dec 2020	31 Dec 2019
NO0010739287	-	NOK	Floating	3M Nibor + 0.70%	2015	2020	-	599 940
NO0010776099	500 000	NOK	Floating	3M Nibor +0.92%	2016	2020	-	499 944
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	500 522	501 030
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 894	449 829
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 670	299 602
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 718	299 663
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 860	299 816
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74 %	2019	2024	299 750	299 678
NO0010851975	1 000 000	NOK	Floating	3M Nibor + 0.27 %	2019	2021	299 978	299 918
NO0010874944	300 000	NOK	Floating	3M Nibor + 0.58 %	2020	2025	299 766	-
NO0010891351	500 000	NOK	Floating	3M Nibor + 0.50 %	2020	2023	499 800	-
NO0010904642	500 000	NOK	Floating	3M Nibor + 0.65 %	2020	2024	499 654	-
Total senior unsecured bonds							3 748 612	3 549 419
Total debt securities issued							106 127 106	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 Dec 2020	31 Dec 2019
NO0010729650	-	NOK	Floating	3M Nibor + 1.85% ¹	2015	2025	-	164 997
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40% ²	2016	2026	149 988	149 928
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40% ³	2018	2028	324 729	324 598
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55% ⁴	2019	2029	249 626	249 526
Total subordinated loan capital							724 343	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)

Amounts in NOK 1 000	Fair value	
	31 Dec 2020	31 Dec 2019
Lending to customers ²	88 998 168	84 345 467
Substitute assets and derivatives:		
Financial derivatives without accrued interest (net)	9 663 684	6 079 459
Substitute assets ³	12 994 572	9 838 148
Total cover pool	111 656 424	100 263 074
 The cover pool's overcollateralisation ⁴	107.75%	105.81%

Covered bonds issued

	31 Dec 2020	31 Dec 2019
Covered bonds	102 378 493	90 750 687
Premium/discount	(14 613)	217 963
Own holding (Covered bonds) ¹	1 258 000	3 789 000
Total covered bonds	103 621 880	94 757 650

¹When 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)

Amounts in NOK 1 000	Nominal values	
	31 Dec 2020	31 Dec 2019
Lending to customers ²	88 839 105	84 360 526
Substitute assets:		
Substitute assets ³	12 906 286	9 775 435
Total cover pool	101 745 391	94 135 960
 The cover pool's overcollateralisation ⁴	109.98%	111.35%

Covered bonds issued

	31 Dec 2020	31 Dec 2019
Covered bonds	92 509 050	84 537 050
Total covered bonds	92 509 050	84 537 050

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

³Substitute assets include lending to and receivables from credit institutions, bond and certificates at fair value and repo agreements.

⁴ Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 31 December 2020, liquid assets totalling NOK 900 millions 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 8.62 per cent at fair value and 10.96 per cent at nominal value.

Note 9 – Derivatives and hedging

The purpose of all derivative transactions in Eika Boligkredit is to reduce the interest rate and currency risk. Interest rate swaps, where Eika Boligkredit 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 Boligkredit 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.

	31 Dec 2020		31 Dec 2019	
Assets	Nominal amount	Fair value	Nominal amount	Fair value
Amounts in NOK 1 000				
Interest rate swap lending ¹	2 218 560	20 245	5 064 060	35 709
Interest rate and currency swap ²	58 809 050	10 281 259	47 600 550	6 441 900
Interest swap placement	104 703	513	98 460	682
Total financial derivative assets including accrued interest	61 132 313	10 302 016	52 763 070	6 478 291
 Liabilities				
Amounts in NOK 1 000				
Interest rate swap lending ¹	5 601 862	145 967	856 576	7 165
Interest rate and currency swap ²	-	-	2 050 500	51 299
Interest swap placement	2 586 164	18 410	1 467 054	10 293
Total financial derivative liabilities including accrued interest	8 188 026	164 377	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 Boligkredit applies fair value hedging on fixed-rate financial liabilities. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

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

	31 Dec 2020		31 Dec 2019	
	Nominal amount	Value recognised in balance sheet	Nominal amount	Value recognised in balance sheet
Amounts in NOK 1 000				
Hedging instruments: interest rate and currency swaps ^{1,2}	58 809 050	9 834 231	45 550 050	6 061 740
Hedged items: financial commitments incl foreign exchange ²	58 809 050	(9 887 143)	45 550 050	(6 433 921)
Net capitalised value without accrued interest	-	(52 912)	-	(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

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

Amounts in NOK 1 000	4th quarter 2020	4th quarter 2019	2020	2019
Hedging instruments	(3 750 480)	(1 113 731)	3 559 706	(1 263 499)
Hedged items	3 757 466	1 105 112	(3 551 932)	1 258 235
Net gains/losses (ineffectiveness) recorded in profit and loss³	6 986	(8 619)	7 774	(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 Boligkredit 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 Bloomberg. The company's investments in Government bonds are included in this category.

Level 2: Financial instruments where the measurement is based on observable market data

Level 2 comprises financial instruments that are measured using market information not consisting of quoted prices but which may be either directly or indirectly observable. Indirectly observable market data entail that the price is derived from corresponding financial instruments and commitments on which the market has based its valuation. This category consists of the fair value of interest and currency swaps based on swap curves and investments in bonds and certificates not issued by a national state. Market data are obtained from an acknowledged provider of market data.

Level 3: Financial instruments where the measurement is based on information other than observable market data

Level 3 includes fixed-interest mortgages and shares at fair value over profit and loss. The fair value of the fixed-interest mortgages is their amortised cost adjusted for the present value of the difference between the mortgage's fixed interest rate and the applicable fixed interest rate offered on the balance sheet date. Shares are valued on the basis of discounted cash flows.

31 December 2020

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)			
	-	-	8 456 402
Bonds and certificates	3 120 948	16 689 410	-
Financial derivatives	-	10 302 016	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	3 120 948	26 991 426	8 458 052
Financial liabilities			
Financial derivatives	-	164 377	-
Total financial liabilities	-	164 377	-

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	Purchases/ 01 Jan 2020 issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2019	Other comprehensive income	31 Dec 2020
Amounts in NOK 1 000						
Lending to customers (fixed-rate loans)	6 317 876	3 107 019	(1 155 199)	-	186 706	-
Shares at fair value over profit or loss	1 650	-	-	-	-	1 650
Total	6 319 526	3 107 019	(1 155 199)	-	186 706	8 458 052
2019						
2019	Purchases/ 01 Jan 2019 issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2018	Other comprehensive income	31 Dec 2019
Amounts in NOK 1 000						
Lending to customers (fixed-rate loans)	4 830 180	2 307 239	(785 298)	-	(34 245)	-
Shares at fair value over profit or loss	2 500	-	-	-	(850)	-
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 December 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 307 million. The effect of a decrease in interest rates would be an increase of NOK 307 million in the value of fixed-rate loans at fair value. The amounts are calculated by duration, which is the remaining portion of the fixed interest period.

Changes in fair value of fixed-rate loans attributable to a change in credit risk

Since the company's fixed-rate lending at fair value has an unchanged credit spread, no change in fair value is attributable to a change in the credit risk. That applies both for 31 December 2020 and cumulatively.

Detailed statement of changes in debt related to currency changes

Detailed statement changes in debt related to currency changes

2020	01 Jan 2020	Issued/matured	Currency changes	31 Dec 2020
Amounts in NOK 1 000				
Change in debt securities issued ¹	45 045 450	10 550 000	2 776 473	58 371 923
Total	45 045 450	10 550 000	2 776 473	58 371 923
2019				
2019	01 Jan 2019	Issued/matured	Currency changes	31 Dec 2019
Amounts in NOK 1 000				
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

¹The table shows currency changes related to bonds issued in foreign currencies. Currency changes related to liabilities with credit institutions are not shown.

Note 11 – Shares at fair value recognised in profit in loss and shares in associated company

Shares classified at fair value recognised in profit and loss

Amounts in NOK 1 000	Number of shares	Cost price	Book value 31 des 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	-	-
Revaluation at acquisition cost	-	-
Share of profit/loss	12 631	19 117
Dividend	(18 875)	(9 873)
Carrying amount	57 441	63 685

EBK's investment in Eiendomsverdi 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 Dec 2020	31 Dec 2019
Share capital	1 225 497	1 225 497
Share premium	3 384 886	3 384 886
Other paid-in equity	477 728	477 728
Other equity	1 018	1 016
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	5 089 130	5 089 127
Fund for unrealised gains	27 588	9 596
Fund for valuation differences	13 911	-
Intangible assets	(3 270)	(4 553)
Deferred tax assets ¹	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(28 500)	(20 106)
Total core tier 1 capital	5 098 859	5 074 064
Core capital adequacy ratio (core tier 1 capital)	31 Dec 2020	31 Dec 2019
Weighted calculation basis	37 221 959	34 073 656
Core tier 1 capital	5 098 859	5 074 064
Core tier 1 capital ratio	13.7%	14.9%
Total core tier 1 capital	5 098 859	5 074 064
Tier 1 perpetual bonds	574 232	573 912
Total tier 1 capital	5 673 091	5 647 976
Capital adequacy ratio (tier 1 capital)	31 Dec 2020	31 Dec 2019
Weighted calculation basis	37 221 959	34 073 656
Tier 1 capital	5 673 091	5 647 976
Tier 1 capital ratio	15.2%	16.6%
Total tier 1 capital	5 673 091	5 647 976
Subordinated loans	724 343	724 052
Total primary capital (tier 2 capital)	6 397 434	6 372 028
Capital adequacy ratio (tier 2 capital)	31 Dec 2020	31 Dec 2019
Weighted calculation basis	37 221 959	34 073 656
Total primary capital (tier 2 capital)	6 397 434	6 372 028
Capital adequacy ratio	17.2%	18.7%
Required capital corresponding to eight per cent of calculation basis	2 977 757	2 725 892
Surplus equity and subordinated capital	3 419 677	3 646 135
The capital adequacy ratio is calculated using the standard method in Basel II.		
31 December 2020		
Calculation basis	Weighted calculation basis	Capital requirement
Credit risk	34 712 468	2 776 997
Operational risk	326 965	26 157
CVA risk ²	2 182 527	174 602
Total	37 221 959	2 977 757
Leverage Ratio	31 Dec 2020	31 Dec 2019
Total Leverage Ratio exposure	123 706 197	108 698 255
Tier 1 capital	5 671 811	5 647 975
Leverage Ratio	4.6 %	5.2 %

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

¹Deferred tax assets attributable to temporary differences and amounting to less than 10 per cent of core tier 1 capital are not deducted from core tier 1 capital, but risk-weighted by 250 per cent. See the changes to the calculation regulations which came into force on 30 September 2014.

²At 31 December 2020, Eika Boligkredit 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 December amounted to NOK 37.2 billion, up by NOK 3.1 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 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 December 2020 with a core tier 1 capital ratio of 13.7 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 decrease 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	31.12.2020	31.12.2019
Prepaid expenses	2 636	2 068
Repo agreements	-	-
Accrued interests	103 025	139 977
Short-term receivables	1	50
Total other financial assets	105 662	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 Boligkredit has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkredit for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. At 31 December 2020, Eika Boligkredit had received cash collateral of NOK 6.9 billion posted by counterparties to derivative contracts. Cash collateral is held in bank deposits, repo agreements and in various high-quality bonds. In addition to cash collateral, the company had also received NOK 1.3 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 – 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 15.9 million and NOK 16.3 million respectively, in the company's balance sheet at 31 December 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 December 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

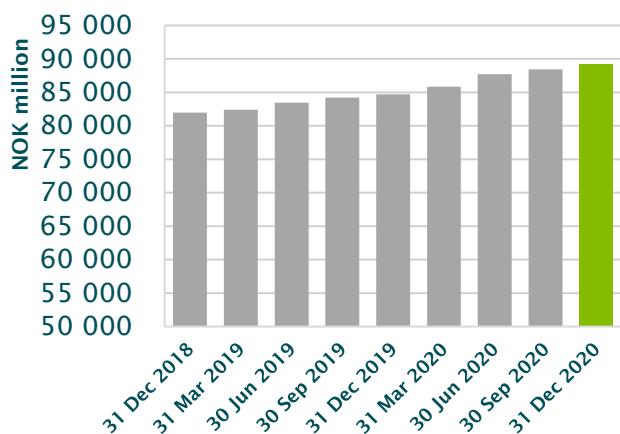
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2019 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby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

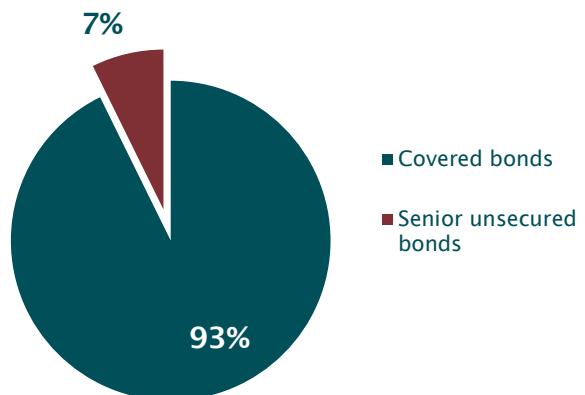
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

Key figures – Development

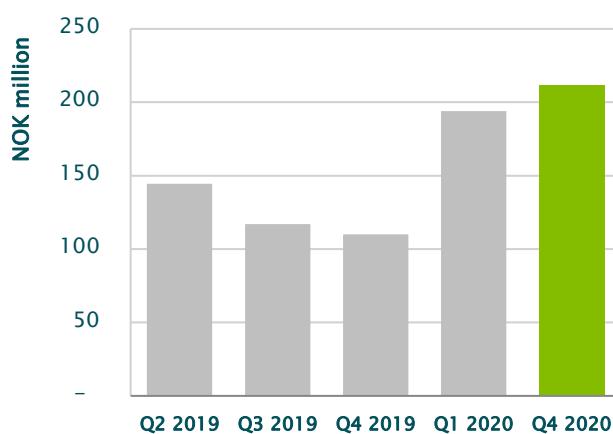
Lending to customers



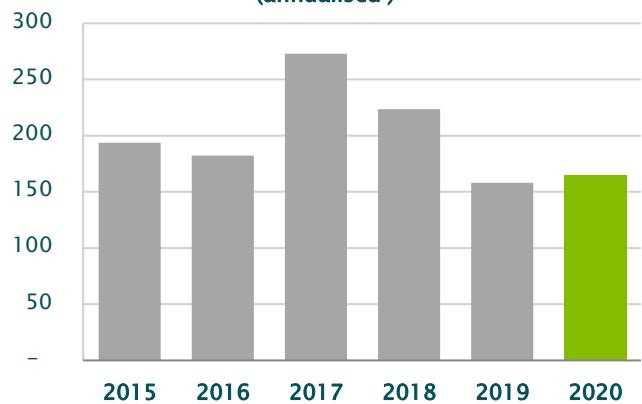
Issues by sector 2020



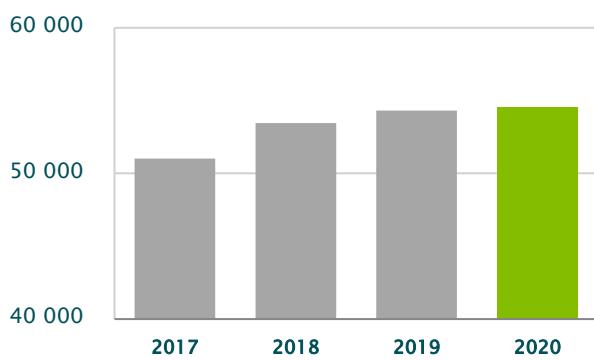
Distributor commissions



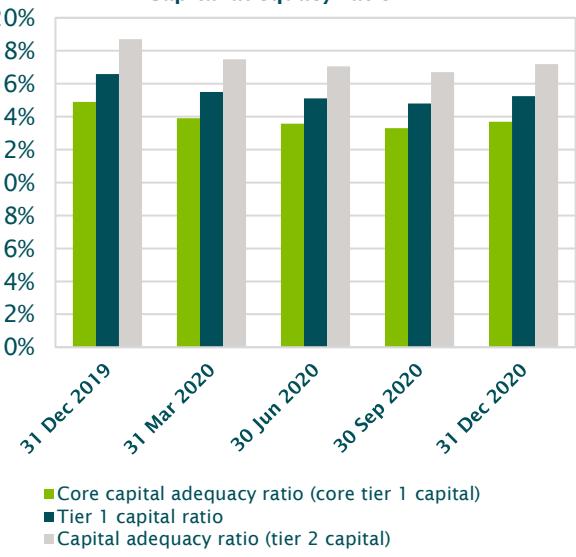
Net interest income after commissions costs (annualised)



Number of loans



Capital adequacy ratio



Key figures

Amounts in NOK 1 000	31 Dec 2020	31 Dec 2019	
Balance sheet development			
Lending to customers	89 268 662	84 718 544	
Debt securities issued	106 127 106	94 300 106	
Subordinated loan capital	724 343	889 050	
Equity	5 851 125	5 776 510	
Equity in % of total assets	4.9	5.5	
Average total assets ¹	120 881 106	107 505 977	
Total assets	120 562 614	105 834 641	
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.5	0.5	
Staff and general administration expenses in relation to average total assets, annualised (%)	0.03	0.03	
Return on equity before tax, annualised (%) ²	3.0	2.2	
Total assets per full-time position	6 345 401	5 345 184	
Cost/income ratio (%) ³	41.4	43.7	
Financial strength			
Core tier 1 capital	5 098 859	5 074 063	
Tier 1 capital	5 673 091	5 647 975	
Total primary capital (tier 2 capital)	6 397 434	6 372 028	
Calculation basis capital adequacy ratio	37 221 959	34 073 656	
Core tier 1 capital ratio (%)	13.7	14.9	
Tier 1 capital ratio (%)	15.2	16.6	
Capital adequacy ratio % (tier 2 capital)	17.2	18.7	
Leverage ratio (%) ⁴	4.6	5.2	
NSFR totalindicator i % ⁵	100	97	
Defaults in % of gross loans	-	-	
Loss in % of gross loans	-	-	
Staff			
Number of full-time positions at end of period	19.0	19.8	
Liquidity Coverage Ratio (LCR) ⁶:			
31 Dec 2020	Totalt	NOK	EUR
Stock of HQLA	8 517 840	1 108 257	604 650
Net outgoing cash flows next 30 days	8 349 856	915 486	604 650
LCR indicator (%)	102 %	121 %	100 %
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): $\frac{\text{High-quality liquid assets}}{\text{Net outgoing cash flows next 30 days}}$

LCR indicators: Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 31 December 2020, liquid assets totalling NOK 900 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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