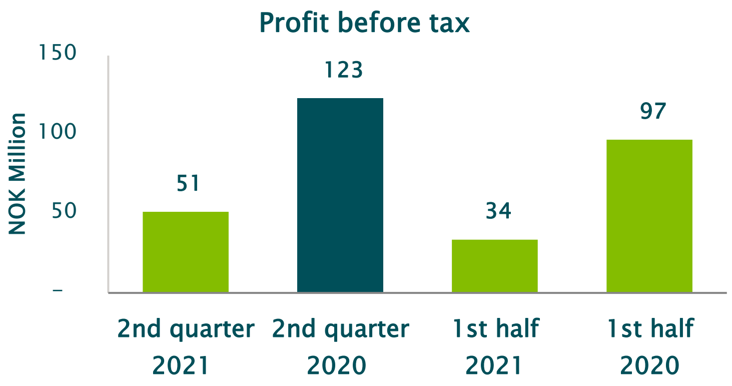
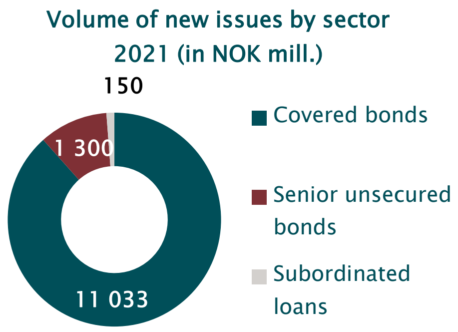
Eika Boligkreditt AS

Interim report for the second quarter and first half 2021

Unaudited

Highlights





Second quarter 2021

- Pre-tax profit of NOK 51.2 million (2020: NOK 122.9 million)
- Comprehensive income (taking account of fair value changes to basis swaps) of NOK 12.9 million (2020: NOK 122.2 million)
- Financing of owner banks up by 0.9 per cent, corresponding to an annualised growth of 3.6 per cent
- Commissions to owner banks of NOK 186 million (2020: NOK 119.6 million)
- NOK 5 billion in bonds issued (2020: NOK 6 billion)

First half 2021

- Pre-tax profit of NOK 33.8 million (2020: NOK 96.8 million)
- Comprehensive loss (taking account of fair value changes to basis swaps) of NOK 58.5 million (2020: income of NOK 137 million)
- Financing of owner banks up by 1.1 per cent, corresponding to an annualised growth of 2.3 per cent
- Commissions to owner banks of NOK 378.9 million (2020: NOK 269.4 million)
- NOK 12.5 billion in bonds issued (2020: NOK 11.5 billion)

No full or limited external auditing of the figures for the quarter and the half-year has been undertaken.

INTERIM REPORT FOR THE SECOND QUARTER AND FIRST HALF 2021

Introduction

Eika Boligkreditt's main purpose is to ensure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding by issuing covered bonds. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets with regard to the tenor of loans, their terms and the depth of access. The object of the company's business is to reduce risk for the owner banks. At 30 June 2021, the owner banks had NOK 90.3 billion in total financing with Eika Boligkreditt and had thereby reduced the need for their own market and deposit financing by a corresponding amount.

Eika Boligkreditt is licensed as a credit institution and entitled to raise loans in the market through the issuance of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and this type of bond has become an important source of financing for the lending activities of banks and credit institutions. By concentrating financing activities relating to covered bonds in Eika Boligkreditt, the owner banks have secured a player in the bond market with the necessary requirements for securing competitive terms and depth of access to financing, both in Norway and internationally.

Profit and loss account for the second quarter/first half

Amount in NOK thousand	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020
Total interest income	452 469	574 063	910 008	1 312 242
Net interest income	218 970	153 099	418 900	355 994
Commission costs	178 593	111 521	365 615	255 310
Total gain and losses on financial instruments at fair value	23 367	94 642	7 095	23 796
Profit before tax	**51 209**	**122 868**	**33 747**	**96 780**
Comprehensive income (taking account of fair value changes in basis swaps)	**12 874**	**122 240**	**(58 510)**	**136 986**

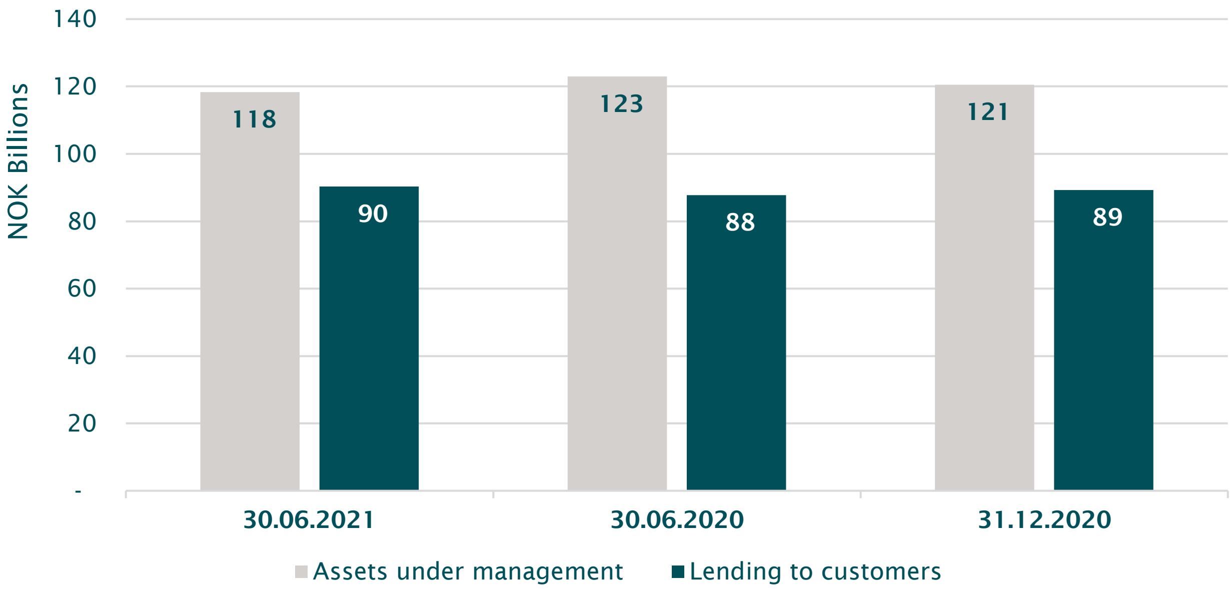
A 21.2 per cent reduction in interest income during the second quarter compared with the same period of 2020 primarily reflected a downward adjustment in interest rates on residential mortgages by the company to accord with the fall in interbank rates. Net interest income in the second quarter was up by 43 per cent from the same period of last year because borrowing costs fell by more than interest rates on residential mortgages. Total commission (portfolio and arrangement) payments to the owner banks increased by 55.5 per cent from the second quarter of 2020 to NOK 186 million. 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 came to NOK 23.4 million, down by NOK 71.3 million from the same period of 2020. The difference primarily reflected fair value changes resulting from fluctuations in the level of interest rates. Pre-tax profit for the second quarter was NOK 51.2 million, a reduction of NOK 71.7 million from the same period of 2020.

A 30.7 per cent reduction in interest income for the first half compared with the same period of 2020 primarily reflected a downward adjustment by the company in interest rates on residential mortgages to accord with the fall in interbank rates. Net interest income in the first half was up by 17.7 per cent from the same period of last year because borrowing costs fell by more than interest rates on residential mortgages. In addition, net interest income was affected by recognising NOK 10.6 million in contribution to the Norwegian Banks Guarantee Fund's resolution fund as an interest charge. Total commission payments increased by 40.7 per cent from the first half of 2020, reflecting higher margins on residential mortgages in addition to the growth in lending volume. Changes to the fair value of financial instruments came to NOK 7.1 million, down by NOK 16.7 million from the same period of 2020. Pre-tax profit for the first half fell by NOK 63 million from the same period of 2020.

Interest on tier 1 perpetual bonds of NOK 5.6 million in the second quarter and NOK 11.3 million for the first half are not presented as an interest expense in the income statement, but as a reduction in equity.

Comprehensive income for the second quarter includes a negative change of NOK 33.8 million in the value of basis swaps (2020: positive at NOK 4.7 million), while the comprehensive loss for the first half includes a negative change of NOK 121.3 million (2020: positive at NOK 71.2 million). Over the term of the derivatives, the effect of such value changes will be zero. The accounting effects will thereby reverse until the derivatives mature. This means that changes in the value of basis swaps only have accrual effects with regard to unrealised gains and losses in the financial statements, but no realised gains or losses over the term of the derivative unless Eika Boligkreditt realises the derivative early.

Balance sheet and liquidity



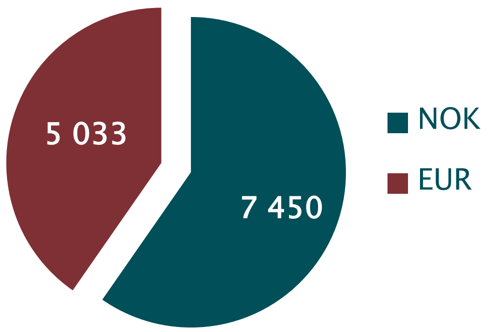
Assets under management by Eika Boligkreditt amounted to NOK 118.4 billion at 30 June 2021, down by NOK 2.2 billion from 31 December 2020. Financing of the owner banks (residential mortgage lending to customers) totalled NOK 90.3 billion at 30 June, representing a net increase of NOK 0.8 billion in the second quarter and NOK 2.6 billion for the past 12 months. That amounts to a net growth of 2.9 per cent in lending year-on-year. Over the past 12 months, OBOS-banken – now in its fifth year of running down in connection with the termination of its distribution agreement – ran down its financing from Eika Boligkreditt by NOK 0.6 billion. OBOS-banken's residual financing from Eika Boligkreditt at 30 June was NOK 2.4 billion. Adjusted for OBOS-banken, financing from Eika Boligkreditt for the remaining owner banks grew by NOK 3.1 billion over the past 12 months, representing a 3.5 per cent annual growth rate.

Borrowing

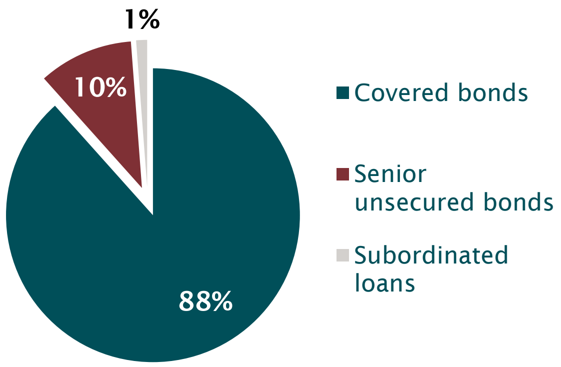
Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 5 billion in the second quarter, compared with NOK 6 billion in the same period of 2020. Covered bonds with a 10-year tenor accounted for NOK 5 billion of the issue volume in the second quarter and represented the first issue under the green bond framework launched by the company on 4 February 2021. The fact that Eika Boligkreditt now has the capability to raise long-term green financing in the international bond market marks an important milestone for the Eika Alliance.

During the first half, Eika Boligkreditt issued bonds totalling NOK 12.5 billion, compared with NOK 11.5 billion for the same period of last year. This volume broke down into NOK 11 billion in covered bonds, NOK 1.3 billion in senior unsecured bonds and NOK 150 million in subordinated loans.

Issues by currency (in NOK mill) in 2021



Issues by sector (in %) in 2021



Of bond issues in 2021, 40.3 per cent are denominated in euros and 59.7 per cent in Norwegian kroner. Covered bonds accounted for 88.4 per cent of the issue volume.

The table below shows issues (excluding tier 1 perpetual bonds) in 2021, 2020 and 2019.

New issues (amounts in NOK million)	1st half 2021	1st half 2020	2020	2019
Covered bonds (issued in EUR)	5 033	5 200	10 550	5 586
Covered bonds (issued in NOK)	6 000	6 000	6 000	7 250
Senior unsecured bonds (issued in NOK)	1 300	300	1 300	1 200
Subordinated loans (issued in NOK)	150	-	-	250
Total issued	**12 483**	**11 500**	**17 850**	**14 286**

The average tenor for covered bonds issued in 2021 was 7.3 years. At 30 June, the average tenor for the company's borrowing portfolio was 4.03 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	30.06.2021	30.06.2020	31.12.2020	31.12.2019
Covered bonds	101 996	104 146	102 378	90 751
Senior unsecured bonds	4 748	3 249	3 749	3 549
Subordinated loans	724	724	724	889
Total borrowing	**107 469**	**108 119**	**106 851**	**95 189**

Total borrowing by the company at 30 June was NOK 107.5 billion, up by NOK 0.6 billion from 1 January.

Liquidity

At 30 June, the company had a liquidity portfolio of NOK 21.1 billion, including repo agreements recognised as other financial assets. The total includes cash collateral of NOK 4.3 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 0.5 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

New developments in the alliance

The board of Eika Boligkreditt resolved on 14 October 2020 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 follows the earlier termination by the LBA banks of their agreements with Eika Gruppen ASA, and means the distribution agreements with the LBA banks expire on 31 December 2021. After that date, the banks will be unable to increase their financing in Eika Boligkreditt. On the other hand, established financing will continue and is due to be run down in accordance with a plan determined for each bank.

At 30 June, the members of the LBA had overall financing of NOK 14.1 billion in Eika Boligkreditt, corresponding to 15.7 per cent of the total bank financing. A run-down agreement reached with the LBA banks in the spring of 2021 provides more detailed regulation of rights and duties during the run-down phase after 2021. The run-down agreements have been approved by the Eika Boligkreditt board and submitted to the LBA banks for board consideration and signature. Pursuant to this agreement, the LBA banks will continue to enjoy management of the residential mortgages during the run-down phase, with the associated right to receive the interest margin on these. In cooperation with the LBA banks, Eika Boligkreditt will work to achieve the best possible termination of the contractual relationship.

Surnadal Sparebank merged with SpareBank1 Nordvest on 3 May 2021 under the name SpareBank 1 Nordmøre and became part of the SpareBank1 Alliance. The merger means that the distribution agreement between the merged bank and Eika Boligkreditt terminated. At 30 June, the bank had an overall financing of NOK 1.2 billion with Eika Boligkreditt, representing 1.4 per cent of the total bank financing. An agreement has been reached which involves SpareBank 1 Nordmøre buying out its residential mortgage portfolio with Eika Boligkreditt during July-September 2021. The bank will also pay agreed costs when redeeming the financing in Eika Boligkreditt.

Risk management and capital adequacy

Eika Boligkreditt had a total primary capital of NOK 6.4 billion at 30 June, virtually unchanged from 1 January.

Capital adequacy is calculated in accordance with the standardised method specified in the capital requirements regulation (CRR).

The basis for calculating the capital adequacy ratio at 30 June amounted to NOK 37.8 billion, up by NOK 0.6 billion from 1 January. This change primarily reflects a reduction in the calculation base related to credit and counterparty risk and the credit value adjustment (CVA) risk related to derivative agreements. 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	**30 Jun 2021**	**31 Dec 2020**	**31 Dec 2019**
Risk-weighted assets	37 799	37 222	34 074
Total primary capital (tier 2 capital)	6 385	6 397	6 372
Capital adequacy ratio in per cent	**16.9 %**	**17.2 %**	**18.7 %**

On 17 June 2021, in line with advice from Norges Bank, the Ministry of Finance announced an increase in the countercyclical capital buffer from one per cent to 1.5 per cent with effect from 30 June 2022. Norges Bank's committee on monetary policy and financial stability takes the view that financial imbalances have increased somewhat over the past year. Both indebtedness and property prices are at high levels. Concern over financial imbalances calls for a higher buffer requirement. Given the view now taken by the committee of economic trends and prospects for losses and lending capacity in the banks, it will provide advice on further increases in the buffer requirement during the year. The committee envisages that the requirement will return in the medium term to 2.5 per cent.

The company's capital targets are specified as follows:

- core tier 1 capital ratio: 12.0% (13.5% at 30 June 2021)
- tier 1 capital ratio: 13.5% (15.0% at 30 June 2021)
- tier 2 capital ratio: 15.5% (16.9% at 30 June 2021)

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 30 June with a core tier 1 capital adequacy of 13.5 per cent.

Outlook

The company's financing of the owner banks grew by a net NOK 0.8 billion in the second quarter and NOK 2.6 billion for the past 12 months, representing a 12-monthly growth of 2.9 per cent. Adjusted for the agreed run-down in OBOS-banken's financing, the 12-monthly growth was 3.5 per cent. Statistics Norway's credit indicator for June 2021 showed a 12-monthly increase of 5.2 per cent in Norwegian household debt, marginally up from 4.5 per cent 12 months earlier.

According to the latest survey of bank lending the banks reported that residential mortgage demand was approximately unchanged in the second quarter. In the period ahead, banks expect a slight increase in demand for fixed-rate mortgages, which account for a small share of residential mortgages. Overall, demand is expected to remain unchanged. Credit standards for households were largely unchanged in the second quarter, and banks expect no change in third quarter. The use of interest-only periods by households fell slightly in the second quarter and is expected to continue to fall slightly in the third quarter. Other loan conditions were unchanged. Banks' margins on existing residential mortgage loans rose slightly in the second quarter, reflecting slightly lower funding costs. Banks expect funding costs and lending rates to rise a little ahead. Margins are expected to edge down in the third quarter. Almost all banks reported that more customers than normal have increased their bank deposits through 2020 and first half of 2021. In parallel with the increase in bank deposits, almost all banks reported that customers have also shown growing interest in other savings products. Some banks reported that increased bank deposits may have led to higher credit demand.

According to the house price report from Real Estate Norway, average Norwegian house prices fell by 1.1 per cent in July and showed the weak trend normally seen in this month. Corrected for seasonal variations, the decline in July was 0.2 per cent. Prices are now 8.5 per cent higher than a year earlier. The strongest progress over the past 12 months was seen in Bodø with Fauske, where the increase was 14.7 per cent. Ålesund and its surrounding district experienced the lowest rise, at 4.9 per cent. House prices developed moderately since 31 March after growing strongly from the summer of 2020 to the first quarter of 2021. This moderate progress is expected to continue because the players are taking note of a probable rise in interest rates from the autumn, in line with the projection published by Norges Bank in its monetary policy report for June.

The credit margin for covered bonds with a five-year tenor in Norwegian kroner issued by Eika Boligkreditt was relatively stable during the second quarter at a level of 0.20 per cent, unchanged from 1 April. Over the past 12 months, the margin has contracted by 0.15 percentage points after a sharp rise related to the coronavirus pandemic. Credit margins quoted in the eurozone secondary market for similar bonds were also relatively stable in the second quarter, with a level of 0.03 per cent unchanged over the period. These margins are also expected to remain low through 2021, with good help from the ECB's bond purchase programme and other long-term ECB loan arrangements for banks in the eurozone.

Vaccination against the coronavirus has made considerable progress and the reopening of society will give a substantial boost to economic activity in Norway. Statistics Norway expects a GDP growth of 3.1 per cent in the mainland economy for 2021, driven by a reversing of the negative drivers in 2020. The mainland economic upturn appears to be broad-based and activity by 31 December 2021 is expected have returned to the pre-pandemic level seen in February 2020. Unemployment in July was 3.1 per cent, representing a reduction of more than 70 per cent from the peak of 10.4 per cent at 31 March 2020, but remains rather higher than before the pandemic. Although unemployment is unlikely to fall much over the next few months, Statistics Norway expects to labour market position to improve when economic activity increases further after the summer of 2021. In line with the continued reopening, activity is expected to rise markedly – particularly in the sectors hardest-hit by the infection control measures.

Fiscal policy has helped to reduce the negative consequences of the pandemic for the Norwegian economy. NOK 135 billion was appropriated in 2020 for economic measures related to the response, which calculations indicate has boosted economic activity in mainland Norway by 0.5 per cent. Coronavirus measures totalling NOK 94 billion have been appropriated or proposed for 2021. The structural oil-corrected budget deficit for 2021 has been estimated at NOK 402.6 billion in the revised national budget, corresponding to about 3.7 per cent of the oil fund's market value at 1 January.

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 pandemic for individual industries/companies.

Despite a rather uncertain macroeconomic position and challenges related to the coronavirus pandemic, investor interest in new covered bond issues in euros and Norwegian kroner is expected to be good in 2021. Eika Boligkreditt expects to be an active issuer in both Norwegian and international financial markets in the time to come. Its remaining financing requirement for covered bonds in 2021 is one new issue in benchmark format, following two such issues in the first half.

Oslo, 12 August 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

DECLARATION PURSUANT TO SECTION 5-6 OF THE SECURITIES TRADING ACT

We hereby confirm that, to the best of our knowledge, the company's interim financial statements for the period from 1 January to 30 June 2021 have been prepared in accordance with applicable accounting standards, and that the information in the financial statements provides a true and fair picture of the overall assets, liabilities, financial position and financial results of the business.

To the best of our knowledge, the directors' half-year report provides a true and fair overview of important events in the accounting period and their influence on the financial statements, and a description of the most important risk factors and uncertainties facing the business in the next accounting period.

Oslo, 12 August 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	2Q 2021	2Q 2020	1 st half 2021	1 st half 2020	Året 2020
INTEREST INCOME						
Interest from loans to customers at amortised cost		**393 886**	**476 418**	791 139	1 106 066	1 917 207
Interest from loans to customers at fair value		**35 283**	**48 515**	69 588	97 925	161 079
Interest from loans and receivables on credit institutions		**2 459**	**7 597**	6 729	15 287	27 951
Interest from bonds, certificates and financial derivatives		**12 097**	**32 622**	24 385	74 453	88 140
Other interest income at amortised cost		**8 047**	**8 318**	16 777	17 363	33 033
Other interest income at fair value		**698**	**592**	1 390	1 148	2 461
Total interest income		**452 469**	**574 063**	910 008	1 312 242	2 229 871
INTEREST EXPENSES						
Interest on debt securities issued		**225 234**	**409 700**	472 155	932 175	1 373 221
Interest on subordinated loan capital		**3 266**	**5 517**	7 668	12 679	21 009
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**4 961**	**5 089**	10 645	10 015	20 842
Other interest expenses		**37**	**658**	641	1 379	2 849
Total interest expenses		**233 499**	**420 964**	491 109	956 249	1 417 921
Net interest income		**218 970**	**153 099**	418 900	355 994	811 949
Commission costs		**178 593**	**111 521**	365 615	255 310	646 521
Net interest income after commissions costs		**40 377**	**41 578**	53 285	100 684	165 428
Income from shares in associated company		**4 392**	**3 708**	7 561	6 692	12 631
Total income from shares	Note 11	**4 392**	**3 708**	7 561	6 692	12 631
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses on bonds and certificates	Note 3	**3 552**	**1 814**	**6 558**	**(5 171)**	(1 303)
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**3 271**	**44 622**	(9 557)	**(4 537)**	7 774
Net gains and losses on financial derivatives	Note 3	**(1 517)**	**(38 237)**	117 457	**(243 377)**	(150 131)
Net gains and losses on loans at fair value	Note 3	**18 060**	**86 444**	(107 362)	**276 882**	186 706
Total gains and losses on financial instruments at fair value		**23 367**	**94 642**	7 095	23 796	43 046
Other income		-	-	-	16	16
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES						
Salaries, fees and other personnel expenses		**8 515**	**7 816**	16 523	15 807	31 304
Administrative expenses		**4 457**	**4 393**	9 084	9 399	19 310
Total salaries and administrative expenses		**12 972**	**12 210**	25 607	25 206	50 613
Depreciation		**1 075**	**1 001**	1 819	2 106	4 135
Other operating expenses		**2 879**	**3 849**	6 768	7 095	13 728
PROFIT BEFORE TAXES		**51 209**	**122 868**	33 747	96 780	152 644
Taxes		**10 321**		3 743	18 811	28 790
PROFIT FOR THE PERIOD		**40 888**	**94 773**	30 005	77 969	123 854
Net gains and losses on bonds and certificates	Note 3	**(3 597)**	**31 965**	3 275	7 473	8 097
Net gains and losses on basis swaps	Note 3	**(33 754)**	**4 657**	(121 294)	71 216	98 710
Taxes on other comprehensive income		**9 338**	**(9 156)**	29 505	(19 672)	(26 702)
COMPREHENSIVE INCOME FOR THE PERIOD		**12 874**	**122 240**	(58 510)	136 986	203 959
Price per share				4.12960	4.26055	4.30592

The net loss of NOK 58.5 million and NOK 11.3 million in interest paid to the investors in tier 1 perpetual bonds have been covered from other equity.

Balance sheet

Amounts in NOK 1 000	Notes	30.06.2021	30.06.2020	31.12.2020
ASSETS				
Lending to and receivables from credit institutions		1 020 078	1 890 789	971 759
Lending to customers	Note 4, 9	90 273 531	87 744 468	89 268 662
Other financial assets	Note 13	906 382	400 406	105 662
Securities				
Bonds and certificates at fair value	Note 5,9	19 252 194	20 185 499	19 810 358
Financial derivatives	Note 8,9	6 805 620	12 567 342	10 302 016
Shares	Note 10,11	1 650	1 650	1 650
Total securities		26 059 464	32 754 491	30 114 024
Shares in associated company	Note 11	51 906	60 502	57 441
Intangible assets				
Deferred tax assets		51 626	77 868	25 864
Intangible assets		2 749	3 930	3 270
Total other intangible assets		54 376	81 798	29 133
Tangible fixed assets				
Right-of-use assets	Note 15	16 271	17 070	15 932
Tangible fixed assets		16 271	17 070	15 932
TOTAL ASSETS		118 382 007	122 949 524	120 562 614
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 14	4 307 356	8 161 273	6 881 420
Financial derivatives	Note 8,9	419 451	241 834	164 377
Debt securities issued	Note 6	106 744 486	107 394 879	106 127 106
Other liabilities		529 025	609 774	792 002
Pension liabilities		5 974	5 021	5 974
Lease obligations	Note 15	16 312	17 184	16 267
Subordinated loan capital	Note 7	724 196	724 197	724 343
TOTAL LIABILITIES		112 746 799	117 154 161	114 711 488
Called-up and fully paid capital				
Share capital		1 225 497	1 225 497	1 225 497
Share premium		3 384 886	3 384 886	3 384 886
Other paid-in equity		477 728	477 728	477 728
Total called-up and fully paid capital	Note 12	5 088 111	5 088 111	5 088 111
Retained earnings				
Fund for unrealised gains		27 589	9 596	27 588
Fund for valuation differences		815	10 280	13 911
Other equity		-55 698	113 305	147 283
Total retained equity	Note 12	-27 295	133 181	188 782
Hybrid capital				
Tier 1 capital		574 391	574 071	574 232
Total hybrid capital		574 391	574 071	574 232
TOTAL EQUITY		5 635 207	5 795 363	5 851 125
TOTAL LIABILITIES AND EQUITY		118 382 007	122 949 524	120 562 614

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 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	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-	-
Balance sheet as at 30 December 2020	**1 225 496**	**3 384 886**	**477 728**	**27 588**	**13 911**	**147 283**	**574 232**	**5 851 125**
Result for the period	-	-	-	-	-	(77 057)	5 674	(71 383)
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(5 595)	(5 595)
Disbursed dividends for 2018	-	-	-	-	-	-	-	-
Hybrid capital	-	-	-	-	-	-	-	-
Balance sheet as at 31 March 2021	**1 225 496**	**3 384 886**	**477 728**	**27 588**	**13 911**	**70 226**	**574 311**	**5 774 147**
Result for the period	-	-	-	-	-13 096	20 339	5 632	12 874
Equity issue	-	-	-	-	-	-	-	-
Interest tier 1 capital	-	-	-	-	-	-	(5 552)	(5 552)
Disbursed dividends for 2018	-	-	-	-	-	-146 263	-	(146 263)
Hybrid capital	-	-	-	-	-	-	-	-
Balance sheet as at 30 June 2021	**1 225 496**	**3 384 886**	**477 728**	**27 588**	**815**	**(55 698)**	**574 391**	**5 635 207**

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

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

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

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

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

[5]Other equity comprises earned and retained profits.

[6]Tier 1 perpetual bonds form part of tier 1 capital pursuant to section 3a of the Norwegian regulations concerning the calculation of regulatory capital. A regulatory right of redemption also exists. Should government regulations introduce changes which affect the extent to which the capital can be regarded as tier 1 capital, the bonds can be redeemed at a price equal to 100 per cent plus accrued interest. The company has recognised the following tier 1 perpetual bonds as equity:

- Tier 1 perpetual bond, issued NOK 100 million in 2017, with interest terms of three months Nibor plus 3.25 per cent. The loan provides for a call at 16 June 2022, and quarterly thereafter on each date interest payment falls due.
- Tier 1 perpetual bond, issued NOK 200 million in 2018, with interest terms of three months Nibor plus 3.15 per cent. The loan provides for a call at 2 February 2023, and quarterly thereafter on each date interest payment falls due.
- Tier 1 perpetual bond, issued NOK 275 million in 2018, with interest terms of three months Nibor plus 3.75 per cent. The loan provides for a call at 30 October 2023, and quarterly thereafter on each date interest payment falls due.

Eika Boligkreditt has the right to pay no interest to the investors. Interest is not recognised as interest expense in the profit and loss account, but as a reduction to equity.

Statement of cash flows

Amounts in NOK 1 000	**1 st half 2021**	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	(58 510)	203 959
Taxes	(25 762)	55 492
Income taxes paid	(3 488)	(62 232)
Ordinary depreciation	902	1 751
Non-cash pension costs	-	953
Change in loans to customers	(1 004 869)	(4 550 118)
Change in bonds and certificates	558 164	(6 447 412)
Change in financial derivatives and debt securities issued	255	(370 503)
Interest expenses	491 109	1 417 921
Paid interest	(746 655)	(1 474 426)
interest income	(891 842)	(2 194 376)
received interests	902 233	2 231 328
Changes in other assets	(811 112)	(519)
Changes in short-term liabilities and accruals	250 837	162 407
Net cash flow relating to operating activities	**(1 338 737)**	(11 025 774)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(381)	(468)
Share of profit/loss in associated companies	(7 561)	(12 631)
Payments from shares in associated companies	13 097	18 875
Net cash flow relating to investing activities	**5 154**	5 776
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	12 595 418	18 138 395
Gross payments of bonds and commercial paper	(8 481 897)	(9 764 618)
Gross receipts on issue of subordinated loan capital	-	-
Gross payments of subordinated loan capital	(147)	(164 707)
Gross receipts from issue of loan from credit institution	-	2 943 722
Gross payments from loan from credit institution	(2 574 064)	-
Gross receipts from issuing tier 1 perpetual bonds	-	-
Gross payments from issuing tier 1 perpetual bonds	-	-
Interest to the hybrid capital investors	(11 147)	(25 469)
Payments of dividend	(146 263)	(103 873)
Paid-up new share capital	-	-
Net cash flow from financing activities	**1 381 900**	11 023 450
Net changes in lending to and receivables from credit institutions	48 318	3 452
Lending to and receivables from credit institutions at 1 January	971 759	968 307
Lending to and receivables from credit institutions at end of period	**1 020 078**	971 759

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt will prepare financial statements for 2021 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 2020 provides more details about accounting principles pursuant to the IFRS.

The financial statements for the second quarter of 2021 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 2020, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities which are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors which are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Lending, non-performing/doubtful loans and writedowns

Pursuant to IFRS 9, provisions for losses will be recognised on the basis of expected credit losses in the light of relevant information available at the reporting date. The combination of the low loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks means that the company does not expect significant effects on EBK's profit or equity. See note 4 and 4.2.2 to the annual financial statements for 2020 for further information.

No loans were written down at 30 June 2021.

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	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020	2020
Net gains and losses on bonds and certificates including currency effects [1]	3 552	1 814	6 558	(5 171)	(1 303)
Net gains and losses on loans at fair value	18 060	86 444	(107 362)	276 882	186 706
Net gains and losses on financial debts, hedged [2]	(739 833)	3 303 449	3 617 435	(6 169 206)	(3 551 932)
Net gains and losses on interest swaps related to lending	(1 517)	(38 237)	117 457	(243 377)	(150 131)
Net gains and losses on interest and currency swaps related to liabilities [2]	743 104	(3 258 827)	(3 626 992)	6 164 668	3 559 706
Net gains and losses on financial instruments at fair value	**23 367**	**94 642**	**7 095**	**23 796**	**43 046**

[1] The accounting line comprises net realised gain and loss on bonds and certificates, and currency effects related to cash collateral received and reinvested cash collateral in foreign currencies.

[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	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020	2020
Net gains and losses on bonds and certificates	(5 301)	37 338	(1 143)	17 852	19 105
Net gains and losses on interest-rate swaps related to bonds and certificates	1 704	(5 372)	4 418	(10 378)	(11 008)
Net gains and losses on basis swaps [3]	(33 754)	4 657	(121 294)	71 216	98 710
Net gains and losses on financial instruments at fair value	**(37 352)**	**36 623**	**(118 019)**	**78 690**	**106 806**

[3] Comprehensive profit for 2021 includes positive changes of NOK 121.3 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	30 Jun 2021	30 Jun 2020	31 Dec 2020
Installment loans - retail market	85 177 616	81 984 356	83 910 819
Installment loans - housing cooperatives	5 048 339	5 502 683	5 198 781
Adjustment fair value lending to customers[1]	47 575	257 429	159 063
Total lending before specific and general provisions for losses	**90 273 531**	**87 744 468**	**89 268 662**
Impairments on lending to customers	-	-	-
Total lending to and receivables from customers	**90 273 531**	**87 744 468**	**89 268 662**

[1]The table below shows fair value lending to customers.

With effect from 10 December 2019, the company increased its maximum loan-to-value (LTV) ratio for residential mortgages from 60 per cent of the property's value to the legal limit of 75 per cent. Before 10 December 2019, all lending related to residential mortgages fell within the 60 per cent LTV limit at origination.

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.

The company had no non-performing engagements at 30 June 2021 where instalments due remained unpaid beyond 90 days. The European Banking Authority (EBA) published new recommendations in September 2016 for the definition of non-performing engagements, applicable from 1 January 2021. The general rule has previously been that engagements are regarded as non-performing if payment of a claim is overdue by more than 90 days and the amount is not insignificant. Pursuant to the new EBA recommendation, the company is required to carry out various supplementary evaluations related to the probability of non-performance. This evaluation must take account of the client's overall indebtedness, possible infection between agreements with the same debtor, the level of materiality limits and the duration of quarantine after being declared healthy.

Loss in the accounts is calculated on the basis of the loss model pursuant to IFRS 9. Non-performing engagements are presented in step 3, where an individual impairment is to be carried out per customer without the use of models. Credit guarantees provided by the owner banks in combination with the low LTV ratio for the mortgage portfolio, reduce provision for loss. The company has calculated that expected loss on residential mortgages will amount to NOK 2 000 at 30 June 2021, compared with NOK 11 000 at 31 December 2020.This assessment rests on new assumptions about the development of house prices in the time to come. As a result of credit guarantees of NOK 925 million from the owner banks at 30 June 2021, this will involve no accounting loss for the company in the second quarter of 2021. 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 2020 for further information.

30 Jun 2021

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	81 773 744	81 773 744
Fixed rate loans	8 452 212	8 499 787
Toal lending	**90 225 956**	**90 273 531**

30 Jun 2020

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	80 142 128	80 142 128
Fixed rate loans	7 344 911	7 602 340
Toal lending	**87 487 040**	**87 744 468**

31 Dec 2020

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	80 812 260	80 812 260
Fixed rate loans	8 297 340	8 456 402
Toal lending	**89 109 600**	**89 268 662**

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

30 June 2021

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	7 225 097	7 232 126	7 276 669
Credit institutions	8 018 000	8 056 607	8 063 914
Government bonds	4 035 348	4 058 873	3 911 611
Total bonds and certificates at fair value	**19 278 444**	**19 347 606**	**19 252 194**
Change in value charged recognised through profit and loss to other comprehensive income [1]			**(95 412)**

Average effective interest rate is 0.56 per cent annualised. The calculation is based on a weighted fair value of NOK 16.4 billion. The calculation takes account of a return of NOK 45.8 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

30 June 2020

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	7 474 627	7 496 829	7 761 084
Credit institutions	7 241 000	7 277 927	7 281 301
Government bonds	5 292 579	5 305 237	5 143 113
Total bonds and certificates at fair value	**20 008 206**	**20 079 993**	**20 185 499**
Change in value charged recognised through profit and loss to other comprehensive income [1]			**105 506**

Average effective interest rate is 1.49 per cent annualised. The calculation is based on a weighted fair value of NOK 12.7 billion. The calculation takes account of a return of NOK 96 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

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 recognised through profit and loss to other comprehensive income [1]			**(87 633)**

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.

[1] The value change 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.

	30 Jun 2021	30 Jun 2020	31 Dec 2020
Average term to maturity	**1.1**	**1.2**	**1.2**
Average duration	**0.2**	**0.2**	**0.2**

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

Note 6 – Debt securities issued

Covered bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 Jun 2021	30 Jun 2020	31 Dec 2020
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	-	1 000 000	566 000
NO0010625346	1 500 000	NOK	Fixed	4.60 %	2011	2026	1 500 483	1 500 574	1 500 528
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 996	997 690	997 843
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	-	3 516 665	-
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	-	235 148	-
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000	150 000
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	5 161 625	7 982 899	7 988 242
NO0010733694	2 000 000	NOK	Fixed	1.75 %	2015	2021	202 846	1 148 391	741 076
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	844 701	844 160	844 430
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 606	699 539	699 572
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 003 101	5 005 789	5 004 434
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 590 360	1 589 529	1 589 944
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 047 201	8 045 888	8 046 550
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25 %	2019	2024	7 245 415	7 243 981	7 244 704
NO0010881162	6 000 000	NOK	Floating	3M Nibor + 0.41%	2020	2025	5 998 126	5 997 642	5 997 886
NO0010921067	6 000 000	NOK	Floating	3M Nibor + 0.75 %	2021	2026	6 157 234		-
XS0881369770	1 000 000	EUR	Fixed	2.125 %	2013	2023	10 170 426	10 859 825	10 454 132
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	-	5 435 346	5 233 823
XS1312011684	500 000	EUR	Fixed	0.625 %	2015	2021	5 089 409	5 432 566	5 230 507
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	5 079 221	5 420 448	5 219 444
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	5 077 662	5 420 383	5 218 604
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	5 072 621	5 415 074	5 213 458
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	5 070 241	5 412 571	5 211 030
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	5 054 035	5 395 407	5 194 438
XS1969637740	10 000	EUR	Fixed	1.245 %	2019	2039	101 824	108 807	104 703
XS1997131591	60 000	EUR	Fixed	1.112 %	2019	2039	610 846	652 731	628 114
XS2085864911	5 000	EUR	Fixed	0.56 %	2019	2039	50 850	54 334	52 286
XS2133386685	500 000	EUR	Fixed	0.01 %	2020	2027	5 152 145	5 516 902	5 303 271
XS2234711294	500 000	EUR	Fixed	0.01 %	2020	2028	5 174 579	-	5 327 202
XS2353312254	500 000	EUR	Fixed	0.125 %	2021	2031	5 057 888		-
Value adjustments							1 635 572	3 063 408	2 616 270
Total covered bonds[1]							**101 996 010**	**104 145 697**	**102 378 492**

[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	30 Jun 2021	30 Jun 2020	31 Dec 2020
NO0010776099	500 000	NOK	Floating	3M Nibor +0.92%	2016	2020	-	499 981	-
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	500 271	500 777	500 522
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 927	449 861	449 894
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 704	299 636	299 670
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 746	299 690	299 718
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 882	299 838	299 860
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74 %	2019	2024	299 785	299 713	299 750
NO0010851975	1 000 000	NOK	Floating	3M Nibor + 0.27 %	2019	2021	-	299 948	299 978
NO0010874944	300 000	NOK	Floating	3M Nibor + 0.58 %	2020	2025	299 794	299 737	299 766
NO0010891351	500 000	NOK	Floating	3M Nibor + 0.50 %	2020	2023	499 837	-	499 800
NO0010904642	500 000	NOK	Floating	3M Nibor + 0.65 %	2020	2024	499 699	-	499 654
NO0010918113	300 000	NOK	Floating	3M Nibor + 0.45 %	2021	2024	299 923		-
NO0010918170	1 000 000	NOK	Fixed	0.57 %	2021	2021	999 908		-
Total senior unsecured bonds							**4 748 476**	**3 249 182**	**3 748 612**

Total debt securities issued	**106 744 486**	**107 394 879**	**106 127 106**

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	30 Jun 2021	30 Jun 2020	31 Dec 2020
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40%[1]	2016	2026	-	149 957	149 988
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40%[2]	2018	2028	324 793	324 663	324 729
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55%[3]	2019	2029	249 676	249 576	249 626
NO0010917735	150 000	NOK	Floating	3M Nibor + 1.04%[4]	2021	2026	149 727	-	-
Total subordinated loan capital							**724 196**	**724 197**	**724 343**

[1] 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. The company has decided to exercise the redemption right on 17 March 2021.

[2] 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.

[3] 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.

[4] Subordinated loan of NOK 150 million maturing on 20 January 2031, with a redemption right (call) on 20 January 2026 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

Note 8 – Coverpool

For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of five per cent applies in accordance with the company's borrowing programme (Euro Medium Term Covered Note Programme). An overcollateralization of five per cent is also necessary to maintain the Aaa rating from Moody's Investor Service. Nominal values are used when calculating the five-per-cent overcollateralisation. Pursuant to section 11-7 of the financial institutions regulations, an overcollateralisation of at least two per cent of the value of the covered bonds in the cover pool is required. Calculating the two-per-cent requirement is based on fair value with the exception of the credit spread on covered bonds, and account is also taken of the company's own holding of covered bonds.

Calculation of overcollateralisation at fair value (calculated in accordance to section 11-7 of the financial institutions regulations)

		Fair value	
Amounts in NOK 1 000	**30 Jun 2021**	**30 Jun 2020**	**31 Dec 2020**
Lending to customers [2]	89 683 582	87 293 701	88 998 168
Substitute assets and derivatives:			
Financial derivatives without accrued interest (net)	6 157 634	12 043 344	9 663 684
Substitute assets [3]	15 608 967	12 965 339	12 994 572
Total cover pool	**111 450 183**	**112 302 384**	**111 656 424**
The cover pool's overcollateralisation [4]	106.46%	105.25%	107.75%

Covered bonds issued

	30 Jun 2021	**30 Jun 2020**	**31 Dec 2020**
Covered bonds	101 996 010	104 145 697	102 378 493
Premium/discount	(140 429)	91 552	(14 613)
Own holding (Covered bonds) [1]	2 833 000	2 461 000	1 258 000
Total covered bonds	**104 688 581**	**106 698 249**	**103 621 880**

[1]When calculating the two-per-cent requirement, account has been taken of the company's own holding of covered bonds.

Calculation of overcollateralisation using nominal values (calculated in accordance to the requirements in the company's borrowing programme and according to Moody's Investors Service methodology)

	Nominal values		
Amounts in NOK 1 000	**30 Jun 2021**	**30 Jun 2020**	**31 Dec 2020**
Lending to customers [2]	89 636 007	87 036 272	88 839 105
Substitute assets:			
Substitute assets [3]	15 514 918	12 867 453	12 906 286
Total cover pool	**105 150 925**	**99 903 725**	**101 745 391**
The cover pool's overcollateralisation [4]	110.13%	108.89%	109.98%

Covered bonds issued

	30 Jun 2021	**30 Jun 2020**	**31 Dec 2020**
Covered bonds	95 481 450	91 750 050	92 509 050
Total covered bonds	**95 481 450**	**91 750 050**	**92 509 050**

[2] Residential mortgages without legal protection and non-performing engagements have been deducted when calculating the carrying amount in the balance sheet.

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

[4] Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 30 June 2021, liquid assets totalling NOK 1.2 billion 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 7.56 per cent at fair value and 11.33 per cent at nominal value.

Note 9 – Derivatives and hedging

The purpose of all derivative transactions in Eika Boligkreditt is to reduce the interest rate and currency risk. Interest rate swaps, where Eika Boligkreditt receives a fixed interest rate and pays a floating interest rate are, entered into to convert issues of bonds and certificates from a fixed interest rate to a floating interest rate exposure. Financing at a floating interest rate would reduce the risk for the company, since most lending is done at a floating interest rate. Interest rate swaps where Eika Boligkreditt receives a floating interest rate and pays a fixed interest rate are entered into to hedge the interest rate margin from lending at a fixed interest rate.

	30 Jun 2021		31 Dec 2020	
Assets Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Interest rate swap lending[1]	3 045 865	61 589	2 218 560	20 245
Interest rate and currency swap[2]	47 753 450	6 743 850	58 809 050	10 281 259
Interest swap placement	101 824	181	104 703	513
Total financial derivative assets including accrued interest	**50 901 139**	**6 805 620**	**61 132 313**	**10 302 016**

Liabilities Amounts in NOK 1 000	**Nominal amount**	**Fair value**	**Nominal amount**	**Fair value**
Interest rate swap lending[1]	4 754 485	70 325	5 601 862	145 967
Interest rate and currency swap[2]	11 400 000	338 681	-	-
Interest swap placement	1 751 373	10 445	2 586 164	18 410
Total financial derivative liabilities including accrued interest	**17 905 858**	**419 451**	**8 188 026**	**164 377**

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

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

Fair value and cash flow hedging on debt securities issued

Eika Boligkreditt applies fair value hedging on fixed-rate financial liabilities. The hedge object is the swap interest element of the financial liabilities. Interest and currency swaps are used as hedging instruments.

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

	30 Jun 2021		31 Dec 2020	
Amounts in NOK 1 000	**Nominal amount**	**Value recognised in balance sheet**	**Nominal amount**	**Value recognised in balance sheet**
Hedging instruments: interest rate and currency swaps[1, 2]	59 153 450	6 187 854	58 809 050	9 834 231
Hedged items: financial commitments incl foreign exchange[2]	59 153 450	(6 391 002)	58 809 050	(9 887 143)
Net capitalised value without accrued interest	**-**	**(203 149)**	**-**	**(52 912)**

[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	2nd quarter 2021	2nd quarter 2020	1st half 2021	1st half 2020	2020
Hedging instruments	743 104	(3 258 827)	(3 626 992)	6 164 668	3 559 706
Hedged items	(739 833)	3 303 449	3 617 435	(6 169 206)	(3 551 932)
Net gains/losses (inefffectiveness) recorded in profit and loss[3]	**3 271**	**44 622**	**(9 557)**	**(4 537)**	**7 774**

[3] Changes in the value of financial instruments related to changes in basis swaps are recognized in other comprehensive income. See note 3 for more information.

Note 10 – Fair value hierarchy

Eika Boligkreditt AS measures financial instruments at fair value, and classifies the related fair value at three different levels, which are based on the market conditions at the balance sheet date.

Level 1: Financial instruments where the measurement is based on quoted prices in an active market
Included in Level 1 are financial instruments where the measurement is based on quoted prices in active markets for identical assets. Quoted prices are obtained from 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.

30 June 2021			
Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	8 499 787
Bonds and certificates	4 166 655	15 085 539	-
Financial derivatives	-	6 805 620	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	**4 166 655**	**21 891 159**	**8 501 437**
Financial liabilities			
Financial derivatives	-	419 451	-
Total financial liabilities	**-**	**419 451**	**-**

No significant transactions between the different levels have taken place in 2021.

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 at fair value through profit or loss	6 935 605	12 874 754	-
Financial derivatives	-	10 302 016	-
Shares classified as available for sale	-	-	1 650
Total financial assets	**6 935 605**	**23 176 770**	**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.

Detailed statement of assets classified as level 3 assets

2021 Amounts in NOK 1 000	01 Jan 2021	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2021	Other comprehensive income	30 Jun 2021
Lending to customers (fixed-rate loans)	8 456 402	870 650	(719 903)	-	(107 362)	-	8 499 787
Shares at fair value over profit or loss	1 650	-	-	-	-	-	1 650
Total	**8 458 052**	**870 650**	**(719 903)**	**-**	**(107 362)**	**-**	**8 501 437**

2020 Amounts in NOK 1 000	01 Jan 2020	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2020	Other comprehensive income	31 Dec 2020
Lending to customers (fixed-rate loans)	6 317 876	3 107 019	(1 155 199)	-	186 706	-	8 456 402
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**

Interest rate sensitivity of assets classified as Level 3 at 30 June 2021
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 270 million. The effect of a decrease in interest rates would be an increase of NOK 270 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 30 June 2021 and cumulatively.

Detailed statement of changes in debt related to currency changes

2021 Amounts in NOK 1 000	01 Jan 2021	Issued/matured	Currency changes	30 Jun 2021
Change in debt securities issued [1]	58 371 923	910 500	(2 515 543)	56 766 880
Total	**58 371 923**	**910 500**	**(2 515 543)**	**56 766 880**

2020 Amounts in NOK 1 000	01 Jan 2020	Issued/matured	Currency changes	31 Dec 2020
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**

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

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

Shares classified at fair value recognised in profit and loss

Amounts in NOK 1 000	Number of shares	Cost price	Book value 30 jun 2021	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	2021	2020
Carrying amount at 1 January	57 441	63 685
Addition/disposal	-	-
Revalulation at acquisition cost	-	-
Share of profit/loss	7 561	12 631
Dividend	(13 096)	(18 875)
Carrying amount	**51 906**	**57 441**

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	30 Jun 2021	30 Jun 2020	31 Dec 2020
Share capital	1 225 497	1 225 497	1 225 497
Share premium	3 384 886	3 384 886	3 384 886
Other paid-in equity	477 728	477 728	477 728
Other equity [1]	1 021	-9 262	1 018
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**5 089 132**	**5 078 850**	**5 089 130**
Fund for unrealised gains	27 589	9 596	27 588
Fund for valuation differences	815	10 280	13 911
Intangible assets	(2 749)	(3 930)	(3 270)
Deferred tax assets [2]	-	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(28 094)	(28 236)	(28 500)
Total core tier 1 capital	**5 086 692**	**5 066 559**	**5 098 859**

Core capital adequacy ratio (core tier 1 capital)	30 Jun 2021	30 Jun 2020	31 Dec 2020
Weighted calculation basis	37 798 735	37 328 359	37 221 959
Core tier 1 capital	5 086 692	5 066 559	5 098 859
Core tier 1 capital ratio	**13.5%**	**13.6%**	**13.7%**

Total core tier 1 capital	5 086 692	5 066 559	5 098 859
Tier 1 perpetual bonds	574 391	574 071	574 232
Total tier 1 capital	**5 661 083**	**5 640 630**	**5 673 091**

Capital adequacy ratio (tier 1 capital)	30 Jun 2021	30 Jun 2020	31 Dec 2020
Weighted calculation basis	37 798 735	37 328 359	37 221 959
Tier 1 capital	5 661 083	5 640 630	5 673 091
Tier 1 capital ratio	**15.0%**	**15.1%**	**15.2%**

Total tier 1 capital	5 661 083	5 640 630	5 673 091
Subordinated loans	724 196	724 197	724 343
Total primary capital (tier 2 capital)	**6 385 279**	**6 364 827**	**6 397 434**

Capital adequacy ratio (tier 2 capital)	30 Jun 2021	30 Jun 2020	31 Dec 2020
Weighted calculation basis	37 798 735	37 328 359	37 221 959
Total primary capital (tier 2 capital)	6 385 279	6 364 827	6 397 434
Capital adequacy ratio	**16.9%**	**17.1%**	**17.2%**

Required capital corresponding to eight per cent of calculation basis	3 023 899	2 986 269	2 977 757
Surplus equity and subordinated capital	3 361 380	3 378 558	3 419 677

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

30 June 2021

Calculation basis	Weighted calculation basis	Capital requirement
Credit risk [3]	35 164 635	2 813 171
Operational risk	326 965	26 157
CVA risk [4]	2 307 136	184 571
Total	**37 798 735**	**3 023 899**

Leverage Ratio	30 Jun 2021	30 Jun 2020	31 Dec 2020
Total Leverage Ratio exposure	121 854 081	126 220 350	123 706 197
Tier 1 capital	5 661 083	5 640 630	5 673 091
Levereage Ratio	**4.6 %**	**4.5 %**	**4.6 %**

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

[1]It follows from the hedge accounting rules pursuant to IFRS 9 that fair value changes related to basis swaps can be recognised as cash-flow hedging. Because the basis margin can be separated out as cash-flow hedging pursuant to IFRS 9, the fair value change related to the basis margin will be neutralised in accordance with section 8 of the regulations concerning the calculation of regulatory capital when calculating core tier 1 capital in the same way as for cash-flow hedging pursuant to IAS 39. Tier 1 capital at 30 June 2021 has thereby not been reduced by fair value changes related to basis swaps of NOK 91 million when account is taken of tax effects.

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

[3]The European Banking Authority (EBA) published new recommendations in September 2016 for the definition of non-performing engagements, applicable from 1 January 2021. The general rule has previously been that engagements are regarded as non-performing if payment of a claim is overdue by more than 90 days and the amount is not insignificant. Pursuant to the new EBA recommendation, the company is required to carry out various supplementary evaluations related to the probability of non-performance. This evaluation must take account of the client's overall indebtedness, possible infection between agreements with the same debtor, the level of materiality limits and the duration of quarantine after being declared healthy.

On the basis of the new standard for assessing non-performing engagements, these are estimated to amount to NOK 37.1 million at 30 June 2021. This definition of non-performance will affect the company's calculation of capital adequacy, where mortgages defined as non-performing will have their risk weighting in the calculation base changed from 35 to 100 per cent, assuming that the LTV for the non-performing mortgages is below 100 per cent.

[4]At 30 June 2021, Eika Boligkreditt had taken account of the risk of credit valuation adjustment (CVA) when calculating capital requirements for credit risk. This represents a supplement to the capital requirement for credit risk related to counterparty risk for derivatives.

The basis for calculating the capital adequacy ratio at 30 June amounted to NOK 37.8 billion. This amount represented a quantification of the company's risk. After account has been taken of the growth in overall lending, and changes to the company's liquidity portfolio, the calculation basis for capital adequacy at 30 June 2021 was NOK 0.6 billion higher than at 1 January.

At all times, the company must have a buffer in relation to the minimum capital adequacy requirement of eight per cent. This buffer must be sufficient to cover relevant risks which could affect the company. The company's internal capital adequacy assessment process (ICAAP) is pursued to ensure that it has an adequate buffer in relation to the minimum requirement. The company plans to capitalise continued growth in the residential mortgage portfolio. The company's capital targets are a core tier 1 capital ratio of 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 (0.5 per cent). As can be seen above, the applicable buffer requirement was met at 30 June 2021 with a core tier 1 capital ratio of 13.5 per cent. On 17 June 2021, in line with advice from Norges Bank, the Ministry of Finance announced an increase in the countercyclical capital buffer from one per cent to 1.5 per cent with effect from 30 June 2022.

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 2020.

Note 13 – Other financial assets

Amounts in NOK 1 000	30.06.2021	30.06.2020	31.12.2020
Prepaid expenses	12 608	1 970	2 636
Repo agreements	801 140	304 938	-
Accrued interests	92 634	93 513	103 025
Short-term receivables	0	(15)	1
Total other financial assets	**906 382**	**400 406**	**105 662**

Note 14 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. At 30 June 2021, Eika Boligkreditt had received cash collateral of NOK 4.3 billion posted by counterparties to derivative contracts. Cash collateral received is held in bank deposits, repo agreements and in various high-quality bonds. In addition to cash collateral, the company had also received NOK 0.5 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 16.3 million and NOK 16.3 million respectively, in the company's balance sheet at 30 June 2021, 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 6.5 years at 30 June 2021). 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.

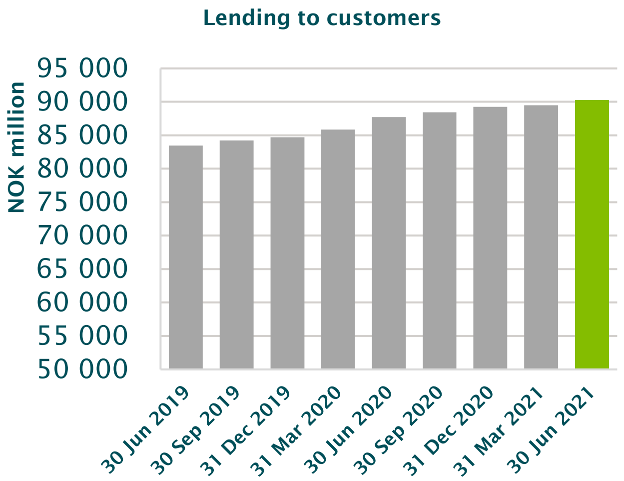
Note 16 – Contingency and overdraft facilities

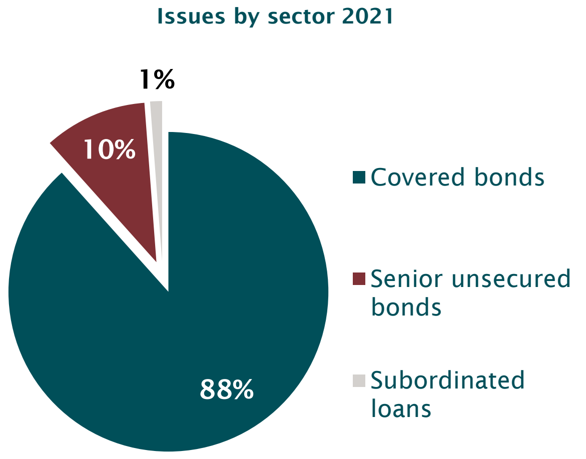
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2020 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby 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 2020.

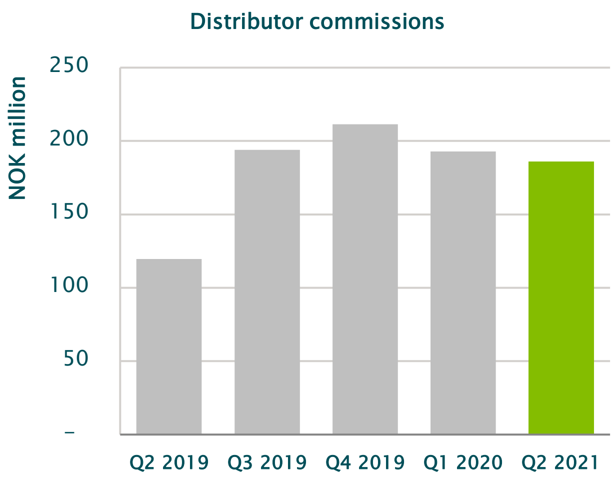
Note 17 – Risk management

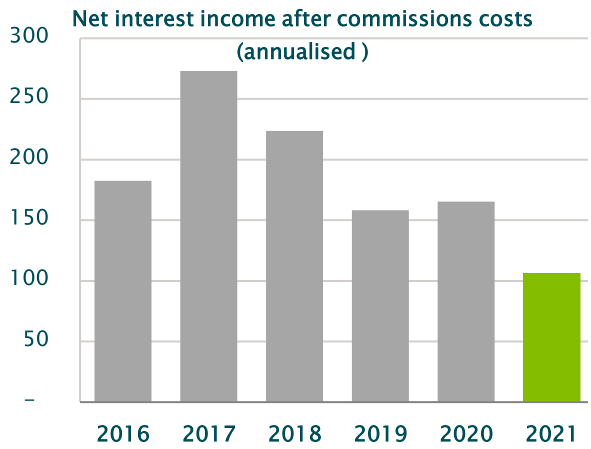
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual accounts for 2020 describes the company's financial risk, which also applies to financial risk in 2021.

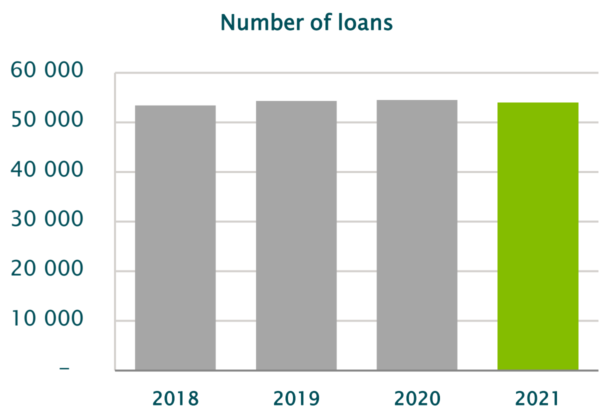
Key figures – Development

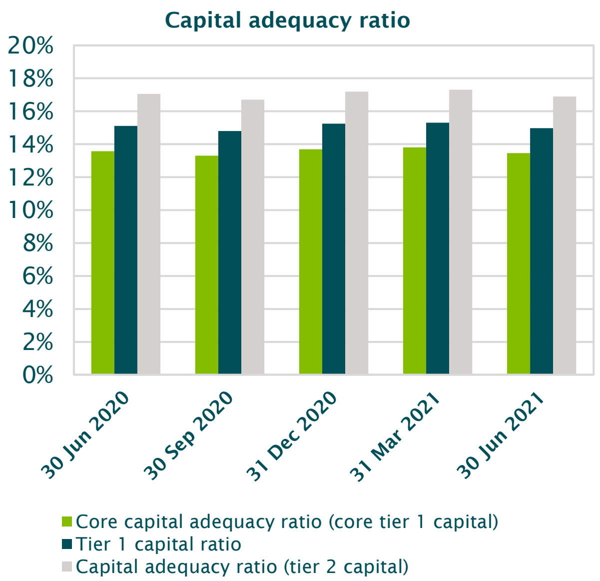












Key figures

Amounts in NOK 1 000	30 Jun 2021	30 Jun 2020	31 Dec 2020
Balance sheet development			
Lending to customers	90 273 531	87 744 468	89 268 662
Debt securities issued	106 744 486	107 394 879	106 127 106
Subordinated loan capital	724 196	724 197	724 343
Equity	5 635 207	5 795 363	5 851 125
Equity in % of total assets	4.8	4.7	4.9
Average total assets[1]	121 320 312	118 356 443	120 881 106
Total assets	118 382 007	122 949 524	120 562 614
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.6	0.4	0.5
Staff and general administration expenses in relation to average total assets, annualised (%)	0.03	0.03	0.03
Return on equity before tax, annualised (%) [2]	1.3	3.8	3.0
Total assets per full-time position	6 230 632	6 209 572	6 345 401
Cost/income ratio (%) [3]	64.2	34.2	41.4
Financial strength			
Core tier 1 capital	5 086 692	5 066 559	5 098 859
Tier 1 capital	5 661 083	5 640 630	5 673 091
Total primary capital (tier 2 capital)	6 385 279	6 364 827	6 397 434
Calculation basis capital adequacy ratio	37 798 735	37 328 359	37 221 959
Core tier 1 capital ratio (%)	13.5	13.6	13.7
Tier 1 capital ratio (%)	15.0	15.1	15.2
Capital adequacy ratio % (tier 2 capital)	16.9	17.1	17.2
Leverage ratio (%) [4]	4.6	4.5	4.6
NSFR totalindicator i % [5]	99	105	100
Defaults in % of gross loans	0.04	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	19.0	19.8	19.0

Liquidity Coverage Ratio (LCR) [6] **:**

30 Jun 2021	**Totalt**	**NOK**	**EUR**
Stock of HQLA	4 975 738	1 350 225	331 727
Net outgoing cash flows next 30 days	4 848 637	1 212 432	331 727
LCR indicator (%)	**103 %**	**111 %**	**100 %**

30 Jun 2020	**Totalt**	**NOK**	**EUR**
Stock of HQLA	9 420 008	1 576 023	610 048
Net outgoing cash flows next 30 days	9 224 301	1 243 467	609 633
LCR indicator (%)	**102 %**	**127 %**	**100 %**

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 %**

[1] Total assets are calculated as a quarterly average for the last period.

[2] Annualised profit before tax as a percentage of average equity on a quarterly basis (return on equity).

[3] Total operating expenses in % of net interest income after commissions costs.

[4] Leverage ratio is calculated in accordance with the CRR/CRD IV regulatory. The calculation of the leverage ratio is described in articles 416 and 417 of the regulations.

[5] NSFR totalindicator: Is calculated in accordance with the CRR/CRD IV regulatory and is based on the Basel Committee recommendations.

[6] Liquidity Coverage Ratio (LCR): $\frac{High\text{-}quality\ liquid\ assets}{Net\ outgoing\ cash\ flows\ next\ 30\ days}$

LCR indicators: Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 30 June 2021, liquid assets totalling NOK 1.2 billion in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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