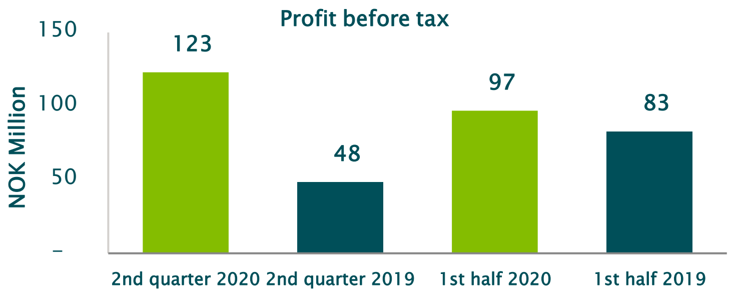
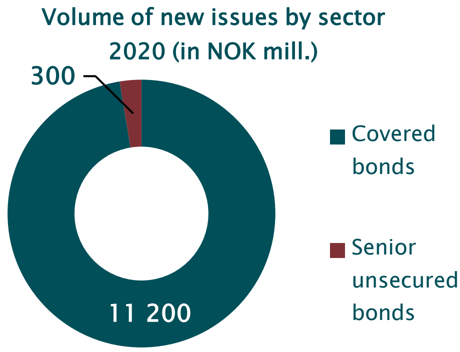
Eika Boligkreditt AS

Interim report for the second quarter and first half of 2020

Unaudited

Highlights





Second quarter 2020

- Pre-tax profit of NOK 122.9 million (2019: NOK 48.3 million)
- Comprehensive income (taking account of fair value changes to basis swaps) of NOK 122.2 million (2019: NOK 106.5 million)
- Financing of owner banks up by 2.2 per cent, corresponding to an annualised growth of 8.8 per cent
- Commissions to owner banks of NOK 119.6 million (2019: NOK 110.1 million)
- NOK 6 billion in bonds issued (2019: NOK 1.2 billion)

First half 2020

- Pre-tax profit of NOK 96.8 million (2019: NOK 82.8 million)
- Comprehensive income (taking account of fair value changes to basis swaps) of NOK 137 million (2019: NOK 120.3 million)
- Financing of owner banks up by 3.6 per cent, corresponding to an annualised growth of 7.1 per cent
- Commissions to owner banks of NOK 269.4 million (2019: NOK 227.2 million)
- NOK 11.5 billion in bonds issued (2019: NOK 6.7 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 OF 2020

Introduction

Eika Boligkreditt's main purpose is to ensure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding by issuing covered bonds. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets with regard to the tenor of loans, their terms and the depth of access. The object of the company's business is to reduce risk for the owner banks. At 30 June 2020, the owner banks had NOK 87.7 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

Amount in NOK thousand	2nd quarter 2020	2nd quarter 2019	1st half 2020	1st half 2019
Total interest income	574 063	633 203	1 312 242	1 237 055
Net interest income	153 099	160 569	355 994	319 707
Commission costs	111 521	103 828	255 310	215 485
Total gain and losses on financial instruments at fair value	94 642	3 605	23 796	4 547
Profit before tax	**122 868**	**48 277**	**96 780**	**82 764**
Comprehensive income (taking account of fair value changes in basis swaps)	**122 240**	**106 496**	**136 986**	**120 325**

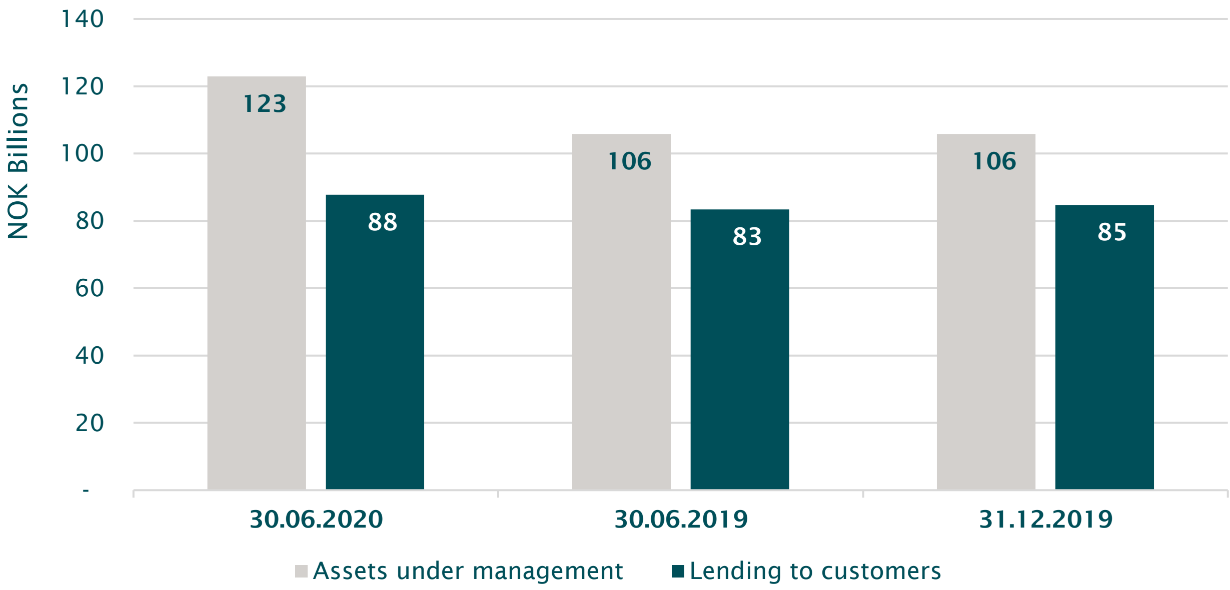
A reduction corresponding to 9.3 per cent in the company's interest income during the second quarter compared with the same period of 2019 primarily reflected lower interest rates on residential mortgages as a result of the fall in interbank rates. Net interest income in the second quarter was down by 4.7 per cent from the same period of last year because borrowing rates have declined by less than the repricing of lending rates. In addition, net interest income has been affected by expensing NOK 5.1 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 7.4 per cent from the second quarter of 2019. This reflected higher margins on residential mortgages at the owner banks after the target for return on equity by the company was set at zero with effect from 1 July 2019. Changes to the fair value of financial instruments came to NOK 94.6 million, up by NOK 91 million from the same period of 2019. The second-quarter changes primarily reflected a sharp contraction in credit margins and fair value changes following changes to the interbank rate. Pre-tax profit for the second quarter was NOK 122.9 million, a reduction of NOK 74.6 million from the same period of 2019.

An increase corresponding to 6.1 per cent in the company's interest income during the first half compared with the same period of 2019 primarily reflected increased lending volumes. Net interest income in the first half was up by 11.4 per cent from the same period of last year. That reflected higher margins on residential mortgages because borrowing costs declined by more than interest rates on lending. Commission payments to the owner banks also rose by 18.5 per cent from the first half of 2019, which reflected higher margins on residential mortgages and growth in lending volumes. Changes to the fair value of financial instruments came to NOK 23.8 million, up by NOK 19.2 million from the same period of 2019. Pre-tax profit for the first half was thereby NOK 14 million higher than in the same period of 2019.

Interest on tier 1 perpetual bonds of NOK 6.7 million and NOK 14.4 million in the second quarter and first half 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 4.7 million (2019: NOK 90.7 million) for the second quarter and NOK 71.2 million (2019: NOK 65 million) for the first half. 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 122.9 billion at 30 June 2020. The increase of NOK 17.2 billion in this figure since 1 January primarily reflects three factors. First, a steep fall in the krone's exchange rate against the euro and sharply declining interest rates led to a corresponding increase 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. The effect of a weakened krone and declining interest rates in the first half increased the carrying amount in the balance sheet by just over NOK 6 billion. Second, the company issued NOK 11.5 billion in bonds during the first half, which exceeded an overall NOK 4.8 billion in maturation and early redemption during the same period by NOK 6.7 billion. The residential mortgage portfolio grew by NOK 2.8 billion during the first half, which meant that NOK 3.9 billion of the net NOK 6.7 billion in increased bond debt was added to the liquidity portfolio. Third, cash collateral received under derivative agreements rose by just over NOK 4 billion. Cash collateral is capitalised by the company because it is reinvested on receipt in bonds and bank deposits. The 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.

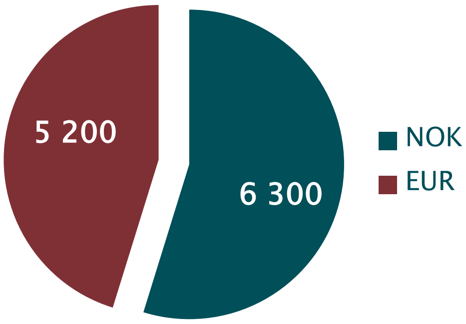
Financing of the owner banks (residential mortgage lending to customers) came to NOK 87.7 billion at 30 June, representing a net increase of NOK 1.9 billion in the second quarter and NOK 4.3 billion for the past 12 months. That amounts to a net growth of 5.1 per cent in lending year-on-year. Over the 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 0.7 billion. OBOS-banken's residual financing from Eika Boligkreditt at 30 June was NOK 3.1 billion. Adjusted for OBOS-banken, financing from Eika Boligkreditt for the remaining owner banks grew by NOK 5 billion over the past 12 months, representing a six per cent rise. That reflected an increased financing requirement at the owner banks related to the growth in their mortgage lending.

Borrowing

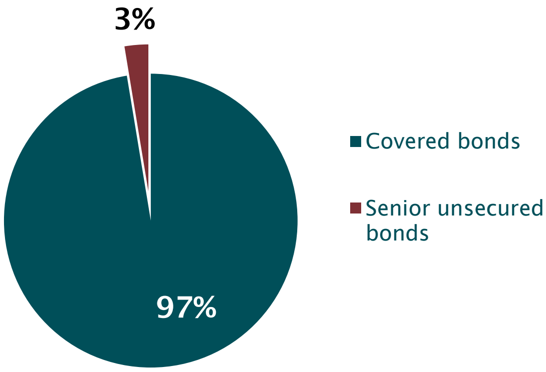
Eika Boligkreditt issued bonds (excluding tier 1 perpetual bonds) with a nominal value of NOK 6 billion in the second quarter, compared with NOK 1.2 billion in the same period of last year. Covered bonds accounted for the whole of the issue volume in the second quarter of 2020.

Bonds with a nominal value of NOK 11.5 billion were issued by Eika Boligkreditt in the first half, compared with NOK 6.7 billion in the same period of last year. Covered bonds and senior unsecured bonds accounted for NOK 11.2 billion and NOK 300 million respectively of the issue volume in the first half of 2020.

Issues by currency (in NOK mill) in 2020



Issues by sector (in %) in 2020



Of bond issues in 2020, 45.2 per cent were denominated in euros and 54.8 per cent in Norwegian kroner. Covered bonds accounted for 97.4 per cent of the issue volume.

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

New issues (amounts in NOK million)	1st half 2020	1st half 2019	2019	2018
Covered bonds (issued in EUR)	5 200	5 536	5 586	4 848
Covered bonds (issued in NOK)	6 000	-	7 250	10 650
Senior unsecured bonds (issued in NOK)	300	1 200	1 200	750
Subordinated loans (issued in NOK)	-	-	250	325
Total issued	**11 500**	**6 736**	**14 286**	**16 573**

The average tenor for covered bonds issued in the first half of 2020 was 5.95 years. The average tenor for the company’s borrowing portfolio at 30 June was 3.88 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 Jun 2020	30 Jun 2019	31 Dec 2019	31 Dec 2018
Covered bonds	104 146	91 717	90 751	93 913
Senior unsecured bonds	3 249	3 974	3 549	3 376
Subordinated loans	724	674	889	674
Total borrowing	**108 119**	**96 365**	**95 189**	**97 963**

Total borrowing by the company at 30 June was NOK 108.1 billion, up by NOK 12.9 billion from 1 January when account is taken of NOK 6.7 billion in net bond issues and the effects corresponding to NOK 6.2 billion of a weaker krone exchange rate for bonds issued in euros and lower interest rates for fixed-interest bonds.

Liquidity

At 30 June, the company had a liquidity portfolio of NOK 22.4 billion. That includes cash collateral of NOK 8.2 billion received from counterparties to derivative contracts. Cash collateral received is held as bank deposits, repo agreements and various high-quality securities. In addition to cash collateral, the company has received collateral in the form of high-quality bonds corresponding in value to NOK 1.6 billion. The value of bonds provided as collateral is not recognised in the company's liquidity portfolio or balance sheet.

Effects of the coronavirus epidemic

The coronavirus epidemic has meant an increase in both lay-offs and unemployment in Norway. This position has contributed in turn to 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. The proportion of the interest-only mortgages in the cover pool rose from 28 per cent at 1 January to 31 per cent at 30 June as a result of the coronavirus epidemic. At 31 March 2020 the proportion were 32 per cent. Where full payment holidays are concerned, the company approved a total of 77 applications from mid-March to 30 June. The majority of these applications were received during the second quarter.

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, but was later extended to the third quarter. Eika Boligkreditt 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 Boligkreditt with the loans they have funded over their own balance sheet. The flexibility quota was applied to 8.9 per cent of the residential mortgages funded through Eika Boligkreditt in the second quarter. This proportion was 11.9 per cent for mortgages in Oslo. The corresponding proportions in the first quarter were seven per cent nationally and 7.3 per cent for Oslo.

The krone strengthened by 5.8 per cent against the euro during the second quarter after falling by no less than 16.7 per cent in the first three months. The exchange rate for a euro declined by NOK 0.67 against the krone during the second quarter, after rising by NOK 1.55 in the first three months. During the second quarter, Eika Boligkreditt's bond issues denominated in euros corresponded to EUR 5 billion. A NOK 0.67 weakening of the euro against the krone meant that the value of the euro-denominated bonds fell by NOK 3.6 billion in krone terms during the quarter. This decline in the value of the liabilities is counterbalanced on the asset side of the balance sheet by a corresponding decrease in the value of the currency hedge agreements utilised by the company 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.

Credit margins contracted sharply during the second quarter. That reversed much of the expansion experienced in the first three months, which occurred entirely during March. The liquidity portfolio experienced an unrealised price gain of NOK 15 million in the second quarter, compared with an unrealised price loss of NOK 22.7 million in the first three months. The second-quarter return on the liquidity portfolio totalled NOK 63.6 million, which corresponds to a rise in value of 0.43 percentage points over the quarter. For the first half, the total return was NOK 95.6 million, corresponding to a rise in value of 0.75 percentage points or 1.49 percentage points on an annualised basis. The calculations excludes cash collateral from counterparties to derivative agreements. This demonstrates that the capital management strategy established for the liquidity reserve is robust against the turbulence experienced in the financial markets during the first half.

The retail market is less exposed to losses on lending for residential purposes than other segments and sectors. Eika Boligkreditt'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 position, also helps to reduce the risk of loss in the conditions now affecting society. Nevertheless, a risk of increased losses exists in the retail market because of the long-term consequences of the epidemic. As a result of changed economic conditions related to these circumstances, the company recalculated expected losses on mortgage lending for the second 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 in the second quarter of 2020.

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 regulations (CRR).

The basis for calculating the capital adequacy ratio at 30 June amounted to NOK 37.3 billion, up by NOK 3.2 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	30 Jun 2020	31 Dec 2019	31 Dec 2018
Risk-weighted assets	37 328	34 074	33 731
Total primary capital (tier 2 capital)	6 365	6 372	5 902
Capital adequacy ratio in per cent	**17.1 %**	**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% (13.6% at 30 June 2020)
- tier 1 capital ratio: 13.5% (15.1% at 30 June 2020)
- tier 2 capital ratio: 15.5% (17.1% at 30 June 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 30 June with a core tier 1 capital adequacy of 13.6 per cent.

Outlook

The company's financing of the owner banks grew by a net NOK 1.9 billion in the second quarter and NOK 4.3 billion for the past 12 months, representing a 12-monthly growth of 5.1 per cent. Adjusted for the agreed run-down in OBOS-banken's financing, the 12-monthly growth was six per cent. Statistics Norway's credit indicator for May 2020 showed a 12-monthly increase of 4.4 per cent in Norwegian household debt, down from 5.6 per cent 12 months earlier.

The lending survey from Norges Bank for the second quarter of 2020 showed increased demand for residential mortgages during the period. In its previous survey, the central bank expected a sharp decline for the second quarter as a result of the coronavirus outbreak and the infection controls imposed. Demand for mortgages from first-time buyers rose, but by less than the overall figure. In their commentaries, the banks report that the greater attention being paid to low interest rates has also contributed to increased demand for refinancing and for changing banks. Bank margins on residential mortgages rose somewhat. The banks also reported a substantial conversion of mortgages to interest-only in the second quarter. A majority of them respond that approval of such payment relief for people laid off or unemployed increased considerably at the start of the quarter, but that demand declined as many people got back into work. Furthermore, the banks reported that some use has been made of the expanded quota for flexibility over mortgage applications. They expect credit practice to be virtually unchanged in the third quarter after taking a rather stricter approach in the second, and anticipate almost no change in demand for residential mortgages and lending margins.

According to the house price report from Real Estate Norway for July 2020, average Norwegian house prices had risen by five per cent over the previous 12 months. Corrected for seasonal variations, they increased by 0.9 per cent in July. The strongest 12-monthly growth was recorded in Hamar with Stange, at 8.3 per cent, while the Stavanger area showed the weakest rise at two per cent. Second-hand house sales in July were up almost 45 per cent from the same month in 2019. A record number of Norwegians have used the summer to pursue housing transactions, and the decline in house sales following the coronavirus outbreak in March and April had been more than reversed by 21 July. Prices developed strongly both nationwide and in nearly all parts of Norway. A more moderate price trend was evident during July in central eastern Norway and the city of Bergen, with a decline in seasonally adjusted prices. Much of the stimulus from the zero base rate has now probably been priced into the housing market, and Eika Boligkreditt expects house prices to develop more moderately in the time to come – which is also normal for the second half, according to Real Estate Norway.

The bond market in the second quarter was characterised by a sharp improvement following the introduction of a number of coronavirus-related measures, and the level of activity has risen again.

On 12 March, the European Central Bank (ECB) introduced measures to strengthen liquidity in the markets with associated incentives for the banks to maintain their lending activities. This is being done in part through an extraordinary and temporary long-term repo operation (LTRO) intended to ensure liquidity in the financial system. In addition to these measures, the ECB will be buying bonds for a further EUR 120 billion up to the end of the year. That comes in addition to the stepped-up EUR 20 billion per month which was already planned. On 18 March, the ECB launched its pandemic emergency purchase programme (PEPP). With a ceiling of EUR 750 billion, this covers purchases of a broad set of securities to be made during the year. At the same time, the ECB has made it clear that exceptions will be made to earlier restrictions on possible purchases if necessary. If the ECB's purchases are spread equally over the remaining months of the year, they correspond to spending NOK 80-90 billion per month on buying securities in addition to the above-mentioned EUR 20 billion per month. This thereby involves overall purchases of securities which clearly exceed earlier rounds of quantitative easing by the ECB.

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

The credit margin for covered bonds with a five-year tenor in Norwegian kroner issued by Eika Boligkreditt contracted during the second quarter by 0.30 percentage points to a level of 0.35 percentage points. This reversed most of the expansion by 0.37 percentage points experienced in the first quarter. By comparison, credit margins quoted in the eurozone secondary market for similar bonds declined by 0.08 percentage points in the second quarter after increasing by 0.14 percentage points in January-March. Levels in the euro secondary market quoted on monitors have not reflected actual trades or levels in the primary market for new emissions. Issuers had to pay a premium averaging 0.2 percentage points above secondary market levels on the 14 issues made in March and early April.

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 The International Monetary Fund (IMF) operated in April with forecasts of a nine percentage point fall in gross domestic product (GDP) for mainland Norway in 2020, while predicting that unemployment would reach 13 per cent and would not decline to seven per cent before 2021. Statistics Norway predicted in June that the mainland economy would contract by 3.9 percentage points in 2020, reversing in 2021 with a growth of 4.3 percentage points. Unemployment in July was 4.9 percentage points, representing more than a halving from the peak of 10.4 percentage points at 31 March, but still substantially higher than before the epidemic. The housing market has also coped much better than many expected.

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. If unemployment remains high, the central government budget for 2021 will also probably be very expansive. Calculations of how large the financial stimulation of the Norwegian economy will be during 2020 were published in early June. The original 2020 budget adopted last year estimated the use of oil revenues – in other words, the structural oil-corrected deficit in the central government budget – to be about NOK 244 billion. In the revised analysis, the use of oil revenues measured by the structural oil-corrected deficit is estimated at NOK 425 billion and represents just over 13 per cent of trend GDP for mainland Norway and 4.2 percentage points of the government pension fund – global.

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

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, the market for covered bonds in euros and Norwegian kroner is expected to be open. Eika Boligkreditt therefore expects to be an active issuer in both Norwegian and international financial markets in the time to come.

Oslo, 12 August 2020

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 2020 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 2020

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 2020**	1Q 2019	**1 st half 2020**	1 st half 2019	2019
INTEREST INCOME						
Interest from loans to customers at amortised cost		**476 418**	535 667	**1 106 066**	1 051 657	2 239 530
Interest from loans to customers at fair value		**48 515**	33 938	**97 925**	65 428	151 353
Interest from loans and receivables on credit institutions		**7 597**	4 548	**15 287**	8 234	19 770
Interest from bonds, certificates and financial derivatives		**32 622**	50 653	**74 453**	95 071	179 252
Other interest income at amortised cost		**8 318**	7 956	**17 363**	15 808	32 118
Other interest income at fair value		**592**	440	**1 148**	857	1 882
Total interest income		**574 063**	633 202	**1 312 242**	1 237 055	2 623 905
INTEREST EXPENSES						
Interest on debt securities issued		**409 700**	466 559	**932 175**	905 580	1 929 706
Interest on subordinated loan capital		**5 517**	5 787	**12 679**	11 286	25 973
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**5 089**	-	**10 015**	-	18 355
Other interest expenses		**658**	288	**1 379**	482	1 792
Total interest expenses		**420 964**	472 634	**956 249**	917 348	1 975 826
Net interest income		**153 099**	160 568	**355 994**	319 707	648 079
Commission costs		**111 521**	103 828	**255 310**	215 485	489 852
Net interest income after commissions costs		**41 578**	56 740	**100 684**	104 222	158 227
Income from shares in associated company		**3 708**	4 090	**6 692**	7 154	19 117
Total income from shares	Note 11	**3 708**	4 090	**6 692**	7 154	19 117
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE						
Net gains and losses on bonds and certificates	Note 3	**1 814**	-	**(5 171)**	-	-
Net gains and losses of fair value hedging on debt securities issued	Note 3, 9	**44 622**	1 247	**(4 537)**	(997)	(5 264)
Net gains and losses on financial derivatives	Note 3	**(38 237)**	(2 085)	**(243 377)**	(1 612)	34 383
Net gains and losses on loans at fair value	Note 3	**86 444**	4 443	**276 882**	7 156	(34 245)
Fair value adjustment, shares	Note 3	**-**	-	**-**	-	(850)
Total gains and losses on financial instruments at fair value		**94 642**	3 605	**23 796**	4 547	(5 976)
Other income		**-**	-	**16**	-	63
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES				**-**	-	
Salaries, fees and other personnel expenses		**7 816**	7 944	**15 807**	15 687	32 256
Administrative expenses		**4 393**	4 278	**9 399**	8 194	18 326
Total salaries and administrative expenses		**12 210**	12 222	**25 206**	23 881	50 581
Depreciation		**1 001**	975	**2 106**	1 963	3 945
Other operating expenses		**3 849**	2 961	**7 095**	7 316	14 696
Losses on loans and guarantees		**-**	-	**-**	-	-
PROFIT BEFORE TAXES		**122 868**	48 277	**96 780**	82 763	102 208
Taxes		**28 095**	11 068	**18 811**	18 928	13 546
PROFIT FOR THE PERIOD		**94 773**	37 209	**77 969**	63 835	88 662
Net gains and losses on bonds and certificates	Note 3	**31 965**	1 716	**7 473**	10 328	6 634
Net gains and losses on basis swaps	Note 3	**4 657**	90 668	**71 216**	64 991	52 974
Taxes on other comprehensive income		**(9 156)**	(23 096)	**(19 672)**	(18 830)	(14 902)
COMPREHENSIVE INCOME FOR THE PERIOD		**122 240**	106 497	**136 986**	120 324	133 368

Of the total comprehensive income for the period above, NOK 94.1 million is attributable to the shareholders of the company, NOK 14.4 million to the hybrid capital investors, NOK 21.8 million to the fund for unrealised gains and NOK 6.7 million to the fund for valuation differences.

Balance sheet

Amounts in NOK 1 000	Notes	**30 Jun 2020**	30 Jun 2019	31 Dec 2019
ASSETS				
Lending to and receivables from credit institutions		**1 890 789**	883 889	968 309
Lending to customers	Note 4, 9	**87 744 468**	83 450 238	84 718 544
Other financial assets	Note 13	**400 406**	437 396	142 095
Securities				
Bonds and certificates at fair value	Note 5,9	**20 185 499**	14 758 738	13 362 946
Financial derivatives	Note 8,9	**12 567 342**	6 199 960	6 478 291
Shares	Note 10,11	**1 650**	2 500	1 650
Total securities		**32 754 491**	20 961 198	19 842 887
Shares in associated company	Note 11	**60 502**	51 723	63 685
Intangible assets				
Deferred tax assets		**77 868**	44 085	77 868
Intangible assets		**3 930**	5 066	4 553
Total other intangible assets		**81 798**	49 151	82 421
Tangible fixed assets				
Right-of-use assets	Note 15	17 070	17 745	16 701
Tangible fixed assets		**17 070**	17 745	16 701
TOTAL ASSETS		**122 949 524**	105 851 340	105 834 641
LIABILITIES AND EQUITY				
Loans from credit institutions	Note 14	**8 161 273**	3 401 329	3 937 698
Financial derivatives	Note 8,9	**241 834**	69 660	68 756
Debt securities issued	Note 6	**107 394 879**	95 691 296	94 300 106
Other liabilities		**609 774**	614 395	840 908
Pension liabilities		**5 021**	4 075	5 021
Lease obligations	Note 15	**17 184**	17 722	16 593
Subordinated loan capital	Note 7	**724 197**	674 397	889 050
TOTAL LIABILITIES		**117 154 161**	100 472 874	100 058 132
Called-up and fully paid capital				
Share capital		**1 225 497**	1 129 368	1 225 497
Share premium		**3 384 886**	3 081 015	3 384 886
Other paid-in equity		**477 728**	477 728	477 728
Total called-up and fully paid capital	Note 12	**5 088 111**	4 688 111	5 088 111
Retained earnings				
Fund for unrealised gains		**9 596**	10 265	9 596
Fund for valuation differences		**10 280**	-	20 155
Other equity		**113 305**	106 340	84 736
Total retained equity	Note 12	**133 181**	116 605	114 487
Hybrid capital				
Tier 1 capital		**574 071**	573 751	573 912
Total hybrid capital		**574 071**	573 751	573 912
TOTAL EQUITY		**5 795 363**	5 378 466	5 776 509
TOTAL LIABILITIES AND EQUITY		**122 949 524**	105 851 340	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	-	-	-	-	-	-	-	-
Balance sheet as at 30 June 2020	**1 225 496**	**3 384 886**	**477 728**	**9 596**	**10 280**	**113 305**	**574 071**	**5 795 363**

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	**2Q 2020**	2019
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	136 986	133 368
Taxes	38 483	28 448
Income taxes paid	(16 382)	(32 764)
Ordinary depreciation	860	1 857
Non-cash pension costs	-	946
Change in loans to customers	(3 025 924)	(2 703 859)
Change in bonds and certificates	(6 822 553)	3 230 362
Change in financial derivatives and debt securities issued	8 937	22 993
Interest expenses	956 249	1 975 826
Paid interest	(1 196 020)	(1 981 301)
interest income	(1 293 731)	(2 589 905)
received interests	1 340 195	2 578 588
Changes in other assets	(304 773)	356 621
Changes in short-term liabilities and accruals	159 837	28 059
Net cash flow relating to operating activities	**(10 017 837)**	1 049 240
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	(238)	(1 294)
Share of profit/loss in associated companies	(6 692)	(19 117)
Payments from shares in associated companies	9 875	9 873
Net cash flow relating to investing activities	**2 945**	(10 538)
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	11 632 254	14 060 594
Gross payments of bonds and commercial paper	(4 635 470)	(15 737 748)
Gross receipts on issue of subordinated loan capital	-	249 729
Gross payments of subordinated loan capital	(164 853)	(34 952)
Gross receipts from issue of loan from credit institution	4 223 575	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	(14 260)	(29 823)
Payments of dividend	(103 873)	(35 445)
Paid-up new share capital	-	550 000
Net cash flow from financing activities	**10 937 373**	(1 026 414)
Net changes in lending to and receivables from credit institutions	922 481	12 288
Lending to and receivables from credit institutions at 1 January	968 308	956 021
Lending to and receivables from credit institutions at end of period	**1 890 789**	968 308

Notes

Note 1 – Accounting policies

General

Eika Boligkreditt will prepare financial statements for 2020 in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union (EU). Financial assets and liabilities are measured at amortised cost, at fair value through profit or loss or at fair value through other comprehensive income. Note 1 to the annual financial statements for 2019 provides more details about accounting principles pursuant to the IFRS.

The financial statements for the second 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 writedowns

Pursuant to IFRS 9, provisions for losses will be recognised on the basis of expected credit losses in the light of relevant information available at the reporting date. The combination of the low loan-to-value ratio for the residential mortgage portfolio and the credit guarantees provided by the owner banks means that the company does not expect significant effects on EBK's profit or equity. See note 4 and 4.2.2 to the annual financial statements for 2019 for further information.

No loans were written down at 30 June 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	2nd quarter 2020	2nd quarter 2019	1st half 2020	1st half 2019	2019
Net gains and losses on bonds and certificates including currency effects [1]	1 814	-	(5 171)	-	-
Net gains and losses on loans at fair value	86 444	4 443	276 882	7 156	(34 245)
Net gains and losses on financial debts, hedged [2]	3 303 449	592 294	(6 169 206)	1 360 789	1 258 235
Net gains and losses on interest swaps related to lending	(38 237)	(2 085)	(243 377)	(1 612)	34 383
Net gains and losses on interest and currency swaps related to liabilities [2]	(3 258 827)	(591 047)	6 164 668	(1 361 786)	(1 263 499)
Fair value adjustment, shares	-	-	-	-	(850)
Net gains and losses on financial instruments at fair value	**94 642**	**3 605**	**23 796**	**4 547**	**(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	2nd quarter 2020	2nd quarter 2019	1st half 2020	1st half 2019	2019
Net gains and losses on bonds and certificates	37 338	6 677	17 852	18 384	5 838
Net gains and losses on interest-rate swaps related to bonds and certificates	(5 372)	(4 961)	(10 378)	(8 056)	796
Net gains and losses on basis swaps [3]	4 657	90 668	71 216	64 991	52 974
Net gains and losses on financial instruments at fair value	**36 622**	**92 384**	**78 690**	**75 319**	**59 608**

[3] Comprehensive profit for the first half includes positive changes of NOK 71.2 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 2020	30 Jun 2019	31 Dec 2019
Installment loans - retail market	81 984 356	77 630 844	79 150 938
Installment loans - housing cooperatives	5 502 683	5 792 302	5 582 664
Adjustment fair value lending to customers[1]	257 429	27 092	(15 058)
Total lending before specific and general provisions for losses	**87 744 468**	**83 450 238**	**84 718 544**
Impairments on lending to customers	-	-	-
Total lending to and receivables from customers	**87 744 468**	**83 450 238**	**84 718 544**

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

With effect from 10 December 2019, the company increased its maximum loan-to-value (LTV) ratio for residential mortgages from 60 per cent of the property's value to the legal limit of 75 per cent. Before 10 December 2019, all lending related to residential mortgages fell within the 60 per cent LTV limit at origination. The company had no non-performing engagements at 30 June 2020 where instalments due remained unpaid beyond 90 days.

Provision for losses

Pursuant to IFRS 9, provision for losses must be recognised on the basis of the expected credit loss indicated by relevant information available at the reporting date.

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

As a result of changed economic conditions related to these circumstances, the company recalculated expected losses on mortgage lending for the first quarter. New calculations performed by the company show that expected losses on loans will amount to NOK 16 000 at 30 June 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 it is in the range of the provision for losses for 2018 and 2019 of NOK 15 000. As a result of credit guarantees of NOK 898 million from the owner banks at 30 June 2020, this will involve no accounting loss for the company in the second 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.

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	**87 487 039**	**87 744 468**

30 Jun 2019

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	78 155 785	78 155 785
Fixed rate loans	5 267 361	5 294 453
Toal lending	**83 423 147**	**83 450 238**

31 Dec 2019

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	78 400 667	78 400 667
Fixed rate loans	6 332 935	6 317 876
Toal lending	**84 733 602**	**84 718 544**

Calculation of fair value of loans: The margin on the loans is considered to be on market terms. The market value of variable rate loans is therefore measured as equal to amortised cost. The market value of fixed-rate loans is correspondingly measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the applicable offered fixed rate at the balance sheet date.

Note 5 – Bonds and certificates at fair value

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 to other comprehensive income [1]			**105 506**

[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 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.

30 June 2019

Amounts in NOK 1 000

Bonds broken down by issuer sector	Nominal value	Cost price	Fair Value
Municipalities	6 584 997	6 608 438	6 608 373
Credit institutions	6 476 000	6 512 282	6 523 248
Government bonds	1 629 718	1 632 025	1 627 117
Total bonds and certificates at fair value	**14 690 715**	**14 752 745**	**14 758 738**
Change in value charged to other comprehensive income			**5 993**

Average effective interest rate is 1.49 per cent annualised. The calculation is based on a weighted fair value of NOK 16 billion. The calculation takes account of a return of NOK 120 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.

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Average term to maturity	**1.2**	**1.2**	**1.4**
Average duration	**0.2**	**0.2**	**0.2**

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

Note 6 – Debt securities issued

Covered bonds - amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	30 Jun 2020	30 Jun 2019	31 Dec 2019
NO0010561103	-	NOK	Fixed	5.00 %	2009	2019	-	1 269 740	-
NO0010605587	1 000 000	NOK	Fixed	5.20 %	2011	2021	1 000 000	1 000 000	1 000 000
NO0010625346	1 500 000	NOK	Fixed	5.20 %	2011	2026	1 500 574	1 500 666	1 500 620
NO0010663727	-	NOK	Floating	3M Nibor + 0.60%	2012	2019	-	3 989 036	-
NO0010663743	-	NOK	Fixed	3.25 %	2012	2019	-	200 223	-
NO0010669922	1 000 000	NOK	Fixed	4.00 %	2013	2028	997 690	997 381	997 537
NO0010685480	5 125 000	NOK	Floating	3M Nibor + 0.54 %	2013	2020	3 516 665	5 133 353	5 130 475
NO0010685704	550 000	NOK	Fixed	3.50 %	2013	2020	235 148	550 659	550 430
NO0010687023	150 000	NOK	Fixed	4.10 %	2013	2028	150 000	150 000	150 000
XS0881369770	1 000 000	EUR	Fixed	2.13 %	2013	2023	10 859 825	9 689 626	9 823 464
XS1044766191	500 000	EUR	Fixed	1.50 %	2014	2021	5 435 346	4 846 843	4 915 227
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	7 982 899	7 972 273	7 977 615
NO0010733694	2 000 000	NOK	Fixed	1.75 %	2015	2021	1 148 391	1 147 089	1 147 747
XS1312011684	500 000	EUR	Floating	0.625 %	2015	2021	5 432 566	4 845 544	4 913 307
NO0010763022	850 000	NOK	Fixed	2.25 %	2016	2031	844 160	843 614	843 890
NO0010775190	-	NOK	Floating	3M Nibor + 0.40 %	2016	2020	-	4 999 614	2 061 001
NO0010780687	700 000	NOK	Fixed	2.60 %	2016	2027	699 539	699 471	699 505
XS1397054245	500 000	EUR	Fixed	0.375 %	2016	2023	5 420 448	4 833 622	4 901 787
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43 %	2017	2022	5 005 789	5 008 485	5 007 130
XS1566992415	500 000	EUR	Fixed	0.375 %	2017	2024	5 420 383	4 834 996	4 902 450
XS1725524471	500 000	EUR	Fixed	0.375 %	2017	2025	5 415 074	4 830 324	4 897 680
NO0010815376	1 600 000	NOK	Fixed	2.67 %	2018	2033	1 589 529	1 588 693	1 589 113
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34 %	2018	2023	8 045 888	8 044 571	8 045 233
XS1869468808	500 000	EUR	Fixed	0.50 %	2018	2025	5 412 571	4 828 128	4 895 435
XS1945130620	500 000	EUR	Fixed	0.875 %	2019	2029	5 395 407	4 812 937	4 879 971
XS1969637740	10 000	EUR	Fixed	1.25 %	2019	2039	108 807	97 155	98 460
XS1997131591	60 000	EUR	Fixed	1.11 %	2019	2039	652 731	582 826	590 657
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25 %	2019	2024	7 243 981	-	7 243 266
XS2085864911	5 000	EUR	Fixed	0.56 %	2019	2039	54 334	-	49 165
XS2133386685	500 000	EUR	Fixed	0.01 %	2020	2027	5 516 902	-	-
NO0010881162	6 000 000	NOK	Floating	3M Nibor + 0.41 %	2020	2025	5 997 642	-	-
Value adjustments							3 063 408	2 420 009	1 939 521
Total covered bonds[1]							**104 145 697**	**91 716 877**	**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	30 Jun 2020	30 Jun 2019	31 Dec 2019
NO0010708936	425 000	NOK	Floating	3M Nibor + 0.80%	2014	2019	-	425 038	-
NO0010739287	600 000	NOK	Floating	3M Nibor + 0.70%	2015	2020	-	599 868	599 940
NO0010776099	500 000	NOK	Floating	3M Nibor +0.92%	2016	2020	499 981	499 907	499 944
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	500 777	501 286	501 030
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56 %	2018	2022	449 861	449 796	449 829
NO0010834716	500 000	NOK	Fixed	3.01 %	2018	2025	299 636	299 567	299 602
NO0010841620	300 000	NOK	Fixed	2.87 %	2019	2026	299 690	299 634	299 663
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78 %	2019	2024	299 838	299 794	299 816
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74 %	2019	2024	299 713	299 641	299 678
NO0010851975	1 000 000	NOK	Floating	3M Nibor + 0.27 %	2019	2021	299 948	299 888	299 918
NO0010874944	300 000	NOK	Floating	3M Nibor + 0.58 %	2020	2025	299 737	-	-
Total senior unsecured bonds							**3 249 182**	**3 974 419**	**3 549 419**
Total debt securities issued							**107 394 879**	**95 691 296**	**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	30 Jun 2020	30 Jun 2019	31 Dec 2019
NO0010729650	200 000	NOK	Floating	3M Nibor + 1.85%[1]	2015	2025	-	199 966	164 997
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40%[2]	2016	2026	149 957	149 897	149 928
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40%[3]	2018	2028	324 663	324 533	324 598
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55%[4]	2019	2029	249 576	-	249 526
Total subordinated loan capital							**724 197**	**674 397**	**889 050**

[1] Subordinated loan of NOK 200 million maturing on 21 January 2025, with a redemption right (call) on 21 January 2020 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest. The company has decided to exercise the redemption right on 21 January 2020.

[2] Subordinated loan of NOK 150 million maturing on 17 March 2026, with a redemption right (call) on 17 March 2021 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[3] Subordinated loan of NOK 325 million maturing on 2 February 2028, with a redemption right (call) on 2 February 2023 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

[4] Subordinated loan of NOK 250 million maturing on 27 September 2029, with a redemption right (call) on 27 September 2024 and thereafter quarterly at each interest date. A regulatory and a tax related call is also provided. Should official regulation lead to changes which affect how far the capital can be regarded as tier 2 capital, the bond can be redeemed at a price equal to 100 per cent plus accrued interest.

Note 8 – Coverpool

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

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

	Fair value		
Amounts in NOK 1 000	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Lending to customers [2]	87 293 701	82 988 046	84 345 467
Substitute assets and derivatives:			
Financial derivatives without accrued interest (net)	12 043 344	5 922 004	6 079 459
Substitute assets [3]	12 965 339	11 931 138	9 838 148
Total cover pool	**112 302 384**	**100 841 188**	**100 263 074**
The cover pool's overcollateralisation [4]	105.25%	107.26%	105.81%

Covered bonds issued

	30 Jun 2020	30 Jun 2019	31 Dec 2019
Covered bonds	104 145 697	91 716 877	90 750 687
Premium/discount	91 552	217 952	217 963
Own holding (Covered bonds) [1]	2 461 000	2 083 000	3 789 000
Total covered bonds	**106 698 249**	**94 017 829**	**94 757 650**

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

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

	Nominal values		
Amounts in NOK 1 000	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Lending to customers [2]	87 036 272	82 960 955	84 360 526
Substitute assets:			
Substitute assets [3]	12 867 453	11 847 676	9 775 435
Total cover pool	**99 903 725**	**94 808 631**	**94 135 960**
The cover pool's overcollateralisation [4]	108.89%	110.72%	111.35%

Covered bonds issued

	30 Jun 2020	**30 Jun 2019**	**31 Dec 2019**
Covered bonds	91 750 050	85 626 500	84 537 050
Total covered bonds	**91 750 050**	**85 626 500**	**84 537 050**

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

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

[4] Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 30 June 2020, liquid assets totalling NOK 1.25 billions in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation. Had this liquidity also been taken into account when valuing the cover pool, overcollateralisation would have been 6.42 per cent at fair value and 10.25 per cent at nominal value.

Note 9 – Derivatives and hedging

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

Assets	30 Jun 2020		31 Dec 2019	
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	227 490	1 285	5 064 060	35 709
Interest rate and currency swap[2]	54 551 050	12 564 997	47 600 550	6 441 900
Interest swap placement	108 807	1 061	98 460	682
Total financial derivative assets including accrued interest	**54 887 347**	**12 567 342**	**52 763 070**	**6 478 291**

Liabilities				
Amounts in NOK 1 000	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	6 496 534	220 334	856 576	7 165
Interest rate and currency swap[2]	-	-	2 050 500	51 299
Interest swap placement	2 687 533	21 500	1 467 054	10 293
Total financial derivative liabilities including accrued interest	**9 184 067**	**241 834**	**4 374 130**	**68 756**

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

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

Fair value and cash flow hedging on debt securities issued

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

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

	30 Jun 2020		31 Dec 2019	
Amounts in NOK 1 000	Nominal amount	Value recognised in balance sheet	Nominal amount	Value recognised in balance sheet
Hedging instruments: interest rate and currency swaps[1, 2]	54 551 050	12 322 474	45 550 050	6 061 740
Hedged items: financial commitments incl foreign exchange[2]	54 551 050	(12 531 910)	45 550 050	(6 433 921)
Net capitalised value without accrued interest	**-**	**(209 436)**	**-**	**(372 181)**

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

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

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

Amounts in NOK 1 000	2nd quarter 2020	2nd quarter 2019	1st half 2020	1st half 2019	2019
Hedging instruments	(3 258 827)	(591 047)	6 164 668	(1 361 786)	(1 263 499)
Hedged items	3 303 449	592 294	(6 169 206)	1 360 789	1 258 235
Net gains/losses (inefffectiveness) recorded in profit and loss[3]	**44 622**	**1 247**	**(4 537)**	**(997)**	**(5 264)** [3]

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

Note 10 – Fair value hierarchy

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

Level 1: Financial instruments where the measurement is based on quoted prices in an active market
Included in Level 1 are financial instruments where the measurement is based on quoted prices in active markets for identical assets. Quoted prices are obtained from the Oslo Stock Exchange and Bloomberg. The company's investments in Government bonds are included in this category.

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

Level 3: Financial instruments where the measurement is based on information other than observable market data
Level 3 includes fixed-interest mortgages and shares at fair value over profit and loss. The fair value of the fixed-interest mortgages is their amortised cost adjusted for the present value of the difference between the mortgage's fixed interest rate and the applicable fixed interest rate offered on the balance sheet date. Shares are valued on the basis of discounted cash flows.

30 June 2020

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	7 602 340
Bonds and certificates	2 547 742	17 637 757	-
Financial derivatives	-	12 567 342	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	**2 547 742**	**30 205 099**	**7 603 990**
Financial liabilities			
Financial derivatives	-	241 834	-
Total financial liabilities	**-**	**241 834**	**-**

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

31 December 2019

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	6 317 876
Bonds and certificates at fair value through profit or loss	794 342	12 568 604	-
Financial derivatives	-	6 478 291	-
Shares classified as available for sale	-	-	1 650
Total financial assets	**794 342**	**19 046 895**	**6 319 526**
Financial liabilities			
Financial derivatives	-	68 756	-
Total financial liabilities	**-**	**68 756**	**-**

No significant transactions between the different levels have taken place in 2019.

Detailed statement of assets classified as level 3 assets

2020 Amounts in NOK 1 000	**01 Jan 2020**	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2019	Other comprehensive income	**30 Jun 2020**
Lending to customers (fixed-rate loans)	6 317 876	1 612 782	(605 201)	-	276 882	-	7 602 340
Shares at fair value over profit or loss	1 650	-	-	-	-	-	1 650
Total	**6 319 526**	**1 612 782**	**(605 201)**	**-**	**276 882**	**-**	**7 603 990**

2019 Amounts in NOK 1 000	**01 Jan 2019**	Purchases/ issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2018	Other comprehensive income	**31 Dec 2019**
Lending to customers (fixed-rate loans)	4 830 180	2 307 239	(785 298)	-	(34 245)	-	6 317 876
Shares at fair value over profit or loss	2 500	-	-	-	(850)	-	1 650
Total	**4 832 680**	**2 307 239**	**(785 298)**	**-**	**(35 095)**	**-**	**6 319 526**

Interest rate sensitivity of assets classified as Level 3 at 30 June 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 291 million. The effect of a decrease in interest rates would be an increase of NOK 291 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 2020 and cumulatively.

Detailed statement of changes in debt related to currency changes

2020 Amounts in NOK 1 000	**01 Jan 2020**	Issued/matured	Currency changes	**30 Jun 2020**
Change in debt securities issued [1]	45 045 450	5 200 000	4 974 102	55 219 553
Total	**45 045 450**	**5 200 000**	**4 974 102**	**55 219 553**

2019 Amounts in NOK 1 000	**01 Jan 2019**	Issued/matured	Currency changes	**31 Dec 2019**
Change in debt securities issued 1	46 079 640	1 173 813	(2 208 003)	45 045 450
Total	**46 079 640**	**1 173 813**	**(2 208 003)**	**45 045 450**

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

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

Shares classified at fair value recognised in profit and loss

Amounts in NOK 1 000	Number of shares	Cost price	Book value 30 jun 2020	Owner share
Nordic Credit Rating AS	10 000	2 500	1 650	1.67 %
Total	**10 000**	**2 500**	**1 650**	

Shares in associated company

Assets in associated companies are recognised using the equity method.

Amounts in NOK 1 000	Number of shares	Owner share
Eiendomsverdi AS	470 125	25.0 %
Total	**470 125**	

Amounts in NOK 1 000	2020	2019
Carrying amount at 1 January	63 685	54 441
Addition/disposal	-	-
Revalulation at acquisition cost	-	-
Share of profit/loss	6 692	19 117
Dividend	(9 875)	(9 873)
Carrying amount	**60 502**	**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	30 Jun 2020	30 Jun 2019	31 Dec 2019
Share capital	1 225 497	1 129 368	1 225 497
Share premium	3 384 886	3 081 015	3 384 886
Other paid-in equity	477 728	477 728	477 728
Other equity	1 018	1 015	1 016
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**5 089 128**	**4 689 126**	**5 089 127**
Fund for unrealised gains	9 596	10 265	9 596
Intangible assets	(3 930)	(5 066)	(4 553)
Deferred tax assets[1]	-	-	-
Prudent valuation adjustments of fair valued positions without accrued interest	(28 236)	(20 467)	(20 106)
Total core tier 1 capital	**5 066 559**	**4 673 858**	**5 074 064**

Core capital adequacy ratio (core tier 1 capital)	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Weighted calculation basis	37 328 359	34 116 100	34 073 656
Core tier 1 capital	5 066 559	4 673 858	5 074 064
Core tier 1 capital ratio	**13.6%**	**13.7%**	**14.9%**

Total core tier 1 capital	5 066 559	4 673 858	5 074 064
Tier 1 perpetual bonds	574 071	573 751	573 912
Total tier 1 capital	**5 640 630**	**5 247 608**	**5 647 976**

Capital adequacy ratio (tier 1 capital)	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Weighted calculation basis	37 328 359	34 116 100	34 073 656
Tier 1 capital	5 640 630	5 247 608	5 647 976
Tier 1 capital ratio	**15.1%**	**15.4%**	**16.6%**

Total tier 1 capital	5 640 630	5 247 608	5 647 976
Subordinated loans	724 197	674 397	724 052
Total primary capital (tier 2 capital)	**6 364 827**	**5 922 005**	**6 372 028**

Capital adequacy ratio (tier 2 capital)	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Weighted calculation basis	37 328 359	34 116 100	34 073 656
Total primary capital (tier 2 capital)	6 364 827	5 922 005	6 372 028
Capital adequacy ratio	**17.1%**	**17.4%**	**18.7%**

Required capital corresponding to eight per cent of calculation basis	2 986 269	2 729 288	2 725 892
Surplus equity and subordinated capital	3 378 558	3 192 717	3 646 135

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

30 June 2020

Calculation basis	**Weighted calculation basis**	**Capital requirement**
Credit risk	34 498 074	2 759 846
Operational risk	394 304	31 544
CVA risk[2]	2 435 980	194 878
Total	**37 328 359**	**2 986 269**

Leverage Ratio	**30 Jun 2020**	**30 Jun 2019**	**31 Dec 2019**
Total Leverage Ratio exposure	126 220 350	108 755 847	108 698 255
Tier 1 capital	5 640 630	5 247 608	5 647 976
Levereage Ratio	**4.5 %**	**4.8 %**	**5.2 %**

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

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

[2]At 30 June 2020, Eika Boligkreditt had taken account of the risk of credit valuation adjustment (CVA) when calculating capital requirements for credit risk. This represents a supplement to the capital requirement for credit risk related to counterparty risk for derivatives.

The basis for calculating the capital adequacy ratio at 30 June amounted to NOK 37.3 billion, up by NOK 3.2 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 30 June 2020 with a core tier 1 capital ratio of 13.6 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	**30.06.2020**	**30.06.2019**	**31.12.2019**
Prepaid expenses	1 970	1 095	2 068
Repo agreements	304 938	294 479	-
Accrued interests	93 513	142 015	139 977
Short-term receivables	(15)	(193)	50
Total other financial assets	**400 406**	**437 396**	**142 095**

Note 14 – Loans from credit institutions

Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt has been provided with such collateral in the form of cash. These cash sums are managed by Eika Boligkreditt for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. At 30 June 2020, Eika Boligkreditt had received cash collateral of NOK 8.2 billion posted by counterparties to derivative contracts. Cash collateral is held in bank deposits, repo agreements and in various high-quality bonds. In addition to cash collateral, the company had also received NOK 1.6 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 17.1 million and NOK 17.2 million respectively, in the company’s balance sheet at 30 June 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 30 June 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.

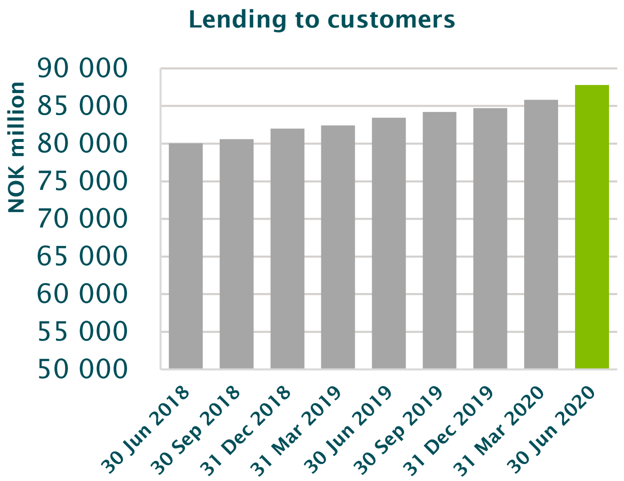
Note 16 – Contingency and overdraft facilities

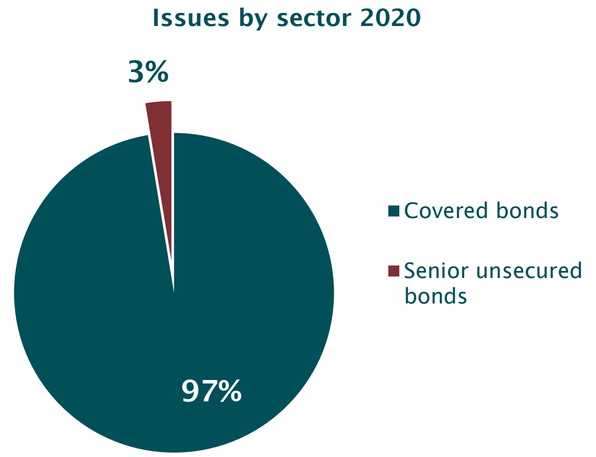
The company has an overdraft facility with DNB Bank ASA (DNB). Note 15 to the annual financial statements for 2019 provides a more detailed presentation of the overdraft with DNB. The company also has a note purchase agreement with the owner banks and OBOS concerning the purchase of covered bonds, whereby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

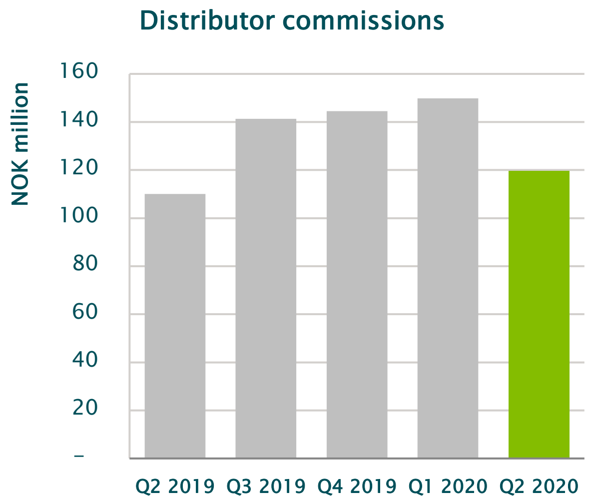
Note 17 – Risk management

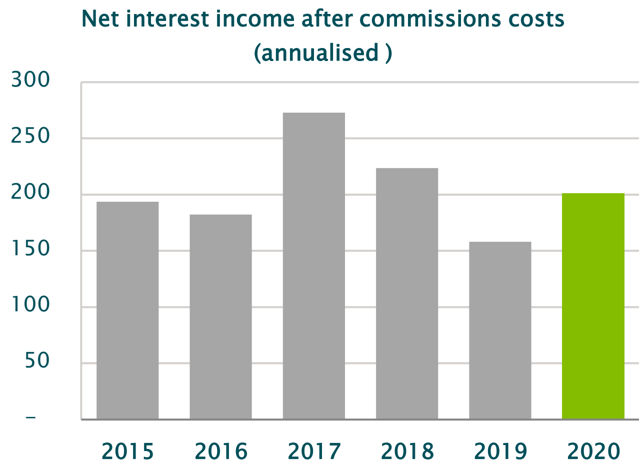
Eika Boligkreditt AS has established a framework for risk management and control in the company, which defines risk willingness and the principles for managing risk and capital. The value of financial assets and liabilities fluctuates as a result of risk in the financial markets. Note 3 to the annual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

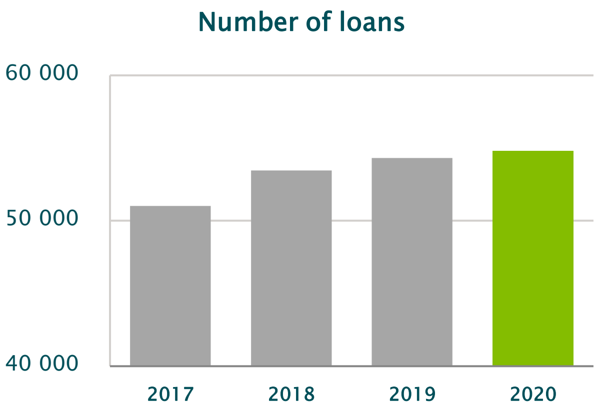
Key figures – Development

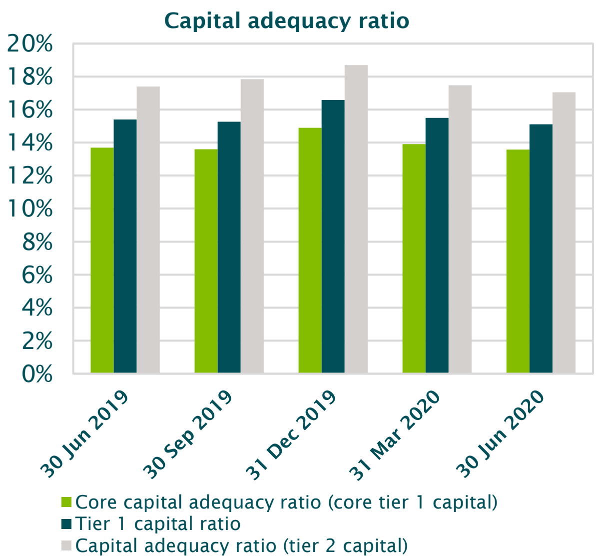












Key figures

Amounts in NOK 1 000	30 Jun 2020	30 Jun 2019	31 Dec 2019
Balance sheet development			
Lending to customers	87 744 468	83 450 238	84 718 544
Debt securities issued	107 394 879	95 691 296	94 300 106
Subordinated loan capital	724 197	674 397	889 050
Equity	5 795 363	5 378 466	5 776 510
Equity in % of total assets	4.7	5.1	5.5
Average total assets[1]	118 356 443	107 916 622	107 505 977
Total assets	122 949 523	105 851 340	105 834 641
Rate of return/profitability			
Fee and commission income in relation to average total assets, annualised (%)	0.4	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]	3.8	3.6	2.2
Total assets per full-time position	6 209 572	5 630 390	5 345 184
Cost/income ratio (%)[3]	34.2	31.8	43.7
Financial strength			
Core tier 1 capital	5 066 559	4 673 858	5 074 063
Tier 1 capital	5 640 630	5 247 608	5 647 975
Total primary capital (tier 2 capital)	6 364 827	5 922 005	6 372 027
Calculation basis capital adequacy ratio	37 328 359	34 116 100	34 073 656
Core tier 1 capital ratio (%)	13.6	13.7	14.9
Tier 1 capital ratio (%)	15.1	15.4	16.6
Capital adequacy ratio % (tier 2 capital)	17.1	17.4	18.7
Leverage ratio (%)[4]	4.5	4.8	5.2
NSFR totalindicator i %[5]	105	96	99
Defaults in % of gross loans	-	-	-
Loss in % of gross loans	-	-	-
Staff			
Number of full-time positions at end of period	19.8	18.8	19.8

Liquidity Coverage Ratio (LCR)[6]:

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 %**

30 Jun 2019	NOK	EUR	Totalt
Stock of HQLA	4 204 134	812 270	299 614
Net outgoing cash flows next 30 days	1 926 890	1 276 522	92 967
LCR indicator (%)	**218 %**	**64 %**	**322 %**

31 Dec 2019	Totalt	NOK	EUR
Stock of HQLA	4 904 632	762 793	359 753
Net outgoing cash flows next 30 days	4 334 152	1 246 420	252 920
LCR indicator (%)	**113 %**	**61 %**	**142 %**

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

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

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

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

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

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

LCR indicators: Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 30 June 2020, liquid assets totalling NOK 1.25 billion in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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