eika. Boligkreditt

Annual report 2021

At your side.

Contents

The Eika Alliance

The Eika Alliance comprises more than 50 local banks, Eika Gruppen and Eika Boligkreditt. More than NOK 450 billion in total assets, about 700 000 customers and some 1 850 employees make it one of the largest players in the Norwegian banking and financial market – and one of the most important players in Norway's local communities.

Eika Boligkreditt

Eika Boligkreditt AS is a credit institution owned at 31 December 2021 by 62 Norwegian local banks in the Eika Alliance and OBOS. Its principal purpose is to provide access for the local banks to long-term and competitive funding. The company is licensed as a credit institution, and finances the local banks by issuing internationally rated covered bonds. By virtue of its size, Eika Boligkreditt is able to raise loans in both Norwegian and international financial markets, and to seek financing wherever the best market terms can be obtained at any given time. Eika Boligkreditt ensures that the alliance banks have access to financing on roughly the same terms as the larger banks in the Norwegian market. Eika Boligkreditt consequently ranks as an important contributor to reducing financing risk for the local banks and to ensuring that customers of the local banks achieve competitive terms for their residential mortgages.

The local banks in Eika

Local savings banks have contributed to settlement, economic development and security for private customers and the business sector in Norwegian local communities for almost 200 years. The local banks in the Eika Alliance are fully independent and control their own strategy, brand and visual identity.

A local presence, advisers with integrated financial expertise, and a clear commitment to their customers and the local community will also ensure them a strong position in the future. The local bank is moreover a trusted and important adviser to the local business community, with the emphasis on small and medium-sized enterprises. Through their philanthropic donations, too, the banks in the alliance contribute to innovation, growth and development by financing culture, sports and voluntary organisations. Levels of customer satisfaction with and loyalty to the alliance banks in Eika are among the highest in Norway in both private and company markets.

Eika Gruppen

Eika Gruppen serves as the financial services group in the Eika Alliance, and is owned by more than 50 local banks. Its strategic foundation is to ensure strong and caring local banks which serve as a driving force for growth and development, for customers and for the local community. The group delivers a complete platform for banking infrastructure, including IT, payment processing and digital services which make the local bank competitive. In addition, it comprises the product companies Eika Forsikring, Eika Kredittbank, Eika Kapitalforvaltning and Aktiv Eiendomsmegling. Eika Gruppen's products and solutions are distributed through some 180 offices in Norway. Eika Boligkreditt was demerged from the Eika Gruppen financial group in 2012, and became directly owned by the local banks and OBOS.

Eika Boligkreditt in brief

History

2005

- The first residential mortgage is disbursed on 28 February to Røros-banken.
- The mortgage portfolio exceeds NOK 1 billion as early as October.

2007

- The Norwegian regulations for covered bonds come into force in June.
- Eika Boligkreditt's covered bonds are rated Aaa by Moody's Investors Service in the same month.
- The company issues its first covered bond in Norway during August, while the first international transaction takes place on 24 October.

2009

- Total bank financing through Eika Bolig- kreditt exceeds NOK 20 billion during November.
- The company's covered bonds are downgraded to Aa2 by Moody's Investors Service.
- Eika Boligkreditt participates in a NOK 10.4 billion swap arrangement with the Norwegian government.

2012

- Eika Boligkreditt is demerged from Eika Gruppen AS and becomes directly owned by the local banks and OBOS.
- A tighter structure of agreements is established between the new owners and the company.
- Total assets exceed NOK 50 billion during June.
- The company issues its first "jumbo" (EUR 1 billion) bond in the euro market.

2014

- Moody's Investors Service upgrades the company's covered bonds to Aa1 (AA+).
- Eika Boligkreditt's covered bonds are registered on the Oslo Stock Exchange's covered bond benchmark list.
- Total bank financing through Eika Boligkreditt exceeds NOK 60 billion.
- Commissions to owner banks of NOK 582 million.

2015

- Eika Boligkreditt introduces individual lending rates for the owner banks.
- New and improved agreement on credit guarantees comes into force on 1 October.
- The company's covered bonds have their rating further strengthened by a notch in leeway.
- Four owner banks merge into two, and the number of owner banks is correspondingly reduced.

2017

- Eika Boligkreditt exceeds NOK 100 billion in total assets.
- Rating of the company's covered bonds is upgraded from Aa1 to Aaa.
- The company receives its first published issuer rating (Baa1).
- Eight owner banks merge to become four. The number of owner banks is correspondingly reduced.

2019

- With effect from 10 December, EBK increases its maximum LTV ratio for residential mortgages from 60 per cent to the legal limit of 75 per cent.
- With effect from 1 July, the required return on equity in EBK is changed from three months Nibor plus two percentage points to zero. Commis-sions to the owner banks are increased correspondingly.
- EBK adopts Power BI as a visualisa-tion and reporting tool to provide the owner banks with better insight into the financing they have received from the company.

2020

- Norway experiences the full impact of the coronavirus in March, and home working becomes widespread.
- Eika Gruppen cancels its core banking agreement with SDC and enters into an agreement for a new IT platform from TietoEvry.
- The bond committee at EBK approved a new green bond framework.
- EBK also launches green residential mortgages, and the first loans in this category were made in December.

2021

- Run-off agreements are reached with the members of the Local Bank Alliance. They can no longer transfer loans to EBK, and will enter a run-off phase.
- Agreement is reached on selling back the NOK 1.2 billion portfolio to Spb 1 Nordmøre.
- The loan transfer model is signifi-cantly updated, and the banks transfer close to NOK 1.5 billion.
- EBK issues its first bond within the green bond framework.

2021: Highlights

19

EMPLOYEES

Eika Boligkreditt had 19 permanent employees. In addition, the company has an agreement with Eika Gruppen on purchasing services in a number of areas.

62

LOCAL BANKS

Eika Boligkreditt was directly owned by 62 local banks and OBOS at 31 December 2021.

342

LOCAL AUTHORITIES

Eika Boligkreditt's cover pool included mortgagees in 342 Norwegian local authorities.

115 BN

TOTAL ASSETS

Total assets were NOK 114.9 billion at 31 December 2021.

53 THOUSAND

MORTGAGES

Eika Boligkreditt has 53 466 mortgages in its cover pool.

49.9%

CURRENCY

49.9 per cent of the company's covered bonds are financed in euro, while 50.1 per cent are financed in NOK.

5.9%

MORTGAGED PROPERTY

5.9 per cent of the mortgaged property in the company's cover pool lies in Oslo.

47.4%

LTV

The average loan to value (LTV) on mortgages in the cover pool was 47.4 per cent.

801 MILL

COMMISIONS

Distributor commissions to the owner banks totalled NOK 800.9 million, compared with NOK 674.8 million in 2020.

19.5 BN

NEW ISSUES

Eika Boligkreditt issued NOK 19.5 billion in bonds, with 25.8 per cent denominated in euro and 74.2 per cent in NOK.

Eika Boligkreditt in brief

Eika Boligkreditt is a credit institution which was directly owned at 31 December 2021 by 62 local banks in the Eika Alliance and the OBOS housing association. Its main purpose is to secure access for the owner banks in the Eika Alliance to long-term competitive funding by issuing covered bonds in the Norwegian and international financial markets. An important part of the company's business concept is to increase the competitiveness of the owner banks and reduce their risk. At 31 December 2021, the banks had transferred a total of NOK 91.4 billion in residential mortgages and thereby relieved their own financing requirements by a corresponding amount.

The company is licensed as a credit institution and authorised to raise loans in the market by issuing covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and this type of bond has become an important source for financing the lending activities of banks and credit institutions. By concentrating borrowing activity in Eika Boligkreditt, the owner banks have secured a player in the bond market which can, by virtue of its size, achieve competitive terms in both Norwegian and international financial markets.

Activity began at Eika Boligkreditt in February 2005 and, with current total assets of NOK 114.9 billion, the company accounts for a substantial proportion of the external funding for the owner banks. To ensure the best possible financing terms for the owner banks, the company aims to be an active issuer in both Norwegian and international financial markets.

Shareholders

62 local banks and OBOS[1] — 100% — **Eika Boligkreditt AS**

54 local banks — 100% — **Eika Gruppen AS**

Ownership structure and mangement

Eika Boligkreditt AS

CEO
Kjartan M Bremnes

Risk manager Chris Odden Andersen

IT manager André Gjertsen

Chief marketing officer Kurt E Mikalsen

Financial manager Hugo J Henriksen

CFO Odd-Arne Pedersen

Senior vice president, funding Anders Mathisen

[1] Bank2 and Sandnes Sparebank are only shareholders in Eika Gruppen AS. The 10 members of the Local Bank Alliance – Selbu Sparebank, Nidaros Sparebank, Aasen Sparebank, Sparebank 68° Nord, Tolga Os Sparebank, Drangedal Sparebank, Askim & Spydeberg Sparebank, Sparebanken DIN, Stadsbygd Sparebank and Ørland Sparebank – are solely shareholders in Eika Boligkreditt.

Board of directors

Terje Svendsen

Director

Born: 1956.
Position: Consultant Tercon AS.
Education: MSc business economics, Norwegian School of Economics.
Other directorships: Chair, Tercon AS, Director, IOR Norway AS.
Director since 2011.

Gro Furunes Skårsmoen

Director

Born: 1968.
Position: CEO Oppdals-banken.
Education: MSc business economics, Norwegian School of Economics.
Other directorships: Director, Oppdal Eiendoms-megling AS, Nasjonalparken Næringshage AS.
Director since 2020.

Dag Olav Løseth

Chair

Born: 1972
Position: CEO Orkla Sparebank
Education: MSc business Economics and AFA, Norwegian School of Economics.
Other directorships: Chair, STN Invest, Midt-Norsk Sparebankgruppe. Director, Orkla Eiendomsmegling.
Director since 2018. Chair since 2020.

Rune Iversen

Director

Born: 1962
Position: CEO Marker Sparebank.
Education: Diploma, business economics, Master of management BI
Other directorships: Director, Sparebankenes Eiendomsmegler AS.
Director since 2018

Torleif Lilløy

Director

Born: 1971.
Position: CEO Odal Sparebank
Education: Cand. Jur. Univer-sity of Oslo, BSc economics and administration, Vestfold University College
Other directorships: Chair, Aktiv Eiendomsmegling Glåmdalsmegeleren AS. Director, Eika bank collabo-ration committee.
Director since 2018.

Olav Sem Austmo

Director

Born: 1963.
Position: CFO, Trønder-Energi AS.
Education: MBA, BI Norwegian Business School, AFA, Norwegian School of Economics.
Other directorships: Various directorships in TrønderEnergi subsidiaries.
Director since 2015.

Executive management

Hugo J Henriksen

Financial manager

Born: 1969.
Education: MSc business economics, University of Bodø.
Career: Terra-Gruppen, Ernst & Young.
Joined company in 2007.

Kurt E Mikalsen

Chief marketing officer

Born: 1968
Education: BA, University of Bodø.
Career: DNB, GMAC Commercial Finance.
Joined company in 2006.

Kjartan M Bremnes

CEO

Born: 1965
Education: law degree, University of Oslo/King's College London.
Career: BA-HR law firm, Follo Consulting Team AS, Vesta Hygea AS.
Joined company in 2004.

Odd Arne Pedersen

CFO

Born: 1962
Education: MBE, BI Norwegian Business School, AFA and Master of Finance, Norwegian School of Economics.
Career: Terra Forvaltning, Terra Securities, Terra-Gruppen, Fearnley Fonds, DN Hypotek-forening.
Joined company in 2008.

Anders Mathisen

Senior vice president, funding

Born: 1967
Education: MBE, BI Norwegian Business School.
Career: Terra Forvaltning, SEB, Norges Bank.
Joined company in 2012.

A strategically important company for the banks

Common denominators for the local banks in the Eika Alliance are their strong local roots, that they rank among the smallest banks in Norway, and that a generally high proportion of their activity is directed at the private and residential mortgage market.

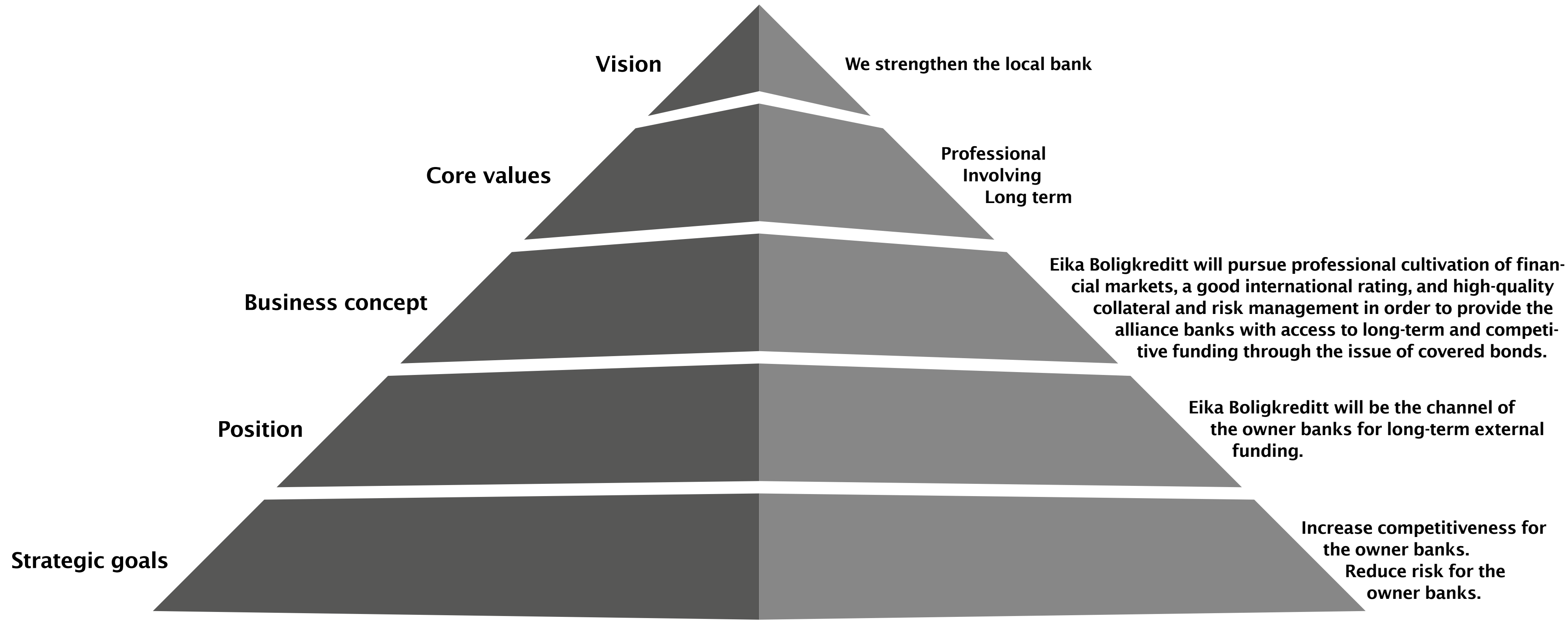
The decision by the local banks 19 years ago to establish a joint mortgage credit institution was a direct consequence of a trend where they – like all the other banks – experienced a decline in their deposit-to-loan ratio and a corresponding increase in the need for external financing from the bond market.

For small local banks, this meant increased vulnerability in achieving competitive borrowing costs and higher risk exposure because they would be subject to price fluctuations in the Norwegian bond market. The most important reasons for establishing Eika Boligkreditt were accordingly to maintain competitiveness in the residential mortgage segment – which was and remains the most important market for the local banks – and to reduce financing and refinancing risk in the bond market.

Through Eika Boligkreditt, the local banks and OBOS achieve indirect access to favourable financing in the Norwegian and international markets through the issue of internationally rated covered bonds. The local banks are active users of the company, and had secured NOK 91.4 billion in overall financing from Eika Boligkreditt at 31 December 2021. That corresponds to just over 60 per cent of the local banks total external financing.

Financing through Eika Boligkreditt involves generally longer tenors at a significantly more favourable rate than any of the owner banks could have achieved individually. That is precisely why Eika Boligkreditt has become a strategically important company for the owner banks – a company which contributes to enhanced competitiveness and lower risk exposure.

Strategy pyramid

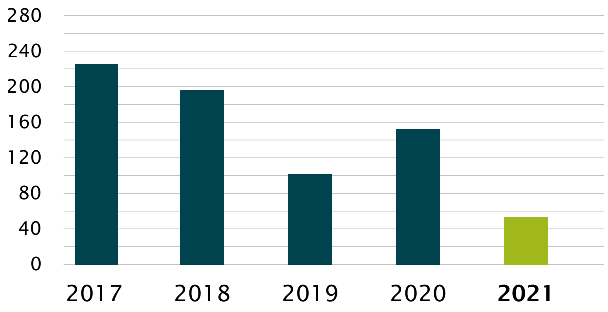


COMPANY PRIORITIES

Results and key figures

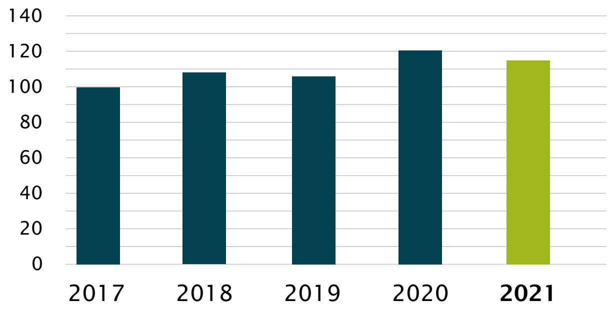
PROFIT BEFORE TAX

Amounts in NOK million



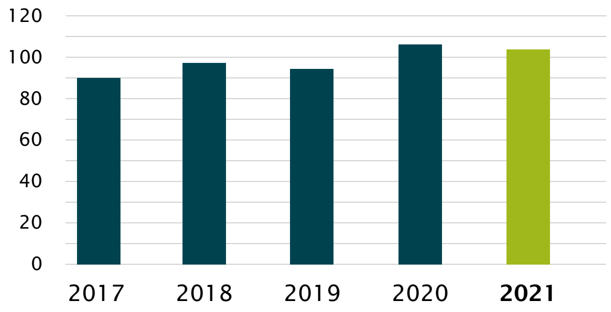
TOTAL ASSETS

Amounts in NOK billion



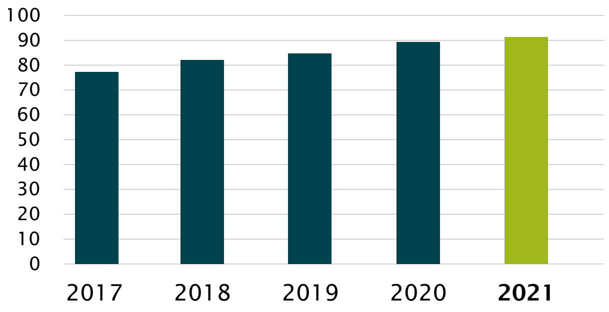
BORROWING PORTFOLIO

Amounts in NOK billion



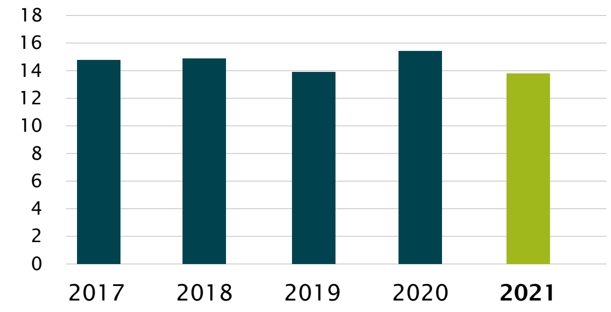
MORTGAGE PORTFOLIO

Amounts in NOK billion



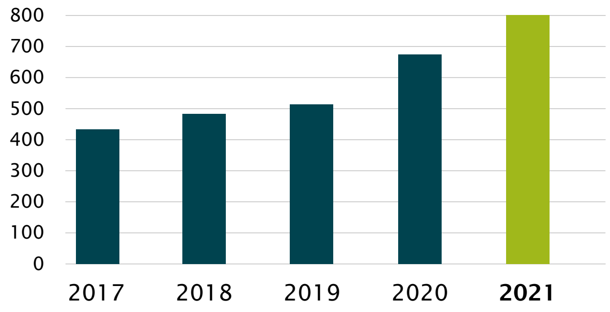
NEW MORTGAGES

In thousands



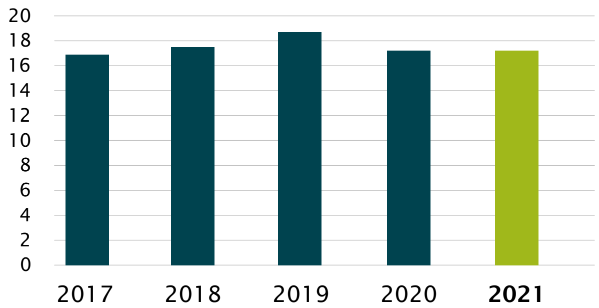
DISTRIBUTOR COMMISSIONS

Amounts in NOK million



CAPITAL ADEQUACY RATIO[1]

Value in per cent



[1] The company employs the standard method for calculating capital requirements for credit risk

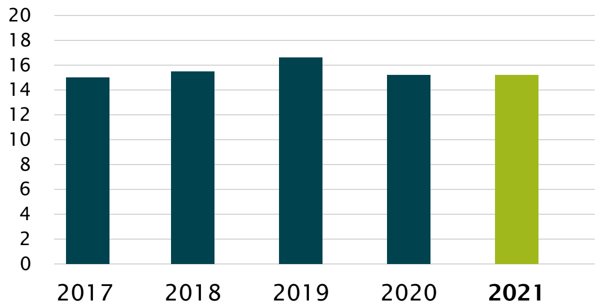
GEOGRAPHICAL DISTRIBUTION

By county

Agder	6.54%
Innlandet	5.52%
Møre og Romsdal	3.82%
Nordland	3.90%
Oslo	10.26%
Rogaland	7.89%
Vestfold og Telemark	10.55%
Troms og Finnmark	1.64%
Trøndelag	18.04%
Vestland	3.59%
Viken	28.24%

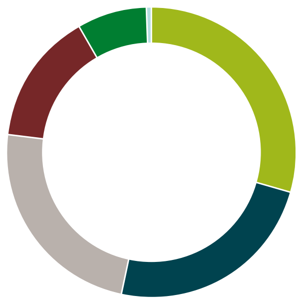
CORE TIER 1 CAPITAL RATIO

Value in per cent



LTV[1]

Specified in per cent and NOK



LTV:	0-≤40%	NOK 26 851.9 million	29.54%
LTV:	>40%-≤50%	NOK 21 775.0 million	23.95%
LTV:	>50%-≤60%	NOK 21 428.1 million	23.57%
LTV:	>60%-≤70%	NOK 13 482.9 million	14.83%
LTV:	>70%-≤75%	NOK 7 118.2 million	7.83%
LTV:	>75%-≤	NOK 254.0 million	0.28%

[1] Eika Boligkreditt does not permit an LTV of more than 75 per cent of the value of the residential property provided as collateral. In subsequent calculations of price trends for housing, statistical methods are used to determine the updated value. Variations could arise during this process between the valuation established by a surveyor/valuer or estate agent and that determined using statistical methods. The LTV in the table has been determined solely on the basis of statistical methods. This means that the LTV for certain mortgages could exceed 75 per cent.

Improved competitiveness
Reduced risk exposure

Corporate social responsibility and sustainability

Sustainability and societal engagement

Eika will take responsibility for a development of society which is sustainable and not achieved at the expense of future generations.

Norway is embarking on a far-reaching transformation up to 2030, where cuts in greenhouse gas (GHG) emissions, other climate-related changes, new requirements, competition and tighter government budgets will put pressure on Norwegian local communities and companies.

The role of the local banks as drivers of growth and development for private customers, businesses and Norwegian local communities will be more important than ever in this future. Their advisory services and closeness to customers make them key players in the restructuring of small Norwegian companies, and in securing new activity and jobs when unsustainable operations must be replaced. Closeness to customers also gives the local banks a good basis for offering relevant products to the growing group of customers who are concerned about sustainability.

Eika Gruppen and Eika Boligkreditt help support the financial results and market position of the banks, providing an important foundation for the contribution of the latter to a sustainable society. Sustainability is also pursued when developing products, bank systems and tools, when building expertise for bank employees, and by ensuring good environmental management and sustainable choices in bank organisations and in relation to suppliers and partners.

Collectively, the Eika Alliance already contributes in many areas to sustainability for Norway and Norwegian local communities. But this contribution will need to increased even further in coming years.

Sustainability is defined as a development of society which meets contemporary requirements without destroying the opportunities for future generations to satisfy their needs. It applies to economic, social, institutional and environmental aspects of society. At its core, the finance sector's corporate social responsibility (CSR) is to create value and operate profitably – but not at the expense of other people and the environment or at odds with basic ethical principles.

Vision and purpose

Eika's core business strengthens the local banks through good and cost-effective provision of products and services for modern and efficient bank operation. Its primary purpose is to "secure strong and caring local banks which serve as a driving force in local growth and sustainable development, for customers and the local community".

The Eika vision of "We strengthen the local bank" describes its desired future development. Its core business thereby supports the moral and ethical compass of the local banks and the societal engagement discharged by the local savings banks in the Eika Alliance. The motto is: "Present locally – with people you can meet and forge relationships with. Advisers who create a sense of security between people and an assurance that you are making the financial choices which are right for you."

UN Sustainable Development Goals

International and national initiatives supported by Eika

Eika draws on recognised national and international initiatives in its work on sustainability.

- UN sustainable development goals (SDGs)
- UN principles for responsible banking
- UN principles for responsible investment
- UN Global Compact
- Eco-Lighthouse
- Norwegian guide against greenwashing
- Women in Finance Charter
- Roadmap for green competitiveness in the Norwegian financial sector

UN SDGs

Sustainability in Eika builds on the UN SDGs, which represent the world's shared schedule for eliminating poverty, combating inequality and halting climate change by 2030. Coming into effect on 1 January 2016, these objectives provide many companies with a roadmap for their strategies on environmental and CSR.

Eika has influence on several of the SDGs, but sees that its impact may be greater with some selected targets than with others. Eika Boligkreditt supports the following SDGs and considers that the most relevant approach is to give particular emphasis to:

- **SDG 8**: promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all
- **SDG 11**: sustainable cities and communities – make cities and local communities inclusive, secure, resilient and sustainable
- **SDG 13**: climate action – act urgently to combat climate change and its impacts.

These targets support a number of sub-goals. Eika wants to:

- contribute to better utilisation of resources
- work to end the link between economic growth and environmental damage
- achieve full and productive employment and decent work for all
- protect labour rights and promote a safe and secure working environment for all employees
- stimulate and expand access to banking, insurance and financial services for all
- support positive economic, social and environmental links between urban areas, their hinterlands and thinly populated areas
- ensure that everyone has access to satisfactory and secure homes and basic services at an affordable price
- strengthen the ability to withstand and adapt to climate-related hazards and natural disasters
- strengthen the ability of individuals and institutions to counter, adapt to and reduce the consequences of climate change as well as their ability to give early warning, and strengthen knowledge and awareness of this.

KPI	SDG	Status 2021	Status 2020	Goal
Employee satisfaction, index 0-100	8	**88**	87	≥80
Sickness absence	8	**1.8%**	0.45%	≤2.5%
Ambitions for internal promotion to senior posts	8	**0 of 1**	2 of 3	Qualitative assessment
Female proportion, employees	8	**5 of 19=26.3%**	5 of 19=26.3%	Short-term: ≥30%
Long-term: ≥40%				Long-term: ≥40%
Female proportion, board	8	**1 of 6=16.67%**	1 of 6=16.67%	≥2 of 6=33.33%
Serious HSE incidents	8	**0**	0	0
Alliance satisfaction, index 0-100	11	**87**	88	≥80
Achieve roughly the same credit spread for covered bond financing as comparable issuers would have done for the same tenor, issued volume and issue date	11	**0.5 bp**	1.3 bp	< +3 bp
Share of green mortgage collateral in the cover pool	13	**21.4%**	23.4%	20%
GHG emissions, CO_2 equivalent, residential mortgage business[1]	13	**192 300 t CO_2 (European mix)**	114 600 t CO_2 (European mix)	Not specified
GHG emissions, CO_2 equivalent, other business	13	**9.5 t CO_2**	9.5 t CO_2	≤ 21.6 t CO_2 in 2025, down 27.3% from historical average (2012–19)

[1] With effect from 2021, the climate footprint is calculated on the basis of a CO_2 factor for both a European energy mix (250 gCO_2/kWh) and a purely Norwegian energy mix (10 gCO_2/kWh), based on an average of production in 2019 and 2020. Since the climate footprint in 2020 was calculated using a CO_2 factor based on a life-cycle analysis for the building which utilised a European mix (124 gCO_2/kWh), the figures for 2020 and 2021 are not comparable.

To operationalise these sustainability goals, Eika Boligkreditt has established a scorecard with 11 key performance indicators (KPI).

Where calculating the climate footprint of the residential mortgage business is concerned, see the separate report prepared by Multiconsult (eikbol.no/Investor-relations/green-bonds). Eika Boligkreditt's ambition was to set a goal for the climate footprint of the residential mortgage business during 2021. The company could not meet this target because it is a financing source for lending activities in the alliance banks. A goal of net zero emissions in the residential mortgage business conducted through Eika Boligkreditt must be pursued via interaction with the setting of such objects by the owner banks. A sectoral collaboration is under way through Finance Norway, with Eika participation, to prepare for measuring the climate footprint and determining an industry standard for this activity in the financial sector. Eika Boligkreditt expects the work will mean that its owner banks also set targets on net zero emissions in their residential mortgage portfolios, which is a precondition for establishing similar goals for lending activities through Eika Boligkreditt. GHG emissions for the rest of the business in 2021 corresponded to 9.5 tonnes of CO_2, unchanged from 2020. That compares with a goal of 21.6 tonnes for 2025, which accords with a development trajectory aimed at providing a 50 per cent reduction in 2030 compared with the benchmark (2012-19 average), and net zero in 2050. The footprint was sharply reduced in 2021 for the second year in row because of the coronavirus pandemic and a sharp decline in business travel. Eika Boligkreditt expects some recovery in the latter during 2022, but not to the pre-coronavirus level because a number of physical meetings/conferences will be replaced by virtual forms of interaction.

UN principles for responsible banking

Different principles and practices exist for work on sustainability. The UN environment programme finance initiative (UNEP FI) launched its principles for responsible banking in the autumn of 2019. These provide guidance for banks in their sustainability efforts, and support society's overarching sustainability goals and the Paris agreement – which enshrines the 2°C ceiling for global warming.

In 2020 Eika Gruppen signed the UN's principles for responsible banking derived from the Paris agreement, and undertook to observe and comply with these. Pursuant to the principles, Eika Gruppen must:

1. align its business strategy to accord with the needs of individuals and society's goals, as expressed in the SDGs, the Paris climate agreement and relevant national frameworks

2. continuously increase its positive impacts while reducing the negative impacts on people, the climate and the environment resulting from its activities, products and services, and, to this end, establish and publish specific targets for areas involving the most significant impacts
3. work proactively with the local banks to encourage sustainable practices and enable activities which create prosperity for both present and future generations
4. collaborate proactively with relevant stakeholders to achieve society's overarching goals
5. implement effective management tools and a culture of sustainable activity in order to reach its goals for responsible and sustainable banking
6. periodically review its individual and collective implementation of these principles and be transparent about and accountable for its positive and negative impacts on society's overarching goals.

Among other consequences, signing these principles calls for an analysis of the company's climate footprint, a specification of how it will achieve its goals, and regular reporting of the status for this work. So far, three of the larger local banks in Eika – Sandnes, Aurskog and Romerike Sparebank – have also signed these principles.

As part of the post-signing process in 2021, Eika Gruppen conducted an impact analysis in order to learn more about how its business affects the wider world for good or ill (the analysis is published in its entirety (in Norwegian only) at (https://eika.no/eika-alliansen/eikagruppen/baerekraft). A strategic choice has been made to carry out this analysis on behalf of both Eika Gruppen with subsidiaries and the alliance banks, since opportunities to exert influence are largely channelled through the latter. The analysis was carried out using tools and approaches (where possible) which accord with the recommendations from the UNEP FI. Emphasis has been given to conducting the analysis with a high level of detail and coverage of all relevant products. Its findings identify three areas which will receive particular attention in Eika Gruppen's future work on sustainability – resource effectiveness, waste and climate. All already receive considerable attention in the group. Combined with findings from other analyses conducted internally, including stakeholder and materiality analyses, insights from this work will help to shape Eika Gruppen's continued commitment to sustainability. By publishing the report, the group hopes that the analysis and its findings can also help other undertakings in shaping their sustainability commitment for the time to come.

UN principles for responsible investment

Eika Kapitalforvaltning has adopted the UN principles for responsible investment (PRI) in order to prepare and formalise its work on sustainable investment. The UN PRI represent the biggest global reporting project for responsible investment, and can be regarded as the global norm for best practice in the area. They challenge and inspire to take further account of the environment, society and governance (ESG) in investment activities. The annual reporting will also be useful for customers wishing to make sustainable choices.

UN Global Compact

The Global Compact is the UN's organisation for sustainable business, and has formulated 10 principles which provide guidance for companies on ensuring responsible operation, including human rights, labour relations, anti-corruption and the climate/environment – including the precautionary approach. Eika bases its work with sustainability on these principles.

Eco-Lighthouse

The Eco-Lighthouse is a Norwegian national standard for environmental management, with EU recognition. While work on the UN's principles deals with the way the world at large is affected by Eika's products, services and value chain, Eco-Lighthouse certification ensures a properly-anchored concentration on environmental management, reducing and handling waste, and energy use and transport in addition to internal processes for sustainability of the group's own operations and products. Eika and its four locations in Gjøvik, Hamar, Oslo and Trondheim were Eco-Lighthouse certified in accordance with the set of common criteria as well as the sets for tenants, banking and finance, and insurance. Annual climate and environmental reports are also prepared for the business.

Guide against greenwashing

Eika has signed the guide against greenwashing as one of several measures to entrench a secure sense of how the group will work on sustainability and communicate about its efforts. The guide provides advice on decision-making, and can be a source of new, sustainable ideas and ways of working. Eika will give priority to measures which have real effect.

Women in Finance Charter

The Women in Finance Charter aims to help increase the proportion of females in senior positions in Norway's financial sector. Eika recognises the importance of this, and signed the charter in the autumn of 2021. Its goal is for women to hold 40 per cent of its managerial and specialist posts.

Roadmap for green competitiveness in the Norwegian financial sector

Eika take a fundamentally positive view of industry collaboration on sustainability efforts. It uses the roadmap as drawn up to support its work on CSR and sustainability.

Supporting the local banks by pursuing sustainability in its core operations

The local banks account for the bulk of the alliance's direct contact with customers and society. Offers to customers, risk management in the customer relationship and other contributions to the bank's local community are important components in sustainability work by the alliance, where Eika's contribution is largely indirect through the provision of systems, tools and expertise to the banks and their staff. With its deliveries, Eika will support sustainability work at the local banks directed both at their customers and their own operations.

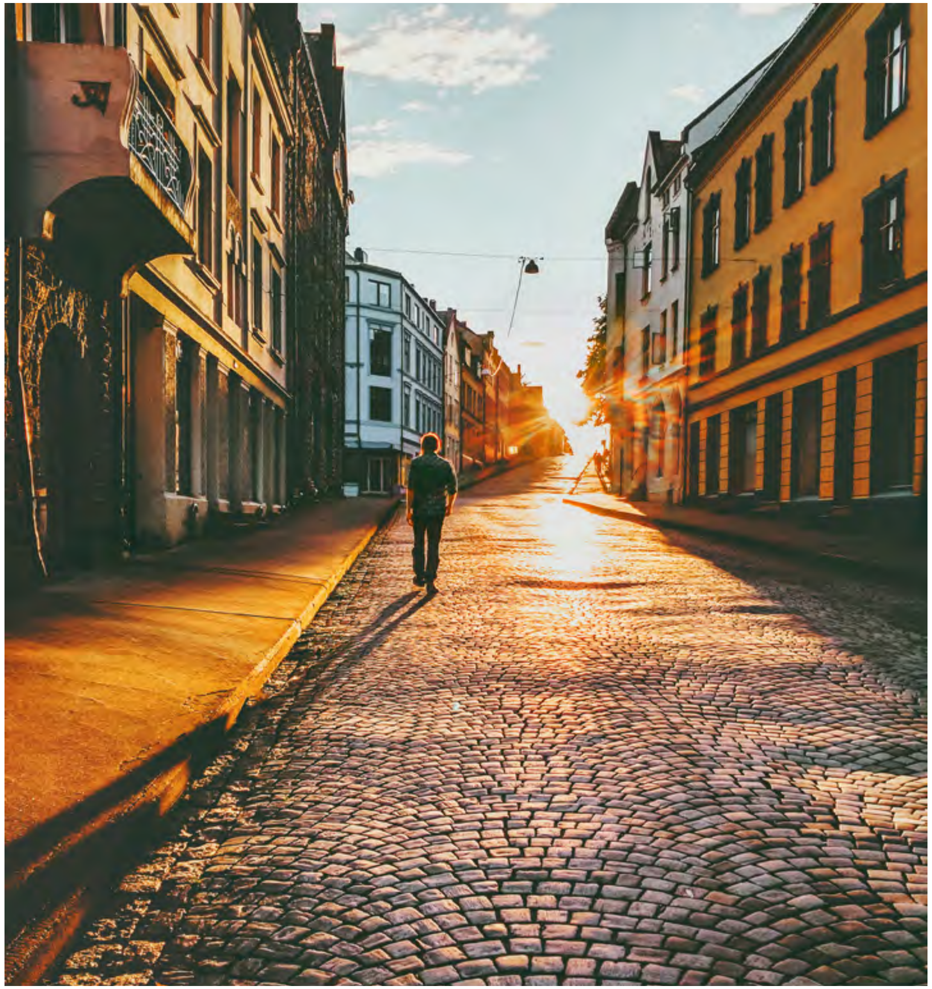
Eika actively seeks to help the banks and their customers to get through the big transition society now faces. This was operationalised in part during 2020 with the development of green mortgage products, information and competence offers to bank directors, management and staff, and making provision for dialogue and exchanging ideas between the banks.

A set of ESG questions was incorporated during early 2021 in the credit evaluation process for corporate customers of the banks, with associated courses and webinars. Priority has been given to supporting the banks with information about the steadily growing demands for and expectations of sustainability reporting, as well as insight into their own effects via the impact analysis conducted for Eika and the alliance banks.

Eika's sustainability week was staged in January 2022 for the second year in a row, with all employees in Eika Gruppen, Eika Boligkreditt and the alliance banks offered daily webcasts, articles and various activities. This event is intended to increase expertise on and engagement in sustainability, as well as to entrench Eika's approach to the subject.

Sustainability work in Eika Gruppen builds on the commitment of the local banks to local sustainability over more than 150 years, both directly through the group's own work and indirectly by supporting the commitment of the banks. The local banks were established to contribute to economic and social sustainability in their local communities. Today, sustainability is about both preserving local societies and overcoming major global problems such as climate change, loss of natural diversity and lack of respect for human rights. The financial sector plays an important role in the transition to greater sustainability, both locally and globally. As one of the biggest and more important players in the Norwegian financial sector, Eika is conscious of its responsibility to contribute to necessary changes, and sustainability is high on the agenda in Eika Gruppen. Ever since the owner banks were established, they have made donations to philanthropic causes in their local communities (about NOK 200 million annually), including culture, sports, clubs, societies and other beneficial purposes. Increased market shares and high levels of customer satisfaction and loyalty confirm the important position and significance of the owner banks in their local communities. The alliance has developed a Local Value (https://lokalverdi.no) concept for crowdfunding with the involvement of the local bank. This allows enthusiasts to raise money for ideas and projects in their own community with local bank assistance. That makes it easier than ever to collect funds for new ideas and projects at local level.

Despite enormous social and structural changes since the first of the owner banks were established, it is not difficult to recognise the profile and role of these institutions today. As a result of such factors as the sharp increase in house prices over the past 20 years, the owner banks have become more dependent on external financing. For many of them, the growth in lending and overall loan portfolios have exceeded their total deposits. The establishment of Eika Boligkreditt is a direct consequence of this trend.



Through long-term and competitive funding, Eika Boligkreditt enhances the competitiveness of its owner banks and helps to reduce their risk exposure. That makes it indirectly an important contributor to strengthening a great many local communities in Norway. Value creation by Eika Boligkreditt is also returned directly to these communities in the form of commissions and dividends paid to the owner banks.

Management and control

Requirements for risk assessments, routines and reporting in the sustainability area are expected to become stricter in the years ahead, in part through the adoption of the EU's taxonomy, the introduction and revision of the non-financial reporting directive (NFRD), and increased emphasis on sustainability in the capital requirement regulations and regulatory practice.

Effective risk management and good internal control are crucial for ensuring that goals are met, and form part of the ongoing management and follow-up of the business. Through good risk management and control, Eika Boligkreditt will be able at all times to identify, assess, deal with, monitor and report risks which could prevent its attainment of approved goals. The company's parameters for risk management and control define its willingness to accept risk and its principles for managing risk and capital. Risk management and control cover all types of risks which Eika Boligkreditt might be exposed to. Dealing with and controlling risk depends on its materiality. Risk management covers control, avoidance, acceptance, sharing or transfer of the risk to a third party. Controls embrace the organisation and division of labour, monitoring, reporting, and system-based and manual controls. They also cover values, attitudes, organisational culture, training and expertise, ethical guidelines, routines and procedures.

Eika Boligkreditt has established an independent risk management and compliance function, which continuously monitors and reports on whether risk management is complied with, functions as intended and is kept within approved limits. This function is organised in accordance with the principle of three lines of defence. Eika Boligkreditt's business is subject to extensive legislation, which regulates its various governance bodies and their composition.

Particular issues in 2021

The whole Eika Alliance has devoted great attention since 2018 to compliance with Norway's new Anti-Money Laundering (AML) Act. The company received an internal auditor's report in the autumn of 2018 which identified various areas requiring improvement in its AML work. Eika Boligkreditt also received a new internal auditor's report in 2021 which indicated a satisfactory status and concluded that "EBK has significantly strengthened work to combat money laundering and financing terrorism since earlier audits". The company has updated overall guidelines, business-oriented risk assessments, and internal

routines for ensuring compliance and consistency (red thread) from risk drivers to control mechanisms. Training was provided for the board, employees and the distributor banks. Eika Boligkreditt contracts out customer measures and associated services to the distributor banks, and strengthened follow-up of the contracted-out activity in 2021.

A new strategy was developed during the year to ensure expertise development and to make provision for ambitions, goals and guidance with regard to managing competence in the business. The mapping will cover present and future requirements for expertise as well as customisation of the workplace as a learning arena. Strategic expertise development is expected to contribute to increased motivation and engagement among employees. It will thereby be an important instrument in allowing the company to achieve its strategic ambitions and targets. The strategy is also intended to help Eika Boligkreditt to recruit, mobilise and develop adequate, forward-looking and correct expertise in line with its strategic priority areas.

The framework related to data protection was established in its current form in 2018. Great attention was devoted during the year to compliance with the general data protection regulation (GDPR) – including a particular focus on erasing personal data in accordance with the company's internal routine for storage periods.

Everyday management and follow-up

Eika Boligkreditt's vision is to strengthen the local bank. Its main purposes is to ensure access for the local banks in the Eika Alliance 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. Generally speaking, financing through Eika Boligkreditt has longer tenors and substantially better borrowing costs than an individual owner bank could achieve on its own account. That is precisely why the company has become strategically important for the banks – contributing to increased competitiveness and lower risk exposure.

The strategic direction being taken by Eika Boligkreditt observes the principles for managing with a balanced scorecard and provides a basis for implementing that approach alongside projects and action plans. In addition, the company prepares budgets and forecasts, financial and non-financial measurement criteria, authorisations, policies and routines which are reported on and followed up as part of management in the company. Action plans and the status of risk and measures are carefully monitored and incorporated in ongoing management and board reporting over the year. Eika Boligkreditt is managed in accordance with approved risk strategies, and guidelines have been developed for risk reviews intended to ensure that the company and outsourced activities deal with risk in a satisfactory manner. The values of Eika Boligkreditt reflect the company's characteristics – professional, involving and long-term. Risk management and control in the company are rooted in these values together with approved strategies. The strategies are further broken down into operational action plans, which provide specifications, priorities, allocation of responsibilities and deadlines. Given the guidance and parameters in the strategic and action plans, risk management and control are built up around and within the business processes established to deliver the strategy. Management and control are thereby tailored to the business processes and specific requirements. This challenges and focuses risk management and control on the contribution to value, the commercial benefit and the most significant conditions which really mean something for meeting the targets.

Role of the board

The board has adopted an instruction which specifies rules for its work and consideration of issues. Its annual plan covers duties specified in legislation, statutory regulations, official requirements, the articles of association and so forth. The board is responsible for determining the company's overall goals and strategies, including risk strategies and the risk profile as well as other key principles and guidelines, in addition to management of the company. It also ensures a prudent organisation of the business. The board has established a separate instruction for the CEO. Board meetings are held in accordance with the annual plan, and as and when required. The board has appointed risk and compensation committees to prepare matters for consideration in these areas.

Role of the CEO

The CEO conducts day-to-day management of Eika Boligkreditt and has overall responsibility for all the company's operations. Responsibility for implementing strategies and policies approved by the board rests with the CEO. The latter ensures that risk management and control are implemented, documented, monitored and followed up in an acceptable manner, and ensures that the necessary resources, expertise and independence are provided for the risk management and compliance function. In addition, the CEO ensures that Eika Boligkreditt's risks are managed within the board's approved parameters. Furthermore, the CEO will continuously follow up management and control in all parts of the company's business.

Risk management function

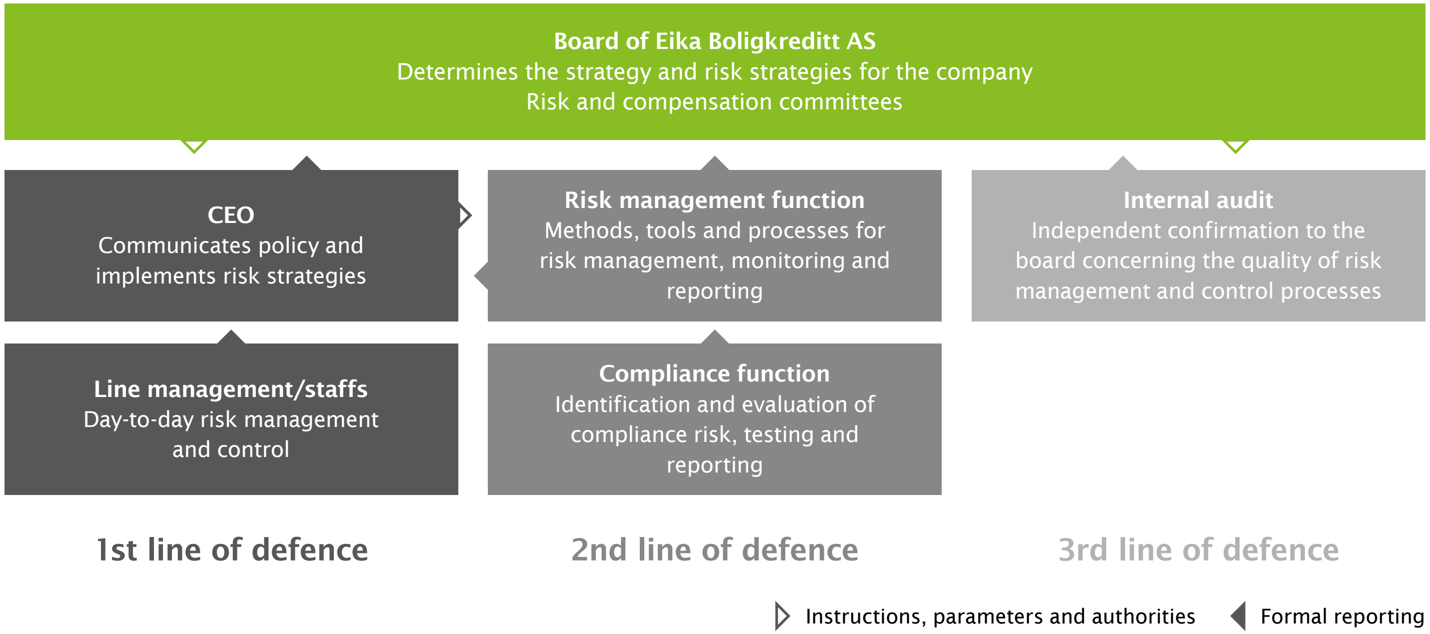
The risk management function ensures that management and the board are adequately informed at all times about the company's risk profile through quarterly risk reporting and annual assessments of risk and capital requirements. It is responsible for continued development and implementation of an integrated framework for risk management, and for ensuring that this accords with external and internal requirements. That means policies and strategies must be in place which ensure the company is managed with the aid of goals and parameters on the desired level of risk, and that such policies and strategies are operationalised in an efficient manner. Ensuring clear responsibilities and roles plays a key role in management and control, along with follow-up of compliance through risk parameters and operational guidelines. The risk management function reports on a quarterly basis to Eika Boligkreditt's executive management and board.

Compliance function

The compliance function is charged with identifying and preventing risk posed by failure to comply with the regulations. Compliance risk is part of Eika Boligkreditt's operational risk, defined as the risk that the company incurs government sanctions or suffers financial or reputational loss because it fails to comply with legislation, statutory regulations and/or standards. The compliance function will have a preventive, advisory and monitoring role in the company, with responsibility for plans and testing in accordance with annual risk-based controls. It reports on a quarterly basis to the executive management and board of Eika Boligkreditt.

Internal audit

The internal audit function provides independent confirmation that risk is dealt with in a satisfactory manner and that communication and interaction work between the lines of defence. It represents the company's



third line of defence. Eika Boligkreditt's independent internal audit function has been outsourced to PwC. The board approves annual plans for the internal audit function, which reports directly to the board. These reports are considered on a continuous basis.

IT security

The Eika security operation centre (SOC) is a department which works on incident management related to cyber security and crime. Based in Gjøvik, it shares premises with the Eika service centre.

All network traffic in Eika is monitored by systems which can pick up and detect malicious activity. Threat actors are constantly coming up with new tactics and techniques for getting past these protections. That therefore calls for personnel with the expertise to handle incidents and keep systems updated, and who are familiar with the threat picture. Eika SOC is staffed by highly competent security personnel who deal on a daily basis with cyber incidents and who are familiar with the threats directed at the banking sector. The department also works on cyber crime, with all payments via online and mobile banking monitored to prevent fraud.

Eika SOC is also part of an industry collaboration within the relevant disciplines, which means it stays informed at all times on current trends in both security and swindles.

In addition to monitoring and incident management, the centre also contributes:

- expertise to projects
- support and advice
- information and training
- threat and risk assessments.

Data protection

Eika Boligkreditt processes large volumes of personal data and is subject to the relevant regulations. Requirements for such processing are defined in Norway's Personal Data Act, which implements the EU's GDPR. The company has developed guidelines for processing personal data which ensure compliance with the overall parameters in this area. Furthermore, a number of operative routines have been drawn up to ensure compliance during day-to-day work with the parameters in the overall guidelines.

Processing personal data is defined in the personal data regulations as "any and all use of personal data, such as collection, registration, alignment, storage and disclosure or a combination of such uses". The processing done by the company must be documented along with assessments made in relation to this processing, and managers in the company are responsible for seeing that their subordinates are adequately informed about the regulations and for ensuring compliance with the guidelines.

A total of two deviations were registered by the company in the data protection area during 2021, compared with none the year before. These incidents related to access management, where personal data were made available to the wrong people at the system supplier, and to marketing. One of these cases was reported in 2021 to the Norwegian Data Protection Authority. Eika Boligkreditt was not made subject to an order or sanctions from the authority in the data protection area during either 2020 or 2021.

Eika Boligkreditt's clients have the right to access their personal data held by the company. A dedicated routine has been developed for access to personal information stored about an individual. The routine for enquiries from the registered person is intended to ensure that the company complies with its duty to provide information under the individual's right of access pursuant to the Personal Data Act, and in particular that their personal data is protected against unauthorised access. Eika Boligkreditt's website contains information about data protection, including its data protection declaration, and contact details concerning enquiries by the registered person.

Green bond framework

Eika Boligkreditt introduced a green bond framework on 4 February 2021. ING Bank was used as an adviser for the framework, ISS ESG conducted a third-party assessment, and Multiconsult has been the adviser for the climate-footprint analyses of the mortgage collateral in the cover pool subject to the reporting requirements in the framework.

The purpose of the framework is to finance the most energy-efficient mortgage collateral in the cover pool through the issue of green bonds. Identification of the most energy-efficient mortgage collateral is based on the following criteria.

1. Newer residential units
   a. Flats built in accordance with the technical building regulations applicable from 2010 (TEC 10) and 2017 (TEC 17).
   b. Other small residences built in accordance with the TEC applicable from 2007 (TEC 07), 2010 (TEC 10) and 2017 (TEC 17).
2. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy classes A, B or C for loans entered in the cover pool before 31 December 2020. The requirements have been tightened to energy class A or B for loans entered in 2021.
3. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy class D, which show:
   a. a minimum improvement of two points on their energy class compared the TEC specification for their year of construction
   b. a minimum improvement of 30 per cent in their calculated energy requirement compared with the specified TEC class for their year of construction.

The tightening of the criteria implemented in 2021 reflected the need to ensure that the mortgage collateral for new loans approved/transferred to Eika Boligkreditt which qualify pursuant to the first two criteria are among the 15 per cent most energy-efficient residential units in Norway. Eika Boligkreditt has identified NOK 18.85 billion covering just over 8 400 residential mortgages which meet these criteria. Of mortgage collateral added to the cover pool in 2021, 21.4 per cent met the criteria set for energy-efficient residential units. The company has established a strategic target that more than 20 per cent of new residential mortgages will finance energy-efficient residential units.

Eika Boligkreditt is still waiting for national clarification of the definition of a near-zero emission building in Norway. The EU taxonomy distinguishes between requirements for existing (year of construction 2020 or earlier) and new (year of construction 2021 and later) buildings under the environmental goal of limiting GHG emissions. Where new buildings are concerned, the requirement in the EU taxonomy is an energy efficiency corresponding to a zero-emissions building minus 10 per cent. Once zero-emission buildings have been defined in Norway, Eika Boligkreditt plans to update its green bond framework so that it distinguishes between requirements for new and existing buildings.

A successful EUR 500 million issue of its first green covered bonds was conducted by Eika Boligkreditt in the eurobond market on 8 June 2021. Demonstrating that it can achieve long-term green financing in the international financial market, this represented a milestone for the Eika Alliance.

Responsible investment

At any given time, Eika Boligkreditt has a substantial portfolio of liquid investments held as part of the requirements it is subject to as a credit institution.

These holdings largely comprise bonds issued by states, banks, financial institutions, local authorities and county councils, in addition to repurchase agreements and deposits in banks with a minimum A-/A3 rating.

Eika Boligkreditt has chosen not to invest in enterprises placed by the ethical council of Norway's government pension fund global (SPU) on its list of excluded companies. The latter fall into the following categories:

- serious violations of human rights
- severe environmental damage
- serious violations of the rights of individuals in war or conflict
- gross corruption
- other serious breaches of fundamental ethical norms
- unacceptable GHG emissions
- cluster weapons
- nuclear weapons
- anti-personnel mines
- tobacco production
- sale of military materials to certain states.

More information on companies excluded can be found here: www.nbim.no/no/oljefondet/ansvarlig-forvaltning/.

Eika Boligkreditt has also chosen to extend its exclusion list to include all companies in the following global industry classification standard (GICS) industries and sub-industries.

- **Coal** – fossil fuels are significant contributors to negative climate impacts. Coal-based electricity generation makes a negative contribution to the climate as well as being associated with uncertainties over working conditions and safety in many parts of the world. The company also distances itself from the establishment of new coal mines.
- **Tobacco** – globally, tobacco kills more than seven million people a year (NHI.no). In addition, it imposes huge health costs and lost production revenues.
- **Gambling** – some people suffer serious problems from an addiction to gambling, which often affects families and children. A large unregulated gambling market with little transparency exists internationally. In addition, casino and gambling activities pose a high risk of criminal behaviour, such as money laundering and bribery.
- **Arms production** – armed conflicts are a constant threat in large parts of the world. The arms trade also gives rise to corruption and serious human rights abuses. Eika Boligkreditt will actively disassociate itself from all companies involved in producing, trading and/or maintaining nuclear, biological or chemical weapons, cluster bombs or anti-personnel mines. The same applies to producing, trading and/or maintaining important components for such weapons. Exporting arms to areas where human rights are violated is unacceptable. Nor must profits be made from arms sales at the expense of the primary needs of the inhabitants.

Fund management in Eika is pursued under the vision "So we don't invest in just anything". Daily efforts are made to promote sustainability in funds and saving products. This work reflects a long-term strategy and investment philosophy anchored in the UN's PRI.

The main purpose of the strategy is to reduce sustainability-related risk in the savings products. It will also ensure that the funds invest in companies which operate responsibly, and which Eika believes to have the best basis for providing a good long-term return for its customers. This also means that Eika does not contribute to financing companies which breach important and basic sustainability principles.

Eika Kapitalforvaltning signed the UN PRI in 2021. Together with existing ESG guidelines, this provides a solid foundation and a clear ambition and direction for its sustainability work. Signing commits the company to integrate ESG at all levels in managing and reporting its activities, and to implement ESG in the savings and investment products it manages. Requirements are also set for Eika to ensure satisfactory ESG reporting from the companies it invests in, to be an active owner, and to collaborate with other investors to promote responsible investment.

Eika's ESG guidelines also specify further detailed requirements for companies and industries it can invest in. This ensures consistency in the group's requirements for companies in various markets, and documents that it is actually doing what it says it is. The ESG strategy means that communication relating to ESG in Eika's funds will be clear and support the goal that the group's funds are competitive on ESG over time compared with similar funds and pure environmental funds.

An ESG policy established for the liquidity portfolio owned by the alliance banks has been adopted by 80 per cent of them.

Eika Kapitalforvaltning shares information with Eika Boligkreditt on companies/issuers which it excludes and which do not appear on the exclusion list from the SPU. Eika Boligkreditt also excludes these companies/issuers in managing its liquidity portfolio.

Through the Eika Kapitalforvaltning investment process, companies are also excluded if:

- they do not engage with observing the following international norms and standards:
  - UN Global Compact (UNGC)
  - UN guiding principles on business and human rights (UNGPs)
  - OECD guidelines for multinational enterprises
  - they have a substantial ESG risk as classified by Sustainalytics
  - they have a high or very high carbon footprint as classified by Sustainalytics
  - they are excluded by three other large Norwegian fund managers, which may be a requirement for distributing Eika funds through the pension savings platforms of associated groups.

More on the ethical guidelines for investment can be found here (in Norwegian only): https://eika.no/spare/fondssparing/barekraftige-investeringer.

Responsible provision of credit

Eika Boligkreditt's ambition is to be a responsible provider of credit and to help ensure that the local banks fulfil their role as attentive advisers to their customers. Responsible provision of credit is important in making sure that customers do not take on commitments they cannot service, and in helping the local banks to support a green transition where customers are informed of sustainable and competitive solutions. Eika Boligkreditt provides both credit to private customers and mortgages for residential cooperatives, but its approach differs a little

between these two classes of customers.

The basic principle of sustainable residential mortgages in the private market is further enshrined in the strategy of the local banks for sustainability in their lending, and in their credit policy for private customers. These demands are also operationalised through Eika Boligkreditt's credit strategy, which describes specific requirements related to such aspects as AML, the black economy, the loan-to-value (LTV) ratio and assessing the customer's risk classification. In this way, the

local banks contribute in collaboration with Eika Boligkreditt to ensuring that customers do not take on excessive debt.

The local bank also advises customers when not to borrow, based on the purpose of the loan. That may apply, for example, if customers want a loan to send money to unknown people, to free up a lottery prize or inheritance, or for other typical swindles.

Non-performing loans

Pursuant to IFRS 9, provisions for loss must be recognised on the basis of expected credit loss given relevant information available at the reporting date. 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 LTV ratio, and is therefore less exposed to loss. Social security provision in Norway, including specific measures introduced in connection with the coronavirus, also helps to reduce the risk of loss in the conditions now affecting society. Nevertheless, a risk of increased losses exists in the retail market because of the long-term consequences of the pandemic. Given the low LTV ratio on residential mortgages in the cover pool, and the provision of guarantees against losses to the company from the owner banks, no significant effects are expected for Eika Boligkreditt's profits or equity despite the increased risk.

The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2021. The European Banking Authority (EBA) published new recommendations in September 2016 on the definition of non-performing loans, which came into force on 1 January 2021. Previously, the general rule was that loans were regarded as non-performing if a claim had fallen due more than 90 days earlier and the amount was not insignificant. Pursuant to the new EBA recommendation, the company is obliged to conduct various additional assessments related to the likelihood of default. These assessments must take account of the customer's overall debt liabilities, possible cross-exposure from loans to the same debtor, the level of materiality limits and the quarantine period after discharge.

Losses in the accounts are calculated on the basis of the IFRS 9 loss model. Non-performing loans are presented in step 3, where an individual impairment per customer is made without using models. 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 reduce the provision for loss. Eika Boligkreditt has calculated that the expected loss on loans amounted to NOK 43 000 at 31 December 2021, compared with NOK 11 000 a year earlier. This calculation is based on new expectations of future house price developments. NOK 932 million in credit guarantees from the owner banks at 31 December 2021 mean that the company recognised no accounting loss in the fourth quarter of 2021.

On the basis of the new standard for assessing non-performance, non-performing loans at 31 December 2021 are calculated to total NOK 44.5 million or 0.05 per cent of gross residential mortgage lending.

Green residential mortgages

The Norwegian bank market is characterised by strong competition. In order for the banks to succeed in the fight for customers, Eika Boligkreditt must offer competitive products which encourage climate- and environmentally-intelligent behaviour among customers of the banks. The company offers green residential mortgages, and this product will be continually developed to ensure that it is relevant to the market at all times. To qualify for one of these green mortgages, the residence must meet the following requirement: energy class A or B. These mortgages are offered when buying or building an environment-friendly residence. During 2021, Eika Boligkreditt established and paid out on 76 green residential mortgages totalling NOK 290 million. Green mortgages for upgrading existing residences to a higher environmental standard, and for environmental measures which provide a minimum 30 per cent improvement in energy efficiency, were introduced in the first quarter of 2021.

Covid-19

The coronavirus pandemic and the introduction of strict infection controls created a need for extraordinary measures in Norwegian fiscal and monetary policies during 2021. These are temporary, and will be phased out when the uncertainty and the financial position normalise. When society was first shut down in March 2020, many customers needed a relaxation in their mortgage terms. Eika Boligkreditt contributed by providing interest-only terms and payment holidays for private customer who were laid off or affected in other ways. The need proved limited and demand was low, and the arrangement was terminated in the spring of 2021.

Standardisation 2.0 and common credit manual

Eika Gruppen AS signed a contract with TietoEVRY in December 2020 on the delivery of a new core banking system. This agreement was entered into on behalf of all the banks in the Eika Alliance with the exception of those in the Local Bank Alliance and Surndal Sparebank, which were both on their way out of the alliance. Today's core banking system is delivered by Danish computer specialist SDC. The contract with TietoEVRY is expected to provide substantial cost savings for the alliance banks in Eika compared with the existing agreement. It runs for five years with opportunities for extension. This contract will strengthen the long-term competitiveness of the alliance banks through substantially improved cost efficiency, strengthened development capability and increased strategic flexibility. The banks will acquire a forward-looking IT platform which lives up to steadily growing customer expectations for digital solutions and services. According to the conversion plan, the first banks will transfer to the new system in September 2022 and the final batch will convert during the fourth quarter of 2023. In connection with this

changeover from the autumn of 2022, management of residential mortgages in Eika Boligkreditt's cover pool will transfer from today's system supplied by BanQsoft to the new core banking system from TietoEVRY. Mortgages in Eika Boligkreditt will be converted in parallel with the change from SDC to TietoEVRY at the individual bank.

In the second half of 2021, the Eika Alliance banks decided to establish a common credit manual with the aim of reducing workloads and the risk of being inadequately updated on compliance with legislation and statutory regulations in the individual bank. Since residential mortgages in the company's cover pool are managed through the loan system in the banks, Eika Boligkreditt considers it a natural extension that its credit manual is also coordinated with and integrated in the new common manual. Work on a common credit manual is expected to be completed in the second quarter of 2022.

Mortgage regulations

Both the banks and Eika Boligkreditt are subject to the mortgage regulations, and check compliance with these. The main provisions cover the following.

- **Ability to service the debt** – the mortgagee must assess the mortgagor's ability to service the mortgage given their income and all relevant outgoings, including interest payments, mortgage instalments and normal living expenses. In assessing the mortgagor's ability to service the mortgage, the mortgagee must allow for an increase of five percentage points from the relevant interest rate.
- **Debt-to-income ratio** – total debt must not exceed five times the mortgagor's annual income.
- **LTV ratio** – the mortgage must not exceed 85 per cent of a prudent valuation of the residence at origination.
- **Instalments** – where a mortgage exceeds 60 per cent of the value of the mortgaged residence, the mortgagee must require an annual repayment of at least 2.5 per cent of the mortgage principle.

The flexibility quota allows a mortgagee to grant mortgages which fall short of the requirements in the residential mortgage regulations for up to 10 per cent of the total mortgages it grants per quarter outside Oslo, and eight per cent in Oslo. This is followed up and reported at an aggregated level, which means the reporting must cover both mortgages carried on the bank's balance sheet and those which are placed with Eika Boligkreditt.

The Eika School

The alliance has its own Eika School, which provides teaching and courses required for filling many of the different roles in the local banks. All financial advisers in a bank, for example, must be authorised pursuant to Norway's AFR certification scheme. Acquiring this qualification includes taking and passing a test covering:

- parameters for giving credit
- credit assessment and products
- relevant collateral and mortgages
- information/explanations to the credit customer, dissuasion and proposals for solutions
- documents in the credit process
- follow-up during the life of the mortgage, redemption and default.

The training programme begins with a self-assessment and a test to assess the adviser's level of knowledge. The adviser then goes through the course and is given access to technical literature, refresher questions and exercises. They are tested and can also take a trial exam once before the final examination. The latter comprises a total of 55 questions on the various subject areas, and takes 90 minutes.

Knowledge of sustainability among bank employees is the key to good work with and advice on this subject. The Norwegian Finance Industry's Authorisation Schemes (FinAut) offers authorised life and general insurance advisers a refresher module on sustainability. This will be made available as part of the annual refresher package. All candidates to be authorised, regardless of scheme, must meet an expertise requirement which covers increased understanding of the basic sustainability topic, climate risk, ESG criteria and the EU's work on sustainable finance.

Deliveries from Eika to bank advisers in 2021 covered:

- Eika's sustainability week
- course on ESG risk
- course with four films on various sustainability topics
- course on sustainability in agriculture.

Eika Gruppen will continue to work during 2022 with its expertise offer on sustainability for various bank roles through a dedicated sustainability curriculum.

Customer complaints

As a general rule, Eika Boligkreditt is not in direct contact with the end customer. By agreement, the bank is the intermediary between Eika Boligkreditt and the customer and thereby the point of contact for the latter. If a customer of the bank wants to make a complaint about aspects of a mortgage held by Eika Boligkreditt, they must do so in writing to the bank. On request, the bank is required to give the customer information in writing about its complaint handling procedures, including details about how to complain.

A complaint received by the distributor bank which concerns Eika Boligkreditt must be forwarded in writing to the latter. If the customer has completed the complaint form made available by the individual bank, this is passed on in its entirety to Eika Boligkreditt. The complaint must include the grounds for making it and other possible details relevant to the case.

Eika Boligkreditt has well-established complaints procedures, which are readily accessible to customers. All cases are dealt with by dedicated complaints staff.

The banks also conduct quarterly reviews of lessons learnt from complaints in their own internal complaints committees. These assess the need to change policies, routines, marketing and products.

The management system for the product areas is evaluated annually, based on complaints and incidents over the preceding year. No customer complaints were received in 2021. The last time the company received a customer complaint was in 2016.

LTV ratio

As a general rule, loans must be secured with a first preferred mortgage on the main mortgaged property. To the extent that a second preferred mortgage is involved, the sum of the first and second preferred mortgages must not exceed 75 per cent of the mortgaged property's value for residential properties and 50 per cent for holiday homes. At 31 December 2021, the average LTV ratio in the cover pool was 47.4 per cent.

Residence in Norway

The company's credit manual specifies as a general rule that all mortgagors in Eika Boligkreditt must be private customers, but mortgage finance can also be extended in exceptional circumstances to residential cooperatives. A further condition is that lending must be for residential mortgages, and must therefore be defined separately from commercial finance. Where private mortgagors are concerned, a fundamental requirement is that the mortgage sought can be serviced from income which does not derive from the mortgaged property.

Pursuant to Norwegian law, the mortgagor(s) must be an adult and legally competent at the origination of the mortgage. This means that a mortgagor cannot be under 18 years of age (a minor) or placed under legal guardianship (see section 1 of the Norwegian Guardianship Act). No absolute upper age limit has been set for mortgagors. Mortgagors must also be permanently resident in Norway.

Mortgages for residential cooperatives

Eika Boligkreditt also finances mortgages for residential cooperatives, but these differ in certain respects from ordinary residential mortgages for private individuals. That includes the possibility of a somewhat higher risk concentration. As one of the few issuers of covered bonds offering this type of financing, Eika Boligkreditt has therefore chosen to maintain strict standards related to a good financial position, many residential units and a very low LTV ratio. At 31 December 2021, the average LTV ratio for this type of mortgage in Eika Boligkreditt was 23.4 per cent.

Green homes

Eika Boligkreditt has carried out an analysis of its cover pool which defines three criteria for classifying the mortgaged property as one of the 15 per cent of residential units in Norway defined as energy-efficient – popularly known as "green homes". These criteria are based on building standards, energy certificates and refurbishments which provide a minimum 30 per cent improvement in the unit's energy efficiency. This accords with the principles enshrined in the Climate Bond Initiative, an international scheme with the sole purpose of promoting a rapid transition to a low-carbon and climate-robust economy through the role which the bond market can play. Based on this analysis, 8 398 of the 52 815 residential units in the cover pool at 31 December 2021 (2020: 8 087) qualified as green homes, as did 45 of the 410 residential cooperative buildings. When analysing the climate footprint of the residential mortgage business, account has been taken of the company's LTV ratio in each residence. This provides a more accurate picture of the company's climate footprint and the improvement in energy efficiency. Eika Boligkreditt's overall portfolio had an estimated annual energy requirement of 994 gigawatt-hours (GWh) in 2021 (2020: 929 GWh). The average requirement for the mortgage-financed share of the green residential units was 118 kilowatt-hours per square metre (2020: 120 kWh/sq.m), 53 per cent lower than the average for Norwegian residential units. The mortgage-financed share of the green homes in the cover pool reduced the carbon footprint of residential units covered by mortgages from Eika Boligkreditt by 8 800 tonnes of CO_2 per annum (2020: 9 300) compared with the figure if these homes had an energy efficiency corresponding to the Norwegian average. Click here to access the full analysis.

This work has been done by Eika Boligkreditt primarily because measuring the status of the climate footprint for the assets financed by its mortgages represents a first step towards fulfilling an ambition to reduce this footprint for residential units financed by the company over time. The analysis results will provide input to processes under way in the Eika Alliance to incorporate climate risk and footprint in its credit processes. A secondary motive for such an analysis is to provide a key element in a green framework which the company can use for issuing green bonds.

Measuring climate footprint and risk associated with the residences in the cover pool

Eika Boligkreditt started work in 2020 on establishing an internal measurement and reporting regime for continuous monitoring of developments both in the climate footprint mentioned above, and in the physical climate risk facing residences in the cover pool. Measuring the climate footprint of residences in the cover pool used the same method applied by Multiconsult in its analyses. This company quality-assured the results obtained at 31 December 2021 while preparing its annual CO_2 and climate footprint report for Eika Boligkreditt.

The company utilises energy and climate risk data supplied by Eiendomsverdi in its analyses. Every quarter, the residential mortgage portfolio is run against Eiendomsverdi's registers to obtain updated market values for the residences as well as data on such variables as energy class, area, TEC standard and selected environmental factors per residence. Climate risk data provided by Eiendomsverdi are taken in turn from the Norwegian Mapping Authority, the Norwegian Water Resources and Energy Directorate (NVE) and the Norwegian Geotechnical Institute (NGI).

As mentioned in the previous section, both the total climate footprint and the energy saving made by green homes in the portfolio are estimated on the basis of Eika Boligkreditt's LTV in the residence. If the company has an LTV of 50 per cent in a residence, for example, its climate footprint is estimated as half of that residence's total footprint. Also used when estimating the energy saving from green homes, this method reflects a desire to highlight the marginal climate footprint and energy saving contributed by each mortgage krone covered through Eika Boligkreditt.

The company also works actively to map the physical climate risk posed by the mortgage collateral in its cover pool. This work aims initially to identify which residences are vulnerable to damage today and in the future as a result of natural disasters such as floods, landslides and extreme weather.

Hazard maps are prepared by the NVE for quick clay, flooding and landslides in steep terrain, and by the Norwegian Mapping Authority for storm surges (sea levels). The table below breaks down the loan value of the mortgage collateral in Eika Boligkreditt's residential mortgage portfolio by the various hazard zone categories.

Physical climate risk (figures in NOK million)		2021	Cumulative
Flood zone		1 260	1 260
Flood zone	10-year	83	83
Flood zone	20-year	64	147
Flood zone	50-year	39	186
Flood zone	100-year	99	285
Flood zone	200-year	343	627
Flood zone	500-year	114	742
Flood zone	1000-year	516	1 260
Storm surge		345	345
Storm surge	20-year	192	192
Storm surge	200-year	106	298
Storm surge	1000-year	47	345
Landslide		235	235
Rock hazard zone	100-year	3	3
Rock hazard zone	1000-year	79	82
Rock hazard zone	5000-year	154	235
Quick clay		1 700	1 700
High hazard		201	201
Medium hazard		692	892
Low hazard		809	1 700

Where years are specified in the hazard maps, these refer to how frequently buildings in the relevant zone are affected by the relevant risk. As the overview shows, mortgage collateral in the Eika Boligkreditt portfolio has a relatively low exposure to climate risks with the highest probability.

In areas where climate changes indicate an expected increase in water flow above 20 per cent, a hazard zone is produced for the 200-year flood in 2100. Exposure rises by NOK 40 million or about 12 per cent, from NOK 343 million to NOK 383 million. Similarly, storm surge hazard zones have been calculated for 2050 and 2090. Exposure to 200-year storm surges in 2090 is estimated at NOK 128 million, up by more than 20 per cent from the same risk category today.

Natural perils cost Norway's insurance companies some NOK 400 million in 2021. Claims met by the Norwegian Natural Perils Pool are divided between the companies by their market share, which ensures that no individual insurer is hard-hit by such disasters. However, this arrangement also prevents premiums being differentiated by the risk posed to real property. Established by the Norwegian government in 1979, the pool covers damage to real property as a result of storm, flood, storm surge, earthquake and volcanic eruption. The insurance companies settle with each other through the scheme, while customers deal only with their own insurer. Torrential rain, which has become more common in recent years, is not covered by the pool. According to a climate report published by Finance Norway in March 2021, intense downpours cost almost as much as the claims met through the pool. Exact figures for 2021 are not yet available. Claims directly related to torrential rain are price-differentiated. Insurance premiums are higher for houses with flat roofs than those with pitched roofs, for example, because the former suffer more water damage. If torrential rain causes rivers to break their banks, claims arising from such flooding will be settled through the pool.

The Norwegian mortgagee guarantee pool is a collaboration in the insurance sector which aims to safeguard mortgagees (financial or residential mortgage institutions) if a mortgagor has failed to secure the insurance they are required to hold. The guarantee replaces insurance certificates for real property with a normal sales value of NOK 12 million or below, and provides the mortgagee with compensation even if the mortgagor has neglected to secure or maintain insurance. This scheme evens out that risk between the insurance companies. Most companies offering fire insurance are pool members. Eika Forsikring has belonged since 1 January 2000.

A precondition in Eika Boligkreditt's mortgage terms is that the mortgage object is insured. As a consequence of the insurance pools described above, the general rule is that the financial risk associated with natural perils falls on the insurance sector and that proactive risk management related to physical climate risk for real property should be pursed at the insurance companies rather than with the mortgagee. The exception will be claims made on mortgage collateral where no insurance is in place and which is not covered by the mortgagee guarantee pool. No cases in Eika Boligkreditt have led to identified loss. The company wants the residual physical risk in its residential mortgage portfolio to be low, and feels this has been achieved with a requirement in the mortgage terms on insuring the mortgage object.

Eika Boligkreditt as a supplier

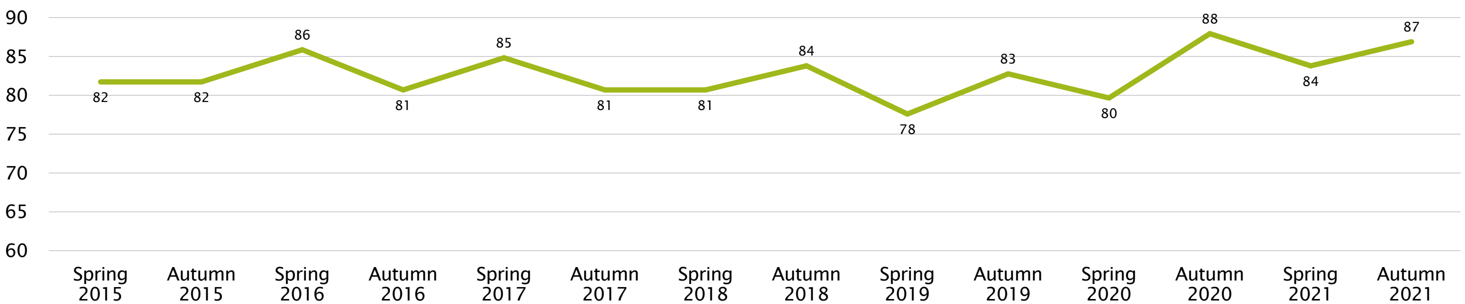
The company has a clear goal of being predictable and providing a high level of transparency with regard to the processes and changes which occur within the applicable parameters. This is achieved in part through good and clear communication and through placing the needs and risk exposure of the banks at centre stage. A high level of availability and good correspondence between promise and performance are also crucial factors. Eika Boligkreditt works actively to maintain a high score in the annual alliance survey, which measures the satisfaction of the owner banks with the company's deliveries in terms of product and service quality.

Measures are given priority where areas for improvement have been identified. Eika Boligkreditt's ambitious goal for overall satisfaction by the owner banks is 80 points or better out of 100. The most recent assessment, carried out in the autumn of 2021, gave the company a score of 87 points.

Financial crime

Eika Boligkreditt regards combating financial crime as an important part of its CSR. The purpose of this work in financial institutions is to protect the integrity and stability of the international financial system, undermine the funding of terrorism, and make it harder for criminals to benefit from their crimes. As a credit institution, Eika Boligkreditt has a statutory reporting obligation pursuant to the AML regulations and is also subject to the sanctions regulations. In its collaboration agreement with the owner banks, the company has outsourced the implementation of customer measures and associated services related to the AML and sanctions regulations in order to ensure that its obli-

I AM VERY SATISFIED WITH THE DELIVERIES OUR BANK RECEIVES FROM EIKA BOLIGKREDITT



gations pursuant to these regulations are discharged by the owner banks as distributors. Eika Boligkreditt has established policies to combat money laundering and funding of terrorism as well as internal routines for continuous follow-up of customer relationships and transactions in order to identify possible suspicious transactions pursuant to the AML regulations. The company has established electronic monitoring which regularly provides notification of suspicious transactions. These are then followed up, initially with the relevant bank, and if necessary reported to the National Authority for Investigation and Prosecution of Economic and Environmental Crime in Norway (Økokrim). No cases were reported to Økokrim in 2021. Eika Boligkreditt has appointed its own money laundering officer, who has special responsibility for following up the AML and sanctions regulations.

Employees, equal opportunities and diversity

Eika Boligkreditt had 19 permanent employees at 31 December 2021. In addition, the company has entered into an agreement with Eika Gruppen on purchasing services in a number of areas. Eika Boligkreditt's mortgage customers are primarily serviced by the owner banks. The working environment is regarded as good, and no personal injuries or occupational accidents were recorded in the workplace during 2021.

The Eika Alliance has a common digital learning platform (LMS), which makes courses and training programmes available to employees. Its own curricula and the finance industry's certification schemes form the basis for the alliance's goals on and responsibility for developing employee competence. Together with good adviser practice, the industry's procedures and rules as well as the bank's personnel manual form the basis for policies, guidelines and commitments.

The alliance belongs to the certification scheme for financial advisers, which requires the use of specific programmes for employee development.

Conversations on goals, development and identifying competence are important instruments for ensuring follow-up of and progress by employees. The company's personnel manual specifies that all employees will have a conversation with their immediate superior twice a year on their own development and performance.

Eika Boligkreditt makes active efforts to maintain a good internal working environment and to ensure that employee rights are well looked after. This is done in part through extensive cross-department work and information flow where appropriate. An employee satisfaction survey (MTU) is also conducted annually. Scores from this have been very high, and the findings are reviewed and evaluated with a view to further improvements. The annual MTU measures the results for a total of 17 sub-sectors. The average score in 2021 was 88, with sub-sector scores ranging from 82 to 95.

As part of being an attractive employer, Eika Boligkreditt offers or covers the cost of a number of benefits over and above those required by law:

- it covers the difference between full pay and benefits paid by the Norwegian Labour and Welfare Administration (NAV) while on paternity leave
- it operates flexible working hours
- employees are covered by employer's liability, health and travel insurance paid by the company
- it belongs to the AFP early retirement scheme.

Overall sickness absence in 2021 amounted to 1.8 per cent of total working hours. Eika Boligkreditt aims to be a workplace which:

- is forward-looking and development-oriented
- contributes to resolving important social challenges
- contributes to higher participation in work
- increases value creation and provides a competitive working environment
- reflects the expectations of the market and society, and is open to new commercial business opportunities.

This means the company wants to work actively, purposefully and in an planned manner to promote equal opportunities and prevent discrimination, regardless of gender, pregnancy, paternity or adoption leave, carer responsibilities, ethnicity, religion, beliefs, disabilities or medical conditions, union membership, social background, age, political affiliation or sexual orientation. The company's policy includes regulations on equal opportunities which aim to prevent discriminatory treatment in such cases as pay, promotion and recruitment.

Average female pay as a proportion of the male average is presented below.

All employees	
Women	62%

Specialists and support functions	
Women	95%

Average pay for women is 62 per cent of the male average in the company. In the sub-category of specialists and support functions, which involves 14 full-time equivalents including five women, the average pay for females is 95 per cent of the male rate. The remaining five employees are in the company's management (five men). Lower average pay for women in the company reflects differences in length of service and level of responsibility. The company also has relatively few employees, which may produce big variations in average pay for each group.

Eika Boligkreditt has entered into a company pay agreement in addition to the main collective pay settlement and the central agreement negotiated between Finance Norway and the Finance Sector Union. The company agreement covers all employees except the CEO and other senior operative executives. Of the company's employees, 10.5 per cent belong to the Finance Sector Union. The company has a majority of males both in its operative management (five men and no women) and among specialists and support functions (nine men and five women). As described above, Eika Boligkreditt wants to work for equality and diversity. Its specialised mandate on behalf of the owner banks requires leading-edge expertise, so that most of the company's employees have higher education and qualifications corresponding to a master's degree are sought when recruiting staff.

Because it also has relatively few directly-employed personnel, Eika Boligkreditt has chosen the following KPIs in relation to equality and diversity – a female share of the company workforce of ≥ 30 per cent in the short term and ≥ 40 per cent in the long term, a female share of directors of 33.33 per cent and an ambition of internal promotion to senior positions where qualitative assessments are made.

No internal promotions were made in 2021, and women accounted for 26 per cent of the workforce and 17 per cent of the board at 31 December 2021 – the same level as a year earlier. All other things being equal, it would be desirable to increase these proportions when making new appointments and when electing new directors. This could help to increase the share of women in the company's management, control bodies and board sub-committees.

One new employee was recruited in 2021 to replace a person who resigned. This recruit is a newly graduated male below the age of 30. The age and gender composition is presented in the table.

Appointments	< 30	30–40	41–50	> 50
Women	0	0	0	0
Men	1	0	0	0

Departures				
Women	0	0	0	0
Men	0	1	0	0

That represented a staff turnover of roughly five per cent for Eika Boligkreditt in 2021, which was lower than in 2020. Full-time equivalents were unchanged and at the same level as in 2021.

The age distribution between women and men by job category is presented in the table.

Operative management	< 30	30–40	41–50	> 50
Women	0	0	0	0
Men	0	0	0	5

Specialists and support functions				
Women	2	0	0	3
Men	3	5	1	0

Board of directors	< 30	30–40	41–50	> 50
Women	0	0	0	1
Men	0	0	2	3

Ethics and anti-corruption

Like the rest of the Eika Alliance, Eika Boligkreditt AS is dependent on trust and a good reputation. A great responsibility accordingly rests both on the company and on the individual employee to act ethically towards customers, owner banks, investors, partners, colleagues and the world at large. The purpose of Eika Boligkreditt's ethical guidelines is to describe its standards in this area.

All Eika Boligkreditt's employees must behave and work in compliance with applicable legislation, statutory regulations and internal guidelines. They are all expected to do their job in an ethical and socially acceptable manner, and in line with the company's core values of being professional, involving and long-term.

It is often the case that no unambiguous answer exists to the question of what behaviour will be ethically acceptable in given circumstances. A possible guideline is that the following questions should be answered with an unqualified "yes".

- Would I dislike it if this became known to the management or my colleagues at work?
- Could this in any way undermine trust in Eika Boligkreditt or the alliance were it to be reported in the media?
- Could the action conflict with the interests I am charged with protecting as an employee of Eika Boligkreditt, or be perceived as a benefit I am receiving by virtue of my position?

The guidelines regulate such matters as the individual employee's relationship with customers, suppliers, competitors and the world at large. All employees must avoid forming any kind of dependent relationship with customers or business connections, and must be fully conscious of attempts at corruption or forms of influence-peddling. The ethical guidelines make the company's zero tolerance of corruption clear, and employees must in no circumstances give or receive any form of inappropriate benefit – direct or indirect – through or in connection with Eika Boligkreditt's business operations. All new employees must read the ethical guidelines as part of their introduction programme, and ethics are on the agenda at fixed meetings for them. Eika Boligkreditt adopted updated ethical guidelines in March 2019. Click here to access the guidelines.

In addition to its ethical guidelines, the company has established its own whistleblowing procedure. Eika Boligkreditt believes that openness and good communication in the organisation promote the workplace culture. It therefore wants to facilitate a corporate culture where irregularities are raised, discussed and solved. The whistleblowing procedures, which comply with the requirements of the Working Environment and Transparency Acts, help to support an open where with trust and dialogue prevail between employees and management. This procedure is updated as required to comply with new provisions for notifying irregularities in the business. Its purpose is to reduce the risk of internal wrongdoing and to take care of the employee's right and duty to blow the whistle. In that way, the procedure can help to promote respect for basic human rights and decent working conditions in the company. Examples of irregularities which could form the basis for whistleblowing are provided in the procedure, such as improper behaviour, corruption, illegal acts, financial crime, unethical or damaging activity, or breaches of other ethical norms, basic human rights and decent working conditions. The procedure also makes provision for employees to notify anonymously if they so wish. Eika Boligkreditt received no whistleblowing notifications in 2021. An overview of notifications received in the past three years is presented below, and shows that no actual or potential negative consequences have been identified for basic human rights and decent working conditions in the company.

Notifications received	2019	2020	2021
Total	0	0	0

Responsible procurement

Eika Boligkreditt has established a policy for procurement which specifies that documented CSR must form part of all purchase agreements. This policy covers contracts for procuring goods and services for Eika Boligkreditt. Eika Gruppen has established a procurement policy which also covers purchases made on behalf of Eika Boligkreditt.

The company's procurement must accord with the following general principles.

- Products or services procured must be environment-friendly and sustainable, with attention paid to the life cycle of a product with respect to recycling and so forth.
- The company must ensure that contracts for procurement of goods and services are entered into on the best possible terms, and its purchases must be as cost-efficient as possible.
- Eika Boligkreditt must maintain the integrity of its procurement processes in relation to applicable regulations, and primarily make purchases on the basis of competitive tendering.
- Procurement processes must meet requirements for equal treatment, predictability, transparency and verifiability.
- In its procurement processes, Eika Boligkreditt must ensure that no questions can be raised concerning conflicts of interest arising from the relationship between its employees and the supplier company or their personal interests. The company has established a policy for dealing with conflicts of interest.

Pursuant to the Transparency Act, the company is obliged to conduct due diligence assessments of basic human rights and decent working conditions. These assessments involve identifying and evaluating negative effects/damage from their own business, their supplier chain and their business contacts. Eika Boligkreditt's suppliers must therefore comply with national and international legislation and regulations as well as internationally recognised principles and guidelines. These include provisions related to human and labour rights, the environment, corruption, AML and funding of terrorism. They must also see to it that possible sub-suppliers comply with the same principles and rules.

Suppliers must sign a self-declaration that they comply with the obligations specified in the guidelines, and have a duty to notify Eika Boligkreditt in the event of actual or suspected breaches of these. Breaches of the provisions could result in cancellation of the contract. Click here to access the policy.

A project was initiated in Eika during 2021 to establish a risk assessment methodology for negative social or environmental effects in the value chain. This work will furthermore formalise ESG requirements for suppliers and their sub-supplies and the follow-up of these by the contract owner. Due to be completed during the first half of 2022, the project will result in a new policy document on procurement as well as updated procurement routines.

In 2021, 60 per cent of significant purchases in the Eika Gruppen group (defined as exceeding NOK 10 million) were certified to ISO 14001, the Eco-Lighthouse or the eco-management and audit scheme (Emas).

Eika Gruppen is both a major supplier to Eika Boligkreditt and the local banks, and responsible for substantial procurement on their behalf. Part of the certification relates to the Eika group's procurement work and its suppliers. Eco-Lighthouse certification of Eika Gruppen AS thereby means that a substantial proportion of purchases made in the Eika Alliance will be quality-assured to this standard.

Environment- and climate-friendly operation

Eika Boligkreditt wants to have the smallest possible negative impact on the natural environment, and entered into an agreement in 2013 with Cemasys. The latter has developed a dedicated energy and climate accounting (environmental report) for the business.

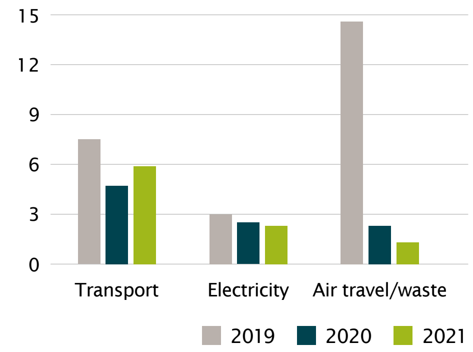
Eika Gruppen, which leases offices to the company, has energy- and heat-saving installations to help limit consumption. Hydropower has also been chosen as the sole energy source, earning the premises a Clean Hydropower certification. The latter contributes to an increased commitment to environment-friendly energy. All areas also have round-the-clock energy saving through regulation of temperature and lighting.

The owner banks are widely spread geographically, which has been a contribu-

ANNUAL GHG EMISSIONS

Tonnes of carbon equivalent

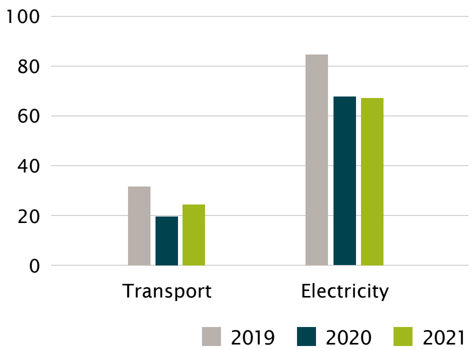
	2019	2020	2021
Transport	7.5	**4.7**	**5.9**
Electricity	3.0	**2.5**	**2.3**
Air travel/waste	14.6	**2.3**	**1.3**
Total	25.0	**9.5**	**9.5**



ANNUAL ENERGY CONSUMPTION

MWh

	2019	2020	2021
Transport	31.7	**19.5**	**24.4**
Electricity	84.6	**67.7**	**67.2**
Total	116.4	**87.2**	**91.6**

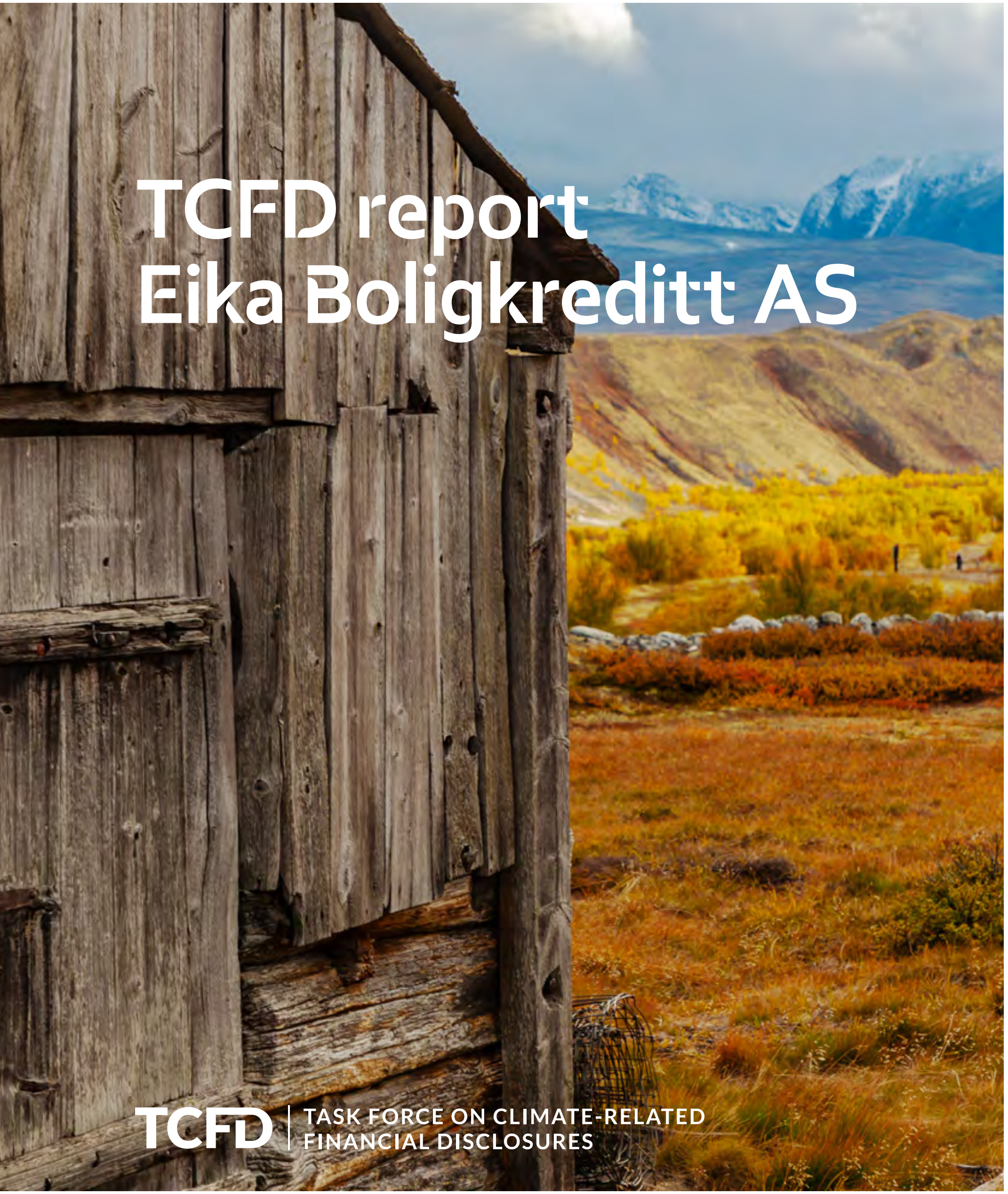


tory factor in Eika Boligkreditt's extensive and growing use of video and web conferencing in connection with training and information flow. This not only safeguards the environment but also reduces unnecessary travel time and effort in a busy day.

Eika Boligkreditt has a conscious attitude to the use of paper and electronic templates and documents, as well as to postage costs. Reducing paper consumption to a necessary minimum is a clear objective.

Overviews of the company's greenhouse gas (GHG) emissions and energy consumption have been prepared for 2019, 2020 and 2021. These analyses are based on direct and indirect usage related to Eika Boligkreditt's activities. Total GHG emissions in 2021 are estimated at 9.5 tonnes of CO_2, which was the same level as the year before. The company's emissions declined by a total of 61.2 per cent in 2020 compared with the year before because of a lower need for transport and business travel, as well as reduced waste quantities and electricity consumption as a result of Covid-19. The board has established a management indicator for the company's overall GHG emissions, where the desire is a development trajectory which represents a 50 per cent reduction in emissions up to 2030 compared with the 2012-19 average. Click here to access the full analysis.

The climate footprint provides a general overview of the company's GHG emissions converted to tonnes of CO_2 equivalent, and comprises information from both internal and external systems. This analysis has been conducted in accordance with the GHG protocol initiative, an international standard developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). It ranks today as the most important standard for measuring GHG emissions from an enterprise. The protocol divides the amounts released into three main segments or scopes, which include both direct and indirect emissions. Reporting takes account of the GHGs CO_2, CH_4 (methane), N_2O (nitrous oxide), SF_6, HFCs and PFCs.



Climate and climate risk

Sustainability and climate risk have attracted increased attention in recent years. Good sustainability reporting is needed so that the company's clients, owner banks, investors, partners, colleagues and other stakeholders can assess the impact of the business on society and the environment, and how sustainability influences its risk assessments and decision processes.

Together with the local banks in the Eika Alliance, Eika Boligkreditt has put climate risk on the agenda with a goal of reducing the climate footprint (CO_2 emissions) related both to its residential mortgage portfolio and to its own activities.

The company wants to work towards several of the UN's SDGs, which represent the world's shared schedule for eliminating poverty, combating inequality and halting climate change by 2030. It has chosen SDG 13 – act urgently to combat climate change and its impacts – as a priority area and roadmap for its strategy. Promoting this goal is relevant because the company and the Eika Alliance can apply its influence and impact here to help reduce CO_2 emissions.

Climate risk is particularly prominent in three areas where the banking and finance sector can play an important role:

1. physical risk, costs related to physical harm caused by climate changes such as flooding and landslide damage to buildings and infrastructure as well as failing harvests
2. transition risk, the economic risk associated with the transition to a low-emission society, such as new laws and regulations limiting the use of natural resources or pollution pricing
3. liability risk, compensation claims directed, for example, against businesses which have failed to take the necessary decisions to reduce negative climate changes.

Task force on climate-related financial disclosures (TCFD)

To be able to describe its climate risks and opportunities in greater detail, Eika Boligkreditt began work in 2021 to identify where it can reduce GHG emissions in coming years. The company has therefore chosen to report in accordance with the TCFD's recommended framework in climate reporting. This leading global disclosure optimisation tool was published by the Financial Stability Board (FSB) in 2017 with the objective of obtaining standardised information for banks, financial institutions and other stakeholders on significant financial risks and opportunities related to climate change and the transition to a low-emission society.

The TCFD proposes that businesses report how they take account of climate risk in strategy processes and how this risk is identified, measured and managed. Reporting is recommended in four areas: governance, strategy, risk management, and metrics and targets.

Governance

Disclose the organisation's governance around climate-related risks and opportunities.

A. Describe the board's oversight of climate-related risks and opportunities.

CSR and ESG have been considered at the board's strategy meeting since 2018. Climate risk was also put on the agenda at board meetings during 2020 and 2021 connection with strategy discussions and to establish systems for measuring the climate footprint. In 2020, the board also included climate risk in the company's risk strategy and chose UN SDG 13 –act urgently to combat climate change and its impacts – as a priority area among others.

Climate risk will continue to be a topic for the company's board, where specific targets for KPIs related to CO_2 cuts in the company's residential mortgage business will also be set. The company had an ambition of setting climate-footprint targets for the lending business in 2021. Eika Boligkreditt is a financing source for lending by the owner banks, and it is natural that the company adopts corresponding targets for CO_2 emissions when these are set by the alliance banks. Work has been initiated on measuring the climate footprint and establishing an industry standard through Finance Norway.

The risk committee prepares matters for consideration by the board and devoted increased attention in 2021 to climate risk in the quarterly review of the company's risk reporting. Efforts will be made in 2022 to include relevant climate scenarios in calculating climate risk in order to utilise the results when reporting climate risk.

Strategy

Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy and financial planning where such information is material.

A. Describe the climate-related risks and opportunities the organisation has identified over the short, medium and long term.

The business is exposed to climate risk primarily through its residential mortgage portfolio in the form of physical and transition risk to properties included in the company's cover pool. Physical risk could mainly find expression if a residential property held by Eika Boligkreditt as collateral in its cover pool is exposed to such climate changes as sea-level rises, floods, landslides and extreme weather, which could damage the properties and thereby cause the value of the mortgaged property to decline. Transition risk could involve government or market requirements which cause a fall in the value of properties with high energy consumption or a large climate footprint. The company could also be exposed to liability risk following compensation claims related to decisions, or the failure to take these, which in one way or another can be related to climate policy or climate changes.

Through the distribution agreement, Eika Boligkreditt has contracted out the role of loan intermediary to the owner banks. This means that it is the owner banks as distributors who have all communication and contact with the customer. They are also responsible for ensuring that necessary services are provided, so that Eika Boligkreditt's obligations pursuant to applicable regulations are handled by the owner banks.

As distributors, the latter have an important role in raising customer awareness about how energy-efficient homes can contribute to sustainable development and reduce the climate footprint by offering green residential mortgages. The most energy-efficient residences can be offered such financing on more favourable terms for customers. Green mortgages are therefore expected to attract more customers. In that way, the banks reward good choices while also helping to make homebuyers in general more aware of the significance of energy efficiency. An energy-efficient home uses less power, which also means lower electricity bills to benefit the homeowner's personal economy.

Risk management

Disclose how the organisation identifies, assesses, and manages climate-related risks.

A. Describe the organisation's processes for identifying and assessing climate-related risks.

In connection with its annual updating of the company's risk strategy, the risk and compliance department has also conducted an analysis of climate-related risk. The board of Eika Boligkreditt has considered and approved the risk strategy. The following assessment of physical and transition risk has been made in the strategies for credit risk on loans and for financing risk.

Strategy for credit risk on loans

The business is exposed to climate risk in its residential mortgage portfolio. This takes the form of transition and physical risk, primarily through the properties accepted as collateral by the company when providing a residential mortgage. Requirements by the government or the market could reduce the value of properties with high energy consumption or a large climate footprint. Physical risk from climate change could damage properties, which may in turn increase the likelihood of defaults because of financial loss and the reduction in the value of the mortgaged property. That involves typical damage to the mortgage collateral where no insurance is in place and the mortgage collateral is not covered by the mortgagee guarantee pool.

Strategy for financing risk

Climate risk is attracting ever greater attention from financial investors. A perception that Eika Boligkreditt or the Eika Alliance is particularly exposed to transition risk could be significant for the price and availability of financing. In that way, climate risk – including transition risk – could represent a financing risk for the company.

Metrics and targets

Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material.

A. Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.

Work on sustainability and CSR in Eika has already had a positive effect on the way its sustainability area is assessed by the rating agency. It is therefore also expected to strengthen the company's reputation with investors, banks and so forth. But much work remains to be done in terms of setting specific goals and defining KPIs for monitoring the attainments of goals in this area within Eika.

In order to slow climate changes, the natural long-term goal for EBK is to be climate neutral in accordance with the Paris agreement. As a first step, it has established an ambition of reducing GHG emissions from its internal operations in line with a development trajectory which envisages a 50 per cent reduction up to 2030 compared with the 2012-19 average. The company will also set further goals in the longer term as well as associated measure for ensuring climate neutrality in the long term. The main aim of the latter is to keep global warming below 2°C, and preferably limit the rise in temperature to 1.5°C.

Eika Gruppen has also signed the UN's principles for sustainable banking and is a member of UNEP-FI, a global organisation for collaboration between the UN and the finance sector. Eika Gruppen's sharing of knowledge with the Eika Alliance is also expected to help Eika Boligkreditt to discharge its role in a way which is relevant and in line with the intentions behind the principles.

Eika Boligkreditt wants to operate in an environmental and climate-friendly way, with the smallest possible negative impact on the natural environment. The company has therefore carried out an analysis of green homes in its cover pool with the aim of reducing CO_2 emissions from the residential mortgage portfolio in the future. This priority area also aims to reduce the climate footprint of Eika Boligkreditt's own activities, measured through a separate environmental report – an energy and climate accounting delivered by Cemasys.

Governance

B. Describe management's role in assessing and managing climate - related risks and opportunities.

Each department manager in Eika Boligkreditt is responsible for identifying and implementing measures to ensure prudent risk management in the sustainability area for their department. The company has chosen not to produce a separate risk management strategy for sustainability, but instead to incorporate this aspect as an integrated part of the various risk management strategies and routines in its work processes. Eika Boligkreditt believes this to be the best way of ensuring adequate progress and implementation drive in its sustainability efforts. The risk and compliance department also has a responsibility to check that the risk framework is being complied with as specified in company's risk strategy.

In order to be able to set specific target levels for the annual rise in CO_2 savings from the residential mortgage portfolio and in the company's internal operations, Eika Boligkreditt must be able to measure its footprint continuously for both residential mortgages which enter the cover pool and activities related to its internal operations. Quarterly measurement of the climate footprint for the residential mortgage business was implemented in 2020 and, as described above, it is desirable to determine a target for the footprint when goals are set by the owner banks. Quarterly measurement of the footprint for the company's internal operations was established in 2021. Annual measurements have been conducted since 2012. The goal for developing the internal climate footprint was set in 2020 at a 50 per cent reduction up to 2030 from a benchmark defined as the 2012-19 average.

Strategy

B. Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.

Eika Boligkreditt issued its first green covered bond in June 2021. This is a bond where Eika Boligkreditt, as issuer, guarantees that the money borrowed will be applied to green residential mortgages or investments, and which can thereby contribute to reducing the CO_2 footprint.

A green mortgage applies to a green residence. In other words, the mortgage in itself is not green, but the home or mortgaged property to be financed. A green residence is defined by Eika Boligkreditt as particularly energy-efficient – in other words, it uses little electricity or other energy source in relation to its area.

Other definitions of a green residence exist, such as being constructed of particularly climate-friendly materials or upgraded by its owner with new insulation or heating technology which makes an old, energy-inefficient home more energy-efficient. A mortgage secured on a residence in energy class A B or C for mortgages included in the cover pool before 31 December 2020 qualifies for Eika's green mortgage. Mortgages included in the cover pool in 2021 require energy class A or B. A green refurbishment mortgage product was launched in 2021, which means that residences with an energy class below B can qualify as a green refurbishment mortgage product if environmental investments providing an energy-efficiency improvement of at least 30 per cent are implemented.

The difference in interest rates between green and ordinary covered bonds is small for the moment. On the other hand, this differential may increase in the future where continued growth in demand for green assets could increase the price difference. Furthermore, establishing a green framework is considered to reduce risk for the company. This is primarily because it provides broader access to investors, which in turn helps to lower the risk of conducting covered bond issues when the company offers green covered bonds. It is in any event important for the climate that attention can be focused on energy-efficient homes, which can help to make both customers and investors conscious of the climate footprint of homes.

Several Norwegian banks are active in the market for green covered bonds, and a substantial volume of these have been issued for financial players in Norway. Investor appetite for buying green bonds has been good, and the market appears to be well-functioning. Many investors in the international market also want to buy these instruments. The EU introduced new and stricter regulations in 2021 on what can be called a sustainable fund, and other regulatory changes are on the way in this area. That could encourage even more people to buy green bonds. A number of customers want to place their savings with funds which invest in green enterprises. Demand for green bonds is therefore expected to rise in coming years.

Risk management

B. Describe the organisation's processes for managing climate-related risks.

Eiendomsverdi can carry out analyses to identify which Norwegian homes lie in areas exposed to risk of flooding, landslides and sea-level changes. Climate risk data provided by Eiendomsverdi are taken in turn from the Norwegian Mapping Authority, the Norwegian Water Resources and Energy Directorate (NVE) and the Norwegian Geotechnical Institute (NGI). For additional description of physical climate risk see – Measuring climate footprint and risk associated with the residences in the coverpool in the Corporate social responsibility and sustainability section. Running the mortgage collateral in the cover pool against Eiendomsverdi every quarter makes it possible to identify, quantify and estimate the value of residential mortgages exposed to physical risk. With this information about the mortgaged property, the company can handled climate-related risk in its ongoing work and can describe what this could mean for its residential mortgage business and strategy for credit risk. Eika Boligkreditt can also take the necessary decisions to counteract, restructure, control and accept these risk factors. Although its energy sources largely involve climate-friendly hydropower, much remains to be gained from greater energy efficiency. When less power is used to heat homes and offices, more clean electricity is available for such applications as extending its use in cars and pleasure boats or in industries based on clean power. As distributors, the owner banks therefore play an important role for Eika Boligkreditt's credit risk by making customers aware of how energy-efficient homes can contribute to a sustainable development and reduce climate risk. Provision has been made in the credit portal for distributors to sanction green residential mortgages. Considered to be energy-efficient homes, these are a separate product in the Eika credit portal.

Metrics and targets

B. Disclose Scope 1, Scope 2 and, if appropriate, Scope 3 GHG emissions and the related risks.

The company describes its measurement of the climate footprint for the residences in its cover pool and prepares a climate accounting for its own activities on the basis of analyses carried out in accordance with the GHG protocol. See the description in the chapter on environment- and climate-friendly operation in the separate section on CSR and sustainability which forms part of Eika Boligkreditt's annual report for 2021. The climate accounting can be divided into three levels or scopes which comprise both direct and indirect emission sources. The company has defined the following reporting for the three scopes.

Scope 1

Mandatory reporting of emission sources relates to business assets under the company's operational control. This includes reporting related to emissions which result from transport requirements with both owned and leased vehicles.

Scope 2

Reporting here is mandatory. Scope 2 reporting typically covers indirect emissions related to purchases of electricity and energy for heating/cooling. Where Eika Boligkreditt is concerned, this applies to office premises it leases from Eika Gruppen.

Scope 3

Voluntary reporting of indirect emissions related to purchased goods or services. These are emissions which can be tied indirectly to the company's activities, but which are outside its own control and are therefore indirect. Scope 3 reporting will cover GHG emissions both from the company's residential mortgage portfolio and from its own climate footprint through air travel, freight transport and waste.

Governance

Strategy

C. Describe the resilience of the organisation's strategy, taking into consideration different climate - related scenarios, including a 2°C or lower scenario.

Incidents such as floods, landslides, extreme weather, inundations and increased precipitation may damage residences, which can in turn reduce the value of mortgage collateral in the cover pool. Expectations and requirements from government and the market related to the energy consumption or climate footprint of residences could also cause their value to fall.

Eika Boligkreditt started work in 2021 on mapping the climate risk of mortgage collateral in the cover pool. When the Financial Supervisory Authority of Norway produces a framework for relevant scenarios to be used in scenario analyses and stress tests for climate risk, the company will conduct analyses in its ongoing work of the climate risk, seek to implement these in its risk management, and set parameters for the amount of climate risk it can accept. The company will then be able to highlight both transition and physical risk if mortgage collateral in the cover pool is exposed to climate change.

In the longer term, it is also likely to be possible to quantify climate risk and highlight the financial consequences of risks related to sustainability and climate change, and to assess how far climate risk affects the valuation of assets and liabilities in the company's balance sheet.

Risk management

C. Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.

Good risk management and control will ensure that Eika Boligkreditt is able to identify, assess, manage, monitor and report risk which could prevent it reaching approved targets. Each department manager is responsible for ensuring responsible risk management and for seeing to it that climate-related risk is integrated in the various risk strategies and other relevant areas. The company's risk strategy is updated and approved by the board at least once a year. The risk strategy provides overall guidelines for the priority areas and the principles for risk management and internal control in the company. The strategy describes Eika Boligkreditt's risk universe and specifies its overall risk profile.

The company's risk management is crucial for its ability to reach strategic goals in the various priority areas. It emerges from the risk strategy that Eika Boligkreditt is exposed to various types of risks. Climate risk covers many aspects – from the physical climate risk to the financial risk associated with the transition to a low-emission society. In addition comes the liability risk associated with compensation claims because the company has failed to take the necessary action to reduce the climate footprint.

The business is in a process of identifying, assessing and dealing with climate-related risk. Eika Boligkreditt regards climate risk as a key area in its risk management. In the time to come, the company will acquire the resources needed to throw an even stronger light on this issue in its future work on reducing the climate footprint. Climate risk is also expected to be considered in coming years at the board's strategy meeting, and to be the subject of several courses and professional seminars.

Metrics and targets

C. Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.

Work on climate-related threats in the company build on UN SDG 13 – act urgently to combat climate change and its impacts.

Within this SDG, the company has chosen two appropriate KPIs:

1. The share of green mortgaged property added to the cover pool will exceed 20 per cent.
2. Eika Boligkreditt will reduce its own climate footprint by 27.3 per cent from the 2012-19 average by 2025. This development trajectory means that GHG emissions from its own activities will total less than 21.6 tonnes of CO_2 in 2025.

Eika Boligkreditt will also determine goals for CO_2 in its lending business in interaction with such targets set by the owner banks. See the description above.

The company can also set several different sub-goals for reducing its climate footprint. Eika Boligkreditt's target and follow-up for reducing CO_2 emissions from the residential mortgage portfolio and its own climate footprint is described in the chapter on environment- and climate-friendly operation in the section on CSR and sustainability.

Directors' report and financial statements

Financial highlights 2021

56 MILL

Pre-tax profit of NOK 56.3 million, compared with NOK 152.6 million in 2020.

115 BN

The company had total assets of NOK 114.9 billion at 31 December, compared with NOK 120.6 billion a year earlier.

104 BN

The borrowing portfolio totalled NOK 103.7 billion, a net reduction of NOK 2.4 billion or 2.3 per cent from 31 December 2020.

2.5%

The borrowing portfolio totalled NOK 91.3 billion, a net increase of NOK 2.3 billion or 2.5 per cent from 31 December 2020.

835 MILL

Net interest revenues were NOK 834.9 million, compared with NOK 811.9 million in 2020.

801 MILL

Distributor commissions to the owner banks totalled NOK 800.9 million, compared with NOK 674.8 million in 2020.

17.2%

The company's capital adequacy ratio was 17.2 per cent at 31 December, compared with 17.2 a year earlier. Capital adequacy is calculated in accordance with the CRR/CRD regulations.

47.4%

The average LTV for the whole cover pool was 47.4 per cent.

Directors' report 2021

The company's business

Nature of the business

Eika Boligkreditt's principal purpose is to secure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding through the issue of 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 financing in the Norwegian and international financial markets with regard to maturities, terms and depth. The company's business purpose also includes reducing risk for the owner banks. At 31 December 2021, the owner banks had a total financing of NOK 91.3 billion from Eika Boligkreditt and had thereby reduced the need for market financing on their own account by a corresponding amount.

The company is licensed as a credit institution and authorised to raise debt 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 finance for lending activities by banks and credit institutions. Concentrating funding activities related to covered bonds in Eika Boligkreditt has secured the owner banks in the Eika Alliance a player in the bond market with the necessary requirements to obtain competitive terms in both Norway and internationally. With total assets of NOK 114.9 billion, the company ranks as one of the largest bond-issuing credit institutions in Norway.

Ownership structure

Eika Boligkreditt was demerged from Eika Gruppen AS in May 2012, and became directly owned by the local banks in the Eika Alliance and the OBOS housing association. In conjunction with the changes to the ownership structure, a shareholder agreement was entered into with all the owners which includes the stipulation that ownership of the company is to be rebalanced on an annual basis. This will ensure an adjustment so that the holding of each owner bank corresponds to its share of the bank financing from the company.

Agreements on liquidity and capital support

Agreements were entered into in 2012 to regulate support for liquidity and capital respectively from the owner banks to Eika Boligkreditt. Liquidity support is regulated by an agreement concerning the purchase of covered bonds which came into effect on 10 May 2012. OBOS is a party to this agreement for the share of the residential mortgage portfolio held by OBOS-banken. The main features of this agreement are that the owner banks, for as long as they have residential mortgage portfolios in the company and under given circumstances, are committed to provide Eika Boligkreditt with liquidity. This liquidity obligation is limited to the maturity of the company's covered bonds issued under the Euro Medium Term Covered Note (EMTCN) programme and associated derivative contracts over the coming 12 months. To the extent that covered bonds have been purchased by the owner banks under the liquidity agreement and have not been redeemed, these are deducted from the calculation of each owner bank's outstanding liquidity obligation. Each owner bank's liquidity obligation is primarily limited to its pro rata share of the issued amount, which is calculated on the basis of each owner bank's share of the company's bank financing. Should one or more owner banks fail to fulfil their liquidity obligation pursuant to the agreement, the liquidity obligation of the other owner banks can be increased up to a limit of twice their original pro rata share.

Capital support from the owner banks is regulated by a shareholder agreement dated 10 May 2012. OBOS is a party to this agreement for the share of the residential mortgage portfolio held by OBOS-banken. This includes a commitment by the owner banks that, under given circumstances, they will have to provide the company with the capital required to maintain the company's tier 1 capital and total primary capital ratios at levels required or recommended by the Financial Supervisory Authority of Norway. The present capital targets, which have applied from 31 December 2021, are set at a minimum of 12 per cent for the core tier 1 capital ratio, 13.5 per cent for the tier 1 capital ratio, and 15.5 per cent for the tier 2 capital ratio. The individual owner bank's capitalisation obligation is primarily limited to its pro rata share of capital issues, calculated on the basis of each owner bank's share of the company's bank financing. Should one or more owner banks fail to fulfil their capitalisation obligation pursuant to the agreement, the capitalisation obligation of the remaining owner banks can be raised to a limit of twice their original pro rata share. The agreement on purchasing covered bonds and the shareholder agreement can be terminated under certain conditions.

International rating

Covered bonds issued by Eika Boligkreditt have an Aaa rating from Moody's Investor Service (Moody's). The bonds have a rating buffer of two notches in the event of a downgrade for the owner banks. In other words, the rating assessment for the owner banks, which is reflected in Eika Boligkreditt's issuer rating of Baa1, can be downgraded by up to two notches without the covered bonds losing their Aaa rating. In its EMTCN programme, Eika Boligkreditt has pledged to maintain an overcollateralisation of at least 2.75 per cent. But the precondition for an overcollateralisation below five per cent is that the Aaa rating for the bonds is maintained. The latest available update from Moody's shows an overcollateralisation requirement consistent with the Aaa rating of five per cent. At 31 December 2021, the overcollateralisation was 9.72 per cent (based on nominal values excluding retained bonds). The owner banks have provided guarantees against defaults on transferred residential mortgages.

Development of bank financing

The owner banks had a total financing from Eika Boligkreditt of NOK 91.3 billion at 31 December 2021, representing an increase of NOK 2.3 billion or 2.5 per cent over the year exclusive of changes to the fair value of residential mortgages. Standalone residential mortgages accounted for 94.7 per cent of the mortgages in the cover pool, with mortgages to residential cooperatives accounting for the remaining 5.3 per cent. Standalone mortgages also include loans for holiday homes. The share of mortgages for residential cooperatives declined from 5.8 to 5.3 per cent in 2021, reflecting the fact that OBOS is reducing its financing from the company in accordance with the agreed plan. The average LTV ratio for the mortgages in the cover pool was 52.3 per cent on the basis of the value of the properties at origination. Adjusted for subsequent price developments affecting the mortgaged objects, the average LTV ratio for mortgages in the company's cover pool was 47.4 per cent at 31 December 2021. Since Eika Boligkreditt's funding activity began in 2005, the company has experienced no defaults exceeding 90 days, provisions for loss or losses related to its mortgage business. Guarantees issued by the owner banks reduce the risk of loss.

About the Eika Alliance

The Eika Alliance comprises more than 50 local banks, the Eika Gruppen financial group and Eika Boligkreditt. It has total assets of NOK 450 billion, about 700 000 customers, 1 850 employees and almost 180 local bank offices. The Eika Alliance is thereby one of the biggest players in the Norwegian financial market and an important player for many Norwegian local communities.

Customer satisfaction with banks in the Eika Alliance is among the highest in Norway for both private and corporate customers. That reflects a conscious commitment to a good customer experience through personal service and advice, an intelligent bank for day-to-day transactions and a genuine combination of local presence and purposeful digital solutions.

Developments in the alliance collaboration

Eika Gruppen AS signed a contract with TietoEVRY in December 2020 on the delivery of a new core banking system. This agreement was entered into on behalf of the banks in the Eika Alliance with the exception of those in the Local Bank Alliance and Surndal Sparebank. Today's core banking system is delivered by Danish computer specialist SDC. The contract with TietoEVRY is expected to provide substantial cost savings for the alliance banks in Eika compared with the existing agreement. It runs for five years with opportunities for extension. This contract will strengthen the long-term competitiveness of the alliance banks through substantially improved cost efficiency, strengthened development capability and increased strategic flexibility. The banks will acquire a forward-looking IT platform which lives up to steadily growing customer expectations for digital solutions and services. Established in 2021, the conversion plan involves the banks transferring to the new system in batches from the autumn of 2022 to the autumn of 2023.

At the same time as the owner banks convert to the new core banking system in 2022-23, management of the residential mortgages in Eika Boligkreditt's cover pool will be transferred successively to the system. These mortgages are currently managed in Eika Boligkreditt's own lending system supplied by BanQsoft.

The boards of Tysnes Sparebank and Etne Sparebank announced on 26 March 2021 that they were terminating negotiations on a merger. It had been clarified during the talks that completing the technical implementation would be difficult within the deadlines set by the banks. Tysnes Sparebank is a member of the Eika Alliance, while Etne Sparebank is a collaborating bank in DSS (www.dssbank.no).

Surnadal Sparebank merged with SpareBank1 Nordvest on 3 May 2021 under the name SpareBank 1 Nordmøre and became part of the SpareBank1 Alliance. A natural consequence of the merger was that the distribution agreement between the merged bank and Eika Boligkreditt terminated. An agreement was entered into which involved SpareBank 1 Nordmøre buying out its NOK 1.2 billion residential mortgage portfolio with Eika Boligkreditt during the third quarter of 2021. In addition to the principal, the bank also paid NOK 22.6 million as a charge for early redemption of its financing in Eika Boligkreditt.

Eika Boligkreditt entered into run-down-agreements in the third quarter of 2021 with the banks in the Local Bank Alliance (LBA) which provide more detailed regulation of rights and duties during the run-down phase after 2021. According to these agreements, the LBA banks will continue to enjoy management of their residential mortgages during this phase, with the associated right to receive the interest margin on these. At 31 December, the LBA banks had a overall financing of NOK 13.3 billion with Eika Boligkreditt. This represents 14.5 per cent of the company's total bank financing. In October 2021, the LBA banks converted from the Eika Alliance's core banking system to one of their own delivered by SDC.

Lillestrømbanken resolved in the autumn of 2021 to change its name to Romerike Sparebank. During the fourth quarter of 2021, the boards of Romerike Sparebank and Blaker Sparebank announced that a letter of intent on merging the two banks had been signed. The merger agreement was approved by the boards of the banks on 13 December and by their general meetings and boards of trustees on 25 January 2022. Subject to the necessary consents from the Financial Supervisory Authority of Norway, the legal merger of the banks will take place with effect from late 2022 and their technical merger from early 2023. The merged bank will be called Romerike Sparebank.

During the fourth quarter of 2021, the boards of Arendal og Omegns Sparekasse

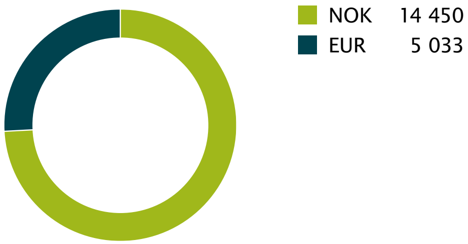
ISSUES BY SECTOR

(Amounts in NOK million)

	2021	2020	2019	2018
Covered bonds (issued in EUR)	**5 033**	10 550	5 586	4 848
Covered bonds (issued in NOK)	**12 000**	6 000	7 250	10 650
Senior unsecured bonds (issued in NOK)	**2 300**	1 300	1 200	750
Subordinated loans (issued in NOK)	**150**	-	250	325
Total issued	**19 483**	17 850	14 286	16 573

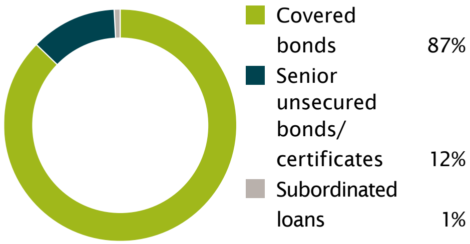
ISSUES BY CURRENCY

(in NOK mill) in 2021



ISSUES BY SECTOR

(in %) in 2021



BORROWING IN VARIOUS INSTRUMENTS

Capitalised amounts in NOK million

	31 Dec 2021	31 Dec 2020
Covered bonds	**99 400**	102 378
Senior unsecured bonds	**3 749**	3 749
Senior unsecured certificates	**500**	-
Subordinated loans	**724**	724
Total borrowing	**104 373**	106 851

and Østre Agder Sparebank announced that they were initiating discussions with a view to merging the banks. This merger will be considered by the governing bodies of the banks in the spring of 2022. Subject to approval of the merger and the consent of the Financial Supervisory Authority, the legal merger of the banks will take place with effect from the summer of 2022 and their technical merger in the spring of 2023. The merged bank will be called Agder Sparebank.

Sandnes Sparebank decided to change its name during the third quarter to Den Gule Banken. In December 2021, Fornebu Sparebank announced that it was changing its name to Oslofjord Sparebank. This change was implemented during January 2022.

On 10 February 2022, a consortium of 19 shareholders in Eika Gruppen AS agreed to acquire the shares in the company owned by the banks in the LBA. The Eika bank collaboration committee, which comprises eight CEOs of banks in the Eika Alliance, had concluded a lengthy process with an agreement which initially involves 19 alliance banks acquiring the LBA shares in Eika Gruppen. Following this transaction, the sellers will cease to be shareholders in the company. The purchase is subject to pre-emptive rights, and a rebalancing between all the banks in the Eika Alliance will be carried out after the transaction. After the share purchase, the alliance banks in Eika will own 97.8 per cent of the shares in Eika Gruppen.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 103.7 billion at 31 December 2021, down by NOK 2.4 billion from 1 January. Eika Boligkreditt issued bonds and certificates corresponding to NOK 19.5 billion in 2021. Of these, 25.8 per cent were issued in euros and 74.2 per cent in Norwegian kroner. Covered bonds accounted for 87.4 per cent of the total issue volume. During 2021, repurchases of the company's own bonds before their call date and bonds redeemed at their call date amounted to NOK 16.4 billion. The company issues covered bonds under its EMTCN programme, which is listed on the Irish Stock Exchange. This programme was last revised in October 2021. The borrowing limit in the programme is EUR 20 billion. Issues in 2021 and the three previous years by sector are presented in the table on the left. The issue volume in 2021 was more or less in line with expectations at 1 January.

Credit spreads were very stable in 2021 compared with previous years. The credit spreads paid by Eika Boligkreditt when issuing new five-year covered bonds in Norwegian kroner tightened by one basis point in 2021. Spreads are expected to remain low in 2022, with good help from the ECB's bond purchase programme and other long-term ECB loan arrangements for banks in the eurozone.

Expectations are admittedly imbalanced, with more people anticipating that credit spreads will be wider than today rather than tighter. The backdrop is the phasing-out of/ reduction in purchasing programmes/loan schemes by several central banks, expectations of higher interest rates and increased inflation, and greater geopolitical uncertainty. These factors increase the uncertain outlook for interest rates and credit spreads in the time to come. The average tenor for covered bonds issued in 2021 was 6.5 years. The average tenor for the company's borrowing portfolio was 3.74 years at 31 December 2021, compared with 3.78 at 1 January. The table on the left shows the breakdown of the company's borrowing in various instruments.

Profit and loss account

Pre-tax profit

Eika Boligkreditt delivered a pre-tax profit of NOK 56.3 million for 2021, compared with NOK 152.6 million the year before. Profit was affected by value changes to financial instruments, which yielded a net gain of NOK 30.7 million (2020: NOK 43 million). Pre-tax profit for 2021 excluding changes to the fair value of financial instruments was thereby NOK 25.6 million (2020: NOK 109.6 million). A total of NOK 22.9 million in interest on tier 1 perpetual bonds in 2021 (2020: NOK 25.8 million) is not presented as an interest expense in the income statement, but as a reduction in equity.

Net profit

Net profit for 2021 includes NOK 62.7 million in positive value changes to basis swap agreements (2020: NOK 98.7 million), so that net profit amounted to NOK 91.3 million (2020:

NOK 204 million) when account is taken of value changes to basis swaps and other value changes recognised through other income and expenses. Net profit for 2021 was significantly affected by value changes to basis swaps on the company's derivatives. Eika Boligkreditt is an active issuer of bonds in foreign currencies, principally in euros but occasionally in others. All borrowing in foreign currencies is hedged to Norwegian kroner in the derivative market through currency swaps. A pricing and risk component in these derivative contracts is the currency basis, which is a premium (or deduction) for swapping cash flow in one currency with cash flow in another. Changes to this premium could give unrealised value changes related to the currency swap contracts. 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 the currency basis 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.

Income

The company's total interest income amounted to NOK 1 831 million in 2021, compared with NOK 2 230 million the year before. This change primarily reflected lower interest rates on residential mortgages compared with the year before.

Net interest income

Net interest income amounted to NOK 834.9 million in 2021, compared with NOK 811.9 million the year before. This increase reflected higher margins achieved by the banks on residential mortgages. Expensing NOK 21.3 million in contributions to the Norwegian Banks Guarantee Fund's resolution fund in 2021 also reduced net interest income. About 90 per cent of the residential mortgages in Eika Boligkreditt's portfolio have a floating interest rate. This means that the company, in consultation with the owner banks, can adjust the interest rate on its mortgages in line with interest-rate fluctuations in the market.

Distributor commissions

Distributor commissions to the owner banks, including arrangement commissions, amounted to NOK 800.9 million in 2021, compared with NOK 674.8 million the year before. This rise reflects a combination of higher margins on residential mortgages and growth in the residential mortgage portfolio.

Balance sheet and liquidity

Balance sheet

Assets on the company's balance sheet amounted to NOK 114.9 billion at 31 December 2021, down by NOK 5.7 billion over the year. Lending to customers rose by NOK 2.3 billion or 2.5 per cent from 31 December 2020.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 103.7 billion at 31 December, down by NOK 2.4 billion from the end of 2020.

Liquidity

New financing totalling NOK 19.5 billion was raised by Eika Boligkreditt in 2021. Over the same period, the residential mortgage portfolio increased by NOK 2.3 billion. Maturation and early redemption of covered and senior unsecured bonds amounted to NOK 16.4 billion, while repurchases and redemptions of tier 1 perpetual bonds and subordinated loans came to NOK 150 million. A dividend of NOK 146.3 million was also paid to the owners. Cash collateral received from counterparties to derivative contracts declined by NOK 3.6 billion in 2021. Overall, liquidity for the company was reduced by about NOK 2.9 billion in 2021. Counterparties in hedging contracts provided the company with NOK 3.3 billion in cash collateral during 2021. Cash collateral is held as bank deposits, repurchase agreements and various high-quality securities. In addition to cash collateral, the company received collateral in the form of securities (high-quality bonds) with a value corresponding to NOK 0.2 billion. The value of the securities provided as collateral is not included in the company's balance sheet. At 31 December, Eika Boligkreditt had an overall liquidity portfolio of NOK 17.9 billion – including NOK 3.3 billion in cash collateral received.

In line with the regulations governing covered bonds, this liquidity is exclusively invested in a way which ensures low risk and a high degree of liquidity. It was invested at 31 December 2021 in Norwegian and European government securities, municipal bonds, covered bonds and repurchase agreements, and as deposits in banks with an international rating of A-/A3 or better. The size of the company's liquidity reserve, combined with a relatively low return resulting from a very conservative investment universe, involves a notable cost for the company. Given continued strong growth in the mortgage portfolio and a conservative liquidity policy, Eika Boligkreditt has nevertheless decided to maintain a relatively high liquidity ratio. The company has an agreement with the owner banks and OBOS on purchasing covered bonds. This facility is intended to secure liquidity for the company in circumstances where it cannot borrow in the financial market.

Risk management and capital adequacy ratio

Eika Boligkreditt had a total primary (tier 2) capital of NOK 6.4 billion at 31 December 2021, virtually unchanged from 1 January. The company redeemed NOK 150 million outstanding on a subordinated loan at its call date during the first quarter. In addition, the company raised a new subordinated loan of NOK 150 million. The new issue and redemption of subordinated loans meant that subordinated capital remained virtually unchanged from 1 January. Eika Boligkreditt has residential mortgages which are secured by up to 75 per cent of the mortgaged property's value on origination. The risk-weighted assets was virtually unchanged from 1 January and amounted to NOK 37.3 billion at 31 December. This amount represents a quantification of Eika Boligkreditt's risk, of which credit risk is calculated in accordance with the standardised method in the (EU) 575/2013 (CRR) regulation. After taking account of the growth in overall lending and changes to the company's liquidity portfolio, operational risk and CVA risk, the risk-weighted assets at 31 December 2021 was roughly at the same level as a year earlier.

The company's capital targets are set as follows.

		(At 31 Dec)
Core tier 1 capital	12.0%	(13.7%)
Tier 1 capital	13.5%	(15.2%)
Primary capital (tier 2 capital)	15.5%	(17.2%)

These targets are adequate in relation to legal provisions, the company's Pillar 2 requirement of 0.5 per cent, and capital requirements based on the company's internal risk assessment. As shown in the table above, the prevailing buffer requirements were met at 31 December 2021. The required countercyclical

DEVELOPMENT IN CAPITAL ADEQUACY

(Amounts in NOK million)

	31 Dec 2021		31 Dec 2020	
Risk-weighted assets	**37 296**		37 222	
Core tier 1 capital	**5 109**	**13.7%**	5 099	13.7%
Tier 1 capital	**5 684**	**15.2%**	5 673	15.2%
Total primary capital (tier 2 capital)	**6 408**	**17.2%**	6 397	17.2%

buffer is set to one per cent. Furthermore, the decision was taken in June to increase the buffer to 1.5 per cent with effect from 30 June 2022. On 3 September, the government resolved to give the central bank the authority to determine the countercyclical capital buffer with effect from 10 September. Norges Bank's committee on monetary policy and financial stability decided at its meeting of 15 December to increase the countercyclical capital buffer to two per cent with effect from 31 December 2022. This buffer is intended to improve the capital adequacy of the banks and prevent their credit practice from strengthening an economic setback. Given the committee's current assessment of developments for the Norwegian economy and the prospects for bank losses and lending capacity, the buffer will be increased to 2.5 per cent during the first half of 2022, with effect from a year ahead.

On 11 December 2019, the Ministry of Finance announced adjustments to Norwegian capital requirements to counteract an easing following from the discount for small and medium-sized enterprises and the removal of the Basel I floor from the EU's CRR/CRD IV regulations. These changes led to an increase in the systemic risk buffer requirement from three to 4.5 per cent with effect from 31 December 2022 for banks using the standardised method.

To meet the expected continued growth in lending, the company will seek capital expansions in order to satisfy its targets for core tier 1, tier 1 and tier 2 capital. In addition to capital provided by the owner banks, Eika Boligkreditt will seek to use the financial market to satisfy its capital targets. The table above presents the development in capital adequacy.

Risk exposure

Eika Boligkreditt AS is exposed to various forms of risk. The company gives great emphasis to good continuous management and control of all the risks to which it is exposed. The board has implemented a framework for risk management and control which builds on the Coso framework for coherent risk management. This defines the company's willingness to accept risk and the principles for managing risk and capital, which build on the Basel II regulations. Strategies, routines and instructions have been developed in connection with risk reviews to ensure that the company handles various risk factors in a satisfactory manner. Periodic checks are conducted to ensure that risk management routines are complied with and function as intended. The company is primarily exposed to the following risks: strategic and business, credit and counterparty, market, liquidity and refinancing, and operational – including compliance.

Strategic and business risk

Strategic and business risk is the risk of weakened profitability because of changes in external conditions, such as the market position or government regulations. It comprises rating, reputational, owner, and reward and incentive risk. The fact that the banks which transfer mortgages are also the company's shareholders reduces its strategic risk. Risk is further reduced because the costs of the company's distribution system depend directly on the size and quality of the portfolio. Agreements with non-shareholder banks will moderately increase the strategic risk. Rating risk relates to the financing and rating risk which the company is exposed to. In addition to the company's own reputation, reputational risk is linked to a considerable extent to Eika as a brand.

Credit and counterparty risk

Eika Boligkreditt is exposed to credit risk from granting credit to its customers. This risk relates primarily to the mortgages included in the company's cover pool. The granting of credit is managed through strategies for asset liability management, credit risk on loans and the credit manual, and through compliance with the administrative approval procedures and a well-developed set of rules for procedures and documentation which help to ensure adequate consideration. Portfolio risk is continuously monitored in order to expose possible defaults and to ensure rapid and adequate treatment of non-performing mortgages and advances. The risk of loss is further reduced through guarantees from the owner banks. The company also has counterparty risk in established derivative contracts with other financial institutions. Extensive frameworks have been established for managing counterparty risk, related both to capital management and derivatives. A credit support annex has also been established in association with ISDA agreements with all derivative counterparties, which limits Eika Boligkreditt's counterparty risk in that the counterparty unilaterally provides cash collateral when changes occur in the market value of the derivatives. The company is exposed to climate risk, including transition, physical and liability risk, primarily through the properties accepted by the company as collateral for residential mortgages. Government or market requirements could lead to a fall in value for properties with high energy consumption or a large climate footprint. Physical risk could mean that extreme weather causes damage to properties, which may in turn increase the likelihood of defaults because of financial loss and the reduction in the value of the mortgaged property.

Market risk

The market risk included in the company's risk limits consists of interest-rate risk on the balance sheet and credit spread risk related to securities. Risk associated with net interest income on the balance sheet arises from differences between interest terms for borrowing and lending as well as from the company borrowing in different markets than those it lends to, so that the borrowing interest rate may change without the company being able to adjust the lending rate equally quickly. This risk is reduced by coordinating the interest terms for borrowing and lending. The company is also exposed to credit spread risk on its investment of surplus liquidity. Through strategies for asset liability and capital management, exposure limits have been established for the total credit spread and interest-rate risk, maximum and average duration in the balance sheet, and maximum and average tenor for investments.

Currency risk

The company is exposed to currency risk through its borrowings in foreign currencies. Because the company exclusively lends in

Norwegian kroner, all currency risk related to borrowing in foreign currencies will be hedged through the use of financial derivatives in line with the company's strategy for asset liability management.

Provision of cash collateral in euros by derivative counterparties yields a shortfall in euros because interest rates on Eika Boligkreditt's alternative investments are lower than the rates it receives on this cash collateral. This shortfall must be covered by purchasing euros. The scope of the shortfall in euros is EUR 5 million.

Operational risk

This type of risk and source of loss relates to day-to-day operation, including failures in systems and routines, lack of competence or mistakes by suppliers, staff and so forth. Operational risk includes compliance, legal, default and data protection risk, as well as risk associated with money laundering and funding terrorism. The company has developed strategies for operational and IT risks, descriptions of routines, formal approval procedures and so forth. Together with a clear and well-defined division of responsibility, these measures are designed to reduce operational risk. The company has relevant contingency plans for dealing with emergencies.

Refinancing and liquidity risk

Liquidity risk, including refinancing risk, is associated with the company's business. This is the risk that the company will not be able to meet its liabilities when they fall due without incurring heavy costs in the form of expensive refinancing or facing the need to realise assets prematurely. Eika Boligkreditt has substantial external funding and expects somewhat slower growth in its mortgage portfolio. In order to keep liquidity risk at an acceptably low level, the company's financing strategy emphasises a good spread of financial instruments, markets and maturities for its borrowings and for investments made in managing surplus liquidity. As described above in the section covering agreements on liquidity and capital support, the company has an agreement with the owner banks on the purchase of covered bonds which reduces the company's liquidity and refinancing risk.

Climate risk, including transition risk, also represents a refinancing risk for the company. Financial investors are paying ever-greater attention to climate risk, and the company's green bond programme contributes to reducing the refinancing risk.

Internal control for financial reporting and the audit committee

Eika Boligkreditt has established frameworks for risk management and internal control related to its financial reporting process. These are considered by the board on an annual basis or as and when required. The purpose of risk management and internal control is to reduce risk to an acceptable level. The company is organised with a chief accounting officer responsible for the company's accounting function. In addition, the company purchases accounting services such as accountancy and financial reporting from Eika Gruppen AS. The company's accounting department is responsible for the compliance of all financial reporting with applicable legislation, accounting standards and board guidelines. Furthermore, the department has established routines to ensure that financial reporting meets acceptable quality standards. All transactions are registered in the front office system and detailed reconciliation checks are conducted on a daily and monthly basis, while control measures such as reasonableness and probability accounting have been established. These measures help to ensure that the company's reporting is accurate, valid and complete.

Pursuant to applicable legal regulations, Eika Boligkreditt is not required to have a separate audit committee. Given the scope, complexity and structure of the company's business and financial reporting, the board does not consider it appropriate to establish such a committee. The board of Eika Boligkreditt has the necessary capacity and time to follow up financial reporting, corporate management and the independence of the auditor pursuant to the Norwegian Accounting Act, as well as the company's systems for internal control and risk management – including its internal audit function. Risk management has been assigned to the risk committee, which performs a preparatory function for the board.

Election and replacement of directors

Candidates for directorships are proposed by the company's nomination committee. This body is enshrined in the articles of association, and the general meeting has established guidelines for it. Fees for members of the nomination committee are determined by the general meeting. Pursuant to the company's articles, the composition of the nomination committee must represent the interests of the shareholders. It has not been the tradition to appoint members to the nomination committee from the company's board or executive management. The nomination committee recommends candidates to sit on the board and the nomination committee, as well as fees for the members of these bodies. The committee has traditionally explained its recommendations orally at the general meeting. The nomination committee consults the chair and the CEO, and encourages contributions to the nomination process from the regional networks in the Eika Alliance. In this way, the alliance regions function as a channel for proposals to the committee without preventing shareholders contacting the committee directly should they so desire.

Directors' and CEO liability insurance

Insurance has been taken out to cover the possible liability of the directors and the CEO towards the company and third parties.

Working environment, sustainability and corporate social responsibility in Eika Boligkreditt

Eika Boligkreditt's clear intentions is to have a good and secure working environment, and to be a positive contributor to society in general and to the many local communities where its owner banks are located in particular. The company's strategy makes it clear that Eika Boligkreditt's vision is to strengthen the local banks. Eika Boligkreditt therefore works closely with the Eika Alliance at a strategic level to ensure a common standard for ambitions and goals, based on a suitable framework for dealing with environmental, social and governance (ESG) aspects. In that connection, the company has drawn up a separate document on corporate social responsibility and sustainability. This reports on the company's specific efforts to ensure sustainable societal development and a healthy working environment. It forms part of the annual report for 2021, and can be found from page 17.

Comments on the annual financial statements

The financial statements for 2021 have been prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by the EU. The board is of the opinion that the financial statements, including the balance sheet, provide a true and fair representation of the performance and financial position of the company at 31 December. The directors' report also provides a true and fair representation of the development and results of the business and of the company's financial position. Interest income totalled NOK 1 831 million, interest charges NOK 966 million, net interest income NOK 834.9 million, and net interest charges after commission costs NOK 60.6 million in 2021. No losses were incurred in 2021 on loans or guarantees. The financial statements for 2021 show a net profit of NOK 91 226 000 for the period, compared with NOK 203 959 000 for 2020.

Going concern

Pursuant to section 3-3 of the Norwegian Accounting Act, the board confirms that the financial statements for the year have been compiled on the assumption that the company is a going concern. No significant events have occurred since the balance sheet date which are expected to affect the company's business.

Balance sheet, liquidity and capital adequacy ratio

The book value of equity was NOK 5 773 million at 31 December 2021. Eika Boligkreditt had a capital adequacy ratio of 17.2 per cent at that date. The capital adequacy ratio is calculated in accordance with the standardised method specified by Basel II.

Allocation of net profit

Net profit for 2021 is NOK 91 226 000 after taking account of NOK 62 713 000 in positive changes in the value of basis swaps. The reserve for unrealised gains has increased by NOK 6 274 000 related to changes in the fair value of financial instruments. This increase thereby reduces the amount available as dividend correspondingly. When assessing the dividend proposal for 2021, the board has emphasised conducting a consistent dividend policy over time. NOK 13 218 000 has also been allocated to a fund for valuation differences related to the positive difference between the carried amount in the balance sheet and the acquisition price for investments in shares in associated companies. Furthermore, the company has received NOK 13 096 000 in dividends from associated companies. Eika Boligkreditt is considered to have good capital adequacy, with a good buffer against its capital requirements. The company has assessed the risk of breaching its capital targets and of actual losses on residential mortgages as low. In addition, dividends will remain within the Eika Alliance and contribute to strengthening the system as a whole. The board therefore proposes to pay a dividend of NOK 61 905 000 to the owner banks for 2021. NOK 22 926 000 of the overall profit is attributed to investors in the tier 1 perpetual bonds. Furthermore, the dividend payment is considered to leave Eika Boligkreditt with a prudent level of equity and liquidity.

The dividend is also justified by the contractual capitalisation commitments which apply to the owner banks, and which are outlined in the section above concerning agreements on liquidity and capital support.

Outlook

The company's financing of the owner banks grew by a net NOK 2.3 billion in 2021. Growth in bank financing was reduced by allowing SpareBank 1 Nordmøre to buy out Surnadal Sparebank's financing portfolio of NOK 1.6 billion at 1 January. Over the past year, the net increase represents a 12-monthly growth of 2.5 per cent. The credit indicator for December 2021 from Statistics Norway showed a 12-monthly increase of five per cent in Norwegian household debt, a marginal rise from 4.9 per cent 12 months earlier. Eika Boligkreditt expects roughly the same net growth in bank financing for 2022. Developments will be affected by the reduction in the company's financing of the LBA banks, in line with the schedule specified in the run-down agreements. Financing by the Eika banks in 2022 is expected to increase at a slightly faster rate than the Norges Bank growth estimate of 4.9 per cent for lending to households.

Norges Bank's latest lending survey shows that demand for residential mortgages declined slightly in late 2021. Overall, the banks expect demand for residential mortgages to be more or less unchanged in the first part of 2022. They also anticipate a slight increase again in the use of interest-only mortgages. Granting interest-only terms for residential mortgages increased during the outbreak of the coronavirus pandemic in 2020, but has subsequently declined. Credit practice was unaltered in late 2021 and is not expected to change the first part of 2022. Margins on residential mortgages fell somewhat during the autumn 2021 reflecting increased financing costs and a small rise in mortgage interest rates. Looking ahead, the banks expect interest rates on residential mortgages to continue rising because the increase in the central bank's key policy rate will affect their existing mortgage loans in the future. Mortgagees must be given at least six weeks notice of any interest rate rise. The banks expect both financing costs and mortgage rates to continue increasing in early 2022, while the margin on residential mortgages is likely to show little change.

According to the house price report from Real Estate Norway, average Norwegian house prices fell by 1.3 per cent in December 2021 and displayed the weak trend normal for this month. Adjusted for seasonal variations, prices fell by 0.2 per cent in December and are now 5.2 per cent higher than a year earlier. Prices decelerated nationwide over the course of the year, reflecting a normal cyclical trend. Among the largest cities, the strongest growth over the past 12 months was seen in Kristiansand, with an increase of nine per cent. Oslo experienced the lowest rise in 2021, at 2.2 per cent. For the first time since Norwegian house price statistics began to be published, more than 100 000 second-hand homes were sold during the year. Almost half the growth in the number of transactions occurred in Agder and Rogaland counties. This region witnessed an increase in house prices and turnover in 2021 after almost a decade of weak progress. House prices have developed more moderately since the first quarter of 2021. This moderate progress is expected to continue because the players are taking note that interest rates will probably continue to rise, in line with the projection published by Norges Bank in its monetary policy report for December.

The credit spread for the company's covered bonds with a five-year tenor in Norwegian kroner widened by six basis points during the fourth quarter to a level of 0.23 percentage points above the three-month Nibor. Over the past 12 months, the spread in Norwegian kroner tightened marginally by 0.01 percentage points. Credit spreads indicated by potential arrangers for a similar new-issue transaction in the euro market tightened during the fourth quarter by one basis point to 0.01 percentage points. In 2021, these credit spreads in euros tightened by four basis points. Credit spreads were very stable through 2021 compared with the year before, and are expected to remain low in 2022 with good help from the ECB's bond purchase programme and other long-term ECB loan arrangements for banks in the eurozone. Expectations are admittedly imbalanced, with more people anticipating credit spreads will be wider rather than tighter. The backdrop is the phasing-out of/reduction in purchasing programmes/loan schemes by several central banks, and expectations of higher interest rates and increased inflation. These factors give an unbalanced risk picture for interest rates and credit spreads in the time to come.

Activity in the Norwegian economy increased substantially during the summer and autumn. Lower infection rates, increased vaccination and the easing of national restrictions helped to restore GDP for mainland Norway as early as June to the level before the pandemic struck in March 2020. The need for extraordinary fiscal policy measures is no longer present when economic developments normalise. Information provided in connection with the national budget for 2022 shows that NOK 233 billion has been devoted to measures in response to the pandemic. Statistics Norway has calculated that the expansive fiscal policy helped to raise mainland GDP by roughly one per cent during 2021. The central government budget assumes that the structural oil-corrected deficit will be NOK 322 billion in 2022. That represents about 2.6 per cent of the oil fund's market value, and the use of oil revenues will then be below the three per cent ceiling specified by the fiscal rule.

Statistics Norway expects a GDP growth of 4.1 per cent in the mainland economy for both 2021 and 2022, driven by a reversing of the negative growth drivers from private consumption and exports in 2020. Unemployment in December was 2.3 per cent, back to the same level as before the pandemic.
Russia invaded Ukraine on 24 February 2022. The western countries have subsequently introduced far-reaching economic, cultural and political sanctions against Russia and Belarus. The direct economic consequences for Norway are small, because its trade with Russia and Belarus is limited. Norwegian banks have little exposure to the countries directly involved in the conflict, and only a few enterprises have exposure to or business dealings of any scope in Russia, Belarus or Ukraine. The economic effect for Norway is expected to be more indirect, via increased prices for certain raw materials where Russia and Ukraine are substantial exporters, including oil, gas and certain varieties of grain. This could result in rather higher inflation, particularly related to the price of energy. That may mean lower economic growth in Europe. The effects on the Russian, Belarusian and Ukrainian economies will be substantial. A foretaste of this is that the Russian central bank raised its base rate from 9.5 to 20 per cent in order to curtail growing queues of depositors outside bank premises.

Where bonds are concerned, the outbreak of war caused the new-issue market to come to a standstill. Activity in the secondary market was also substantially reduced, particularly for long tenors. After about a week of combat, activity in the new-issue market had cautiously revived for states, public enterprises and multilateral development banks (including Rentenbank, the EU, the European Investment Bank (EIB), the Nordic Investment Bank (NIB), and several states). An emerging activity can also be seen in the covered bond market. Three Canadian banks have conducted issues in dollars, pounds sterling and euros respectively. On 3 March, the CIBC issued the first covered bond benchmark in euros since hostilities began. This attracted good investor interest, with an order book exceeding EUR 3.7 billion. The transaction pricing thereby ended up only one-two basis points above the secondary market level, and the issuer opted to take out a volume of no less than EUR 2.5 billion. This transaction shows that the market is open again for covered bonds – at any event for shorter tenors in euros. Market players also expect longer tenors to become possible in the near future.

The increased geopolitical uncertainty has caused credit spreads to widen in the secondary market for debt issued by banks and undertakings. A Norwegian example is Hjelmeland Sparebank, which raised NOK 100 million through a three-year bond with a credit spread of 77 basis points. This represents an increase of 13 basis points compared with the Nordic bond pricing curve for bank 7 on the Wednesday before the war stated. The effect has undoubtedly been smaller where covered bonds are concerned. A widening of seven basis points since the Wednesday before the war started is indicated by Nordic bond pricing curves, but it remains to be seen where the levels clarify when new issues in benchmark format are made. The CIBC transaction in euros was very positive in that respect. Expectations of higher base rates from central banks in 2022 have been reduced after the war broke out. The ECB is now pricing in future interest rates which are only 10 basis points up, compared with 50 before hostilities started.

Despite growing geopolitical uncertainty, investor interest in new covered bond issues in euros and Norwegian kroner will be good in the time to come. During January, before hostilities began, several Norwegian credit institutions issued covered-bonds in both euros and Norwegian kroner with good results. Eika Boligkreditt expects to remain an active issuer in both Norwegian and international financial markets in 2022. Its financing requirement for 2022 indicates a need to issue bonds totalling about NOK 19 billion, including NOK 18.4 billion in covered bonds and NOK 675 million divided between subordinate loans and tier 1 perpetual bonds. The company does not expect to issue senior unsecured bonds in 2022. That relates to the implementation of new covered-bond rules and changes to the liquidity coverage ratio (LCR) regulations in the summer of 2022, which will eliminate the unintended regulatory requirement to hold liquidity outside the cover pool in order to meet the LCR requirement when covered bonds mature.

Oslo, 8 March 2022
The board of directors for Eika Boligkreditt AS

Dag Olav Løseth *Chair*	Rune Iversen	Olav Sem Austmo	Terje Svendsen	Torleif Lilløy	Gro Furunes Skårsmoen	Kjartan M. Bremnes *CEO*

Declaration pursuant to section 5-5 of the Norwegian Securities Trading Act

We hereby confirm that the company's financial statements for the period from 1 January to 31 December 2021 have been prepared to the best of our knowledge in accordance with prevailing accounting standards, and that the information provided in the financial statements gives a true and fair representation of the company's assets, liabilities, financial position and performance as a whole.

To the best of our knowledge, the annual report provides a true and fair representation of important events during the accounting period and their influence on the financial statements, plus a description of the most important risk factors and uncertainties facing the company during the next accounting period.

Oslo, 8 March 2022
The board of directors for Eika Boligkreditt AS

Dag Olav Løseth *Chair*	Rune Iversen	Olav Sem Austmo	Terje Svendsen	Torleif Lilløy	Gro Furunes Skårsmoen	Kjartan M Bremnes *CEO*

Statement of comprehensive income

Amounts in NOK 1 000	Notes	2021	2020
INTEREST INCOME			
Interest from loans to customers at amortised cost		**1 588 640**	1 917 207
Interest from loans to customers at fair value		**140 450**	161 079
Interest from loans and receivables on credit institutions		**13 278**	27 951
Interest from bonds, certificates and financial derivatives		**53 575**	88 140
Other interest income at amortised cost		**32 091**	33 033
Other interest income at fair value		**2 799**	2 461
Total interest income		**1 830 832**	2 229 871
INTEREST EXPENSES			
Interest on debt securities issued		**957 235**	1 373 221
Interest on subordinated loan capital		**14 501**	21 009
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**21 289**	20 842
Other interest expenses		**2 929**	2 849
Total interest expenses		**995 955**	1 417 921
Net interest income		**834 877**	811 949
Commission costs	4	**774 306**	646 521
Net interest income after commissions costs		**60 571**	165 428
Income from portfolio sale	5	**22 628**	-
Income from shares in associated company		**13 218**	12 631
Total income from shares	6	**13 218**	12 631
NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE			
Net gains and losses on bonds and certificates	7	**10 213**	(1 303)
Net gains and losses of fair value hedging on debt securities issued	7, 8	**4 364**	7 774
Net gains and losses on financial derivatives	7	**214 408**	(150 131)
Net gains and losses on loans at fair value	7	**(198 263)**	186 706
Total gains and losses on financial instruments at fair value		**30 721**	43 046
Other income		**-**	16
SALARIES AND GENERAL ADMINISTRATIVE EXPENSES			
Salaries, fees and other personnel expenses	9, 10	**32 982**	31 304
Administrative expenses	11	**19 161**	19 310
Total salaries and administrative expenses		**52 143**	50 613
Depreciation	12	**3 968**	4 135
Other operating expenses	11	**14 700**	13 728
Losses on loans and guarantees	13	**-**	-
PROFIT BEFORE TAXES		**56 327**	152 644
Taxes	14	**5 181**	28 790
PROFIT FOR THE PERIOD		**51 146**	123 854
Net gains and losses on bonds and certificates	7	**(9 273)**	8 097
Net gains and losses on basis swaps	7	**62 713**	98 710
Taxes on other comprehensive income	14	**(13 360)**	(26 702)
COMPREHENSIVE INCOME FOR THE PERIOD		**91 226**	203 959

Of the total comprehensive income for the period above, NOK 61.9 million is attributable to the shareholders of the company after taking account of NOK 13.1 million received in dividend from associates. Furthermore, NOK 22.9 million of the total comprehensive income is attributed to the hybrid capital investors, NOK 6.3 million to the fund for unrealised gains and NOK 13.2 million to the fund for valuation differences.

Balance sheet
Assets

Amounts in NOK 1 000	Notes	31 Dec 2021	31 Dec 2020
ASSETS			
Lending to and receivables from credit institutions	13, 15, 16	**970 742**	971 759
Lending to customers	13, 15, 16, 17, 18	**91 326 994**	89 268 662
Other financial assets	13, 15, 19	**105 843**	105 662
Securities			
Bonds and certificates at fair value	13, 17	**16 968 273**	19 810 358
Financial derivatives	8, 13, 17	**5 393 896**	10 302 016
Shares	6, 15, 17	**1 650**	1 650
Total securities		**22 363 820**	30 114 024
Shares in associated company	6	**57 563**	57 441
Intangible assets			
Deferred tax assets	14	**19 008**	25 864
Intangible assets	12	**1 852**	3 270
Total other intangible assets		**20 860**	29 133
Tangible fixed assets			
Right-of-use assets	12	**15 019**	15 932
Tangible fixed assets		**15 019**	**15 932**
TOTAL ASSETS		**114 860 840**	120 562 614

Balance sheet
Liabilities and equity

Amounts in NOK 1 000	Notes	31 Dec 2021	31 Dec 2020
LIABILITIES AND EQUITY			
Loans from credit institutions	13, 20	**3 269 520**	6 881 420
Financial derivatives	8, 15, 17, 20	**711 486**	164 377
Debt securities issued	15, 16, 20, 21, 23	**103 648 169**	106 127 106
Other liabilities	15, 20, 24	**711 648**	792 002
Pension liabilities	25	**6 926**	5 974
Lease obligations	12	**15 265**	16 267
Subordinated loan capital	15, 16, 20, 23	**724 342**	724 343
TOTAL LIABILITIES		**109 087 356**	114 711 488
Called-up and fully paid capital			
Share capital	26	**1 225 497**	1 225 497
Share premium		**3 384 886**	3 384 886
Other paid-in equity		**477 728**	477 728
Total called-up and fully paid capital	26, 27	**5 088 111**	5 088 111
Retained earnings			
Fund for unrealised gains		**33 863**	27 588
Fund for valuation differences		**14 033**	13 911
Other equity		**62 478**	147 283
Total retained equity	27	**110 374**	188 782
Hybrid capital			
Tier 1 capital		**575 000**	574 232
Total hybrid capital	27	**575 000**	574 232
TOTAL EQUITY		**5 773 484**	5 851 125
TOTAL LIABILITIES AND EQUITY		**114 860 840**	120 562 614

Oslo, 8 March 2022
The board of directors for Eika Boligkreditt AS

Dag Olav Løseth *Chair*	Rune Iversen	Olav Sem Austmo	Terje Svendsen	Torleif Lilløy	Gro Furunes Skårsmoen	Kjartan M Bremnes *CEO*

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]	Other equity[5]	Tier 1 perpetual bonds[6]	**Total equity**
Balance sheet as at 1 January 2019	**1 093 319**	**2 967 063**	**477 728**	**10 265**	**-**	**36 461**	**704 974**	**5 289 811**
Result for the period	-	-	-	(669)	20 155	83 722	30 161	**133 369**
Equity issue	132 177	417 823	-	-	-	-	-	**550 000**
Accrued unpaid interest tier1 capital	-	-	-	-	-	-	(29 824)	**(29 824)**
Hybrid capital	-	-	-	-	-	-	(131 400)	**(131 400)**
Dividends for 2018	-	-	-	-	-	(35 445)	-	**(35 445)**
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	-	-	-	17 992	(6 244)	166 420	25 790	**203 958**
Equity issue	-	-	-	-	-	-	-	**-**
Accrued unpaid interest tier1 capital	-	-	-	-	-	-	(25 468)	**(25 468)**
Hybrid capital	-	-	-	-	-	-	-	**-**
Dividends for 2019	-	-	-	-	-	(103 873)	-	**(103 873)**
Balance sheet as at 31 December 2020	**1 225 496**	**3 384 886**	**477 728**	**27 588**	**13 911**	**147 281**	**574 235**	**5 851 126**
Result for the period	-	-	-	6 274	122	61 459	22 925	**90 780**
Equity issue	-	-	-	-	-	-	-	**-**
Accrued unpaid interest tier1 capital	-	-	-	-	-	-	(22 159)	**(22 159)**
Hybrid capital	-	-	-	-	-	-	-	**-**
Dividends for 2020	-	-	-	-	-	(146 263)	-	**(146 263)**
Balance sheet as at 31 December 2021	**1 225 496**	**3 384 886**	**477 728**	**33 862**	**14 033**	**62 478**	**575 000**	**5 773 484**

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 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 an interest expense in the profit and loss account, but as a reduction to equity.

Statement of cash flow

Amounts in NOK 1 000	2021	2020
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the period	**91 226**	203 959
Taxes	**18 541**	55 492
Income taxes paid	**(3 488)**	(62 232)
Ordinary depreciation	**1 799**	1 751
Non-cash pension costs	**952**	953
Change in loans to customers	**(2 058 332)**	(4 550 118)
Change in bonds and certificates	**2 842 085**	(6 447 412)
Change in financial derivatives and debt securities issued	**(711 304)**	(370 503)
Interest expenses	**995 955**	1 417 921
Paid interest	**(1 082 079)**	(1 474 426)
Interest income	**(1 795 943)**	(2 194 376)
Received interest	**1 795 860**	2 231 328
Changes in other assets	**(98)**	(519)
Changes in short-term liabilities and accruals	**544 591**	162 407
Net cash flow relating to operating activities	**639 766**	(11 025 774)
INVESTING ACTIVITIES		
Payments related to acquisition of fixed assets	**(381)**	(468)
Share of profit/loss in associated companies	**(13 218)**	(12 631)
Payments from shares in associated companies	**13 097**	18 875
Net cash flow relating to investing activities	**(502)**	5 776
FINANCING ACTIVITIES		
Gross receipts from issuance of bonds and commercial paper	**19 764 156**	18 138 395
Gross payments of bonds and commercial paper	**(16 623 668)**	(9 764 618)
Gross receipts on issue of subordinated loan capital	**-**	-
Gross payments of subordinated loan capital	**(1)**	(164 707)
Gross receipts from issue of loan from credit institution	**-**	2 943 722
Gross payments from loan from credit institution	**(3 611 900)**	-
Gross receipts from issuing tier 1 perpetual bonds	**-**	-
Gross payments from issuing tier 1 perpetual bonds	**-**	-
Interest to the hybrid capital investors	**(22 606)**	(25 469)
Payments of dividend	**(146 263)**	(103 873)
Paid-up new share capital	**-**	-
Net cash flow from financing activities	**(640 282)**	11 023 450
Net changes in lending to and receivables from credit institutions	**(1 018)**	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	**970 742**	971 759

Notes to the accounts

NOTE 1: ACCOUNTING POLICIES

General

Eika Boligkreditt AS (EBK) is licensed as a Norwegian credit institution and permitted to issue covered bonds. The company was established on 24 March 2003, and commenced its lending operations on 15 February 2005. The company offers only residential mortgages for up to 75 per cent of the collateral value (loan to value) at origination, and these loans are distributed via the local banks (the owner banks). Residential mortgages also include mortgages for holiday homes. The company's main purpose is to ensure access for the owner banks in the Eika Alliance to long-term and competitive funding by issuing covered bonds, while simultaneously reducing future refinancing risks for the company's owner banks. EBK has prepared its 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.

The annual financial statements are prepared on the assumption that the entity is a going concern. The financial statements were approved by the board of directors and authorised for issue on 8 March 2022.

Foreign currency

Functional and presentation currency

The financial statements of EBK are presented in NOK, which is also the company's functional currency.

Foreign currency translation

In preparing the financial statements of the company, transactions in currencies other than its functional currency (foreign currencies) are recognised at the rate of exchange prevailing at the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Revenue recognition

Interest income is recognised using the effective interest rate method. The effective interest rate is the rate which discounts estimated future cash receipts or expenses through the expected life of the financial asset or liability to the net carrying amount of that asset or liability at initial recognition. When calculating the effective interest rate, the cash flows are estimated and all fees and remunerations paid or received between the parties to the contract are included as an integrated part of the effective interest rate. Dividends on investments not treated as an associate company are recognised from the date the dividends were approved at the general meeting.

Financial assets and liabilities

Recognition, derecognition and measurement

Financial assets and liabilities are recognised in the balance sheet when EBK becomes party to the contractual provisions of the instrument. Normal purchase or sale of financial instruments is recognised at the trade date.

When a financial asset or liability is recognised initially, it is measured at its fair value plus, in the case of a financial asset or liability not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial asset or liability.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets have expired or when the company has transferred the financial asset in a transaction where all or substantially all risks and opportunity for reward related to ownership of the asset are transferred. Financial liabilities are derecognised from the balance sheet when they have terminated – in other words, when the obligation specified in the contract is discharged, cancelled or expires.

Classification – financial assets

Pursuant to IFRS 9, financial assets must be classified in three different measurement categories:
- amortised cost
- fair value through profit and loss
- fair value through other comprehensive income.

The measurement category is determined on initial recognition on the basis of an assessment of both
a. the enterprise's business model for managing its financial assets (the business model test)
b. the characteristics of the financial asset's contractual cash flow (the SPPI test).

A business model says something about how groups of financial assets are managed to achieve a specific commercial goal. A company can therefore have several different business models for managing its financial instruments. The business model test assesses whether the financial asset is held within a business model in order to receive the contractual cash flows instead of selling the asset before maturity in order to realise fair value changes. IFRS 9 groups business models in three categories:
- held to receive contractual cash flows
- held to receive contractual cash flows and for sale
- other business models.

Other business models is a residual category used to classify and measure financial assets held for trade or which do not fall into one of the two prescribed business models.

The solely payments of principal and interest (SPPI) test is applied at the instrument level and focuses on assessing whether the contractual terms for the individual financial asset on specified dates solely involve payment of principal and interest on the outstanding principal. Only financial assets which are debt instruments qualify for measurement at amortised cost on the basis of the SPPI test, since neither derivatives nor investment in equity instruments will meet the requirements of this test.

A financial asset is classified at amortised cost if it meets the following criteria and is not classified at fair value through profit and loss:

- the asset is held grouped in a business model where the purpose is to receive contractual cash flows
- the asset passes the SPPI test.

Where EBK is concerned, this applies to floating-rate lending to customers, lending to credit institutions and other financial assets.

An exception to the above-mentioned description is provided by cases where financial assets which would be measured on the basis of the SPPI test and an assessment of the business model at either amortised cost or fair value through other comprehensive income can be designated for measurement at fair value through profit and loss if such designation provides more relevant and reliable information to the users of the financial statements. In such cases, the company may at initial recognition classify a financial asset which otherwise meets the requirements for measurement at amortised cost or at fair value through other comprehensive income at fair value through profit and loss if such a classification eliminates or significantly reduces the accounting inconsistency which would otherwise have arisen from measuring assets and liabilities on different bases. In this case, the fair value option will be an alternative to hedge accounting. EBK has therefore opted to classify fixed-rate lending to customers at fair value through profit and loss in the same way as the interest swap agreements.

Financial assets which are debt instruments

The classification of financial assets which are debt instruments depends on the outcome of the business model and SPPI tests. If the instrument's cash flows pass the SPPI test and the business model test groups the instruments as held to receive contractual cash flows and for sale, the financial assets must be classified at fair value through other comprehensive income. EBK has assessed that the above-mentioned criteria in IFRS 9 mean that bonds and certificates can be classified at fair value with value changes through other comprehensive income.

Financial assets which are derivatives

All derivatives must basically be measured at fair value through profit and loss, but special rules apply for derivatives designated as hedging instruments.

Financial assets which are equity instruments

Investments in equity instruments do not have cash flows which are confined to payment of principal and interest on the outstanding principal, and must therefore be measured at fair value through profit and loss unless they are designated as measured at fair value through other comprehensive income. EBK has recognised such investments at fair value through profit and loss.

Associated companies

Associated companies are companies where EBK has substantial influence – in other words, can influence financial and operational decisions in the company – but does not have control over the company alone or with others. EBK has basically assumed that substantial influence is exercised in companies where the company has an investment with a shareholding of 20–50 per cent. Associated companies are recognised in accordance with the equity method. When using the equity method, the investment is recognised at the overall acquisition cost and adjusted for subsequent changes to the company's share of profit/loss in the associated company.

Other financial assets

Other financial assets not assessed to be derivatives, debt instruments or equity instruments as mentioned above must be classified at amortised cost. This relates to lending to and receivables from credit institutions as well as floating-rate lending to customers.

Classification – financial liabilities

The main rule is that financial liabilities are measured at amortised cost with the exception of financial derivatives, which must be measured at fair value, financial instruments held for trade purposes, with measurement at fair value through profit and loss, and financial liabilities where the fair value option with measurement through other comprehensive income is applied. EBK only has financial derivatives held for risk management purposes, which are measured in the balance sheet at fair value with value changes recognised through profit and loss. Other liabilities are measured at amortised cost. The company has therefore classified liabilities to credit institutions, debt securities issued, subordinated loan capital and other debt in the amortised-cost measurement category.

Offsetting

Financial assets and liabilities are offset and the net amount reported in the balance sheet when EBK

- has a legally enforceable right to offset the recognised amounts, and
- intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

EBK does not have financial assets and liabilities which are offset.

Subsequent measurement of financial assets and liabilities

Fair value

Financial assets classified at fair value through profit and loss or through other comprehensive income are measured at fair value on the balance-sheet date. Fair value is the amount which an asset could be exchanged for between knowledgeable, willing parties in an arm's-length transaction.

The fair value of certificates and bonds traded in an active market is based on the quoted bid price on the final day of trading up to and including the balance-sheet date. Where certificates, bonds, shares and derivatives not traded in an active market are concerned, fair value is determined by using valuation techniques. These include the use of recently undertaken market transactions conducted at arm's length between knowledgeable and independent parties if such transactions available, referring to the current fair value of another instrument which is substantially the same in practice, and using discounted cash flow analysis. Should there be a valuation method which is in common use by market participants for pricing the instrument, and this method has proved to provide reliable estimates of prices obtained in actual market transactions, this method is used. Pursuant to IFRS 9, changes in fair value for bonds and certificates are recognised with fair value changes through other comprehensive income.

Amortised cost

Subsequent to initial recognition, financial instruments classified as loans and receivables as well as financial liabilities are measured at amortised cost using the effective interest method. The effective interest method is described in the section on revenue recognition.

Impairment of financial assets

Pursuant to IFRS 9, provisions for loss must be recognised on the basis of an expected credit loss model. The impairment rules apply to financial instruments measured at amortised cost or at fair value through other comprehensive income. Where EBK is concerned, this applies primarily to lending to customers. The combination of the lending portfolio's loan-to-value ratio and the credit guarantees provided by the owner banks means that the standard has not had significant effects for EBK's results or equity.

Cash and cash equivalents

Cash and cash equivalents include lending to and receivables from credit institutions.

Cash collateral

Pursuant to agreements with counterparties which regulate trades in OTC derivatives, collateral must be provided in certain cases. During 2021, EBK was provided with such collateral in the form of cash. These cash sums are managed by EBK for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset and the liability are thereafter measured at amortised cost.

Hedge accounting

EBK uses fair value hedging of fixed-rate financial liabilities, where the hedged item is the swap interest element in the financial liabilities. Value changes in the hedged item attributable to the hedged risk will adjust the carrying amount of the hedged item and be recognised in profit or loss. Value changes in the hedged item and associated hedge instruments are presented under "net gains and losses of fair value hedging on debt securities issued". IFRS 9 permits the basis margin on foreign currency to be separated from a financial instrument and excluded from the designation of the financial instrument as a hedge instrument.

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.

This means that changes in fair value related to the basis margin are recognised in value changes through other comprehensive income instead of in the item "net gains and losses of fair value hedging on debt securities issued" in the statement of comprehensive income, and will be accumulated in a separate component of equity.

IFRS 16 Leases

The standard requires that all leases are recognised in the balance sheet by recognising the beneficial use of leasing 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 recognised in the company's balance sheet as 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. Possible options are not added to the lease duration. 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.

Intangible assets

Intangible assets consist of purchased software and are carried at acquisition cost less accumulated amortisation and possible impairment losses. Depreciation in the accounts is classified as ordinary depreciation under a depreciation schedule with a useful economic life of five years.

Commission costs

The owner banks are paid commissions for arranging and managing residential mortgages. Such commissions are expensed on a current basis and presented in the item "commission costs" in the statement of comprehensive income. Accrued, unpaid costs to the owner banks at 31 December are accrued and recognised as liabilities in the balance sheet.

Segment

The loans are made to private individuals and housing cooperatives. The company's business therefore comprises only one segment.

Pensions

Defined contribution plans

Defined contribution plans are accounted for in accordance with the matching principle. Contributions to the pension plan are expensed.

AFP – early retirement plan

The AFP is an early retirement pension plan for the Norwegian private sector enshrined in collective pay agreements. To benefit from the scheme, an employee must have been employed in a company affiliated to the AFP for seven of the nine years before they reach the age of 62. Premiums are calculated as a fixed percentage of annual pay between one and 7.1 times the average National Insurance base rate (G). No premiums are paid for employees after the year they reach the age of 61. All employees in the company are members of the scheme. The premium paid is expensed.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax, and is recognised in the statement of comprehensive income.

Current tax

The tax currently payable is calculated on the basis of the taxable profit for the year. Taxable profit differs from the profit reported in the statement of comprehensive income because of income or expense items which are taxable or deductible in other years, and items which are not taxable or deductible.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are normally recognised in the balance sheet for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which these deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

NOTE 2: USE OF ESTIMATES AND DISCRETION

In the application of the accounting policies described in note 1, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that 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, that 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 13.2.2 for further information.

No loans were written down at 31 December 2021. For more information about lending, see note 13.

Fair value of financial instruments

The company applies various measurement methods to determine the fair value of financial instruments that 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 7, 8, 13, 15, 17 and 20.

NOTE 3: FINANCIAL RISK

Eika Boligkreditt has established a framework for risk management and control in the company to define risk willingness and principles for managing risk and capital. This framework is based on the Basel II regulations. The company is obliged to review its risk pursuant to the regulations relating to CRR/CRD IV regulation and the internal control regulations.

The company's key strategy is, through the issuance of covered bonds in the Norwegian and the international markets, to resolve a substantial part of the local banks' funding requirements and to reduce their refinancing risk. The company's risk management is intended to help attain this objective through tailored growth, good international rating, profitability and cost-efficiency, prudent risk and quality at every level.

Routines and instructions have been established with the aim of ensuring that the company handles the various risk factors in a satisfactory manner. The company's cooperation with the local banks contributes significantly to the management of risk through its customer selection processes. The owner banks operate in their local environment and are therefore close to their customers. The company is exposed to the following risks: credit and counterparty (including climate risk), market (including interest rate and currency), liquidity and operational risk, in addition to the company's overarching business risk, which entails strategic and reputational risk.

The company has implemented risk strategies based on the company's risk management of the balance sheet composition. The strategy for managing assets and liabilities forms the basis for ensuring that collateral for outstanding covered bonds is in compliance with regulatory requirements. Total risk limits have been established for managing the credit risk linked to lending, risk related to capital management, liquidity risk related to borrowing, and operational risk.

For additional description of risk, see notes 13, 20 and 21.

NOTE 4: COMMISSION COSTS

Amounts in NOK 1 000	2021	2020
Portfolio commission[1]	761 176	633 372
Instalment commission	11 729	11 431
Banking services	1 402	1 718
Total commission costs	**774 306**	646 521

[1] The company's distributors have the right to a portfolio commission for mortgages included in the mortgage portfolio. This commission equals the lending interest rate on the individual mortgage less a specified net interest rate. Distributors qualify for commission on the basis of the same calculation principles applied when calculating the mortgage interest rate to be paid by the mortgagee.

NOTE 5: INCOME FROM PORTFOLIO SALE

Amounts in NOK 1 000	2021	2020
Total income from portfolio sale	**22 628**	-

Surnadal Sparebank merged with SpareBank1 Nordvest on 3 May 2021 under the name SpareBank 1 Nordmøre and became part of the SpareBank1 Alliance. A natural consequence of this merger is that the distribution agreement between the merged bank and Eika Boligkreditt is terminated. An agreement has furthermore been entered into whereby SpareBank 1 Nordmøre bought out its NOK 1.2 billion residential mortgage portfolio in Eika Boligkreditt. In addition to the principal of the residential mortgages, the bank paid NOK 22.6 million in compensation for early redemption of its financing with Eika Boligkreditt.

NOTE 6: SHARES AT FAIR VALUE RECOGNISED IN PROFIT AND LOSS AND SHARES IN ASSOCIATED COMPANY

Shares classified at fair value recognised in profit and loss

Amounts in NOK 1 000	Number of shares	Cost price	Book value 31 Dec 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[1]	470 125	25.00%
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	13 218	12 631
Dividend paid	(13 096)	(18 875)
Carrying amount at 31 December	**57 563**	57 441

[1] 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 7: NET GAINS AND LOSSES ON FINANCIAL INSTRUMENTS AT FAIR VALUE

Full year 2021

Amounts in NOK 1 000	Fair value through profit and loss	Fair value through other comprehensive income	Fair value hedge through profit and loss	Cash flow hedge through other comprehensive income	**Total**	Of which realised	Of which unrealised
Lending to customers (fixed income)	(198 263)	-	-	-	**(198 263)**	7 779	(206 042)
Bonds and certificates[1]	10 213	(9 273)	-	-	**940**	67 799	(66 859)
Shares classified at fair value recognised in profit or loss	-	-	-	-	**-**	-	-
Debts from issuance of securities	-	-	5 556 711	-	**5 556 711**	-	5 556 711
Financial derivatives	214 408	-	(5 552 347)	62 713	**(5 275 226)**	-	(5 275 226)
Total	**26 358**	**(9 273)**	**4 364**	**62 713**	**84 162**	**75 578**	**8 584**

Full year 2020

Amounts in NOK 1 000	Fair value through profit and loss	Fair value through other comprehensive income	Fair value hedge through profit and loss	Cash flow hedge through other comprehensive income	**Total**	Of which realised	Of which unrealised
Lending to customers (fixed income)	186 706	-	-	-	**186 706**	12 585	174 121
Bonds and certificates[1]	(1 303)	8 097	-	-	**6 793**	97 731	(90 938)
Shares classified at fair value recognised in profit or loss	-	-	-	-	**-**	-	-
Debts from issuance of securities	-	-	(3 551 932)	-	**(3 551 932)**	-	(3 551 932)
Financial derivatives	(150 131)	-	3 559 706	98 710	**3 508 284**	-	3 508 284
Total	**35 272**	**8 097**	**7 774**	**98 710**	**149 852**	**110 316**	**39 536**

[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.

NOTE 8: FINANCIAL DERIVATIVES AND HEDGE ACCOUNTING

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, 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 of bonds and certificates and lending at a fixed interest rate.

Financial derivatives

Amounts in NOK 1 000	31 Dec 2021 Nominal amount	31 Dec 2021 Fair value	31 Dec 2020 Nominal amount	31 Dec 2020 Fair value
Assets				
Interest rate swap lending[1]	**4 882 600**	**109 693**	2 218 560	20 245
Interest rate and currency swap[2]	**37 291 300**	**5 283 767**	58 809 050	10 281 258
Interest swap placement	**100 190**	**436**	104 703	513
Total financial derivative assets including accrued interest	**42 274 090**	**5 393 896**	61 132 313	10 302 016
Liabilities				
Interest rate swap lending[1]	**3 177 293**	**19 443**	5 601 862	145 967
Interest rate and currency swap[2]	**16 483 400**	**686 482**	-	-
Interest swap placement	**1 723 268**	**5 562**	2 586 164	18 410
Total financial derivative liabilities including accrued interest	**21 383 961**	**711 486**	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.

Amounts in NOK 1 000	31 Dec 2021 Nominal amount	31 Dec 2021 Value recognised in balance sheet	31 Dec 2020 Nominal amount	31 Dec 2020 Value recognised in balance sheet
Hedging instruments: interest rate and currency swaps[1,2]	**53 774 700**	**4 261 748**	58 809 050	9 834 231
Hedged items: financial commitments incl foreign exchange[2]	**53 774 700**	**(4 267 719)**	58 809 050	(9 887 143)
Net capitalised value without accrued interest	**-**	**(5 971)**	-	(52 912)

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

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

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

Amounts in NOK 1 000	**2021**	2020
Hedging instruments	**(5 552 347)**	3 559 706
Hedged items	**5 556 711**	(3 551 932)
Net gains/losses (ineffectiveness) recorded in profit and loss	**4 364**	7 774

The positive change in the value of financial instruments related almost entirely to NOK 62.7 million in positive change to basis swaps (NOK 98.7 million), recognised in other income and costs. 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. The accounting effects will thereby reverse over time, so that the unrealised change in value at 31 December 2021 will be reversed until the derivatives mature. 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 currency 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. The derivatives are valued at fair value, while the hedged bond is valued in accordance with the principles which apply for hedge accounting.

Interest rate benchmark reform (IBOR reform)

The IASB published Interest rate benchmark reform – amendments to IFRS 9 and IFRS 7 in September 2019. These changes mean that the assumption is interest rates will not alter as a result of the interbank offered rate (Ibor) reform, and hedge accounting will continue as before without alterations to hedge documentation.

At 31 December, Eika Boligkreditt is exposed to a single benchmark interest rate (Nibor) which will be subject to this reform in its hedge accounting. The table below shows the company's hedge position by hedge type, maturity structure and currency.

Hedge type	Hedging instruments	Maturity	Nominal value (millions)	Hedged item
Fair value and cash flow hedges	**Interest and currency swaps**: Receive fixed rate in euro and pay 3 month NIBOR in Norwegian kroner.	2023	EUR 1 500	EUR fixed rate issued debt of the same maturity and nominal of the swaps
		2024	EUR 500	
		2025	EUR 1 000	
		2027	EUR 500	
		2028	EUR 500	
		2029	EUR 500	
		2031	EUR 500	
		2039	EUR 75	
Fair value hedges	**Interest rate swap**: Receive fixed rate and pay 3 month NIBOR in Norwegian kroner.	2025	NOK 300	NOK fixed rate issued debt of the same maturity and nominal of the swaps
		2026	NOK 1 800	
		2027	NOK 700	
		2028	NOK 1 150	
		2031	NOK 850	
		2033	NOK 1 600	

NOTE 9: PAYROLL COSTS

Amounts in NOK 1 000	**2021**	2020
Pay, fees, etc	**23 507**	22 480
National insurance contributions	**5 432**	4 864
Pension costs	**3 533**	3 167
Other personnel costs	**509**	792
Total	**32 982**	31 304
Average number of employees (full-time equivalent)	**19.0**	19.0

NOTE 10: REMUNERATION OF SENIOR EXECUTIVES, GOVERNING BODIES, AUDITORS, ETC

Amounts in NOK 1 000		Pay[1]	Other[2]	Pension costs ordinary scheme	Pension costs additional scheme
Kjartan M Bremnes	CEO	2 944	366	194	799

[1] Includes pay and holiday pay in 2021.
[2] Fringe benefits and other benefits.

The CEO is included in the company's ordinary pension scheme. In addition, an agreement has been entered into on an additional defined-contribution pension based on a fixed supplement to the company pension. This supplement comprises a contribution of 18 per cent of pay above 12 times the national insurance base rate (G) for a retirement pension between the ages of 67 and 77, as well as a calculated supplement to an early retirement pension from the ages of 63 to 67 which will provide a pension on retirement at the age of 63 of almost 66 per cent pay from the ages of 63 to 67. The pension shown in the table above presents the expense for the year.

The CEO has no agreement on pay after termination of his employment. The company has no bonus scheme.

Directors

Amounts in NOK 1 000	Fees
Dag Olav Løseth	197
Rune Iversen	132
Terje Svendsen	132
Olav Sem Austmo	132
Gro F Skårsmoen	132
Torleif Lilløy	132
Total directors' fees	**857**

Risk committee

Amounts in NOK 1 000	Fees
Terje Svendsen	46
Dag Olav Løseth	39
Torleif Lilløy	46
Total risk committee	**130**

Nomination committee

Amounts in NOK 1 000	Fees
Hans Petter Gjeterud	10
Harald Flaa	5
Siri Fossum	5
Svein Olav Gvammen	5
Glenn M Haglund	5
Total nomination committee	**31**

Remuneration committee

Amounts in NOK 1 000	Fees
Rune Iversen	26
Olav Sem Austmo	26
Total remuneration committee	**52**

Auditor

Remuneration to Deloitte AS and their associates is as follows:

Amounts in NOK 1 000	2021	2020
Statutory audit	**702**	534
Other assurance services	**362**	512
Tax advice	-	20
Other services unrelated to audit	**30**	67
Total	**1 093**	1 133

The figures above exclude VAT.

NOTE 11: ADMINISTRATIVE AND OTHER OPERATING EXPENSES

Amounts in NOK 1 000	2021	2020
IT costs	**10 829**	10 358
Phone, postage, etc	**899**	1 020
Accessories and equipment	**548**	447
Marketing	**109**	133
Other administrative expenses	**6 776**	7 352
Total administrative expenses	**19 161**	19 310
External services	**12 516**	11 130
Operating expenses on rented premises	**151**	422
Insurance cost	**296**	258
Other operating expenses	**1 738**	1 918
Total other operating expenses	**14 700**	13 728

NOTE 12: TANGIBLE AND INTANGIBLE ASSETS

Amounts in NOK 1 000	Software	Total
Original cost 1 January	28 422	**28 422**
Additions	381	**381**
Disposals	-	-
Original cost 31 December	**28 803**	**28 803**
Accumulated depreciation 1 January	25 153	**25 153**
Accumulated depreciation 31 December	26 952	**26 952**
Book value 31 December	**1 852**	**1 852**
Depreciation charge for the year	1 799	**1 799**
Useful economic life	5 years	
Depreciation schedule	Linear	
Depreciaton recognised through profit and loss		
Depreciation charge for the year other intangible assets	1 799	
Depreciation charge of right-of-use assets for the year (IFRS 16)	2 169	
Total	**3 968**	

IFRS 16 – Leases

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Balance sheet		
Right-of-use assets	**15 019**	15 932
Lease obligations	**15 265**	16 267
Statement of comprehensive income		
Depreciation	**2 169**	2 384
Interest expenses	**151**	422
Total	**2 320**	**2 807**
Effects relating to IFRS 16		
Reduction in operating costs relating to IAS 17	**2 408**	2 457
Increase in costs after implementing IFRS 16	**2 320**	2 807
Change in profit before taxes in the period	**89**	**(350)**

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 recognised as NOK 15 million and NOK 15.3 million respectively, in the company's balance sheet at 31 December 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 31 December 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 13: CREDIT RISK AND COUNTERPARTY RISK

Credit risk is the risk of loss posed by customers or counterparties failing to meet their payment obligations. Credit risk affects all claims on customers/counterparties, lending, and counterparty risk that arises through derivatives and foreign exchange contracts. The credit risk related to lending must be low, and the same applies to counterparty risk. Credit risk is managed through the company's strategy for credit risk on lending. A credit manual and other routines have been prepared and implemented, including preparation of documentation requirements and clarification of the ability of customers who have been granted loans to service their loan, and requirements for collateral for residential mortgage loans of up to 75 per cent of the value of the property at origination. Established requirements to be satisfied by customers and mortgaged objects are considered to entail low risk. In addition, the owner banks have ceded a case guarantee and loss guarantee. This contributes to reducing Eika Boligkreditt's credit risk. See note 13.2 related to lending to customers.

The company is also exposed to credit risk through its investments in bonds and certificates, bank deposits and counterparties to derivative contracts.

When investing in bonds and certificates, the company is subject to laws and regulations related to the types of investments that may be included in the company's cover pool as substitute assets. The company has also established counterparty limits to reduce counterparty risk related to the issuers to which the company desires to be exposed. The counterparty risk related to all counterparties in derivative contracts is reduced through the Credit Support Annex to the Schedule to the ISDA Master Agreement. Eika Boligkreditt manages counterparty risk through its investment strategy.

Note 13.1 Maximum exposure to credit risk

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Financial assets recognised in balance sheet		
Lending to and receivables on credit institutions[1]	**970 742**	971 759
Lending to customers	**91 326 994**	89 268 662
Other financial assets	**105 843**	105 662
Bonds and certificates at fair value	**16 968 273**	19 810 358
Financial derivatives	**5 393 896**	10 302 016
Total credit risk exposure	**114 765 749**	120 458 458
Off-balance sheet financial assets		
Overdraft facility	**50 000**	50 000
Note Purchase Agreement[2]	**-**	-
Granted, but undisbursed loans	**587 265**	575 390

[1] Restricted funds for tax withholdings were NOK 1 216 thousand in 2021 and NOK 1 162 thousand in 2020. Restricted funds for pension liabilities were NOK 5 819 thousand in 2021 and NOK 5 019 thousand in 2020.

[2] The owner banks have accepted a liquidity obligation (Note Purchase Agreement) towards Eika Boligkreditt, see note 23 for more information. The amount per 31 December 2021 in the table above is NOK 0 since the company's own liquidity is deducted at the time of measurement.

Note 13.2 Lending to customers

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Installment loans - retail market	**86 547 778**	83 910 819
Installment loans - housing cooperatives	**4 826 197**	5 198 781
Adjustment fair value lending to customers[1]	**(46 980)**	159 063
Total lending before specific and general provisions for losses	**91 326 994**	89 268 662
Individual impairments	**-**	-
Unspecified group impairments	**-**	-
Total lending to and receivables from customers	**91 326 994**	89 268 662

All lending concerns residential mortgage loans with a loan-to-value ratio of up to 75 per cent at origination. The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2021.

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

31 December 2021

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	82 849 553	82 849 553
Fixed rate loans	8 524 421	8 477 441
Toal lending	91 373 974	91 326 994

31 December 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 the fair value of loans to customers: 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 interest rate at the balance sheet date.

Guarantees and provision of cover

All lending involves residential mortgages with a loan-to-value ratio of up to 75 per cent at origination. Guarantees furnished by the company's distributors (banks) reduce the risk for Eika Boligkreditt. Upon transfer to Eika Boligkreditt, the distributors assume mandatory guarantees for the mortgages they have transferred.

The main features of these guarantees are as follows.

a) Case guarantee

The bank which has transferred the loan to the cover pool guarantees the entire amount of the mortgage over the period from payment until the mortgage's collateral has been perfected (achieved legal protection). The case guarantee is limited to a maximum of the whole principal of the loan plus interest charges and costs.

b) Loss guarantee

The bank guarantees to cover every loss suffered by Eika Boligkreditt was a result of non-performing loans, subject to the restrictions specified below. "Loss" means the residual claim against the mortgagee related to the relevant mortgage after all associated collateral has been realised, and it is to be regarded as recognised at the point when all collateral associated with a non-performing loan has been realised and paid to Eika Boligkreditt. The bank's loss guarantee covers up to 80 per cent of the loss recognised on each loan. The total loss guarantee is limited to one per cent of the bank's overall mortgage portfolio in Eika Boligkreditt at any given time, but nevertheless such that the loss guarantee is (i) equal to the value of the mortgage portfolio for portfolios up to NOK 5 million and (ii) amounts to a minimum of NOK 5 million for mortgage portfolios which exceed NOK 5 million, calculated in all cases over the previous four quarters on a rolling basis.

This means that, if the distributor's total share of the recognised losses for each mortgage exceeds the above-mentioned limit, Eika Boligkreditt will cover the excess. As a result, the bank's share of the loss covered by the loss guarantee cannot exceed 80 per cent but, if the overall recognised loss exceeds the framework, the share of total will be lower than 80 per cent.

c) Right to offset against commission due to the bank

The bank's liability for the case and loss guarantees falls due for payment on demand, but Eika Boligkreditt can also choose to offset its claim against the distributor's future commissions and commissions due but not paid pursuant to the commission agreement. This offsetting right applies for a period of up to four quarters from the date when the loss was recognised.

d) Right to offset against commissions due to the bank and all authorised distributors

The bank is jointly liable with all other banks for offsetting losses on mortgages not covered by the loss guarantee – in other words, that part of the loss which exceeds the bank's share. This offsetting right is limited to the bank's pro rata share of the credit loss in Eika Boligkreditt over and above the amount covered by the loss guarantee, up to a maximum of four quarter's commission from the date the loss was recognised. The bank's pro rata share corresponds to the bank's proportionate share of the total residential mortgage portfolio in Eika Boligkreditt transferred by all the distributors at the date the loss was realised.

Defaults

Pursuant to section 7 of the CRR/CRD IV regulation, cf. CRR article 178.1, an engagement is to be regarded as being in default if a claim has fallen due more than 90 days earlier and the amount is not insignificant. Doubtful loans are not necessarily in default, but the customer's financial position and the value of the collateral indicate a risk of loss.

The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2021.

The European Banking Authority (EBA) published new recommendations in September 2016 for the definition of default, 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 default. 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. Should an instalment due on a mortgage be four weeks in arrears, Eika Boligkreditt has the right to request the bank in writing to take over the mortgage. Should the mortgage not be repaid or taken over by the bank within eight weeks of going into default, the mortgage will be transferred for normal enforcement of payment via a debt recovery service, and the distributor could become liable pursuant to the case and loss guarantees as well as the offsetting right as specified above. Should the bank meet the loss guarantee in full, its recourse claim will be on an equal footing with Eika Boligkreditt's residual claim for restitution.

The owner bank's net interest rate

The supplement to the distribution agreement incorporates regulations which mean that the net interest rate for the bank– in other words, the price it pays for financing through Eika Boligkreditt – will be influenced by the market price for new borrowing in the covered bond market and by whether the bank increases or reduces its financing through Eika Boligkreditt. In this way, the terms achieved by the bank as a result of securing finance through Eika Boligkreditt will be influenced by the bank's own use of Eika Boligkreditt, and only affected to a limited extent by the increase in or reduction of financing by other banks in Eika Boligkreditt.

The bank is committed to maintaining an overall financing in Eika Boligkreditt which accords with the maturity profile for the bank's financing in Eika Boligkreditt. The bank's financing in Eika Boligkreditt is the overall value of the bank's share of the mortgage portfolio in Eika Boligkreditt. If the overall value of the bank's share of the mortgage portfolio in Eika Boligkreditt falls at any time below 75 per cent of the bank's commitment pursuant to the supplementary agreement, the bank is obliged – after a written warning – to pay Eika Boligkreditt the present value of the company's estimated costs for a corresponding redemption of its borrowing in the market.

If the bank's overall financing in Eika Boligkreditt is reduced in a way which means that Eika Boligkreditt must conduct an overall repurchase of its borrowing in the market during a calendar year which corresponds to five per cent or more of the mortgage portfolio, the bank's obligation to pay costs pursuant to the agreement can be triggered by a shortfall smaller than the level of 75 per cent of the bank's commitment. This means that the lower limit is moved up. A claim against the bank pursuant to the agreement can be offset by Eika Boligkreditt against commission payments due to the bank.

Loan-to-value for residential mortgages

With effect from 10 December 2019, Eika Boligkreditt increased its maximum LTV for residential mortgages from 60 per cent to the legal limit of 75 per cent. This corresponds to the ceiling applied by other Norwegian mortgage lenders. The right of the owner banks to transfer residential mortgages with up to 75 per cent LTV is conditional on entering into a supplementary agreement to their distribution agreement. Most of the owner banks are expected to take advantage of the new LTV limit.

Past due loans not subject to impairment

The table below shows overdue amounts on loans that are not due to delays in payment transfers from Eika Boligkreditt. Past due loans are subject to continual monitoring.

Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
1-29 days	**446 876**	314 498
30-60 days	**65 781**	69 510
60-90 days	**2 712**	-
> 90 days	**-**	-
Total past due loans not subject to impairment (principal)	**515 369**	384 008

Note 13.2.1 Lending by geographical area[1]

Amounts in NOK 1 000	Lending 31 Dec 2021	Lending 31 Dec 2020	Lending as a % 2021
Viken	**25 805 003**	25 075 573	**28.24%**
Oslo	**9 371 225**	9 550 302	**10.26%**
Innlandet	**5 048 203**	4 838 230	**5.52%**
Vestfold og Telemark	**9 639 372**	9 207 512	**10.55%**
Agder	**5 972 620**	5 717 116	**6.54%**
Rogaland	**7 212 422**	6 823 938	**7.89%**
Vestland	**3 282 291**	3 112 922	**3.59%**
Møre og Romsdal	**3 486 292**	3 755 109	**3.82%**
Trøndelag	**16 487 222**	16 689 004	**18.04%**
Nordland	**3 566 269**	3 030 844	**3.90%**
Troms og Finnmark	**1 503 054**	1 309 049	**1.64%**
Total	**91 373 974**	89 109 600	**100%**

[1] The geographical distribution is based on the portfolio at amortised cost.

Note 13.2.2 Provision for losses

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 LTV 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 longterm 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. Under the IFRS 9 accounting standard, provision for losses is recognised on the basis of the expected credit loss indicated by relevant information available at the reporting date. The combination of the residential mortgage portfolio's LTV ratio and the credit guarantees provided by the owner banks means that the standard does not have significant effects on EBK's profits or equity.

On initial recognition in the balance sheet, a provision for loss must be made which corresponds to the 12-month loss projection. The 12-month loss projection is the loss expected to arise over the life of the instrument, but which can be related to events occurring in the first 12 months.

If the credit risk for an asset or group of assets is considered to have risen significantly since initial recognition, a provision for loss must be made which corresponds to the whole expected life of the asset. EBK has decided that an annual review of such a change is an adequate assessment, since the company does not expect any accounting recognition of loss.

Impairment model in Eika Gruppen

Eika Gruppen has developed its own model for calculating the probability of default (PD), and EBK receives PD values for all its lending to customers. BanQsoft, the system deliverer for lending, has also developed solutions for exposure at default (EAD) and calculating losses as well as a model for assessing whether an engagement has significantly increased since its initial recognition. EBK has chosen to utilise these. Expected credit loss (ECL) is calculated as EAD x PD x LGD (loss given default), discounted by the original effective interest rate.

Description of the PD model

The PD model in Eika Gruppen (internal model) estimates the probability of default by estimating statistical correlations between default and the customer's financial position, demographic data and payment behaviour. Default is defined as an overdraft of at least NOK 1 000 over 90 consecutive days, in addition to other qualitative indicators which suggest that the engagement has become non-performing. See CRR/CRD IV regulation. Pursuant to a new recommendation from the EBA, the company also undertakes to make supplementary assessments related to the probability of default. See note 13.2 for a further description of the new definition of non-performing loans.The model distinguishes between private and corporate customers, and measures PD for the next 12 months. Payment behaviour requires six months of history before it can influence the internal model. This means that new customers will have six months with only the external model before the internal model can be used.

The model is validated annually and recalibrated as and when required. When model quality deteriorates, new models are developed.

Significant increase in credit risk

Should a significant increase in credit risk occur, the contract's expected credit loss is assessed over the whole life of the contract (PD-lif). EBK takes a conservative approach in this respect, utilising a straight-line projection of the PD for the next 12 months.

A significant increase in credit risk is measured on the basis of the development in PD. EBK has defined a significant increase in credit risk as a rise in the original PD at initial recognition (PD-ini) for different levels, so that the model can identify the relevant development in credit risk. A significant change is defined when engagements experience a relative alteration in PD exceeding PD-ini x 2, and are thereby moved to step 2. PD < 0.6 per cent is not moved to step 2.

Extra criteria are also defined for engagements to indicate a significant increase in credit risk:

- non-performance for 30 days (moved to step 2)
- forbearance (moved to step 2)
- non-performance for 90 days (moved to step 3)
- customers classified as being in default because they are unlikely to pay (moved to step 3)

Calculation of loss given default (LGD)

EBK's cover pool comprises objects with a low LTV ratio (<=75 per cent LTV at origination), and calculating ECL will be based on information which is current, forward-looking and historical. EBK utilises the expected development of house prices when calculating LGD. The scenarios are given equal weighting and calculated for each contract. Valuation of the collateral is based on its estimated net realisable value.

Exposure at default (EAD)

EAD for agreements comprises mortgages to customers discounted by the effective interest rate for future cash flows.

The expected life of an agreement is calculated on the basis of the historical average life of similar agreements. Amended agreements are measured from the original origination date, even if new conditions have been set for the agreement. The expected tenor in EBK's portfolio is about four years.

Expected credit loss based on future expectations

EBK will adjust its provision for loss by the expected development in house prices, which is considered to influence expected loss. Future expectations are derived from a macro model, which takes account of three scenarios – the main estimate, the best estimate and a stress scenario – for expected macroeconomic developments one to three years ahead. The main estimate is based on values from Norges Bank and SSB. These scenarios are given equal weighting.

Stress scenario

At 31 December 2021, EBK had the following expectations for the development of the macroeconomic variables

Changes in house prices	2021	2022	2023
Main estimate	3.40%	1.05%	1.95%
Stress scenario	(3.7%)	(2.7%)	(2.3%)
Best estimate	1.6%	1.7%	2.1%
Average	0.41%	-	0.55%

Mortgages to customers by steps 1-3 in nominal value

Amounts in NOK 1 000	Step 1	Step 2	Step 3	Total
Mortgages 31 December 2020[1]	**89 001 480**	**92 751**	**15 369**	**89 109 600**
Mortgages 31 December 2021[1]	**91 214 254**	**115 186**	**44 534**	**91 373 974**

[1] EBK had 57 loans in step 2 and 32 in step 3 at 31 December 2021. A low indexed LTV means that these loans will not generate losses in the loss model.

Increased credit risk means that NOK 115.1 million of EBK's residential mortgages are in step 2 and NOK 44.5 million in step 3. The change in credit risk for these relates to forbearance, high risk class, payment delayed by more than 30 days or various supplementary evaluations. Expected loss on residential mortgages was calculated pursuant to IFRS 9 as amounting to NOK 43 000 at 31 December 2021. Given credit guarantees of NOK 932 million from the owner banks at the same date, however, this will not result in the company incurring any accounting loss at 31 December 2021.

Stress-test change from falling house prices and PD value

Amounts in NOK 1 000	1%	2%	3%	4%	5%
10%	484	969	1 453	1 937	2 422
20%	621	1 242	1 863	2 484	3 106
30%	4 131	8 262	12 393	16 524	20 655
40%	24 090	48 179	72 269	96 358	120 448
50%	73 530	147 059	220 589	294 119	367 649

EBK conducted a stress test at 31 December 2021 for expected losses on residential mortgages in the event of changes to the probability of default (PD) from one to five per cent and a fall in house prices from 10 to 50 per cent. A fall in house prices as high as 50 per cent and a calculated PD value of five per cent, for example, would give an expected loss on residential mortgages of NOK 368 million. Given credit guarantees from the owner banks, however, this would not result in the company incurring any accounting loss.

Note 13.3 Derivatives

Counterparty exposure related to derivative contracts

Assets	31 Dec 2021		31 Dec 2020	
Amounts in NOK 1 000	**Book value**	**Net value[1]**	Book value	Net value[1]
Financial derivatives	**5 393 896**	**5 282 918**	10 302 016	10 172 668
Received collateral	**3 269 520**	**3 513 012**	6 881 420	8 223 948
Net exposure	**2 124 376**	**1 769 906**	3 420 596	1 948 720

Liability	31 Dec 2021		31 Dec 2020	
Amounts in NOK 1 000	**Book value**	**Net value[1]**	Book value	Net value[1]
Financial derivatives	**711 486**	**600 508**	164 377	43 358
Received collateral	**-**	**-**	-	-
Net exposure	**711 486**	**600 508**	164 377	43 358

[1] Net value is the book value of the financial assets less the financial liabilities related to the same counterparty. Counterparties to hedging contracts provided the company with NOK 3.3 billion in cash collateral during 2021, compared to NOK 6.9 billion in 2020. Cash collateral is held as bank deposits, repo agreements and as various high quality securities. In addition to cash collateral, the company received collateral in the form of securities (high-quality bonds) with a value corresponding to NOK 0.2 billion. The value of the securities provided as collateral is not recognised in the company's balance sheet.

Note 13.4 Lending to and receivables from credit institutions

Bonds broken down by issuer sector

31 Dec 2021 (Amounts in NOK 1 000)	Nominal value	Cost price	Fair Value
Municipalities	8 921 545	8 958 250	8 808 624
Credit institutions	7 230 000	7 259 352	7 259 745
Treasury bills	913 084	912 527	899 904
Total bonds and certificates at fair value	**17 064 629**	**17 130 129**	**16 968 273**
Change in value charged recognised through profit and loss to other comprehensive income[1]			**(161 856)**

[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 are also recognised through profit and loss as net gains and losses on bonds and certificates.

The average effective interest rate is 0.46 per cent annualised. The calculation is based on a weighted fair value of NOK 16.7 billion. The calculation takes account of a return of NOK 76.6 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

31 Dec 2020 (Amounts in NOK 1 000)	Nominal value	Cost price	Fair Value
Municipalities	9 137 680	9 162 486	9 185 946
Credit institutions	7 394 000	7 432 334	7 438 909
Treasury bills	3 299 574	3 303 171	3 185 504
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)**

[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 are also recognised through profit and loss as net gains and losses on bonds and certificates.

The average effective interest rate is 0.93 per cent annualised. The calculation is based on a weighted fair value of NOK 13.9 billion. The calculation takes account of a return of NOK 129.5 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

	31 Dec 2021	31 Dec 2020
Average term to maturity	**1.4**	1.2
Average duration	**0.1**	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 13.5 Lending to and receivables from credit institutions

When assessing ratings, only those from approved rating agencies are taken into account. Pursuant to the CRR/CRD IV regulations, credit assessments from approved credit rating agencies can be used to determine credit quality for individual engagements. The new European Commission regulations cover a number of credit rating agencies, and ratings from approved agencies can be used for the credit assessments. If a counterparty is rated by at least three of the agencies, the credit quality step is determined on the basis of the two highest ratings. If these two ratings differ, the lowest of these is used to assess the credit quality step. If the counterparty is rated by two agencies, the lowest is applied, and if there is only one rating from an accredited agency, it is applied.

Of the company's lending to and receivables from credit institutions, 43 per cent are in banks with credit quality step 1 and 57 per cent in banks with credit quality step 2.

NOTE 14: TAXES

Amounts in NOK 1 000	**2021**	2020
Tax on ordinary profit and loss		
Income tax payable in the balance sheet	**11 685**	3 488
Change in deferred tax ordinary profit and loss	**6 856**	52 004
Change in deferred tax other comprehensive income	**(13 360)**	(26 702)
Total tax on ordinary profit and loss	**5 181**	**28 790**
Reconciliation of expected and actual tax - ordinary profit and loss		
Profit before taxes	**56 327**	152 644
Expected tax on income at nominal tax rate (25%)	**14 082**	38 161
Tax effect of permanent differences	**(8 901)**	(9 371)
Total tax on ordinary profit and loss	**5 181**	**28 790**
Effective tax rate	**9.2%**	18.9%
Tax on other comprehensive income		
Change in deferred tax on net gains and losses on bonds and certificates	**(2 318)**	2 024
Change in deferred tax on net gains and losses on basis swaps	**15 678**	24 677
Total tax on other comprehensive income	**13 360**	**26 702**
Reconciliation of expected and actual tax – other comprehensive income		
Other comprehensive income before tax	**53 440**	106 806
Expected tax on income at nominal tax rate (25%)	**13 360**	26 702
Total tax on other comprehensive income	**13 360**	**26 702**
Deferred tax related to the following temporary differences		
Fixed assets	**(3)**	(4)
Pensions	**238**	238
Financial instruments	**(7 153)**	(52 131)
Other temporary differences[1]	**62**	(107)
Total change in deferred tax	**(6 856)**	**(52 004)**

Deferred tax asset and deferred tax in the balance sheet relate to the following temporary differences

Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Fixed assets	**24**	34
Net pension commitments	**6 926**	5 974
Financial instruments	**68 836**	97 448
Other temporary differences[1]	**246**	-
Total temporary differences	**76 032**	**103 456**
Deferred tax assets	**19 008**	**25 864**

[1] Other temporary differences in 2021 related to leases recognised in the balance sheet.

NOTE 15: CLASSIFICATION OF FINANCIAL INSTRUMENTS

31 December 2021

Amounts in NOK 1 000	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments at amortised cost	Total
Financial assets				
Lending to and receivables from credit institutions	-	-	970 742	**970 742**
Lending to customers	8 477 441	-	82 849 553	**91 326 994**
Bonds and certificates	-	16 968 273	-	**16 968 273**
Financial derivatives	5 393 896	-	-	**5 393 896**
Shares classified at fair value recognised in profit or loss	1 650	-	-	**1 650**
Other financial assets	-	-	105 843	**105 843**
Total financial assets	**13 872 987**	**16 968 273**	**83 926 138**	**114 767 399**
Financial liabilities				
Financial derivatives	711 486	-	-	**711 486**
Debt securities issued	-	-	103 648 169	**103 648 169**
Loans from credit institutions	-	-	3 269 520	**3 269 520**
Other liabilities	-	-	711 648	**711 648**
Subordinated loan capital	-	-	724 342	**724 342**
Total financial liabilities	**711 486**	**-**	**108 353 679**	**109 065 165**

31 December 2020

Amounts in NOK 1 000	Financial instruments at fair value through profit or loss	Financial instruments at fair value through other comprehensive income	Financial instruments at amortised cost	Total
Financial assets				
Lending to and receivables from credit institutions	-	-	971 759	**971 759**
Lending to customers	8 456 402	-	80 812 260	**89 268 662**
Bonds and certificates	-	19 810 358	-	**19 810 358**
Financial derivatives	10 302 016	-	-	**10 302 016**
Shares classified at fair value recognised in profit or loss	1 650	-	-	**1 650**
Other financial assets	-	-	105 662	**105 662**
Total financial assets	**18 760 068**	**19 810 358**	**81 889 682**	**120 460 108**
Financial liabilities				
Financial derivatives	164 377	-	-	**164 377**
Debt securities issued	-	-	106 127 106	**106 127 106**
Loans from credit institutions	-	-	6 881 420	**6 881 420**
Other liabilities	-	-	792 002	**792 002**
Subordinated loan capital	-	-	724 343	**724 343**
Total financial liabilities	**164 377**	**-**	**114 524 871**	**114 689 248**

NOTE 16: FAIR VALUE OF FINANCIAL INSTRUMENTS AT AMORTISED COST

	31 Dec 2021		31 Dec 2020	
Amounts in NOK 1 000	**Book value**	**Fair value**	Book value	Fair value
Financial assets				
Loans to and deposits with credit institutions	**970 742**	**970 742**	971 759	971 759
Lending to customers	**91 326 994**	**91 326 994**	89 268 662	89 268 662
Total financial assets	**92 297 736**	**92 297 736**	90 240 422	90 240 422
Financial liabilities				
Debt securities in issue	**103 648 169**	**104 167 499**	106 127 106	106 616 742
Subordinated loan capital	**724 342**	**730 853**	724 343	733 675
Total financial liabilities	**104 372 511**	**104 898 352**	106 851 448	107 350 417

The fair value of lending to customers with floating interest rates and of lending to and receivables from credit institutions is considered to be equal to book value, and is considered to be equal to amortised cost. The fair value of fixed-rate loans is measured as equal to amortised cost adjusted for the present value of the difference between the loans' fixed rate of interest and the interest rate at the balance sheet date. The share of fixed and floating rate loans is presented in note 13.2. The fair value of Norwegian debt securities in issue and subordinated loan capital are based on tax-related prices published by the Investment Firm Association (Verdipapirforetakenes forbund). The fair value of foreign debt securities in issue is based on quoted prices provided by Bloomberg.

NOTE 17: 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 Treasury bills are included in this category.

Level 2: Financial instruments where the measurement is based on observable market data
Level 2 comprises financial instruments which 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 certificates and bonds not issued by a national state. Discounted cash flow is used in the valuation. Market data are obtained from an acknowledged provider of market data.

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

31 December 2021

(Amounts in NOK 1 000)	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	8 477 441
Bonds and certificates	3 233 037	13 735 236	-
Financial derivatives	-	5 393 896	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	**3 233 037**	**19 129 133**	**8 479 091**
Financial liabilities			
Financial derivatives	-	711 486	-
Total financial liabilities	**-**	**711 486**	**-**

No significant transactions between the different levels took 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	3 120 948	16 689 410	-
Financial derivatives	-	10 302 016	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	**3 120 948**	**26 991 426**	**8 458 052**
Financial liabilities			
Financial derivatives	-	164 377	-
Total financial liabilities	**-**	**164 377**	**-**

No significant transactions between the different levels took place in 2020.

Detailed statement of assets classified as level 3

2021 (Amounts in NOK 1 000)	1 Jan 2021	Purchases/issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2021	Other comprehen-sive income	31 Dec 2021
Lending to customers (fixed-rate loans)	8 456 402	1 801 537	(1 582 235)	-	(198 263)	-	8 477 441
Shares classified at fair value recognised in profit or loss	1 650	-	-	-	-	-	1 650
Total	**8 458 052**	**1 801 537**	**(1 582 235)**	**-**	**(198 263)**	**-**	**8 479 091**

2020 (Amounts in NOK 1 000)	1 Jan 2020	Purchases/issues	Disposals/ settlements	Transfers in/out of level 3	Allocated to profit or loss 2020	Other comprehen-sive 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 classified at fair value recognised in profit or loss	1 650	-	-	-	-	-	1 650
Total	**6 319 526**	**3 107 019**	**(1 155 199)**	**-**	**186 706**	**-**	**8 458 052**

Detailed statement changes in debt related to currency changes

	2021				2020			
(Amounts in NOK 1 000)	1 Jan 2021	Issued/matured	Currency changes	31 Dec 2021	1 Jan 2020	Issued/matured	Currency changes	31 Dec 2020
Change in debt securities issued[1]	58 371 923	(3 726 250)	(3 799 248)	50 846 425	45 045 450	10 550 000	2 776 472	58 371 923
Total	**58 371 923**	**(3 726 250)**	**(3 799 248)**	**50 846 425**	**45 045 450**	**10 550 000**	**2 776 472**	**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.

Interest rate sensitivity of assets classified as Level 3 at 31 December 2021

A one-percentage point increase in all interest rates would reduce the value of the company's fixed-rate loans at fair value by NOK 266 million. The effect of a decrease in interest rates would be an increase of NOK 266 million in the value of fixed-rate loans at fair value. The amounts are calculated by duration, which is the remaining portion of the fixed interest period.

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

Since the company's fixed-rate lending at fair value has an unchanged credit spread, no change in fair value is attributable to a change in the credit risk. That applies both for 31 December 2021 and cumulatively.

NOTE 18: COVER POOL

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 overcollateralisation 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 and the company's own holding of covered bonds.

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

Cover pool	Fair value	
Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Lending to customers[2]	**90 813 366**	88 998 168
Substitute assets and derivatives:		
Financial derivatives without accrued interest (net)	**4 345 010**	9 663 684
Substitute assets[3]	**13 362 459**	12 994 572
Total cover pool	**108 520 835**	111 656 424
The cover pool's overcollateralisation[4]	**108.81%**	107.75%

Covered bonds issued		
Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Covered bonds	**99 399 605**	102 378 493
Premium/discount	**(211 236)**	(14 613)
Own holding (covered bonds)[1]	**549 000**	1 258 000
Total covered bonds	**99 737 369**	103 621 880

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

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

Cover pool	Nominal values	
Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Lending to customers[2]	**90 860 346**	88 839 105
Substitute assets:		
Substitute assets[3]	**13 292 049**	12 906 286
Total	**104 152 395**	101 745 391
The cover pool's overcollateralisation[4]	**109.72%**	109.98%

Covered bonds issued		
Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Covered bonds	**94 925 700**	92 509 050
Total covered bonds	**94 925 700**	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, bonds and certificates at fair value and repo agreements.

[4] Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 31 December 2021, liquid assets totalling NOK 1.3 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 10.11 per cent at fair value and 11.09 per cent at nominal value.

NOTE 19: OTHER FINANCIAL ASSETS

Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Prepaid expenses	**2 734**	2 636
Accrued interest	**103 109**	103 025
Short-term receivables	-	1
Total other financial assets	**105 843**	105 662

NOTE 20: LIQUIDITY RISK

Liquidity risk is the risk of the company failing to meet its commitments at the due date without major costs arising in the form of refinancing or the need for premature realisation of assets. In the worst case, liquidity risk is the risk of the company being unable to obtain sufficient refinancing to meet its commitments on the due date. The company has loans maturing in 2022 of NOK 10 billion net when the currency hedge is taken into account. At 31 December 2021, the company had liquid funds in the form of bank deposits amounting to NOK 1 billion, a securities portfolio of NOK 17 billion and an overdraft facility of NOK 50 million. These assets can be sold to cover the company's liabilities. A Note Purchase Agreement has also been entered into with the owners on buying the company's bonds.

More information and conditions related to the Note Purchase Agreement are provided in note 23. The liquidity risk is managed through set limits for funding structures, requirements for spreads on securities, tenors and markets, and the establishment of contingency facilities.

Liquidity risk

The tables show the undiscounted contractual cash flows of the financial liabilities

Financial liabilities as at 31 December 2021 Amounts in NOK 1 000	Book value 31 Dec 2021	Without predetermined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Financial liabilities								
Debt securities issued	103 648 169	-	764 478	3 717 740	6 680 949	77 049 147	19 970 661	**108 182 974**
Subordinated loan capital	724 342	-	675	3 338	15 107	758 634	-	**777 753**
Financial derivatives (net)	(4 682 410)	-	(186 157)	(10 343)	595 381	(1 239 563)	668 264	**(172 418)**
Loans from credit institutions[1]	3 269 520	3 269 520	-	-	-	-	-	**3 269 520**
Other debt with remaining term to maturity[2]	711 648	-	210 599	2 944	14 800	-	-	**228 343**
Total financial liabilities	**103 671 269**	**3 269 520**	**789 594**	**3 713 680**	**7 306 236**	**76 568 218**	**20 638 925**	**112 286 174**
Derivatives								
Financial derivatives (gross)								
Incoming flow		-	(66 747)	(116 031)	(764 916)	(35 431 220)	(17 038 925)	**(53 417 838)**
Outgoing flow		-	252 904	126 374	169 535	36 670 782	16 370 661	**53 590 256**
Financial derivatives (net)		**-**	**186 157**	**10 343**	**(595 381)**	**1 239 563**	**(668 264)**	**172 418**

Ordinary maturity is used as the basis for classification

Financial liabilities as at 31 December 2020 Amounts in NOK 1 000	Book value 31 Dec 2020	Without predetermined maturity	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	**Total**
Financial liabilities								
Debt securities issued	106 127 106	-	272 676	5 514 463	7 335 305	73 589 607	21 546 453	**108 258 505**
Subordinated loan capital	724 343	-	-	154 204	8 576	601 581	-	**764 362**
Financial derivatives (net)	(10 137 639)	-	(190 277)	(1 243 308)	(405 959)	(4 424 810)	(107 122)	**(6 371 475)**
Loans from credit institutions[1]	6 881 420	6 881 420	-	-	-	-	-	**6 881 420**
Other debt with remaining term to maturity[2]	792 002	-	213 756	2 476	6 328	-	-	**222 560**
Total financial liabilities	**104 387 232**	**6 881 420**	**296 155**	**4 427 836**	**6 944 250**	**69 766 379**	**21 439 332**	**109 755 372**
Derivatives								
Financial derivatives (gross)								
Incoming flow		-	(72 065)	(4 200 247)	(5 069 889)	(28 965 627)	(17 139 332)	**(55 447 161)**
Outgoing flow		-	262 342	5 443 555	5 475 848	33 390 438	17 246 453	**61 818 636**
Financial derivatives (net)		**-**	**190 277**	**1 243 308**	**405 959**	**4 424 810**	**107 122**	**6 371 475**

Ordinary maturity is used as the basis for classification

[1] Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. Eika Boligkreditt AS has been provided with such collateral in the form of cash in both 2020 and 2021. These cash sums are managed by Eika Boligkreditt AS for the duration of the collateral provision, and are recognised in the balance sheet as an asset with an associated liability. Both the cash asset held as bank deposits and the liability are thereafter measured at amortised cost.

[2] Accrued interest related to debt established through the issue of securities, subordinated loan capital and financial derivatives is included under the respective items.

NOTE 21: MARKET RISK

Market risk arises through the company's exposure in the interest and foreign exchange market.

Note 21.1 Interest rate risk

The company is also exposed to interest-rate risk related to net interest loss. Eika Boligkreditt finances its loan portfolio through external funding in the form of covered bonds and senior financing. Varying fixed interest rates and benchmark rates of interest on lending and borrowing affect the company's net interest income. The interest-rate risk is reduced to a great extent by adapting borrowing and lending to the same interest terms.

Interest sensitivity

Changes in the level of interest rates will have an effect on profits as a result of changes in both fair value and net interest income.

Effect on profit of a change in fair value

A one percentage point increase in all interest rates, calculated over a period of 12 months on the basis of the portfolio at 31 December 2021, would reduce the value of the company's assets at 31 December by NOK 53.3 million, while the value of liabilities would be cut by NOK 57.6 million. The net effect on pre-tax profit would consequently have been a increase of NOK 4.3 million. The effect of a decrease in interest rates would be an increase of NOK 53.3 million of the value of assets, an increase of NOK 57.6 million in the value of liabilities and an reduction in pre-tax profit of NOK 4.3 million. These amounts are calculated on the basis of duration – in other words, the remainder of the fixed interest period – for both assets and liabilities. The corresponding interest-rate hedge is taken into account when calculating duration. The valuation comprises the fair value of fixed-interest mortgages, bonds and certificates at fair value through profit and loss, derivatives and debt established through the issue of fixed-interest securities, which are financial instruments not measured at amortised cost.

Effect on profit of change in net interest income

The effect of a one percentage point increase in all interest rates would be to increase interest income at 31 December by NOK 1.06 billion, while interest expense would be increased by NOK 1.01 billion. The effect on net interest income would accordingly have been an increase of NOK 56.8 million. A reduction in interest rates would decrease interest income by NOK 1.06 billion and interest expenses by NOK 1.01 million. That would yield a reduction of NOK 56.8 million in net interest income. When calculating the profit effect on net interest income, the change in interest rates comprises the company's portfolio with floating interest rates and the fair value of fixed-interest mortgages, loans to and receivables from credit institutions, derivatives, bonds and certificates at fair value through profit and loss, debt securities issued and subordinated loans.

Overall effect on profit of changes in fair value and net interest income

A one percentage point increase in all interest rates would produce an overall change through fair value and net interest income of NOK 61.1 million in pre-tax profit. A reduction of one percentage point in all interest rates would produce an overall negative change through fair value and net interest income of NOK 61.1 million in pre-tax profit. It is assumed in the calculation that the distributor commissions are not affected by this change.

Note 21.2 Currency risk

The company has debts through covered bonds issued in euros. These debts are hedged through currency derivatives. This means that the company has no currency risk. An overview of the book value of financial instruments in foreign currencies is provided below. The table is stated in NOK. Fair value adjustments related to the interest element and changes in basis swap in the currency hedge on debt securities issued are not included in the statement.

Currency risk as at 31 December 2021

Amounts in NOK 1 000	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	Total
Debt securities issued in EUR	-	-	-	29 995 822	20 854 570	**50 850 392**
Currency derivatives in EUR	-	-	-	(29 995 822)	(20 854 570)	**(50 850 392)**
Net currency exposure	-	-	-	-	-	-

Currency risk as at 31 December 2020

Amounts in NOK 1 000	Term to maturity 0-1 month	Term to maturity 1-3 months	Term to maturity 3-12 months	Term to maturity 1-5 years	Term to maturity > 5 years	Total
Debt securities issued in EUR	-	5 233 823	5 230 507	31 316 668	16 610 015	**58 391 012**
Currency derivatives in EUR	-	(5 233 823)	(5 230 507)	(31 316 668)	(16 610 015)	**(58 391 012)**
Net currency exposure	-	-	-	-	-	-

NOTE 22: OTHER RISK

Risk relating to capital management

The need for liquid funds increases as a result of balance sheet growth. This means there is a need to increase the number of lines to place liquidity with solvent counterparties pursuant to the regulations governing covered bonds. The company is exposed to risk linked to capital management through securities in Norway, including government securities, municipal bonds, and Norwegian covered bonds. A framework for managing surplus liquidity has been established to limit the interest and credit spread risk on the investments. The management is subject to the reporting and position framework determined by the company's board of directors. This framework is reviewed once a year. The company's total market risk is assessed on the basis of stress scenarios prepared in line with the recommendations of Norway's Financial Supervisory Authority and the Basel Committee. See note 13.4 relating to certificates, bonds and other securities with a fixed yield.

Management and control of IT systems

The company's IT systems play a crucial role in accounting and reporting of implemented transactions, in providing the basis for important estimates and calculations, and in securing relevant supplementary information. IT systems are standardised, with parts of their management and operation largely outsourced to service providers. Good management and control of the IT systems, both in Eika Boligkreditt and at the service providers, are crucial for ensuring accurate, complete and reliable financial reporting.

NOTE 23: LIABILITIES

Amounts in NOK 1 000	**31 Dec 2021**	31 Dec 2020
Nominal value of bonds	**98 675 700**	96 259 050
Nominal value of certificates	**500 000**	-
Difference in fair value	**4 472 469**	9 868 056
Nominal value of subordinated loan capital	**725 000**	725 000
Difference in fair value	**(658)**	(657)
Total	**104 372 511**	106 851 448

Eika Boligkreditt has an overdraft facility with DNB Bank ASA (DNB). Amounting to NOK 50 million, this facility was undrawn at 31 December 2021 and 31 December 2020. Equity conditions apply to the overdraft facility.

Liquidity support from the owner banks is regulated by an agreement dated 10 May 2012 on the purchase of covered bonds. The main features of this agreement are that the owner banks, for as long as they have residential mortgage portfolios in the company and under given circumstances, are committed to provide Eika Boligkreditt with liquidity. This liquidity obligation is limited to the maturity of the company's covered bonds issued under the Euro Medium Term Covered Note Programme (EMTCN Programme) and associated swap agreements over the coming 12 months. To the extent that covered bonds have been purchased by the owner banks under the liquidity agreement and have not been redeemed, these are deducted from the calculation of each owner bank's outstanding liquidity obligation. Each owner bank's liquidity obligation is primarily limited to its pro rata share of the issued amount, which is calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their liquidity obligation pursuant to the agreement, the liquidity obligation of the other owner banks can be increased up to a limit of twice their original pro rata share.

The agreement on purchasing covered bonds can be terminated under certain conditions.

Conditions also apply to the lender concerning overcollateralisation. For CBs ascribed to the company's cover pool, requirements relating to overcollateralisation of 105 per cent apply to loans included in the EMTCN-Programme. This means that the company must at all times have assets in its cover pool that constitute at least 105 per cent of total outstanding covered bonds. See note 18 for more information.

At 31 December 2021, the company had bonds and certificates in issue with a nominal value of NOK 99 175 700 thousand.

Note 23.1 Debts from issuance of securities

Covered bonds

Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	**31 Dec 2021**	31 Dec 2020
NO0010605587	1 000 000	NOK	Fixed	5.20%	2011	2021	-	566 000
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	**1 500 437**	1 500 528
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	**998 149**	997 843
NO0010687023	150 000	NOK	Fixed	4.10%	2013	2028	**150 000**	150 000
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	**3 450 484**	7 988 242
NO0010733694	2 000 000	NOK	Fixed	1.75%	2015	2021	-	741 076
NO0010763022	850 000	NOK	Fixed	2.25%	2016	2031	**844 971**	844 430
NO0010780687	700 000	NOK	Fixed	2.60%	2016	2027	**699 640**	699 572
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43%	2017	2022	**5 001 746**	5 004 434
NO0010815376	1 600 000	NOK	Fixed	2.67%	2018	2033	**1 590 775**	1 589 944
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34%	2018	2023	**8 047 863**	8 046 550
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25%	2019	2024	**7 246 138**	7 244 704
NO0010881162	6 000 000	NOK	Floating	3M Nibor + 0.41%	2020	2025	**5 998 370**	5 997 886
NO0010921067	6 000 000	NOK	Floating	3M Nibor + 0.75%	2021	2026	**6 140 344**	-
NO0011135105	6 000 000	NOK	Floating	3M Nibor + 0.50%	2021	2026	**6 084 302**	-
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	**10 010 969**	10 454 132
XS1044766191	500 000	EUR	Fixed	1.50%	2014	2021	-	5 233 823
XS1312011684	500 000	EUR	Fixed	0.625%	2015	2021	-	5 230 507
XS1397054245	500 000	EUR	Fixed	0.375%	2016	2023	**5 001 009**	5 219 444
XS1566992415	500 000	EUR	Fixed	0.375%	2017	2024	**4 998 732**	5 218 604
XS1725524471	500 000	EUR	Fixed	0.375%	2017	2025	**4 993 737**	5 213 458
XS1869468808	500 000	EUR	Fixed	0.50%	2018	2025	**4 991 375**	5 211 030
XS1945130620	500 000	EUR	Fixed	0.875%	2019	2029	**4 975 358**	5 194 438
XS1969637740	10 000	EUR	Fixed	1.245%	2019	2039	**100 190**	104 703
XS1997131591	60 000	EUR	Fixed	1.112%	2019	2039	**601 046**	628 114
XS2085864911	5 000	EUR	Fixed	0.56%	2019	2039	**50 036**	52 286
XS2133386685	500 000	EUR	Fixed	0.01%	2020	2027	**5 064 162**	5 303 271
XS2234711294	500 000	EUR	Fixed	0.01%	2020	2028	**5 085 397**	5 327 202
XS2353312254	500 000	EUR	Fixed	0.125%	2021	2031	**4 978 381**	-
Value adjustments							**795 994**	2 616 270
Total covered bonds[1]							**99 399 605**	102 378 493

[1] For covered bonds ascribed to the company's cover pool, an overcollateralisation requirement of 5 per cent applies in accordance with the company's borrowing programme (Euro Medium Term Covered Note Programme). An overcollateralisation of five per cent is also necessary to maintain the Aaa rating from Moody's Investor Service.

Senior unsecured bonds

Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2021	31 Dec 2020
NO0010782048	500 000	NOK	Floating	3M Nibor +0.95%	2017	2022	**500 015**	500 522
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56%	2018	2022	**449 959**	449 894
NO0010834716	500 000	NOK	Fixed	3.01%	2018	2025	**299 739**	299 670
NO0010841620	300 000	NOK	Fixed	2.87%	2019	2026	**299 774**	299 718
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78%	2019	2024	**299 904**	299 860
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74%	2019	2024	**299 821**	299 750
NO0010851975	1 000 000	NOK	Floating	3M Nibor + 0.27%	2019	2021	**-**	299 978
NO0010874944	300 000	NOK	Floating	3M Nibor +0.58%	2020	2025	**299 822**	299 766
NO0010891351	500 000	NOK	Floating	3M Nibor + 0.50%	2020	2023	**499 875**	499 799.74
NO0010904642	500 000	NOK	Floating	3M Nibor + 0.65%	2020	2024	**499 744**	499 654.27
NO0010918113	300 000	NOK	Floating	3M Nibor + 0.45%	2021	2024	**299 938**	-
Total senior unsecured bonds							**3 748 593**	3 748 612

Senior unsecured certificates

Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2021	31 Dec 2020
NO0011099798	500 000	NOK	Floating	3M Nibor + 0.07%	2021	2022	**499 971**	-
Total senior unsecured certificates							**499 971**	-
Total debt securities issued							**103 648 169**	106 127 106

Subordinated loan capital

Amounts in NOK 1 000

ISIN	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2021	31 Dec 2020
NO0010759475	150 000	NOK	Floating	3M Nibor + 3.40%[1]	2016	2026	**-**	149 988
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40%[2]	2018	2028	**324 859**	324 729
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55%[3]	2019	2029	**249 726**	249 626
NO0010917735	150 000	NOK	Floating	3M Nibor + 1.04%[4]	2021	2026	**149 757**	
Total subordinated loan capital							**724 342**	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 are 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 are 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 are 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 are 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 24: OTHER LIABILITIES

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Accrued costs		
Commissions on bank lending	**209 984**	212 984
Accrued interest	**483 304**	569 428
Accrued employer's national insurance contributions	**1 403**	1 320
Deferred directors' fees	**760**	665
Accrued holiday pay	**2 355**	2 175
Other accrued costs	**-**	15
Total accrued costs	**697 806**	786 587
Other debt		
Accounts payable	**615**	772
Unpaid withholding tax	**1 185**	1 137
Unpaid VAT	**356**	19
Tax payable	**11 685**	3 488
Other debt	**-**	-
Total	13 842	5 416
Total other liabilities	711 648	792 002

NOTE 25: PENSION COST

The company is required to have an occupational pension scheme in accordance with Norwegian legislation on defined contribution pensions ("lov om innskuddspensjon"). The company has arrangements that comply with the statutory requirements. Eika Boligkreditt decided in 2016 to close its defined-benefit pension plan, which means that all employees are now covered by a defined-contribution scheme.

Defined contribution scheme

This scheme is based on an agreement that the company has to provide a contribution of seven per cent of pay rates from zero to 7.1 times the national insurance base rate (G) and 20 per cent of pay from 7.1 to 12 G. In addition, the company provides risk insurance that includes disability and children's pensions for those included in the defined contribution scheme.

AFP – early retirement pension

The AFP is an early retirement pension plan for the private sector enshrined in collective pay agreements. To benefit from the scheme, an employee must have been employed in a company affiliated to the AFP for seven of the nine years before they reach the age of 62. Premiums are calculated as a fixed percentage of annual pay between one and 7.1 times the National Insurance base rate (G). No premiums are paid for employees after the year they reach the age of 61. All employees in the company are members of the scheme from 1 April 2016. The premium paid is expensed.

Unfunded scheme

The company has an additional defined-contribution pension for the chief executive. In connection with this plan, a secured loan agreement provides that an amount corresponding to the pension obligation is deposited in an escrow account.

Pension costs and pension liabilities include employer's national insurance contributions.

	2021	2020
Number of employees in the unfunded scheme	**1**	1
Number of employees in the defined contribution pension scheme	**19**	19

Pension expenses

Amounts in NOK 1 000	2021	2020
Defined contribution pension schemes	**2 874**	2 461
Individual plan	**991**	981
AFP – early retirement pension	**343**	331
Net pension expenses	**4 208**	3 772

Pension commitments

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Value of pension funds	**6 926**	5 974
Pension liability	**6 926**	5 974

NOTE 26: SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital consists of 1 225 496 642 shares, each with a nominal value of NOK 1.00.
All shares were authorised, issued and fully paid at 31 December 2021

List of shareholders at 31 December 2021	Number of shares	Ownership share
Jernbanepersonalets Sparebank	85 557 116	6.98%
Jæren Sparebank	72 643 872	5.93%
Askim & Spydeberg Sparebank	56 018 699	4.57%
Skagerrak Sparebank	53 610 393	4.37%
Totens Sparebank	39 248 700	3.20%
Orkla Sparebank	38 432 868	3.14%
Romerike Sparebank	37 340 651	3.05%
OBOS-banken	36 296 533	2.96%
Odal Sparebank	35 019 453	2.86%
Grong Sparebank	32 433 620	2.65%
Sparebanken Narvik	32 023 955	2.61%
Skue Sparebank	28 055 740	2.29%
Melhus Sparebank	26 351 451	2.15%
Larvikbanken - Din Personlige Sparebank	26 050 130	2.13%
Drangedal Sparebank	25 822 322	2.11%
Aurskog Sparebank	25 609 637	2.09%
Eidsberg Sparebank	24 471 484	2.00%
Rørosbanken	23 440 274	1.91%
Romsdal Sparebank	22 991 617	1.88%
Sparebank 1 Nordmøre	21 931 075	1.79%
Sparebank 68° Nord	20 688 788	1.69%
Aasen Sparebank	19 256 462	1.57%
Sunndal Sparebank	19 026 551	1.55%
Arendal Og Omegn Sparekasse	18 520 438	1.51%
Selbu Sparebank	18 216 897	1.49%
Andebu Sparebank	18 055 615	1.47%
Bien Sparebank ASA	17 833 500	1.46%
Berg Sparebank	17 602 217	1.44%
Trøgstad Sparebank	17 329 195	1.41%
Østre Agder Sparebank	16 204 132	1.32%
Marker Sparebank	16 193 734	1.32%
Stadsbygd Sparebank	15 617 554	1.27%

List of shareholders at 31 December 2021	Number of shares	Ownership share
Sparebanken Din	15 298 290	1.25%
Tysnes Sparebank	15 283 427	1.25%
Grue Sparebank	14 885 515	1.21%
Strømmen Sparebank	14 646 642	1.20%
Sogn Sparebank	14 021 783	1.14%
Kvinesdal Sparebank	13 841 922	1.13%
Hjartdal og Gransherad Sparebank	12 609 806	1.03%
Hegra Sparebank	11 823 590	0.96%
Hemne Sparebank	10 563 446	0.86%
Hjelmeland Sparebank	10 216 925	0.83%
Birkenes Sparebank	9 960 231	0.81%
Blaker Sparebank	9 719 539	0.79%
Valle Sparebank	9 696 511	0.79%
Tinn Sparebank	9 575 520	0.78%
Nidaros Sparebank	9 570 012	0.78%
Ørskog Sparebank	8 930 606	0.73%
Evje Og Hornnes Sparebank	8 756 416	0.71%
Tolga-Os Sparebank	8 254 877	0.67%
Høland Og Setskog Sparebank	8 158 736	0.67%
Ørland Sparebank	7 953 018	0.65%
Oppdalsbanken	6 488 637	0.53%
Haltdalen Sparebank	6 066 879	0.50%
Rindal Sparebank	5 597 579	0.46%
Åfjord Sparebank	5 330 035	0.43%
Voss Veksel- Og Landmandsbank Asa	4 719 819	0.39%
Soknedal Sparebank	4 115 896	0.34%
Oslofjord Sparebank	2 922 033	0.24%
Bjugn Sparebank	2 674 205	0.22%
Gildeskål Sparebank	2 498 957	0.20%
Valdres Sparebank	2 264 703	0.18%
Etnedal Sparebank	1 156 414	0.09%
Total	1 225 496 642	100%

The shares have full voting rights pursuant to the company's articles of association.

NOTE 27: CAPITAL ADEQUACY RATIO

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Share capital	**1 225 497**	1 225 497
Share premium	**3 384 886**	3 384 886
Other paid-in equity	**477 728**	477 728
Other equity	**573**	1 018
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**5 088 684**	5 089 130
Fund for unrealised gains	**33 863**	27 588
Fund for valuation differences	**14 033**	13 911
Intangible assets	**(1 852)**	(3 270)
Deferred tax assets[1]	**-**	-
Prudent valuation adjustments of fair valued positions without accrued interest	**(25 584)**	(28 500)
Total core tier 1 capital	**5 109 143**	5 098 859

Core capital adequacy ratio (core tier 1 capital)	31 Dec 2021	31 Dec 2020
Risk-weighted assets	**37 295 905**	37 221 959
Core tier 1 capital	**5 109 143**	5 098 859
Core tier 1 capital ratio	**13.7%**	13.7%
Total core tier 1 capital	**5 109 143**	5 098 859
Tier 1 perpetual bonds	**575 000**	574 232
Total tier 1 capital	**5 684 143**	5 673 091

Capital adequacy ratio (tier 1 capital)	31 Dec 2021	31 Dec 2020
Risk-weighted assets	**37 295 905**	37 221 959
Tier 1 capital	**5 684 143**	5 673 091
Tier 1 capital ratio	**15.2%**	15.2%
Total tier 1 capital	**5 684 143**	5 673 091
Subordinated loans	**724 342**	724 343
Total primary capital (tier 2 capital)	**6 408 485**	6 397 434

Capital adequacy ratio (tier 2 capital)	31 Dec 2021	31 Dec 2020
Risk-weighted assets	**37 295 905**	37 221 959
Total primary capital (tier 2 capital)	**6 408 485**	6 397 434
Capital adequacy ratio	**17.2%**	17.2%
Required capital corresponding to eight per cent of risk-weighted assets	**2 983 672**	2 977 757
Surplus equity and subordinated capital	**3 424 813**	3 419 677

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

31 December 2021 Risk-weighted assets	Risk-weighted assets	Capital requirement
Credit risk[2]	35 069 086	2 805 527
Operational risk	235 614	18 849
CVA risk[3]	1 991 205	159 296
Total	**37 295 905**	2 983 672

Leverage ratio	31 Dec 2021	31 Dec 2020
Total leverage ratio exposure	**118 149 672**	123 706 197
Tier 1 capital	**5 684 143**	5 673 091
Leverage ratio	**4.8%**	4.6%

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] The European Banking Authority (EBA) published new recommendations in September 2016 for the definition of default, 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 default. 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 this new standard for assessing defaults, these are estimated to amount to NOK 44.5 million at 31 December 2021. This definition of default will affect the company's calculation of capital adequacy, where mortgages defined as in default have their risk weighting in the calculation base changed from 35 to 100 per cent, assuming that the LTV for the defaulting mortgages is below 100 per cent. The mortgages will also be deducted from tier 1 capital pursuant to article 47c of the CRR if the mortgage is entered into after 26 April 2019.

[3] At 31 December 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 risk-weighted assets comprised NOK 37.3 billion at 31 December. This amount represented a quantification of the company's risk. After account has been taken of the growth in overall lending, and in changes to the company's liquidity portfolio, operational risk and CVA-risk, the risk-weighted assets at 31 December 2021 was virtually unchanged from 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. As can be seen above, the applicable buffer requirement was met at 31 December 2021 with a core tier 1 capital ratio of 13.7 per cent. Capital support from the owner banks is regulated by a shareholder agreement dated 10 May 2012. This includes a commitment by the owner banks that, under given circumstances, they will have to provide the company with the capital required to maintain the company's applicable targets at any given time for tier 1 capital and total primary capital ratios, or higher tier 1 capital and/or total primary capital ratios as required or recommended by the Financial Supervisory Authority of Norway. The individual owner bank's capitalisation obligation is primarily limited to its pro rata share of capital issues, calculated on the basis of each owner bank's share of the company's mortgage portfolio. Should one or more owner banks fail to fulfil their capitalisation obligation pursuant to the agreement, the capitalisation obligation of the remaining owner banks can be raised to a limit of twice their original pro rata share. The agreement on purchasing covered bonds and the shareholder agreement can be terminated under certain conditions.

NOTE 28: OWNERSHIP

Eika Boligkreditt was demerged from Eika Gruppen AS with effect from 18 May 2012. Following the demerger, the company is owned directly by 62 Norwegian banks and OBOS (the owner banks). In conjunction with the owner banks becoming the shareholders of Eika Boligkreditt, a shareholder agreement was entered into which stipulates in part that the ownership of the company is to be rebalanced on an annual basis. This will ensure an annual adjustment so that the holding of each owner bank corresponds to its share of the company's residential mortgage portfolio.

Independent auditor's report

Deloitte.

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To the General Meeting of Eika Boligkreditt AS

INDEPENDENT AUDITOR'S REPORT

Opinion

We have audited the financial statements of Eika Boligkreditt AS (the Company), which comprise the balance sheet as at 31 December 2021, the income statement, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.
In our opinion

- the financial statements comply with applicable statutory requirements, and
- the financial statements give a true and fair view of the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Our opinion is consistent with our additional report to the Audit Committee.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.
To the best of our knowledge and belief, no prohibited non-audit services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided.
We have been the auditor of the Company for 19 years since the company was founded on 24 March 2003 for the accounting year 2003.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

IT-systems and control activities relevant for financial reporting

Key audit matter	How the matter was addressed in the audit
Eika Boligkreditt AS's IT-systems are essential for the accounting and reporting of completed transactions, in order to provide the basis for important estimates and calculations, and to provide relevant notes. The IT-systems are standardized, and parts of management and operation is outsourced to service providers. Refer to note 22 Other risk to	Eika Boligkreditt AS has established an overall governance model and control activities related to its IT-systems. We gained an understanding of Eika Boligkreditt AS's overall governance model for IT-systems relevant to financial reporting. We assessed and tested for the lending system the design of selected control activities relevant to financial reporting related to IT- operations, change management, and information

the financial statements for a more detailed description of development, management and operation of IT-systems in Eika Boligkreditt AS.	security. For a sample of these control activities, we tested if they operated effectively in the reporting period.

IT-systems and control activities relevant for financial reporting, cont.

Key audit matter	How the matter was addressed in the audit
Effective internal control related to the lending system at Eika Boligkreditt AS is vital to ensure accurate, complete and reliable financial reporting and is therefore a key audit matter.	We assessed and tested the design of selected automated control activities within the lending system related to among other calculations and preventive automated controls. For a sample of these control activities, we tested if they operated effectively in the reporting period. We used our own IT specialists to understand the overall governance model for IT-systems and in the assessment and testing of the control activities related to the lending system.

Valuation of financial instruments

Key audit matter	How the matter was addressed in the audit
Eika Boligkreditt AS has financial derivatives with a net value in the balance sheet of 4,7 billion NOK as per December 31, 2021 whereof combined interest- and currency swaps constitutes 4,6 billion NOK as per December 31, 2021. The estimates and judgmental assessments concerning the valuation of these financial instruments are described in note 2 and 8 to the financial statements. The risk related to valuation of financial derivatives is particularly related to financial derivatives that are not traded in an active market. At Eika Boligkreditt AS this is the case for their combined interest- and currency swaps used to hedge exchange and interest risk related to their funding. Elements of basis swaps are included in the valuation of these derivatives. Net gain and loss from basis swaps results in annual net gain and loss in the income statement as there is no corresponding change in fair value on the funding. Valuation combined interest- and currency swaps is therefore considered a key audit matter in our audit.	Eika Boligkreditt AS has established certain control activities related to the valuation of combined interest- and currency swaps. We have assessed the design of selected key control activities. For a sample of these control activities, we tested if they operated effectively in the reporting period. The control activities we tested were related to the calculation method, determination of the assumptions used and the reasonability of the net gain and loss from the value changes from basis swaps. We challenged management's selection of method and the applied assumptions by considering if these were in line with commonly used valuation standards and industry practice. For a sample of combined interest- and currency swaps, we reconciled the applied assumptions with the external sources used by the company. Based on the company's own assumptions we also calculated the accuracy of gain and loss related to value changes from basis swaps. We also assessed whether the information in related notes was adequate.

Other Information

The Board of Directors and the Managing Director (management) are responsible for the information in the Board of Directors' report and the other information accompanying the financial statements. The other information comprises information in the annual report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the information in the Board of Directors' report nor the other information accompanying the financial statements.

In connection with our audit of the financial statements, our responsibility is to read the Board of Directors' report and the other information accompanying the financial statements. The purpose is to consider if there is material inconsistency between the Board of Directors' report and the other information accompanying the financial statements and the financial statements or our knowledge obtained in the audit, or whether the Board of Directors' report and the other information accompanying the financial statements otherwise appears to be materially misstated. We are required to report if there is a material misstatement in the Board of Directors' report or the other information accompanying the financial statements. We have nothing to report in this regard.

Based on our knowledge obtained in the audit, it is our opinion that the Board of Directors' report

- is consistent with the financial statements and
- contains the information required by applicable legal requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on Corporate Governance and Corporate Social Responsibility.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the

financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Oslo, 8 March 2022
Deloitte AS

Eivind Skaug
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

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To the Board of Directors of Eika Boligkreditt AS

INDEPENDENT AUDITOR'S ASSURANCE REPORT ON EIKA BOLIGKREDITT AS' TCFD-REPORT FOR 2021

We have been engaged by Eika Boligkreditt AS to provide limited assurance in respect of the information presented in the TCFD Report Eika Boligkreditt AS ("the Report"), included in the Eika Boligkreditt AS' – Annual Report 2021. Our responsibility is to provide a limited level of assurance on the subject matters concluded on below.

Responsibilities of the Board of Directors

The Board of Directors are responsible for the preparation and presentation of the Report prepared in accordance with the Recommendations of the Task Force on Climate-related Financial Disclosures – Final Report, and other reporting criteria described in the Report. They are also responsible for establishing such internal controls that they determine are necessary to ensure that the information is free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express a limited assurance conclusion on the information in the Report. We have conducted our work in accordance with ISAE 3000 (Revised) Assurance Engagements other than Audits or Reviews of Historical Financial Information, issued by the International Auditing and Assurance Standards Board.

Deloitte AS is subject to International Standard on Quality Control 1 and, accordingly, applies a comprehensive quality control system, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement. Consequently, the level of assurance obtained is substantially lower than the assurance that would have been obtained had a reasonable assurance engagement been performed.

Considering the risk of material misstatement, our work included analytical procedures and a review on a sample basis of evidence supporting the information in the Report.

We believe that our work provides an appropriate basis for us to provide a conclusion with a limited level of assurance on the subject matters.

Registrert i Foretaksregisteret
Medlemmer av Den norske Revisorforening
Organisasjonsnummer: 980 211 282

Conclusions

Based on our work, nothing has come to our attention causing us not to believe that:

- The TCFD Report Eika Boligkreditt AS for 2021 is, in all material respect, prepared in accordance with TCFD's Recommendations of the Task Force on Climate-related Financial Disclosures – Final Report.
- The Report appropriately reflects the status for Eika Boligkreditt AS' work on climate and climate risk.

Oslo, 22 March 2022
Deloitte AS

Eivind Skaug
State Authorised Public Accountant (Norway)

Frank Dahl
Sustainability expert

Note: This translation from Norwegian has been prepared for information purposes only.

Key figures

Amounts in NOK 1 000	31 Dec 2021	31 Dec 2020
Balance sheet development		
Lending to customers	**91 326 994**	89 268 662
Debt securities issued	**103 648 169**	106 127 106
Subordinated loan capital	**724 342**	724 343
Equity	**5 773 485**	5 851 125
Equity in % of total assets	**5.0**	4.9
Average total assets[1]	**117 691 962**	120 881 106
Total assets	**114 860 841**	120 562 614
Rate of return/profitability		
Fee and commission income in relation to average total assets, annualised (%)	**0.7**	0.5
Staff and general administration expenses in relation to average total assets, annualised (%)	**0.03**	0.03
Return on equity before tax, annualised (%)[2]	**1.1**	3.0
Total assets per full-time position	**6 045 307**	6 345 401
Cost/income ratio (%)[3]	**116.9**	41.4
Financial strength		
Core tier 1 capital	**5 109 143**	5 098 859
Tier 1 capital	**5 684 143**	5 673 091
Total primary capital (tier 2 capital)	**6 408 485**	6 397 434
Risk-weighted assets	**37 295 905**	37 221 959
Core tier 1 capital ratio (%)	**13.7**	13.7
Tier 1 capital ratio (%)	**15.2**	15.2
Capital adequacy ratio % (tier 2 capital)	**17.2**	17.2
Leverage ratio (%)[4]	**4.8**	4.6
NSFR total indicator in %[5]	**99**	100
Defaults in % of gross loans	**0.05**	-
Loss in % of gross loans	-	-
Staff		
Number of full-time positions at end of period	**19.0**	19.0

Liquidity coverage ratio (LCR)[6]:	**31 Dec 2021**			31 Dec 2020		
	Total	**NOK**	**EUR**	Total	NOK	EUR
Stock of HQLA	**4 249 202**	**1 411 876**	**272 885**	8 517 840	1 108 257	604 650
Net outgoing cash flows next 30 days	**4 124 931**	**1 253 419**	**272 885**	8 349 856	915 486	604 650
LCR indicator (%)	**103%**	**113%**	**100%**	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 per cent of net interest income after commissions costs.
[4] Leverage ratio is calculated in accordance with the CRR/CRD IV regulations. The calculation of the leverage ratio is described in articles 416 and 417 of the regulations.
[5] NSFR total indicator: Is calculated in accordance with the CRR/CRD IV regulatory and is based on the Basel Committee recommendations.
[6] Liquidity coverage ratio (LCR): $\frac{\text{High-quality liquid assets}}{\text{Net outgoing cash flows next 30 days}}$

LCR indicators: Pursuant to the Financial Supervisory Authority's guidance for reporting LCR, the liquidity cover ratio is excluded when calculating the cover pool's overcollateralisation. At 31 December 2021, liquid assets totalling NOK 1.3 billion in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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