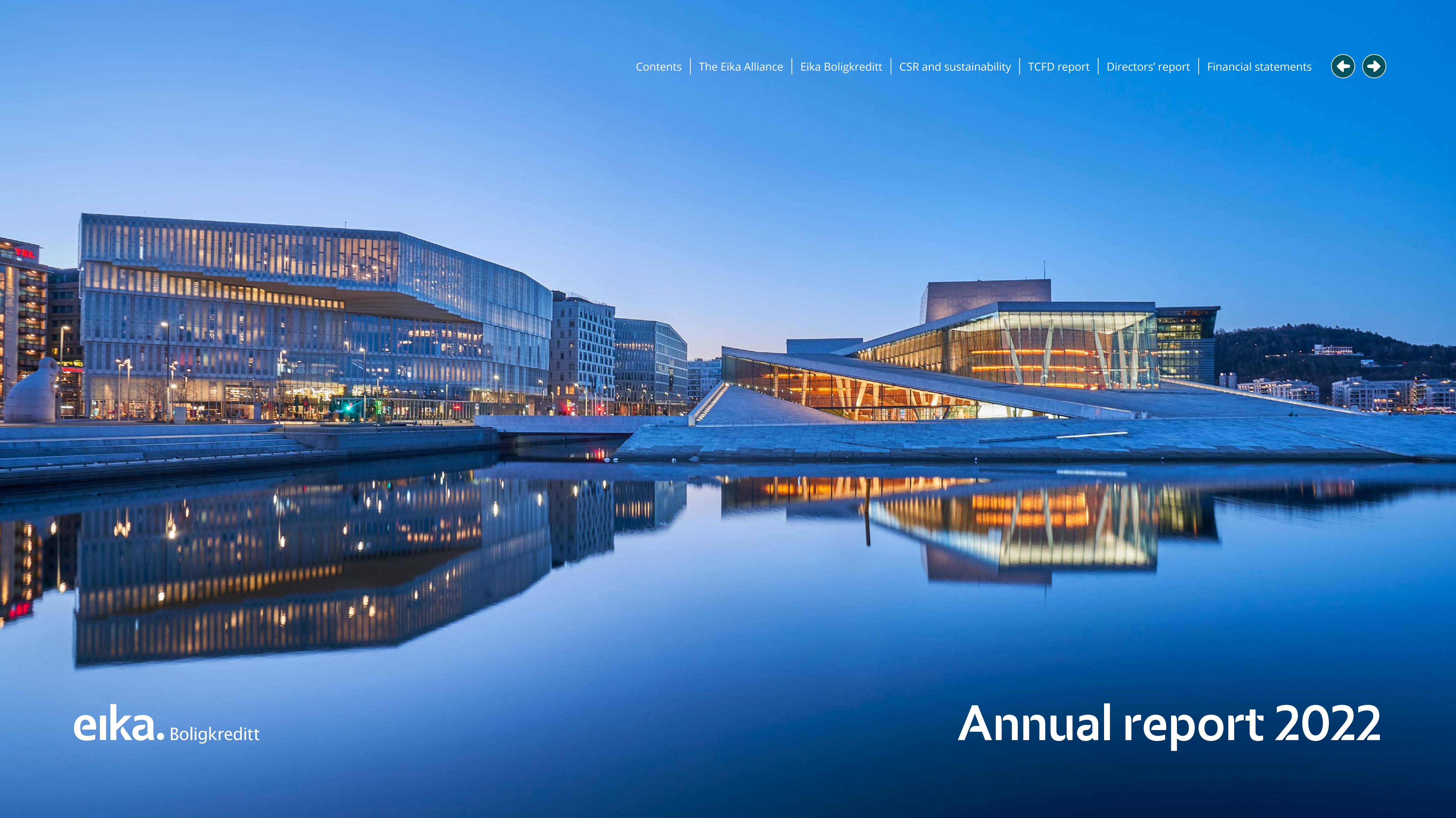
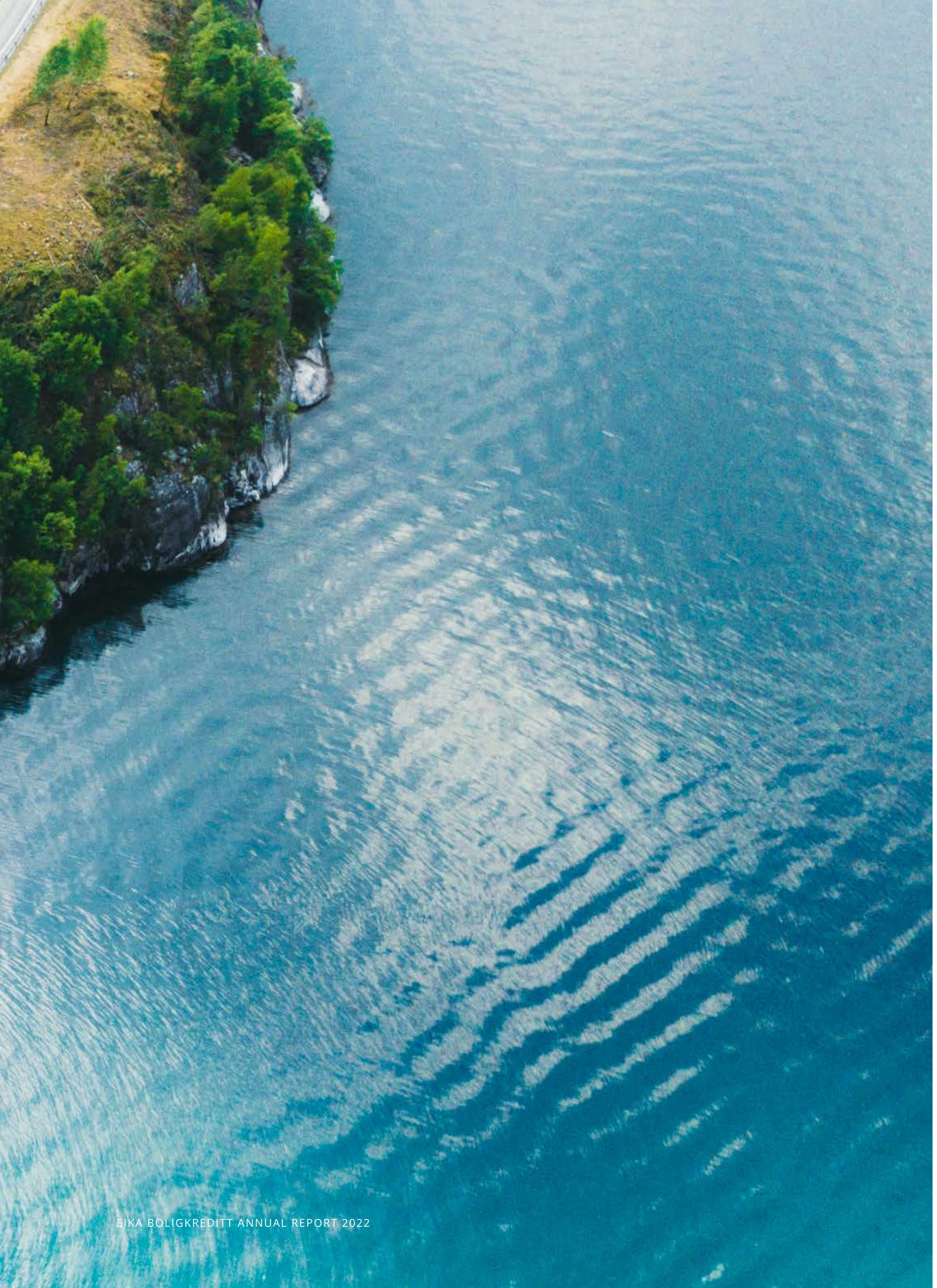


eika. Boligkreditt

Annual report 2022



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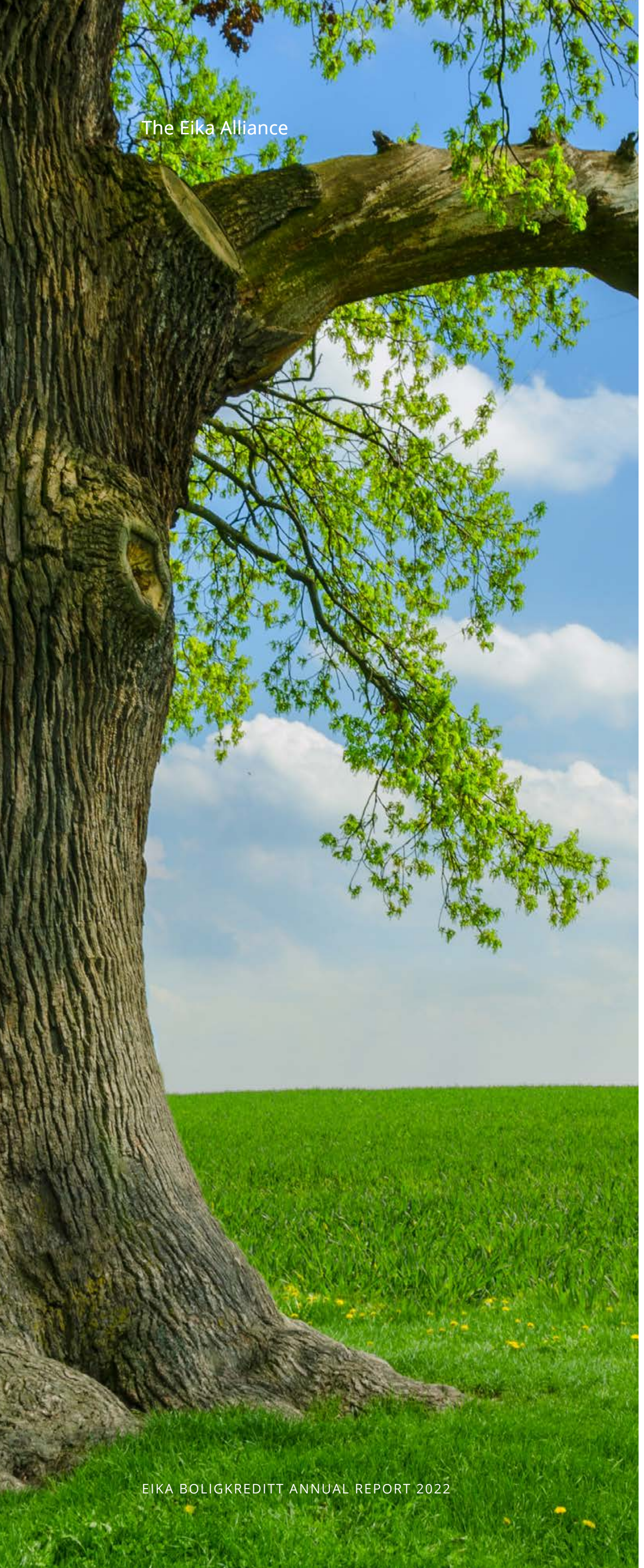


The Eika Alliance

The Eika Alliance comprises more than 50 local banks, Eika Gruppen and Eika Boligkreditt (EBK). The banks are spread over much of Norway, and contribute to economic growth, security and development in their market areas. Collaboration through the alliance provides them with substantial economies of scale. The Eika Alliance has total assets of about NOK 450 billion, some 750 000 customers and employees corresponding to roughly 1 800 full-time equivalents.

Eika Boligkreditt

Eika Boligkreditt AS is a credit institution owned at 31 December 2022 by 59 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 business markets.

Eika Gruppen

Eika Gruppen is owned by the banks. Its vision is to strengthen the local banks and to be Norway's most attractive partner for independent savings banks. The group's core business is to deliver good and cost-effective products and services, including a platform for bank infrastructure. Its product areas are insurance, savings, pensions, financing, payment processing and estate agency. Eika Boligkreditt was demerged from the Eika Gruppen financial group in 2012 and is directly owned by the local banks and OBOS.

Eika Boligkreditt in brief

History

2022

- The first banks have their residential mortgage portfolios in Eika Boligkreditt transferred during September from Banqsoft to the new core banking system supplied by Tietoevry.
- Eika Boligkreditt initiates a broadly entrenched project to comply with the internal ratings-based (IRB) standard for its credit framework and models, with the goal of being able to seek IRB approval of its residential mortgage portfolio.
- Odd-Arne Pedersen takes over in December as the company's new CEO after acting in this role since June.

2021

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

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 approves a new green bond framework.
- EBK also launches green residential mortgages, and the first loans in this category are made in December.

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. Commissions to the owner banks are increased correspondingly.
- EBK adopts Power BI as a visualisation and reporting tool to provide the owner banks with better insight into the financing they have received from the company.

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.

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.

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.

2009

- Total bank financing through Eika Boligkreditt 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.

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.

2005

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

2022 Highlights

18 employees

Eika Boligkreditt has 18 permanent employees. In addition, the company has an agreement with Eika Gruppen on purchasing services in a number of areas.

59 local banks

Eika Boligkreditt was directly owned by 59 local banks and OBOS at 31 December 2022.

345 local authorities

Eika Boligkreditt's cover pool includes mortgagees in 345 Norwegian local authorities.

127 billion total assets

Total assets were NOK 126.6 billion at 31 December.

53 thousand mortgages

Eika Boligkreditt has 53 383 mortgages in its cover pool.

413 million commisions

Distributor commissions to the owner banks totalled NOK 412.7 million, compared with NOK 800.9 million in 2021.

24.8 new issues

Eika Boligkreditt issued NOK 24.8 billion in bonds, with 41.2 per cent denominated in euro and 58.8 per cent in NOK.

Currency

53.4 per cent of the company's covered bonds are financed in euro, while 46.6 per cent are financed in NOK.

Mortgaged property

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

LTV

The average loan to value (LTV) on mortgages in the cover pool was 51 per cent.

Eika Boligkreditt in brief

Eika Boligkreditt is a credit institution which was directly owned at 31 December 2022 by 59 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 2022, the banks had transferred a total of NOK 96.2 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 126.6 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

59 local banks and OBOS [1]

51 local banks

Ownership structure and mangement

100%

Eika Boligkreditt AS

100%

Eika Gruppen AS

CEO Odd-Arne Pedersen

Risk manager Haakon Andreas Holtaas

IT manager André Gjertsen

Chief marketing officer Kurt E Mikalsen

Chief credit officer Chris Odden Andersen

Chief accounting officer Hugo J Henriksen

CFO 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, Boxwall AS, Trøndertaxi AS and Wellsoft AS.

Director since 2011.

Gro Furunes Skårsmoen
Director

Born: 1968.

Position: CEO Oppdalsbanken.

Education: MSc business economics, Norwegian School of Economics

Other directorships: director, Oppdal Eiendomsmegling 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
Vice chair

Born: 1962.

Position: CEO Marker Sparebank.

Education: Diploma, business economics, Master of management BI Norwegian Business School

Other directorships: director, Sparebankenes Eiendomsmegler AS.

Director since 2018

Torleif Lilløy
Director

Born: 1971.

Position: CEO Odal Sparebank

Education: Cand. Jur. University of Oslo, BSc economics and administration, Vestfold University College

Other directorships: chair Aktiv Eiendomsmegling Glåmdalsmegeleren AS, director, Eika bank collaboration committee and Zynkron AS.

Director since 2018.

Olav Sem Austmo
Director

Born: 1963.

Position: CFO, Aneo 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
Chief accounting officer

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.

Odd-Arne Pedersen
CEO

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 Hypotekforening.

Joined company in 2008.

Anders Mathisen
CFO

Born: 1967.

Education: MBE, BI Norwegian Business School , CFA.

Career: Terra Forvaltning, SEB, Norges Bank.

Joined company in 2012.

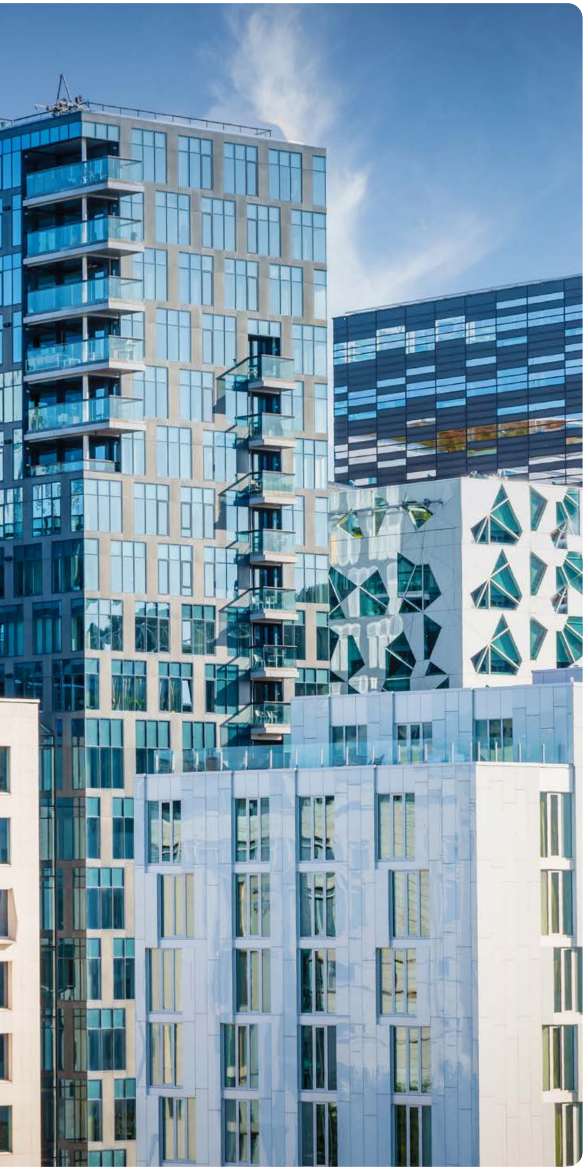
Chris Odden Andersen
Chief credit officer

Born: 1982.

Education: Accounting BI Norwegian Business School

Career: Eika Boligkreditt

Joined company in 2011.



A strategically important company for the banks

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

The decision by the local banks 20 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.

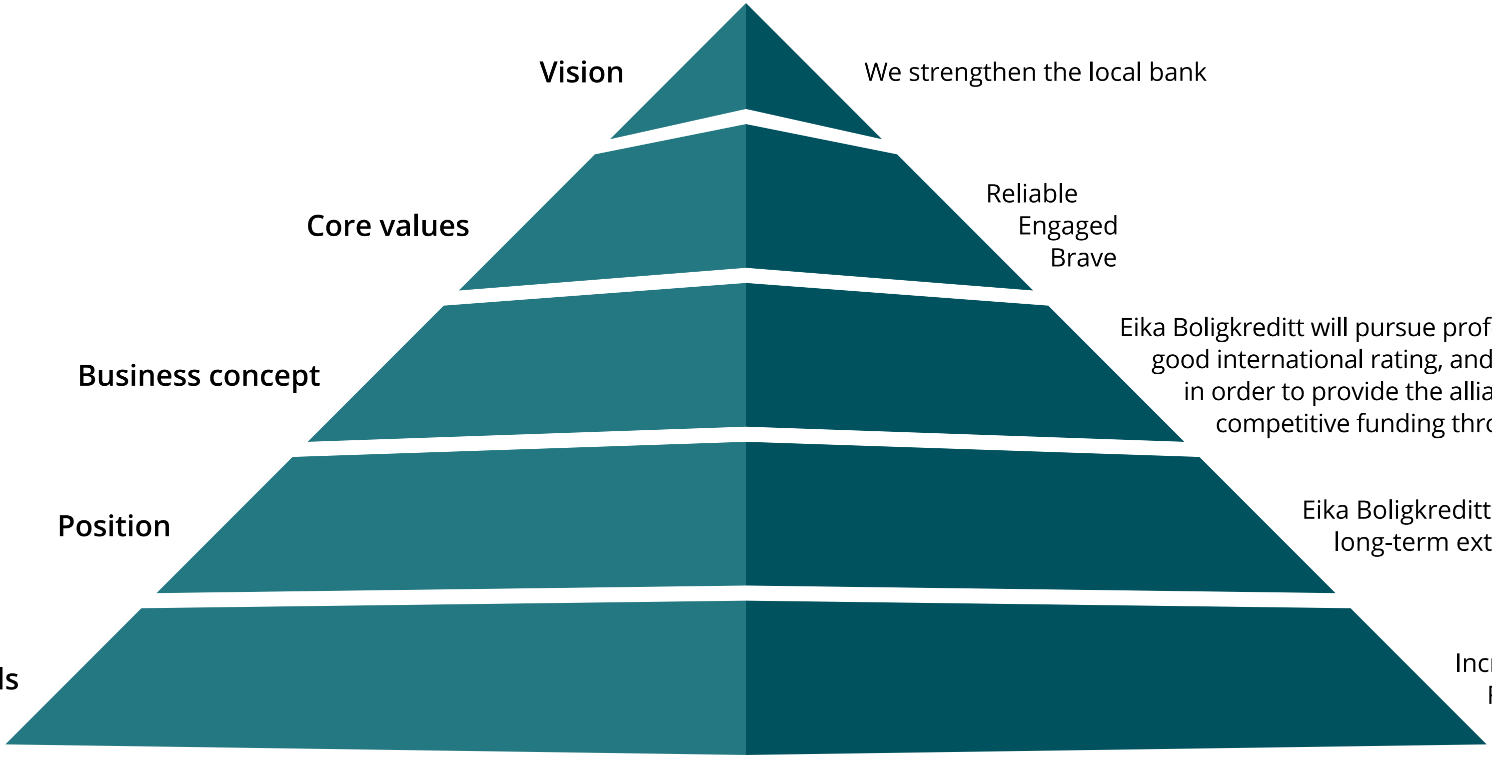
Through Eika Boligkreditt, the local banks and OBOS achieve indirect access to favourable financing in the Norwegian and international markets through the issue of internationally rated covered bonds. The local banks are active users of the company, and had secured NOK 96.2 billion in overall financing from Eika Boligkreditt at 31 December 2022. That corresponds to just under 65 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.

Eika Boligkreditt has initiated work to strengthen the credit quality of its residential mortgage portfolio through further development of today's framework and models for credit risk management. The aim is to achieve an internal ratings-based (IRB) standard for the credit framework and models so that they can be used to seek possible IRB approval for the company's residential mortgage portfolio.

Once the IRB system is operational, it will be possible to secure substantial economies of scale through a common risk management process for granting credit. This will initially cover private customers, but the increased internal expertise will also make it possible to strengthen credit risk management for the business market in the rather longer term. Possible synergies could include reduced losses on lending from improved customer selection and increased earnings in the credit arena through better pricing of credit risk. In the longer term, enhancing the professionalism of credit work throughout the value chain could yield a higher return on equity for the individual Eika bank. If the Eika Boligkreditt also succeeds in raising the IRB models to a level which allows it to secure approval of their use for capital purposes, it could also provide capital savings for the individual Eika bank as an additional contribution to improving their return on equity.

Strategy pyramid



Vision
We strengthen the local bank

Core values
Reliable
Engaged
Brave

Business concept
Eika Boligkreditt will pursue professional cultivation of financial markets, a good international rating, and high-quality collateral and risk management in order to provide the alliance banks with access to long-term and competitive funding through the issue of covered bonds.

Position
Eika Boligkreditt will be the channel of the owner banks for long-term external funding.

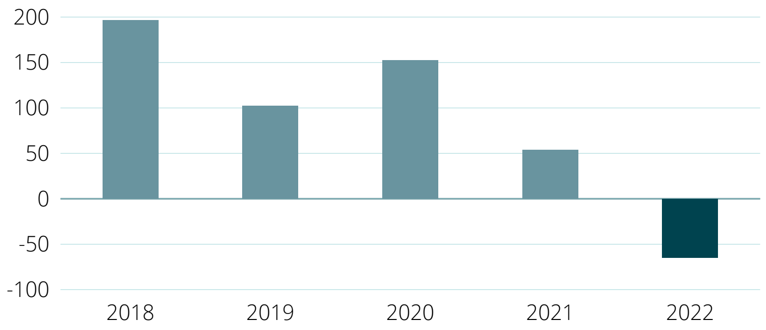
Strategic goals
Increase competitiveness for the owner banks.
Reduce risk for the owner banks.

Company priorities

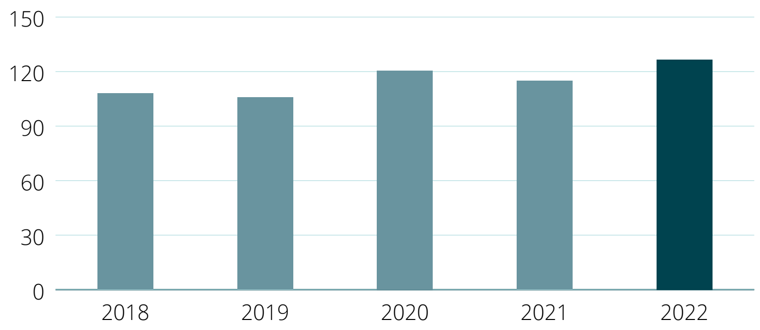
- Optimal use of covered bond financing
- Good international rating
- Profitability and cost-efficiency
- Prudent risk
- Quality at every level

Results and key figures

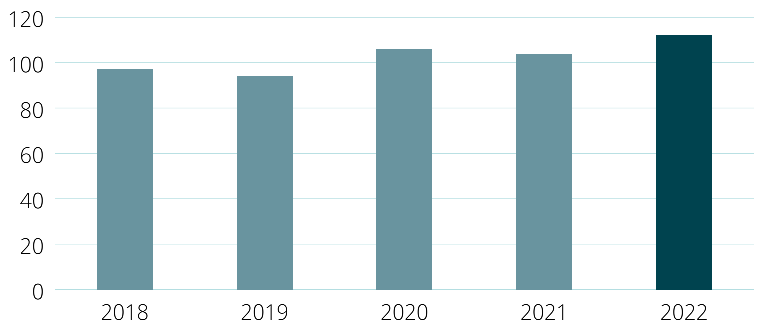
Profit before tax
Amounts in NOK million



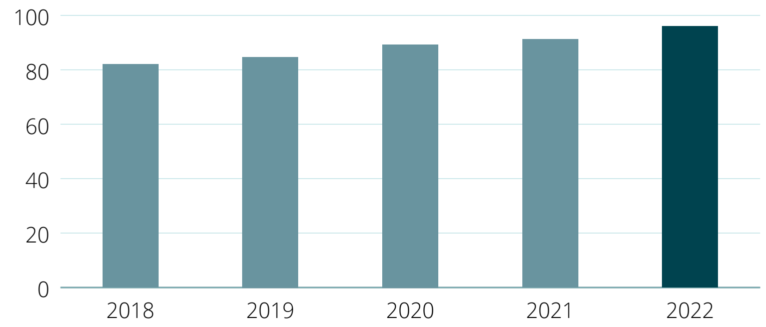
Total assets
Amounts in NOK billion



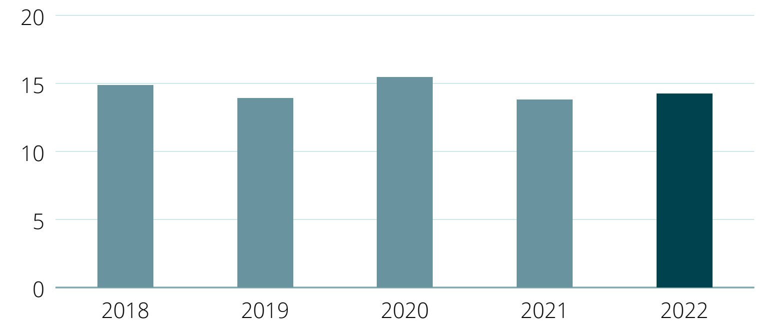
Borrowing portfolio
Amounts in NOK billion



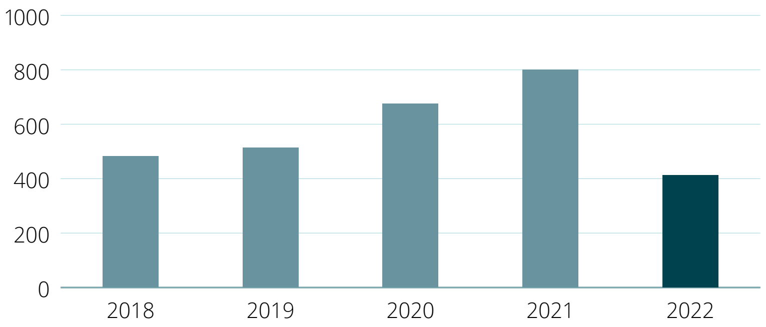
Mortgage portfolio
Amounts in NOK billion



New mortgages
in thousands



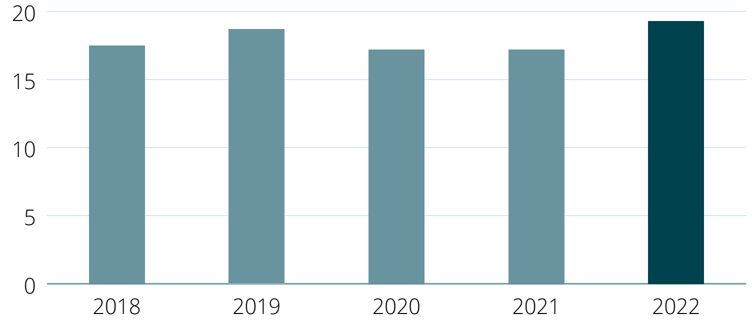
Distributor commissions
Amounts in NOK million



Results and key figures

Capital adequacy ratio[1]

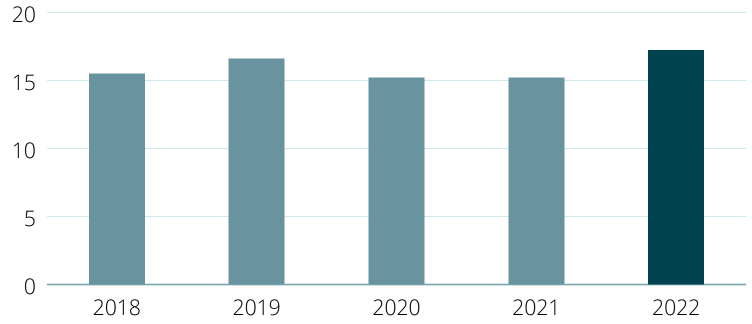
Value in per cent



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

Core tier 1 capital ratio

Value in per cent



Geographical distribution

By county

Agder	6.65%	Vestfold og Telemark	10.84%
Innlandet	5.64%	Troms og Finnmark	1.64%
Møre og Romsdal	3.88%	Trøndelag	17.79%
Nordland	3.84%	Vestland	3.59%
Oslo	9.73%	Viken	28.27%
Rogaland	8.13%		

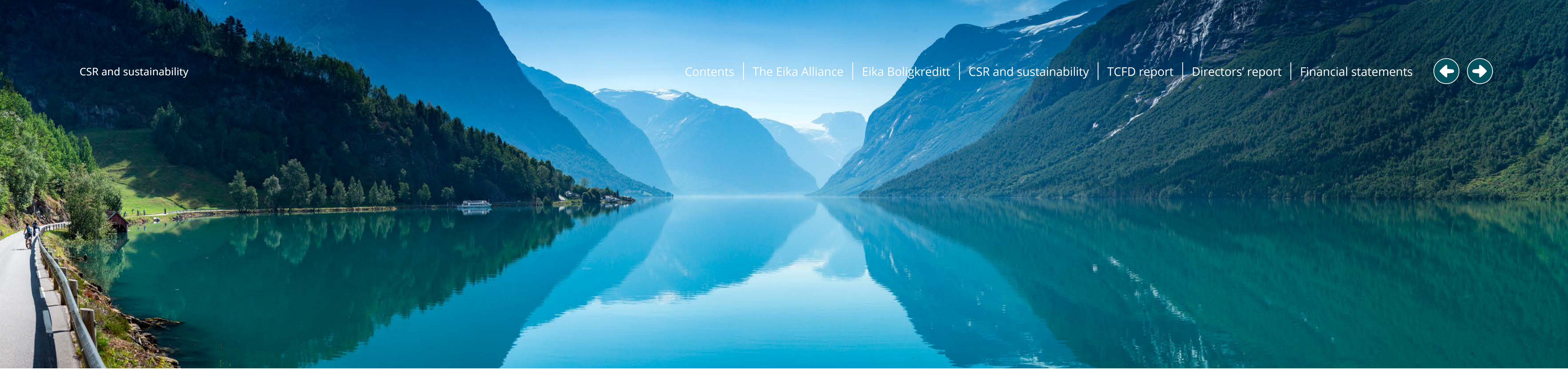
LTV[1]

Specified in per cent and NOK

0-≤40%	NOK	26 318.6	million	27.36%
>40%-≤50%	NOK	19 835.7	million	20.61%
>50%-≤60%	NOK	19 493.5	million	20.26%
>60%-≤70%	NOK	15 185.5	million	15.78%
>70%-≤75%	NOK	6 852.7	million	7.12%
>75%-≤	NOK	8 535.3	million	8.87%

[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.

Corporate social responsibility and sustainability



Sustainability and societal engagement

Eika's impact on the world at large

Economic growth and prosperity are intrinsic benefits which as many people as possible should have the opportunity to share in – but activities which contribute much of a positive nature may also have negative aspects. By contributing to growth, new companies, new homes, production and financing together with the local banks, the Eika group also helps to reduce greenhouse gas (GHG) emissions, consumption of materials and resources, and pressure on the natural environment.

The cumulative effect of centuries of growing emissions and discharges, resource consumption and loss of global biodiversity is reaching a level where people's future livelihoods are under threat. In coming years, humanity must reduce the negative consequences of its activities on the world at large to ensure that today's prosperity is not maintained at the expense of coming generations or the rights of the world population as people and workers.

Eika has big opportunities to contribute to sustainable development – and thereby also a great responsibility to ensure the sustainability of its business model. In order to achieve that, the group must first understand its impact on the world today.

Societal engagement

The local banks in Norway were established to contribute to financial and social sustainability in their respective communities. By creating opportunities for companies, jobs, residential mortgages and saving, they have contributed to a vigorous local society and inclusive economic progress. Eika's sustainability work builds on the commitment of the local banks to sustainable development over more than 150 years, both in its own work and by supporting the efforts of the local banks.

Eika's societal engagement is no longer confined to economic and social sustainability – this today involves both taking care of the local community and overcoming major global problems such as

Stakeholder analysis for Eika Gruppen

Banks
- Owners
- Customers
- Distributors

Employees
- In Eika Gruppen
- In the rest of the alliance
- Via partners

Partners
- Suppliers
- Investors
- Partners
- Franchisees

Investors
- Bondholders
- Other external owners
- Rating agencies

Customers
- Of the alliance banks
- Of Eika Gruppen
- Of franchisees in Aktiv
- Via partners

Government agencies
- In Norway
- In Europe

Society at large
- Media
- Interest organisations
- Competitors
- Companies part-owned by EKF
- Academia

Local communities
- Communities where the Eika Alliance is represented

climate change, loss of biodiversity and lack of respect for human rights. The financial sector plays an important role in the transition to greater sustainability locally, nationally and globally. As one of Norway's largest and most important players in this industry, Eika is conscious of its duty to make the necessary changes and accept responsibility for the group's impact on the world through its operations and value chain.

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 the 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 (Global reporting initiative (GRI) 2-23 b ii). Closeness to customers also gives the local banks a good basis for offering relevant products to the growing group of customers concerned about sustainability (GRI 3-3 for GRI 201).

Stakeholders

Eika has identified its most important stakeholder groups and significant issues for its interaction with these. The most important of them are the local banks, employees, customers, partners, government agencies, investors, local communities and society as a whole. Further important sub-categories of these groups are presented in the stakeholder overview on this page. The stakeholder analysis is the result of a cross-disciplinary collaboration involving all Eika companies, and is entrenched in the group management and board.

Extensive contacts are maintained through various channels with important stakeholder groups, and the local banks deal with and communicate significant issues of concern to their own customers and communities. Eika conducted questionnaire-based surveys of employees and local-bank customers in 2021 in order to identify important issues for sustainability work. During 2022, the group carried out in-depth interviews with a sample of local-bank customers. As a result, its annual sustainability week was also extended in 2023 to local-bank customers, providing advice aimed at increasing their awareness of simple steps they can take in their daily lives. Furthermore, Eika conducts regular employee and alliance surveys as well as being involved in a number of other relevant fora for dialogue. During 2022, the group participated in a range of discussions and collaborations on sustainable development with business partners and suppliers, industry associations and the alliance banks.

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 the group's 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."

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 (PRI)
- 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 corporate social (CSR) responsibility.

The group influences several of the SDGs, but sees that its impact may be greater for some selected targets than for others. Eika Boligkreditt supports the following SDGs and consider 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.

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

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). The company's ambition was to set a goal for the climate footprint of the

residential mortgage business during 2021. This target could not be met because Eika Boligkreditt is a financing source for lending activities in the alliance banks. A goal of net zero emissions in the residential mortgage business conducted through the company must be pursued via interaction with the setting of such objectives 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.

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 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

KPI	SDG	Status 2022	Status 2021	Goal
Employee satisfaction, index 0–100	8	**89**	88	≥80
Sickness absence	8	**3.7%**	1.8%	≤2.5%
Ambitions for internal promotion to senior posts	8	**3 of 3**	0 of 1	Qualitative assessment
Female proportion, employees	8	**4 of 18=22.2%**	5 of 19=26.3%	Short-term: ≥30% / 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	**-**	-	-
Alliance satisfaction, index 0–100	11	**85**	87	≥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	**0.7 bp**	0.5 bp	< +3 bp
Share of green mortgage collateral in the cover pool	13	**22.1%**	21.4%	≥ 20%
GHG emissions, CO_2 equivalent, residential mortgage business	13	**184 200 t CO_2 (European mix)**	192 300 t CO_2 (European mix)	Not specified
GHG emissions, CO_2 equivalent, other business	13	**18.9 t CO_2**	9.5 t CO_2	≤ 21.6 t CO_2 in 2025, down 27.3% from historical average (2012–19)

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, Eika Gruppen conducted an impact analysis in 2021 with the aim of learning 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). Some minor adjustments were made to the materiality analysis in 2022 by adapting the main sectors to the updated sustainability strategy, and plans call for the analysis to be revised in 2023. 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 for 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. These all receive considerable attention already in the group. Combined with findings from other analyses conducted internally, including on stakeholders and materiality, insights from this work will help to shape Eika Gruppen's continued commitment to sustainability. By publishing this 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 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 environmental, social and governance (ESG) considerations 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 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 during 2021 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.

Strengthening the banks as drivers of sustainable growth and development

Eika exerts its biggest impact on the world at large through the local banks. By strengthening these in terms of sustainability, the group can help to reduce actual negative effects of the value chain on climate/the environment and social conditions through raising awareness, enhancing insight, and customisation.

The group will contribute to sustainability work at the local banks in such areas as bank systems and services, customer interfaces, procurement, expertise and insight. This requires that deliveries to the banks accord with ever-growing demands for and expectations of sustainability. Eika will offer relevant courses and competence enhancement for advisers, and communicate well and effectively with the banks about sustainability in the group's products. It will equip the banks to provide good advice and understanding to customers on sustainability, and communicate relevant requirements in this area to the customer. The banks will receive regular information on where demands and expectations are expected to increase in the future, and Eika will promote experience-sharing within the alliance in the sustainability area.

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. 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 at both their customers and their own operations.

An important precondition for Eika's ability to strengthen the local banks is the way it discharges its role as a reliable financial player with good management and control.

Important milestones in this respect include the following.

- Launching green residential mortgage products (2020 and 2021).
- Incorporating sustainability assessments in credit evaluations for business customers of the banks, with associated courses and webinars (2021). A total of 8 200 ESG evaluations were conducted in the alliance during 2022.
- Impact analysis for Eika Gruppen and the alliance banks (2021).
- Updated ESG courses for employees throughout the alliance, launched in the autumn of 2022, and made mandatory by a number of the banks. More than a third of the alliance workforce have completed the course's foundation module.
- Eika's sustainability week was staged for the third time in January 2023. All employees in Eika Gruppen, Eika Boligkreditt and the local banks were offered daily professional messages, articles and activities during this period. The purpose was to increase their expertise on and engagement with sustainability. The 2023 week was also extended to customers of the local banks through a separate customised programme.

Furthermore, Eika gave priority in 2022 to supporting familiarisation at the banks with ever-growing demands and expectations. Eika Gruppen, for example, supported the banks in connection with the Norwegian Transparency Act, guidance on materiality analyses and sustainability reporting, and an overall assessment of how the market's expectations are expected to increase in the time to come. Priorities are set on the basis of extensive dialogue with the local banks and knowledge about the expectations of customers, investors and the government.

Driver for climate- and environment-friendly value creation

The world faces an acute climate and environmental crisis. As a financial institution, Eika has great opportunities – and responsibilities – for promoting climate- and environment-friendly value creation. Through the shaping of its services and products as well as conscious choices for the value chain, the group can reduce emissions/discharges and other negative impacts on the natural environment. The ambition is to comply with the Paris agreement on net zero emissions in Eika's operations and products by 2050 at the latest, while simultaneously respecting the upper limits of the planet's other tolerances. This is in line with the group's obligations under the UN principles for responsible banking.

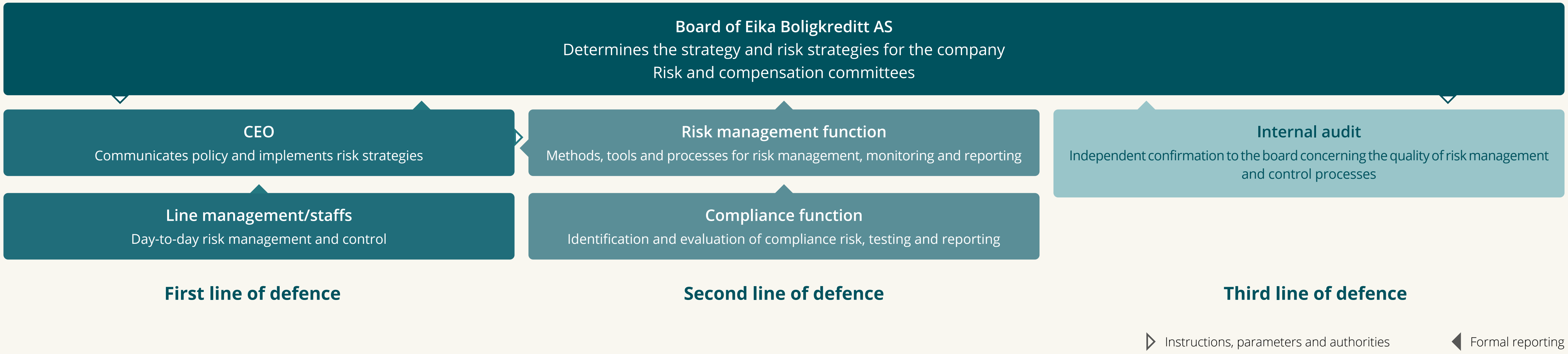
Efforts will be pursued in 2023 to enhance the environmental dimension throughout the group, including nature risk, and to look more closely at the best way Eika can incorporate a precautionary approach in line with the UN principles on responsible business.

Eika prepares an annual climate accounting. During 2022, the group participated in a work group established by Finance Norway to develop guidance for calculating financed emissions. A priority project for 2023 is to calculate scope 3 emissions from Eika's products, in part through a work group under the UN principles for responsible banking. This will provide an important basis for setting relevant sub-goals aimed at achieving net zero emissions.

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 2022

Great attention was devoted during 2022 to the transition to a new core banking system. In that connection, work has been done from the third quarter of 2021 to assess risk and identify associated measures required in relation to the changeover. Overarching attention has been paid to ensuring that the new solution meets necessary requirements on functionality, reporting, operation, processes and legal compliance for Eika Boligkreditt.

Eika Boligkreditt devotes continuous attention to money laundering and terrorism financing. Where the new core banking system is concerned, the company has concentrated on a satisfactory anti money laundering (AML) module to meet the company's requirements for independent and enterprise-focused risk assessment. Other high-profile issues include measures to ensure that Eika Boligkreditt operates in compliance with the applicable regulations. It has been necessary to revise the routines and acquire more specific and detailed information about customers classified as high risk.

The company has outsourced such activities as management of the lending and borrowing systems as well as the operating system and various support systems. Outsourcing is therefore of critical significance for the operational business. Its scope has increased with the transition to the new core banking system because the banks manage the residential mortgages while Eika Boligkreditt receives activity reports. The company is therefore pursuing a project to establish a robust control regime for following up Eika Gruppen and subcontractors.

Work was initiated in 2022 on strengthening credit quality in the company's residential mortgage portfolio through continued development of today's framework and models for credit risk management.

Where sustainability and CSR are concerned, attention has been devoted to further analysis of climate risk – including physical and transition risk – in the residential mortgage portfolio as part of the internal capital/liquidity adequacy assessment processes (ICAAP/ILAAP). Eika Boligkreditt's strategy will incorporate considerations related to climate and sustainability risk, and its risk strategies will deal with this issue – including explicit reference to credit cases in the company's credit manual. Sustainability courses tailored for various parts of the Eika Alliance were run by the Eika School in the fourth quarter of 2022. Furthermore, compliance checks of the ESG

area were conducted during the year with attention concentrated on liquidity and financing, as well as publication of information on the company's website.

The framework related to data protection was established in its current form in 2018. As in earlier years, great attention was devoted to compliance with the general data protection regulation (GDPR) – including a particular concentration 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, and are reliable, engaged and brave. 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 is in overall charge of 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 for 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 by the directors.

IT security

Eika Security 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 Security 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 made via online and mobile banking monitored to prevent fraud.

Eika Security 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 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.

One deviation was registered by the company in the data protection area during 2022, compared with two the year before. This incident related to follow-up of the banks in the AML area. No cases were reported in 2022 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 2021 or 2022.

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).
   These requirements were tightened in 2022 for mortgages in the cover pool to require TEC 10 and TEC 17 for other small residences as well.
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 or later.
3. Older residential units, built before TEC 10 for flats and TEC 07 for other small residences with energy class C or 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 and 2022 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 just over 8 500 residential mortgages totalling NOK 20 billion which meet these criteria. Of mortgage collateral added to the cover pool in 2022, 22.1 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.

Clarification of the national definition for a near-zero emission building was provided by the Norwegian government on 31 January

2023. 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 zero-emission buildings minus 10 per cent. Eika Boligkreditt will begin the process of updating its green-bond framework during the first quarter of 2023 in order to distinguish between requirements for new and existing buildings in the framework, and expects to have completed this work by 30 June.

A second successful EUR 500 million issue of green covered bonds was conducted by Eika Boligkreditt in the bond market on 14 September 2022. This demonstrated yet again that the Eika Alliance can achieve long-term green financing in the international financial market.

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 which the ethical council for Norway's government pension fund global (SPU) has placed 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/en/the-fund/responsible-investment.

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

- **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 dissociate 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 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 offer 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 Eika Kapitalforvaltning's activities, and to implement ESG in the savings and investment products Eika manages. Requirements are also set for satisfactory ESG reporting by the companies invested in. Eika will also be an active owner and collaborate with other investors to promote responsible investment.

The ESG guidelines adopted by Eika Kapitalforvaltning also specify further detailed requirements for the companies and industries it can invest in. This ensures consistency in the requirements set for the various companies in different markets, and documents that Eika is actually doing what it says it is. The ESG strategy means that communication related 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. In-depth ESG information was available for 97 per cent of Eika Kapitalforvaltning's equity investments in 2022, compared with 94 per cent the year before. The carbon footprint of these investments, measured in tonnes of CO_2 per USD million invested, was 122.62 in 2021 and 132.33 in 2022.

An ESG policy established for liquidity portfolios 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 when 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/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 for making sure that customers do not take on commitments they cannot service, and for 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.

The company had no non-performing loans where the outstanding instalment was more than 90 days overdue at 31 December 2022. 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 2.1 million at 31 December 2022, compared with NOK 43 000 a year earlier. The increase in calculated expected loss at 31 December 2022 primarily reflects a change to the company's method for calculating LTV. New expectations of future house price developments are applied in the calculation. The provision of NOK 1.16 billion in credit guarantees by the owner banks at 31 December 2022 means the company recognised no accounting loss in the fourth quarter of 2022.

On the basis of the new standard for assessing non-performance, non-performing loans at 31 December 2022 are calculated to total NOK 23.7 million or 0.02 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 2022, Eika Boligkreditt established and paid out on 91 green residential mortgages totalling NOK 314 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.

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. In accordance with the conversion plan, the first banks were transferred 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 was pursued during much of 2022, and the end result was launched and adopted by the banks and Eika Boligkreditt in mid-February 2023.

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 a minimum of three 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. In 2022, the Norwegian Finance Industry's Authorisation Schemes (FinAut) offered 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.

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 2022. 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 2022, the average LTV ratio in the cover pool was 51 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 2022, the average LTV ratio for this type of mortgage in Eika Boligkreditt was 26.9 per cent.

Green homes

Eika Boligkreditt has carried out an analysis of its cover pool which specifies 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, 8 442 of the 49 836 residential units in the cover pool at 31 December 2022 (31 December 2021: 8 398) qualified as green homes, as did 49 of the 480 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 973 gigawatt-hours (GWh) in 2022 (2021: 994 GWh). The average requirement for the mortgage-financed share of the green residential units was 116 kilowatt-hours per square metre (2021: 118 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 8 900 tonnes of CO_2 per annum (2021: 8 800 t/CO_2) 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 with the aim of incorporating the 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 uses the same method applied by Multiconsult in its analyses. This company quality-assured the results obtained at 31 December 2022 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 share in the residence. If the company finances 50 per cent of the LTV 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 overall 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)		2022	Cumulative
Flood zone		1 340	1 340
Flood zone	10-year	91	91
Flood zone	20-year	65	156
Flood zone	50-year	52	208
Flood zone	100-year	98	305
Flood zone	200-year	373	679
Flood zone	500-year	126	805
Flood zone	1000-year	535	1 340
Storm surge		342	342
Storm surge	20-year	201	201
Storm surge	200-year	108	309
Storm surge	1000-year	34	342
Landslide		235	235
Rock hazard zone	100-year	7	7
Rock hazard zone	1000-year	142	148
Rock hazard zone	5000-year	194	342
Quick clay		1 700	1 700
High hazard		262	262
Medium hazard		889	1 150
Low hazard		1060	2 210

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 44 million, or about 12 per cent, from NOK 373 million to NOK 417 million. Similarly, storm surge hazard zones have also been calculated for 2050 and 2090. Exposure to 200-year storm surges in 2090 is estimated at NOK 148 million, up by almost 40 per cent from the same risk category today.

Natural perils cost Norway's insurance companies some NOK 830 million in 2022, almost a doubling from the year before. Storm damage accounted for 68.5 per cent of the 2022 claims, floods for 21.8 per cent and landslides for 8.4 per cent. 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, landslide, 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 2022, intense downpours cost almost as much as the claims met through the pool over the past 10 years. Total compensation paid for natural and weather damage over the past decade came to more than NOK 28 billion for buildings and contents. 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 by 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 through a requirement in the mortgage terms on insuring the mortgage object.

EU taxonomy

Eika Boligkreditt was not subject to reporting requirements related to the EU taxonomy in 2022. Residential mortgages account for 75.7 per cent of the company's total assets. These loans will be covered by the taxonomy regulations (taxonomy eligible). Other assets subject to the taxonomy regulations are the company's derivatives and substitute assets (excluding exposures to central governments and supranational issuers), which account for 4.1 and 15 per cent of total assets. In order for the company's residential mortgages to be categorised as green (taxonomy aligned) pursuant to the taxonomy regulations, the mortgaged object must be among the 15 per cent most energy efficient residences in Norway and built before 2021. At 31 December 2022, 11.1 per cent of the company's total assets could be categorised as sustainable residential mortgages (taxonomy aligned).

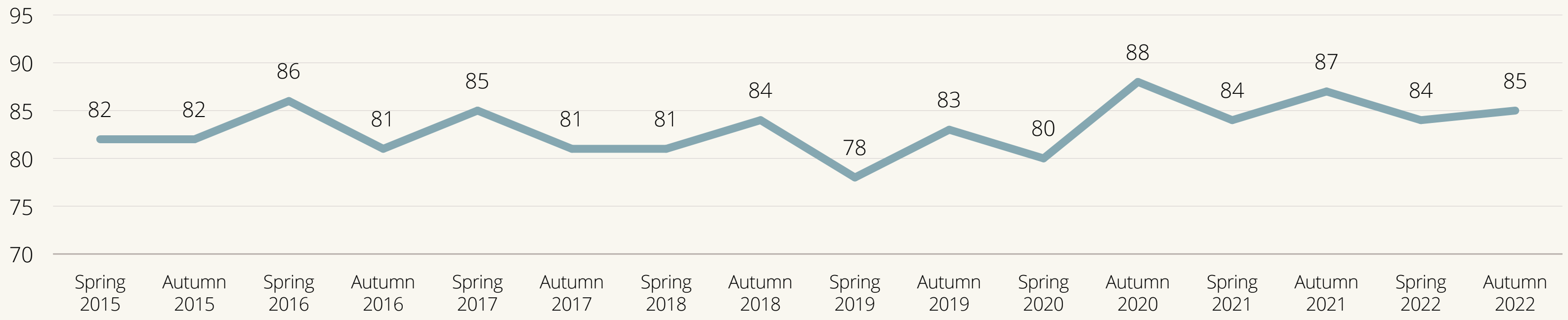
Eika Boligkreditt as a supplier

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 2022, gave the company a score of 85 points.

I am very satisfied with the deliveries our bank receives from Eika Boligkreditt

Best score is 100



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 obligations 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 2022. 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 18 permanent employees at 31 December 2022. 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 2022.

The Eika Alliance has a common digital learning platform (learning management system – 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 2022 was 89, with sub-sector scores ranging from 81 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 2022 amounted to 3.7 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 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	56%
Specialists and support functions	
Women	83%

Average pay for women is 56 per cent of the male average in the company. In the sub-category of specialists and support functions, which involves 13 full-time equivalents including four women, average pay for females is 83 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, 11.1 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 four 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. Most of the company's employees therefore 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.

Three internal promotions were made in 2022, and women accounted for 22.2 per cent of the workforce and 17 per cent of the board at 31 December 2022. 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.

Two new employees were appointed in 2022 and two departed. The age and gender composition is presented in the table.

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

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

That represented a staff turnover of roughly 11 per cent for Eika Boligkreditt in 2022. The company's workforce corresponds to 18 full-time equivalents.

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	1	0	4
Specialists and support functions	**< 30**	**30–40**	**41–50**	**> 50**
Women	1	1	0	2
Men	4	4	1	0

Board of directors	< 30	30–40	41–50	> 50
Women	0	0	0	1
Men	0	0	1	4

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 reliable, engaged and brave.

It is often the case that no unambiguous answer exists to the question of what behaviour would 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 these recruits. 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 culture where 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 fundamental 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, fundamental human rights and decent working conditions. The procedure also makes provision for employees to notify anonymously if they so wish. Eika Boligkreditt received one whistleblowing notification in 2022. An overview of notifications received in the past three years is presented below.

Notifications received	2020	2021	2022
Number	0	0	1

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 in terms of 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.

Eika Boligkreditt's suppliers must 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 formalised ESG requirements for suppliers and their sub-suppliers, and the follow-up of these by the contract owner. The project resulted in a new policy document on procurement in the first half of 2022.

Eika Gruppen is both a major supplier to Eika Boligkreditt and the local banks, and responsible for substantial procurement on their behalf. Eika Gruppen secured Eco-Lighthouse certification in 2021, and part of its certification deals with procurement work and 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.

Pursuant to the Norwegian Transparency Act, the company is required to conduct due diligence assessments as specified by the OECD's guidelines for multinational companies in order to take care of fundamental human rights and decent working conditions in its operations. Such evaluations can be described as a process where a company identifies, prevents, restricts and accounts for its handling of existing and potential negative consequences of its business. The assessment must be carried out regularly and be proportionate to the undertaking's size and nature, the context in which it operates, and the level of seriousness and probability of negative consequences for fundamental human rights and decent working conditions. As part of the process, Eika Boligkreditt identifies and assesses actual and potential negative consequences for fundamental human rights and decent working conditions which its business has either caused or contributed to, or which are directly related to its business, products or services through the value chain or commercial partners.

Eika Boligkreditt has a low risk profile, and its business is located exclusively in Norway with strict requirements applied for environmental protection and social rights. The company wants to contribute to sustainable development of the environment, people and society, which includes taking responsibility for fundamental human rights and decent working conditions being respected in connection with its business. Eika Boligkreditt's suppliers and business associates provide written confirmation that they will comply with its procurement policy. Furthermore, business associates receive a questionnaire when a commercial relationship is established which is reassessed regularly and ensures that Eika Boligkreditt is able to conduct detailed mapping of the associate's impact. Due diligence assessments by the company have not identified actual negative consequences or significant risk of such outcomes for fundamental human rights and decent working conditions in the business.

The due diligence processes are broadly entrenched in the company, and all managers provide annual confirmation that the requirements of the Transparency Act are met in their area of activity.

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.

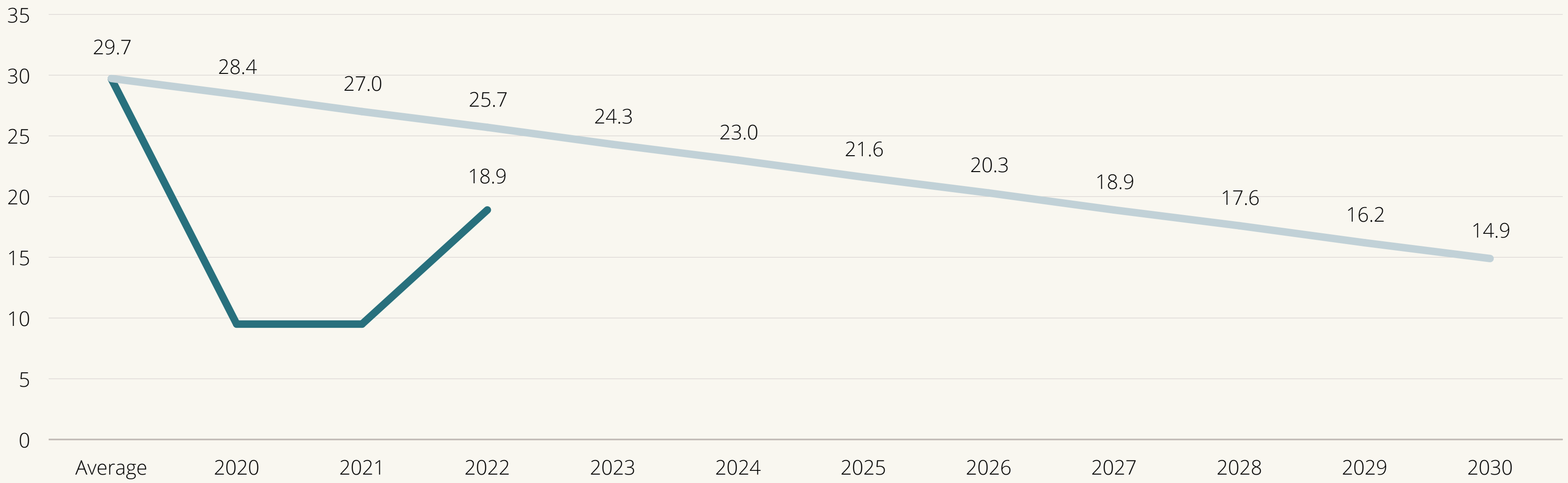
Eika Gruppen, which leases offices to the company, has energy- and heat-saving installations to help limit consumption. Hydropower has also been chosen as the sole energy source, earning the premises a Clean Hydropower certification. The latter contributes to an increased commitment to environment-friendly 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 contributory 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.

Goal annual GHG emissions towards 2030

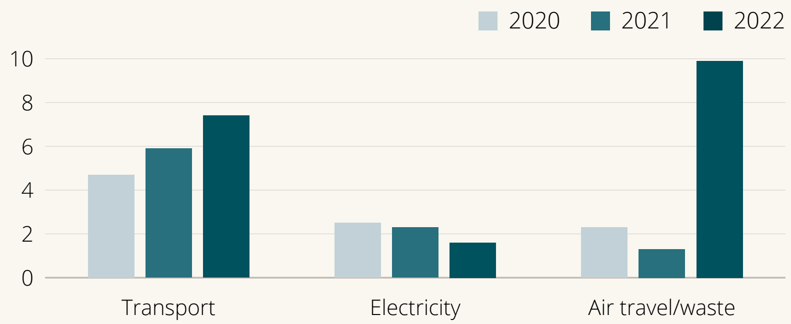
Tonnes of carbon equivalent



Annual GHG emissions

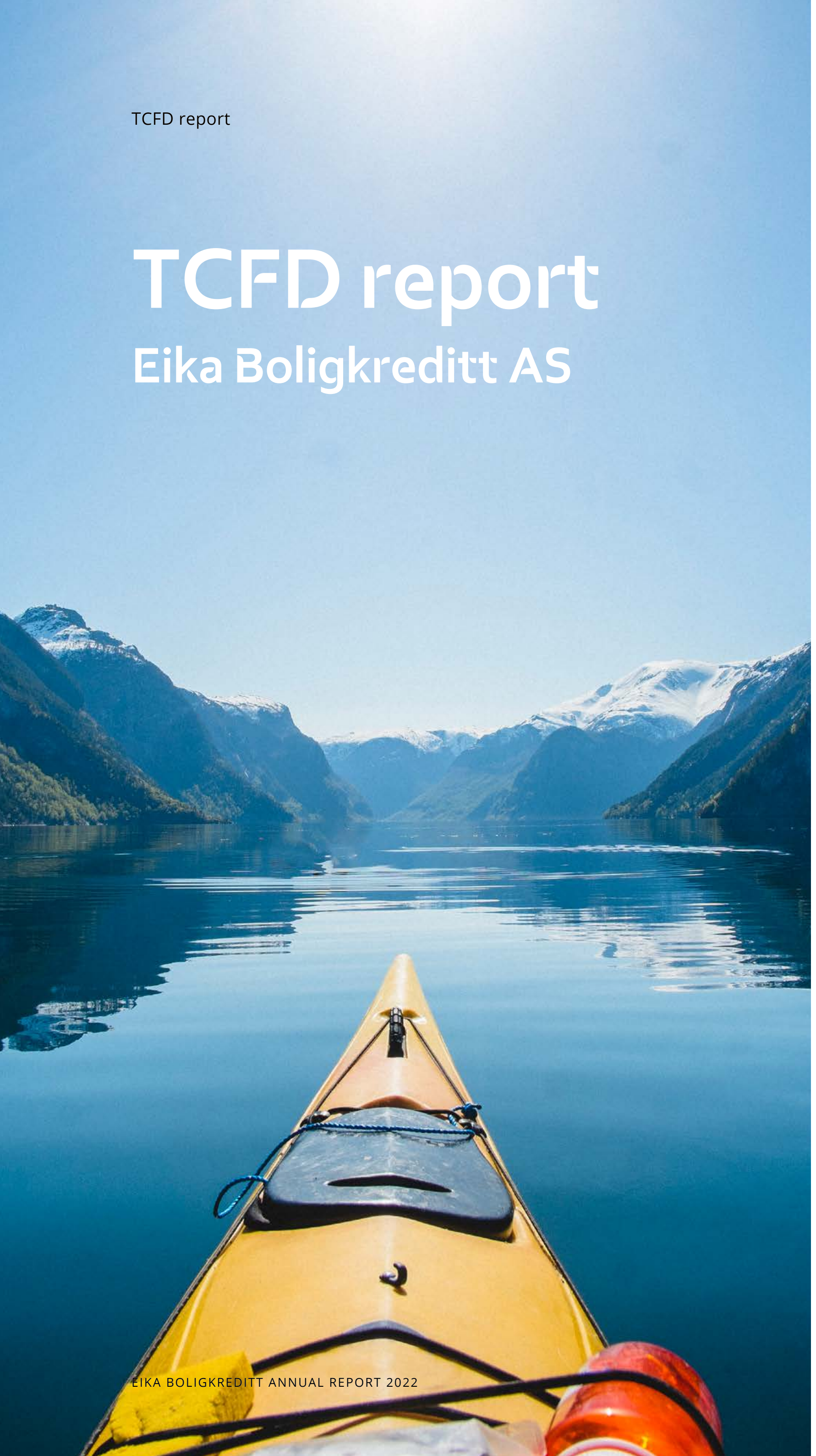
Tonnes of carbon equivalent

	2020	2021	2022
Transport	4.7	5.9	**7.4**
Electricity	2.5	2.3	**1.6**
Air travel/waste	2.3	1.3	**9.9**
Total	9.5	9.5	**18.9**



Overviews of the company's GHG emissions and energy consumption have been prepared for 2020, 2021 and 2022. These analyses are based on direct and indirect usage related to Eika Boligkreditt's activities. Total GHG emissions in 2022 are estimated at 18.9 tonnes of CO_2, up by 100.4 per cent from the year before. This increase was a direct consequence of the reopening after the Covid-19 pandemic. Eika Boligkreditt personnel could once again travel, as reflected in the big rise for scope 3 business travel. Compared with the last year of normal operation in 2019, however, emissions were reduced by 6.1 tonnes of CO_2 equivalent. 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.

To ensure that the goal for 2030 is reached, the company has specified an annual sub-goal for itself. This was set at 25 tonnes of CO_2 equivalent for 2022. 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, NF_3, HFCs and PFCs.



TCFD report
Eika Boligkreditt AS

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 their 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 for 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 has also been on the agenda at board meetings since 2020 in 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 during 2021 of setting climate-footprint targets for the lending business. 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, which prepares matters for consideration by the board, gives emphasis to climate risk in quarterly reviews of the company's risk reporting. This reporting utilises the results of relevant climate scenarios when calculating climate risk, including the proportion of the residential mortgage portfolio included in the various danger-zone categories. Reporting also covers the proportion of green residences in the cover pool.

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 terms.

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 financial sector. Eika Gruppen's sharing of knowledge with the Eika Alliance is also expected to help Eika Boligkreditt 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 2021 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 can achieve long-term green financing in the international financial market, and has issued two successful green covered bonds. The first was in June 2021, with a second EUR 500 million covered bond issued in September 2022.

These are bonds 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 an additional description of physical climate risk, see the section on measuring climate footprint and risk associated with the residences in the cover pool in the presentation on sustainability and societal engagement. 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 handle 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. Applied to 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 sustainability and societal engagement which forms part of Eika Boligkreditt's annual report for 2022. 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.

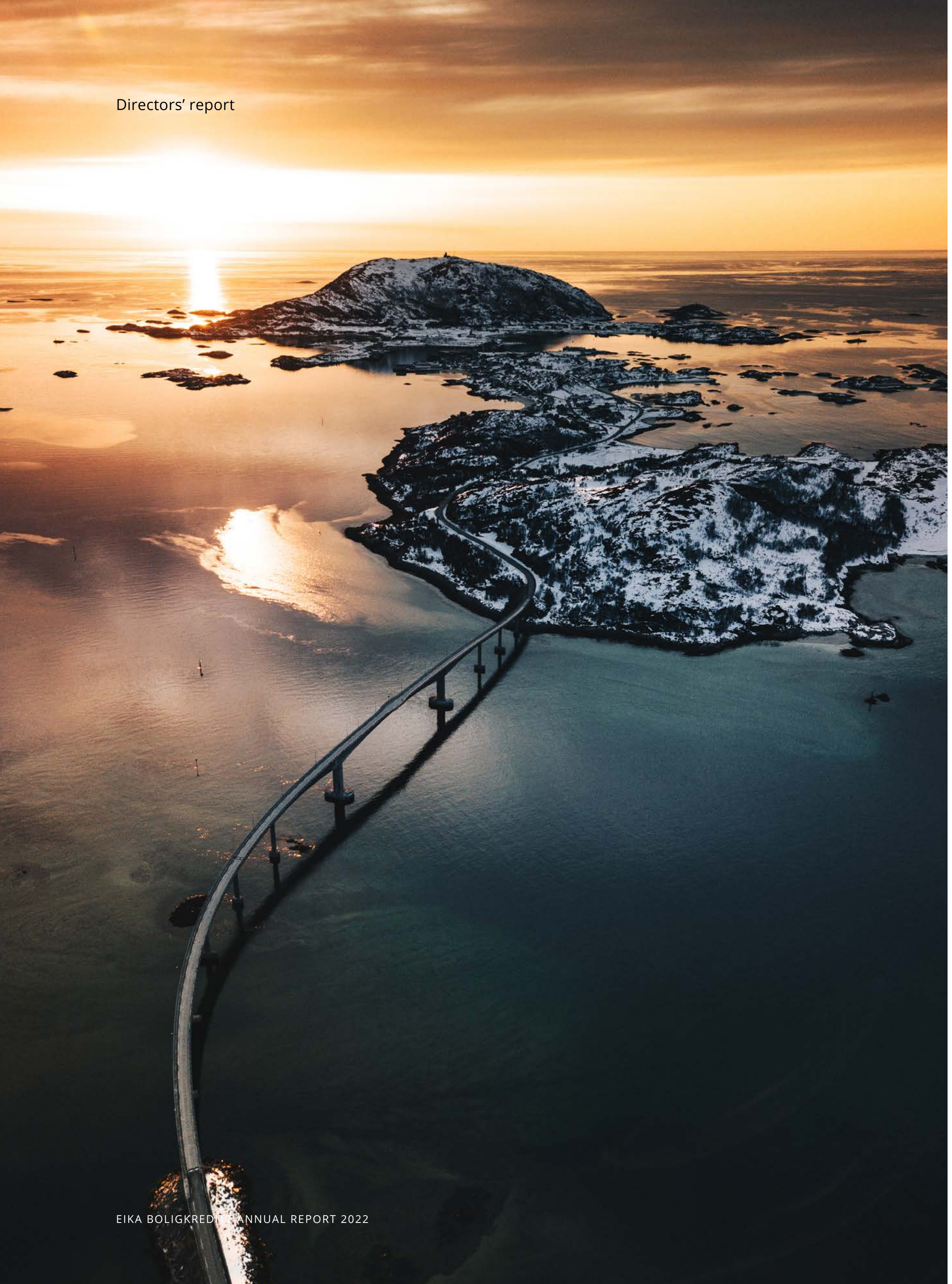
Work on climate-related threats in the company builds on UN SDG 13 – act urgently to combat climate change and its impacts.

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

Financial highlights

2022

-65 million
Pre-tax loss of NOK 65.4 million, compared with pre-tax profit NOK 56.3 million in 2021.

528 million
Net interest revenues were NOK 528.2 million, compared with NOK 834.9 million in 2021.

127 billion
The company had total assets of NOK 126.6 billion at 31 December, compared with NOK 114.9 billion a year earlier.

413 million
Distributor commissions to the owner banks totalled NOK 412.7 million, compared with NOK 800.9 million in 2021.

112 billion
The borrowing portfolio totalled NOK 112.4 billion, a net increase of NOK 8.8 billion or 8.5 per cent from 31 December 2021.

51 per cent
The average LTV for the whole cover pool was 51 per cent.

5.3 per cent
The borrowing portfolio (nominal value) totalled NOK 96.2 billion, a net increase of NOK 4.9 billion or 5.3 per cent from 31 December 2021.

19.3 per cent
The company's capital adequacy ratio was 19.3 per cent at 31 December, compared with 17.2 a year earlier. Capital adequacy is calculated in accordance with the CRR/CRD regulations.

Directors' report 2022

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 2022, the owner banks had a total financing of NOK 96 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 126.6 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. This 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 2022, are set at a minimum of 13 per cent for the core tier 1 capital ratio, 14.5 per cent for the tier 1 capital ratio, and 16.5 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. The issuer rating was placed on outlook by Moody's in the first quarter of 2021. A positive outlook means it is considered very likely that the rating might be upgraded during the coming 12-18 months if the positive drivers underlying the change in status persist/continue. The most important underlying drivers behind the change are strengthened key figures for capital adequacy and reduced concentration in the residential mortgage portfolio over time at the owner banks in Eika Boligkreditt, plus an expectation of improved profitability for the owner banks. 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 2022, the overcollateralisation was 8.33 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 (residential mortgages to customers in nominal value without accrued interest) from Eika Boligkreditt of NOK 96.2 billion at 31 December 2022, representing an increase of NOK 4.9 billion or 5.3 per cent over the year exclusive of changes to the fair value of residential mortgages. Standalone residential mortgages accounted for 94.9 per cent of the mortgages in the cover pool, with mortgages to residential cooperatives accounting for the remaining 5.1 per cent. Standalone mortgages also include loans for holiday homes. The share of mortgages for residential cooperatives declined from 5.3 to 5.1 per cent in 2022, 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 52.7 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 51 per cent at 31 December 2022. 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, some 750 000 customers and employees corre-sponding to about 1 800 full-time equivalents. 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

An agreement was reached on 10 February 2022 on the sale of the Eika Gruppen AS shares owned by the banks in the Local Bank Alliance. Nineteen shareholder banks in the company were the acquirers in the transaction, purchasing 2 937 406 shares corresponding to 11.88 per cent of Eika Gruppen at a price of NOK 242.50 per share. Following this transaction, the sellers ceased to be shareholders in the company. The purchase was subject to pre-emptive rights, and a rebalancing between all the banks in the Eika Alliance was implemented after the transaction.

During the fourth quarter of 2021, the boards of Romerike Sparebank and Blaker Sparebank announced a letter of intent on merging the two banks. The merger agreement was approved by the boards of the banks on 13 December 2021, their general meetings and boards of trustees on 25 January 2022 and the Financial Supervisory Authority of Norway on 30 June 2022. The merger took place on 1 October 2022 under the Romerike Sparebank name, and the bank remains a member of the Eika Alliance.

During the fourth quarter of 2021, the boards of Arendal og Omegns Sparekasse and Østre Agder Sparebank announced that they were initiating discussions with a view to merging the banks. The merger agreement was approved by the boards of the banks on 19 April 2022, their general meetings and boards of trustees on 23 May 2022 and the Financial Supervisory Authority on 23 June 2022. The legal merger took place on 15 August 2022. The merged bank is called Agder Sparebank, and remains a member of the Eika Alliance.

The boards of Hemne Sparebank and Åfjord Sparebank announced on 1 April 2022 that they had decided to merge the two banks. The merger agreement was approved by the boards of the banks on 23 May 2022 and by the annual general meetings and boards of trustees of the banks on 23 June 2022. Subject to the consent of the Financial Supervisory Authority, the intention is to implement the merger on 1 April 2023. That represents a postponement from the original planned date of 1 January 2023 because the process has taken longer than expected. The proposed name of the merged bank is Trøndelag Sparebank, and it will remain a member of the Eika Alliance.

On 9 November 2022, the boards of Andebu Sparebank, Larvikbanken and Skagerrak Sparebank announced a letter of intent to merge the three banks. The merger agreement was approved by the boards of the banks on 17 February 2023. The ambition is to secure approval from the general meetings/boards of trustees in the banks by 31 March 2023. Assuming that the merger is approved and the Financial Supervisory Authority gives its consent, the intention is to implement the merger on 1 February 2024. The proposed name of the new bank is Skagerrak Sparebank, with Skagerrak Sparebank acting as the acquiring bank. It will remain a member of the Eika Alliance.

An agreement was entered into between the board of Eika Boligkreditt and the CEO, Kjartan M Bremnes, that the latter would vacate his post with effect from 22 June 2022. CFO Odd-Arne Pedersen was appointed by the board as acting CEO from the same date. The board of Eika Boligkreditt unanimously resolved in December to appoint Pedersen as the company's new CEO. As an extension of this decision, Anders Mathisen was promoted on 16 December from senior vice president funding to become the company's new CFO.

Eika Boligkreditt has initiated work to strengthen the credit quality of its residential mortgage portfolio through further development of today's framework and models for credit risk management. The aim is to achieve an internal ratings-based (IRB) standard for the credit framework and models so that they can be used to seek possible IRB approval for the company's residential mortgage portfolio.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 112.4 billion at 31 December 2022, up by NOK 8.8 billion from 1 January. Eika Boligkreditt issued bonds and certificates corresponding to NOK 24.8 billion in 2022. Of these, 41 per cent were issued in euros and 59 per cent in Norwegian kroner. Covered bonds accounted for 98 per cent of

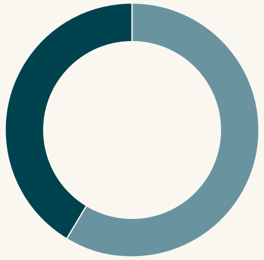
Issues by sector

(Amounts in NOK million)

	2022	2021	2020	2019
Covered bonds (issued in EUR)	**10 194**	5 033	10 550	5 586
Covered bonds (issued in NOK)	**14 200**	12 000	6 000	7 250
Senior unsecured bonds (issued in NOK)	**-**	2 300	1 300	1 200
Subordinated loans (issued in NOK)	**375**	150	-	250
Total issued	**24 769**	19 483	17 850	14 286

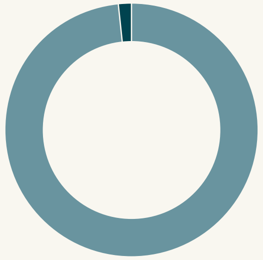
Issues by currency

(in NOK mill) in 2022



Issues by sector

(in %) in 2022



the total issue volume. During 2022, repurchases of the company's own bonds before their call date and bonds redeemed at their call date amounted to NOK 13.1 billion. The company issues covered bonds under its EMTCN programme, which is listed on the Irish Stock Exchange. This programme was last revised in August 2022. The borrowing limit in the programme is EUR 20 billion. Issues in 2022 and the three previous years by sector are presented in the table above. The issue volume in 2022 was somewhat higher than expected at 1 January.

Credit spreads widened relatively sharply in 2022. The credit spreads paid by Eika Boligkreditt when issuing new five-year covered bonds in Norwegian kroner increased by just over 0.3 percentage points to a level slightly above 0.5 percentage points. Where similar tenors in euros are concerned, spreads widened by 0.2 percentage points and brought them to roughly the same level since the starting point at 1 January was around zero. Spreads are expected to continue widening in 2023 as the ECB's bond purchase programme and other long-term ECB loan arrangements for banks in the eurozone are reduced in scope. Uncertainty over the future development of spreads increased substantially during 2022. A high rate of inflation, persisting bottlenecks in global supply chains, greater geopolitical risk, war in Europe, the reversal in the globalisation trends of recent decades, normalisation of central-bank monetary policy and lower economic growth create unusually hard challenges for central banks and political decision-takers, which will also make navigation more demanding for both investors and issuers. The average tenor for covered bonds issued in 2022 was 6.5 years. The average tenor for the company's borrowing portfolio was 3.84 years at 31 December 2022, compared with 3.74 at 1 January. The table below shows the breakdown of the company's borrowing in various instruments.

Borrowing in various instruments

Capitalised amounts in NOK million	31 Dec 2022	31 Dec 2021
Covered bonds	**109 617**	99 400
Senior unsecured bonds	**2 819**	3 749
Senior unsecured certificates	**-**	500
Subordinated loans	**813**	724
Total borrowing including accrued interest	**113 249**	104 373

Profit and loss account

Pre-tax profit

Eika Boligkreditt delivered a pre-tax loss of NOK 65.4 million for 2022, compared with a pre-tax profit of NOK 56.3 million the year before. Profit was affected by value changes to financial instruments, which yielded a net loss of NOK 137.7 million (2021: net gain of NOK 30.7 million). Pre-tax profit for 2022 excluding changes to the fair value of financial instruments was thereby NOK 72.3 million (2021: NOK 25.6 million). A total of NOK 35 million in interest on tier 1 perpetual bonds in 2022 (2021: NOK 22.9 million) is not presented as an interest expense in the income statement, but as a reduction in equity.

Comprehensive income

Comprehensive income for 2022 includes NOK 245.5 million in positive value changes to basis swap agreements (2021: NOK 62.7 million), bringing it to NOK 132.8 million (2021: NOK 91.2 million) when account is taken of value changes to basis swaps and other value changes recognised through other income and expenses. Comprehensive income for 2022 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 cross 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 cross 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 2 974 million in 2022, compared with NOK 1 831 million the year before. This change primarily reflected higher interest rates on residential mortgages and an increased residential mortgage portfolio compared with the year before.

Net interest income

Net interest income amounted to NOK 528.2 million in 2022, compared with NOK 834.9 million the year before. This reduction reflected lower margins achieved by the banks on residential mortgages because the rise in the interbank rate had a bigger impact on borrowing than on lending. Expensing NOK 25.4 million in contributions to the Norwegian Banks Guarantee Fund's resolution fund in 2022 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 412.7 million in 2022, compared with NOK 800.9 million the year before. This reduction reflected lower margins on residential mortgages for the banks.

Balance sheet and liquidity

Balance sheet

Assets on the company's balance sheet amounted to NOK 126.6 billion at 31 December 2022, up by NOK 11.7 billion over the year. Lending to customers rose by NOK 4.9 billion or 5.3 per cent from 31 December 2021.

Borrowing

The company's total borrowing (liabilities established through the issue of securities) amounted to NOK 112.4 billion at 31 December, up by NOK 8.8 billion from the end of 2021.

Liquidity

New covered-bond financing totalling NOK 24.4 billion was raised by Eika Boligkreditt in 2022. Over the same period, the residential mortgage portfolio increased by NOK 4.9 billion. Maturation and early redemption of covered and senior unsecured bonds amounted to NOK 12.9 billion, while repurchases and redemptions of subordinated loans and tier 1 perpetual bonds came to NOK 290 million and NOK 183 million respectively. During the year, the company was provided with NOK 800 million in additional equity by the owners, issued tier 1 perpetual bonds for NOK 300 million and raised NOK 375 million in subordinated loans. Furthermore, a dividend of NOK 61.9 million was paid to the owners. Cash collateral received from counterparties to derivative contracts declined by NOK 0.2 billion in 2022. Overall, liquidity for the company increased by about NOK 7.3 billion in 2022. Counterparties in hedging contracts provided the company with NOK 3.1 billion in cash collateral during the year. 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 0.1 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 25.4 billion – including NOK 3.1 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 2022 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 7.5 billion at 31 December 2022, a net increase of about NOK 1.1 billion from 1 January when allocations of comprehensive income are taken into account. Part of the change is attributable to the issue of tier 1 perpetual bonds for NOK 100 million and NOK 200 million in the second and third quarters respectively, the maturing of a tier 1 perpetual bond of NOK 100 million in the second quarter, and redemptions of tier 1 perpetual bonds of NOK 48 million and NOK 35 million in the third and fourth quarters respectively. In addition, the company raised a subordinated loan of NOK 375 million and redeemed a subordinated loan of NOK 290 million in the third quarter. A equity issue of NOK 800 million was conducted in the fourth quarter. Eika Boligkreditt has residential mortgages secured by up to 75 per cent of the mortgaged property's value on origination. The basis for calculating the capital adequacy ratio rose by NOK 1.5 billion from 1 January to reach NOK 38.8 billion at 31 December. This amount represents a quantification of Eika Boligkreditt's risk, where 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 calculation basis for capital adequacy at 31 December 2022 was NOK 1.5 million higher than a year earlier.

The company's capital targets are set as follows.

		(At 31 Dec)
Core tier 1 capital	13.0%	(15.5%)
Tier 1 capital	14.5%	(17.2%)
Primary capital (tier 2 capital)	16.5%	(19.3%)

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 2022. The required countercyclical buffer was increased from one per cent to 1.5 per cent with effect from 30 June 2022. On 3 September 2021, the government resolved to give the central bank the authority to determine the countercyclical capital buffer with effect from 10 September 2021. Norges Bank's committee on monetary policy and financial stability decided at its meeting of 15 December 2021 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. The further decision was taken in March 2022 to increase the required buffer to 2.5 per cent with effect from 31 March 2023.

On 11 December 2019, the Ministry of Finance announced adjustments to Norwegian capital requirements intended to counteract an easing which followed 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. The government decided in December 2022 to postpone the increase in the systemic risk buffer requirement by a year, so that this will rise from three to 4.5 per cent for the company from 31 December 2023. 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 below presents the development in capital adequacy.

Development in capital adequacy

(Amounts in NOK million)	31 Dec 2022		31 Dec 2021	
Risk-weighted assets	**38 758**		37 296	
Core tier 1 capital	**5 992**	**15.5%**	5 109	13.7%
Tier 1 capital	**6 684**	**17.2%**	5 684	15.2%
Total primary capital (tier 2 capital)	**7 493**	**19.3%**	6 408	17.2%

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 which it is exposed to. 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 tenors for investments.

Currency risk

The company is not exposed to significant currency risk through its borrowings in foreign currencies. Because the company exclusively lends in Norwegian kroner, significant 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.

Liquidity held in euros may generate a surplus or deficit against the corresponding liability item (cash collateral provided by swap counterparty or borrowing in euros). Over time, this will produce an excess or shortfall of euros. 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 intention 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 sustainability and societal engagement. 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 2022, and can be found from page 17.

Comments on the annual financial statements

The financial statements for 2022 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 2 974 million, interest charges NOK 2 446 million, net interest income NOK 528.2 million, and net interest income after commission costs NOK 142.3 million in 2022. No losses were incurred in 2022 on loans or guarantees. The financial statements for 2022 show a comprehensive income of NOK 132 760 000 for the period, compared with NOK 91 226 000 for 2021.

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 6 726 million at 31 December 2022. Eika Boligkreditt had a capital adequacy ratio of 19.3 per cent at that date. The capital adequacy ratio is calculated in accordance with the standardised method specified by Basel II.

Allocation of comprehensive income

Comprehensive income for 2022 is NOK 132 760 000 after taking account of NOK 245 491 000 in positive changes in the value of basis swaps. The reserve for unrealised gains has risen by NOK 89 843 000 related to changes in the fair value of basis swaps. This increase reduces the amount available for dividend correspondingly. When assessing the dividend proposal for 2022, the board has emphasised conducting a consistent dividend policy over time. NOK 17 107 000 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 16 884 000 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 7 740 000 to the owner banks for 2022. NOK 34 954 000 of comprehensive income 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 increased by a net NOK 1.2 billion in the fourth quarter, and by a net NOK 4.9 billion over the past four quarters. During 2022, the net portfolio increase represented a 12-month growth of 5.3 per cent. The credit indicator for December 2022 from Statistics Norway showed a 12-month increase of 4.2 per cent in Norwegian household debt, down from five per cent at 1 January. Growth in residential-mortgage lending by Eika Boligkreditt during 2022 was significantly higher than the year before. That reflects a sharp widening in the credit spread for bonds, which has meant that the owner banks have reduced refinancing of their own senior unsecured bonds on maturity in favour of increased transfers to Eika Boligkreditt and financing of residential mortgages through covered bonds. While the company expects this development to continue in 2023, growth is expected to be substantially lower than last year because of a larger expected effect from the banks which are running down their portfolios in Eika Boligkreditt (members of the Local Bank Alliance and OBOS).

Norges Bank's latest lending survey showed that demand for residential mortgages in the fourth quarter was somewhat lower than in July-September. Overall, the banks expect a continued decline in demand for residential mortgages during the first quarter of 2023. Demand for fixed-interest loans is little changed at a low level. The use of interest-only loans increased somewhat in the fourth quarter, and is expected to continue rising slightly during the first quarter of 2023. Credit practice for households was rather tighter in the fourth quarter, but is expected to remain unchanged in the time to come. Some banks observed that the easing of regulatory requirements concerning the ability to service residential mortgages from 1 January 2023 may make it a little easier to obtain such loans. At the same time, some banks noted that the new Financial Contracts Act, which requires the banks to refuse loans when a customer is insufficiently creditworthy, could have some effect in tightening future credit practice. The banks report that margins on residential mortgages declined slightly in the fourth quarter. Financing costs rose slightly and interest rates increased quite considerably in October-December, and the banks expect both will also continue to grow somewhat in the first quarter of 2023. 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 declined by 0.9 per cent in December, and were up by 0.2 per cent when adjusted for seasonal variations. House prices in Norway rose by 1.5 per cent in 2022, but with large fluctuations over the year. The biggest rise in history during the first quarter, encouraged by the new Alienation Act, was followed by a sharp fall during the second half owing to the impact on residential mortgage rates of interest-rate increases by Norges Bank. The outcome for the full year was a weak rise of 1.5 per cent in house prices. With an inflation rate of 5.9 per cent for 2022, this represents a drop in real house prices over the year. A total of 91 417 dwellings were sold in Norway during 2022, down by 10.2 per cent from the year before but back to roughly the same level as before the pandemic – which undoubtedly stimulated Norwegian housing sales. The strongest growth during 2022 was seen in Kristiansand, Greater Ålesund and Greater Tønsberg, at four-five per cent. Follo, Asker, Bærum and Romerike experienced the weakest development, falling by 1.1 per cent to 1.7 per cent. In August, September and December, Norges Bank increased its key policy rate for the fifth, sixth and seventh times since September 2021, from 1.25 per cent at 30 June 2022 to 2.75 per cent at 31 December. The rate rise is now expected to peak at 3.25 per cent during the first half of 2023. In view of this, a more moderate trend is likely for house prices in the time to come.

The credit spread for the company's covered bonds with a five-year tenor in Norwegian kroner narrowed by 11 basis points during the fourth quarter to a level of 0.52 percentage points above the three-month Nibor. Over the past 12 months, the spread widened by 0.32 percentage points. Credit spreads indicated by potential arrangers for a new-issue transaction with a similar tenor in the euro market widened during the fourth quarter by 10 basis points, giving a spread of 0.22 percentage points at 31 December. The credit spread in euros widened by just over 20 basis points in 2022. The cross currency basis for a five-year tenor to hedge the amount from euros back to Norwegian kroner fell by no less than 15 basis points during the fourth quarter, but was still up by 14 basis points over the year. These relatively large increases in credit spreads and the cross currency basis are related to the outbreak of war on 24 February 2022, when Russia invaded Ukraine. That conflict has increased demand for all types of risk premiums. Following its outbreak, the market for new bonds was closed for up to a week and turnover in the secondary market fell dramatically – with wider bid-ask spreads. Activity and turnover have gradually revived since then, although some bottlenecks remain for longer tenors in euros. One explanation for why credit spreads for covered bonds in euros have not risen more is the sharp rise seen in interest rates. The euro swap rate for a five-year tenor, which lay around zero per cent at 1 January, was no less than 3.24 per cent at 31 December. This large increase in rates means that a number of investors see far greater value in a covered bond denominated in euros with an interest rate of roughly 3.5 per cent than in one at zero per cent as it was at 1 January. Uncertainty surrounding future developments in credit spreads increased substantially during 2022. High inflation, persisting bottlenecks in global supply chains, increased geopolitical risk, war in Europe, reversal of the globalisation trends of recent decades, normalisation of monetary policy at the central banks, and lower economic growth create unusually large challenges for central banks and political decision-makers. That will also make it more demanding for both investors and issuers to navigate. The consensus among market players indicates a continued widening of credit spreads in euros during 2023, by up to 10 basis points for covered bonds.

Statistics Norway expects GDP to rise by 3.8 per cent in the mainland economy for 2022, down from 4.1 per cent the year before. Growth prospects for 2022 have been revised downwards by 0.3 per cent from the estimates in December 2021. Looking ahead, the upturn in the economy is expected to continue at a more moderate pace. It is being slowed by interest-rate rises and lower growth internationally. Unemployment in November 2022 was 1.6 per cent, below the pre-coronavirus level and at its lowest since before the 2008 financial crisis. After the Russian invasion of Ukraine, western nations have introduced substantial economic, cultural and political sanctions against Russia and Belarus. The direct economic consequences for Norway are small because its trade with these two countries is limited. Norway's large energy sector also helps to ensure that the negative effects will not be greater, because the country is experiencing beneficial terms of trade as a result of high energy prices. Norwegian banks have little exposure to the countries directly involved in the conflict and only a few enterprises have exposure to or operations of particular dimensions in Russia, Belarus or Ukraine. The economic effect for Norway is expected to be indirect, via increased prices for certain raw materials where Russia and Ukraine are substantial exporters, including oil, gas, metals and certain types of grain. The result could be some increase in inflation, particularly related to the price of energy. That could in turn mean lower economic growth in Europe.

Despite increasing geopolitical uncertainty, investor interest in new covered-bond issuances in euros and Norwegian kroner is expected to be good in the time to come. Eika Boligkreditt has again been an active issuer in both Norwegian and international financial markets in 2022. Its financing requirement for 2022 indicated 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. During the first quarter, the company issued the equivalent of NOK 8 billion in covered bonds in the Norwegian market, including NOK 6 billion after the outbreak of war. In the second quarter, it issued covered bonds for EUR 500 million, corresponding to NOK 5.15 billion, as well as NOK 100 million in tier 1 perpetual bonds. Eika Boligkreditt's issues in the third quarter included EUR 500 million in the euro market, corresponding to NOK 5 billion, and NOK 4.5 billion in the domestic market as well as NOK 375 million in subordinated loans and NOK 200 million in tier 1 perpetual bonds. During the fourth quarter, it issued NOK 1.7 billion in covered bonds in the Norwegian market. That brought the overall issue volume in 2022 to just over NOK 25 billion, including NOK 24.4 billion in covered bonds. The main reason why this figure exceeded the original expectation for the year is that the banks transferred more residential mortgages than anticipated to Eika Boligkreditt. For 2023, the volume of issues in the bond market is expected to be at a more normal level and to total about NOK 13 billion. This substantial reduction in the anticipated issue volume for 2023 compared with last year primarily reflects a substantially smaller volume of covered bonds maturing in 2024 than in the present year – NOK 11.7 billion compared with NOK 17.1 billion. Eika Boligkreditt typically refinances 12 months in advance of the call date for covered bonds. In addition, the lower growth anticipated for residential mortgage lending compared with 2022 contributes to expectations of a smaller issue volume in 2023.

Oslo, 14 March 2023
The board of directors for Eika Boligkreditt AS

Dag Olav Løseth *Chair*	Rune Iversen	Olav Sem Austmo	Terje Svendsen	Torleif Lilløy	Gro Furunes Skårsmoen	Odd-Arne Pedersen *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 2022 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, 14 March 2023
The board of directors for Eika Boligkreditt AS

Dag Olav Løseth *Chair*	Rune Iversen	Olav Sem Austmo	Terje Svendsen	Torleif Lilløy	Gro Furunes Skårsmoen	Odd-Arne Pedersen *CEO*

Financial statements and notes

Statement of comprehensive income

Amounts in NOK 1 000	Notes	2022	2021
Interest income			
Interest from loans to customers at amortised cost		**2 339 661**	1 588 640
Interest from loans to customers at fair value		**246 000**	140 450
Interest from loans and receivables on credit institutions		**18 676**	13 278
Interest from bonds, certificates and financial derivatives		**333 744**	53 575
Other interest income at amortised cost		**33 352**	32 091
Other interest income at fair value		**2 692**	2 799
Total interest income		**2 974 125**	1 830 832
Interest expenses			
Interest on debt securities issued		**2 381 753**	957 235
Interest on subordinated loan capital		**27 063**	14 501
Contribution to the Norwegian Banks' Guarantee Fund's Resolution Fund		**25 449**	21 289
Other interest expenses		**11 697**	2 929
Total interest expenses		**2 445 961**	995 955
Net interest income		**528 164**	834 877
Commission costs	4	**385 852**	774 306
Net interest income after commission costs		**142 312**	60 571
Income from portfolio sale	5	**-**	22 628
Income from shares in associated company		**17 107**	13 218
Total income from shares	6	**17 107**	13 218

Amounts in NOK 1 000	Notes	2022	2021
Net gains and losses on financial instruments at fair value			
Net gains and losses on bonds and certificates	7	**3 110**	10 213
Net gains and losses on fair value hedging on debt securities issued	7, 8	**(16 287)**	4 364
Net gains and losses on financial derivatives	7	**262 143**	214 408
Net gains and losses on loans at fair value	7	**(386 659)**	(198 263)
Total gains and losses on financial instruments at fair value		**(137 693)**	30 721
Salaries and general administrative expenses			
Salaries, fees and other personnel expenses	9, 10	**37 280**	32 982
Administrative expenses [1]	11	**42 196**	19 161
Total salaries and administrative expenses		**79 476**	52 143
Depreciation	12	**4 014**	3 968
Other operating expenses [1]	11	**3 619**	14 700
Losses on loans and guarantees	13		
Profit before taxes		**(65 383)**	56 327
Taxes	14	**(29 177)**	5 181
Profit for the period		**(36 206)**	51 146
Items transferrable to profit and loss			
Net gains and losses on bonds and certificates	7	**(20 202)**	(9 273)
Net gains and losses on basis swaps	7	**245 491**	62 713
Taxes on other comprehensive income	14	**(56 322)**	(13 360)
Comprehensive income for the period		**132 760**	91 226

[1] With effect from the third quarter of 2022, the company has opted to reclassify costs under other operating costs as administrative costs. Figures for earlier periods have not been restated.

Of the total comprehensive income for the period above, NOK 7.7 million is attributable to the shareholders of the company after taking account NOK 16.9 million received in dividend from associates. Furthermore, of the total comprehensive income, NOK 35 million is attributed to the hybrid capital investors, NOK 89.9 million to the fund for unrealised gains and NOK 17.1 million to the fund for valuation differences.

Balance sheet

Amounts in NOK 1 000	Notes	31 Dec 2022	31 Dec 2021
ASSETS			
Lending to and receivables from credit institutions [1]	13, 15, 16	**843 126**	970 742
Lending to customers [1]	13, 15, 16, 17, 18	**95 971 045**	91 326 994
Other financial assets [1]	13, 15, 19	**28 367**	105 843
Securities			
Bonds and certificates at fair value [1]	13, 17	**24 521 072**	16 968 273
Financial derivatives	8, 13, 17	**5 128 842**	5 393 896
Shares	6, 15, 17	**1 650**	1 650
Total securities		**29 651 565**	22 363 820
Shares in associated company	6	**57 785**	57 563
Intangible assets			
Deferred tax assets	14	**4 925**	19 008
Intangible assets	12	**829**	1 852
Total other intangible assets		**5 754**	20 860
Tangible fixed assets			
Right-of-use assets	12	**13 605**	15 019
Tangible fixed assets		**13 605**	15 019
Total assets		**126 571 248**	114 860 840

Amounts in NOK 1 000	Notes	31 Dec 2022	31 Dec 2021
LIABILITIES AND EQUITY			
Loans from credit institutions [1]	13, 20	**3 113 873**	3 269 520
Financial derivatives	8, 15, 17, 20	**3 407 756**	711 486
Debt securities issued [1]	15, 16, 20, 21, 23	**112 435 578**	103 648 169
Other liabilities			
Other liabilities [1]	15, 20, 24	**61 125**	711 648
Pension liabilities	25	**-**	6 926
Lease obligations	12	**13 611**	15 265
Subordinated loan capital [1]	15, 16, 20, 23	**813 256**	724 342
Total liabilities		**119 845 199**	109 087 356
Called-up and fully paid capital			
Share capital	26	**1 405 153**	1 225 497
Share premium		**4 005 230**	3 384 886
Other paid-in equity		**477 728**	477 728
Total called-up and fully paid capital	26, 27	**5 888 111**	5 088 111
Retained earnings			
Fund for unrealised gains		**123 706**	33 863
Fund for valuation differences		**14 255**	14 033
Other equity		**7 979**	62 478
Total retained equity	27	**145 940**	110 374
Hybrid capital			
Tier 1 capital		**692 000**	575 000
Total hybrid capital	27	**692 000**	575 000
Total equity		**6 726 050**	5 773 484
Total liabilities and equity		**126 571 248**	114 860 840

[1] With effect from the third quarter of 2022, the company has reclassified accrued interest to include this in balance sheet items. Figures from earlier periods have not been restated.

Oslo, 14 March 2023
The board of directors for
Eika Boligkreditt AS

Dag Olav Løseth
Chair

Rune Iversen

Olav Sem Austmo

Terje Svendsen

Torleif Lilløy

Gro Furunes Skårsmoen

Odd-Arne Pedersen
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 2020	1 225 496	3 384 886	477 728	9 596	20 155	84 736	573 912	**5 776 510**
Result for the period	-	-	-	-	(6 244)	104 308	25 790	**123 854**
Other income and expenses	-	-	-	17 992	-	62 110	-	**80 102**
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	-	-	-	-	122	28 099	22 925	**51 146**
Other income and expenses	-	-	-	6 274	-	33 361	-	**39 635**
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**
Result for the period	-	-	-	-	222	(71 802)	35 374	**(36 206)**
Other income and expenses	-	-	-	89 843	-	79 124	-	**168 967**
Equity issue	179 657	620 343	-	-	-	-	-	**800 000**
Accrued unpaid interest tier1 capital	-	-	-	-	-	79	(35 374)	**(35 295)**
Hybrid capital	-	-	-	-	-	-	117 000	**117 000**
Dividends for 2021	-	-	-	-	-	(61 900)	-	**(61 900)**
Balance sheet as at 31 December 2022	1 405 153	4 005 230	477 728	123 706	14 255	7 979	692 000	**6 726 050**

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 to 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 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.
- Tier 1 perpetual bond, issued NOK 100 million in 2022, with interest terms of three months Nibor plus 3.15 per cent. The loan provides for a call at 11 May 2027, and quarterly thereafter on each date interest payment falls due.
- Tier 1 perpetual bond, issued NOK 200 million in 2022, with interest terms of three months Nibor plus 4.40 per cent. The loan provides for a call at 13 December 2027, and quarterly thereafter on each date interest payment falls due.

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

Statement of cash flow

Amounts in NOK 1 000	2022	2021
Cash flow from operating activities		
Profit for the period	**132 760**	91 226
Taxes	**27 146**	18 541
Income taxes paid	**(11 685)**	(3 488)
Ordinary depreciation	**1 023**	1 799
Non-cash pension costs	**(6 926)**	952
Change in loans to customers	**(4 644 051)**	(2 058 332)
Change in bonds and certificates	**(7 552 799)**	2 842 085
Change in financial derivatives and debt securities issued	**(3 168 269)**	(711 304)
Interest expenses	**2 410 055**	995 955
Paid interest	**(2 205 479)**	(1 082 079)
Interest income	**(2 938 065)**	(1 795 943)
Received interests	**3 075 709**	1 795 860
Changes in other assets	**(60 167)**	(98)
Changes in short-term liabilities and accruals	**1 839 553**	544 591
Net cash flow relating to operating activities	**(13 101 195)**	639 766

Amounts in NOK 1 000	2022	2021
Investing activities		
Payments related to acquisition of fixed assets	**-**	(381)
Share of profit/loss in associated companies	**(17 107)**	(13 218)
Payments from shares in associated companies	**16 884**	13 097
Net cash flow relating to investing activities	**(223)**	(502)
Financing activities		
Gross receipts from issuance of bonds and commercial paper	**24 655 913**	19 764 156
Gross payments of bonds and commercial paper	**(12 435 181)**	(16 623 668)
Gross receipts on issue of subordinated loan capital	**-**	-
Gross payments of subordinated loan capital	**88 914**	(1)
Gross receipts from issue of loan from credit institution	**-**	-
Gross payments from loan from credit institution	**(155 648)**	(3 611 900)
Gross receipts from issuing tier 1 perpetual bonds	**-**	-
Gross payments from issuing tier 1 perpetual bonds	**117 000**	-
Interest to the hybrid capital investors	**(35 295)**	(22 606)
Payments of dividend	**(61 905)**	(146 263)
Paid-up new share capital	**800 000**	-
Net cash flow from financing activities	**12 973 800**	(640 282)
Net changes in lending to and receivables from credit institutions	**(127 618)**	(1 017)
Lending to and receivables from credit institutions at 1 January	**970 742**	971 759
Lending to and receivables from credit institutions at end of period	**843 126**	970 742

Notes to the accounts

Note 01 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 2022 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 14 March 2023.

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 applies to the items on lending to and receivables from credit institutions, floating rate lending to customers and other financial assets.

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 are 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 2022, 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 ear-marking 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 as an asset, while making provision for the lease obligation as a liability. EBK has two types of leases – for office premises and company cars – which are 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 02 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 2022. 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 03 Financial risk

EBK 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 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 company is exposed to the following risks: credit and counterparty, including climate (for more information, see the sections on sustainability and societal engagement and the TCFD), market (including interest and currency), liquidity and operational, in addition to its overarching commercial risk, which involves strategic and reputational risk.

The company has implemented risk strategies based on the company's risk management of the balance sheet's 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 and counterparty 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 04 Commission costs

Amounts in NOK 1 000	2022	2021
Portfolio commission [1]	**371 674**	761 176
Instalment commission	**12 941**	11 729
Banking services	**1 237**	1 402
Total commission costs	**385 852**	774 306

[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 05 Income from portfolio sale

Amounts in NOK 1 000	2022	2021
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 the merger was the termination of the distribution agreement between the merged bank and EBK. Furthermore, an agreement was entered into whereby SpareBank 1 Nordmøre bought out its NOK 1.2 billion residential mortgage portfolio with EBK during the third quarter. 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 EBK.

Note 06 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 2022	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	2022	2021
Carrying amount at 1 January 2022	**57 563**	57 441
Addition/disposal	**-**	-
Revaluation at acquisition cost	**-**	-
Share of profit/loss	**17 107**	13 218
Dividend paid	**(16 884)**	(13 096)
Carrying amount at 31 December 2022	**57 785**	57 563

[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 07 Net gains and losses on financial instruments at fair value

Full year 2022

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)	(386 659)		-	-	(386 659)	(14 289)	(372 370)
Bonds and certificates[1]	3 110	(20 202)	-	-	(17 092)	125 308	(142 400)
Debts from issuance of securities	-	-	3 187 833	-	3 187 833	-	3 187 833
Financial derivatives	262 143	-	(3 204 120)	245 491	(2 696 486)	-	(2 696 486)
Total	(121 406)	(20 202)	(16 287)	245 491	87 596	111 018	(23 423)

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)
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

[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 08 Financial derivatives and hedge accounting

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

Assets

Amounts in NOK 1 000	31 Dec 2022 Nominal amount	31 Dec 2022 Fair value	31 Dec 2021 Nominal amount	31 Dec 2021 Fair value
Interest rate swap lending[1]	**7 782 054**	**363 195**	4 882 600	109 693
Interest rate and currency swap[2]	**37 599 200**	**4 741 936**	37 291 300	5 283 767
Interest swap placement	**1 130 676**	**23 711**	100 190	436
Total financial derivative assets including accrued interest	**46 511 930**	**5 128 842**	42 274 090	5 393 896

Liabilities

	Nominal amount	Fair value	Nominal amount	Fair value
Interest rate swap lending[1]	**279 690**	**2 064**	3 177 293	19 443
Interest rate and currency swap[2]	**30 069 250**	**3 405 202**	16 483 400	686 482
Interest swap placement	**150 000**	**489**	1 723 268	5 562
Total financial derivative liabilities including accrued interest	**30 498 940**	**3 407 756**	21 383 961	711 486

[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

EBK 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 2022 Nominal amount	31 Dec 2022 Value recognised in balance sheet	31 Dec 2021 Nominal amount	31 Dec 2021 Value recognised in balance sheet
Hedging instruments: interest rate and currency swaps[1,2]	**67 668 450**	**1 072 074**	53 774 700	4 261 748
Hedged items: financial commitments incl foreign exchange[2]	**67 668 450**	**(834 396)**	53 774 700	(4 267 719)
Net capitalised value without accrued interest	**-**	**237 678**	-	(5 971)

[1] The nominal amount is converted to the historical currency exchange rate excluding accrued interest.

[2] The book value of the hedging instruments is its net market value. The book value of the hedged objects excludes accrued interest and 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	2022	2021
Hedging instruments	**(3 204 120)**	(5 552 347)
Hedged items	**3 187 833**	5 556 711
Net gains/losses (ineffectiveness) recorded in profit and loss	**(16 287)**	4 364

The positive change in the value of financial instruments relate almost entirely to NOK 245.5 million in positive change to basis swaps (NOK 62.7 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 2022 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 EBK realises the derivative early. Gain or loss related to basis swaps will be reclassified to profit and loss if the hedge is terminated early.

EBK 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, EBK 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, EBK 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 euros and pay three month NIBOR in Norwegian kroner.	2023	EUR	1 500	EUR fixed rate issued debt of the same maturity and nominal value of the swaps
		2024	EUR	500	
		2025	EUR	1 000	
		2027	EUR	500	
		2028	EUR	1 000	
		2029	EUR	500	
		2030	EUR	500	
		2031	EUR	500	
		2039	EUR	75	
Fair value hedges	Interest rate swap: Receive fixed rate and pay three month NIBOR in Norwegian kroner.	2025	NOK	300	NOK fixed rate issued debt of the same maturity and nominal value of the swaps
		2026	NOK	1 800	
		2027	NOK	700	
		2028	NOK	1 150	
		2031	NOK	850	
		2032	NOK	2 000	
		2033	NOK	1 600	
		2034	NOK	1 700	

Note 09 Payroll costs

Amounts in NOK 1 000	2022	2021
Pay, fees, etc	**25 467**	23 507
National insurance contributions	**6 934**	5 432
Pension costs	**2 853**	3 533
Other personnel costs	**2 028**	509
Total	**37 280**	32 982

Average number of employees (full-time equivalent)	**18**	19

Note 10 Renumeration of senior executives, governing bodies, auditors, etc

Amounts in NOK 1 000			Pay[3]	Other[4]	Pension costs ordinary scheme	Pension costs additional scheme
Odd-Arne Pedersen	CEO[1]	23 Jun–31 Dec 2022	2 601	346	199	-
Kjartan M Bremnes	CEO[2]	1 Jan –22 Jun 2022	2 747	307	207	736

[1] Employed by EBK for the whole of 2022. The information on pay in the table above applies to the whole of 2022.

[2] Served as CEO until 22 June 2022. Pay in the table above is the amount paid.

[3] Includes pay and holiday pay in 2022.

[4] Fringe benefits and other benefits.

The company does not have a bonus scheme. An agreement with the CEO entitles him to severance pay for nine months. The company's former CEO had an individual pension agreement. In connection with his departure from that post, this agreement has been terminated and paid out. NOK 1.7 million in severance pay has been expensed and will be paid in 2023.

Directors

Amounts in NOK 1 000	Fees
Dag Olav Løseth	207
Rune Iversen	139
Terje Svendsen	139
Olav Sem Austmo	139
Gro F Skårsmoen	139
Torleif Lilløy	139
Børre Grovan	48
Total directors' fees	950

Risk committee

Amounts in NOK 1 000	Fees
Terje Svendsen	55
Dag Olav Løseth	48
Torleif Lilløy	55
Total risk committee	157

Nomination committee

Amounts in NOK 1 000	Fees
Hans Petter Gjeterud	11
Svein Olav Gvammen	6
Glenn M Haglund	6
Súsanna Poulsen	6
Eirik Kavli	6
Total nomination committee	33

Remuneration committee

Amounts in NOK 1 000	Fees
Rune Iversen	20
Olav Sem Austmo	20
Total remuneration committee	41

Auditor

Remuneration to Deloitte AS and its associates is as follows:

Amounts in NOK 1 000	2022	2021
Statutory audit	**710**	702
Other assurance services	**289**	362
Other services unrelated to audit	**-**	30
Total	**998**	1 093

The figures above exclude VAT.

Note 11 Administrative and other operating expenses

Amounts in NOK 1 000	2022	2021
IT costs	**14 808**	10 829
Phone, postage, etc [1]	**-**	899
Accessories and equipment [1]	**-**	548
Marketing	**81**	109
External services [1]	**18 589**	-
Other administrative expenses [1]	**8 719**	6 776
Total administrative expenses	**42 196**	19 161
External services [1]	**-**	12 516
Phone, postage, etc [1]	**1 003**	-
Accessories and equipment [1]	**500**	-
Operating expenses on rented premises [1]	**-**	151
Insurance cost	**347**	296
Other operating expenses [1]	**1 769**	1 738
Total other operating expenses	**3 619**	14 700

[1] With effect from the third quarter of 2022, the company has opted to reclassify costs under other operating costs as administrative costs. Figures for earlier periods have not been restated.

Note 12 Tangible and intangible assets

Amounts in NOK 1 000	Software	Total
Original cost 1 January	28 803	**28 803**
Additions	-	**-**
Disposals	4 626	**4 626**
Original cost 31 December	24 177	**24 177**
Accumulated depreciation 1 January	26 952	**26 952**
Accumulated depreciation 31 December	23 349	**23 349**
Book value 31 December	829	**828**
Depreciation charge for the year	1 023	**1 023**
Useful economic life	5 yrs	
Depreciation schedule	Linear	

Depreciaton recognised through profit and loss	
Depreciation charge for the year other intangible assets	1 023
Depreciation charge of right-of-use assets for the year (IFRS 16)	2 991
Total	4 014

IFRS 16 – Leases

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Balance sheet		
Right-of-use assets	**13 605**	15 019
Lease obligations	**13 611**	15 265
Statement of comprehensive income		
Depreciation	**2 991**	2 169
Interest expenses	**183**	151
Total	**3 174**	2 320
Effects relating to IFRS 16		
Reduction in operating costs relating to IAS 17	**3 334**	2 408
Increase in costs after implementing IFRS 16	**3 174**	2 320
Change in profit before taxes in the period	**160**	89

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 leases covering office premises and car leasing which are subject to this standard. The beneficial use and lease obligation are recognised as NOK 13.6 million and NOK 13.6 million respectively, in the company's balance sheet at 31 December 2022, 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 (as of 31 December 2022, this was about five years for leasing of office premises and about 1.9 years for car leasing). 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 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 EBK'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. EBK manages counterparty risk through its investment strategy.

Note 13.1 Maximum exposure to credit risk

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Financial assets recognised in balance sheet		
Lending to and receivables on credit institutions [1]	**843 126**	970 742
Lending to customers	**95 971 045**	91 326 994
Others financial assets	**28 367**	105 843
Bonds and certificates at fair value	**24 521 072**	16 968 273
Financial derivatives	**5 128 842**	5 393 896
Total credit risk exposure	**126 492 453**	114 765 749
Off-balance sheet financial assets		
Overdraft facility	**50 000**	50 000
Note Purchase Agreement [2]	**-**	-
Granted, but undisbursed loans	**672 549**	587 265

[1] Restricted funds for tax withholdings were NOK 4 468 thousand in 2022 and NOK 1 216 thousand in 2021. Restricted funds for pension liabilities were NOK 0 thousand in 2022 and NOK 5 819 thousand in 2021.

[2] The owner banks have accepted a liquidity obligation (Note Purchase Agreement) towards EBK, see note 23 for more information. The amount at 31 December 2022 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 2022	31 Dec 2021
Instalment loans – retail market	**91 331 535**	86 547 778
Instalment loans – housing cooperatives	**4 899 300**	4 826 197
Accrued interest instalment loans	**158 511**	
Adjustment fair value lending to customers [1]	**(418 301)**	(46 980)
Total lending before specific and general provisions for losses incl accrued interest [2]	**95 971 045**	91 326 994
Individual impairments	**-**	-
Unspecified group impairments	**-**	-
Total lending to and receivables from customers including accrued interest [2]	**95 971 045**	91 326 994

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 2022.

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

[2] With effect from the third quarter of 2022, accrued interest has been reclassified by incorporating this in loans to customers. Figures from earlier periods have not been restated.

31 December 2022

Amounts in NOK 1 000	Nominal value	Fair value
Variable rate loans	88 029 340	88 029 340
Fixed rate loans	8 360 006	7 941 705
Toal lending including accrued interest	96 389 346	95 971 045

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

The fair value of loans to customers is calculated as follows: The margin on the loans is considered to be on market terms. The market value of residential mortgages with floating interest rates which have experienced no significant increase in credit risk since origination are considered to have a value equal to their 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 EBK. Upon transfer to EBK, 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 EBK as 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 is to be regarded as recognised at the point when all collateral associated with a non-performing loan has been realised and paid to EBK. 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 EBK 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, EBK 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 EBK 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 EBK 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 EBK transferred by all the distributors at the date the loss was realised.

Defaults
Pursuant to section 7 of the CRR/CRD IV regulation, see 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 2022.

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, EBK 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 EBK'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 EBK – 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 EBK. In this way, the terms achieved by the bank as a result of securing finance through EBK will be influenced by the bank's own use of EBK, and only affected to a limited extent by the increase in or reduction of financing by other banks in EBK.

The bank is committed to maintaining an overall financing in EBK which accords with the maturity profile for the bank's financing in EBK. The bank's financing in EBK is the overall value of the bank's share of the mortgage portfolio in EBK. If the overall value of the bank's share of the mortgage portfolio in EBK 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 EBK 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 EBK is reduced in a way which means that EBK 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 EBK against commission payments due to the bank.

Loan-to-value for residential mortgages
With effect from 10 December 2019, EBK 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. A supplementary agreement has been entered into with the banks wishing to increase the LTV limit on their residential mortgages to 75 per cent. Pursuant to this agreement, should house prices for mortgaged properties with an LTV above 60 per cent calculated on the original base value fall so significantly that certain mortgages exceed an LTV of 75 per cent, the bank will either have to replace such mortgages or make a credit framework available to EBK.

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 2022	31 Dec 2020
1–29 days	**553 357**	446 876
30–60 days	**106 187**	65 781
60–90 days	**10 141**	2 712
> 90 days	**-**	-
Total past due loans not subject to impairment (principal)	**669 686**	515 369

Note 13.2.1 Lending by geographical area[1]

Amounts in NOK 1 000	Lending 31 Dec 2022	Lending 31 Dec 2021	Lending in % 2022
Viken	27 194 769	25 805 003	28.27%
Oslo	9 366 902	9 371 225	9.73%
Innlandet	5 428 812	5 048 203	5.64%
Vestfold og Telemark	10 429 890	9 639 372	10.84%
Agder	6 398 870	5 972 620	6.65%
Rogaland	7 827 298	7 212 422	8.13%
Vestland	3 455 545	3 282 291	3.59%
Møre og Romsdal	3 737 965	3 486 292	3.88%
Trøndelag	17 112 044	16 487 222	17.79%
Nordland	3 696 314	3 566 269	3.84%
Troms og Finnmark	1 582 428	1 503 054	1.64%
Total	96 230 835	91 373 974	100%

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

Note 13.2.2 Provision for losses

The retail market is less exposed to losses on lending than other sectors. EBK's lending is confined to residential mortgages with a generally low LTV ratio, and it is therefore less exposed to loss.

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 (PD-life). EBK has decided that an quarterly 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. Furthermore, a solution has been developed for exposure at default (EAD) and calculating losses as well as a model for assessing whether the credit risk of an engagement has significantly increased since its initial recognition.

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 life). 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 2022, EBK had the following expectations for the development of the macroeconomic variables

Changes in house prices	2023	2024	2025
Main estimate	(4.7%)	0.3%	3.0%
Stress scenario	(1.3%)	(14.7%)	(25.0%)
Best estimate	5.8%	5.4%	6.3%
Average	(0.1%)	(3.0%)	(5.2%)

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 2021 [1]	91 214 254	115 186	44 534	**91 373 974**
Mortgages 31 December 2022 [1]	96 014 283	192 828	23 724	**96 230 835**

[1] EBK had 76 loans in step 2 and 19 in step 3 at 31 December 2022. A low indexed LTV means that these loans will not generate losses in the loss model

Increased credit risk means that NOK 192.8 million of EBK's residential mortgages are in step 2 and NOK 23.7 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 2.1 million at 31 December 2022. Given credit guarantees of NOK 1.16 billion from the owner banks at the same date, however, this will not result in the company incurring any accounting loss at 31 December 2022.

Stress-test change from falling house prices and PD value

Amounts in NOK 1 000	1%	2%	3%	4%	5%
10%	4 085	8 172	12 257	16 343	20 429
20%	6 907	13 815	20 722	27 629	34 536
30%	17 652	35 305	52 957	70 609	88 261
40%	48 214	96 428	144 643	215 381	241 071
50%	108 596	217 192	325 787	434 383	542 979

EBK conducted a stress test at 31 December 2022 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 543 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 2022		31 Dec 2021	
Amounts in NOK 1 000	Book value	Net value[1]	Book value	Net value[1]
Financial derivatives	**5 128 842**	**4 630 011**	5 393 896	5 282 918
Received collateral	**3 113 873**	**3 238 883**	3 269 520	3 513 012
Net exposure	**2 014 970**	**1 391 129**	2 124 376	1 769 906

Liability	31 Dec 2022		31 Dec 2021	
Amounts in NOK 1 000	Book value	Net value[1]	Book value	Net value[1]
Financial derivatives	**3 407 756**	**2 909 066**	711 486	600 508
Received collateral	**15 766**	**15 766**	-	-
Net exposure	**3 391 990**	**2 893 300**	711 486	600 508

[1] Net value is the book value of the financial assets less the financial liabilities related to the same counterparty. Similarly, the net value of financial liabilities is adjusted for collateral related to the same counterparty. The company received NOK 3.1 billion in cash collateral from counterparties to hedging contracts during 2022, compared to NOK 3.3 billion in 2021, and provided NOK 15.8 million in collateral during 2022. 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 0.1 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 December 2022 (Amounts in NOK 1 000)	Nominal value	Cost price	Fair value
Municipalities	8 328 694	8 374 531	8 368 366
Credit institutions	8 474 000	8 530 609	8 522 149
Treasury bills	7 712 288	7 757 228	7 630 558
Total bonds and certificates at fair value including accrued interest	24 514 982	24 662 368	24 521 072
Change in value charged to other comprehensive income[1]			(141 295)

The average effective interest rate is 1.83 per cent annualised. The calculation is based on a weighted fair value of NOK 18.1 billion. The calculation takes account of a return of NOK 331.6 million on bank deposits, bonds and certificates. The return on reinvested cash collateral received is excluded from the calculation.

31 December 2021 (Amounts in NOK 1 000)	Nominal value	Cost price	Fair value
Municipalities	7 161 472	7 171 622	7 174 479
Credit institutions	7 230 000	7 259 352	7 259 745
Treasury bills	2 673 158	2 699 156	2 534 049
Total bonds and certificates at fair value	17 064 629	17 130 129	16 968 273
Change in value charged 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 2022	31 Dec 2021
Average term to maturity	**1.4**	1.4
Average duration	**0.1**	0.1

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 lower of them is used to assess the credit quality step. If the counterparty is rated by two agencies, the lower 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, 38 per cent are in banks with credit quality step 1 and 62 per cent in banks with credit quality step 2.

Note 14 Taxes

Amounts in NOK 1 000	2022	2021
Tax on ordinary profit and loss		
Income tax payable in the balance sheet	**13 063**	11 685
Change in deferred tax ordinary profit and loss	**14 083**	6 856
Change in deferred tax other comprehensive income	**(56 322)**	(13 360)
Total tax on ordinary profit and loss	**(29 177)**	5 181
Reconciliation of expected and actual tax - ordinary profit and loss		
Profit before taxes	**(65 383)**	56 327
Expected tax on income at nominal tax rate (25%)	**(16 346)**	14 082
Tax effect of permanent differences	**(12 831)**	(8 901)
Total tax on ordinary profit and loss	**(29 177)**	5 181
Effective tax rate	**44.6%**	9.2%
Tax on other comprehensive income		
Change in deferred tax on net gains and losses on bonds and certificates	**(5 051)**	(2 318)
Change in deferred tax on net gains and losses on basis swaps	**61 373**	15 678
Total tax on other comprehensive income	**56 322**	13 360
Reconciliation of expected and actual tax - other comprehensive income		
Other comprehensive income before tax	**225 288**	53 440
Expected tax on income at nominal tax rate (25%)	**56 322**	13 360
Total tax on other comprehensive income	**56 322**	13 360
Deferred tax related to the following temporary differences		
Fixed assets	**(2)**	(3)
Pensions	**(1 732)**	238
Financial instruments	**(12 716)**	(7 153)
Other temporary differences	**367**	62
Total change in deferred tax	**(14 083)**	(6 856)

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

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Fixed assets	**17**	24
Net pension commitments	**-**	6 926
Financial instruments	**17 970**	68 836
Other temporary differences	**1 714**	246
Total temporary differences	**19 701**	76 032
Deferred tax assets	**4 925**	19 008

Note 15 Classification of financial instruments

31 December 2022 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	-	-	843 126	**843 126**
Lending to customers	7 941 705	-	88 029 340	**95 971 045**
Bonds and certificates	-	24 521 072	-	**24 521 072**
Financial derivatives	5 128 842	-	-	**5 128 842**
Shares classified at fair value recognised in profit or loss	1 650	-	-	**1 650**
Other financial assets	-	-	28 367	**28 367**
Total financial assets	13 072 197	24 521 072	88 900 833	**126 494 103**
Financial liabilities				
Financial derivatives	3 407 756	-	-	**3 407 756**
Debt securities issued	-	-	112 435 578	**112 435 578**
Loans from credit institutions	-	-	3 113 873	**3 113 873**
Other liabilities	-	-	61 125	**61 125**
Subordinated loan capital	-	-	813 256	**813 256**
Total financial liabilities	3 407 756	-	116 423 832	**119 831 587**

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**

Note 16 Fair value of financial instruments at amortised cost

	31 Dec 2022		31 Dec 2021	
Amounts in NOK 1 000	Book value	Fair value	Book value	Fair value
Financial assets				
Loans to and deposits with credit institutions	**843 126**	**843 126**	970 742	970 742
Lending to customers	**95 971 045**	**95 971 045**	91 326 994	91 326 994
Total financial assets including accrued interest	**96 814 172**	**96 814 172**	92 297 736	92 297 736
Financial liabilities				
Debt securities in issue	**112 435 578**	**111 637 710**	103 648 169	104 167 499
Subordinated loan capital	**813 256**	**800 159**	724 342	730 853
Total financial liabilities including accrued interest	**113 248 834**	**112 437 869**	104 372 511	104 898 352

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 is based on tax-related prices published by the Investment Firms 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

EBK 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 2022

Amounts in NOK 1 000	Level 1	Level 2	Level 3
Financial assets			
Lending to customers (fixed income)	-	-	7 941 705
Bonds and certificates	4 931 806	19 589 267	-
Financial derivatives	-	5 128 842	-
Shares classified at fair value recognised in profit or loss	-	-	1 650
Total financial assets	4 931 806	24 718 109	7 943 355
Financial liabilities			
Financial derivatives	-	3 407 756	-
Total financial liabilities	-	3 407 756	-

No significant transactions between the different levels took place in 2022.

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.

Detailed statement of assets classified as level 3

2022

Amounts in NOK 1 000	1 Jan 2022	Purchases/issues	Disposals/settlements	Transfers in/out of level 3	Allocated to profit or loss 2022	Other comprehensive income	31 Dec 2022
Lending to customers (fixed-rate loans)	8 477 441	1 201 768	(1 350 845)	-	(386 659)	-	7 941 705
Shares classified at fair value recognised in profit or loss	1 650	-	-	-	-	-	1 650
Total	8 479 091	1 201 768	(1 350 845)	-	(386 659)	-	7 943 355

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 comprehensive 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

Detailed statement of changes in debt related to currency changes

2022

Amounts in NOK 1 000	1 Jan 2022	Issued/matured	Currency changes	31 Dec 2022
Change in debt securities issued [1]	50 846 425	10 193 750	2 851 208	63 891 383
Total	50 846 425	10 193 750	2 851 208	63 891 383

2021

Amounts in NOK 1 000	1 Jan 2021	Issued/matured	Currency changes	31 Dec 2021
Change in debt securities issued [1]	58 371 923	(3 726 250)	(3 799 248)	50 846 425
Total	58 371 923	(3 726 250)	(3 799 248)	50 846 425

[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 2022

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 218.4 million. The effect of a decrease in interest rates would be an increase of NOK 218.4 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 2022 and cumulatively.

Note 18 Cover pool

For covered bonds linked 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. Section 11-7 of the regulations for financial institutions, which came into effect on 8 July 2022, requires overcollateralisation of at least five per cent of the value of covered bonds in the cover pool. Calculating the five per cent requirement is based on nominal values while the company’s own holding of covered bonds is also taken into account. Calculations of overcollateralisation in earlier periods have also been restated in accordance with the new regulations.

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

Cover pool	Nominal values including own holding	
Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Lending to customers [2]	**95 486 996**	90 860 346
Substitute assets and derivatives:		
Substitute assets [3]	**21 400 047**	13 292 049
Total cover pool	**116 887 043**	104 152 395
The cover pool's overcollateralisation [4]	**107.91%**	109.09%

Covered bonds issued		
Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Covered bonds	**107 902 450**	94 925 700
Own holding (covered bonds) [1]	**416 000**	549 000
Total covered bonds	**108 318 450**	95 474 700

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 2022	31 Dec 2021
Lending to customers[2]	**95 486 996**	90 860 346
Substitute assets:		
Substitute assets[3]	**21 400 047**	13 292 049
Total	**116 887 043**	104 152 395
The cover pool's overcollateralisation[4]	**108.33%**	109.72%

Covered bonds issued

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Covered bonds	**107 902 450**	94 925 700
Total covered bonds	**107 902 450**	94 925 700

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

[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 2022, liquid assets totalling NOK 750 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

If calculation of the overcollateralisation is based on fair values with the exception of the credit spread for the covered bonds, and the company's own holding of covered bonds is taken into account, the overcollateralisation is 7.91 per cent.

Note 19 Other financial assets

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Prepaid expenses	**2 561**	2 734
Repo agreements	**-**	-
Accrued interest	**-**	103 109
Short-term receivables	**25 805**	-
Total other financial assets	**28 367**	105 843

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 2023 of NOK 18.1 billion net when the currency hedge is taken into account. At 31 December 2022, the company had liquid funds in the form of bank deposits amounting to NOK 0.8 billion, a securities portfolio of NOK 24.5 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 at 31 December 2022

Amounts in NOK 1 000	Book value 31 Dec 2022	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	112 435 578	-	274 988	533 096	12 881 437	85 746 580	24 719 714	**124 155 815**
Subordinated loan capital	813 256	-	1 691	8 806	31 511	876 847	-	**918 855**
Financial derivatives (net)	(1 721 086)	-	(3 190 461)	345 613	584 967	2 451 504	(223 245)	**(31 621)**
Loans from credit institutions [1]	3 113 873	3 113 873	-	-	-	-	-	**3 113 873**
Other debt with remaining term to maturity [2]	61 125	-	30 726	7 676	16 435	-	-	**54 836**
Total financial liabilities	114 702 745	3 113 873	(2 884 456)	895 191	13 514 350	89 074 932	24 496 469	**128 211 757**
Derivatives								
Financial derivatives (gross)								
Incoming flow		-	(7 589 975)	(476 146)	(6 386 414)	(37 097 714)	(17 705 287)	**(69 255 535)**
Outgoing flow		-	10 780 435	130 533	5 801 447	34 646 210	17 928 532	**69 287 156**
Financial derivatives (net)		-	3 190 461	(345 613)	(584 967)	(2 451 504)	223 245	**31 621**

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. EBK has been provided with such collateral in the form of cash in both 2022 and 2021. 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 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 in the balance sheet. Other debt with remaining term to maturity at 31 December 2022 relates to accrued interest on tier 1 perpetual bonds.

Financial liabilities 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

[1] Agreements with counterparties regulating trades in OTC derivatives require collateral to be provided in certain cases. EBK has been provided with such collateral in the form of cash in both 2022 and 2021. 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 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 in the balance sheet. Other debt with remaining term to maturity at 31 December 2022 relates to accrued interest on tier 1 perpetual bonds.

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. EBK 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 2022, would reduce the value of the company's assets at 31 December by NOK 60.2 million, while the value of liabilities would be cut by NOK 90.6 million. The net effect on pre-tax profit would consequently have been a increase of NOK 30.4 million. The effect of a decrease in interest rates would be an increase of NOK 60.2 million of the value of assets, an increase of NOK 90.6 million in the value of liabilities and a reduction in pre-tax profit of NOK 30.4 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 1.19 billion, while interest expense would be increased by NOK 1.12 billion. The effect on net interest income would accordingly have been an increase of NOK 63.7 million. A reduction in interest rates would decrease interest income by NOK 1.19 billion and interest expenses by NOK 1.12 million. That would yield a reduction of NOK 63.7 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 94 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 94 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

Provision of cash collateral in euros by derivative counterparties yields a shortfall in euros because interest rates on EBK'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. The company has debts through covered bonds issued in euros. These debts are hedged through currency derivatives. Since the debts are fully hedged through currency derivatives, the company has no currency risk when issuing covered bonds. 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 at 31 December 2022

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	10 722 211	-	5 270 331	21 057 410	27 193 351	**64 243 304**
Currency derivatives in EUR	(10 722 211)	-	(5 270 331)	(21 057 410)	(27 193 351)	**(64 243 304)**
Net currency exposure	-	-	-	-	-	**-**

Currency risk 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	-	-	-	-	-	**-**

Note 22 Other risk

Risk relating to capital management

Borrowing through the issuance of covered bonds means the company will have surplus liquidity in the period immediately after raising such loans. 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 EBK 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 2022	31 Dec 2021
Nominal value of bonds	**110 702 450**	98 675 700
Nominal value of certificates	**-**	500 000
Difference in fair value	**1 733 128**	4 472 469
Nominal value of subordinated loan capital	**810 000**	725 000
Difference in fair value	**3 256**	(658)
Total	**113 248 834**	104 372 511

EBK has an overdraft facility with DNB Bank ASA (DNB). Amounting to NOK 50 million, this facility was undrawn at 31 December 2022 and 31 December 2021. 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 EBK 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 covered bonds 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 2022, the company had bonds and certificates in issue with a nominal value of NOK 110 702 450 000.

Note 23.1 Debts from issuance of securities

Covered bonds

ISIN (Amounts in NOK 1 000)	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2022	31 Dec 2021
NO0010625346	1 500 000	NOK	Fixed	4.60%	2011	2026	**1 515 296**	1 500 437
NO0010669922	1 000 000	NOK	Fixed	4.00%	2013	2028	**1 036 678**	998 149
NO0010687023	150 000	NOK	Fixed	4.10%	2013	2028	**151 965**	150 000
NO0010732258	8 000 000	NOK	Floating	3M Nibor + 0.28%	2015	2022	**-**	3 450 484
NO0010763022	850 000	NOK	Fixed	2.25%	2016	2031	**858 739**	844 971
NO0010780687	700 000	NOK	Fixed	2.60%	2016	2027	**711 284**	699 640
NO0010794308	5 000 000	NOK	Floating	3M Nibor + 0.43%	2017	2022	**-**	5 001 746
NO0010815376	1 600 000	NOK	Fixed	2.67%	2018	2033	**1 629 935**	1 590 775
NO0010821192	8 050 000	NOK	Floating	3M Nibor + 0.34%	2018	2023	**5 106 205**	8 047 863
NO0010863178	7 250 000	NOK	Floating	3M Nibor + 0.25%	2019	2024	**7 261 830**	7 246 138
NO0010881162	6 000 000	NOK	Floating	3M Nibor + 0.41%	2020	2025	**6 028 385**	5 998 370
NO0010921067	10 500 000	NOK	Floating	3M Nibor + 0.75%	2021	2026	**10 696 756**	6 140 344
NO0011135105	6 000 000	NOK	Floating	3M Nibor + 0.50%	2021	2026	**6 069 634**	6 084 302
NO0012475609	6 000 000	NOK	Floating	3M Nibor + 0.42%	2022	2027	**6 000 970**	-
NO0012708827	2 000 000	NOK	Fixed	4.00%	2022	2032	**2 011 297**	-
NO0012728643	1 700 000	NOK	Fixed	4.33%	2022	2034	**1 782 919**	-
XS0881369770	1 000 000	EUR	Fixed	2.125%	2013	2023	**10 722 211**	10 010 969
XS1397054245	500 000	EUR	Fixed	0.375%	2016	2023	**5 270 331**	5 001 009
XS1566992415	500 000	EUR	Fixed	0.375%	2017	2024	**5 269 798**	4 998 732
XS1725524471	500 000	EUR	Fixed	0.375%	2017	2025	**5 263 940**	4 993 737
XS1869468808	500 000	EUR	Fixed	0.50%	2018	2025	**5 253 802**	4 991 375
XS1945130620	500 000	EUR	Fixed	0.875%	2019	2029	**5 269 870**	4 975 358
XS1969637740	10 000	EUR	Fixed	1.245%	2019	2039	**106 172**	100 190
XS1997131591	60 000	EUR	Fixed	1.112%	2019	2039	**635 355**	601 046
XS2085864911	5 000	EUR	Fixed	0.56%	2019	2039	**52 553**	50 036
XS2133386685	500 000	EUR	Fixed	0.01%	2020	2027	**5 305 308**	5 064 162
XS2234711294	500 000	EUR	Fixed	0.01%	2020	2028	**5 325 836**	5 085 397
XS2353312254	500 000	EUR	Fixed	0.125%	2021	2031	**5 232 921**	4 978 381
XS2482628851	500 000	EUR	Fixed	1.625%	2022	2030	**5 274 590**	-
XS2536806289	500 000	EUR	Fixed	2.50%	2022	2028	**5 260 616**	-
Verdijusteringer							**(5 488 537)**	795 994
Total covered bonds including accrued interest [1,2]							**109 616 659**	99 399 605

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

Senior unsecured bonds

ISIN (Amounts in NOK 1 000)	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2022	31 Dec 2021
NO0010782048	500 000	NOK	Floating	3M Nibor + 0.95%	2017	2022	-	500 015
NO0010830367	450 000	NOK	Floating	3M Nibor + 0.56%	2018	2022	-	449 959
NO0010834716	500 000	NOK	Fixed	3.01%	2018	2025	**301 513**	299 739
NO0010841620	300 000	NOK	Fixed	2.87%	2019	2026	**307 961**	299 774
NO0010845936	500 000	NOK	Floating	3M Nibor + 0.78%	2019	2024	**300 626**	299 904
NO0010849433	500 000	NOK	Floating	3M Nibor + 0.74%	2019	2024	**300 059**	299 821
NO0010874944	300 000	NOK	Floating	3M Nibor + 0.58%	2020	2025	**301 467**	299 822
NO0010891351	500 000	NOK	Floating	3M Nibor + 0.50%	2020	2023	**501 996**	499 875
NO0010904642	500 000	NOK	Floating	3M Nibor + 0.65%	2020	2024	**503 137**	499 744
NO0010918113	300 000	NOK	Floating	3M Nibor + 0.45%	2021	2024	**302 159**	299 938
Total senior unsecured bonds including accrued interest[2]							**2 818 919**	3 748 593

Senior unsecured certificates

ISIN (Amounts in NOK 1 000)	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2022	31 Dec 2021
NO0011099798	500 000	NOK	Floating	3M Nibor + 0.07%	2021	2022	-	499 971
Total senior unsecured certificates including accrued interest[2]							-	499 971
Total debt securities issued including accrued interest[2]							**112 435 578**	103 648 169

[2] With effect from the third quarter of 2022, accrued interest has been reclassified by incorporating it in debt securities issued. Figures from earlier periods have not been restated.

Subordinated loan capital

ISIN (Amounts in NOK 1 000)	Nominal amounts	Local currency	Interest rate terms	Interest rate	Establishment	Maturity	31 Dec 2022	31 Dec 2021
NO0010814916	325 000	NOK	Floating	3M Nibor + 1.40%[3]	2018	2028	**35 275**	324 859
NO0010864333	250 000	NOK	Floating	3M Nibor + 1.55%[4]	2019	2029	**249 992**	249 726
NO0010917735	150 000	NOK	Floating	3M Nibor + 1.04%[5]	2021	2026	**151 158**	149 757
NO0012618927	375 000	NOK	Floating	3M Nibor + 2.20%[6]	2022	2027	**376 831**	-
Total subordinated loan capital including accrued interest[7]							**813 256**	724 342

[3] 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.
[4] 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.
[5] 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.
[6] 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.
[7] With effect from the third quarter of 2022, the company has reclassified accrued interest by including it in the balance sheet item for subordinated loan capital. Figures from earlier periods have not been restated.

Note 24 Other liabilities

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Accrued costs		
Commissions on bank lending	**21 691**	209 984
Accrued interest [1]	**6 289**	483 304
Accrued employer's national insurance contributions	**3 071**	1 403
Deferred directors' fees	**835**	760
Accrued holiday pay	**2 537**	2 355
Deferred bonus	**-**	-
Other accrued costs	**7 128**	-
Total accrued costs	**41 551**	697 806
Other debt		
Debt to companies in the same group	**-**	-
Accounts payable	**1 907**	615
Unpaid withholding tax	**4 368**	1 185
Unpaid VAT	**237**	356
Tax payable	**13 063**	11 685
Other debt	**-**	-
Total	**19 574**	13 842
Total other liabilities	**61 125**	711 648

[1] With effect from the third quarter, the company has reclassified accrued interest by including such income in the balance sheet items on debt securities issued, loans from credit institutions and subordinated loan capital. Figures for earlier periods have not been restated.

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. EBK 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 had no supplementary pension scheme for its CEO at 31 December 2022.

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

	2022	2021
Number of employees in the unfunded scheme	**-**	1
Number of employees in the defined contribution pension scheme	**18**	19

Pension expenses

Amounts in NOK 1 000	2022	2021
Defined contribution pension schemes	**2 981**	2 874
Individual plan	**44**	991
AFP – early retirement pension	**372**	343
Net pension expenses	**3 397**	4 208

Pension commitments

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Value of pension funds	**-**	6 926
Pension liability	**-**	6 926

Note 26 Share capital and shareholder information

The share capital consists of 1 405 153 344 shares, each with a nominal value of NOK 1.00.
All shares were authorised, issued and fully paid at 31 December 2022.

List of shareholders at 31 December 2022	Number of shares	Ownership share
Jernbanepersonalets Sparebank	117 497 512	8.36%
Jæren Sparebank	84 867 467	6.04%
Skagerrak Sparebank	66 204 830	4.71%
Askim & Spydeberg Sparebank	58 931 210	4.19%
Romerike Sparebank	53 234 073	3.79%
Odal Sparebank	47 225 707	3.36%
Orkla Sparebank	46 917 580	3.34%
Grong Sparebank	42 849 926	3.05%
Sparebanken Narvik	40 322 769	2.87%
Agder Sparebank	38 251 096	2.72%
Totens Sparebank	36 560 457	2.60%
Aurskog Sparebank	32 803 190	2.33%
Larvikbanken - Din Personlige Sparebank	31 383 741	2.23%
OBOS-banken	31 347 365	2.23%
Melhus Sparebank	30 678 779	2.18%
Eidsberg Sparebank	29 521 655	2.10%
Skue Sparebank	28 503 919	2.03%
Drangedal Sparebank	28 144 801	2.00%
Sunndal Sparebank	27 817 255	1.98%
Romsdal Sparebank	27 449 736	1.95%

List of shareholders at 31 December 2022	Number of shares	Ownership share
Rørosbanken	25 681 118	1.83%
Sparebank 68° Nord	24 835 215	1.77%
Bien Sparebank ASA	23 785 609	1.69%
Andebu Sparebank	22 506 554	1.60%
Grue Sparebank	20 221 534	1.44%
Marker Sparebank	19 440 496	1.38%
Aasen Sparebank	19 202 632	1.37%
Tysnes Sparebank	18 767 109	1.34%
Trøgstad Sparebank	18 636 765	1.33%
Berg Sparebank	18 087 423	1.29%
Strømmen Sparebank	17 106 743	1.22%
Kvinesdal Sparebank	16 484 905	1.17%
Selbu Sparebank	16 362 702	1.16%
Sogn Sparebank	14 553 975	1.04%
Stadsbygd Sparebank	14 416 285	1.03%
Sparebanken Din	13 855 850	0.99%
Hegra Sparebank	13 840 637	0.98%
Hjelmeland Sparebank	12 983 250	0.92%
Hjartdal og Gransherad Sparebank	12 961 176	0.92%
Ørskog Sparebank	12 633 186	0.90%

List of shareholders at 31 December 2022	Number of shares	Ownership share
Hemne Sparebank	12 306 713	0.88%
Birkenes Sparebank	11 487 906	0.82%
Høland Og Setskog Sparebank	11 449 341	0.81%
Valle Sparebank	10 989 905	0.78%
Tinn Sparebank	10 730 197	0.76%
Evje Og Hornnes Sparebank	10 509 222	0.75%
Nidaros Sparebank	9 326 496	0.66%
Haltdalen Sparebank	7 975 823	0.57%
Tolga-Os Sparebank	7 821 183	0.56%
Oppdalsbanken	7 293 507	0.52%
Rindal Sparebank	6 846 542	0.49%
Ørland Sparebank	6 619 579	0.47%
Oslofjord Sparebank	6 583 101	0.47%
Soknedal Sparebank	6 082 873	0.43%
Åfjord Sparebank	6 070 283	0.43%
Voss Veksel- Og Landmandsbank Asa	5 741 973	0.41%
Bjugn Sparebank	4 037 154	0.29%
Gildeskål Sparebank	3 633 627	0.26%
Valdres Sparebank	1 768 146	0.13%
Etnedal Sparebank	1 003 541	0.07%
Total	1 405 153 344	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 2022	31 Dec 2021
Share capital	**1 405 153**	1 225 497
Share premium	**4 005 230**	3 384 886
Other paid-in equity	**477 728**	477 728
Other equity	**238**	573
Total equity recognised in the balance sheet (without tier 1 perpetual bonds)	**5 888 349**	5 088 684
Fund for unrealised gains	**123 706**	33 863
Fund for valuation differences	**14 255**	14 033
Intangible assets	**(829)**	(1 852)
Deferred tax assets [1]	**-**	-
Prudent valuation adjustments of fair valued positions without accrued interest	**(33 010)**	(25 584)
Total core tier 1 capital	**5 992 471**	5 109 143

[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.

Core capital adequacy ratio (core tier 1 capital)	31 Dec 2022	31 Dec 2021
Risk-weighted assets	**38 758 482**	37 295 905
Core tier 1 capital	**5 992 471**	5 109 143
Core tier 1 capital ratio	**15.5%**	13.7%
Total core tier 1 capital	**5 992 471**	5 109 143
Tier 1 perpetual bonds	**692 000**	575 000
Total tier 1 capital	**6 684 471**	5 684 143

Capital adequacy ratio (tier 1 capital)	31 Dec 2022	31 Dec 2021
Risk-weighted assets	**38 758 482**	37 295 905
Tier 1 capital	**6 684 471**	5 684 143
Tier 1 capital ratio	**17.2%**	15.2%
Total tier 1 capital	**6 684 471**	5 684 143
Subordinated loans	**808 948**	724 342
Total primary capital (tier 2 capital)	**7 493 419**	6 408 485

Capital adequacy ratio (tier 2 capital)	31 Dec 2022	31 Dec 2021
Risk-weighted assets	**38 758 482**	37 295 905
Total primary capital (tier 2 capital)	**7 493 419**	6 408 485
Capital adequacy ratio	**19.3%**	17.2%
Required capital corresponding to eight per cent of calculation basis	**3 100 679**	2 983 672
Surplus equity and subordinated capital	**4 392 740**	3 424 813

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

31 December 2022

Risk-weighted assets	Risk-weighted assets	Capital requirement
Credit risk[2]	**37 079 327**	2 966 346
Operational risk	**243 293**	19 463
CVA risk[3]	**1 435 862**	114 869
Total	**38 758 482**	3 100 679

Leverage ratio	31 Dec 2022	31 Dec 2021
Total leverage ratio exposure	**126 863 029**	118 149 672
Tier 1 capital	**6 684 471**	5 684 143
Leverage ratio	**5.3%**	4.8%

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

[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 23.7 million at 31 December 2022. 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 2022, EBK 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 at 31 December amounted to NOK 38.8 billion, and represents a quantification of the company's risk. After accounting for growth in overall lending and changes in the company's liquidity portfolio, operational risk and CVA risk, the calculation basis for capital adequacy at 31 December 2022 was NOK 1.5 billion higher than at 1 January.

At all times, the company must have a buffer in relation to the minimum capital adequacy requirement of eight per cent. This buffer must be sufficient to cover relevant risks which could affect the company. The company's internal capital adequacy assessment process (ICAAP) is pursued to ensure that it has an adequate buffer in relation to the minimum requirement. The company plans to capitalise continued growth in the residential mortgage portfolio. The company's capital targets are a core tier 1 capital ratio of 13.0 per cent, a tier 1 capital ratio of 14.5 per cent and a tier 2 capital ratio of 16.5 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 2022 with a core tier 1 capital ratio of 15.5 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

EBK was demerged from Eika Gruppen AS with effect from 18 May 2012. Following the demerger, the company is owned directly by 59 Norwegian banks and OBOS (the owner banks). In conjunction with the owner banks becoming the shareholders of EBK, 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

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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 2022, 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 2022, 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 relevant laws and regulations in Norway 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 20 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.	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.

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

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The IT-systems are standardized, and parts of management and operation is outsourced to service providers. Refer to note 22 Other risk to the financial statements for a more detailed description of development, management and operation of IT-systems in Eika Boligkreditt AS.	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 security. For a sample of these control activities, we tested if they operated effectively in the reporting period.
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 1,7 billion NOK as per December 31, 2022 whereof combined interest- and currency swaps constitutes 1,3 billion NOK as per December 31, 2022. The estimates and judgmental assessments concerning the valuation of these financial instruments are described in note 2 and 8 to the financial statements.	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.
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.	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.
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.	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

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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 appear 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 statutory requirements.

Our opinion on the Board of Director's report applies correspondingly to the statements on 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.

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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, 14 March 2023
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 2022

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 2022. 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.

Conclusions

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

- The TCFD Report Eika Boligkreditt AS for 2022 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, 30 March 2023
Deloitte AS

Eivind Skaug
State Authorised Public Accountant (Norway)

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

Key figures

Amounts in NOK 1 000	31 Dec 2022	31 Dec 2021
Balance sheet development		
Lending to customers	**95 971 045**	91 326 994
Debt securities issued	**112 435 578**	103 648 169
Subordinated loan capital	**813 256**	724 342
Equity	**6 726 050**	5 773 485
Equity in % of total assets	**5.3**	5.0
Average total assets [1]	**120 065 058**	117 691 962
Total assets	**126 571 248**	114 860 840
Rate of return/profitability		
Fee and commission income in relation to average total assets, annualised (%)	**0.3**	0.7
Staff and general administration expenses in relation to average total assets, annualised (%)	**0.03**	0.03
Return on equity before tax, annualised (%) [2]	**(1.2)**	1.1
Total assets per full-time position	**7 031 736**	6 045 307
Cost/income ratio (%) [3]	**61.2**	116.9
Financial strength		
Core tier 1 capital	**5 992 471**	5 109 143
Tier 1 capital	**6 684 471**	5 684 143
Total primary capital (tier 2 capital)	**7 493 419**	6 408 485
Risk-weighted assets	**38 758 482**	37 295 905
Core tier 1 capital ratio (%)	**15.5**	13.7
Tier 1 capital ratio (%)	**17.2**	15.2
Capital adequacy ratio % (tier 2 capital)	**19.3**	17.2
Leverage ratio (%) [4]	**5.3**	4.8
NSFR total indicator in % [5]	**116**	99
Defaults in % of gross loans	**0.02**	0.05
Loss in % of gross loans	**-**	-
Staff		
Number of full-time positions at end of period	**18.0**	19.0

Liquidity Coverage Ratio (LCR) [6]

31 December 2022	Total	NOK	EUR
Stock of HQLA	**9 762 517**	**7 124 314**	**250 928**
Net outgoing cash flows next 30 days	**9 622 874**	**6 838 116**	**250 516**
LCR indicator (%)	**101%**	**104%**	**100%**

31 December 2021	Total	NOK	EUR
Stock of HQLA	4 249 202	1 411 876	272 885
Net outgoing cash flows next 30 days	4 124 931	1 253 419	272 885
LCR indicator (%)	103%	113%	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 2022, liquid assets totalling NOK 750 million in the form of bonds and certificates were excluded from the calculation of the cover pool's overcollateralisation.

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