Pillar 3

Risk and capital 2024

Eika Boligkreditt AS

CONTENTS

1. BACKGROUND FOR THE REPORT

This report addresses risk and capital disclosure requirements (Pillar 3) for Eika Boligkreditt (**EBK**), and provides information on the company's risk management, risk measurement and capital adequacy. The report and attachment (Pillar 3 attachment) have been prepared in accordance with the disclosure requirements specified in part eight of the capital requirement regulations (**CRR**). Information in this report is updated at least once a year, while the updating frequency for the attachment is specified in the respective report.

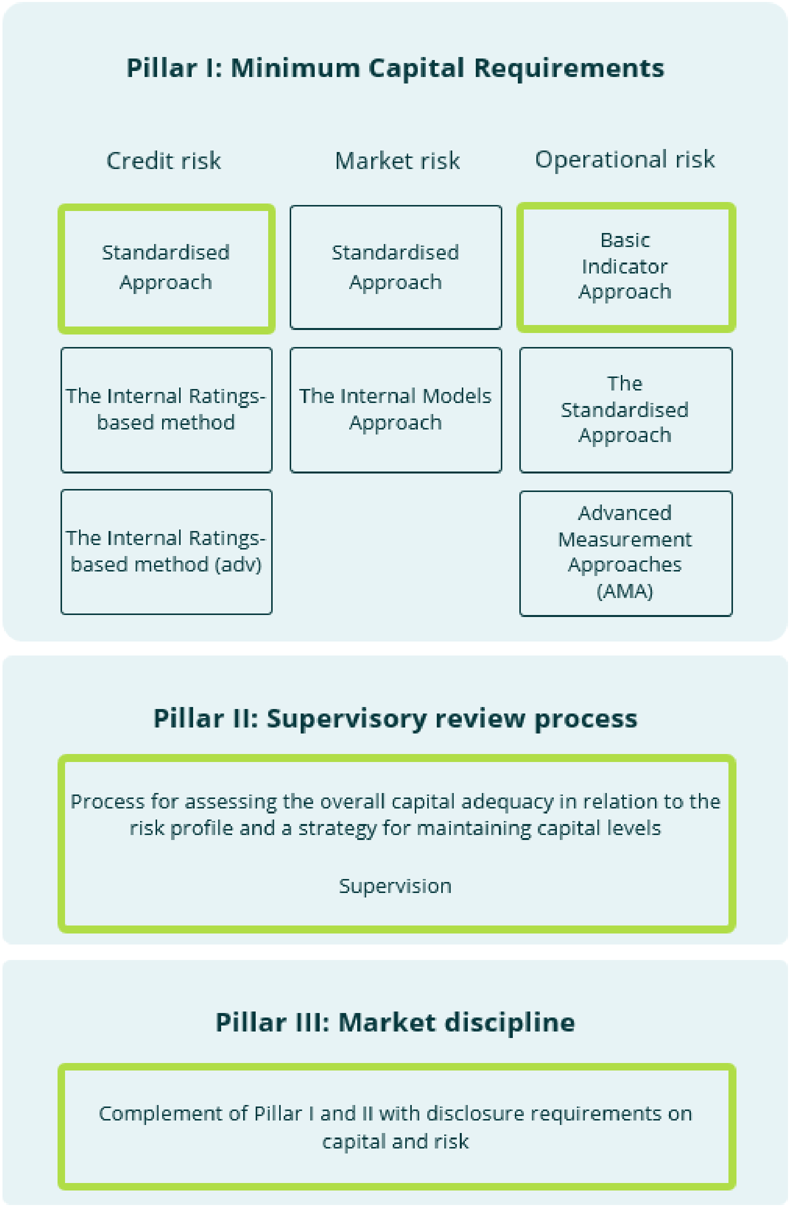
Capital adequacy requirements

The capital adequacy regulations comprise three pillars.

- **Pillar 1** addresses minimum capital adequacy requirements related to credit, market, and operational risk. It also covers capital adequacy related to the creditworthiness of counterparties to derivatives – i.e., the risk of credit valuation adjustment (CVA risk).
- **Pillar 2** addresses a process for assessing the company's total capital requirements in relation to its risk profile, including the capital requirement for risks not covered by Pillar 1. This capital requirement is assessed in relation to intrinsic risks, based on the risk level viewed in a 12-month perspective.
- **Pillar 3** is intended to supplement the minimum requirements in Pillar 1 and regulatory follow-up of Pillar 2. It will help to enhance market discipline through requirements for the publication of information which makes it possible for the market, including analysts and investors, to assess the enterprise's risk profile and capitalisation as well as its management and control.

The company applies the standardised approach and basic indicator approach for calculating capital requirements related to credit risk and operational risk respectively. This means that calculating capital requirements for these risks conforms with the CRR's categories and risk weighting rules.

Figure 1 Basel II pillars



2. COMPANY, STRUCTURE AND OPERATIONS

The main purpose of Eika Boligkreditt (**EBK**) is to ensure access for the local banks in the Eika Alliance (the owner banks) to long-term and competitive funding by issuing covered bonds. An important part of the company's business concept is to increase the competitiveness of the owner banks by improving their access to external funding in the Norwegian and international financial markets regarding the length of loans, their terms, and the depth of access. The object of the company's business is to reduce risk for the owner banks. As at December 31st, 2024, the owner banks had secured a total of NOK 104,7 billion in financing through EBK and had thereby reduced their need to obtain market financing on their own account by a corresponding amount.

EBK is licensed as a credit institution and entitled to raise loans in the market through the issuance of covered bonds. Norwegian regulations for covered bonds were adopted in 2007, and this type of bond has become an important source of financing for the lending activities of banks and credit institutions. Concentrating funding activities relating to covered bonds in EBK has secured the owner banks a player in the bond market which possess the necessary qualifications to achieve competitive terms for borrowing both in Norway and internationally.

Mechanisms for providing the company with support from the owner banks have been established. These comprise the obligations resting on the owner banks to provide the company with liquidity and capital as and when required. The owner banks exercise a dynamic ownership of EBK, where adjustment of the shareholding of the individual bank is adjusted twice a year so that it corresponds to the owner bank's share of the residential mortgage portfolio in EBK.

For EBK to be active as an issuer in both Norwegian and international financial markets, its covered bonds must have an international rating. An international rating from Moody's Investors Service (**Moody's**) gives EBK the opportunity to diversify its financing and to obtain funding at the best terms available in the market. The owner banks are prevented from issuing covered bonds directly but, through EBK, they can nevertheless access very favourable financing and maintain their competitiveness in relation to large Norwegian and international banks.

The owner banks are EBK's local representatives as distributors. They make all the arrangements related to providing residential mortgages. That includes processing mortgage applications, establishing the loan, amending existing mortgages and borrowing, and so forth. As a result, a residential mortgage transferred to EBK will be wholly perceived by the mortgagee as one taken out with the owner bank, because it will always be the mortgagee's point of contact for the mortgage. EBK is responsible in the mortgage process for operating the IT system, credit policy and disbursals.

EBK is organised in five departments:

- Credit
- Funding and investment
- Marketing
- Accounting and back office
- Risk management and compliance.

Company staffing as at December 31st, 2024, was 20 full-time equivalents. In addition, services are provided by Eika Gruppen in such areas as human resources, payroll, legal affairs, accounting, and marketing. EBK's IT platform is also supplied by Eika Gruppen.

Figure 2 Ownership structure

Shareholders

56 local banks [1]

47 local banks

100%

Eika Boligkreditt AS

100%

Eika Gruppen AS

Ownership structure and mangement

CEO Odd-Arne Pedersen

Risk manager Haakon Andreas Holtaas

Chief marketing officer Kurt E Mikalsen

Chief credit officer Chris Odden Andersen

Chief accounting officer Hugo J Henriksen

Deputy CEO / CFO Anders Mathisen

[1] Haugesund Sparebank only is a shareholder 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.

3. OVERALL RISK AND CAPITAL MANAGEMENT

Risk management in EBK

Responsibility for conducting the company's overall management and control is organised as shown in figure 3.

EBK has established a framework for management and control through risk policies determined by the board of directors, with quarterly reporting of status and developments. Overall professional responsibility for risk management in the company rests with the chief executive. The company's attention will be focused on maintaining sufficient resources to pursue risk management and compliance and will assess available expertise and capacity on a continuous basis.

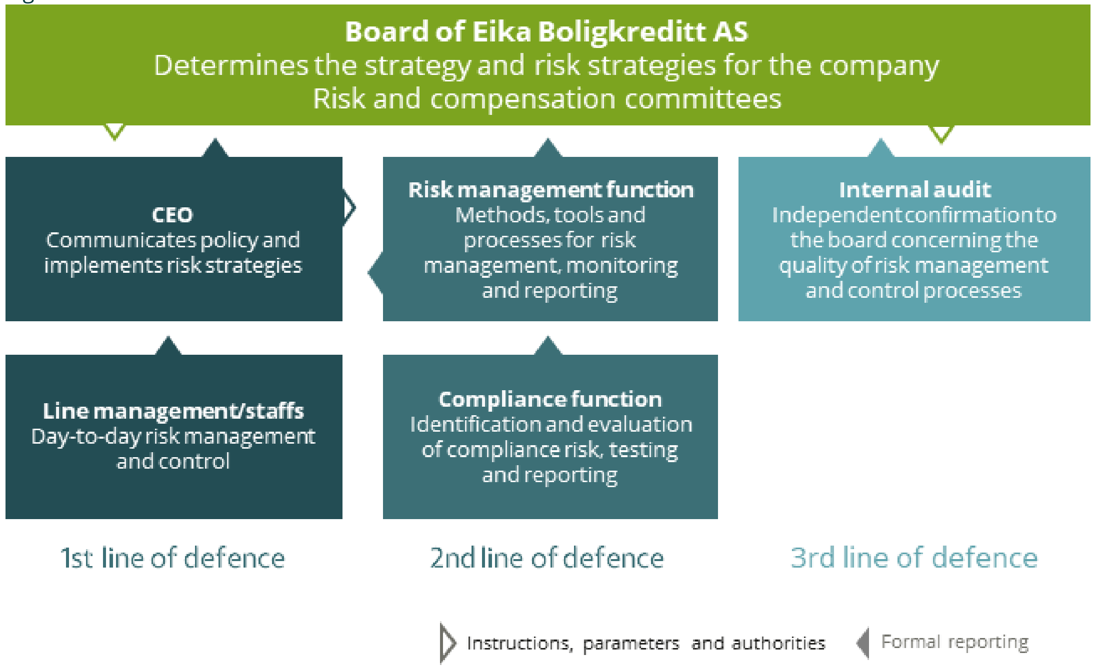
Quarterly risk and compliance reporting is conducted to provide an overview of exposure in relation to established parameters in the company, allowing the executive management and the board to verify that risk exposure falls within the defined willingness to accept risk. This reporting quantifies and assesses all main risks relevant to the company, including strategic, credit, counterparty, market, liquidity and refinancing, and operational risk.

A good internal control regime depends on entrenchment in the whole organisation, from the individual employees to the executive management and the board. PricewaterhouseCoopers is the company's internal auditor.

ICAAP

The business is required pursuant to section 13-6 of the Act on Financial Institutions to conduct an internal capital adequacy assessment process (**ICAAP**). This process involves assessing capital requirements in relation to the company's goals, policies, current and anticipated risk exposures, and applicable risk parameters and regulatory provisions. The modules from the Financial Supervisory Authority of Norway (FSA) for risk-based supervision, together with methods and stress tests which follow from the FSA's guidance with appendices, provide the assumptions to the extent that they are suitable.

Figure 3 Governance and control



Furthermore, the ICAAP is intended to help provide a shared understanding of the risk picture in the company and provide opportunities for evaluating risk in relation to the quality of management and control. That provides a basis for determining the capital targets. The company's internal liquidity adequacy assessment process (**ILAAP**), which covers liquidity and financing risk, is conducted as part of ICAAP and reported on in the same document.

Estimated budgets and forecasts for three years ahead are prepared by the management. Based on budgets and forecasts of anticipated developments in the company, the risk management and compliance department calculates capital needs for the coming three years.

This department analyses capital requirements in a forward-looking perspective by conducting stress tests with what would be a reasonable but serious crisis scenario with an economic setback, and analyses uncertainty related to expected financial developments affecting the capital requirement in the short term. These scenarios are intended to reflect a worst-case condition for EBK.

The preliminary ICAAP report is important for the board's assessment that the company has adequate level of capital and liquidity, pursuant to section 3-4 of the Act on Private Limited Liability Companies and possible opportunities to pay dividend, requirements for additional capital and so forth. The board process involves reviewing and discussing important assumptions in the ICAAP analysis, including:

- significant assumptions in the budget and the three-year forecast,
- an assessment of whether the stress tests are sufficiently conservative to cover a worst-case scenario,
- an assessment of the capital adequacy – in other words, how much capital the company ought to have, including how large a buffer the board finds prudent/desirable.

Contributions from the initial ICAAP process, with assessments from the final board meeting for the year, and the final annual financial statements, form the basis for updating the ICAAP calculations. A report is prepared to summarise the company's ICAAP and ILAAP work. The final ICAAP is approved by the board and submitted to the FSA on request and every third year at a minimum.

Recovery plan with capital measures

The company has established contingency and recovery measures for capital adequacy in its recovery plan, which is intended to help ensure that good processes are in place for capital management. EBK's owner banks are all subject to capital requirements and all have good solvency. The owner banks are committed by agreements to participate in equity issues to strengthen the company's capital. Each owner bank's capitalisation commitment is restricted primarily to its pro rata share of capital issues, which is calculated based on each owner bank's share of the company's bank financing.

Table 1 The company's risk appetite

Risk type	Risk appetite
Strategic risk	Low
Credit risk on lending	Low
Counterparty risk	Low
Market risk	Moderate
Financing and liquidity risk	Moderate
Operational risk	Low

Risk appetite

Risk appetite determines the level of risk the board is willing to accept and represents an acceptable balance for the board between growth, risk and return.

The board assesses the business and sees to it that the company has a primary capital which is proportionate to the risk in the business being conducted. The level of the board's risk appetite is determined in relation to the size of the possible loss of primary capital for the company in the stress scenario. The company operates with low, moderate, and high levels of risk. Its clear starting point is to be a low-risk company.

Requirements for good management and control are set in all risk areas, and management is required to see to it that risk management helps to keep overall risk in line with the company's risk appetite. Given the company's overall risk profile, it expects capital requirements to be low over and above the minimum level required.

4. CAPITAL

Capital adequacy and regulatory requirements

As at December 31st, 2024, the company's capital adequacy status comprised a core tier 1 capital adequacy of 16.0 per cent, a tier 1 capital ratio of 17.4 per cent and a tier 2 capital ratio of 19.4 per cent. Capital adequacy is calculated in accordance with the CRR/CRD regulations.

The risk-weighted exposure amount as at December 31st, 2024, corresponded to NOK 39.9 billion. This is used as the basis for calculating the following capital requirements.

Pursuant to the CRR, EBK must meet the requirements specified in Pillar 1, including the minimum and buffer requirements, and Pillar 2 requirements.

Capital adequacy must exceed the minimum requirement of 8 per cent in total. The capital adequacy requirement must be met by 4.5 per cent or more core tier 1 capital and at least 6 per cent tier 1 capital, including hybrid capital, while the remainder can be met by subordinated capital. These requirements are expressed as percentages of the calculation basis for credit, market, and operational risk.

Combined buffer requirements which exceed the company's minimum requirements must be met with core tier 1 capital and comprise system-risk (4.5 per cent), capital-conservation (2.5 per cent) and countercyclical (2.5 per cent) buffers. A common denominator for the buffer requirements is the restriction imposed on opportunities to make dividend and bonus payments in circumstances where the company fails to satisfy the requirements.

Pillar 2 addresses a process for assessing EBK's total capital requirements in relation to its risk profile, including the capital requirement for risks not covered by Pillar 1. The FSA issued a decision on EBK's Pillar 2 requirement on September

Figure 4 Capital ratios in Eika Boligkreditt

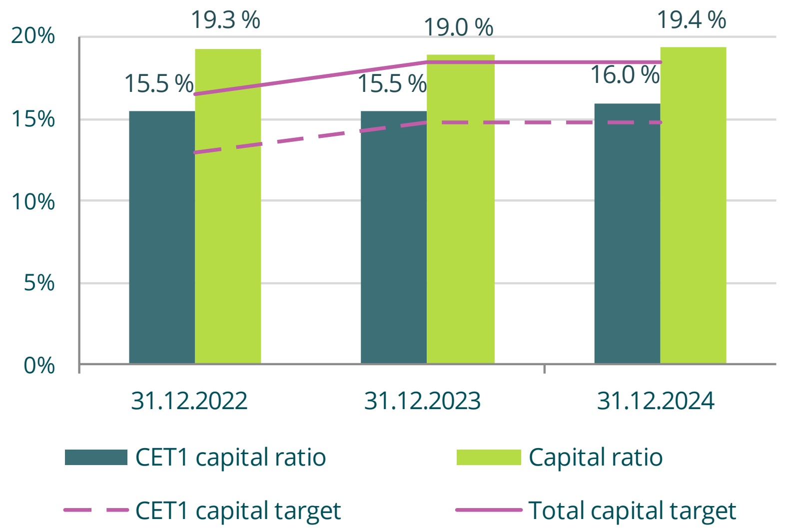


Table 2 Capital targets for Eika Boligkreditt

Capital targets	31 Dec. 2024
Minimum requirement (common Equity T1)	4.50 %
Pillar 2 requirement (common equity T1)	0.28 %
Countercyclical buffer	2.50 %
Systemical risk buffer	4.50 %
Capital conservation buffer	2.50 %
Pillar 2 Guidance	*0.50 %*
Total common Equity Tier 1 capital ratio	**14.78 %**
Additional Tier 1 capital (hybrid capital)	1.50 %
Pillar 2 requirement (additional Tier 1 capital)	0.09 %
Total Tier 1 capital ratio	**16.37 %**
Tier 2 capital (subordinated capital)	2.00 %
Pillar 2 requirement (Tier 2 capital)	0.13 %
Total Tier 2 capital ratio	**18.50 %**

4th, 2017. An extract from and summary of the content in this decision is presented below.

Eika Boligkreditt must have assets over and above the minimum and buffer requirements corresponding to at least 0.5 per cent of the calculation basis (Pillar 2 requirement) for risks which the enterprise is exposed to and which are not, or only partly, covered by Pillar 1.

The Pillar 2 requirement is enterprise-specific and will vary between banks and credit institutions in accordance with the risk in each enterprise.

The company has resolved to meet capital targets in line with table 2. It updates its capital targets to ensure that they are adequate to meet the regulatory minimum requirements, the enterprise-specific Pillar 2 requirement and applicable buffer requirements for capital. An assessment conducted based on the company's ICAAP result has found that the company's Pillar 2 requirement is adequate to meet the capital requirement for risks not covered by Pillar 1.

Pillar 2 guidance is included in the capital targets. This comprises an assessment of the company's capital requirements viewed in a forward-looking perspective as the basis for its capital targets. Based on the company's ICAAP result, a Pillar 2 guidance of 0.5 per cent has been set. This is regarded as good margin over the regulatory requirements on capital and Pillar 2.

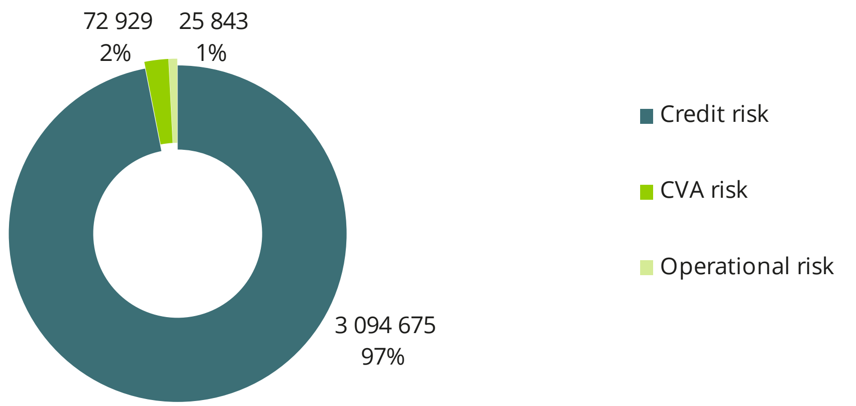
Should the need for capital change, the shareholder agreement with the owner banks provides considerable predictability over the provision of capital from the owner banks. The company's capital targets were adjusted from December 31st, 2023, when the systemic risk buffer increased from 3.0 to 4.5 per cent.

The company applies the standardised approach for calculating capital requirements for credit and market risk, and the basic indicator approach for calculating operational risk. In addition, capital requirements are calculated for risk related to weakened creditworthiness at counterparties to derivatives (CVA risk) in pillar 1. The standardised method for credit risk is used in calculating capital requirements for investments in liquid securities (hereafter termed market risk). Weighting rules which follow from the CRR are used in calculating credit risk.

Table 3 Total capital requirements, 31 Dec 2024 (amounts in NOK thousand)

Total capital requirements	Requirement	31 Dec. 2024
Risk exposure amount (REA)		**39 918 094**
Minimum common equity tier 1 capital requirement	4.50 %	1 796 314
Minimum tier 1 capital requirement	6.00 %	2 395 086
Minimum Total own funds requirement	8.00 %	3 193 448
Pillar 2 common equity tier 1 capital requirement	0.28 %	111 771
Pillar 2 tier 1 capital requirement	0.09 %	35 926
Pillar 2 tier 2 capital requirement	0.13 %	51 894
Common equity Tier 1 buffer requirements		
Capital conservation buffer	2.50 %	997 952
Systemic risk buffer	4.50 %	1 796 314
Countercyclical buffer	2.50 %	997 952
Combined buffer requirement	**9.50 %**	**3 792 219**
Total capital requirements	**18.00 %**	**7 185 257**
Allocation of capital to cover capital requirements		
Total capital		7 737 720
Surplus of Total capital		**552 463**
Tier 1 capital		6 963 534
Surplus of Tier 1 capital		**628 533**
Common equity Tier 1 capital		6 388 534
Surplus of Common equity Tier 1 capital		**688 230**

Figure 5 Capital requirements on Pillar 1 (amounts in NOK thousands)



Calculating the capital requirement for operational risk using the basic indicator approach means that the capital requirement is determined in relation to the company's net interest income and other revenues. Assessment of the operational risk is based on incidents experienced, events in the rest of the banking industry, and intrinsic risks.

Calculating the capital requirement for counterparty risk, including the risk of a reduction in the counterparty's creditworthiness (CVA risk) is calculated in accordance with the standardised method for CVA risk pursuant to the CRR. Calculated based on the counterparty's creditworthiness, this supplementary requirement is known as the credit valuation adjustment (CVA).

Based on an overall integrated risk profile, including exposure and the company's management control systems, the most significant risk types for the company are calculated and assessed in the following section.

Leverage ratio

As at December 31st, 2024, the leverage ratio corresponded to 5.4 per cent.

The leverage ratio requirement applicable to credit institutions, and thereby to EBK, corresponds to three per cent (the CRR/CRD regulations). This supplements the capital adequacy requirement calculated on the risk-weighted balance sheet and is intended to act as a safeguard against setting the calculation basis too low when calculating capital adequacy.

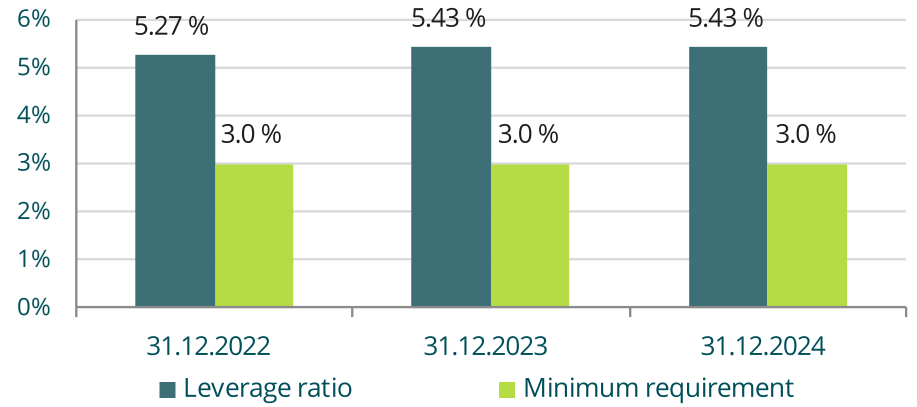
The capital target consists of tier 1 capital, which includes hybrid as well as core tier 1 capital. The calculation basis comprises assets as well as off-balance sheet items, which are converted using conversion factors corresponding to the standardised method for capital adequacy. Adjustments are also made for derivatives and repo agreements which follow from article 429 of the CRR.

Possible enterprise-specific risk of excessive leverage is addressed through Pillar 2 requirements as well as the Pillar 2 guidance. EBK has no enterprise-specific requirements for excessive leverage through Pillar 2, nor is any Pillar 2 guidance considered necessary in relation to excessive leverage. This is because the company considers internal targets for core tier 1 and tier 2 capital adequate for compliance with the regulatory requirement for the leverage ratio.

Table 4 Leverage ratio as at December 31st, 2024

Leverage ratio	31 Dec. 2024
Balance-sheet items (excluding derivatives)	121 216 274
Change in value of financial instruments at fair value	(23 225)
Derivative exposure (Article 429c, CRR)	7 102 188
Loan commitments to customers	56 037
Total on- and off-balance sheet exposures	128 351 274
Tier 1 capital	6 963 534
Leverage ratio	**5.4 %**

Figure 6 Leverage ratio in Eika Boligkreditt



EBK has estimated its future leverage ratio based on the FSA's calculation method and fulfils the specified requirement of 3 per cent with a good margin.

Amendments to the Capital Requirement Regulation (CRR3)

Amendments to the capital requirement regulation (CRR3) will come into effect in Norway on April 1st, 2025. The regulatory amendments include a new standardised approach for credit risk and will according to our calculations result in significant capital requirement reduction for EBK.

5. STRATEGIC AND BUSINESS RISK

Strategic and business risk are defined as the risk of weakened profitability owing to changes in competitive terms, operating parameters, and external factors, and also includes political and regulatory risk. This includes the risk of a lack of correlation between revenue and expenses over time. It is considered appropriate to assess business risk in relation to strategic risk. Strategic and business risk also cover rating, reputational, owner, reward and incentive, and money laundering and terrorism financing risk.

Risk appetite and exposure

Strategic and business risk in the company must be low and is not included in the calculation of the Pillar 1 capital requirement. EBK has established a good business strategy and comprehensive risk policies for managing strategic risk. Goals have been set in the business strategy, and other policies have overarching parameters related to risk appetite. The company's business concept is to improve the competitiveness of the banks and reduce their risk by issuing covered bonds in the Norwegian and international financial markets. Through professional cultivation of the financial markets, good international ratings, and high-quality collateral, EBK will thereby secure long-term and competitive funding for the owner banks. Achieving this strategy is based on the following priority areas:

- optimal use of covered-bond financing
- good international ratings
- profitability and cost-effectiveness
- prudent risk
- quality at every level.

EBK's reputational risk relates most significantly to the company as a source of funding. It has rated covered bonds, and a reduction in rating would be damaging. The Moody's rating agency assesses the owner banks as a single category as well as the quality of the company's cover pool. The assessment of the owner banks is particularly vulnerable, since this depends on how far the Norwegian government would be willing to rescue them in a crisis. Should a downturn occur, fewer investors would invest in the company's covered bonds and would require a compensation in the credit spread if they opt to invest.

The company is exposed to reputational risk related to Eika as a brand. Adverse developments in one of the Eika companies or the banks could give rise to detrimental rumours and consequences which EBK must deal with. In addition, the company is exposed to the effects of political changes. A significant proportion of market-based issues by Norwegian bond issuers are conducted in currencies other than the Norwegian krone. Possible political developments in Norway have an impact on the international reputation of Norwegian issuers. That also relates to the willingness of the Norwegian authorities to support Norwegian banks in crises. Decisions taken by the Norwegian government have historically had a direct effect on the financing opportunities for Norwegian issuers and on credit spreads. Nevertheless, the risk associated with these considerations is greatest internationally and for state-owned issuers, and such political/reputational risk is particularly high in periods when the company needs to refinance maturing bonds with an order of magnitude which cannot be accommodated by the Norwegian market.

Management and control

Good policy processes are important for ensuring management and control of business and strategic risk. EBK has an annual cycle in which revision of business and risk policies plays a fixed role. Part of the management and control of business risk includes changes to the company's guarantee agreements with the shareholders. The company's money laundering and terrorism financing risk is assessed as part of its enterprise-oriented risk assessment.

Focusing attention on good risk management, compliance, business ethics, whistleblowing, managing conflicts of interests, and other policies, strategies and routines will help the company to handle processes in a positive way.

Capital requirements

An assessment of capital requirements for strategic and business risk is included in the assessment of Pillar 2 risk not covered by Pillar 1. No internal capital requirement related to strategic and commercial risk has been allocated.

6. CREDIT 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, credits, guarantees, open trades, residential mortgage approvals to customers, and the counterparty risk arising through derivatives and foreign-exchange contracts. Credit risk depends in part on the size of the claim, the time to maturity, the probability of default and possibly the value of collateral. Credit losses can also be incurred because of operational errors.

Risk appetite and exposure

The credit risk related to lending must be low. In its credit policy and lending activity, EBK will take account of the applicable regulations which govern credit institutions issuing covered bonds at any given time. See section 11-5 of the Act on Financial Institutions. The company's policy for credit risk on lending is intended to minimise the risk of defaults and to keep credit risk below the level in comparable companies. This will ensure that the company's bonds are a preferred choice for investors.

The company's credit risk is strictly limited through credit guarantees from the distributor banks and the supplementary agreement for mortgages with a loan-to-value (**LTV**) ratio greater than 60 per cent, as well as the company's credit risk policy and credit manual. Maximum limits have been set for the proportion of fixed-interest mortgages in EBK, whereby the maximum allowable share of such mortgages for an individual bank is 17.5 per cent of the mortgages established/ transferred to EBK. The limit for the overall mortgage portfolio is 15 per cent. In this context, a fixed-interest mortgage means one with a fixed rate of interest where the fixed-interest term has more than two years left to run. EBK's credit risk is primarily related to balance sheet items, but it is also exposed to off-balance sheet credit risk. EBK uses the standardised method to calculate capital requirements for credit risk. Credit risk accounted for 97 per cent of the company's capital requirement under Pillar 1 as at December 31st, 2024. This chapter deals with credit risk related to residential mortgages. Other credit risk is handled under counterparty and market risk.

The company reports pursuant to the International Financial Reporting Standards (**IFRS**), and measures mortgages at fair value. The market value of floating-rate mortgages is measured as equal to amortised cost. The fair value of fixed rate loans is correspondingly measured as equal to amortised cost adjusted for the difference between the loans' fixed rate of interest and the applicable fixed interest rate offered at the balance sheet day. The fair value of mortgages with a fixed interest rate is determined pursuant to the regulations on credit agreements. The fair value of each individual fixed-interest mortgage is determined based on the discount or premium which the customer will receive or must pay in the event of early redemption. This value is therefore contingent on interest-rate developments, and value fluctuations will affect the financial results. The company also provides mortgages for residential cooperatives.

General considerations related to credit risk in EBK

EBK has never experienced defaults with instalments overdue by more than 90 days on its lending, or losses related to its mortgage business[1]. On the other hand, it has non-performing loans defined as unlikely to pay (**UTP**). Pursuant to the European Banking Authority (**EBA**) guidelines, 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. The guarantee structure between EBK and its distributors reduces the company's credit risk, and it therefore also expects no bad debts in the future. Consequently, the company has never taken an impairment charge on mortgages.

Having the owner banks as the distributor channel means that customers are well spread geographically. The company's customers are primarily private individuals, each of whom accounts for a relatively small proportion of the company's total portfolio.

[1] Pursuant to article 178 of the CRR, a loan is to be regarded as being in default if a required payment is more than 90 days overdue, and the amount concerned is not insignificant or if the borrower is unlikely to pay.

Table 5 Credit risk: specification of risk-weighted volume and capital requirement (amounts in NOK thousand)

Credit risk	Article of the CRR	Balance sheet	Off-balance sheet items	Risk Weight	Calculation basis	Capital requirement 8%
Government bonds	114	3 196 299		0%	-	-
Public sector entities	116 (4)	1 134 592		0%	-	-
International local/regional government	115	669 758		0%	-	-
Local and regional government (Norwegian)	115	3 417 889		20%	683 578	54 686
Multilateral development banks	117	715 338		0%	-	-
International organisations	118	2 046 020		0%	-	-
Banks and institutions (deposits in other banks)	120	1 194 207	0	20%	238 841	19 107
Credit guarantees from the shareholders	120		1 718 145	20%	343 629	27 490
OTC derivatives AA-rating (standardised method*)	120		1 581 322	20%	316 264	25 301
OTC derivatives A-rating (standardised method*)	120		329 002	50%	164 501	13 160
Claims on corporates (unrated)	122	63 809		100%	63 809	5 105
Claims or contingent claims secured on real property	125	104 612 694	(1 718 145)	35%	36 013 092	2 881 047
Loan commitments to customers	125		0	35%	-	-
Loan commitments to customers (duration 30 days)	125		280 185	35%	19 613	1 569
Retail exposure above 80 per cent LTV	124	17 960		75 %	13 470	1 078
Covered bonds	129	3 958 891		10%	395 889	31 671
Other assets	134	19 889		100%	19 889	1 591
Exposures in default (secured on real property)	127	7 639		100%	7 639	611
Other assets (deferred tax asset)	48 (4)	161 289		250%	403 222	32 258
Total credit risk		**121 216 274**	**2 190 510**		**38 683 438**	**3 094 675**

**Pursuant to articles 276-282 of the CRR.*

Table 6 Loans and investments by commitment type and residual time to maturity (amounts in NOK thousand)

Expected maturities	31 Dec. 2024	0-1 months	1-3 months	3-6 months	6-12 months	1-3 years	3-5 years	5-10 years	Over 10 years
Lending:									
Residential	101 648 506	5 413	8 941	4 548	36 622	260 851	612 144	3 445 459	97 274 529
Residential cooperatives	3 056 175	-	-	-	74	547	4 875	50 485	3 000 195
Investments:									
Government bonds	3 196 299	1 000 431	1 813 503	294 156	-	-	-	88 209	-
Covered bonds	3 958 891	-	-	36 099	-	1 442 445	2 480 347	-	-
Local or regional autority (Norwegian)	3 417 904	687 190	1 978 884	328 540	423 290	-	-	-	-
Government guaranteed etc.	2 761 358	647 110	998 637	-	-	688 251	427 360	-	-
Public sector entities	1 134 592	568 867	-	-	101 082	464 643	-	-	-
Local or regional autority (foreign)	669 758	-	415 983	-	-	253 774	-	-	-
Bank deposits	1 169 415	1 169 415							
Total	**121 012 897**	**4 078 426**	**5 215 948**	**663 342**	**561 068**	**3 110 510**	**3 524 726**	**3 584 153**	**100 274 724**

Figure 7 Residential mortgages by Norwegian region as percentage of total mortgage volume, 31 Dec 2024

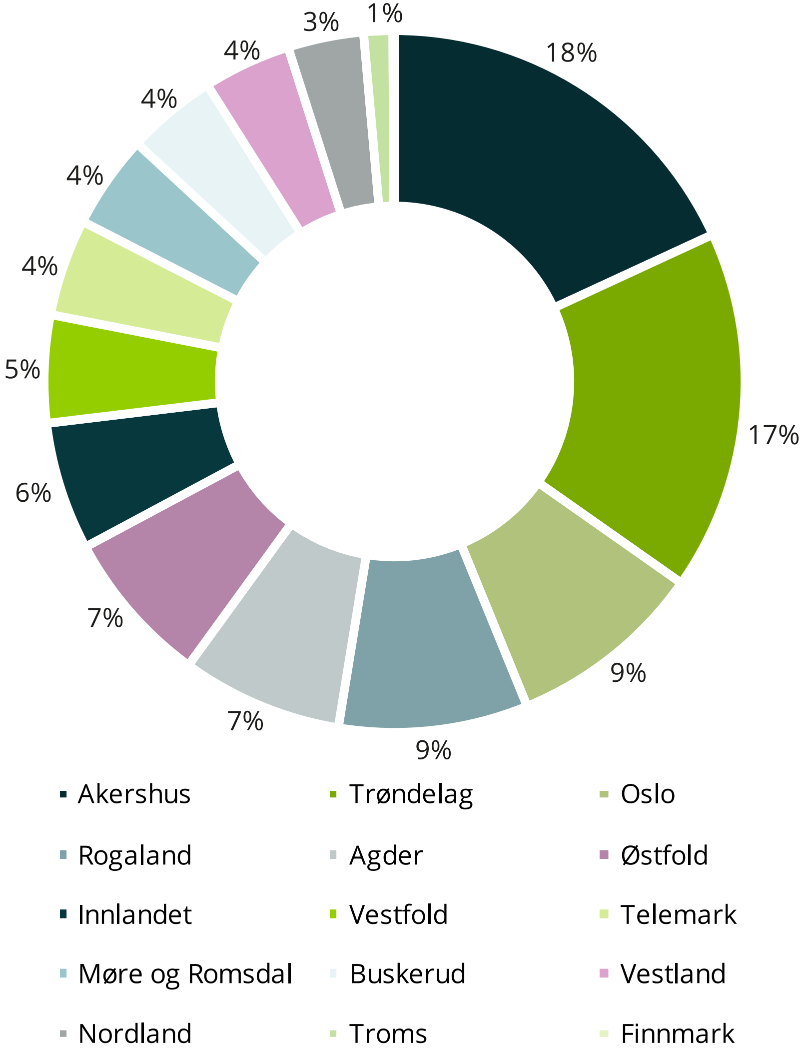


Table 6 shows that EBK has a good spread of maturities on its mortgages and other lending, which helps to reduce the company's credit risk.

EBK has a diversified mortgage portfolio in terms of geographical distribution and individual customers.

Credit risk - the standardised method

As an issuer of covered bonds, EBK must ensure that all loans and advances in its cover pool comply with credit quality step 1 or 2. When assessing ratings, credit rating agencies specified by Commission regulation (EU) 2016/1799[2] are used to determine the credit quality step. Where a counterparty has been rated by two or more of these agencies, the credit quality step will be determined by the second-best rating pursuant to article 138 (f) of the CRR. If the counterparty is rated by only a single accredited agency, that rating will be used.

- States and central banks: long-term ratings by an accredited agency are used to assign the credit quality step.
- Multilateral development banks and international organisations: only counterparties awarded a zero per cent risk weighting pursuant to articles 117 and 118 of the CRR.
- Local and regional government: long-term rating is used for local authorities and county councils. Unrated local authorities are treated as AA-rated counterparties.
- Institutions: long-term rating of institutions rated by approved rating agencies will be utilised to determine the credit quality step for financial institutions.
- Enterprises: long-term ratings from an accredited agency are used to assign the credit quality step, with a 100 per cent risk weighting applied to relevant claims if no approved rating exists.

Guarantees

Pursuant to the distribution agreement, all residential mortgages transferred to EBK must have an LTV ratio of a maximum of 75 per cent at origination. A further requirement is that collateral must be secured in completed residential properties or holiday homes. EBK's collateral requirements satisfy the provision in the CRR calling for 35 per cent risk weighting of mortgages and advances with collateral in residential properties. Documentation of value must be an approved appraiser's valuation, an estate agent's valuation, a purchase contract, or a valuation by Eiendomsverdi AS, which must not be more than six months old when the mortgage is approved.

Upon transfer to Eika Boligkreditt, the owner banks assume mandatory guarantees for the mortgages they have transferred. The main features of these guarantees are as follows.

1. *Case guarantee*, covering the entire amount of the mortgage over the period from the owner bank's request for payment until the mortgage's collateral has been perfected (legally registered) and the custody department of the owner bank has checked the documentation.

2. *Loss guarantee*, where the bank undertakes to cover 80 per cent of a loss recognised on a mortgage. The loss guarantee is limited to one per cent of the bank's mortgage portfolio in EBK, with a minimum of NOK 5 million, or the whole portfolio if it is smaller than NOK 5 million. The remainder not covered by the loss guarantee may be offset by EBK against its commission payments to all the owner banks, calculated pro rata based on each bank's share of the mortgage portfolio at the point when the loss is recognised. The offsetting right applies for a period of 12 months.

Residential mortgages with an LTV ratio greater than 60 per cent of the original valuation are covered by a supplementary agreement. This gives the owner banks a deadline of 31 days for transferring mortgages which exceed an LTV ratio of 80 per cent or for documenting the updated collateral value of the relevant mortgaged residence if a not insignificant depreciation in value has occurred. To the extent that the relevant mortgage remains part of the cover pool after the deadline, the owner bank undertakes to provide EBK with a credit limit corresponding to the total of those parts of the mortgage which exceed an 80 per cent LTV ratio.

[2] https://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1479307277253&uri=CELEX:32016R1799

An overview was established as at December 31st, 2024, of the outstanding residential mortgage portfolio compared with the valuation of the mortgage collateral at origination. Figure 8 shows the original LTV ratios for the company's mortgages.

The collateral for EBK's lending is regarded as very good and the risk is considered small given the guarantee structure, including the supplementary agreement for those mortgages given with an LTV ratio exceeding 60 per cent.

Continuous valuation of collateral

The portfolio is indexed on a quarterly basis against market values estimated by Eiendomsverdi AS, whose weighting model calculates a market value based on objects sold over time in the immediate vicinity, adjusted for price developments. It also takes account of the valuations registered by EBK on the mortgaged property at origination. Were residential property prices to fall, the company would have a good margin before possible repossessions might lead to loss. Figure 9 presents indexed market values for EBK's mortgage portfolio.

The indexed LTV as at December 31st, 2024, was 54.0 per cent, compared with an original LTV of 54.9 per cent. For the company's portfolio this may indicate that housing prices overall have fallen since the mortgages were granted. Indexing of residential cooperatives shows an indexed LTV of 30.9 per cent, compared with an original LTV of 33.5 per cent, which may attribute to price increase on cooperative residential objects and increased repayment of debt.

Figure 8 Distribution of loan-to-value (LTV) at origination (amounts in NOK thousand)

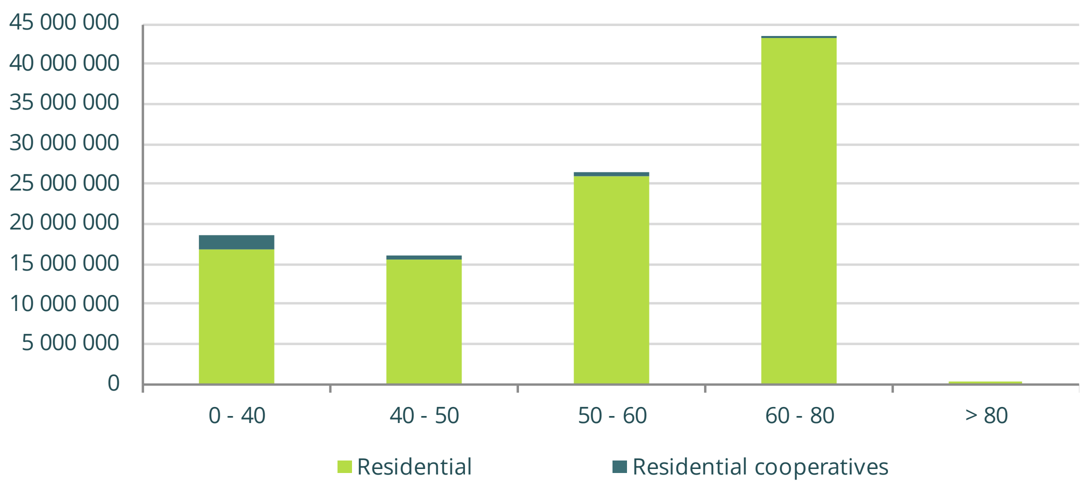
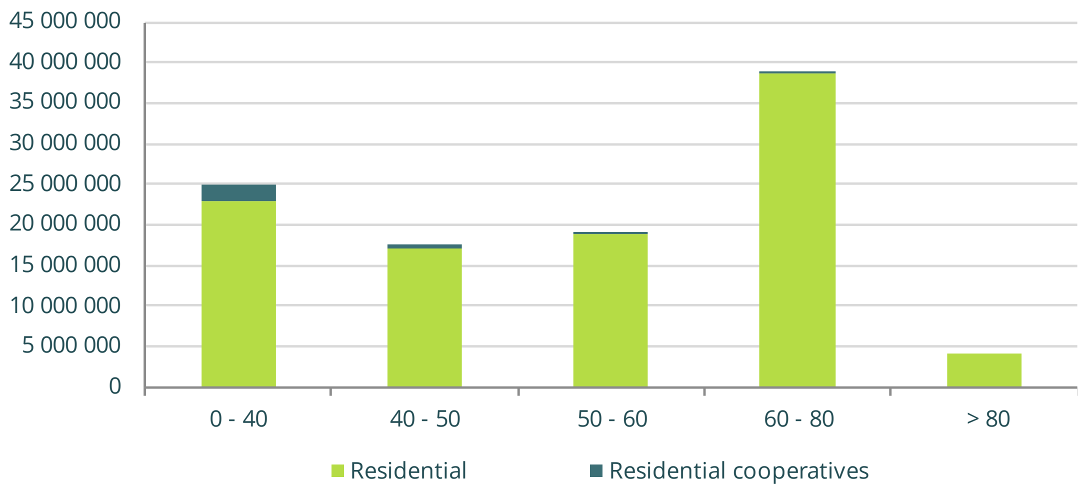


Figure 9 Distribution of indexed loan-to-value (LTV) (amounts in NOK thousand)



Risk of default in the cover pool

EBK's covered bonds are rated by Moody's. Moody's Collateral Score informs investors about the agency's modelling of the risk of loss related to the credit quality of the cover pool in an Aaa scenario. Higher credit quality corresponds to a lower collateral score. This score determines the level of loss which Moody's estimates will affect investors in the company's covered bonds in the event of default on these, based on the credit quality of the cover pool. The collateral score presents Moody's analysis of the amount of risk-free assets which must be added to the cover pool to offset the negative effect of the stress test scenario as defined by the rating agency. For further information, see Moody's methodology for the definition of the collateral score and the way it is calculated. EBK's collateral score was estimated by Moody's to be 2.0 per cent as at September 31st, 2024[3], which is a low figure compared with other global issuers of covered bonds also rated by the agency.

Method for calculating write-downs

Pursuant to IFRS 9, provisions for loss are recognised based on expected credit loss given relevant information available on 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 for EBK's financial results or equity. On initial recognition in the balance sheet, a provision for loss corresponding to the 12-month expected loss must be made. The 12-month expected loss is the loss expected to be incurred 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 increased significantly since initial recognition, a provision for loss must be made corresponding to the whole expected life of the asset. EBK has considered that an annual review of such a change is adequate, since EBK does not expect any accounting recognition of losses.

Stress tests for residential property prices

EBK conducts stress tests for falls in residential property prices to identify the company's mortgage credit risk. The CRR require residential mortgages to have an LTV of at least 80 per cent (60 per cent for holiday homes) before the mortgage can be assigned a risk weight of 35 per cent. If this is not the case, the company's capital requirement will be increased for that part of the mortgage portfolio which must be weighted at 75 per cent[4] rather than 35 per cent when calculating capital requirements. Calculations are carried out when residential property prices fall by 10, 20, 30, and 40 per cent respectively. Before the worst-case scenario with a price fall of 40 per cent could occur, for example, EBK would already have taken several steps to improve the quality of its cover pool, including initiating contingency and recovery measures for strengthening overcollateralisation. If certain mortgages in the cover pool acquire an LTV greater than 80 per cent (60 per cent for holiday homes), this part of the mortgage can no longer be included when determining the overall value of the cover pool. That will be significant for the company's compliance with the overcollateralisation requirement pursuant to section 11-7 of the regulations for financial institutions, and for its obligations related to overcollateralisation.

The company has a solid buffer for the mortgages with an LTV ratio up to 60 per cent at origination (50 per cent for holiday homes) in addition to the supplementary agreement for mortgages with an LTV ratio greater than 60 per cent, and is accordingly well equipped in relation to the risk of a possible fall in residential property prices which breaches the 80 per cent limit pursuant to the covered bond regulations. Reactions to such a fall would generally be swift with the aid of the guarantee structure, the supplementary agreement on residential mortgages with an LTV ratio greater than 60 per cent and the need to comply with legislation on covered bonds. No increased Pillar 2 requirement has accordingly been incorporated for a worst-case scenario with house prices falling by 40 per cent, since the risk associated with a general fall in residential property prices is adequately covered by the company's guarantee structure, by the supplementary agreement on residential mortgages with an LTV ratio greater than 60 per cent and by maintaining requirements for overcollateralisation of the cover pool.

[3] EBK reports an overview of the content of the cover pool to Moody's on a quarterly basis. Against that background, EBK's borrowing programme is analysed by comparison with other borrowing programmes in Europe and the results are published quarterly in Moody's performance overview.

[4] The mortgages are assumed to satisfy the requirements for the retail exposures class and can accordingly be weighted at 75 per cent pursuant to the CRR.

Management and control

EBK's distribution channel runs through the owner banks. These banks are locally entrenched with a high proportion of loyal customers and good knowledge of their markets. Customer selection through the owner banks is regarded as helping to ensure that the company's customers are generally good and loyal.

The company has established policies for credit risk on mortgages, counterparty risk and capital management, which form the basis for management and control of credit and counterparty risk. The status of compliance with the company's credit policy is assessed continuously, and the position in relation to the approved level of risk acceptance is reported quarterly to the board in the risk and compliance report. Compliance with the credit handbook, including safe custody department checks, is monitored on a continuous basis. Overall management and control of risk is described in more detail in chapter 3 above.

Capital requirements

EBK applies the standardised method to calculate the capital requirement for credit risk. This was calculated to be NOK 3 095 million as at December 31st, 2024. The capital requirement calculated in accordance with Pillar 1 is considered to meet the potential risk of loss related to credit risk in the portfolio.

Table 7 Credit risk by commitment category (amounts in NOK thousand)

Claims	Capital
Claims on regional and local government	54 686
Claims on institutions	85 059
Claims on corporates	5 105
Claims or contingent claims secured on real property	2 884 305
Covered bonds	31 671
Other items	33 849
Total capital requirement credit risk	**3 094 675**

7. COUNTERPARTY RISK

Counterparty risk is the risk of loss because counterparties are unable to meet their payment commitments and accordingly represent a credit risk. It relates to all claims with counterparties, including guarantees, unsettled transactions, and undrawn credits, and to the counterparty risk which arises from exposure to derivatives. Counterparty risk depends in part on the size of the claim, time to maturity, probability of default and value of possible collateral.

Risk appetite and exposure

The company has established a policy for counterparty risk to ensure that overall requirements for management and control of such risk are met. This policy is intended to meet the company's need for control over large exposures, including the total exposure with a single counterparty. It will ensure that counterparty risk is always manageable by establishing parameters for such risk, ensuring the establishment of an international swaps and derivatives association (**ISDA**) with associated credit support annex (**CSA**) for counterparties to derivatives, and providing a clear division of responsibility and authority.

EBK has established the following risk parameters for counterparty risk:

- maximum limit for total exposure[5]
- internal maximum limit for total exposure
- entering derivative contracts and defining maximum exposure to a counterparty.

The company is exposed to counterparty risk through lending, investment of surplus liquidity and derivatives. Attention in this chapter is focused on counterparty risk related to derivatives, bank deposits and repurchase agreements (repo), since this does not belong naturally with the assessment of other risk factors. Counterparty risk is treated as part of credit risk when it relates to lending, and as part of market risk when it relates to investment of surplus liquidity.

[5] Article 392, CRR.

Counterparty risk related to bank deposits and repurchase agreements in credit institutions

EBK uses bank deposits and repurchase agreements when investing surplus liquidity and is accordingly exposed to counterparty risk in relation to the various banks concerned. Classic repurchase is regulated under the global master repurchase agreement (**GMRA**) which, like the ISDA, is an internationally recognised template for regulating bilateral agreements. The company has so far entered GMRAs with six banks – Nordea, DNB, Danske Bank, SEB, Banco Santander, and BNP Paribas. In addition, it has entered into a global master securities lending agreement (**GMSLA**) with SEB to be able to enter into swap agreements for securities. Repurchase agreements and bank deposits must be confined to banks with a low credit risk, and the underlying security must fall within the requirements for inclusion in the cover pool (minimum credit quality step 2, rating A-/A3[6] for residual times to maturity of up to 100 days). Parameters for counterparty risk per bank are defined in the company's policy for capital management and in its investment mandate.

Counterparty risk related to derivatives

Activities in EBK are subject to strict regulations for risk exposure, and the company is obligated to refrain from accepting greater interest-rate and foreign-exchange risk than is prudent at any given time. This means that the company uses both interest-rate and foreign-exchange derivatives when borrowing in foreign currencies and/or fixed interest rates to keep risk at a minimum. The same applies to hedging interest-rate risk relative to lending at fixed interest rates.

Derivative contracts can only be entered into with counterparties which have a low credit risk and must fall within the requirements for inclusion in the cover pool (minimum credit quality step 2, rating A-/A3). EBK will only enter derivative contracts within the framework established by the ISDA. ISDA master agreements with CSA are based on a standardised template utilised by most of the Norwegian covered-bond issuers who enter derivative contracts. Counterparty risk related to derivatives is reduced through the existing set of agreements, which involves unilateral obligations for EBK's counterparties to provide collateral at specified thresholds, depending on rating and the agreed threshold for receipt of collateral. Where new derivative agreements

[6] The FSA may permit derivative contracts to be entered into with credit institutions in credit quality step 3 if a concentration risk can be demonstrated from utilising only institutions in steps 1 and 2.

entered after March 2017 are concerned, the threshold for provision of collateral is zero. In other words, the counterparty provides collateral from the first krone if the fair value is positive in EBK's favour.

Pillar 1 specifies capital requirements related to counterparty risk through the standardised method for credit risk in the CRR. The company calculates counterparty risk in derivatives using the standardised method (SA-CCR)[7]. Table 8 presents the company's counterparty exposure in derivatives by rating category as at December 31st, 2024.

CVA risk

The capital requirements directive (**CRD**) IV introduced a requirement intended to cover the risk related to changes in the fair value of bilateral derivative contracts which are not traded on a stock exchange[8]. This additional requirement is calculated based on the counterparty's creditworthiness and is called the credit valuation adjustment (**CVA**)[9]. The calculation basis amounted to NOK 911.6 million as at December 31st, 2024.

Management and control

EBK has established a policy and associated parameters for counterparty risk which forms the basis for management and control of this risk in EBK. The status of compliance with the company's policy for counterparty risk is assessed continuously, and the position in relation to the approved level of risk acceptance is reported quarterly to the board in the risk and compliance report.

Capital requirements

The capital requirement calculated in accordance with Pillar 1 is considered to cover the potential risk of loss related to counterparty risk in the portfolio.

Table 8 Counterparty risk in derivatives pursuant to the standardised method (amounts in NOK thousand)

Counterparty rating	EAD*	Risk classification	Risk weight	Risk weighted assets
AA	1 581 322	1	20 %	316 264
A	329 002	2	50 %	164 501
	1 910 324			**480 766**

**Pursuant to article 274 of the CRR.*

Table 9 Total calculation basis for counterparty risk related to derivatives, bank deposits and repo, 31 Dec 2024 (amounts in NOK thousand)

Risk weighted assets		Amount
Bank deposits		238 841
Derivatives		480 766
Repurchase agreements (repo)		-
Credit valuation adjustment (CVA)		911 614
Total		**1 631 221**
Pillar 1 capital requirement	**8 %**	**130 498**

[7] Articles 273-282, CRR.
[8] Bilateral derivative contracts are also called over-the-counter or OTC derivatives.
[9] Article 384, CRR.

8. MARKET RISK

Market risk is the risk of loss on the market value of portfolios of financial instruments because of fluctuations in interest rates, credit spreads and exchange rates. It comprises interest-rate, credit-spread, currency, and equities risk. Interest-rate risk in the balance sheet (net interest income) arises from differences between interest terms for borrowing and/or lending, and from borrowing by the company 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.

Market risk in EBK will normally take the form of interest-rate risk in the bank portfolio (net interest income) which arises because of differences between fixed interest rates on assets and liabilities, in addition to the credit-spread risk which the company accepts when investing in securities (the securities portfolio). The company aims to maintain a low to moderate market risk. The company has borrowings in foreign currencies and all significant currency risk related to borrowing is hedged through derivatives. The securities portfolio must not accept unsecured equity or property risk.

Risk appetite and exposure

The total risk parameter for interest-rate and credit-spread risk in the balance sheet is 4 per cent of the company's common equity tier 1 capital. Overall interest-rate risk in the total balance sheet may not exceed 0.75 per cent of the company's common equity tier 1 capital. The individual investment must not have an interest rate fixed for longer than one year, and the maximum limit for the average duration of the whole liquidity portfolio is 0.3 years. The average residual time to maturity for securities must be less than 2.0 years. Interest-rate risk in the banking book (**IRRBB**) is calculated using six standardised interest-rate shock scenarios as specified in the EBA's guidelines[10]. Credit-spread risk is stress-tested based on the FSA's method for spread risk[11], which builds on the methodology in Solvency II for insurance undertakings.

Assessment of interest-rate risk in the bank portfolio (net interest income)

IRRBB will be limited by ensuring that lending on floating interest-rate terms is financed by borrowing or derivatives at floating interest rates, and that lending at fixed interest rates is hedged with derivatives at floating rates. The company will make active use of derivatives to reduce interest-rate risk. Interest-rate risk related to net interest income must be low.

The bulk of the residential mortgages in EBK's portfolio have a floating interest-rate. Pursuant to the Financial Contracts Act, interest rates on such mortgages can be adjusted at six weeks' notice in line with the development of the company's borrowing costs. EBK is not subject to such notice in relation to the interest rates it charges to the owner banks. Interest-rate changes can therefore be implemented more quickly, which ensures efficient adjustment to changes in EBK's funding costs.

EBK permits the addition of fixed-rate mortgages to the cover pool, and this is regulated by separate agreements with the banks. EBK establishes the interest rate for fixed-interest mortgages, while the owner banks specify customer terms and interest rates based on borrowing costs and risk assessment for the advance. Fixed-rate mortgages are hedged with derivatives which convert them to floating interest rates. The company will use derivatives actively to reduce interest-rate risk.

EBK uses hedge accounting pursuant to the IFRS on borrowing at fixed interest rates, and an interest swap must be assessed as very effective when entered. The company measures interest-rate risk on the balance sheet at least monthly, based on the duration of the various claims and commitments. Duration means the number of years until the next interest-rate adjustment.

[10] EBA/GL/2018/02 Guidelines on the management of iinterest rate risk arising from non-trading activities.

[11] Appendix 3, FSA circular 3/2022.

IRRBB as at December 31st, 2024, is calculated corresponding to the largest potential loss from six standardised interest-rate shock scenarios as specified in the EBA's guidelines. These involve a parallel shift up and down in the interest-rate curve, a steeper interest-rate curve (short rates down and long rates up), a flatter interest-rate curve (short rates up and long rates down) and short rates up and down in the interest-rate curve. The size of the shock is 200 basis points (bp) for parallel interest-rate shifts, 300 bp for short rates and 150 bp for long rates. The calculations address the effect on equity (the economic value of equity (EVE) method). The stress test shows that the company's largest potential loss is estimated to be NOK 8.4 million. The interest-rate risk in the balance sheet is, and must be, lower than the limit for interest-rate risk in the balance sheet, which comprises 0.75 per cent of the common equity tier 1 capital (NOK 47.9 million as at December 31st, 2024).

The company also assesses how changes to the level of interest rates can affect income (the net interest income (NII) method), with a rate effect for a parallel shift of 2 per cent. This method takes account of interest-bearing positions on the asset and liability sides, where the nominal values are ascribed an income effect from rate rises and falls of 2 per cent. That shows a higher risk exposure than the standardised stresses with the EVE method. Nevertheless, more capital is not considered necessary to cover this interest-rate risk since the potential loss effect for income can be offloaded to the owner banks by changing the company's borrowing cost.

The results of the stress tests mentioned above are presented in an attachment to this report (Pillar 3 attachment).

Assessment of credit-spread risk in the securities portfolio

The company's business purpose is to obtain favourable funding by issuing covered bonds. This means that its surplus liquidity must satisfy legal and regulatory requirements concerning what may be included in the cover pool. The objective of the company's investment of surplus liquidity is to always have liquidity available to secure the financing of growth and maturation, and to secure the highest possible return within specified risk parameters. Surplus liquidity is held in bank deposits or fixed-income securities in Norwegian kroner. In addition, the company has received liquidity in NOK and EUR which reflects the receipt of cash collateral from counterparties to derivatives. Collateral received is held in bank deposits or low-risk securities in the currency of receipt to ensure that no currency risk arises for the company on its cash collateral. Liquidity held in EUR may generate an excess return or shortfall in relation to the corresponding liability item (cash collateral provided by counterparties or borrowing in EUR). Over time, this will produce a surplus or shortfall in EUR. The limit for such surplus or shortfall is EUR 5 million. The surplus or shortfall are kept within the limit by buying or selling EUR.

EBK's securities portfolio totalled NOK 15.1 billion as at December 31st, 2024, and constituted about 12 per cent of the company's total assets. The company has invested in government bills, public enterprises (with central government guarantees), public-sector loans and so forth as well as in foreign local authorities which satisfy the requirement for zero risk weighting pursuant to the CRR. The company has calculated capital requirements for the securities portfolio based on the standardised method for credit risk (Pillar 1) pursuant to the CRR, and these are presented in table 10.

Management and control

The company has established a policy for asset liability management which forms the basis for total interest-rate risk in its balance sheet. In the event of an increase in financing costs or money market interest rates, a decision to adjust the interest-rates charged to the owner banks will be made by the CEO in consultation with the rest of the company's executive management and based on forecasts of anticipated interest-rate developments and planned new funding. Such forecasts are made by the finance and accounting department. Interest-rate risk is measured monthly as the change in value from six standardised interest-rate shock scenarios, and the company has defined maximum exposure related to this. The exposure is reported quarterly in the risk and compliance report submitted to the board.

The basis for management and control of market risk in the portfolio of securities is provided by policies for asset liability and for investment management with an associated investment mandate. The company's risk management and compliance function continuously assesses exposure in relation to approved risk acceptance and parameters in quarterly risk and compliance reports for the board. The board-approved parameter as a percentage of common equity tier 1 capital is meant to cover the interest-rate risk in the bank portfolio corresponding to the minimum of six standardised interest-rate shock scenarios, and increased credit-spread outcomes in the company's portfolio of securities. Market risk in the securities portfolio is managed daily by the funding department in line with its mandate and the company's risk policies.

Capital requirements

The capital requirement for credit risk in the securities portfolio is considered in the standardised method for credit risk, and totalled NOK 86.4 million as at December 31st, 2024, including risk-weighting of the various investments in securities. Assessments of capital requirements for market risk, including interest-rate risk in the bank portfolio and credit-spread risk in the securities portfolio, are included in the evaluation of Pillar 2. EBK's enterprise-specific Pillar 2 requirement of 0.5 per cent is considered adequate for meeting future Pillar 2 capital requirements related to market risk.

No provision has been made for any supplementary potential for loss related to a lack of risk spreading in the securities portfolio or for market liquidity.

Table 10 Calculation basis and capital requirement for market risk as at December 31st, 2024 (amounts in NOK thousand)

The securities portfolio	EUR	NOK	Total NOK	Risk weight	Risk weighted assets	Capital requirement
Government bonds	2 467 150	729 149	3 196 299	0%	-	-
Public sector entities	-	1 134 592	1 134 592	0%	-	-
Government guaranteed etc.	2 046 020	715 338	2 761 358	0%	-	-
Local and regional authority (foreign)	-	669 758	669 758	0%	-	-
Covered bonds	-	3 958 891	3 958 891	10%	395 889	31 671
Local and regional authority (Norwegian)	-	3 417 904	3 417 904	20%	683 581	54 686
Total	**4 513 170**	**10 625 631**	**15 138 802**		**1 079 470**	**86 358**

9. FINANCING AND LIQUIDITY RISK

Financing and liquidity risk is the risk that the company will be unable to meet its commitments as and when they fall due without incurring substantial costs in the form of expensive refinancing or the need for premature realisation of assets. In the worst case, liquidity risk is the risk that the company will be unable to refinance itself sufficiently to meet commitments as and when they call due.

Risk appetite and exposure

The company's liquidity and refinancing risk must lie within a moderate risk level. EBK has a dedicated strategy for financing and liquidity risk, including defined risk parameters as well as contingency and recovery measures should a shortage of liquidity arise. EBK finances lending primarily through the issue of covered bonds. Through its opportunity to make such issues, the company achieves lower borrowing costs than its owner banks. The company will also raise ordinary senior unsecured bonds to cover overcollateralisation requirements, and tier 1 perpetual bonds and subordinated loans to cover requirements for other tier 1 and subordinated loan capital. EBK has established an international borrowing programme for issuing covered bonds. This Euro Medium Term Covered Note (**EMTCN**) programme was signed and approved by the UK Listing Authority for the first time on 10 August 2007. Bonds are issued under the EMTCN programme to both Norwegian and international investors. The programme is revised at least once a year and listed on Euronext in Dublin.

The company has established overarching goals and specified parameters for liquidity management to keep financing and liquidity risk satisfactorily low, and to comply with section 11-12 of the Act on Financial Institutions, chapter 11 of the regulations for financial institutions issuing covered bonds, and the CRR/CRD IV regulations.

EBK had a good liquidity position as at December 31st, 2024, with total liquid assets of about NOK 11.3 billion exclusive of collateral received. The company issued bonds and certificates amounting to NOK 15.9 billion during 2024, comprising NOK 14.8 billion in covered bonds, NOK 800 million in senior loans, and NOK 255 million in tier 1 perpetual bonds. About 64 per cent of the issues during 2024 were in NOK and 36 per cent in EUR. Financing terms during 2024 were good in both price and the depth experienced. The company has complied with all risk exposure parameters for funding and liquidity management.

Figure 10 Redemption profile of the company's debt financing as at December 31st, 2024 (amounts in NOK million)

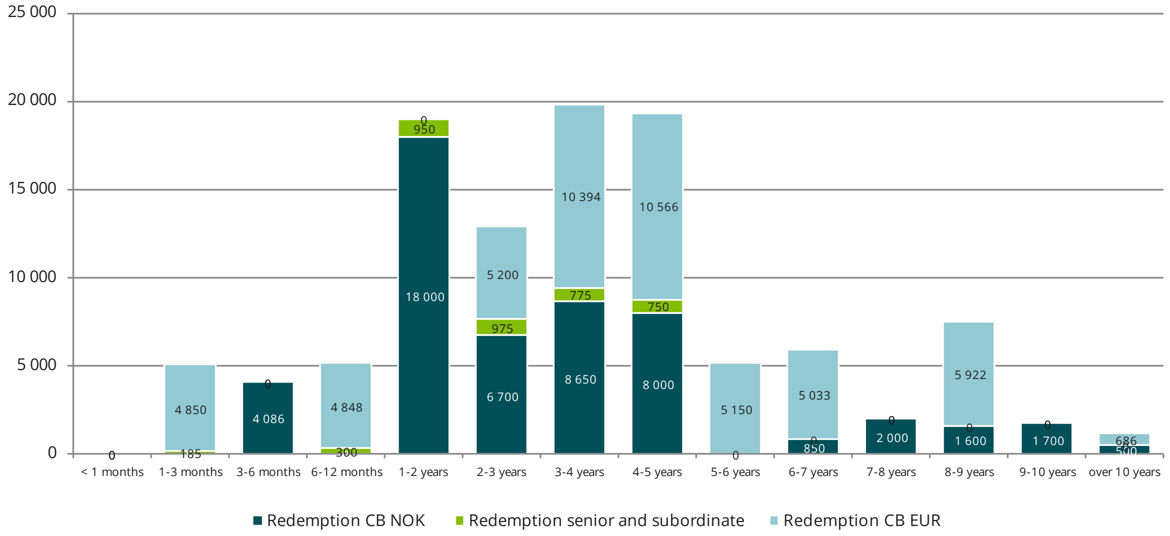
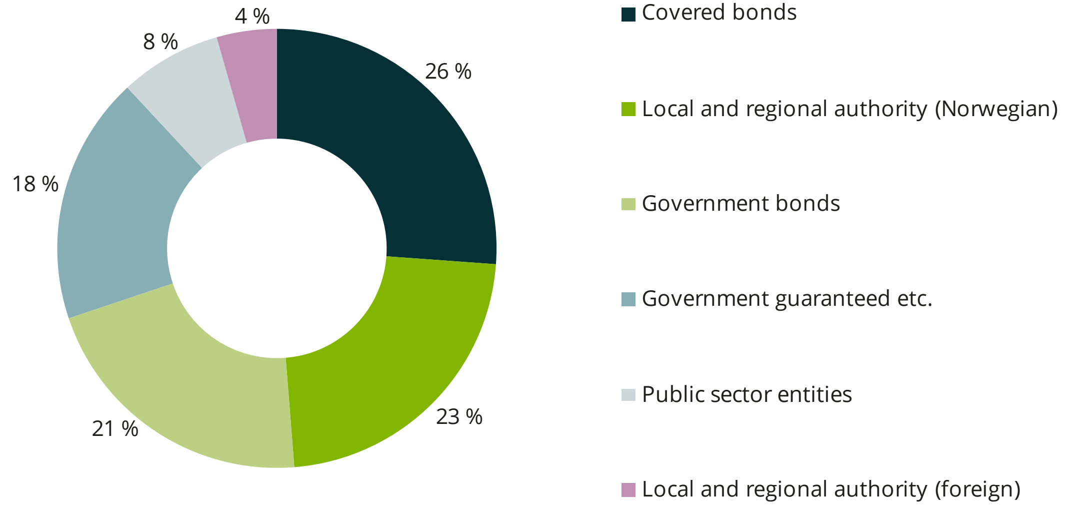


Figure 11 Composition of the liquidity buffer



Investor interest in subscribing to the company's covered bonds was good during the year, and the company also achieved good terms for its borrowing. In addition to contingency and recovery facilities, the company has a 12-month soft bullet structure on its covered bonds. This means that the maturity of covered bonds can be extended by up to one year of residual time with the consent of the FSA, subject to certain criteria specified in section 11-8 of the financial institutions' regulations.

As mentioned above, the financing terms during 2024 were good, and credit spreads also tightened. Plans call for the company to raise some NOK 28 billion in 2025, of which NOK 7.2 billion has already been secured. Despite noise around inflation and geopolitical unrest, the availability of financing is currently good, both in NOK and EUR. As mentioned above, credit spreads have tightened and lie about the average long-term level in Norway. The company has a good liquidity position, and the aim is to have liquidity available to cover bonds maturing over the next 12 months.

The company's borrowing department constantly monitors the financial markets and is focusing its attention on the remaining funding requirement for 2025. Given its strategies and recovery plan, the company can adopt several possible measures if it proves impossible to secure the planned financing as specified in the funding plan. The company considers itself to be well equipped to deal with a future crisis.

EBK is subject to the quantitative requirements for the liquidity coverage ratio (**LCR**). These rules derive from the CRR/CRD regulations. The company must satisfy the LCR applicable at any given time. The company will monitor the development of the LCR closely and uses forecasts to be prepared for the need to adapt liquid assess which can be included in the indicator at short notice. As at December 31st, 2024, the company's total LCR indicator was 511 per cent, its EUR indicator was 183 per cent, and its NOK indicator was 192 per cent.

Article 428b of the CRR always requires enterprises to meet a minimum requirement of 100 per cent for the NSFR. The company's NSFR indicator was 115 per cent as at December 31st, 2024.

Management and control

EBK has established a risk policy for financing risk, including defined risk appetite, risk parameters, and contingency and recovery measures in the event of insufficient liquidity. These are incorporated in the company's recovery plan, which forms the basis for liquidity management.

Financing and liquidity risk is managed through parameters for financing structure, requirements for diversification of instruments, markets and residual times to maturity, and the establishment of contingency facilities. An agreement has also been entered into between the shareholders and EBK to ensure that the company can access liquidity in a crisis. The agreement commits the owner banks, under given circumstances, to purchase the company's covered bonds. The owner banks can deposit these covered bonds as collateral with the Central Bank of Norway in exchange for a haircut. EBK is not permitted to make such deposits in the Central Bank of Norway.

The company has a separate funding department headed by the CFO, who is responsible for operational liquidity management and reports to the CEO. The funding department utilises liquidity forecasts, which are updated at least monthly and more frequently as and when required. The future liquidity holding, refinancing indicators and the average time to maturity of funding are then simulated. Each board meeting receives detailed information on the financing and liquidity position in the company.

EBK's risk and compliance function measures exposure linked to financing and liquidity risk in relation to approved parameters on a continuous basis and reports quarterly on the actual exposure in the risk and compliance report to the board. The same reporting contains stress tests which simulate the effect of possible liquidity crises, including market-specific, company-specific, and combined market/company crises. These reports provide a basis for the executive management and the board to assess the exposure status in relation to established parameters and targets.

Capital requirements

Financing and liquidity risk are not included in the capital assessment pursuant to Pillar 1. The assessment of capital requirements for financing and liquidity risk is included in the assessment under ICAAP/ILAAP in the company, where the company's capital targets are considered adequate for handling future capital and liquidity needs over and above the minimum regulatory requirements.

10. OPERATIONAL RISK

Operational risk is the risk of loss because of inadequate or deficient internal processes or systems, human error, or external events. Operational risk also comprises compliance, legal, default, data protection, money-laundering, and terrorism funding risk.

Risk appetite and exposure

EBK has a simple and transparent organisation and has therefore adopted the basic indicator approach for calculating the capital requirement for operational risk. With this approach, the calculation basis for the minimum primary capital requirement is 15 per cent of average income over the past three years multiplied by 12.5. See the CRR.

The company will have a low-risk profile for operational risk. Operational risk which could expose EBK to loss consists virtually entirely of a failure to establish adequate collateral, deficient internal control, or failure of IT systems.

Management and control

EBK has established a policy for operational risk which forms the basis for its management and control. Several guidelines and routines have been implemented for all significant processes in the company. These are intended to help identify that operational risk is being handled in a way which ensures an acceptable level of residual risk. The company will always have an updated business continuity plan, which ensures that it can maintain its operations, while functions will have adequate back-up. Relevant contingency plans have also been drawn up to deal with crises.

The company monitors operational risk through reporting and registering of operational events, pursuing compliance activities, internal auditing and so forth. The company's risk and compliance department prepares a quarterly risk and compliance report which presents the status of and trend for operational risk based on the above-mentioned conditions. This reporting provides the executive management and the board with the basis for assessing the status of exposure in relation to established parameters and targets.

Table 11 Calculation basis and capital requirement for operational risk (amounts in NOK thousand)

Operational risk	2022	2023	2024
Net income	141 181	212 199	163 488
Average income			172 289
Basis of calculation			323 042
Capital requirement			**25 843**

Capital requirements

EBK applies the basic indicator approach to calculate the capital requirement for operational risk as prescribed in Pillar 1. The capital requirement was calculated to be NOK 25.8 million as at December 31st, 2024, and is considered to make sufficient allowance for loss in the worst case.

11. CLIMATE AND SUSTAINABILITY RISK

Climate risk is characterised as threats and opportunities related to climate change and the conversion to a low-emission society. It is divided into the following categories:

- *physical risk – costs related to physical damage because of climate change.*
- *transition risk – financial risk related to the conversion to a low-emission society.*
- *liability risk – compensation claims related to the taking of, or failure to take, decisions which can in one way, or another be associated with climate policy or changes.*

Risk appetite and exposure

EBK is exposed to transition and physical risk primarily through the properties it accepts as collateral for residential mortgages. Government or market requirements could mean that properties with high energy consumption or large climate footprints fall in value. Physical risk could involve extreme weather causing damage to properties, which may in turn increase the likelihood of default because of financial loss as well as a reduction in the value of the mortgaged object. Where EBK is concerned, climate risk – including transition risk – could also involve a financing risk. Climate risk is attracting ever greater attention from financial investors. A perception that EBK or the Eika Alliance might be particularly exposed to transition risk could affect the pricing of and access to financing.

Climate and sustainability risk in the company is intended to be low. Its management and control of this risk are assessed below.

Responsible lending

Climate changes and environmental challenges not only represent a growing risk, but also an opportunity for change and restructuring.

Where transition risk is concerned, it is natural to highlight the company's analysis of its cover pool. This defines three criteria for classifying a mortgage object as being among the 15 per cent most energy-efficient residential units in Norway. These criteria are based on building standards, energy certificates, and refurbishment which improves the energy efficiency of the residential units by at least 30 per cent. See the sustainability and corporate social responsibility (CSR) section of the company's website for further information[12]. The company has conducted this analysis primarily because establishing a status for the climate footprint of the assets financed by the residential mortgages represents a first step towards an ambition of reducing the climate footprint of residential units financed by the company over time. Results from the analysis will be used as input to processes under way in the Eika Alliance with the aim of incorporating climate risk and footprint in its credit processes. Furthermore, the analysis forms a key component in a green framework within which the company can issue green bonds. See further details below.

Regarding physical risk, effects of climate change such as floods, landslides, extreme weather, increased precipitation, and inundations may cause damage to properties which could in turn reduce the value of the mortgage object in the cover pool. The company is therefore working actively to identify the physical climate risk of the residential units in its cover pool. In the first instance, this work aims to map which residential units are vulnerable to damage from such natural hazards as flood, landslide, and extreme weather. Hazard maps are prepared by the Norwegian Water Resources and Energy Directorate (NVE) for quick clay, flooding, and landslides in steep terrain, and by the Norwegian Mapping Authority for storm surges (sea levels). Reference is made to the sustainability section of the annual report for an overview of the total loan value of the mortgage collateral in EBK's residential mortgage portfolio which falls within the various hazard-zone categories.

Liquidity and financing

In a world where global investors are setting ever more stringent requirements that the investments they make will be in sustainable institutions, an express strategic goal for the Eika Alliance and EBK has been to make provision for green financing. To achieve this, EBK launched a green bond framework on February 4th, 2021, and issued its first green bond in euros the following June. The purpose of the framework is to finance the most energy-efficient mortgage objects in the cover pool through the issue of green bonds. These objects are identified using three criteria which allow them to be classified among the 15 per cent most energy-efficient residential units in Norway. These criteria are based on building standards, energy certificates,

[12] Links for further information concerning CSR and sustainability: green bonds and corporate social responsibility

and refurbishment which improves the energy efficiency of the residential units by at least 30 per cent.

The company has identified NOK 20.7 billion in residential mortgages for 8 304 mortgaged objects which met these criteria at the end of 2024 and which can be financed through the issue of green bonds. EUR 1 000 million (about NOK 11.4 billion) has been raised in green financing, which corresponds to an available capacity for NOK 9.3 billion in green bond issues. Issuing green bonds gives the company the opportunity to reach a broader investor base beyond the one targeted by traditional bonds, and to secure financing from existing investors who increasingly emphasise sustainability. That reduces the refinancing risk.

Operational aspects

EBK will work to ensure equality and diversity. The company will choose suppliers who are concerned with corporate social responsibility, will behave with integrity, and will ensure decent working conditions. Due diligence is conducted by EBK to identify and assess actual and potential negative consequences for fundamental human rights and decent working conditions which the company has either caused or contributed to, or which are directly related to its business activities, products or services through supplier chains or business partners.

External confidence and a good reputation are important for EBK, and the company's stakeholders expect it to be a responsible societal player. EBK has a responsibility to avoid contributing to environmental destruction, financial crime and corruption, and breaches of fundamental human and labour rights. Climate and sustainability risk will be a permanent component of the company's risk management in all its business areas, and diversity and gender neutrality will be promoted in the organisation.

Furthermore, EBK's strategy will incorporate considerations related to climate and sustainability risk, and its risk strategies will address this issue – including explicit reference to credit cases in the company's credit manual.

Capital requirements

The company's capital targets are assessed to be adequate for handling risk related to the climate and sustainability. Where climate risk in the residential mortgage portfolio is concerned, the transition risk is assessed as low in the short term and because good insurance arrangements for natural perils are in place. In addition, the physical risk is assessed as limited because the climate effects are small in the short term. Efforts are being made to secure further information on the climate risk to residential units to increase the accuracy of future assessments.