



Terra BoligKreditt AS  
Covered Bond Investor Presentation  
November 2011

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# Executive summary

Norway	<ul style="list-style-type: none"><li>- Norway is one of the strongest economies in the world with large budget surplus and low public debt</li><li>- Rated Aaa / AAA / AAA (all stable outlooks)</li><li>- Low unemployment, high household wealth and sound housing market</li></ul>
Terra Banks	<ul style="list-style-type: none"><li>- Third largest Norwegian banking group with nationwide network and focus on retail clients</li><li>- Lending operations only in the Norwegian market and no exposure to the Baltics and to Southern Europe</li><li>- Highly capitalised, strong asset quality and high deposit base</li></ul>
Terra-Gruppen	<ul style="list-style-type: none"><li>- Owned by 78 Terra banks (93.16%) and OBOS* (6.84%)</li><li>- A systemically important, cohesive alliance</li><li>- All products (except own lending and deposit) are produced or provided by Terra-Gruppen</li></ul>
Terra BoligKreditt	<ul style="list-style-type: none"><li>- Terra BoligKreditt is a specialised covered bond issuer 100% owned by Terra-Gruppen</li><li>- Strong incentive structure ensures that only high quality loans are passed on to Terra BoligKreditt</li><li>- The mortgages in the Cover pool comprise of 100% high quality Norwegian residential mortgages</li><li>- Low average LTV-ratio of 44%, maximum LTV as low as 60%</li><li>- Has never recorded loans in arrears (&gt;3 months) nor any losses on mortgages</li><li>- Covered bonds rated <b>Aa2</b> with stable outlook by Moody's, Timely Payment Indicator of "High" and the lowest (best) Collateral Score in the Nordics and among the best globally</li></ul>

*\* OBOS is the largest Nordic Cooperative Housing Association, established in 1929 and is owned by 226,000 members, mostly located in the Oslo-area. More information about OBOS can be found on [www.obos.no](http://www.obos.no)*

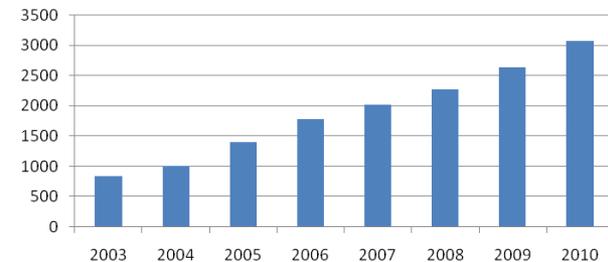
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## Norwegian economy and housing market

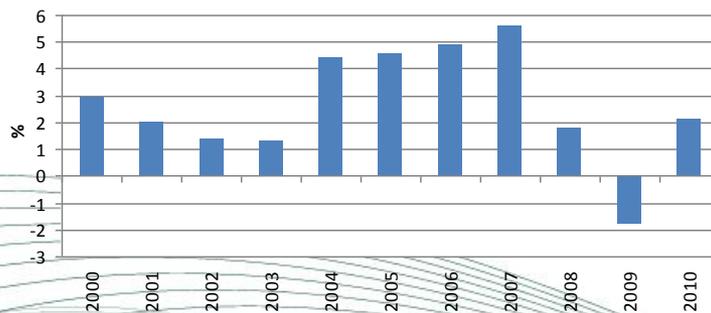
# Norway – a strong Aaa economy

- Not part of the euro area (Currency: Norwegian Krone)
- GDP per capita among the highest in the world and above OECD and euro countries
- Strong balance sheet, significant budget surplus and low public debt
- Net assets accumulated in the Sovereign Wealth Fund which gives the government room for maneuvering in fiscal policy if needed. The fund exceeds the annual GDP of Norway
- Rating agencies' view on Norway - Aaa / AAA / AAA with stable outlooks

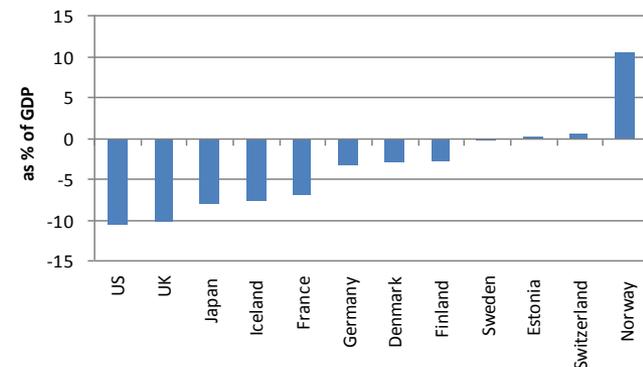
Market Value Norwegian Pension Fund (NOK bn)



GDP Growth - Mainland Norway



Government financial balances, 2010

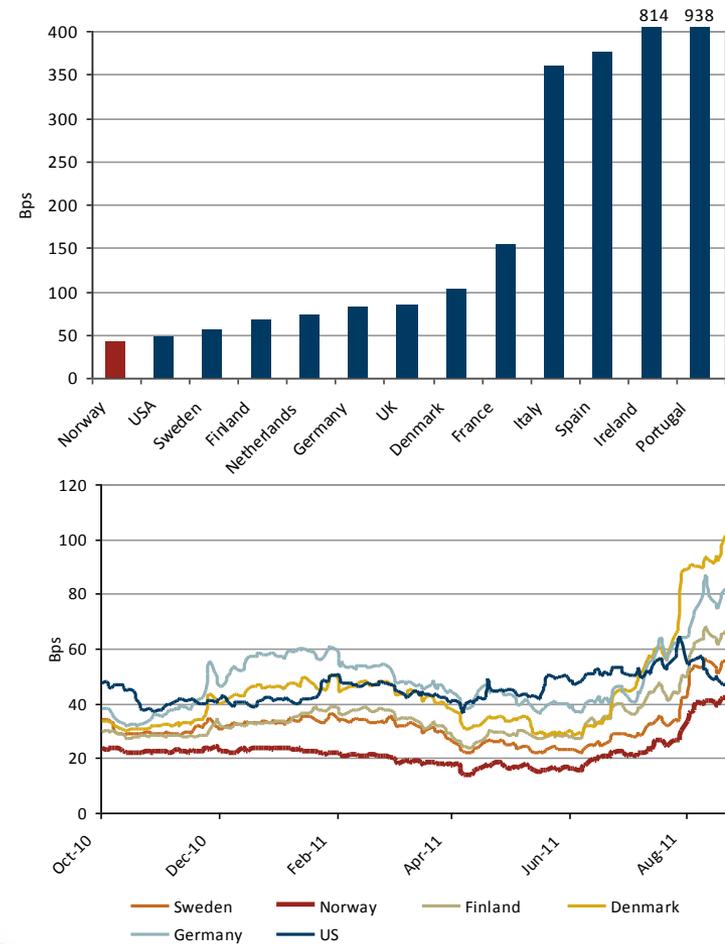


Sources: OECD, NBIM, Statistics Norway

## Norwegian economy and housing market

# Norway – the highest credit quality

- Safe haven status of Norway evidenced by the lowest sovereign CDS spread globally
- Strong historical performance in the CDS of Norway



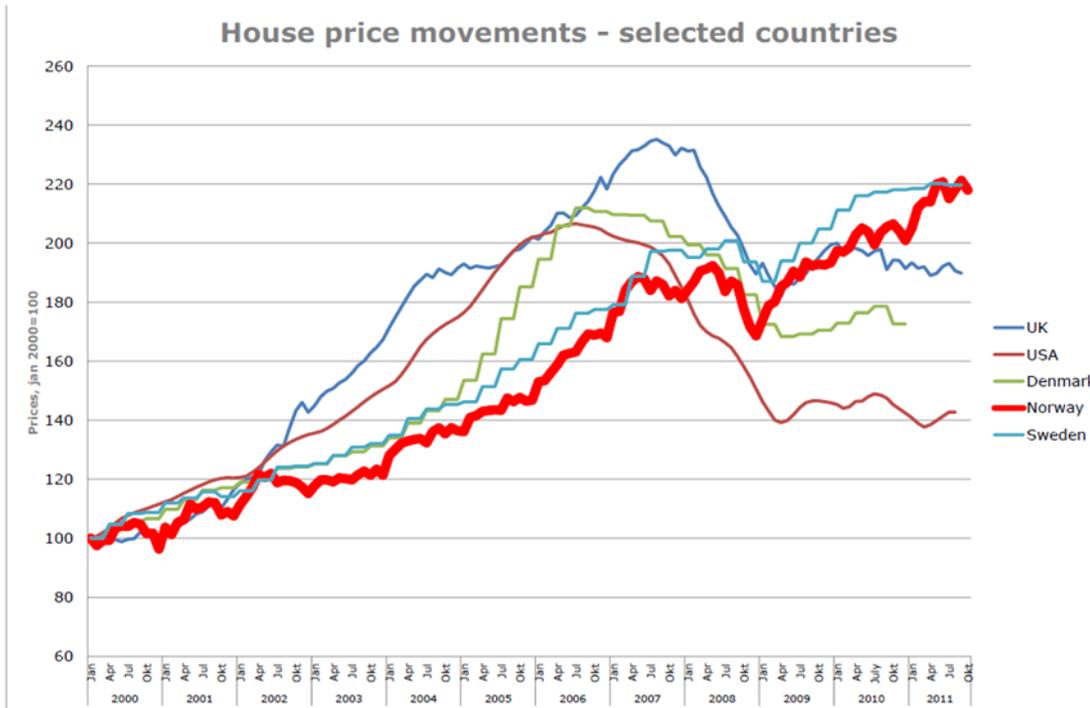
Source: 5y CDS levels, Bloomberg 22.08.2011

## Norwegian economy and housing market

# Norway – solid housing market

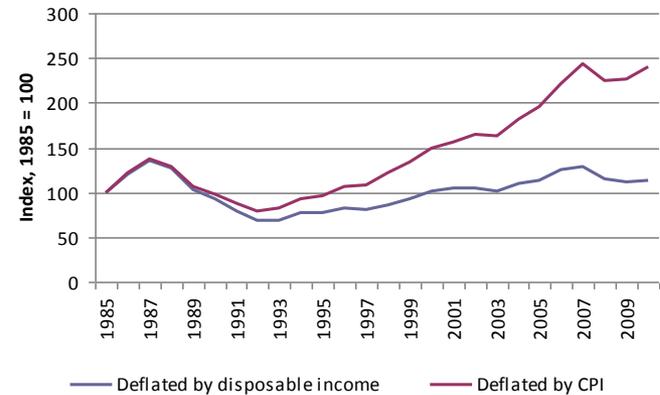
- Low unemployment and high household wealth
- Strong and sustainable housing market
  - Increase in house price driven by increase in disposable income and growing population
  - No subprime or buy-to-let market
- 80% of households own their home

House price movements - selected countries



Source: S&P Case-Shiller Home Price Indices Composite 20, Realkreditrådet, Halifax House price Index, Statistics Sweden

Real house price development



Source: Norges Bank

Unemployment rate and total employment



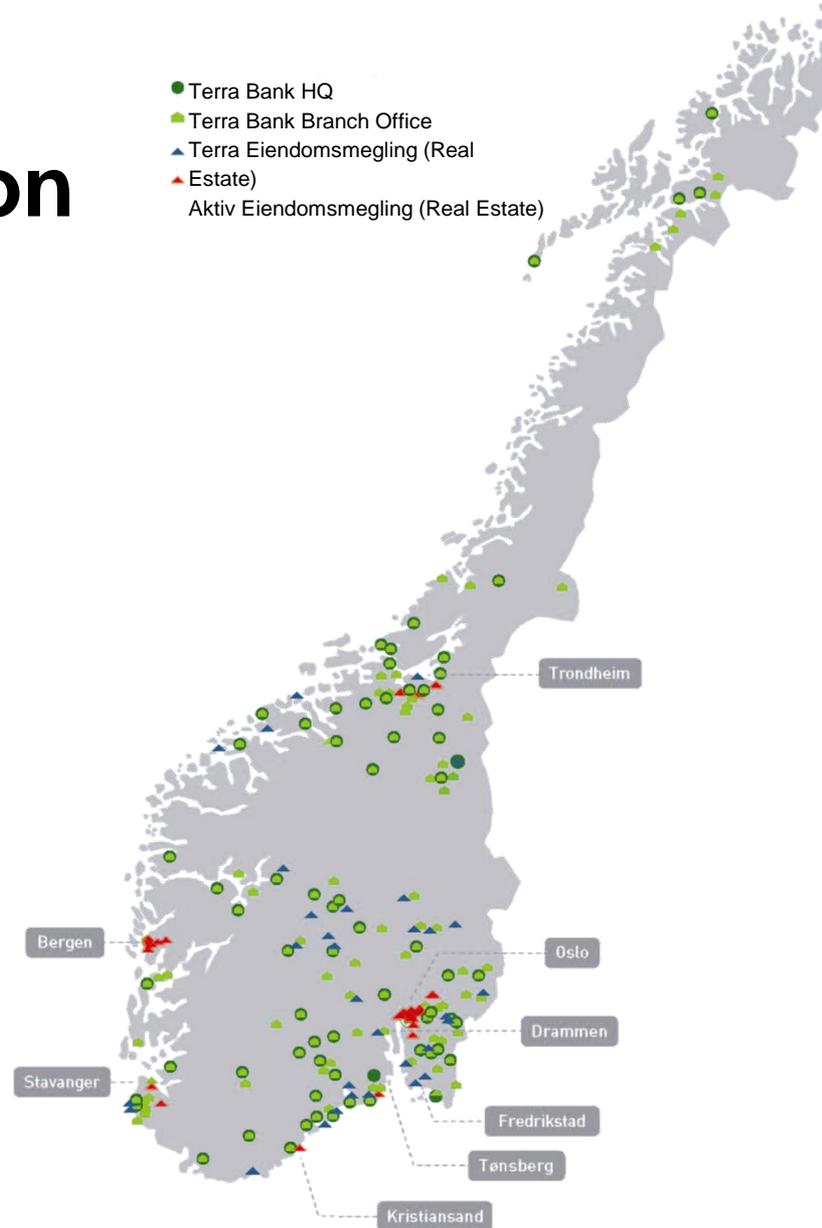
Source: Statistics Norway

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## Terra in the Norwegian banking system

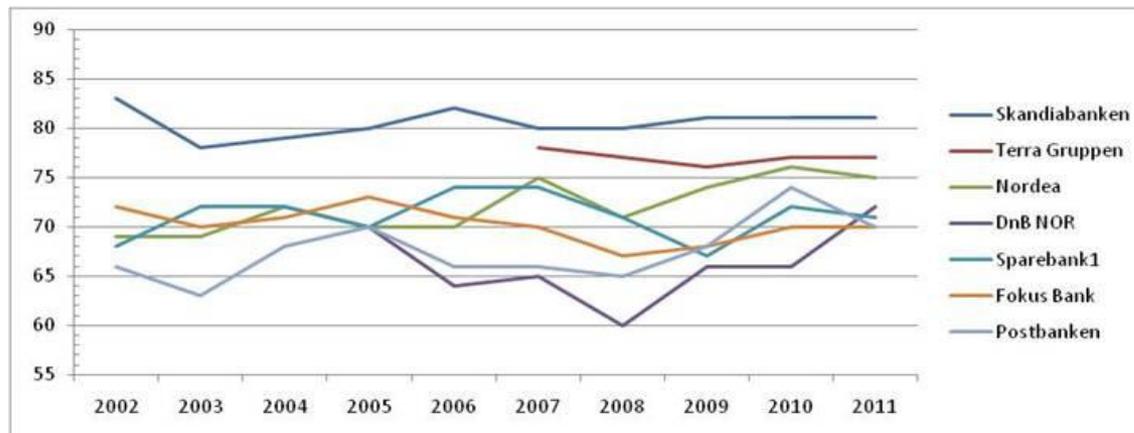
# The local retail champion

- 78 Terra Banks and OBOS
- Scope of the banking operation;
  - 190 branch offices
  - 2,000 employees
  - In 105 municipalities
- Aggregated balance sheet of Terra banks is NOK 190 billion (approx. EUR 24 billion)
- Market share in retail customers
  - from 40% to 80% in local markets (except the largest cities)
  - 10% in Norway



# Highly satisfied customers

- Terra has the 2nd highest score in the Customer Satisfaction Survey among the retail clients in 2010



The Norwegian Customer Satisfaction Barometer (Norwegian Business School)

- Terra had the most satisfied commercial customers in 2010

Bank	2005	2006	2007	2008	2009	2010	Endring 09-10	Feilmargin 2010	Explanation 2010
DnB NOR	65,7	64,8	66,6	66,4	66,2	67,8	1,6	1,55	0,61
Fokus bank					68,2	66,5	-1,7	3,91	0,77
Handelsbanken	73,4	73,4	77,6	71,9	71,2	69,5	-1,7	2,03	0,74
Nordea	67,2	65,6	67,0	66,0	64,9	64,9	0,0	2,76	0,72
Sparebank 1 Gruppen		66,1	67,2	66,6	66,7	66,6	-0,2	2,43	0,77
Terra Gruppen					69,0	72,8	3,8	3,44	0,66
Annen forretningsbank*						64,1	-	6,95	0,82
Annen Bank**	71,0	71,6	73,1	71,1	70,1	70,2	0,1	2,50	0,74
<b>Industry</b>	<b>69,0</b>	<b>68,5</b>	<b>69,2</b>	<b>68,2</b>	<b>67,2</b>	<b>67,6</b>	<b>0,4</b>		

EPSI Rating 2010

\*Annen forretningsbank: inkluderer andre banker som Landkredit Bank, Citibank, SEB, m.fl

\*\*Annen Bank: inkluderer andre sparebanker som Sparebanken Vest, Sparebanken Sør, Sparebanken Møre m.fl

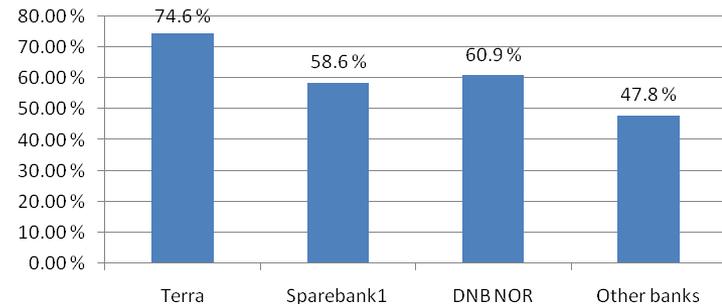
Bransje indeksen er veiet ihht. bankens markedsandel

## Terra in the Norwegian banking system

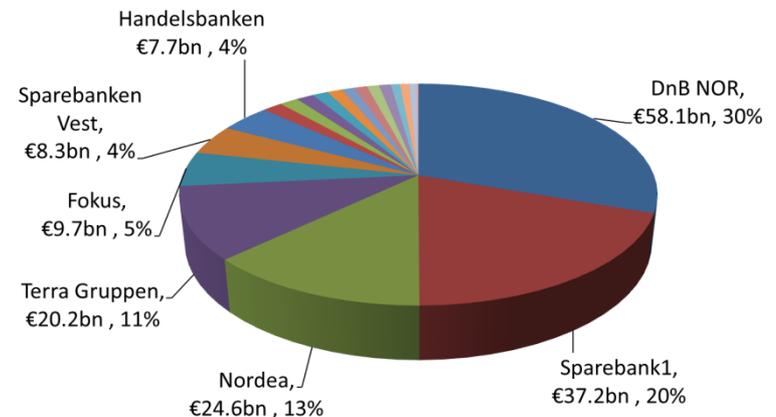
# The local retail champion

- The Terra banks have a stronger retail focus than their peers
  - Retail lending is accounting for 75% of total lending in Terra

Retail share end 2010 (excl. transfers to CB company)



Market shares in retail lending in Norway

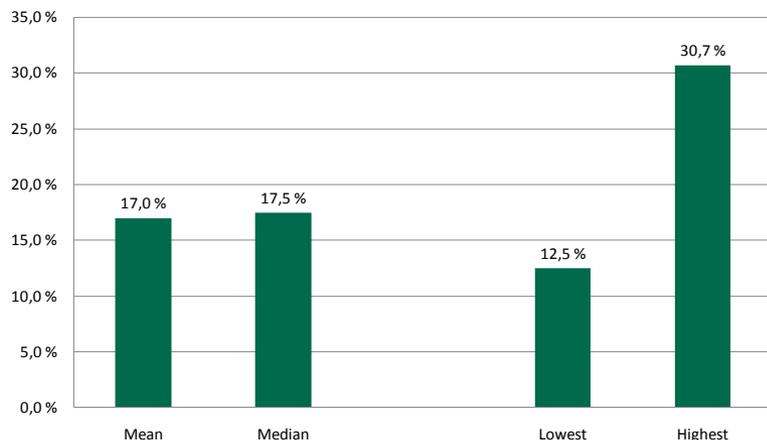


Source: Terra Markets

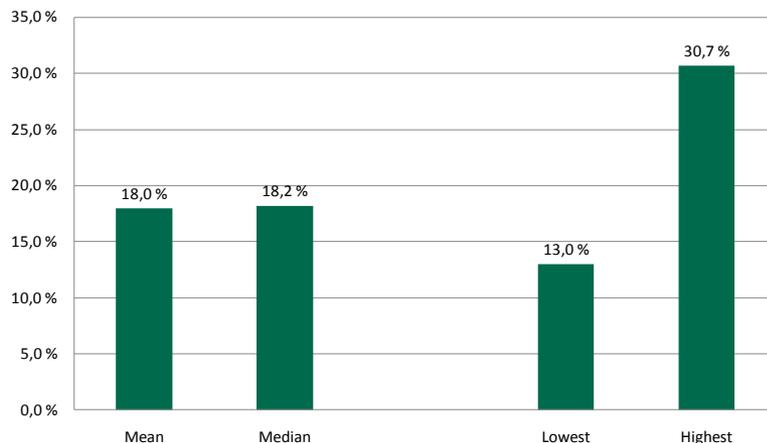
# Terra in the Norwegian banking system

## Strong capital ratios

Core capital ratio 1Q2011 - Terra banks



Capital ratio 1Q2011 - Terra banks



Source: Terra Markets

- Strengthened capital ratios in Q1
  - Core capital ratio 17.0% (16.3%)\*
  - Capital ratio 18.0% (17.5%)\*
  - Profit for Q1 would increase ratios by 0.3%
- All banks are well capitalized (T1 ratio)
  - Lowest: 12.5% (12.1%)\*
  - Highest: 30.7% (29.4%)\*
- All Terra banks use the standard approach under Basel II
- If Terra banks had used the IRB method, the core and capital ratios are estimated to be 20.3% and 21.6% at Q1.

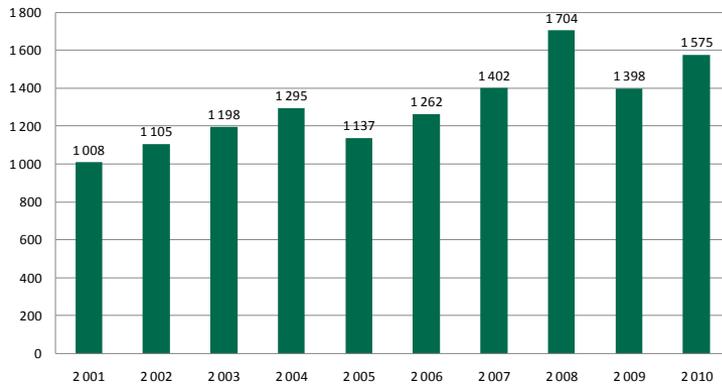
\* 2011Q1 as reported – numbers in brackets “( )” are comp. numbers as of 2010Q1

## Terra in the Norwegian banking system

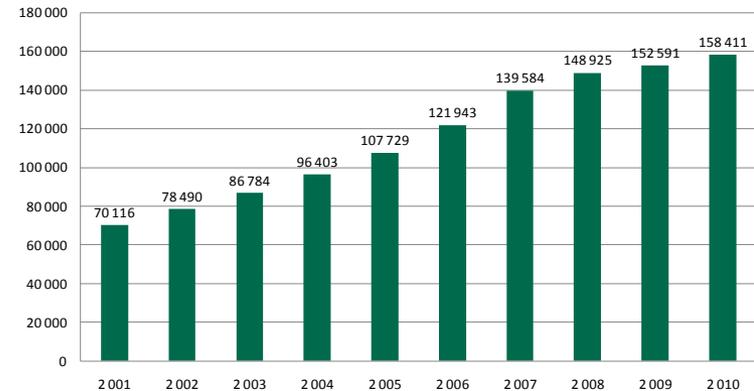
# Strong and sustainable earnings

- The Terra banks have a strong focus on retail lending and deliver strong and sustainable core earnings

Aggregated core earnings before loan losses  
2001 - 2010 (NOK mill.)



Aggregated lending to customers Terra banks  
2001 - 2010 (NOK mill.)



2005: Investment in SDC/ new IT-system

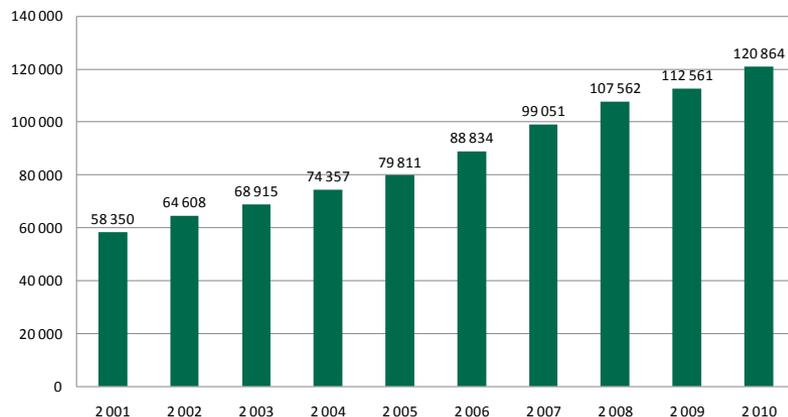
2009: Sharp drop in the interest rate level

Source: Terra Markets

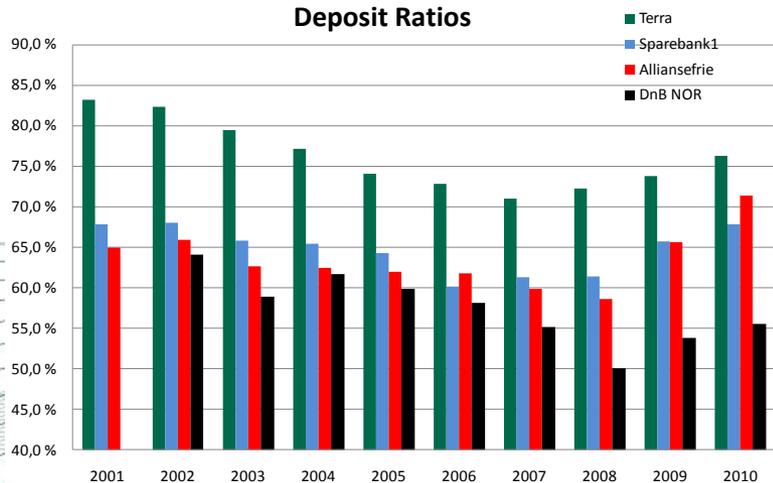
## Terra in the Norwegian banking system

# High and increasing deposit ratio

Aggregated deposits from customers Terra banks  
2001 - 2010 (NOK mill.)



Deposit Ratios



Source: Terra Markets

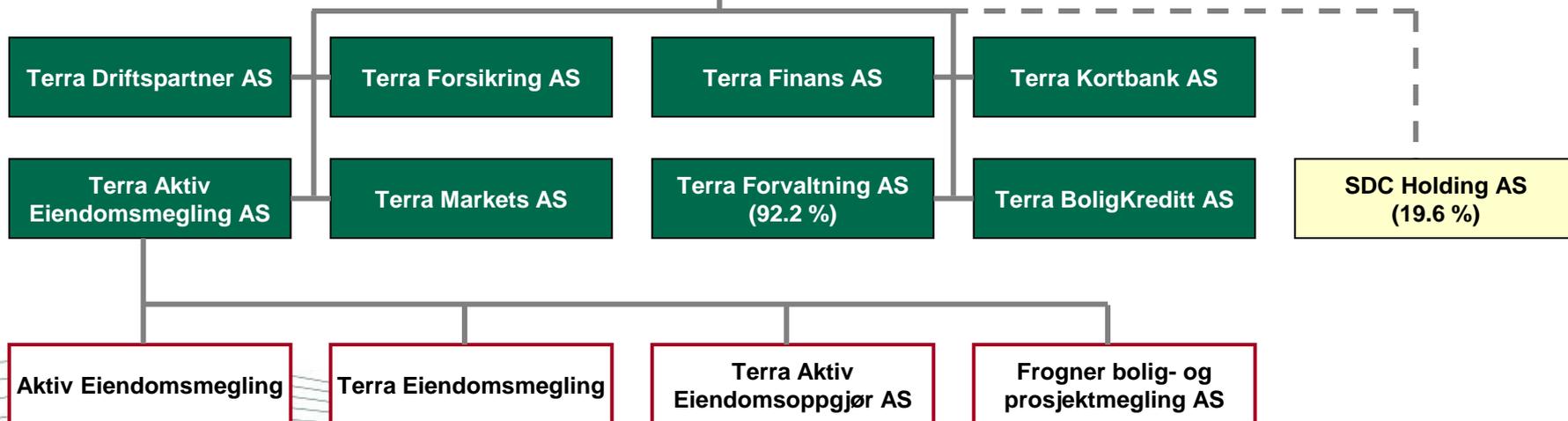
- Average yearly growth in deposits has been 8.4% over the last 10 years
- High and increasing deposit ratio
- Well diversified deposit base - approx. 85% of all deposits is within the NOK 2 mill. bank guarantee fund limit
- The Terra banks have received net deposit inflow since the financial turmoil started in 2008 which reflects their solid, safe and stable financial position
- Higher deposit ratio for the Terra banks compared to DnB NOR, Sparebank1 and other banks

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# Terra-Gruppen AS

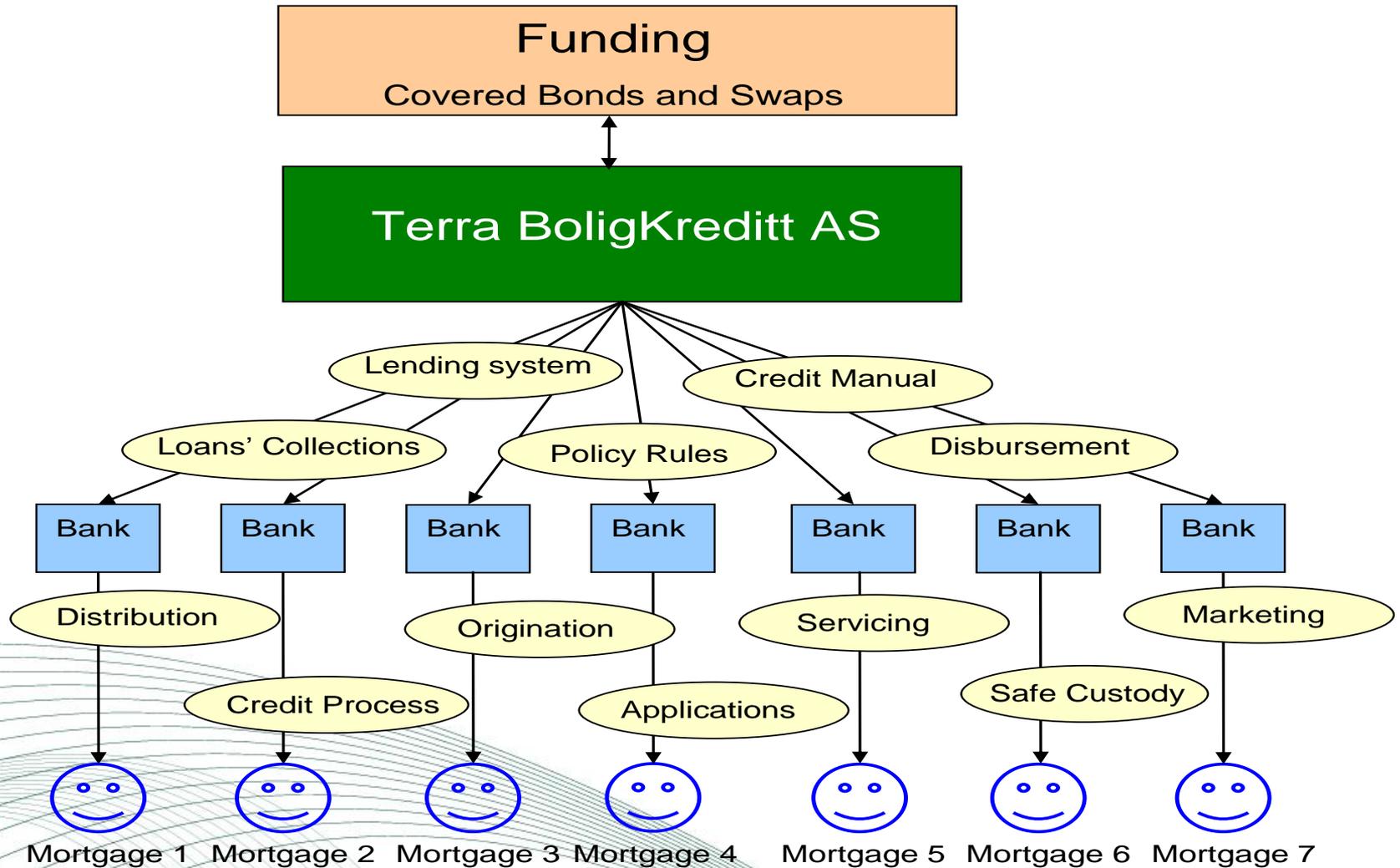
79 shareholders <sup>1</sup>

**TERRA**  
Terra-Gruppen AS

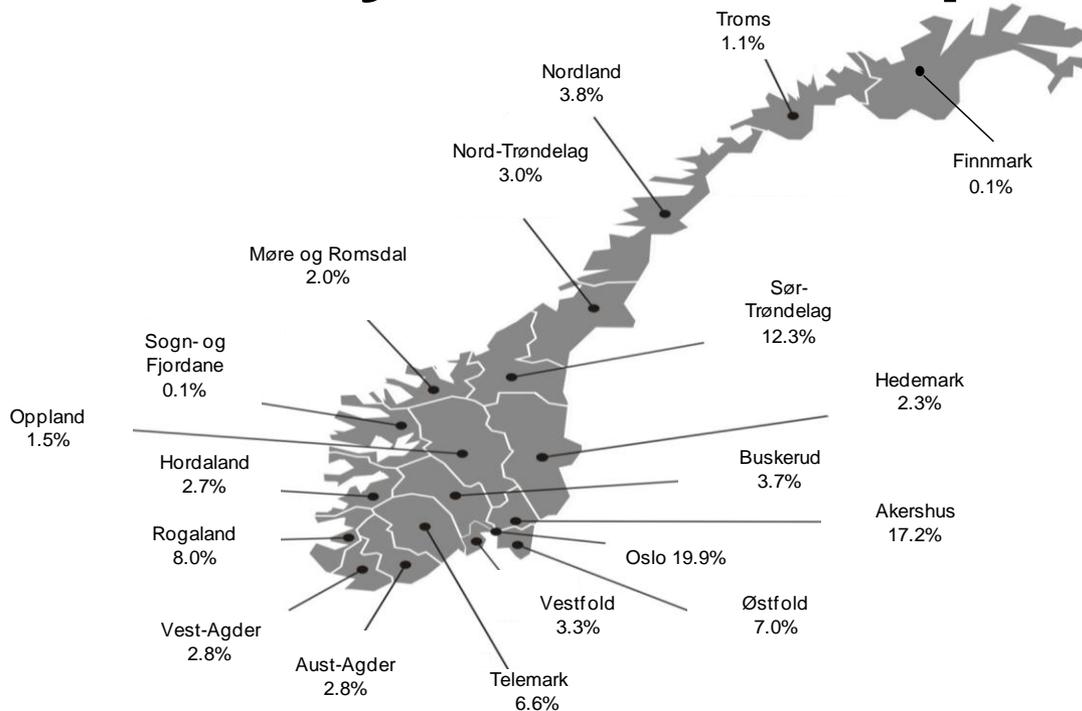


<sup>1</sup> 78 savings banks and OBOS

# Business concept



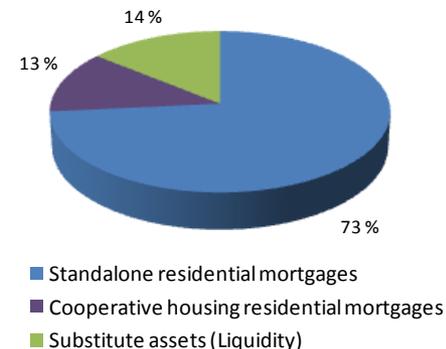
# Summary of the cover pool



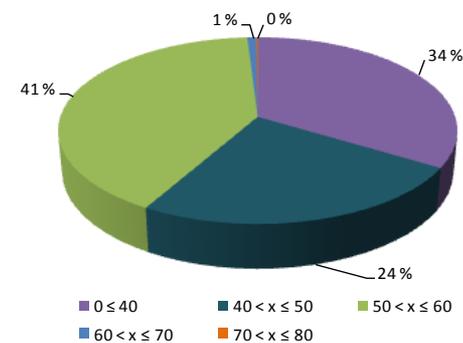
## Overview of mortgages in the cover pool (EUR)

	Grand total	Standalone residential mortgages	Cooperative residential housing
Nominal value	4,464,680,503	3,816,928,757	647,751,746
In % of total mortgage Pool	100 %	85.49 %	14.51 %
Number of loans	25,939	25,512	427
Arithmetic average loan (nominal)	172,122	149,613	1,516,983
WA LTV (unindexed)	46.34 %	51.66 %	14.98 %
WA LTV (indexed)	41.94 %	46.91 %	12.70 %

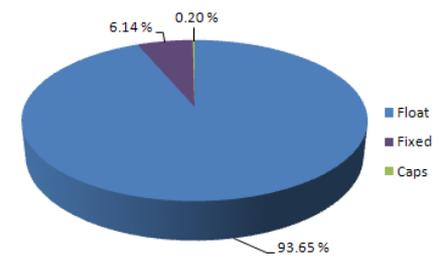
## Composition of Cover Pool



## Indexed LTV Breakdown



## Interest Rate Reset Type



•EURNOK as of 30.09.2011: 7.888

# Conservative underwriting standards

- Origination on loan-by-loan basis in strict compliance with Terra BoligKreditt credit manual
- Normally mortgages are limited to 3 x yearly income (joint; gross)
- Terra BoligKreditt has a self imposed max LTV ratio of 60% although the legislation allows for 75%
- The value of the residential property used as a collateral must be rigorously documented
  - When the mortgage loan is granted updated property value is always required (<6 months)
  - Quarterly re-evaluation using Eiendomsverdi AS (AVM)
- Distribution of only Norwegian residential mortgages by conservative savings banks with close relationship to customers
- Multiple credit scoring models are utilized
  - External credit database (Dun & Bradstreet, Lindorff etc)
  - Internal credit checks
  - History with savings banks

# Strong incentive structure

## Moody's:

*"The members of the Terra Group are incentivised by guarantee obligations to pass high quality loans to the issuer." \**

Loss Guarantee	Set-off rights	Pro-rata Framework Guarantee
<p>First loss guarantee for the portion of the loan exceeding 50% LTV</p> <p>Minimum guarantee of NOK 25.000 (EUR 3,138) per loan, irrespective of LTV</p> <p>100% of the loan is guaranteed by the bank until the collateral is registered</p>	<p>Terra BoligKreditt has set-off rights against each bank's commission for a period of up to 3 years</p> <p>To be used by Terra BoligKreditt if losses exceed paid guarantee amounts, or a bank fails to meet its guarantee obligation</p>	<p>All banks participate in a 1.00% pro-rata framework guarantee</p> <p>To be used by TBK if banks fail to meet their guarantee obligations, or losses exceed individual guarantees and set-offs</p>
Currently EUR 339 mn	Currently EUR 51 mn	Currently EUR 45 mn

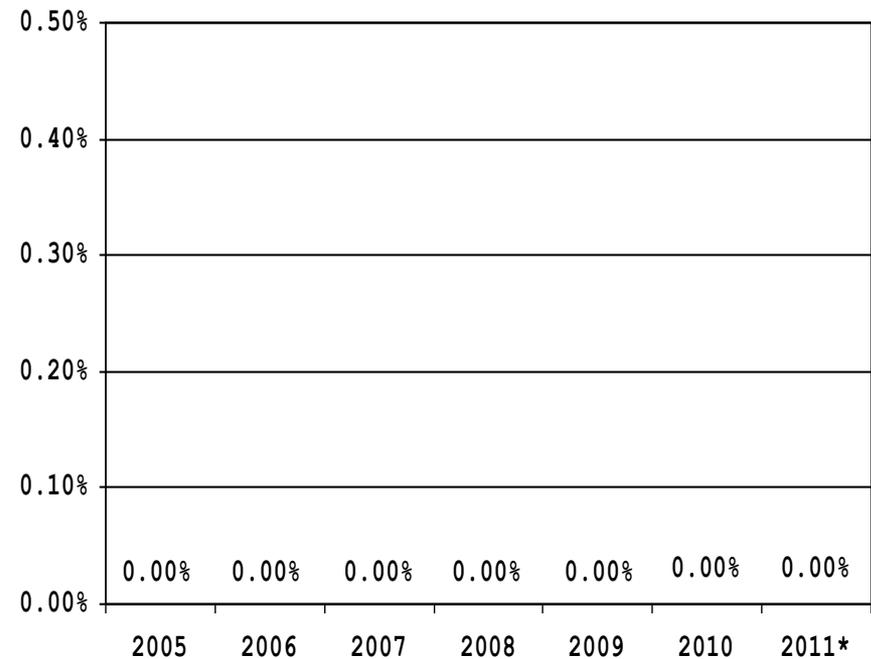
EURNOK as of 30.09.2011: 7.7880

\*Moody's Investors Services, Terra BoligKreditt Mortgage Covered Bonds, August 2007

# Low credit risk, no losses or arrears

- Terra BoligKreditt has **never** experienced mortgages being delinquent for more than 3 months
- No losses have been registered on Terra BoligKreditt's books in respect of mortgages
- The customers have a strong incentives to pay the mortgage, as the debt is personal, and follows the mortgage owner.
- The guarantees from the banks further reduces credit risks and helps avoiding cherry-picking of mortgages
- The Bank have to solve the problem within 2 months when there is a delayed payment by:
  - Give the client extra credit
  - Transfer the loan back to the bank
  - Pay the full guaranteed amount to TBK

Losses and arrears



\*2011 as of Q3

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## Rating

# Rating history of Terra BoligKreditt

- Aaa rating from Moody's in August 2007
- Downgraded from Aaa to Aa2 in March 2009
  - Result of new methodology from Moody's with a closer link between sponsor rating and CB issuer rating
  - Not linked to performance of Terra banks or TBK
  - In absence of an explicit and irrevocable joint and several guarantee from parent banks, Moody's deducts two notches or more from rating assessment of Terra Banks (Sponsor bank rating)
  - In case of TBK two notches deduction was applied, hence two notch downgrade to Aa2
  - **The Aa2-rating was confirmed on November 17, 2009 and the rating has stable outlook**
- Moody's applies a TPI of "High" equal to German Public Pfandbriefe and assigns a Collateral Score which is among the best globally
  - Terra BoligKreditt is one of the few Norwegian issuer that have a "High" TPI
- In assessing the TPI Moody's stressed
  - *"The exceptionally high quality of assets in the cover pool, which is reflected in the low Collateral Score"*
  - *"The swaps, which are all with external counterparties are amongst the strongest swaps found in any covered bond transaction"*

		Timely Payment Indicators					
		Very Improbable	Improbable	Probable	Probable-High	High	Very High
Sponsor Bank Ratings	A1	Aaa	Aaa	Aaa	Aaa	Aaa	Aaa
	A2	Aa1	Aa1	Aaa	Aaa	Aaa	Aaa
	A3	Aa2	Aa2	Aaa	Aaa	Aaa	Aaa
	Baa1	Aa3	Aa3	Aa1	Aa1	Aaa	Aaa
	Baa2	A1	A1	Aa2	Aa2	Aa1	Aaa
	Baa3	A3	A2	A1	Aa3	Aa2	Aa1
	Ba1	Baa3	Baa2	Baa1	A3	A2	A1
	Ba2	Baa3	Baa2	Baa1	A3	A2	A1
	Ba3	Baa3	Baa2	Baa1	A3	A2	A1
	B1	Ba3	Ba2	Ba1	Baa3	Baa2	Baa1
B2	Ba3	Ba2	Ba1	Baa3	Baa2	Baa1	
B3	Ba3	Ba2	Ba1	Baa3	Baa2	Baa1	

## Rating

# Top-notch collateral score by Moody's

- On 7 October 2011, Moody's released the seventh edition of their EMEA Covered Bonds monitoring overview. The primary objective of this report is to provide transparency to Moody's covered bond ratings.
- In the report Terra BoligKreditt is ranked the fourth highest out of over 200 covered bond issuers in terms of quality of collateral in the cover pool which is measured by the Collateral Score<sup>10</sup>

EXHIBIT 11

Deals with lowest (best) Collateral Scores<sup>10</sup>

Name of Programme	Type of Programme	Country	Collateral Score
KLP Kommunekreditt AS Public-Sector Covered Bonds	Public Sector	Norway	1.7%
Landesbank Baden- Wuerttemberg - Public Sector Covered Bonds	Public Sector	Germany	2.4%
OP Mortgage Bank Mortgage Covered Bonds	Mortgage	Finland	2.5%
Terra Boligkreditt Mortgage Covered Bond Programme	Mortgage	Norway	2.6%
Skipton Building Society - Covered Bond Programme	Mortgage	United Kingdom	2.6%
Deutsche Postbank AG Mortgage Covered Bonds	Mortgage	Germany	2.7%
Eurohypo AG Public Sector Covered Bonds	Public Sector	Germany	2.8%
HSBC Covered Bond Programme	Mortgage	United Kingdom	2.9%
DekaBank Deutsche Girozentrale Public Sector Covered Bonds	Public Sector	Germany	2.9%
Société Générale SCF	Public Sector	France	3.1%
Deutsche Hypothekenbank AG - Public Sector Covered Bonds	Public Sector	Germany	3.1%

**10: Measures the overall quality of collateral in the Cover Pool. The lower the Score, the better the credit quality of the Cover Pool. The average Collateral Score was 11%.**

**Source: Moody's – "Moody's EMEA Covered Bonds Monitoring Overview: 2011Q1"**

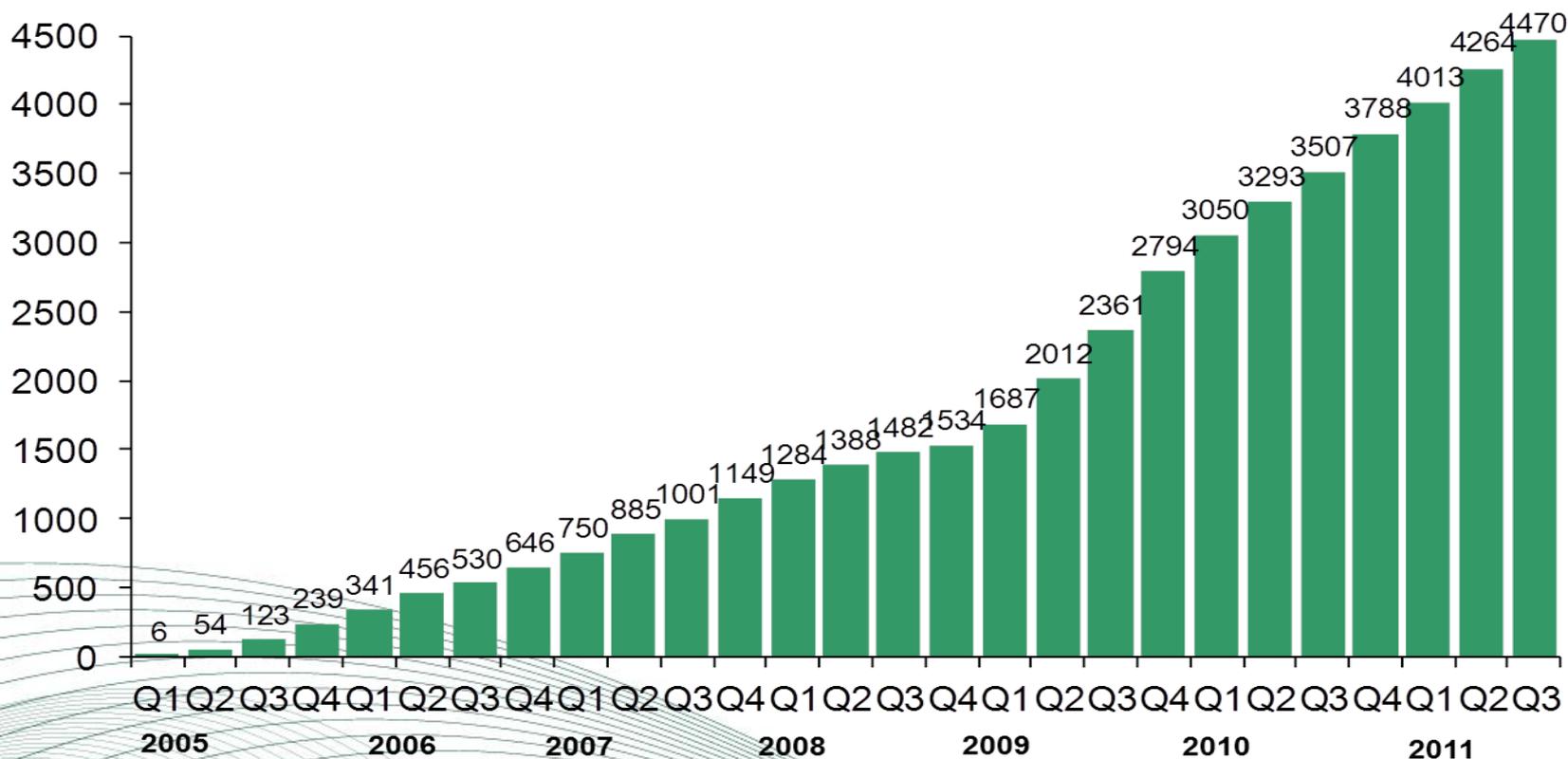
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## Funding strategy

# Growth potential in the covered bonds

- Healthy organic growth expected in the loan portfolios of the Terra banks
- Still a large potential in the existing loan books of the Terra banks which could be transferred to Terra BoligKreditt.

Total lending (EUR Mn)

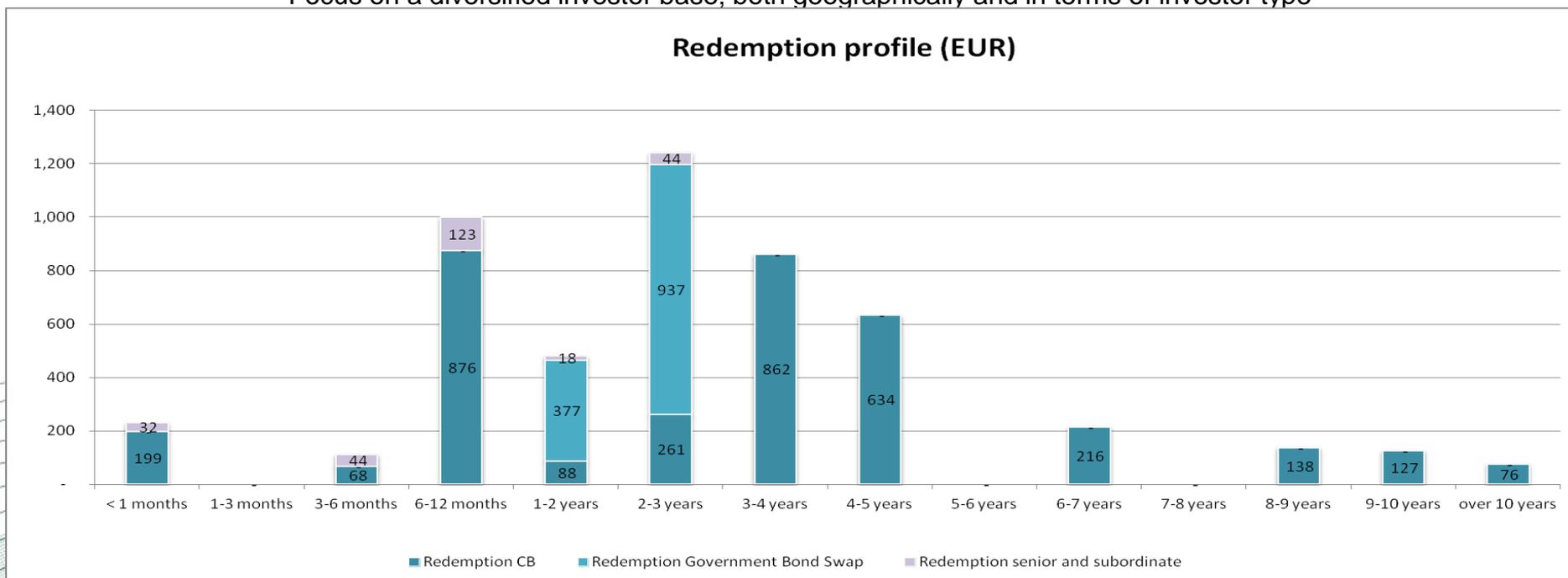


EURNOK as of 30.09.2011: 7.8880

## Funding strategy

# Transparent issuer with low risk

- Interest rate or currency risk removed by swapping all funding to 3 month Nibor
- Terra BoligKreditt has a self-committed obligation in the EMTCN Programme to maintain a minimum OC level of 5%
- Terra BoligKreditt shall maintain a minimum liquidity of 6% of the total funding balance
- Terra BoligKreditt is committed to build up its international reputation, but will continue to utilize the advantage of the competitive and well-functioning domestic market
  - Focus on a diversified investor base; both geographically and in terms of investor type



as of 30.09.2011

# Strong interest both from Norwegian and international investors

## TBK's international transactions

August 2010



**Terra BoligKreditt**

New issue of EUR 500 million  
2.125% due August 2015

March 2010



**Terra BoligKreditt**

New issue of EUR 600 million  
2.0% due September 2012

April 2008



**Terra BoligKreditt**

New issue of EUR 500 million  
4.625% due April 2010

October 2007



**Terra BoligKreditt**

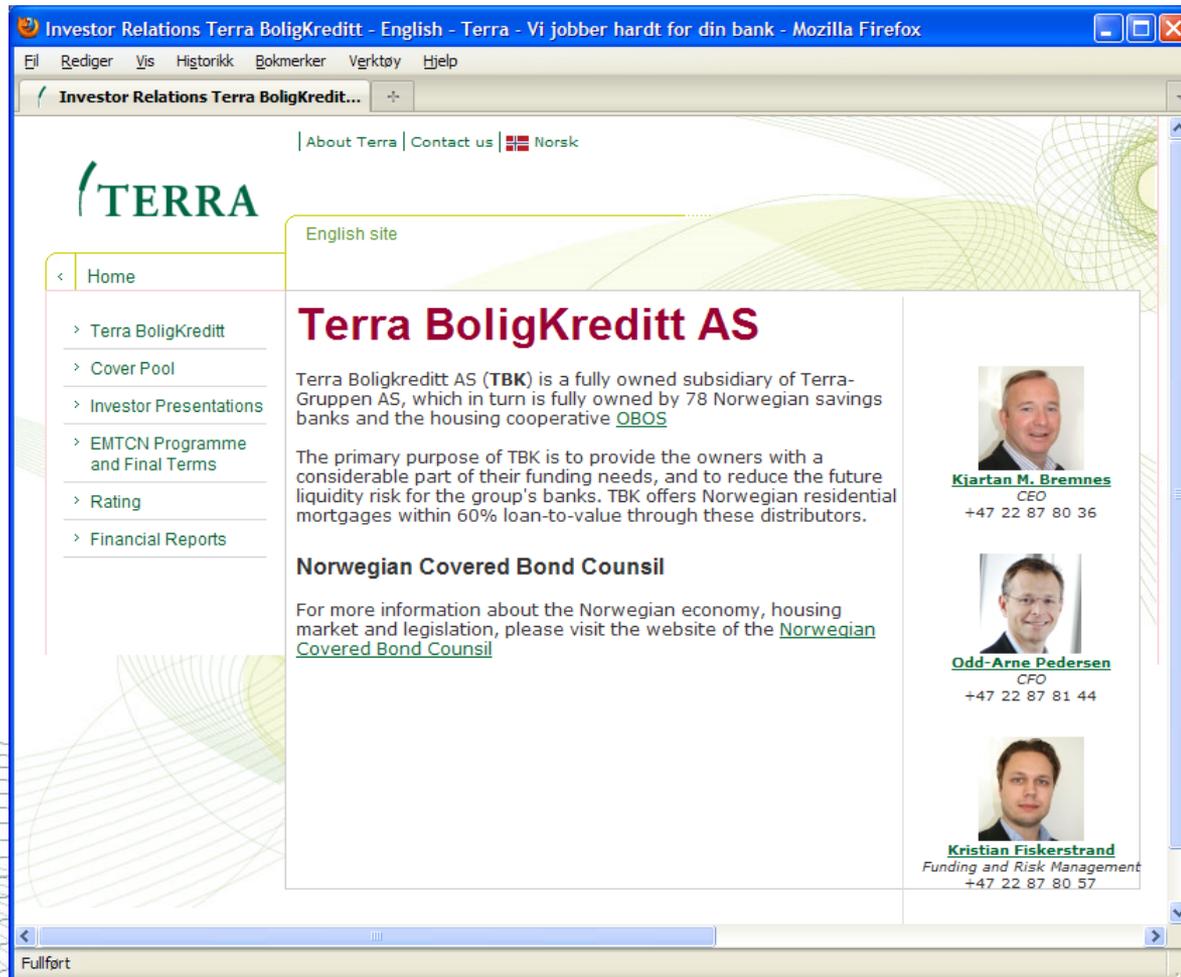
New issue of CHF 225 million  
3.125% due October 2013

## TBK's CB issues YTD 2011

ISIN	Issued in 2011 (NOK mn)	Maturity	Type
NO0010625429	1,680	2014-10-23	FRN
NO0010612039	1,200	2018-06-08	FRN
NO0010572373	3,500	2016-05-03	FRN
NO0010542244	540	2014-03-14	FRN
NO0010625346	600	2026-10-13	4.60%
NO0010612179	500	2018-06-08	4.65%
NO0010605587	1,000	2021-04-06	5.20%
<b>Sum</b>	<b>9,020</b>		

# Updated Investor Relations website

Updated information available at <http://www.terra.no/ir>



The screenshot shows a web browser window titled "Investor Relations Terra BoligKreditt - English - Terra - Vi jobber hardt for din bank - Mozilla Firefox". The browser's address bar shows "Investor Relations Terra BoligKredit...". The website content includes a navigation menu on the left with items like "Home", "Terra BoligKreditt", "Cover Pool", "Investor Presentations", "EMTCN Programme and Final Terms", "Rating", and "Financial Reports". The main content area features the Terra logo, a language selector for "English site", and a section for "Terra BoligKreditt AS". This section describes TBK as a subsidiary of Terra-Gruppen AS, owned by 78 Norwegian savings banks and OBOS. It states TBK's purpose is to provide funding and reduce liquidity risk for residential mortgages. Below this is a section for the "Norwegian Covered Bond Council" with a link to their website. On the right side, there are three portraits of key personnel: Kiaran M. Bremnes (CEO, +47 22 87 80 36), Odd-Arne Pedersen (CFO, +47 22 87 81 44), and Kristian Fiskerstrand (Funding and Risk Management, +47 22 87 80 57). The browser's status bar at the bottom indicates "Fullført".

# Contacts

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	<b>Odd Arne Pedersen</b> <i>CFO</i>	Tel: +47 22 87 81 44 oap@terra.no
	<b>Kristian Fiskerstrand</b> <i>Funding and risk management</i>	Tel: +47 22 87 80 57 kf@terra.no

More information may be accessed via <http://www.terra.no/ir>

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# Importance of savings banks in Norway



- **Norwegian Ministry of Finance** states that local savings banks are peripherally systemic important financial institutions

## Speech held by State Secretary Morten Sørberg on 14 June 2011:

*“Perspectives on systemic importance*

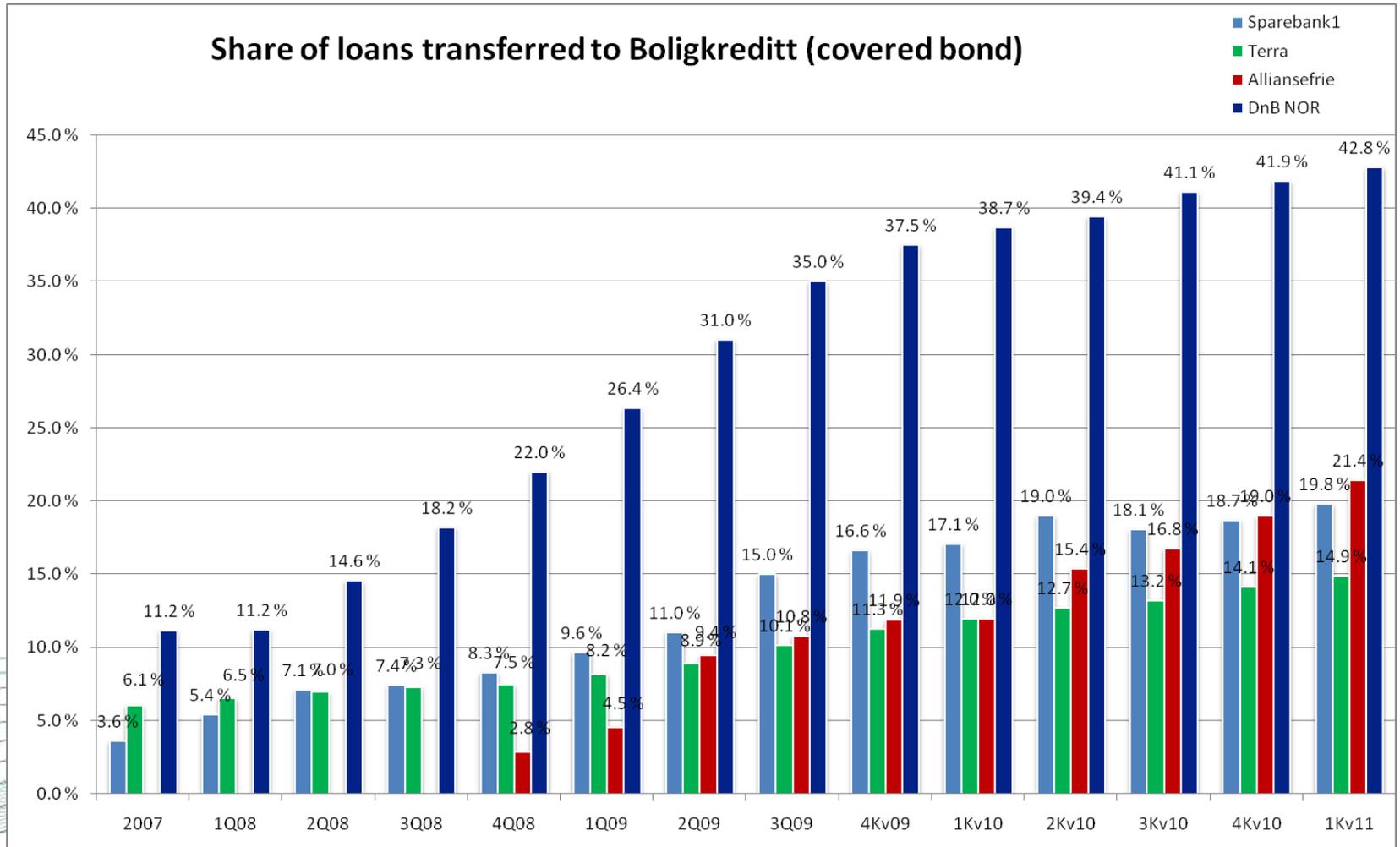
*While ‘core systemic importance’ is a characteristic mainly attributed to commercial banks, **many savings banks are prominent examples of ‘peripherally systemic important’ financial institutions.** They are often the dominant source of financial services in local markets, with business models based on local knowledge, experience and trust. Many savings banks are in a position where other suppliers of financial services cannot easily replace them.*

*The diversity and heterogeneity of the savings banks sector contribute to their importance in local markets, and in the Norwegian economy as a whole. The heavy presence of savings banks could also be a stabilising factor in the Norwegian financial system. Past experiences indicate that their business model and behaviour are strengths in challenging times. **Politically, it is therefore a priority to maintain a strong and competitive saving banks sector in Norway.**”*

**Link to speech:**

[http://www.regjeringen.no/nb/dep/fin/aktuelt/taler\\_artikler/taler\\_og\\_artikler\\_av\\_ovrig\\_politisk\\_lede/Taler-og-artikler-av-statssekretar-Morten-Soberg/2011/learning-from-crises.html?id=648335#](http://www.regjeringen.no/nb/dep/fin/aktuelt/taler_artikler/taler_og_artikler_av_ovrig_politisk_lede/Taler-og-artikler-av-statssekretar-Morten-Soberg/2011/learning-from-crises.html?id=648335#)

# Transfers of mortgages to CB issuer



# Norwegian Covered Bond framework

- Special banking principle
  - Covered Bonds may only be issued by specialised credit institutions supervised by the Norwegian FSA
- Eligible collateral
  - Mortgage assets
  - Residential property 75% LTV
  - Commercial property 60% LTV
  - Derivative agreements
  - Substitution assets, max 20% of cover pool
- Monitoring of collateral value
  - In case of “significant value impairment”, a new prudent value has to be established. The part of the loan exceeding LTV 75% (residential) and LTV 60% (commercial) are not to be included when calculating the value of the pool
- ALM requirements
  - Matching requirements to control interest rate and FX risk and payment ability

# Norwegian Covered Bond framework

- Supervision by an Independent Inspector
  - An independent inspector, appointed by the Norwegian FSA, supervises assets and liabilities, and the compliance with the requirement laid down in legislation
- Bankruptcy proceedings
  - Covered pool, covered bonds and secured derivatives are separated from the bankruptcy estate
  - Holders of covered bonds and secured derivatives have a preferential claim on the cover pool
  - Timely payment assured for covered bond holders and secured derivatives counterparts
- Risk weighting and ECB eligibility
  - Covered bonds are 10% risk weighted in Norway and comply with CRD
  - Eligible for 10% risk weight in EU member states
  - ECB eligible

# Role of the regulator

- Only a specialised mortgage credit institution with governmental licence is entitled to issue Norwegian covered bonds.
- This licensed credit institution is supervised by the Norwegian FSA, which also appoints an independent inspector.
- The inspectors role is, on a regularly basis, to oversee that the register (cover pool and covered bonds) is correctly maintained, and to review compliance with the requirement concerning the balance principle.
- The inspector shall regularly inform the FSA of his observations and assessments.
- Both the FSA and the inspector are entitled to receive all relevant information about the business, and may conduct investigations at the premises of the institution.

## Appendix

# Comparison with selected Nordic peers

	Terra BoligKreditt	DnB Nor Boligkreditt	SpareBank1 Boligkreditt	Danske Bank (pool I)	Nordea Bank Finland	Aktia MB
Cover pool size	NOK 34 bn (EUR 4.3bn)	NOK 422 bn (EUR 54bn)	NOK 89 bn (EUR 11 bn)	DKK 100bn (EUR 13bn)	EUR 8.8 bn	EUR 3.2 bn
Max LTV	60%	75%	75%	80%	70%	70%
WA LTV	46.4%	60.2%	57.2%	60%	56.3%	53.9%
WA Indexed LTV	43.6%	56.0%	50.2%	54%	51.5%	—
Committed O/C	5%	-	-	2%	-	12%
Seasoning	18 months	52 months	32 months	40 months	47 months	21 months
Geography	Norway	Norway	Norway	Norway/ Sweden	Finland	Finland
Property type	Residential (85%), Cooperative Housing (15%)	Residential (98%), Multi family (2%)	Residential (98%), Secondary housing (2%)	Owner-occupied (79%), Housing cooperatives (21%)	Residential (97%), Public sector Public sector (2%), Commercial (1%)	Residential (56%), Housing corporations (44%)
NPL	0%	0.1%	0%	0%	0%	0.1%
Collateral score	2.6%	7.5%	3.3%	7.8%	5.6%	6.6%
Timely Payment Indicator	High	Probable	Probable-High	Probable-High	Probable	Probable

Source: Terra BoligKreditt, Nordea Markets, Moody's latest performance reports, issuers' most recent cover pool reports.

# Comparison of legal frameworks

	Norway	Sweden	Denmark	Finland	Germany
Special Banking Principle	Yes; Kredittforetaks	No, but specialist banks still exist	No, but specialist banks still exist	No, but specialist banks still exist	No
Potential Collateral	Residential mortgages, Commercial Mortgages, Public Sector Debt	Residential Mortgages, Commercial Mortgages, Public Sector Debt	Residential and commercial mortgage loans and substitute collateral. Commercial banks are also allowed to introduce ship loans.	Mortgage assets, public sector debt and shares in Finnish Real Estate Corporations	Mortgage loans, public sector debt, ship loans, aircraft loans
Inclusion of Hedge Positions	Yes	Yes	Yes	Yes	Yes, 12% of the pool's NPV
Substitute collateral	Max. 20%; 30% for a limited period if authorized by the Norwegian FSA	Up to 20%	Yes	Yes	Max. 20%
Restrictions on inclusion of asset classes	No	Commercial mortgages are capped at 10% of the total pool	No	No	No
Geographical scope for public assets	OECD	OECD	Not applicable	EEA	EEA, Switzerland, USA, Canada and Japan
Geographical scope for mortgage assets	OECD	EEA	Denmark, Greenland and Faroe Islands without restrictions - other countries with approval of Supervisory Authority	EEA	EEA, Switzerland, USA, Canada and Japan
LTV barrier residential	75%	75%	80%	70%	60%
LTV barrier commercial	60%	60%	60%	60%	60%
Basis for valuation	Market value	Market value	Mortgage lending value	Market value	Mortgage lending value
Valuation check	Regular surveillance through accountant	Regular monitoring of property values	No explicit regulation	Regular examination	Regular (at least every 2 years) examination of the cover register
Special supervision	Yes; Finanstilsynet	Yes; Finansinspektionen	Yes ; DFSA	Yes; FIVA	Yes; BaFin
Protection against mismatching	The law stipulates that cash-flows should be matched narrowly	Nominal coverage, NPV coverage	Yes; general or specific balance principles govern several restrictions on max. mismatches possible	Nominal coverage, NPV coverage; 12 month cash flow coverage, stress testing, liquidity management	Nominal coverage, NPV coverage, 180d liq. buffer
Obligation to replace non-performing loans	No, but haircuts for loans in-arrears for more than 90 days	No	No	Readjustment of valuation	No
Mandatory overcollateralization	No	No	8% on a risk-weighted basis is required by law – also at capital centre level.	No	2% NPV
Fulfills UCITS 22(4)/CRD	Yes	Yes	Yes	Yes	Yes

Source: UniCredit Research

## Appendix

# P&L all Terra banks

<i>P&amp;L in NOK mil.</i>	2 006	2 007	2 008	2 009	2 010	1Q10	2Q10	3Q10	4Q10	1Q11
Net interest income	2 947	3 269	3 689	3 418	3 536	858	865	895	918	886
Net commission income	517	569	585	589	673	150	162	172	189	174
Other income	78	53	52	53	46	11	11	12	12	11
Total income	3 541	3 891	4 327	4 060	4 255	1 019	1 038	1 079	1 119	1 072
Personnel and adm. expenses	1 741	1 880	2 021	2 048	2 080	512	473	511	584	550
Depreciation	184	199	190	167	124	31	30	30	32	23
Other costs	354	410	411	448	477	126	114	112	125	136
Total costs	2 279	2 489	2 622	2 662	2 680	669	617	653	741	709
Core earnings before loan losses	1 262	1 402	1 704	1 398	1 575	351	421	425	378	362
Write-downs on loans	33	50	606	482	418	72	73	78	195	39
Core earnings	1 229	1 352	1 099	916	1 157	278	349	347	182	324
Dividends/associated copanies	162	150	155	79	177	24	108	17	28	35
Net return on financial investments	111	-58	-734	564	220	74	-52	112	86	59
On-offs and loss/gain on long-term assets	-1	10	-90	121	373	74	131	58	110	-14
Pre tax profit	1 501	1 454	430	1 681	1 927	450	536	534	407	404
Taxes	380	399	247	439	500	125	138	149	88	111
Net profit	1 121	1 056	183	1 242	1 427	325	398	385	319	293

## Appendix

# Balance and key figures Terra banks

<i>Balance</i>	2 006	2 007	2 008	2 009	2 010	1Q10	2Q10	3Q10	4Q10	1Q11
Gross loans	121 943	139 584	148 925	152 591	158 411	153 293	155 813	157 614	158 411	157 680
Deposits	88 834	99 051	107 562	112 561	120 864	112 707	117 842	117 370	120 864	120 825
Equity	12 910	14 095	14 306	15 591	16 819	15 852	16 243	16 615	16 819	17 079
Total assets	137 599	159 552	177 404	185 967	192 195	186 443	192 522	193 309	192 195	190 160
Growth in loans	13,2 %	14,5 %	6,7 %	2,5 %	3,8 %	0,5 %	1,6 %	1,2 %	0,5 %	-0,5 %
Growth in deposits	11,3 %	11,5 %	8,6 %	4,6 %	7,4 %	0,1 %	4,6 %	-0,4 %	3,0 %	0,0 %
Deposit ratio	72,8 %	71,0 %	72,2 %	73,8 %	76,3 %	73,5 %	75,6 %	74,5 %	76,3 %	76,6 %
Equity ratio	9,4 %	8,8 %	8,1 %	8,4 %	8,8 %	8,5 %	8,4 %	8,6 %	8,8 %	9,0 %
Core capital ratio	15,5 %	14,9 %	15,0 %	16,4 %	17,1 %	16,3 %	16,0 %	15,8 %	17,1 %	17,0 %
Capital ratio	16,5 %	16,0 %	16,3 %	17,6 %	18,2 %	17,5 %	17,1 %	16,8 %	18,2 %	18,0 %
<i>Key figures</i>										
Net interest/total assets	2,27 %	2,20 %	2,19 %	1,88 %	1,87 %	1,84 %	1,83 %	1,86 %	1,90 %	1,85 %
Net commission incom/total assets	0,40 %	0,38 %	0,35 %	0,32 %	0,36 %	0,32 %	0,34 %	0,36 %	0,39 %	0,36 %
Loss provision ratio	0,03 %	0,04 %	0,42 %	0,32 %	0,27 %	0,19 %	0,19 %	0,20 %	0,49 %	0,10 %
Cost/income ratio (adj.)	64,4 %	64,0 %	60,6 %	65,6 %	63,0 %	65,6 %	59,4 %	60,6 %	66,2 %	66,2 %
Net profit in % of total assets	0,86 %	0,71 %	0,11 %	0,68 %	0,75 %	0,70 %	0,84 %	0,80 %	0,66 %	0,61 %
Net profit on core earnings in % of RVA	1,44 %	1,40 %	1,15 %	0,90 %	1,09 %	1,08 %	1,33 %	1,31 %	0,69 %	1,21 %
Return on equity	9,10 %	7,82 %	1,29 %	8,31 %	8,80 %	8,3 %	9,9 %	9,4 %	7,6 %	6,9 %

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