

Eika Boligkreditt

Norwegian Krone (NOK) Covered Bond market information
September 2013



eika.

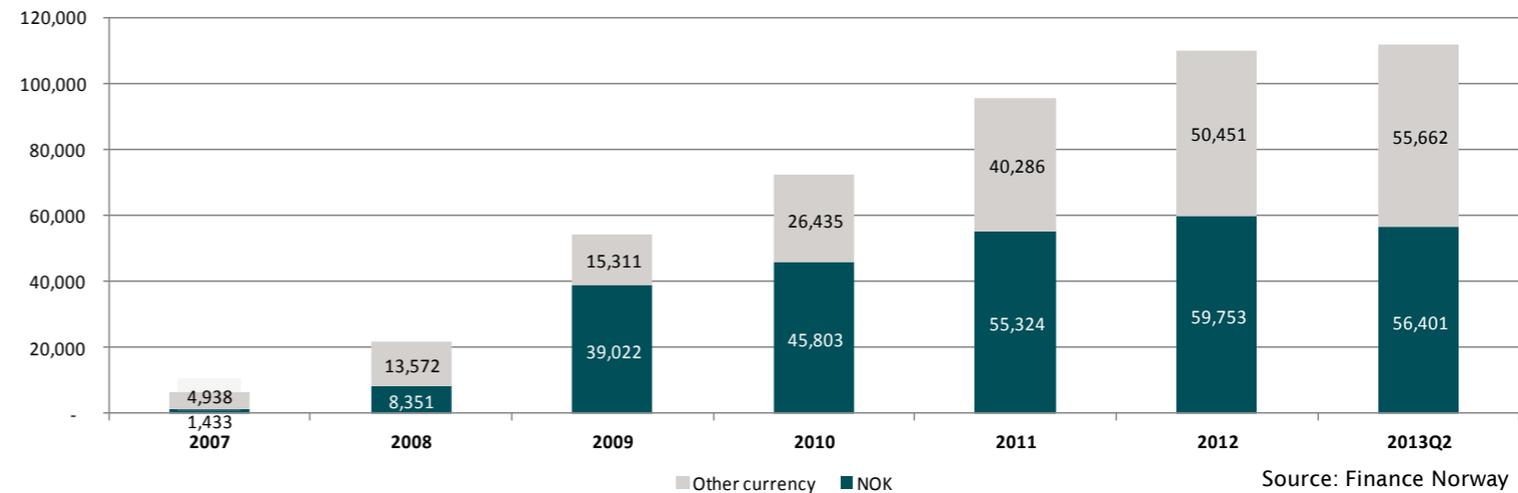
Introduction to Norwegian covered bonds

Norwegian CBs – a quick introduction

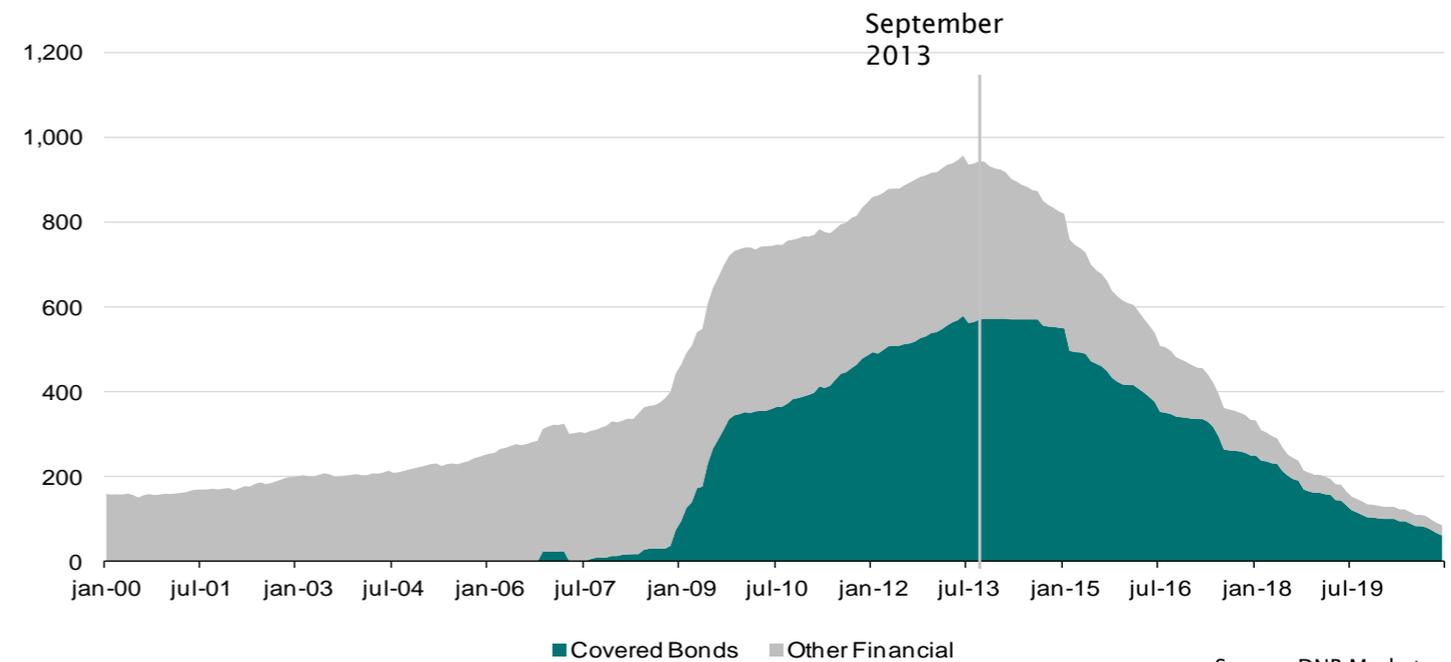
The Norwegian Covered Bond market in numbers

- As of 2013Q2 Norwegian covered bond issuers had a total outstanding amount of covered bonds equivalent to NOK 884bn
- About 50% of the outstanding volume is denominated in NOK; a total of NOK 445bn
- Eika Boligkreditt (**EIKB**) has NOK 29.3 bn outstanding in NOK denominated covered bonds, about 6.5% of the total issuance.
- Total new issuance in first half of 2013 in NOK denominated covered bond was NOK 28.4 bn, of which EIKB issued NOK 4.9bn, or 17.3%

Outstanding CB volume; domestic vs foreign currency (in EUR million)



Norwegian Bond Market - Financials - Outstanding volume (in NOK billion)

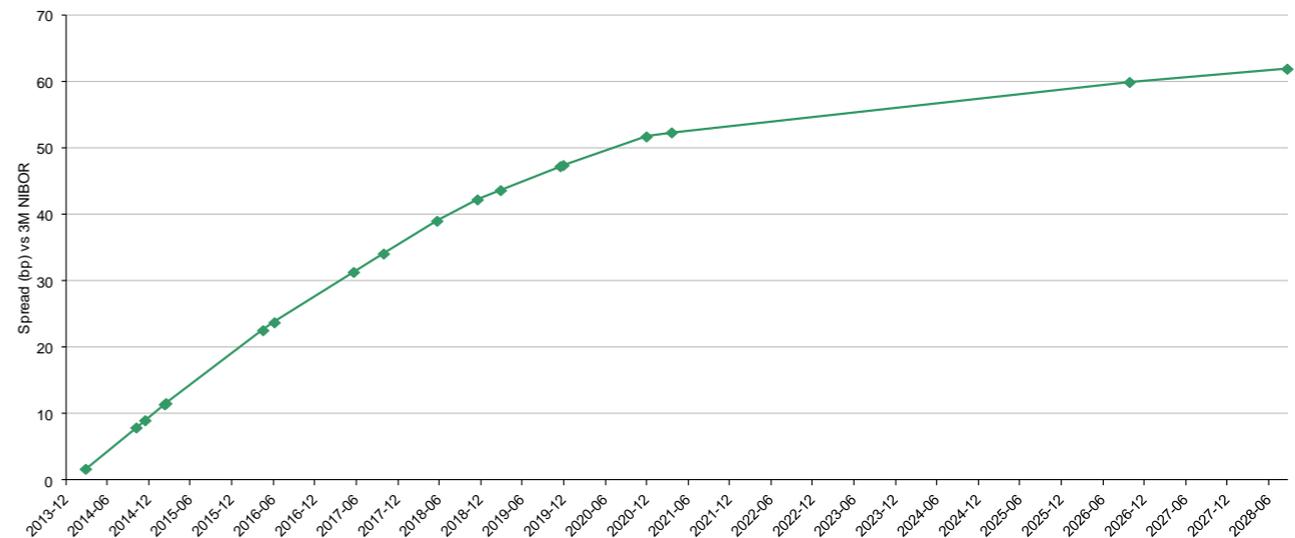


Introduction to covered bonds denominated in NOK

Norwegian covered bonds issued in NOK - a tap market

- Norwegian Covered Bond in NOK is predominately operating as a Tap market
- There is no public registry of bond holders, and usually no open book building process for primary issuance.
- A new Series of Notes is opened and kept on the Issuer's own book (**retained bonds**)
- Offers (price targets) are then provided for the retained bonds in these Series of Notes
- Bids are provided for the shorter end of the curve (usually up to 12-18 months) for straight buy-back or on a switch-case basis against longer bonds

Example: Indicative curve for EIKB vs 3M NIBOR for various maturities

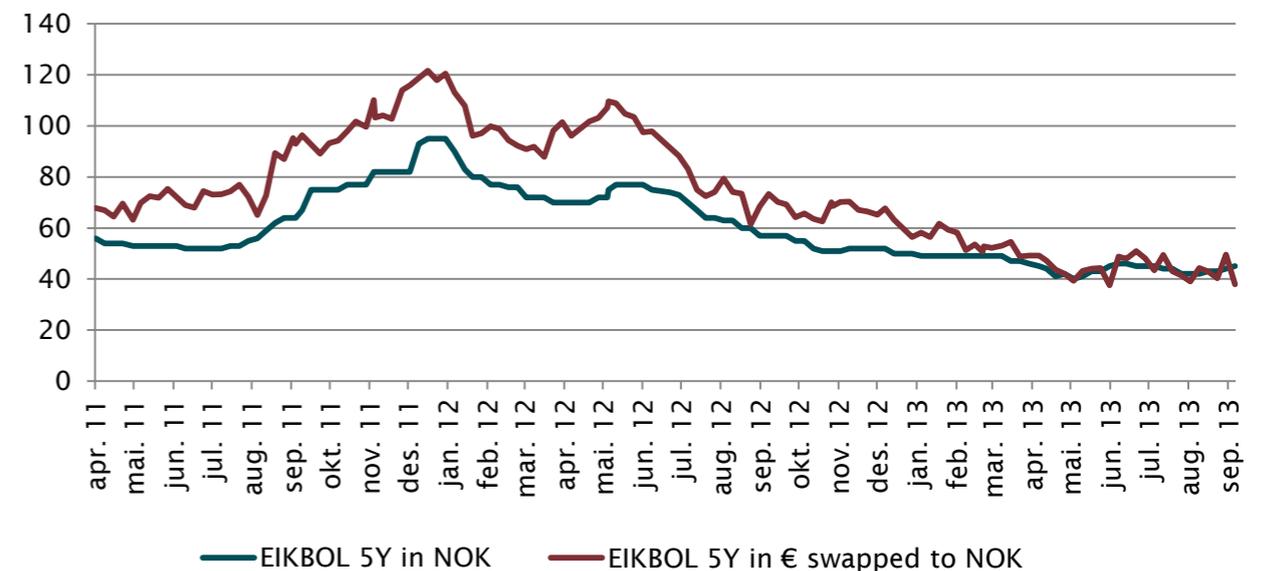


Source: Eika Boligkreditt AS

References for further reading

- Norwegian Covered Bond Counsel: "Introduction to the Norwegian covered bonds market", including Annex about the legal framework (p. 16)
 - [http://www.fno.no/pagefiles/18628/\(en\)download/norwegian%20covered%20bonds%20june%202013.pdf](http://www.fno.no/pagefiles/18628/(en)download/norwegian%20covered%20bonds%20june%202013.pdf)
- Norwegian Covered Bond statistics
 - <http://www.fno.no/en/Main/Covered-Bonds/Statistics/>
- The Norwegian Covered Bond Council has additional information about the Norwegian Covered Bond Market available
 - <http://www.fno.no/cb>
- Eika Boligkreditt Investor Presentations
 - <http://eikabk.no/en/investorrelations/investorpresentations.aspx>

Credit spread: NOK vs EUR swapped to NOK



Source: Bloomberg, DNB Markets

Introduction to covered bonds denominated in NOK

Norwegian covered bonds issued in NOK – VPS Notes

- The bonds issued by EIKA Boligkreditt in NOK are described in the Offering Circular^[0] Terms and Conditions for VPS Notes (p 58)
- *“Each Tranche of VPS Notes will be created and held in uncertificated book entry form in accounts with the VPS. The VPS Agent will act as agent of the Issuer in respect of all dealings with the VPS in respect of VPS Notes as detailed in the VPS Agency Agreement. The Issuer shall be entitled to obtain information from the register maintained by the VPS for the purposes of performing its obligations under the VPS Notes.”*
- *“Each VPS Note will be one of a Series (as defined below) of notes issued by the Issuer under the Programme and each VPS Note will be issued in accordance with and subject to the trust agreement (such trust agreement as modified and/or supplemented and/or restated from time to time, the VPS Trustee Agreement) dated 17 August 2010 made between the Issuer and Norsk Tillitsmann ASA (the VPS Trustee, which expression shall include any successor as Trustee).”*
- *Notes can be settled via Clearstream or other CSDs as VPS participate in LinkUP Markets^[1].*
- Norwegian Government Bonds are also VPS Notes, and settlement procedures are the same for Covered Bonds. (Most bonds with ISIN starting with NO are VPS Notes)
- Standard settlement date: T+3, but EIKB can be flexible on settlement date.

[0] <http://eikabk.no/en/investorrelations/emtcnandfinalterms.aspx>

[1] <http://www.linkupmarkets.com/>

Eika Boligkreditt series in NOK

Total open volume in various Series

- The total volume specified in the Final Terms for an issue and the actual outstanding volume may differ.
- In order to increase transparency of the open volume of the bonds issued by EIKB in NOK, an excel spreadsheet is provided with details about the Notes updated on a monthly basis at <http://eikabk.no>
- Eika Boligkreditt disclose immediately through Oslo Stock Exchange substantial changes in open amount or retained bonds (<http://www.newsweb.no/newsweb/search.do?siteLanguage=en>)

EIKB covered bonds – Open volume, size of series and retained bonds					
ISIN	Ticker	Maturity**	Open volume	Total aggregate size of series	Retained bonds*
Covered Bonds					
NO0010664428	EIKB39	2018-12-03	1,000,000,000	1,000,000,000	-
NO0010663727	EIKB37	2019-12-03	3,150,000,000	5,500,000,000	2,350,000,000
NO0010648892	EIKB35	2017-06-06	1,400,000,000	2,000,000,000	600,000,000
NO0010648884	EIKB34	2015-06-05	1,200,000,000	2,000,000,000	800,000,000
NO0010630148	EIKB31	2014-12-01	1,380,000,000	2,500,000,000	1,120,000,000
NO0010625429	EIKB29	2014-10-23	1,160,000,000	2,000,000,000	840,000,000
NO0010612039	EIKB28	2018-06-08	2,500,000,000	2,500,000,000	-
NO0010572373	EIKB23	2015-05-03	5,000,000,000	5,000,000,000	-
NO0010542244	EIKB20	2014-03-14	250,000,000	1,000,000,000	750,000,000
NO0010536089	EIKB19	2015-03-03	455,000,000	5,000,000,000	4,545,000,000
NO0010513476	EIKB17	2015-05-20	1,061,500,000	5,000,000,000	3,938,500,000
NO0010502149	EIKB15	2019-03-15	2,419,000,000	5,000,000,000	2,581,000,000
NO0010623911		2017-10-16	-	2,000,000,000	2,000,000,000
NO0010669922	EIKB40	2028-01-17	1,000,000,000	1,000,000,000	-
NO0010663743	EIKB38	2019-12-03	1,000,000,000	1,000,000,000	-
NO0010631336	EIKB32	2016-06-22	850,000,000	1,000,000,000	150,000,000
NO0010625346	EIKB30	2026-10-13	1,500,000,000	1,600,000,000	100,000,000
NO0010612179	EIKB27	2018-06-08	700,000,000	1,000,000,000	300,000,000
NO0010605587	EIKB26	2021-04-06	1,000,000,000	1,000,000,000	-
NO0010565211	EIKB22	2015-02-25	1,210,000,000	2,000,000,000	790,000,000
NO0010561103	EIKB21	2019-12-16	1,685,000,000	2,000,000,000	315,000,000
NO0010685480	EIKB43	2020-12-16	1,000,000,000	3,000,000,000	2,000,000,000
NO0010685704	EIKB44	2020-12-16	250,000,000	1,000,000,000	750,000,000

Eika Boligkreditt series in NOK

A practical example: EIKB43

- EIKB43 (maturity 2020-12-16) was issued on 14th of August 2013, and NOK 900 million was sold in the market immediately at 3M Nibor + 55 bp.
- The total amount and tranche size in the Final Terms is NOK 3,000 million, and NOK 3,000 million will be listed as outstanding amount in Bloomberg.
- At the 28th of August an additional NOK 100 million has been sold from our own books at 3M Nibor + 54 bp.
 - This NOK 100 million tap does not change the total outstanding amounts, it only reduces the amount of retained bonds we have on our own books.
- At the end of August, our webpage was updated with the series total open volume, total aggregate size of series, and retained bonds.

ISIN	Ticker	Maturity**	Open volume	Total aggregate size of series	Retained bonds*
Covered Bonds					
NO0010685480	EIKB43	2020-12-16	1,000,000,000	3,000,000,000	2,000,000,000

- It is possible to see the changes in issued amounts for all of our outstanding series.
- The spreadsheet is available at <http://eikabk.no/investorrelations/coverpool.aspx>

Pricing

How targets are communicated

- The targets are published and updated in Bloomberg chats at least on a weekly basis, or upon reverse inquiry.
- In this example EIKBOL is providing
 - offers in *EIKB15*, *EIKB37*, *EIKB43*, *EIKB 44* and *EIKB45*
 - outright bids in *EIKB20*
 - switch prices are provided in *EIKB29* and *EIKB31*
- Offers, bids and switch prices are indicative for volumes of NOK 50 million. Quotes for larger amounts are available upon request
- The update includes the ISIN of the bonds, the time to maturity, the maturity dates, as well as the current offer/bid spread. Unless explicitly marked with (Fix) the notes are Floating Rate Notes.
- Targets for fixed rate notes are indicated on a 3M NIBOR basis, i.e. swapped
- Eika Boligkreditt AS ticker on Oslo Stock Exchange is **EIKB**

EIKBOL covered bonds - example of pricing update

13:06:26 **MAGNUS SANDEM** : The spreads are indicative OFFERS for a volume of NOK 50 mio and are subject to total interest and market developments.

Spread indications for fixed interest rate bonds (marked with Fix) are indicative targets swapped to 3M NIBOR. Trading is only performed over telephone.

Ticker	ISIN	TtM	Maturity	Spread
EIKB15	NO0010502149	5.48	15-Mar-2019	+44
EIKB37	NO0010663727	6.20	2019-12-03	+48
EIKB43	NO0010685480	7.23	2020-12-16	+53
EIKB44(Fix)	NO0010685704	7.23	2020-12-16	+53
EIKB45(Fix)	NO0010687023	14.96	2028-09-06	+62

The spreads are indicative BIDs of a size of NOK 50 mio and are subject to total interest and market developments.

Ticker	ISIN	TtM	Maturity	Spread
EIKB20	NO0010542244	0.47	2014-03-14	+2

The spreads are indicative BIDs of a size of NOK 50 mio FOR SWITCH CASES ONLY and are subject to total interest and market developments.

Ticker	ISIN	TtM	Maturity	Spread
EIKB29	NO0010625429	1.08	2014-10-23	+9
EIKB31	NO0010630148	1.19	2014-12-01	+10