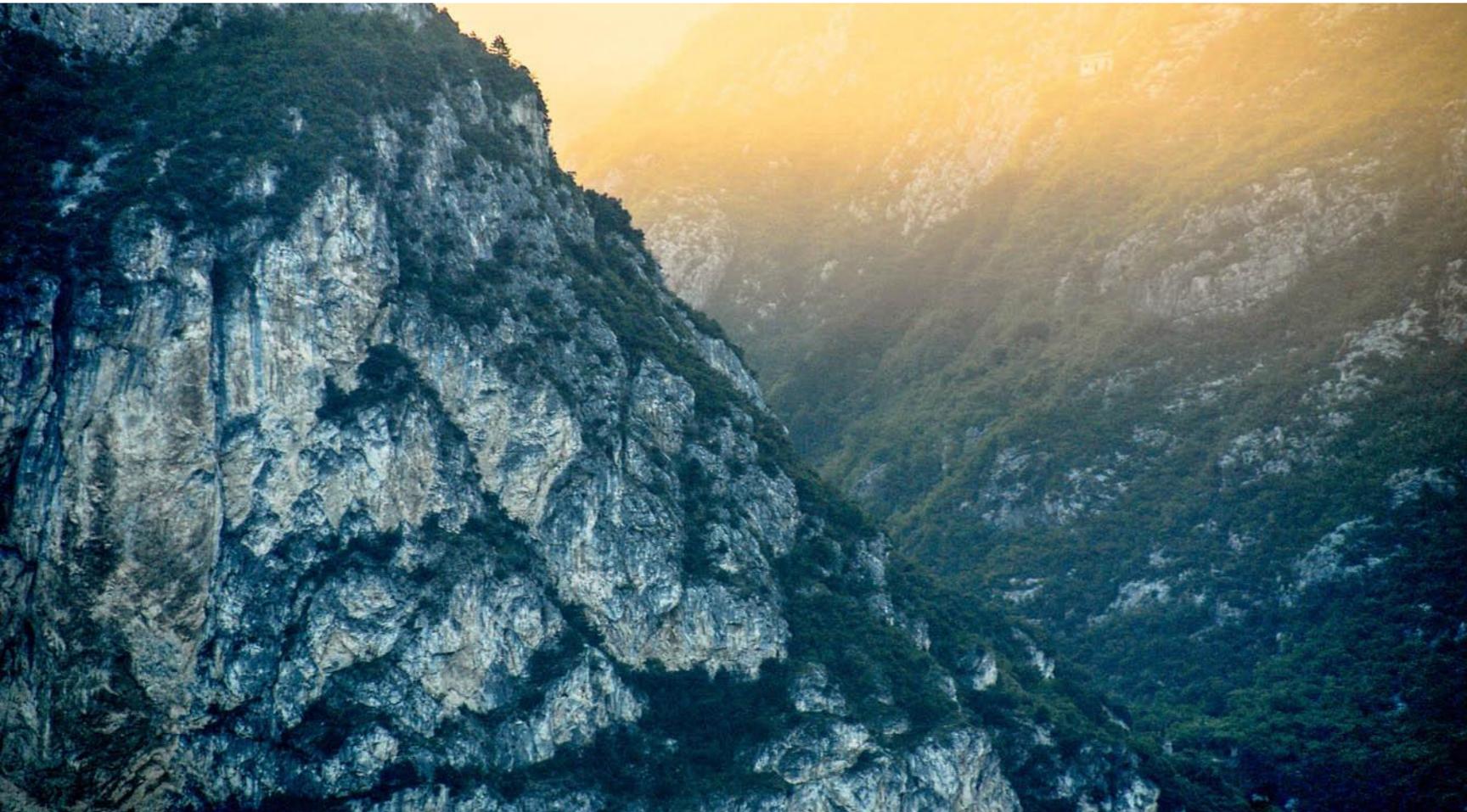


# Eika Boligkreditt

Investor presentation

January 2015



**eika.**

# Agenda

The operating environment	2
Eika banks	12
Eika Boligkreditt and Collateral Pool	19
Funding strategy and activity	30
Appendix	38
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## The operating environment

# The Norwegian economy – Key indicators

- Constitutional monarchy; Non EU member (EEA member); Population of 5 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated at \$98,300 in 2012
- Drivers of growth:
  - Energy sector – Norway is the seventh largest oil exporter and second largest gas exporter
  - Open, export oriented economy
  - Domestic demand supported by low unemployment

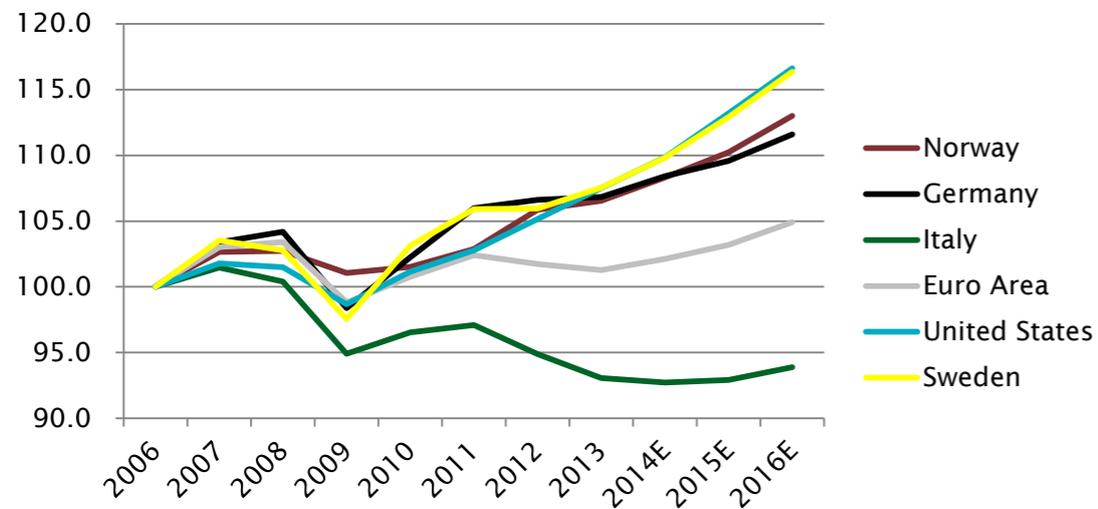
	2007	2008	2009	2010	2011	2012	2013	2014E	2015E	2016E	2017E
GDP growth (Mainland)	5.7 %	1.7 %	-1.6 %	1.8 %	1.9 %	3.8 %	2.3 %	2.6 %	1.0 %	2.2 %	2.7 %
Consumer price inflation	0.8 %	3.8 %	2.1 %	2.5 %	1.2 %	0.8 %	2.1 %	2.1 %	2.6 %	2.0 %	1.7 %
Unemployment	2.5 %	2.6 %	3.2 %	3.6 %	3,3%	3.2 %	3.5 %	3.5 %	3.9 %	4.0 %	3.7 %
Private Consumption	5.3 %	1.7 %	0.0 %	3.8 %	2.3 %	3.5 %	2.1 %	1.4 %	2.4 %	2.3 %	2.0 %
Household savings rate	1.1 %	3.9 %	5.5 %	4.3 %	6.2 %	7.4 %	7.4 %	8.1 %	8.5 %	9.0 %	9.4 %
Houseprices	12.6 %	-1.1 %	1.9 %	8.3 %	8.0 %	6.7 %	4.1 %	2.3 %	0.2 %	2.5 %	1.3 %
Interest rates (money market)	5.0 %	6.2 %	2.5 %	2.5 %	2.9 %	2.2 %	1.8 %	1.7 %	1.3 %	1.2 %	1.4 %
Government budget surplus / GDP	17.3 %	18.8 %	10.5 %	11.1 %	13.4 %	13.9 %	11.1%	10.7%	10.2%	n/a	n/a
Government pension fund / GDP	88 %	89 %	111 %	121 %	120 %	131 %	168 %	181 %	195 %	204 %	211 %

Source: Statistics Norway – Økonomiske analyser 6/2014 , OECD – Economic Outlook November 2014 and Norges Bank

## The operating environment

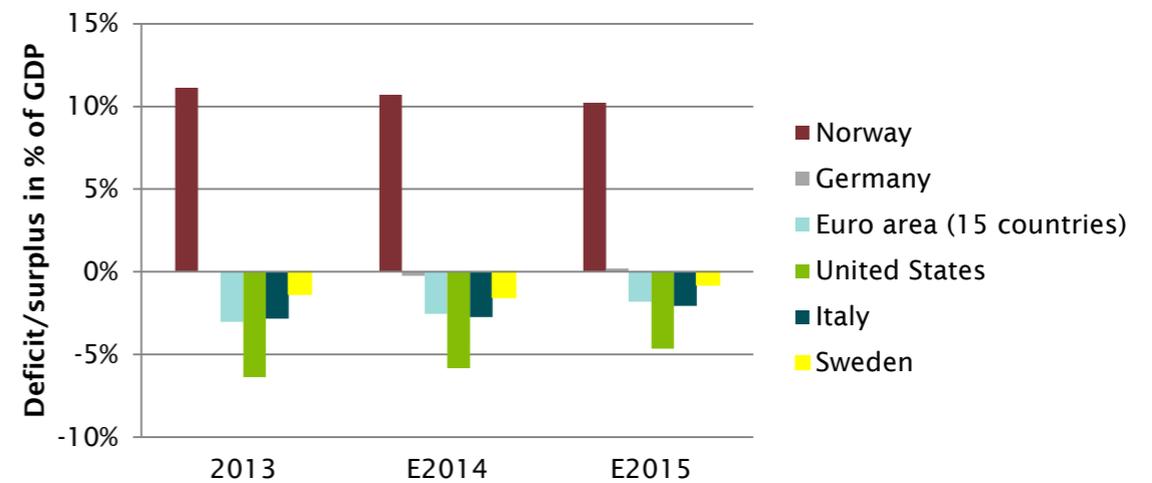
# The Norwegian economy – Solid economic situation

Real GDP growth (indexed to 100)



Source: OECD Economic Outlook No. 96 (database), November 2014

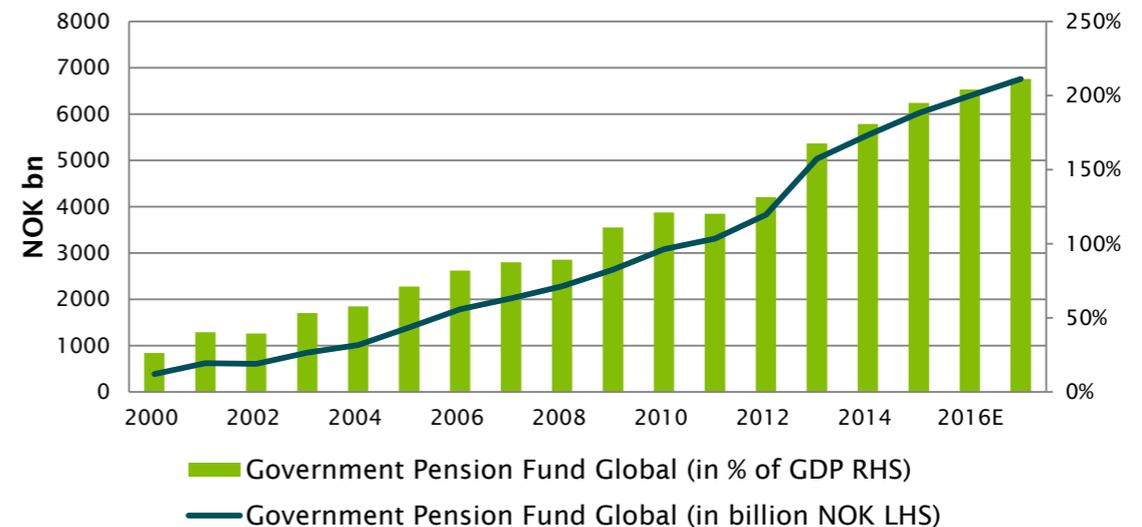
Government budget deficit/surplus



Source: OECD Economic Outlook No. 96 (database), November 2014

- Norway has an extremely strong balance sheet
- Relatively high net central government financial assets (173% of GDP in 2012)
- Significant budget surplus (11.1% of GDP in 2013) and the Government Pension Fund well in excess of GDP
- Sound economic growth at an annual average of 2.9% for mainland GDP (1.5% total including Offshore) for the last 10 years
- Strong current account surplus averaging around 14% of GDP since 2002

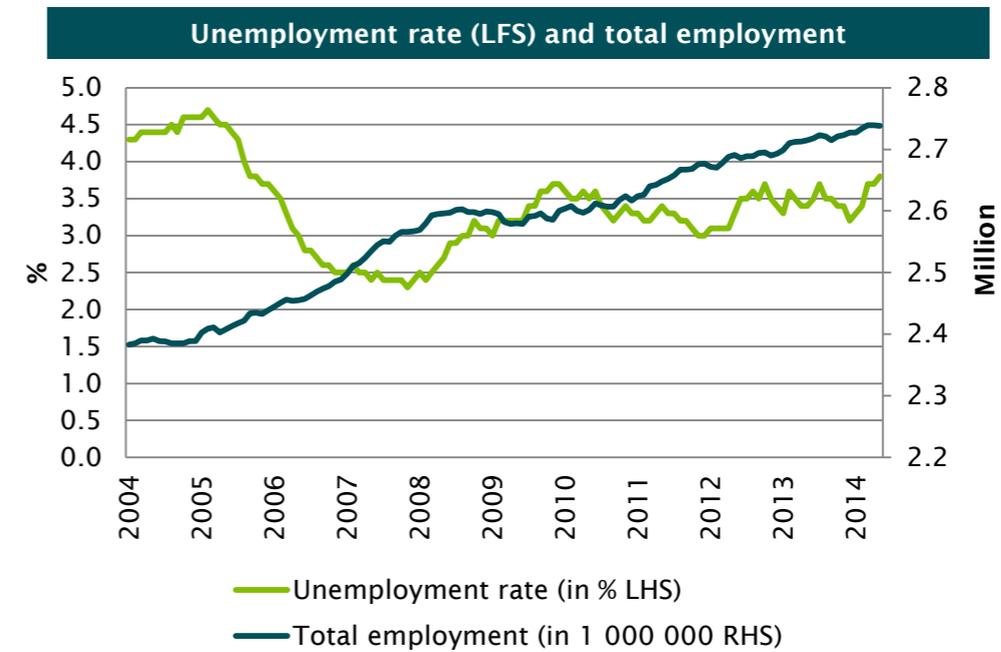
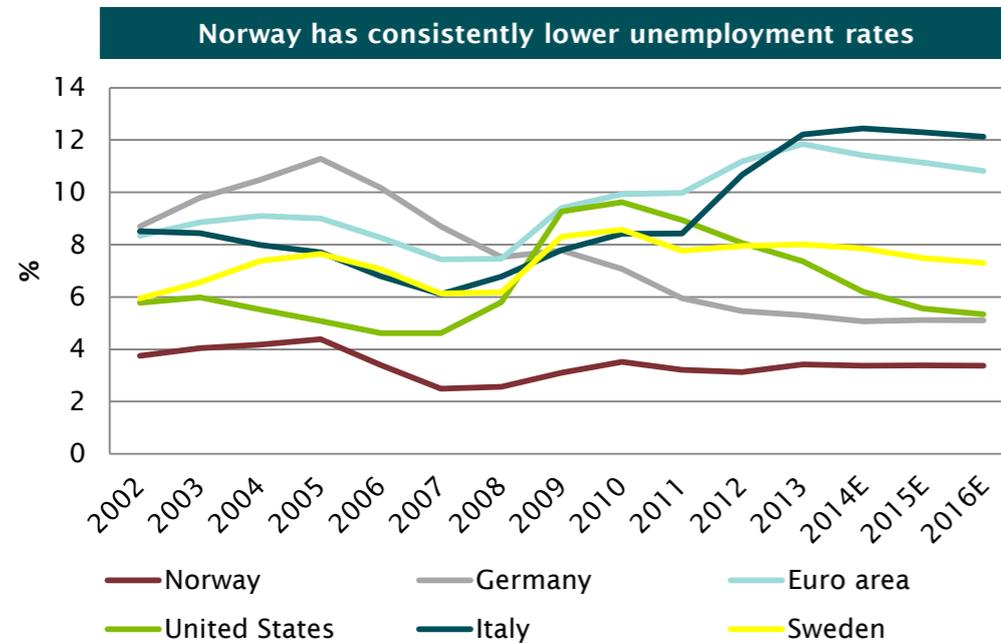
Government Pension Fund Global



Source : Ministry of Finance, Statistics Norway

## The operating environment

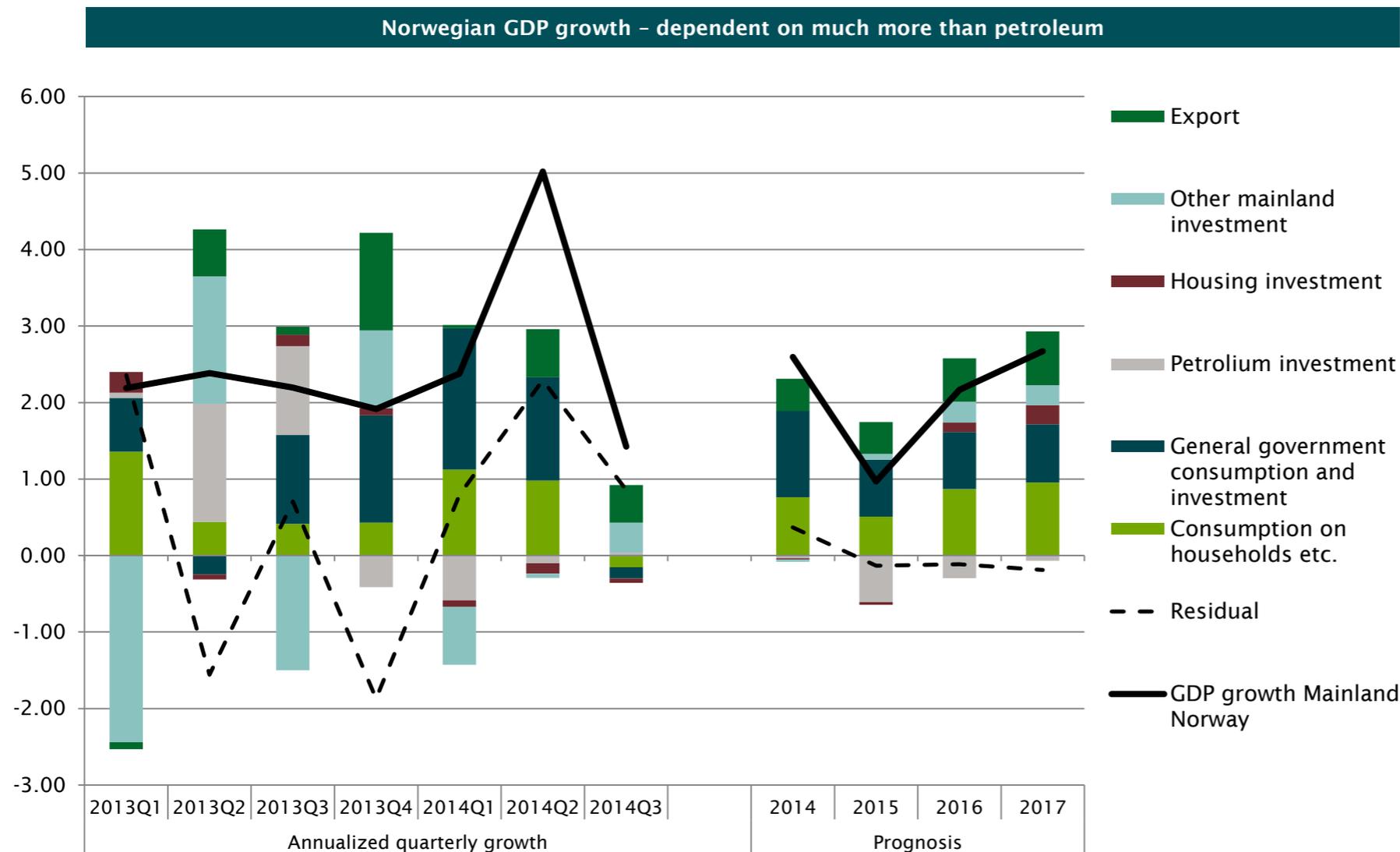
# The Norwegian economy – Low unemployment



- A buoyant economy ensures a high rate of employment
- Average unemployment rate of 3.4% in the past 10 years
- A strong welfare system providing significant income protection: average unemployment benefit is 62% of salary for a minimum of 104 weeks

## The operating environment

# The Norwegian economy – much more than petroleum

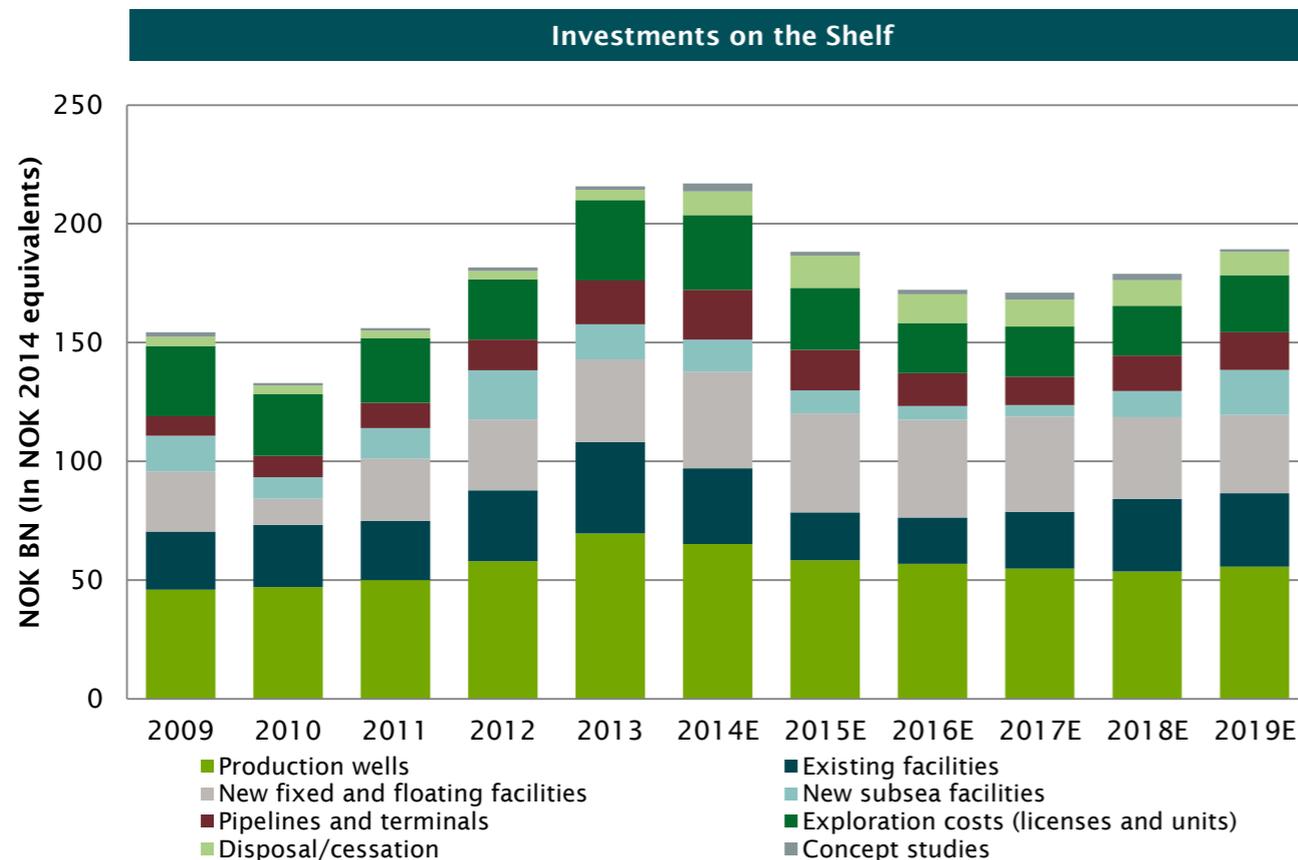


- The krone depreciated sharply through the second half of 2013, contributing to improved cost-competitiveness, which is part of the explanation for the growth from mainland exports in the second and the third quarter this year.
- In the wake of the decline in oil prices this autumn, the krone again weakened considerably and should further improve competitiveness for Norwegian companies.

Source: Statistics Norway, Økonomiske analyser 6/2014. Published 4<sup>th</sup> of December 2014

## The operating environment

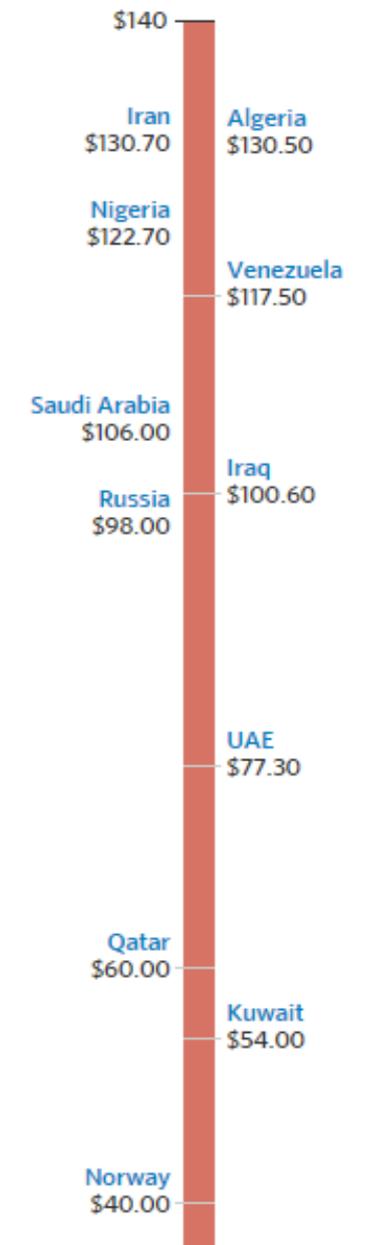
# The Norwegian economy – still significant fossil investments



- The decline in oil investments in 2015 has been an expected development. Norwegian Oil and Gas estimated a 10% drop in 2015 in their 2013 report.
- The drop in investments is largely a consequence of a winding down of several major investment projects being initiated in recent years, particularly in existing fields.
- Activity on the Shelf has been very high in the last two years, and the drop in 2015 is a correction back to more "normal" levels.

### Break even prices for oil producing countries

- Norway is not dependent on a high oil price to balance its budget. All revenues related to the petroleum resources are transferred to The Government Pension Fund Global.
- The fund is integrated into the government budget. One fundamental principle of Norwegian fiscal policy is the budgetary rule, namely that, over the course of a business cycle, the government may spend only the expected real return on the fund, estimated at 4 percent per year.
- NOK 117.3 billion was transferred to the national budget in 2013, corresponding to just above 3 percent of the total Fund.



Source: Norwegian Petroleum Directorate, The shelf in 2014 , Published 15th of January 2015

Source: Wall Street Journal, Fitch Ratings; Oil: Fiscal Breakevens are a Key Guide to Exporters' Sovereign Credit Risk

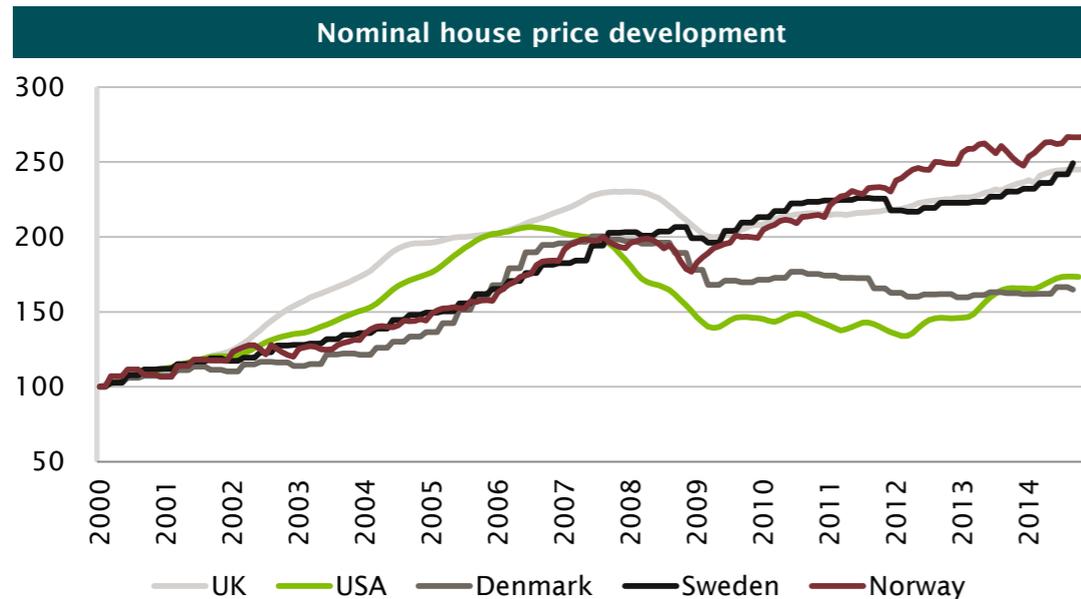
## The operating environment

# The housing market characteristics in Norway

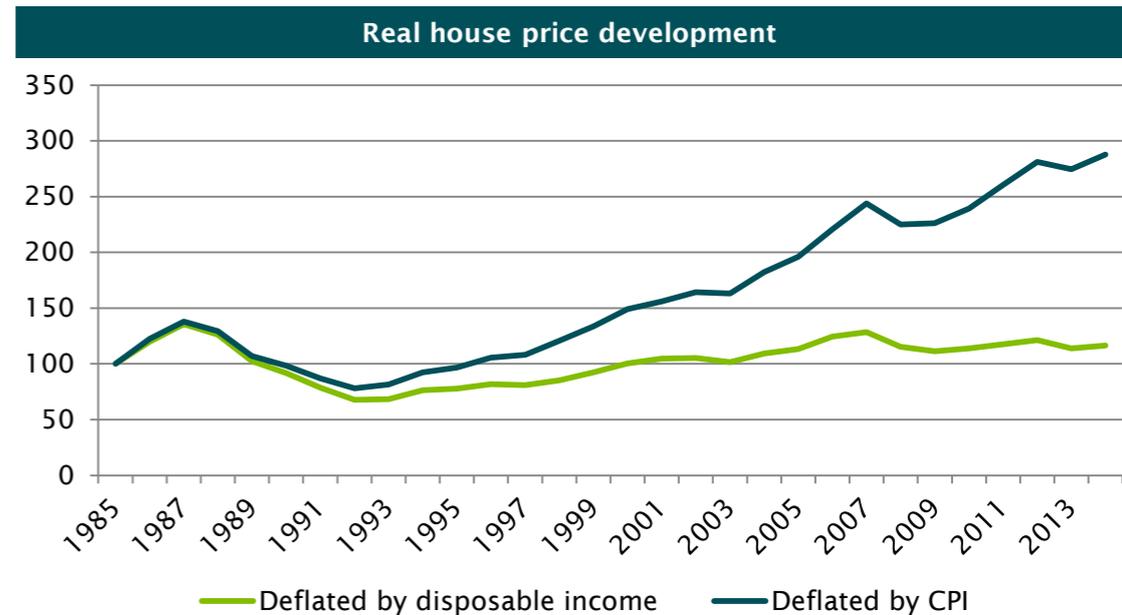
Home ownership	<ul style="list-style-type: none"><li>▪ Among the highest in the world - around 80% are owner-occupied households</li><li>▪ Total size of the mortgage market ~ NOK 2,000bn (EUR 250bn)</li></ul>
FSA Lending guidelines	<ul style="list-style-type: none"><li>▪ Maximum LTV normally 85% (since Q4 2011, 90% before)</li><li>▪ In the interest-only loans maximum LTV normally 70%</li><li>▪ Debt service ability is stress tested for a 5%-point increase in interest rates</li></ul>
Tax incentives	<ul style="list-style-type: none"><li>▪ All interest expenses are tax deductible in Norway at capital gains tax rate (27%)</li><li>▪ Preferential treatment of properties when calculating the wealth tax (1.0%)</li><li>▪ Capital gain on a dwelling tax-free after one year of occupancy by the owner</li></ul>
Personal liability	<ul style="list-style-type: none"><li>▪ Borrowers personally liable for their debt – also following foreclosures and forced sales</li><li>▪ Prompt and efficient foreclosure process upon non-payment</li><li>▪ Strong incentives to service debt reflected in low arrears</li><li>▪ Transparent and reliable information about borrowers available to the lenders</li></ul>
Mortgage lending	<ul style="list-style-type: none"><li>▪ 97% of residential mortgage loans granted by banks/mortgage companies</li><li>▪ Typical legal maturity 25-30 years, on average 22-23 years</li><li>▪ 89.5 % of residential mortgages have variable interest rate (Q3 2013)</li><li>▪ Lenders allowed to adjust interest rates with a six week notice</li><li>▪ No “sub-prime” market in Norway</li><li>▪ Very limited buy-to-let market</li></ul>

## The operating environment

# The housing market – Price development



Source: S&P Case-Shiller Home Price Indices Composite 20, Realkreditrådet, Halifax House price Index, Statistics Sweden, Eiendomsverdi, Updated October 2014 - December 2014



Source: Norges Bank, Statistics Norway, Eiendomsverdi, Updated June 2014

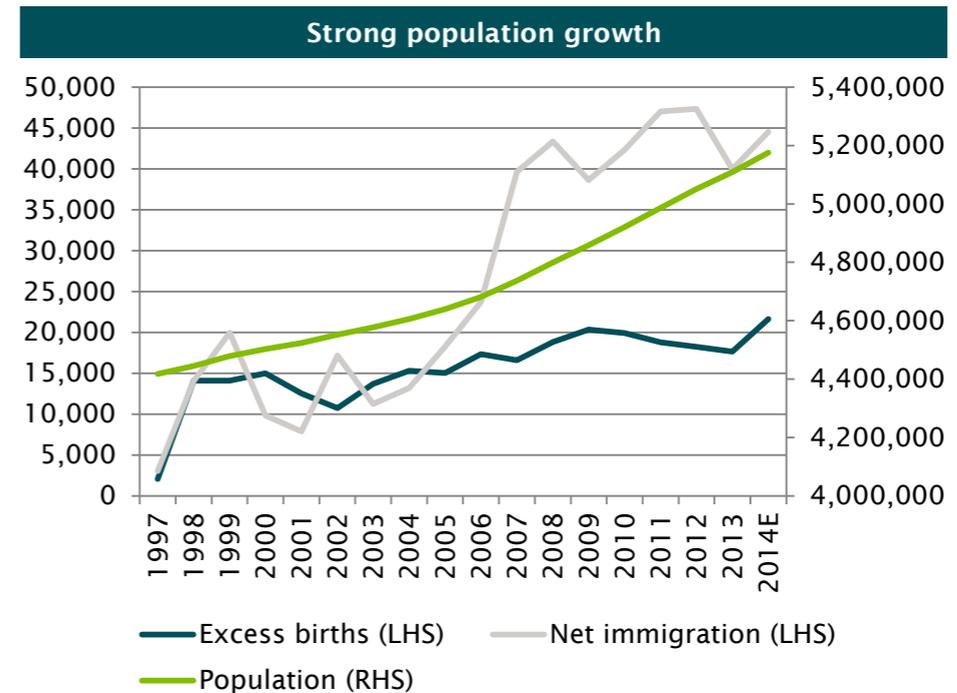
- Nominal house prices have increased by an average of 6.6 % per annum since 1985. However, when deflated by disposable income (5.9% per annum since 1985) the increase in house prices has been very moderate
- The housing market has been spurred by strong economic activity, environment of low interest rates, wage increases, population growth and supply constraints
- Over the recent months the housing market has shown signs of stabilisation and prices have been levelling off. This is reflecting measures taken by the authorities including higher risk weights on mortgages and increased capital requirements for banks

## The operating environment

# The housing market – Drivers of the housing market



Source: Statistics Norway, updated November 2014

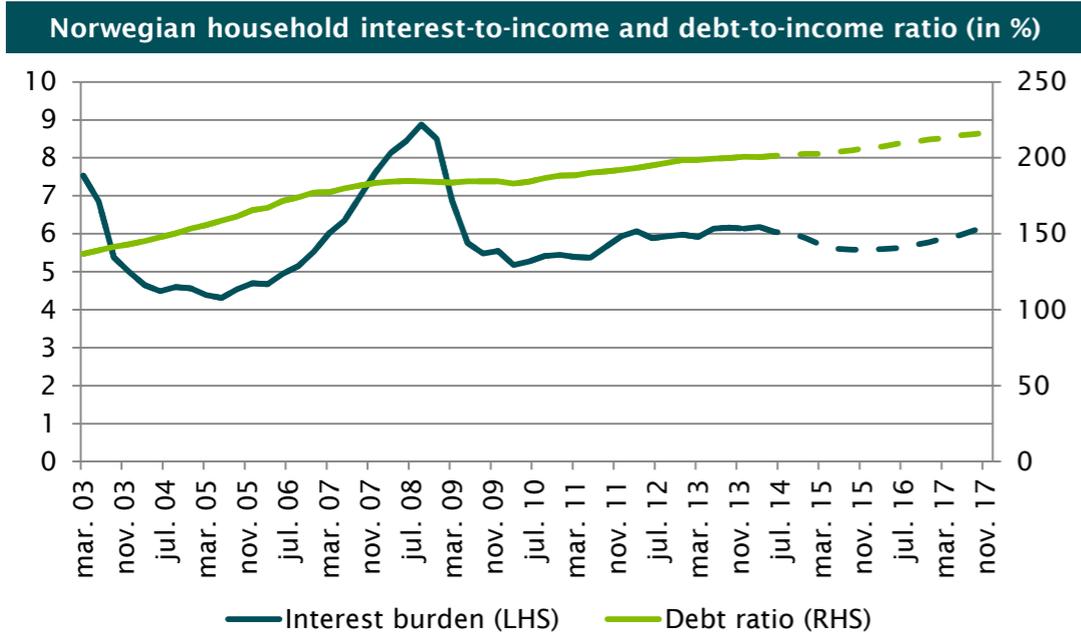


Source: Statistics Norway, updated Q3 2014. Estimate 2014 is based on the assumption Q4 = Q3 for net immigration and excess births

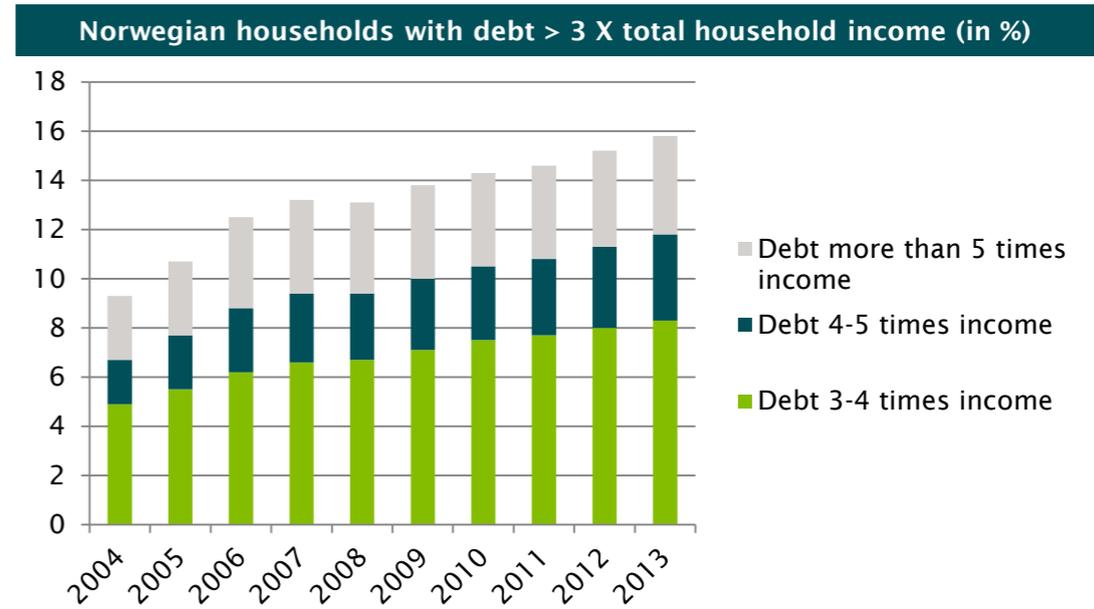
- Shortage of new housing supply and a strong population growth have been significant drivers of the strong price growth in the Norwegian housing market since 2008
- New home construction is up from the record low levels of 2009 and 2010 and has recently evolved towards the higher end of the range. This should mitigate the momentum on house prices going forward
- The population growth of 1.0 % p.a. since 1997 has been driven both by excess birth rate (38%) and net immigration (62%)

# The operating environment

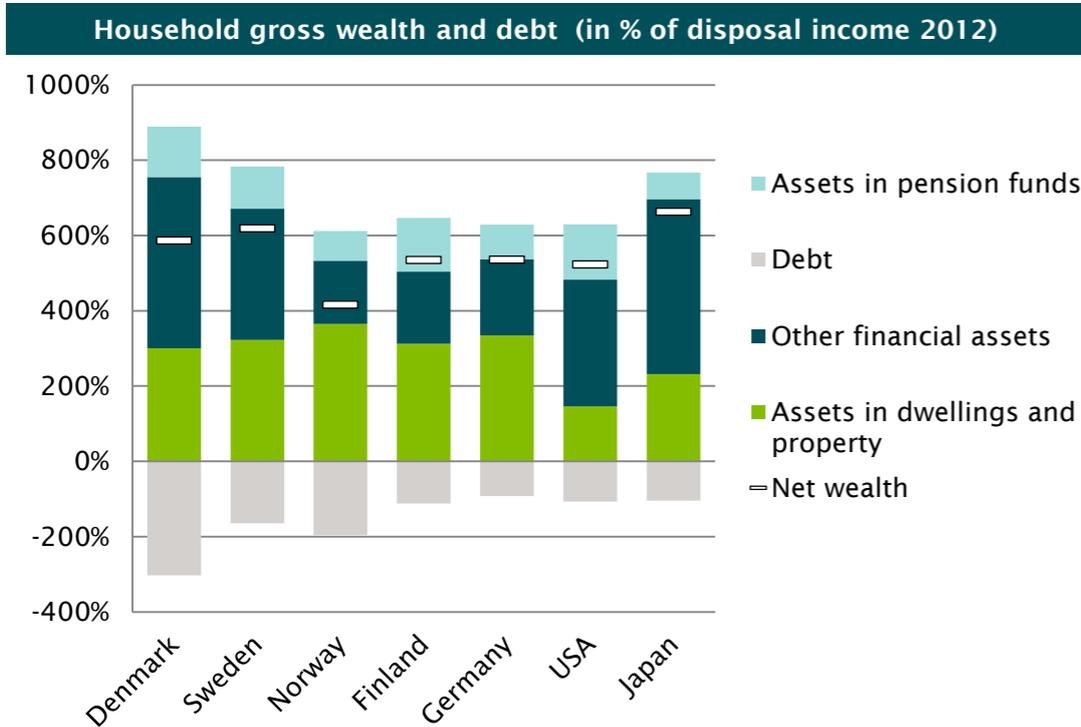
## Households financial position



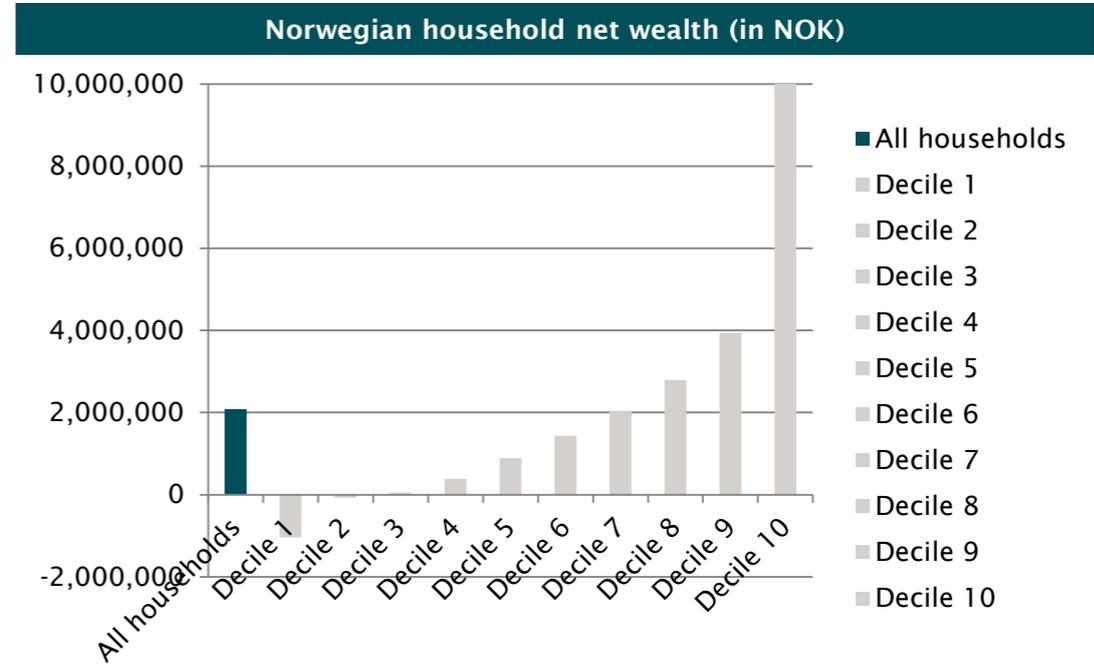
Source: Statistics Norway and Norges Bank, Expectations after June 2014 (dotted line)



Source: Statistics Norway, December 2013



Source: Danmarks Nationalbank, Eurostat, OECD and Nordea, December 2012



Source: Statistics Norway, December 2013

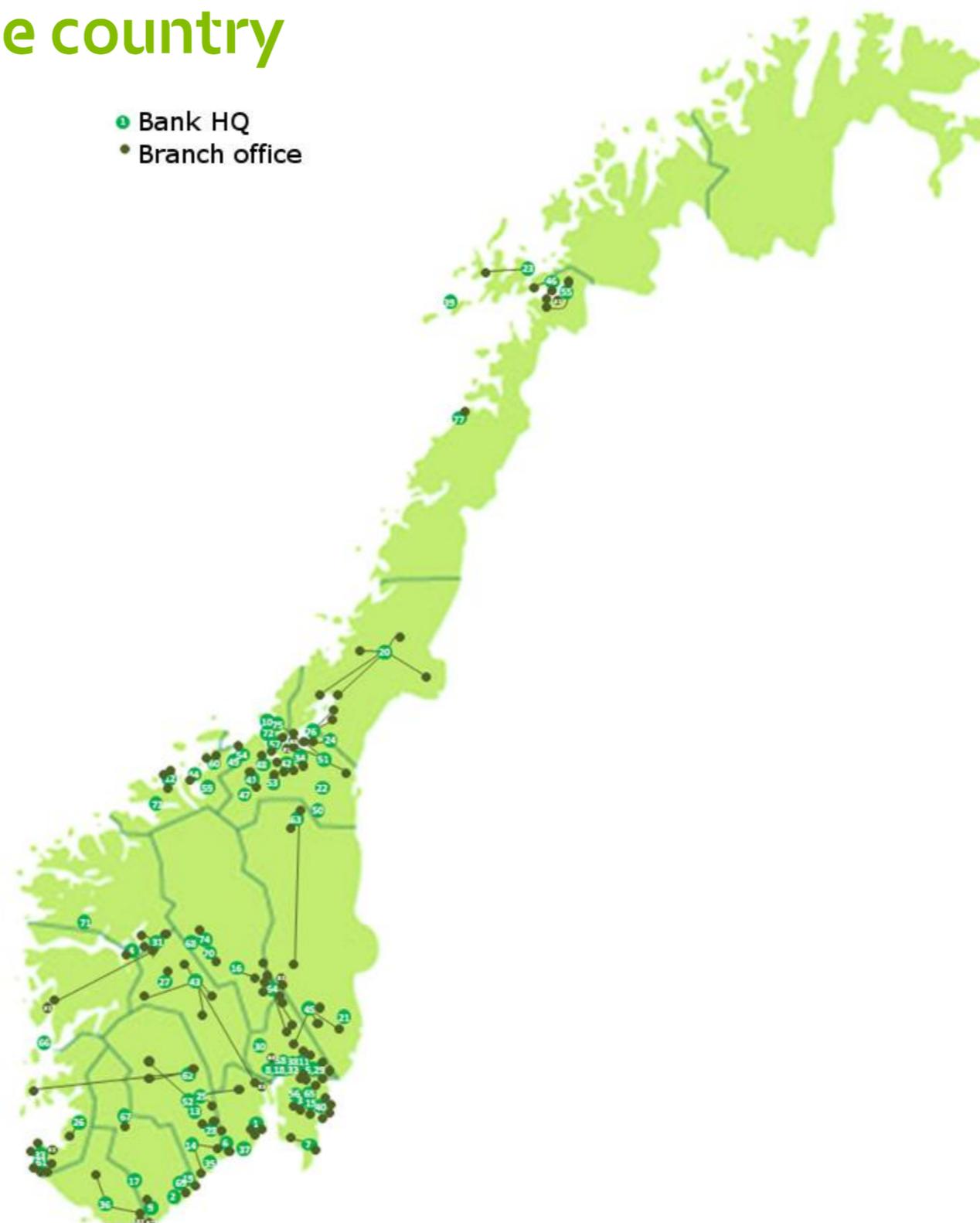
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## Eika banks

# Diversified operations across the country

- The Eika banks consist of a group of 75 Norwegian local banks and OBOS\*
- The Eika banks' operations are fully focused on serving domestic customers. The banks have a wide geographical reach (presence in 18 out of 19 counties) with a strong position in the vibrant economic centres in Central and Eastern Norway
- Scope of the banking operations:
  - The third largest banking group in Norway
  - 193 branch offices
  - 2,000 employees
- Aggregated balance sheet of Eika Banks is NOK 223bn (€ 26.5bn) and average capital ratio of 19.0% incl. net profit end 2Q14
- Market share in lending to retail customers
  - Between 40% and 80% in local markets (except the largest cities)
  - 10.4 % overall in Norway



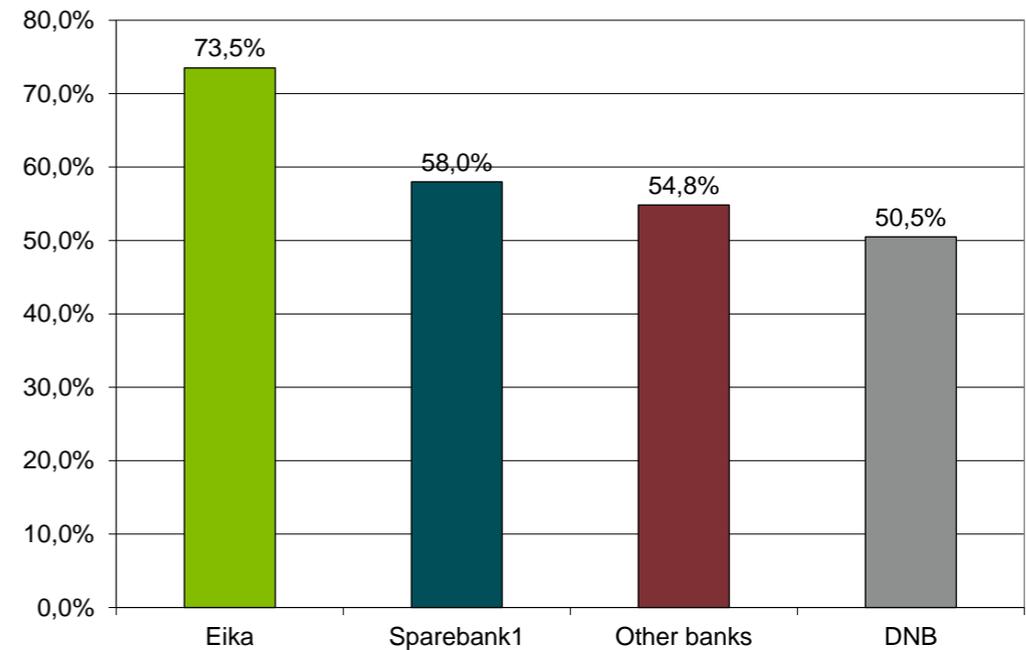
\*OBOS is the largest Nordic Cooperative Housing Association, established in 1929 and is owned by 226,000 members, mostly located in the Oslo-area. More information about OBOS can be found on [www.obos.no](http://www.obos.no)  
EURNOK as of 30.06.2014: 8.4035

## Eika banks

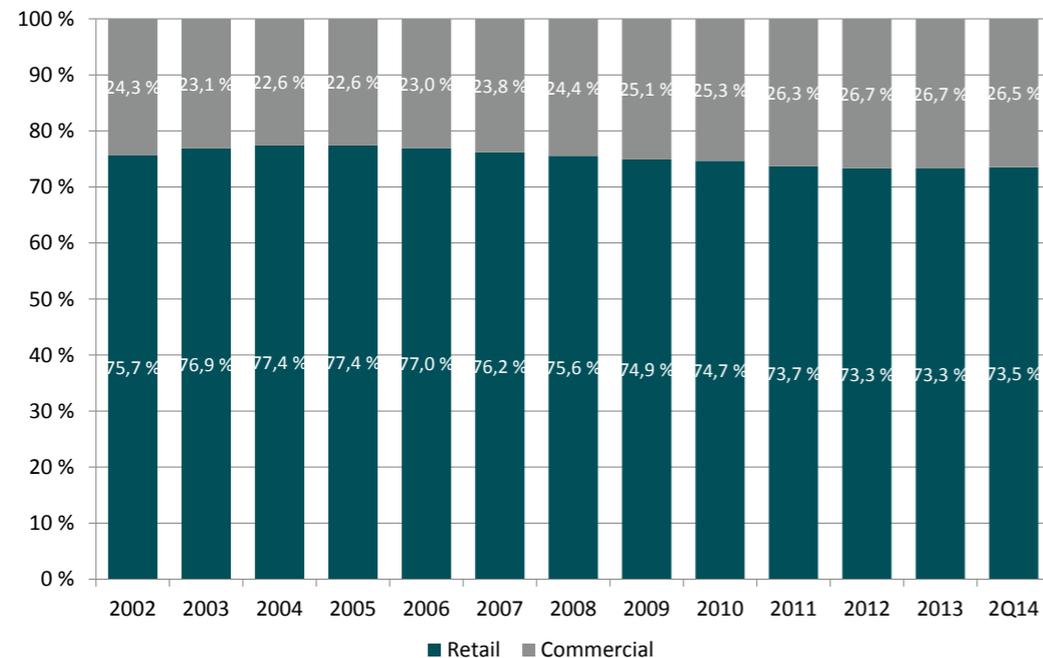
# Focus on retail customers

- High and stable retail share
- Retail lending accounts for 73.5% of Eika banks' total lending end Q2 2014 (own balance sheet). Including transfers to Eika Boligkreditt the consolidated retail share is 79.7%
- Eika banks have a higher share of retail lending compared to the other Norwegian peers
- Retail lending consist mainly of collateralised loans to housing/mortgage (approx. 94% of total)
- Low average LTV (53.1%) in mortgage portfolio
- Eika banks have low exposure to the corporate sector with no lending to shipping and relatively low exposure to commercial real estate

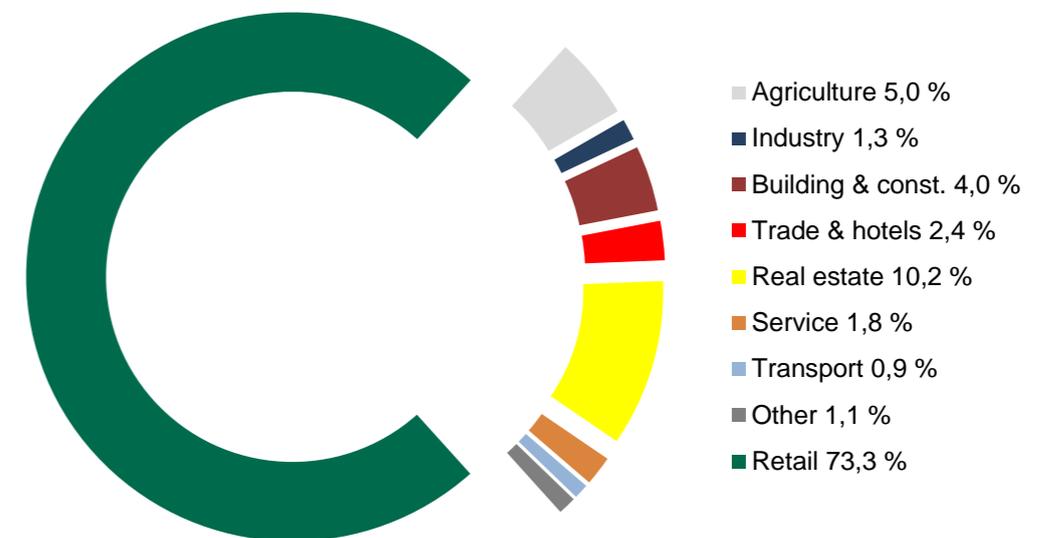
Retail share excl. transfers to CB company – Eika vs. peers 2Q14



Breakdown of the Eika banks lending (excl. transfers CB company)



Sector breakdown of the loan book YE2013



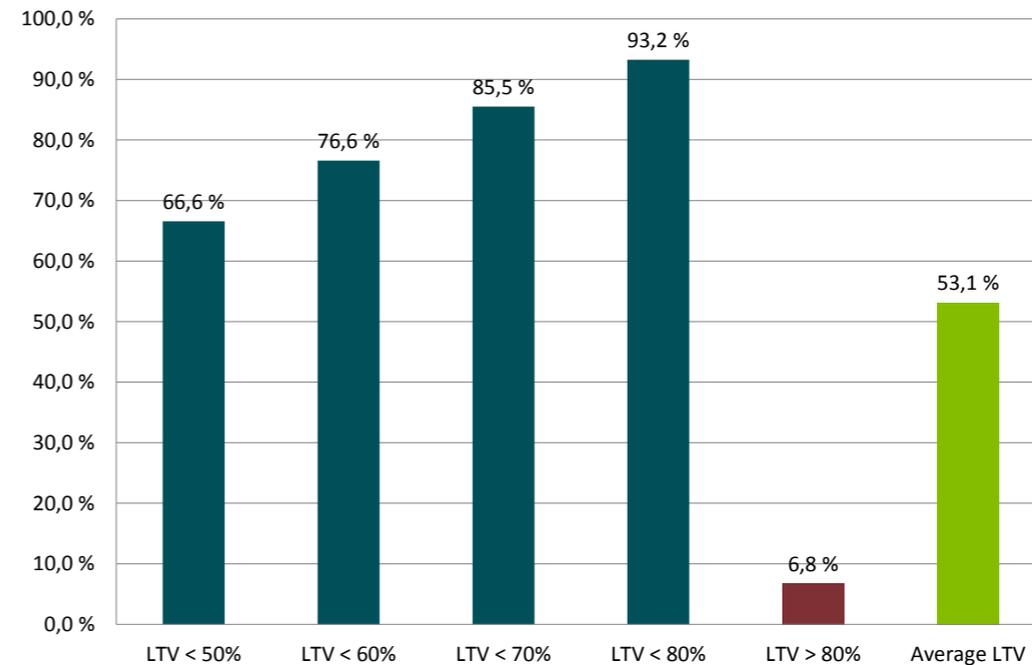
Source: Bank analyst Eika

## Eika banks

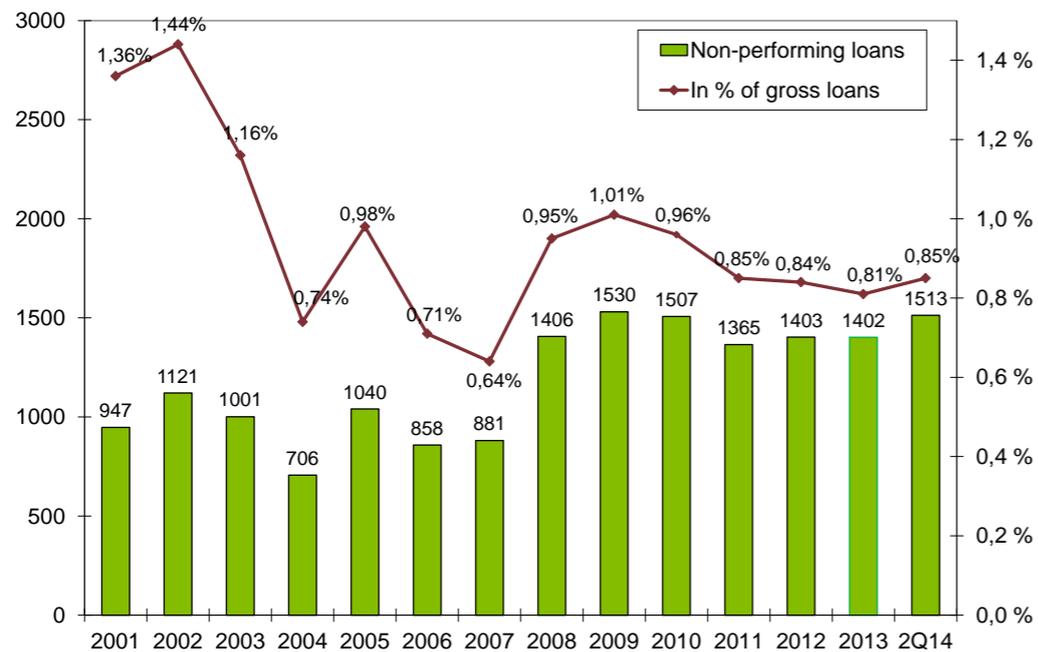
# High asset quality

- Conservative risk profile within the banks
- Low average LTV (53.1%) in mortgage portfolio and few loans with LTV in excess of 80% (only 6.9%). 76.6% of mortgage portfolio within 60% LTV
- Share retail lending ranging from 62% to 97% (excl. transfers to Eika Boligkreditt)
- Few non-performing and problem loans
  - Non-performing loans constitute 0.85% of gross loans in 2Q14, versus 0.81% in 4Q13
  - Problem loans constitute 0.75% of gross loans in 2Q14, versus 0.81% in 4Q13
  - Provisioning ratio of 48.1% (50.8%)

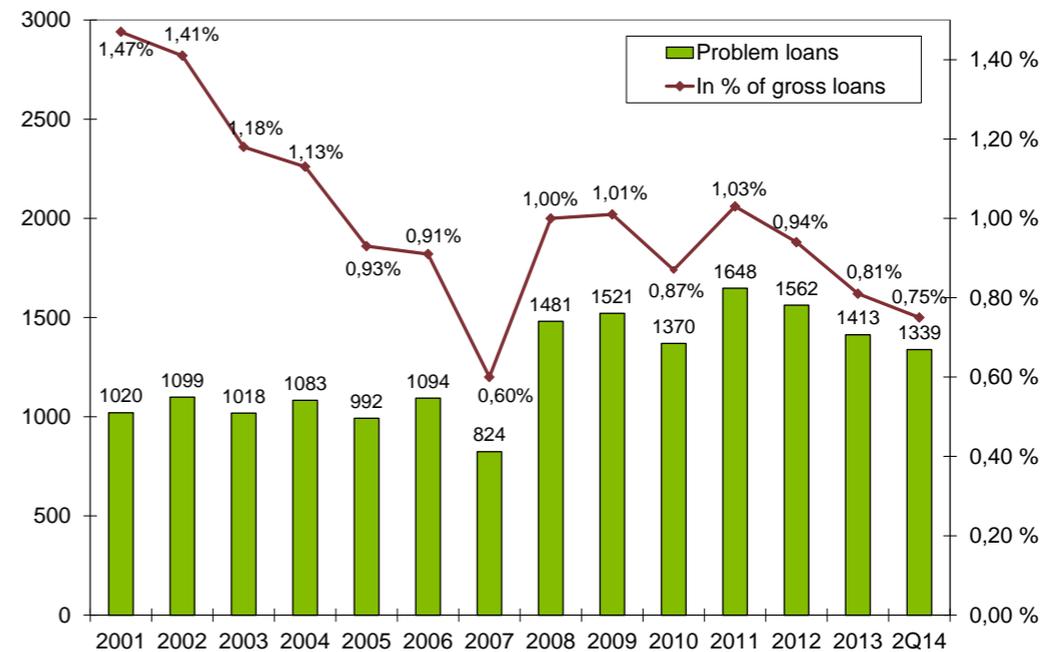
Low LTV in mortgage portfolio (Bank book) YE2013



Non performing loans (in NOK million LHS & % of total # of loans RHS)



Problem loans (in NOK million LHS & % of total # of loans RHS)



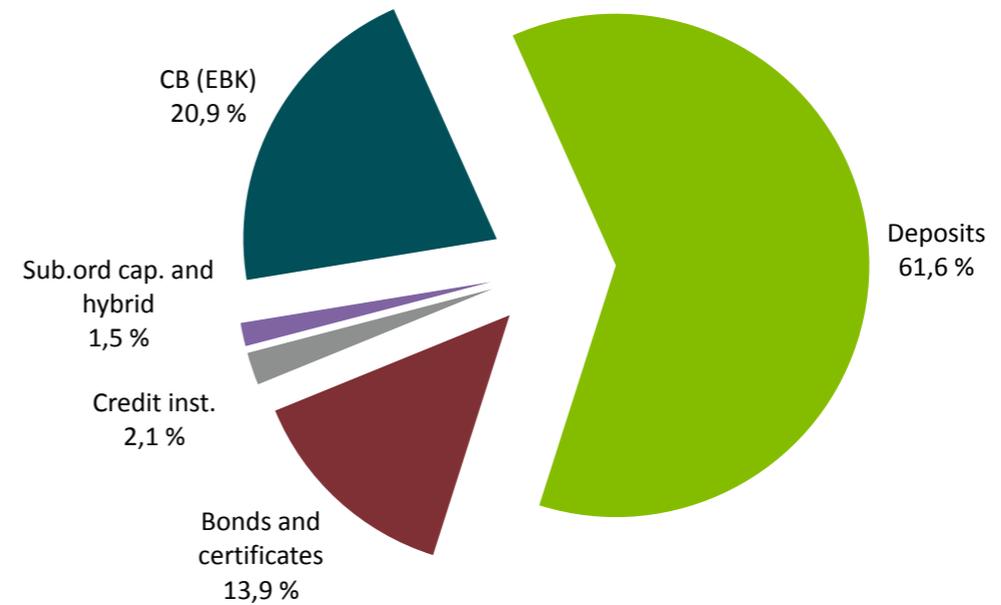
Definitions:  
 Provisioning ratio:  $\text{Write down ratio} = (\text{individual provisions} + \text{group provisions}) / \text{Problem loans}$   
 Non-performing loans (NPL): Loans in delinquency for more than 3 months.  
 Problem loans: Loans that risk impairment (note that most banks use this rather conservatively)

Source: Bank analyst Eika

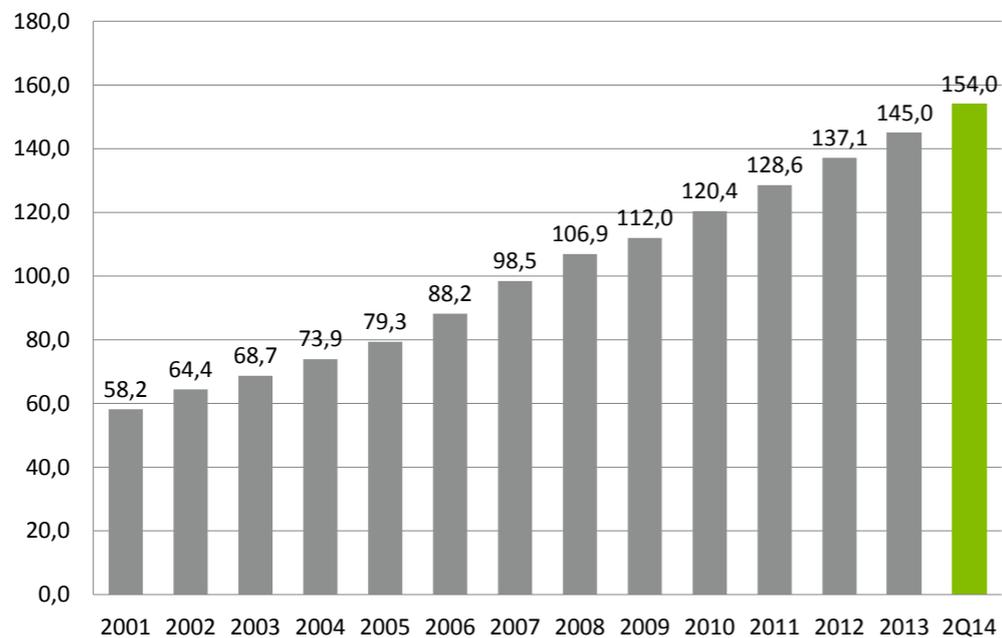
# High and growing deposit base

- Total funding of Eika banks amounts to NOK 250.1bn end Q2 2014 of which 61.6% consists of deposits
- Steady growth in the deposit base and high deposit ratio of 86.7 %. Average yearly growth rate in deposits has been 7.9 % over the past 13 years
- Well diversified deposit base - approx. 85% of all deposits is within the NOK 2mn bank guarantee fund limit
- Deposit base is essentially household retail deposits

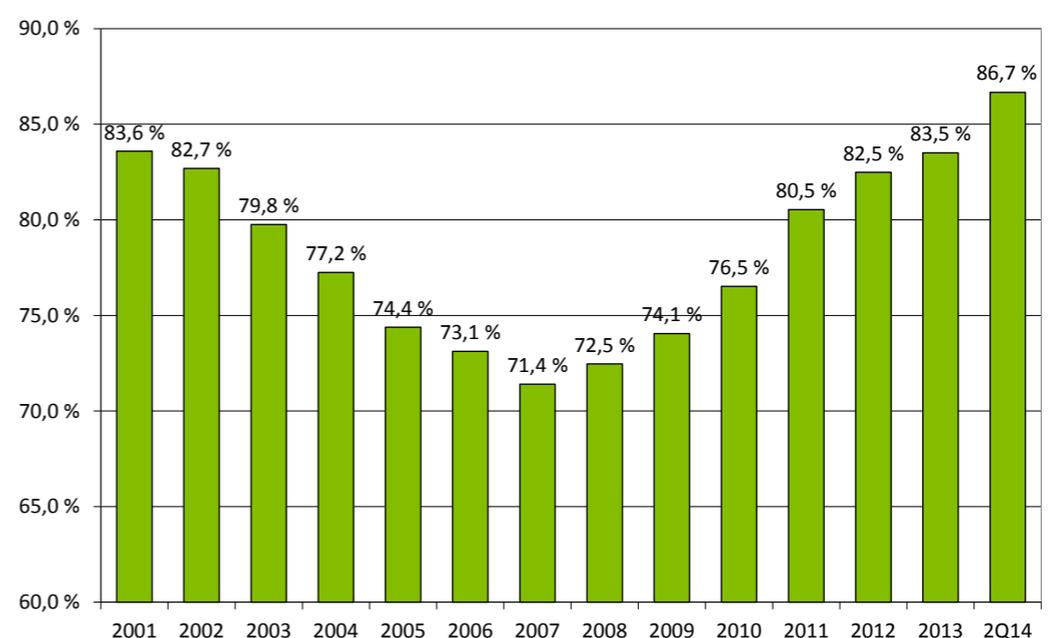
Total funding sources - NOK 250.1bn 2Q14



Aggregated deposits (in NOK bn)



Deposit ratio (Deposits / lending)

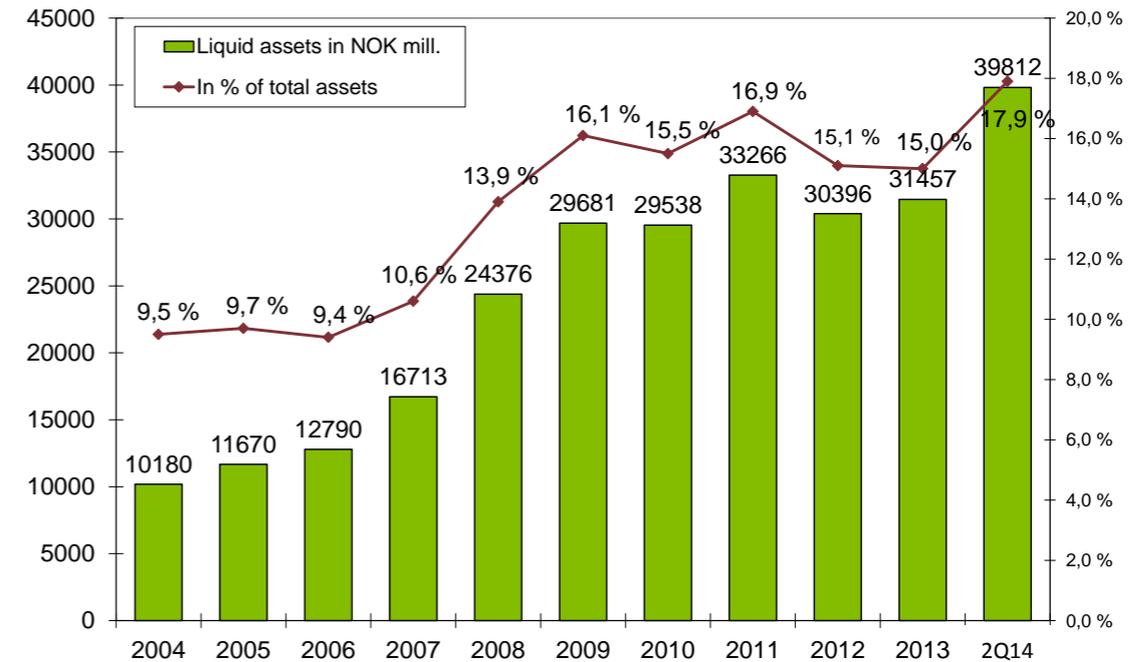


Source: Bank analyst Eika

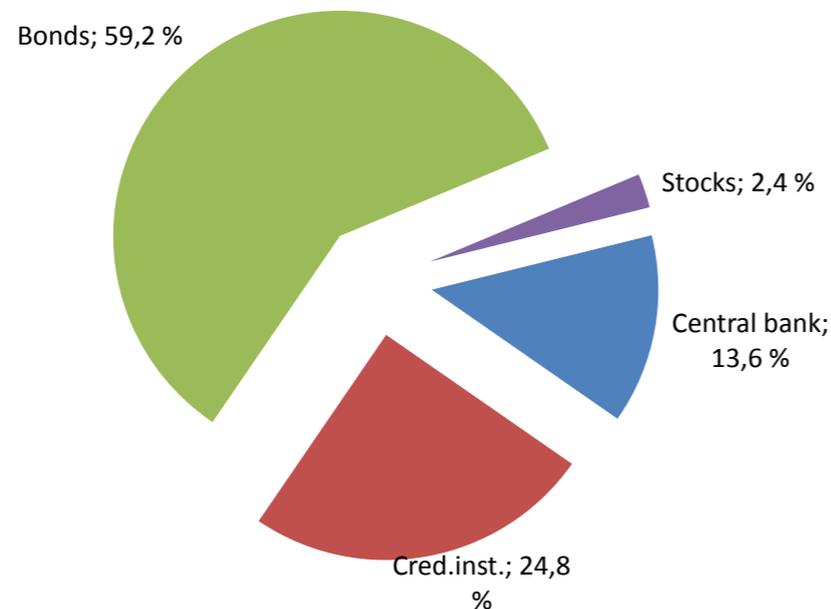
# Strong liquidity and funding position

- Large liquidity buffer amounting to NOK 39.8bn (EUR 4.7bn) and comprising 17.9% of total assets end Q2 2014
- Relatively low dependency on market funding. Net market funding (less liquid assets) was only 1.8% of total assets end Q2 2014
- Extended maturity profile with increasing proportion of long term funding
- Bond portfolio consists mainly of covered bonds, senior bank issues and money market funds
- No PIIGS exposure and low stock market exposure

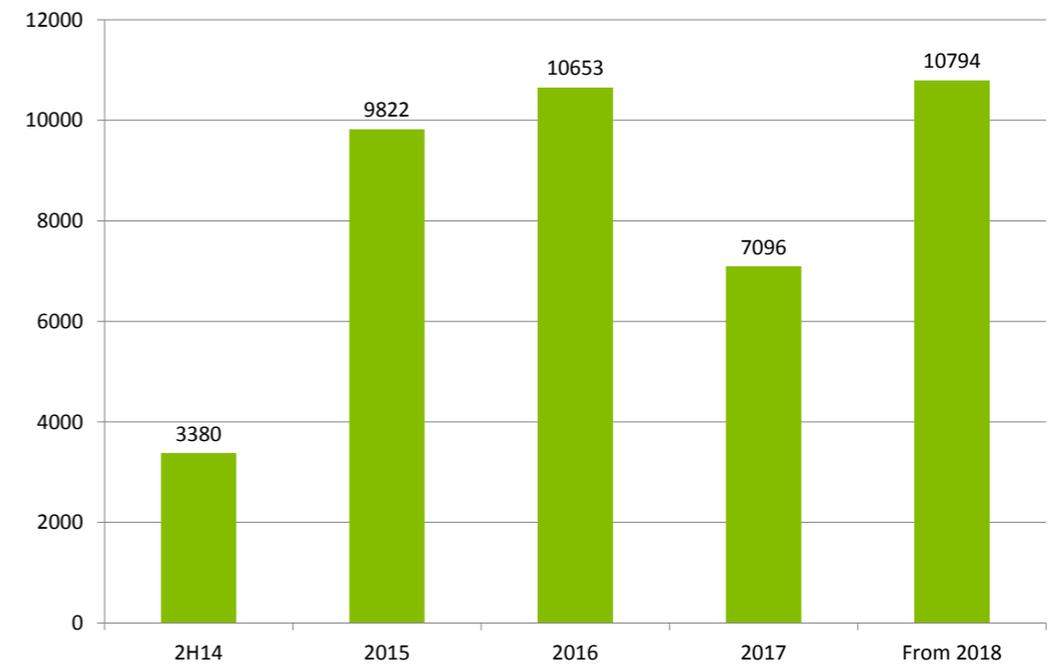
Total liquidity buffer (in million NOK LHS and % of total assets RHS)



Liquidity portfolio 2Q14\*



Maturity profile (Bonds, CD and Subordinated debt)

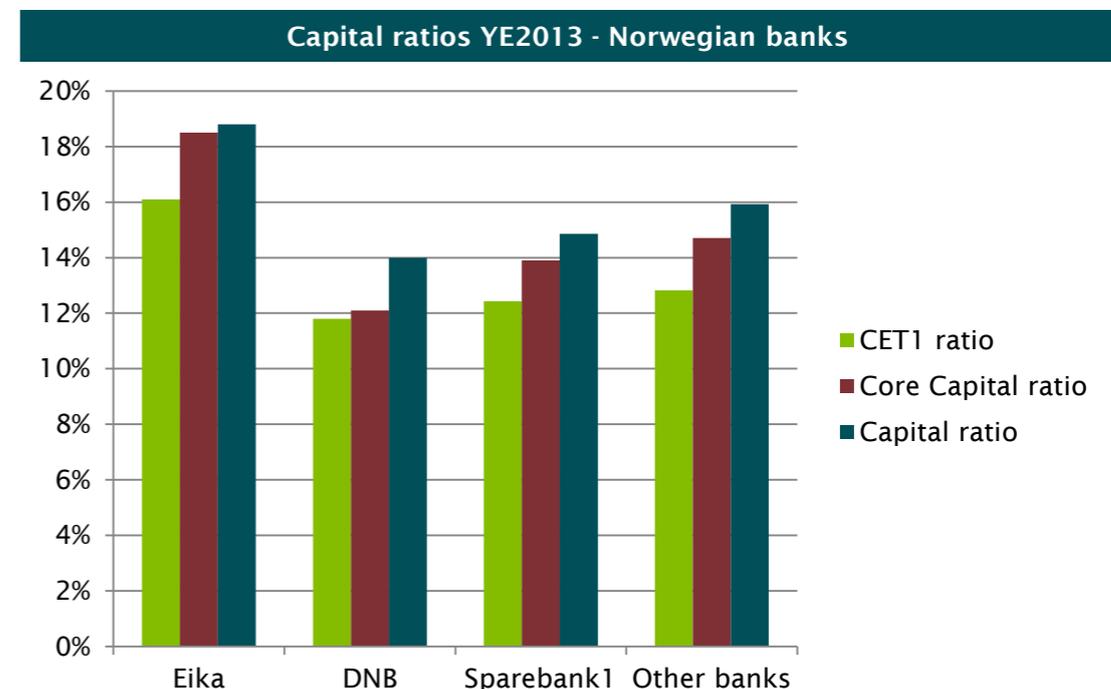
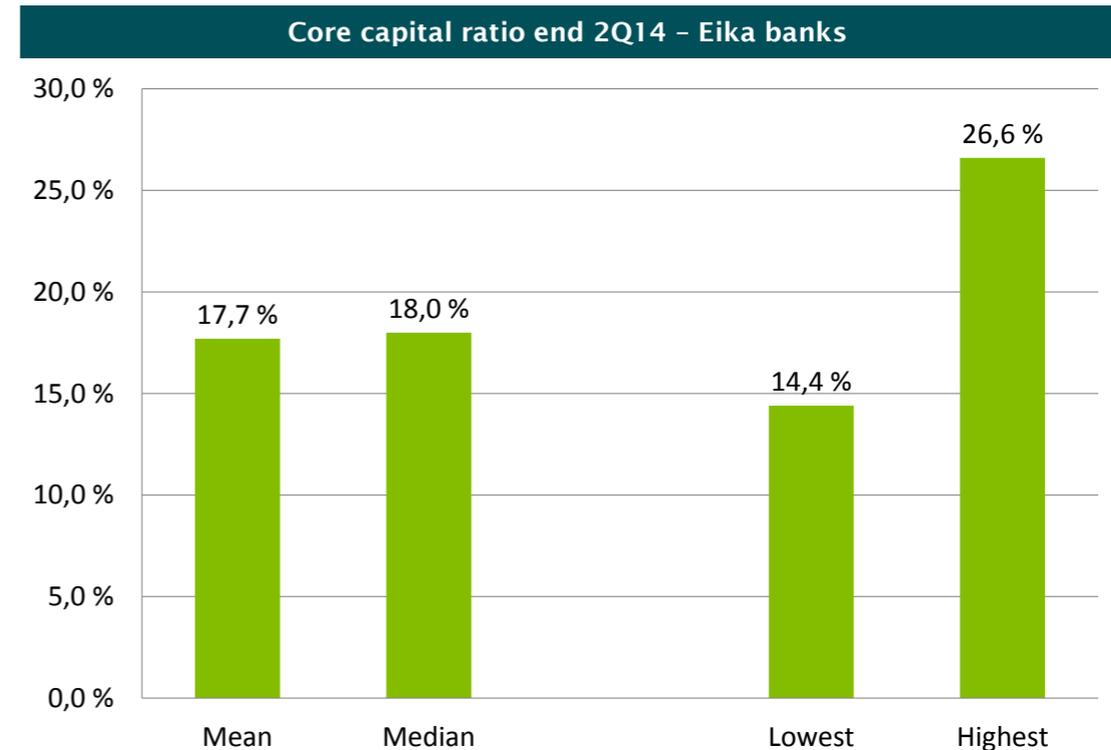


Liquidity buffer consists of cash, deposits in central bank and other credit institutions, bonds, certificates incl. money market funds and listed stocks  
30.06.2014 EURNOK: 8.4035

## Eika banks

# Strong capitalization

- Strengthened capital ratios
  - Common equity ratio (CET1): 15.3% (15.1%)
  - Core capital ratio 17.7% (17.5%)
  - Capital ratio 18.2% (17.8%)
  - Equity ratio of 9.6% (equity/total assets) (9.4%)
  
- Therefore Eika banks are well prepared to meet the new and higher capital requirements following implementation of CRD IV/PROP 96 in Norway stipulating the following minimum incl. all capital buffer levels:
  - Common equity ratio (CET1) incl. all buffers: 12.5%
  - Core capital ratio incl. all buffers: 14.0%
  - Capital ratio incl. all buffers: 16.0%
  
- All Eika banks are well capitalized (T1 ratio) 2Q14 (ex net profit)
  - Lowest: 14.4% (15.2%)
  - Highest: 26.6% (28.6%)
  
- All Eika banks use the standard approach under Basel II and therefore increase in mortgage risk-weights will not impact capital levels of Eika banks
  
- If Eika banks used the IRB method, the core and capital ratios are estimated to be at 24.6% and 25.2% end 2Q14 ex. net profit



Source: Bank Analyst Eika

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# Eika Boligkreditt

# Ownership structure



## Eika Gruppen AS with product companies

- 1 Provides products and services to bank clients
- 2 Provide services to banks
- 3 Infrastructur / IT
- 4 Strategy and Lobbying

## Eika Boligkreditt

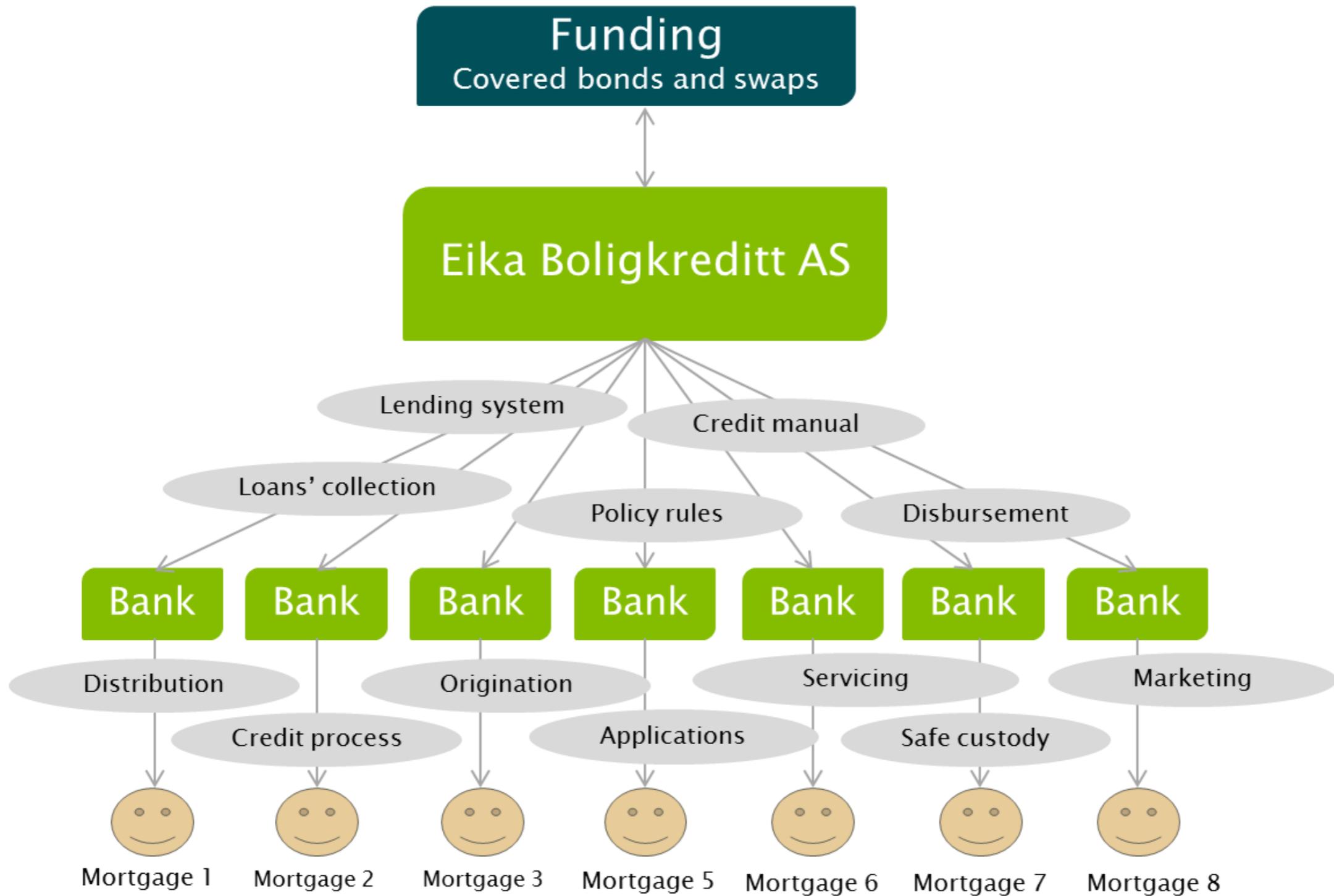
- 5 CB Funding  
Lending system  
Credit policy

78 shareholders <sup>1,2</sup>

<sup>1</sup> Eika Boligkreditt AS is owned by 73 Norwegian local banks and OBOS. The total amount of shareholders in Eika Gruppen and Eika Boligkreditt is 78.

<sup>2</sup> OBOS owns 13.9% and 73 banks 86.1% of outstanding shares in Eika Boligkreditt AS

# Business concept



## Eligibility criteria for the cover pool

Origination process	<ul style="list-style-type: none"> <li>▪ Loan-by-loan origination</li> </ul>
Customer categories	<ul style="list-style-type: none"> <li>▪ Norwegian residents (Retail)</li> <li>▪ Cooperative housing associations (common debt between multiple individuals)</li> </ul>
Credit Criteria	<ul style="list-style-type: none"> <li>▪ Eika Boligkreditt sets the credit policy for acceptable mortgages (credit manual)</li> <li>▪ No arrears</li> <li>▪ Bank credit officers are authorised to grant loan with size &lt; 3 times gross annual household income (56 % of all loans)*</li> </ul>
Collateral	<ul style="list-style-type: none"> <li>▪ Max LTV 60% at time of origination (vs. max 75% in the Norwegian legislation)</li> <li>▪ Recent valuations (within 6 months at time of origination)</li> <li>▪ Quarterly valuation from independent 3<sup>rd</sup> party, documented</li> </ul>
Type of properties	<ul style="list-style-type: none"> <li>▪ Stand alone residential mortgages</li> <li>▪ Cooperative housing residential mortgages</li> </ul>
Type of products	<ul style="list-style-type: none"> <li>▪ Principal repayment loans (no flexi loans)</li> <li>▪ Fixed and variable interest rate loans</li> </ul>

\* Bank credit managers are authorised to grant loan with size < 4 times gross annual household income (35 % of all loans). Loan size > 4 times gross annual household income have to be approved by Eika Boligkreditt (9 % of all loans)

## Strong incentive structure

- With regards to the mortgages in the Eika Boligkreditt cover pool there is a 3 pillar guarantee mechanism(s); this is to ensure that the originating banks are held responsible for potential losses on mortgages they distribute for Eika Boligkreditt

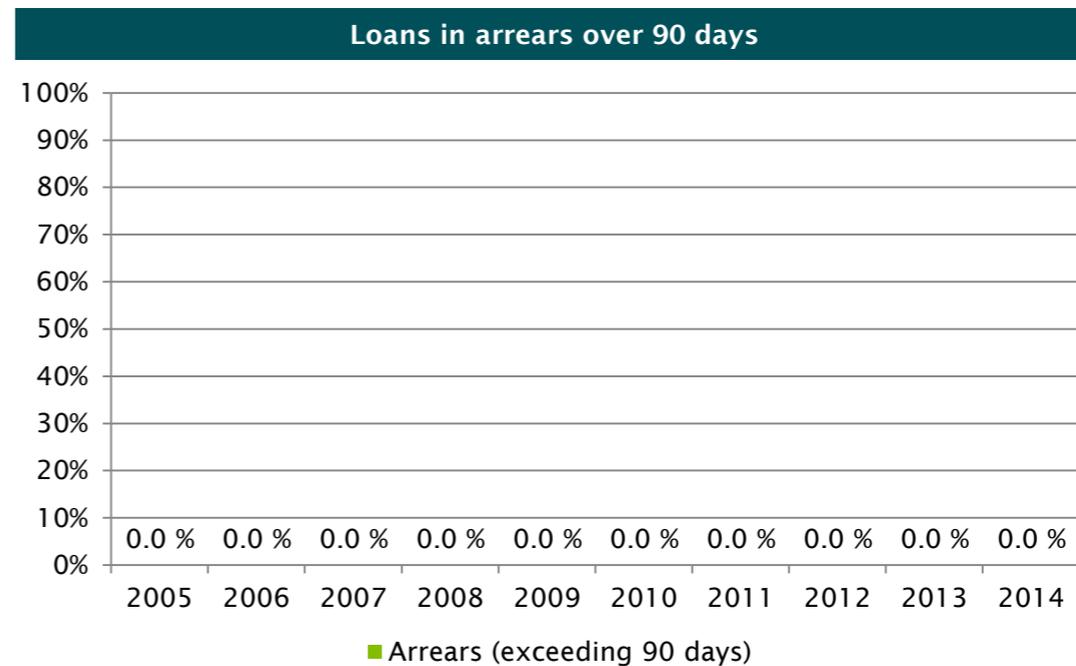
**Moody's:** "The members of the Terra Group (now Eika Group) are incentivised by guarantee obligations to pass high quality loans to the issuer."

(Source: Moody's Investors Services, Terra Boligkreditt Mortgage Covered Bonds, August 2007)

I Loss Guarantee	II Set-off rights	III Pro-rata Framework Guarantee
<ul style="list-style-type: none"><li>First loss guarantee for the portion of the loan exceeding 50% LTV</li><li>Minimum guarantee of NOK 25,000 (EUR 3,138) per loan, irrespective of LTV</li><li>100% of the loan is guaranteed by the bank until the collateral is registered</li></ul>	<ul style="list-style-type: none"><li>Eika Boligkreditt has set-off rights against each bank's commission for a period of up to 3 years</li><li>To be used by Eika Boligkreditt if losses exceed loss guarantee amounts, or a bank fails to meet its guarantee obligation</li></ul>	<ul style="list-style-type: none"><li>All banks participate in a 1% of the total mortgage portfolio pro-rata framework guarantee</li><li>To be used by Eika Boligkreditt if banks fail to meet their guarantee obligations, or losses exceed individual guarantees and set-offs</li></ul>
Currently EUR 481mn	Currently EUR 217mn	Currently EUR 67mn

# No arrears exceeding 90 days

- Eika Boligkreditt has *never* experienced mortgages being delinquent for more than 3 months
- The guarantees from the banks further reduce credit risk and help to avoid cherry-picking of mortgages
- In case there is a delayed payment (> 35 days) the Bank which has transferred the mortgage is required to solve the problem within 2 months by:
  - Paying the full guaranteed amount to EIKBOL
  - Giving the client extra credit
  - Transferring the loan back to the bank (506 loans transferred back since the start-up of company in 2004)



# Top notch collateral score by Moody's

- On 10 December 2014, Moody's released the 18th 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 Eika Boligkreditt is ranked the best out of over 200 covered bond issuers in terms of quality of collateral in the cover pool which is measured by the Collateral Score\*
- Starting from Q2 2012, Moody's changed its methodology by applying a transaction minimum credit enhancement level at a country level, which resulted in Eika Boligkreditt's new collateral score at the floor level of 5% instead of a Eika Boligkreditt's individual Collateral Score currently reported to be 2.0% pre country floor.

### EXHIBIT 11

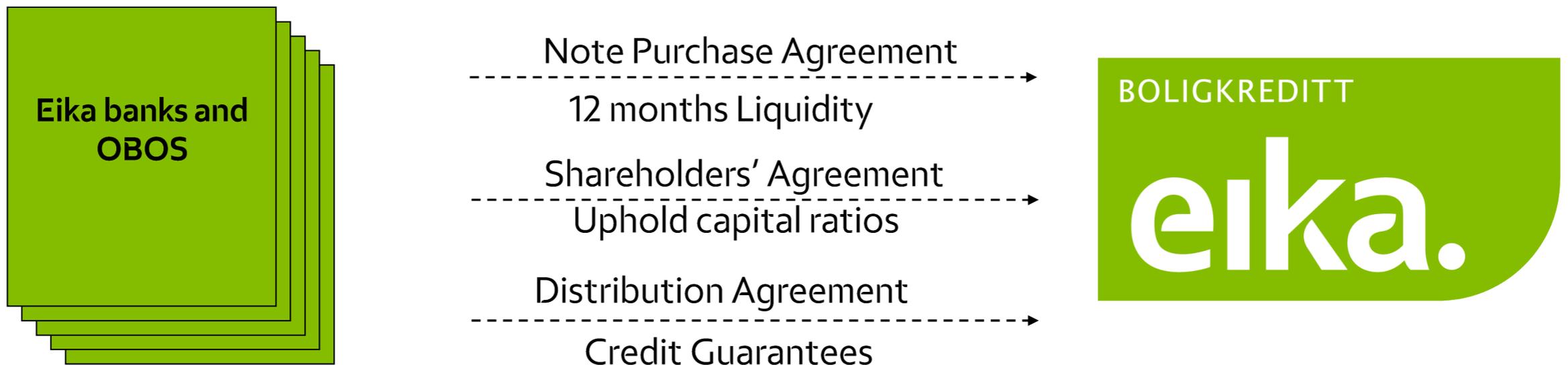
#### Deals with lowest (best) Collateral Scores

Name of Programme	Type of Programme	Country	Collateral Score
Eika Boligkreditt - Mortgage - Covered Bond Programme	Mortgage	Norway	2.0%
HSBC - Covered Bond Programme	Mortgage	United Kingdom	2.4%
OP Mortgage Bank - Mortgage - Covered Bond Programme	Mortgage	Finland	2.4%
OP Mortgage Bank Mortgage II - Covered Bond Programme	Mortgage	Finland	2.4%
SpareBank 1 Boligkreditt AS Mortgage - Covered Bond Programme	Mortgage	Norway	2.6%
Commerzbank AG - Mortgage Covered Bonds	Mortgage	Germany	2.9%
ING-DiBa - Mortgage Pfandbriefe - Covered Bond Programme	Mortgage	Germany	3.0%
Coventry Building Society - Covered Bond Programme	Mortgage	United Kingdom	3.0%
Royal Bank of Scotland Plc - Mortgage - Covered Bond Programme	Mortgage	United Kingdom	3.0%
Storebrand Boligkreditt - Mortgage - Covered Bond Programme	Mortgage	Norway	3.1%

\* 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 (excl. systemic risk) for Norwegian Covered Bonds programs was 3.8%

# Structure of support

- The Note Purchase Agreement (NPA) is structured to ensure that Eika Boligkreditt has liquidity, at all times, sufficient to pay the Final Redemption Amount of any series of Notes in a rolling twelve month period
- Contingency facility with DNB enables covered bonds to be issued  $\leq$  NOK 1 billion
- The Shareholders' Agreement is structured to ensure that Eika Boligkreditt will uphold a sufficient capital adequacy ratio at all times
- The Owner Banks are obliged to pay their pro-rata share of any capital increase adopted by the Eika Boligkreditt's general meeting and of any capital instruments to be issued
- The agreements are structured to meet the Moody's criteria to be categorized as a Category 2 support agreement for Specialized Covered Bond Issuers



## Rating summary

- Eika Boligkreditt covered bonds:
  - Rated **Aa1** by Moody's
  - TPI: **High**
  - **Collateral Score on individual basis of 2.0%** as of Q2 2014 (pre 5% country floor)
  
- Moody's has recently stated that Norwegian banks' strengthened underwriting criteria is improving credit quality in the mortgage books.\* This is based on the report by the Norwegian FSA in November 2013 showing reduction in high LTV loans as well as proportion of interest-only loans
  
- In addition, Moody's maintains its stable outlook for the Norwegian Banking System\*\* given broadly benign macroeconomic conditions that is expected to support banks' performance. Also increasing local regulatory demands for capital and increased lending margins are viewed as positive elements

Timely Payment Indicators						
Issuer Ratings	Very Improbable	Improbable	Probable	Probable-High	High	Very High
	A1	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	Aa3-A2	A1
Ba2	Baa3	Baa2	Baa1	A3	A1-A3	A1
Ba3	Baa3	Baa2	Baa1	A3	A2-Baa1	A1
B1	Ba3	Ba2	Ba1	Baa3	A3-Baa2	Baa1
B2	Ba3	Ba2	Ba1	Baa3	Baa1-Baa3	Baa1
B3	Ba3	Ba2	Ba1	Baa3	Baa2-Ba1	Baa1

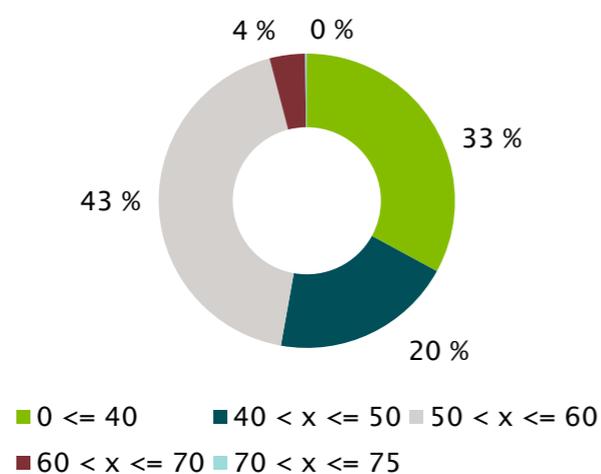
\* Norwegian Covered Bonds: Banks' Strengthened Underwriting Criteria Improve Mortgage Loan Credit Quality, Moody's Investors Service, 11 December 2013

\*\* Banking System Outlook: Norway, Moody's Investors Service, 12 December 2013

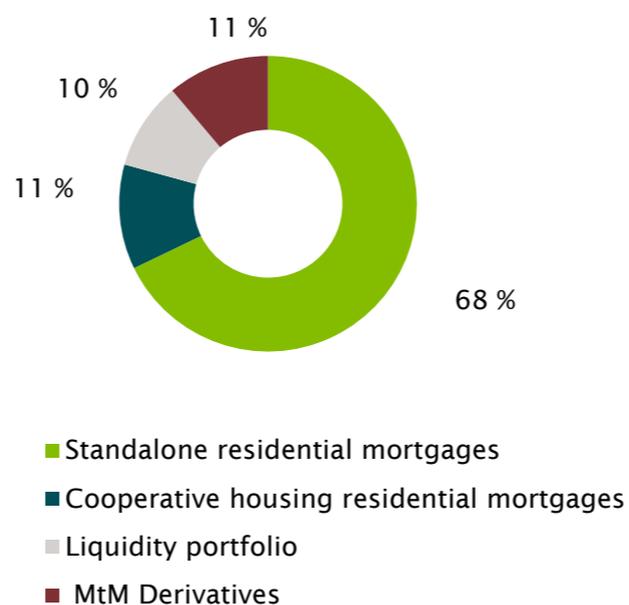
# Summary of the cover pool

Numbers in EUR	Grand total	Standalone residential mortgages	Cooperative residential housing
Nominal value	6,732,573,137	5,759,641,679	972,931,458
In % of total mortgage Pool	100 %	85.55 %	14.45 %
Number of loans	41,536	40,765	771
Arithmetic average loan (nominal)	162,090	141,289	1,261,909
WA LTV (unindexed / indexed)	46.37% / 43.38%	51.13% / 48.09%	18.17% / 15.52%
WA seasoning (months)	25.9	24.9	31.6
Loans in arrears (over 90 days)	0.0	0.0	0.0
Estimated over collateralization *	109.74 %	n/a	n/a

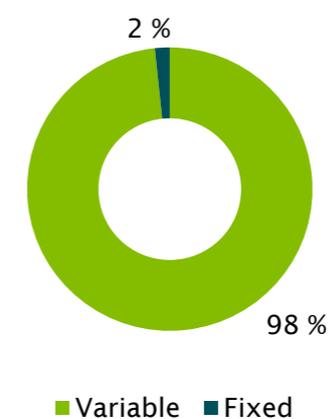
Indexed LTV distribution



Composition of Cover Pool



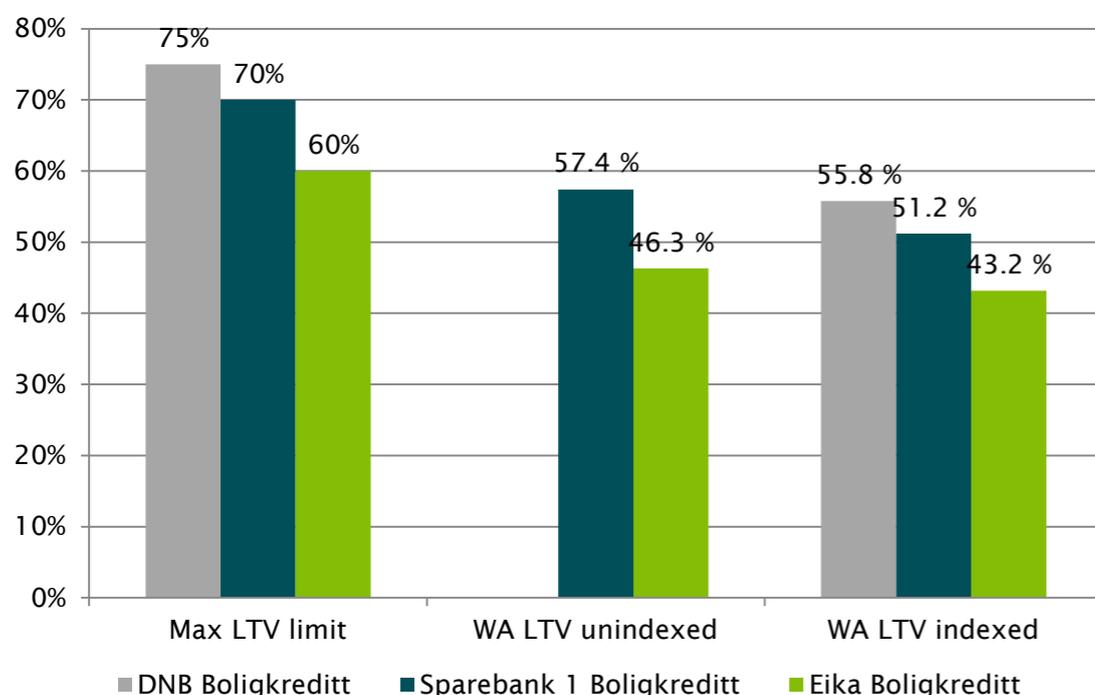
Variable vs fixed rate



All data as of 31.12.2014. EURNOK 9.0365  
 \* OC is estimated based on fair value

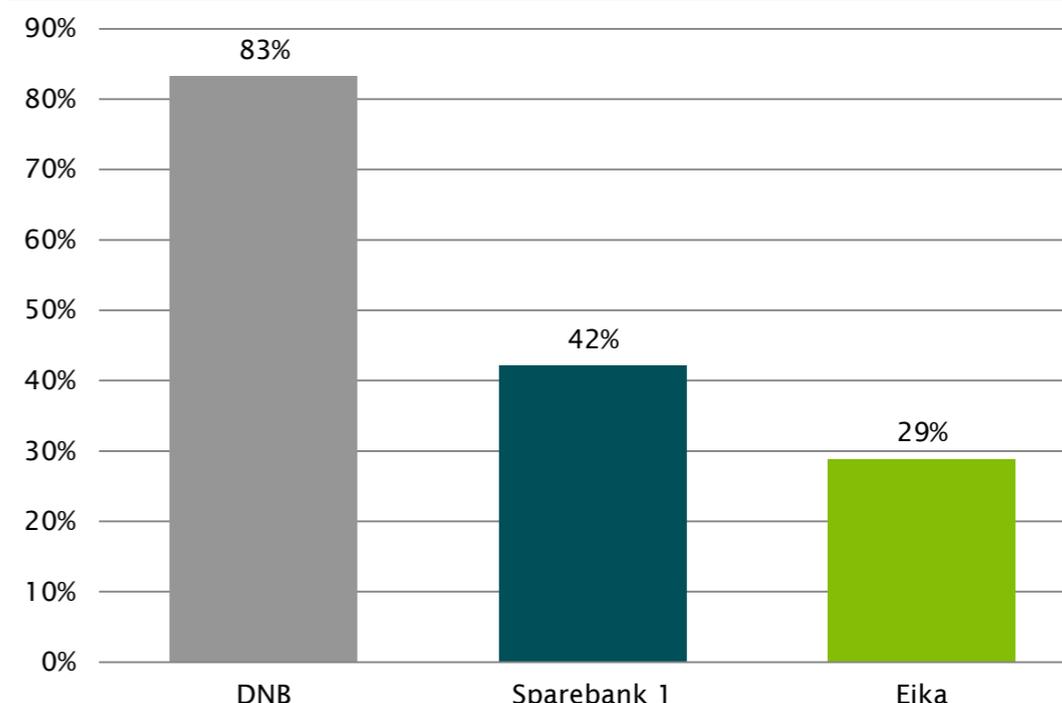
# Cover pool comparison and stress test

**LTV comparison with peers end Q3 2014**



Source: Investor presentation DNB October 2014, and Sparebank 1 Boligkreditt November 2014

**Share of retail mortgage loans transferred to CB issuer YE2013**



Source: Bank Analyst Eika

Stress test: Decline in house prices (as of YE2014)				
Stress test house price reduction	Currently	Decline of 10%	Decline of 20%	Decline of 30%
Mortgage Portfolio	€ 6,733 mill.	€ 6,733 mill.	€ 6,733 mill.	€ 6,733 mill.
Part of mortgages exceeding 75% LTV	-	€ 0.7 mill.	€ 10 mill.	€ 207 mill.
Share of mortgage portfolio >75% LTV	-	0.01 %	0.15 %	3.08 %
Estimated Over collateralization*	109.74 %	109.73 %	109.61 %	107.06 %

EURNOK as of 31.12.2014: 9.0365  
 \* OC is estimated based on fair value

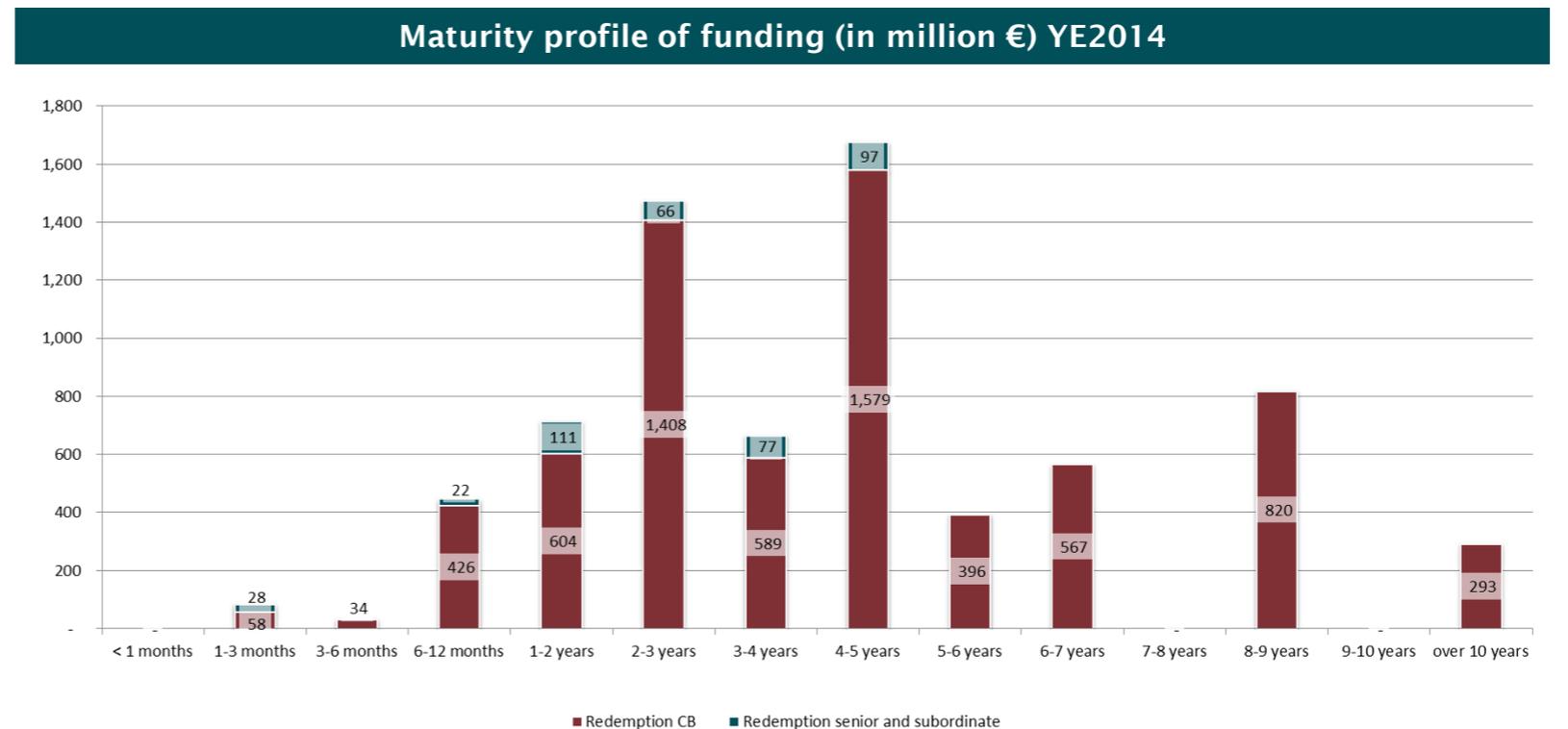
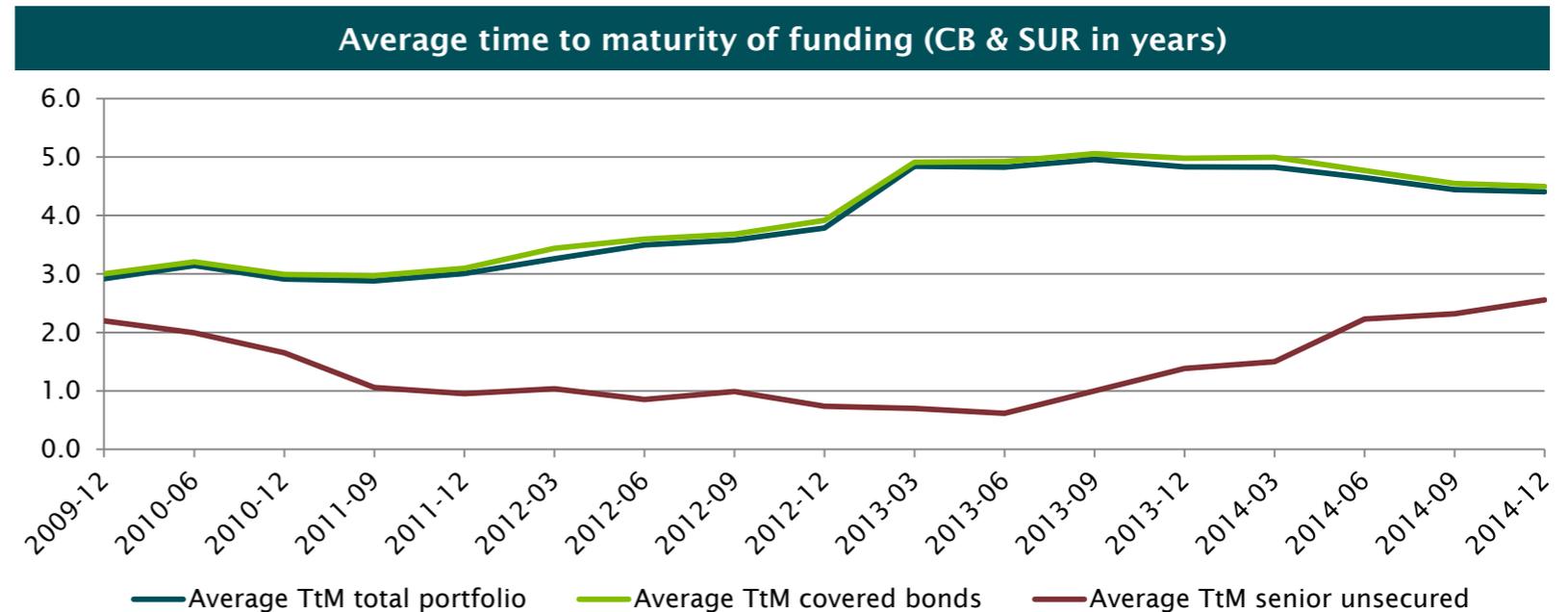
# Agenda

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## Funding strategy and activity

# Strong risk management

- Both sides of the balance sheet mostly swapped to 3 month NIBOR
- Minimum Over Collateralization level of 5% (committed in EMTCN Program)
- Redemptions within any future 12-month rolling period should not exceed 20% of the gross funding at the time of redemption (internal policy)
  - The 20% level is related to the expected maturity on the assets, i.e. 5 years
- Internal target is to have liquid assets covering at least 75% of redemptions within the next 12 months
- One of the stress tests is the refinancing Indicator I
  - a simulation taking into account, amongst other elements, expected growth and future transactions
  - ensuring availability of funding options within the 20% limit



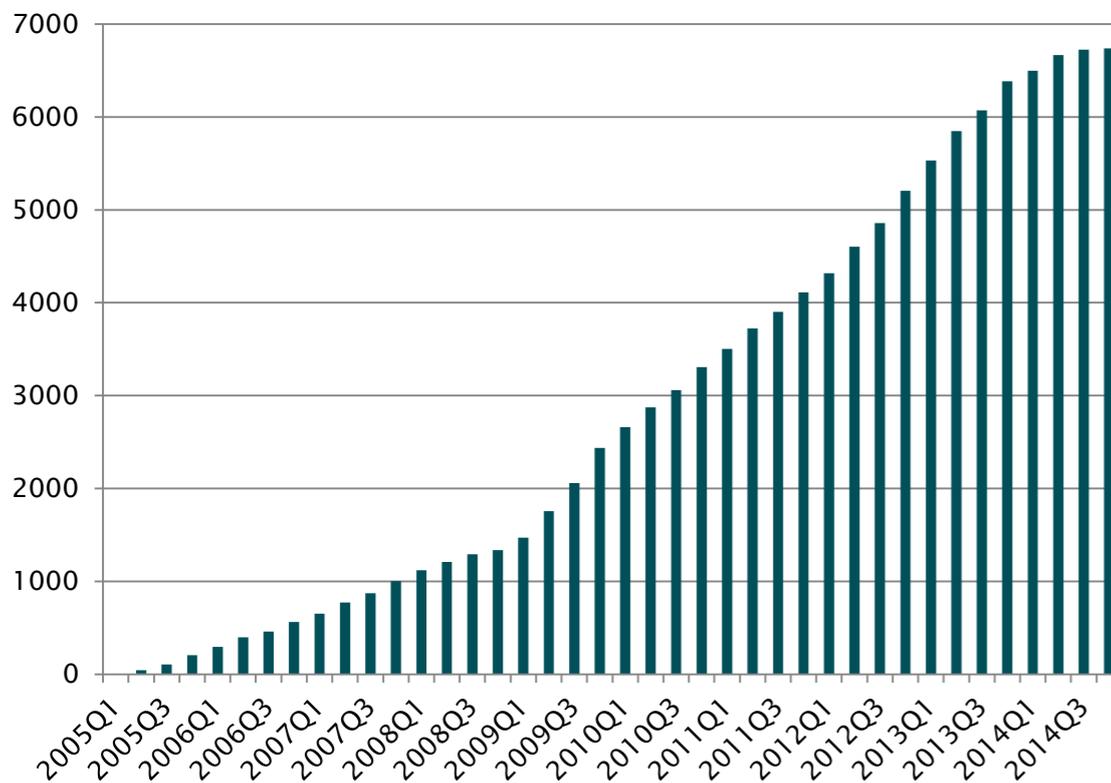
## Funding strategy and activity

# Funding and strategy

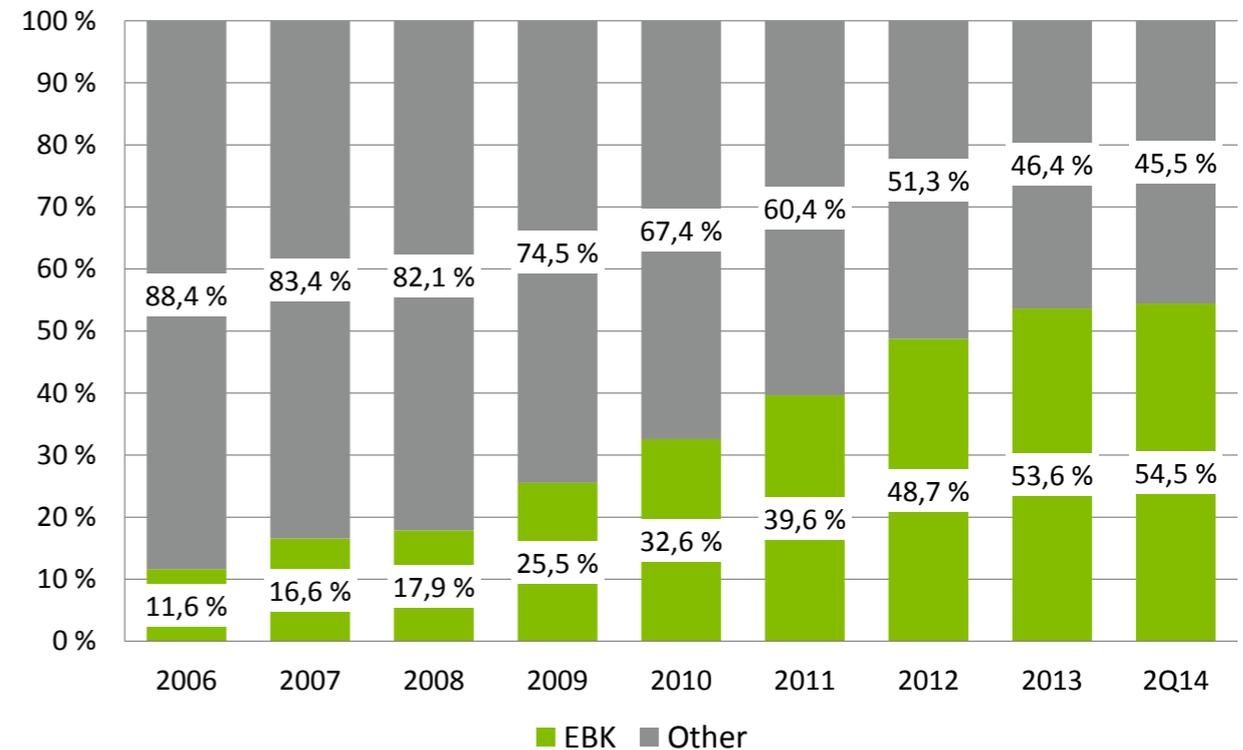
- With a stable organic growth, and redemptions starting to materialize in our Euro issues, Eika Boligkredditt has evolved from the €500mn no-grow strategy
- We issued our first Jumbo covered bonds in October 2012 followed by another in January 2013
- Eika Boligkredditt has the flexibility to tailor issue size to changing investor preferences and pricing sentiment going forward and can alternate between €500mn and €1bn format over time

- To reflect this evolvement Eika Boligkredditt has increased the size of its European Medium Term Covered Note Program to €20bn
  - Eika Boligkredditt is an active issuer in both the NOK and Euro market
  - Eika Boligkredditt has the objective to be a frequent benchmark issuer in the Euro covered bond market, and to maintain a liquid yield curve

Stable growth in the loan book (in million €)



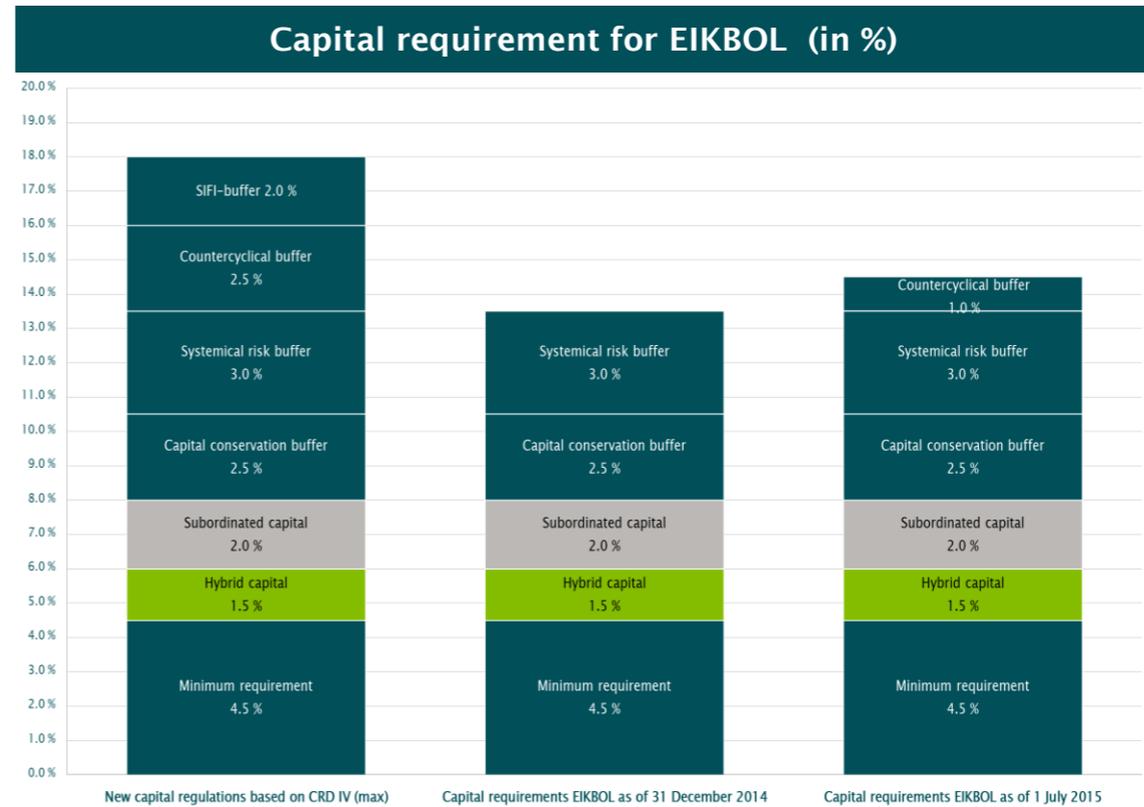
Eika Boligkredditt funding in % of Eika bank's external funding



# Funding strategy and activity

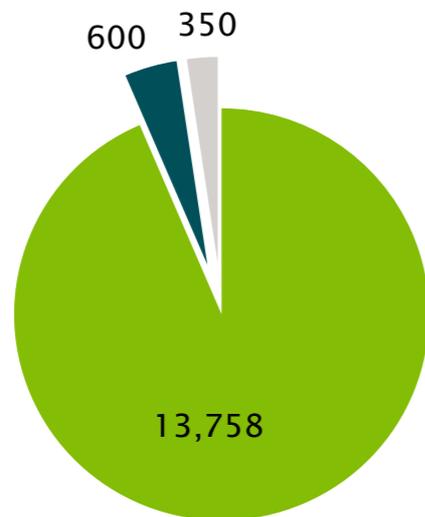
## Funding and strategy

- Budget for gross funding in 2015 is NOK 14.7 billion
  - NOK 13.8 billion in covered bonds (where of NOK 4.5 billion in €)
  - NOK 600 million in senior unsecured
  - NOK 350 million in Tier 2
- EIKBOL (and no Eika bank) are not defined SIFI from the MoF



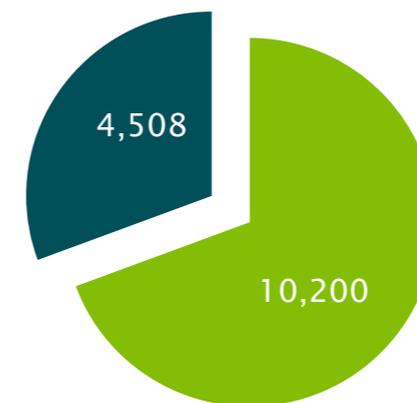
### Funding P2015 per sector (in million NOK)

■ Covered bonds ■ Senior unsecured ■ Tier 2



### Funding P2015 per currency (in million NOK)

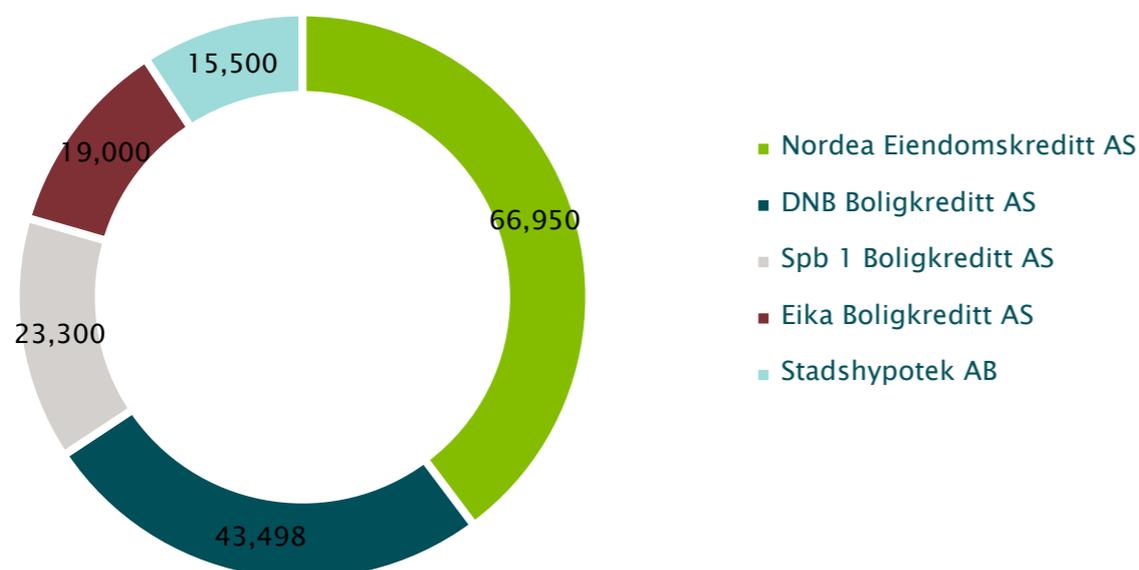
■ NOK ■ EUR



# Eika Boligkreditt

## Benchmark list

Outstanding nominal value benchmark CB (numbers in million NOK)



### Statistics:

- Average turnover of NOK 12 billion per month (excl.repo)
- Average of 146 trades per month
- NOK 168 billion in outstanding nominal amount for benchmark CB
- Annual turnover 86%

Issuers with benchmark CB	#	BM
Nordea Eiendoms kreditt AS	8	
DnB Boligkreditt AS	5	
Sparebank1 Boligkreditt	4	
<b>Eika Boligkreditt AS</b>	<b>4</b>	
Stadshypotek AB (publ)	4	
<b>Total</b>	<b>25</b>	

### Criteria to be listed on the CB Benchmark list

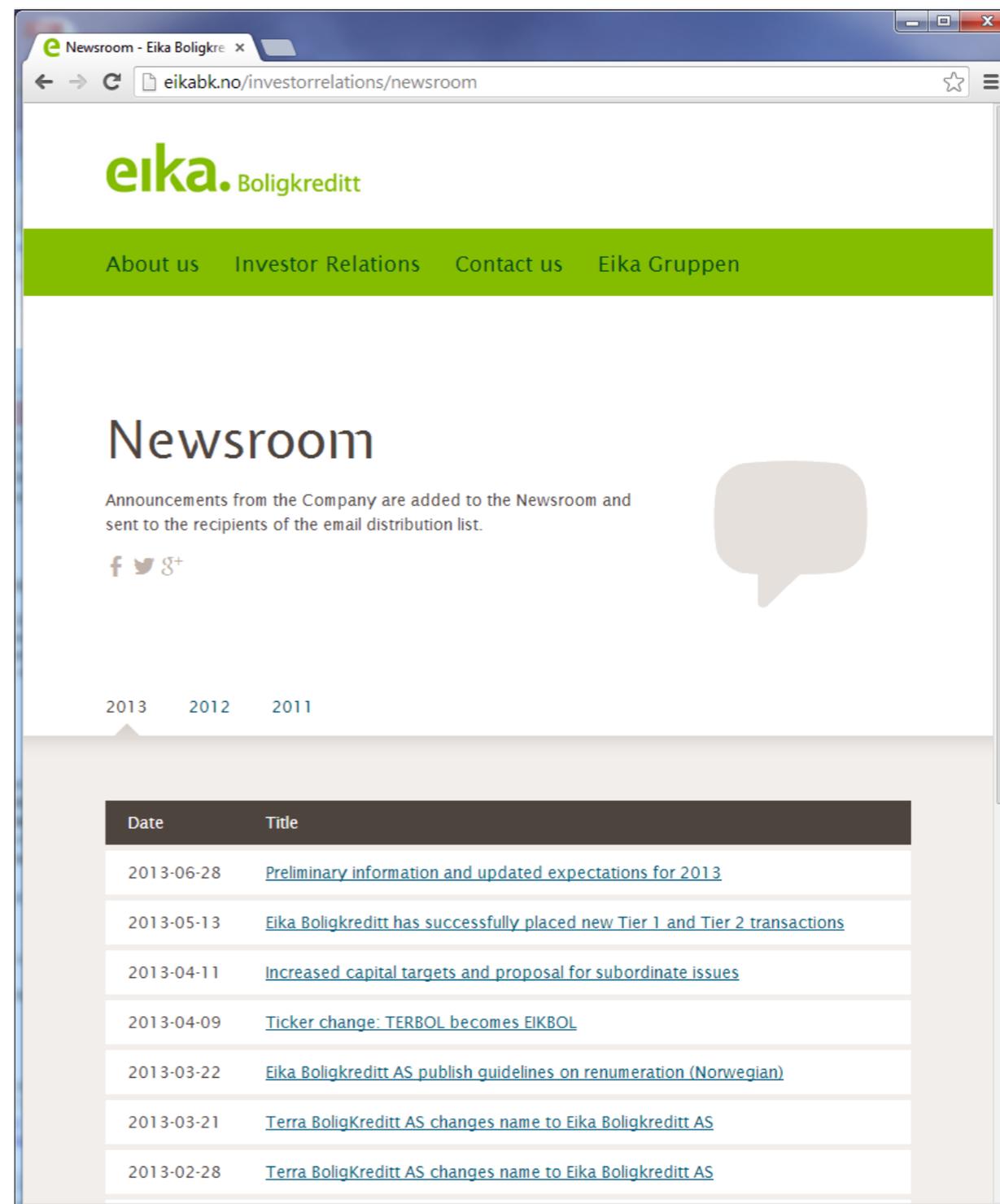
- Minimum outstanding amount NOK 2,5 billion
- Covered pool consists of only Norwegian mortgages
- Minimum 10 investors at time for listing
- Pricing terms quoted in the OSE trading system minimum 85 % of trading hours
- Currency NOK

Source: Oslo Stock Exchange Covered Bond Benchmark statistics December 2014 (since launch June 16th) 2014

## Funding strategy and activity

# Funding and strategy

- Maintain Eika Boligkreditt as a solid, well-known and frequent issuer
  - Diversify funding both in terms of geography and investor type
  - Between ½ - ¾ of the funding is expected to be international
- To provide the market with high quality and transparent information
  - Timely and high quality annual/quarterly reports and financial statements
  - Frequent road shows and investor presentations
  - Quarterly data on the cover pool (in accordance with standard developed by NCBC on request of CBIC) available on <http://eikabk.no>



Newsroom - Eika Boligkre x

eikabk.no/investorrelations/newsroom

eika. Boligkreditt

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## Newsroom

Announcements from the Company are added to the Newsroom and sent to the recipients of the email distribution list.

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2013 2012 2011

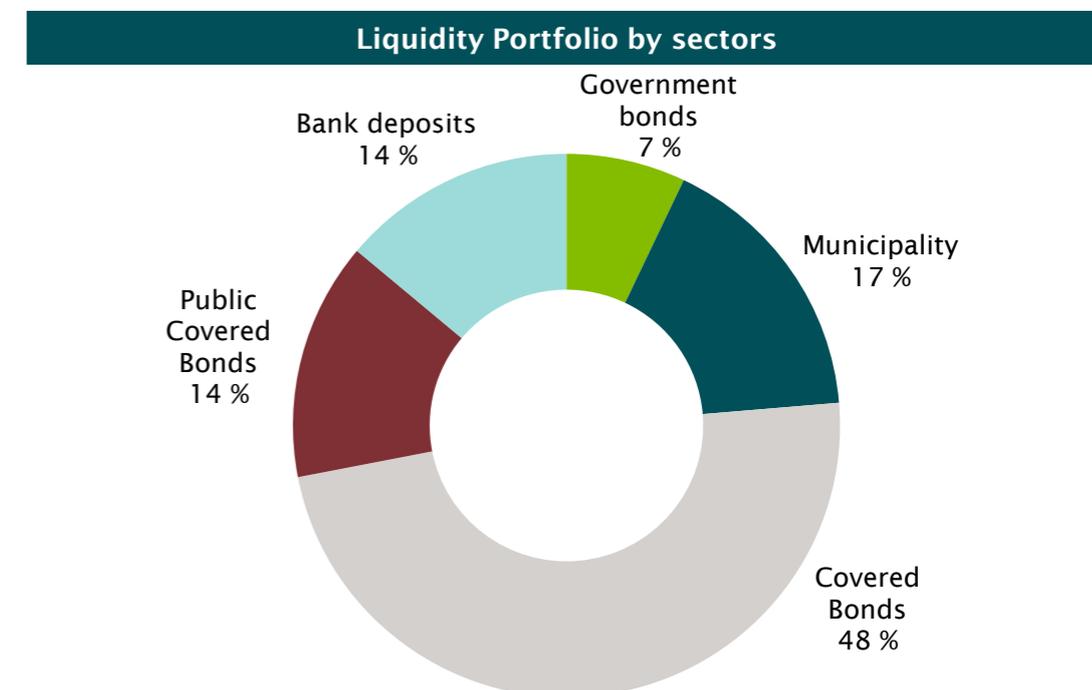
Date	Title
2013-06-28	<a href="#">Preliminary information and updated expectations for 2013</a>
2013-05-13	<a href="#">Eika Boligkreditt has successfully placed new Tier 1 and Tier 2 transactions</a>
2013-04-11	<a href="#">Increased capital targets and proposal for subordinate issues</a>
2013-04-09	<a href="#">Ticker change: TERBOL becomes EIKBOL</a>
2013-03-22	<a href="#">Eika Boligkreditt AS publish guidelines on remuneration (Norwegian)</a>
2013-03-21	<a href="#">Terra BoligKreditt AS changes name to Eika Boligkreditt AS</a>
2013-02-28	<a href="#">Terra BoligKreditt AS changes name to Eika Boligkreditt AS</a>

## Funding strategy and activity

# Liquidity portfolio

- **The substitute assets constitute EIKBOL's liquidity buffer**
  - Minimum liquidity > than 6% of outstanding covered bonds (hard limit)
  - Minimum liquidity > 100% of next 6 months redemptions (hard limit)
  - Internal target is to have liquid assets covering at least 75% of redemptions within the next 12 months
- **The Liquidity portfolio conforms to a conservative investment policy**
  - Only Norwegian and NOK denominated exposure
  - Portfolio weighted average time to maturity of maximum 2 years
  - An individual investment can have a remaining maturity of max 3.5 years
  - Rated AA-/Aa3 or better if the maturity exceeds 100 days, or A-/A3 if the maturity less than 100 days
  - Weighted average portfolio interest rate duration of less than 0.5 years, and individual securities less than 1 year

Sectors and tenors			
Sector	Market Value (EUR)	In % of portfolio	TtM
Government bonds	57,835,832	7 %	0.37
Municipality	136,154,677	17 %	0.21
Covered Bonds	395,834,546	48 %	1.81
Public Covered Bonds	116,096,555	14 %	2.32
Bank deposits	113,828,244	14 %	0.00
<b>Total portfolio</b>	<b>819,749,854</b>	<b>100 %</b>	<b>1.26</b>



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## Appendix

# P&L Eika banks - Strong income growth and low loan losses

<i>P&amp;L in NOK mil.</i>	2009	2010	2011	2012	2013	2Q13	1Q14	2Q14
Net interest income	3 387	3 512	3 631	3 777	3 959	961	1 008	1 035
Net commission income	580	662	734	863	1 133	276	308	328
Other income	54	43	44	40	41	9	10	11
<b>Total income</b>	<b>4 021</b>	<b>4 217</b>	<b>4 409</b>	<b>4 681</b>	<b>5 133</b>	<b>1 246</b>	<b>1 327</b>	<b>1 374</b>
Personnel and adm. expenses	2 032	2 061	2 134	2 243	2 338	536	622	563
Depreciation	165	123	98	95	100	25	27	27
Other costs	442	469	495	515	578	142	154	142
<b>Total costs</b>	<b>2 639</b>	<b>2 653</b>	<b>2 726</b>	<b>2 852</b>	<b>3 016</b>	<b>703</b>	<b>802</b>	<b>732</b>
Core earnings before loan losses	1 383	1 564	1 683	1 828	2 117	543	525	641
Impairment of loans and guarantees	442	404	458	329	389	112	43	62
<b>Core earnings</b>	<b>940</b>	<b>1 160</b>	<b>1 225</b>	<b>1 499</b>	<b>1 728</b>	<b>431</b>	<b>482</b>	<b>579</b>
Dividends/associated companies	81	177	189	89	257	204	25	175
Net return on financial investments	564	218	-78	217	227	36	62	75
One-offs and loss/gain on long-term assets	117	376	-69	150	-68	-24	1	15
<b>Pre tax profit</b>	<b>1 701</b>	<b>1 931</b>	<b>1 267</b>	<b>1 955</b>	<b>2 144</b>	<b>647</b>	<b>571</b>	<b>844</b>
Taxes	443	501	412	542	583	163	158	192
<b>Net profit</b>	<b>1 259</b>	<b>1 430</b>	<b>855</b>	<b>1 413</b>	<b>1 561</b>	<b>484</b>	<b>413</b>	<b>652</b>

Source: Bank Analyst Eika

## Appendix

# Eika banks - Balance sheet and key figures

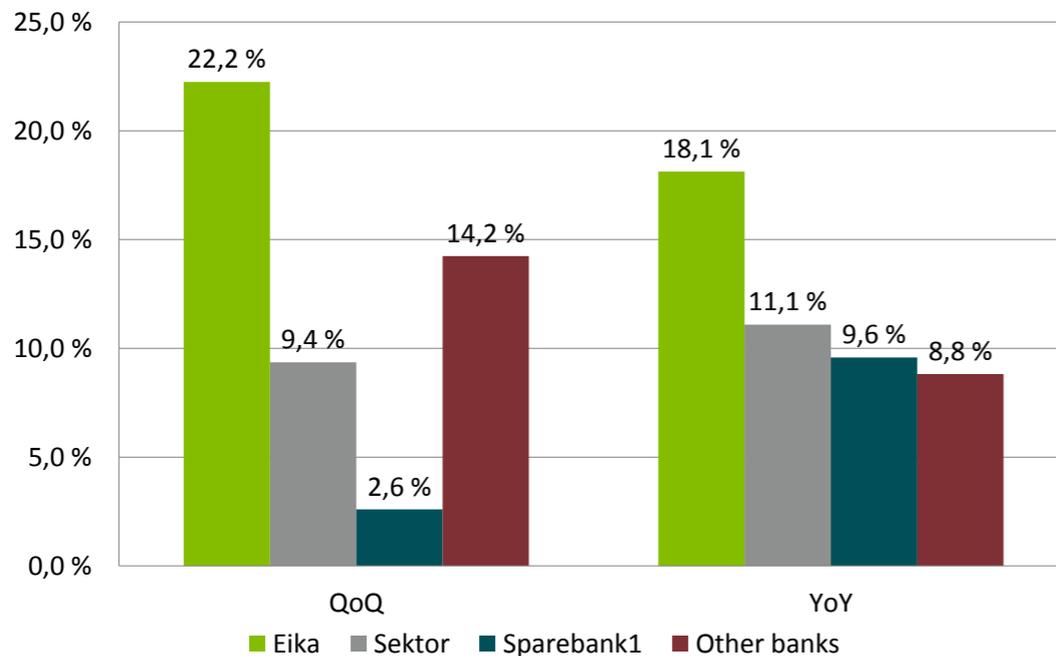
<i>Balance</i>	2009	2010	2011	2012	2013	2Q13	1Q14	2Q14
Gross loans	151 218	157 375	159 645	166 255	173 617	169 302	174 723	177 678
Gross loans incl. EBK	169 995	182 382	193 092	208 764	225 292	217 328	227 568	232 167
Deposits	111 983	120 419	128 567	137 142	144 975	143 243	145 846	153 997
Equity	15 496	16 748	17 525	18 833	20 422	19 545	20 789	21 421
Total assets	184 321	190 813	196 623	200 895	210 302	208 646	212 345	222 908
Growth in loans	2,5 %	4,1 %	1,4 %	4,1 %	4,4 %	1,9 %	0,6 %	1,7 %
Growth in loans incl. EBK	6,9 %	7,3 %	5,9 %	8,1 %	7,9 %	2,8 %	1,0 %	2,0 %
Growth in deposits	4,7 %	7,5 %	6,8 %	6,7 %	5,7 %	3,5 %	0,6 %	5,6 %
Deposit ratio	74,1 %	76,5 %	80,5 %	82,5 %	83,5 %	84,6 %	83,5 %	86,7 %
(Market funding - Liquid assets)/Total assets	13,7 %	11,6 %	7,8 %	6,3 %	5,4 %	3,2 %	5,0 %	1,8 %
Equity ratio	8,4 %	8,8 %	8,9 %	9,4 %	9,7 %	9,4 %	9,8 %	9,6 %
Core capital ratio	16,4 %	17,0 %	17,3 %	18,1 %	18,5 %	17,5 %	18,4 %	17,7 %
Capital ratio	17,6 %	18,2 %	18,2 %	18,6 %	18,8 %	17,8 %	18,7 %	18,2 %
<b><i>Key figures</i></b>								
Net interest/total assets	1,88 %	1,87 %	1,87 %	1,90 %	1,93 %	1,87 %	1,91 %	1,90 %
Net commission incom/total assets	0,32 %	0,35 %	0,38 %	0,43 %	0,55 %	0,54 %	0,58 %	0,60 %
Loss provision ratio	0,30 %	0,26 %	0,29 %	0,20 %	0,23 %	0,27 %	0,10 %	0,14 %
NPL and problem loans	2,02 %	1,83 %	1,89 %	1,78 %	1,62 %	1,83 %	1,56 %	1,61 %
(NPL + Problem loans)/(Equity + LLR)	18,0 %	15,9 %	15,9 %	14,6 %	12,9 %	14,7 %	12,3 %	12,5 %
Cost/income ratio (adj.)	65,6 %	62,9 %	61,8 %	60,9 %	58,8 %	56,4 %	60,5 %	53,3 %
Net profit in % of total assets	0,70 %	0,76 %	0,44 %	0,71 %	0,76 %	0,94 %	0,78 %	1,20 %
Net profit on core earnings in % of RWA	0,96 %	1,12 %	1,14 %	1,36 %	1,52 %	1,49 %	1,65 %	1,92 %
Return on equity	8,5 %	8,9 %	5,0 %	7,8 %	8,0 %	10,0 %	8,0 %	12,4 %

## Appendix

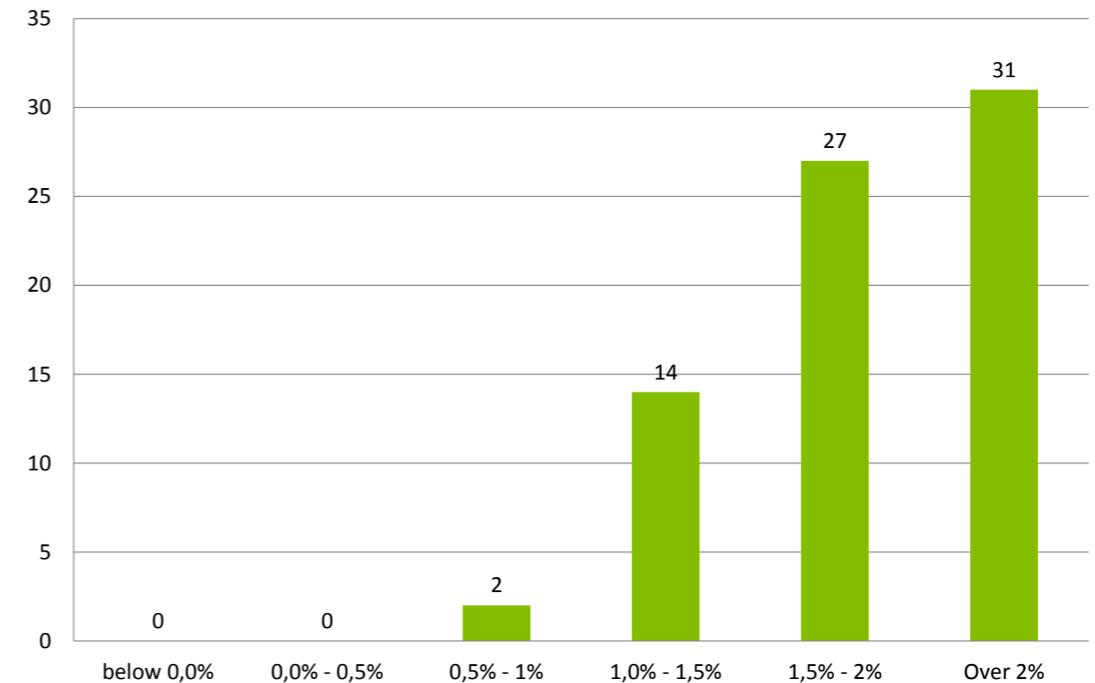
# Eika banks - Improved core earnings

- NOK 579 mill. vs NOK 431 mill. in 2Q13
  - In % of RWA 1.92% vs. 1.49% in 2Q13
- Core earnings after loan losses increased with 34.4% YoY (2Q14 vs. 2Q13) and with 20.1% QoQ (2Q14 vs. 1Q14)
- All Eika banks reported positive net profit in 2Q14
- Average yearly growth rate in core earning of 7.0% before loan losses and 8.6% over the last 13 years

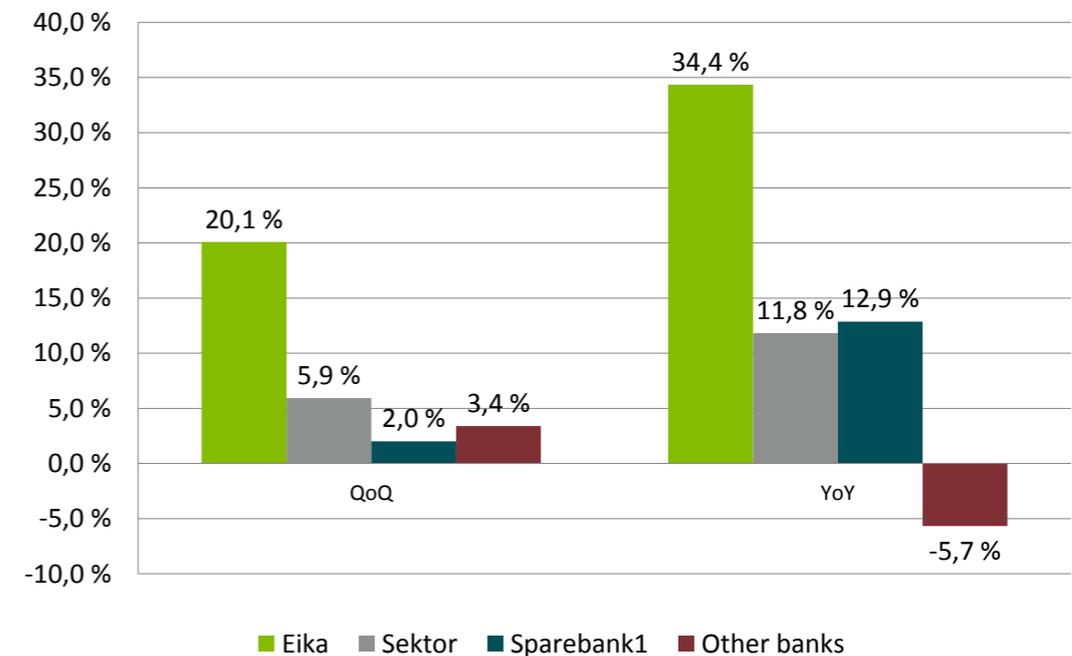
Change in core earnings before loan losses - Eika vs. other banks



Core earnings after loan losses in % of RWA



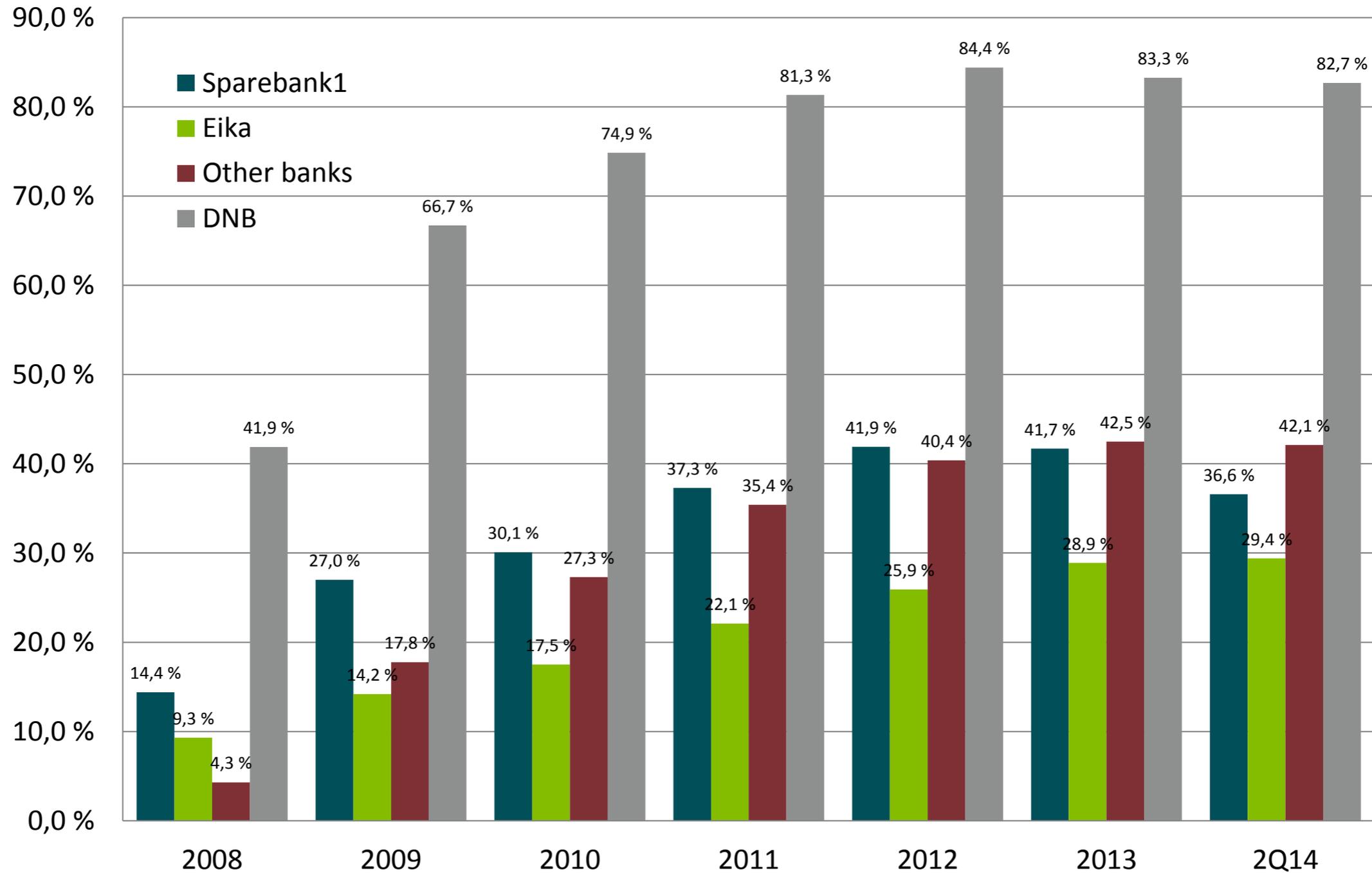
Changes in core earnings after loan losses - Eika vs. other banks



Source: Bank Analyst Eika

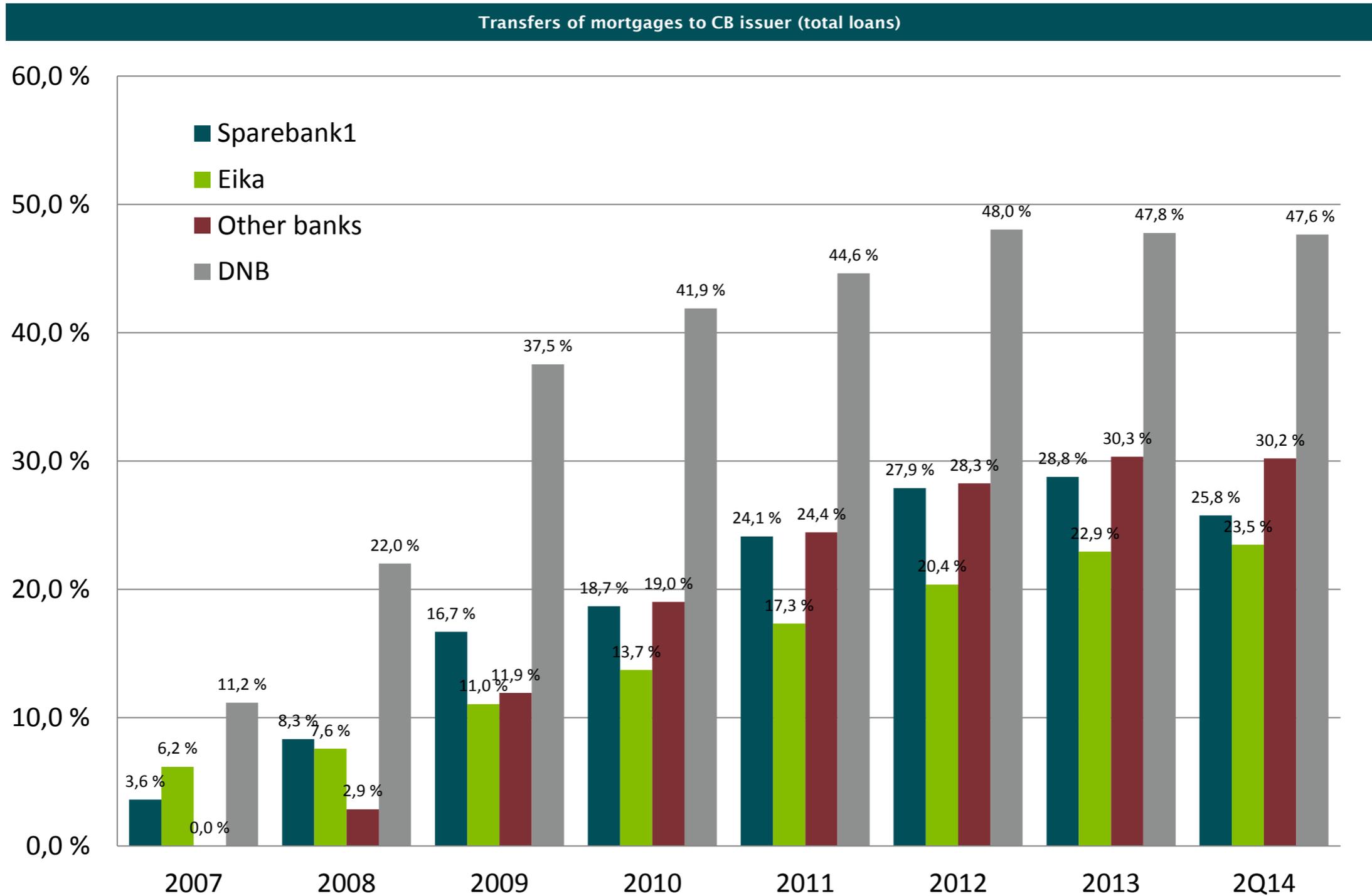
# Banks – transfer rate to Cov. Bond companies

Transfers of mortgages to CB issuer in percentage of retail loans (incl. EIKBOL and excl. OBOS)



Source: Bank Analyst Eika

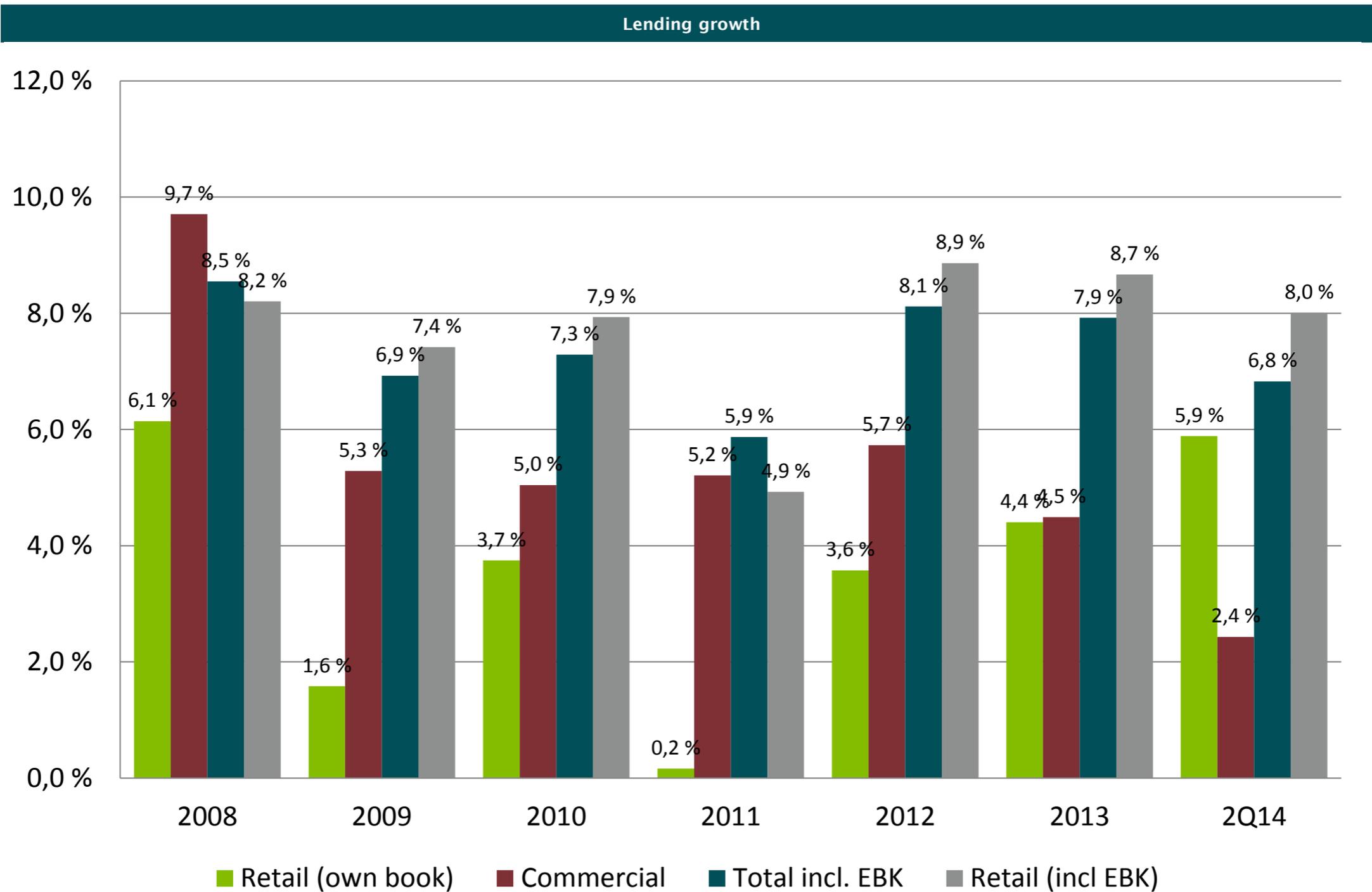
# Banks - transfers of mortgages to Cov. Bond companies



Source: Bank Analyst Eika

# Appendix

## Eika banks - lending growth



Source: Bank Analyst Eika

## Appendix

# Eika banks - lending distribution - high retail share compared to peers

- Significantly higher retail share compared with Sparebank1, other saving banks and DNB.
- Exposure to agriculture has more in common with retail loans since the house on the farm often makes up the main collateral of the loan
- No exposure to shipping and relatively low exposure to commercial real estate

Sector	Eika	Other banks	Sparebank 1	DNB	Nordea
Agriculture/forestry	5,0 %	2,7 %	4,8 %	0,6 %	0,0 %
Fishing/fish farming	0,0 %	1,8 %	1,3 %	1,4 %	0,0 %
Industry	1,3 %	2,3 %	2,8 %	4,3 %	5,9 %
Building and construction	4,0 %	4,0 %	3,4 %	3,5 %	2,9 %
Trade and hotels	2,4 %	2,0 %	2,4 %	3,2 %	3,6 %
Shipping	0,0 %	1,8 %	1,7 %	9,2 %	8,7 %
Real estate business	10,2 %	19,2 %	17,7 %	14,1 %	17,4 %
Service industry	1,8 %	3,2 %	4,7 %	5,3 %	2,5 %
Transport/comm.	0,9 %	1,1 %	3,4 %	2,5 %	2,0 %
Other	1,0 %	2,4 %	1,1 %	5,0 %	7,7 %
Public sector	0,1 %	0,2 %	0,9 %	0,6 %	0,3 %
<b>Commercial lending</b>	<b>26,7 %</b>	<b>40,8 %</b>	<b>44,2 %</b>	<b>49,8 %</b>	<b>50,9 %</b>
<b>Retail lending</b>	<b>73,3 %</b>	<b>59,2 %</b>	<b>55,8 %</b>	<b>50,2 %</b>	<b>49,1 %</b>
Total lending	100,0 %	100,0 %	100,0 %	100,0 %	100,0 %

## Appendix

# P&L Eika Boligkreditt - Strong income growth

Amounts in NOK Million	2010	2011	2012	2013	1Q13	2Q13	3Q13	4Q13	1Q14	2Q14
Total Interest income	1,029	1,403	1,806	2,205	508	541	573	583	609	630
Total interest expenses	866	1,229	1,458	1,568	375	397	405	391	404	444
Net interest income	163	173	348	637	132	145	168	191	206	186
Dividend from shares classified as available for sale	1	3	3	5	-	5	-	-	-	-
Total gains and losses on financial instruments at fair value	14	6	16	(111)	1	(3)	6	(115)	(55)	1
Comission costs	97	111	212	449	91	103	120	133	140	151
Total salaries and administrative expenses	26	26	31	37	9	10	9	9	9	10
Depreciation	1	1	2	2	-	-	-	-	-	1
Other operating expenses	8	11	11	14	4	3	3	4	3	4
Losses on loans and gurantees	-	-	-	-	-	-	-	-	-	-
PROFIT BEFORE TAXES	45	112	112	29	28	30	41	(70)	(1)	27
Taxes	12	31	31	8	8	7	11	(17)	-	6
PROFIT FO THE PERIOD	32	82	82	21	20	23	30	(52)	(1)	21

### Eika Boligkreditt AS - Report Q2 2014:

*The company showed a pre-tax profit of NOK 25.5 million for the first half, compared with NOK 58 million in the same period of 2013. Excluding the negative value changes related to basis swaps, the pre-tax profit for the first half was NOK 84.3 million. In addition to the negative value changes on basis swaps, value changes to financial instruments included NOK 1.2 million in net gain on lending at fair value, a loss of NOK 4.3 million of fair value hedging on debt securities issued, and a net gain of NOK 7.7 million on bonds and certificates. The first-half profit accordingly includes negative changes of NOK 54.2 million in the value of financial instruments, as against a negative NOK 2.4 million for the same period of 2013.*

*The full report is available on: <http://eikabk.no>*

## Appendix

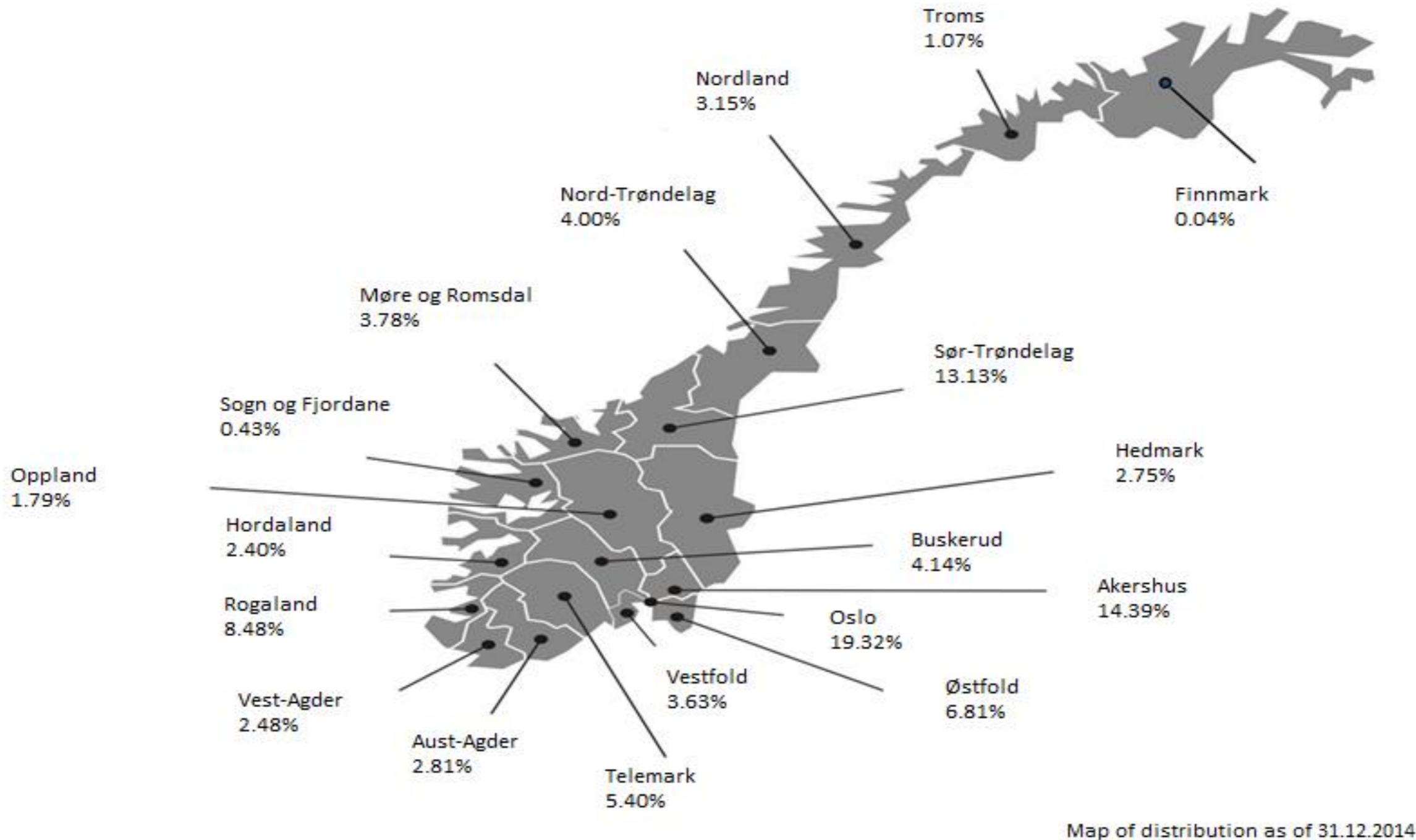
# Eika Boligkreditt - Balance sheet and key figures

Amounts in NOK million	2010	2011	2012	1Q2013	2Q2013	3Q2013	2013	1Q2014	2Q2014
<b>Balance sheet development</b>									
Lending to customers	29,904	37,194	47,086	49,970	52,856	54,858	57,692	58,723	60,248
Debt from issuing securities	32,719	41,212	52,583	57,189	61,334	61,826	63,889	71,183	72,579
Subordinated loans	438	318	319	180	678	678	678	877	878
Equity	909	1,070	1,801	1,921	2,032	2,062	2,459	2,458	2,959
Equity in % of total assets	2.63	2.47	3.21	3.17	3.10	3.09	3.52	3.18	3.75
Average total assets	31,337	38,645	50,013	58,427	60,785	62,249	63,765	73,546	75,355
Total assets	34,612	43,255	56,165	60,689	65,502	66,641	69,829	77,264	78,971
<b>Rate of return / profitability</b>									
Fee and commission income to relation to average total assets, annualised (%)	0.31	0.29	0.42	0.63	0.68	0.77	0.70	0.76	0.77
Staff and general administration expenses in relation to average total assets, annualised (%)	0.08	0.07	0.06	0.06	0.06	0.06	0.06	0.05	0.05
Return on equity, annualised (%)	4.92	3.12	6.54	6.22	5.98	8.25	1.21	-0.21	1.95
Total assets per full-time position	2,704	2,923	3,555	3,841	3,899	3,545	3,714	4,110	4,201
<b>Financial strength</b>									
Core tier 1 capital	904	1,053	1,710	1,810	1,980	1,979	2,399	2,397	2,898
Total tier 1 capital	904	1,053	1,710	1,810	2,228	2,228	2,648	2,845	3,346
Total primary capital (tier 2 capital)	1,342	1,371	2,029	1,989	2,658	2,657	3,077	3,274	3,776
Weighted calculation basis	10,829	13,724	17,150	18,415	19,917	20,361	21,445	22,683	23,182
Core tier 1 capital ratio	8.3	7.7	10.0	9.8	9.9	9.7	11.2	10.6	12.50
Total tier 1 capital ratio	8.3	7.7	10.0	9.8	11.2	10.9	12.3	12.5	14.43
Capital adequacy ratio	12.4	10.0	11.8	10.8	13.3	13.1	14.3	14.4	16.3
Delinquencies in % of gross loans	-	-	-	-	-	-	-	-	-
Loss in % of gross loans	-	-	-	-	-	-	-	-	-
<b>Staff</b>									
Number of full-time positions at end of period	12.80	14.80	15.80	15.80	16.80	18.80	18.80	18.80	18.8

Source: EBK quarterly reports

## Appendix

# Eika Boligkreditt - Strong geographical diversification



## Appendix

# Comparison of legal frameworks for covered bonds

	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
Allowed Collateral	Residential mortgages, commercial mortgages, public sector debt	Residential Mortgages, commercial mortgages (max 10%), public sector debt	Residential and commercial mortgage loans and substitute collateral. Commercial banks are also allowed to introduce ship loans.	Residential mortgages, commercial mortgages (max. 10%), public sector debt and shares in Finnish real estate corporations	Mortgage loans, public sector debt, ship loans, aircraft loans
RMBS inclusion	No	No	No	No	No
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% (30% for a limited period if authorised by the Swedish FSA)	Up to 15 %	Up to 20%	Max. 20%
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% (70% for agricultural purposes)	80%	70%	60%
LTV barrier commercial	60%	60%	60%	60%	60%
Basis for valuation	Prudent Market value	Market value	Market value	Market value	Mortgage lending value
Valuation check	Regular surveillance through accountant	Regular monitoring of property values	Regular monitoring	Regular examination	Regular (at least every 2 years) examination of the cover register
Special supervision	Yes; Finanstilsynet	Yes; Finansinspektionen	Yes ; Finanstilsynet	Yes; Finanssivalvonta Finansinspektionen	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 for specialist lenders	Yes (2% on a NPV basis)	2% NPV
Fulfills UCITS 22(4)/CRD	Yes	Yes	Yes	Yes	Yes

Source: Natixis Covered Bond Research/Nordea Markets

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