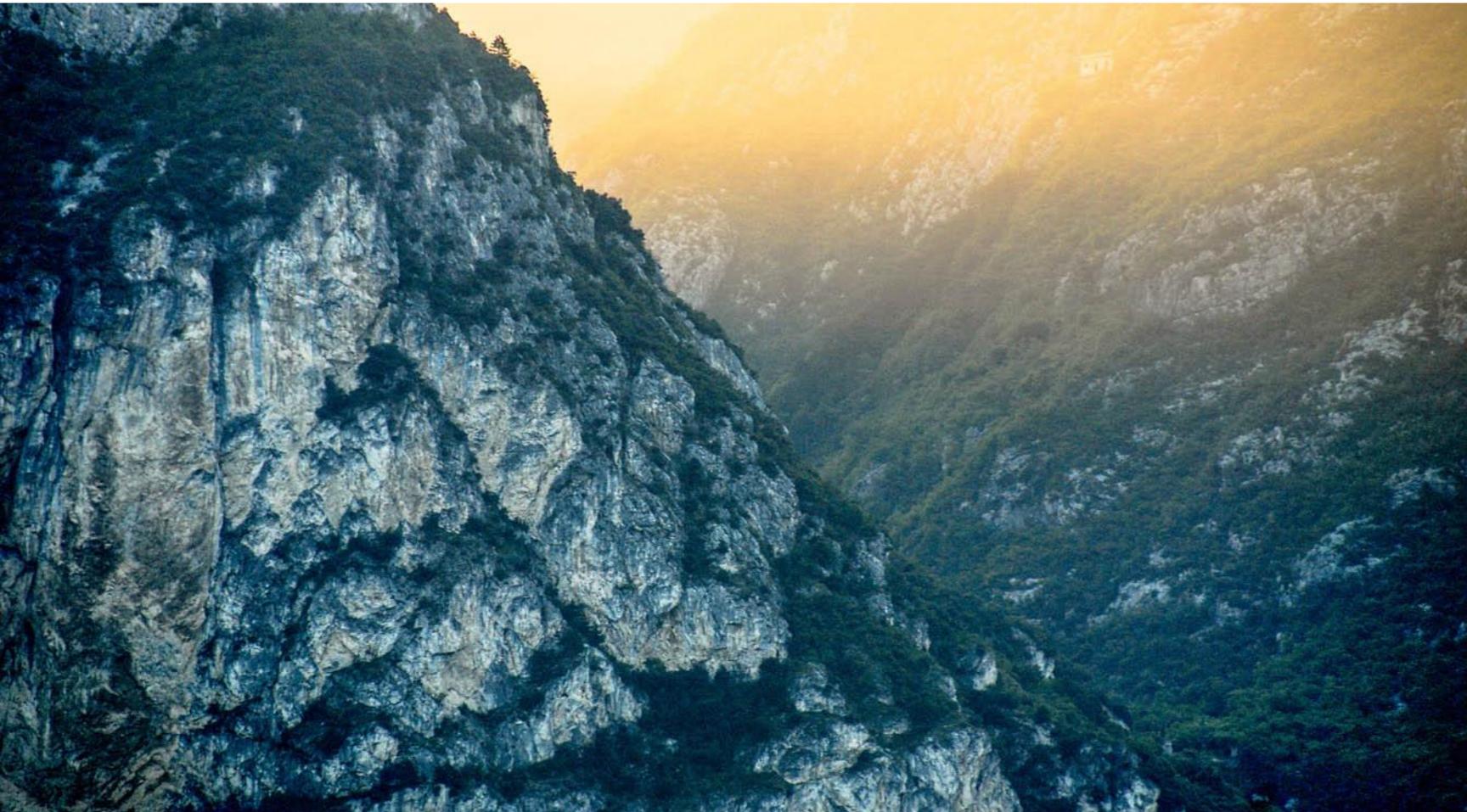


# Eika Boligkreditt

Investor presentation

June 2015



**eika.**

# Agenda

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Eika banks	12
Eika Boligkreditt and Collateral Pool	19
Funding strategy and activity	32
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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 NOK 613 366 (\$82,309) in 2014. 86% higher than the average in the EU-countries and 2<sup>nd</sup> highest behind Luxembourg
- Contributors to growth expected in 2015:
  - Positive contribution from private consumption, public investment & consumption and export (excluding oil&gas)
  - Negative contribution from reduced petroleum investments (-16 % in 2015 for a sector constituting 9 % of GDP in 2014)

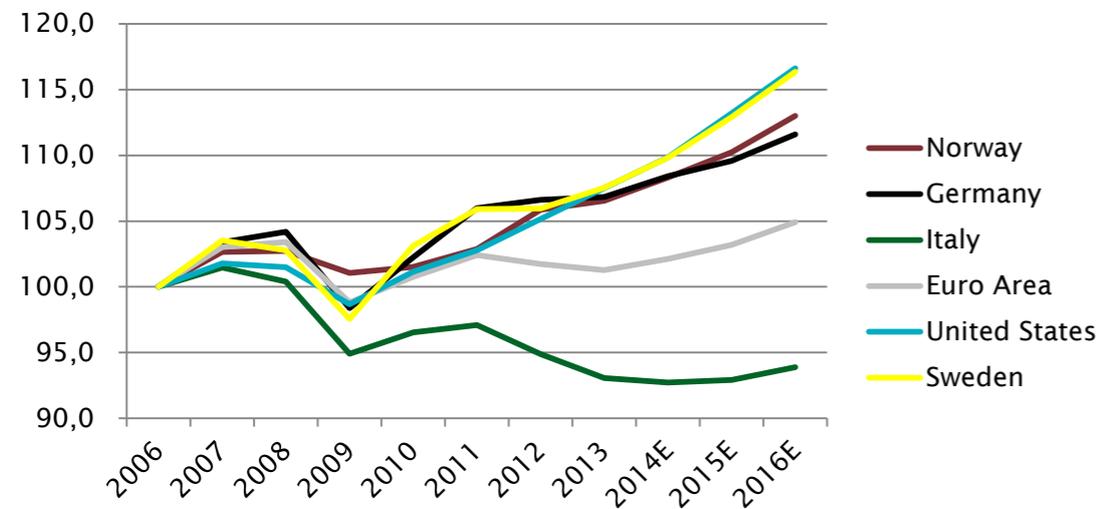
	2007	2008	2009	2010	2011	2012	2013	2014	2015E	2016E	2017E	2018E
GDP growth (Mainland)	5.7 %	1.7 %	-1.6 %	1.8 %	1.9 %	3.8 %	2.3 %	2.3 %	1.1 %	2.2 %	2.4 %	2.7 %
Consumer price inflation	0.8 %	3.8 %	2.1 %	2.5 %	1.2 %	0.8 %	2.1 %	2.0 %	2.3 %	2.0 %	1.7 %	1.7 %
Unemployment	2.5 %	2.6 %	3.2 %	3.6 %	3,3%	3.2 %	3.5 %	3.5 %	3.9 %	4.1 %	3.9 %	3.8 %
Private Consumption	5.3 %	1.7 %	0.0 %	3.8 %	2.3 %	3.5 %	2.1 %	2.1 %	2.1 %	2.2 %	2.4 %	2.3 %
Household savings rate	1.1 %	3.9 %	5.5 %	4.3 %	6.2 %	7.4 %	7.4 %	8.3 %	8.5 %	8.9 %	9.0 %	9.2 %
Houseprices	12.6 %	-1.1 %	1.9 %	8.3 %	8.0 %	6.7 %	4.1 %	2.7 %	3.6 %	1.2 %	1.9 %	0.4 %
Interest rates (money market)	5.0 %	6.2 %	2.5 %	2.5 %	2.9 %	2.2 %	1.8 %	1.7 %	1.1 %	1.0 %	1.2 %	1.5 %
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	n/a
Government pension fund / GDP	88 %	89 %	111 %	121 %	120 %	131 %	168 %	181 %	194 %	203 %	211 %	218 %

Source: Statistics Norway – Økonomiske analyser 1/2015 , OECD – Economic Outlook November 2014 and Norges Bank

## The operating environment

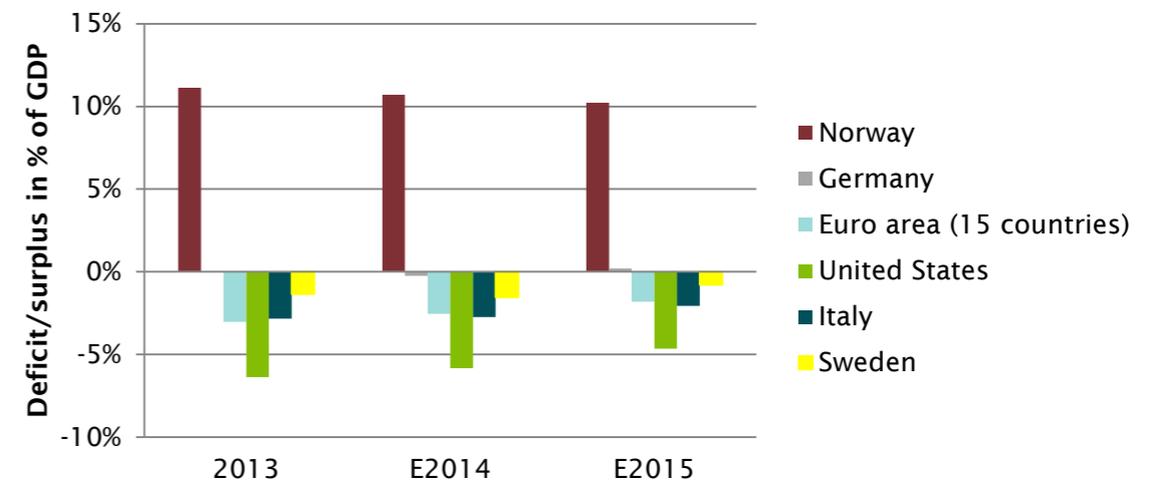
# The Norwegian economy – Solid economic situation

Real GDP growth (indexed to 100)



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

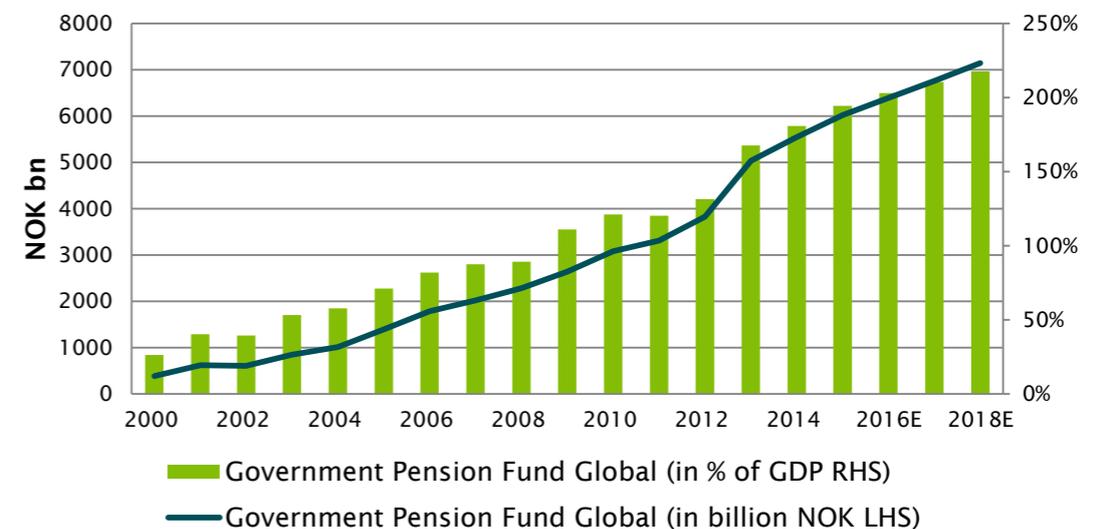
Government budget deficit/surplus



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 2.7% for mainland GDP for the last 10 years
- Strong current account surplus averaging around 13% of GDP since 2004

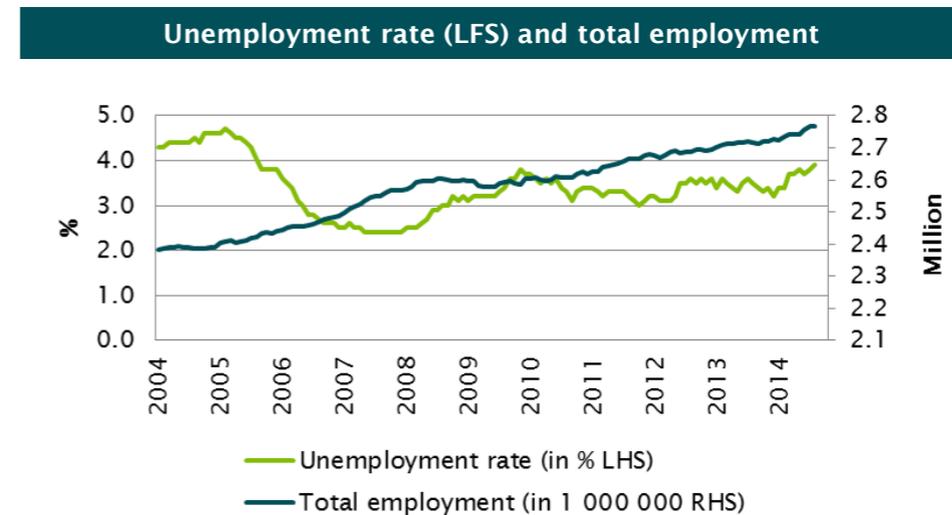
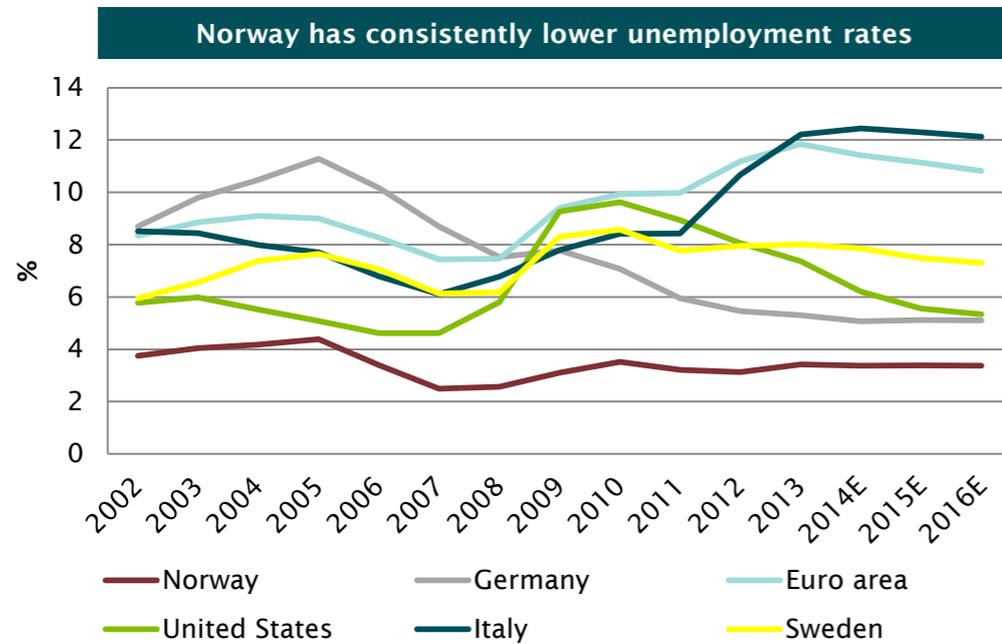
Government Pension Fund Global



Source : Ministry of Finance, Statistics Norway

## The operating environment

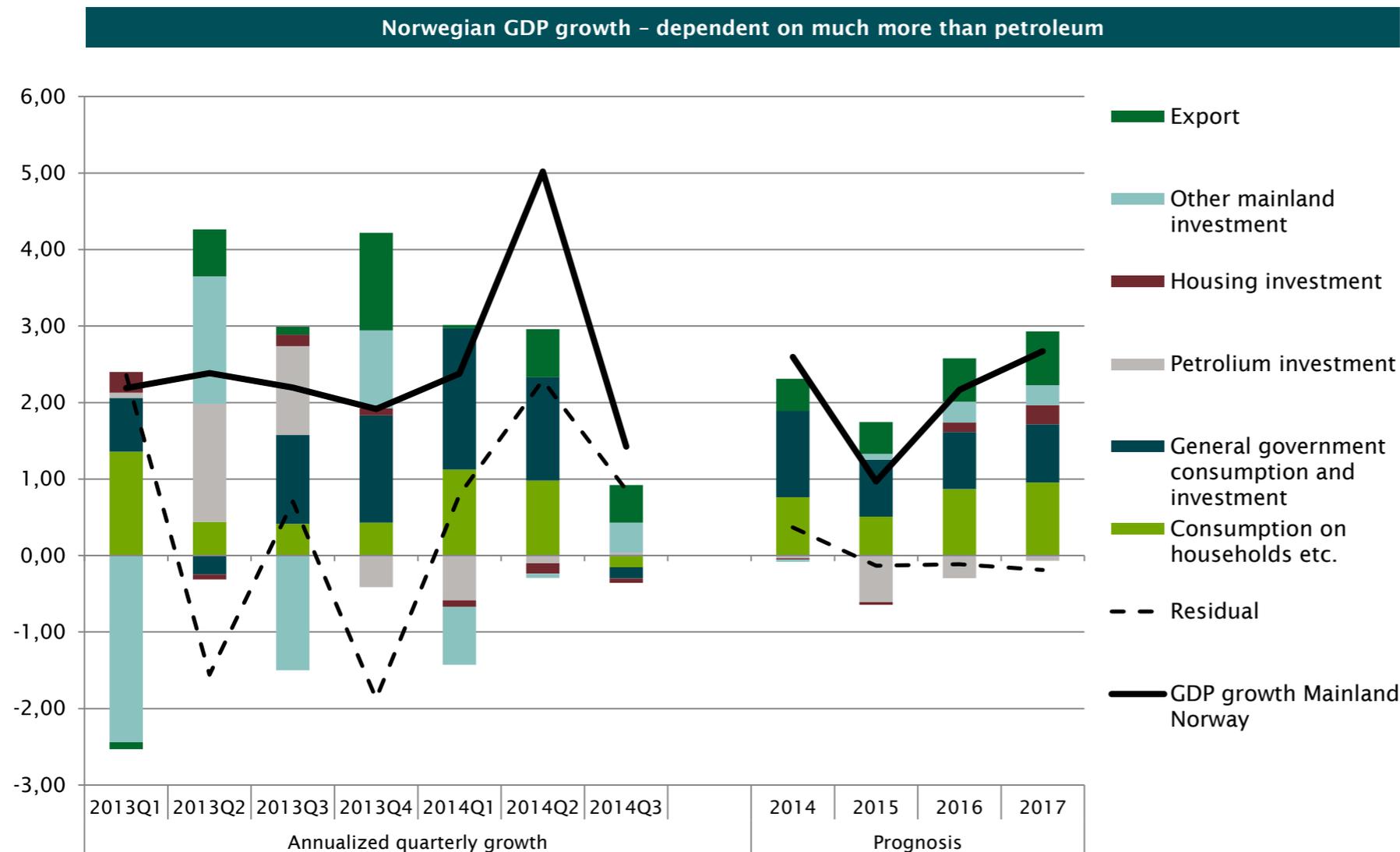
# The Norwegian economy – Low unemployment



- A buoyant economy ensures a high rate of employment
- Average unemployment rate of 3.3% 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

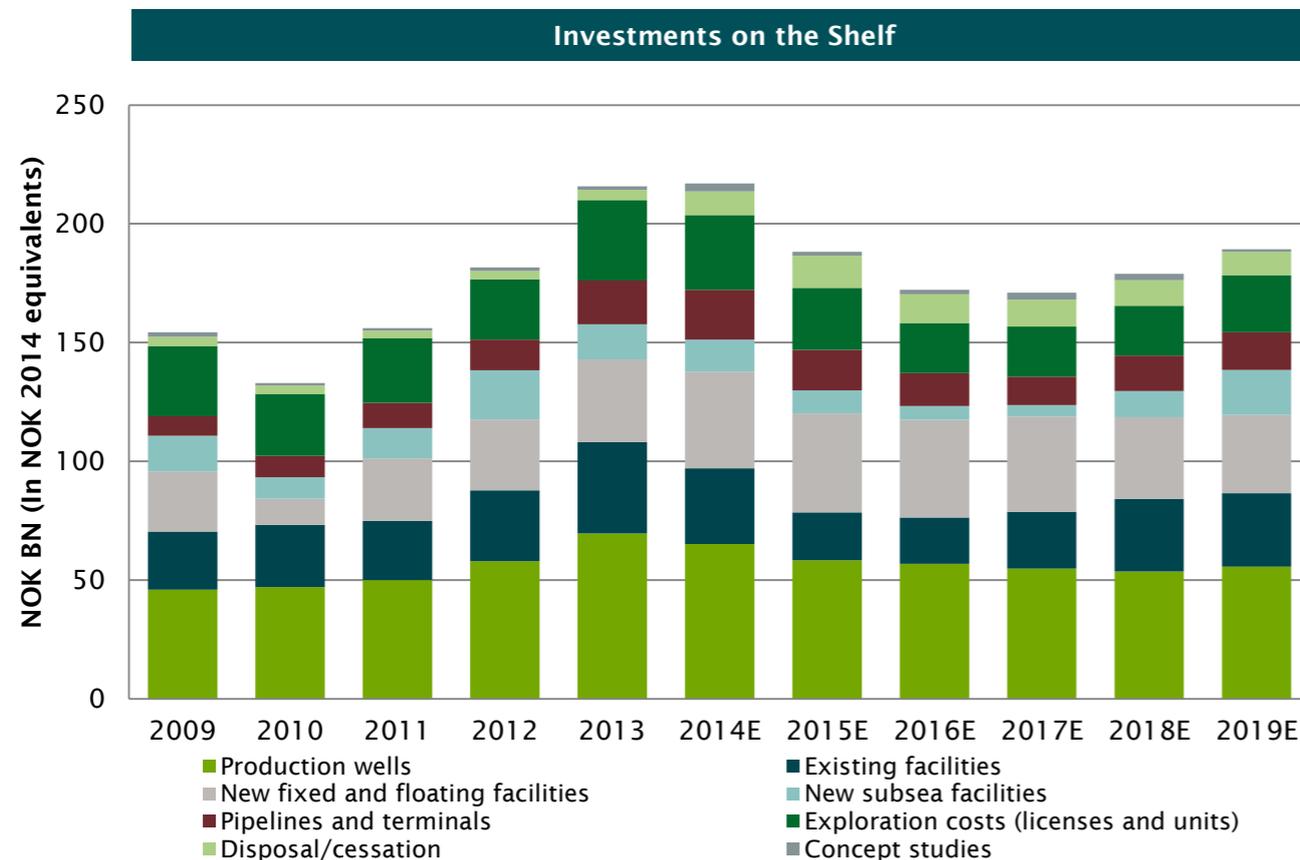


- The krone depreciated sharply through the second half of 2013, contributing to improved cost-competitiveness, which is part of the explanation for the growth from mainland exports in the second and the third quarter this year.
- In the wake of the decline in oil prices this autumn, the krone again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

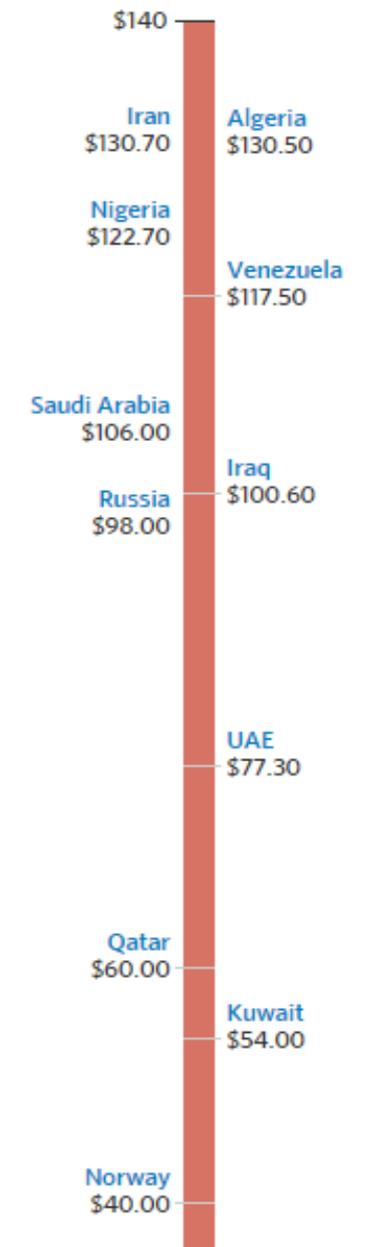
# The Norwegian economy – still significant fossil investments



- 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

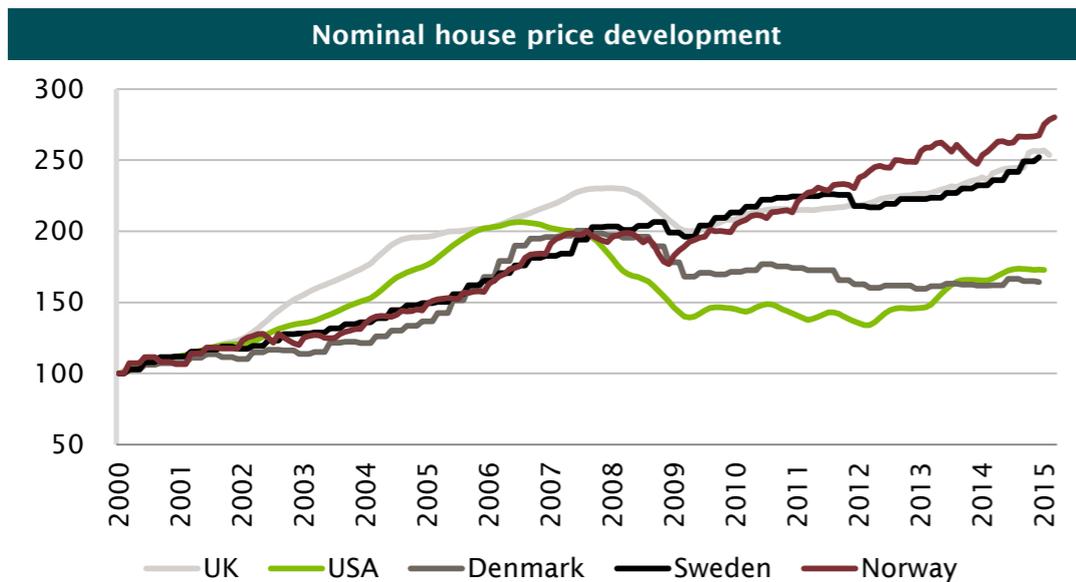
## The operating environment

# The housing market characteristics in Norway

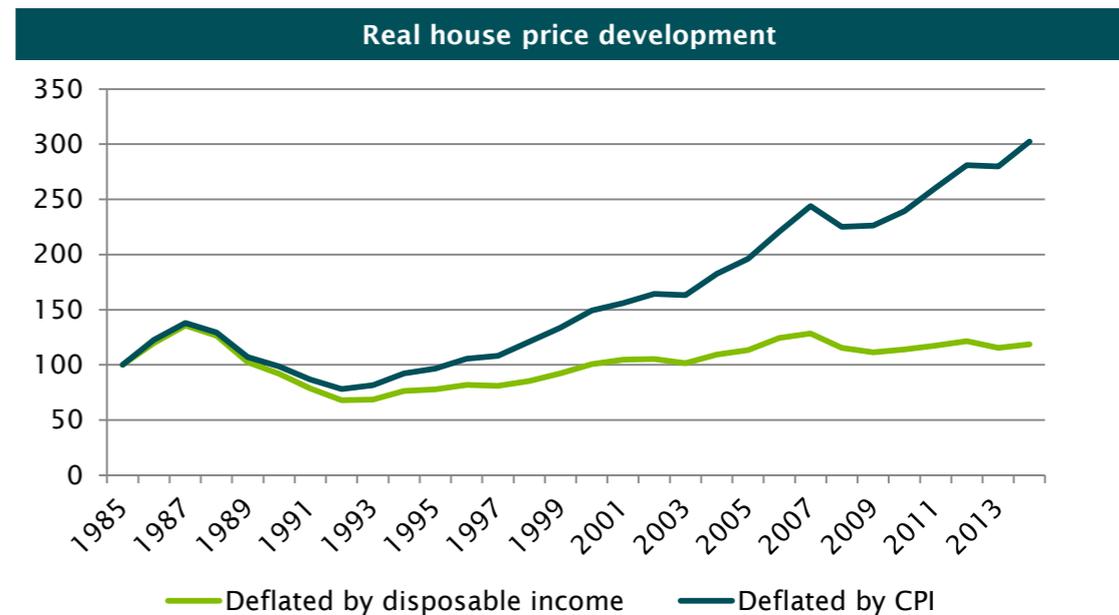
Home ownership	<ul style="list-style-type: none"><li>▪ Among the highest in the world - around 80% are owner-occupied households</li><li>▪ Total size of the mortgage market ~ NOK 2,200bn (EUR 240bn)</li></ul>
FSA Lending guidelines	<ul style="list-style-type: none"><li>▪ Maximum LTV normally 85% (since 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>▪ 92.1 % of residential mortgages have variable interest rate (Q4 2014)</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 December 2014 - March 2015

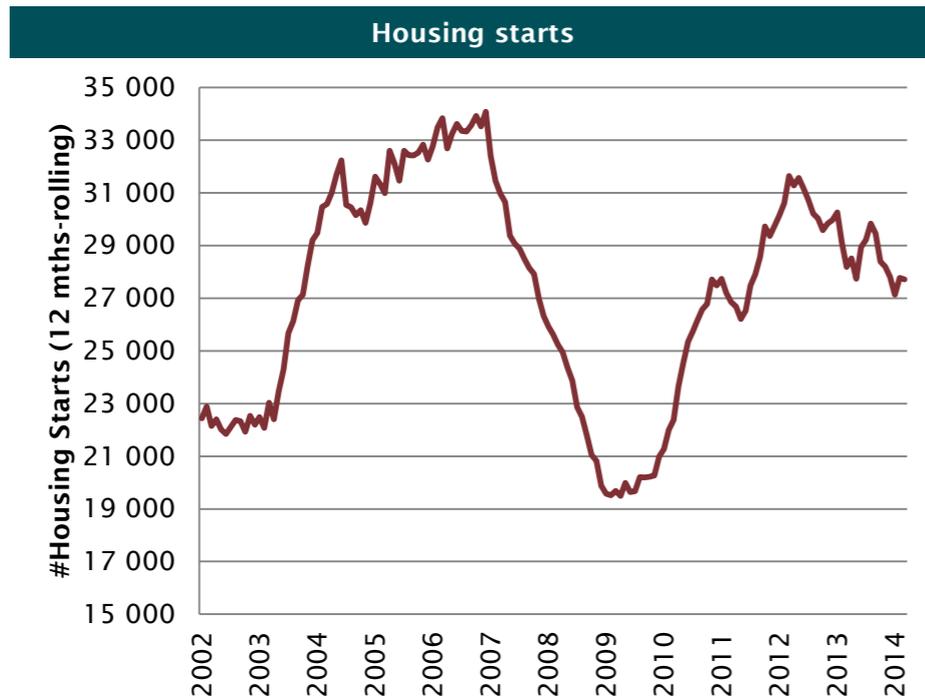


Source: Norges Bank, Statistics Norway, Eiendomsverdi, Updated December 2014

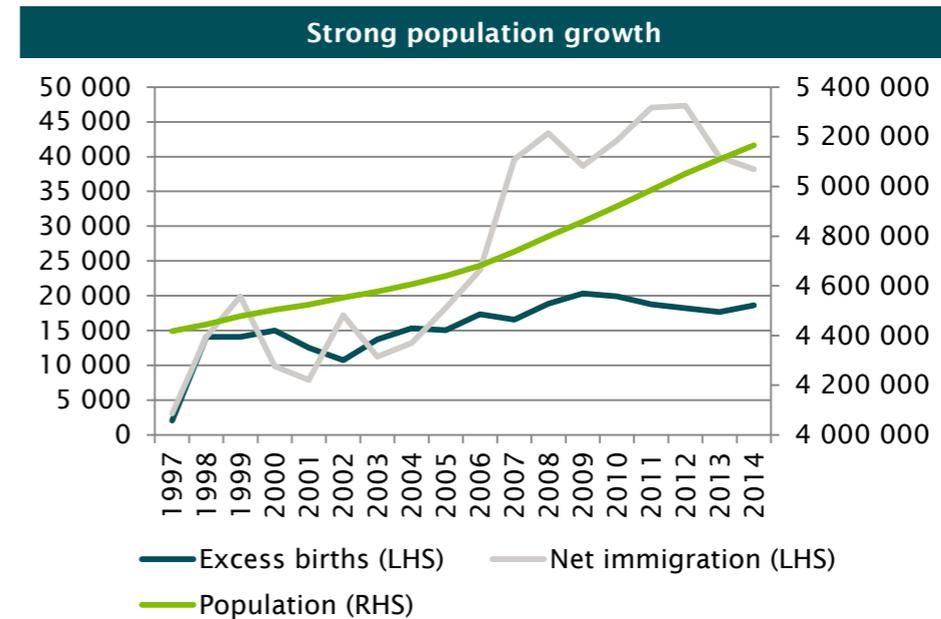
- Nominal house prices have increased by an average of 6.5 % per annum since 1985. However, when deflated by disposable income (5.9% per annum since 1985) the increase in house prices has been very moderate
- The housing market has been spurred by strong economic activity, environment of low interest rates, wage increases, population growth and supply constraints
- March 17<sup>th</sup> 2015 the FSA proposed lending regulation in stead of lending guidelines to MoF:
  - Increase mortgage rate with 6% (5%) when stresstesting a borrower's debt servicing capacity
  - The maximum LTV ratio remains 85 per cent of the sum of property value and any additional security. Higher LTV ratio cannot be justified on the basis of a special prudential assessment
  - Pledge of a personal guarantee is not sufficient
  - Maximum LTV for home equity credit lines is lowered from 70 to 65 per cent
  - Annual instalment payment of at least 2,5 per cent in the first year for mortgages with LTV  $\geq$  65 per cent

## The operating environment

# The housing market – Drivers of the housing market



Source: Statistics Norway, updated February 2015

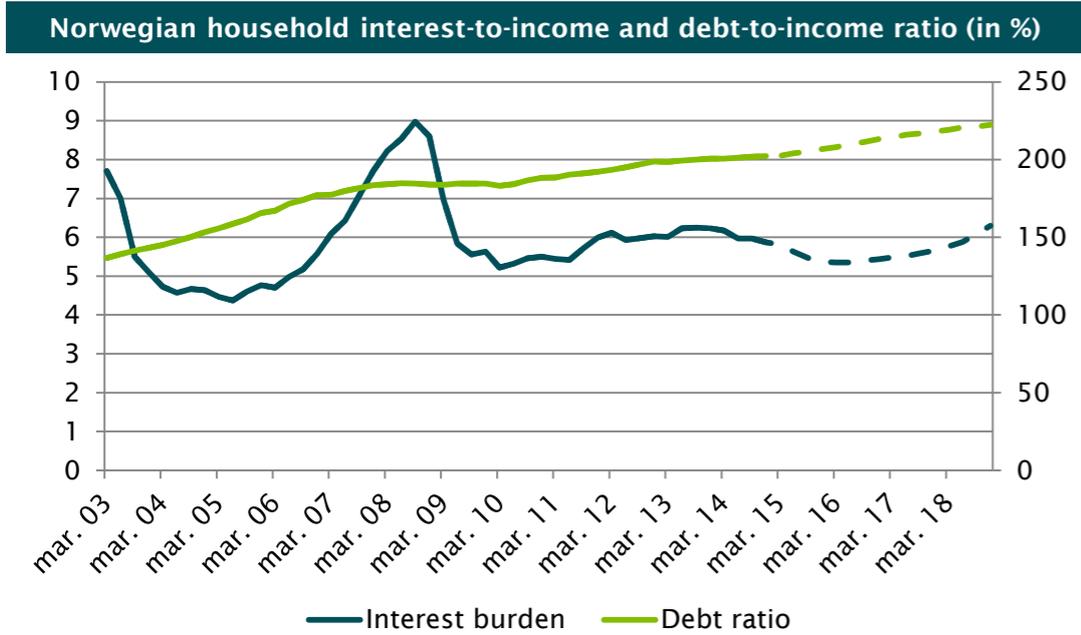


Source: Statistics Norway, updated Q4 2014

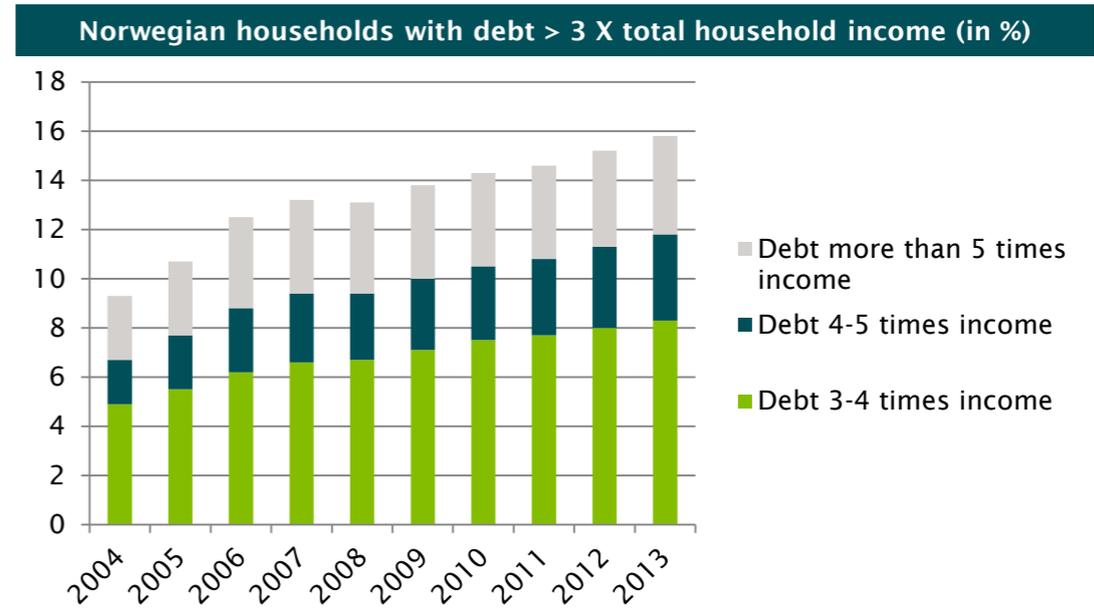
- Shortage of new housing supply and a strong population growth have been significant drivers of the strong price growth in the Norwegian housing market since 2008
- New home construction is up from the record low levels of 2009 and 2010 and has recently evolved towards the higher end of the range. This should mitigate the momentum on house prices going forward
- The population growth of 0.93 % p.a. since 1997 has been driven both by excess birth rate (37%) and net immigration (63%)

# The operating environment

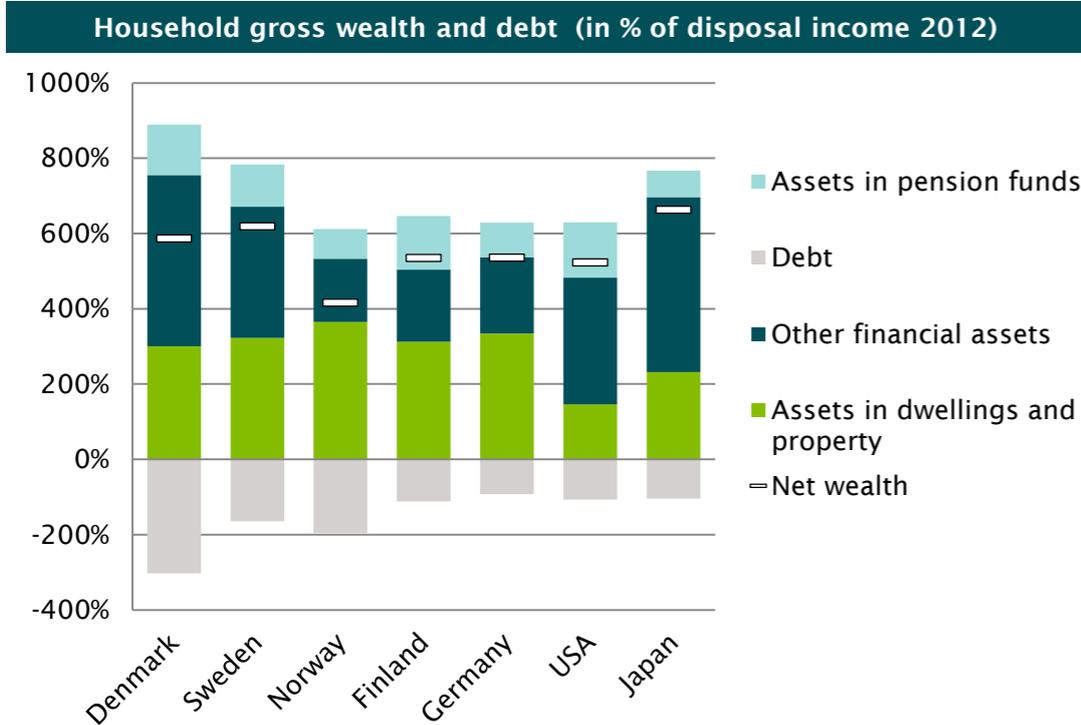
## Households financial position



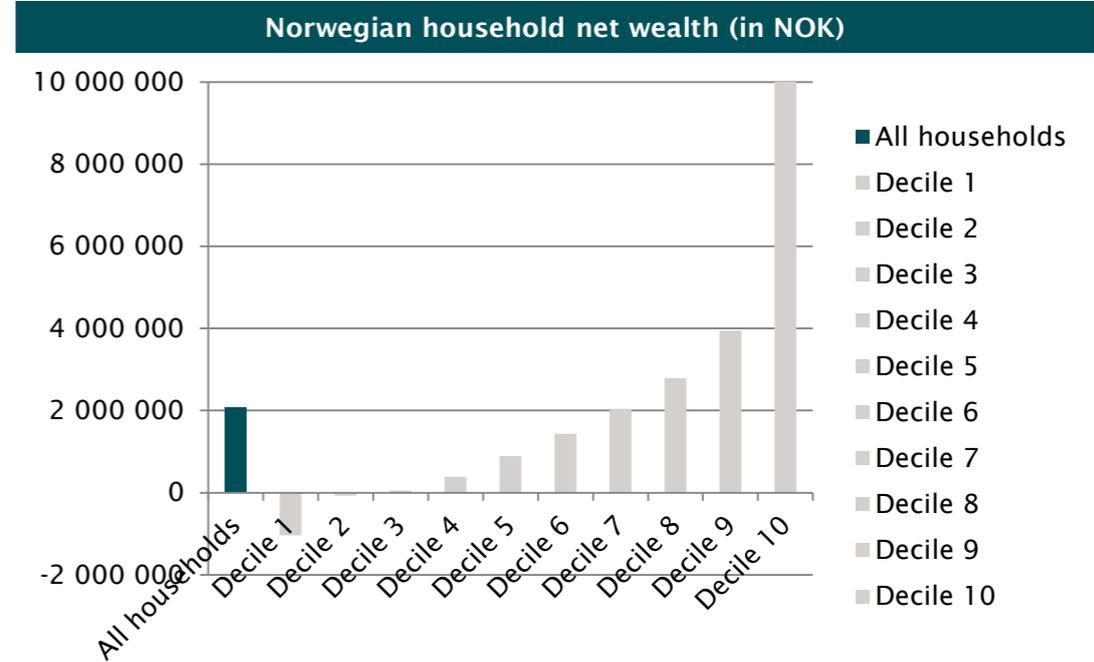
Source: Statistics Norway and Norges Bank, Expectations after December 2014 (dotted line)



Source: Statistics Norway, December 2013



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



Source: Statistics Norway, December 2013

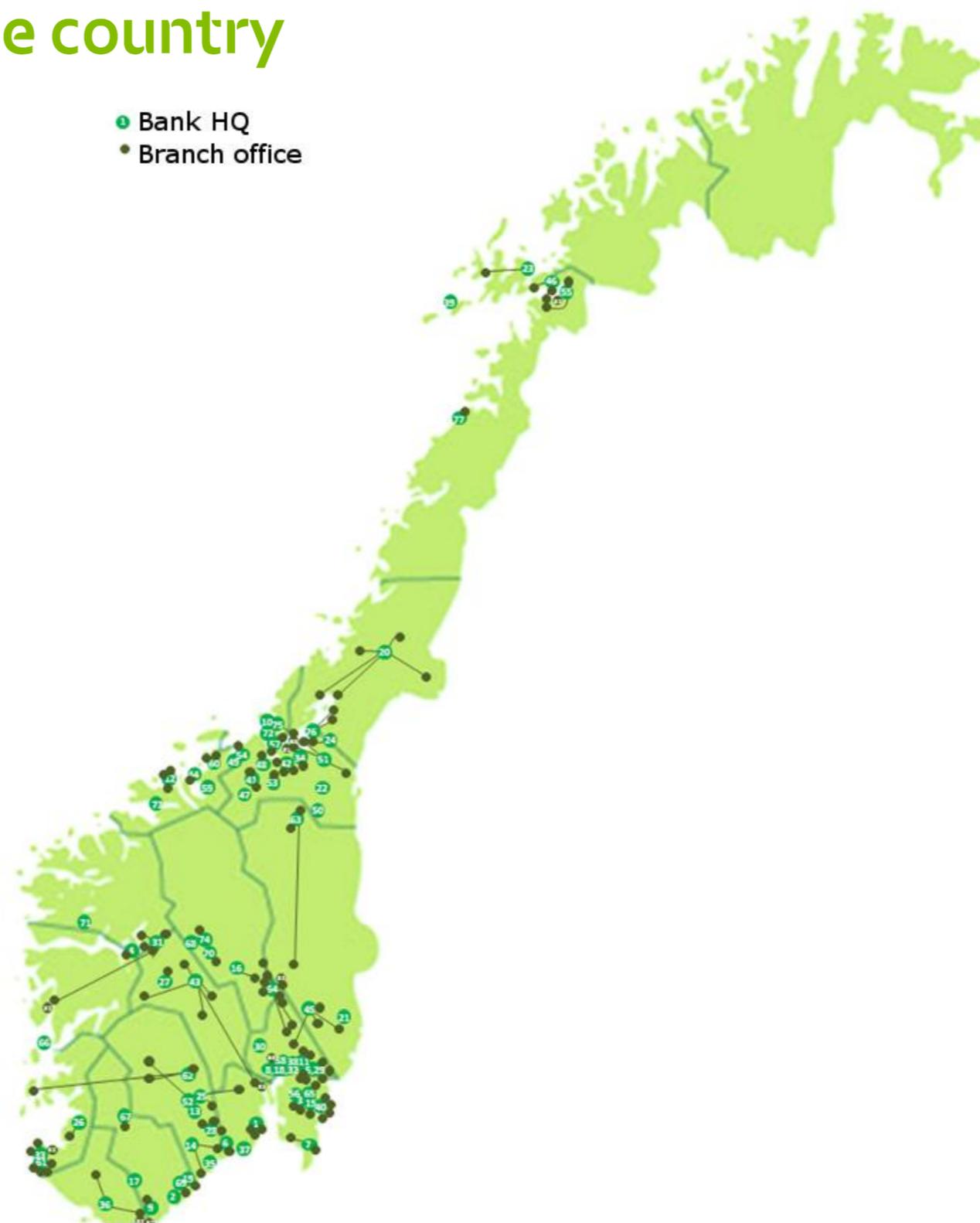
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Eika Boligkreditt and Collateral Pool	19
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## Eika banks

# Diversified operations across the country

- The Eika banks consist of a group of 74 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
  - 200 branch offices
  - 2,330 employees
- Aggregated balance sheet of Eika Banks is NOK 248bn (€ 27.5 bn) and average capital ratio of 18.6% incl. net profit 2014 (incl. Sandnes Sparebank)
- Market share in lending to retail customers
  - Between 40% and 80% in local markets (except the largest cities)
  - 11.3 % overall in Norway



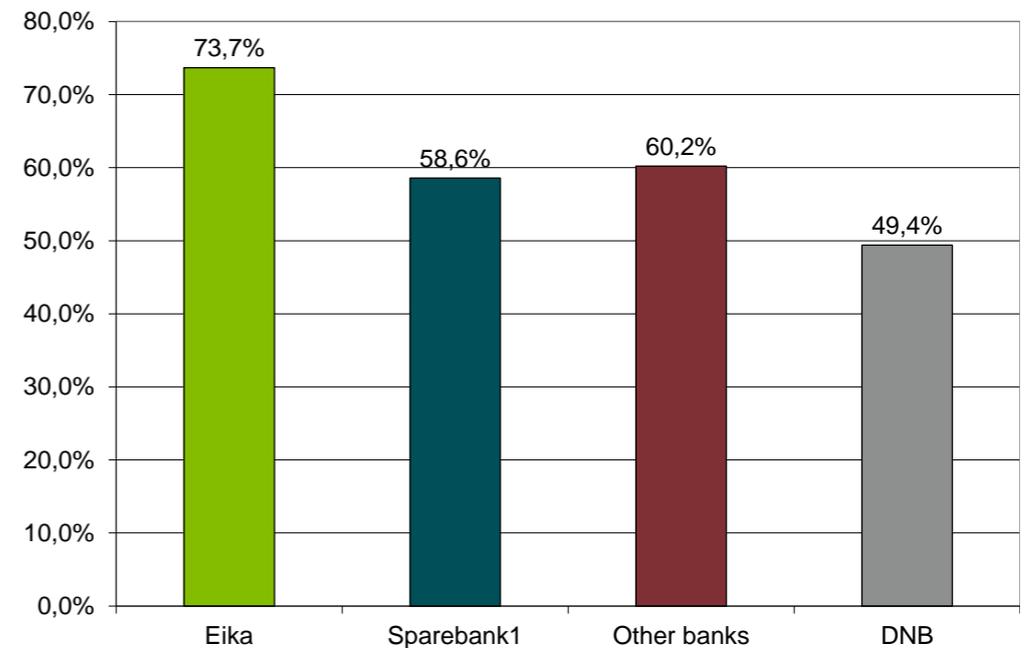
\*OBOS is the largest Nordic Cooperative Housing Association, established in 1929 and is owned by 226,000 members, mostly located in the Oslo-area. More information about OBOS can be found on [www.obos.no](http://www.obos.no)  
EURNOK as of 31.12.2014: 9.0162

## Eika banks

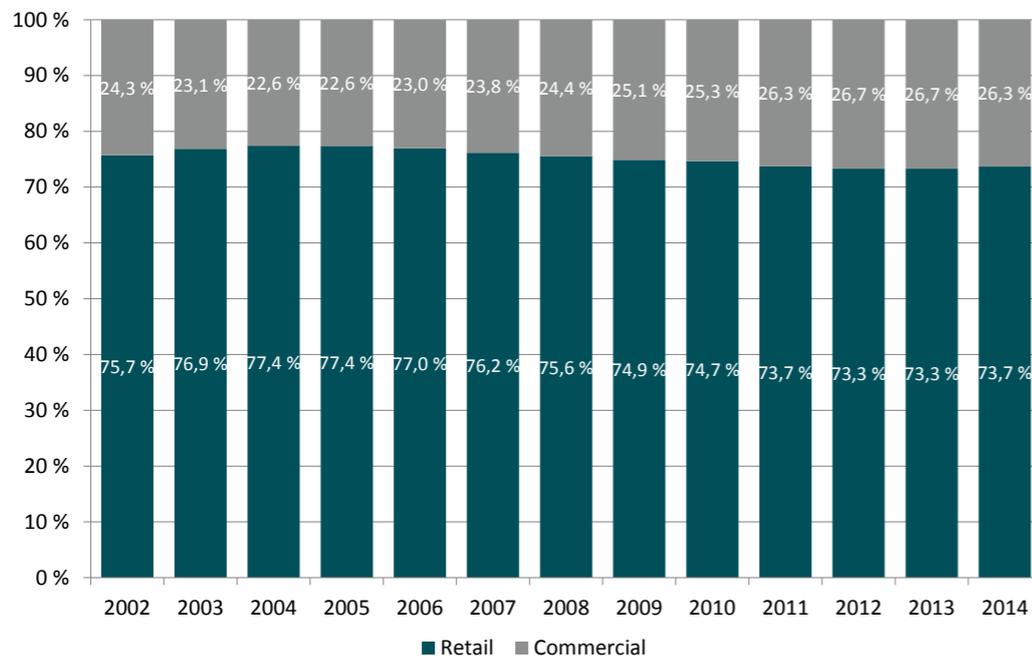
# Focus on retail customers

- High and stable retail share
- Retail lending accounts for 73.7% of Eika banks' total lending end 2014 (own balance sheet). Including transfers to Eika Boligkreditt the consolidated retail share is 80.9%
- 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 (53.0%) 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

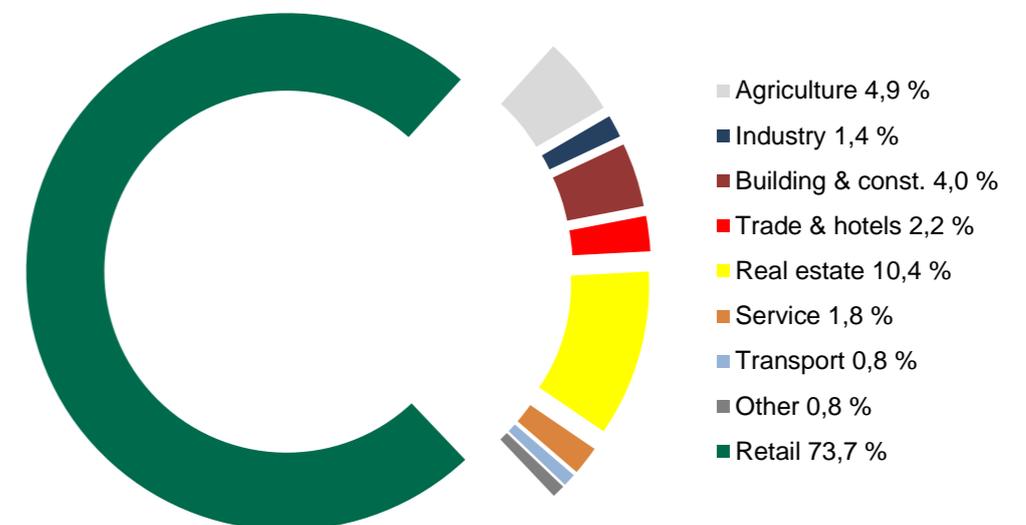
Retail share excl. transfers to CB company – Eika vs. peers 2014



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



Sector breakdown of the loan book YE2014



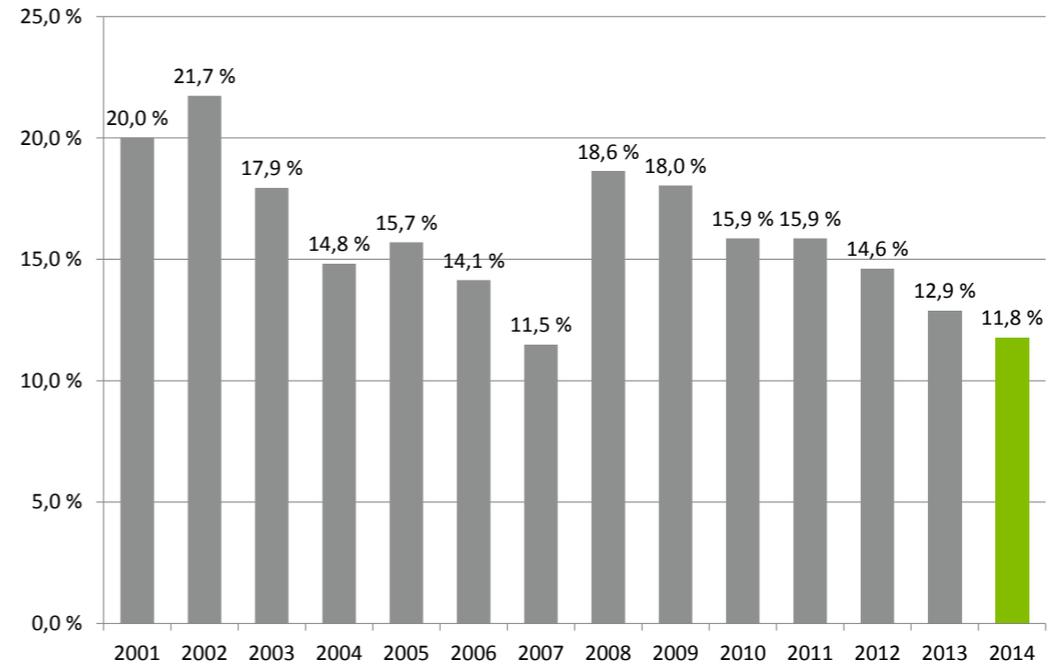
Source: Bank analyst Eika

## Eika banks

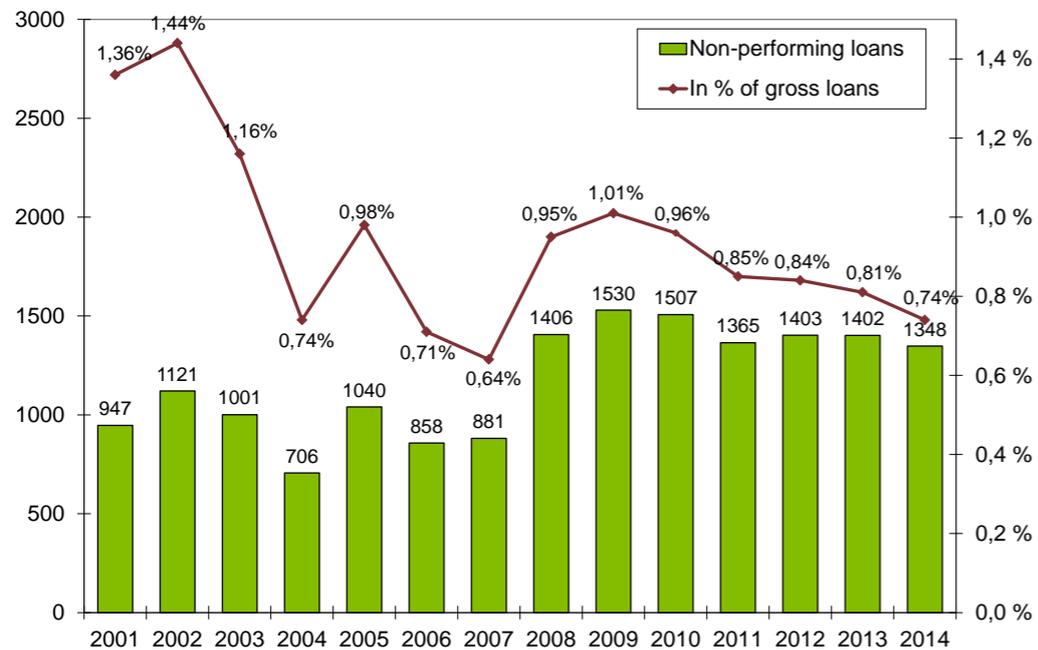
# High asset quality

- Conservative risk profile within the banks
- Few non-performing and doubtful loans
  - Gross non-performing loans constitute 0.74% of gross loans in 2014, versus 0.81% in 2013
  - Gross doubtful loans constitute 0.79% of gross loans in 2014, versus 0.82% in 2013
  - Provisioning ratio on problem loans of 51.2% (50.8% in 2013)
- Gross problem loans relative to equity + loan loss reserves has been declining gradually over the last 6 years and is now at 11.8%
- Problem loans = non performing loans + doubtful loans

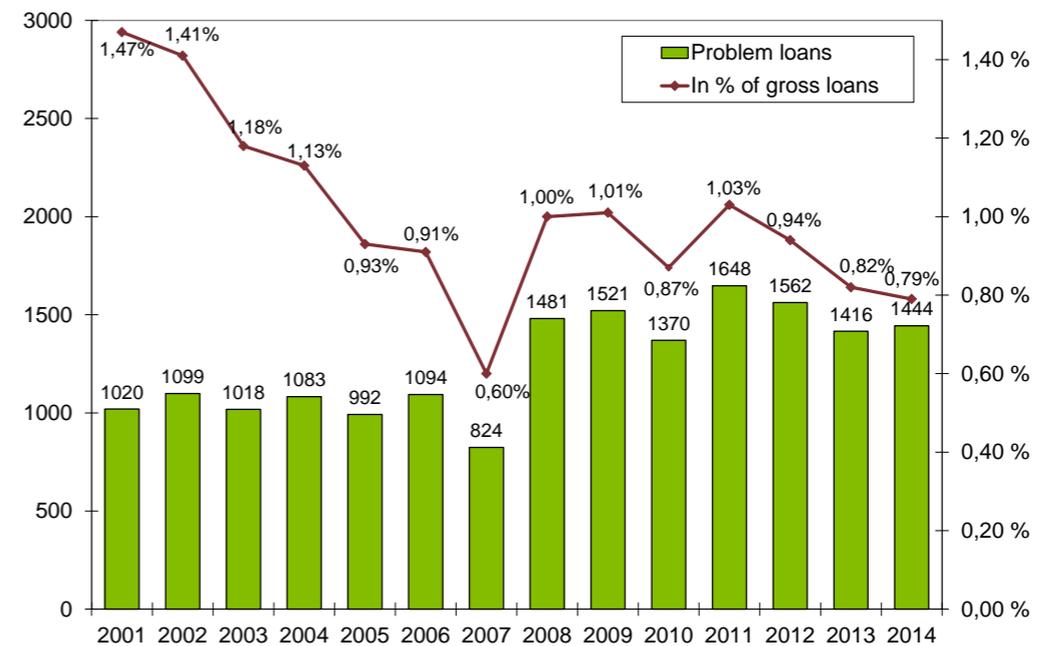
Problem loans/(Equity + Loan loss reserves)



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



Doubtful 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.  
 Doubtful loans: Loans that risk impairment (note that most banks use this rather conservatively)

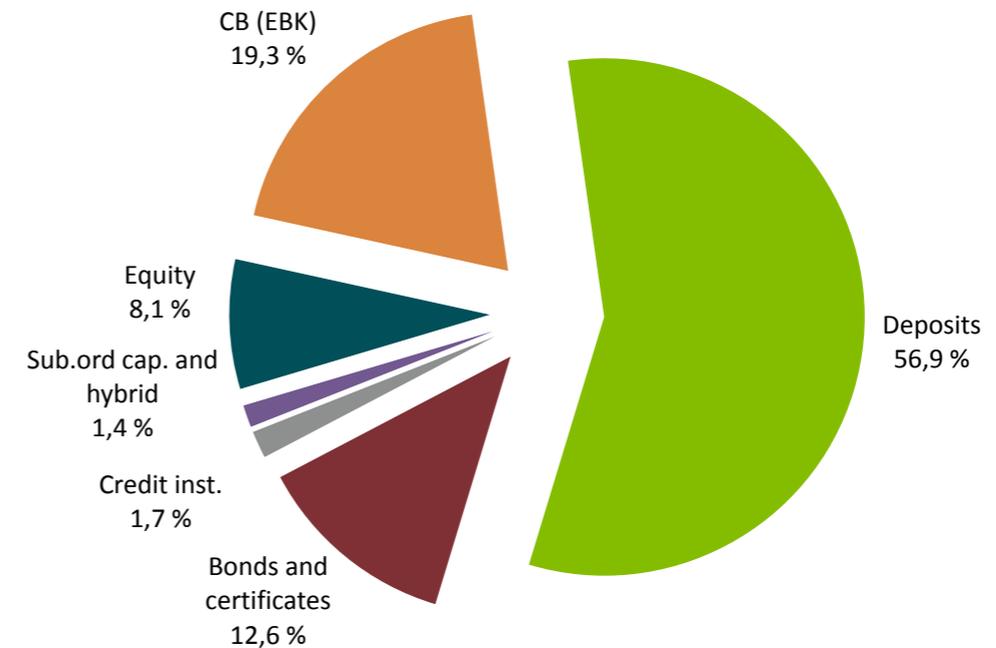
Source: Bank analyst Eika

## Eika banks

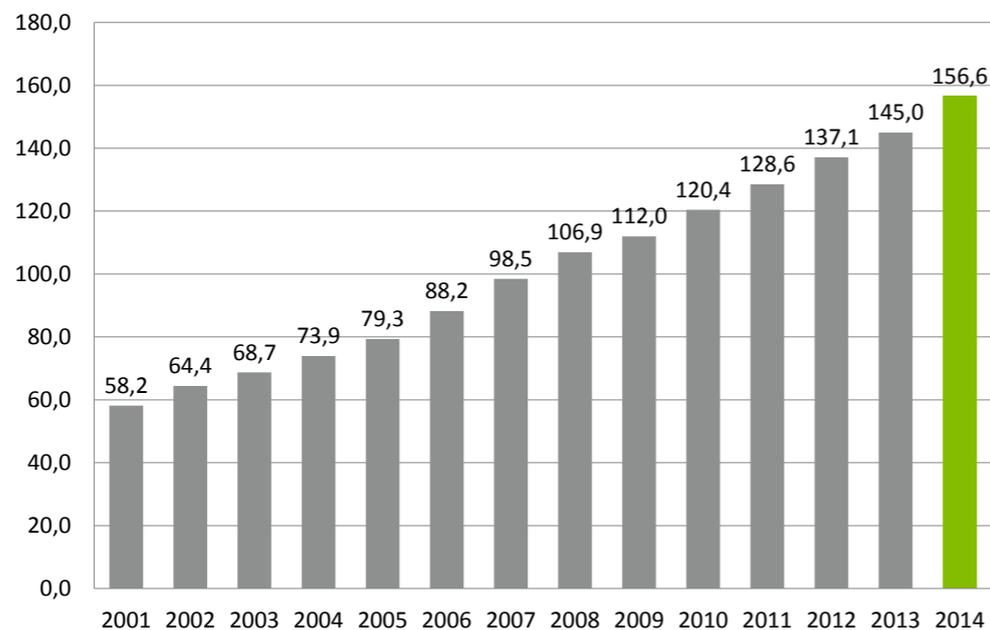
# High and growing deposit base

- Total funding incl. equity of Eika banks amounts to NOK 275.0bn end 2014 of which 56.9% consists of deposits
- Steady growth in the deposit base and high deposit ratio of 86.0 %. Average yearly growth rate in deposits has been 8.4 % over the past 14 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

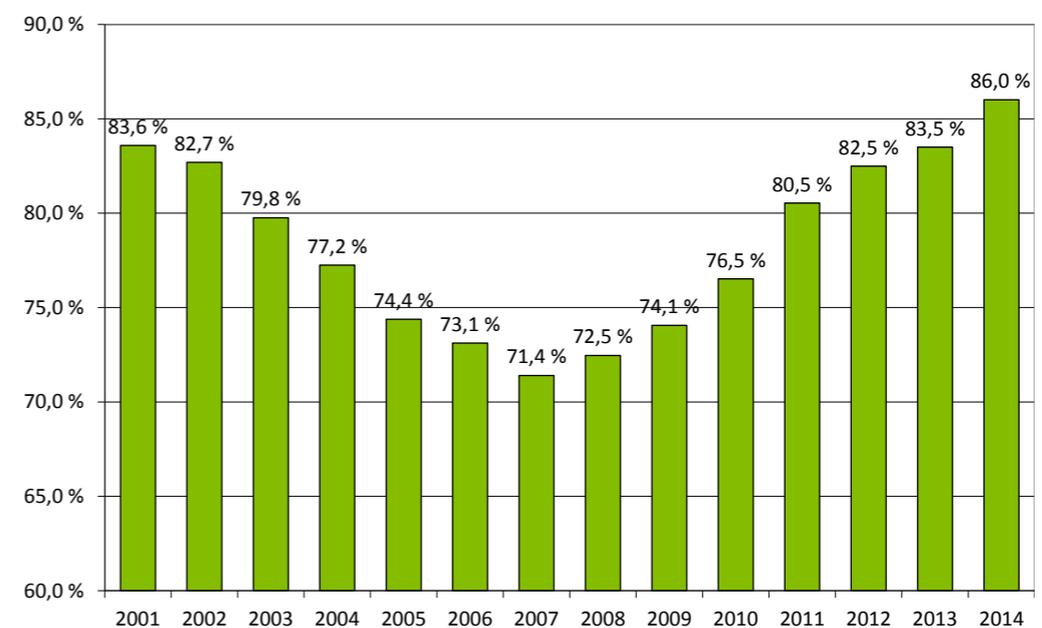
Total funding sources - NOK 275 bn YE2014



Aggregated deposits (in NOK bn)



Deposit ratio (Deposits/lending) (bank book, i.e ex EBK)

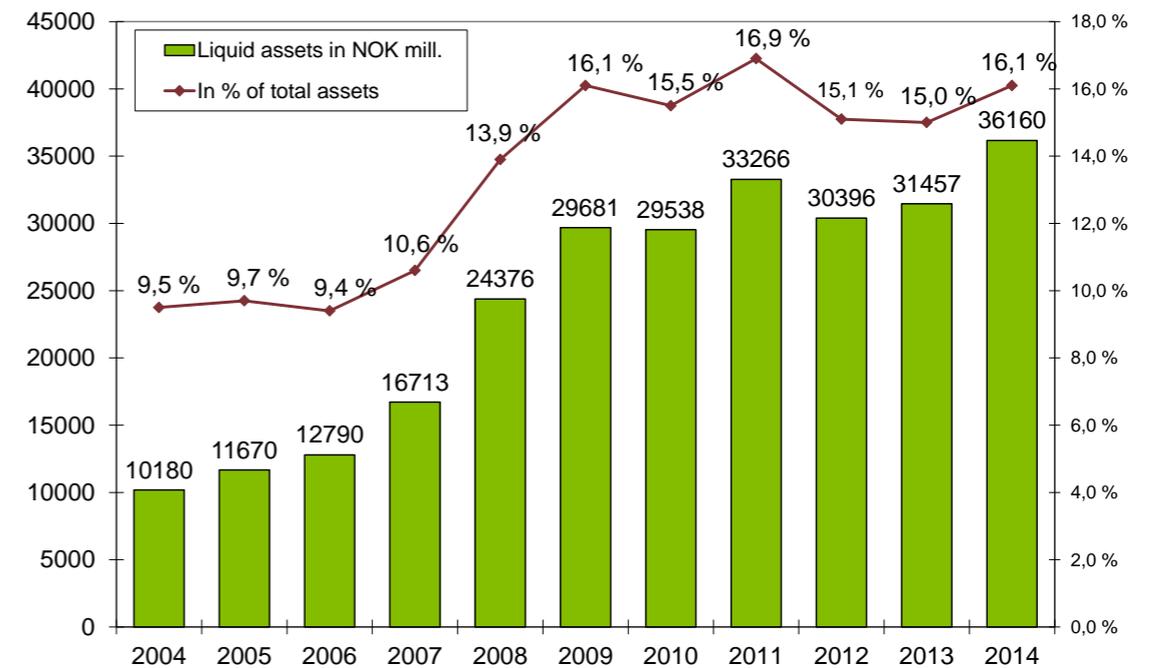


Source: Bank analyst Eika

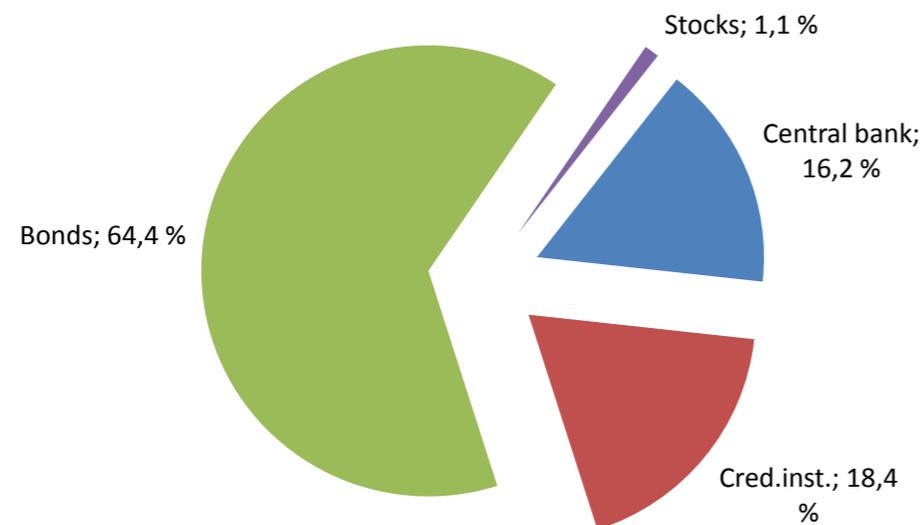
# Strong liquidity and funding position

- Large liquidity buffer amounting to NOK 36.2bn (EUR 4.0bn) and amount to 16.1% of total assets end 2014
- Relatively low dependency on market funding. Net market funding (less liquid assets) was only 3.1% of total assets YE2014
- 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

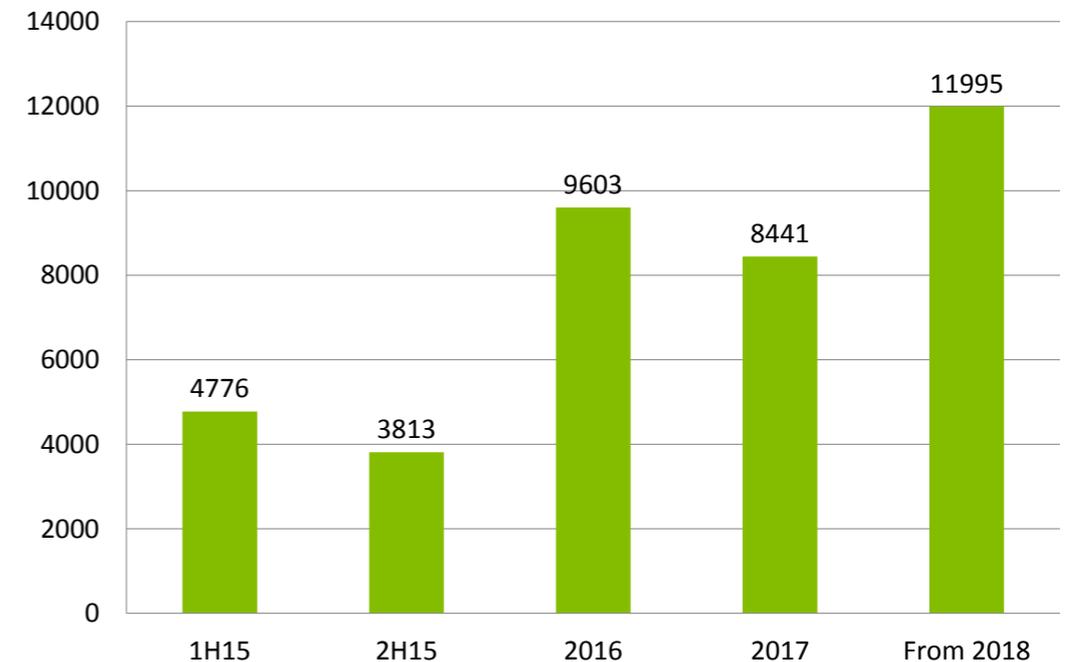
Total liquidity buffer (in million NOK LHS and % of total assets RHS)



Liquidity portfolio YE2014\*



Maturity profile (Bonds, CD and Subordinated debt)

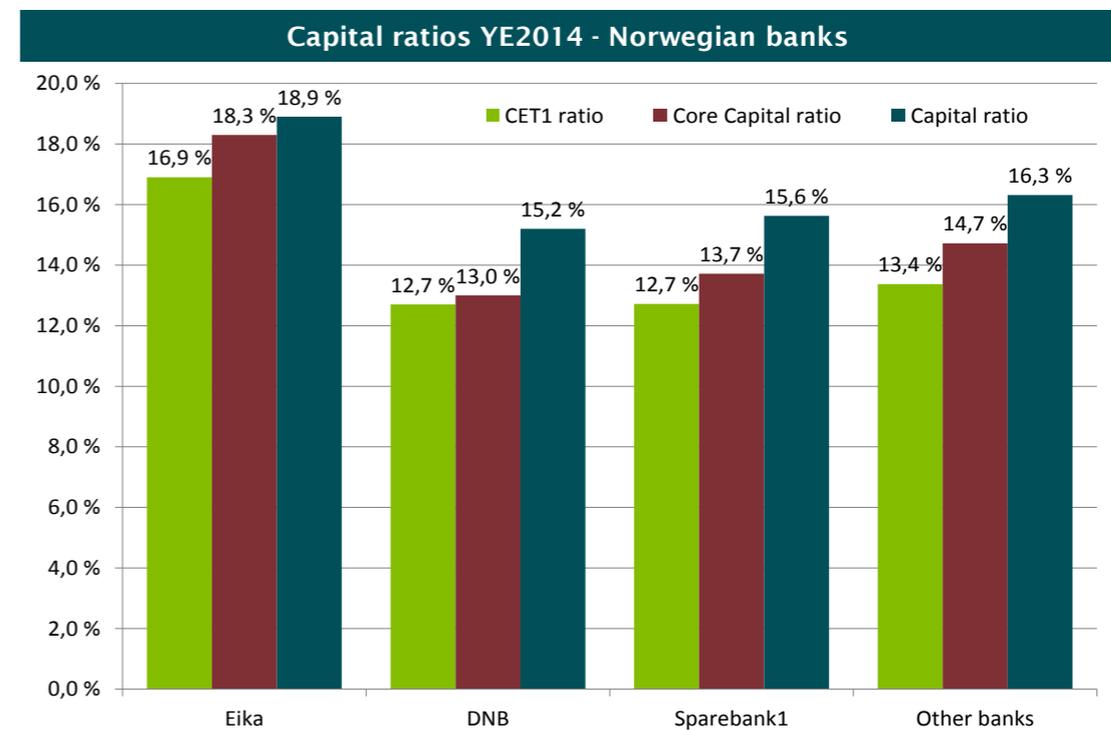
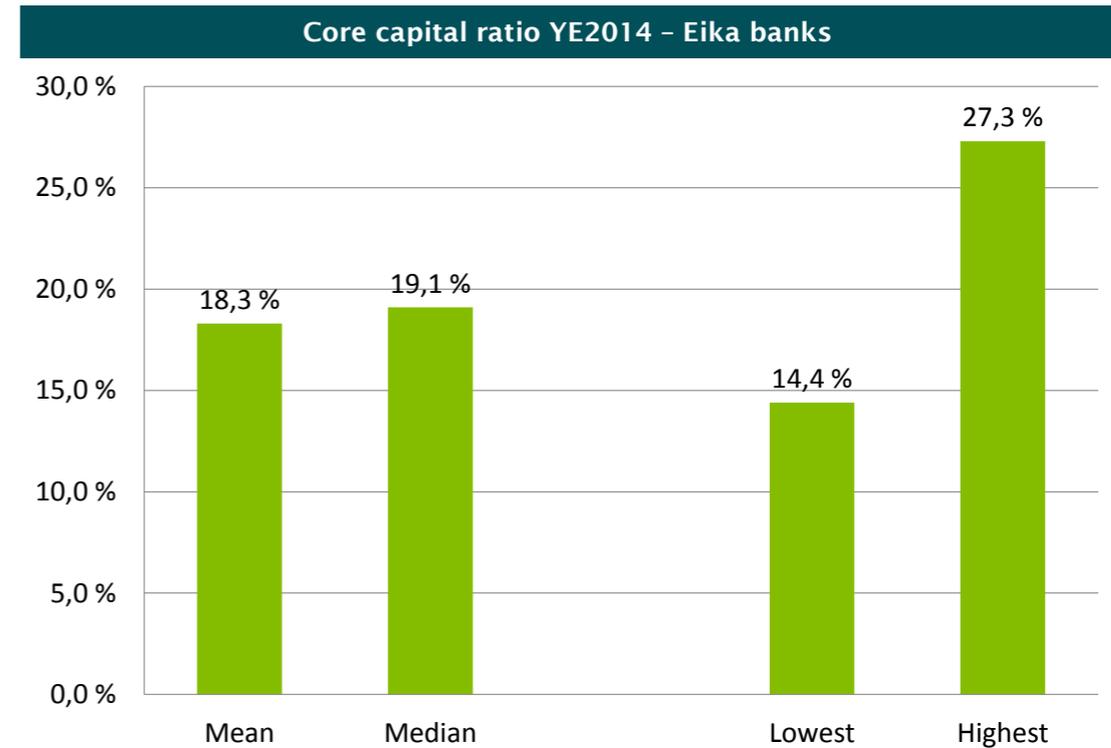


\*Liquidity buffer consists of cash, deposits in central bank and other credit institutions, bonds, certificates incl. money market funds and listed stocks  
31.12.2014 EURNOK: 9.0162

## Eika banks

# Strong capitalization

- Strengthened capital ratios
  - Common equity ratio (CET1): 16.9% (16.1%)
  - Core capital ratio 18.3% (18.5%)
  - Capital ratio 18.9% (18.7%)
  - Equity ratio of 9.9% (Equity/Total assets) (9.7%)
  
- Therefore Eika banks are well prepared to meet the new and higher capital requirements following implementation of CRD IV in Norway stipulating the following minimum incl. all capital buffer levels from 2Q15 (max buffer in ( ) ):
  - Common equity ratio (CET1): 11.0% (12.5%)
  - Core capital ratio: 12.5% (14.0%)
  - Capital ratio: 14.5% (16.0%)
  
- All Eika banks are well capitalized (T1 ratio) 2014
  - Lowest: 14.4% (13.9%)
  - Highest: 27.3% (26.6%)
  
- 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 25.4% and 26.3% end 2014



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

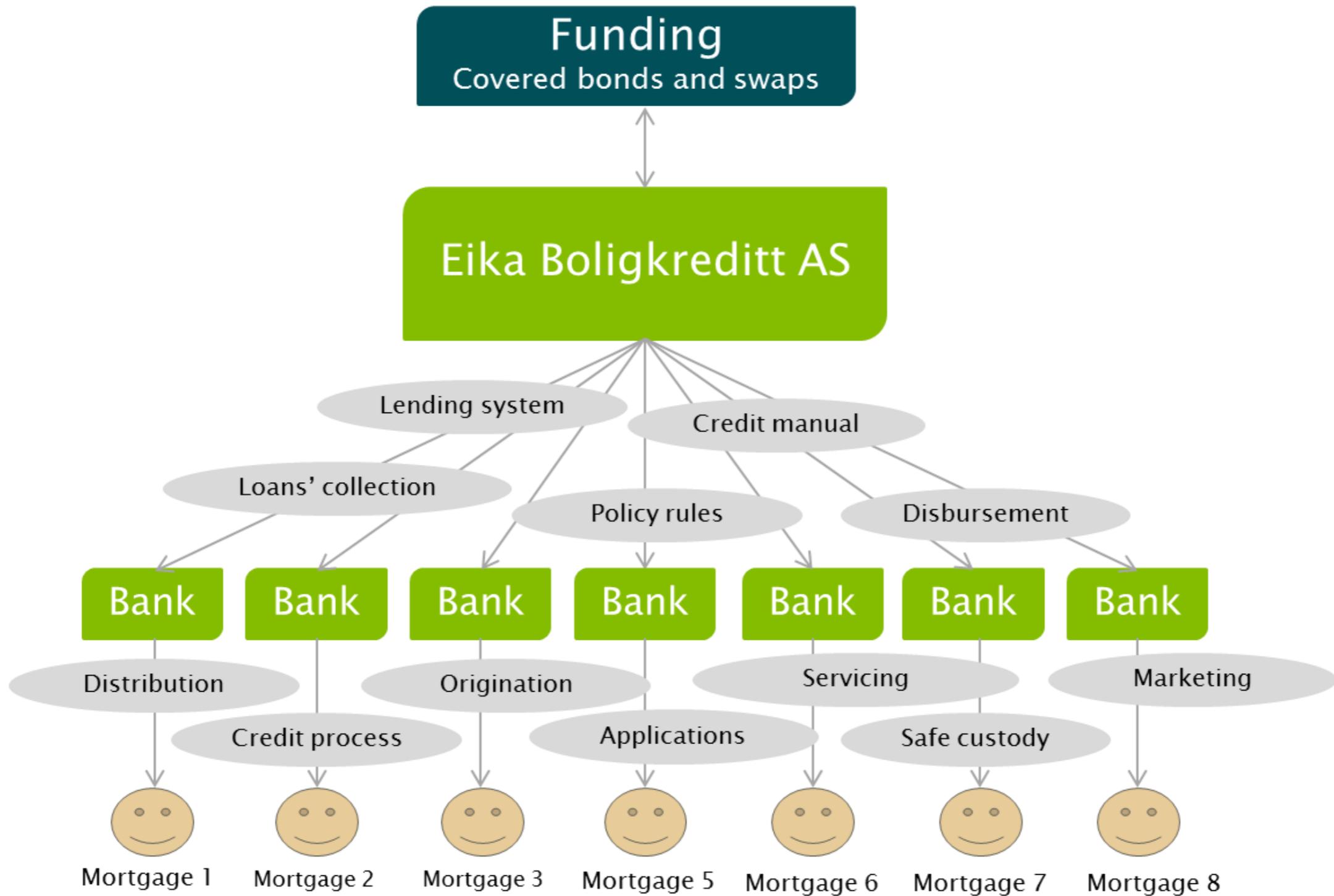
78 shareholders <sup>1,2</sup>

<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

As of 31.12.2014

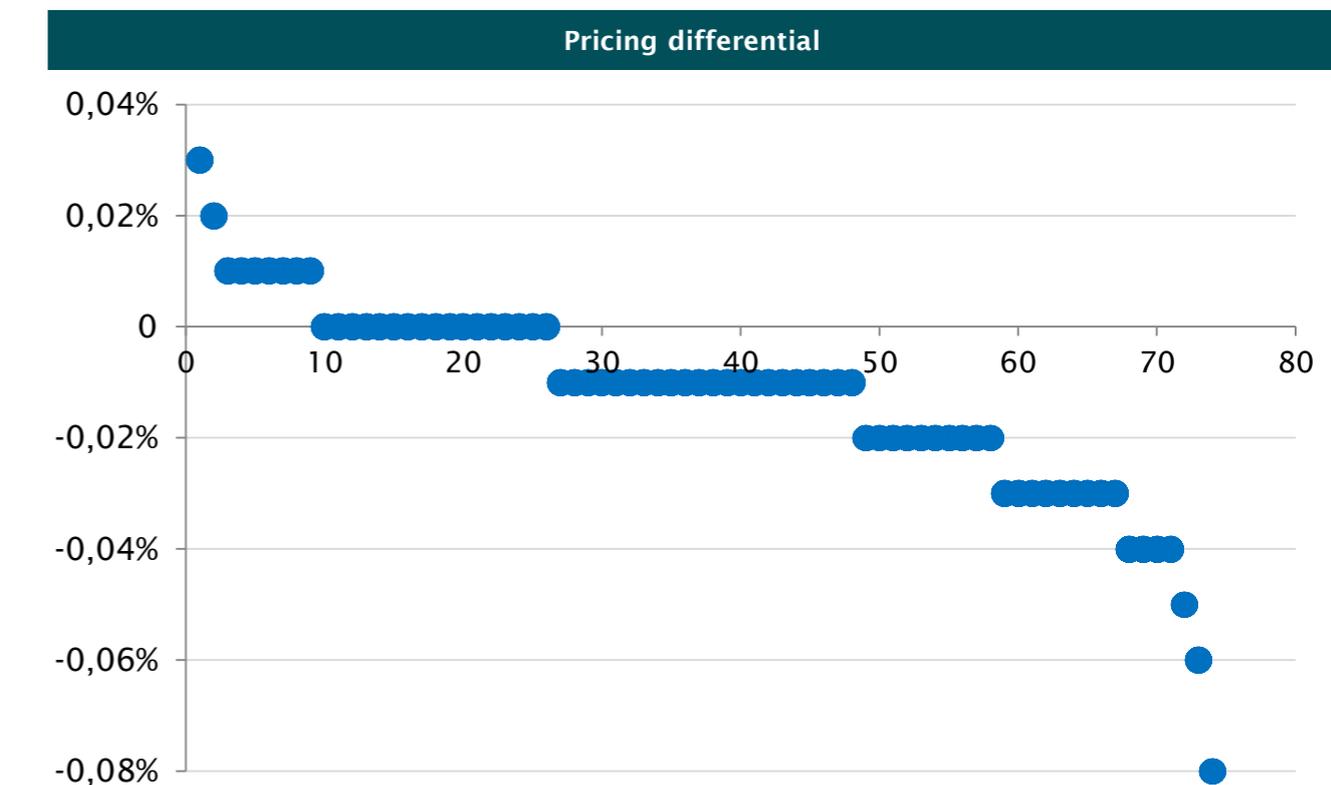
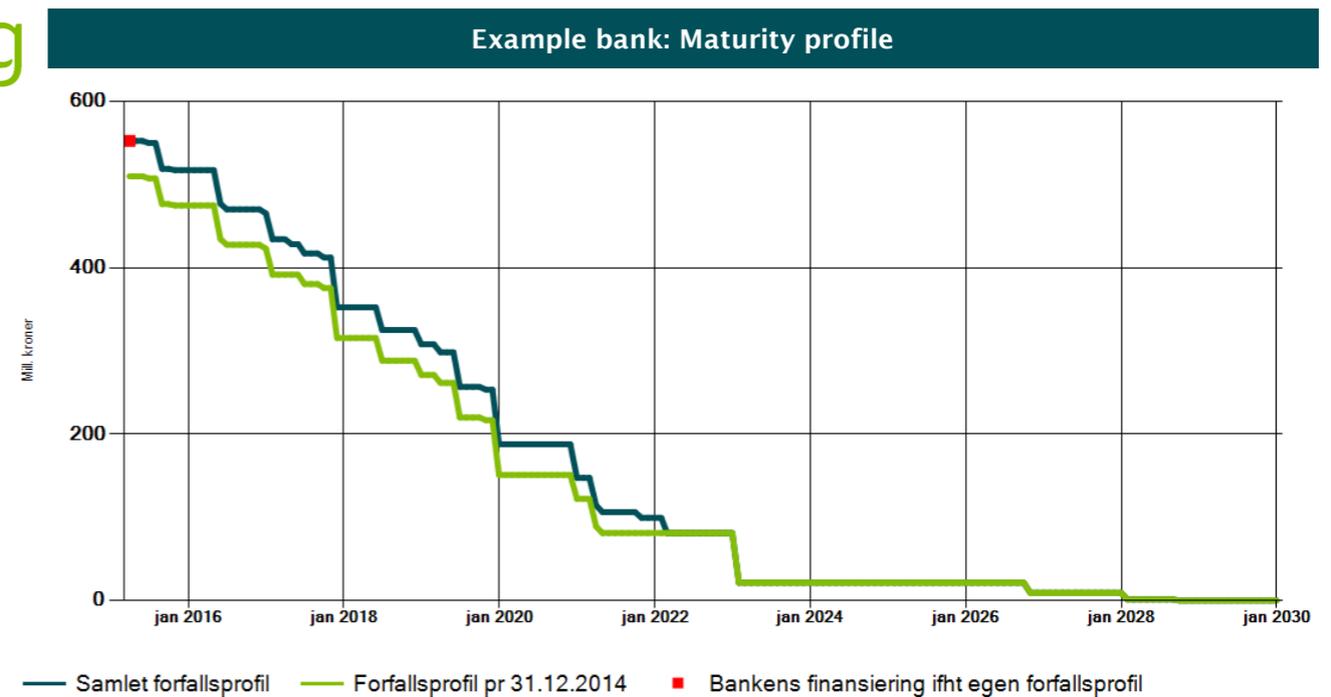
# Business concept



## Eika Boligkreditt

# Individual pricing for CB funding

- Starting 1st of January 2015 Eika Boligkreditt introduced individual pricing for covered bond funding from the member banks depending on the time of transfer.
- Volume of mortgages are allocated to funding pools, currently a legacy portfolio (before 2015) and the current running pool.
- The banks are required to maintain a volume corresponding to the mortgages transferred adjusted for CB redemptions.
- The certainty for stability in funding volume and individual pricing helps ensuring a stable operating environment for Eika Boligkreditt.
- The weighting for the rates are adjusted quarterly
- Currently the pricing ranges from +3bp to -8bp from the base rate between the banks



## 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 (54 % 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 (11 % 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

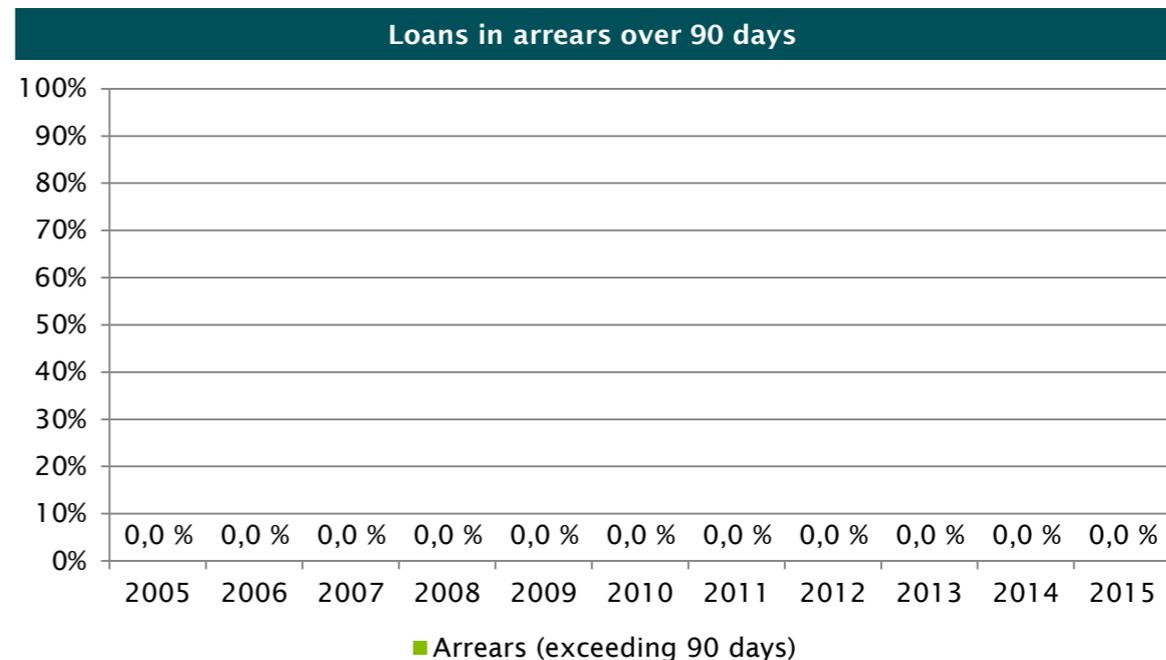
**Moody's:** "The members of the Terra Group (now Eika Group) are incentivised by guarantee obligations to pass high quality loans to the issuer."

(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 508mn	Currently EUR 224mn	Currently EUR 71mn

# 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 (595 loans transferred back since the start-up of company in 2004)



# Top notch collateral score by Moody's

- On 25 February 2015, Moody's released the 19th 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%
Nordea Bank Finland PLC - Covered Bond Programme	Mortgage	Finland	2.3%
HSBC - Covered Bond Programme	Mortgage	UK	2.4%
OP Mortgage Bank Mortgage II - Covered Bond Programme	Mortgage	Finland	2.4%
OP Mortgage Bank - Mortgage - Covered Bond Programme	Mortgage	Finland	2.5%
Sparebanken Oest Boligkreditt AS - Covered Bond Programme	Mortgage	Norway	2.6%
Coventry Building Society - Covered Bond Programme	Mortgage	UK	2.7%
SpareBank 1 Boligkreditt AS Mortgage - Covered Bond Programme	Mortgage	Norway	2.7%
Aktia Mortgage (MT) - Covered Bond Programme	Mortgage	Finland	2.8%
Royal Bank of Scotland Plc - Mortgage - Covered Bond Programme	Mortgage	UK	2.8%

\* 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 Bond programs was 3.9%

# 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
- 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 (Review for upgrade)
  - TPI: **High**
  - **Collateral Score on individual basis of 2.0%** as of Q1 2015 (pre 5% country floor)
  
- **Rating on review for upgrade following Moody's announcement Global Credit Research - 17 Mar 2015**
  - "The ratings of 69 covered bonds were placed on review for upgrade because Moody's expects their CB anchors to be positioned above the current CB anchor"
  
  - "Today's rating actions follow Moody's update of its covered bond rating methodology."
  
  - "The CB anchor will typically be the CR Assessment plus one notch for covered bonds that fall under either (1) the EU directive on bank resolution and recovery; or (2) a resolution regime that Moody's believes provides an equivalent level of protection for covered bonds."

Timely Payment Indicators						
	Very Improbable			Probable		Very High
	Very Improbable	Improbable	Probable	High	High	Very High
<b>Issuer Ratings</b>	A1	Aaa	Aaa	Aaa	Aaa	Aaa
	A2	Aa1	Aa1	Aaa	Aaa	Aaa
	A3	Aa2	Aa2	Aaa	Aaa	Aaa
	Baa1	Aa3	Aa3	Aa1	Aa1	Aaa
	Baa2	A1	A1	Aa2	Aa2	Aa1
	Baa3	A3	A2	A1	Aa3	Aa2
	Ba1	Baa3	Baa2	Baa1	A3	Aa3-A2
	Ba2	Baa3	Baa2	Baa1	A3	A1-A3
	Ba3	Baa3	Baa2	Baa1	A3	A2-Baa1
	B1	Ba3	Ba2	Ba1	Baa3	A3-Baa2
	B2	Ba3	Ba2	Ba1	Baa3	Baa1-Baa3
	B3	Ba3	Ba2	Ba1	Baa3	Baa2-Ba1

\* 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

## New bank rating methodology

- In addition to the changes described on the previous slide; Moody's also updated its Bank Rating Methodology on 16 March 2015.

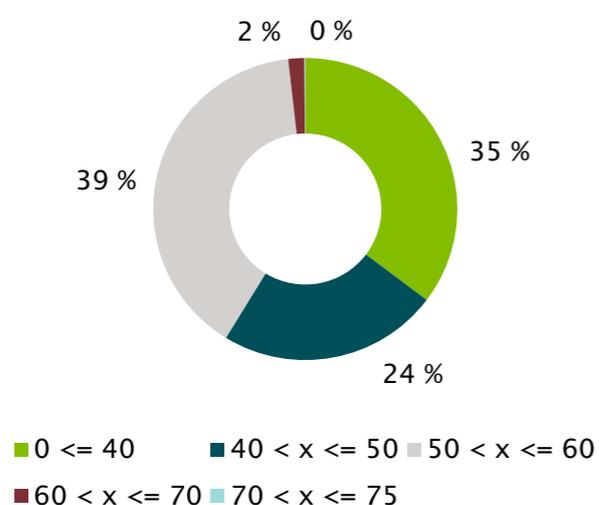


- New elements includes
  - A macro profile with matrix-mapping on a per-country basis (Norway is Very Strong - )
  - Simplified scorecard with less qualitative judgements
  - Introduction of Loss Given Failure analysis leading to Counterparty Risk ratings on a per-product basis
  - Lower explicit expectations of government support in the model
- The full copy of the methodology, tutorials and videos describing the methodology change are available at <https://www.moody.com/microsites/brm/index.html>

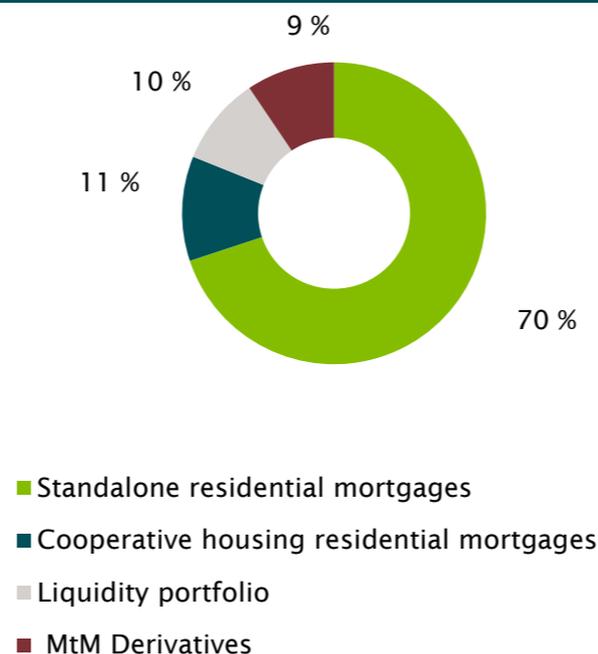
# Summary of the cover pool

Numbers in EUR	Grand total	Standalone residential mortgages	Cooperative residential housing
Nominal value	7,098,110,658	6,116,632,681	981,477,976
In % of total mortgage Pool	100 %	86.17 %	13.83 %
Number of loans	42,211	41,451	760
Arithmetic average loan (nominal)	168,158	147,563	1,291,418
WA LTV (unindexed / indexed)	46.48% / 41.84%	51.05% / 46.24%	18.00% / 14.44%
WA seasoning (months)	26.1	24.9	33.4
Loans in arrears (over 90 days)	0.0	0.0	0.0
Estimated over collateralization *	110.40 %	n/a	n/a

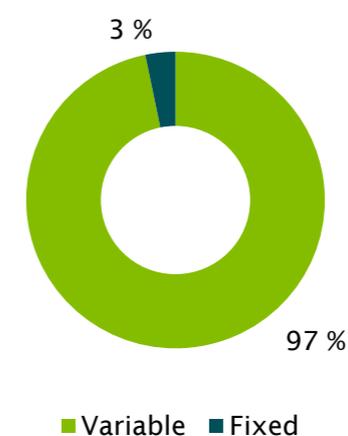
Indexed LTV distribution



Composition of Cover Pool

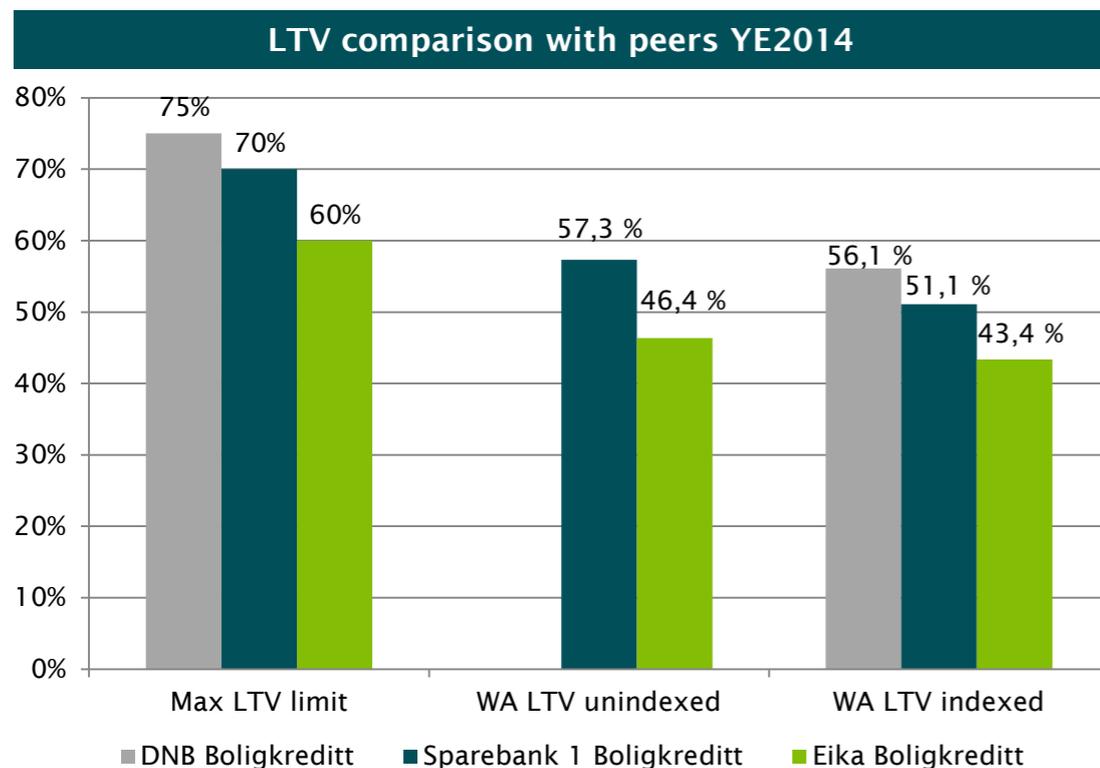


Variable vs fixed rate

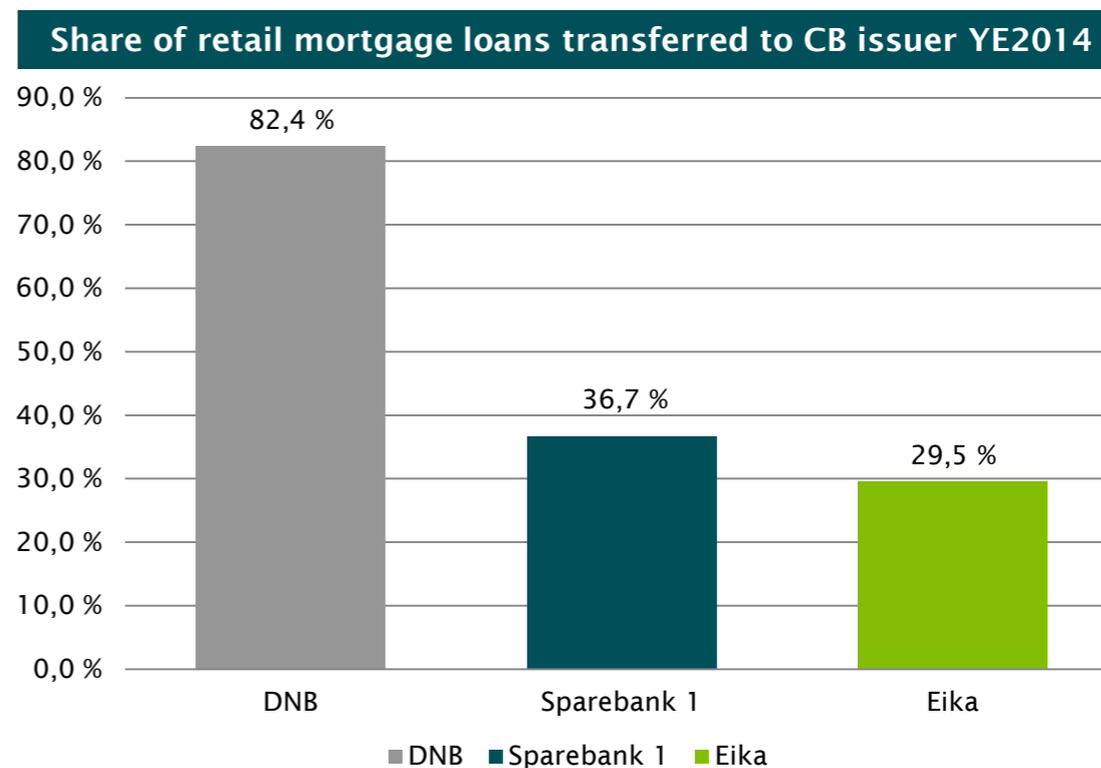


All data as of 31.03.2015. EURNOK 8.7035  
 \* OC is estimated based on fair value

# Cover pool comparison and stress test



Source: Investor presentation DNB April 2015, and Sparebank 1 Boligkreditt March 2015



Source: Bank Analyst Eika

**Stress test: Decline in house prices**

Stress test house price reduction (numbers in €)	Unchanged	Decline of 10%	Decline of 20%	Decline of 30%
Mortgage Portfolio	7,098,110,658	7,098,110,658	7,098,110,658	7,098,110,658
Part of mortgages exceeding 75% LTV	-	364,448	5,435,366	144,088,692
Share of mortgage portfolio >75% LTV	0.00 %	0.01 %	0.08 %	2.03 %
Estimated Over collateralization*	110.40 %	110.39 %	110.33 %	108.58 %

EURNOK as of 31.03.2015: 8.7035  
 \* OC is estimated based on fair value

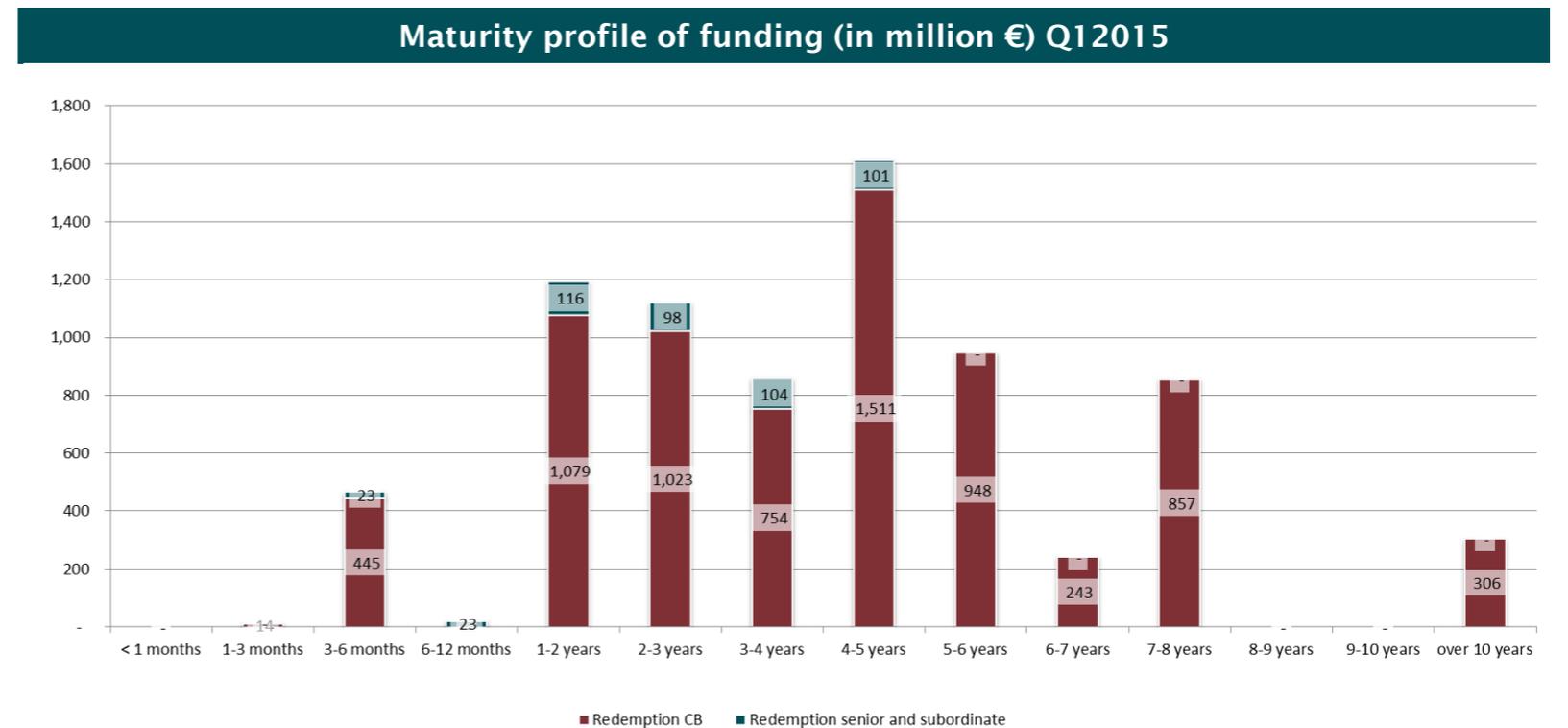
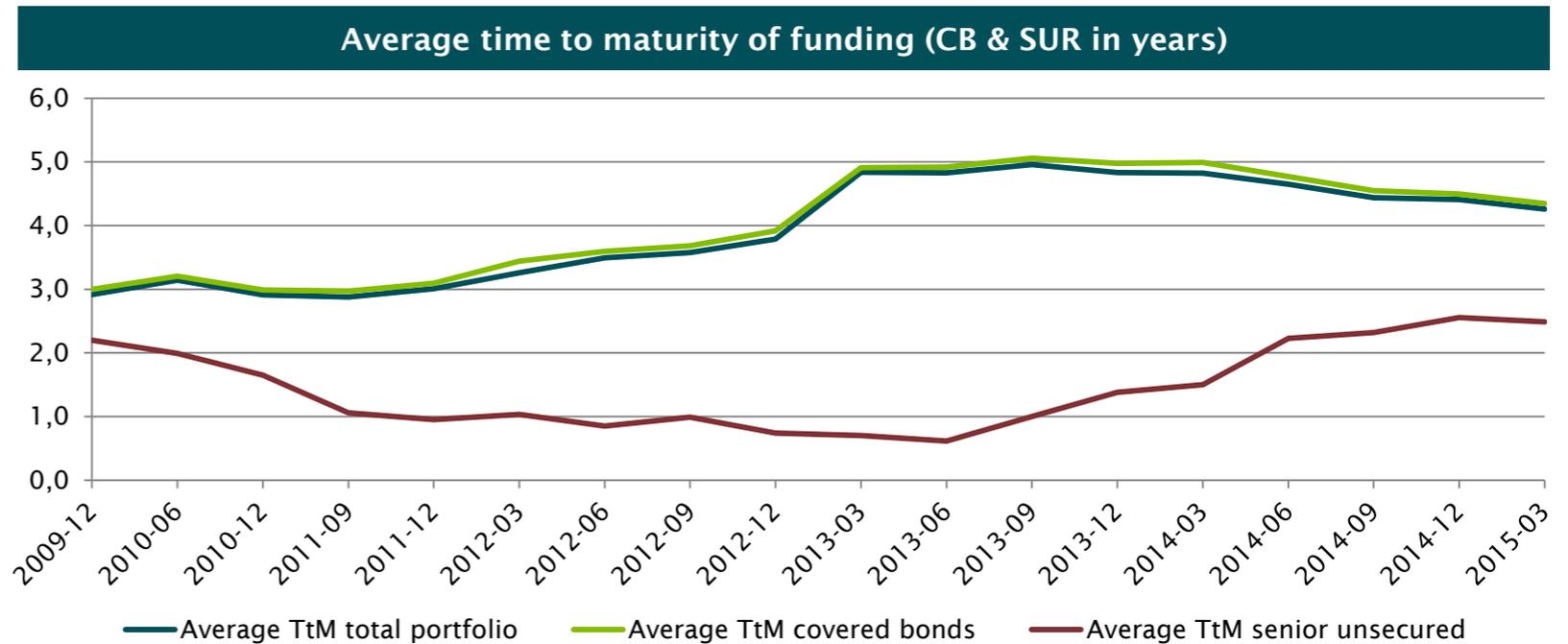
# Agenda

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Eika Boligkreditt and Collateral Pool	19
<b>Funding strategy and activity</b>	<b>32</b>
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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



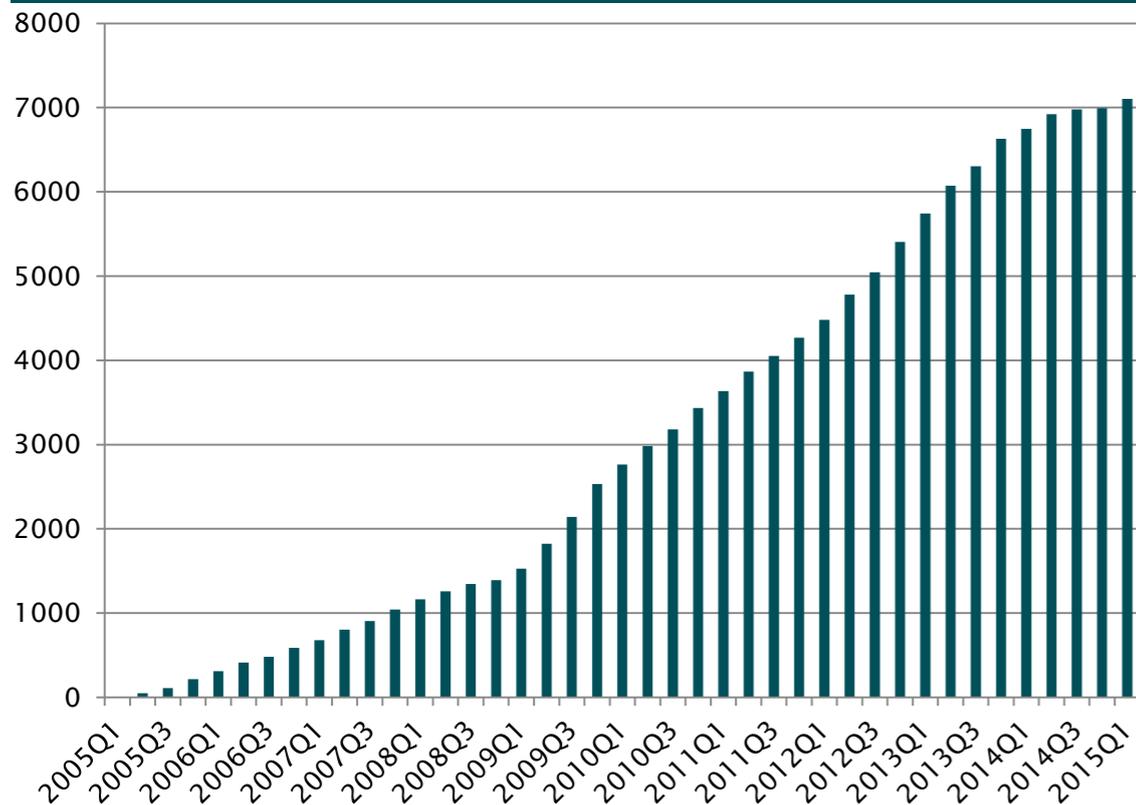
## Funding strategy and activity

# Funding and strategy

- With a stable organic growth, and redemptions approaching in our € issues, Eika Boligkreditt will remain a frequent issuer in €
- Eika Boligkreditt 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

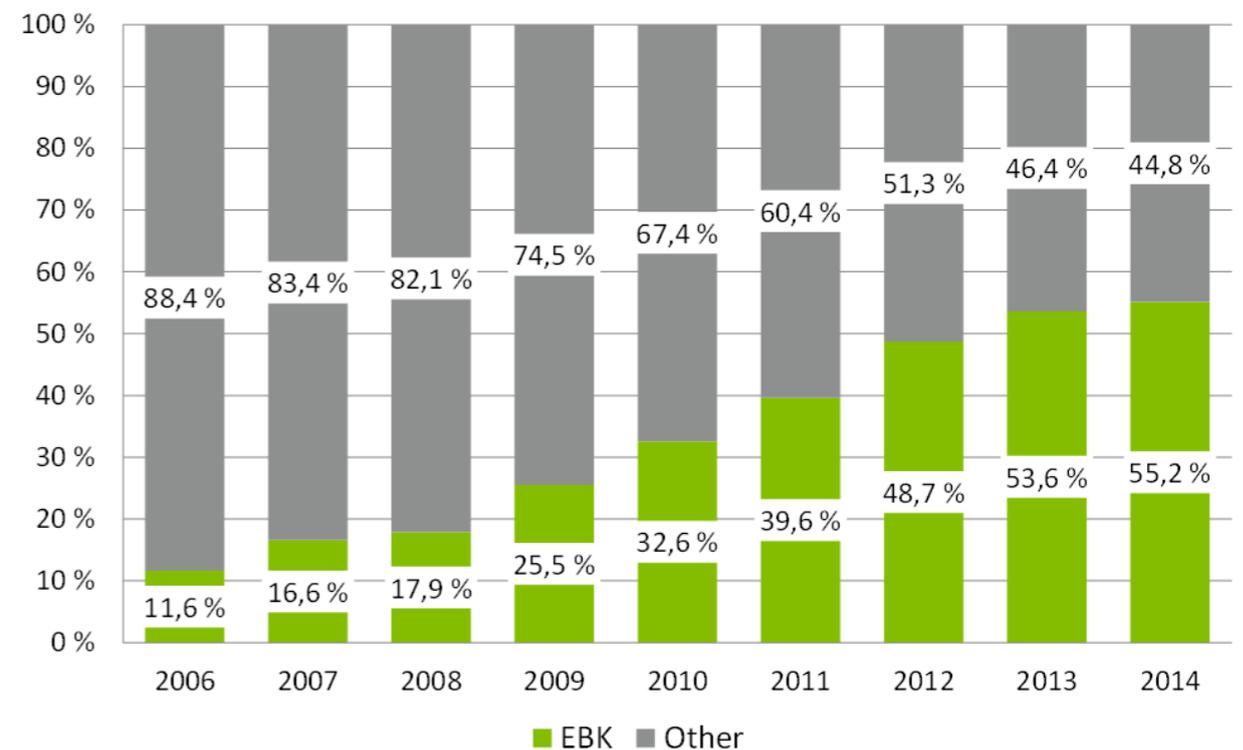
- To reflect this evolvement Eika Boligkreditt has increased the size of its European Medium Term Covered Note Program to €20bn
  - Eika Boligkreditt is a frequent issuer both in NOK and €
  - Eika Boligkreditt has the objective to be a frequent benchmark issuer in both the € and NOK covered bond market,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

Stable growth in the loan book (in million €)



EURNOK as of 31.03.2015: 8.7035

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

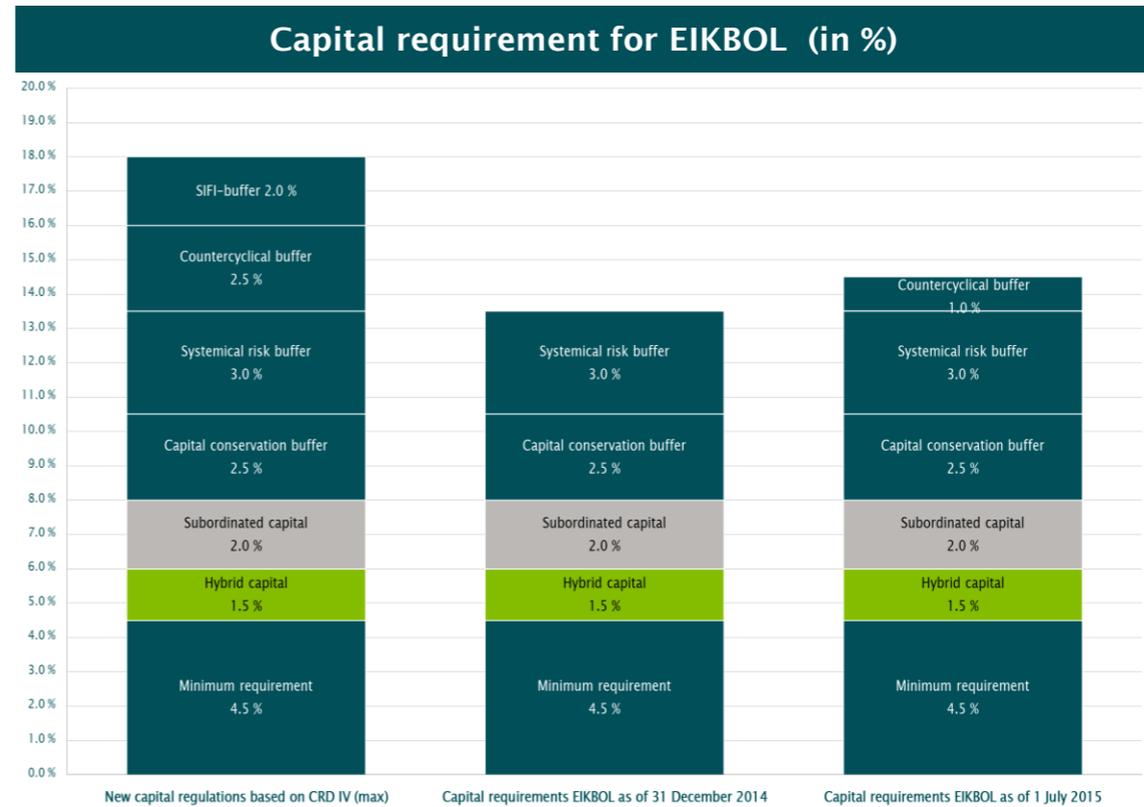


Source: Bank analyst Eika

# Funding strategy and activity

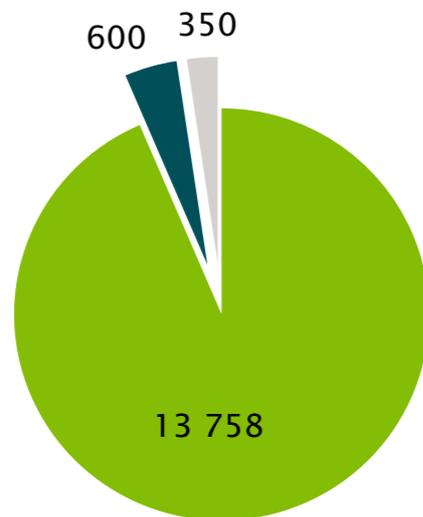
## Funding and strategy

- 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



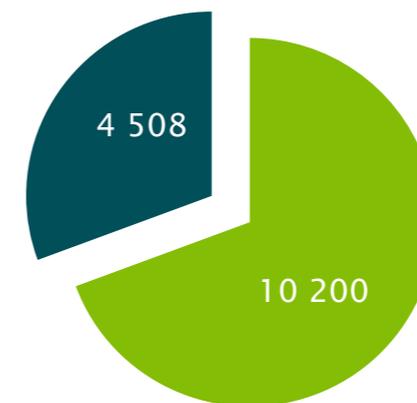
### Funding P2015 per sector (in million NOK)

■ Covered bonds ■ Senior unsecured ■ Tier 2



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

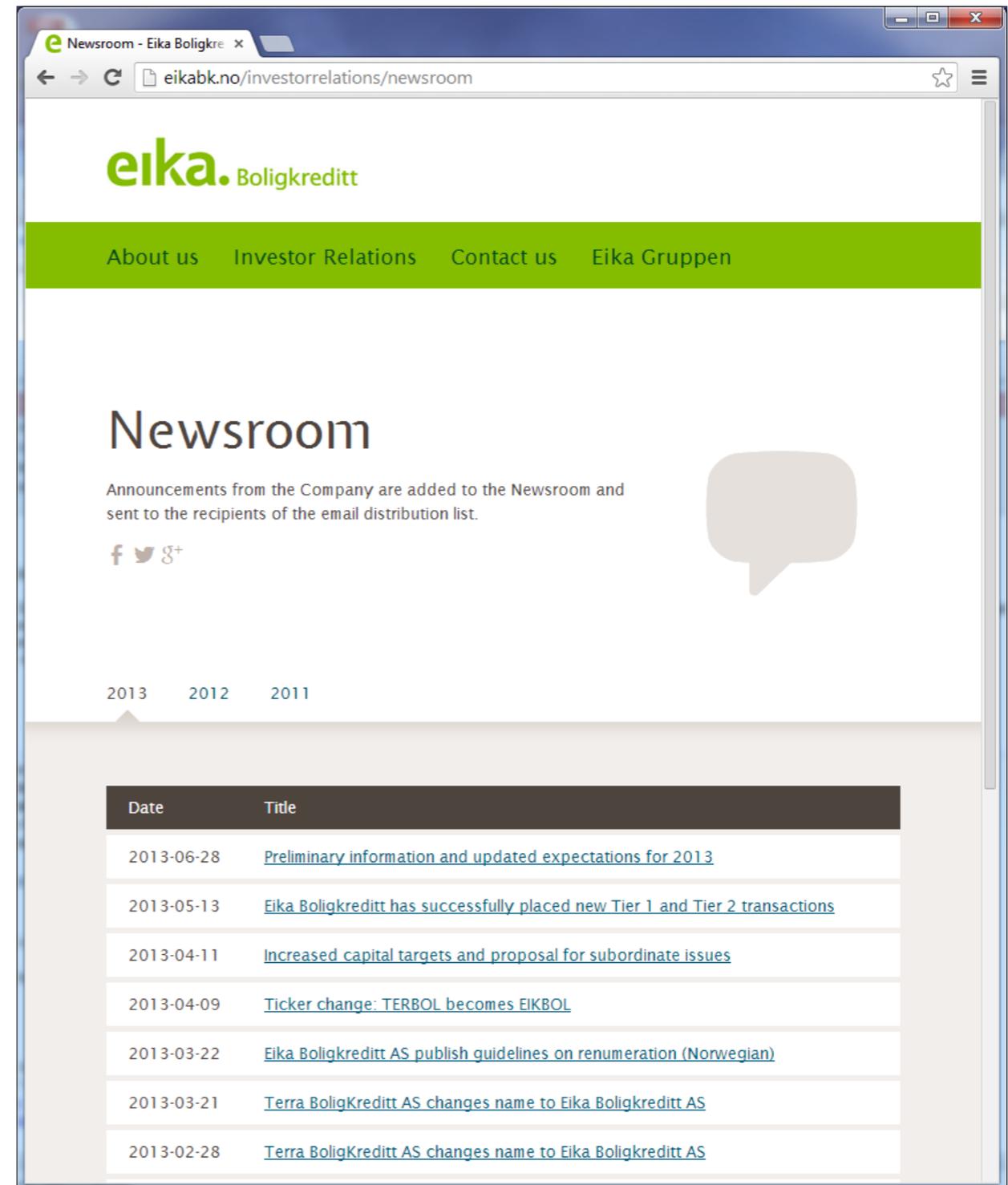
■ NOK ■ EUR



## 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
  - Approximate 50% 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

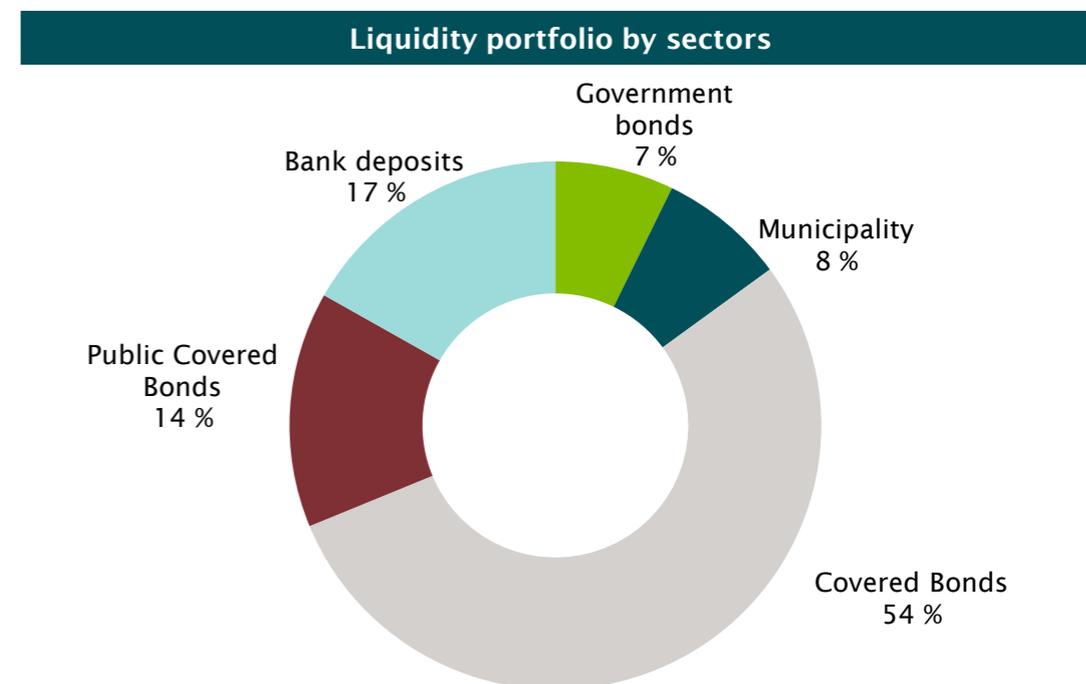
Date	Title
2013-06-28	<a href="#">Preliminary information and updated expectations for 2013</a>
2013-05-13	<a href="#">Eika Boligkreditt has successfully placed new Tier 1 and Tier 2 transactions</a>
2013-04-11	<a href="#">Increased capital targets and proposal for subordinate issues</a>
2013-04-09	<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	60,186,534	7 %	0.12
Municipality	64,322,528	8 %	0.25
Covered Bonds	448,503,866	54 %	2.33
Public Covered Bonds	120,279,570	14 %	2.07
Bank deposits	139,907,089	17 %	0.00
<b>Total portfolio</b>	<b>833,199,587</b>	<b>100 %</b>	<b>1.62</b>



EURNOK as of 31.03.2015: 8.7035

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# New bank joined the Eika Alliance: Sandnes Sparebank

- Sandnes Sparebank joined the Eika Alliance in December 2014
- Sandnes Sparebank is the 12<sup>th</sup> largest saving banks in Norway and its listed with equity certificate capital on the Oslo Stock Exchange
- Sandnes Sparebank in numbers
  - Total assets of NOK 28,818 mill. (incl. transfers to own CB company)
  - Gross loans of NOK 23,872 mill.
  - Deposits of NOK 14,308 million
  - Equity of NOK 2,146 mill.
  - CET1 Ratio 13.1%
  - Number of employees: 138
  - Number of branches: 4
- Current focus is on conversion to SDC for both the bank and the existing covered bond company
- A letter of intent has been agreed regarding ownership in Eika Boligkreditt

# Mergers between Eika banks in 2015

### ▪ Klepp and Time Sparebank

- New name of the bank is Jæren Sparebank
- County: Rogaland
- After the merger Jæren Sparebank is the 2<sup>nd</sup> largest bank in the Eika Alliance
- Jæren Sparebank is listed with EC on the Oslo Stock Exchange
- Total assets of NOK 12,594 mill. (incl. transfers to EBK NOK 16,472 mill.)
- Gross loans of NOK 10,300 mill.
- Deposits of NOK 8,145 mill
- Equity of NOK 1,193 mill.

### ▪ Askim og Spydeberg Sparebank

- New name of the bank Askim og Spydeberg Sparebank
- County: Østfold
- The merged bank has issued EC
- Total assets of NOK 6,590 mill. (incl. transfers to EBK NOK 8,932 mill.)
- Gross loans of NOK 5,496 mill.
- Deposits of NOK 5,075 mill.
- Equity of NOK 661 mill.

## Appendix

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

<i>P&amp;L in NOK mil.</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net interest income	2 922	3 241	3 655	3 387	3 512	3 631	3 777	3 949	4 170
Net commission income	510	562	576	580	662	734	863	1 142	1 320
Other income	78	53	53	54	43	44	40	39	40
<b>Total income</b>	<b>3 510</b>	<b>3 856</b>	<b>4 284</b>	<b>4 021</b>	<b>4 217</b>	<b>4 409</b>	<b>4 681</b>	<b>5 130</b>	<b>5 530</b>
Personnel and adm. expenses	1 727	1 867	2 005	2 032	2 061	2 134	2 243	2 345	2 493
Depreciation	178	196	187	165	123	98	95	100	110
Other costs	350	404	404	442	469	495	515	578	605
<b>Total costs</b>	<b>2 254</b>	<b>2 466</b>	<b>2 596</b>	<b>2 639</b>	<b>2 653</b>	<b>2 726</b>	<b>2 852</b>	<b>3 023</b>	<b>3 208</b>
Core earnings before loan losses	1 255	1 390	1 688	1 383	1 564	1 683	1 828	2 107	2 322
Impairment of loans and guarantees	31	39	580	442	404	458	329	389	315
<b>Core earnings</b>	<b>1 224</b>	<b>1 351</b>	<b>1 108</b>	<b>940</b>	<b>1 160</b>	<b>1 225</b>	<b>1 499</b>	<b>1 718</b>	<b>2 008</b>
Dividends/associated companies	157	148	152	81	177	189	89	257	238
Net return on financial investments	120	-59	-741	564	218	-78	217	228	126
One-offs and loss/gain on long-term assets	-1	11	-93	117	376	-69	150	-61	182
<b>Pre tax profit</b>	<b>1 500</b>	<b>1 450</b>	<b>427</b>	<b>1 701</b>	<b>1 931</b>	<b>1 267</b>	<b>1 955</b>	<b>2 141</b>	<b>2 553</b>
Taxes	377	397	247	443	501	412	542	583	623
<b>Net profit</b>	<b>1 123</b>	<b>1 053</b>	<b>180</b>	<b>1 259</b>	<b>1 430</b>	<b>855</b>	<b>1 413</b>	<b>1 559</b>	<b>1 930</b>

Source: Bank Analyst Eika

## Appendix

# Eika banks - Balance sheet and key figures

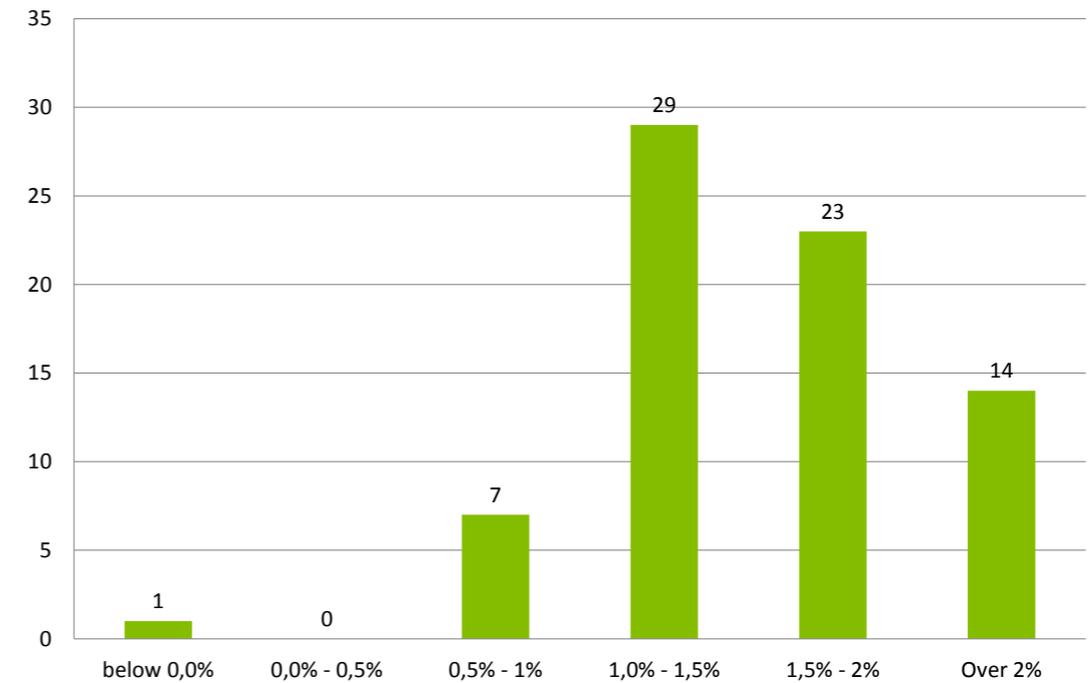
<i>Balance</i>	2006	2007	2008	2009	2010	2011	2012	2013	2014
Gross loans	120 658	137 909	147 551	151 218	157 375	159 645	166 255	173 617	182 075
Gross loans incl. EBK	125 055	146 463	158 972	169 995	182 382	193 092	208 764	225 292	238 185
Deposits	88 225	98 473	106 921	111 983	120 419	128 567	137 142	144 975	156 594
Equity	12 820	13 997	14 200	15 496	16 748	17 525	18 833	20 422	22 268
Total assets	136 120	157 594	175 654	184 321	190 813	196 623	200 895	210 302	224 157
Growth in loans	13,1 %	14,3 %	7,0 %	2,5 %	4,1 %	1,4 %	4,1 %	4,4 %	4,9 %
Growth in loans incl. EBK	18,9 %	17,1 %	8,5 %	6,9 %	7,3 %	5,9 %	8,1 %	7,9 %	5,7 %
Growth in deposits	11,2 %	11,6 %	8,6 %	4,7 %	7,5 %	6,8 %	6,7 %	5,7 %	8,0 %
Deposit ratio	73,1 %	71,4 %	72,5 %	74,1 %	76,5 %	80,5 %	82,5 %	83,5 %	86,0 %
(Market funding - Liquid assets)/Total asset	15,1 %	16,7 %	16,0 %	13,7 %	11,6 %	7,8 %	6,3 %	5,4 %	3,1 %
Equity ratio	9,4 %	8,9 %	8,1 %	8,4 %	8,8 %	8,9 %	9,4 %	9,7 %	9,9 %
Core capital ratio	15,6 %	15,0 %	15,1 %	16,4 %	17,0 %	17,3 %	18,1 %	18,5 %	18,3 %
Capital ratio	16,5 %	16,0 %	16,3 %	17,6 %	18,2 %	18,2 %	18,6 %	18,7 %	18,9 %
<i>Key figures</i>									
Net interest/total assets	2,28 %	2,21 %	2,19 %	1,88 %	1,87 %	1,87 %	1,90 %	1,92 %	1,92 %
Net commission incom/total assets	0,40 %	0,38 %	0,35 %	0,32 %	0,35 %	0,38 %	0,43 %	0,56 %	0,61 %
Loss provision ratio	0,03 %	0,03 %	0,41 %	0,30 %	0,26 %	0,29 %	0,20 %	0,23 %	0,18 %
NPL and problem loans	1,62 %	1,24 %	1,96 %	2,02 %	1,83 %	1,89 %	1,78 %	1,62 %	1,53 %
(NPL + Problem loans)/(Equity + LLR)	14,1 %	11,5 %	18,6 %	18,0 %	15,9 %	15,9 %	14,6 %	12,9 %	11,8 %
Cost/income ratio (adj.)	64,2 %	63,9 %	60,6 %	65,6 %	62,9 %	61,8 %	60,9 %	58,9 %	58,0 %
Net profit in % of total assets	0,87 %	0,72 %	0,11 %	0,70 %	0,76 %	0,44 %	0,71 %	0,76 %	0,89 %
Net profit on core earnings in % of RWA	1,54 %	1,50 %	1,16 %	0,96 %	1,12 %	1,14 %	1,36 %	1,51 %	1,68 %
Return on equity	9,18 %	7,9 %	1,3 %	8,5 %	8,9 %	5,0 %	7,8 %	7,9 %	9,0 %

## Appendix

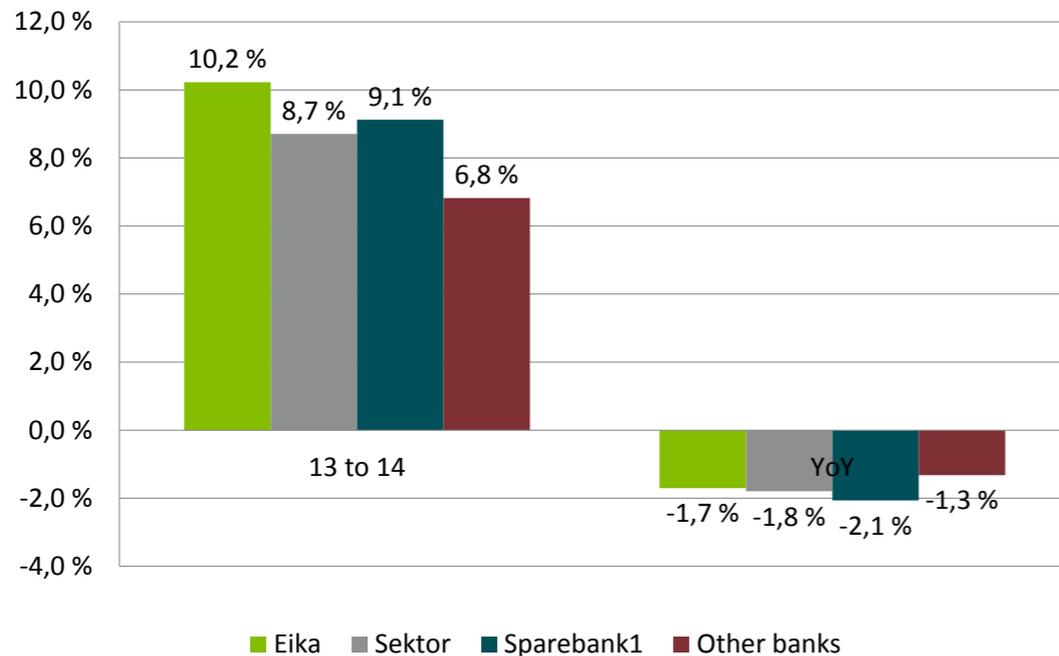
# Eika banks - Improved core earnings

- NOK 2008 mill. vs NOK 1718 mill. in 2013
  - In % of RWA 1.68% vs. 1.51% in 2013
- Core earnings after loan losses increased with 16.8% YoY (2014 vs. 2013)
- All Eika banks reported positive net profit for 2014
- Average yearly growth rate in core earning of 7.2% before loan losses and 9.2% over the last 14 years

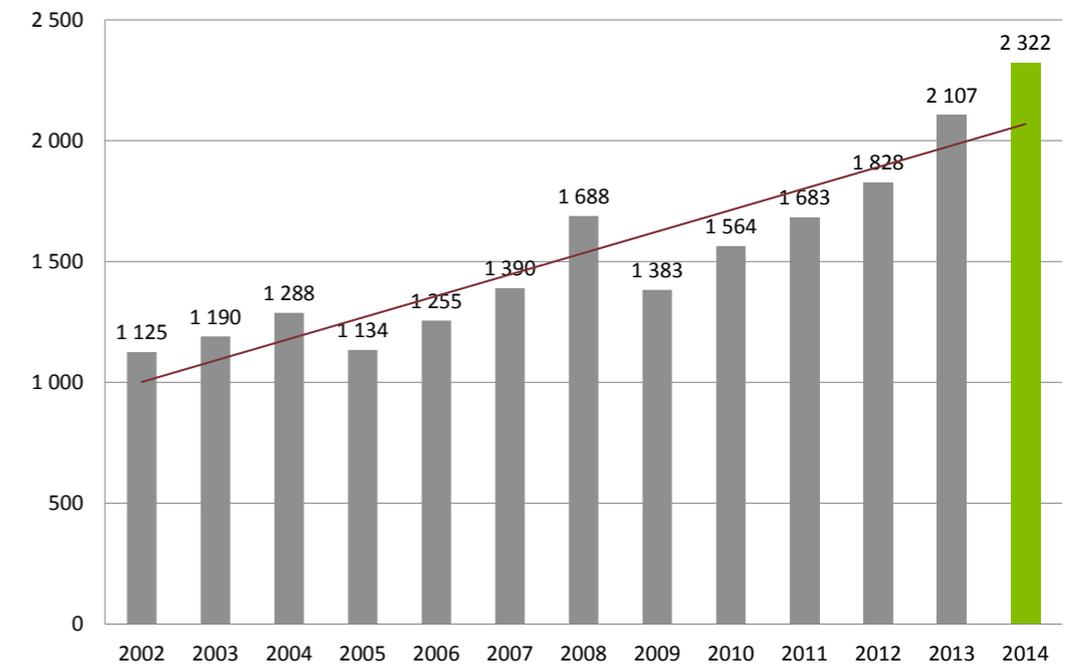
Core earnings after loan losses in % of RWA 2014



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



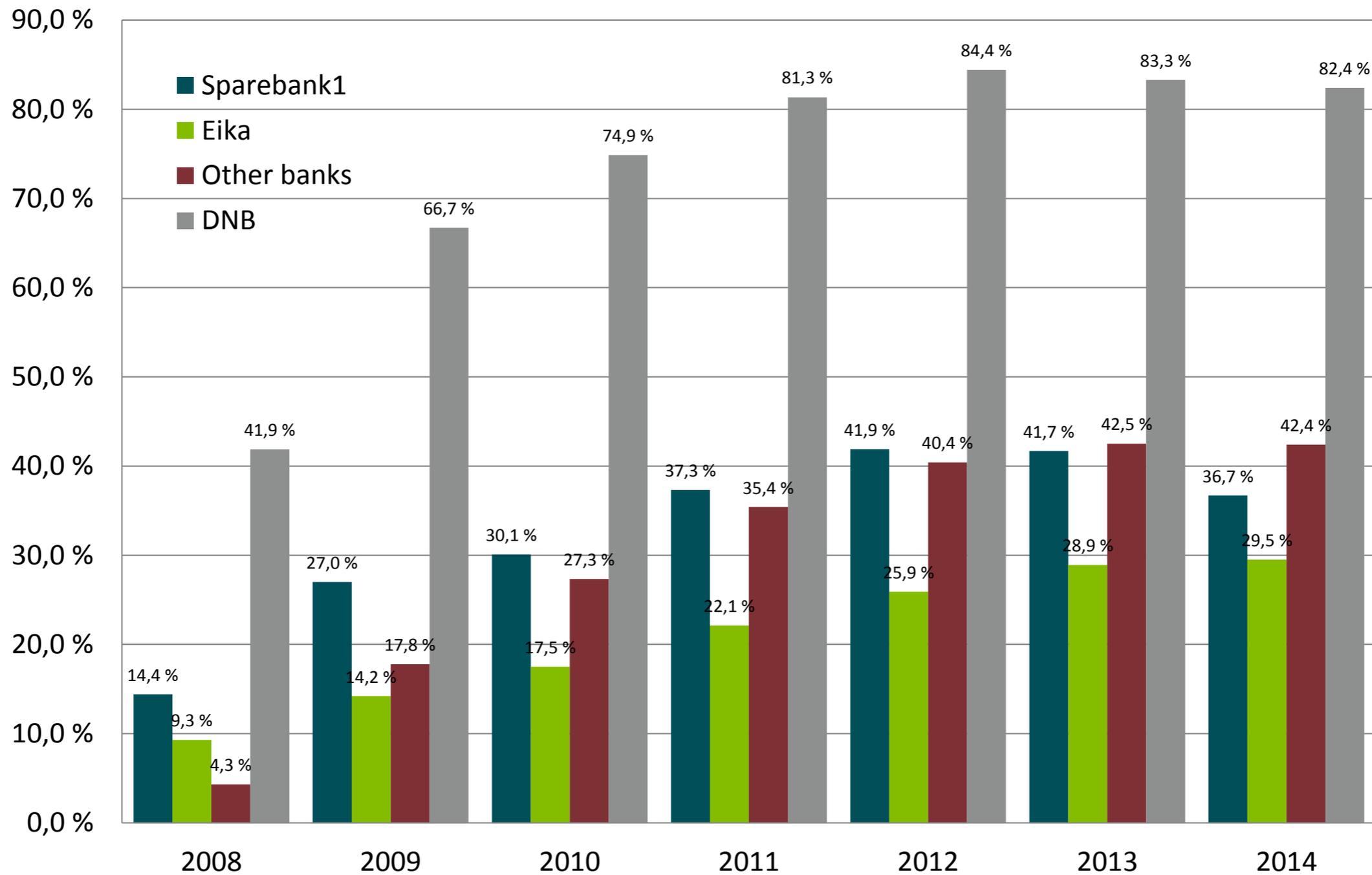
Average growth of 7.2% in core earnings before losses



Source: Bank Analyst Eika

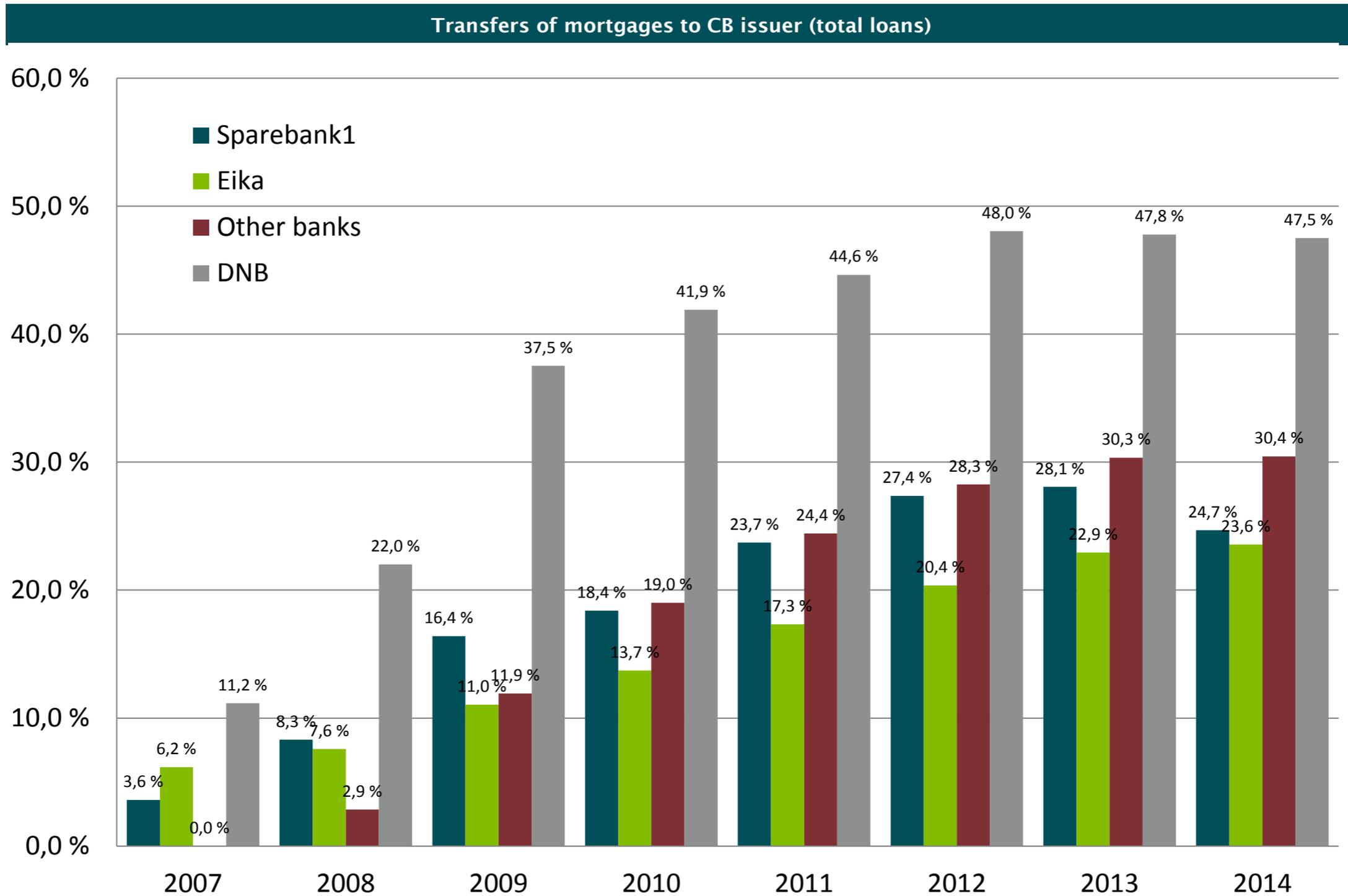
# Banks – transfer rate to Cov. Bond companies

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



Source: Bank Analyst Eika

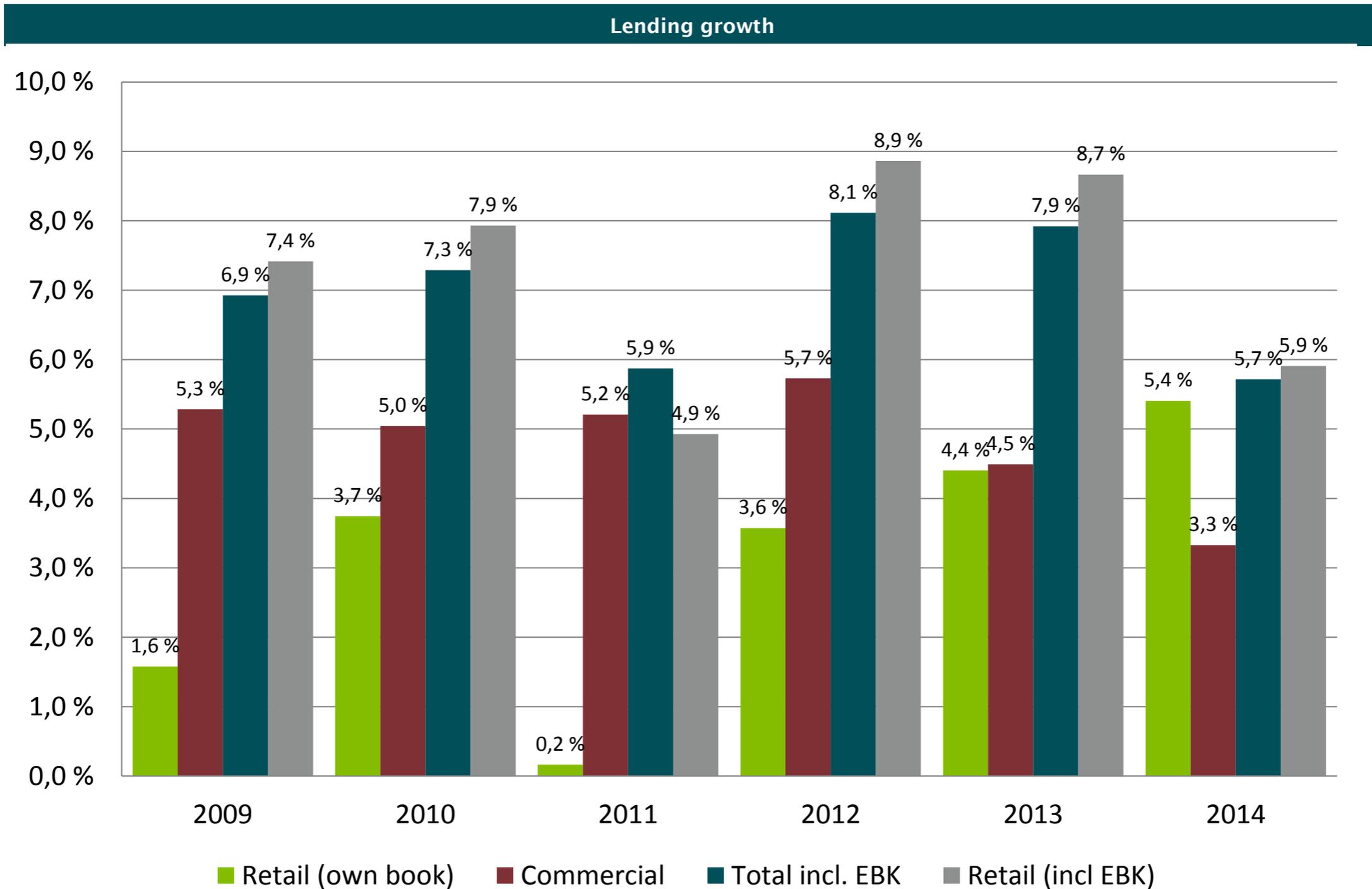
# Banks - transfers of mortgages to Cov. Bond companies



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	4,9 %	2,6 %	4,6 %	0,6 %	0,0 %
Fishing/fish farming	0,0 %	1,9 %	1,1 %	1,2 %	0,0 %
Industry	1,4 %	2,1 %	2,7 %	5,4 %	6,4 %
Building and construction	4,0 %	5,2 %	3,1 %	3,4 %	3,1 %
Trade and hotels	2,2 %	2,2 %	2,1 %	3,0 %	5,6 %
Shipping	0,0 %	2,2 %	3,4 %	8,6 %	8,5 %
Real estate business	10,5 %	17,3 %	17,1 %	13,5 %	16,5 %
Service industry	1,8 %	3,1 %	4,0 %	5,5 %	2,3 %
Transport/comm.	0,8 %	1,3 %	1,5 %	3,2 %	1,5 %
Other	0,7 %	1,7 %	1,4 %	5,2 %	6,7 %
Public sector	0,1 %	0,1 %	0,6 %	0,9 %	2,0 %
Commercial lending	26,3 %	39,7 %	41,6 %	50,6 %	52,6 %
Retail lending	73,7 %	60,3 %	58,4 %	49,4 %	47,4 %
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	3Q14	4Q14
Total Interest income	1.029	1.403	1.806	2.205	508	541	573	583	609	630	619	604
Total interest expenses	866	1.229	1.458	1.568	375	397	405	391	404	444	450	424
Net interest income	163	173	348	637	132	145	168	191	206	186	169	180
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	35	16
Comission costs	97	111	212	449	91	103	120	133	140	151	140	140
Total salaries and administrative expenses	26	26	31	37	9	10	9	9	9	10	10	11
Depreciation	1	1	2	2	-	-	-	-	-	1	1	0
Other operating expenses	8	11	11	14	4	3	3	4	3	4	3	3
Losses on loans and gurantees	-	-	-	-	-	-	-	-	-	-	-	-
PROFIT BEFORE TAXES	45	112	112	29	28	30	41	(70)	(1)	27	50	41
Taxes	12	31	31	8	8	7	11	(17)	-	6	13	11
PROFIT FO THE PERIOD	32	82	82	21	20	23	30	(52)	(1)	21	36	29

### Eika Boligkreditt AS - Report Q4 2014:

Eika Boligkreditt showed a pre-tax profit of NOK 41 million for the fourth quarter, compared with a loss of NOK 70 million in the same period of 2013. Fourth-quarter profit included positive changes of NOK 15.6 million in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 25 million. In addition to value changes for basis swaps, fourth-quarter profit includes NOK 0.4 million in other changes to the value of financial instruments. That gives a total positive change of NOK 16 million in the value of financial instruments, compared with a negative change of NOK 115 million for the same period of 2013.

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

## Appendix

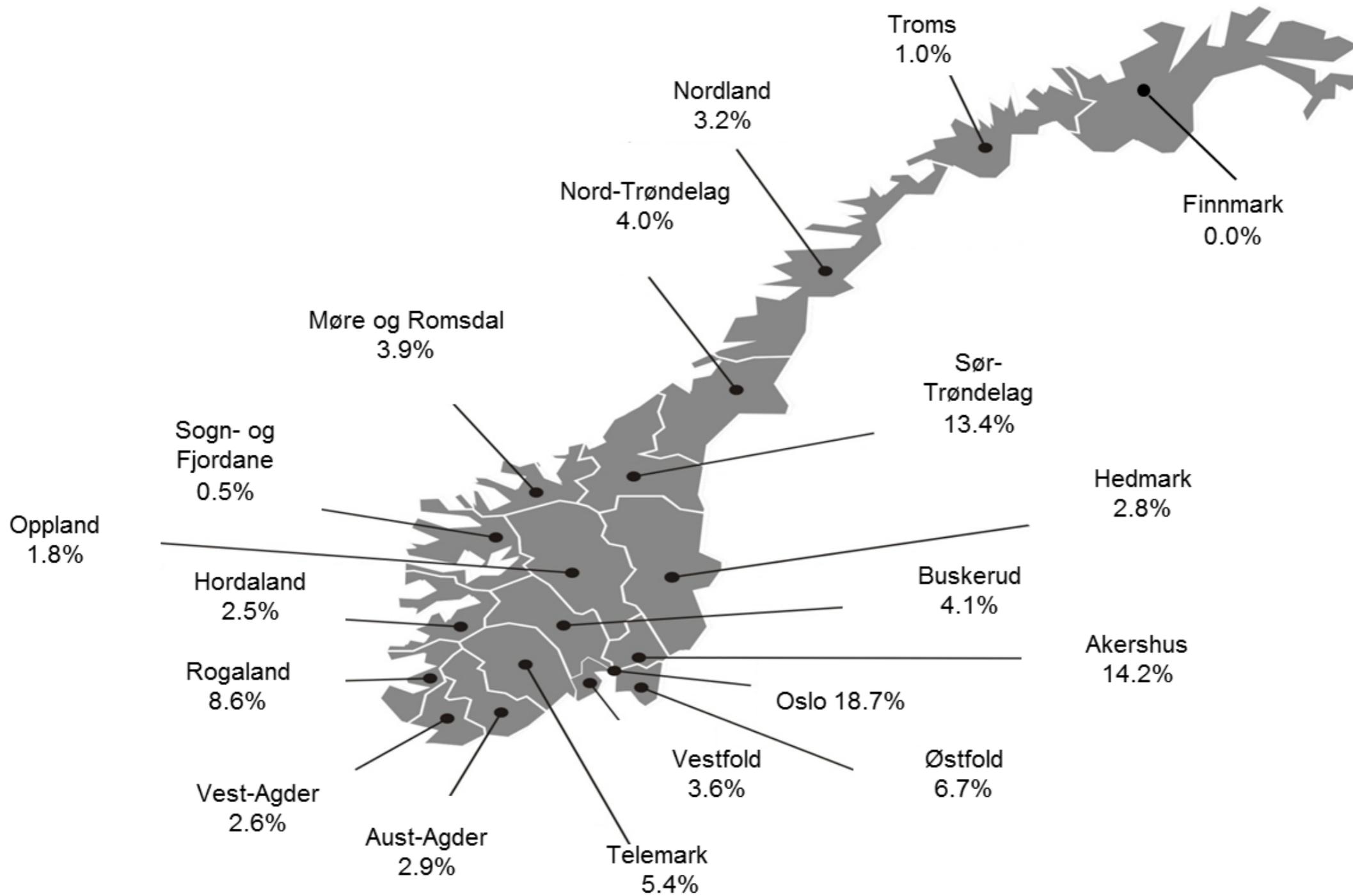
# Eika Boligkreditt - Balance sheet and key figures

Amounts in NOK million	2010	2011	2012	1Q2013	2Q2013	3Q2013	2013	1Q2014	2Q2014	3Q2014	4Q2014
<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	60.757	60.889
Debt from issuing securities	32.719	41.212	52.583	57.189	61.334	61.826	63.889	71.183	72.579	71.131	72.878
Subordinated loans	438	318	319	180	678	678	678	877	878	878	698
Equity	909	1.070	1.801	1.921	2.032	2.062	2.459	2.458	2.959	2.996	3.024
Equity in % of total assets	2,63	2,47	3,21	3,17	3,10	3,09	3,52	3,18	3,75	3,90	3,72
Average total assets	31.337	38.645	50.013	58.427	60.785	62.249	63.765	73.546	75.355	75.732	76.845
Total assets	34.612	43.255	56.165	60.689	65.502	66.641	69.829	77.264	78.971	76.863	81.298
<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	0,76	0,74
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	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	3,73	4,17
Total assets per full-time position	2.704	2.923	3.555	3.841	3.899	3.545	3.714	4.110	4.201	3.882	4.106
<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	2.933	2.925
Total tier 1 capital	904	1.053	1.710	1.810	2.228	2.228	2.648	2.845	3.346	3.382	3.374
Total primary capital (tier 2 capital)	1.342	1.371	2.029	1.989	2.658	2.657	3.077	3.274	3.776	3.811	3.623
Weighted calculation basis	10.829	13.724	17.150	18.415	19.917	20.361	21.445	22.683	23.182	25.074	25.155
Core tier 1 capital ratio	8,3	7,7	10,0	9,8	9,9	9,7	11,2	10,6	12,50	11,70	11,63
Total tier 1 capital ratio	8,3	7,7	10,0	9,8	11,2	10,9	12,3	12,5	14,43	13,49	13,41
Capital adequacy ratio	12,4	10,0	11,8	10,8	13,3	13,1	14,3	14,4	16,3	15,2	14,4
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	19,8	19,8

Source: EBK quarterly reports

## Appendix

# Eika Boligkreditt - Strong geographical diversification

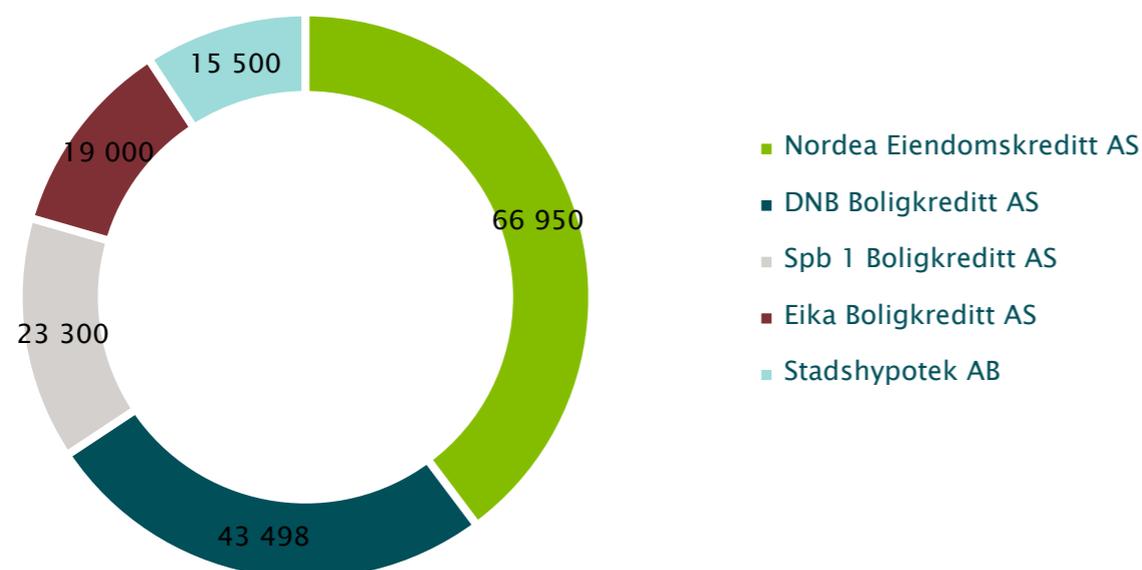


Map of distribution as of 31.03.2015

# 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

## 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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