

# Eika Boligkreditt

Investor presentation

*October 2017*



# Executive summary

## • The economy is improving

- GDP-growth is picking up after low growth in 2015 and 2016
- Large current account and fiscal surpluses
- Lower unemployment again
- Decreasing housing price growth in 2017 after very strong development in 2016
- Improved cost competitiveness will improve mainland export going forward

## • Robust, local saving banks

- 3<sup>rd</sup> largest Norwegian banking group
- Focus on retail lending
- High asset quality with low levels of doubtful & non-performing loans, low LTV and no direct exposure to oil/offshore
- Strong and diversified deposit base
- Strong capitalization and high level of liquidity buffers
- Strong position in the local markets

## • Conservative cover pool

- Maximum 60% LTV for mortgages at origination and strict underwriting criteria
- No arrears or losses since inception
- Prudent risk management with regards to refinancing, liquidity, currency, interest rate and counterparty risk
- Credit guarantees from the distributors and capital and liquidity support agreements with the owners

# Agenda

## **The operating environment**

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# The Norwegian economy – Key indicators

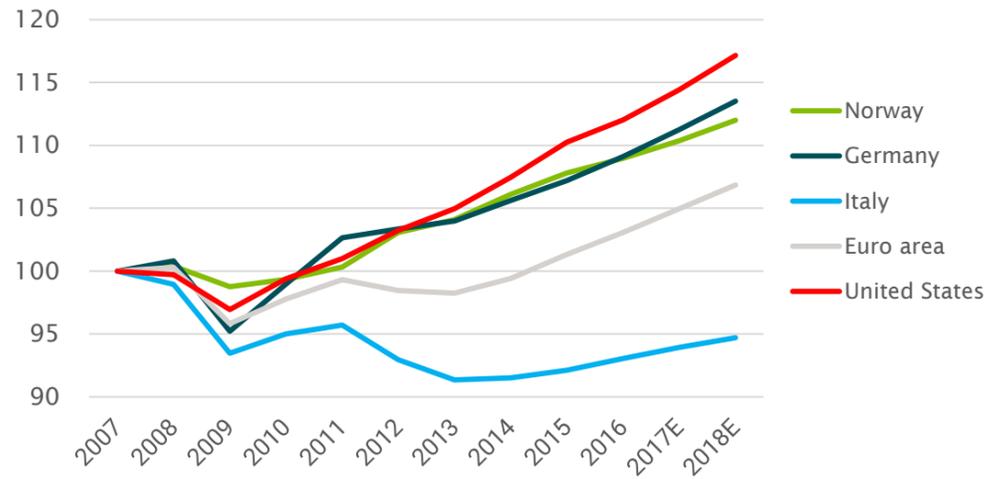
- Constitutional monarchy; Non EU member (EEA member); Population of 5.3 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated at NOK 613,366 (\$82,309) in 2014. 86% higher than the average in the EU-countries and 2<sup>nd</sup> highest behind Luxembourg
- Contributors to growth expected in 2017:
  - Positive contribution from private consumption, housing investments, public investments & consumption, other mainland industrial investments and increased export
  - Marginal, negative contribution from reduced petroleum investments

|                                    | 2011   | 2012   | 2013   | 2014  | 2015   | 2016  | 2017E | 2018E  | 2019E  | 2020E  |
|------------------------------------|--------|--------|--------|-------|--------|-------|-------|--------|--------|--------|
| GDP growth (Mainland)              | 1.9 %  | 3.8 %  | 2.3 %  | 2.2 % | 1.1 %  | 0.9 % | 1.9 % | 2.2 %  | 2.4 %  | 2.2 %  |
| Consumer price inflation           | 1.2 %  | 0.8 %  | 2.1 %  | 2.0 % | 2.1 %  | 3.6 % | 2.1 % | 2.0 %  | 2.1 %  | 2.3 %  |
| Unemployment                       | 3,3%   | 3.2 %  | 3.5 %  | 3.5 % | 4.4 %  | 4.7 % | 4.3 % | 4.2 %  | 4.1 %  | 4.0 %  |
| Private Consumption                | 2.3 %  | 3.5 %  | 2.1 %  | 2.0 % | 2.1 %  | 1.6 % | 2.2 % | 2.2 %  | 2.5 %  | 2.5 %  |
| Household savings rate             | 6.2 %  | 7.4 %  | 7.4 %  | 8.5 % | 10.4 % | 7.2 % | 6.4 % | 6.8 %  | 7.0 %  | 7.4 %  |
| Houseprices                        | 8.0 %  | 6.7 %  | 4.1 %  | 2.7 % | 6.1 %  | 7.0 % | 6.8 % | -1.1 % | -2.7 % | -1.2 % |
| Interest rates (money market)      | 2.9 %  | 2.2 %  | 1.8 %  | 1.7 % | 1.3 %  | 1.1 % | 0.9 % | 0.9 %  | 0.9 %  | 1.3 %  |
| Government net lending as % of GDP | 13.4 % | 13.8 % | 10.8 % | 8.7 % | 6.4 %  | 3.1 % | 4.1 % | 4.5 %  | n/a    | n/a    |
| Government pension fund / GDP      | 118 %  | 129 %  | 164 %  | 204 % | 238 %  | 235 % | 240 % | 244 %  | 249 %  | n/a    |

Source: Statistics Norway – Økonomiske analyser 2/2017 , OECD – Economic Outlook No 101 June 2017 and Norges Bank

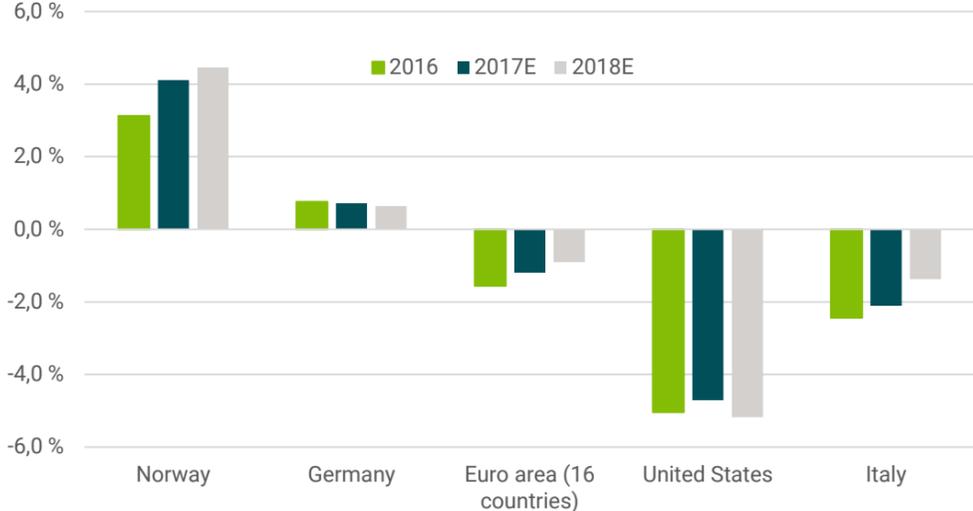
# The Norwegian economy – Solid economic situation

**Real GDP growth (rebased to 100 in 2007)**



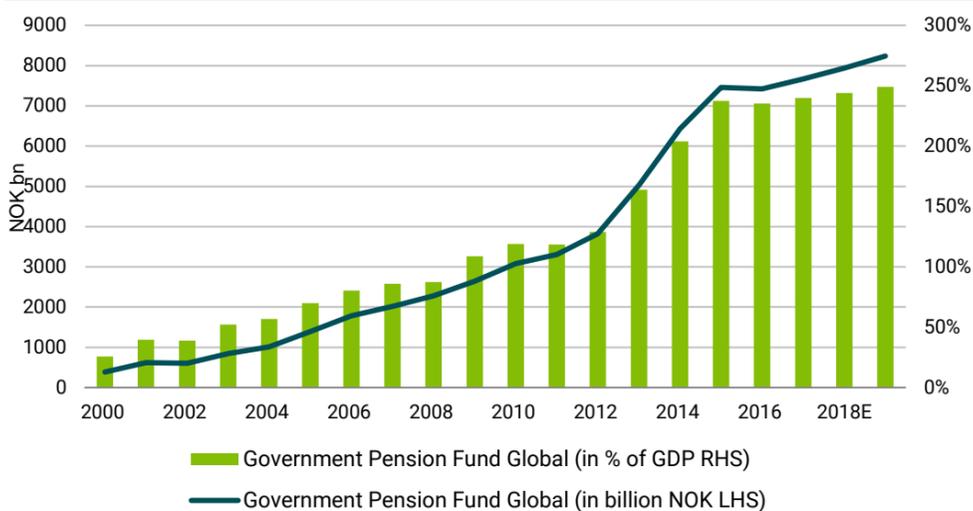
Source: OECD Economic Outlook No. 101 (database), June 2017

**Government net lending**



Source: OECD Economic Outlook No. 101 (database), June 2017

**Government Pension Fund Global**



Source : Norges Bank, Statistics Norway

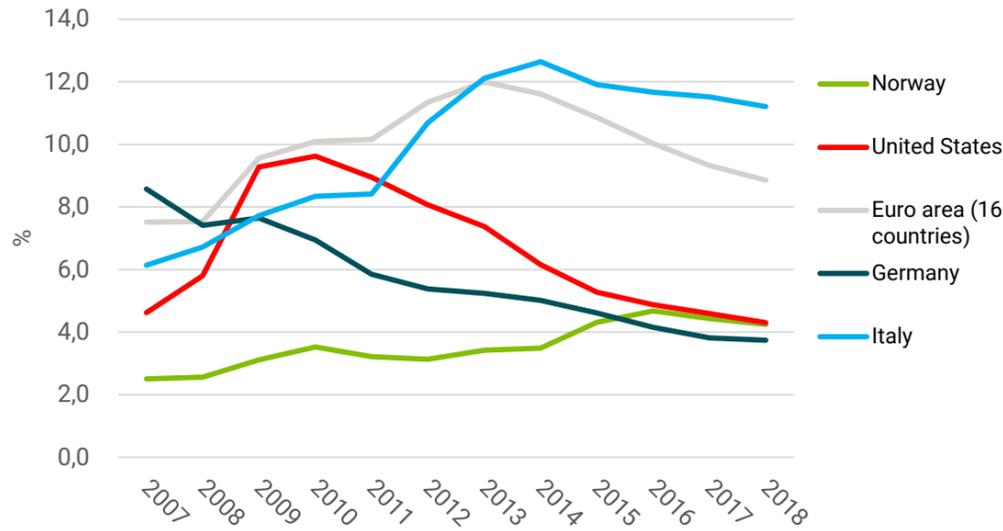
- Sound economic growth at an annual average of 2.0% for mainland GDP last 10 years
- Strong current account surplus averaging 12.0% of GDP since 2006

- Significant government net lending (5.7% of GDP in 2015) and the Government Pension Fund more than twice the size of GDP

- Norway has a strong balance sheet
- High net central government financial assets (250% of GDP in 2015)

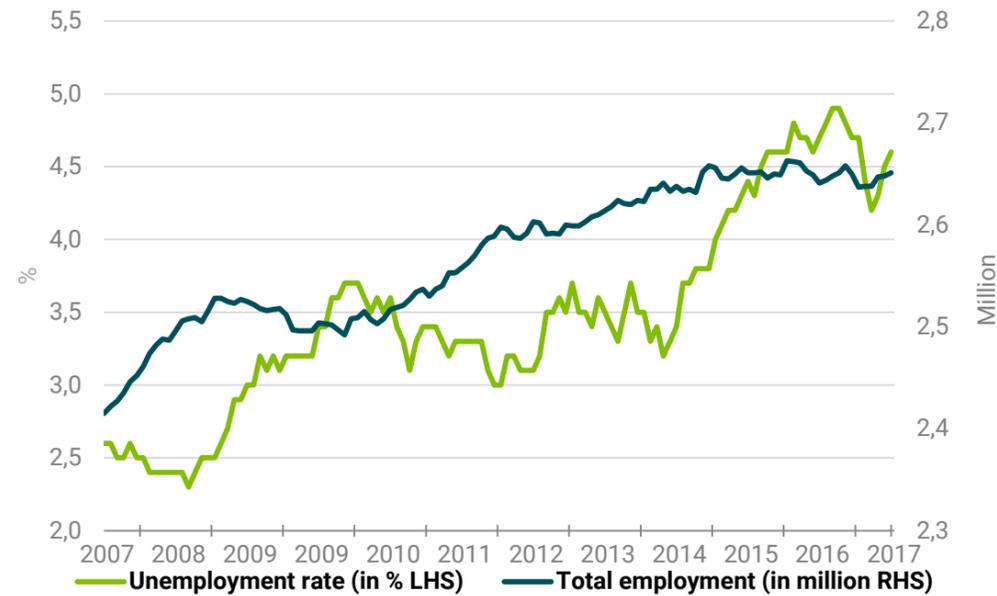
# The Norwegian economy – Low unemployment

Norway has consistently lower unemployment rates



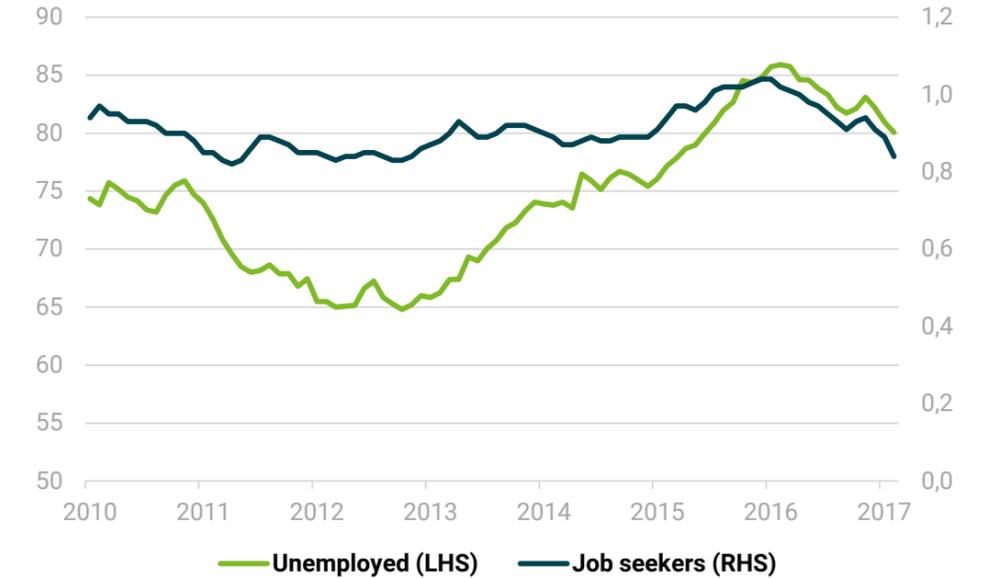
Source: OECD Economic Outlook No. 101 (database), June 2017

Survey unemployment rate (LHS) and total employment



Source: Statistics Norway, April 2017

Unemployed and new ordinary job seekers per business day (in 1000)



Source: Norwegian Labour and Welfare Administration (NAV), February 2017

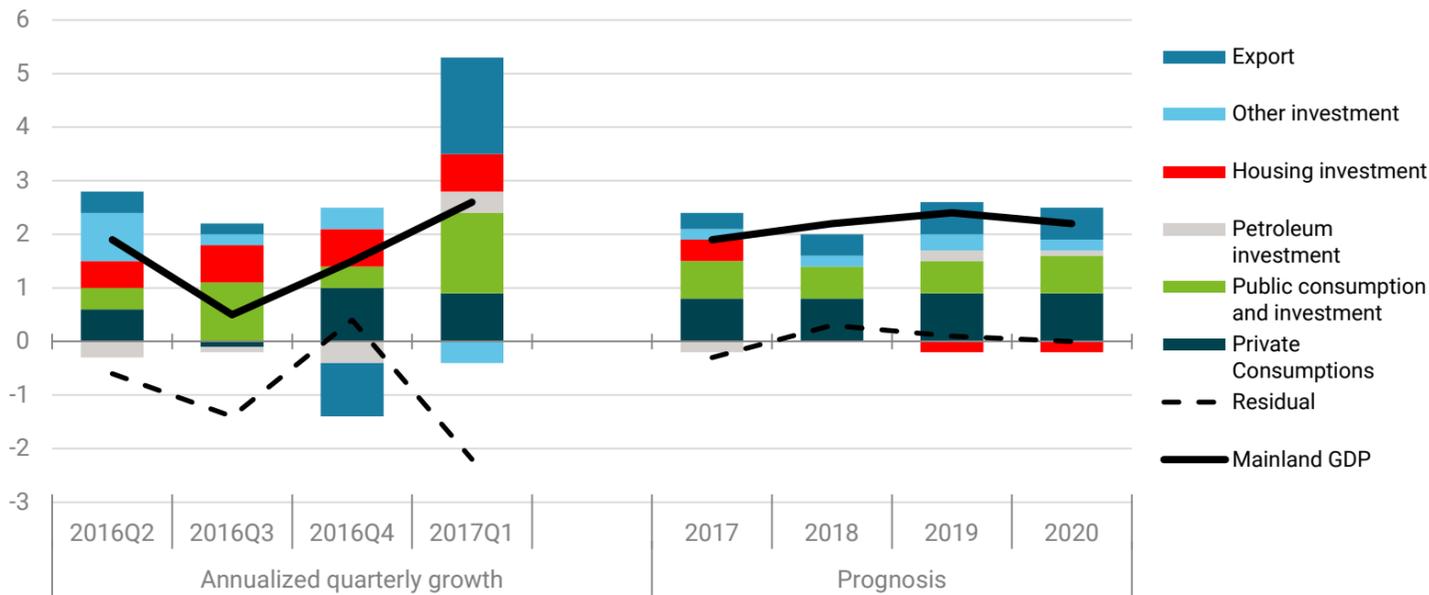
- A stable economy ensures a high rate of employment
- The survey based unemployment rate has fallen by 0,7%-points to 4,3 % after hitting the highest level in the last decade of 5,0 % in July 2016. New ordinary job seekers registered as unemployed is falling and pulling down the number of unemployed. Unemployment is expected to decline somewhat over the next couple of years from current levels of 4,3% and remain at low levels compared to elsewhere in Europe

- Labour immigration to Norway has been high over the past 10 years but is sensitive to changes in unemployment. Thus lower migration have counterbalanced increase unemployment

- A strong welfare system provides significant income protection: average unemployment benefit is 62.4% of salary (capped at NOK 540 408) for a minimum of 104 weeks

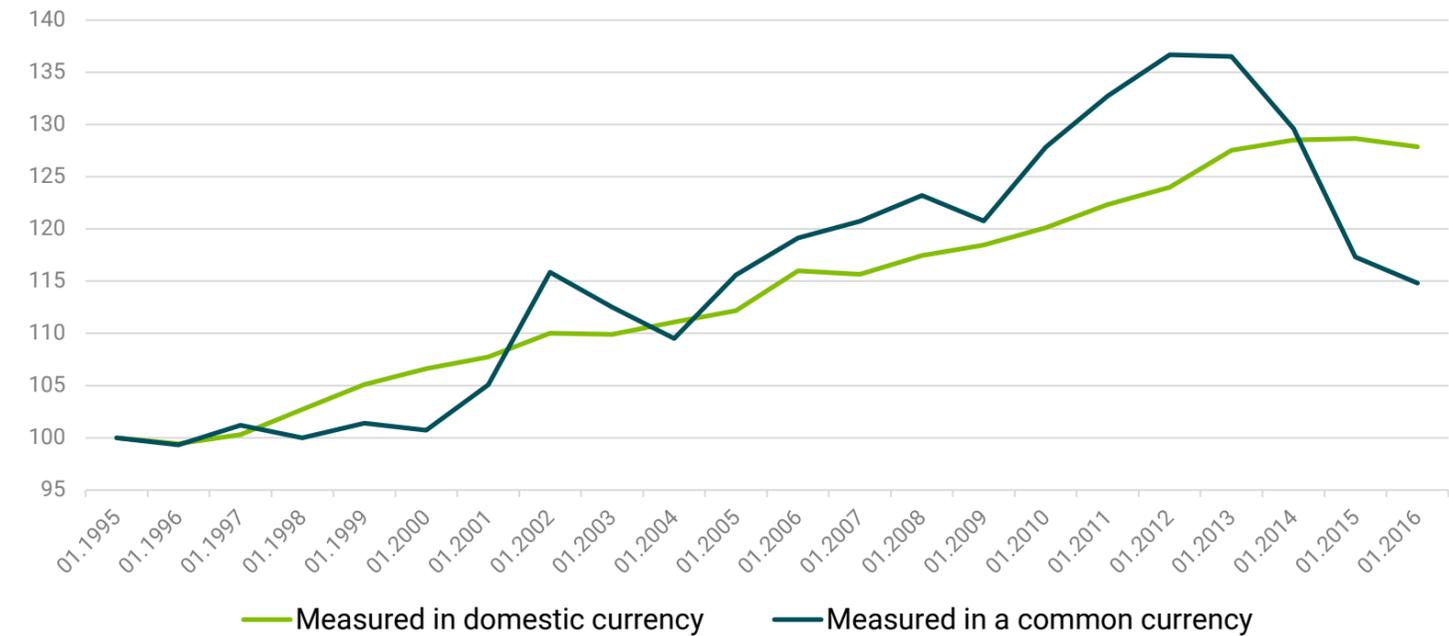
# The Norwegian economy – much more than petroleum

Norwegian GDP growth – dependent on much more than petroleum



Source: Statistics Norway, Økonomiske analyser 2/2017

Hourly labour cost in manufacturing relative to trading partners



Source: Norwegian Technical Calculation Committee for Wage Settlements (TBU), Statistics Norway and Norges bank

- Public and private consumption, housing investment, other investment and export are expected to be positive contributors to growth in 2017. Petroleum investment has been a drag on growth for the last 2 years, but this effect are expected to ebb away in 2017

- Following the decline in oil price since august 2014, the NOK has weakened. This improves competitiveness for Norwegian companies

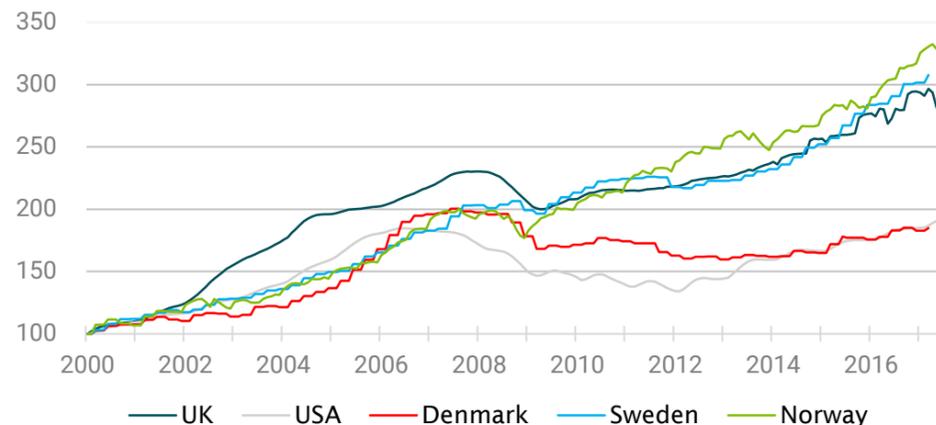
# The housing market characteristics in Norway

|                                |   |                           |  |
|--------------------------------|---|---------------------------|--|
| <b>Home ownership</b>          | <ul style="list-style-type: none"><li>• Among the highest in the world - around <b>80%</b> are owner-occupied households</li><li>• Total size of the mortgage market approximately NOK <b>2,324bn</b> (EUR 242bn)</li></ul>   | <b>Personal liability</b> | <ul style="list-style-type: none"><li>• Borrowers <b>personally liable</b> for their debt – also following foreclosures and forced sales</li><li>• Prompt and <b>efficient foreclosure</b> process upon non-payment</li><li>• Strong incentives to <b>service debt</b> reflected in low arrears</li><li>• Transparent <b>and reliable information</b> about borrowers available to the lenders</li></ul>   |
| <b>MoF lending regulation*</b> | <ul style="list-style-type: none"><li>• Mortgages maximum LTV <b>85%</b> (60% for secondary homes in Oslo)</li><li>• Mortgages with an LTV &gt; <b>60%</b> are required to be amortizing</li><li>• Debt service ability is stress tested for a <b>5%</b> - point increase in interest rates</li><li>• Total debt over gross income less than <b>5</b></li></ul> | <b>Mortgage lending</b>   | <ul style="list-style-type: none"><li>• <b>97%</b> of residential mortgage loans granted by banks/mortgage companies</li><li>• Typical legal maturity 25-30 years, on average <b>22-23 years</b></li><li>• <b>90.1%</b> of residential mortgages have variable interest rate (Q4 2015)</li><li>• Lenders allowed to <b>adjust interest</b> rates with a six week notice</li><li>• <b>No “sub-prime”</b> market in Norway</li><li>• Very limited <b>buy-to-let market</b></li></ul> |
| <b>Tax incentives</b>          | <ul style="list-style-type: none"><li>• All interest expenses are tax deductible in Norway at capital gains tax rate (<b>24%</b>)</li><li>• Preferential treatment of properties when calculating the wealth tax (<b>1.0%</b>)</li><li>• Capital gain on a dwelling tax-free after <b>one year</b> of occupancy by the owner</li></ul>                          |                           |  |

\* The Ministry of Finance sets mortgage guidelines in the regulation as of 1. June 2015, a stricter set of rules than the guidelines set prior to that

# The housing market – Price development

## Nominal house price development



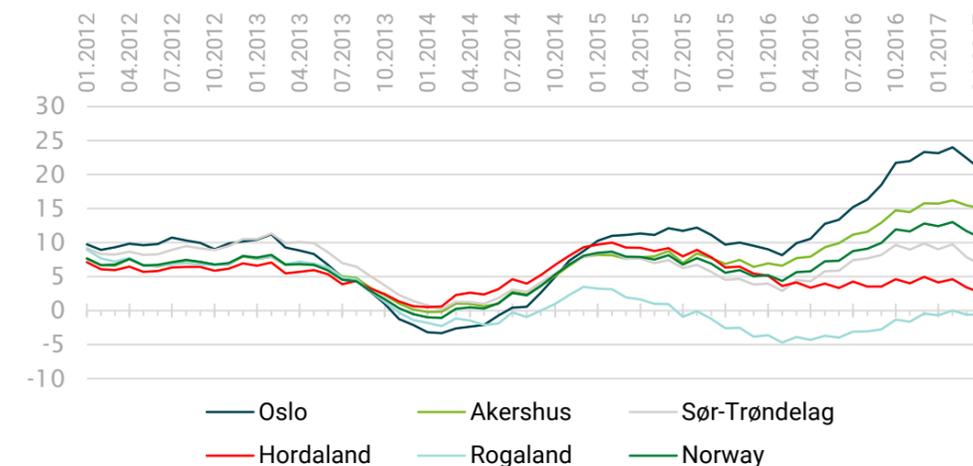
Source: S&P CoreLogic Case-Shiller US National Home Price NSA Index, Realkreditrådet BM010, Hometrack House price Index, Statistics Sweden, Eiendomsverdi, March 2017 – June 2017

## House prices relative to disposable income



Source: Norges Bank, Statistics Norway, Real Estate Norway, Eiendomsverdi, Finn.no, NEF, Q1 2017

## House price development in biggest cities



Source: Eiendomsverdi, May 2017

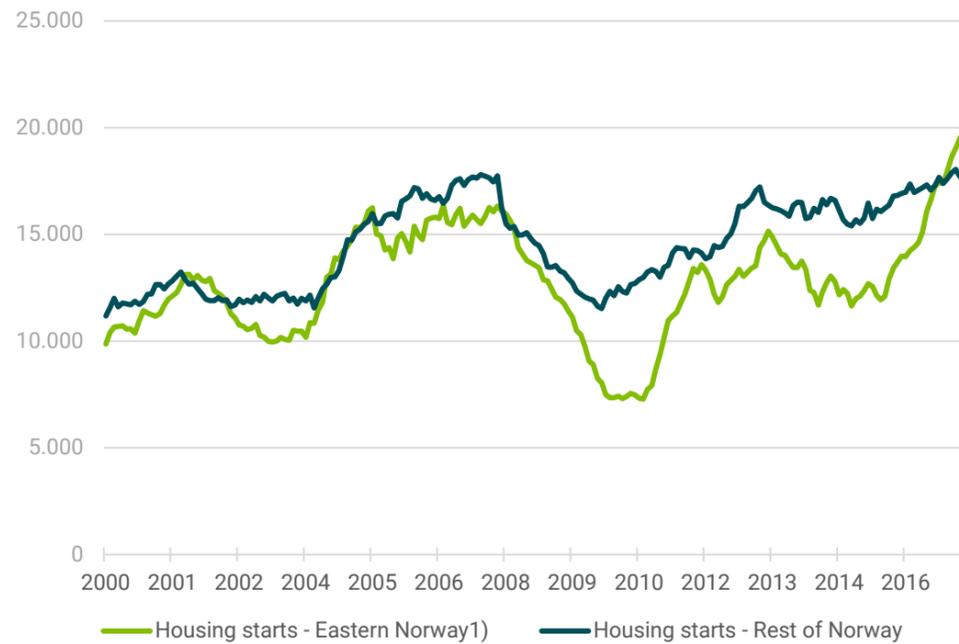
- Nominal house prices have increased by an average of 7.0 % per annum since 2000. However, when indexed by changes in disposable income (5.3% per annum since 2000) the increase in house prices has been moderate
- The housing market has been spurred by strong economic activity, environment of low interest rates, wage increases, population growth and inventory constraints

- The Norwegian housing market have been through a clear shift in trend over the last months where prices on a countrywide basis are influenced by falling prices in the Oslo area

- Median house price in Norway is € 320,000, median house price in Oslo is € 421,000
- Median m<sup>2</sup> price in Norway is € 3,573, median m<sup>2</sup> price in Oslo is € 7,158

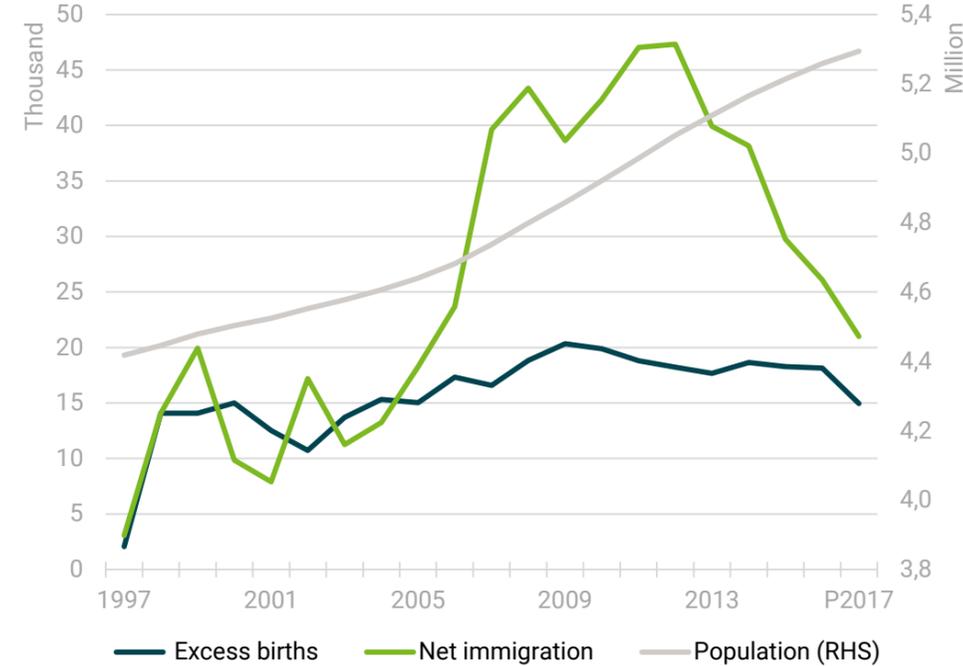
# The housing market – Drivers of the housing market

**Housing starts (past 12 months)**



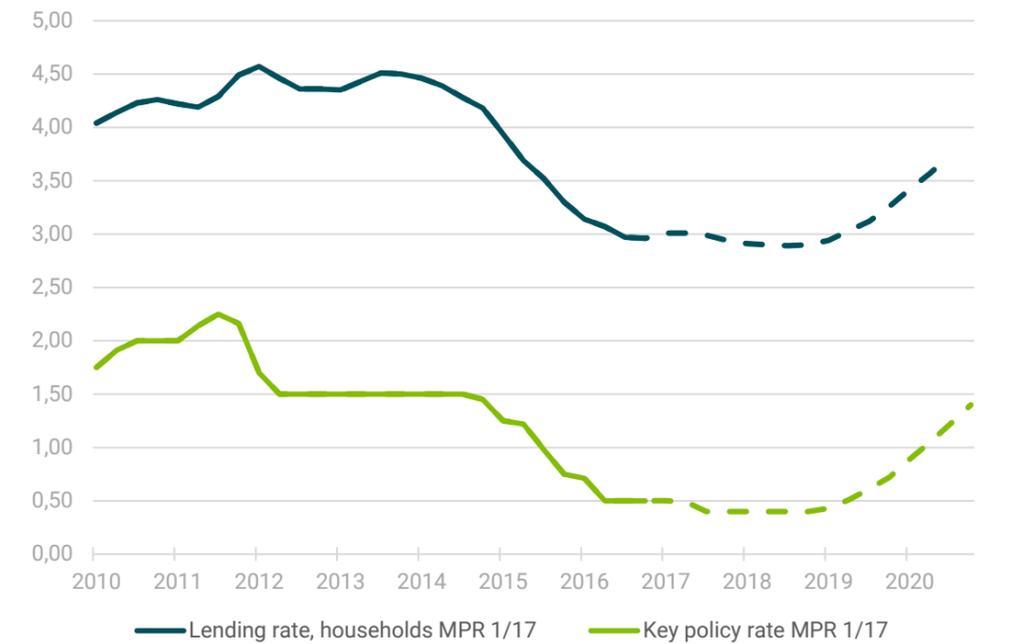
Source: Statistics Norway, April 2017  
1) Akershus, Buskerud, Hedmark, Oppland, Telemark, Vestfold og Østfold

**Strong population growth**



Source: Statistics Norway, Q2 2017

**Low average lending rates**



Source: Statistics Norway, Norges Bank, projections broken lines, Q1 2017

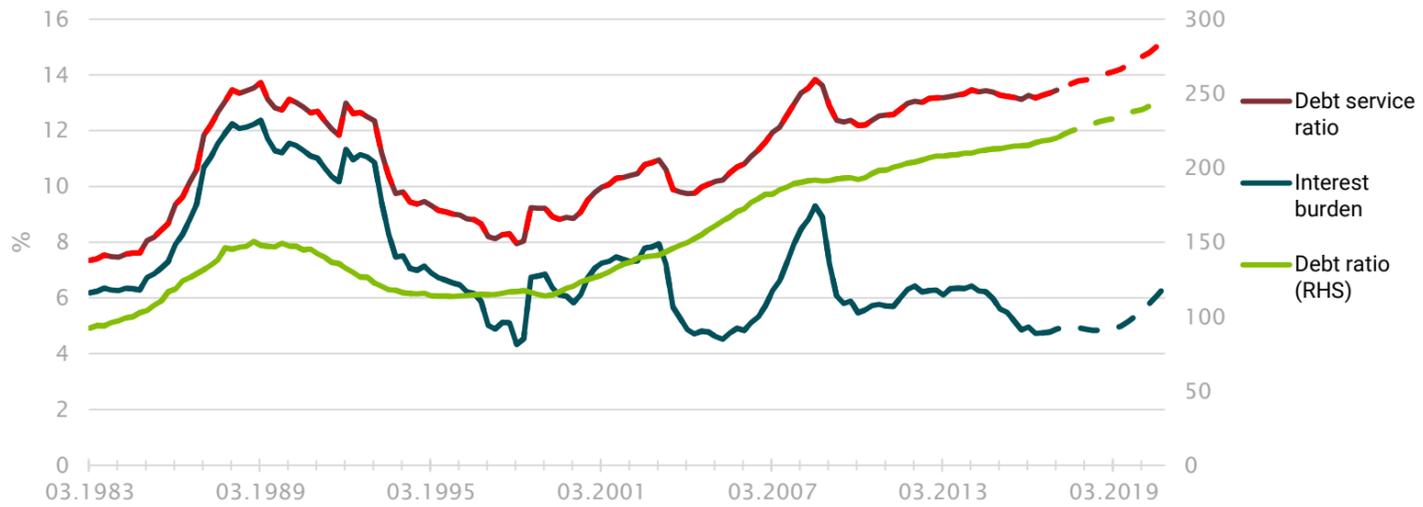
- Shortage of new housing supply and a strong population growth have been significant drivers of the strong price growth in the Norwegian housing market since 2008
- New home construction is up from the record low levels of 2009 and 2010 and has recently evolved towards the higher end of the range. This should mitigate the momentum on house prices going forward

- The population growth of 0.92 % p.a. since 1997 has been driven both by excess birth rate (37%) and net immigration (63%)

- Low average lending rates for households

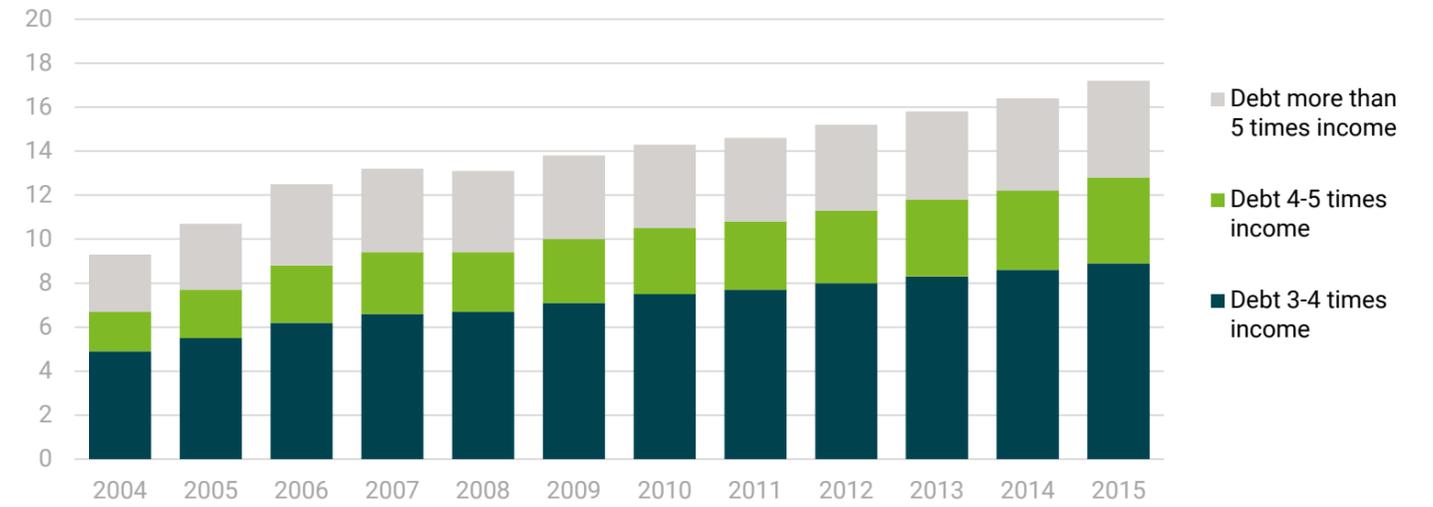
# Households financial position

## Norwegian household debt service ratio, interest burden and debt-to-income ratio (in %)



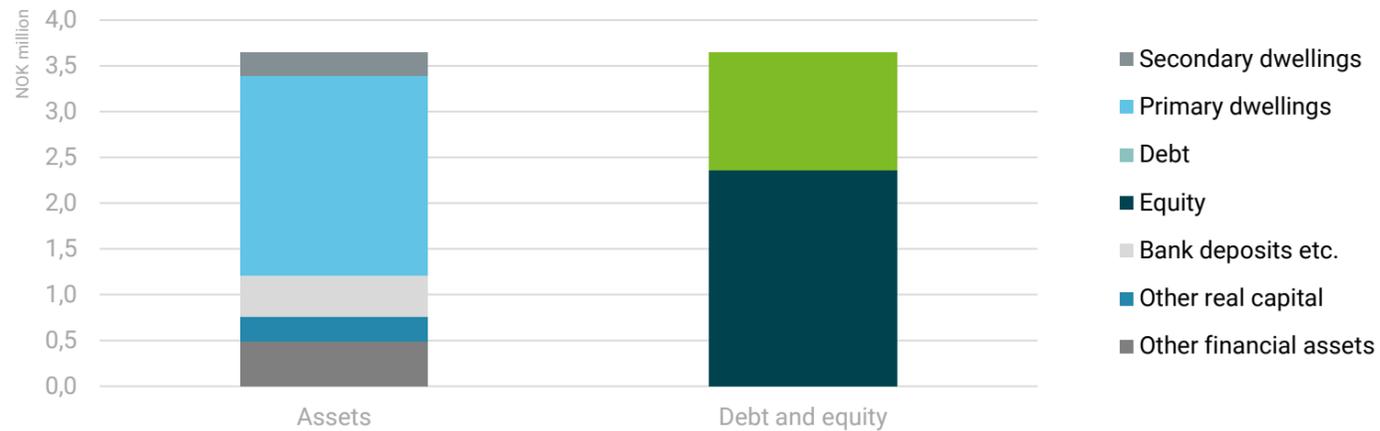
Source: Statistics Norway and Norges Bank, projections broken lines, Q1 2017

## Norwegian households with debt > 3 X total household income (in %)



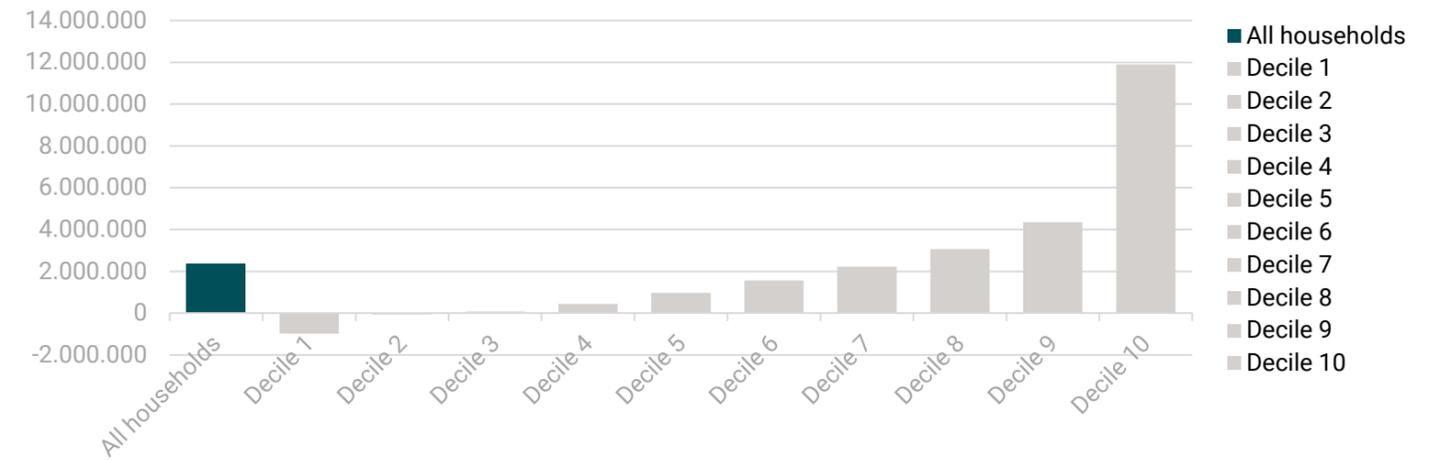
Source: Statistics Norway, Updated 2015

## Household balance sheet



Source: Statistics Norway Updated 2015

## Norwegian household net wealth (in NOK)



Source: Statistics Norway, Updated 2015

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# Diversified operations across the country

- The Eika banks consist of a group of 70 Norwegian local banks

- 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 Norwegian banking group
- 209 branch offices
- 2,332 employees
- Total assets EUR 43 bn
- 0.9 million customers

- **Market share in lending to retail customers**

- Up to 80% in local markets (except the largest cities)
- 10.2 % overall in Norway

- **Local banks with a unique market position**

- The Eika banks have high client satisfaction and loyalty among retail- and corporate clients
- Local based knowledge and credit committee decisions
- Perceived to care about their clients

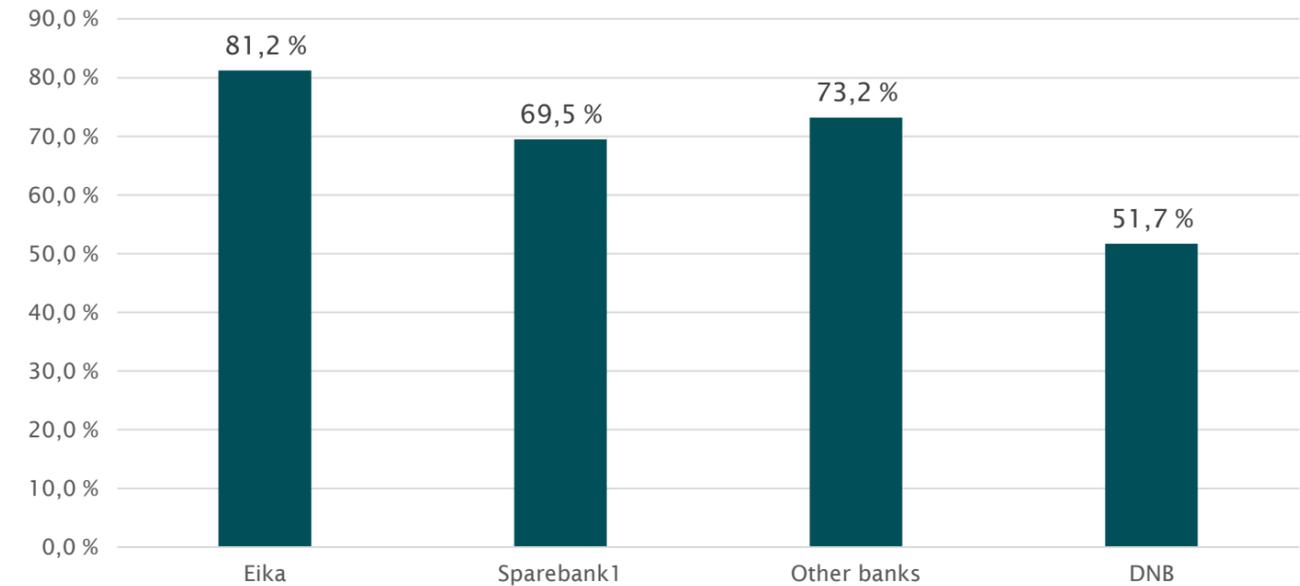


EURNOK as of 31.12.2016: 9.0874

# Focus on retail customers

- Eika banks have a large and stable retail customer base
- Retail lending accounts for 75.3% of Eika banks' total lending. Including transfers to Eika Boligkreditt the consolidated retail share is 81.2%
- Eika banks have a higher share of retail lending compared to the other Norwegian peers
- Retail lending consist predominantly of mortgage collateralized housing loans (approx. 93% of total)
- Low average LTV of 52.9% in mortgage portfolio
- Eika banks have low exposure to the corporate sector with no lending to shipping, oil sector and relatively low exposure to commercial real estate

Retail share incl. transfers to CB – Eika vs. peers YE2016

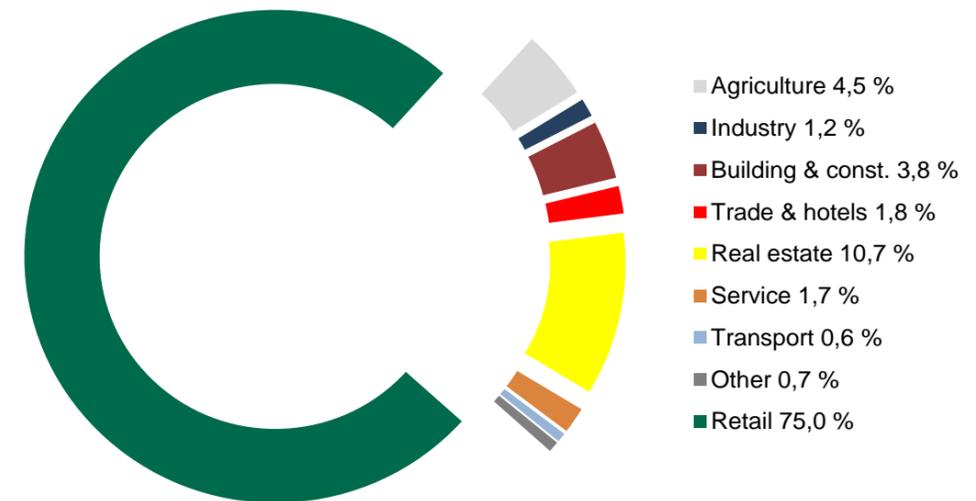


Breakdown of the Eika banks lending (excl. transfers CB company)



Source: Bank analyst Eika

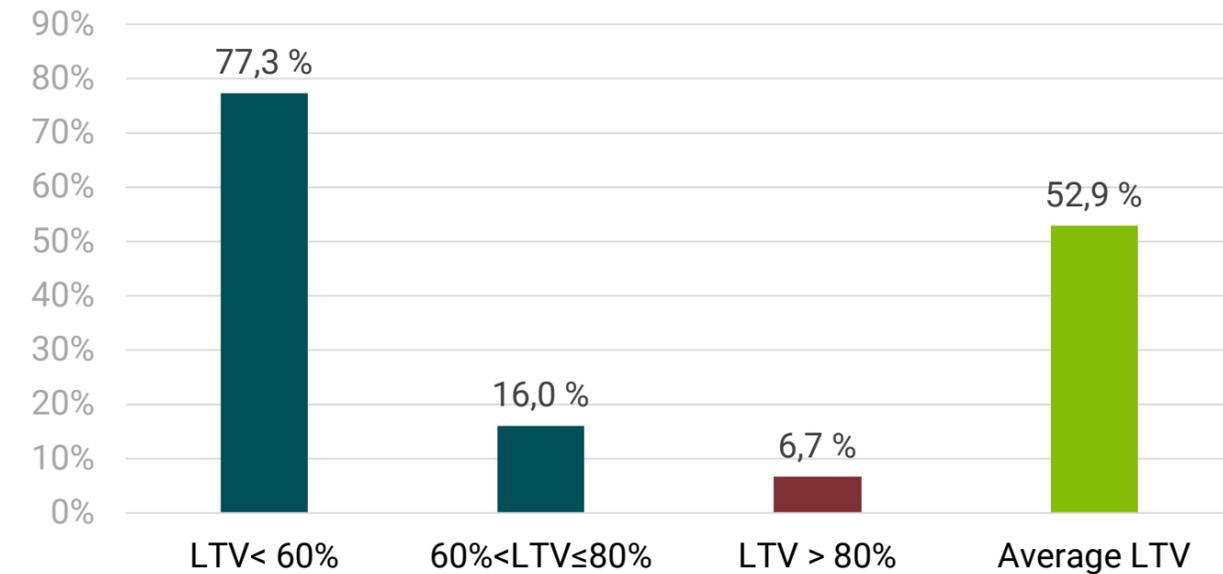
Sector breakdown of the loan book YE2016



# High asset quality

- Conservative risk profile within the banks
- Few non-performing and doubtful loans
  - Gross non-performing loans constitute 0.53% of gross loans Q2 2017, versus 0.53% in YE2016
  - Gross doubtful loans constitute 0.59% of gross loans Q22017, versus 0.59% in YE2016
  - Provisioning ratio on problem loans of 58.1% Q2 2017 (56.4% in YE 2016)
- Gross problem loans relative to equity + loan loss reserves has been declining gradually over the last 8 years and is now at 8.2% (Q2 2017)

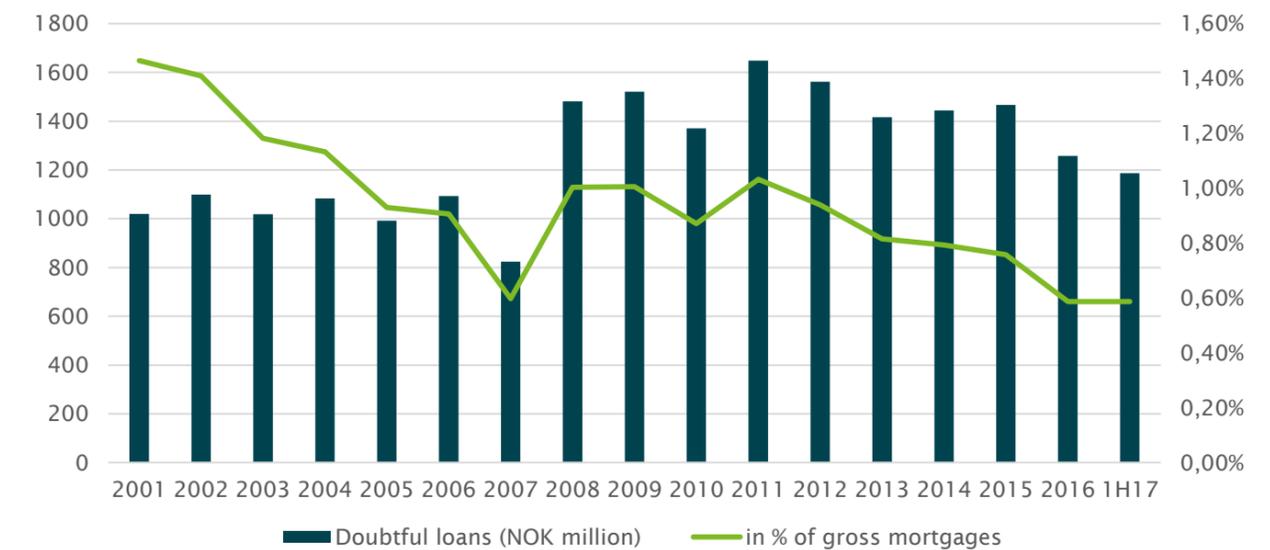
## Low LTV in mortgage portfolio (bank book) Q32016



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



## 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)

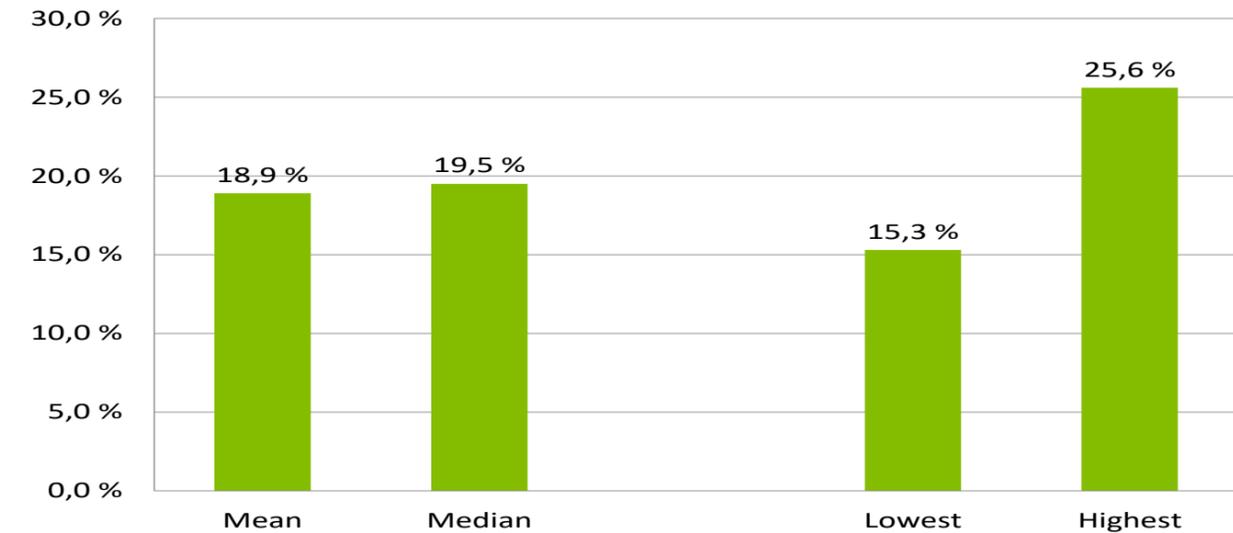
Problem loans = non performing loans + doubtful loans

Source: Bank analyst Eika

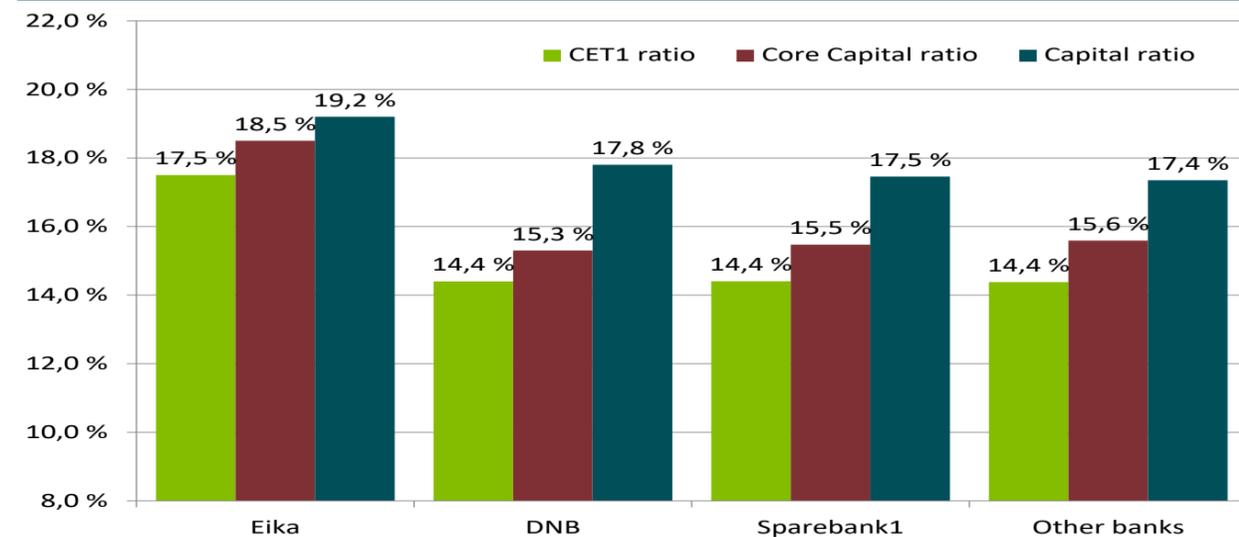
# Strong capitalization

- **Strengthened capital ratios – 2016 (2015)**
  - Common equity ratio (CET1): 17.8% (17.5%)
  - Core capital ratio 18.9% (18.5%)
  - Capital ratio 20.0% (19.2%)
  - Equity ratio 10.3% (Equity/Total assets) (10.2%)
- **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 2Q16 and 4Q17 in ( ):**
  - Common equity ratio (CET1): 11.5% (12.0%)
  - Core capital ratio: 13.0% (13.5%)
  - Capital ratio: 15.0% (15.5%)
- **All Eika banks are well capitalized (T1 ratio)**
  - Lowest: 15.3% (14.6%)
  - Highest: 25.6% (27.3%)
- **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 were using the IRB method, the core and capital ratios are estimated to have been at 26.8% and 28.4% at end 2016**

Core capital ratio YE2016 – Eika banks



Capital ratios YE2015 - Norwegian banks



Source: Bank Analyst Eika

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# Ownership structure



**Eika Boligkreditt AS**

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Covered Bond Funding

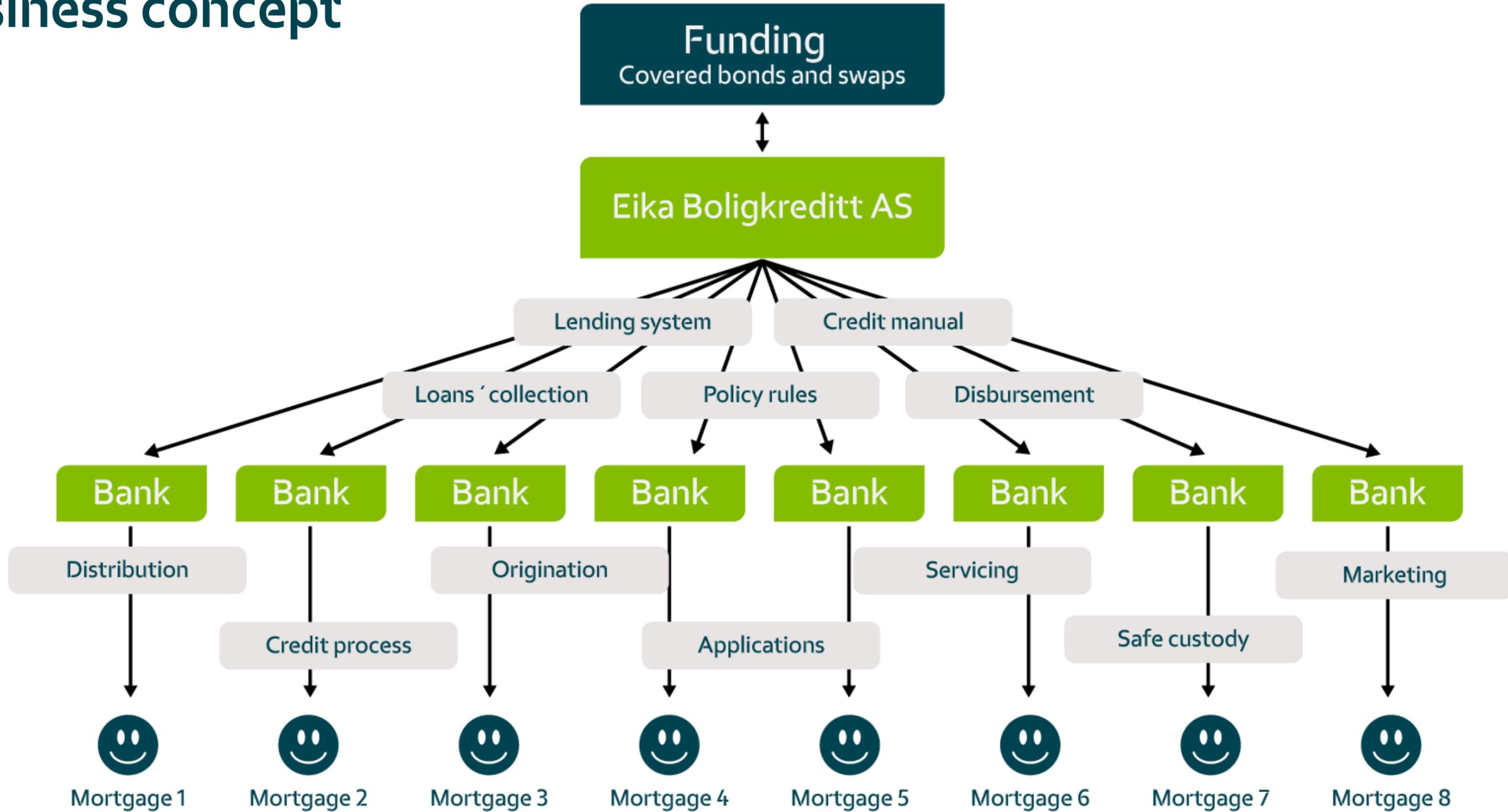
**Eika Gruppen AS**

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|  |                           |                     |                       |
|--|---------------------------|---------------------|-----------------------|
| Provides products and services to bank clients | Provide services to banks | Infrastructure / IT | Strategy and Lobbying |
|--|---------------------------|---------------------|-----------------------|

Bank2 and Sandnes sparebank are only shareholders in Eika Gruppen AS  
 OBOS is the largest Nordic Cooperative Housing Association, established in 1929 and is owned by 415,000 members, mostly located in the Oslo-area. More information about OBOS can be found on [www.obos.no](http://www.obos.no)

# Business concept



# Eligibility criteria for the cover pool

|                            |  |
|----------------------------|--|
| <b>Origination process</b> | <ul style="list-style-type: none"><li>• Loan-by-loan origination</li></ul>   |
| <b>Customer categories</b> | <ul style="list-style-type: none"><li>• Norwegian residents (Retail)</li><li>• Cooperative housing associations (common debt between multiple individuals)</li></ul> |
| <b>Credit Criteria</b>     | <ul style="list-style-type: none"><li>• Eika Boligkreditt sets the credit policy for acceptable mortgages (credit manual)</li><li>• No arrears</li></ul>             |

|                           |   |
|---------------------------|---|
| <b>Collateral</b>         | <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 3rd party, documented</li></ul> |
| <b>Type of properties</b> | <ul style="list-style-type: none"><li>• Stand alone residential mortgages</li><li>• Cooperative housing residential mortgages</li></ul>   |
| <b>Type of products</b>   | <ul style="list-style-type: none"><li>• Principal repayment loans (currently no flexi loans)</li><li>• Fixed and variable interest rate loans</li></ul>   |

# Strong incentive structure

With regards to the mortgages in the Eika Boligkreditt cover pool there is a 2 pillar guarantee mechanism; this is to ensure that the originating banks are held responsible for potential losses on mortgages transferred to Eika Boligkreditt

## I Loss Guarantee

- 80% of any losses, including unpaid interest, on mortgages in EBK's portfolio will be covered by the owner bank
- The guarantee from an owner bank will have a floor of (i) NOK 5 million; or (ii) 100 per cent. of the relevant owner bank's loan portfolio if it is lower than NOK 5 million
- The guarantee from an owner bank is limited to 1% of the owner bank's total portfolio
- 100% of the loan is guaranteed by the bank until the collateral is registered

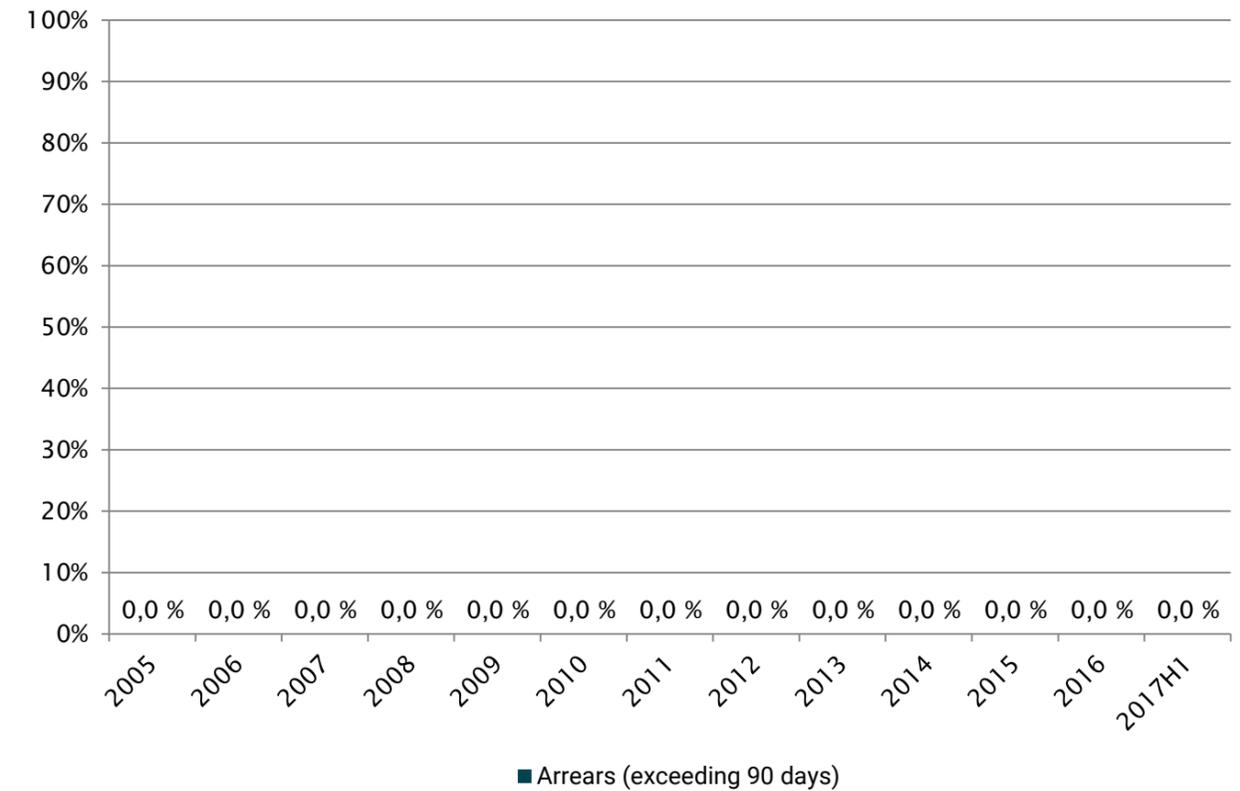
## II Set-off rights

- The remaining 20% of the losses will be covered by a counter-claim on all commission receivables due from EBK to each owner bank
- The set-off rights are limited to a period of up to 12 months after such losses are incurred.

# 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 requested to solve the problem within 2 months by:
  - Giving the client extra credit
  - Transferring the loan back to the bank (840 loans transferred back since the start-up of company in 2004 of a total of 124,730 loans)

## Loans in arrears over 90 days



# Top notch collateral score by Moody's

- On the 20<sup>th</sup> of July 2017, Moody's released the 27th edition of their Global 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 second 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

## Covered bond programmes with lowest (best) collateral scores

| Name of Programme                                    | Type of Programme | Country | Collateral Score |
|--|-------------------|---------|------------------|
| OP Mortgage Bank - Mortgage Covered Bonds 2          | Mortgage          | Finland | 1.9%             |
| Eika Boligkreditt AS - Mortgage Covered Bonds        | Mortgage          | Norway  | 2.0%             |
| Nordea Mortgage Bank Plc - Mortgage Covered Bonds    | Mortgage          | Finland | 2.1%             |
| HSBC Bank plc - Mortgage Covered Bonds               | Mortgage          | UK      | 2.2%             |
| Royal Bank of Scotland plc - Mortgage Covered Bonds  | Mortgage          | UK      | 2.2%             |
| Barclays Bank PLC - Mortgage Covered Bonds           | Mortgage          | UK      | 2.2%             |
| SpareBank 1 Boligkreditt AS - Mortgage Covered Bonds | Mortgage          | Norway  | 2.5%             |
| Nationwide Building Society - Mortgage Covered Bonds | Mortgage          | UK      | 2.5%             |
| Coventry Building Society - Mortgage Covered Bonds   | Mortgage          | UK      | 2.5%             |
| Leeds Building Society - Mortgage Covered Bonds      | Mortgage          | UK      | 2.5%             |

Source: Moody's Investors Service

\* Measures the overall quality of collateral in the Cover Pool. The lower the Score, the better the credit quality of the Cover Pool.

# Structure of liquidity and capital support from owners

- **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



# Rating summary

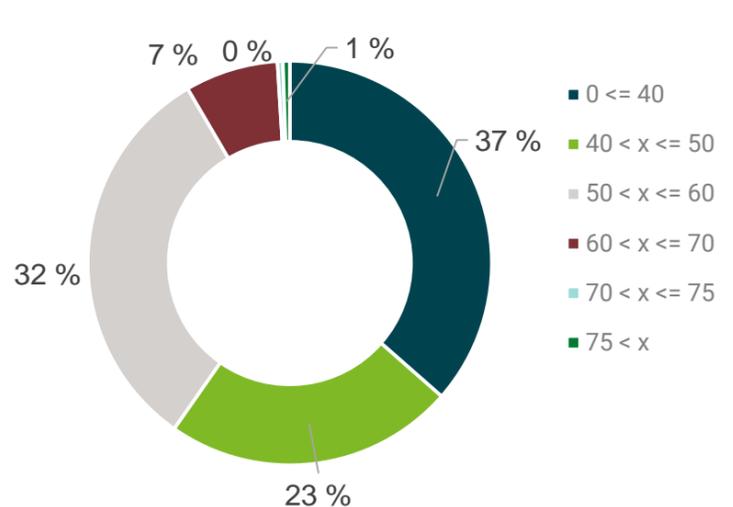
- Eika Boligkreditt covered bonds:
  - Rated **Aaa** by Moody's
  - TPI: **High**
  - Leeway: **2 notches**
  - Collateral Score on individual basis of 2.0% as of 2016Q4 (pre 5% country floor)
- Committed minimum OC in EMTCN Programme is 5%
- June 6<sup>th</sup> 2017 Moody's Investors Service upgraded the rating to Aaa from Aa1 for the covered bonds issued by Eika Boligkreditt
- The rating actions follow Moody's assignment of a Baa1 issuer rating and a Counterparty Risk Assessment (CRA) of A3(cr)/Prime-1(cr) to Eika Boligkreditt AS on June 2<sup>nd</sup> 2017
- Minimum OC level consistent with current CB Rating is 5.0% in the 2017Q2 Performance Overview.

|               |          | Timely Payment Indicators |            |           |              |           |           |
|---------------|----------|---------------------------|------------|-----------|--------------|-----------|-----------|
|               |          | Very Improbable           | Improbable | Probable  | ProbableHigh | High      | Very High |
| Cr Assessment | A2(cr)   | Aaa                       | Aaa        | Aaa       | Aaa          | Aaa       | Aaa       |
|               | A3(cr)   | Aa1                       | Aa1        | Aaa       | Aaa          | Aaa       | Aaa       |
|               | Baa1(cr) | Aa2                       | Aa2        | Aaa       | Aaa          | Aaa       | Aaa       |
|               | Baa2(cr) | Aa3                       | Aa3        | Aa1       | Aa1          | Aaa       | Aaa       |
|               | Baa3(cr) | A1                        | A1         | Aa2       | Aa2          | Aa1       | Aaa       |
|               | Ba1(cr)  | A3                        | A2         | A1        | Aa3          | Aa2       | Aa1       |
|               | Ba2(cr)  | Baa1-Baa3                 | A3-Baa2    | A2-Baa1   | A1-A3        | Aa3-A2    | Aa2-A1    |
|               | Ba3(cr)  | Baa2-Ba1                  | Baa1-Baa2  | A3-Baa2   | A2-Baa1      | A1-A3     | Aa3-A2    |
|               | B1(cr)   | Baa3-Ba2                  | Baa2-Baa3  | Baa1-Baa3 | A3-Baa2      | A2-Baa1   | A1-A3     |
|               | B2(cr)   | Ba1-Ba3                   | Ba1-Ba2    | Baa3-Ba2  | Baa1-Baa3    | A3-Baa2   | A1-Baa1   |
|               | B3(cr)   | Ba2-B1                    | Ba1-Ba3    | Ba1-Ba3   | Baa2-Ba1     | Baa1-Baa3 | A3-Baa2   |

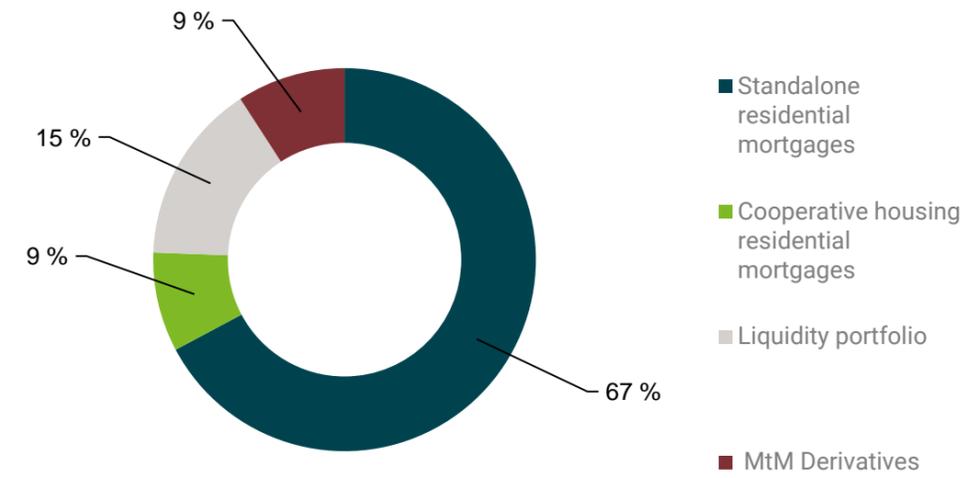
# Summary of the cover pool

| Numbers in EUR                     | Grand total   | Standalone residential mortgages | Cooperative residential housing |
|------------------------------------|---------------|----------------------------------|---------------------------------|
| Nominal value                      | 7,866,823,372 | 6,937,555,198                    | 929,268,174                     |
| In % of total mortgage Pool        | 100 %         | 88.19 %                          | 11.81 %                         |
| Number of loans                    | 48,007        | 47,248                           | 759                             |
| Arithmetic average loan (nominal)  | 163,868       | 146,833                          | 1,224,332                       |
| WA LTV (unindexed / indexed)       | 46.7% / 41.9% | 50.5% / 45.5%                    | 18.1% / 15.0%                   |
| WA seasoning (months)              | 30.0          | 28.1                             | 44.4                            |
| Loans in arrears (over 90 days)    | 0.0           | 0.0                              | 0.0                             |
| Estimated over collateralization * | 9.17 %        | n/a                              | n/a                             |

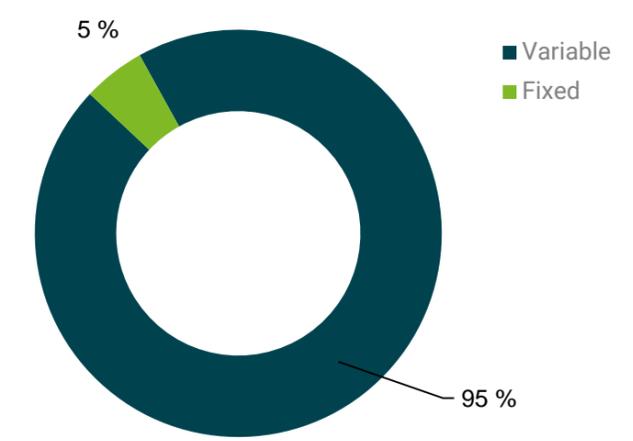
**Indexed LTV distribution**



**Composition of Cover Pool**

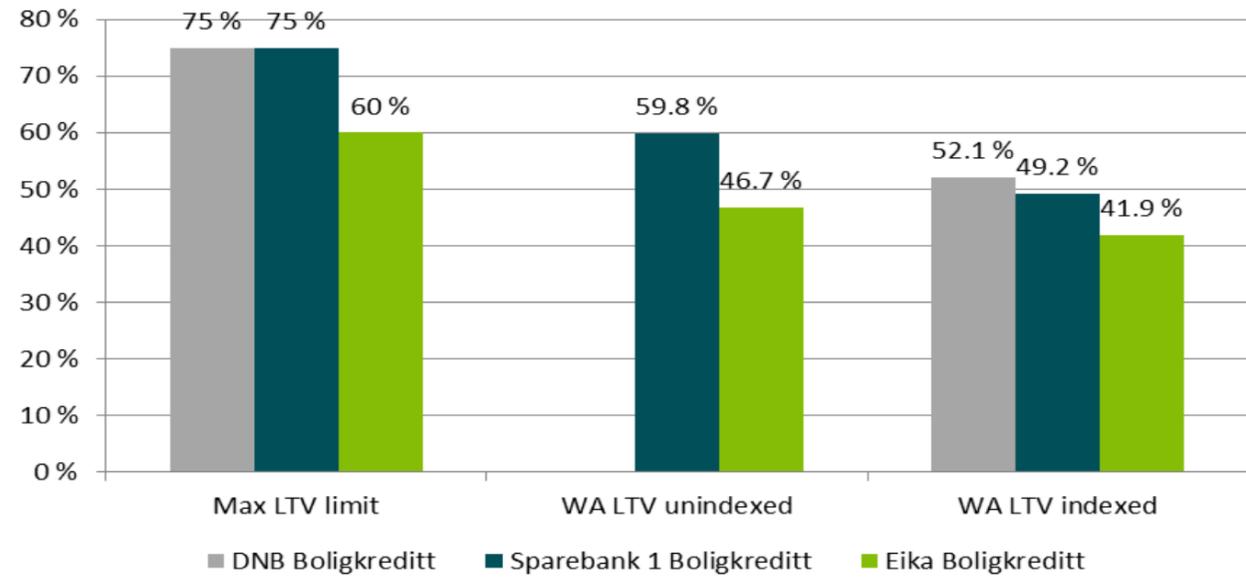


**Variable vs fixed rate**



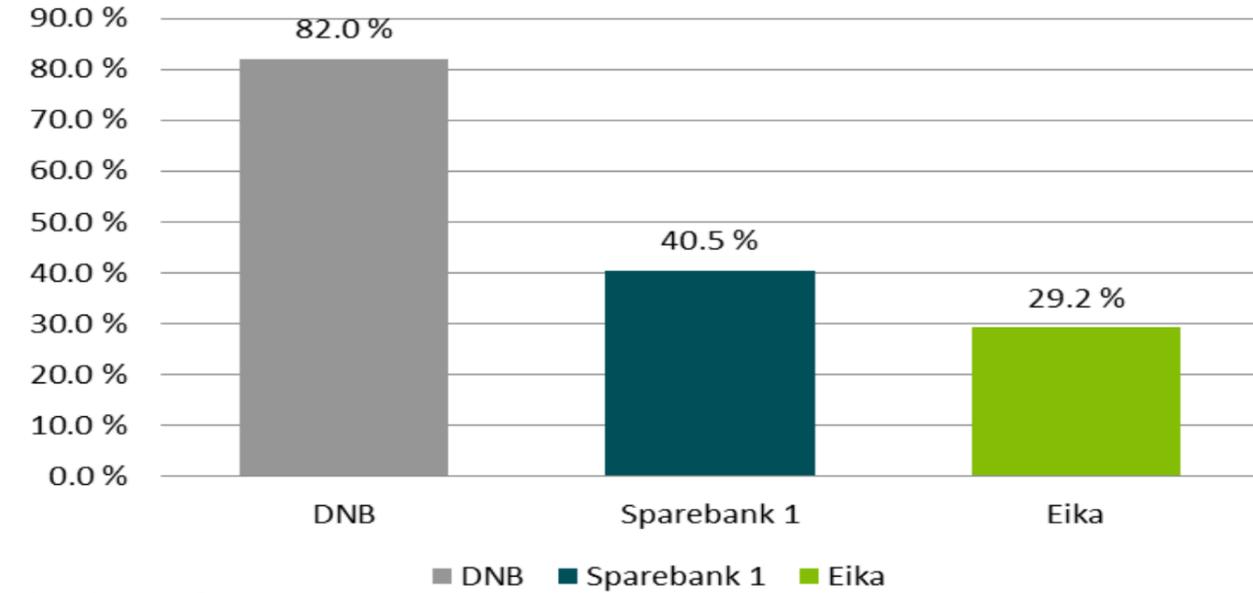
# Cover pool comparison and stress test

## LTV comparison with peers



Source: Investor presentation DNB August 2017 (data as of 30.06.17), and cover pool information Sparebank 1 Boligkreditt HTT for Q2 2017 (data as of 30.06.17)

## Share of retail mortgage loans transferred to CB issuer YE2016



Source: Bank Analyst Eika

## Stress test: Decline in house prices

| Stress test house price reduction<br>(numbers in € million) | Unchanged | Decline of 10% | Decline of 20% | Decline of 30% |
|---|-----------|----------------|----------------|----------------|
| Mortgage Portfolio  | 7,866.8   | 7,866.8        | 7,866.8        | 7,866.8        |
| Part of mortgages exceeding 75% LTV                         | -         | 11.68          | 37.88          | 223.77         |
| Share of mortgage portfolio >75% LTV                        | 0.00 %    | 0.15 %         | 0.48 %         | 2.84 %         |
| Estimated Over collateralization*                           | 9.39 %    | 9.25 %         | 8.94 %         | 6.74 %         |

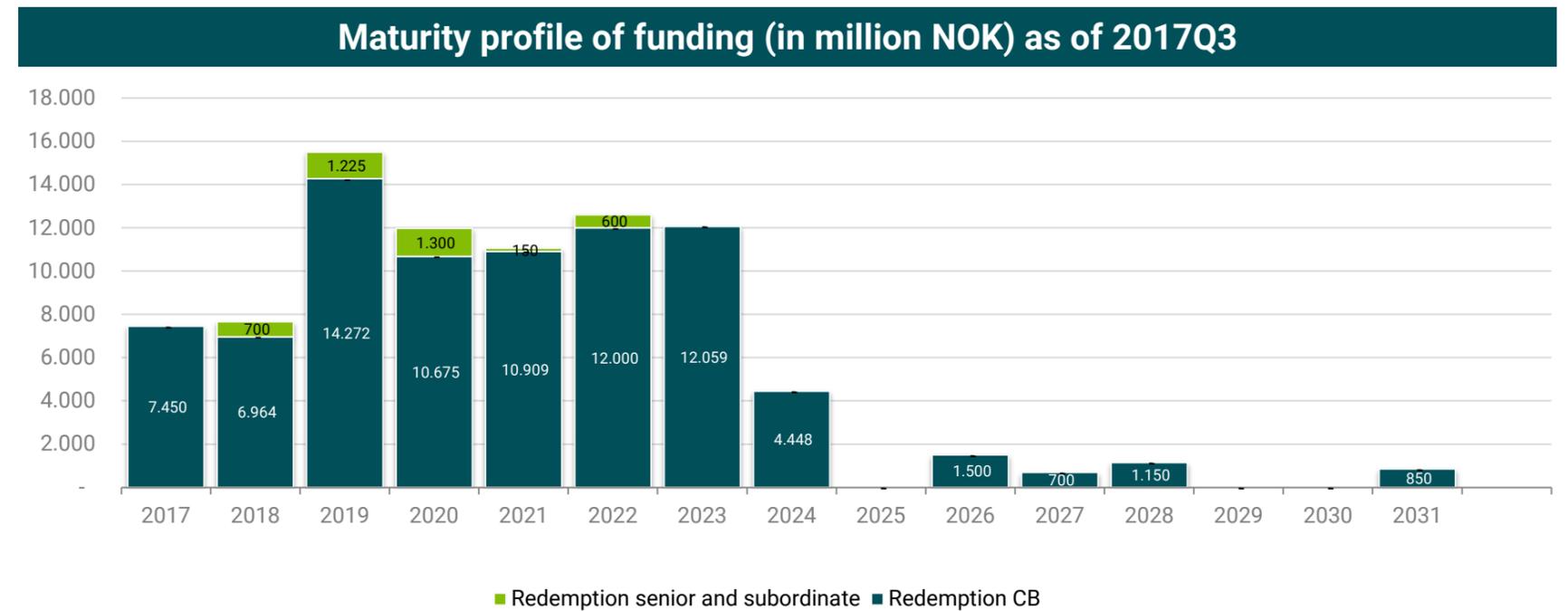
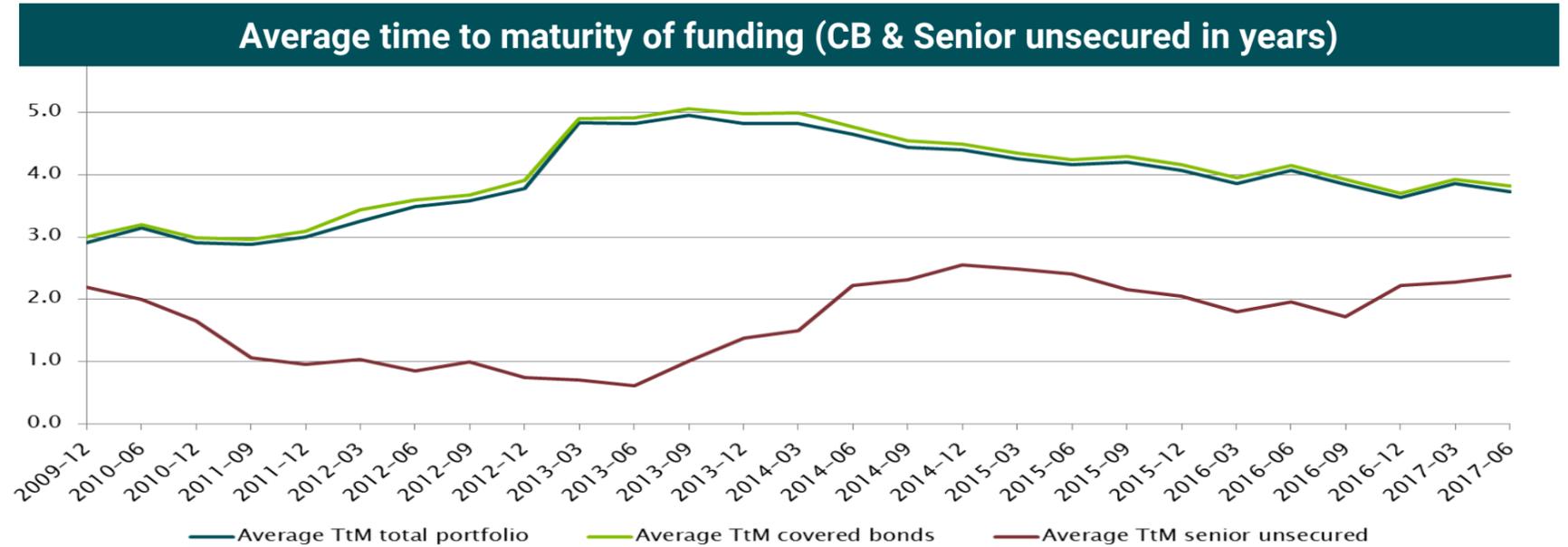
EURNOK as of 30.06.2017: 9.5713  
\* OC is estimated based on nominal values

# Agenda

|                                       |           |
|---------------------------------------|-----------|
| The operating environment             | 3         |
| Eika banks                            | 12        |
| Eika Boligkreditt and Collateral Pool | 17        |
| <b>Funding strategy and activity</b>  | <b>28</b> |
| Appendix                              | 33        |
| Disclaimer                            | 53        |

# Strong risk management

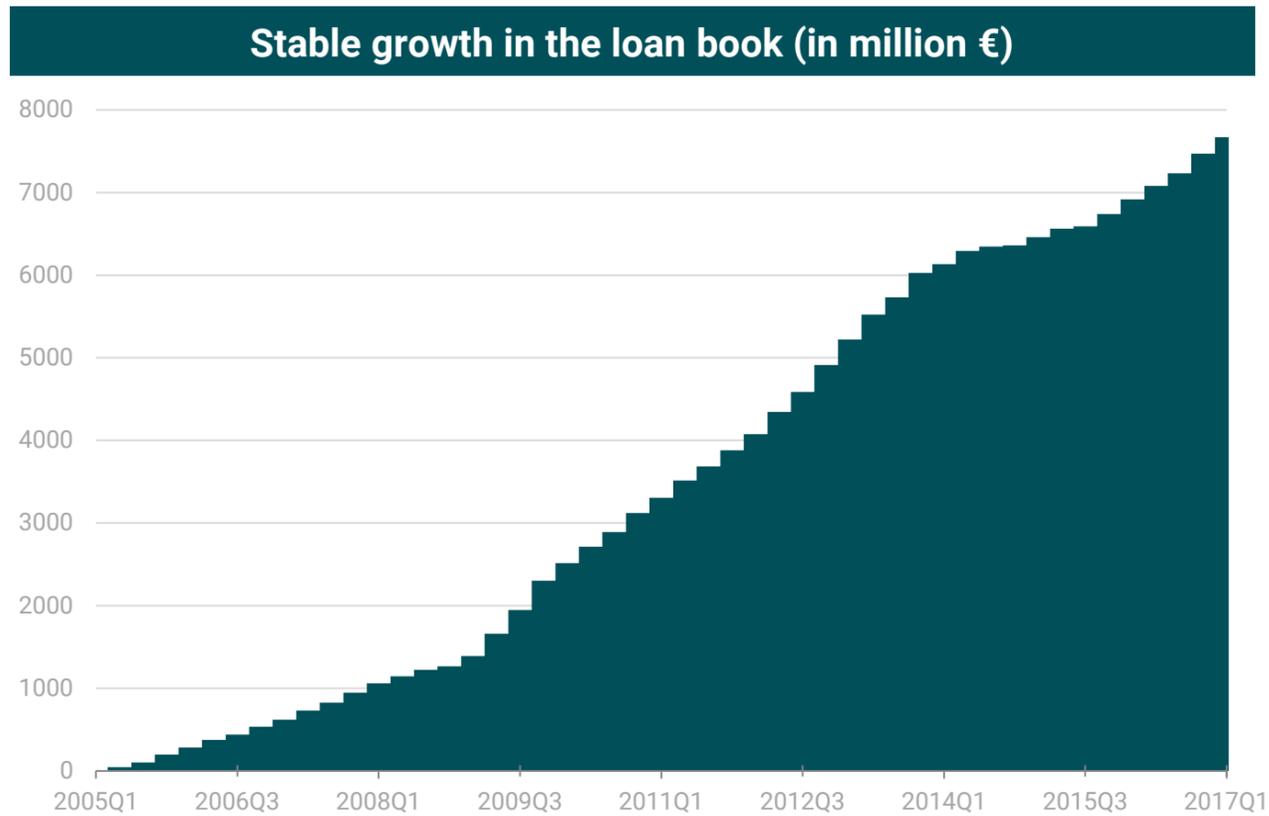
- Both sides of the balance sheet mostly swapped to 3 month NIBOR
- Minimum Over Collateralization level of 5% (committed in EMTCN Program), higher than the minimum 2% legal requirement
- Redemptions within any future 12-month rolling period should not exceed 20% of the gross funding at the time of redemption (internal policy)
  - The 20% level is related to the expected maturity on the assets, i.e. 5 years
  - a simulation taking into account, amongst other elements, expected growth and future transactions
- Internal target is to have liquid assets covering at least 75% of redemptions within the next 12 months



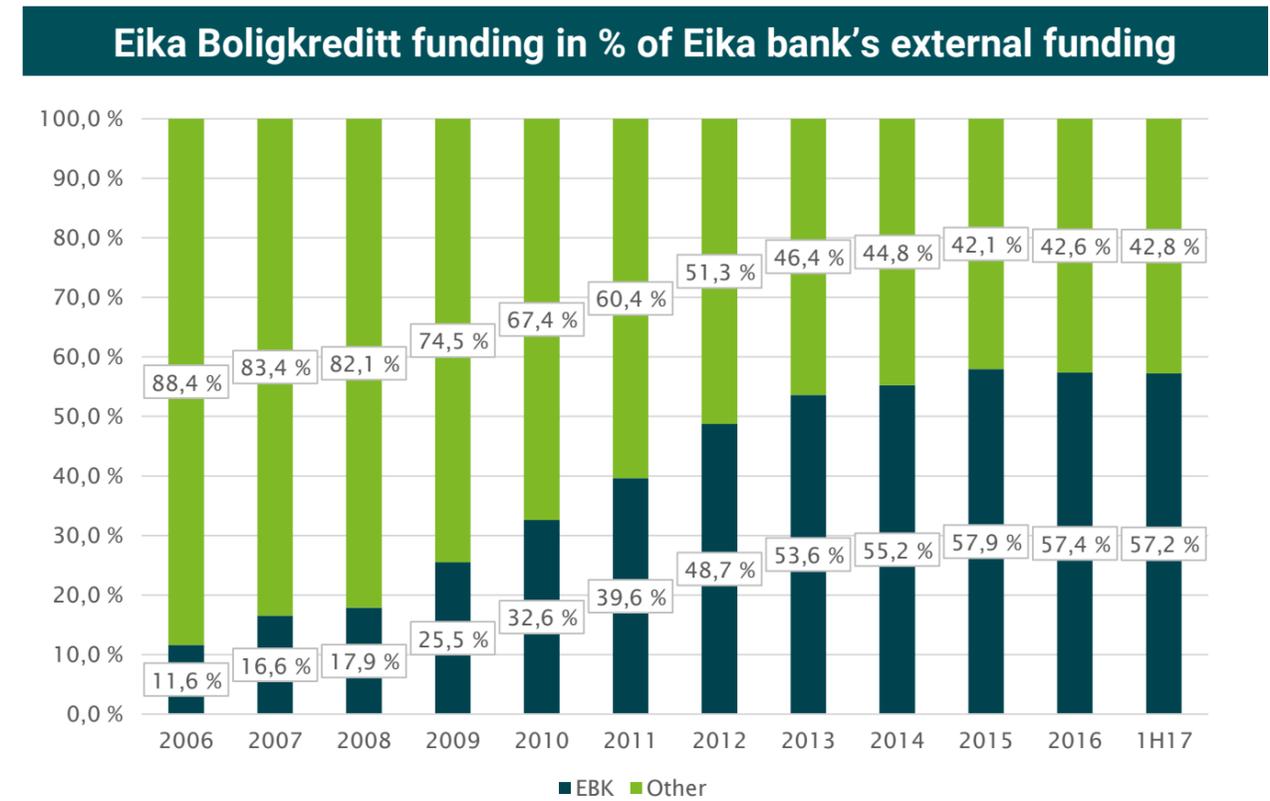
# Funding and strategy

- The company has entered into a more mature phase where growth is more moderate, and in line with the owner banks' own growth. This indicates that the banks have reached the relative level of external funding they are comfortable with

- Eika Boligkreditt is issuing Notes under its Euro Medium Term Covered Note Program of €20bn, that reflects the expectations;
  - Eika Boligkreditt has the objective to be a frequent benchmark issuer in both the EUR and NOK covered bond market, and to maintain two liquid yield curves
  - With a stable organic growth, and redemptions approaching in the euro denominated issues, Eika Boligkreditt will remain a frequent issuer in euros



EURNOK as of 30.06.2017: 9.5713

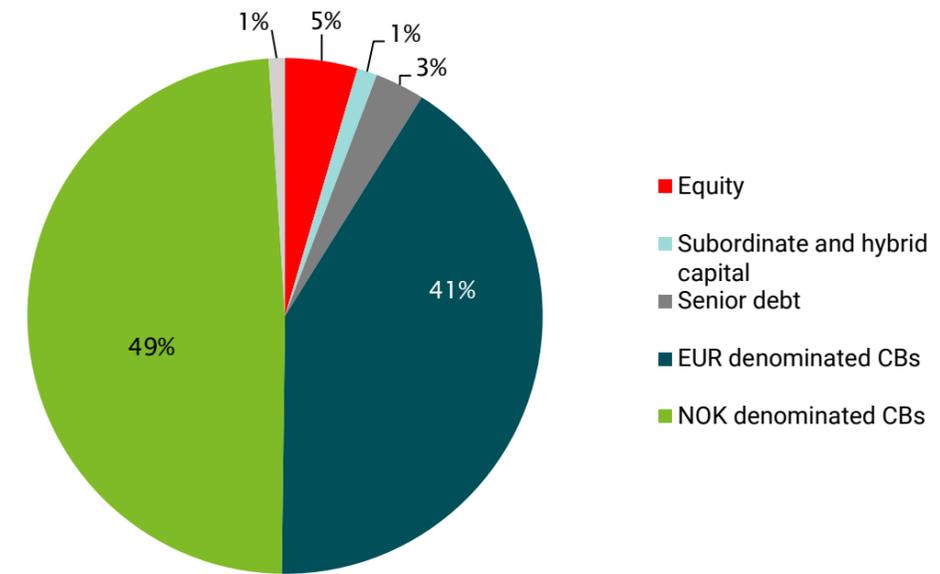


Source: Bank analyst Eika

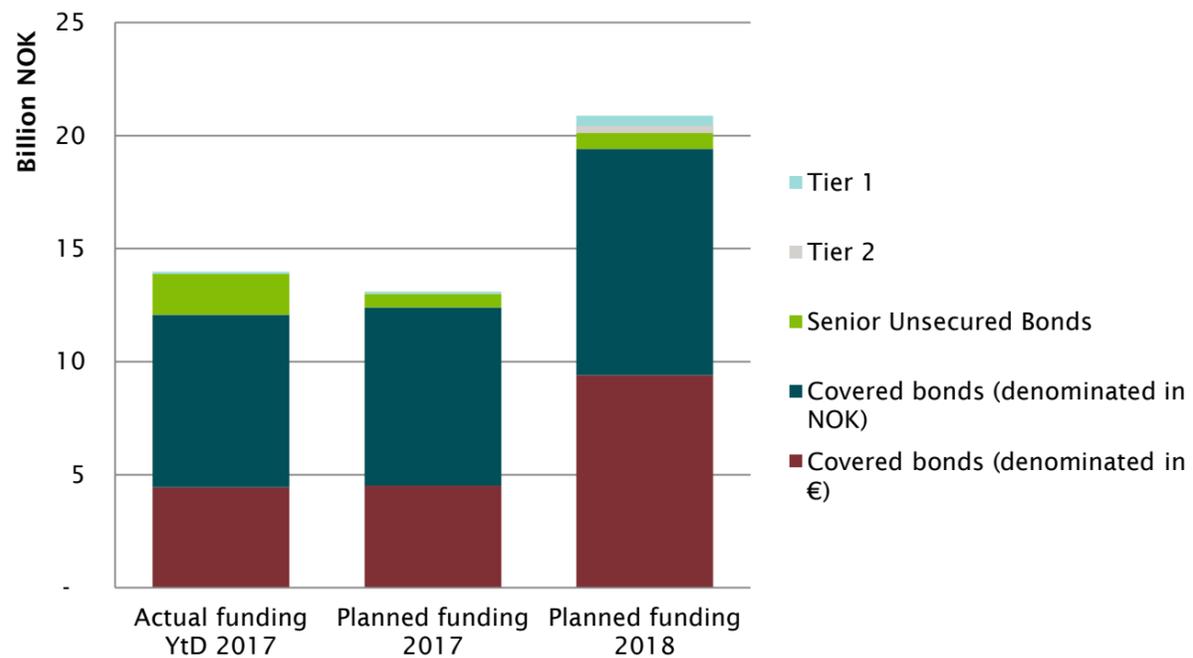
# Funding and strategy

- Budget for gross funding in 2018 is NOK-equivalent of 18.8 billion
  - NOK-equivalent of 19.4 billion in covered bonds
    - NOK 10,0 billion
    - EUR 1,000 million (equivalent to NOK 9.4 billion)
  - NOK 700 million in senior unsecured bonds
  - NOK 450 million in Tier 1 bonds
  - NOK 325 million in Tier 2 bonds
- EBK has the possibility to pre-fund some of the CB funding in 2017

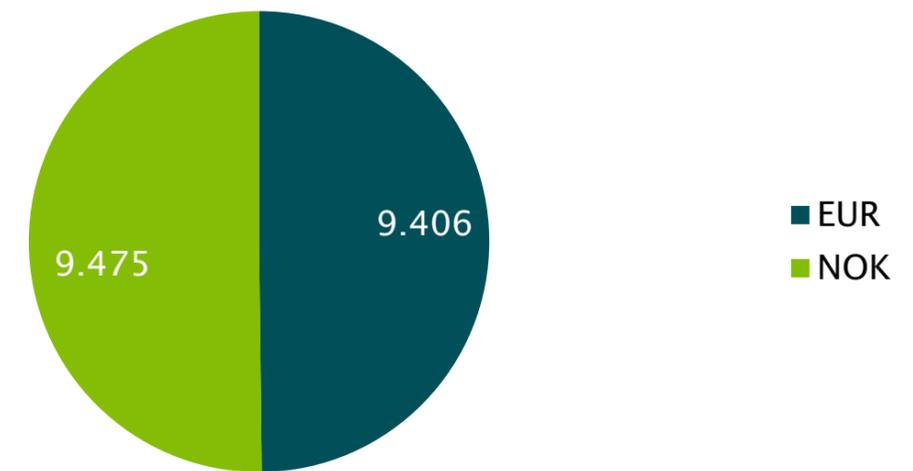
2017Q3 funding mix EBK



Actual and planned funding 2018 per instrument (in billion NOK)

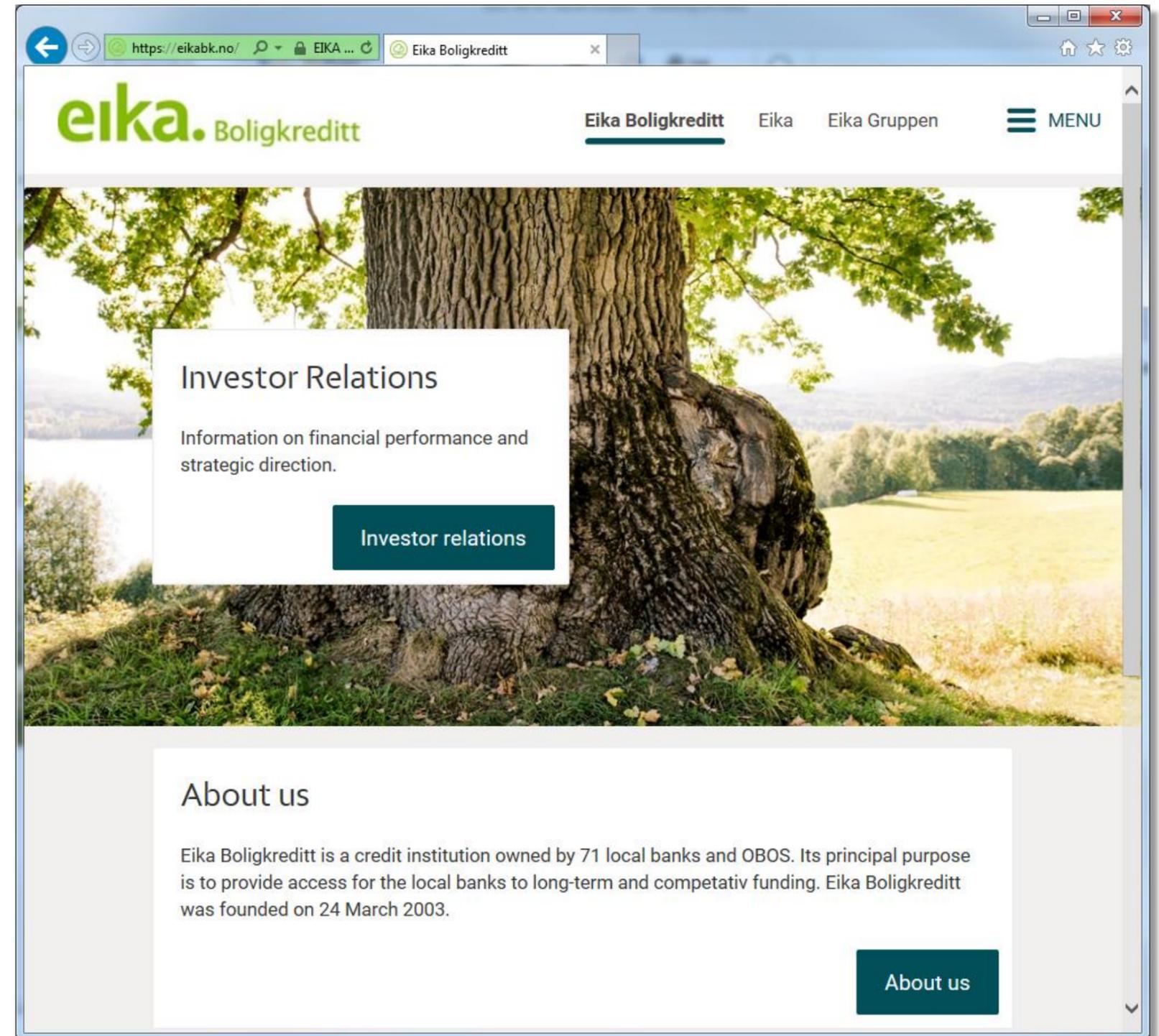


Planned funding 2018 per currency (in million NOK)



# Funding and strategy

- Maintain Eika Boligkreditt as a solid, well-known and frequent issuer
  - Diversify funding both in terms of geography and investor type
  - Approximately 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 ECBC Harmonized Template available on **eika.no**



# Agenda

|                                       |           |
|---------------------------------------|-----------|
| The operating environment             | 3         |
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# LCR Level 1 Eligibility

- All EUR denominated Covered bonds issued by Eika Boligkreditt AS fulfil the requirements to qualify as Level 1 assets pursuant to Commission Delegated Regulation (EU) 2015/61 regarding liquidity coverage requirement for credit institutions (“LCR regulation”).
- With reference to Article 10(1)(f) of the LCR-regulation, Eika Boligkreditt AS confirms the following:
  - Covered bonds issued by Eika Boligkreditt AS meet the requirements to be eligible for the treatment set out in Article 129(4) of Regulation (EU) No 575/2013 (“CRR”) and the requirements referred to in Article 52(4) of Directive 2009/65/EC, cf. the European Commission’s website: [http://ec.europa.eu/finance/investment/legal\\_texts/index\\_en.htm](http://ec.europa.eu/finance/investment/legal_texts/index_en.htm)
  - The exposures to institutions in the cover pool meet the conditions laid down in Article 129(1)(c) and in Article 129(1) last subparagraph of CRR
  - Eika Boligkreditt AS gives the information required in Article 129(7) of CRR to its investors: <http://eikabk.no/investorrelations/coverpool>
  - Covered bonds issued by Eika Boligkreditt AS are assigned a credit assessment by a nominated ECAI which is at least credit quality step 1 in accordance with Article 129(4) of CRR, and the equivalent credit quality step in the event of short term credit assessment
  - Eika Boligkreditt AS’ EMTCN Programme requires a level of overcollateralization higher than the 2% needed for LCR level 1 classification

# Mergers between Eika banks in 2017

## Kragerø and Bamble Sparebank

- Merged January 1<sup>st</sup> 2017
- The name of the merged bank is Skagerrak Sparebank
- Jon Guste-Pedersen is CEO in the merged bank
- Strong market position in lower Telemark/greater Grenland
- 4 branches/69 employees
- After the merger Skagerrak Sparebank is the 5th largest bank in the Eika Alliance
- Total assets of NOK 11.1 billion (including transfers to EBK NOK 2.5 billion)
- Gross loans of NOK 9.5 billion (including transfers to EBK NOK 2.5 billion)
- Deposits of NOK 5.7 billion
- Equity of NOK 842 million
- Rationales for the merger were to increase competitiveness in local markets and expand market reach, strengthen profitability and contribute to sustainable development of their local communities

## Orkdal og Meldal Sparebank

- Merged October 1<sup>st</sup> 2017
- The name of the merged bank is Orkla Sparebank
- Dag Olav Løseth, CEO from Orkdal Sparebank, is CEO in the merged bank
- 64 employees
- After the merger the bank will be the 9th largest bank in the Eika Alliance
- Total assets of NOK 9,5 billion (including transfers to EBK NOK 1,9 billion)
- Rationales for the merger were to increase competitiveness in local markets and attractiveness as an employer and contribute to sustainable development of their local communities

# Mergers between Eika banks in 2017

## Gjerstad og Vegårshei Sparebank

- Merged October 1<sup>st</sup> 2017
- The name of the merged bank is Østre Agder Sparebank
- Nina Holte, CEO from Gjerstad Sparebank, is CEO in the merged bank
- 28 employees
- After the merger the bank will be the 54th largest bank in the Eika Alliance
- Total assets of NOK 3,0 billion (including transfers to EBK NOK 0,8 billion)
- Rationales for the merger were regulative requirements, digitalization, market position and development of expertise

## Vang og Vestre Slidre Sparebank

- Merged August 21<sup>st</sup> 2017
- The name of the merged bank is Valdres Sparebank
- Arnfinn-Helge Kvam, CEO from Vang Sparebank, is CEO in the merged bank
- Adjusted total assets under management (including CB transferred) of the banks are NOK 1.0 bn and NOK 0.8bn (3rd smallest and 2nd smallest bank in the alliance, the combined bank ranks 58th)
- Rationales for the merger is to reduce operational risk, form larger specialized teams, increase competitiveness in local markets and increase capacity for lending to local corporates

## Bud, Fræna og Hustad Sparebank og Nesset Sparebank

- Will be merged January 1<sup>st</sup> 2018
- The name of the merged bank will be Romsdal Sparebank
- Odd Kjetil Sørgaard, CEO in BFH Sparebank, is proposed as CEO in the merged bank
- Total assets of NOK 6 billion
- Rationales for the merger is to increase competitiveness in local markets, expand market reach and improve attractiveness as an employer

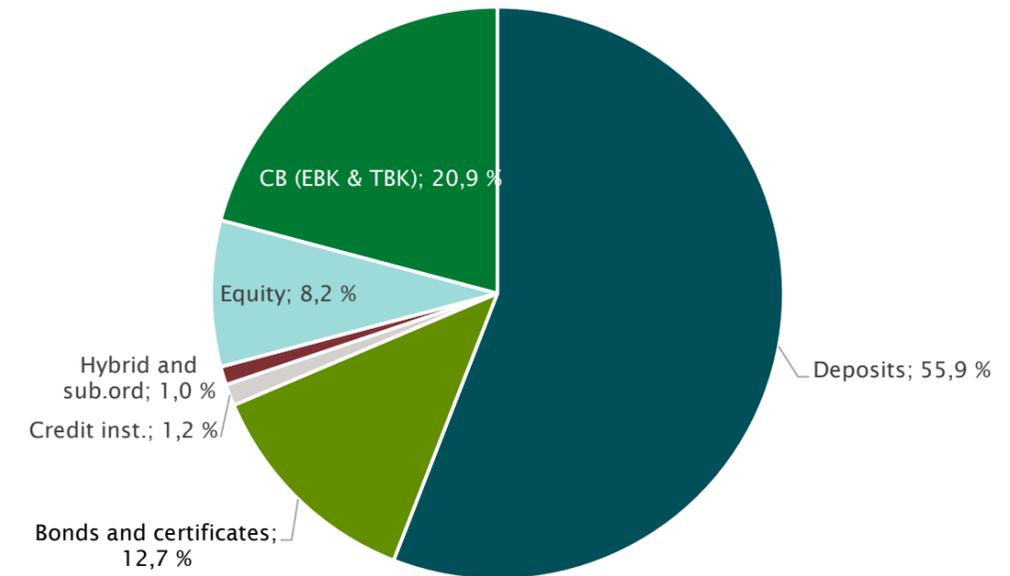
# Cancellation of distributor agreement with OBOS-banken

- On 11 January 2016, OBOS-banken stated in a stock exchange announcement that it had decided to establish such a company.
- As a result of this decision, the board of Eika Boligkreditt decided in its meeting of 9 February 2016 to cancel the distributor agreement with OBOS-banken.
- A cancellation of the agreement by Eika Boligkreditt requires 12 months notice. The distributor agreement will accordingly remain in force until February 2017. At the expiry date for the distributor agreement, OBOS-banken will cease to have the right to transfer new residential mortgages to Eika Boligkreditt.
- Pursuant to the stipulations in the distribution agreement, OBOS-banken and Eika Boligkreditt entered into a new agreement to regulate the extension of OBOS-banken's distribution responsibility for the existing residential mortgage portfolio, including other rights and obligations pursuant to the guarantee, custody, commission and shareholder agreements and the agreement on the purchase of covered bonds.
- At 31 Desember 2016, OBOS-banken had a residential mortgage portfolio and financing in Eika Boligkreditt totalling NOK 6.9 billion. Following a rebalancing of ownership on the basis of OBOS-banken's share of the overall residential mortgage portfolio at 31 December 2015, OBOS holds 11.7 per cent of the shares in Eika Boligkreditt.

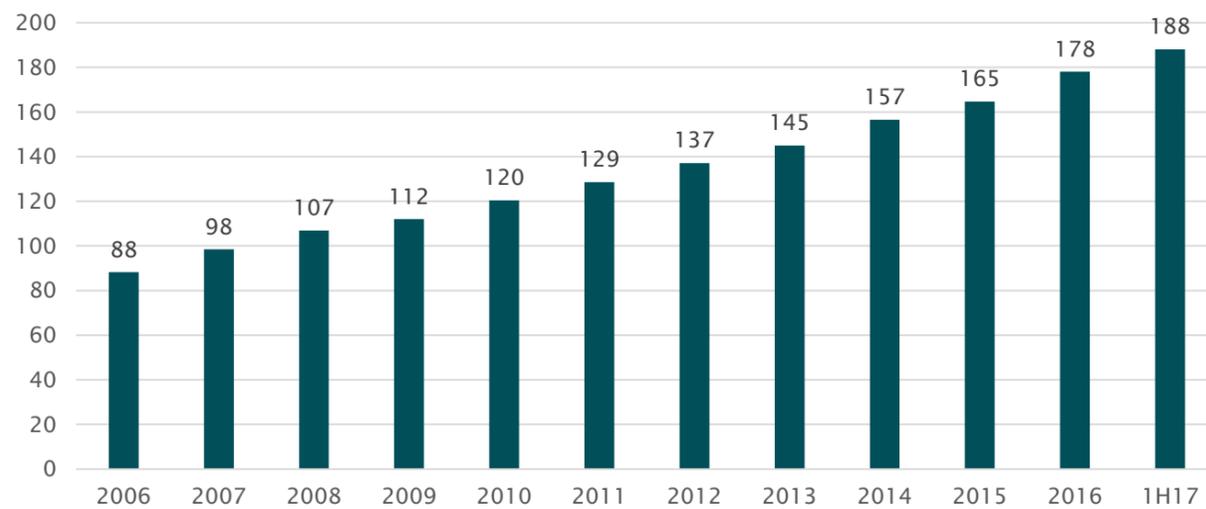
# Large and growing deposit base

- Total funding incl. equity of Eika banks amounts to NOK 336 bn Q2 2017 of which 55.9% consists of deposits
- Steady growth in the deposit base and high deposit ratio of 84.4%. Average yearly growth rate in deposits has been 8.2% over the past 16 years
- Well diversified deposit base - approx. 75% of all deposits is within the NOK 2mn bank guarantee fund limit
- Deposit base is essentially household retail and SMEs deposits
- 2.2% of the banks liquidity portfolios are invested in covered bonds in Eika Boligkreditt
- 26.8% of the banks liquidity portfolio are invested in senior unsecured bonds issued by banks, of which 19.2%-point are issued by Eika banks (NOK 3.8 bn, 8,7% of total funding of the banks)

Total funding sources Q2 2017?

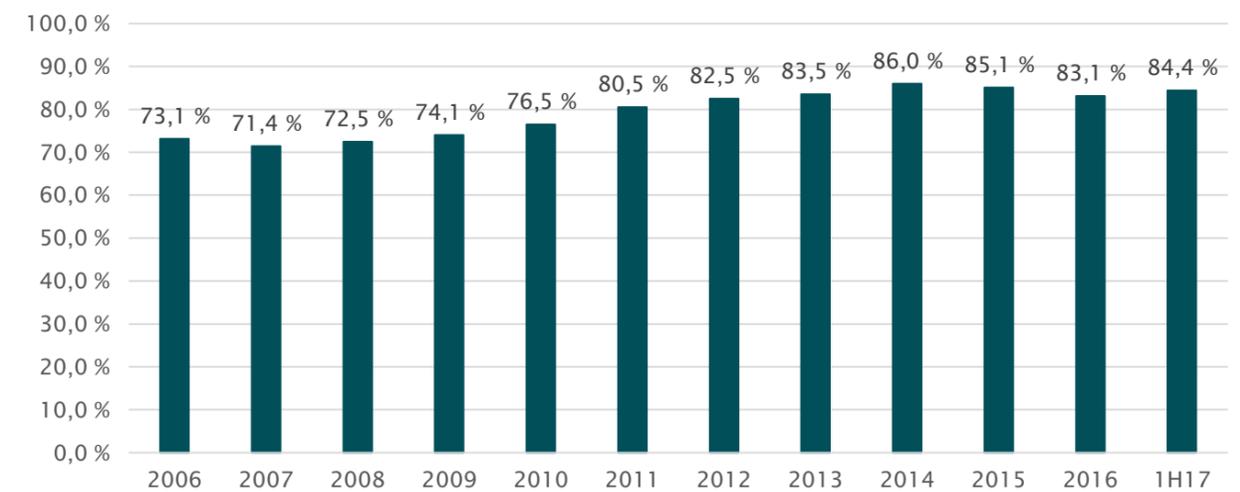


Aggregated deposits (in NOK bn)



Source: Bank analyst Eika

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



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

| P&L & balance in NOK mil.                  | 2010    | 2011    | 2012    | 2013    | 2014    | 2015    | 2016    |
|--|---------|---------|---------|---------|---------|---------|---------|
| Net interest income                        | 3.512   | 3.631   | 3.777   | 3.949   | 4.163   | 4.275   | 4.556   |
| Net commission income                      | 662     | 734     | 863     | 1.142   | 1.320   | 1.260   | 1.195   |
| Other income                               | 43      | 44      | 40      | 39      | 39      | 37      | 38      |
| Total income                               | 4.217   | 4.409   | 4.681   | 5.130   | 5.523   | 5.572   | 5.789   |
| Personnel and adm. expenses                | 2.061   | 2.134   | 2.243   | 2.344   | 2.491   | 2.669   | 2.780   |
| Depreciation                               | 123     | 98      | 95      | 100     | 110     | 117     | 131     |
| Other costs                                | 469     | 495     | 515     | 578     | 605     | 665     | 687     |
| Total costs                                | 2.653   | 2.726   | 2.852   | 3.023   | 3.206   | 3.451   | 3.598   |
| Core earnings before loan losses           | 1.564   | 1.683   | 1.828   | 2.108   | 2.317   | 2.121   | 2.191   |
| Impairment of loans and guarantees         | 404     | 458     | 329     | 389     | 315     | 237     | 233     |
| Core earnings                              | 1.160   | 1.225   | 1.499   | 1.719   | 2.002   | 1.884   | 1.957   |
| Dividends/associated companies             | 177     | 189     | 89      | 257     | 238     | 348     | 397     |
| Net return on financial investments        | 218     | -78     | 217     | 228     | 132     | -189    | 182     |
| One-offs and loss/gain on long-term assets | 376     | -69     | 150     | -61     | 181     | 217     | 314     |
| Pre tax profit                             | 1.931   | 1.267   | 1.955   | 2.142   | 2.553   | 2.260   | 2.851   |
| Taxes                                      | 501     | 412     | 542     | 583     | 623     | 553     | 579     |
| Net profit                                 | 1.430   | 855     | 1.413   | 1.559   | 1.930   | 1.707   | 2.271   |
| Gross loans                                | 157.375 | 159.645 | 166.255 | 173.617 | 182.081 | 193.576 | 214.360 |
| Gross loans incl. EBK                      | 182.382 | 193.092 | 208.764 | 225.292 | 238.296 | 253.212 | 280.620 |
| Deposits                                   | 120.419 | 128.567 | 137.142 | 144.975 | 156.594 | 164.697 | 178.098 |
| Equity                                     | 16.748  | 17.525  | 18.833  | 20.422  | 22.268  | 23.624  | 26.240  |
| Total assets                               | 190.813 | 196.623 | 200.895 | 210.302 | 224.157 | 231.814 | 254.313 |
| Total assets incl. EBK                     | 215.820 | 230.070 | 243.403 | 261.977 | 280.371 | 291.450 | 320.573 |

Source: Bank Analyst Eika

# Eika banks - Key figures

| Key figures                                   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   |
|---|--------|--------|--------|--------|--------|--------|--------|
| Growth in loans                               | 4,1 %  | 1,4 %  | 4,1 %  | 4,4 %  | 4,9 %  | 6,3 %  | 10,7 % |
| Growth in loans incl. EBK                     | 7,3 %  | 5,9 %  | 8,1 %  | 7,9 %  | 5,8 %  | 6,3 %  | 10,8 % |
| Growth in deposits                            | 7,5 %  | 6,8 %  | 6,7 %  | 5,7 %  | 8,0 %  | 5,2 %  | 8,1 %  |
| Deposit ratio                                 | 76,5 % | 80,5 % | 82,5 % | 83,5 % | 86,0 % | 85,1 % | 83,1 % |
| Deposit over total funding                    | 69,9 % | 72,6 % | 76,1 % | 77,2 % | 78,4 % | 79,9 % | 78,9 % |
| (Market funding - Liquid assets)/Total assets | 11,6 % | 7,8 %  | 6,3 %  | 5,4 %  | 3,1 %  | 4,2 %  | 5,8 %  |
| Liquid assets/Total assets                    | 15,5 % | 16,9 % | 15,1 % | 15,0 % | 16,2 % | 13,7 % | 13,0 % |
| Market funds/Total assets                     | 27,1 % | 24,7 % | 21,4 % | 20,4 % | 19,3 % | 17,8 % | 18,8 % |
| Equity ratio                                  | 8,8 %  | 8,9 %  | 9,4 %  | 9,7 %  | 9,9 %  | 10,2 % | 10,3 % |
| Common Equity Tier 1 ratio (CET1)             | 15,0 % | 15,2 % | 15,8 % | 16,1 % | 16,9 % | 17,5 % | 17,8 % |
| Core capital ratio                            | 17,0 % | 17,3 % | 18,1 % | 18,5 % | 18,3 % | 18,5 % | 18,9 % |
| Capital ratio                                 | 18,2 % | 18,2 % | 18,6 % | 18,7 % | 18,9 % | 19,2 % | 20,0 % |
| Loan loss provision ratio                     | 0,26 % | 0,29 % | 0,20 % | 0,23 % | 0,18 % | 0,13 % | 0,11 % |
| Loan loss provision/Pre-provision income      | 20,6 % | 25,5 % | 15,4 % | 15,0 % | 11,7 % | 10,4 % | 8,4 %  |
| Gross problem loans/Gross loans               | 1,83 % | 1,89 % | 1,78 % | 1,62 % | 1,53 % | 1,38 % | 1,12 % |
| Net problem loans/Gross loans                 | 1,34 % | 1,38 % | 1,32 % | 1,20 % | 1,13 % | 1,01 % | 0,84 % |
| Loan loss reserves/Gross loans                | 0,88 % | 0,92 % | 0,88 % | 0,82 % | 0,79 % | 0,73 % | 0,64 % |
| Problem loans/(Equity + LLR)                  | 15,9 % | 15,9 % | 14,6 % | 12,9 % | 11,8 % | 10,7 % | 8,7 %  |
| Net interest income/total assets              | 1,87 % | 1,87 % | 1,90 % | 1,92 % | 1,92 % | 1,88 % | 1,87 % |
| Net commission incom/total assets             | 0,35 % | 0,38 % | 0,43 % | 0,56 % | 0,61 % | 0,55 % | 0,49 % |
| Cost/income ratio                             | 57,5 % | 60,3 % | 57,2 % | 53,8 % | 54,4 % | 60,2 % | 56,5 % |
| Cost/income ratio (adjsted)                   | 62,9 % | 61,8 % | 60,9 % | 58,9 % | 58,0 % | 61,9 % | 62,2 % |
| Net profit in % of total assets               | 0,76 % | 0,44 % | 0,71 % | 0,76 % | 0,89 % | 0,75 % | 0,93 % |
| Net profit/average RWA                        | 1,38 % | 0,80 % | 1,29 % | 1,37 % | 1,61 % | 1,37 % | 1,74 % |
| Pre-provision income/average RWA              | 1,89 % | 1,68 % | 1,94 % | 2,28 % | 2,25 % | 1,83 % | 2,12 % |
| Core earnings in % of average RWA             | 1,12 % | 1,14 % | 1,36 % | 1,51 % | 1,67 % | 1,52 % | 1,50 % |
| Return on equity                              | 8,9 %  | 5,0 %  | 7,8 %  | 7,9 %  | 9,0 %  | 7,4 %  | 9,1 %  |

Source: Bank Analyst Eika

# P&L Eika banks quarterly figures

| P&L & balance in NOK mil.                  | 1Q15    | 2Q15    | 3Q15    | 4Q15    | 1Q16    | 2Q16    | 3Q16    | 4Q16    | 1Q17    | 2Q17    |
|--|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Net interest income                        | 1.022   | 1.053   | 1.087   | 1.114   | 1.086   | 1.117   | 1.167   | 1.186   | 1.176   | 1.224   |
| Net commission income                      | 318     | 312     | 325     | 305     | 278     | 285     | 320     | 311     | 298     | 322     |
| Other income                               | 8       | 9       | 10      | 10      | 10      | 9       | 9       | 10      | 9       | 10      |
| Total income                               | 1.348   | 1.373   | 1.422   | 1.429   | 1.375   | 1.411   | 1.496   | 1.506   | 1.483   | 1.556   |
| Personnel and adm. expenses                | 667     | 600     | 692     | 710     | 687     | 642     | 686     | 765     | 739     | 668     |
| Depreciation                               | 29      | 28      | 29      | 31      | 32      | 34      | 33      | 32      | 35      | 35      |
| Other costs                                | 161     | 155     | 164     | 185     | 176     | 180     | 160     | 172     | 187     | 185     |
| Total costs                                | 857     | 784     | 884     | 927     | 894     | 855     | 879     | 969     | 961     | 888     |
| Core earnings before loan losses           | 492     | 590     | 537     | 502     | 481     | 556     | 617     | 537     | 522     | 668     |
| Impairment of loans and guarantees         | 22      | 40      | 65      | 110     | 42      | 53      | 81      | 57      | 23      | 68      |
| Core earnings                              | 469     | 550     | 472     | 393     | 439     | 503     | 536     | 480     | 499     | 600     |
| Dividends/associated companies             | 24      | 308     | 2       | 13      | 21      | 343     | 18      | 15      | 25      | 370     |
| Net return on financial investments        | 5       | 16      | -173    | -37     | -20     | 67      | 82      | 53      | 62      | 35      |
| One-offs and loss/gain on long-term assets | 121     | 2       | 7       | 88      | -15     | 189     | 28      | 111     | -8      | 12      |
| Pre tax profit                             | 620     | 876     | 308     | 456     | 425     | 1.102   | 664     | 659     | 577     | 1.017   |
| Taxes                                      | 137     | 189     | 97      | 130     | 110     | 203     | 165     | 102     | 142     | 191     |
| Net profit                                 | 483     | 687     | 211     | 327     | 314     | 899     | 499     | 557     | 435     | 826     |
| Gross loans                                | 182.360 | 185.797 | 190.144 | 193.576 | 197.107 | 204.103 | 209.583 | 214.360 | 217.908 | 222.793 |
| Gross loans incl. EBK                      | 240.034 | 244.137 | 248.609 | 253.212 | 257.689 | 266.507 | 273.450 | 280.620 | 286.361 | 293.026 |
| Deposits                                   | 157.601 | 164.461 | 163.216 | 164.697 | 165.747 | 175.619 | 175.243 | 178.098 | 180.211 | 188.040 |
| Equity                                     | 22.200  | 23.049  | 23.255  | 23.624  | 23.913  | 25.009  | 25.598  | 26.240  | 26.634  | 27.735  |
| Total assets                               | 225.034 | 231.543 | 231.088 | 231.814 | 234.504 | 248.270 | 250.379 | 254.313 | 259.210 | 269.633 |
| Total assets incl. EBK                     | 282.708 | 289.883 | 289.553 | 291.450 | 295.086 | 310.675 | 314.246 | 320.573 | 327.663 | 339.866 |

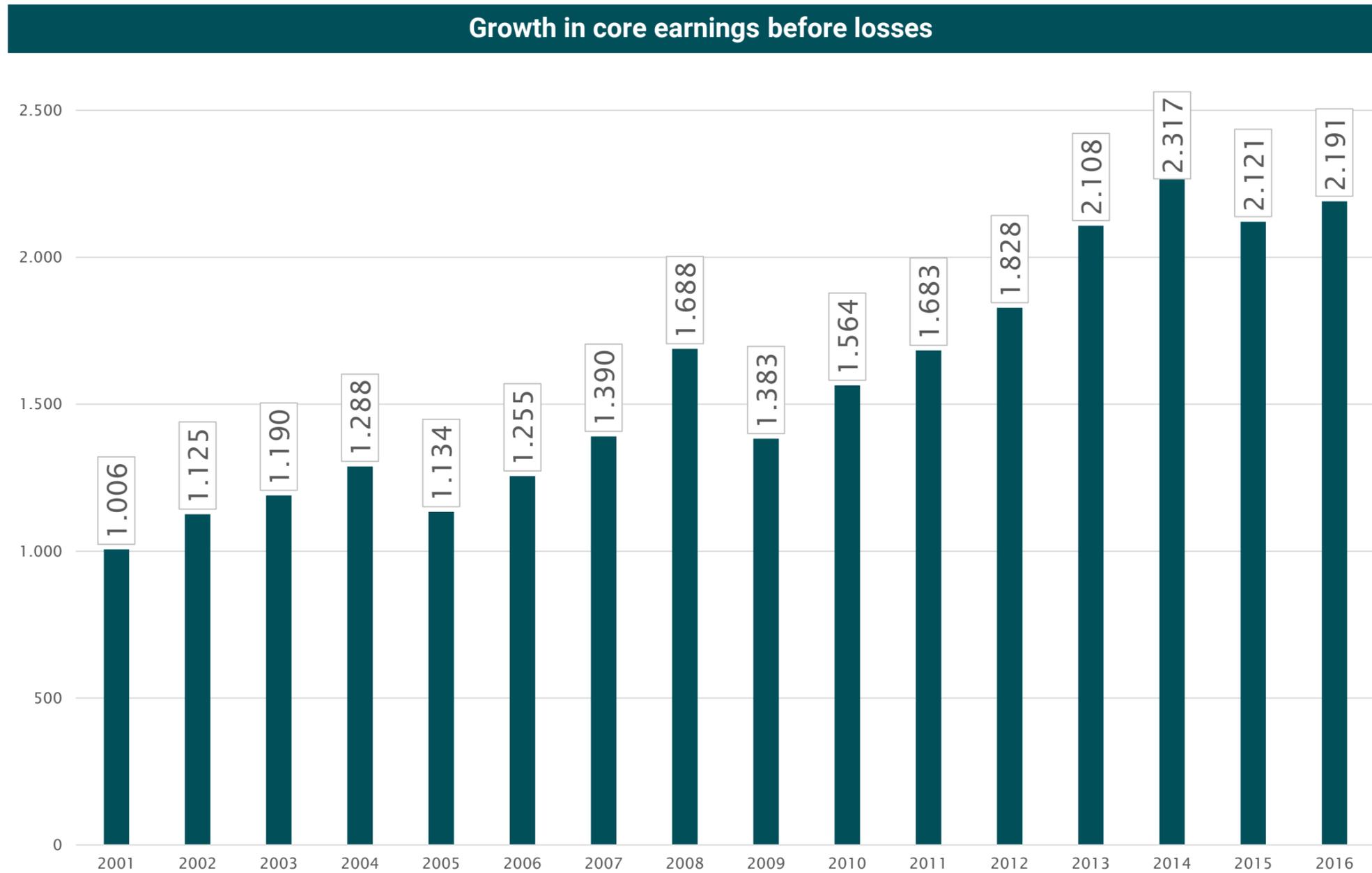
Source: Bank Analyst Eika

# Eika banks - Key figures quarterly

| Key figures                                   | 1Q15   | 2Q15   | 3Q15   | 4Q15   | 1Q16   | 2Q16   | 3Q16   | 4Q16   | 1Q17   | 2Q17   |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Growth in loans                               | 0,2 %  | 1,9 %  | 2,3 %  | 1,8 %  | 1,8 %  | 3,5 %  | 2,7 %  | 2,3 %  | 1,7 %  | 2,2 %  |
| Growth in loans incl. EBK                     | 0,7 %  | 1,7 %  | 1,8 %  | 1,9 %  | 1,8 %  | 3,4 %  | 2,6 %  | 2,6 %  | 2,0 %  | 2,3 %  |
| Growth in deposits                            | 0,6 %  | 4,4 %  | -0,8 % | 0,9 %  | 0,6 %  | 6,0 %  | -0,2 % | 1,6 %  | 1,2 %  | 4,3 %  |
| Deposit ratio                                 | 86,4 % | 88,5 % | 85,8 % | 85,1 % | 84,1 % | 86,0 % | 83,6 % | 83,1 % | 82,7 % | 84,4 % |
| Deposit over total funding                    | 78,9 % | 80,3 % | 80,1 % | 79,9 % | 79,7 % | 79,7 % | 79,1 % | 78,9 % | 78,3 % | 78,6 % |
| (Market funding - Liquid assets)/Total assets | 2,5 %  | 0,4 %  | 2,6 %  | 4,2 %  | 4,9 %  | 3,0 %  |        | 5,8 %  |        |        |
| Liquid assets/Total assets                    | 16,3 % | 16,9 % | 14,9 % | 13,7 % | 13,0 % | 14,9 % | 13,6 % | 13,0 % | 13,0 % | 14,6 % |
| Market funds/Total assets                     | 18,8 % | 17,4 % | 17,5 % | 17,8 % | 18,0 % | 18,0 % | 18,5 % | 18,8 % | 19,3 % | 19,0 % |
| Equity ratio                                  | 9,9 %  | 10,0 % | 10,1 % | 10,2 % | 10,2 % | 10,1 % | 10,2 % | 10,3 % | 10,3 % | 10,3 % |
| Common Equity Tier 1 ratio (CET1)             | 16,5 % | 16,2 % | 16,2 % | 17,5 % | 17,0 % | 16,5 % | 16,4 % | 17,8 % | 17,1 % | 18,0 % |
| Core capital ratio                            | 17,6 % | 17,3 % | 17,2 % | 18,5 % | 18,2 % | 17,6 % | 17,5 % | 18,9 % | 18,5 % | 18,2 % |
| Capital ratio                                 | 18,4 % | 17,9 % | 17,9 % | 19,2 % | 19,0 % | 18,5 % | 18,5 % | 20,0 % | 19,8 % | 19,6 % |
| Loan loss provision ratio                     | 0,05 % | 0,09 % | 0,14 % | 0,23 % | 0,09 % | 0,11 % | 0,16 % | 0,11 % | 0,04 % | 0,12 % |
| Loan loss provision/Pre-provision income      | 4,3 %  | 4,4 %  | 17,8 % | 23,0 % | 8,7 %  | 5,5 %  | 11,4 % | 9,4 %  | 3,8 %  | 6,3 %  |
| Gross problem loans/Gross loans               | 1,52 % | 1,51 % | 1,47 % | 1,38 % | 1,47 % | 1,40 % | 1,35 % | 1,13 % | 1,14 % | 1,08 % |
| Net problem loans/Gross loans                 | 1,15 % | 1,14 % | 1,09 % | 1,01 % | 1,11 % | 1,05 % | 1,00 % | 0,84 % | 0,86 % | 0,80 % |
| Loan loss reserves/Gross loans                | 0,76 % | 0,74 % | 0,74 % | 0,73 % | 0,72 % | 0,71 % | 0,71 % | 0,64 % | 0,63 % | 0,63 % |
| Problem loans/(Equity + LLR)                  | 11,8 % | 11,5 % | 11,3 % | 10,7 % | 11,4 % | 10,8 % | 10,5 % | 8,7 %  | 8,9 %  | 8,2 %  |
| Net interest income/total assets              | 1,82 % | 1,84 % | 1,88 % | 1,93 % | 1,86 % | 1,85 % | 1,87 % | 1,88 % | 1,83 % | 1,85 % |
| Net commission incom/total assets             | 0,57 % | 0,55 % | 0,56 % | 0,53 % | 0,48 % | 0,47 % | 0,51 % | 0,49 % | 0,46 % | 0,49 % |
| Cost/income ratio                             | 62,2 % | 46,2 % | 70,7 % | 66,0 % | 65,0 % | 47,0 % | 55,1 % | 61,6 % | 61,2 % | 45,3 % |
| Cost/income ratio (adjsted)                   | 63,5 % | 57,1 % | 62,2 % | 64,8 % | 65,0 % | 60,6 % | 58,7 % | 64,4 % | 64,8 % | 57,1 % |
| Net profit in % of total assets               | 0,86 % | 1,20 % | 0,36 % | 0,56 % | 0,54 % | 1,49 % | 0,80 % | 0,88 % | 0,68 % | 1,25 % |
| Net profit/average RWA                        | 1,56 % | 2,19 % | 0,67 % | 1,04 % | 1,00 % | 2,78 % | 1,51 % | 1,66 % | 1,27 % | 2,37 % |
| Pre-provision income/average RWA              | 1,68 % | 2,92 % | 1,16 % | 1,52 % | 1,53 % | 2,99 % | 2,16 % | 1,80 % | 1,78 % | 3,08 % |
| Core earnings in % of average RWA             | 1,51 % | 1,74 % | 1,49 % | 1,25 % | 1,38 % | 1,53 % | 1,60 % | 1,42 % | 1,45 % | 1,70 % |
| Return on equity                              | 8,7 %  | 12,1 % | 3,6 %  | 5,6 %  | 5,3 %  | 14,7 % | 7,9 %  | 8,6 %  | 6,6 %  | 12,2 % |

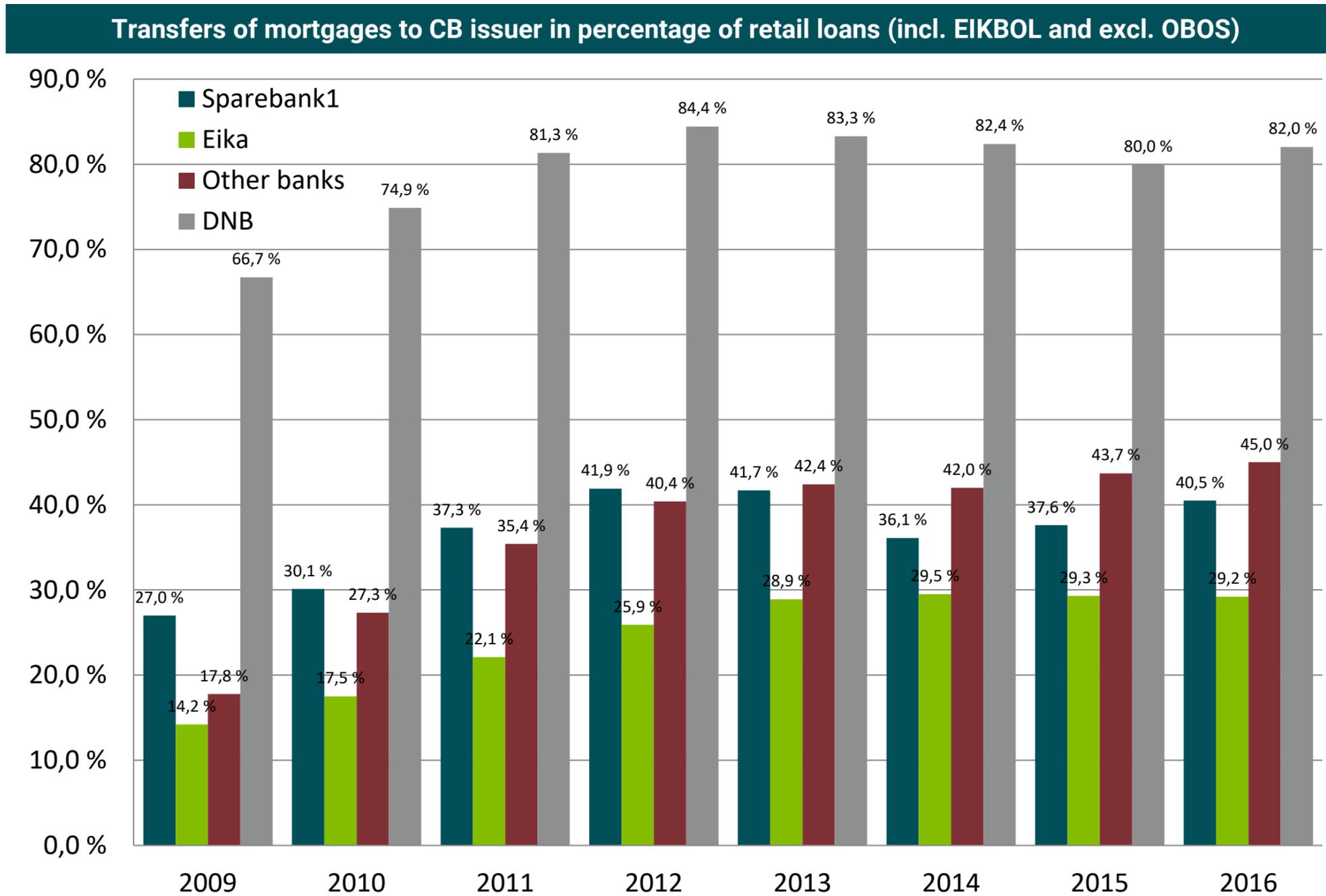
Source: Bank Analyst Eika

# Eika banks - core earnings



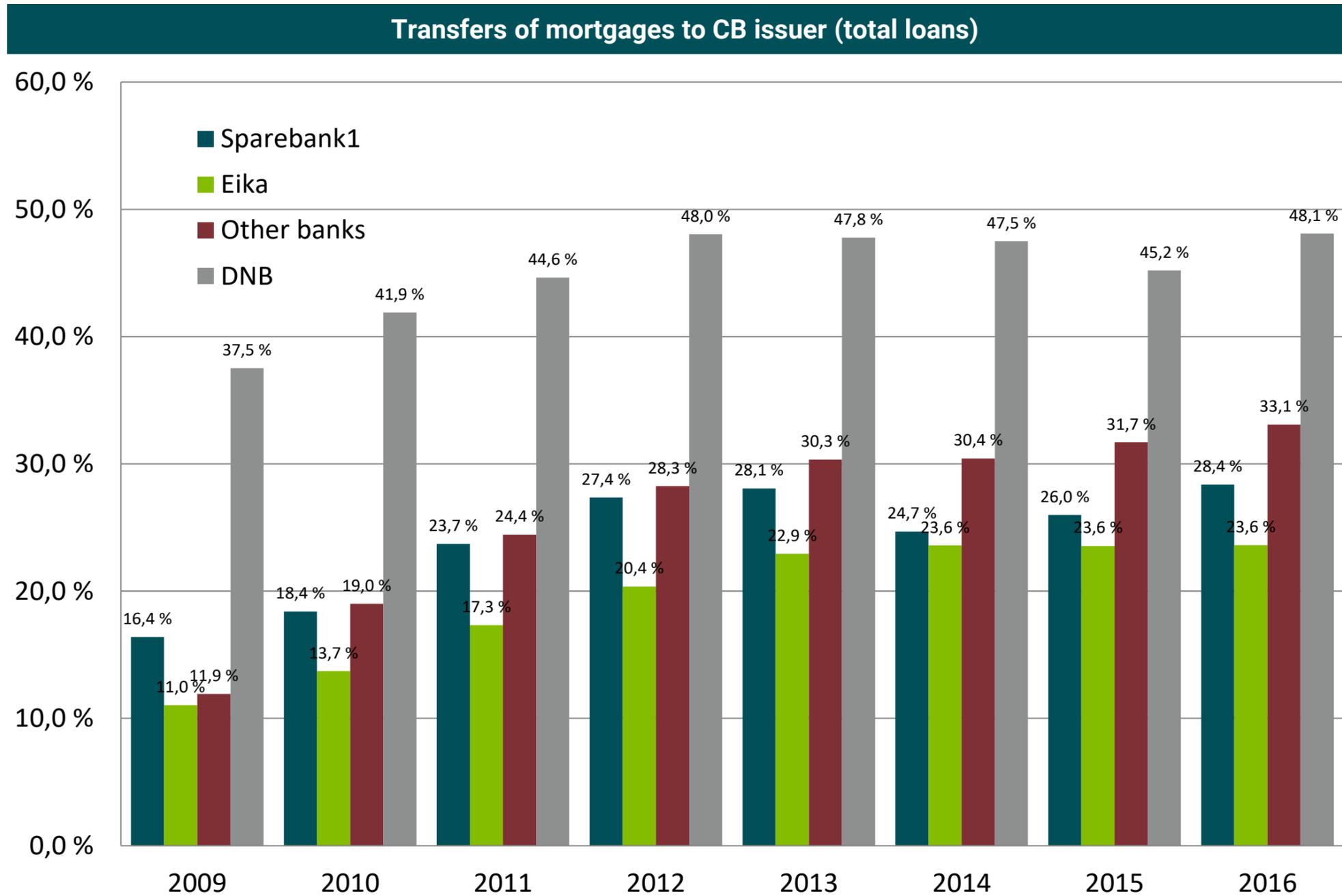
Source: Bank Analyst Eika

# Banks – transfer rate to Cov. Bond companies



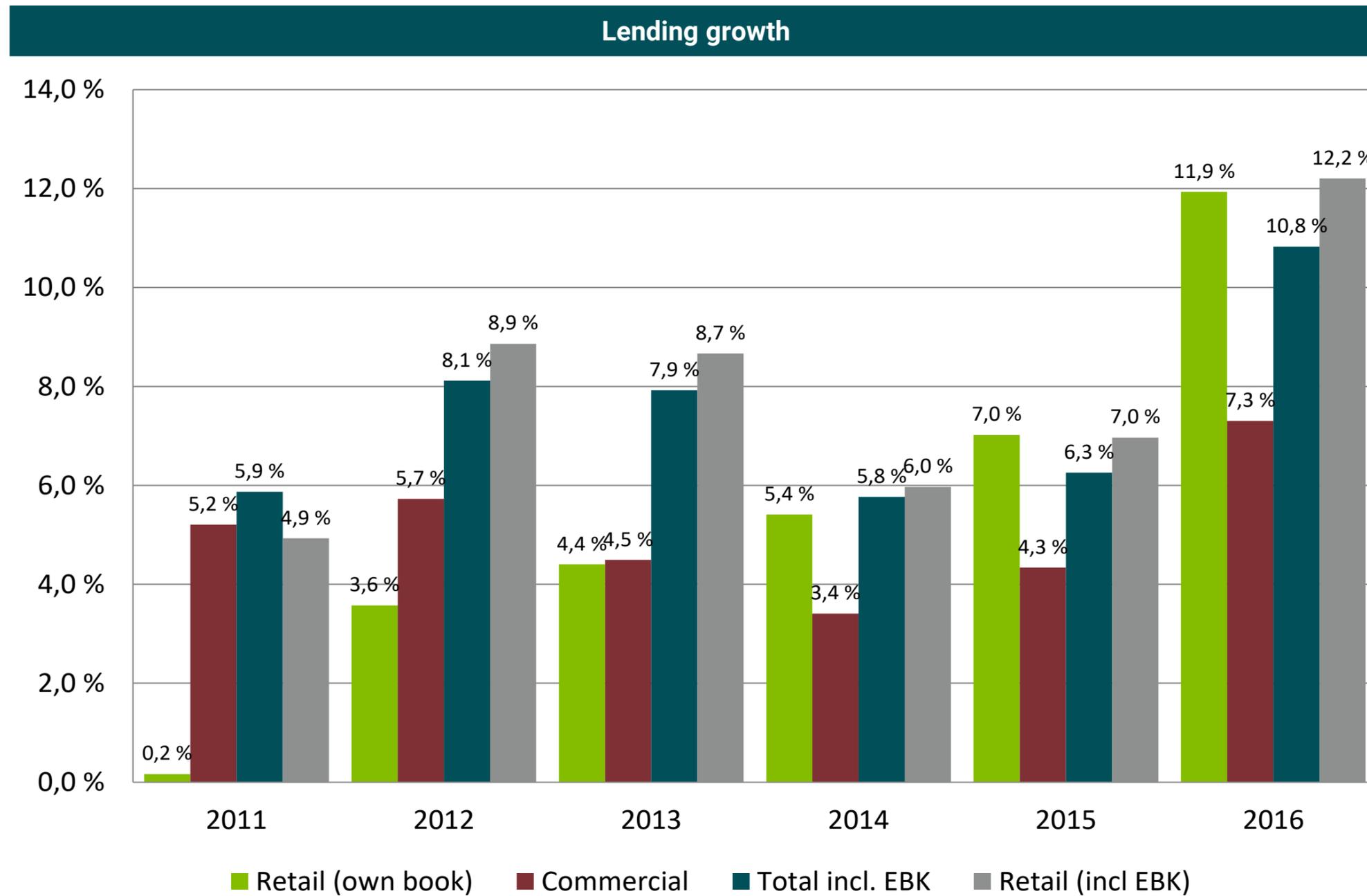
Source: Bank Analyst Eika

# Banks - transfers of mortgages to Cov. Bond companies



Source: Bank Analyst Eika

# Eika banks - lending growth



Source: Bank Analyst Eika

# P&L Eika Boligkreditt - Strong income growth

| Amounts in NOK Million  | 2010  | 2011  | 2012  | 2013  | 2014  | 2015  | 2016  | 1Q17 | 2Q17 |
|---|-------|-------|-------|-------|-------|-------|-------|------|------|
| Total Interest income   | 1 029 | 1 403 | 1 806 | 2 205 | 2 461 | 2 066 | 1 861 | 498  | 514  |
| Total interest expenses                                       | 866   | 1 229 | 1 458 | 1 568 | 1 721 | 1 430 | 1 380 | 358  | 356  |
| Net interest income   | 163   | 173   | 348   | 637   | 741   | 636   | 482   | 140  | 158  |
| Dividend from shares classified as available for sale         | 1     | 3     | 3     | 5     | -     | 6     | 6     | -    | 6    |
| Total gains and losses on financial instruments at fair value | 14    | 6     | 16    | (111) | 51    | 203   | (81)  | (48) | (66) |
| Comission costs   | 97    | 111   | 212   | 449   | 431   | 443   | 300   | 76   | 88   |
| Total salaries and administrative expenses                    | 26    | 26    | 31    | 37    | 32    | 42    | 39    | 12   | 11   |
| Depreciation  | 1     | 1     | 2     | 2     | 1     | 2     | 1     | 0    | 1    |
| Other operating expenses                                      | 8     | 11    | 11    | 14    | 10    | 13    | 14    | 4    | 4    |
| Losses on loans and gurantees                                 | -     | -     | -     | -     | -     | -     | -     | -    | -    |
| PROFIT/(LOSS) BEFORE TAXES                                    | 45    | 112   | 112   | 29    | 117   | 344   | 50    | (2)  | (6)  |
| Taxes   | 12    | 31    | 31    | 8     | 30    | 81    | 11    | (1)  | (3)  |
| PROFIT/(LOSS) FOR THE PERIOD                                  | 33    | 81    | 81    | 21    | 87    | 263   | 39    | (1)  | (3)  |

## Eika Boligkreditt AS - Report Q2 2017:

Eika Boligkreditt showed a pre-tax loss of NOK 6 million for the second quarter, compared with a profit of NOK 31 million in the same period of 2016. The second-quarter loss included negative changes of NOK 64.3 million (2016: NOK 34.5 million) in the value of basis swaps, so that the pre-tax profit excluding such changes came to NOK 58.3 million (2016: NOK 65.5 million). For the first half, negative changes in basis swaps amounted to NOK 136.5 million (2016: NOK 58.5 million), so that the pre-tax profit excluding such changes was NOK 129 million (NOK 115 million).

The full report is available on: [eika.no](http://eika.no)

# Eika Boligkreditt - Balance sheet and key figures

| Amounts in NOK million  | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 1Q2017 | 2Q2017  |
|---|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| <b>Balance sheet development</b>  |        |        |        |        |        |        |        |        |         |
| Lending to customers  | 29 904 | 37 194 | 47 086 | 57 692 | 60 889 | 64 527 | 71 509 | 73 420 | 74 857  |
| Debt from issuing securities  | 32 719 | 41 212 | 52 583 | 63 889 | 72 878 | 79 876 | 86 983 | 87 130 | 93 172  |
| Subordinated loans  | 438    | 318    | 319    | 678    | 698    | 450    | 599    | 599    | 600     |
| Equity  | 909    | 1 070  | 1 801  | 2 459  | 3 024  | 4 242  | 4 396  | 4 516  | 4 514   |
| Equity in % of total assets   | 2,63   | 2,47   | 3,21   | 3,52   | 3,72   | 4,72   | 4,58   | 4,70   | 4,40    |
| Average total assets  | 31 337 | 38 645 | 50 013 | 63 765 | 76 845 | 84 571 | 92 324 | 96 022 | 98 225  |
| Total assets  | 34 612 | 43 255 | 56 165 | 69 829 | 81 298 | 89 932 | 96 017 | 96 026 | 102 632 |
| <b>Rate of return / profitability</b>   |        |        |        |        |        |        |        |        |         |
| Fee and commission income to relation to average total assets, annualised (%)                 | 0,31   | 0,29   | 0,42   | 0,70   | 0,74   | 0,50   | 0,32   | 0,32   | 0,33    |
| Staff and general administration expenses in relation to average total assets, annualised (%) | 0,08   | 0,07   | 0,06   | 0,06   | 0,05   | 0,10   | 0,04   | 0,05   | 0,05    |
| Return on equity, annualised (%)  | 4,92   | 3,12   | 6,54   | 1,21   | 4,17   | 10,70  | 1,37   | -0,04  | -0,19   |
| Total assets per full-time position   | 2 704  | 2 923  | 3 555  | 3 714  | 4 106  | 4 542  | 4 849  | 4 850  | 5 183   |
| <b>Finacial strength</b>  |        |        |        |        |        |        |        |        |         |
| Core tier 1 capital   | 904    | 1 053  | 1 710  | 2 399  | 2 925  | 3 607  | 3 833  | 3 955  | 3 934   |
| Total tier 1 capital  | 904    | 1 053  | 1 710  | 2 648  | 3 374  | 4 055  | 4 282  | 4 405  | 4 483   |
| Total primary capital (tier 2 capital)  | 1 342  | 1 371  | 2 029  | 3 077  | 3 623  | 4 505  | 4 882  | 5 004  | 5 083   |
| Weighted calculation basis  | 10 829 | 13 724 | 17 150 | 21 445 | 25 155 | 27 510 | 29 766 | 30 446 | 31 292  |
| Core tier 1 capital ratio   | 8,3    | 7,7    | 10,0   | 11,2   | 11,63  | 13,10  | 12,88  | 12,99  | 12,57   |
| Total tier 1 capital ratio  | 8,3    | 7,7    | 10,0   | 12,3   | 13,41  | 14,70  | 14,39  | 14,47  | 14,33   |
| Capital adeqacy ratio   | 12,4   | 10,0   | 11,8   | 14,3   | 14,40  | 16,40  | 16,40  | 16,44  | 16,24   |
| Delinquinces 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  | 18,80  | 19,8   | 19,8   | 19,8   | 19,8   | 19,8    |

Source: EBK quarterly reports



# Liquidity portfolio

- **The substitute assets constitute EIKBOL's liquidity buffer**
  - Minimum liquidity > 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

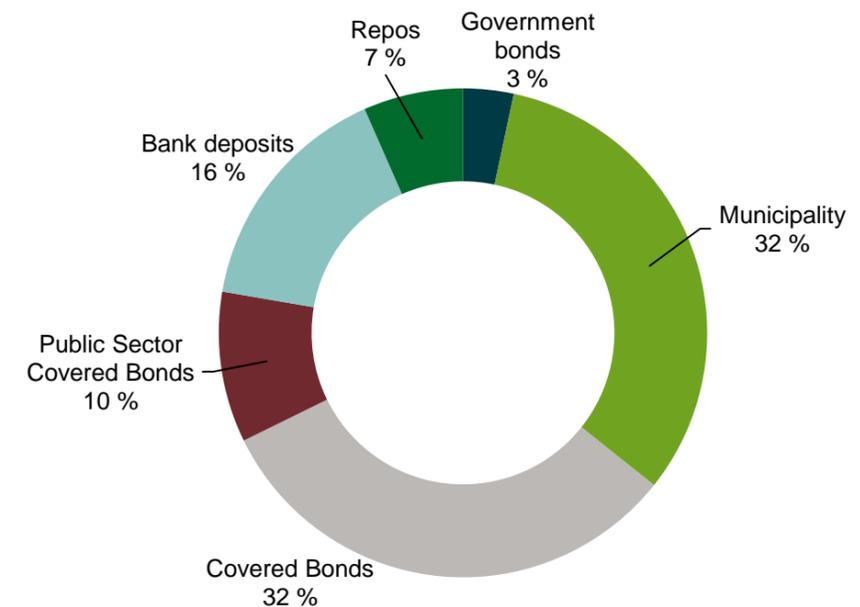
- **The Liquidity portfolio conforms to a conservative investment policy**
  - Norwegian and Swedish exposure, only NOK denominated
  - Portfolio weighted average time to maturity of maximum 2 years
  - An individual investment can have a remaining maturity of max 3.5 years
  - Rated AA-/Aa3 or better 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 0.3 years, and individual securities less than 1 year

## Sectors and tenors

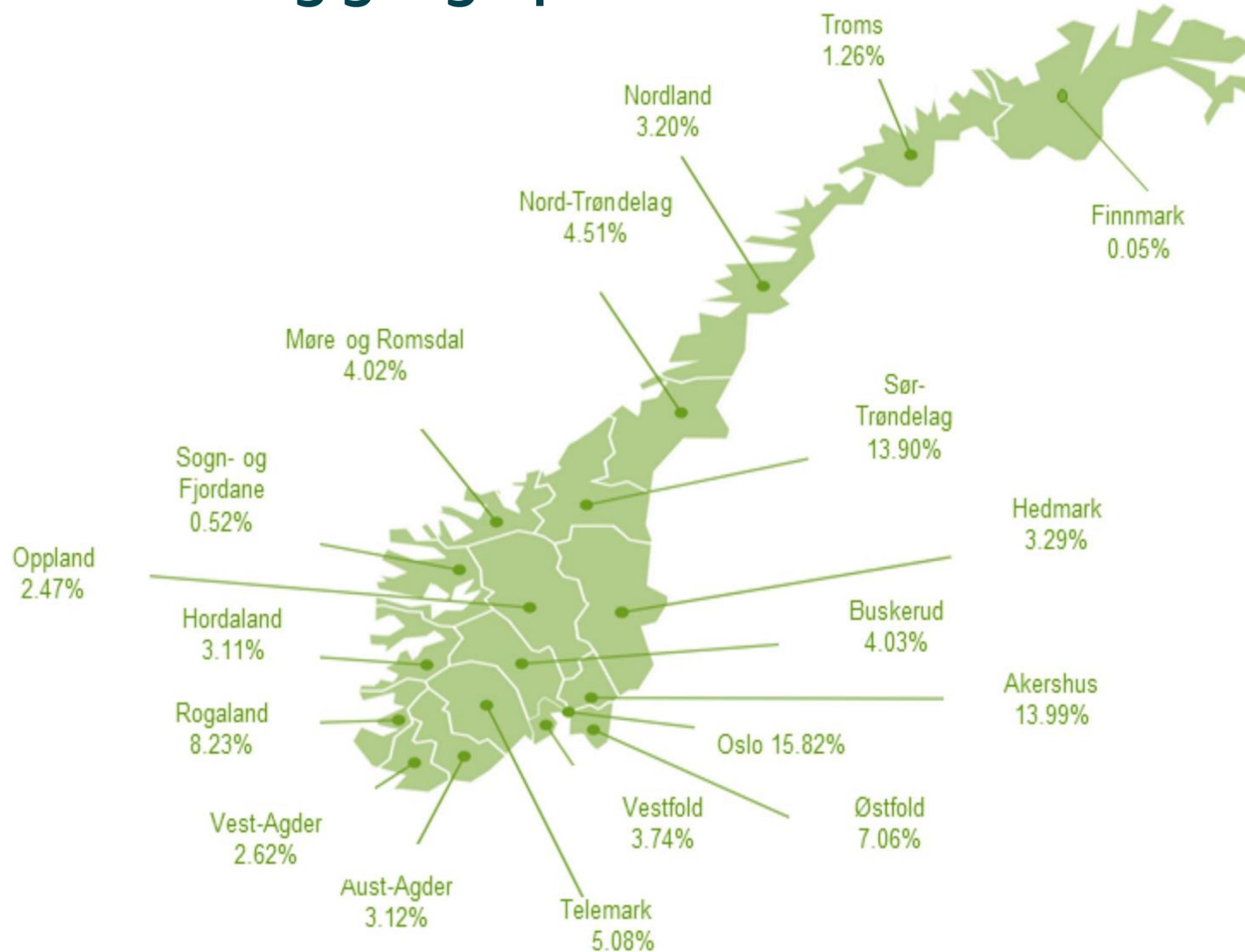
| Sector                      | Market Value (EUR)   | In % of portfolio | TtM         |
|-----------------------------|----------------------|-------------------|-------------|
| Government bonds            | 52,158,275           | 3 %               | 0.35        |
| Municipality                | 504,834,269          | 32 %              | 0.23        |
| Covered Bonds               | 499,679,866          | 32 %              | 1.80        |
| Public Sector Covered Bonds | 155,480,478          | 10 %              | 1.49        |
| Bank deposits               | 244,961,720          | 16 %              | 0.00        |
| Repos                       | 102,880,741          | 7 %               | 0.04        |
| <b>Total portfolio</b>      | <b>1,559,995,349</b> | <b>100 %</b>      | <b>0.81</b> |

EURNOK as of 30.06.2017: 9.5713

## Liquidity portfolio by sectors



# Eika Boligkreditt - Strong geographical diversification



Map of distribution as of 30.06.2017

# 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<br>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                             | Yes (allowed in regulation, but not used)                             | 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  | Denmark, Greenland and Faroe Islands without restrictions - other countries with approval of Supervisory Authority | 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                        | Market value  | Market value  | Market value   | Market value  | Mortgage lending value   |
| Valuation check                            | Regular monitoring  | Regular monitoring  | Regular monitoring   | Regular monitoring  | Regular (at least every 2 years) examination of the cover register |
| Special supervision                        | Yes; Finanstilsynet   | Yes; Finansinspektionen   | Yes ; Finanstilsynet   | Yes; Finanssivalvonta<br>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            | Yes (2% on NPV basis)   | No  | 8% on a risk-weighted basis for specialised institutions   | 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 and Eika Boligkredit

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