

# Eika Boligkreditt

Investor presentation

*February 2019*



# Executive summary

## • The economy is strong

- GDP-growth above trend
- Large current account and fiscal surpluses
- Low unemployment
- Balanced housing market with moderate increases in house prices
- Petroleum investments are expected to increase again from 2018 after more than 25% drop from 2014 to 2017

## • 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 Norwegian economy
- Eika Alliance
- Eika Boligkreditt
- Appendix
- Disclaimer

# The Norwegian economy – Key indicators

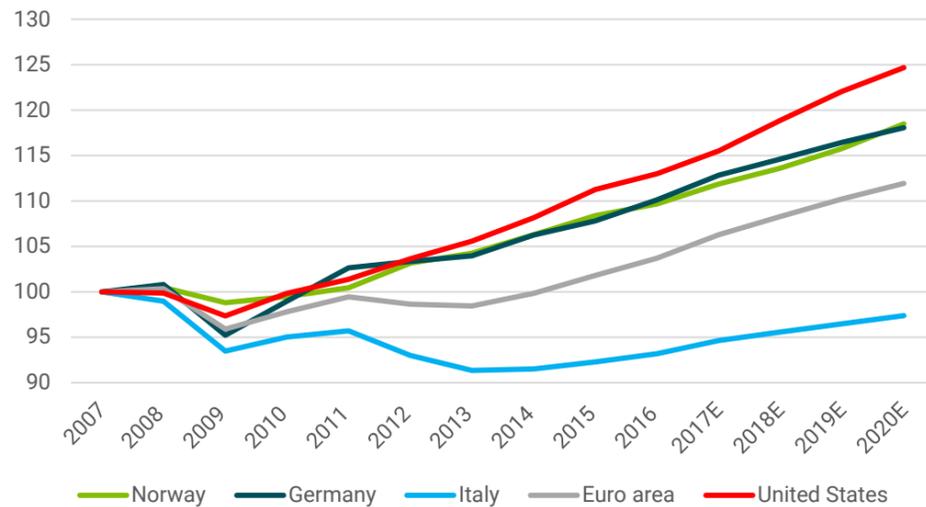
- Constitutional monarchy; Non EU member (EEA member); Population of 5.3 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated to be 48% higher than the average in EU (28 countries)
- Expected contributors to growth in 2018/19:
  - Positive contribution from private consumption, increased export, public investments & consumption, petroleum investments and other mainland industrial investments
  - Negative contribution from reduced housing investments

|                                    | 2012   | 2013   | 2014  | 2015   | 2016  | 2017  | 2018E | 2019E | 2020E | 2021E |
|------------------------------------|--------|--------|-------|--------|-------|-------|-------|-------|-------|-------|
| GDP growth (Mainland)              | 3.8 %  | 2.3 %  | 2.2 % | 1.1 %  | 1.0 % | 2.0 % | 2.0 % | 2.7 % | 2.4 % | 2.0 % |
| Consumer price inflation           | 0.8 %  | 2.1 %  | 2.0 % | 2.1 %  | 3.6 % | 1.8 % | 2.7 % | 1.8 % | 1.6 % | 1.9 % |
| Unemployment                       | 3.2 %  | 3.5 %  | 3.5 % | 4.4 %  | 4.7 % | 4.2 % | 3.9 % | 3.8 % | 3.8 % | 3.7 % |
| Private Consumption                | 3.5 %  | 2.1 %  | 2.0 % | 2.1 %  | 1.5 % | 2.2 % | 2.0 % | 2.4 % | 2.6 % | 2.4 % |
| Household savings rate             | 7.4 %  | 7.4 %  | 8.5 % | 10.4 % | 6.7 % | 6.9 % | 6.5 % | 6.7 % | 7.6 % | 8.2 % |
| Houseprices                        | 6.7 %  | 4.1 %  | 2.7 % | 6.1 %  | 7.0 % | 5.0 % | 1.6 % | 1.4 % | 1.2 % | 0.6 % |
| Interest rates (money market)      | 2.2 %  | 1.8 %  | 1.7 % | 1.3 %  | 1.1 % | 0.9 % | 1.1 % | 1.3 % | 1.8 % | 2.3 % |
| Government net lending as % of GDP | 13.8 % | 10.8 % | 8.7 % | 6.1 %  | 4.0 % | 5.1 % | 5.3 % | 5.4 % | 5.5 % | n/a   |
| Government pension fund / GDP      | 129 %  | 164 %  | 204 % | 238 %  | 238 % | 264 % | 267 % | 276 % | 283 % | 292 % |

Source: Statistics Norway – Konjunkturtendensen 4/2018 , OECD – Economic Outlook No 104 November 2018 and Norges Bank

# The Norwegian economy – Solid economic situation

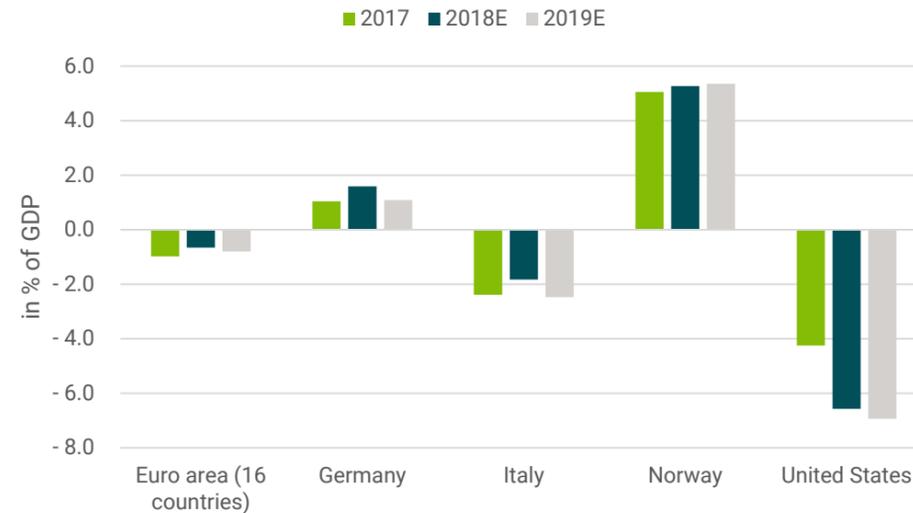
Real GDP growth (rebased to 100 in 2007)



Source: OECD Economic Outlook No. 104 (database), November 2018

- Economic growth at an annual average of 1.7% for Norwegian mainland GDP last 10 years
- Strong current account surplus averaging 10.0% of GDP since 2008

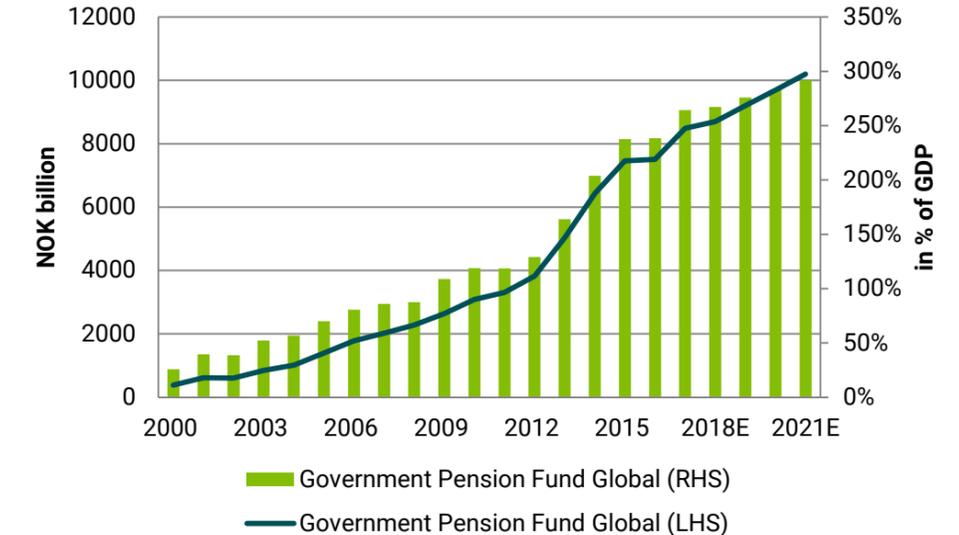
Government net lending



Source: OECD Economic Outlook No. 104 (database), November 2018

- Significant government net lending (5.1% of GDP in 2017) and the Government Pension Fund more than twice the size of GDP

Government Pension Fund Global

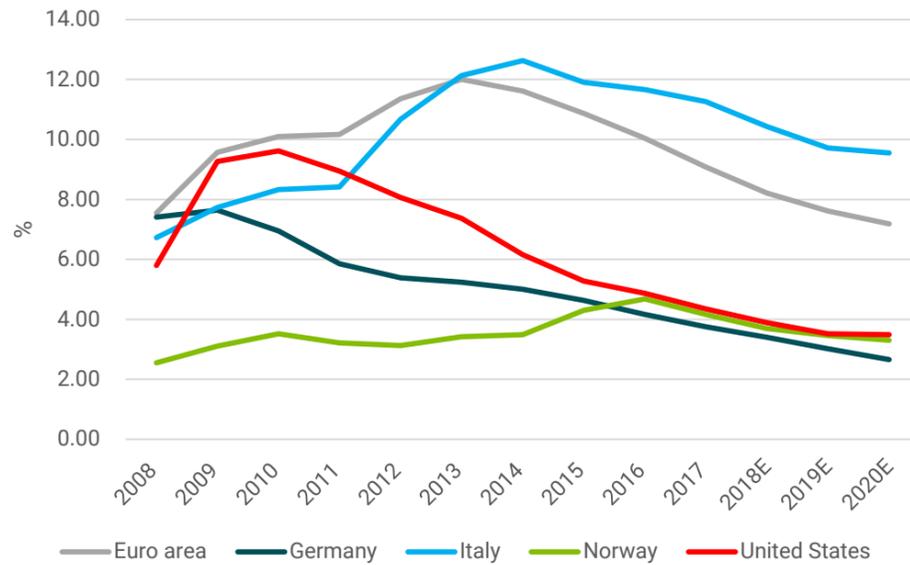


Source : Norges Bank, Statistics Norway, Q3 2018

- Norway has a strong balance sheet
- High net central government financial assets (290% of GDP in 2016)

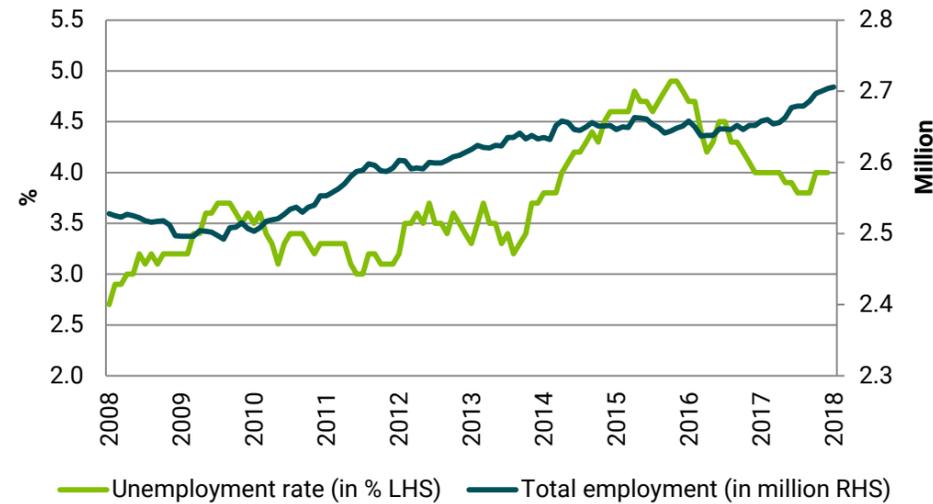
# The Norwegian economy – Low unemployment

## Norway has consistently low unemployment rate



Source: OECD Economic Outlook No. 104 (database), November 2018

## Survey unemployment rate and total employment



Source: Statistics Norway, September 2018

## Vacancies



Source: Statistics Norway, Monetary Policy Report 4/2018

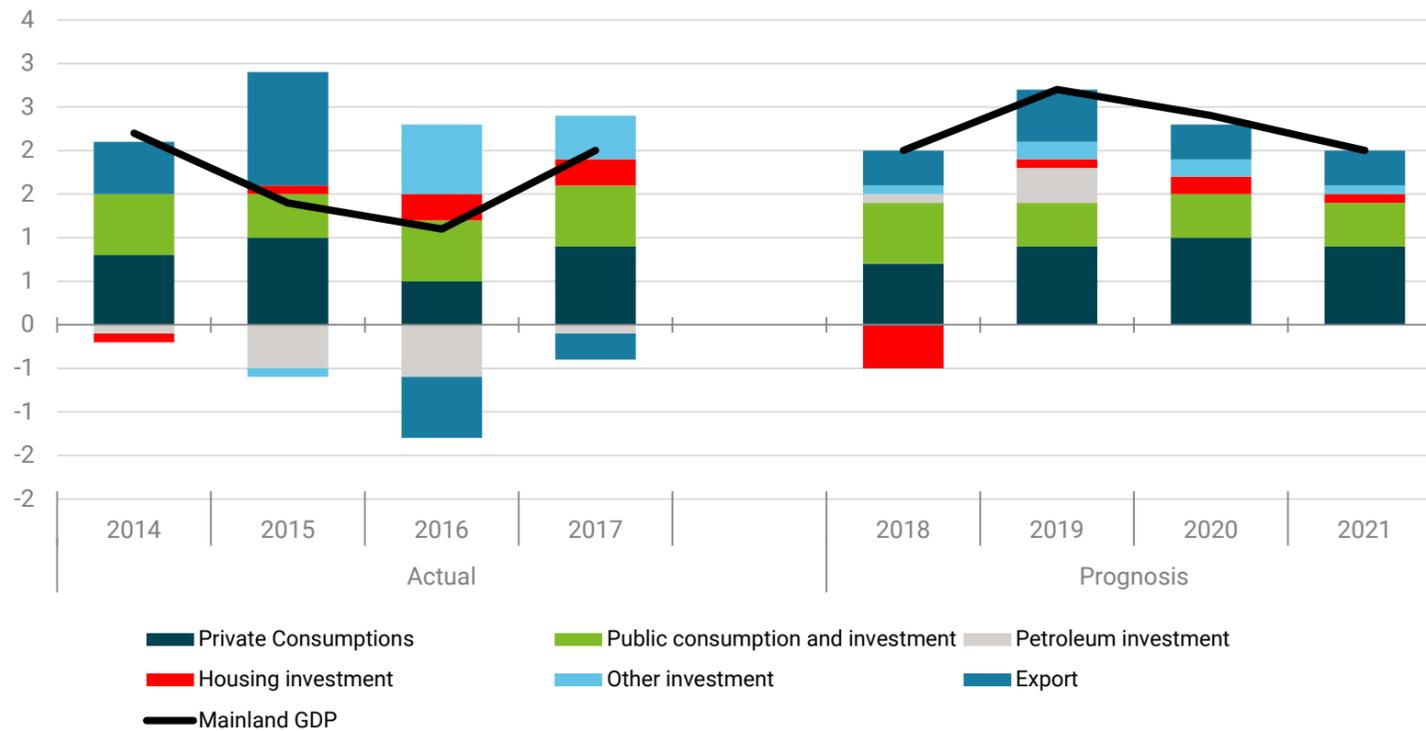
- A stable economy ensures a high rate of employment
- The survey based unemployment rate has fallen by 1.0%-points to 4.0% after hitting the highest level in the last decade of 5.0% in July 2016. Unemployment is expected to decline somewhat over the next couple of years from current levels of 4.0% and remain at low levels compared to elsewhere in Europe

- Significant growth in employment through 2017 and 3 first quarters 2018 and growth is expected to continue going forward
- Increased demand for labour and increasing number of vacancies are expected to increase wage growth (+4.1% in 2021 vs +2.3% in 2017)

- 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

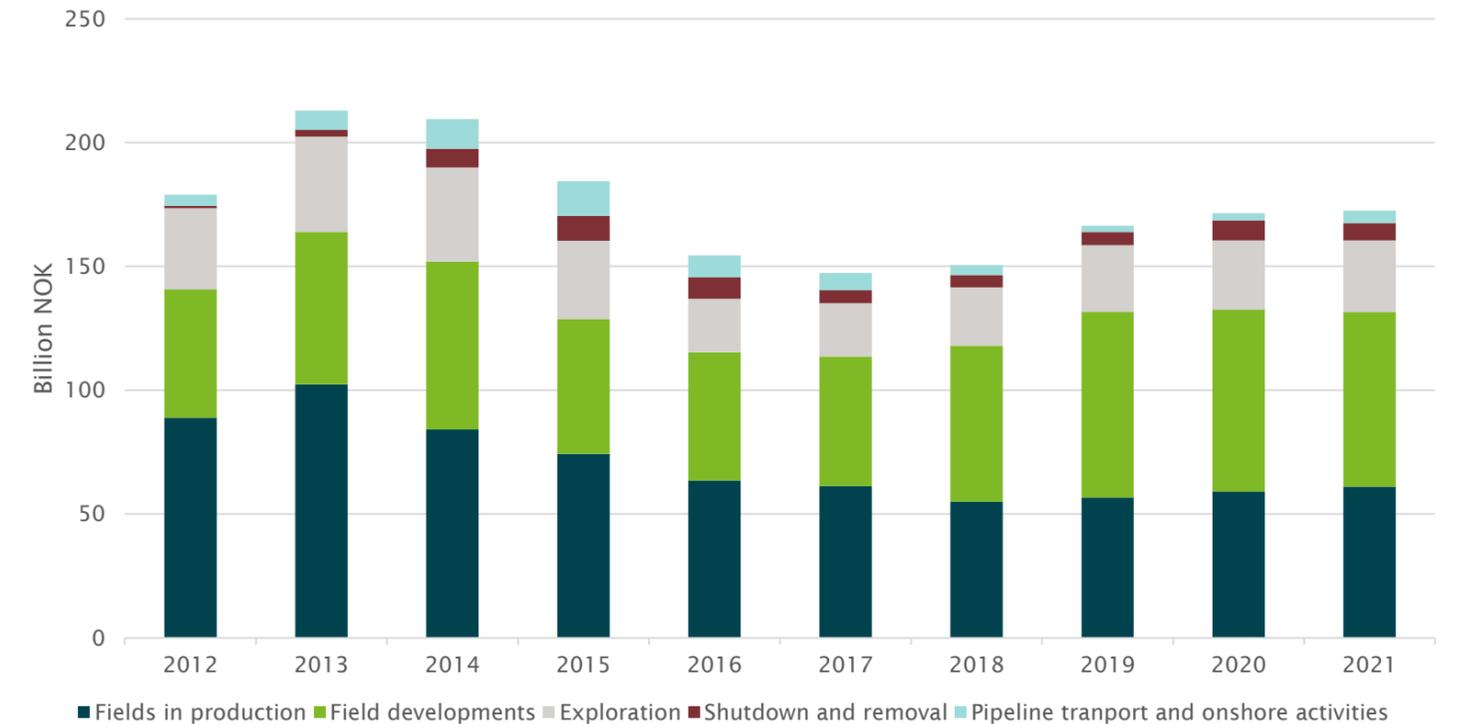
Norwegian GDP growth – dependent on much more than petroleum



Source: Statistics Norway, Konjunkturtendensene 4/2018

- Petroleum investments has been a drag on growth 2015-17, but is expected to be a positive contributor to GDP growth from 2018.
- Contributions from housing investments was negative in 2018.

Petroleum investments



Source: Statistics Norway and Norges bank, Monetary Policy Report 4/2018

- Petroleum investments are expected to pick up going forward after sharp reductions since 2014. Increasing investments are driven by reduced costs in the industry and higher oil and gas prices since the beginning of 2016. Break even costs for new fields being developed is \$10-35 per barrel, much lower than long term expectations for the oil price

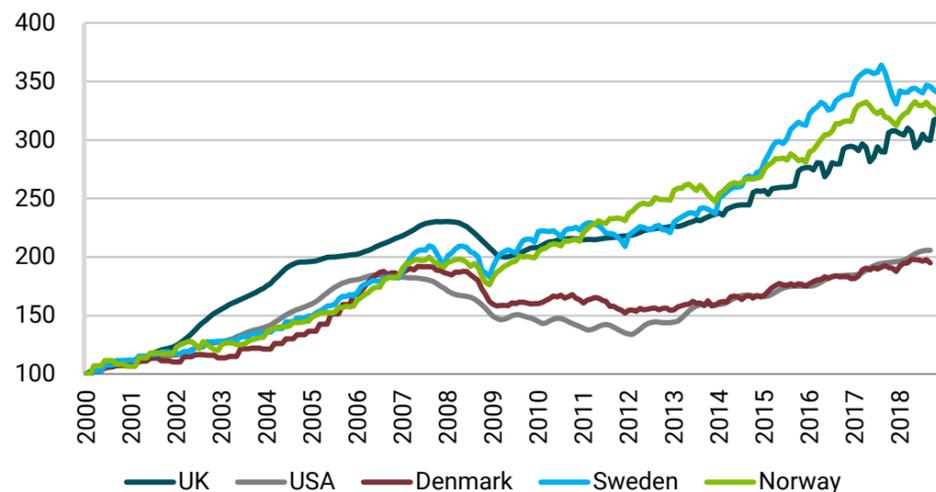
# The housing market characteristics in Norway

|                                |   |                           |   |
|--------------------------------|---|---------------------------|---|
| <b>Home ownership</b>          | <ul style="list-style-type: none"><li>• Among the highest in the world - around <b>77%</b> are owner-occupied households</li><li>• Total size of the mortgage market NOK <b>2,662 bn</b> (EUR 270bn)</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>97.5 %</b> of residential mortgage loans granted by banks/mortgage companies (Q3 2017)</li><li>• Typical legal maturity 25-30 years, on average <b>22-23 years</b></li><li>• <b>93.1%</b> of residential mortgages have variable interest rate (Q4 2017)</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>22%</b>)</li><li>• Preferential treatment of properties when calculating the wealth tax (<b>0.85%</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 updated the mortgage regulation with effect from 1<sup>st</sup> July 2018. Was mainly unchanged from existing regulation expiring June 30<sup>th</sup> 2018

# The housing market – Price development

**Nominal house price development**



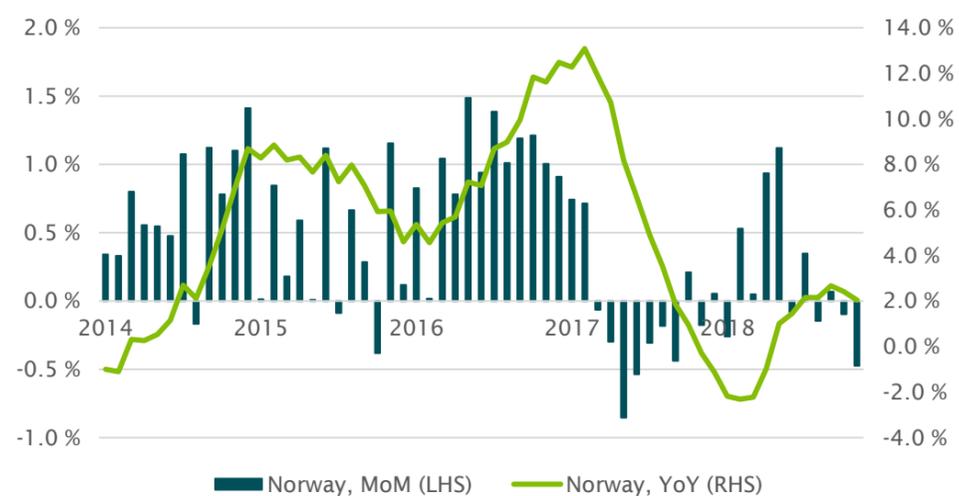
Source: S&P CoreLogic Case-Shiller US National Home Price NSA Index, Danmark statistik Ejen14, Hometrack House price Index, Valueguard HOX® Index, Eiendomsverdi, Sep– Nov 2018

**House prices – larger cities (twelve-month change)**



Source: Eiendom Norge, Eiendomsverdi og Finn.no, August 2018

**House prices- Monthly and twelve-month change**



Source: Eiendom Norge, Eiendomsverdi og Finn.no, November 2018

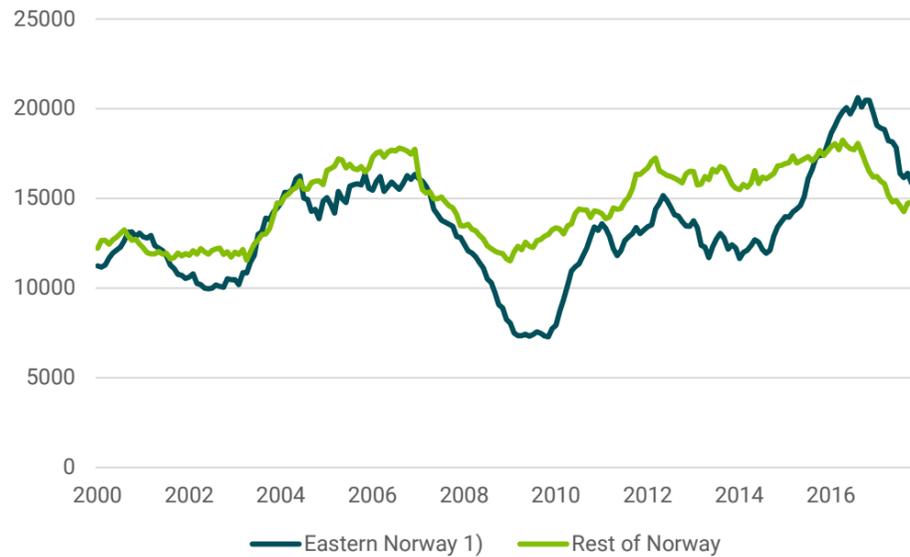
- Nominal house prices have increased by an average of 6.4% per annum since 2000.
- The Norwegian housing market have stabilized in 2018 after volatile price development in 2016 and 2017.

- House prices are expected to show moderate increases going forward driven from expected increase in mortgage rates, increased supply and slower population growth
- The soft landing in housing prices in 2017, lower housings starts and improved growth in the economy have reduced the risk for a sudden and significant downward correction in house prices going forward

- Median house price in Norway is € 323,000, median house price in Oslo is € 407,000
- m<sup>2</sup> price in Norway is € 4,273 , m<sup>2</sup> price in Oslo is € 7,137

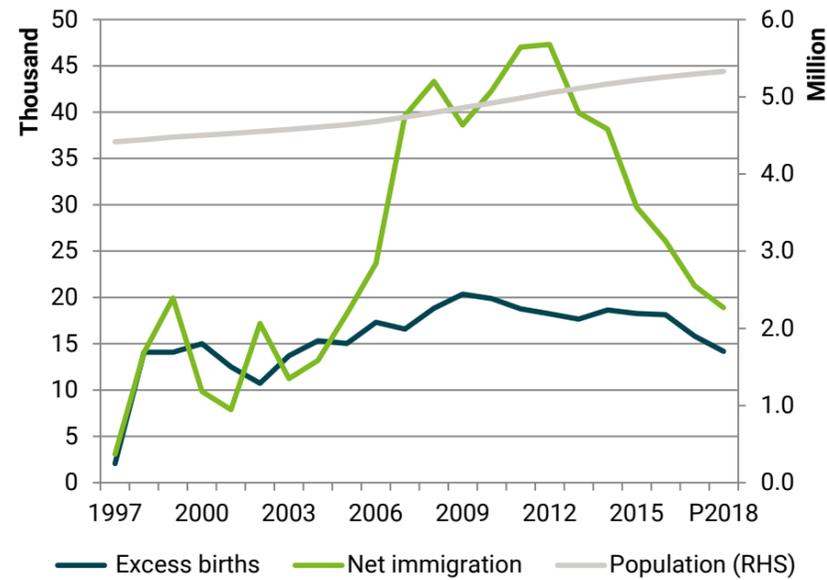
# The housing market – Drivers of the housing market

## Housing starts (twelve-month change)



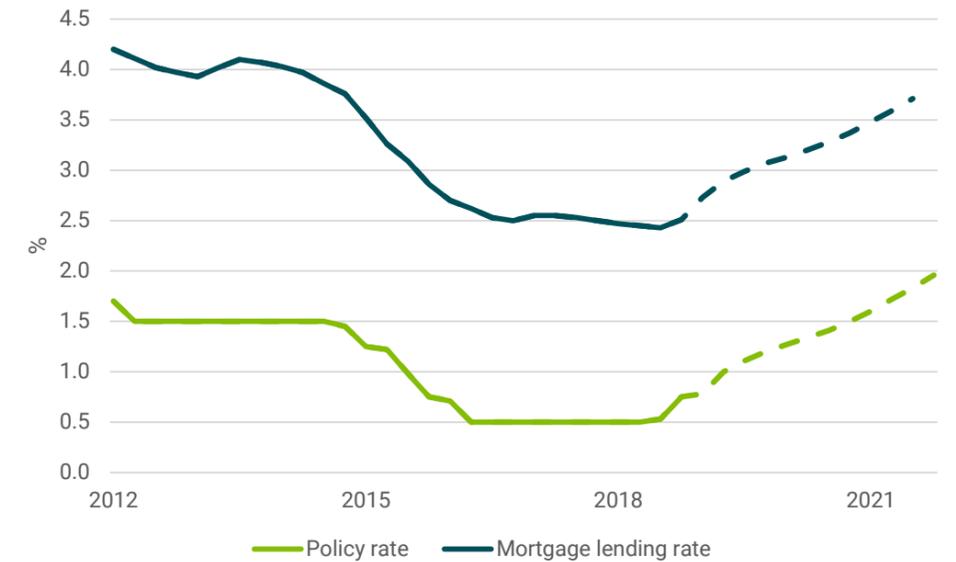
Source: Statistics Norway, October 2018  
1) Akershus, Buskerud, Hedmark, Oppland, Oslo, Telemark, Vestfold and Østfold

## Strong population growth



Source: Statistics Norway, Q3 2018

## Low average lending rates



Source: Statistics Norway, Thomson Reuters, Norges Bank, projections broken lines, Monetary Policy Report 4/2018

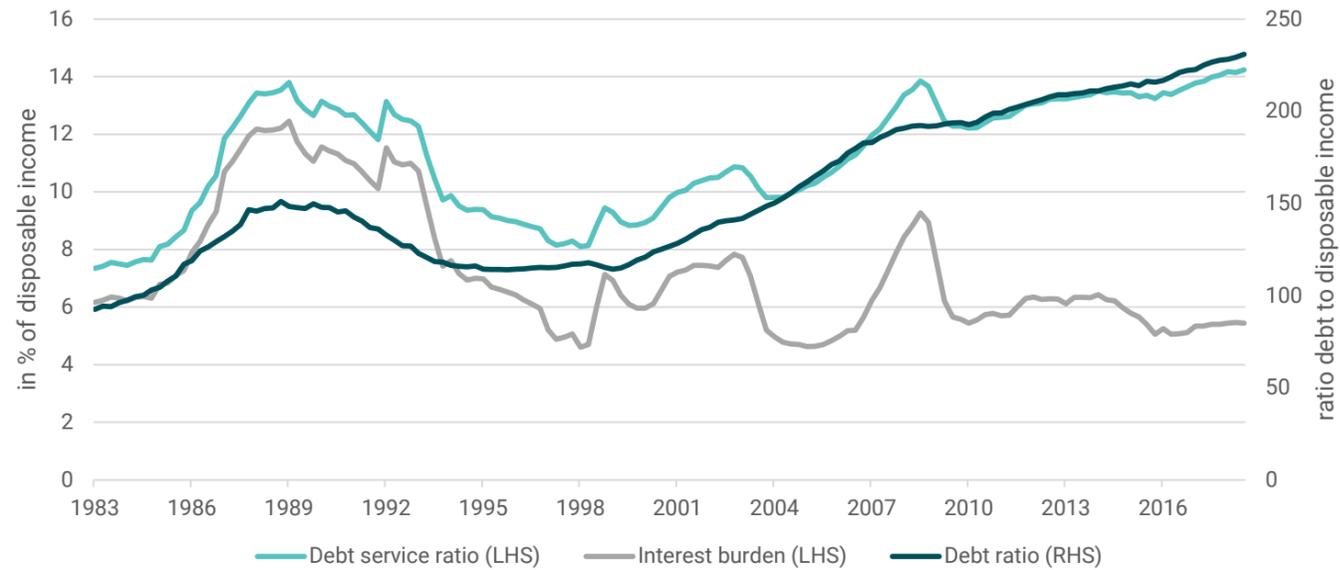
- New home construction is down from “all time high”. Housing investments are expected to show a marginal increase in 2019-21 after a significant reduction in the last 4 quarters

- Net immigration down from above 47,000 in 2011/12 to below 20,000 in 2018
- The population growth of 0.9% p.a. since 1997 has been driven both by excess birth rate (38%) and net immigration (62%)

- Low average mortgage rates for households. Mortgage rates are expected to increase from 2.5% to 3.7% over the next 3 years in line with expected increases in key policy rates

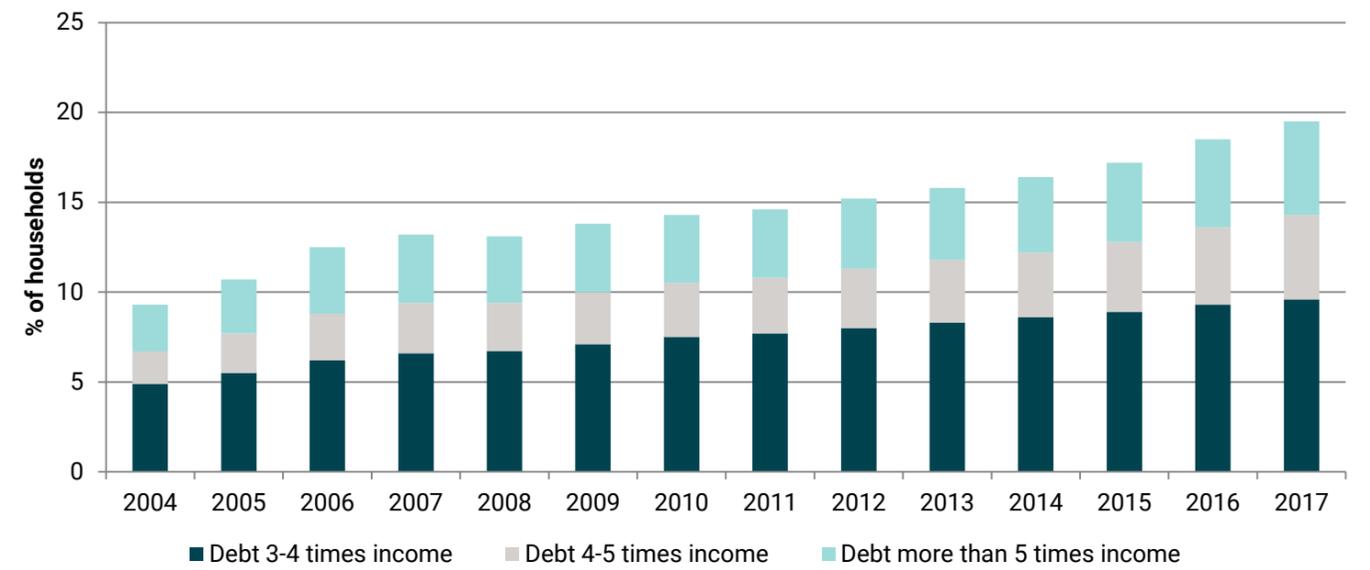
# Households financial position

Household debt service ratio, interest burden and debt-to-income ratio



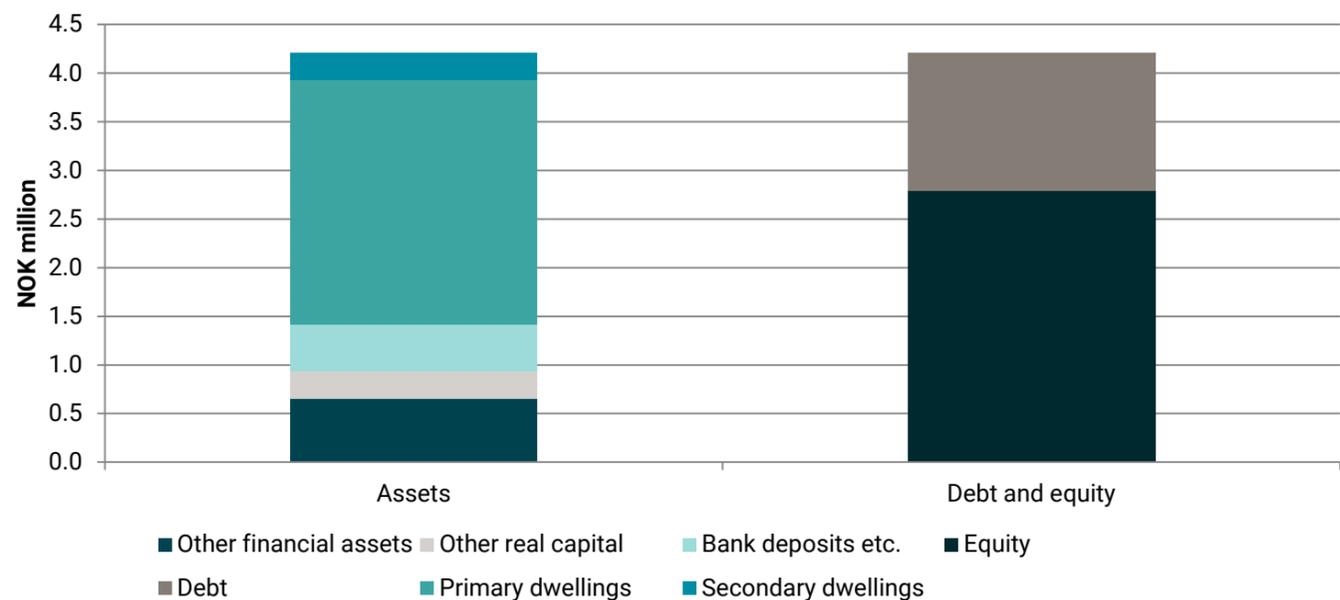
Source: Statistics Norway and Norges Bank, Q3 2018

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



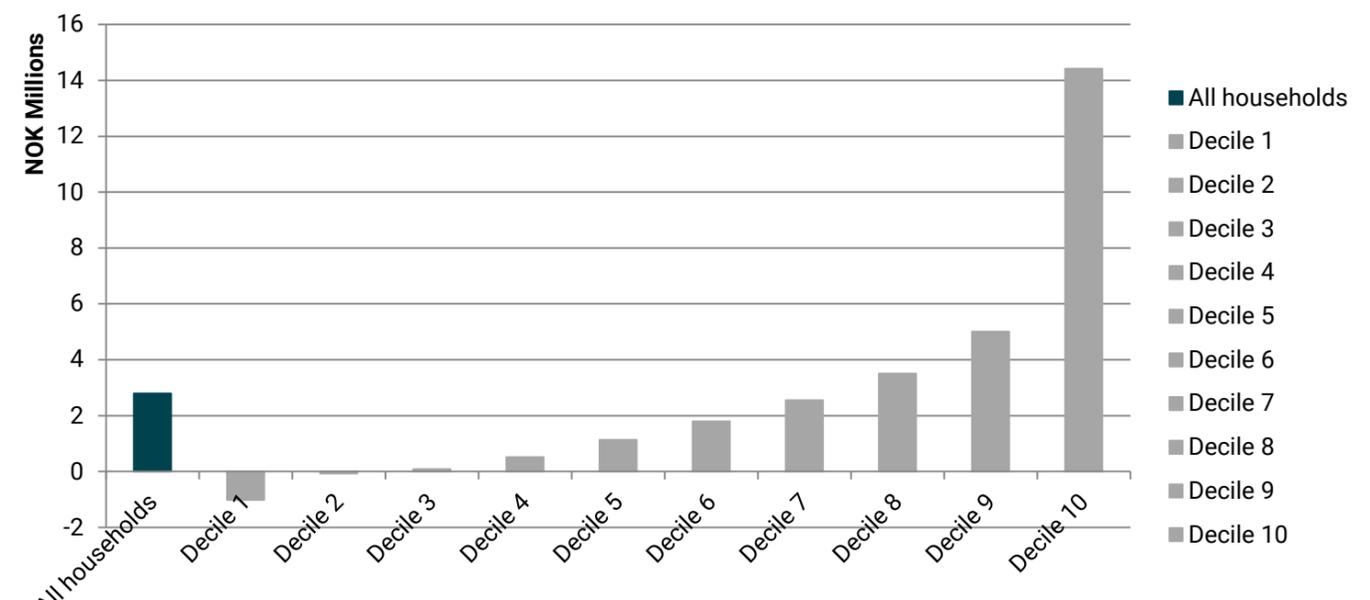
Source: Statistics Norway, Updated 2017

Household balance sheet



Source: Statistics Norway Updated 2017

Norwegian households net wealth (in NOK)



Source: Statistics Norway, Updated 2017

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# 3<sup>rd</sup> largest Norwegian banking system

- **The Eika Alliance consist of a group of 68 Norwegian local banks<sup>1</sup>, Eika Gruppen and Eika Boligkreditt**

- Total assets EUR 46 bn
- 900,000 customers
- 2,208 employees
- 214 branch offices

- **The banks have a wide geographical reach (presence in 17 out of 18 counties) with a strong position in the vibrant economic centres in Central and Eastern Norway**



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

- The Eika banks ranks high on client experience
- Local based knowledge and credit committee decisions
- Perceived to care about their clients

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

- Up to 80% in local markets (except the largest cities)
- 10.4 % overall in Norway

<sup>1</sup> 10 banks have given notice of termination of its agreements with Eika-Gruppen. There are still ongoing negotiations, and the earliest termination if the negotiations does not conclude successfully will be 31/12-2021. These banks in total own 11.4% of the shares in Eika Gruppen. The agreements these banks have with Eika Boligkreditt AS are not directly affected by the notices of termination.

# The Eika Alliance



## 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 454,000 members, mostly located in the Oslo-area. More information about OBOS can be found on [www.obos.no](http://www.obos.no)

# Achieving economies of scale, while being local

## I. Eika banks

- The saving banks are independent banks with very strong local focus, and operate solely in the local markets where they have been active for almost 200 years

## II. Eika Gruppen

- The smaller Norwegian Savings banks established the Eika Alliance in 1997.
- Efficiency in banking operations and IT infrastructure
- Realize the economics of scale
- Jointly owned product companies (insurance, mutual funds etc)
- Shared resources to handle regulatory changes

## III. Eika Boligkreditt

- Provider of covered bond funding

### Efficiency

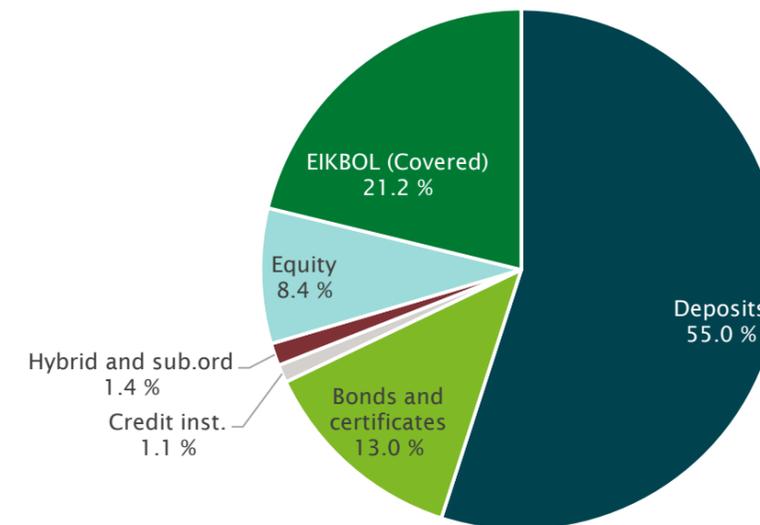
- Work as if one integrated entity
- Operational integration
- Offer non-core banking products through jointly owned product companies



Alliance programme

### Total funding sources

As of Q2 2018



Source: Bank analyst Eika

# Focus on retail customers

- Eika banks have a large and stable retail customer base
- Retail lending accounts for 81.1% of Eika banks' total lending
- 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

## Local market focus

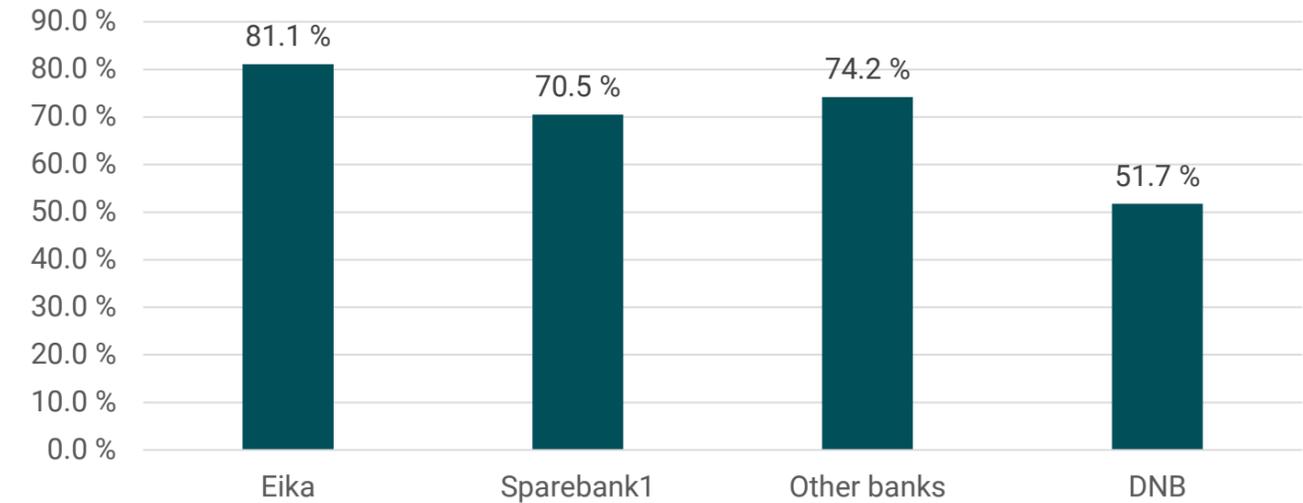
- Decisions are made close to the customer and transaction originations
- Each bank continues to develop its link with its local community
- Keeping its own name and legal identity



Separate legal identities and a common support brand

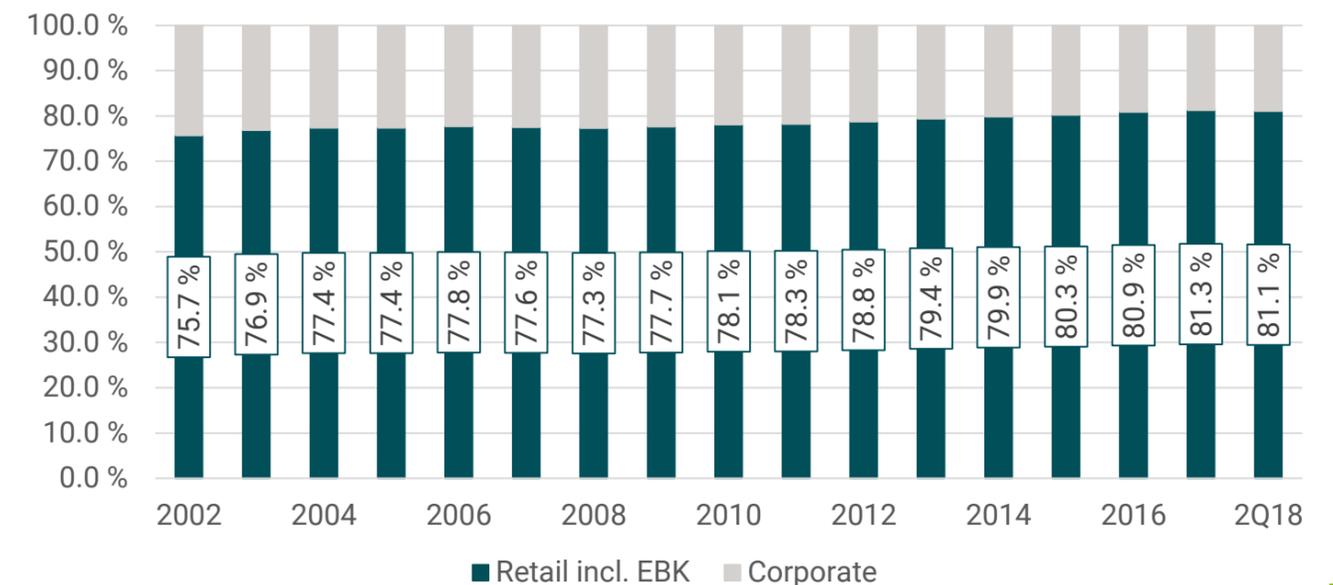
## Retail share - Eika vs. peers

As of Q2 2018



## Breakdown of the Eika banks lending

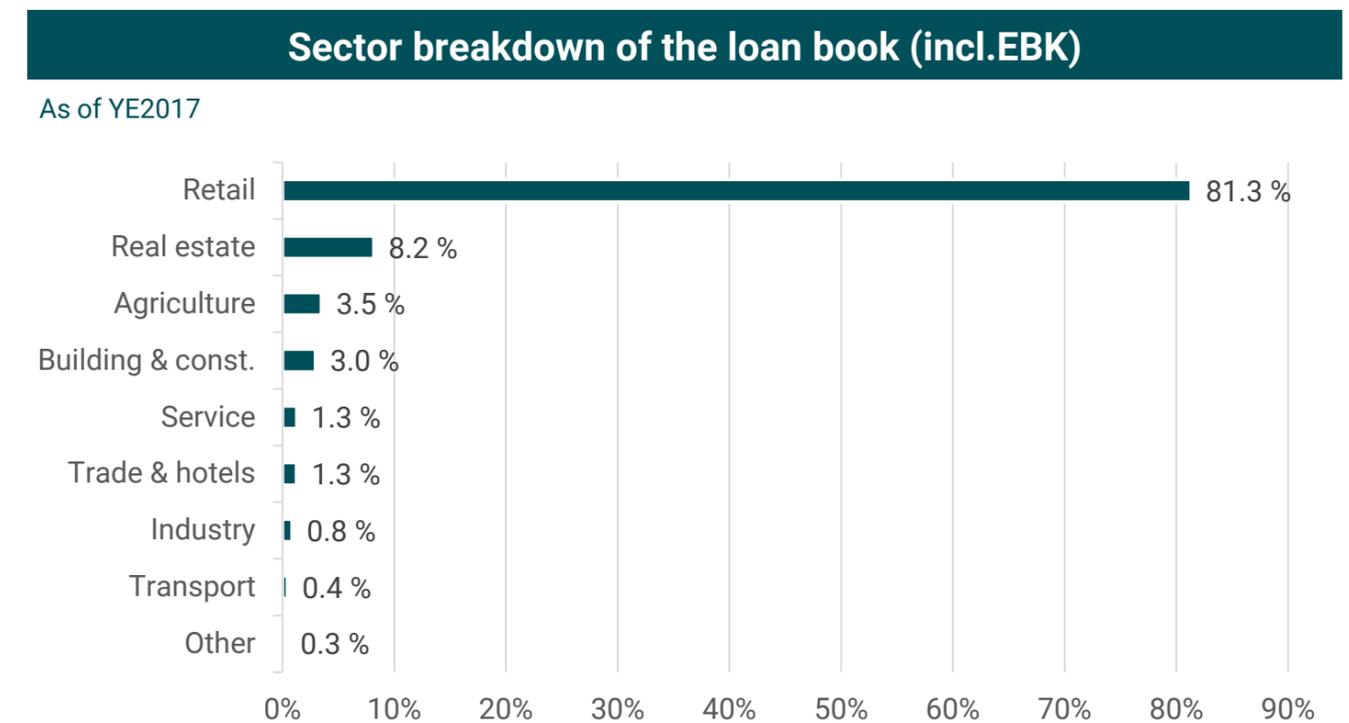
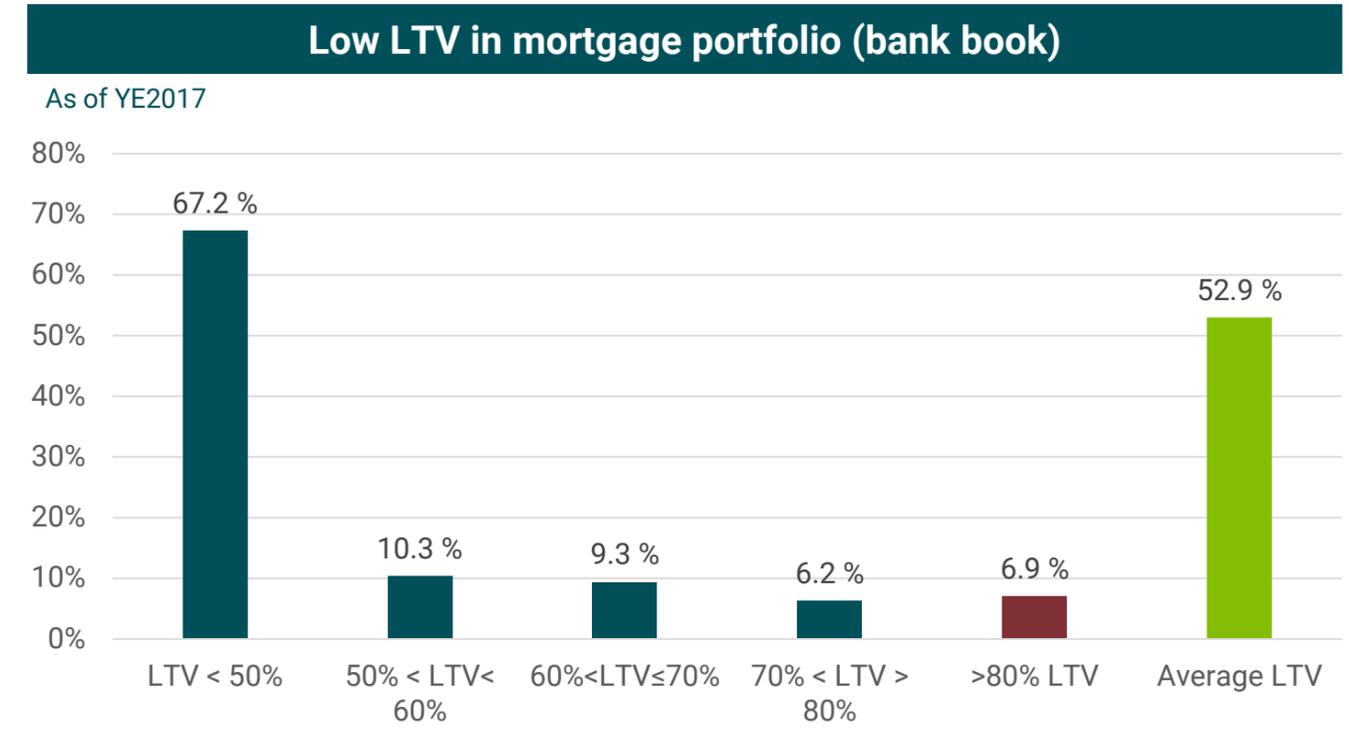
As of Q2 2018



Source: Bank analyst Eika

# High asset quality

- Conservative risk profile within the banks
- Eika banks have low exposure to the corporate sector with no lending to shipping, oil sector and relatively low exposure to commercial real estate
- Few non-performing and doubtful loans
  - Gross non-performing loans constitute 0.50% of gross loans 2018Q2
  - Gross doubtful loans constitute 0.53% of gross loans 2018Q2
  - Provisioning ratio on problem loans of 53.3% 2018Q2
- Gross problem loans relative to equity + loan loss reserves has been declining gradually over the last 9 years and is now at 7.7% (Q2 2018)

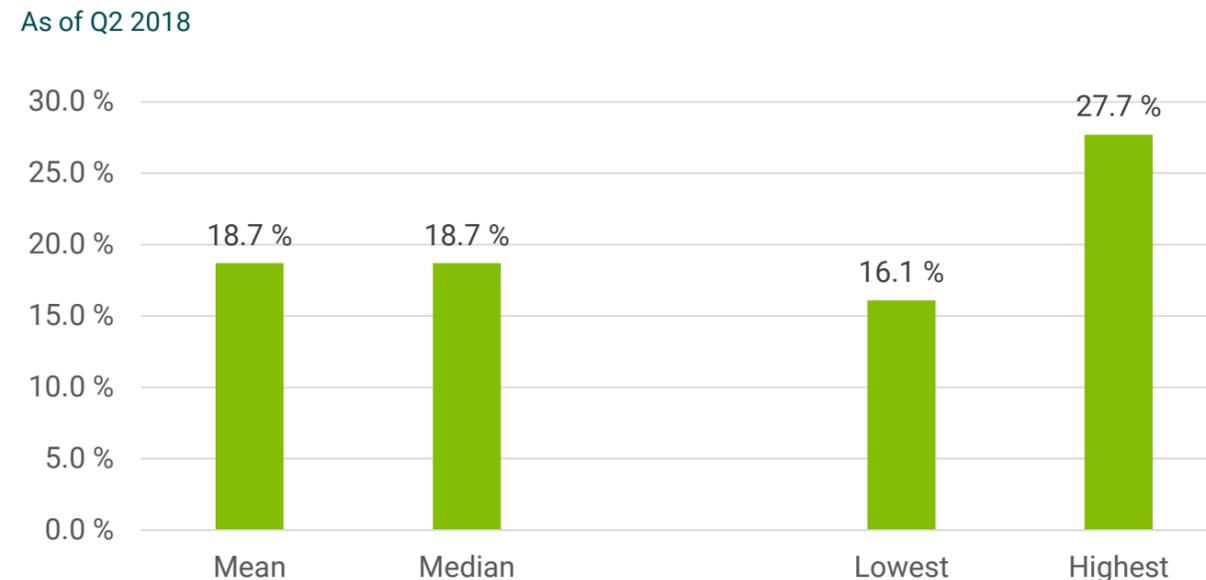


Source: Bank analyst Eika

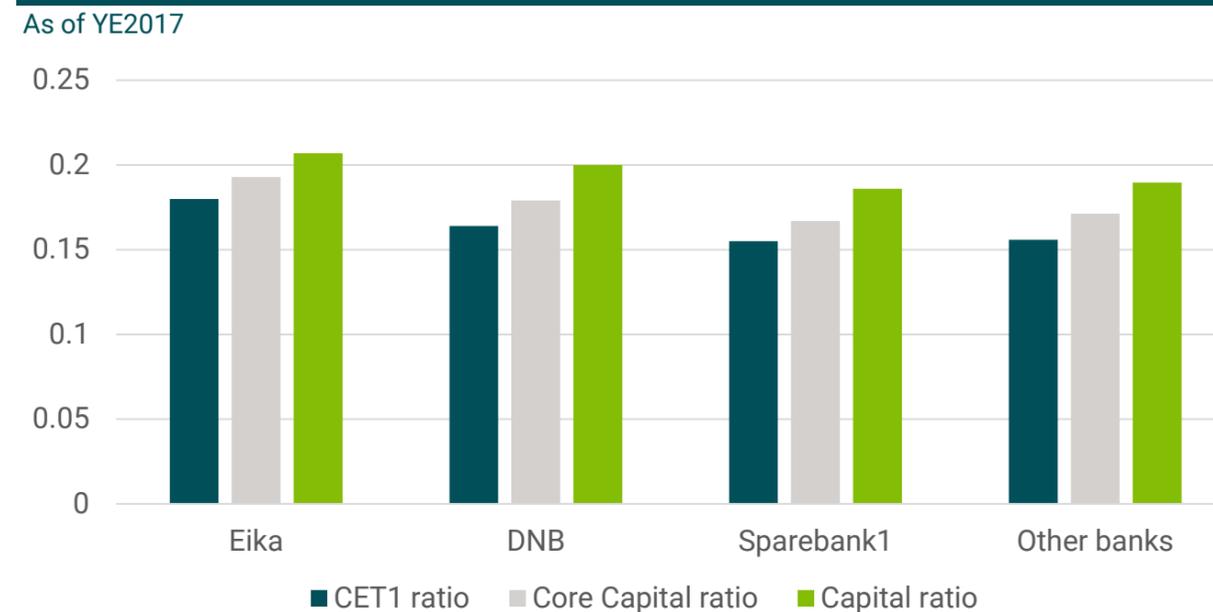
# Strong capitalization

- **Strong capital ratios – Q2 2018 (including profit in ( ))**
  - Common equity ratio (CET1): 17.2% (17.9%)
  - Core capital ratio: 18.7% (19.4%)
  - Capital ratio: 20.4% (21.1%)
  - Equity ratio (Equity/Total assets): 10.5%
- **All Eika banks are well capitalized (core capital ratio)**
  - Lowest: 16.1%
  - Highest: 27.7%
- **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 25.1% and 27.4% at end Q2 2018**

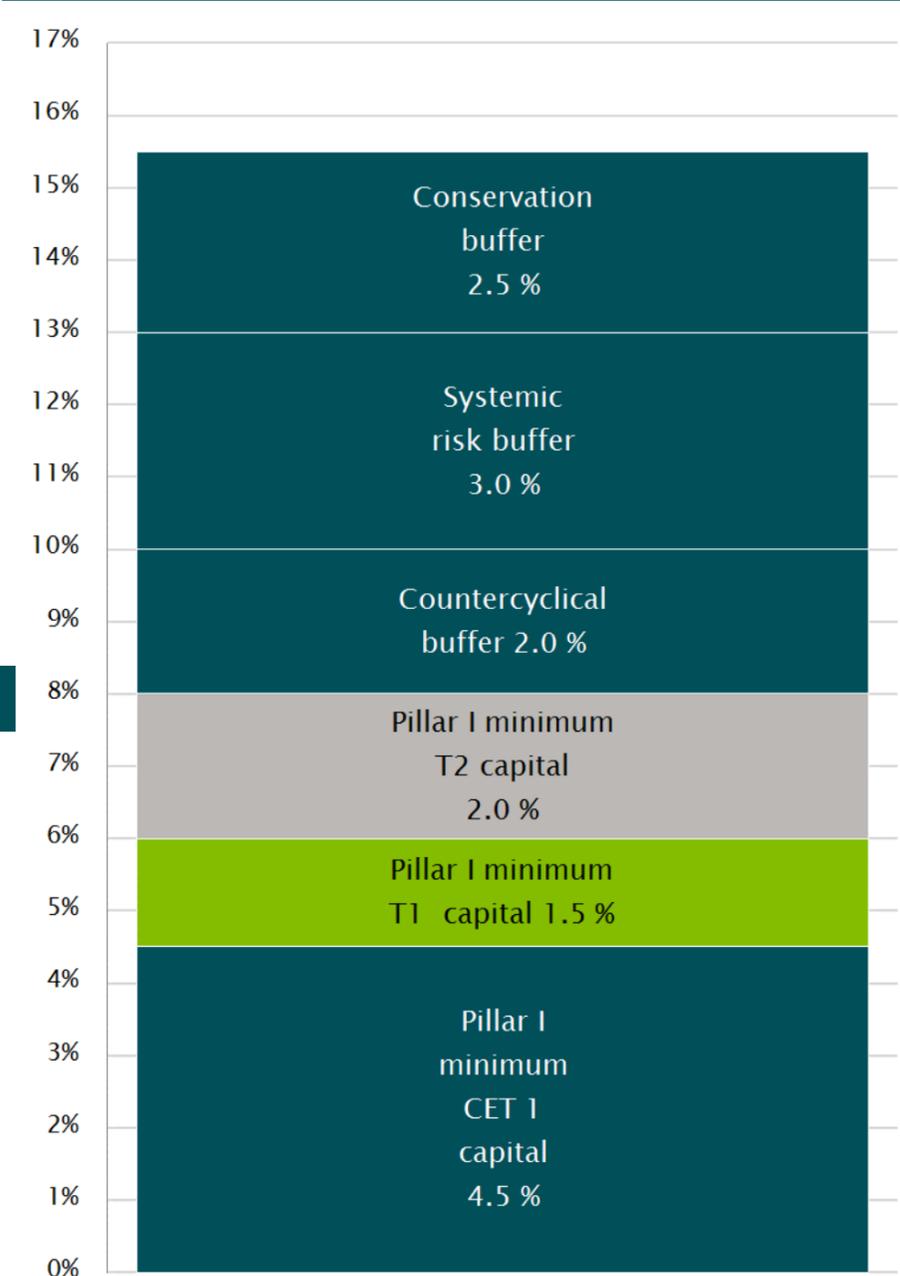
## Core capital ratio – Eika banks



## Capital ratio - Norwegian banks



## Minimum capital requirements for Eika Banks\*



\* The countercyclical buffer increases to 2.5 percent from 31 December 2019  
No Eika Bank has SIFI requirements

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# Norwegian covered bonds

## I. Norway's covered bonds legislation

- Specialist banking principle, ring fencing of assets and transparency
- Standard principles in the legislation in effect since 2007
- Harmonisation (EBA proposal from 2017) can easily be implemented in Norwegian law with minor changes

## II. Regulatory

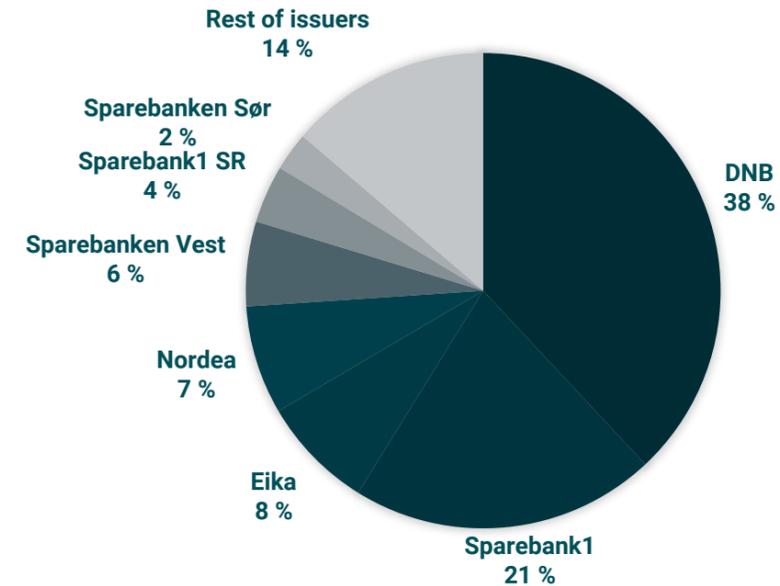
- Norwegian covered bonds are category 1 for LCR purposes (above EUR 500 mill.)
- 10% preferential risk weighting

## III. Eika Boligkreditt covered bonds

- Eika Boligkreditt (**EIKBOL**) is a labelled covered bond issuer ([www.coveredbondlabel.com](http://www.coveredbondlabel.com))
- EIKBOL covered bonds are rated **Aaa** by Moody's
- Committed minimum OC of 5%
- 12 month soft-bullet on all CBs

## Norwegian covered bond market- biggest issuers

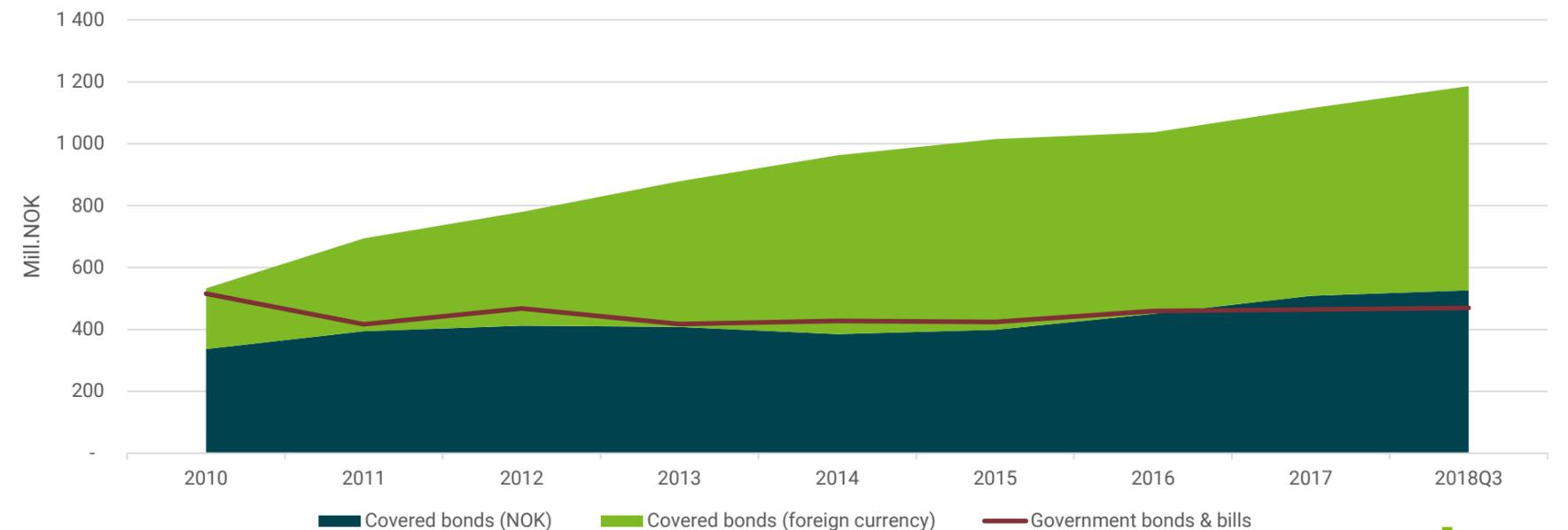
As of 2018Q3



Source: Finance Norway

## Norwegian covered bonds and government bonds outstanding

As of 2018Q3



Source: Finance Norway, Oslo Stock Exchange

# Eligibility criteria for mortgages in the cover pool

## I. Customer categories

- Norwegian residents (Retail)
- Cooperative housing associations (common debt between multiple individuals)

## II. Credit Criteria

- Eika Boligkreditt sets the credit policy for acceptable mortgages for the cover pool (credit manual)
- No arrears

## III. Collateral

- Max LTV 60% at time of origination (vs. max 75% in the Norwegian legislation)
- Recent valuations (within 6 months at time of origination)
- Quarterly valuation from independent 3rd party, documented

## IV. Type of properties

- Stand alone residential mortgages
- Cooperative housing residential mortgages

## V. Type of products

- Principal repayment loans (currently no flexi loans)
- Fixed and variable interest rate loans

## VI. Origination process

- Loan-by-loan origination

# Structure of liquidity and capital support from owners

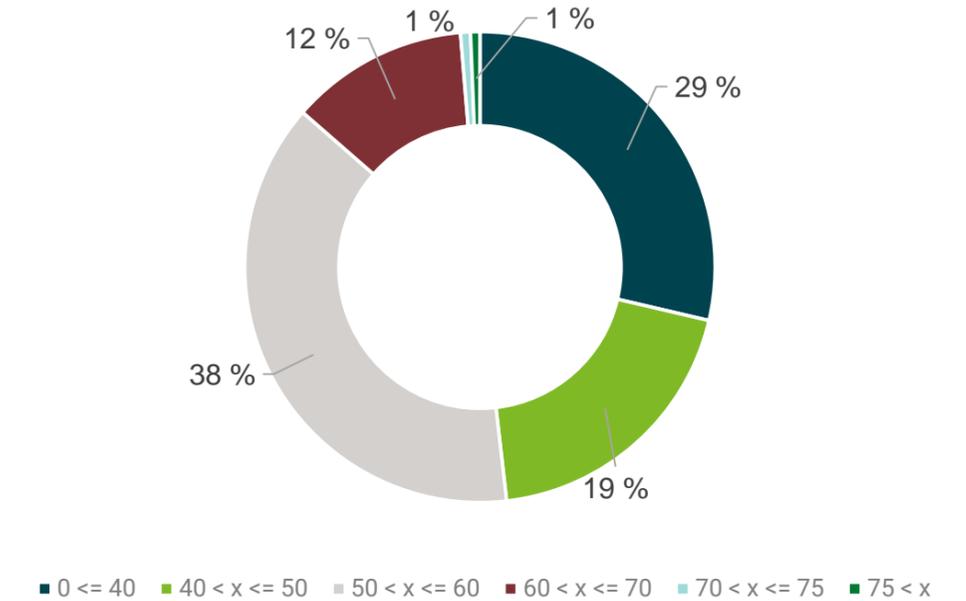
- **The Note Purchase Agreement (NPA)** is structured to ensure that EIKBOL has liquidity, at all times, sufficient to pay the Final Redemption Amount of any series of Notes in a rolling twelve month period
- **The Shareholders' Agreement** is structured to ensure that EIKBOL will uphold a sufficient capital adequacy ratio at all times. The Owner Banks are obliged to pay their pro-rata share of any capital increase adopted by EIKBOL's general meeting and of any capital instruments to be issued
- **The Distribution Agreement** is structured to provide servicing of the mortgages and includes credit guarantees for mortgages transferred to EIKBOL.



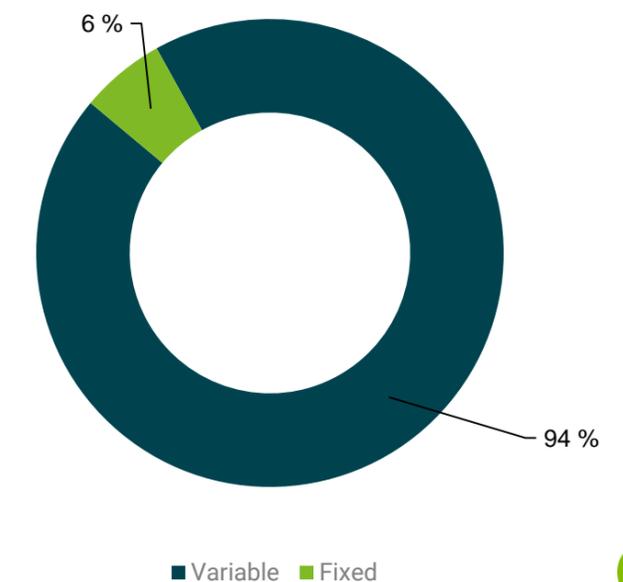
# Summary of the mortgages in the cover pool

|                                   |             |
|-----------------------------------|-------------|
| Nominal value                     | EUR 8.2 bn  |
| Number of loans                   | 53,174      |
| Arithmetic average loan (nominal) | EUR 154,107 |
| WA LTV (indexed)                  | 46.2%       |
| WA seasoning (months)             | 32          |
| Loans in arrears (over 90 days)   | 0.0         |
| Over-collateralization *          | 10.6 %      |

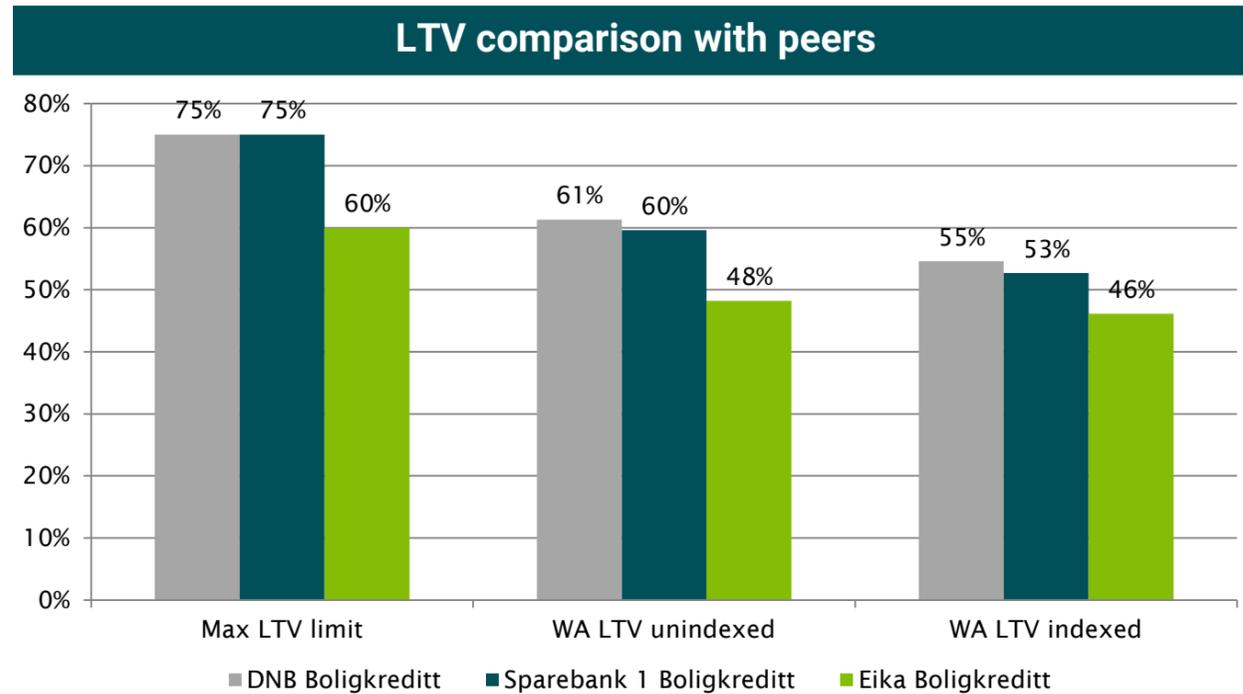
## Indexed LTV distribution



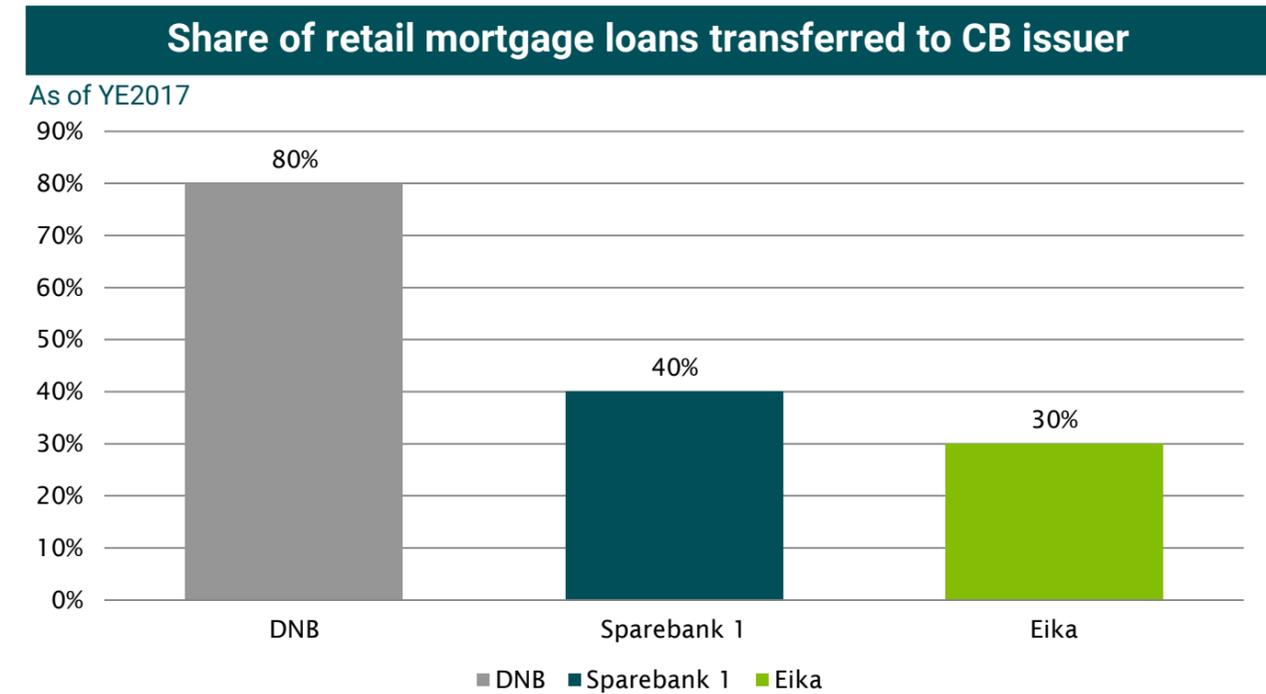
## Variable vs fixed rate



# Cover pool comparison and stress test



Source: Cover pool information as of Q4 2018 for Eika Boligkreditt, DNB Boligkreditt and Sparebank 1 Boligkreditt



Source: Bank Analyst Eika

### Stress test: Decline in house prices

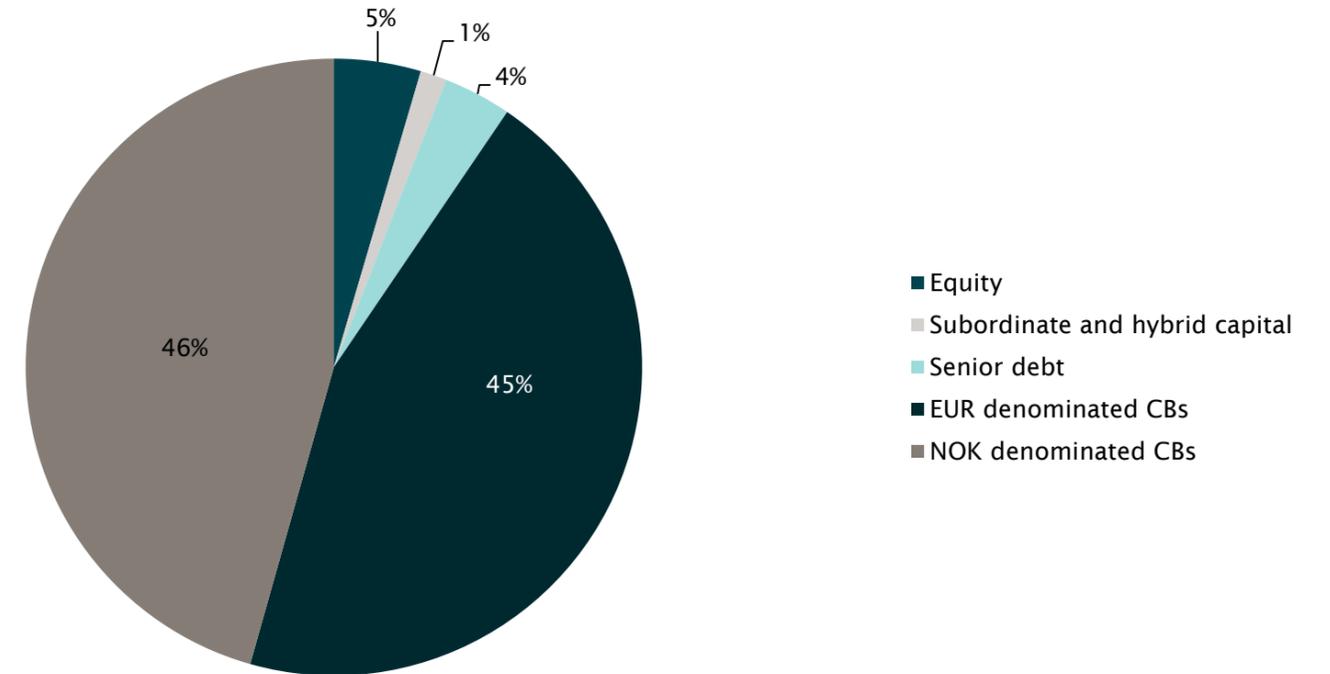
| Stress test house price reduction<br>(numbers in € million) | Unchanged | Decline of 10% | Decline of 20% | Decline of 30% |
|---|-----------|----------------|----------------|----------------|
| Mortgage Portfolio  | 8,194     | 8,194          | 8,194          | 8,194          |
| Part of mortgages exceeding 75% LTV                         | 0         | 13.9           | 57.6           | 391.4          |
| Share of mortgage portfolio >75% LTV                        | 0.00 %    | 0.2 %          | 0.7 %          | 4.8 %          |
| Estimated Over collateralization*                           | 10.6 %    | 10.4 %         | 9.9 %          | 6.1 %          |

# Current funding

- EIKBOL has the objective to be a frequent benchmark issuer in both EUR and NOK covered bond markets
- Redemptions within any future 12-month rolling period should not exceed 20% of the gross funding at the time of redemption
- Targeting a level of liquidity covering redemptions the next 12 months
- Balance swapped to 3M NIBOR on both sides

## Funding mix EIKBOL

As of 2019-01-31

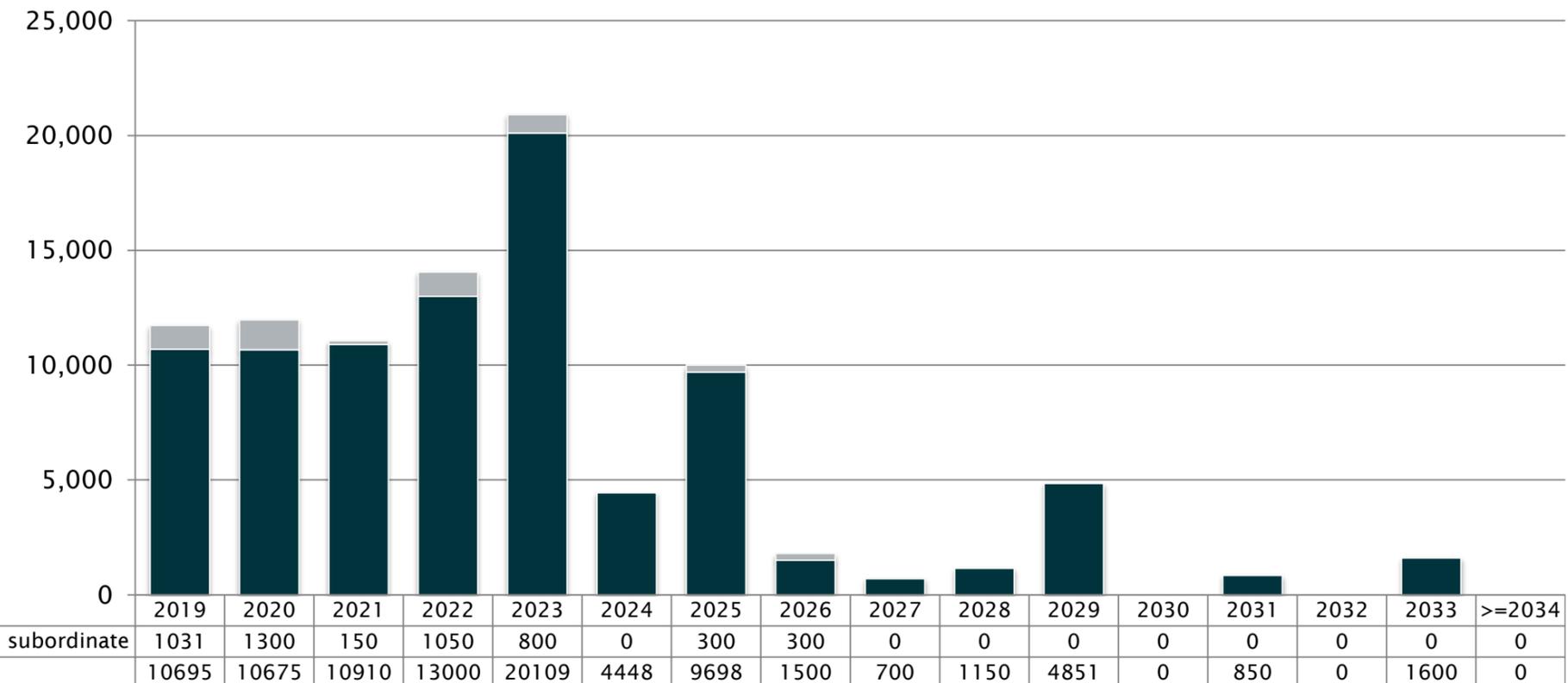


## Outstanding EUR transactions

| ISIN         | Issue date | Volume (EUR mio) | Maturity date |
|--------------|------------|------------------|---------------|
| XS0794570944 | 2012-06-19 | 650              | 2019-06-19    |
| XS1044766191 | 2014-03-12 | 500              | 2021-03-12    |
| XS1312011684 | 2015-10-28 | 500              | 2021-10-28    |
| XS0881369770 | 2013-01-30 | 1000             | 2023-01-30    |
| XS1397054245 | 2016-04-20 | 500              | 2023-04-20    |
| XS1566992415 | 2017-02-16 | 500              | 2024-02-16    |
| XS1725524471 | 2017-11-28 | 500              | 2025-02-26    |
| XS1869468808 | 2018-08-28 | 500              | 2025-08-28    |
| XS1945130620 | 2019-02-01 | 500              | 2029-02-01    |

## Maturity profile of funding (in million NOK)

As of 2019-01-31

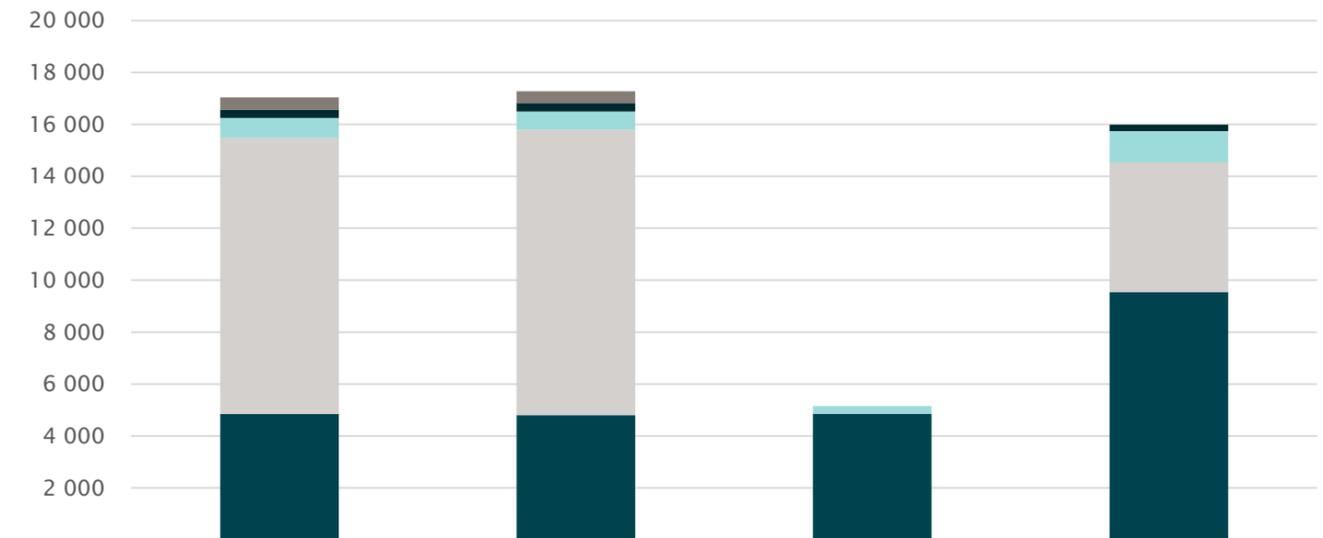


# Planned funding

- Budget for gross funding in 2019 is NOK-equivalent of 16.0 billion (EUR 1.7bn)
  - NOK-equivalent of 14.5 billion in covered bonds
  - NOK 1,200 million in senior unsecured bonds
  - NOK 250 million in Tier 2 bonds
- EIKBOL has the flexibility to pre-fund expected need in coming periods or shifting between covered bond funding in EUR vs NOK on a discretionary basis.
- Stable growth of mortgage book

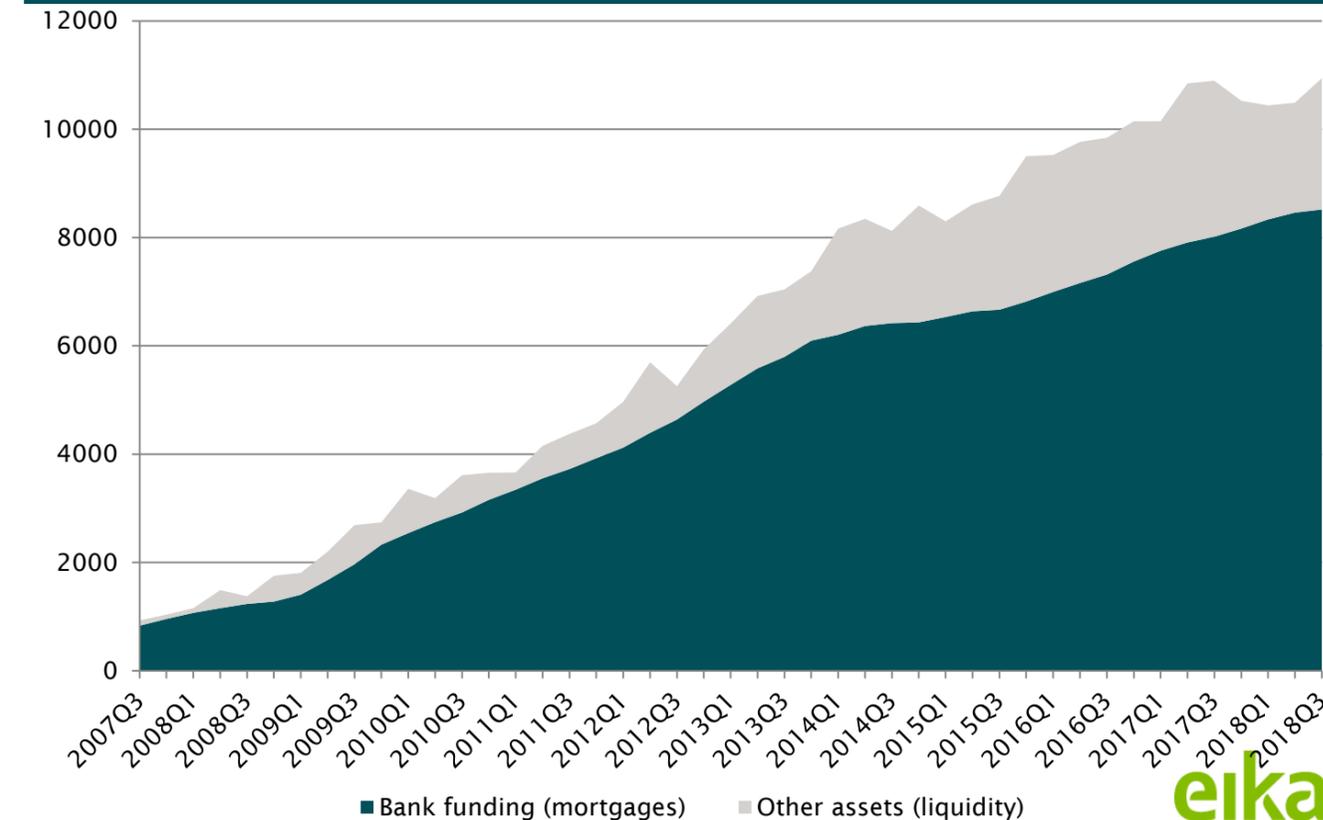
## Actual and planned funding by instrument (in million NOK)

As of 2019-01-31



|                                      | Actual funding 2018 | Planned funding 2018 | Actual funding 2019 ytd | Planned funding 2019 |
|--------------------------------------|---------------------|----------------------|-------------------------|----------------------|
| ■ AT1                                | 475                 | 450                  | -                       | -                    |
| ■ T2                                 | 325                 | 325                  | -                       | 250                  |
| ■ Senior unsecured                   | 750                 | 700                  | 300                     | 1 200                |
| ■ Covered Bonds (denominated in NOK) | 10 650              | 11 000               | -                       | 5 000                |
| ■ Covered Bonds (denominated in EUR) | 4 848               | 4 800                | 4 851                   | 9 545                |

## EIKBOL development in mortgages and AUM (in million €)



# Contacts



**Kjartan M. Bremnes**

*CEO*

Tel: +47 22 87 80 36

kmb@eika.no



**Anders Mathisen**

*Senior Vice President,  
Funding*

Tel: +47 22 87 80 33

ama@eika.no



**Magnus Sandem**

*Treasury Officer*

Tel: +47 22 87 80 94

msa@eika.no



**Odd-Arne Pedersen**

*CFO*

Tel: +47 917 86 857

oap@eika.no



**Kristian Fiskerstrand**

*Vice President,  
Funding*

Tel: +47 22 87 80 57

kf@eika.no



**Øystein Skagestad**

*Legal Counsel*

Tel: +47 91 60 28 98

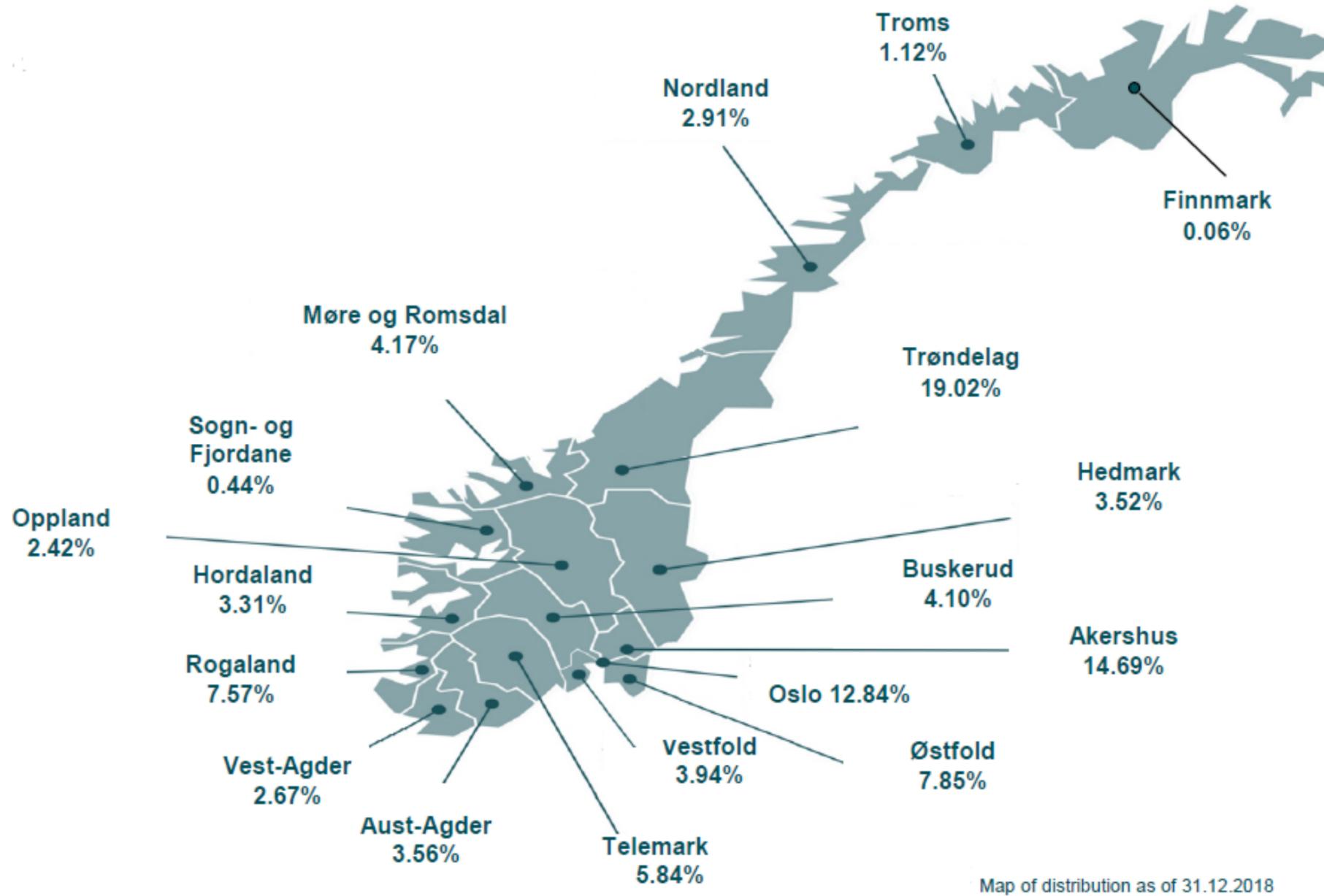
oystein.skagestad@eika.no

More information may be found on  
<https://eikabk.no>

# Agenda

- The Norwegian economy
- Eika Alliance
- Eika Boligkreditt
- Appendix
- Disclaimer

# Eika Boligkreditt - Strong geographical diversification



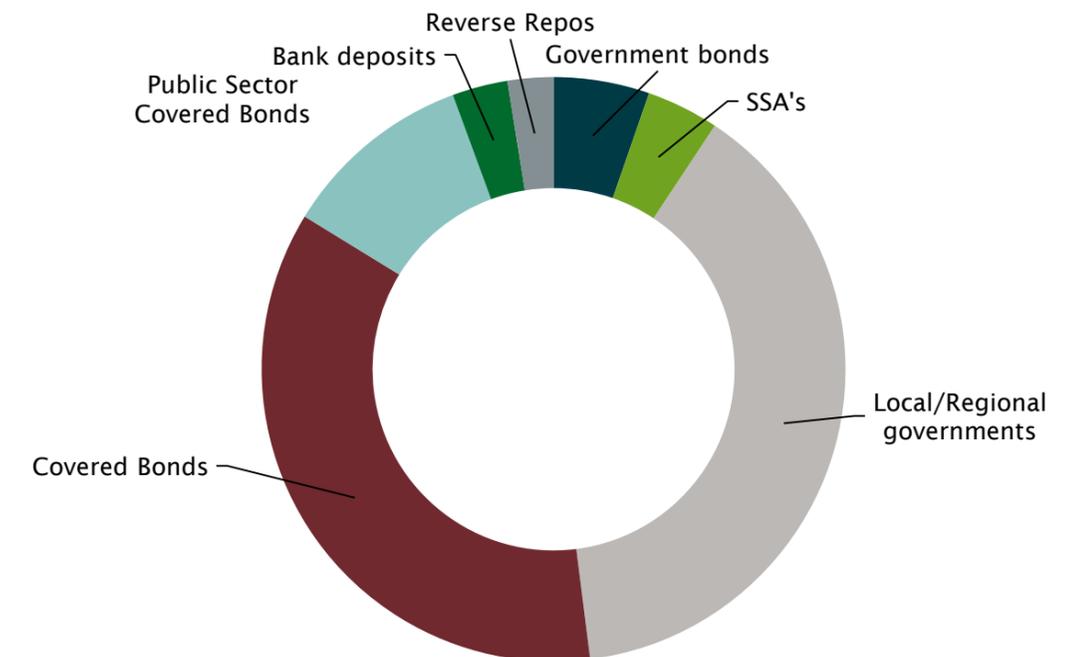
# Liquidity portfolio

- **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**
  - Nordic and German 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 values (EUR)  | In % of portfolio | TtM         |
| Government bonds            | 75,201,542           | 5 %               | 0.30        |
| SSA's                       | 56,888,347           | 4 %               | 2.23        |
| Local/Regional governments  | 547,925,555          | 39 %              | 0.26        |
| Covered Bonds               | 506,608,745          | 36 %              | 1.97        |
| Public Sector Covered Bonds | 150,743,527          | 11 %              | 1.67        |
| Bank deposits               | 43,551,754           | 3 %               | 0.00        |
| Repos                       | 35,859,059           | 3 %               | 0.01        |
| <b>Total portfolio</b>      | <b>1,416,778,529</b> | <b>100 %</b>      | <b>1.09</b> |

## Liquidity portfolio by sectors



# 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.

# 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

# 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

# P&L Eika Boligkreditt - Strong income growth

| Amounts in NOK Million  | 2013      | 2014       | 2015       | 2016      | 2017      | Q118      | Q218       | Q318      | Q418        |
|---|-----------|------------|------------|-----------|-----------|-----------|------------|-----------|-------------|
| Total Interest income   | 2 205     | 2 461      | 2 066      | 1 861     | 2 049     | 520       | 533        | 537       | 572         |
| Total interest expenses                                       | 1 568     | 1 721      | 1 430      | 1 380     | 1 366     | 319       | 375        | 383       | 403         |
| Net interest income   | 637       | 741        | 636        | 482       | 683       | 201       | 158        | 154       | 169         |
| Dividend from shares classified as available for sale         | 5         | -          | 6          | 6         | 6         | -         | 7          | -         | -           |
| Total gains and losses on financial instruments at fair value | (111)     | 51         | 203        | (81)      | (135)     | 15        | (7)        | 13        | 1           |
| Comission costs   | 449       | 431        | 443        | 300       | 410       | 134       | 120        | 98        | 106         |
| Total salaries and administrative expenses                    | 37        | 32         | 42         | 39        | 48        | 12        | 12         | 12        | 13          |
| Depreciation  | 2         | 1          | 2          | 1         | 2         | 0         | 0          | 0         | 0           |
| Other operating expenses                                      | 14        | 10         | 13         | 14        | 16        | 3         | 4          | 4         | 5           |
| Losses on loans and gurantees                                 | -         | -          | -          | -         | -         | -         | -          | -         | -           |
| <b>PROFIT/(LOSS) BEFORE TAXES</b>                             | <b>29</b> | <b>117</b> | <b>344</b> | <b>50</b> | <b>78</b> | <b>67</b> | <b>22</b>  | <b>53</b> | <b>55</b>   |
| Taxes   | 8         | 30         | 81         | 11        | 18        | 15        | 3          | 5         | 25          |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                           | <b>21</b> | <b>87</b>  | <b>263</b> | <b>39</b> | <b>60</b> | <b>52</b> | <b>19</b>  | <b>48</b> | <b>30</b>   |
| Net gains and losses on bonds and certificates                | -         | -          | -          | -         | -         | 1         | 4          | (5)       | (8)         |
| Fair value adjustment, shares                                 | -         | -          | -          | -         | -         | -         | -          | -         | (15)        |
| Net gains and losses on basis swaps                           | -         | -          | -          | -         | -         | (12)      | (35)       | (3)       | (56)        |
| Taxes on other comprehensive income                           | -         | -          | -          | -         | -         | 3         | 8          | 2         | 20          |
| <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>                    | <b>-</b>  | <b>-</b>   | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>43</b> | <b>(4)</b> | <b>42</b> | <b>(29)</b> |

<sup>1</sup> Pursuant to IFRS 9, net gains and loss on basis swaps and net gain and loss on bonds and certificates are recognised as other comprehensive income from 1 January 2018.

## Eika Boligkreditt AS - Report Q4 2018:

Eika Boligkreditt showed a profit of NOK 55 million for the forth quarter, compared with a profit of NOK 57 million in the same period of 2017. Net gains and losses on basis swaps came to negative NOK 56 million for the forth quarter of 2018 (2017: NOK loss of 33 million) , net gains and losses on bonds and certificates came to negative NOK 8 million and taxes on other comprehensive income came to NOK 20 million, so that the comprehensive income for the period including such changes came to a loss of NOK 29 million.

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

# Eika Boligkreditt - Balance sheet and key figures

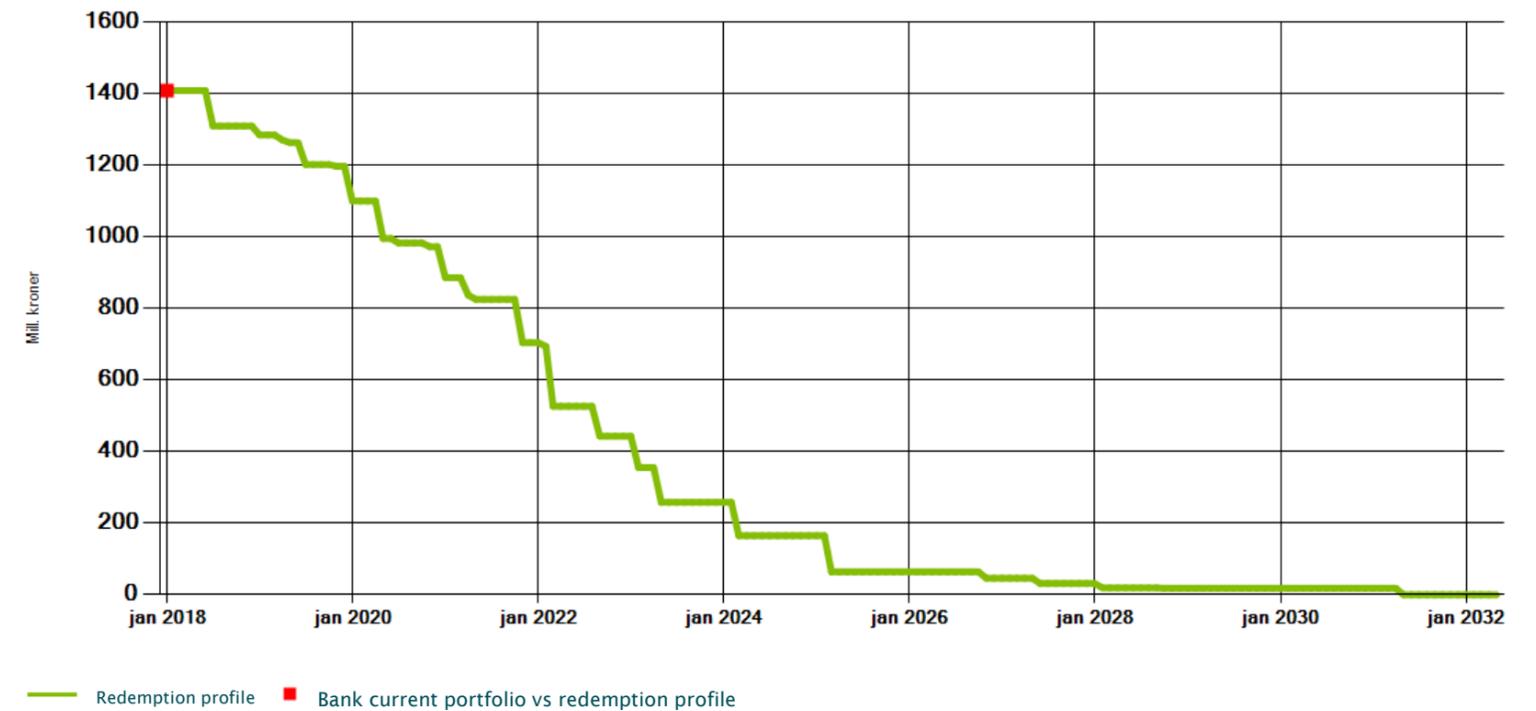
| Amounts in NOK Million  | 2013   | 2014   | 2015   | 2016   | 2017   | 1Q2018 | 2Q2018 | 3Q2018  | 4Q2018  |
|---|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| <b>Balance sheet development</b>  |        |        |        |        |        |        |        |         |         |
| Lending to customers  | 57 692 | 60 889 | 64 527 | 71 509 | 77 286 | 78 877 | 80 063 | 80 608  | 82 015  |
| Debt from issuing securities  | 63 889 | 72 878 | 79 876 | 86 983 | 90 030 | 89 340 | 89 960 | 93 543  | 97 288  |
| Subordinated loans  | 678    | 698    | 450    | 599    | 600    | 675    | 674    | 674     | 674     |
| Equity  | 2 459  | 3 024  | 4 242  | 4 396  | 4 770  | 5 059  | 4 881  | 5 119   | 5 390   |
| Equity in % of total assets   | 3,52   | 3,72   | 4,72   | 4,58   | 4,79   | 5,12   | 4,92   | 4,94    | 4,90    |
| Average total assets  | 63 765 | 76 845 | 84 571 | 92 324 | 99 466 | 99 202 | 99 069 | 100 188 | 101 774 |
| Total assets  | 69 829 | 81 298 | 89 932 | 96 017 | 99 603 | 98 801 | 99 259 | 103 545 | 107 969 |
| <b>Rate of return / profitability</b>   |        |        |        |        |        |        |        |         |         |
| Fee and commission income to relation to average total assets, annualised (%)                 | 0,70   | 0,74   | 0,50   | 0,32   | 0,40   | 0,50   | 0,50   | 0,47    | 0,40    |
| Staff and general administration expenses in relation to average total assets, annualised (%) | 0,06   | 0,05   | 0,10   | 0,04   | 0,05   | 0,05   | 0,05   | 0,05    | 0,03    |
| Return on equity, annualised (%)  | 1,21   | 4,17   | 10,70  | 1,37   | 1,90   | 1,70   | 2,10   | 3,25    | 4,50    |
| Total assets per full-time position   | 3 714  | 4 106  | 4 542  | 4 849  | 5 030  | 4 990  | 5 013  | 5 230   | 5 453   |
| <b>Financial strength</b>   |        |        |        |        |        |        |        |         |         |
| Core tier 1 capital   | 2 399  | 2 925  | 3 607  | 3 833  | 4 156  | 4 332  | 4 332  | 4 529   | 4 522   |
| Total tier 1 capital  | 2 648  | 3 374  | 4 055  | 4 282  | 4 706  | 4 958  | 4 830  | 5 028   | 5 227   |
| Total primary capital (tier 2 capital)  | 3 077  | 3 623  | 4 505  | 4 882  | 5 305  | 5 633  | 5 504  | 5 702   | 5 902   |
| Weighted calculation basis  | 21 445 | 25 155 | 27 510 | 29 766 | 31 468 | 32 037 | 32 077 | 32 828  | 33 731  |
| Core tier 1 capital ratio   | 11,19  | 11,63  | 13,10  | 12,88  | 13,20  | 13,50  | 13,50  | 13,80   | 13,40   |
| Total tier 1 capital ratio  | 12,35  | 13,41  | 14,70  | 14,39  | 15,00  | 15,50  | 15,10  | 15,32   | 15,50   |
| Capital adequacy ratio  | 14,35  | 14,40  | 16,40  | 16,40  | 16,90  | 17,60  | 17,20  | 17,37   | 17,50   |
| Delinquencies in % of gross loans   | -      | -      | -      | -      | -      | -      | -      | -       | -       |
| Loss in % of gross loans  | -      | -      | -      | -      | -      | -      | -      | -       | -       |
| <b>Staff</b>  |        |        |        |        |        |        |        |         |         |
| Number of full-time positions at end of period  | 18,8   | 19,8   | 19,8   | 19,8   | 19,8   | 19,8   | 19,8   | 19,8    | 19,8    |

Source: EBK quarterly reports

# Cancellation of distribution agreement

- An EIKBOL Distributor (**EBKD**) can terminate the distribution agreement with EIKBOL with 3 months notice
- EIKBOL can terminate a distribution agreement with an EBKD with 12 months notice
- In the event a distribution agreement is terminated, obligations continues to apply with regards to the various agreements;
  - At the expiry date for the distribution agreement, the EBKD will no longer have the right to transfer new residential mortgages to EIKBOL
  - The EKBD is required to uphold its mortgage portfolio in line with the redemptions of EIKBOL's funding
  - The EBKD has continued responsibilities for servicing the mortgages in 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

Example of an EBKD's redemption profile



# Mergers between Eika banks in 2018/19

## Bud, Fræna og Hustad Sparebank og Nesset Sparebank

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

## Lofoten Sparebank and Harstad Sparebank

- Merged January 1<sup>st</sup> 2019
- The name of the merged bank is Sparebank 68 grader nord
- Tore Karlsen, CEO in Harstad Sparebank, is CEO in the merged bank
- Total assets, including transferred to Eika Boligkreditt, of NOK 6,4 billion
- Rationales for the merger was to improve competitiveness while still being present in local markets, improve profitability and further enhance ability to contribute to develop their local communities

## Indre Sogn, Aurland and Vik Sparebank

- December 18<sup>th</sup> 2018: The committee of representatives in the three banks approved the agreements to merge the three banks
- The name for the merged bank will be Sogn Sparebank
- Mads Indrehus, CEO in Vik Sparebank, will be CEO in the merged bank and Morten Kristiansen, chair in the board of Indre Sogn will be chair of the board in the merged bank
- The mergers are pending approval from the authorities
- The merger is expected to take effect from April 1<sup>st</sup> 2019
- Total assets, including transferred to Eika Boligkreditt, of NOK 7,6 billion
- Rationales for considering to merge are to improve competitiveness in local markets, expand market reach, improve cost efficacy and attractiveness as an employer and further enhance ability to contribute to develop their local communities

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

| P&L & balance in NOK mil.                  | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         | 2016         | 2017         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income                        | 3,512        | 3,631        | 3,777        | 3,949        | 4,163        | 4,275        | 4,556        | 4,955        |
| Net commission income                      | 662          | 734          | 863          | 1,142        | 1,320        | 1,260        | 1,195        | 1,359        |
| Other income                               | 43           | 44           | 40           | 39           | 39           | 37           | 38           | 35           |
| <b>Total income</b>                        | <b>4,217</b> | <b>4,409</b> | <b>4,681</b> | <b>5,130</b> | <b>5,523</b> | <b>5,572</b> | <b>5,789</b> | <b>6,349</b> |
| Personnel and adm. expenses                | 2,061        | 2,134        | 2,243        | 2,344        | 2,491        | 2,669        | 2,780        | 2,913        |
| Depreciation                               | 123          | 98           | 95           | 100          | 110          | 117          | 131          | 139          |
| Other costs                                | 469          | 495          | 515          | 578          | 605          | 665          | 687          | 705          |
| <b>Total costs</b>                         | <b>2,653</b> | <b>2,726</b> | <b>2,852</b> | <b>3,023</b> | <b>3,206</b> | <b>3,451</b> | <b>3,598</b> | <b>3,756</b> |
| Core earnings before loan losses           | 1,564        | 1,683        | 1,828        | 2,108        | 2,317        | 2,121        | 2,191        | 2,592        |
| Impairment of loans and guarantees         | 404          | 458          | 329          | 389          | 315          | 237          | 233          | 197          |
| <b>Core earnings</b>                       | <b>1,160</b> | <b>1,225</b> | <b>1,499</b> | <b>1,719</b> | <b>2,002</b> | <b>1,884</b> | <b>1,957</b> | <b>2,395</b> |
| Dividends/associated companies             | 177          | 189          | 89           | 257          | 238          | 348          | 397          | 421          |
| Net return on financial investments        | 218          | -78          | 217          | 228          | 132          | -189         | 182          | 147          |
| One-offs and loss/gain on long-term assets | 376          | -69          | 150          | -61          | 181          | 217          | 314          | -12          |
| Pre tax profit                             | 1,931        | 1,267        | 1,955        | 2,142        | 2,553        | 2,260        | 2,851        | 2,951        |
| Taxes                                      | 501          | 412          | 542          | 583          | 623          | 553          | 579          | 669          |
| <b>Net profit</b>                          | <b>1,430</b> | <b>855</b>   | <b>1,413</b> | <b>1,559</b> | <b>1,930</b> | <b>1,707</b> | <b>2,271</b> | <b>2,282</b> |
| Gross loans                                | 157,375      | 159,645      | 166,255      | 173,617      | 182,081      | 193,576      | 214,360      | 228,738      |
| Gross loans incl. EBK                      | 182,382      | 193,092      | 208,764      | 225,292      | 238,296      | 253,212      | 280,620      | 302,214      |
| Deposits                                   | 120,419      | 128,567      | 137,142      | 144,975      | 156,594      | 164,697      | 178,098      | 187,805      |
| Equity                                     | 16,748       | 17,525       | 18,833       | 20,422       | 22,268       | 23,624       | 26,240       | 28,865       |
| Total assets                               | 190,813      | 196,623      | 200,895      | 210,302      | 224,157      | 231,814      | 254,313      | 273,190      |
| Total assets incl. EBK                     | 215,820      | 230,070      | 243,403      | 261,977      | 280,371      | 291,450      | 320,573      | 346,666      |
| Growth in loans                            | 4.1 %        | 1.4 %        | 4.1 %        | 4.4 %        | 4.9 %        | 6.3 %        | 10.7 %       | 6.7 %        |
| Growth in loans incl. EBK                  | 7.3 %        | 5.9 %        | 8.1 %        | 7.9 %        | 5.8 %        | 6.3 %        | 10.8 %       | 7.7 %        |
| Growth in deposits                         | 7.5 %        | 6.8 %        | 6.7 %        | 5.7 %        | 8.0 %        | 5.2 %        | 8.1 %        | 5.5 %        |

Source: Bank Analyst Eika

# Eika banks - Key figures

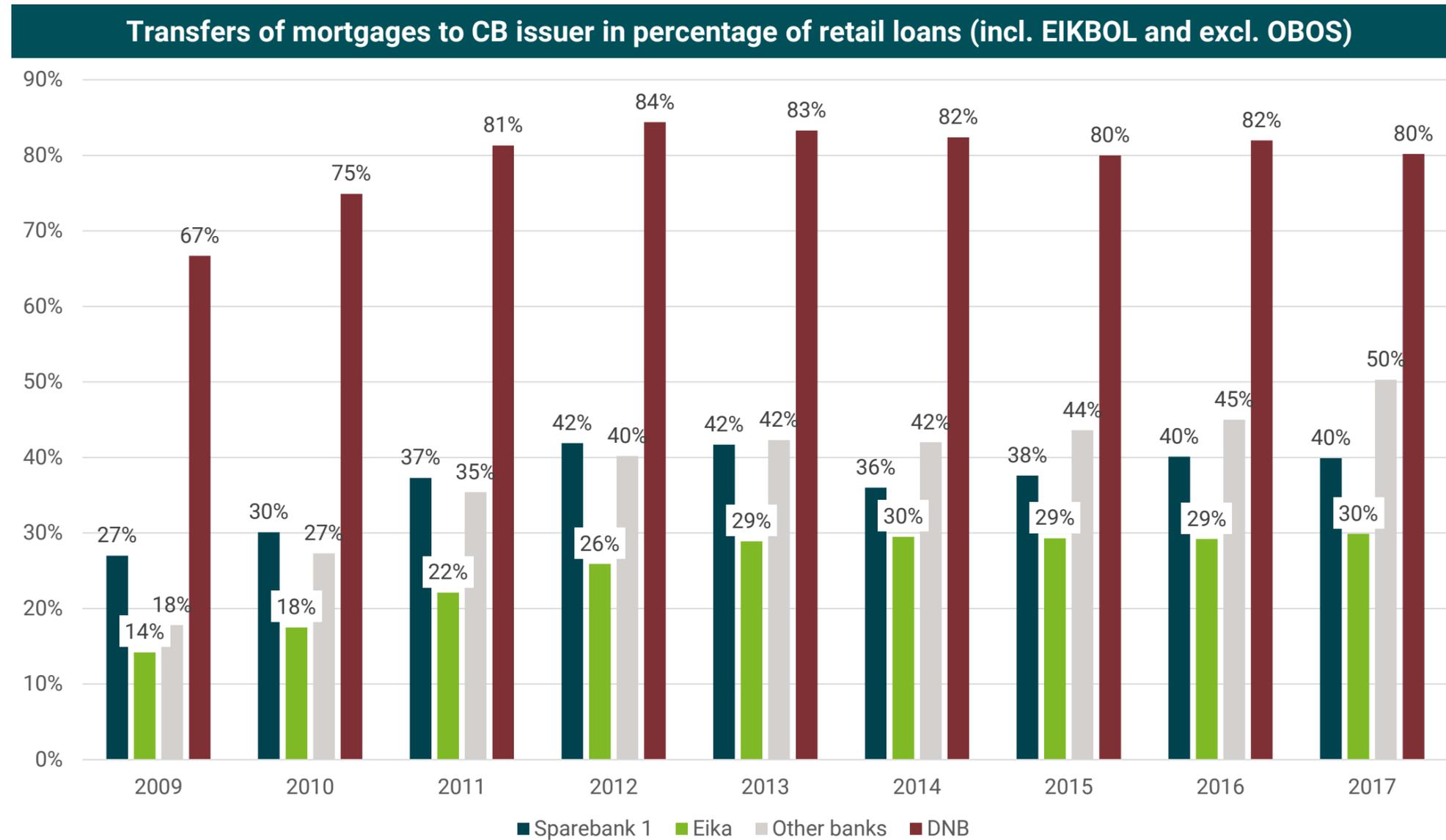
| Key figures  | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   |
|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Deposit ratio  | 76.5 % | 80.5 % | 82.5 % | 83.5 % | 86.0 % | 85.1 % | 83.1 % | 82.1 % |
| Deposit over total funding                             | 69.9 % | 72.6 % | 76.1 % | 77.2 % | 78.4 % | 79.9 % | 78.9 % | 77.6 % |
| (Market funding - Liquid assets)/Total assets          | 11.6 % | 7.8 %  | 6.3 %  | 5.4 %  | 3.1 %  | 4.2 %  | 5.9 %  | 6.3 %  |
| Liquid assets/Total assets                             | 15.5 % | 16.9 % | 15.1 % | 15.0 % | 16.2 % | 13.7 % | 12.9 % | 13.5 % |
| Market funds/Total assets                              | 27.1 % | 24.7 % | 21.4 % | 20.4 % | 19.3 % | 17.8 % | 18.8 % | 19.8 % |
| Equity ratio   | 8.8 %  | 8.9 %  | 9.4 %  | 9.7 %  | 9.9 %  | 10.2 % | 10.3 % | 10.6 % |
| Leverage ratio   |        | 9.6 %  | 10.0 % | 10.2 % | 10.1 % | 10.0 % | 10.1 % | 10.2 % |
| Common Equity Tier 1 ratio (CET1)                      | 15.0 % | 15.2 % | 15.8 % | 16.0 % | 16.9 % | 17.5 % | 17.8 % | 18.0 % |
| Core capital ratio                                     | 17.0 % | 17.3 % | 18.1 % | 18.5 % | 18.3 % | 18.5 % | 18.9 % | 19.3 % |
| Capital ratio  | 18.2 % | 18.2 % | 18.6 % | 18.7 % | 18.9 % | 19.2 % | 20.0 % | 20.7 % |
| Loan loss provision ratio                              | 0.26 % | 0.29 % | 0.20 % | 0.23 % | 0.18 % | 0.13 % | 0.11 % | 0.09 % |
| Loan loss provision/Pre-provision income               | 20.6 % | 25.5 % | 15.4 % | 15.0 % | 11.7 % | 10.4 % | 8.4 %  | 6.2 %  |
| Gross problem loans/Gross loans                        | 1.83 % | 1.89 % | 1.78 % | 1.62 % | 1.53 % | 1.38 % | 1.12 % | 0.96 % |
| Net problem loans/Gross loans                          | 1.34 % | 1.38 % | 1.32 % | 1.20 % | 1.13 % | 1.01 % | 0.84 % | 0.72 % |
| Loan loss reserves/Gross loans                         | 0.88 % | 0.92 % | 0.88 % | 0.82 % | 0.79 % | 0.73 % | 0.64 % | 0.59 % |
| Problem loans/(Equity + LLR)                           | 15.9 % | 15.9 % | 14.6 % | 12.9 % | 11.8 % | 10.7 % | 8.7 %  | 7.3 %  |
| Net interest income/total assets                       | 1.87 % | 1.87 % | 1.90 % | 1.92 % | 1.92 % | 1.88 % | 1.87 % | 1.88 % |
| Net commission incom/total assets                      | 0.35 % | 0.38 % | 0.43 % | 0.56 % | 0.61 % | 0.55 % | 0.49 % | 0.52 % |
| Loss provision ratio                                   | 0.26 % | 0.29 % | 0.20 % | 0.23 % | 0.18 % | 0.13 % | 0.11 % | 0.09 % |
| Cost/income ratio                                      | 57.5 % | 60.3 % | 57.2 % | 53.8 % | 54.4 % | 60.2 % | 56.5 % | 54.3 % |
| Cost/income ratio (adjusted for net finance)           | 60.4 % | 59.3 % | 59.8 % | 56.1 % | 55.6 % | 58.3 % | 58.2 % | 55.5 % |
| Cost/income ratio (adj. for net finance and dividends) | 62.9 % | 61.8 % | 60.9 % | 58.9 % | 58.0 % | 61.9 % | 62.2 % | 59.2 % |
| Net profit in % of total assets                        | 0.76 % | 0.44 % | 0.71 % | 0.76 % | 0.89 % | 0.75 % | 0.93 % | 0.87 % |
| Net profit/average RWA                                 | 1.38 % | 0.80 % | 1.29 % | 1.37 % | 1.61 % | 1.37 % | 1.74 % | 1.63 % |
| Pre-provision income/average RWA                       | 1.89 % | 1.68 % | 1.94 % | 2.28 % | 2.25 % | 1.83 % | 2.12 % | 2.25 % |
| Core earnings in % of average RWA                      | 1.12 % | 1.14 % | 1.36 % | 1.51 % | 1.67 % | 1.52 % | 1.50 % | 1.71 % |
| Return on equity                                       | 8.9 %  | 5.0 %  | 7.8 %  | 7.9 %  | 9.0 %  | 7.4 %  | 9.1 %  | 8.3 %  |

Source: Bank Analyst Eika

# Quarterly data - P&L and Key figures

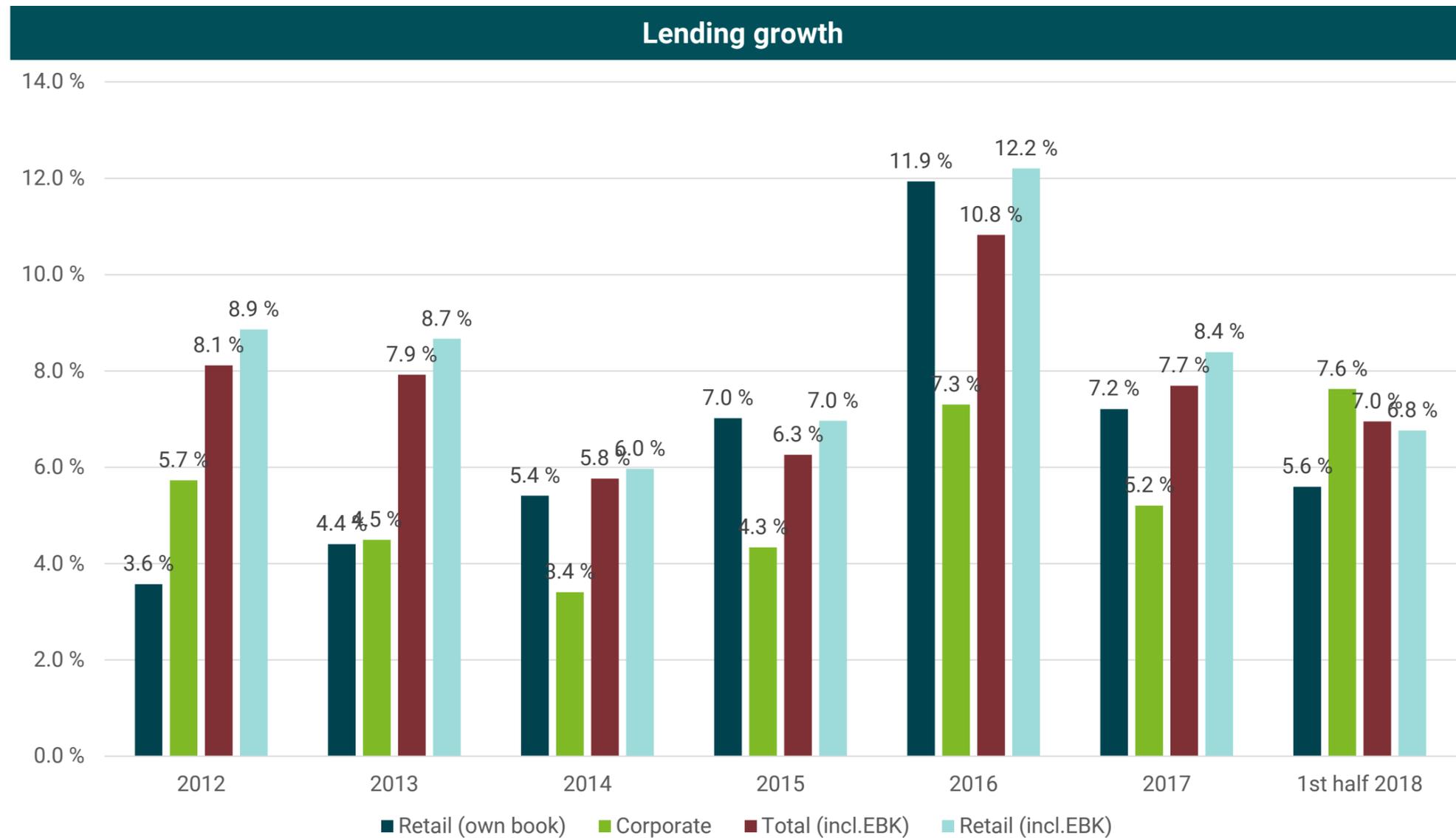
| <i>P&amp;L &amp; balance in NOK mil.</i>   | 3Q16         | 4Q16         | 1Q17         | 2Q17         | 3Q17         | 4Q17         | 1Q18         | 2Q18         | <i>Key figures</i>                                     | 3Q16   | 4Q16   | 1Q17   | 2Q17   | 3Q17   | 4Q17   | 1Q18   | 2Q18   |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|--------|--------|--------|--------|--------|--------|--------|--------|
| Net interest income                        | 1 167        | 1 186        | 1 176        | 1 224        | 1 266        | 1 288        | 1 235        | 1 256        | Deposit ratio  | 83,6 % | 83,1 % | 82,7 % | 84,4 % | 82,6 % | 82,1 % | 82,6 % | 84,4 % |
| Net commission income                      | 320          | 311          | 298          | 322          | 351          | 388          | 355          | 362          | Deposit over total funding                             | 79,1 % | 78,9 % | 78,3 % | 78,6 % | 78,3 % | 77,6 % | 77,8 % | 78,0 % |
| Other income                               | 9            | 10           | 9            | 8            | 8            | 8            | 7            | 11           | (Market funding - Liquid assets)/Total assets          | 4,9 %  | 5,9 %  | 6,3 %  | 4,4 %  | 5,6 %  | 6,3 %  | 5,8 %  | 4,0 %  |
| <b>Total income</b>                        | <b>1 496</b> | <b>1 506</b> | <b>1 483</b> | <b>1 554</b> | <b>1 626</b> | <b>1 684</b> | <b>1 597</b> | <b>1 629</b> | Liquid assets/Total assets                             | 13,6 % | 12,8 % | 13,0 % | 14,6 % | 13,6 % | 13,5 % | 13,9 % | 15,4 % |
| Personnel and adm. expenses                | 686          | 765          | 738          | 669          | 732          | 774          | 736          | 664          | Market funds/Total assets                              | 18,5 % | 18,8 % | 19,3 % | 19,0 % | 19,2 % | 19,8 % | 19,7 % | 19,4 % |
| Depreciation                               | 33           | 32           | 35           | 35           | 35           | 34           | 35           | 35           | Equity ratio   | 10,2 % | 10,3 % | 10,3 % | 10,3 % | 10,5 % | 10,6 % | 10,6 % | 10,5 % |
| Other costs                                | 160          | 172          | 187          | 184          | 172          | 161          | 190          | 175          | Leverage ratio   | 9,4 %  | 10,1 % | 9,8 %  | 9,6 %  | 9,5 %  | 10,2 % | 10,1 % | 9,7 %  |
| <b>Total costs</b>                         | <b>879</b>   | <b>969</b>   | <b>961</b>   | <b>888</b>   | <b>939</b>   | <b>970</b>   | <b>962</b>   | <b>874</b>   | Common Equity Tier 1 ratio (CET1)                      | 16,4 % | 17,8 % | 17,1 % | 17,0 % | 16,8 % | 18,0 % | 17,5 % | 17,2 % |
| Core earnings before loan losses           | 617          | 537          | 522          | 667          | 687          | 715          | 635          | 754          | Core capital ratio                                     | 17,5 % | 18,9 % | 18,5 % | 18,2 % | 18,0 % | 19,3 % | 19,0 % | 18,7 % |
| Impairment of loans and guarantees         | 81           | 57           | 23           | 68           | 36           | 70           | 26           | 38           | Capital ratio  | 18,5 % | 20,0 % | 19,8 % | 19,6 % | 19,4 % | 20,7 % | 20,7 % | 20,4 % |
| <b>Core earnings</b>                       | <b>536</b>   | <b>480</b>   | <b>499</b>   | <b>599</b>   | <b>651</b>   | <b>645</b>   | <b>608</b>   | <b>717</b>   | Loan loss provision ratio                              | 0,16 % | 0,11 % | 0,04 % | 0,12 % | 0,07 % | 0,12 % | 0,05 % | 0,06 % |
| Dividends/associated companies             | 18           | 15           | 27           | 367          | 6            | 21           | 24           | 373          | Loan loss provision/Pre-provision income               | 11,4 % | 9,4 %  | 3,8 %  | 6,3 %  | 5,1 %  | 9,2 %  | 3,9 %  | 3,2 %  |
| Net return on financial investments        | 82           | 53           | 60           | 38           | 24           | 25           | 10           | 31           | Gross problem loans/Gross loans                        | 1,35 % | 1,13 % | 1,14 % | 1,08 % | 1,02 % | 0,96 % | 1,08 % | 1,03 % |
| One-offs and loss/gain on long-term assets | 28           | 111          | -9           | 13           | -5           | -10          | 3            | 44           | Net problem loans/Gross loans                          | 1,00 % | 0,84 % | 0,86 % | 0,80 % | 0,75 % | 0,72 % | 0,83 % | 0,80 % |
| Pre tax profit                             | 664          | 659          | 577          | 1 017        | 676          | 681          | 646          | 1 165        | Loan loss reserves/Gross loans                         | 0,71 % | 0,64 % | 0,63 % | 0,63 % | 0,61 % | 0,59 % | 0,57 % | 0,55 % |
| Taxes                                      | 165          | 102          | 142          | 191          | 170          | 166          | 163          | 212          | Problem loans/(Equity + LLR)                           | 10,5 % | 8,7 %  | 8,9 %  | 8,3 %  | 7,7 %  | 7,3 %  | 8,1 %  | 7,7 %  |
| <b>Net profit</b>                          | <b>499</b>   | <b>557</b>   | <b>435</b>   | <b>826</b>   | <b>506</b>   | <b>515</b>   | <b>483</b>   | <b>953</b>   | Net interest income/total assets                       | 1,87 % | 1,88 % | 1,83 % | 1,85 % | 1,88 % | 1,90 % | 1,80 % | 1,78 % |
| Gross loans                                | 209 583      | 214 360      | 217 908      | 222 793      | 225 967      | 228 738      | 230 308      | 236 454      | Net commission incom/total assets                      | 0,51 % | 0,49 % | 0,46 % | 0,49 % | 0,52 % | 0,57 % | 0,52 % | 0,51 % |
| Gross loans incl. EBK                      | 273 450      | 280 620      | 286 361      | 293 026      | 297 252      | 302 214      | 305 673      | 313 395      | Loss provision ratio                                   | 0,16 % | 0,11 % | 0,04 % | 0,12 % | 0,07 % | 0,12 % | 0,05 % | 0,06 % |
| Deposits                                   | 175 243      | 178 098      | 180 211      | 188 040      | 186 643      | 187 805      | 190 313      | 199 511      | Cost/income ratio                                      | 55,1 % | 61,6 % | 61,2 % | 45,3 % | 56,7 % | 56,0 % | 59,0 % | 43,0 % |
| Equity                                     | 25 598       | 26 240       | 26 634       | 27 735       | 28 244       | 28 865       | 29 359       | 30 406       | Cost/income ratio (adjusted for net finance)           | 58,1 % | 63,7 % | 63,6 % | 46,2 % | 57,5 % | 56,9 % | 59,4 % | 43,7 % |
| Total assets                               | 250 379      | 254 314      | 259 210      | 269 633      | 269 999      | 273 190      | 276 442      | 289 333      | Cost/income ratio (adj. for net finance and dividends) | 58,7 % | 64,4 % | 64,8 % | 57,1 % | 57,7 % | 57,6 % | 60,3 % | 53,7 % |
| Total assets incl. EBK                     | 314 246      | 320 574      | 327 663      | 339 866      | 341 285      | 346 666      | 351 807      | 366 275      | Net profit in % of total assets                        | 0,80 % | 0,88 % | 0,68 % | 1,25 % | 0,75 % | 0,76 % | 0,70 % | 1,35 % |
| Growth in loans                            | 2,7 %        | 2,3 %        | 1,7 %        | 2,2 %        | 1,4 %        | 1,2 %        | 0,7 %        | 2,7 %        | Net profit/average RWA                                 | 1,51 % | 1,66 % | 1,27 % | 2,37 % | 1,42 % | 1,43 % | 1,32 % | 2,57 % |
| Growth in loans incl. EBK                  | 2,6 %        | 2,6 %        | 2,0 %        | 2,3 %        | 1,4 %        | 1,7 %        | 1,1 %        | 2,5 %        | Pre-provision income/average RWA                       | 2,16 % | 1,80 % | 1,78 % | 3,07 % | 2,02 % | 2,11 % | 1,84 % | 3,12 % |
| Growth in deposits                         | -0,2 %       | 1,6 %        | 1,2 %        | 4,3 %        | -0,7 %       | 0,6 %        | 1,3 %        | 4,8 %        | Core earnings in % of average RWA                      | 1,60 % | 1,42 % | 1,45 % | 1,69 % | 1,82 % | 1,78 % | 1,66 % | 1,90 % |
|  |              |              |              |              |              |              |              |              | Return on equity                                       | 7,9 %  | 8,6 %  | 6,6 %  | 12,2 % | 7,2 %  | 7,2 %  | 6,6 %  | 12,8 % |

# Banks – transfer rate to Cov. Bond companies



Source: Bank Analyst Eika

# Eika banks - lending growth



Source: Bank Analyst Eika

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