

# Eika Boligkreditt

Investor presentation

*November 2020*



# Executive summary

## • The economy

- GDP-growth expected -3.2% in 2020, but rebound in 2021
- Corona related measures will weaken budget by NOK 245 billion (7% of GDP) in 2020 financed by increased transfers from Pension Fund Global
- Unemployment rate 4.3% in august 2020 falling to 4.1 % in 2023
- Balanced housing market, house prices +2.0% post COVID-19
- Lower oil prices will cause lower petroleum investments (-3% in 2020 and -10% in 2021)

## • 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 75% 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
- ESG in Eika
- Appendix
- Disclaimer



# COVID-19 situation – Norway's government increases spending

**Table 1. Estimated changes in non-oil Fiscal Budget deficit for 2020 as a result of economic measures and changed outlook for the economy. Billion NOK.**

	September	May	Change
<b>Measures for businesses</b>	<b>66.1</b>	<b>98.2</b>	<b>-32.1</b>
Mitigating income loss for businesses	34.8	44.1	-9.3
Compensation (cash pay-out) to enterprises with severe income loss	7	30	-23
Aviation sector, including loss provision to guarantee scheme	14.3	14.1	0.2
Loss provisioning, government guarantees for bank loans to business	10	10	0
 <b>Extension of income protection schemes (in isolation)</b>	 <b>16.5</b>	 <b>27.3</b>	 <b>-10.8</b>
 <b>Other compensation schemes</b>	 <b>11.1</b>	 <b>7.2</b>	 <b>3.9</b>
<b>Strengthening of critical infrastructure sectors</b>	<b>25.4</b>	<b>23.3</b>	<b>2.1</b>
<b>Other measures</b>	<b>7.2</b>	<b>6.1</b>	<b>1.1</b>
<b>SUM discretionary measures</b>	<b>126.3</b>	<b>162.1</b>	<b>-35.8</b>

# The Norwegian economy – Key indicators

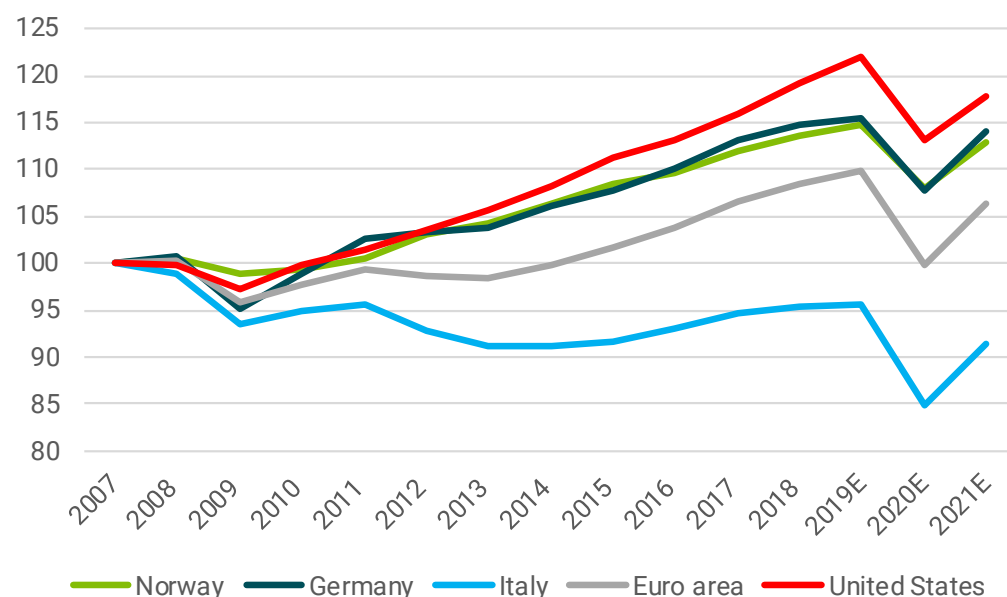
- Constitutional monarchy; Non EU member (EEA member); Population of 5.3 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated to be 48% higher than the average in EU (28 countries)
- GDP growth expected to fall by 3.2 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.6% driven by a reversal of negative development in private consumption and export in 2020.

	2014	2015	2016	2017	2018	2019	2020E	2021E	2022E	2023E
GDP growth (Mainland)	2.2 %	1.4 %	0.9 %	2.0 %	2.2 %	2.3 %	-3.2 %	3.6 %	2.9 %	2.7 %
Consumer price inflation	2.0 %	2.1 %	3.6 %	1.8 %	2.7 %	2.2 %	1.5 %	2.9 %	2.1 %	2.3 %
Unemployment	3.6 %	4.5 %	4.7 %	4.2 %	3.8 %	3.7 %	4.9 %	4.5 %	4.3 %	4.1 %
Private Consumption	2.1 %	2.7 %	1.1 %	2.2 %	1.9 %	1.7 %	-7.2 %	7.9 %	4.7 %	3.5 %
Household savings rate	7.7 %	9.8 %	6.9 %	6.6 %	5.9 %	8.0 %	15.1 %	9.7 %	7.4 %	6.6 %
Houseprices	2.7 %	6.1 %	7.0 %	5.0 %	1.4 %	2.5 %	3.2 %	3.9 %	2.7 %	3.1 %
Mortgage rate (flexi loans)	3.9 %	3.2 %	2.6 %	2.6 %	2.7 %	3.0 %	2.5 %	1.9 %	2.2 %	2.5 %
Government net lending as % of GDP	8.6 %	6.0 %	4.1 %	5.0 %	7.8 %	6.4 %	-1.4 %	1.4 %	n/a	n/a
Government pension fund / GDP	204 %	239 %	241 %	257 %	233 %	265 %	284 %	288 %	294 %	301 %

Source: Statistics Norway – Konjunkturtendensen 3/2020, OECD – Economic Outlook No. 107 single-hit scenario (database), June 2020 and Norges Bank

# The Norwegian economy – Solid economic situation

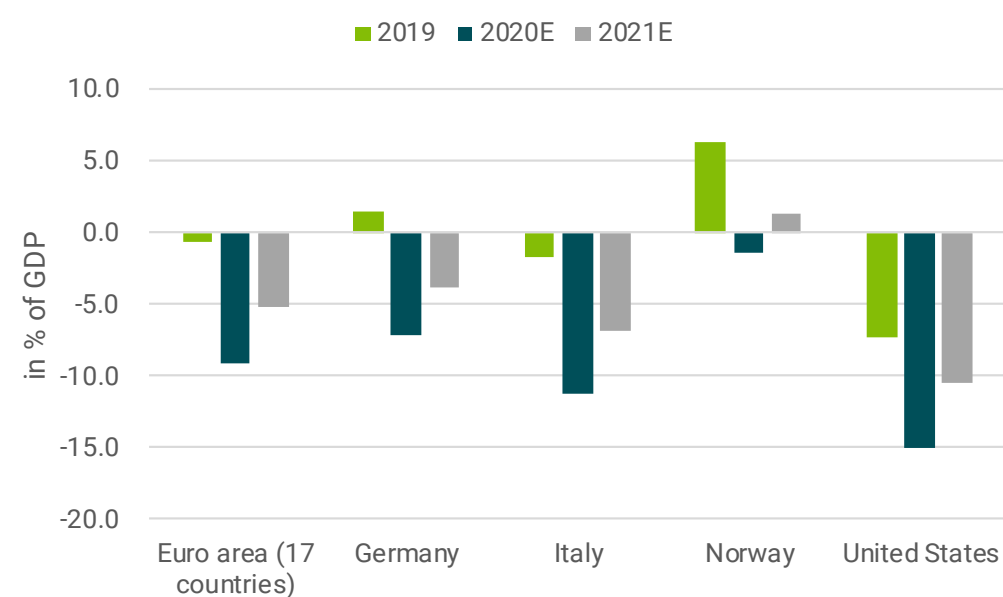
Real GDP growth (rebased to 100 in 2007)



Source: OECD Economic Outlook No. 107 single-hit scenario (database), June 2020

- Economic growth at an annual average of 1.9% for Norwegian mainland GDP last 10 years, but -2.2% in Q1 and “all time low” of -6.3% in Q2 2020
- Strong current account surplus averaging 8.5% of GDP since 2010

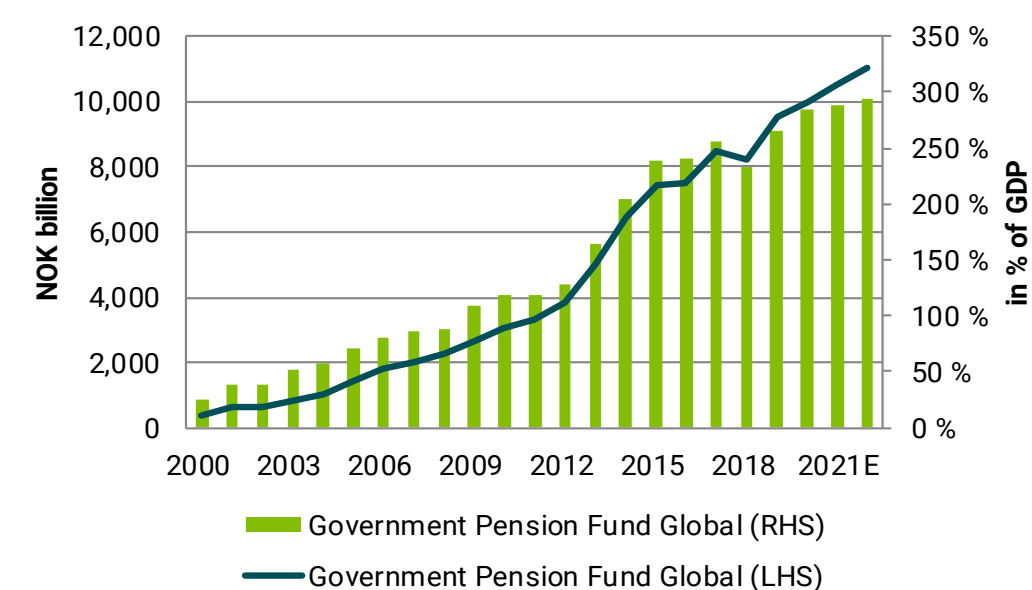
Government net lending



Source: OECD Economic Outlook No. 107 single-hit scenario (database), June 2020

- Significant government net lending (6.4% of GDP in 2019, but OECD expect marginally negative in 2020) and the Government Pension Fund more than twice the size of GDP

Government Pension Fund Global

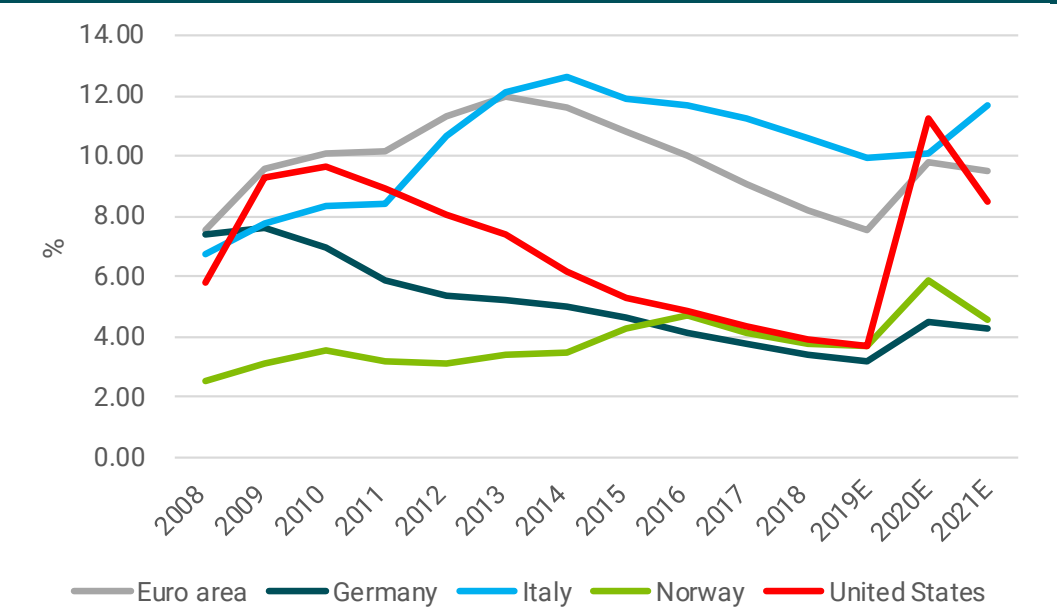


Source : Norges Bank, Statistics Norway

- Norway has a strong balance sheet
- High net central government financial assets (280% of GDP in 2018)

# The Norwegian economy – Unemployment

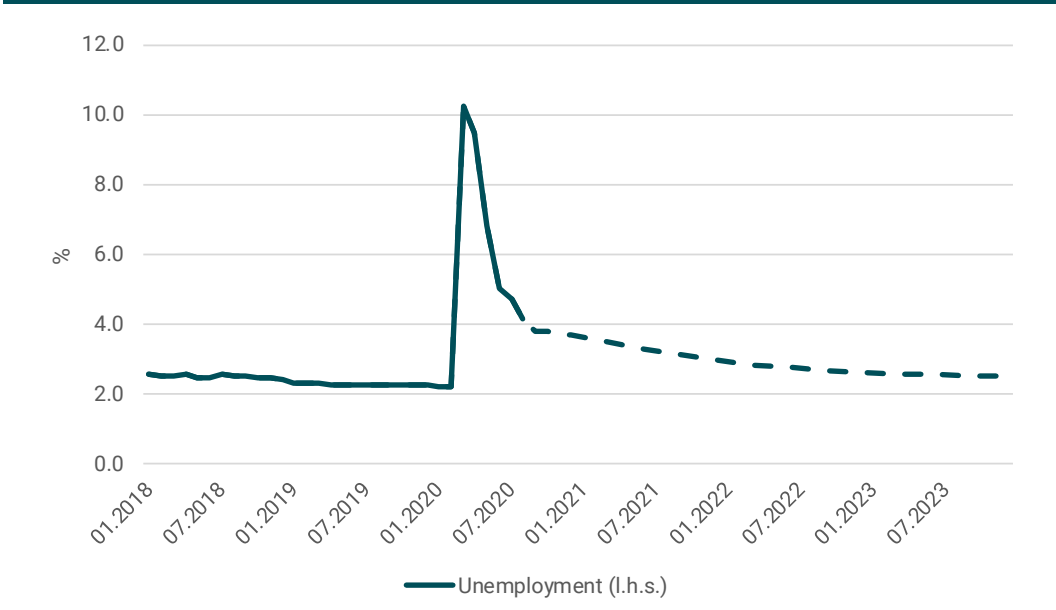
Norway has consistently low unemployment rate historically



Source: OECD Economic Outlook No. 107 single-hit scenario (database), June 2020

- A stable economy has ensured a high rate of employment historically
- After the COVID-19 outbreak unemployment has increased dramatically due to temporary lay-offs, but labour market have improved since primo April

Unemployment rate



Source: NAV and Norges Bank, MPR September 2020

- Significant growth in employment since 2016 until COVID-19
- 3.5% unemployment rate in October up from 2.3% before COVID-19 measures implemented, but down from local high of 10.4% March 24<sup>th</sup>

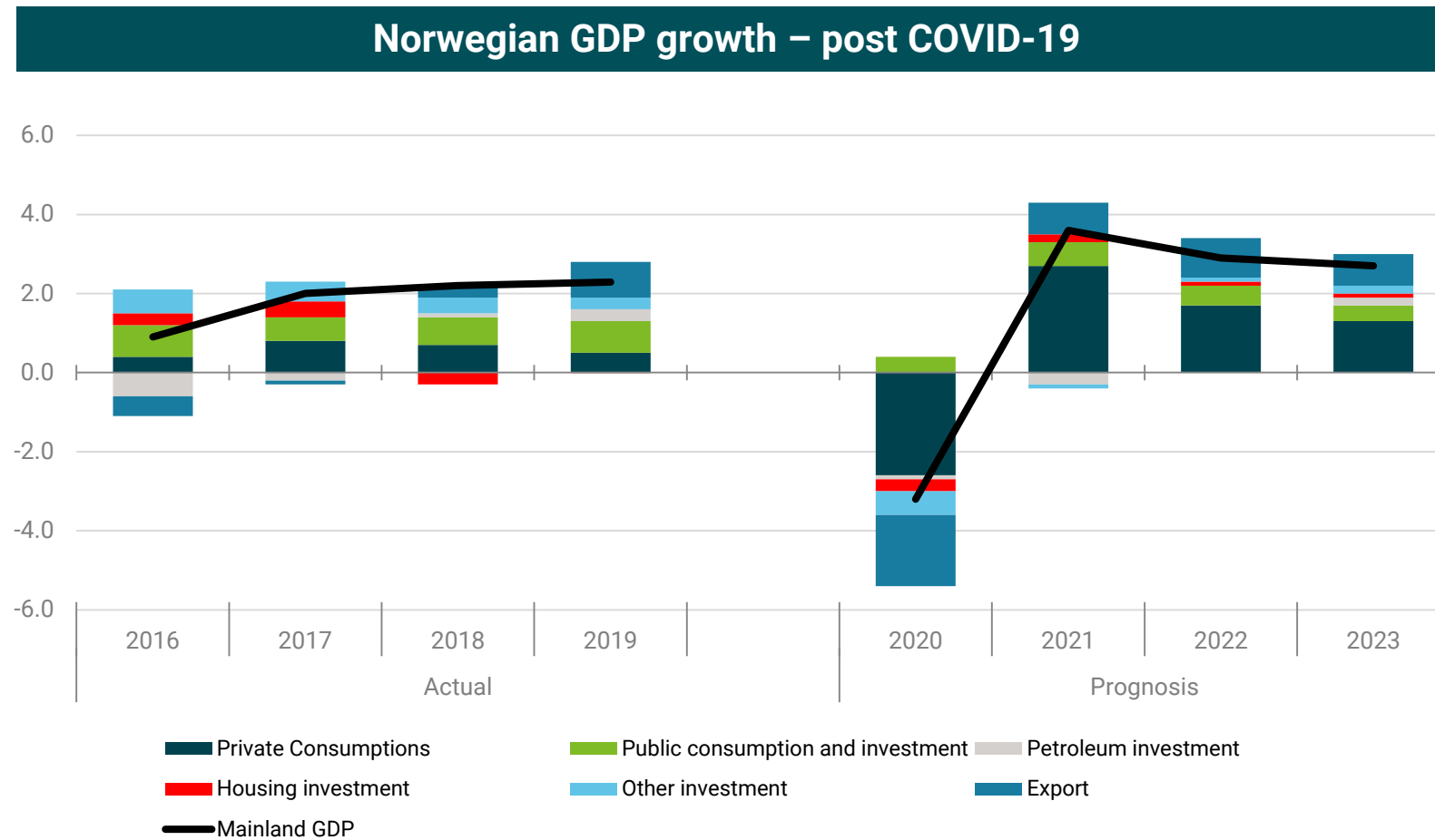
Registered unemployment in % of labour force and # by profession

Profesions	#	% of labour force	Change # YoY	Change in % YoY	% of labour force last year
All	99,412	3.5	39,863	67	2.1
Managers	4,372	4.5	2,380	119	2.2
Engineers & IT	5,419	1.9	2,369	78	1.1
Teaching	2,350	1.1	706	43	0.8
Academical profesions	1,613	1.2	570	55	0.8
Health and care services	5,212	1.2	960	23	1.0
Child and youth work	3,636	3.3	600	20	2.9
Brokers & consultants	3,157	2.1	1,212	62	1.3
Office workers	8,732	4.8	3,657	72	3.0
Store and sales work	11,397	4.2	3,807	50	2.8
Agriculture, forestry and fishery	1,311	2.4	246	23	1.9
Construction & building	9,002	4.1	3,474	63	2.6
Industrial work	8,863	4.7	3,449	64	2.8
Tourism & transportation	14,337	7.8	8,711	155	3.1
Services & other employment	10,714	4.3	4,428	70	2.5
No profession or unknown	9,297	n/a	3,294	55	n/a

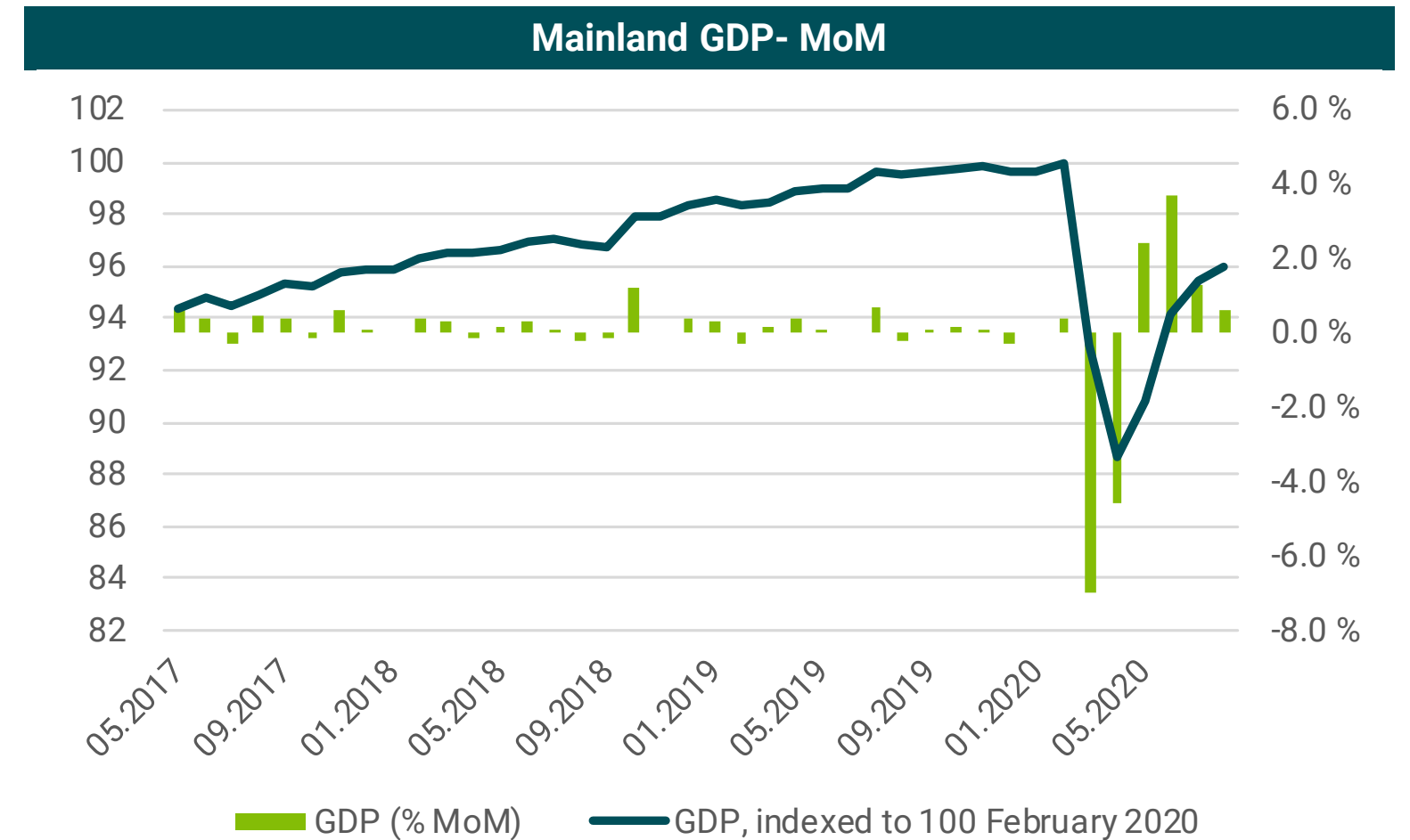
Source: NAV, October 2020

- A strong welfare system provides significant income protection: unemployment benefit is 62.4% of salary (capped at NOK 599,148) for a minimum of 104 weeks. COVID-19 related measure is to increase benefit to 80% of first NOK 300,000

# The Norwegian economy – post COVID-19 outbreak



- GDP growth expected to fall by 3.2 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.6% driven by a reversal of negative development in private consumption and export in 2020.



- The Norwegian economy contracted in March (MoM -5.7%) and April (MoM -3.9%), but have showed a strong rebound in May- August (+2.0%, +3.1%, +1.1% and +0.6%)



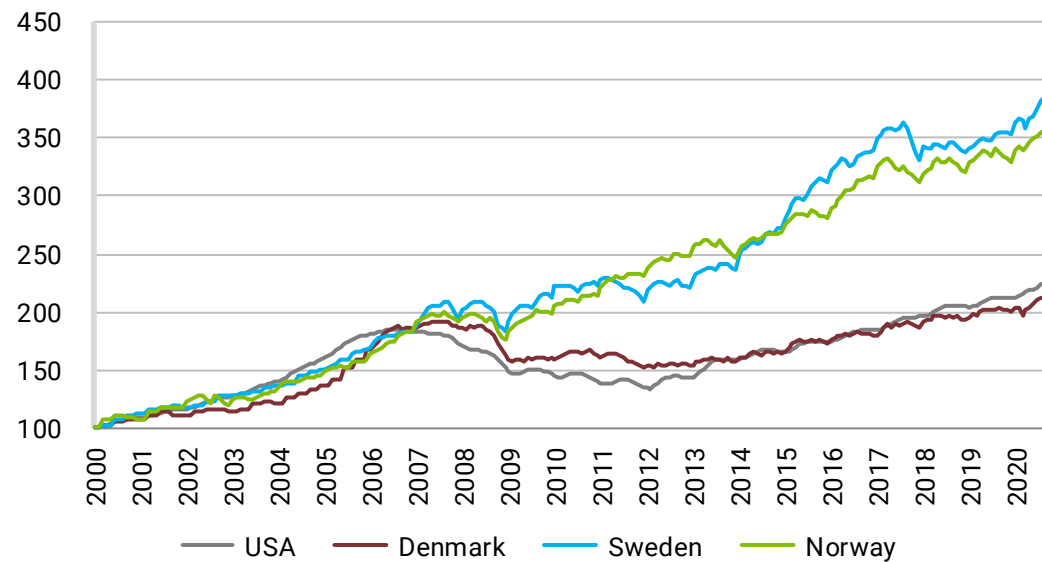
# The housing market characteristics in Norway

<b>Home ownership</b>	<ul style="list-style-type: none"> <li>Among the highest in the world – <b>76.8%</b> are owner-occupied households</li> <li>Total size of the mortgage market NOK <b>2,851 bn</b> (EUR 288 bn)</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> <li>Flexibility quota per quarter <b>10%</b> (8% in Oslo)</li> </ul>	<b>Mortgage lending</b>	<ul style="list-style-type: none"> <li>Typical legal maturity 25-30 years, on average <b>22-23 years</b></li> <li><b>93.3%</b> of residential mortgages have variable interest rate (Q3 2019)</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>		

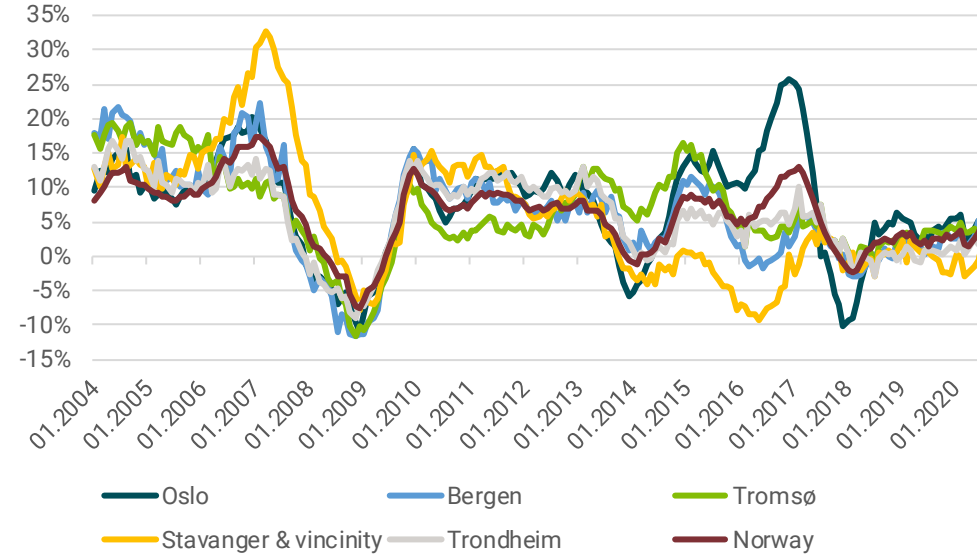
\* November 15<sup>th</sup> 2019 the Ministry of Finance decided to continue the current mortgage regulation unchanged with effect from January 1<sup>st</sup> 2020. Current regulation expired 31 December 2019. Renewed regulation expires December 31<sup>st</sup> 2020. Due to Covid 19 the flexibility quota was increased to 20 percent on March 23<sup>rd</sup> for Q2 and June 11<sup>th</sup> the increased flexibility quota of 20 percent was extended for Q3, but will not be extended for Q4

# The housing market – Price development

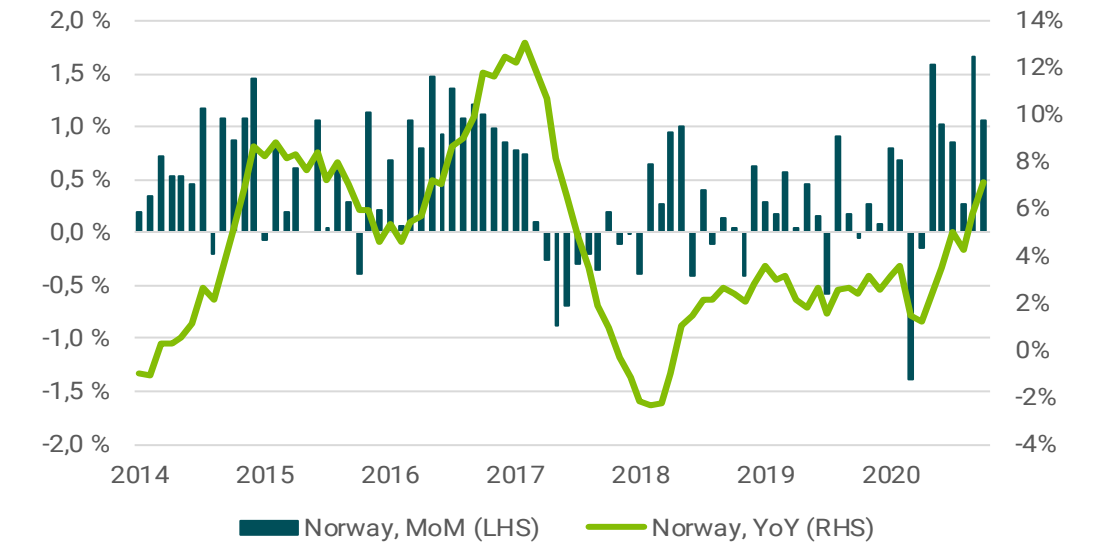
Nominal house price development



House prices larger cities (twelve-month change)



House prices (monthly and twelve-month change)



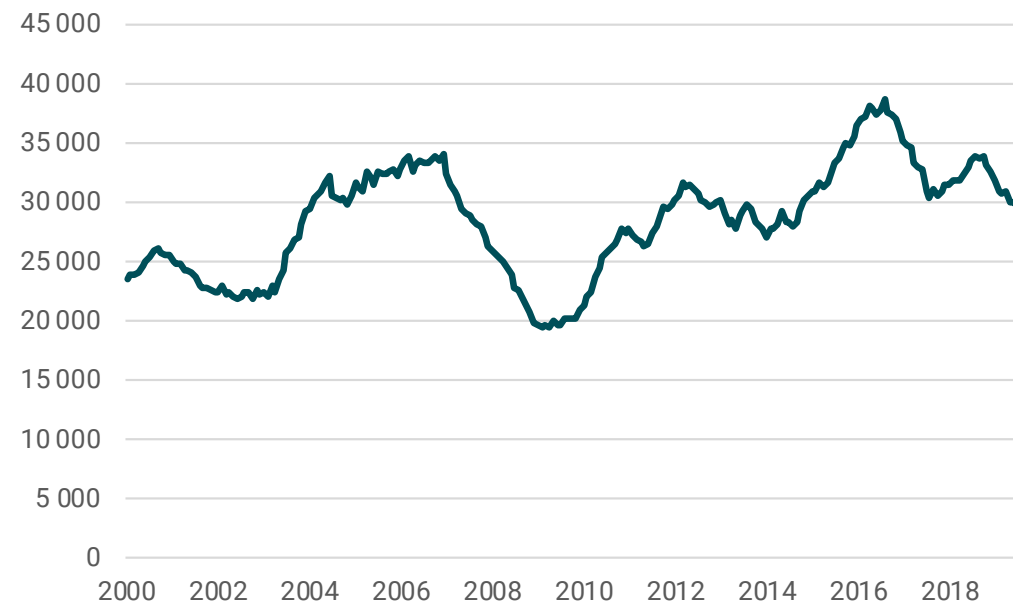
- Nominal house prices have increased by an average of 6.3% per annum since 2000
- The Norwegian housing market have stabilized in 2018 and 2019 after volatile price development in 2016 and 2017. +9.4% YtD 2020, +5.3% post COVID-19

- House prices was expected to show some correction after COVID-19 in 2020 and 2021, but to pick up again from 2022. The housing market had outperformed expectations post COVID-19
- Small risk for a sudden and significant downward correction in house prices going forward

- Median house price (last 6 months) in Norway is € 285 000, median house price in Oslo is € 372 000
- Average m<sup>2</sup> price last 6 months in Norway is € 3 788 , m<sup>2</sup> price in Oslo is € 6 568

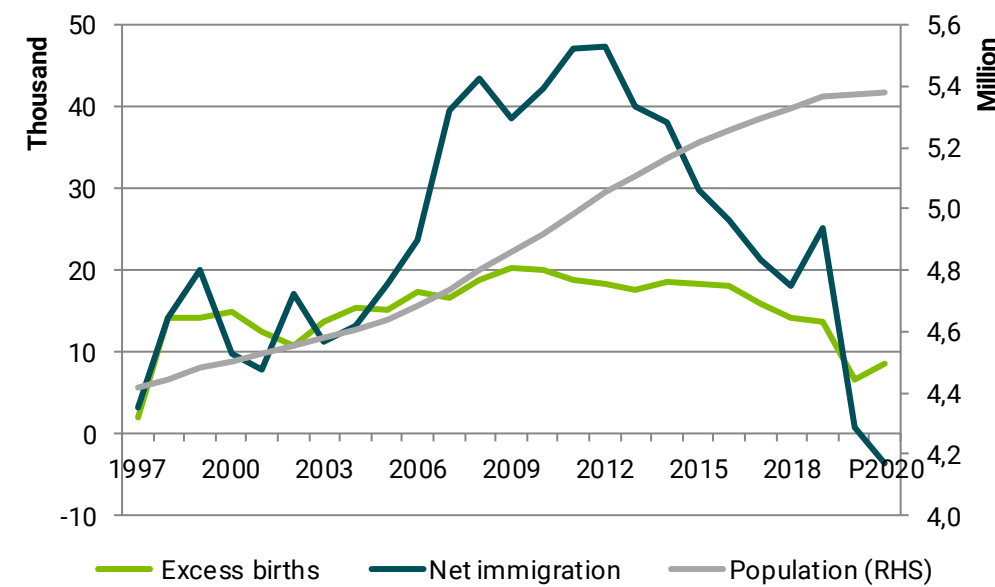
# The housing market – Drivers of the housing market

Housing starts (twelve-month change)



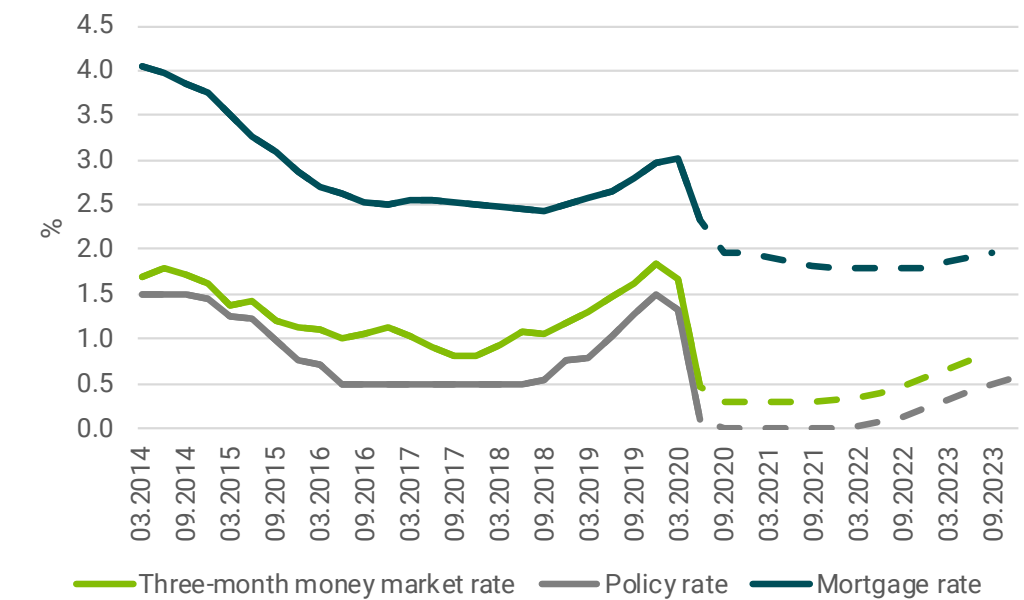
Source: Statistics Norway, July 2020

Population growth



Source: Statistics Norway, Q2 2020

Interest rates



Source: Norges Bank, MPR September 2020

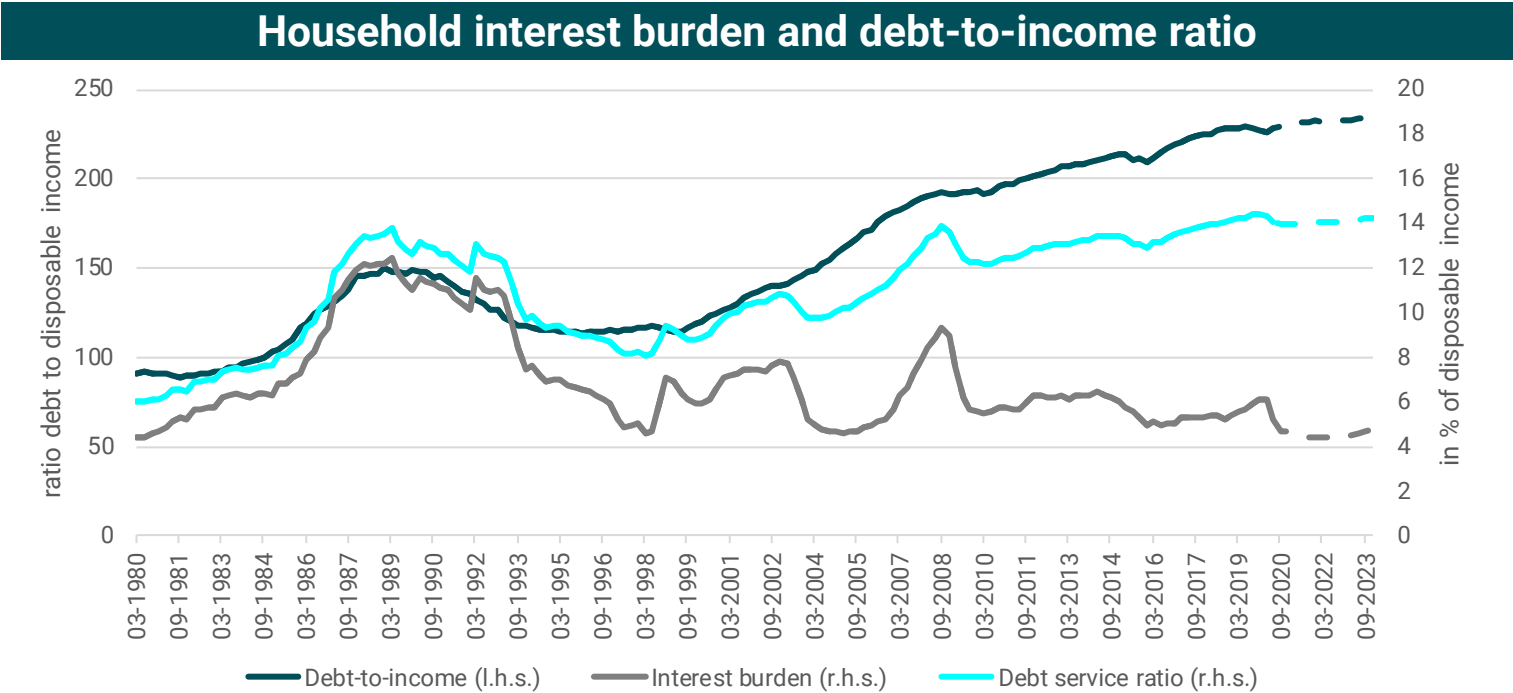
- Housing investments and new home construction are expected to remain at current levels going forward after a moderate growth last two years

- Net immigration down from above 47,000 in 2011/12 to 25,000 in 2019 and -1,828 in Q2 2020. Net immigration in Q2 2020 was the first negative quarter since interception of this statistic series in Q4 1997

- The population growth of 0.9% p.a. since 1997 has been driven both by excess birth rate (39%) and net immigration (61%)

- Average variable mortgage rates was 1,88% in September. Development going forward will depend on the developments in the level in money market rates and funding costs and the competition between banks

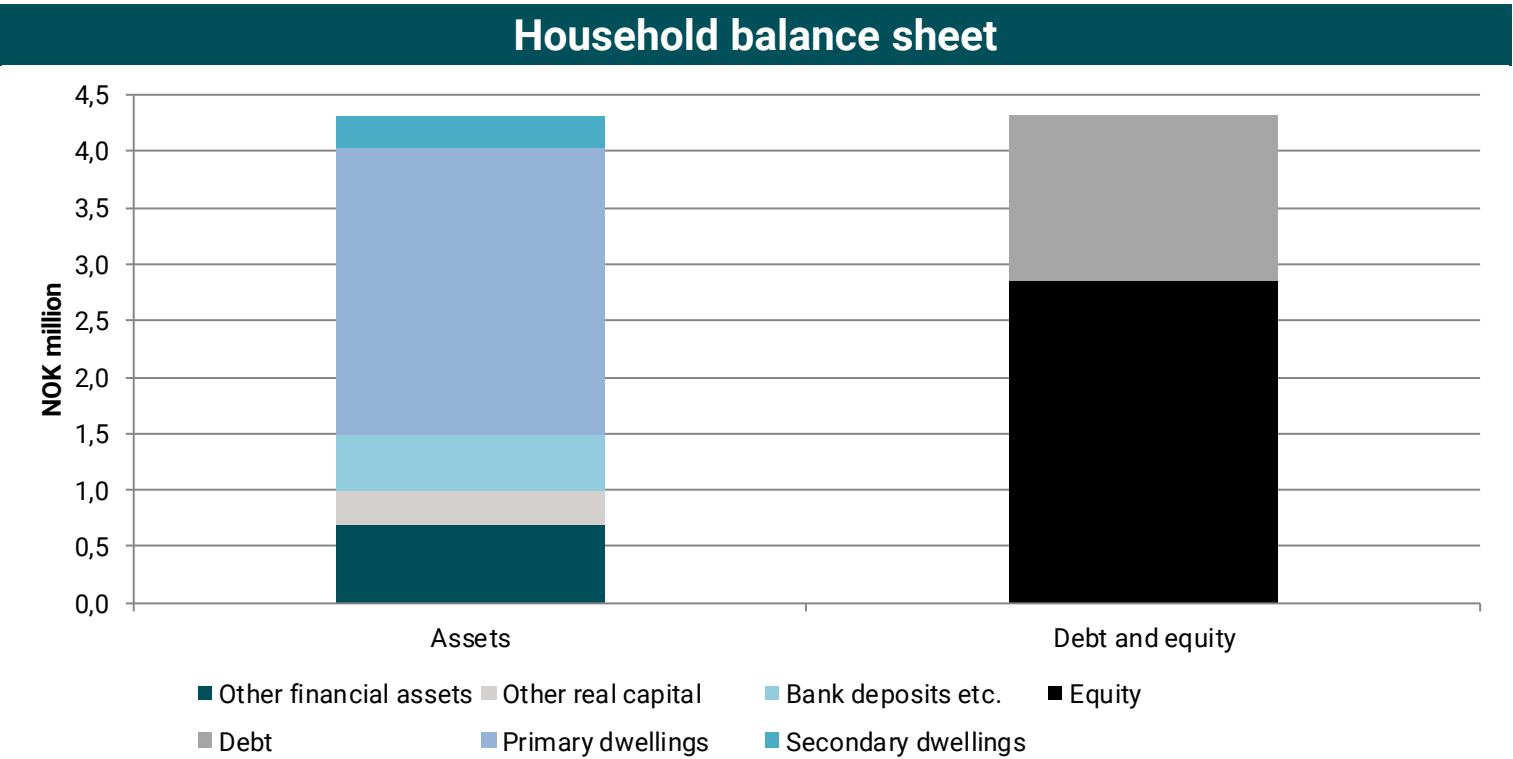
# Households financial position



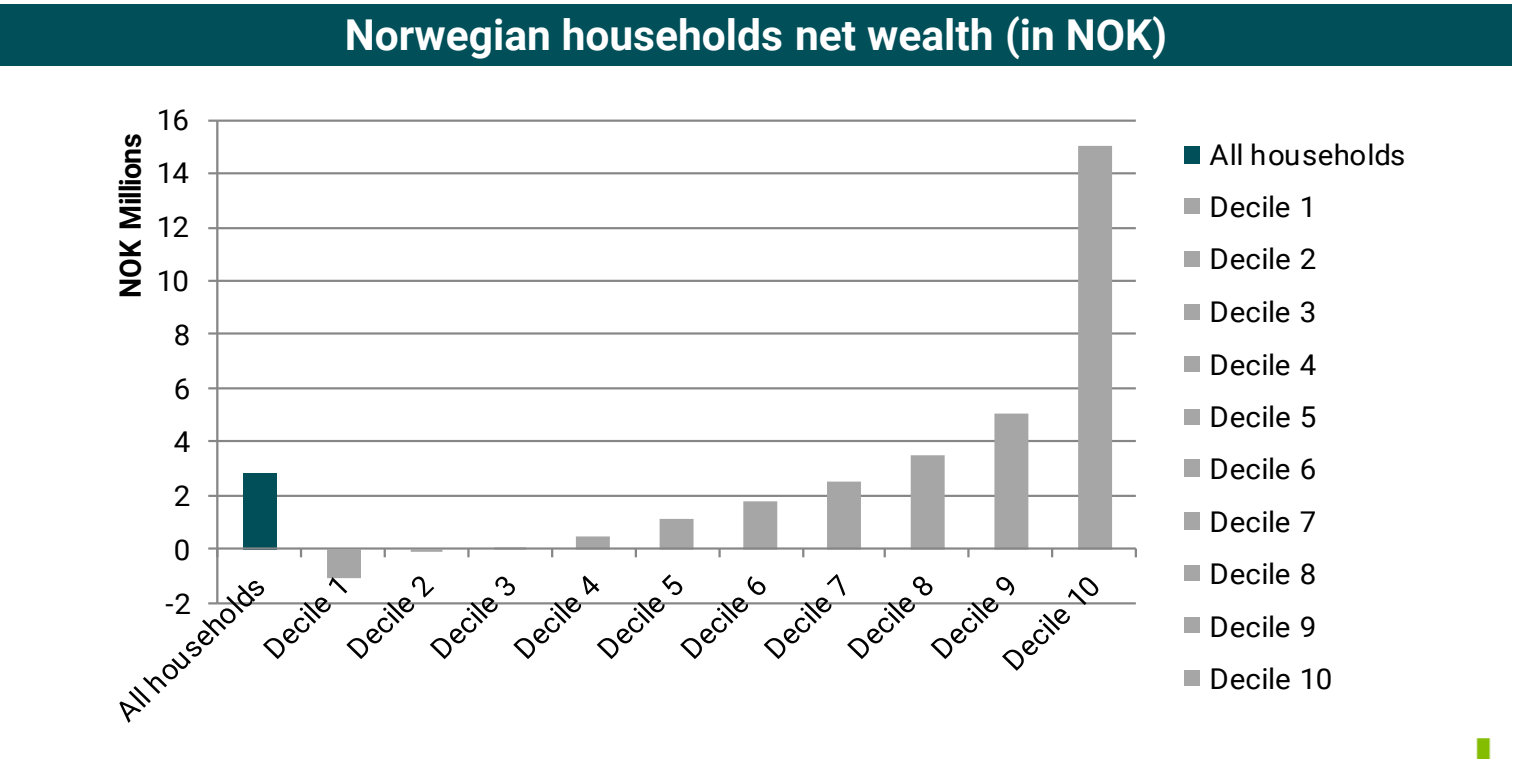
Source: Statistics Norway and Norges Bank, Q2 2020



Source: Statistics Norway, Updated 2018



Source: Statistics Norway Updated 2018



Source: Statistics Norway, Updated 2018



# Agenda

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

- The Eika Alliance consist of a group of 63 Norwegian local banks<sup>1</sup>, Eika Gruppen and Eika Boligkreditt

- Total assets EUR 40 bn
- 850,000 customers
- 2,170 employees
- 211 branch offices

- The banks have a wide geographical reach (presence in 10 out of 11 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)
- 10.6 % market share retail lending in Norway

<sup>1</sup> 10 banks have given notice of termination of its agreements with Eika Gruppen. These banks in total own 12.1% of the shares in Eika Gruppen. The 10 alliance banks will leave the alliance when their agreements terminate on 31 December 2021. These banks have transferred 15.8% of the portfolio in Eika Boligkreditt. Eika Boligkreditt have given notice of termination of distribution agreement with effect from January 1<sup>st</sup> 2022. See appendix for a description of the effect of cancellation of the distribution agreement.

# The Eika Alliance



### Eika Boligkreditt AS

Covered Bond Funding

### Eika Gruppen AS

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 only shareholder in Eika Boligkreditt 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)  
\* The 10 banks that have given notice of termination to Eika Gruppen

# 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

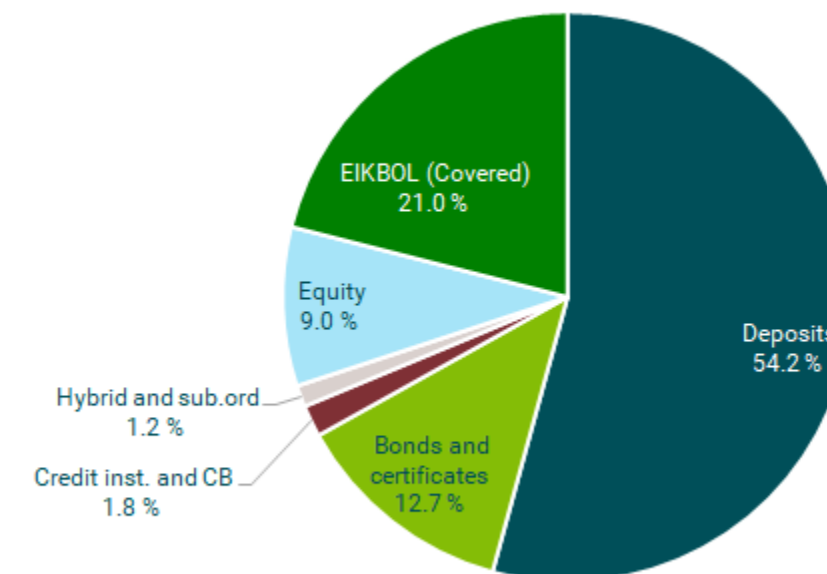
### Efficiency

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



Alliance programme

### Total funding sources



Source: Bank analyst Eika as of Q2 2020



# Focus on retail customers

- Eika banks have a large and stable retail customer base
- Retail lending accounts for 80.8% 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 53.1% in mortgage portfolio

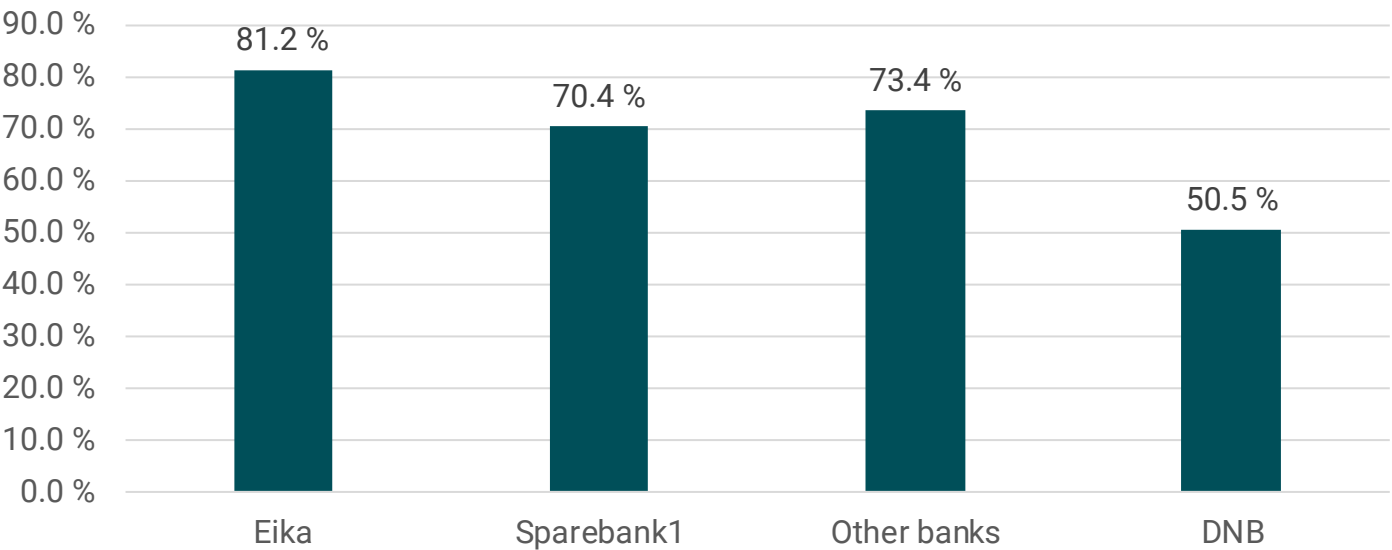
## Local market focus

- 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



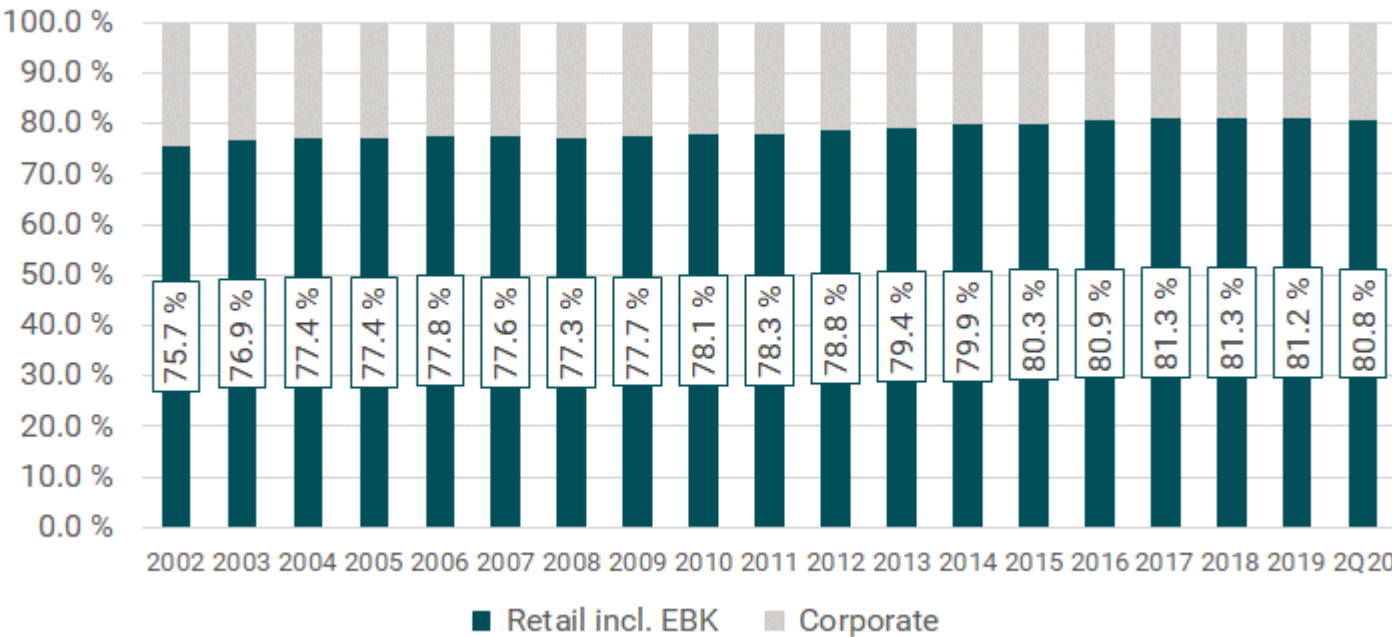
Separate legal identities and a common support brand

## Retail share - Eika vs. peers



Source: Bank analyst Eika as of Q4 2019

## Breakdown of the Eika banks lending

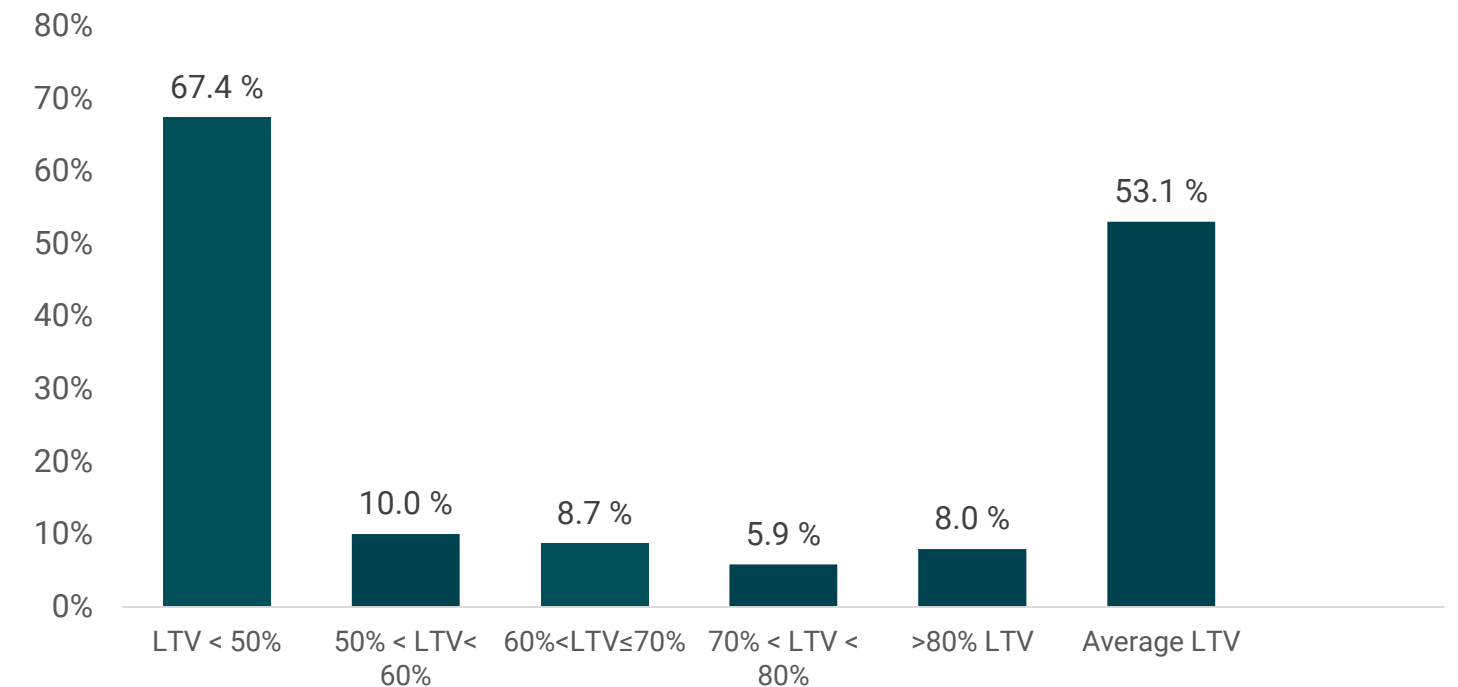


Source: Bank analyst Eika as of Q2 2020

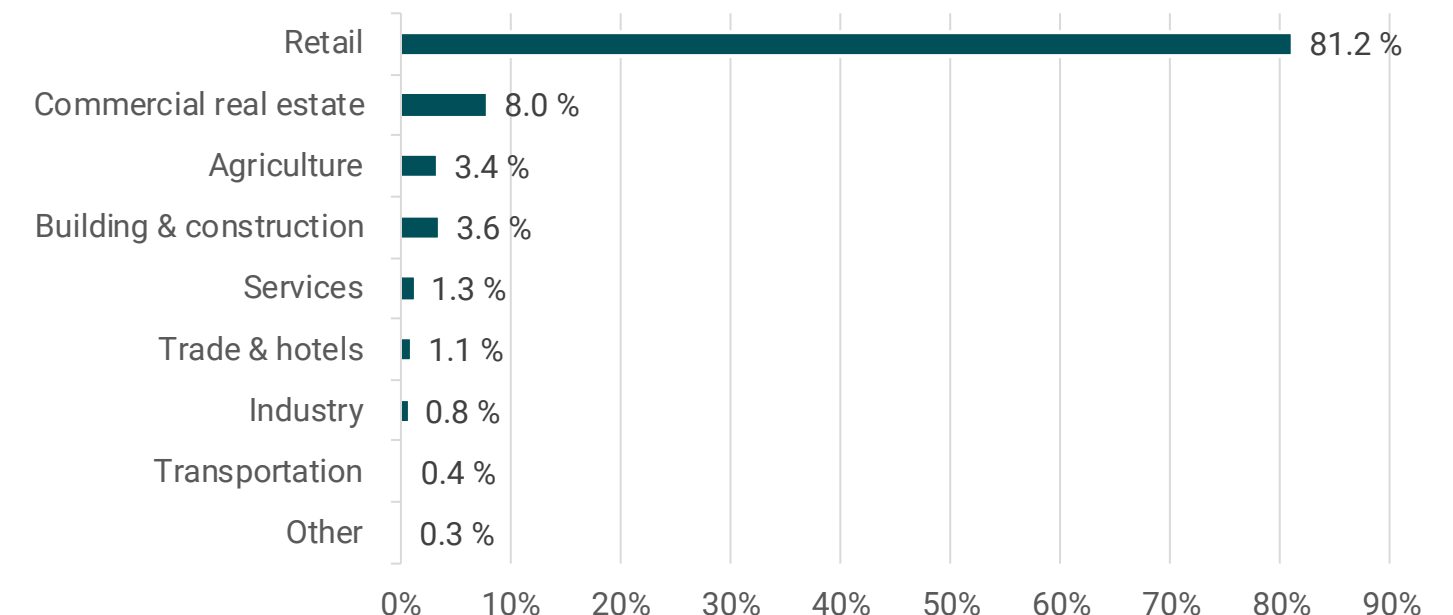
# High asset quality

- 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 0.74% of gross loans Q2 2020
  - Gross doubtful loans constitute 0.61% of gross loans Q2 2020
  - Provisioning ratio on problem loans of 44.3% Q2 2020
- Gross problem loans relative to equity + loan loss reserves was 9.1 % in Q2 2020, up from 9.5 % in Q4 2019
- Coronavirus outbreak will increase loan losses in 2020
  - Relatively low corporate share and low/no exposure to many particularly vulnerable industries
  - Level depends on the extent and length of the coronavirus epidemic, as well as the countermeasures implemented. We expect loan loss of around 0.3% to 0.4% of gross loans in 2020 vs. 0.07% in 2019
  - Loan losses in 1H20 were step 1 and 2 provisions (general provisions). Loan losses in 1H 2020 were 0.34% of gross loans

## Low LTV in mortgage portfolio (bank book)



## Sector breakdown of the loan book (incl.EBK)



Source: Bank analyst Eika as of Q4 2019

# Strong capitalization

## Strong capital ratios – Q4 2019

- Common equity ratio (CET1): 19.5%
- Core capital ratio: 20.9%
- Capital ratio: 22.9%
- Equity ratio (Equity/Total assets): 11.2%

## All Eika banks are well capitalized (core capital ratio)

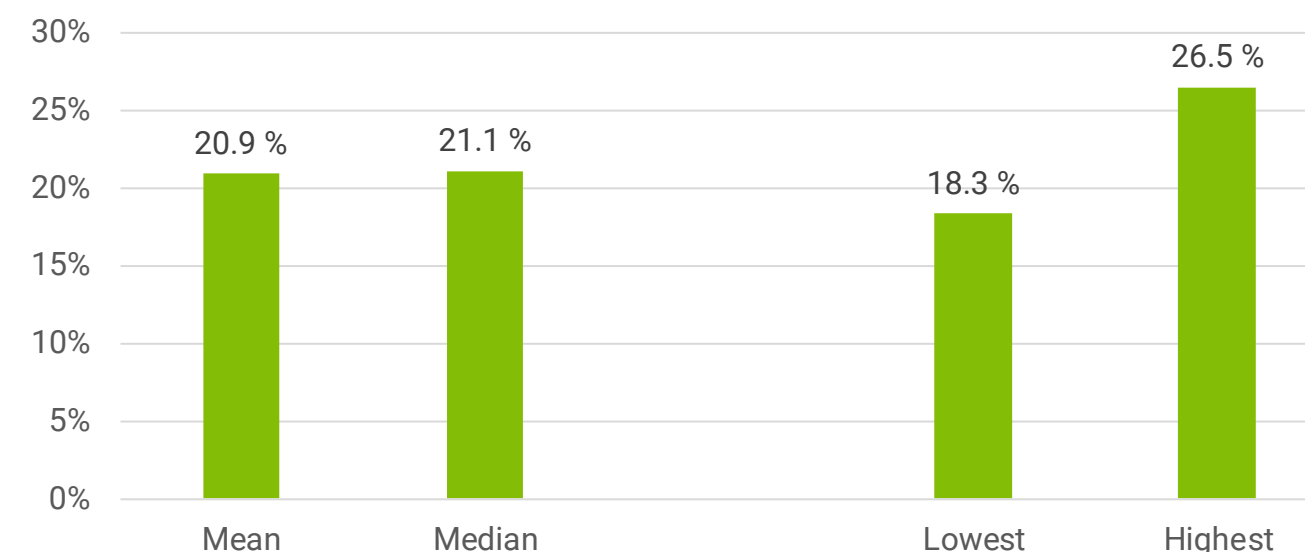
- Lowest: 18.3%
- Highest: 26.5%

## 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 27.3% and 29.8% Q4 2019

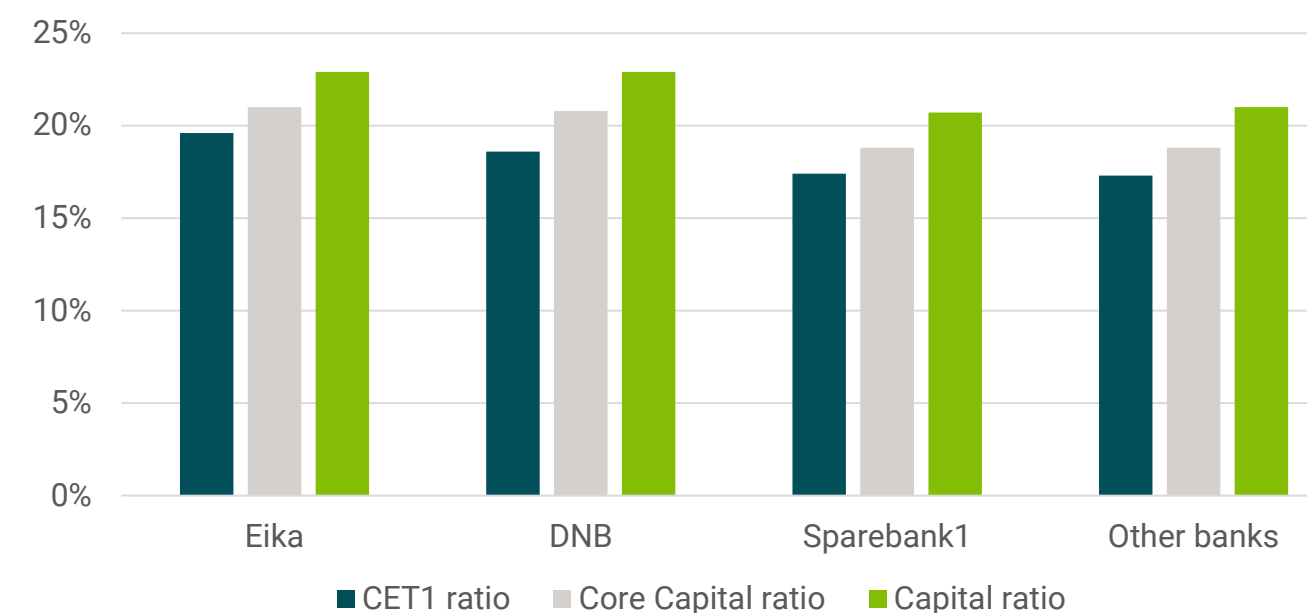
### Core capital ratio – Eika banks

As of Q4 2019

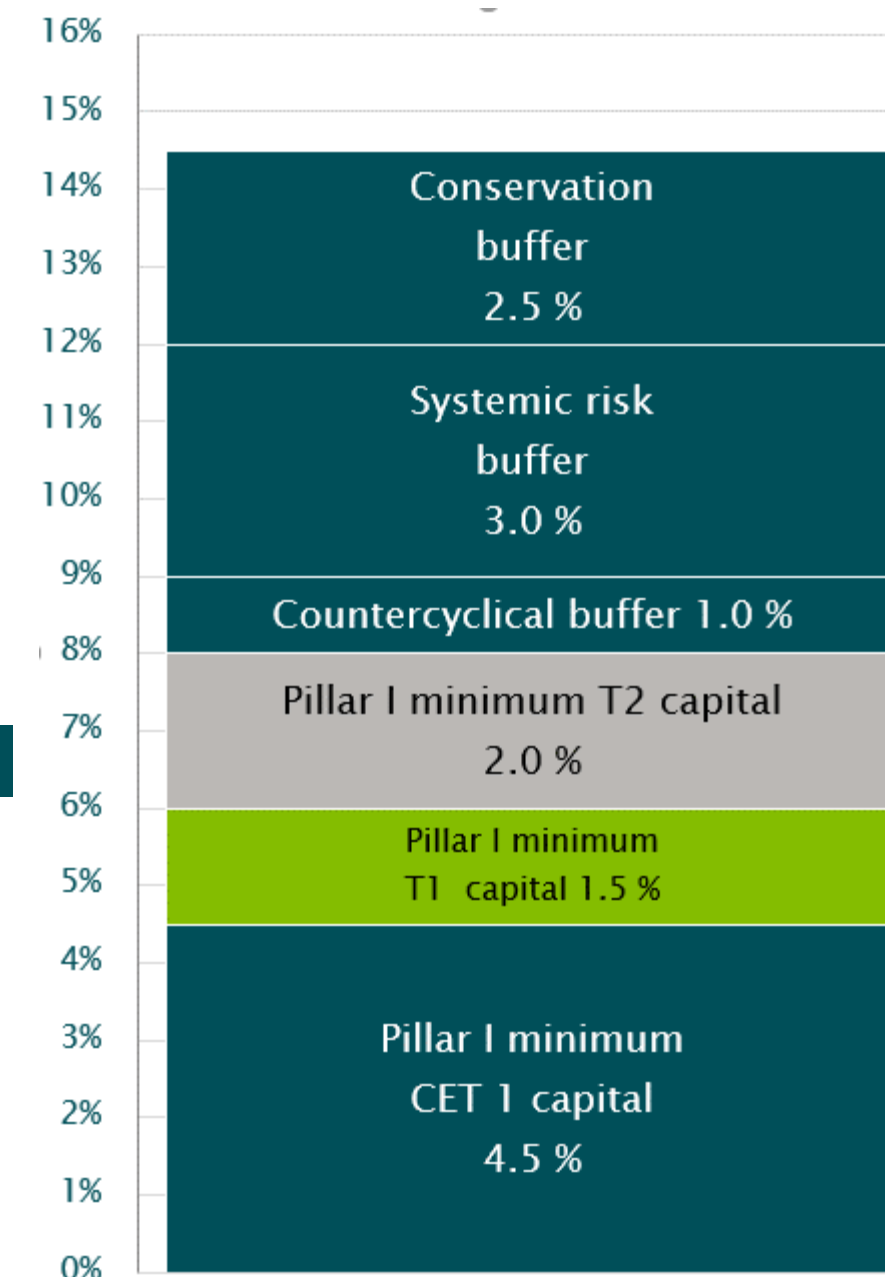


### Capital ratio - Norwegian banks

As of Q4 2019



### Minimum capital requirements for Eika Banks\*



\* The countercyclical buffer was decreased from 2.5 percent to 1 percent with immediate effect from March 13<sup>th</sup> 2020. 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

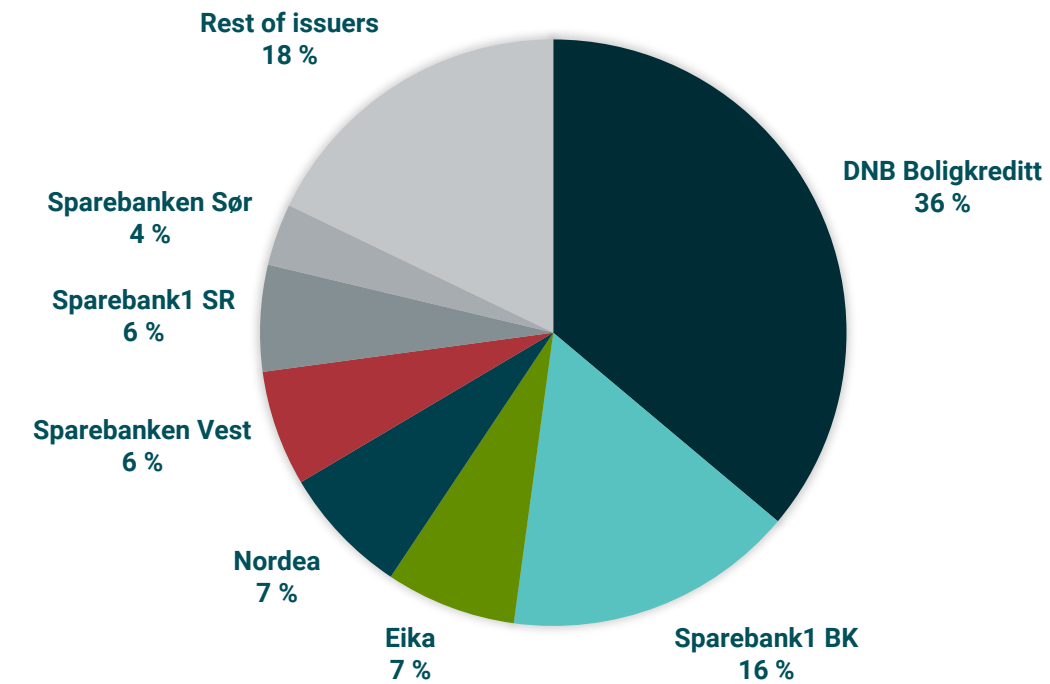
- Norwegian covered bonds are category 1 for LCR purposes (above EUR 500 mill.)
- 10% preferential risk weighting

## 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

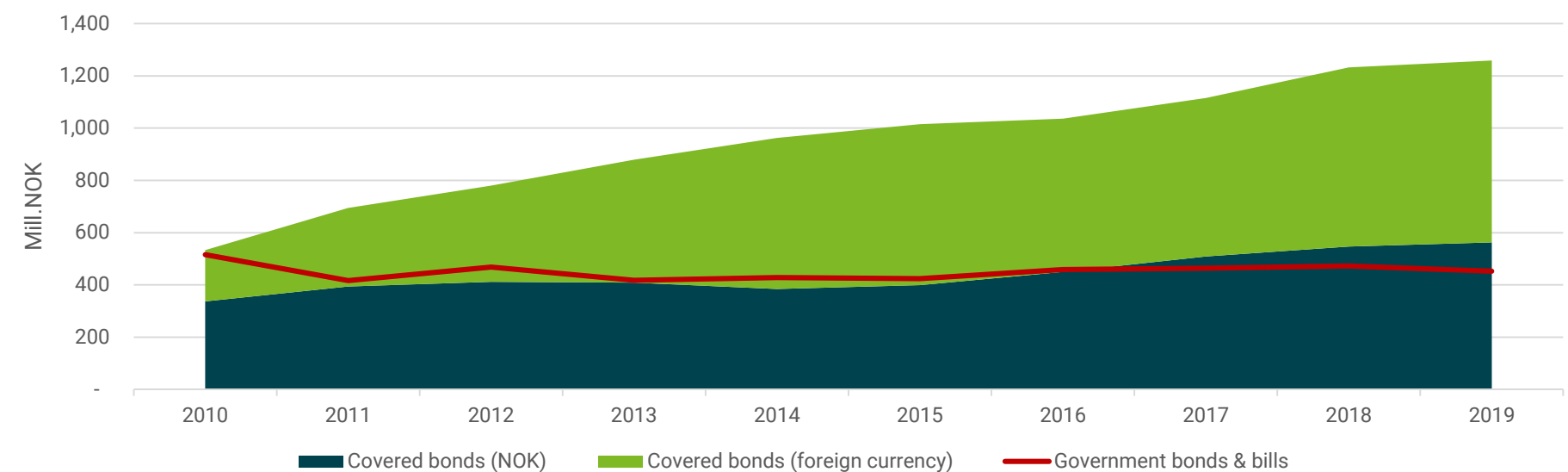
As of 2020Q2



Source: Finance Norway

## Norwegian covered bonds and government bonds outstanding

As of YE2019



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 75% at time of origination (same as 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

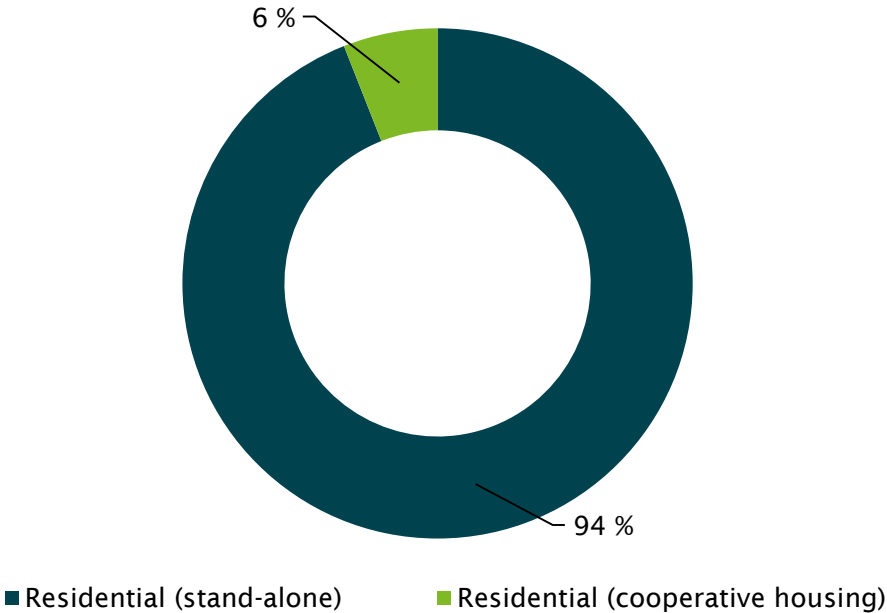
- **The Note Purchase Agreement (NPA)** is structured to ensure that EIKBOL has liquidity, at all times, sufficient to pay the Final Redemption Amount of any series of Notes in a rolling twelve month period
- **The Shareholders' Agreement** is structured to ensure that EIKBOL will uphold a sufficient 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 and a revolving credit facility between Eikbol (borrower) and Eika bank (lender) for the value of mortgages exceeding 75% of the value of the collateral



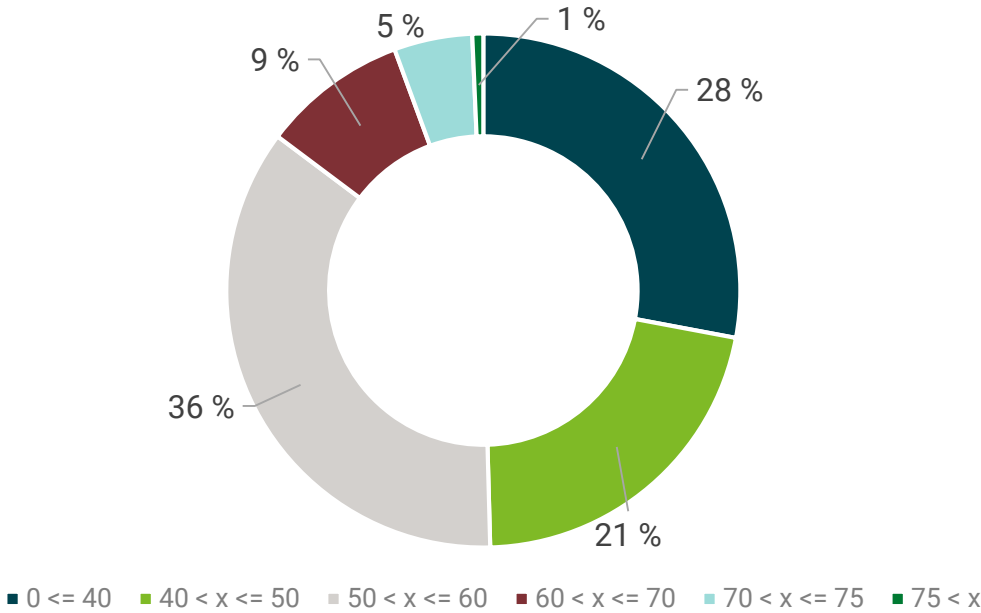
# Summary of the mortgages in the cover pool

Nominal value	EUR 7.9 bn
Number of loans	54,405
Arithmetic average loan (nominal)	EUR 145,455
WA LTV (indexed)	46.9%
WA seasoning (months)	32
Loans in arrears (over 90 days)	0.0
Over-collateralization *	10.1 %

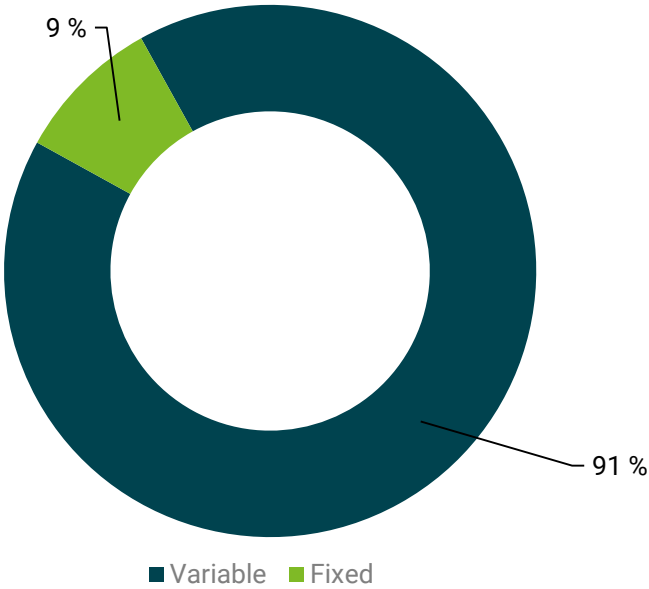
Type of collateral



Indexed LTV distribution

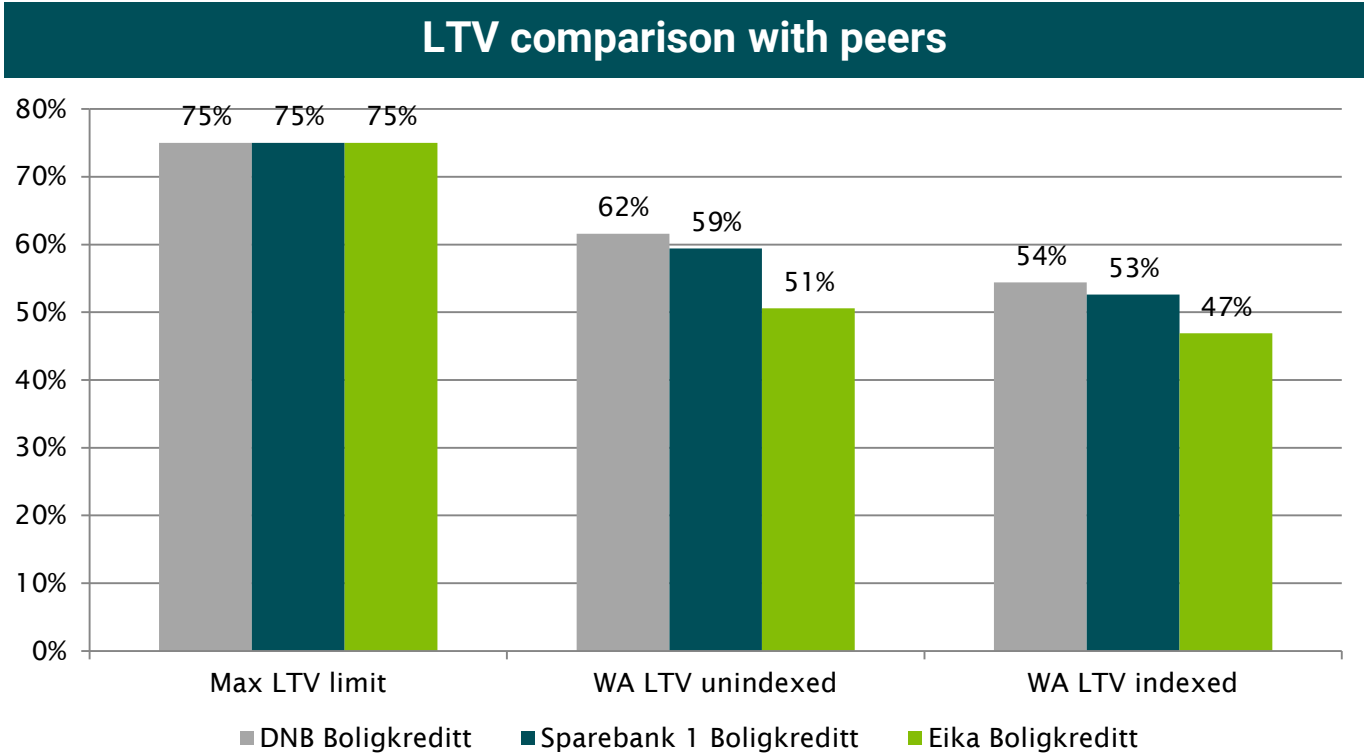


Variable vs fixed rate

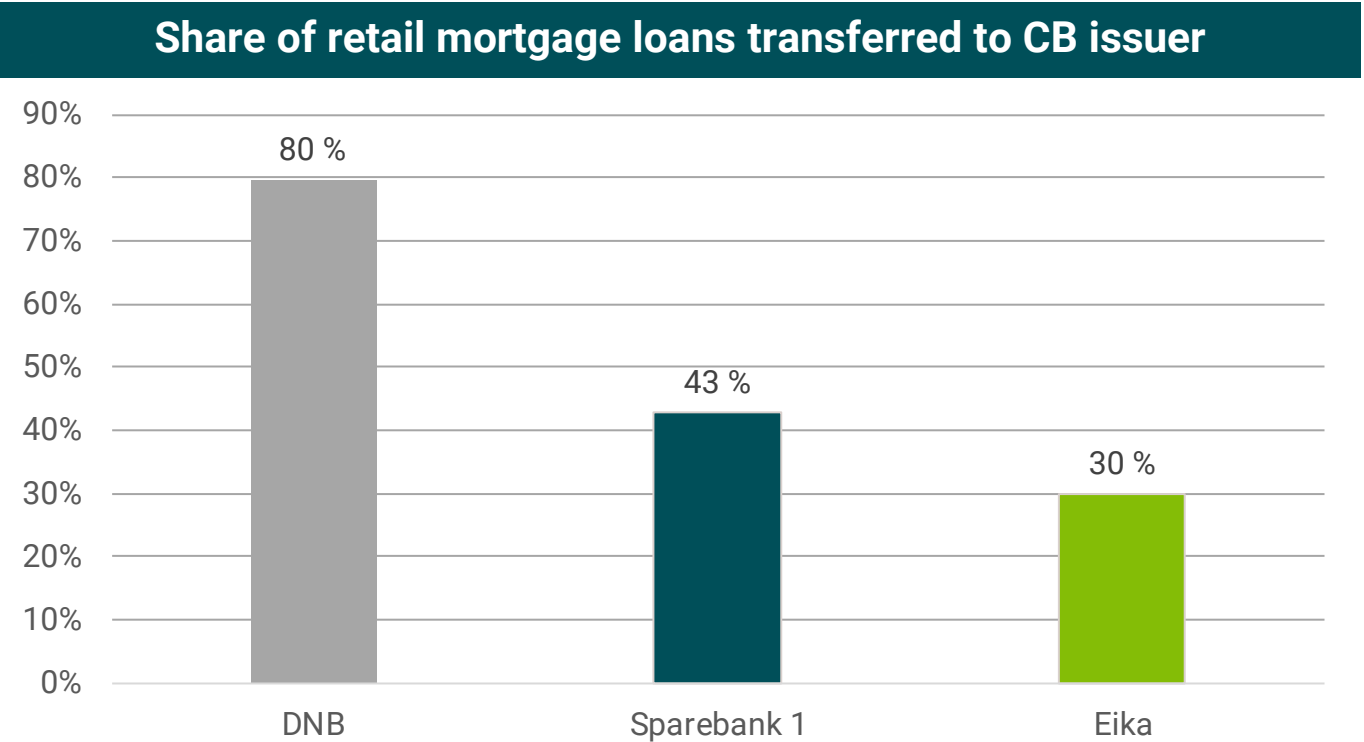




# Cover pool comparison and stress test



Source: Cover pool information as of Q3 2020 for Eika Boligkreditt and DNB Boligkreditt, Q2 2020 for Sparebank 1 Boligkreditt



Source: Bank Analyst Eika, Q4 2019

Stress test: Decline in house prices				
Stress test house price reduction (numbers in € million)	Unchanged	Decline of 10%	Decline of 20%	Decline of 30%
Mortgage Portfolio	7,914	7,914	7,914	7,914
Part of mortgages exceeding 75% LTV	0	40.7	135.5	399.9
Share of mortgage portfolio >75% LTV	0.00 %	0.5 %	1.7 %	5.0%
Estimated over-collateralization*	10.1 %	9.6 %	8.5 %	5.4 %

# COVID-19 situation – Credit quality of the cover pool

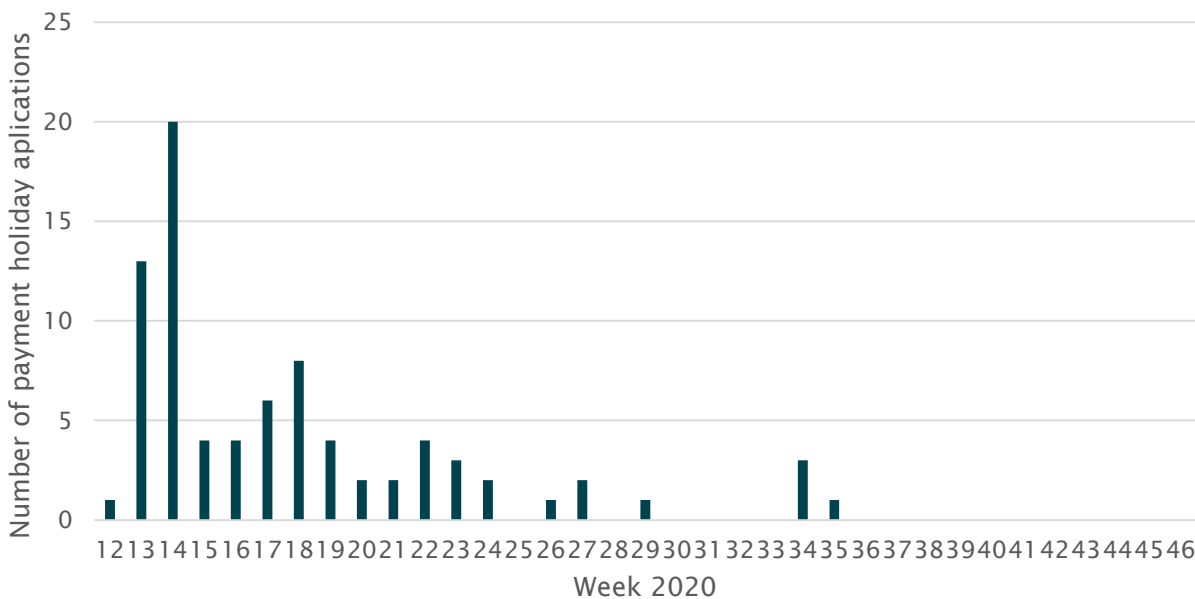
**Eika Boligkreditt has never experienced mortgages being delinquent for more than three months since startup of company**

- After the COVID-19 outbreak and the increase in unemployment there has been an increased demand for payment holidays and to temporarily pay interest only.
- The graph on the bottom of the page shows monthly data for applications to pay only interest only temporarily.

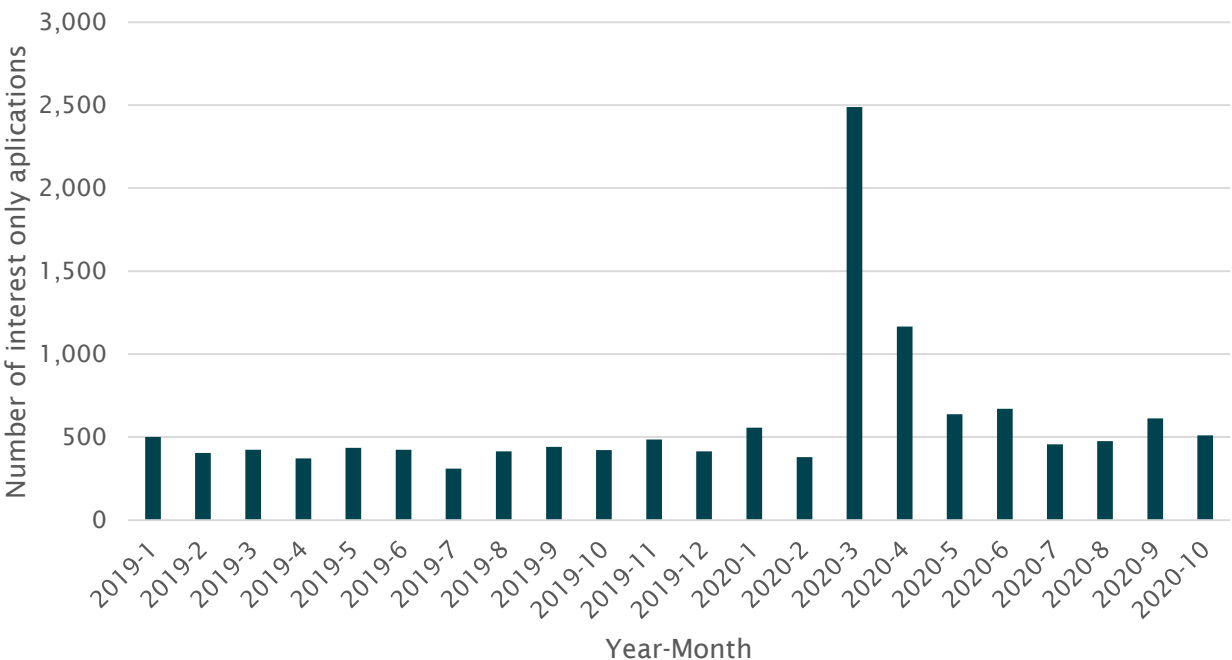
**Eika Boligkreditt has the following policies regarding payment holidays/temporarily interest only for mortgages**

- LTV ≤60%, variable mortgage rate – Banks can grant an interest only period for up to 10 years
- LTV >60%, variable mortgage rate - Banks can grant an interest only period for up to 6 + 6 months
- Fixed mortgage rate - Banks can grant an interest only period for up to 6 + 6 months
- Interest & repayment – Banks can grant a grace period for up to 6 months. The interest is added to the principal. The maturity of the loan is extended with the grace period. The principal after the grace period cannot exceed original principal for the mortgage.

Granted payment holiday applications



Granted interest only applications



# Current funding

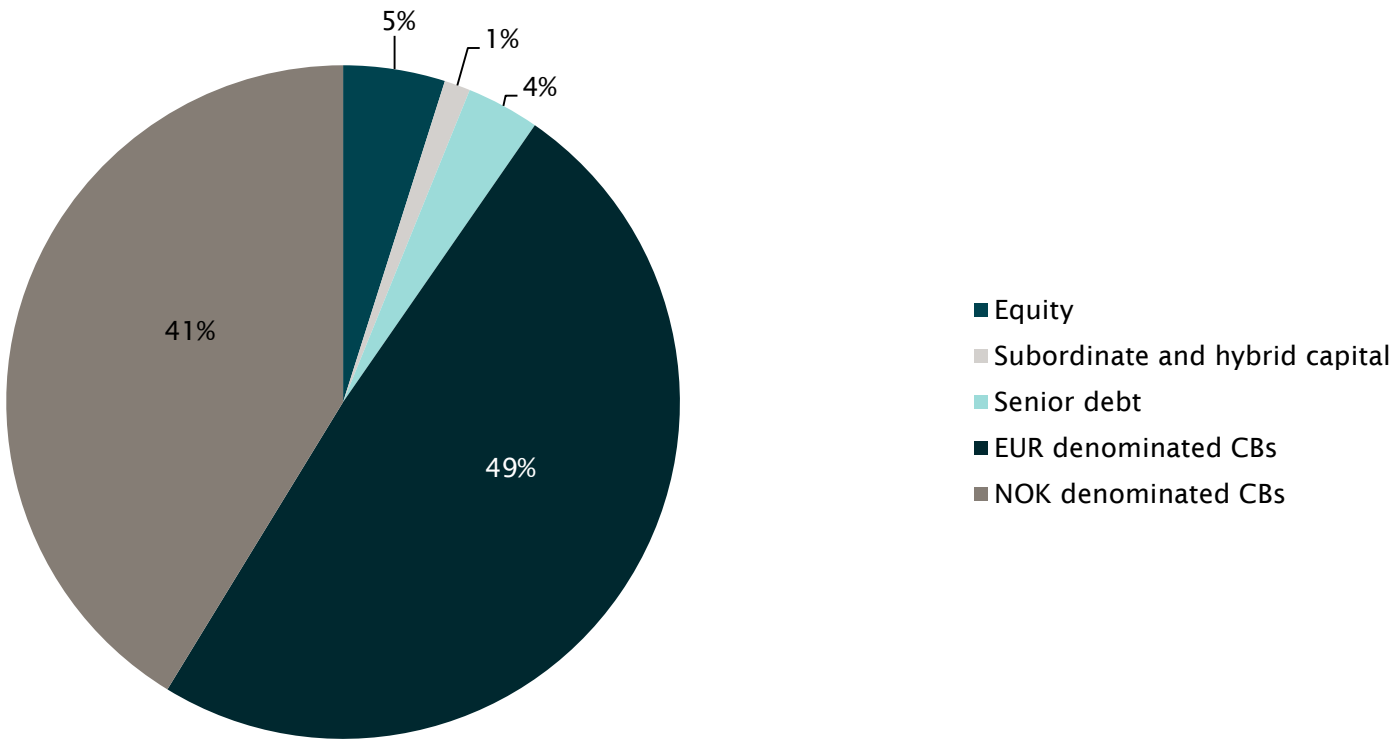
- EIKBOL has the objective to be a frequent benchmark issuer in both EUR and NOK covered bond markets
- Redemptions within any future 12-month rolling period should not exceed 20% of the gross funding at the time of redemption
- Targeting a level of liquidity covering redemptions the next 12 months
-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

## Outstanding EUR benchmark transactions

ISIN	Issue date	Volume (EUR mio)	Maturity date
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
XS2133386685	2020-03-12	500	2027-03-12
XS2234711294	2020-09-16	500	2028-03-23
XS1945130620	2019-02-01	500	2029-02-01

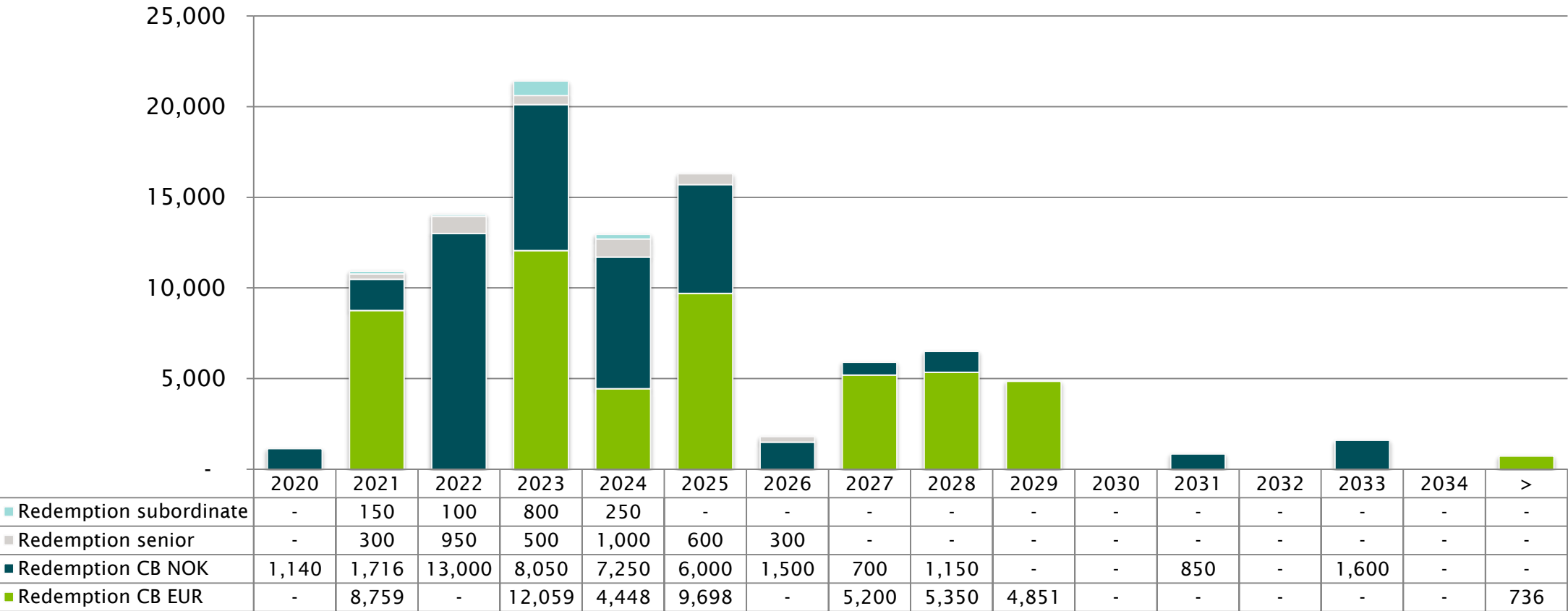
## Funding mix EIKBOL

As of 2020-11-11



## Maturity profile of funding (in million NOK)

As of 2020-11-11

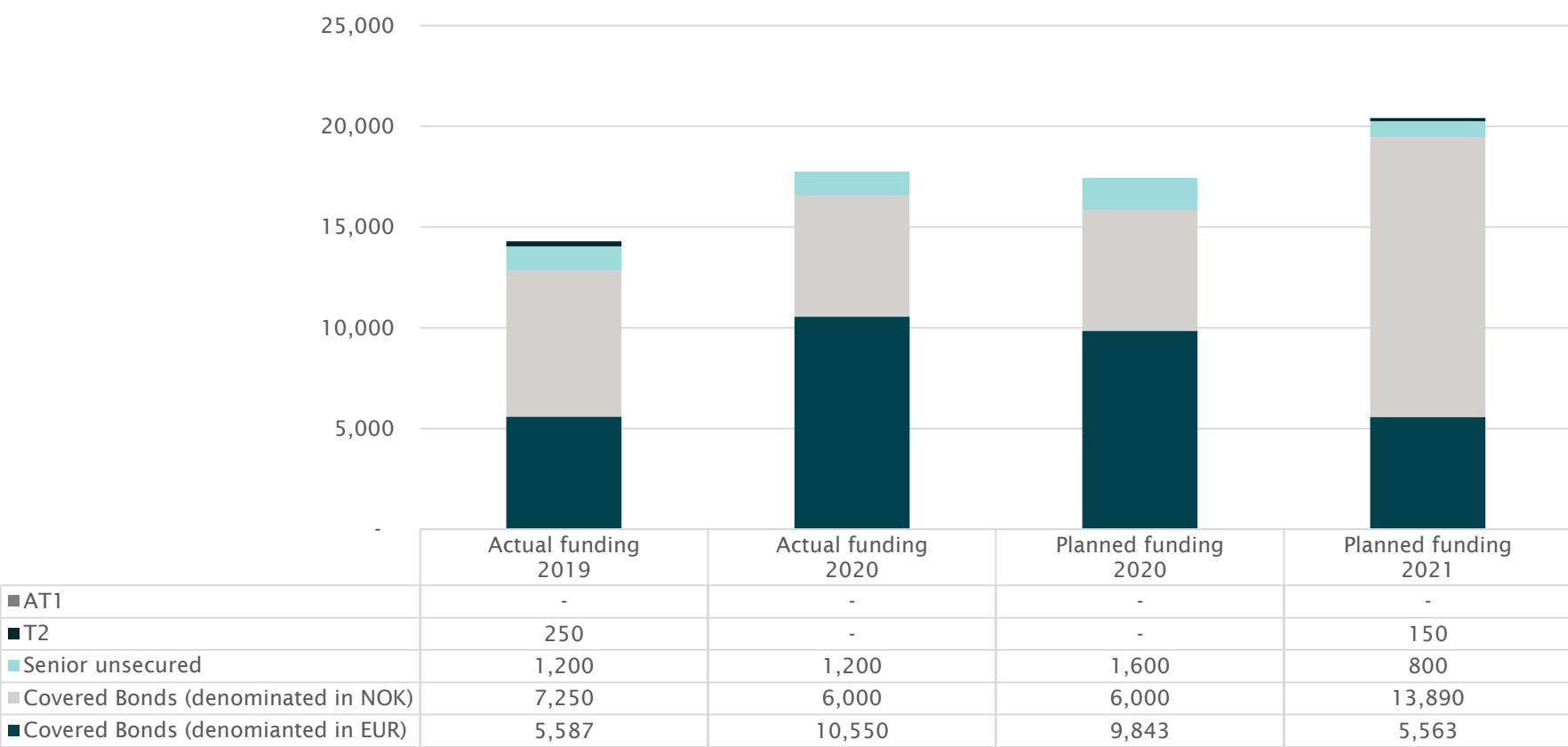


# Planned long term funding

- Budget for gross long term funding in 2021 is NOK-equivalent of 20.4 bn (EUR 1.9 bn)
  - NOK-equivalent of 19.5 bn in covered bonds
  - NOK 800 million in senior unsecured 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

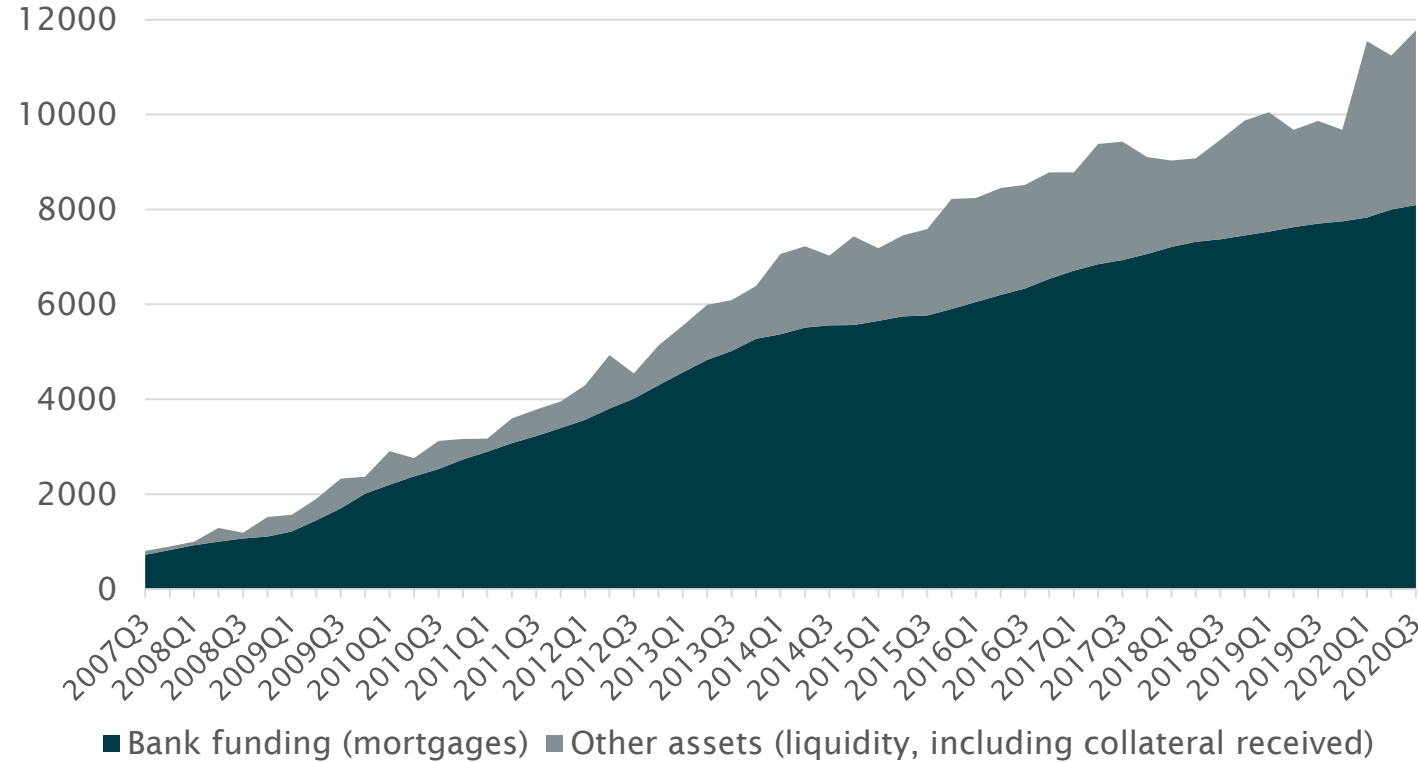
Actual and planned long term funding by instrument (in million NOK)

As of 2020-11-11



EIKBOL development in mortgages and AUM (in million €)

As of 2020-09-30

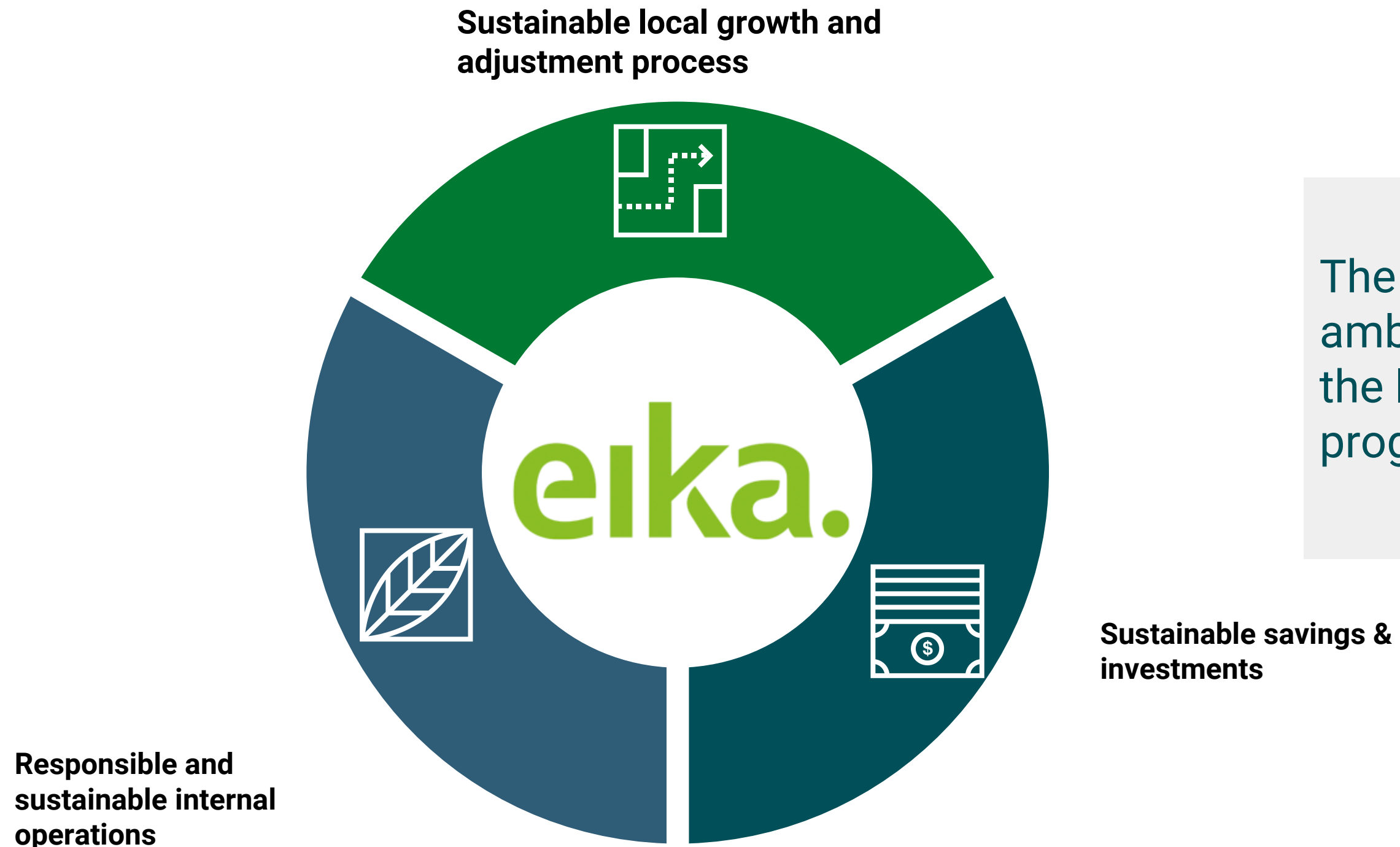


# Agenda

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



# Focus areas sustainability



The project in the alliance propose two ambition levels within sustainability for the local banks with aligned priority programs to succeed

# Strategic framework for sustainability in the Eika Alliance

## Local bank 2023

Strong and caring local banks. Driving force for growth and development for you and your local community

**Be an initiator for sustainable local growth, development and green readjustment through credit decisions and advisory services**

**Ambition:** Be «the local strategist» for the local businesses and an initiator for sustainable, local growth and readjustment

**Strengthen communication about and continuing improvement of sustainable saving products**

**Ambition:** Offer a meny of sustainable and green saving products

**Strengthen responsible and sustainable internal operations**

**Ambition:** The Eika Alliance shall improve and prioritize responsible and sustainable internal operation to enable a credible position regarding sustainable local growth and readjustment proses

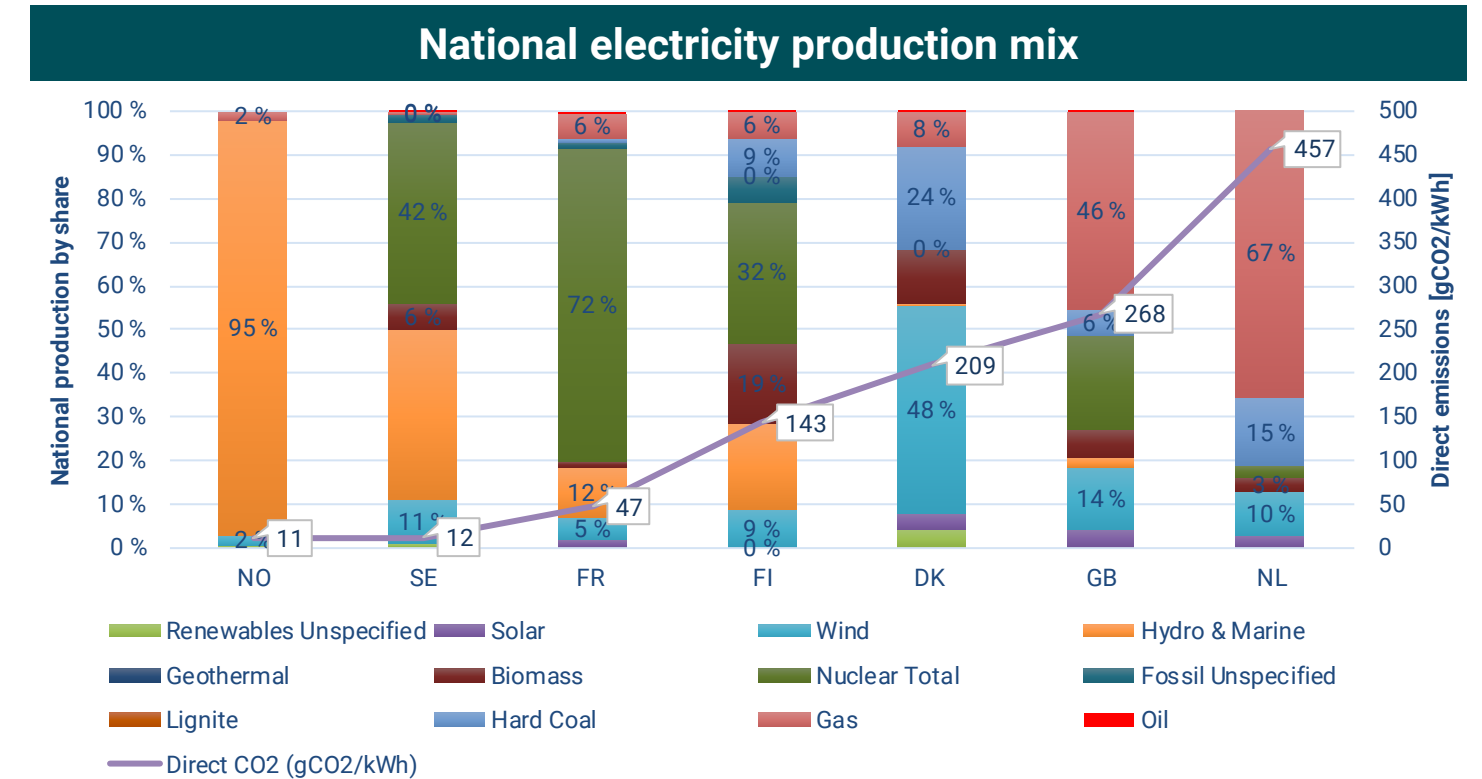


# Sustainable savings – a four step process in the investment process

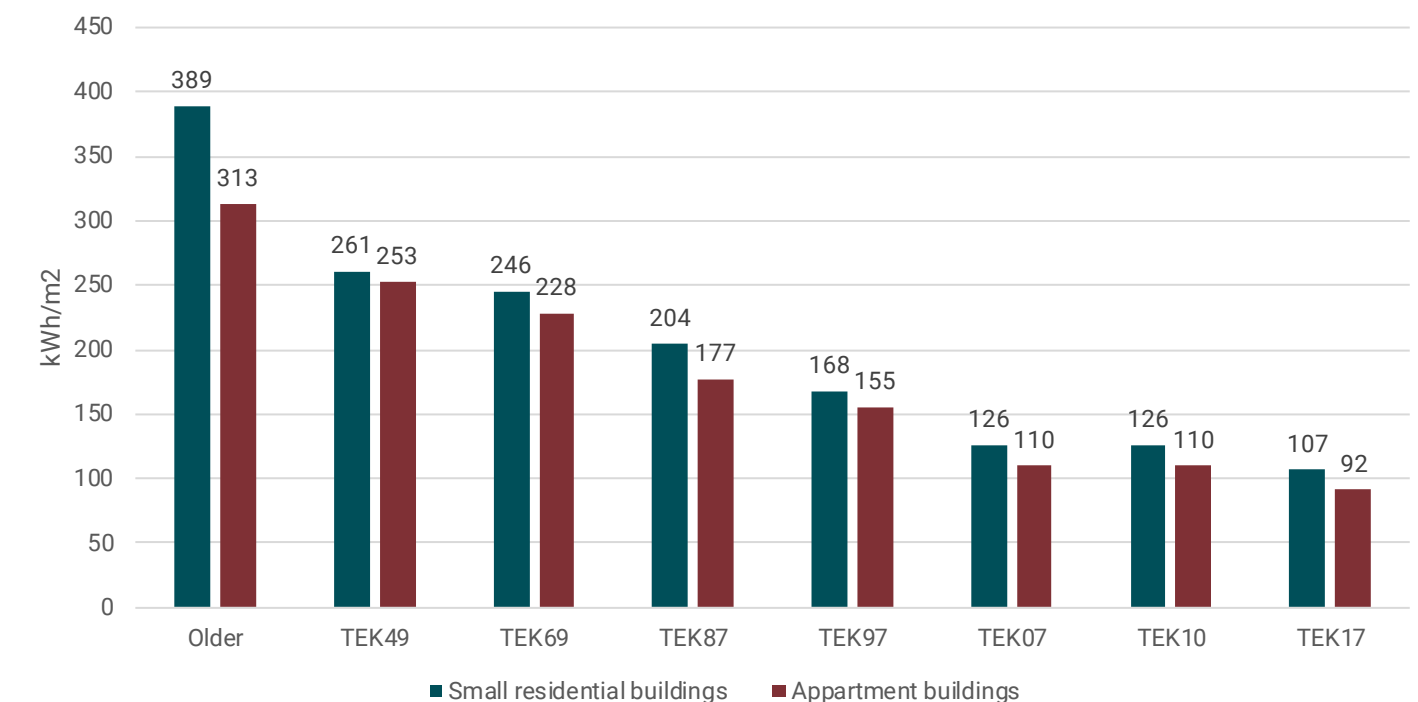


# CO<sub>2</sub> Footprint Analysis of the Cover Pool – Background

- Norwegian buildings are predominantly heated with electricity
- Norway has one of the greenest energy source mix for electricity (>97% renewable energy =95% Hydro & 2% wind )
- The carbon intensity for the lifetime of a Norwegian residential building = 123g CO<sub>2</sub>/Kwh, this compares to much higher carbon intensities for other European countries<sup>1</sup>
- Over time, residential buildings in Norway have become more energy efficient – analyzing building codes provides a robust proxy as this data is available for the entire building stock (unlike EPC labels which represent ~50% of all buildings)
- With each new building code, energy efficiency standards for buildings have improved over time
- Multiconsult has estimated the CO<sub>2</sub> footprint of the entire Eika cover pool on this basis



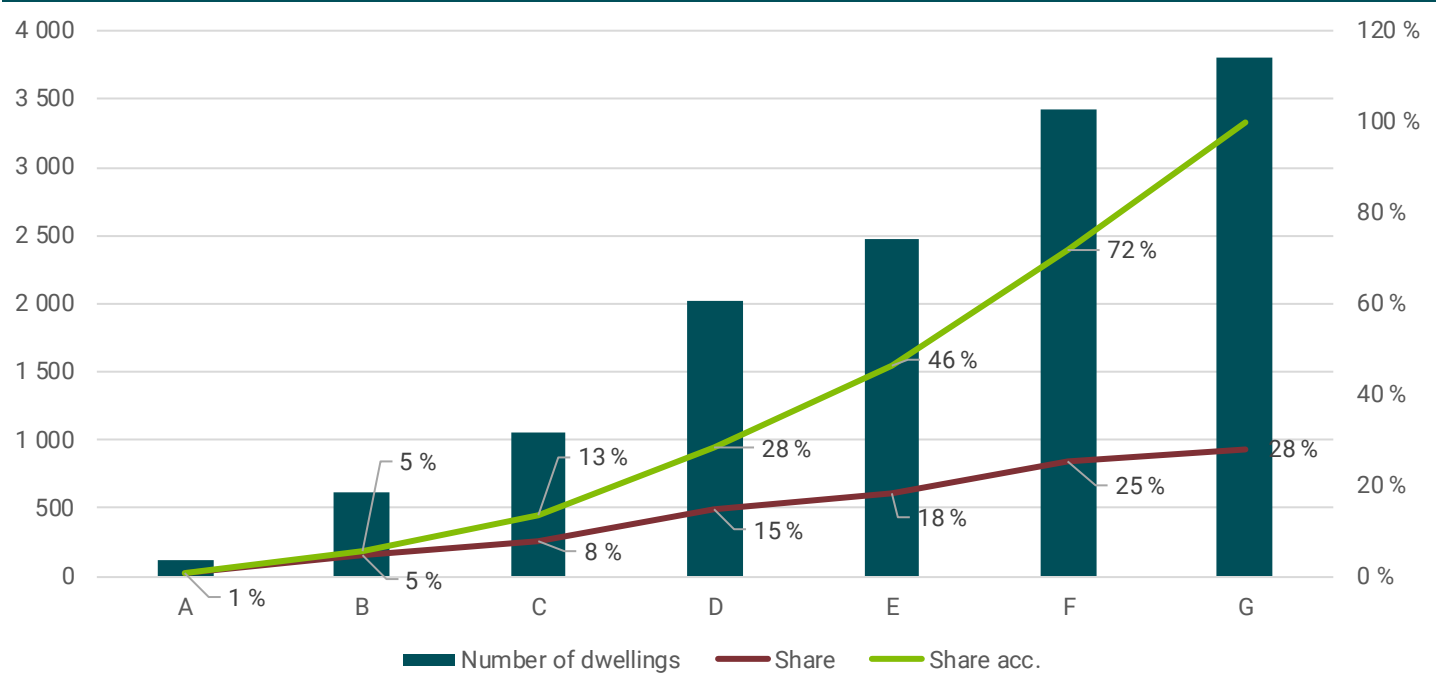
## Development in calculated specific net energy demand by building code



# CO<sub>2</sub> Footprint Analysis of the Cover Pool – 2019

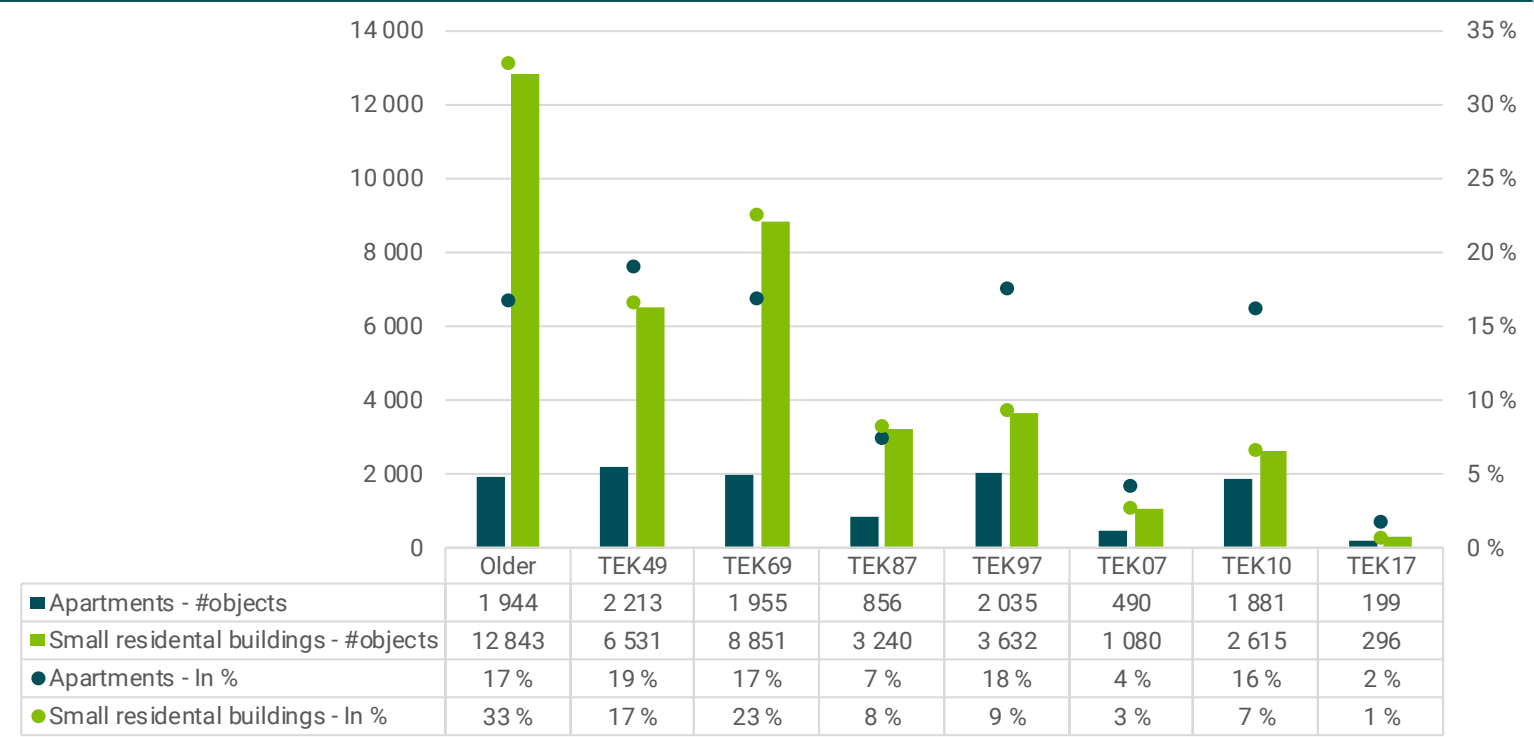
- As part of our ‘Strategic Framework for Sustainability’, Eika values increased disclosure in terms of scope 3 carbon impact
- The current portfolio, as of December 31st 2019, represents:
  - Yearly energy demand of 2,076 GWh
  - Yearly emissions of 255,839 tons CO<sub>2</sub> eq.

Current distribution of the Eika cover pool by EPC label <sup>2</sup>

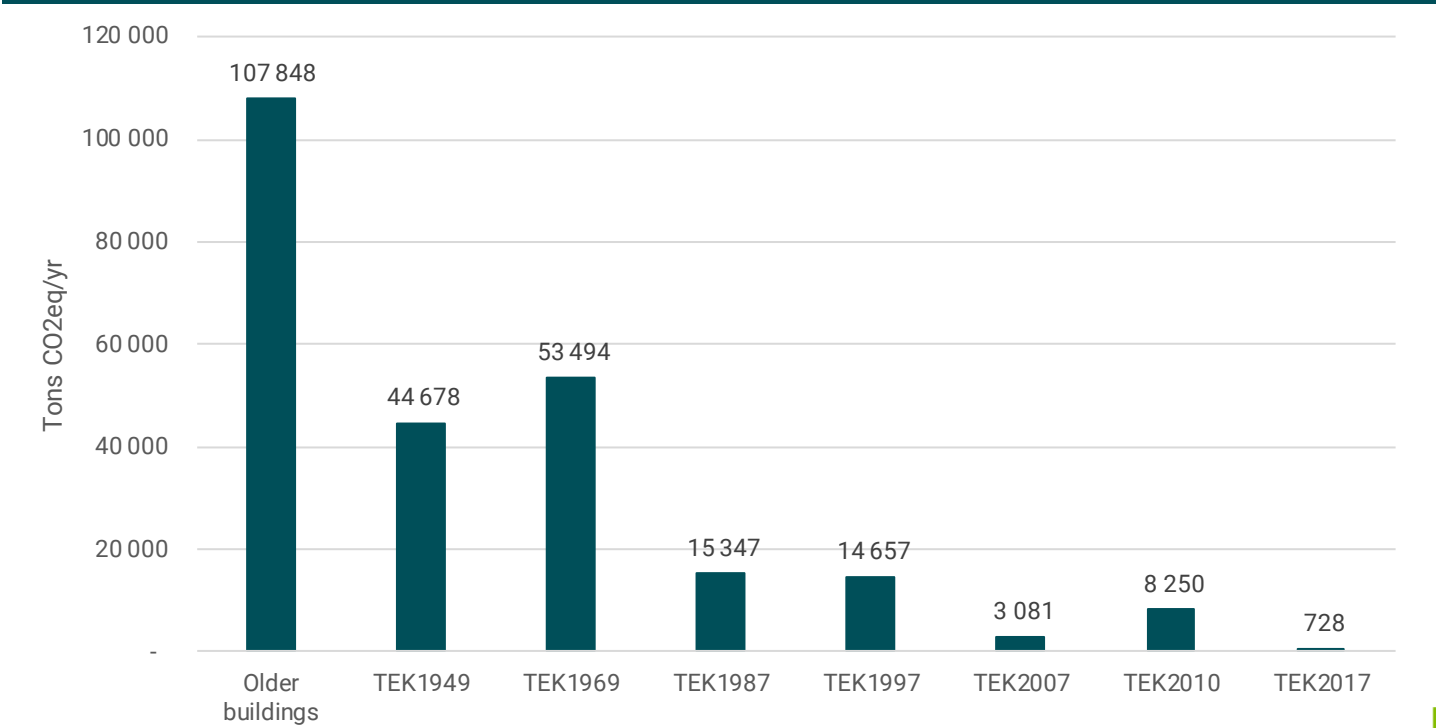


<sup>2</sup> EPC labels represent only 27% of the Eika cover pool, hence this is not fully representative of the entire cover pool

Current distribution of the Eika cover pool by building code



Eika cover pool CO<sub>2</sub> footprint YE2019 <sup>3</sup>

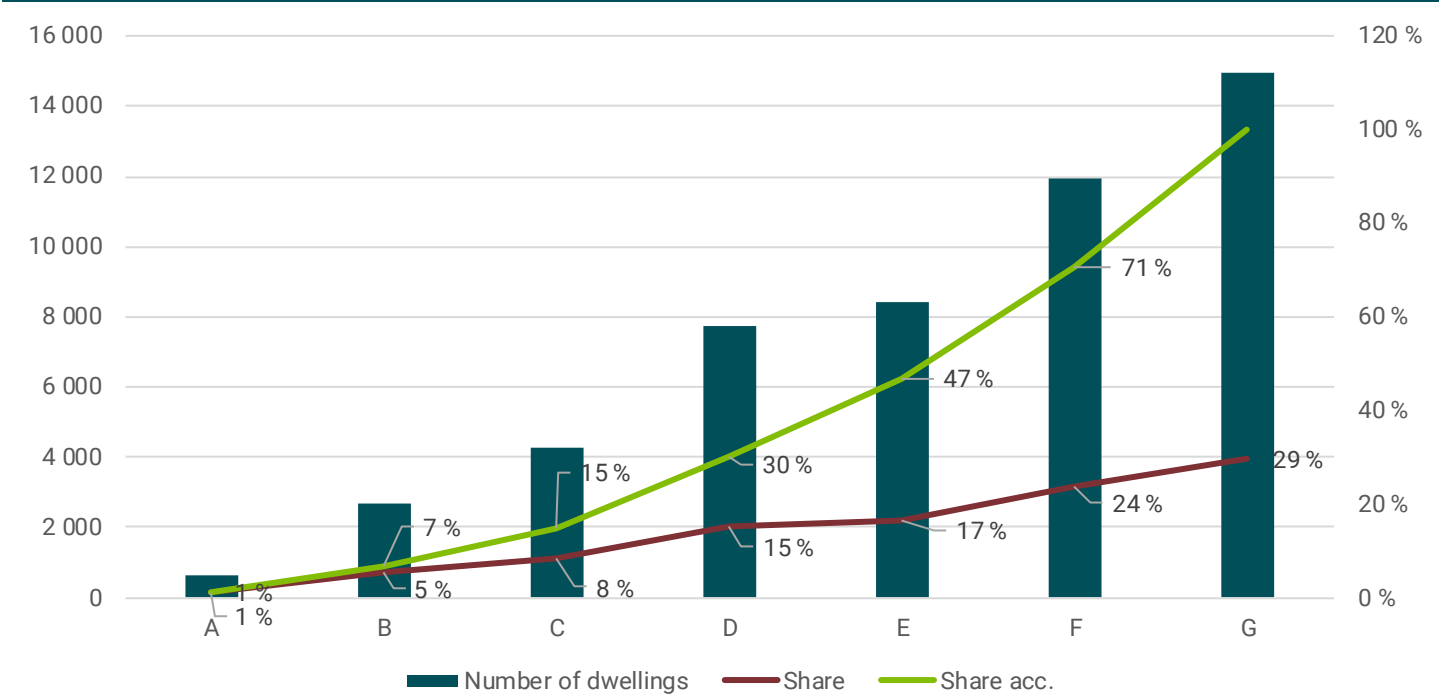


<sup>3</sup> Portfolio CO<sub>2</sub>-emissions related yearly use in energy demand distributed by age of building

# Green bond eligibility criteria and impact

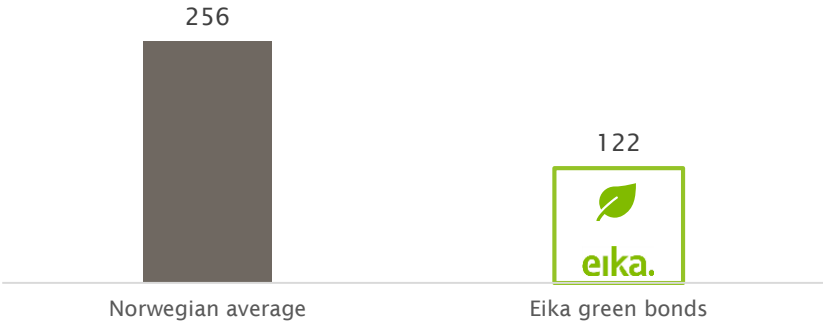
- Two main eligibility criteria: Building code approach, and EPC label approach
- Both criterion are used to estimate the top 15% most efficient buildings vs. the total building stock
- Building codes are used as the basis of the analysis, given that they represent the entire building stock (whereas EPC labels represent ~50%)
- Criterion 1 (building code):
  - Apartments: TEK10 or TEK17
  - Other residential dwellings: TEK07, TEK10 or TEK17
- Criterion 2 (EPC):
  - Extrapolating for the total building stock, EPC's with an A, B or C label are proven to be within the top 15% most efficient residential buildings
- This green bond eligibility criteria is aligned with the Climate Bonds Initiative taxonomy for Norwegian residential buildings

EPCs extrapolated to include the whole residential building stock in Eika Boligkredit's cover pool



Current eligible portfolio in cover pool				
Criterion	Type of dwelling	Number of objects	Area total [m²]	Portfolio size [MNOK]
Criterion 1 (Building code)	Apartments	2 080	162 695	3 333
	Small residential buildings	3 991	685 365	9 015
Criterion 2 (EPC)	Apartments	292	23 058	417
	Small residential buildings	427	69 586	859
Total		6 790	940 704	13 624

Impact - Average specific energy demand per m2 (kWh)



- Eika green bond portfolio has an estimated average energy consumption of less than 50 per cent of the Norwegian average
- Estimated avoided CO2 emissions (entire pool) = 15,500 tons CO2/year



# ESG in Eika Boligkreditt

Eika Boligkreditt does not invest in companies listed by the Council on Ethics for Government Pension Fund Global inconsistent with its Ethical Guidelines or companies within the sectors coal, tobacco, gambling and weapon production.

**MSCI**  
ESG RATINGS



In 2018, EIKA BOLIGKREDITT AS received a rating of A (on a scale of AAA-CCC) in the MSCI ESG Ratings assessment<sup>1</sup>.

CCC	B	BB	BBB	A	AA	AAA
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Eika has a score of 74.6 out of maximum 100 on sustainability measured on a Norwegian Client Experience Index (CEI)

Eika is ranked number 4 out of 149 companies/brands across 33 sectors

Eika is ranked highest among 7 banks<sup>2</sup>. Banks have the highest average sector CEI score of 67.8

More information about Corporate Social Responsibility and ESG in Eika Boligkreditt:

<https://eikbol.no/About-us/ESG>

<https://etikkradet.no/en/>

<sup>1</sup> THE USE BY EIKA BOLIGKREDITT AS OF ANY MSCI ESG RESEARCH LLC OR ITS AFFILIATES ("MSCI") DATA, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT, RECOMMENDATION, OR PROMOTION OF EIKA BOLIGKREDITT AS BY MSCI. MSCI SERVICES AND DATA ARE THE PROPERTY OF MSCI OR ITS INFORMATION PROVIDERS, AND ARE PROVIDED 'AS-IS' AND WITHOUT WARRANTY. MSCI NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI.

<sup>2</sup> The Norwegian Sustainability Barometer, a research project at BI Norwegian Business School. More information in Norwegian <https://www.bi.no/forskning/norsk-barekraftbarometer/>

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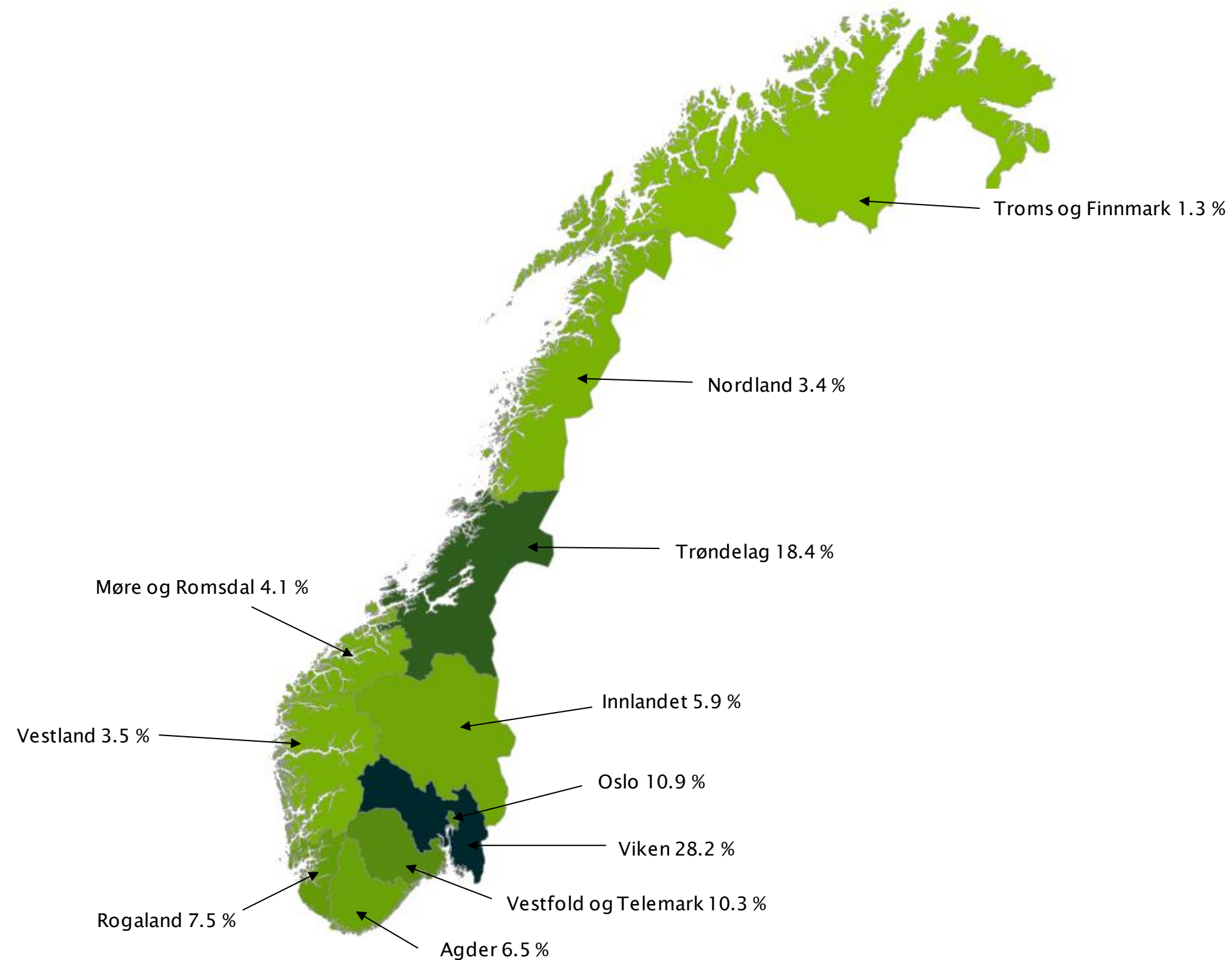
kf@eika.no

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

# Agenda

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# Mortgage lending - Strong geographical diversification

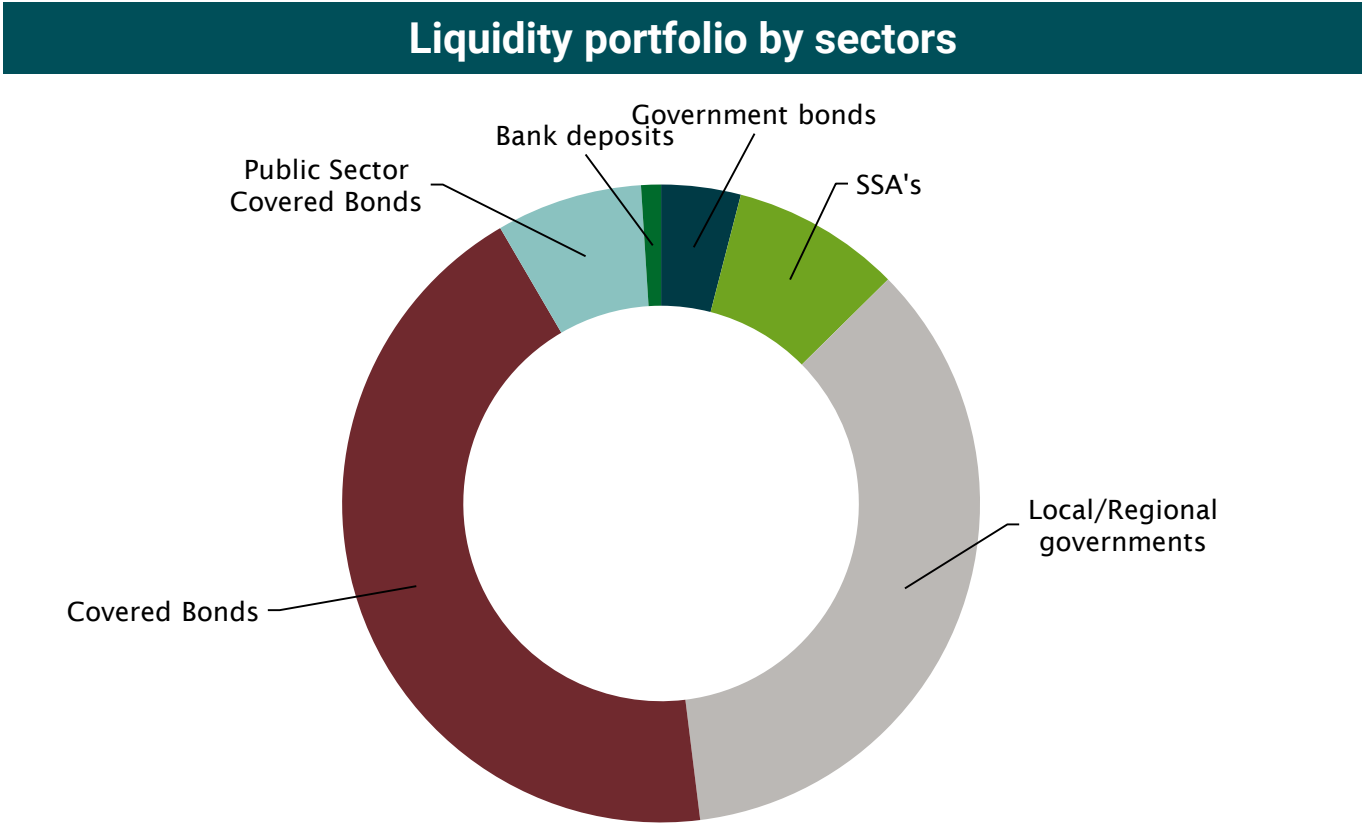


# Liquidity portfolio

- 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

Sectors and tenors			
Sector	Market values (EUR)	In % of portfolio	TtM
Government bonds	55,230,563	4 %	0.47
SSA's	117,675,674	8 %	1.55
Local/Regional governments	486,061,874	32 %	0.36
Covered Bonds	597,299,213	40 %	1.49
Public Sector Covered Bonds	101,609,730	7 %	2.14
Bank deposits	13,787,163	1 %	0.00
Total portfolio	1,508,172,514	100 %	0.99

- 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



# 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	Denmark	Swedbank	Germany
<b>Product name</b>	Norwegian Covered Bonds	Særligt Dækkede Obligationer	Säkerställda Obligationer	Pfandbrief
<b>Covered bond model</b>	Specialised bank issuance model	Universal bank + specialised bank issuance model	Universal bank issuance model + specialised bank issuance model	Universal bank issuance model
<b>Eligible cover assets</b>	Public sector, mortgage loans	Public sector, mortgage loans, ship mortgages	Public sector, mortgage loans (commercial max. 10%)	Public sector, mortgage loans, ship + aircraft mortgages
<b>Maximum LTVs</b>	Residential: 75%, commercial: 60%	Commercial: 60%, agricultural: 60%, ships: 70%, residential: 80%	Commercial: 60%, residential: 75%, agricultural: 70%	Residential, commercial, ship, aircraft: 60%
<b>Basis for LTV calculation</b>	Market value	Market value	Market value	Mortgage lending value
<b>If a loan's LTV exceeds the LTV cap after inclusion into the pool, does the part below the limit still remain part of the cover pool?</b>	Yes	Yes	Yes	Yes
<b>Minimum OC</b>	2 %	Universal banks: 0%; Mortgage banks: 8% of RWA	2 %	2 %
<b>Type of coverage test</b>	NPV	NPV after stress test	Nominal + NPV after stress test	Nominal + NPV after stress test
<b>Is OC above the minimum protected?</b>	Yes	Yes	Yes	Yes
<b>Legal transparency requirements?</b>	No	Yes	No	Yes
<b>Is there an issuance limit in place?</b>	No	No	No	No

# Eika Boligkreditt - P&L

Amounts in NOK Million	2015	2016	2017	2018	2019	2020Q1	2020Q2	2020Q3
Total Interest income	2 066	1 861	2 049	2 162	2 624	738	574	463
Total interest expenses	1 430	1 380	1 366	1 480	1 976	535	421	225
Net interest income	636	482	683	682	648	203	153	238
Dividend from shares classified as available for sale	6	6	6	18	19	3	4	3
Total gains and losses on financial instruments at fair v	203	(81)	(135)	22	(6)	(71)	95	(4)
Comission costs	443	300	410	458	490	144	112	187
Total salaries and administrative expenses	42	39	48	50	51	13	12	12
Depreciation	2	1	2	2	4	1	1	1
Other operating expenses	13	14	16	16	15	3	4	4
Losses on loans and gurantees	-	-	-	-	-	-	-	-
PROFIT/(LOSS) BEFORE TAXES	344	50	78	197	102	(26)	123	34
Taxes	81	11	18	45	14	(9)	28	6
PROFIT/(LOSS) FOR THE PERIOD	263	39	60	152	89	(17)	95	28
Net gains and losses on bonds and certificates	-	-	-	(7)	7	(24)	32	(0.5)
Fair value adjustment, shares	-	-	-	(15)	-	-	-	-
Net gains and losses on basis swaps	-	-	-	(106)	53	67	5	10
Taxes on other comprehensive income	-	-	-	28	(15)	(11)	(9)	(2)
COMPREHENSIVE INCOME FOR THE PERIOD	-	-	-	52	133	15	122	35

## Eika Boligkreditt AS - Report Q3 2020:

Eika Boligkreditt showed a profit of NOK 34 million for third quarter, compared with a profit of NOK 20.1 million for the same period in 2019. Net gains and losses on basis swaps came to NOK 10 million for the third quarter of 2020 (2019: negative NOK 7 million), net gains and losses on bonds and certificates came to negative NOK 0.5 million and taxes on other comprehensive income came to negative NOK 2 million, so that the comprehensive income for the period including such changes came to a profit of NOK 35 million.

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

# Eika Boligkreditt - Balance sheet and key figures

Amounts in NOK Million	2015	2016	2017	2018	2019	2020Q1	2020Q2	2020Q3
<b>Balance sheet development</b>								
Lending to customers	64 527	71 509	77 286	82 015	84 719	85 846	87 744	88 461
Debt from issuing securities	79 876	86 983	90 030	97 288	94 300	107 805	107 395	111 861
Subordinated loans	450	599	600	674	889	724	724	724
Equity*	4 242	4 396	4 770	5 290	5 777	5 784	5 795	5 825
Equity in % of total assets*	4.72	4.58	4.79	4.90	5.50	4.60	4.70	4.50
Average total assets	84 571	92 324	99 466	101 744	107 506	116 060	118 356	120 961
Total assets	89 932	96 017	99 603	107 969	105 835	126 285	122 950	128 776
<b>Rate of return / profitability</b>								
Fee and commission income to relation to average total assets, annualised (%)	0.50	0.32	0.40	0.40	0.50	0.50	0.40	0.50
Staff and general administration expenses in relation to average total assets, annualised (%)	0.10	0.04	0.05	0.03	0.03	0.03	0.03	0.03
Return on equity, annualised (%)	10.70	1.37	1.90	4.50	2.20	(1.90)	3.80	3.40
Total assets per full-time position	4 542	4 849	5 030	5 453	5 345	6 717	6 210	6 778
<b>Finacial strength</b>								
Core tier 1 capital	3 607	3 833	4 156	4 522	5 074	5 066	5 067	5 063
Total tier 1 capital	4 055	4 282	4 706	5 227	5 648	5 640	5 641	5 638
Total primary capital (tier 2 capital)	4 505	4 882	5 305	5 902	6 372	6 364	6 365	6 362
Weighted calculation basis	27 510	29 766	31 468	33 731	34 074	36 421	37 328	38 025
Core tier 1 capital ratio	13.10	12.88	13.20	13.40	14.90	13.90	13.60	13.30
Total tier 1 capital ratio	14.70	14.39	15.00	15.50	16.60	15.50	15.10	14.80
Capital adeqacy ratio	16.40	16.40	16.90	17.50	18.70	17.50	17.10	16.70
Delinquinces in % of gross loans	-	-	-	-	-	-	-	-
Loss in % of gross loans	-	-	-	-	-	-	-	-
<b>Staff</b>								
Number of full-time positions at end of period	19.8	19.8	19.8	19.8	19.8	18.8	19.8	19.0

\*Including AT1 capital

Source: EBK quarterly reports

## Eika Boligkreditt –changes in the business model in 2019

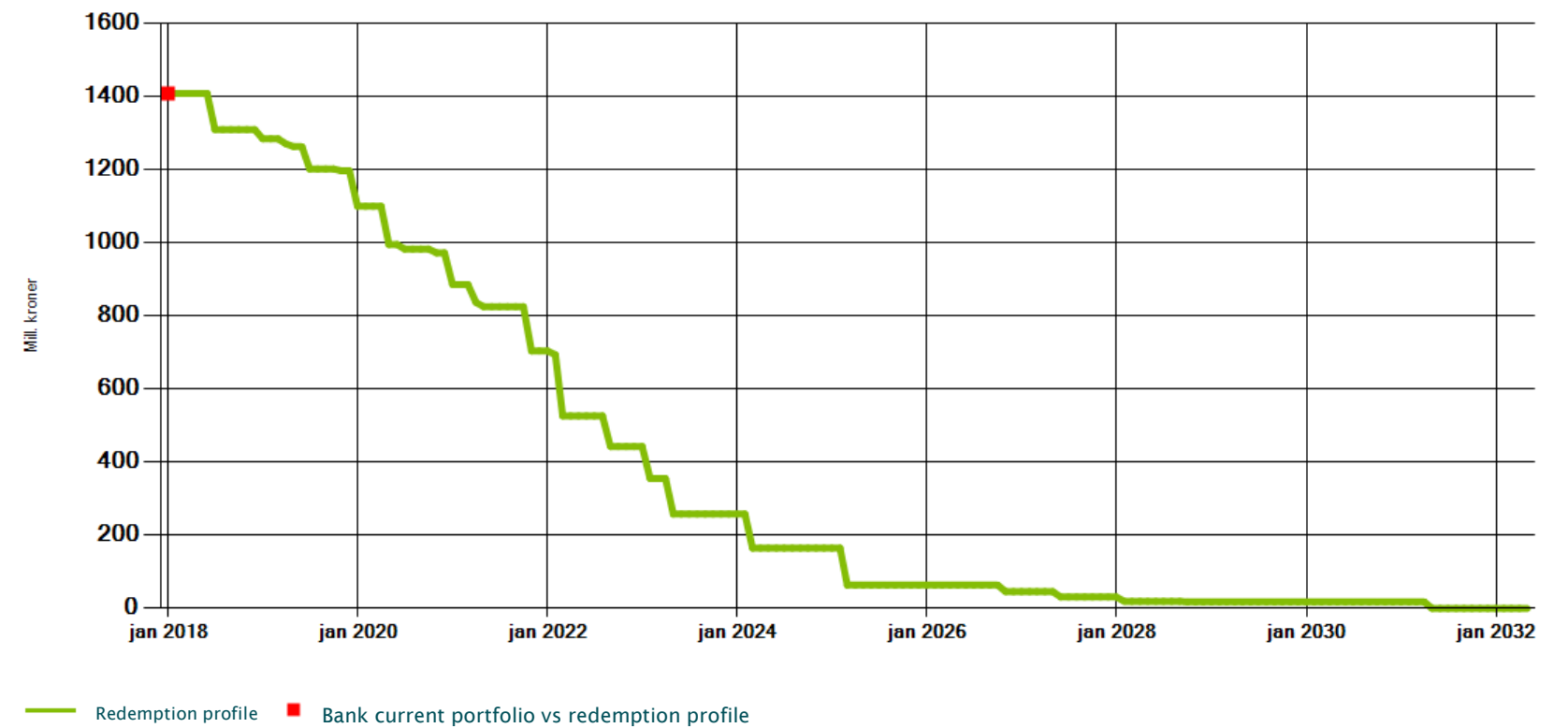
We have changed the following elements in the business model:

- Maximum LTV – increased the maximum LTV from 60% to the regulatory maximum of 75%.
  - This involves establishing a revolving credit facility (RCF) between Eika Boligkreditt (borrower) and Eika Banks (lender) financing the parts of mortgages exceeding 75% based on current valuation
  - There is a cap on the size of the RCF. The cap is the split amount of the mortgages exceeding 60% LTV based on the original collateral valuation
  - Eika Boligkreditt have to monitor the development in collateral values in the cover pool and have to set new collateral values triggered by significant decreases in collateral values
  - The changes are regulated in a supplement to the distribution agreement. It is voluntary for each Eika Bank to enter into the supplement enabling the increase in maximum LTV
  - This was approved by the board in Eika Boligkreditt November 7th 2019 and the supplement will be made available for the banks on request from November 2019
- ROE target
  - from 3 month NIBOR + 2.0%-points to 0.0%. 100% per cent of the value creation is paid as commission instead of split between dividend and commission. This was approved by the board in Eika Boligkreditt June 19th 2019 and took effect in the transfer pricing July 1st 2019

# 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 Eika banks in 2019

## 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

- Merged April 1<sup>st</sup> 2019
- The name for the merged bank is Sogn Sparebank
- Mads Indrehus, former CEO in Vik Sparebank, is CEO in the merged bank and Morten Kristiansen, former chair in the board of Indre Sogn will be chair of the board in the merged bank
- Total assets, including transferred to Eika Boligkreditt, of NOK 7.6 billion
- Rationales for the merger was 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

## Kvinesdal Sparebank and Flekkefjord Sparebank

- April 30<sup>th</sup> 2019 the boards in the banks announced starting negotiations with the intention to merge the
- ... a member in The Eika Alliance while ... Sparebank is a collaborating partner in ... consisting of 9 saving banks on the ... of Norway
- Currently ... if the merged bank will join the Eika A...
- The proposed name ... bank is Lister Sparebank
- Jan Kåre Eie, CEO in Flekkefjord ... is ... dal Sparebank will propose the chair in ... merged bank
- Total assets, including transferred to Eika a. Boligkreditt, of NOK 11.6 billion
- Rationales for considering to merge are to improve competitiveness in local markets, expand market reach, improved profitability and attractiveness as an employer and further enhance ability to contribute to develop their local communities

**The banks terminated negotiations December 19th 2019**

# Mergers Eika banks in 2020

## Stadsbygd Sparebank and Ørland Sparebank

- June 18<sup>th</sup> 2019 the boards in the banks announced starting negotiations with the intention to merge the banks
- February 24<sup>th</sup> 2020 the boards in the banks approved the agreement to merge the banks
- 24<sup>th</sup> the boards announced putting the process on hold due to uncertainty because of the situation
- Among the 11 banks that have given notice of termination of its agreements with Eika Gruppen, the period ends December 31<sup>st</sup> 2021
- Stadsbygd Sparebank merged into Ørland Sparebank with the continuing bank
- Ola Setsaas, CEO in Stadsbygd Sparebank, is proposed as CEO in the merged bank. Imo, CEO in Ørland Sparebank, is proposed as chair in the merged bank
- Total assets, including transferred to Eika Boligkreditt, of NOK 8.7 billion
- Rationales for considering to merge are to improve competitiveness in local markets, improved profitability and attractiveness as an employer and further enhance ability to contribute to develop their local communities

## Sparebank 68° Nord and Ofoten Sparebank

- Merged July 1<sup>st</sup> 2020
- The name for the merged bank is Sparebank 68° Nord
- Both banks are among the 11 banks that have given notice of termination of its agreements with Eika Gruppen.
- Tor-Andrè Grenersen, CEO in Ofoten Sparebank, is CEO in the merged bank
- Total assets, including transferred to Eika Boligkreditt, of NOK 10.6 billion
- Rationales for the merger was to improve competitiveness in local markets, improve profitability and further enhance ability to contribute to develop their local communities

## Hønefoss and Skue Sparebank

- Merged August 3<sup>rd</sup> 2020
- The name for the merged bank is Skue Sparebank
- Hans Kristian Glesne, CEO in Skue Sparebank, is CEO in the merged bank and George H. Fulford, chair in the board of Skue Sparebank is chair of the board in the merged bank
- Total assets, including transferred to Eika Boligkreditt, of NOK 16 billion
- The 4<sup>th</sup> largest bank in the Eika Alliance
- Rationales for the merger was to improve competitiveness in local markets, improve profitability and further enhance ability to contribute to develop their local communities

# Mergers Eika banks in 2020

## Surnadal Sparebank and Sparebank1 Nordvest

- August 28<sup>th</sup> 2020 the boards in the banks announced starting negotiations with the intention to merge the banks
- Surnadal is a member in The Eika Alliance while Sparebank1 Nordvest is a member of the Sparebank1 Alliance.
- Both banks are located on the northern part of the west coast of Norway
- The merged bank will be part of the Sparebank1 Alliance
- The proposed name for the merged bank is Sparebank1 Nordmøre
- Allan Troelsen, CEO in Surnadal Sparebank, is proposed as CEO in the merged bank and Runar Wiik, chair in Sparebank1 Nordvest, is proposed as chair in the board of the merged bank
- Total assets, including transferred to Eika and Sparebank1 Boligkreditt, of NOK 30 billion
- Rationales for considering to merge are to improve competitiveness in local markets, expand market reach, improved profitability 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

<i>P&amp;L &amp; balance in NOK mil.</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Net interest income	3 512	3 631	3 777	3 949	4 163	4 275	4 556	4 955	5 151	5 827
Net commission income	662	734	863	1 142	1 320	1 260	1 195	1 359	1 418	1 576
Other income	43	44	40	39	39	37	38	35	33	27
Total income	4 217	4 409	4 681	5 130	5 523	5 572	5 789	6 349	6 601	7 430
Personnel and adm. expenses	2 061	2 134	2 243	2 344	2 491	2 669	2 780	2 913	2 912	3 026
Depreciation	123	98	95	100	110	117	131	139	139	153
Other costs	469	495	515	578	605	665	687	705	727	772
Total costs	2 653	2 726	2 852	3 023	3 206	3 451	3 598	3 756	3 778	3 951
Core earnings before loan losses	1 564	1 683	1 828	2 108	2 317	2 121	2 191	2 592	2 824	3 479
Impairment of loans and guarantees	404	458	329	389	315	237	233	197	178	169
Core earnings	1 160	1 225	1 499	1 719	2 002	1 884	1 957	2 395	2 645	3 310
Dividends/associated companies	177	189	89	257	238	348	397	421	422	577
Net return on financial investments	218	-78	217	228	132	-189	182	147	44	85
One-offs and loss/gain on long-term assets	376	-69	150	-61	181	217	314	-12	167	-4
Pre tax profit	1 931	1 267	1 955	2 142	2 553	2 260	2 851	2 951	3 278	3 968
Taxes	501	412	542	583	623	553	579	669	710	872
<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>	<b>2 569</b>	<b>3 095</b>
Gross loans	157 375	159 645	166 255	173 617	182 081	193 576	214 360	228 738	243 903	260 556
Gross loans incl. EBK	182 382	193 092	208 764	225 292	238 296	253 212	280 620	302 214	323 779	344 737
Deposits	120 419	128 567	137 142	144 975	156 594	164 697	178 098	187 805	198 358	211 338
Equity	16 748	17 525	18 833	20 422	22 268	23 624	26 240	28 865	31 608	34 949
Total assets	190 813	196 623	200 895	210 302	224 157	231 814	254 313	273 190	291 614	312 675
Total assets incl. EBK	215 820	230 070	243 403	261 977	280 371	291 450	320 573	346 666	371 491	396 856
Growth in loans	4,1 %	1,4 %	4,1 %	4,4 %	4,9 %	6,3 %	10,7 %	6,7 %	6,6 %	6,8 %
Growth in loans incl. EBK	7,3 %	5,9 %	8,1 %	7,9 %	5,8 %	6,3 %	10,8 %	7,7 %	7,1 %	6,5 %
Growth in deposits	7,5 %	6,8 %	6,7 %	5,7 %	8,0 %	5,2 %	8,1 %	5,5 %	5,6 %	6,5 %

Source: Bank Analyst Eika

# Eika banks - Key figures

Key figures	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Deposit ratio	76,5 %	80,5 %	82,5 %	83,5 %	86,0 %	85,1 %	83,1 %	82,1 %	81,3 %	81,1 %
Deposit over total funding	69,9 %	72,6 %	76,1 %	77,2 %	78,4 %	79,9 %	78,9 %	77,6 %	77,0 %	76,8 %
(Market funding - Liquid assets)/Total assets	11,6 %	7,8 %	6,3 %	5,4 %	3,1 %	4,2 %	5,9 %	6,3 %	6,8 %	6,8 %
Liquid assets/Total assets	15,5 %	16,9 %	15,1 %	15,0 %	16,2 %	13,7 %	12,9 %	13,5 %	13,5 %	13,6 %
Market funds/Total assets	27,1 %	24,7 %	21,4 %	20,4 %	19,3 %	17,8 %	18,8 %	19,8 %	20,3 %	20,4 %
Equity ratio	8,8 %	8,9 %	9,4 %	9,7 %	9,9 %	10,2 %	10,3 %	10,6 %	10,8 %	11,2 %
Common Equity Tier 1 ratio (CET1)	15,0 %	15,2 %	15,8 %	16,0 %	16,9 %	17,5 %	17,8 %	18,0 %	18,2 %	19,6 %
Core capital ratio	17,0 %	17,3 %	18,1 %	18,5 %	18,3 %	18,5 %	18,9 %	19,3 %	19,6 %	21,0 %
Capital ratio	18,2 %	18,2 %	18,6 %	18,7 %	18,9 %	19,2 %	20,0 %	20,7 %	21,4 %	22,9 %
Loan loss provision ratio	0,26 %	0,29 %	0,20 %	0,23 %	0,18 %	0,13 %	0,11 %	0,09 %	0,08 %	0,07 %
Loan loss provision/Pre-provision income	20,6 %	25,5 %	15,4 %	15,0 %	11,7 %	10,4 %	8,4 %	6,2 %	5,4 %	4,1 %
Gross problem loans/Gross loans	1,83 %	1,89 %	1,78 %	1,62 %	1,53 %	1,38 %	1,12 %	0,96 %	0,97 %	1,28 %
Net problem loans/Gross loans	1,34 %	1,38 %	1,32 %	1,20 %	1,13 %	1,01 %	0,84 %	0,72 %	0,75 %	1,02 %
Loan loss reserves/Gross loans	0,88 %	0,92 %	0,88 %	0,82 %	0,79 %	0,73 %	0,64 %	0,59 %	0,54 %	0,52 %
Problem loans/(Equity + LLR)	15,9 %	15,9 %	14,6 %	12,9 %	11,8 %	10,7 %	8,7 %	7,3 %	7,2 %	9,2 %
Net interest income/total assets	1,87 %	1,87 %	1,90 %	1,92 %	1,92 %	1,88 %	1,87 %	1,88 %	1,82 %	1,93 %
Net commission incom/total assets	0,35 %	0,38 %	0,43 %	0,56 %	0,61 %	0,55 %	0,49 %	0,52 %	0,50 %	0,52 %
Loss provision ratio	0,26 %	0,29 %	0,20 %	0,23 %	0,18 %	0,13 %	0,11 %	0,09 %	0,08 %	0,07 %
Cost/income ratio	57,5 %	60,3 %	57,2 %	53,8 %	54,4 %	60,2 %	56,5 %	54,3 %	53,5 %	48,8 %
Cost/income ratio (adjusted for net finance)	60,4 %	59,3 %	59,8 %	56,1 %	55,6 %	58,3 %	58,2 %	55,5 %	53,8 %	49,3 %
Cost/income ratio (adj. for net finance and dividend)	62,9 %	61,8 %	60,9 %	58,9 %	58,0 %	61,9 %	62,2 %	59,2 %	57,2 %	53,2 %
Net profit in % of total assets	0,76 %	0,44 %	0,71 %	0,76 %	0,89 %	0,75 %	0,93 %	0,87 %	0,91 %	1,02 %
Net profit/average RWA	1,38 %	0,80 %	1,29 %	1,37 %	1,61 %	1,37 %	1,74 %	1,63 %	1,72 %	2,00 %
Pre-provision income/average RWA	1,89 %	1,68 %	1,94 %	2,28 %	2,25 %	1,83 %	2,12 %	2,25 %	2,21 %	2,68 %
Core earnings in % of average RWA	1,12 %	1,14 %	1,36 %	1,51 %	1,67 %	1,52 %	1,50 %	1,71 %	1,77 %	2,14 %
Return on equity	8,9 %	5,0 %	7,8 %	7,9 %	9,0 %	7,4 %	9,1 %	8,3 %	8,5 %	9,3 %

Source: Bank Analyst Eika



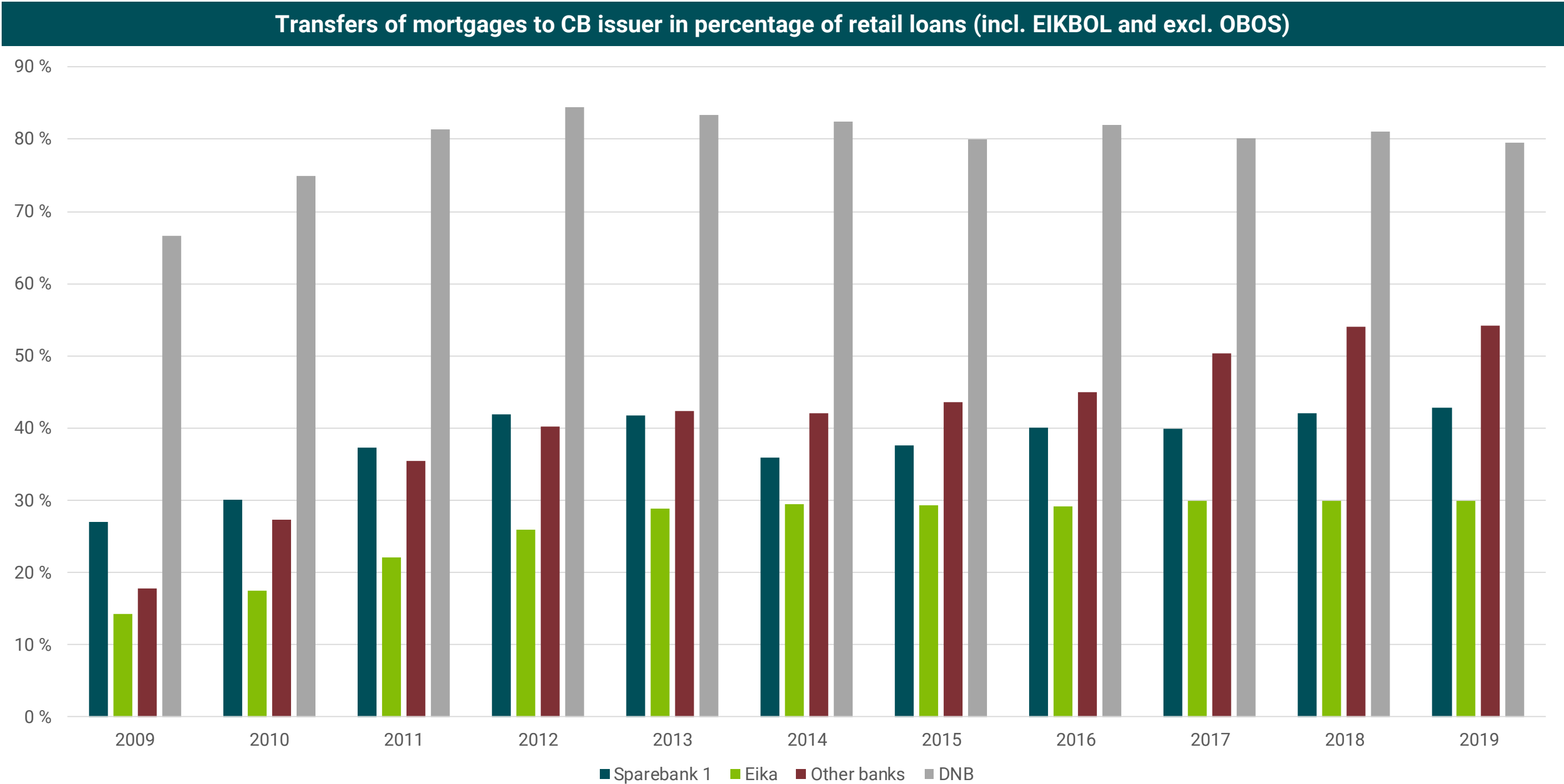
# Quarterly data - P&L and Key figures

<i>P&amp;L &amp; balance in NOK mil.</i>	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	<i>Key figures</i>	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20
Net interest income	1,256	1,301	1,359	1,321	1,405	1,516	1,584	1,547	1,283	Deposit ratio	84.4 %	81.8 %	81.3 %	81.8 %	83.5 %	81.8 %	81.1 %	82.3 %	85.3 %
Net commission income	362	349	352	340	363	420	453	409	366	Deposit over total funding	78.1 %	77.2 %	77.0 %	77.1 %	77.2 %	76.8 %	77.2 %	76.4 %	77.5 %
Other income	10	7	9	7	6	6	8	8	6	(Market funding - Liquid assets)/Total assets	4.0 %	5.9 %	6.8 %	6.3 %	4.6 %	5.7 %	6.8 %	5.6 %	3.1 %
Total income	1,628	1,656	1,720	1,668	1,774	1,942	2,045	1,964	1,654	Liquid assets/Total assets	15.4 %	14.2 %	13.5 %	14.0 %	15.5 %	14.7 %	13.6 %	15.1 %	16.6 %
Personnel and adm. expenses	664	738	773	765	658	767	835	555	439	Market funds/Total assets	19.4 %	20.1 %	20.3 %	20.3 %	20.1 %	20.4 %	20.0 %	20.7 %	19.8 %
Depreciation	35	32	36	38	37	38	41	38	39	Equity ratio	10.5 %	10.7 %	10.8 %	10.8 %	10.7 %	11.0 %	11.2 %	11.5 %	11.3 %
Other costs	174	176	187	188	201	182	201	461	448	Common Equity Tier 1 ratio (CET1)	17.2 %	17.1 %	18.2 %	17.8 %	17.4 %	17.4 %	19.6 %	19.4 %	19.0 %
Total costs	873	947	997	990	896	987	1,077	1,054	926	Core capital ratio	18.7 %	18.5 %	19.6 %	19.1 %	18.8 %	18.7 %	21.0 %	20.7 %	20.3 %
Core earnings before loan losses	755	709	724	678	878	955	968	910	728	Capital ratio	20.4 %	20.3 %	21.4 %	20.9 %	20.6 %	20.6 %	22.9 %	22.5 %	22.2 %
Impairment of loans and guarantees	38	23	91	23	16	21	109	305	136	Loan loss provision ratio	0.06 %	0.04 %	0.15 %	0.04 %	0.02 %	0.03 %	0.17 %	0.47 %	0.21 %
Core earnings	717	686	633	655	862	935	859	605	592	Loan loss provision/Pre-provision income	3.2 %	3.1 %	12.6 %	3.1 %	1.1 %	2.1 %	10.7 %	46.6 %	8.9 %
Dividends/associated companies	373	12	13	26	499	7	45	17	562	Gross problem loans/Gross loans	1.03 %	1.05 %	0.97 %	1.01 %	1.13 %	1.16 %	1.28 %	1.39 %	1.35 %
Net return on financial investments	31	17	-15	35	21	19	10	-274	240	Net problem loans/Gross loans	0.80 %	0.83 %	0.75 %	0.79 %	0.93 %	0.95 %	1.02 %	1.11 %	1.06 %
One-offs and loss/gain on long-term assets	44	30	89	0	9	-3	-11	-4	-9	Loan loss reserves/Gross loans	0.55 %	0.53 %	0.54 %	0.54 %	0.51 %	0.51 %	0.52 %	0.58 %	0.60 %
Pre tax profit	1,165	745	721	716	1,391	958	903	344	1,384	Problem loans/(Equity + LLR)	7.7 %	7.8 %	7.2 %	7.5 %	8.3 %	8.4 %	9.2 %	9.5 %	9.1 %
Taxes	212	185	150	180	246	234	212	96	223	Net interest income/total assets	1.78 %	1.80 %	1.87 %	1.80 %	1.85 %	1.95 %	2.03 %	1.95 %	1.57 %
<b>Net profit</b>	<b>953</b>	<b>561</b>	<b>571</b>	<b>536</b>	<b>1,145</b>	<b>723</b>	<b>690</b>	<b>248</b>	<b>1,161</b>	Net commission incom/total assets	0.51 %	0.48 %	0.49 %	0.46 %	0.48 %	0.54 %	0.58 %	0.51 %	0.45 %
Gross loans	236,454	240,666	243,903	246,930	253,514	257,299	260,556	262,726	265,403	Loss provision ratio	0.06 %	0.04 %	0.15 %	0.04 %	0.02 %	0.03 %	0.17 %	0.47 %	0.21 %
Gross loans incl. EBK	313,395	318,474	323,779	327,672	335,645	340,570	344,737	348,426	353,267	Cost/income ratio	43.0 %	56.2 %	58.0 %	57.3 %	39.1 %	50.1 %	51.3 %	61.6 %	37.7 %
Deposits	199,511	196,904	198,358	202,039	211,800	210,493	211,338	216,196	226,481	Cost/income ratio (adjusted for net finance)	43.6 %	56.8 %	57.5 %	58.5 %	39.4 %	50.6 %	51.6 %	53.1 %	41.8 %
Equity	30,406	31,041	31,608	32,005	33,368	34,162	34,949	37,006	37,603	Cost/income ratio (adj. for net finance and divid	53.6 %	57.2 %	57.9 %	59.4 %	50.5 %	50.8 %	52.7 %	53.6 %	56.0 %
Total assets	289,333	289,328	291,614	296,779	310,486	311,973	312,675	322,778	331,998	Net profit in % of total assets	1.35 %	0.78 %	0.79 %	0.73 %	1.51 %	0.93 %	0.88 %	0.31 %	1.42 %
Total assets incl. EBK	366,275	367,136	371,491	377,521	392,616	395,244	396,856	408,478	419,862	Net profit/average RWA	2.57 %	1.48 %	1.50 %	1.39 %	2.89 %	1.79 %	1.74 %	0.63 %	2.87 %
Growth in loans	2.7 %	1.8 %	1.3 %	1.2 %	2.7 %	1.5 %	1.3 %	0.8 %	1.0 %	Pre-provision income/average RWA	3.12 %	1.96 %	1.90 %	1.91 %	3.53 %	2.43 %	2.57 %	1.65 %	3.78 %
Growth in loans incl. EBK	2.5 %	1.6 %	1.7 %	1.2 %	2.4 %	1.5 %	1.2 %	1.1 %	1.4 %	Core earnings in % of average RWA	1.90 %	1.82 %	1.65 %	1.68 %	2.13 %	2.31 %	2.20 %	1.51 %	1.45 %
Growth in deposits	4.8 %	-1.3 %	0.7 %	1.9 %	4.8 %	-0.6 %	0.4 %	2.3 %	4.8 %	Return on equity	12.8 %	7.3 %	7.3 %	6.7 %	14.0 %	8.6 %	8.0 %	2.8 %	12.5 %

Source: Bank Analyst Eika

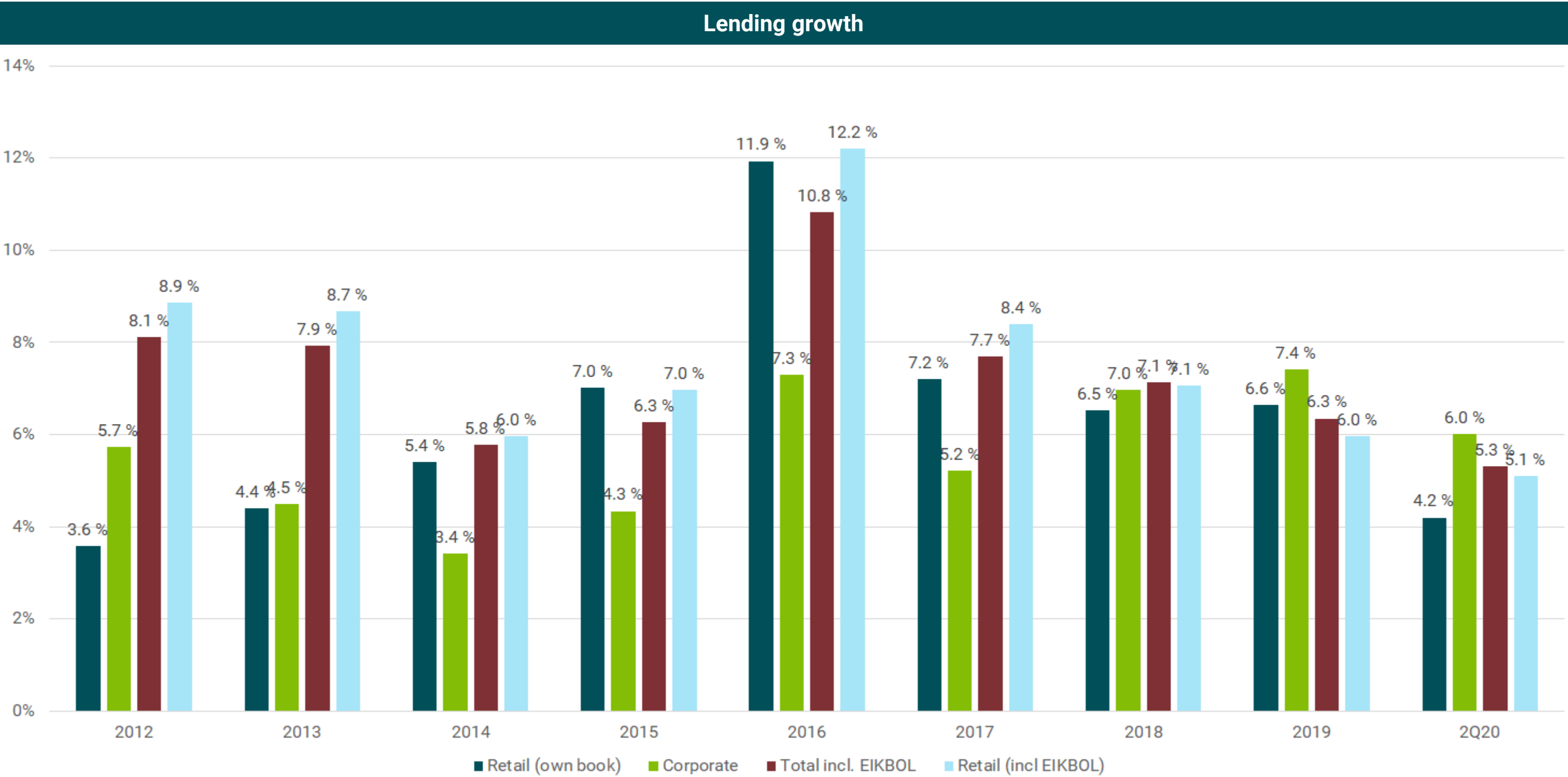


# Banks – transfer rate to Cov. Bond companies



Source: Bank Analyst Eika

# Eika banks - lending growth



Source: Bank Analyst Eika

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