

# Eika Boligkreditt

Investor presentation

*February 2021*



# Executive summary

## • The economy

- GDP-growth -2.5% in 2020, but rebound expected in 2021
- COVID-19 related measures will weaken budget by NOK 131 billion to a deficit of NOK 392 billion in 2020 financed by increased transfers from Pension Fund Global (3.9% of ingoing value of fund)
- Unemployment rate 4.4% in January 2021
- Strong housing market, house prices +9.0% post COVID-19
- Lower oil prices will cause lower petroleum investments (-4.8% in 2020 and -6.0% 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 at Eika
- Eika Boligkreditt' Green Bond Framework
- Appendix
- Disclaimer

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

| Estimate changes in non-oil Fiscal Budget deficit for 2020 as a result of economic measures and changed outlook for economy. | Billion NOK. |
|--|--------------|
| <b>Measures for businessse</b>   | <b>67.3</b>  |
| Mitigating income loss for businesses  | 35.9         |
| Compensation (cash pay-out) to enterprises with severe income loss   | 7            |
| Aviation sector, including loss provision to guarantee scheme  | 14.3         |
| Loss provisioning, government guarantees for bank loans to business  | 10           |
| <b>Extention of income protection schemes for persons</b>  | <b>15.8</b>  |
| <b>Other compensation schemes</b>  | <b>11.1</b>  |
| Strengthening of critical infrastructure sectors   | 29.8         |
| Other measures   | 7            |
| <b>Sum discretionary measures</b>  | <b>131</b>   |

# The Norwegian economy – Key indicators

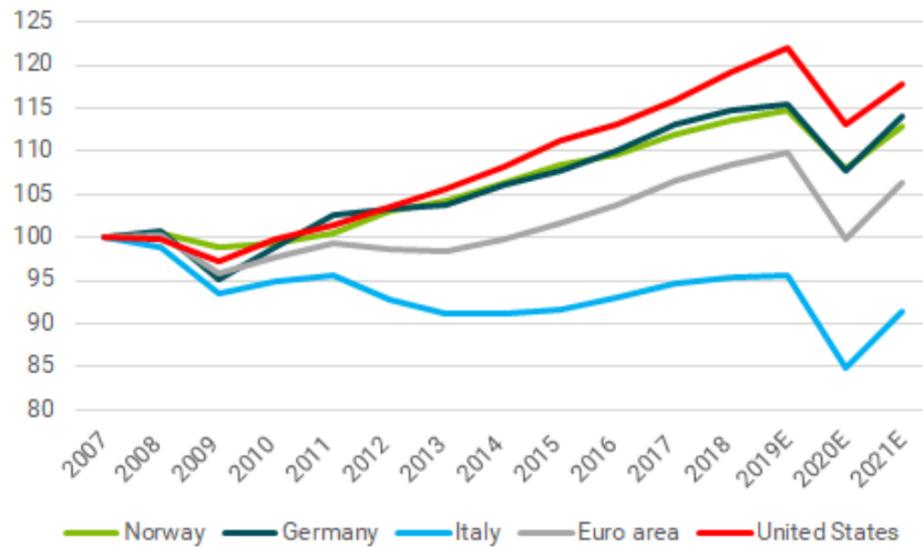
- Constitutional monarchy; Non EU member (EEA member); Population of 5.3 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated to be 48% higher than the average in EU (28 countries)
- GDP growth expected to fall by 3.0 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.7% 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 % | -3.0 % | 3.7 %  | 3.6 % | 2.9 % |
| Consumer price inflation           | 2.0 % | 2.1 % | 3.6 % | 1.8 % | 2.7 % | 2.2 % | 1.3 %  | 2.5 %  | 2.4 % | 2.1 % |
| Unemployment                       | 3.6 % | 4.5 % | 4.7 % | 4.2 % | 3.8 % | 3.7 % | 4.8 %  | 4.5 %  | 3.9 % | 3.9 % |
| Private Consumption                | 2.1 % | 2.7 % | 1.1 % | 2.2 % | 1.6 % | 1.4 % | -8.0 % | 8.1 %  | 5.9 % | 3.1 % |
| Household savings rate             | 7.7 % | 9.8 % | 6.9 % | 6.6 % | 5.9 % | 8.0 % | 14.7 % | 10.0 % | 6.9 % | 7.1 % |
| Houseprices                        | 2.7 % | 6.1 % | 7.0 % | 5.0 % | 1.4 % | 2.5 % | 4.0 %  | 3.9 %  | 3.7 % | 3.7 % |
| Mortgage rate (flexi loans)        | 3.9 % | 3.2 % | 2.6 % | 2.6 % | 2.7 % | 3.0 % | 2.5 %  | 2.0 %  | 2.1 % | 2.4 % |
| Government net lending as % of GDP | 8.6 % | 6.0 % | 4.1 % | 5.0 % | 7.8 % | 6.2 % | -1.3 % | 1.8 %  | 2.2 % | n/a   |
| Government pension fund / GDP      | 204 % | 239 % | 241 % | 257 % | 233 % | 266 % | 284 %  | 286 %  | 290 % | 297 % |

Source: Statistics Norway – Konjunkturtendensen 4/2020, OECD – Economic Outlook No. 108 November 2020 and Norges Bank

# The Norwegian economy – Solid economic situation

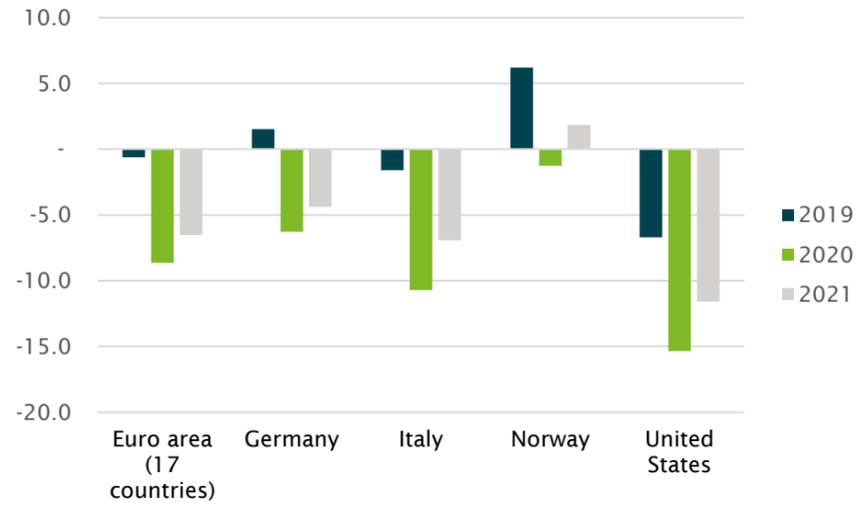
Real GDP growth (rebased to 100 in 2007)



Source: OECD Economic Outlook No. 108 (database), November 2020

- Economic growth at an annual average of 1.9% for Norwegian mainland GDP last 10 years, but -2.1% in Q1, “all time low” of -6.0% in Q2 and rebound of +5.2% in Q3 2020
- Strong current account surplus averaging 8.5% of GDP since 2010

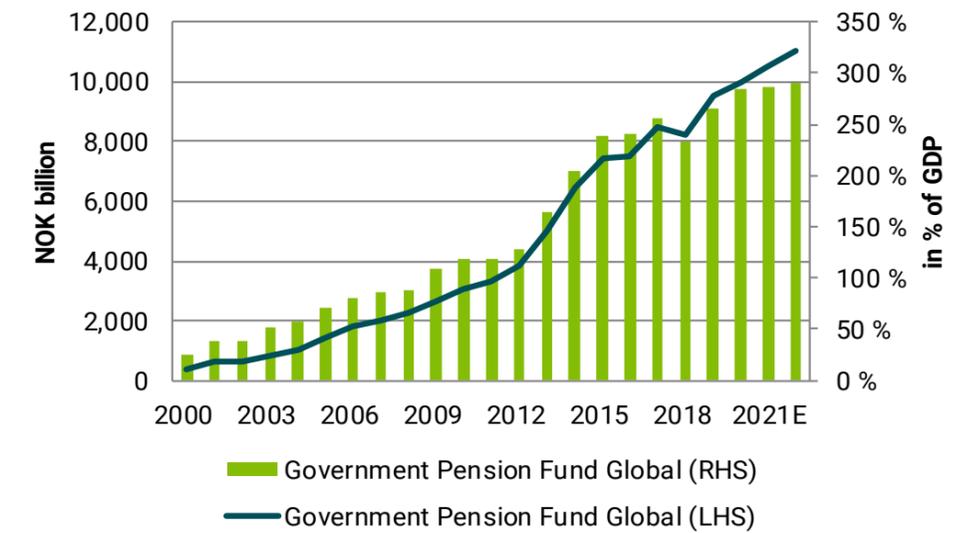
Government net lending (% of GDP)



Source: OECD Economic Outlook No. 108 (database), November 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

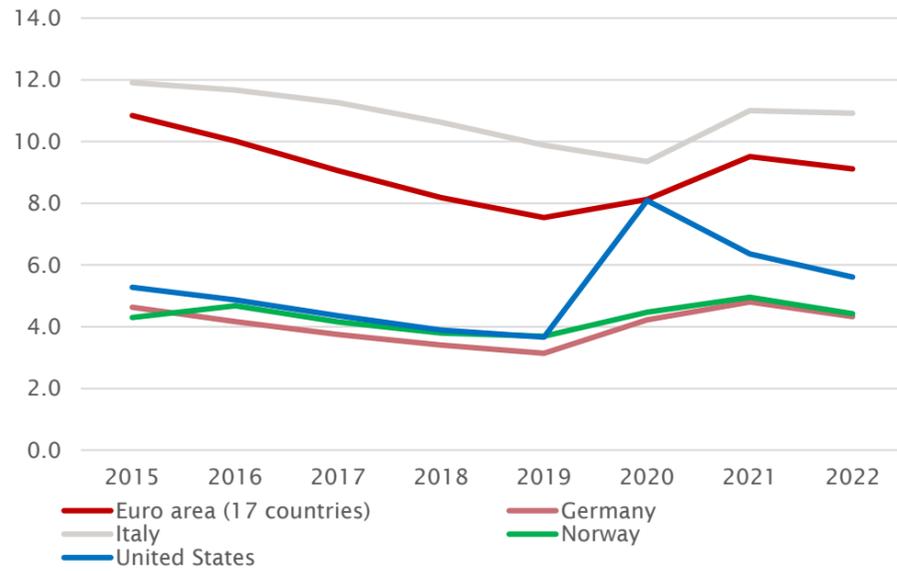


Source : Norges Bank, Statistics Norway

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

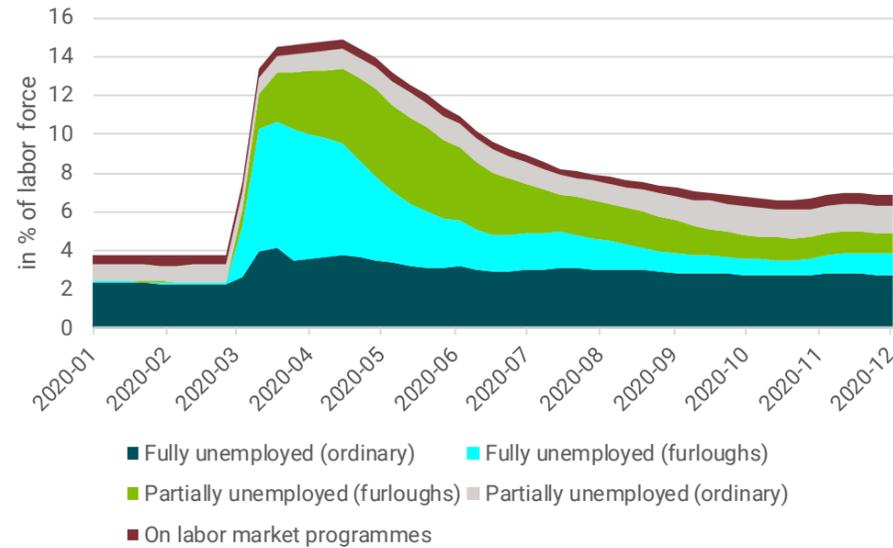
# The Norwegian economy – Unemployment

## Norway has consistently low unemployment rate historically



Source: OECD Economic Outlook No. 108 (database), November 2020

## Unemployment rate



Source: NAV and Norges Bank, MPR December 2020

## Registered unemployment in % of labour force and # by profession

| Professions                       | #              | % of labour force | Change in # YoY | Change in % YoY | % of labour force last year |
|-----------------------------------|----------------|-------------------|-----------------|-----------------|-----------------------------|
| <b>All</b>                        | <b>123 969</b> | <b>4,4</b>        | <b>55 919</b>   | <b>82</b>       | <b>2,4</b>                  |
| Managers                          | 5 235          | 5,4               | 3 033           | 138             | 2,3                         |
| Engineers & IT                    | 5 412          | 1,9               | 2 241           | 71              | 1,1                         |
| Teaching                          | 2 433          | 1,1               | 838             | 53              | 0,7                         |
| Academical professions            | 1 689          | 1,3               | 479             | 40              | 0,9                         |
| Health and care services          | 5 346          | 1,3               | 956             | 22              | 1,0                         |
| Child and youth work              | 3 600          | 3,3               | 721             | 25              | 2,6                         |
| Brokers & consultants             | 3 091          | 2,0               | 1 053           | 52              | 1,3                         |
| Office workers                    | 10 416         | 5,8               | 4 780           | 85              | 3,1                         |
| Store and sales work              | 15 448         | 5,7               | 7 421           | 92              | 3,0                         |
| Agriculture, forestry and fishery | 1 716          | 3,2               | 257             | 18              | 2,7                         |
| Construction & building           | 11 724         | 5,4               | 3 338           | 40              | 3,8                         |
| Industrial work                   | 9 908          | 5,2               | 3 259           | 49              | 3,5                         |
| Tourism & transportation          | 24 917         | 13,5              | 18 395          | 282             | 3,5                         |
| Services & other employment       | 14 444         | 5,7               | 7 353           | 104             | 2,8                         |
| No profession or unknown          | 8 590          | *                 | 1 795           | 26              | *                           |

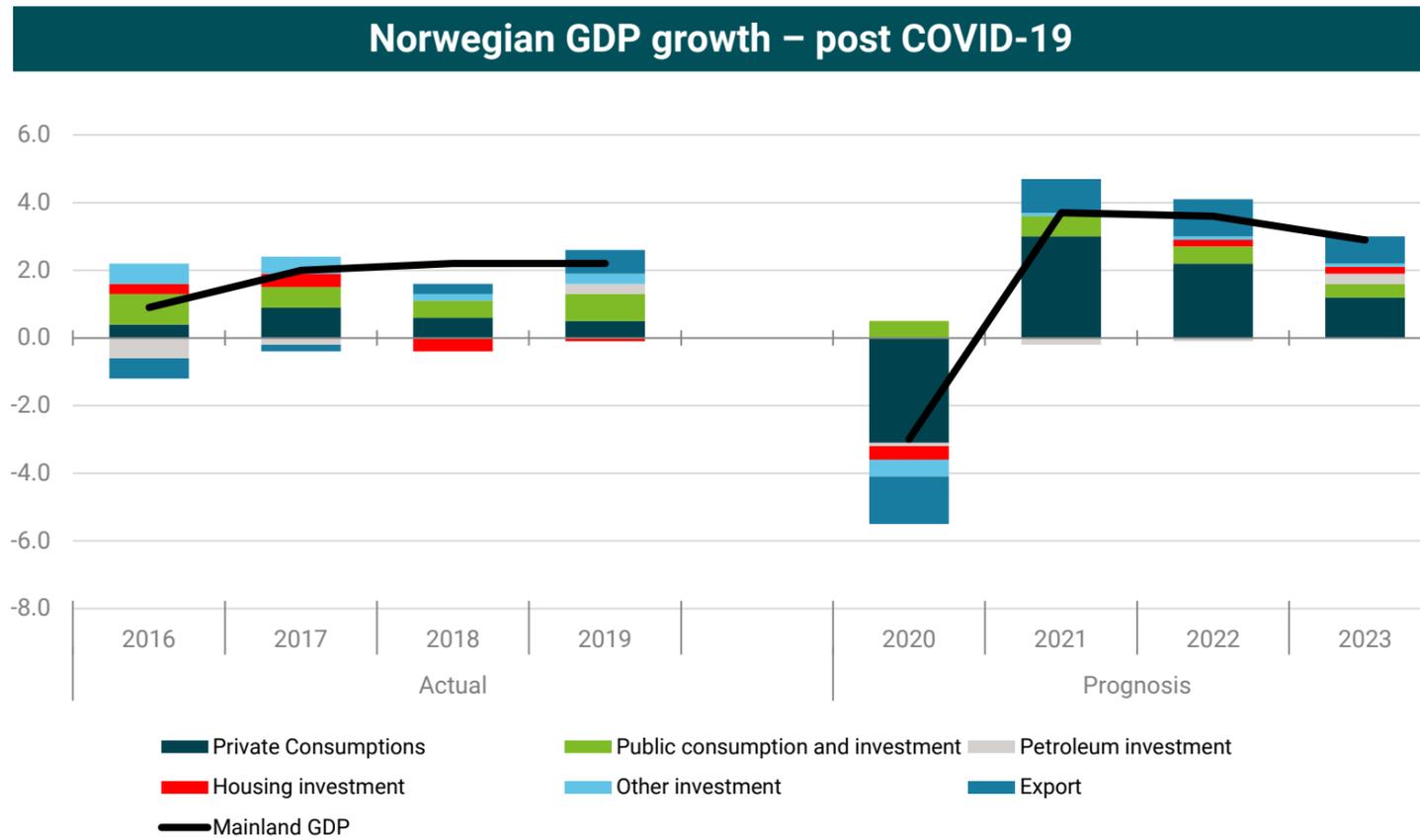
Source: NAV, January 2021

- 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. Labour market have deteriorated somewhat lately after stricter measures in January due to mutant COVID-19 spread to Oslo region

- Significant growth in employment since 2016 until COVID-19
- 4.4% unemployment rate, up from 2.3% before COVID-19 measures implemented, but down from local high of 10.4% March 24<sup>th</sup>

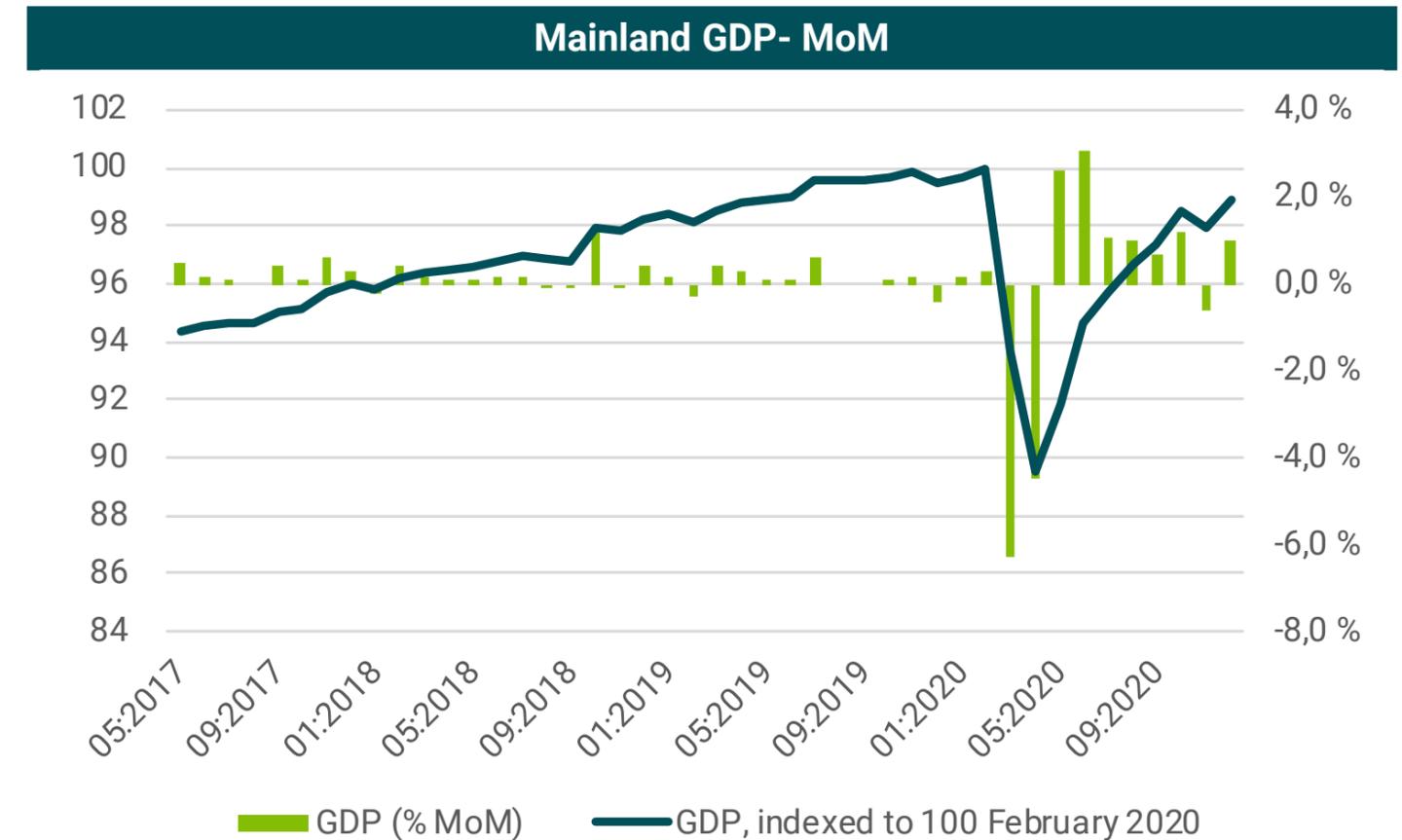
- A strong welfare system provides significant income protection: unemployment benefit is 62.4% of salary (capped at NOK 599,148) for a minimum of 104 weeks. COVID-19 related measure is to increase benefit to 80% of first NOK 300,000

# The Norwegian economy – post COVID-19 outbreak



Source: Statistics Norway, Konjunkturtendensene 4/2020

- GDP growth expected to fall by 3.0 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.7% driven by a reversal of negative development in private consumption and export in 2020.



Source: Statistics Norway, December 2020

- The Norwegian economy contracted in March and April (-10.5%) but have showed a strong rebound from May to December. Mainland GDP contracted 2.5 % in 2020 after +1.9% in Q4.

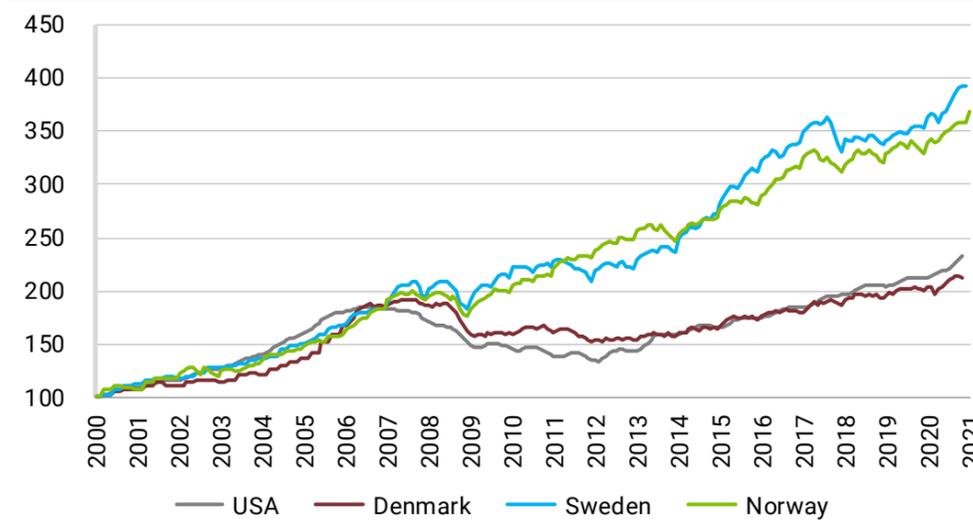
# The housing market characteristics in Norway

|                                  |   |                             |   |
|----------------------------------|---|-----------------------------|---|
| <h2>Home ownership</h2>          | <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>   | <h2>Personal liability</h2> | <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> |
| <h2>MoF lending regulation*</h2> | <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> | <h2>Mortgage lending</h2>   | <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>             |
| <h2>Tax incentives</h2>          | <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

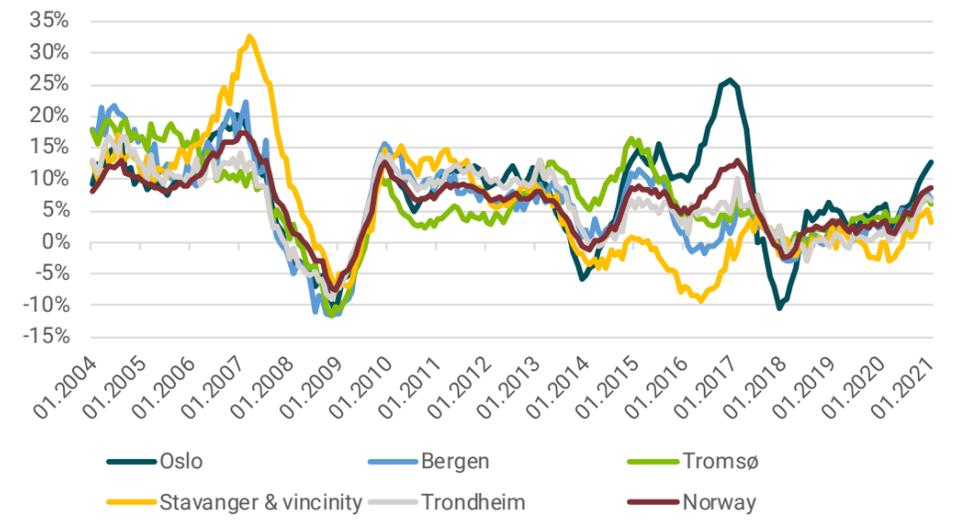
# The housing market – Price development

**Nominal house price development**



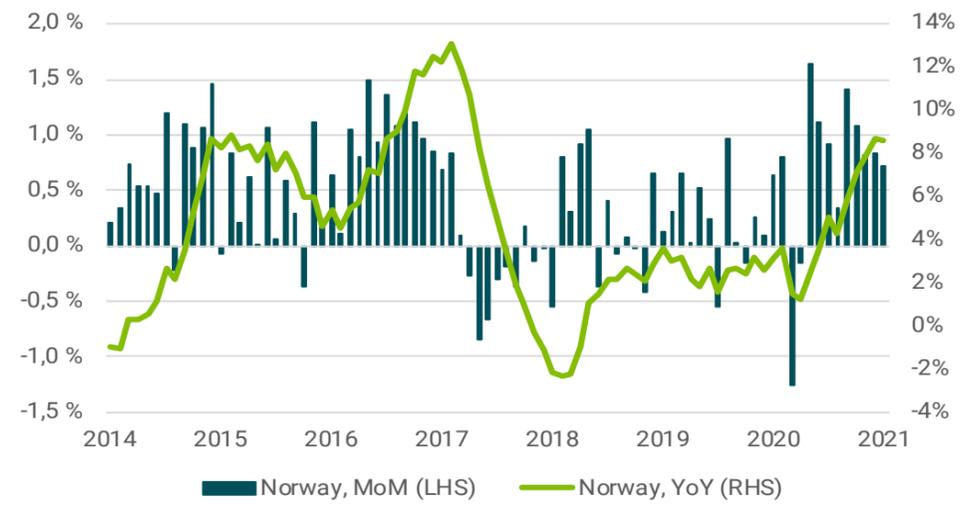
Source: S&P CoreLogic Case-Shiller US National Home Price NSA Index, Danmark statistik EJ14, Valueguard HOX® Index, Eiendomsverdi, November 2020 – January 2021

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



Source: Eiendom Norge, Eiendomsverdi, Finn.no, NEF, January 2021

**House prices (monthly and twelve-month change)**



Source: Eiendom Norge, Eiendomsverdi og Finn.no, January 2021

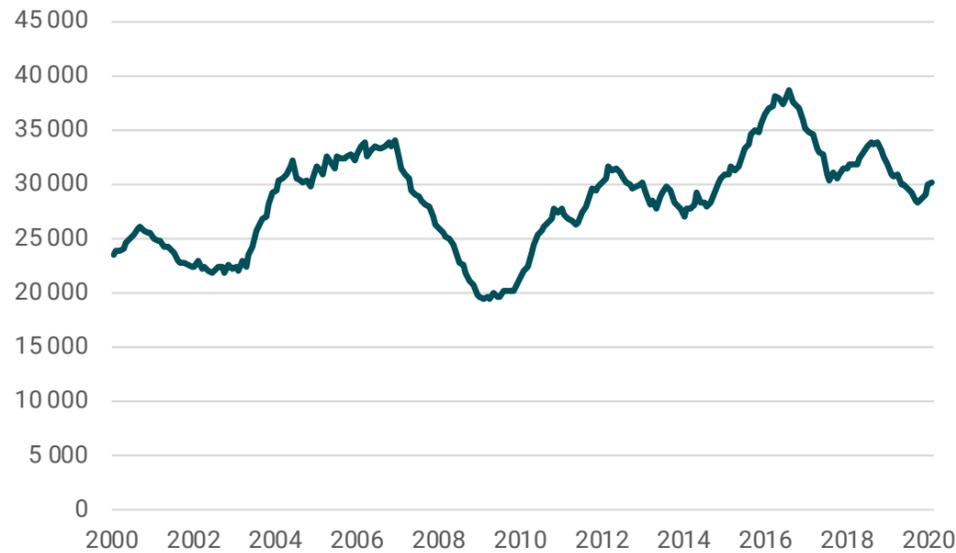
- Nominal house prices have increased by an average of 6.4% per annum since 2000
- The Norwegian housing market stabilized in 2018 and 2019 after volatile price development in 2016 and 2017. +8.7% in 2020, +9.0% post COVID-19

- 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

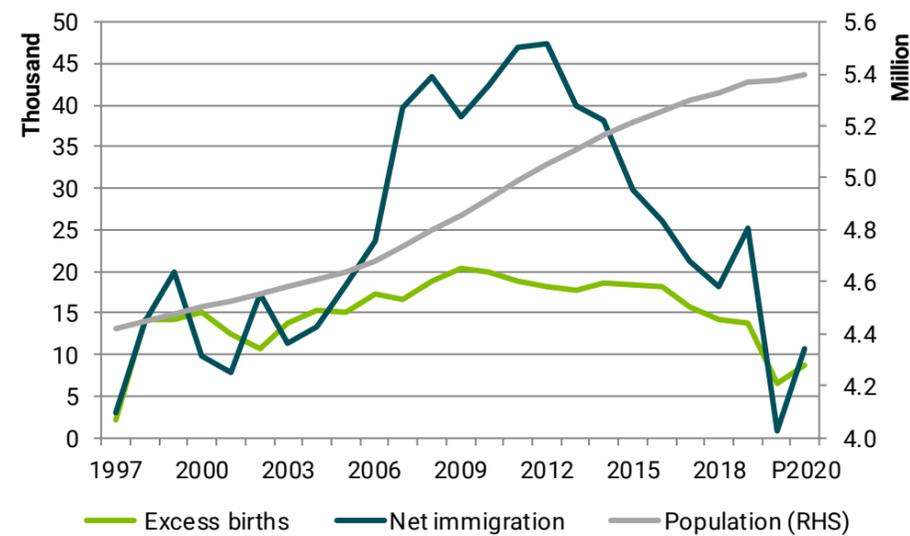
Housing starts (twelve-month change)



Source: Statistics Norway, January 2021

- Housing investments and new home construction are expected to remain at current levels going forward after a moderate growth last two years. Housing starts down by 5 % in 2020 compared to 2019

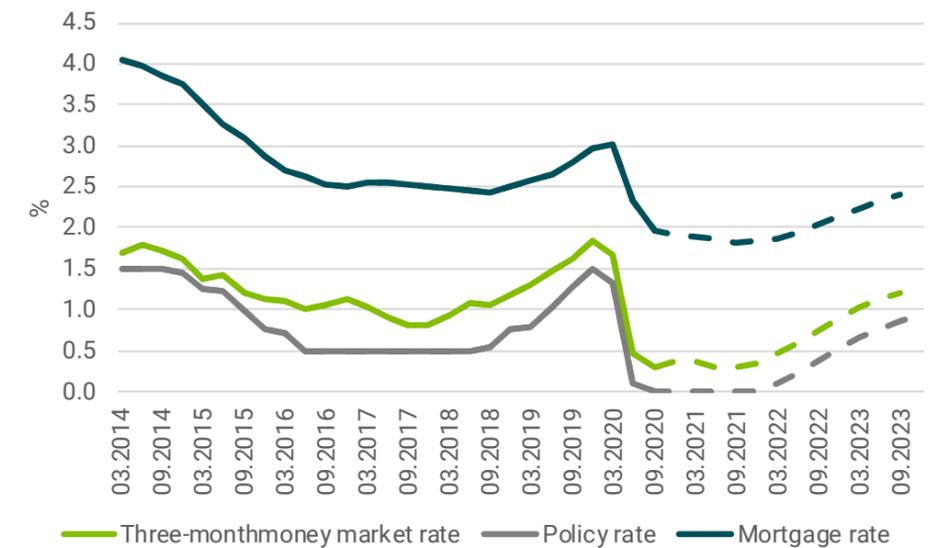
Population growth



Source: Statistics Norway, Q3 2020

- 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 (38%) and net immigration (62%)

Interest rates

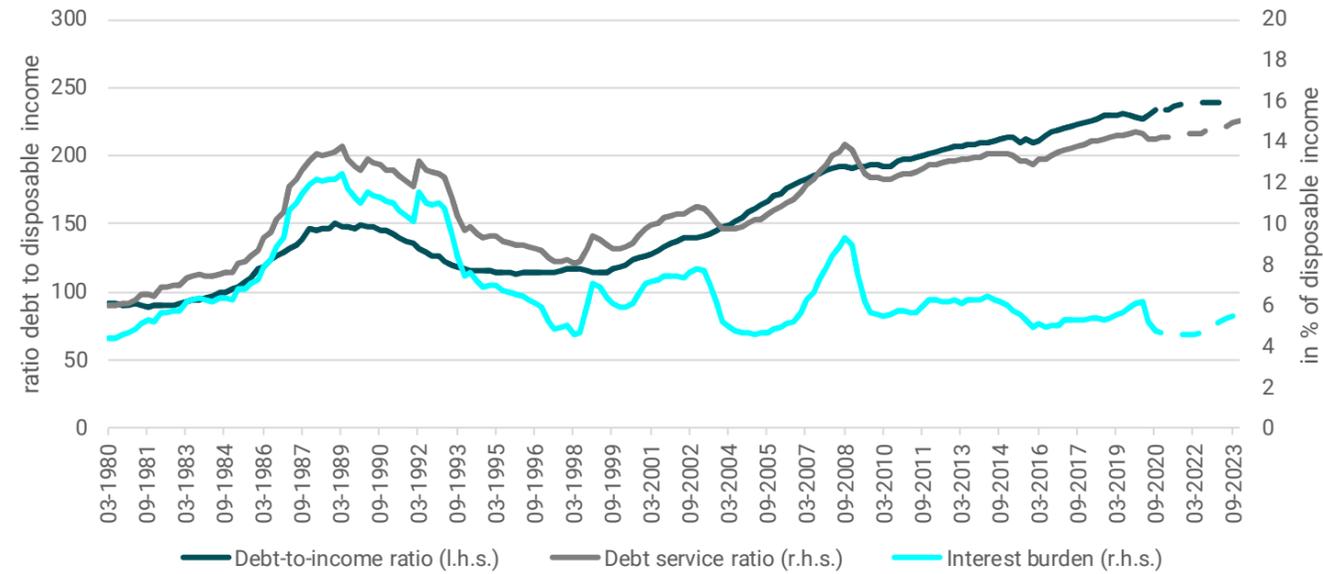


Source: Norges Bank, MPR December 2020

- Average variable mortgage rates was 1,86% in October. Development going forward will depend on the developments in the level in money market rates and funding costs and the competition between banks

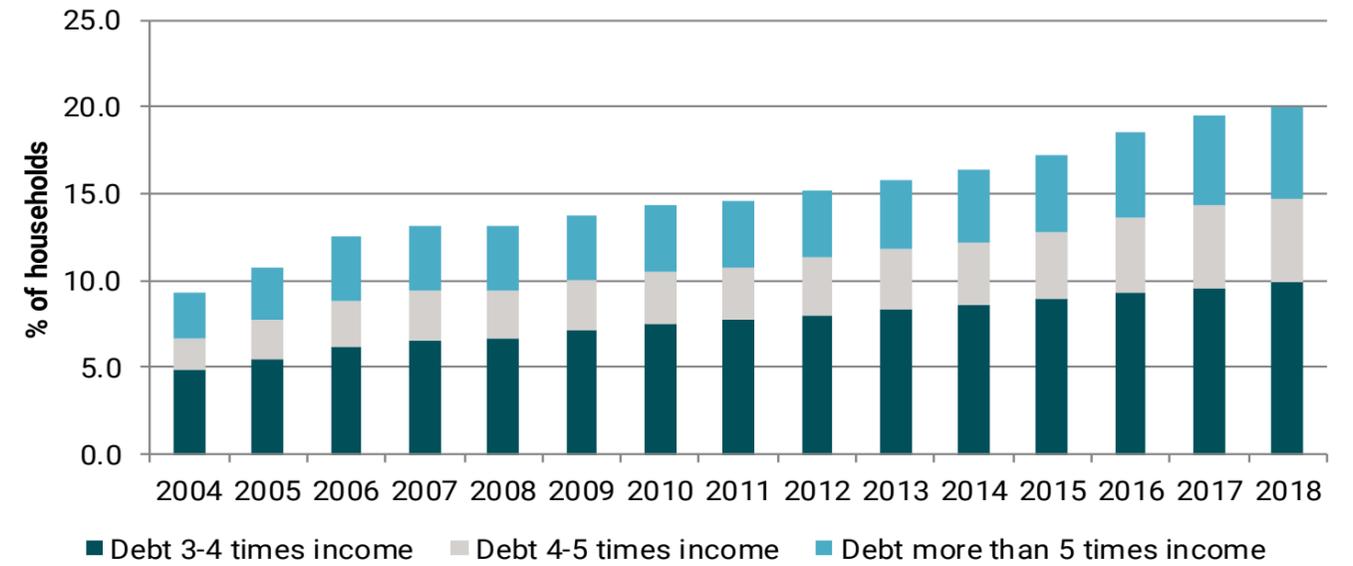
# Households financial position

## Household interest burden and debt-to-income ratio



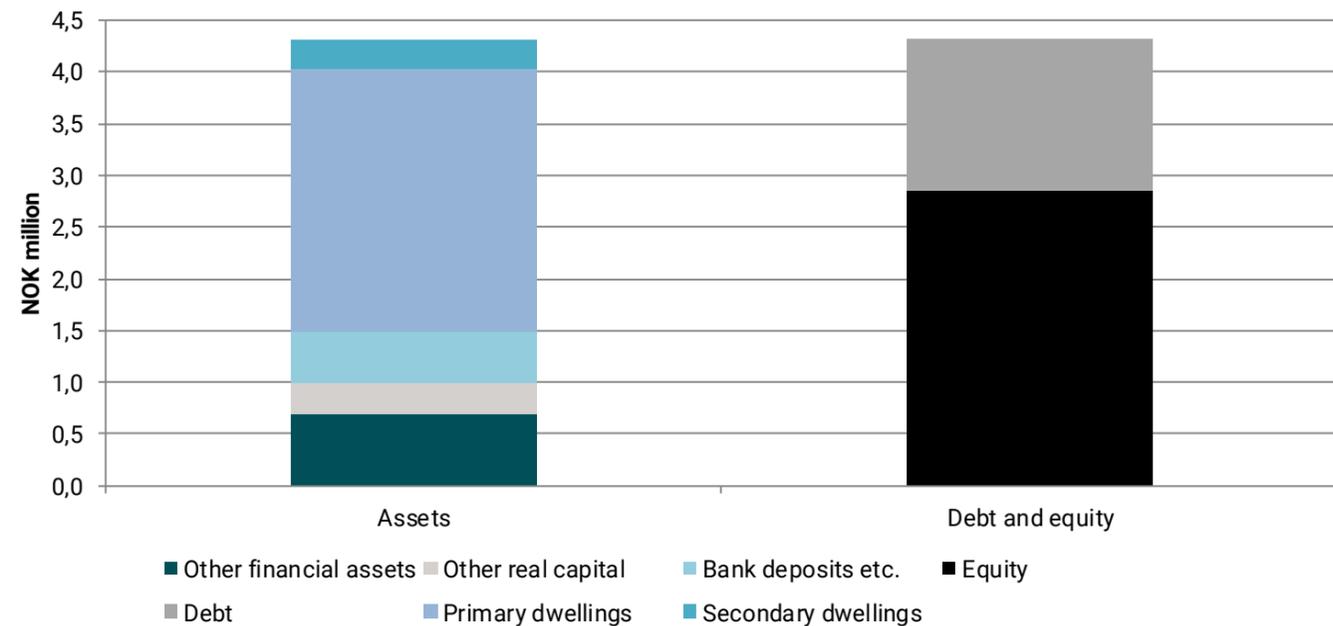
Source: Statistics Norway and Norges Bank, MPR December 2020

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



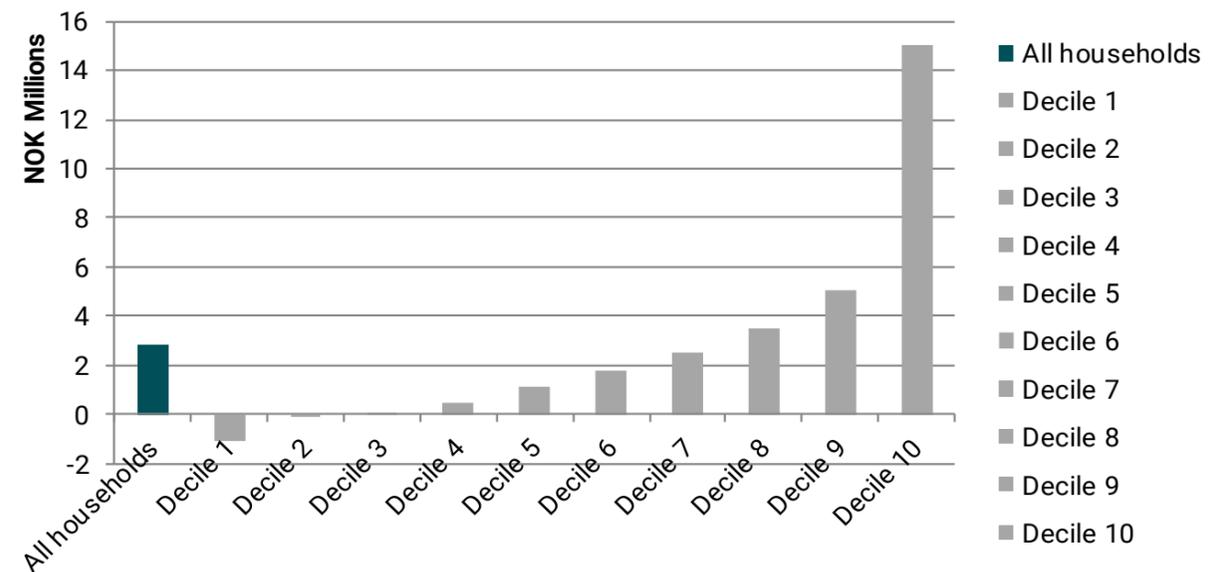
Source: Statistics Norway, Updated 2018

## Household balance sheet



Source: Statistics Norway Updated 2018

## Norwegian households net wealth (in NOK)



Source: Statistics Norway, Updated 2018

# Agenda

- The Norwegian economy
- Eika Alliance
- Eika Boligkreditt
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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

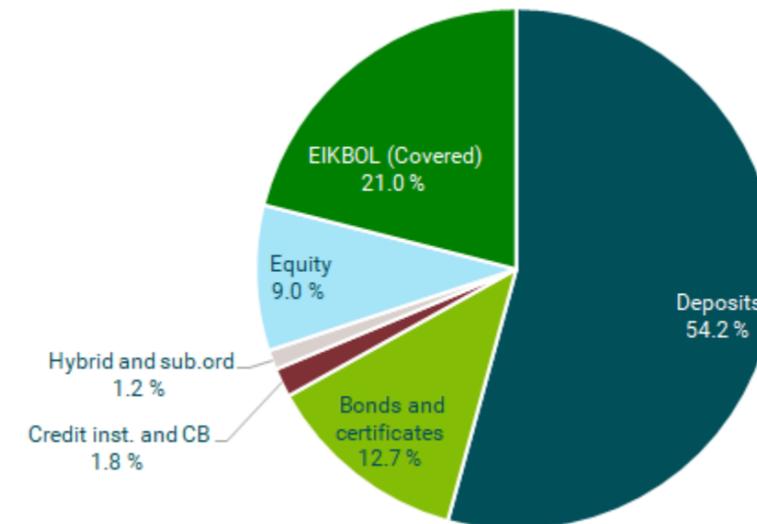
### Efficiency

- 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

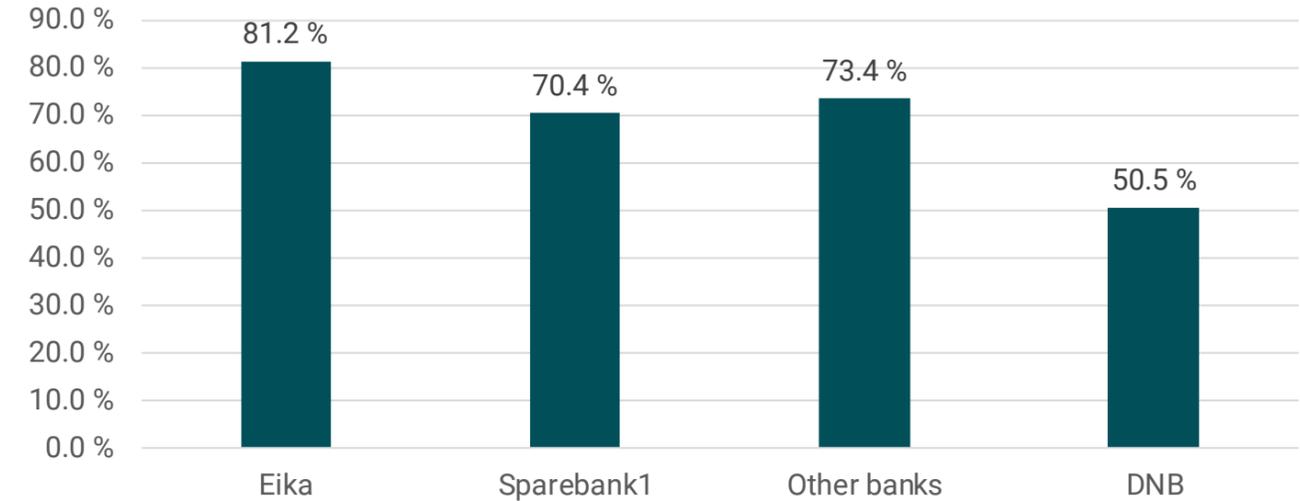
## Local market focus

- 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

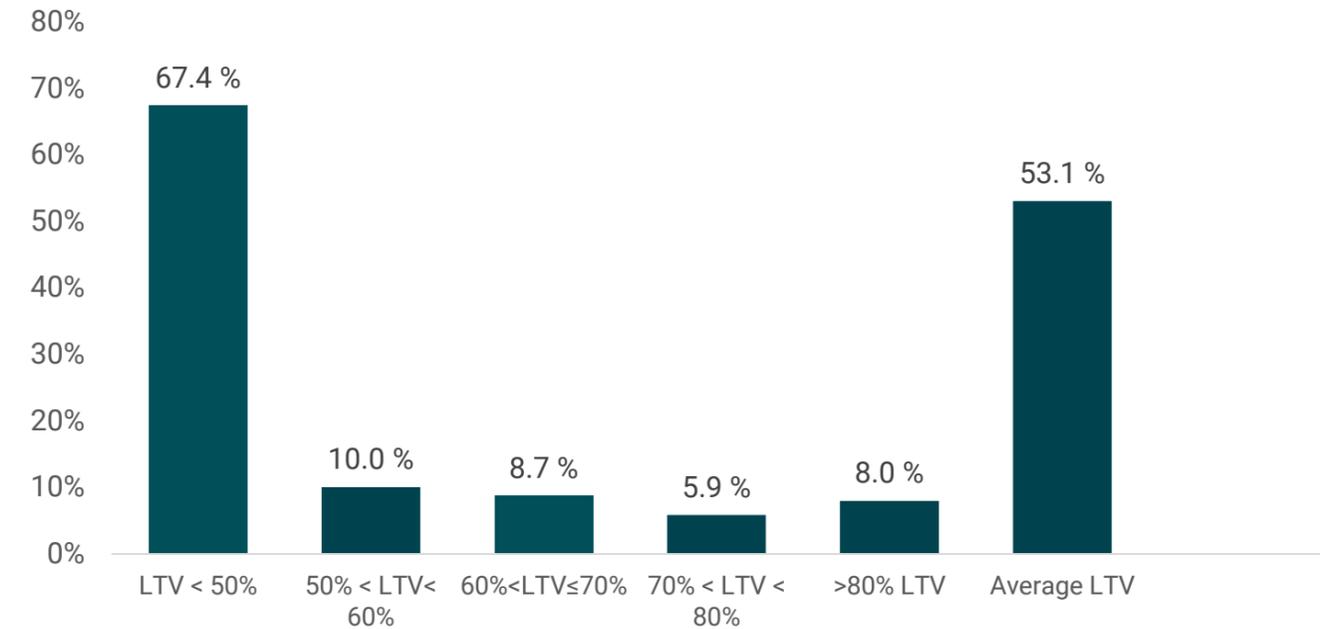


Source: Bank analyst Eika as of Q2 2020

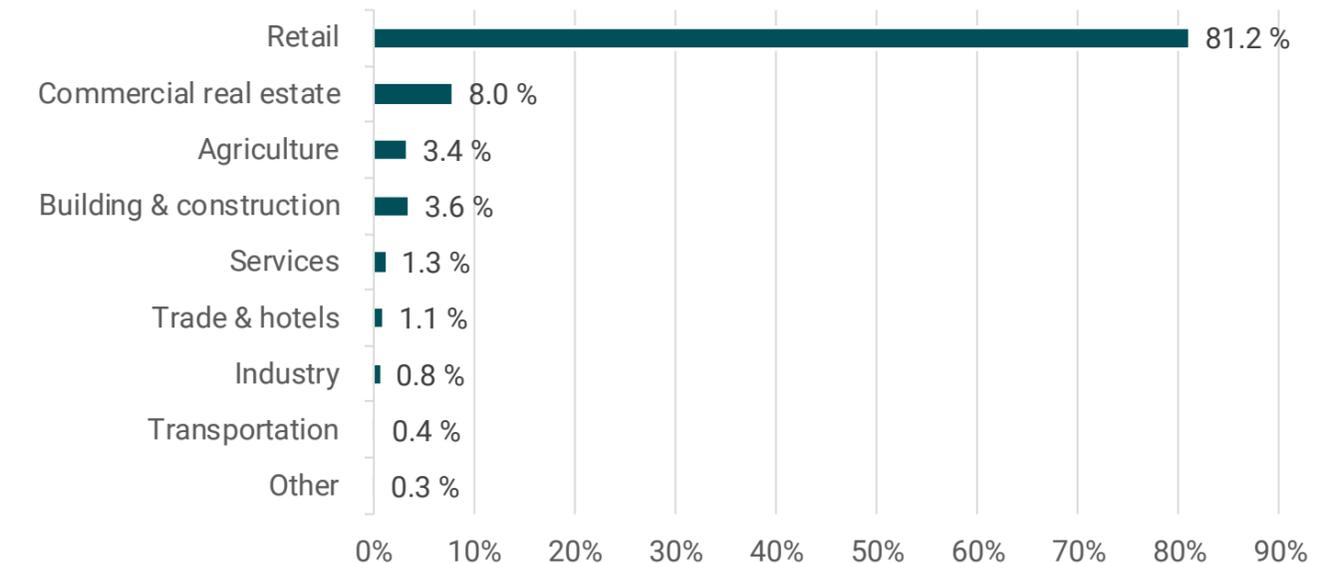
# High asset quality

- 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)**

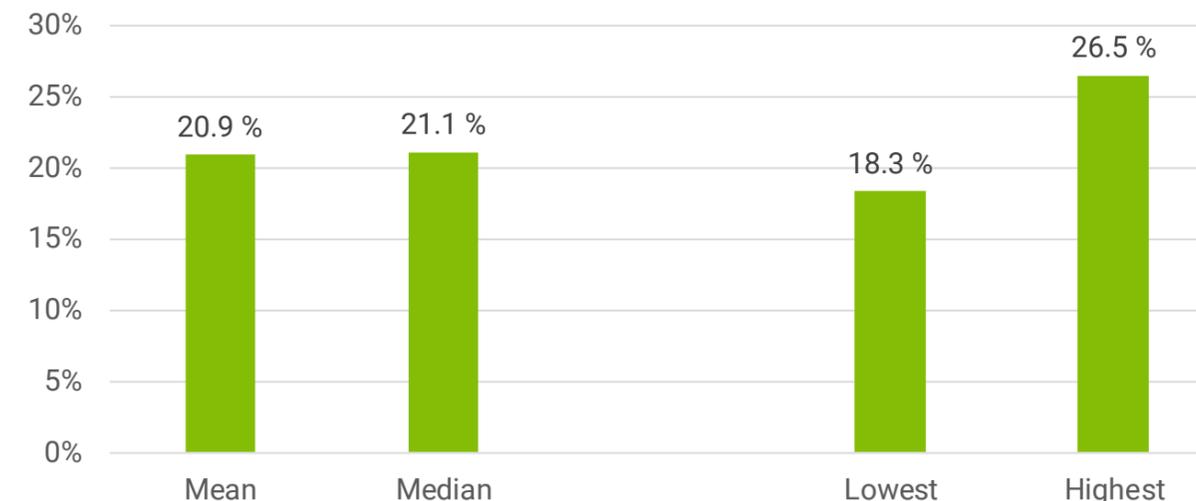
- Lowest: 18.3%
- Highest: 26.5%

- 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**

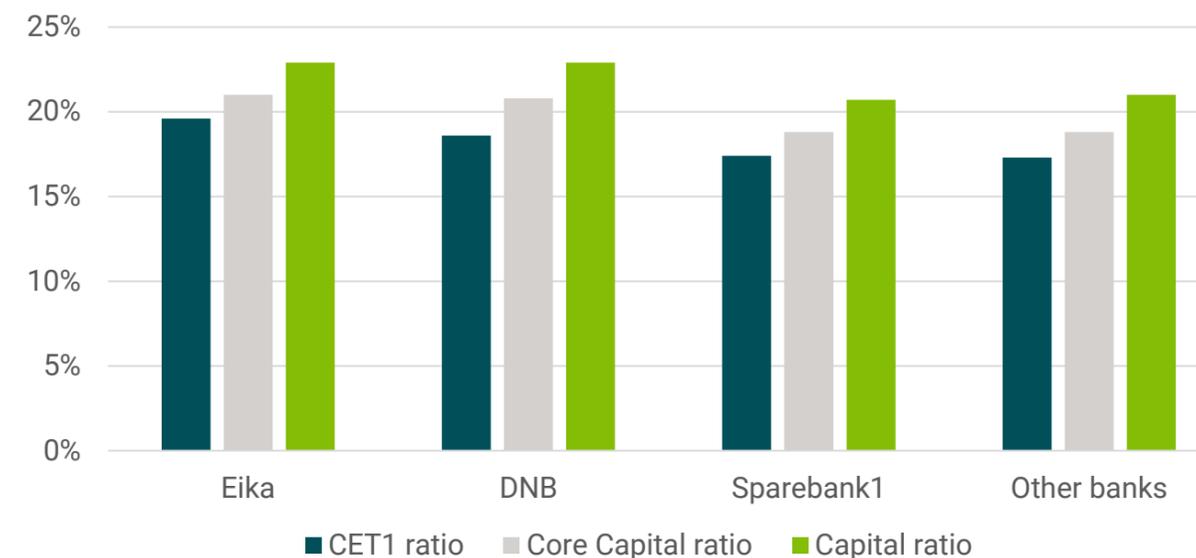
## Core capital ratio – Eika banks

As of Q4 2019

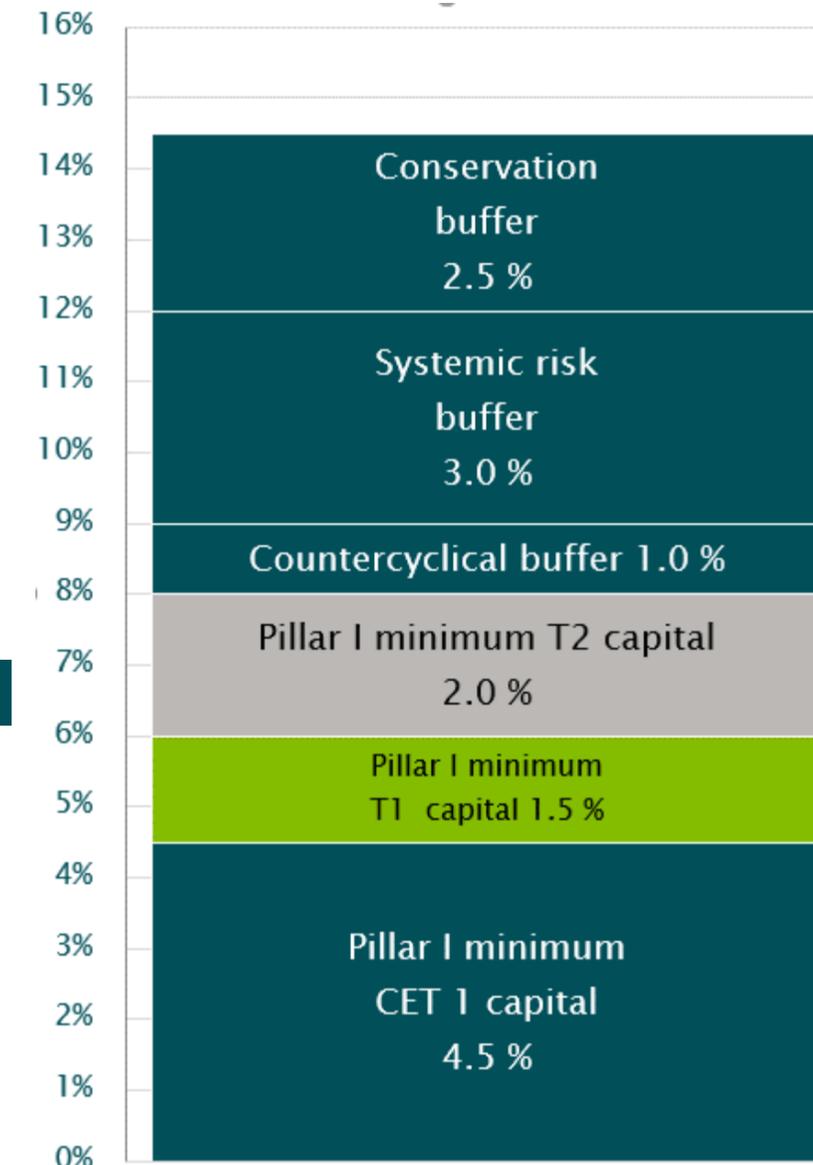


## Capital ratio - Norwegian banks

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

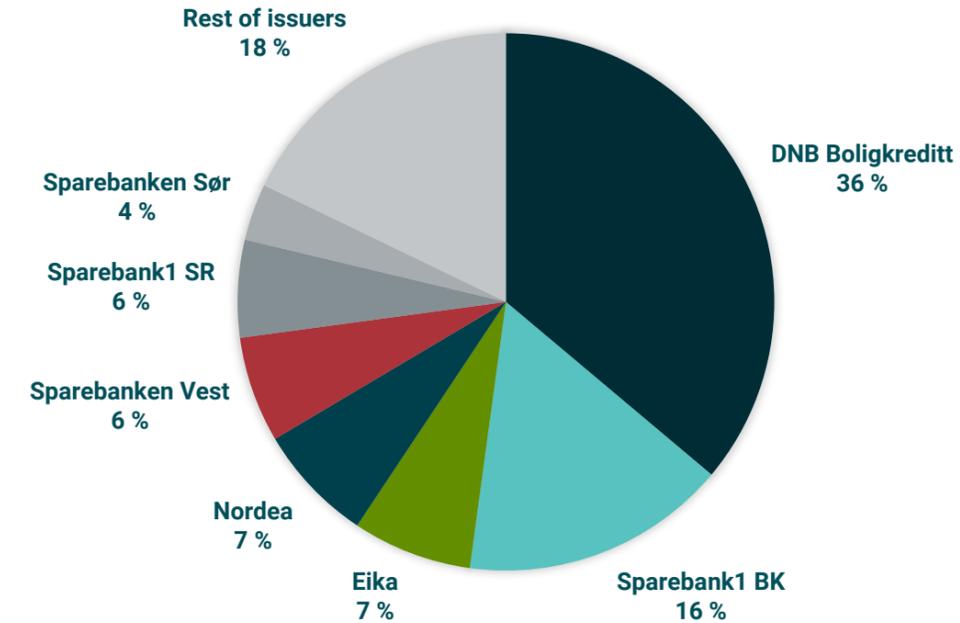
- Norwegian covered bonds are category 1 for LCR purposes (above EUR 500 mill.)
- 10% preferential risk weighting

## 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

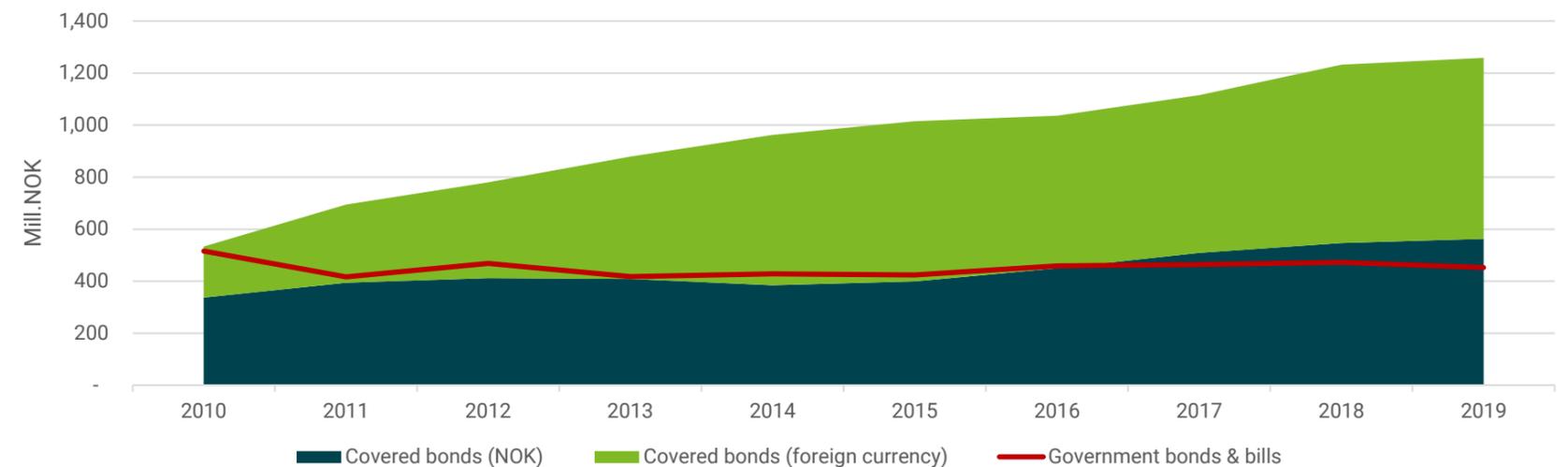
As of 2020Q2



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

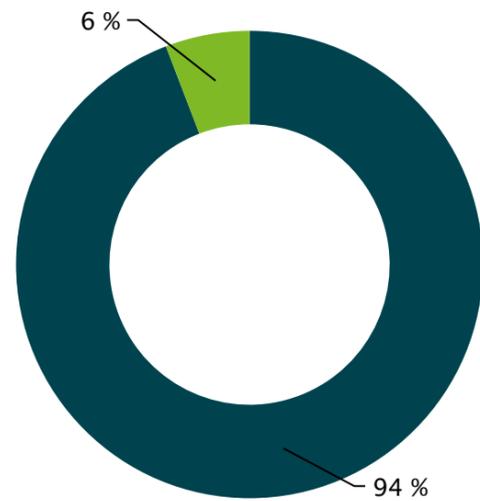
- **The Note Purchase Agreement (NPA)** is structured to ensure that EIKBOL has liquidity, at all times, sufficient to pay the Final Redemption Amount of any series of Notes in a rolling twelve month period
- **The Shareholders' Agreement** is structured to ensure that EIKBOL will uphold a sufficient 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

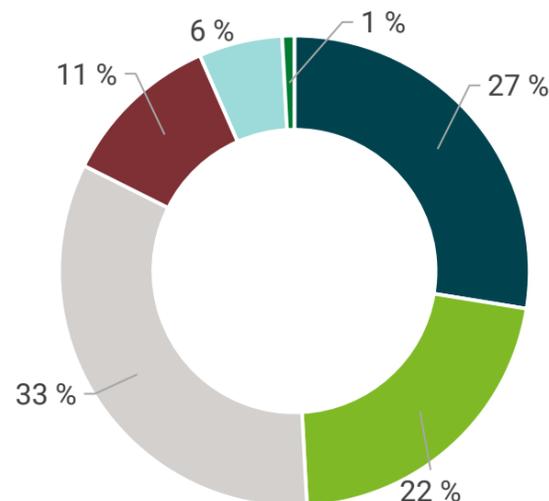
|                                   |             |
|-----------------------------------|-------------|
| Nominal value                     | EUR 8.5 bn  |
| Number of loans                   | 54,375      |
| Arithmetic average loan (nominal) | EUR 156,045 |
| WA LTV (indexed)                  | 47.4%       |
| WA seasoning (months)             | 32          |
| Loans in arrears (over 90 days)   | 0.0         |
| Over-collateralization *          | 11.0 %      |

Type of collateral



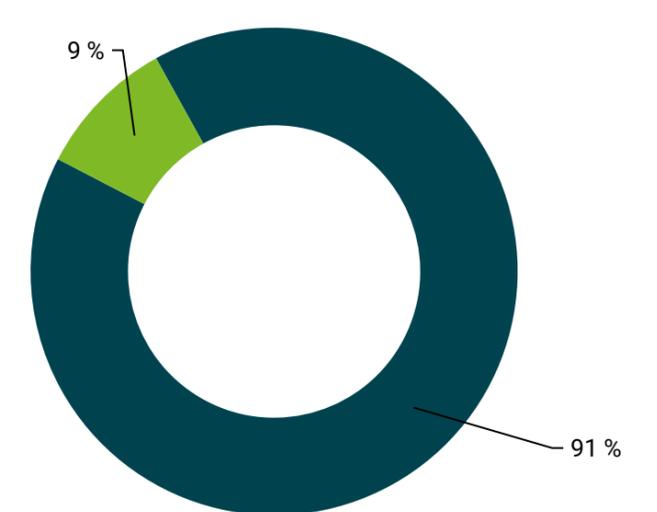
■ Residential (stand-alone) ■ Residential (cooperative housing)

Indexed LTV distribution



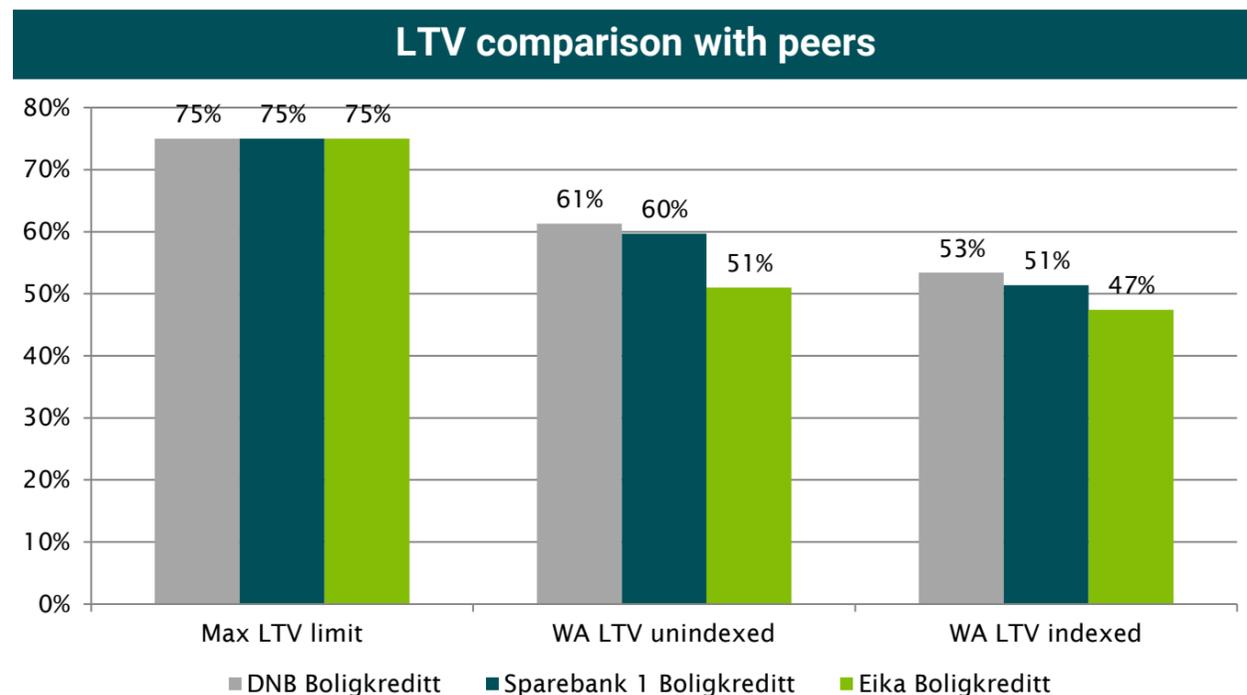
■ 0 <= 40 ■ 40 < x <= 50 ■ 50 < x <= 60 ■ 60 < x <= 70 ■ 70 < x <= 75 ■ 75 < x

Variable vs fixed rate

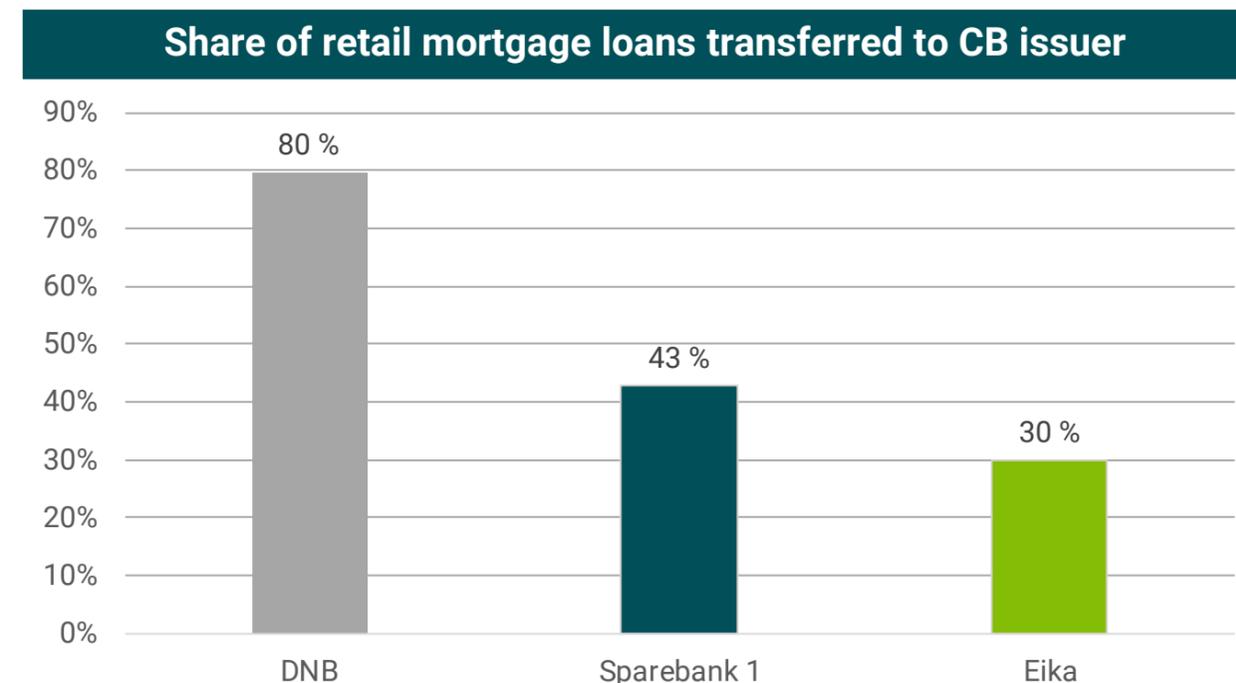


■ Variable ■ Fixed

# 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<br>(numbers in € million) | Unchanged | Decline of 10% | Decline of 20% | Decline of 30% |
|---|-----------|----------------|----------------|----------------|
| Mortgage Portfolio  | 8,485     | 8,485          | 8,485          | 8,485          |
| Part of mortgages exceeding 75% LTV                         | 0         | 52.1           | 175.6          | 478.7          |
| Share of mortgage portfolio >75% LTV                        | 0.00 %    | 0.6 %          | 2.1 %          | 5.6 %          |
| Estimated over-collateralization*                           | 11.0 %    | 10.4 %         | 9.0 %          | 5.6 %          |

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

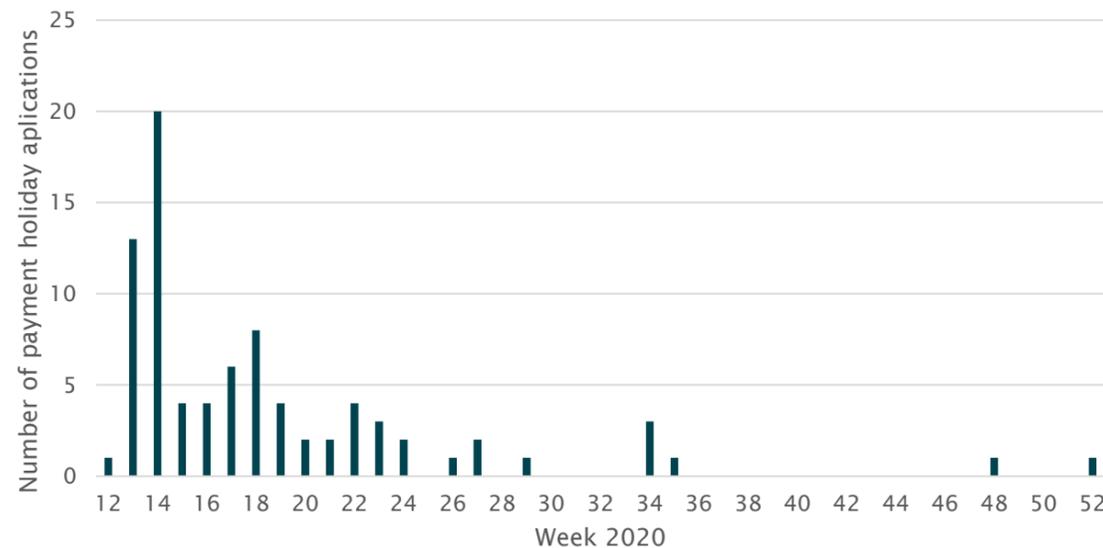
**Eika Boligkreditt has never experienced mortgages being delinquent for more than three months since startup of company**

- 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.

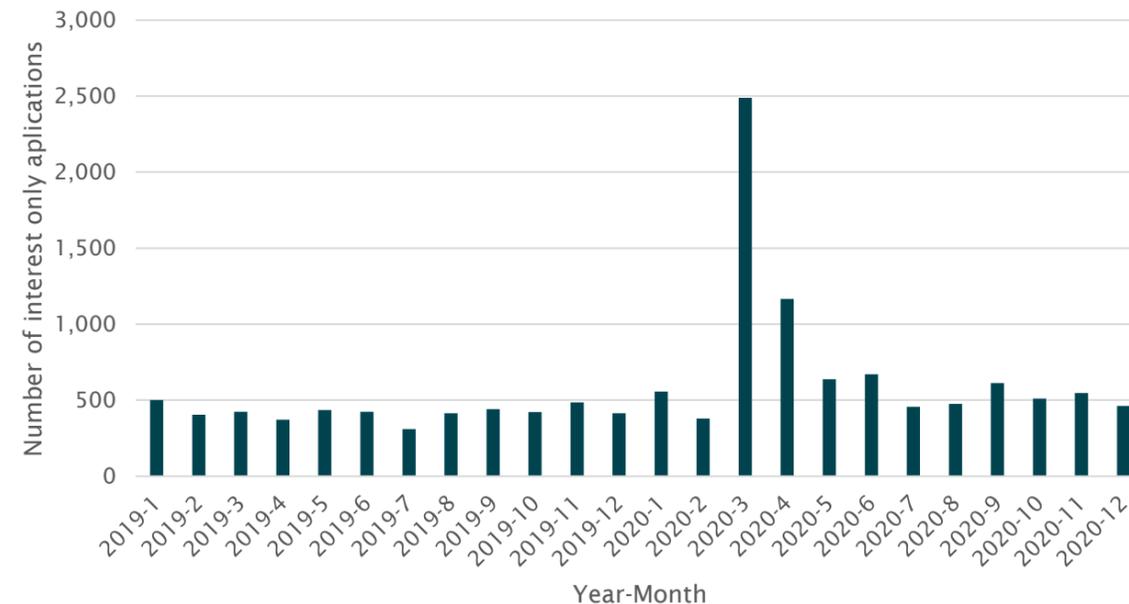
**Eika Boligkreditt has the following policies regarding payment holidays/temporarily interest only for mortgages**

- 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

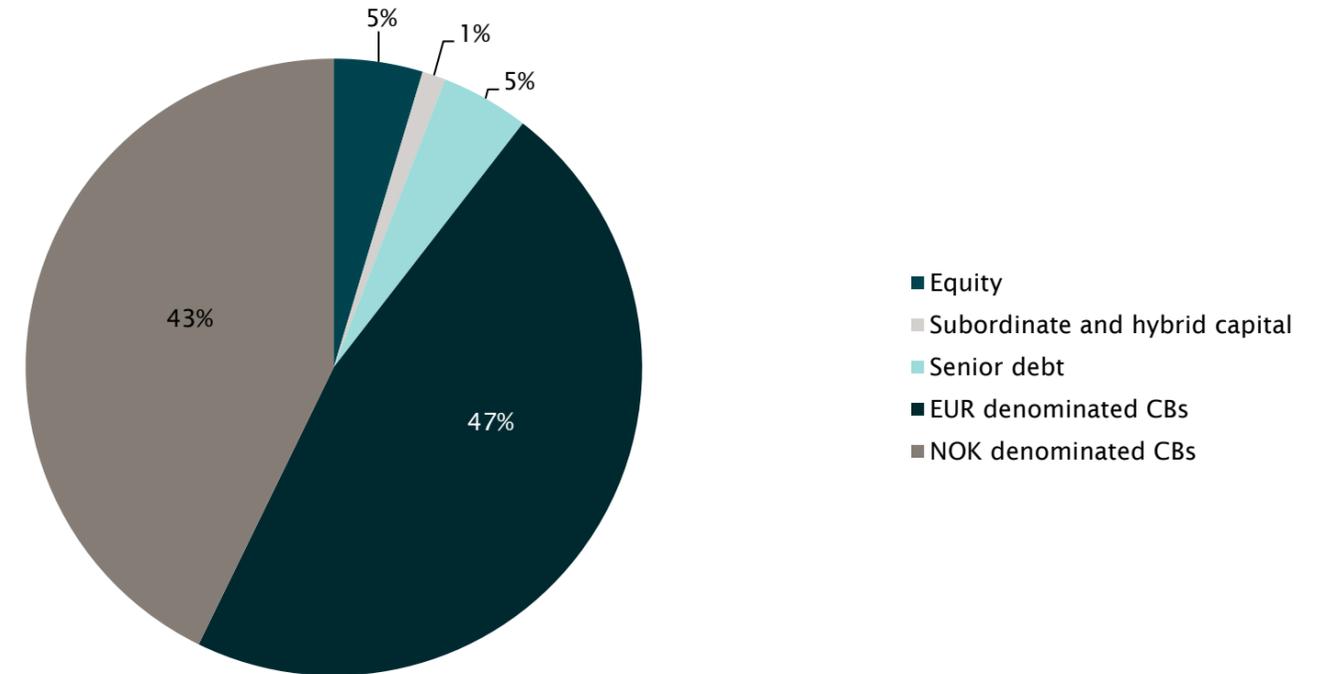


# Current funding

- 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

## Funding mix EIKBOL

As of 2021-01-31

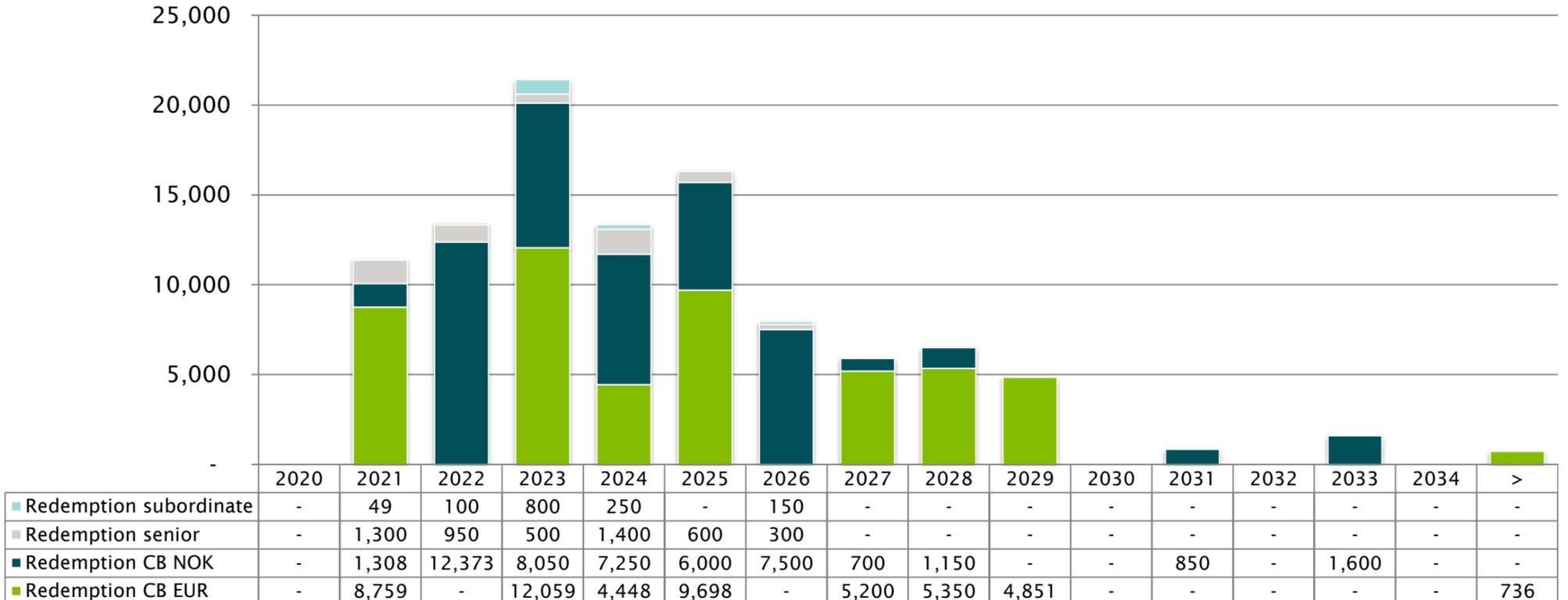


## Outstanding EUR benchmark transactions

| 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    |

## Maturity profile of funding (in million NOK)

As of 2021-01-31

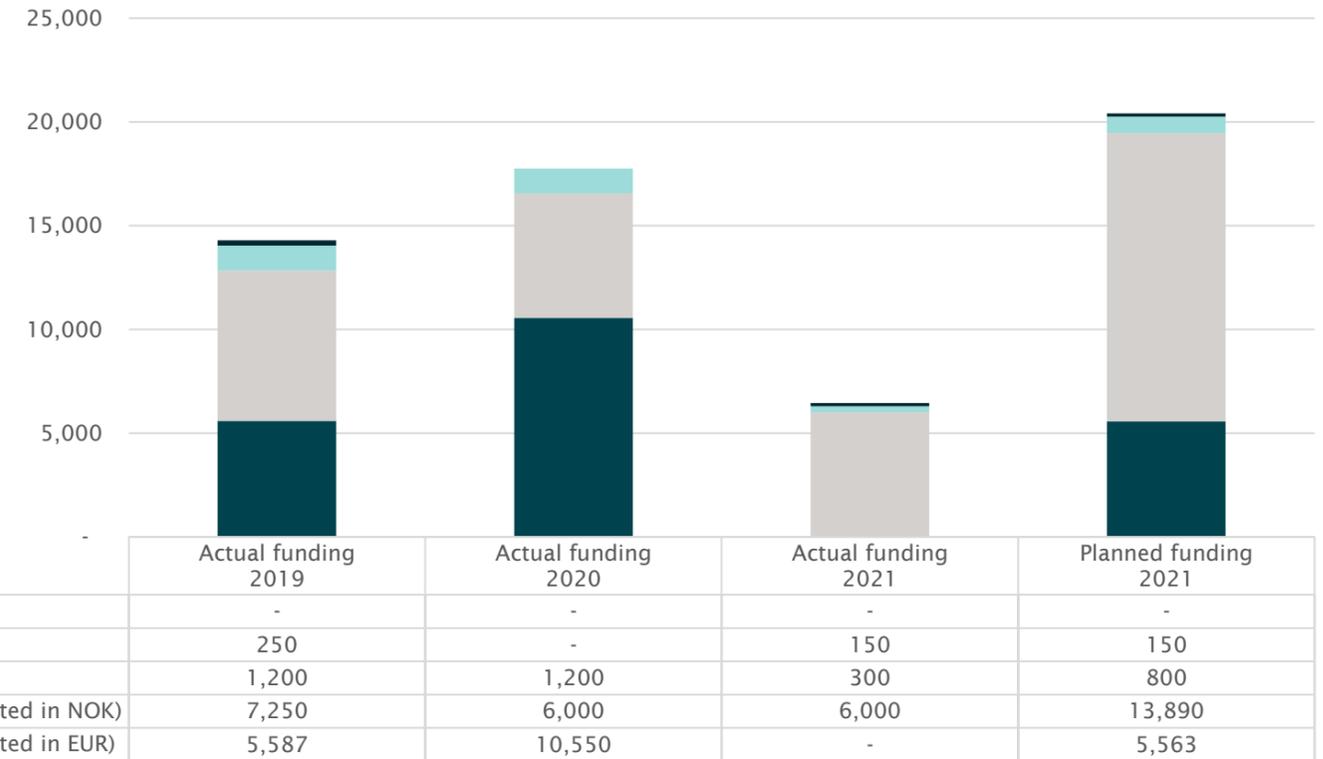


# Planned long term funding

- 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

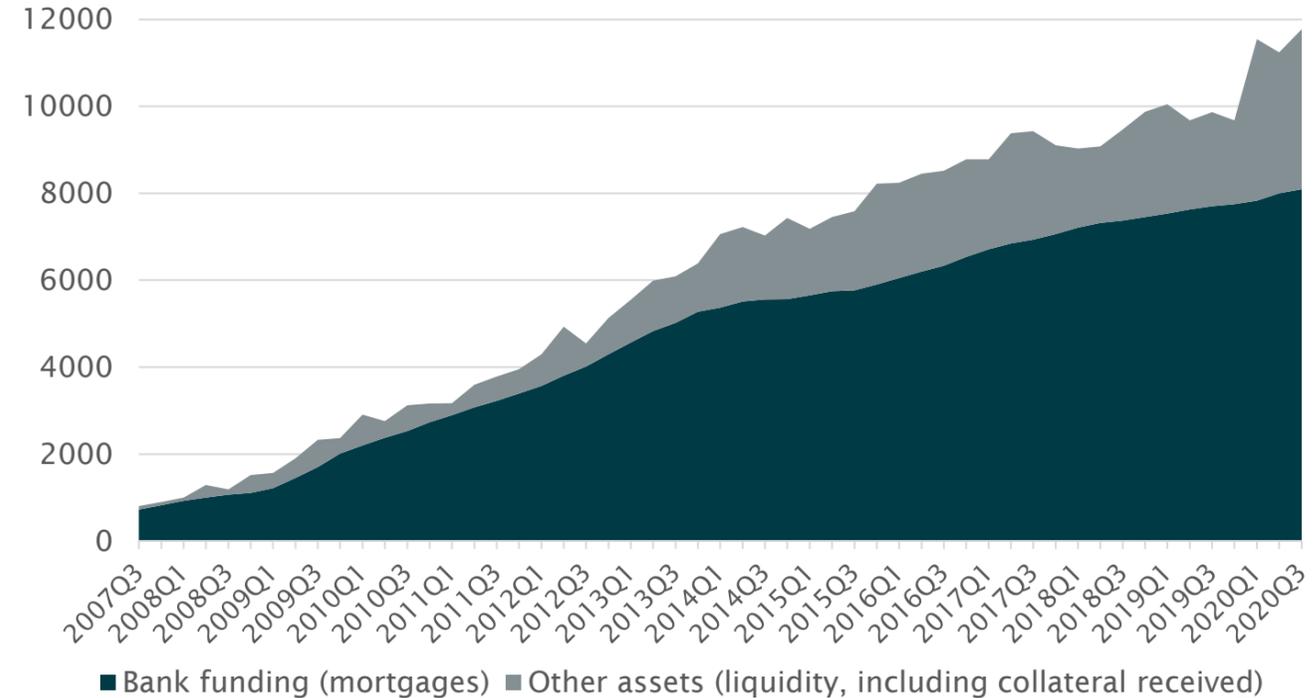
## Actual and planned long term funding by instrument (in million NOK)

As of 2021-01-30



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

As of 2020-12-31



# Agenda

- The Norwegian economy
- Eika Alliance
- Eika Boligkreditt
- ESG at Eika
- Eika Boligkreditt' Green Bond Framework
- Appendix
- Disclaimer

# Strategic framework for sustainability in the Eika Alliance

- Eika uses an integrated strategy for the whole Eika Alliance, which sets a common standard for ambitions and goals based on a suitable ESG framework for sustainability
- The Eika vision of <<**We strengthen the local bank**>> describes our desired future development. Our core business thereby supports the moral and ethical compass of the local banks and the societal engagement discharged by the local savings banks in the Eika Alliance
- 3 pillar approach: (i) **sustainable local growth and change**, (ii) **sustainable financial products**, and (iii) **responsibility and sustainability in internal operations**



**Local bank 2023 Initiative**  
Strong and caring local banks. Driving force for growth and development for you and your local community

# Eika's main UN SDG & UNEP contributions



Eika Alliance supports the following SDG's and considers that the most relevant approach is to give emphasis to:



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.



Make cities and human settlements inclusive, safe, resilient and sustainable



Take urgent action to combat climate change and its impacts

Eika Gruppen has signed the UN Environment Programme Finance Initiative (UNEP-FI), pledging to follow UN guidance for banks in their sustainability efforts

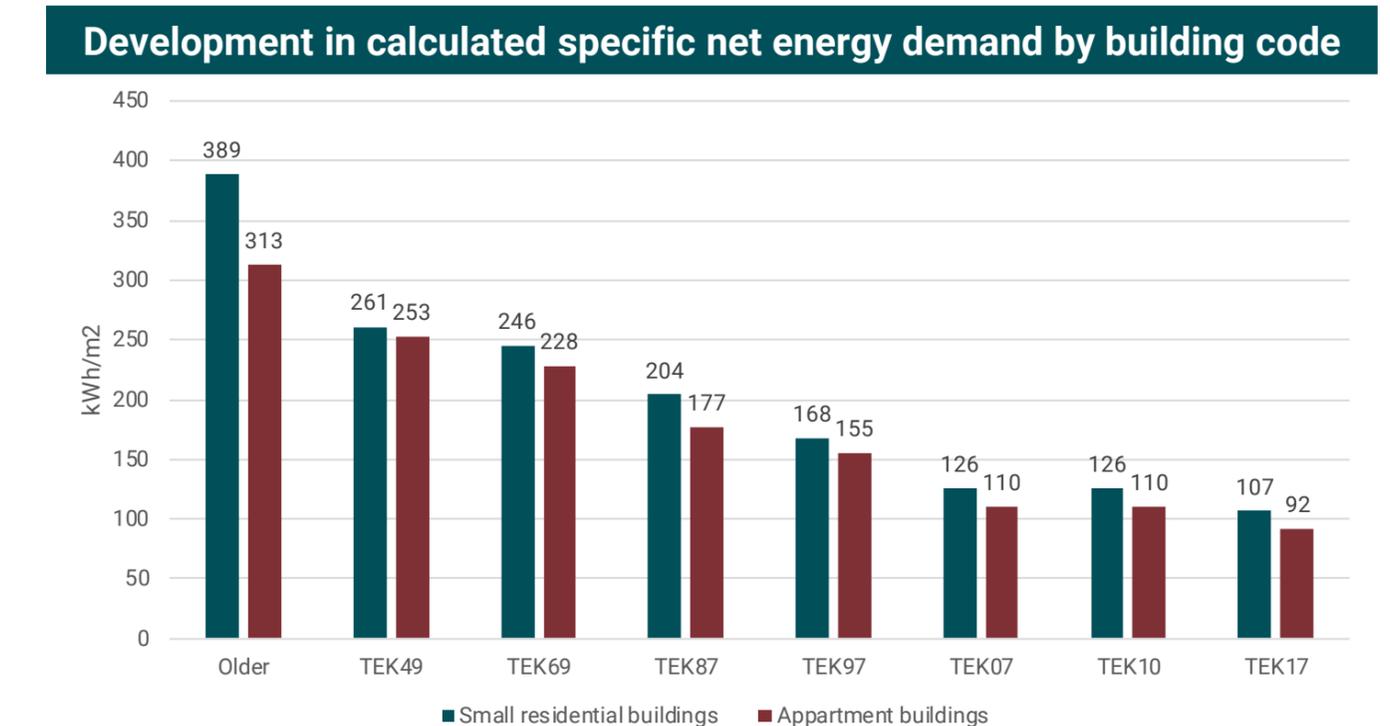
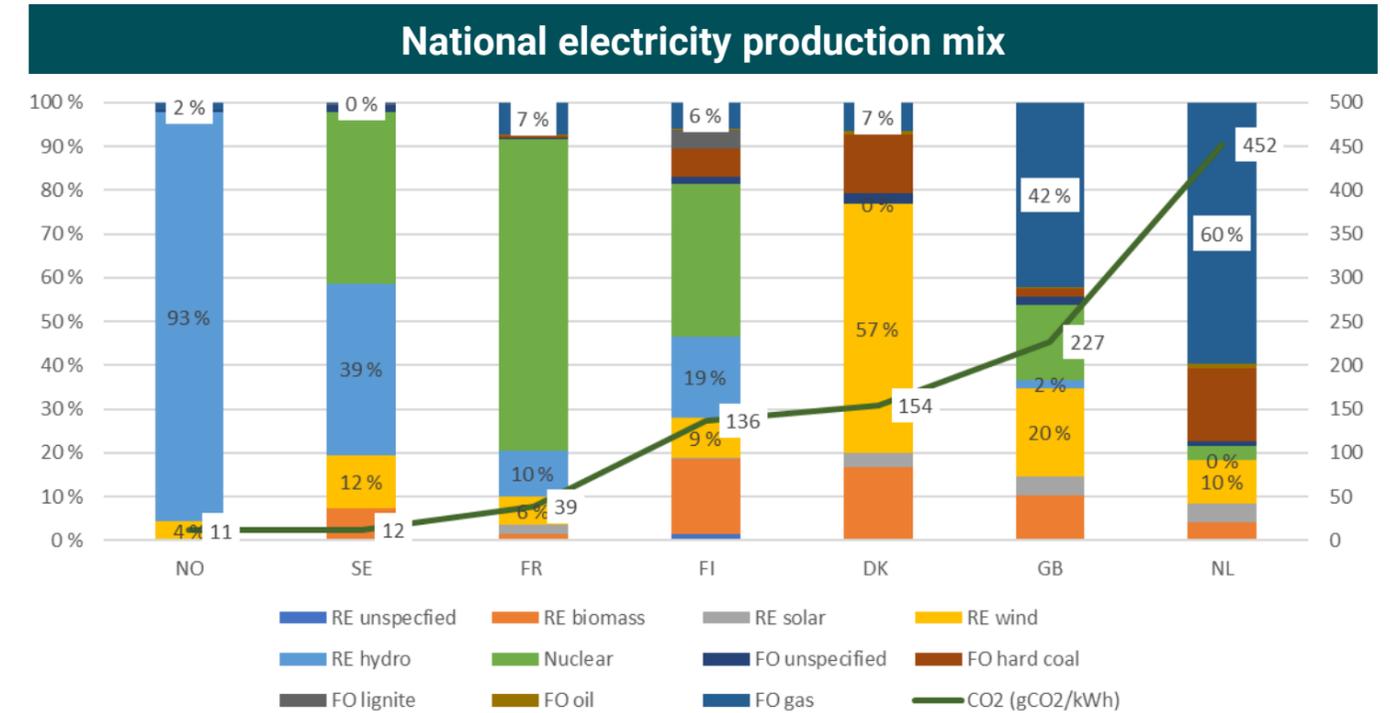
1. Align its business strategy to be consistent with and contribute to individuals' needs and society's goals in accordance with the SDGs
2. Continuously increase its positive impacts and ESG managing risks to, people and the environment and, to this end, establish and publish targets for areas where the most significant impacts can be achieved
3. Work responsibly with the local banks and customers to encourage sustainable practices
4. Proactively and responsibly consult, engage with and partner with relevant stakeholders to achieve society's overarching goals
5. Pursue its commitment to these principles by implementing effective management tools and a culture of responsible banking
6. Periodically review its individual and collective implementation of these principles and be transparent about and accountable for its positive and negative impacts and its contribution to society's overarching

# ESG screening for all investments – a four step process



# CO2 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 =93% Hydro & 4% wind )
- The carbon intensity for the lifetime of a Norwegian residential building = 124g 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

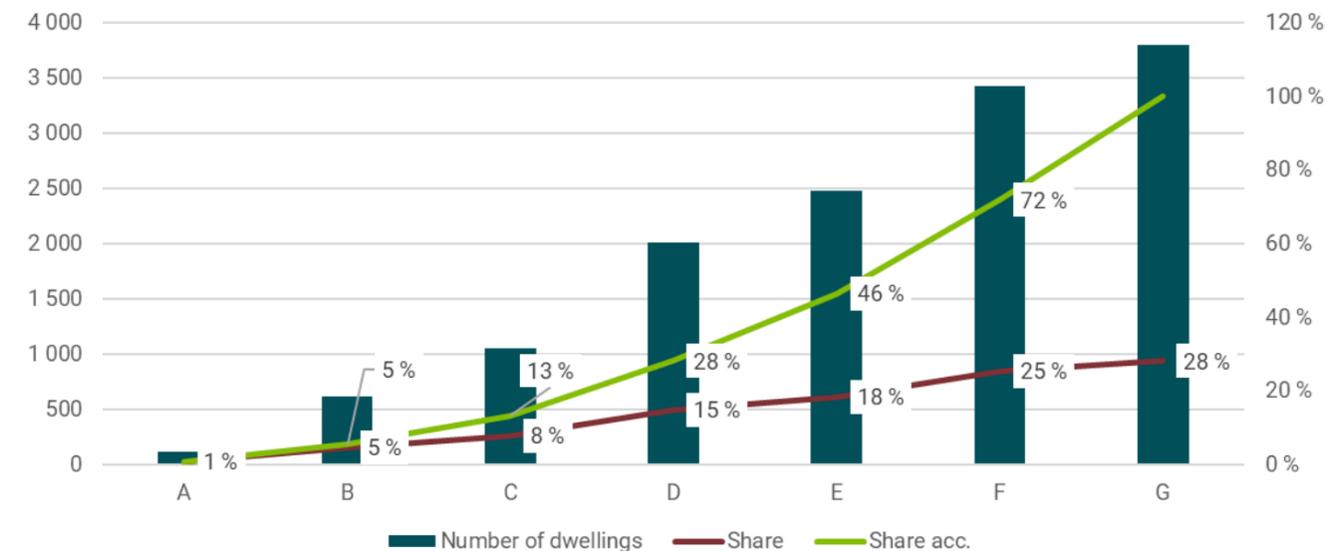


<sup>1</sup> taking into account the importing of electricity via the interconnected European grid

# CO2 Footprint Analysis of the Cover Pool – 2020

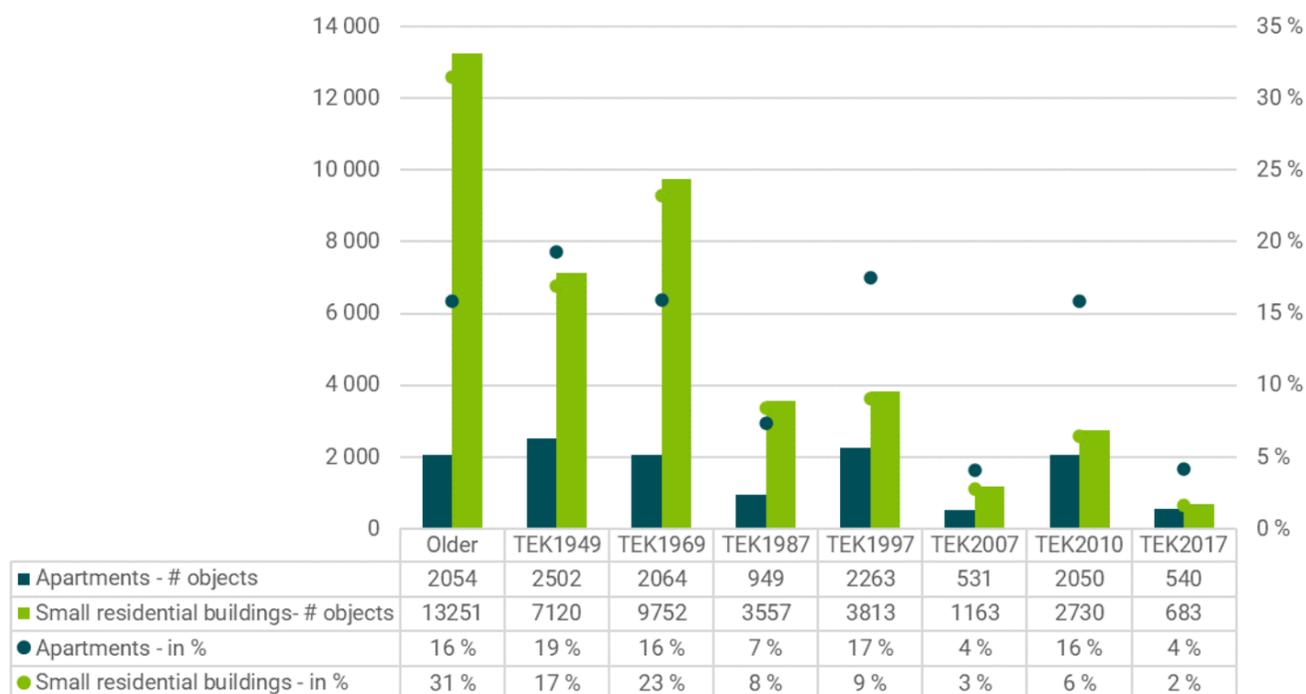
- As part of our ‘Strategic Framework for Sustainability’, Eika values increased disclosure in terms of scope 3 carbon impact
- The current portfolio, as of December 31<sup>st</sup> 2020, represents:
  - Yearly energy demand of 2 118 GWh
  - Yearly emissions of 261 504 tons CO<sub>2</sub> eq. for collateral and 114 603 tons CO<sub>2</sub> eq. for Eika funded share of collateral

Distribution of the Eika cover pool by EPC label YE2020<sup>2</sup>

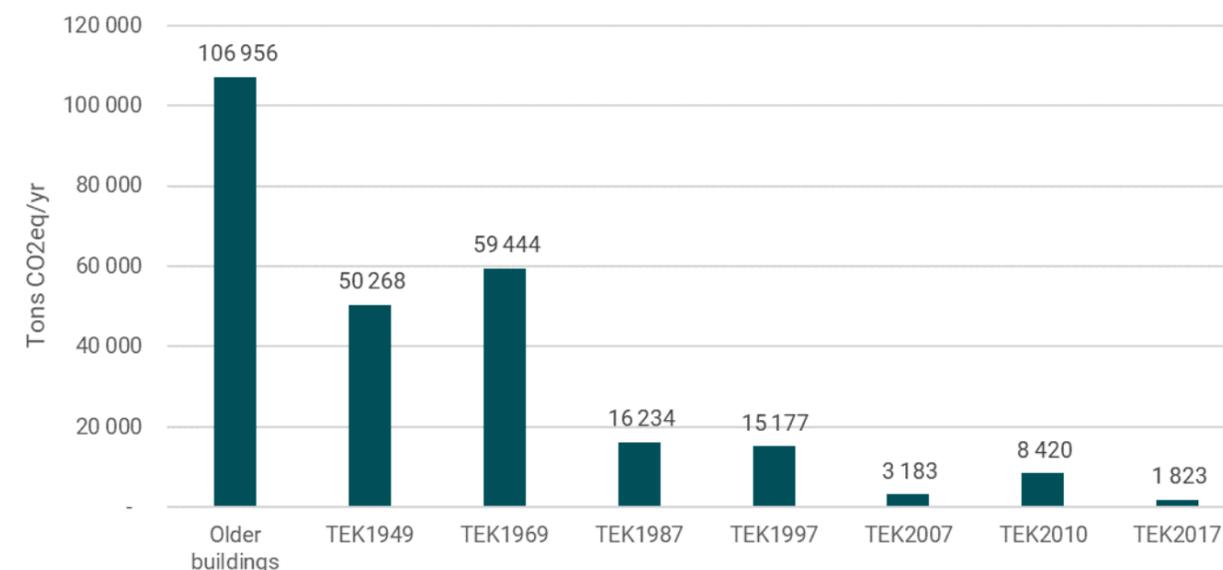


<sup>2</sup> EPC labels represent only 27% of the Eika cover pool, hence this is not fully representative of the entire cover pool

Current distribution of the Eika cover pool by building code YE2020



Eika cover pool CO2 footprint YE2020<sup>3</sup>



<sup>3</sup> Portfolio CO2-emissions related yearly use in energy demand distributed by age of building

# New Green mortgage products



## 1. Green Mortgages (Construction or Purchase)

### New Green Mortgage Product

- In the fourth quarter 2020 the Eika Alliance banks launched an inaugural common green mortgage product.
- Green mortgages are mortgages secured by energy efficient housing with favorable loan interest rates.
- With a green mortgage, you **typically get lower interest rates** compared to a non-green mortgage (sample average in Eika 0.3%, range 0.1-0.6%).

### Loan criteria

- The criteria for the mortgage product are based on Energy Performance Certificates (EPC).
- The criteria for qualifying for the green mortgage product in Eika will be an EPC of A or B.



## 2. Green Mortgages (Refurbishments)

### New Green Refurbishment Product

- In the first quarter 2021 the Eika Alliance banks plan to launch a green mortgage product relating to refurbishments.
- A lower EPC may qualify for refurbished residential buildings in Norway with an improved energy efficiency of minimum 30% due to a combination of measures like:
  - insulation of old construction (walls, roof, floor, windows, doors)
  - balanced ventilation
  - night set-back of temperature
  - energy efficient lighting appliances
  - solar cells or collector
  - heat pump air to air, air to water, water to water or exhaust fan

# ESG Ratings in Eika Boligkreditt



MSCI  
Sustainalytics

- A (scale AAA-CCC)
- 25.1 risk rating



ISS ESG

- C-
- #35 out of 129 companies within the Financial/Mortgages & Public Sector Finance sector
- 3rd decile ranking



Norwegian Client  
Experience Index (CEI)

- 74.6/100
- #4 rank out of 149 companies/brands across 33 sectors



We are working to build relationships with the ESG rating agencies to improve our scores through regular engagement with them and providing transparent data that they can collate, track and benchmark

# Eika's roadmap towards sustainable banking



In light of its sustainability objectives and its strategy, Eika has established a Green Bond Framework

# Agenda

- The Norwegian economy
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# Eika Boligkreditt Green Bond Framework



## Use of proceeds:

Allocation of the net proceeds of the Green Bonds to a loan portfolio of new and existing mortgages for energy efficient residential buildings in Norway

---



## Process for Project Evaluation and Selection:

Eika Boligkreditt will select and track the Eligible Green Loans based on information from the official Land Register. The information is received from a third-party, Eiendomsverdi

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## Management of Proceeds:

Eika Boligkreditt intends to allocate the proceeds from the Green Bonds to a portfolio of loans that meet the Eligibility Criteria and in accordance with the evaluation and selection process

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## Reporting:

Pre-issuance Allocation and Impact Reporting will be made available to investors.  
Eika Boligkreditt intends to report to investors within one year from the date of a Green bond transaction and annually thereafter. Reporting will be on both the Allocation and Impact of the proceeds from green bond issuance

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## External Review:

ISS-ESG has provided a Second-Party Opinion (including on EU Taxonomy alignment) on Eika Boligkreditt's Green Bond Framework<sup>1</sup>. Eika has received CBI certification. Eika Boligkreditt may request a limited assurance on the Allocation Report

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# Use of Proceeds Criteria

## Eligible use of proceeds categories: Green Residential Buildings

### 1. New Residential buildings in Norway (built after 2009)

- New or existing Norwegian apartments that comply with the Norwegian building codes of 2010 (TEK10) or 2017 (TEK17). Hence, built after 2012
- New or existing Norwegian other residential dwellings that comply with the Norwegian building codes of 2007 (TEK07), 2010 (TEK10) or 2017 (TEK17). Hence, built after 2009

### 2. Residential buildings in Norway (built before 2009)

- Existing Norwegian residential buildings built using older building codes than TEK10 for apartments and TEK07 for other residential dwellings with EPC-labels A, B and C. These buildings may be identified in data from the Energy Performance Certificate (EPC) database

### 3. Refurbished Residential buildings in Norway with an improved energy efficiency of 30%

One of two criteria below must be met:

- Refurbished Norwegian residential buildings with at least two steps of improvement in energy label compared to the calculated label based on building code in the year of construction
- Refurbished Norwegian residential buildings with at least a 30% improvement in energy efficiency measured in specific energy, kWh/m<sup>2</sup>, compared to the calculated label based on building code in the year of construction

## Alignment with international initiatives & involved parties:

| ICMA GBP category | UN SDG   | TEG Report<br>Technical Screening Criteria   | TEG Report<br>Do No Significant Harm & Minimum Social Safeguards  | Consultants & Third Parties   |
|-------------------|--|--|---|---|
| Green Buildings   | <br> | <ul style="list-style-type: none"> <li>• Top 15% approach for buildings built up until end 2020</li> <li>• ≥30% improvement in Primary Energy Demand for refurbishments</li> </ul> | <ul style="list-style-type: none"> <li>• Compliance with international, national and local Regulation and monitoring of environmental and social risks</li> <li>• DNSH and Minimum Social Safeguards met in accordance with ISS-ESG SPO in alignment with the EU Green Bond Standard</li> </ul> | <br><br> |

# Project Evaluation and Selection

## Process for Project Evaluation and Selection



This Framework & Green Assets are managed by a dedicated Green Bond Committee. The committee consists of: CEO, CFO, CCO and another representants from the Treasury Department in Eika Boligkreditt as issuer, and the CSR department in Eika Gruppen.

The Green Bond Committee will meet on a regular basis (at least annually) and will conduct an additional review on the selected mortgages to ensure ongoing compliance with the Eligibility Criteria.

Eligible Green Loans selected and tracked based on information from the official Land Register. Information from the Land Register regarding building year used to determine the Eligible Residential Green Buildings.

All residential mortgages within the Cover Pool are originated in line with Eika credit risk policies. Loans secured by mortgages on Eligible Residential Green Buildings are selected as Eligible Green Loans. All selected Eligible Green Loans comply with official national standards and local laws and regulations.

# Management of Proceeds

## Portfolio Approach

- The proceeds from Green Bonds will be managed by Eika Boligkreditt in a portfolio approach.
- Eika Boligkreditt intends to allocate these proceeds to an Eligible Green Loan Portfolio, that meet the Eligibility Criteria and in accordance with the evaluation and selection process

## Proceeds Allocation

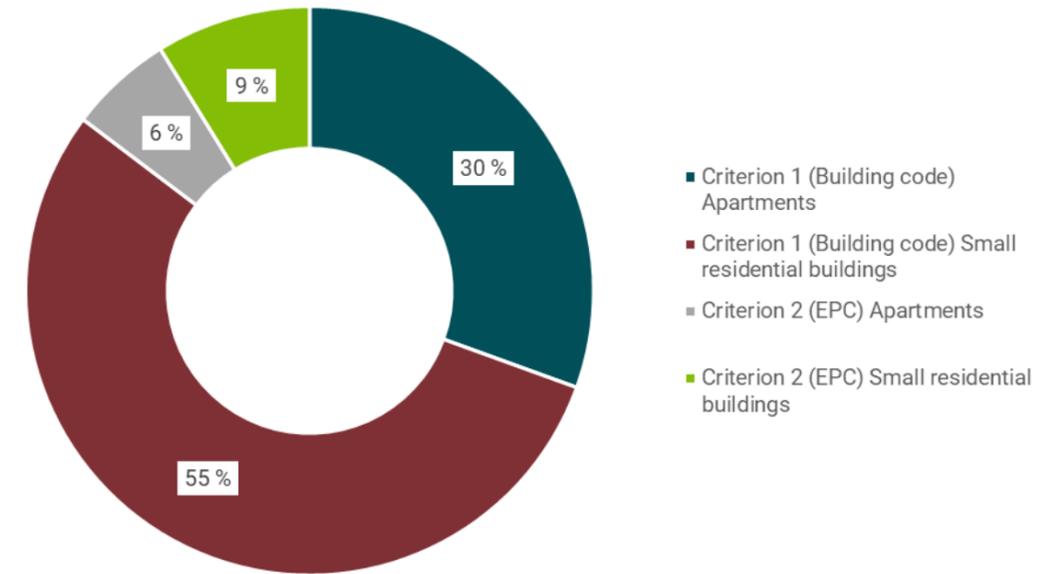
- Sufficient Eligible Green Loans will be designated in the Eligible Green Loan Portfolio to ensure that the size of the Eligible Green Loan Portfolio matches or exceeds the total balance of all outstanding Green Bonds.
- Additional Eligible Green Loans will be added to the Eligible Green Loan Portfolio to ensure the sufficient and timely allocation of the incremental net proceeds

## Unallocated Proceeds

- Any unallocated Green Bond net proceeds will be invested in a liquidity portfolio in money market instruments



## Green Portfolio



## Current eligible portfolio in cover pool

| Criterion                   | Type of dwelling            | Number of objects | Area total [m2]  | Area financed by EBK total [m2] | Portfolio size [MNOK] |
|-----------------------------|-----------------------------|-------------------|------------------|---------------------------------|-----------------------|
| Criterion 1 (Building code) | Apartments                  | 2 468             | 189 049          | 85 082                          | 3 976                 |
|                             | Small residential buildings | 4 430             | 788 185          | 398 863                         | 10 263                |
| Criterion 2 (EPC)           | Apartments                  | 476               | 35 759           | 16 225                          | 666                   |
|                             | Small residential buildings | 713               | 127 231          | 64 902                          | 1 512                 |
| <b>Total</b>                |                             | <b>8 087</b>      | <b>1 140 224</b> | <b>565 072</b>                  | <b>16 417</b>         |

# Pre-Issuance Impact Report

## Impact Reporting

Portfolio date: 31 December 2020

| Eligible Project Category   | Eligible portfolio (NOK bn) | Share of Total Financing | Eligibility for Green Bonds | Estimated Site Energy Savings (in MWh/year) | Estimated Emissions Avoidance (in tons of CO2 /year) |
|-----------------------------|-----------------------------|--------------------------|-----------------------------|---|--|
| a/                          | b/                          | c/                       | d/                          | e/  | e/   |
| Green Residential Buildings | 16.42                       | 100%                     | 100%                        | 75,255                                      | 9,332  |
| <b>Total</b>                | <b>16.42</b>                | <b>100%</b>              | <b>100%</b>                 | <b>75,255</b>                               | <b>9,332</b>   |

a/ Eligible category

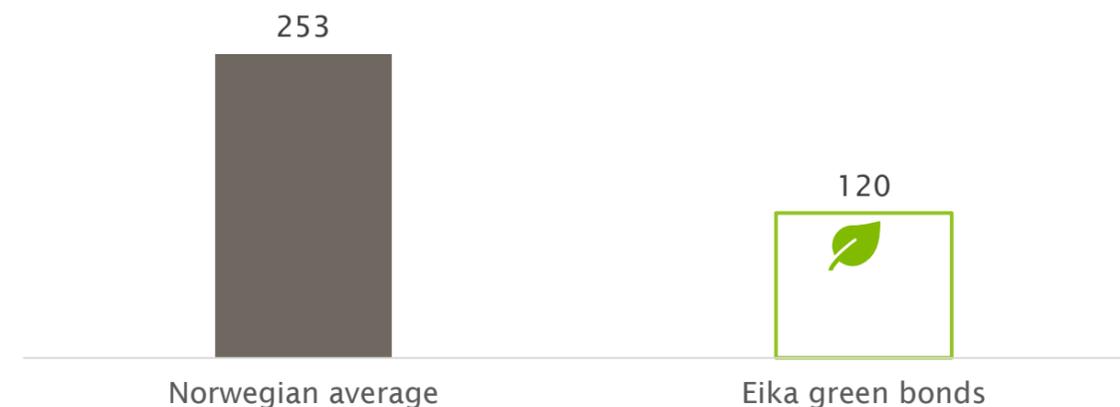
b/ Amount committed by the issuer for the portfolio eligible for Green Bond financing

c/ This is the share of the total budget financing

d/ This is the share of the total portfolio costs that is Green Bond eligible

e/ Impact indicators

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) = 9,332 tons CO2/year on Eika funded share of collateral**

# External Review

## 1 Second Party Opinion by ISS ESG

- Eika Boligkreditt has obtained an independent Second Party Opinion from ISS-ESG to confirm the validity of the Eika Boligkreditt's Green Bond Framework
- ISS ESG assessed the alignment of the Green Bond pool and the due diligence and selection processes in place, with the EU Taxonomy. Technical screening criteria and do no significant harm criteria have been taken into account

*"The issuer's eligible category corresponds to the following EU Taxonomy category: "Acquisition and Ownership" (activity 8.4. of the EU Taxonomy). Based on robust processes for selection of Green Projects, the Green Bond asset pool is considered as aligned with the EU Taxonomy and the relevant activity-specific Technical Screening Criteria, Do No Significant Harm Criteria and Minimum Social Safeguards."*



## 2 Pre-Issuance CBI Certification

- Eika Boligkreditt has received Pre-Issuance Certification from the CBI



| SPO SECTION  | EVALUATION  |
|--|---|
| Part 1: Issuer sustainability performance                | Status: NOT PRIME<br>Rating: C-<br>Decile Rank: 3 |
| Part 2: Performance against the draft of EU GBS and GBPs | Positive  |
| Part 3: Alignment of the asset pool with the EU Taxonomy | Positive  |

| USE OF PROCEEDS                                      | CONTRIBUTION OR OBSTRUCTION            | SUSTAINABLE DEVELOPMENT GOALS         |
|--|--|---------------------------------------|
| Mortgages for energy efficient residential buildings | Significant contribution <sup>11</sup> | 13 CLIMATE ACTION                     |
|  | Limited contribution                   | 11 SUSTAINABLE CITIES AND COMMUNITIES |



# Contacts



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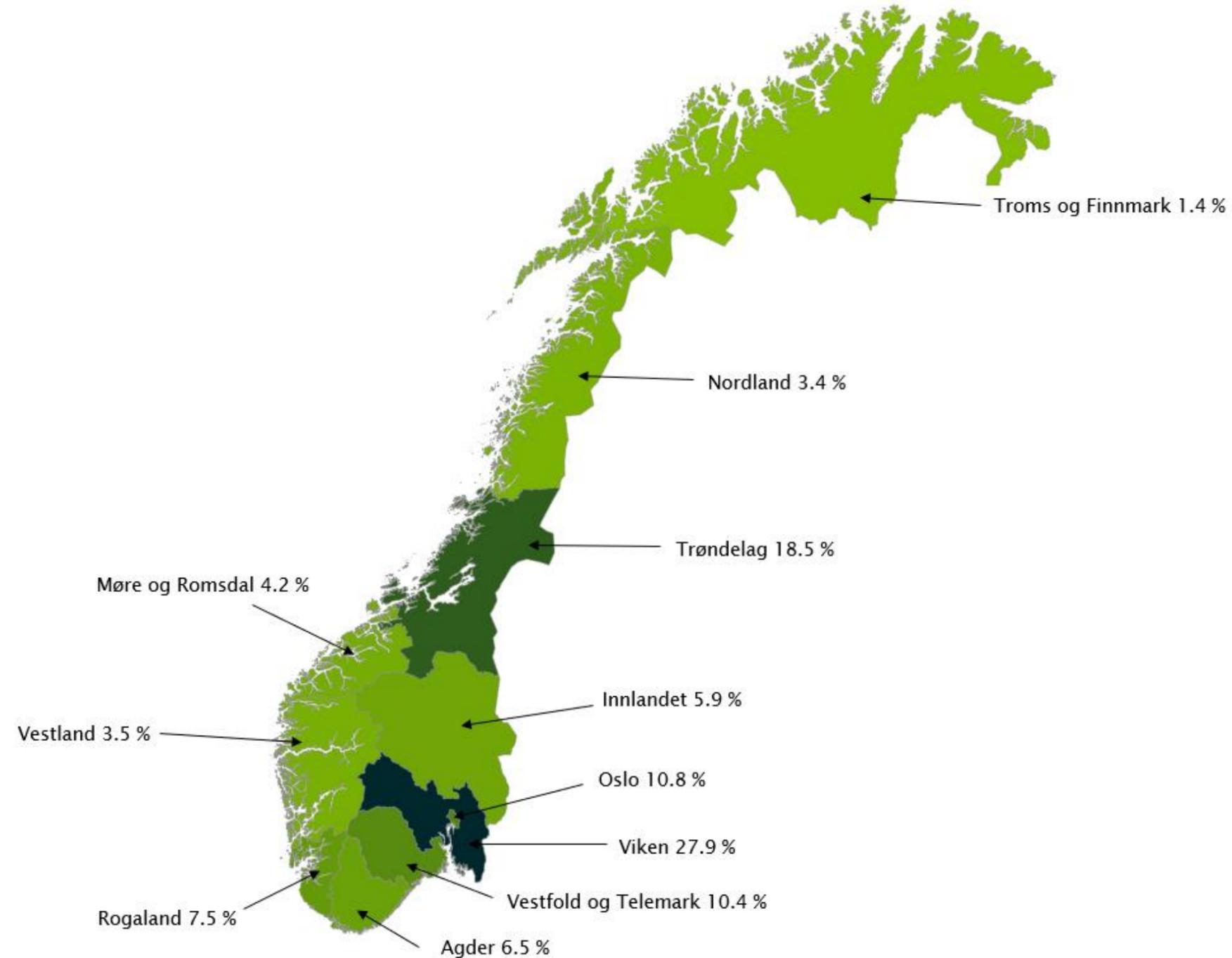
kf@eika.no

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

# Agenda

- The Norwegian economy
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# Mortgage lending - Strong geographical diversification



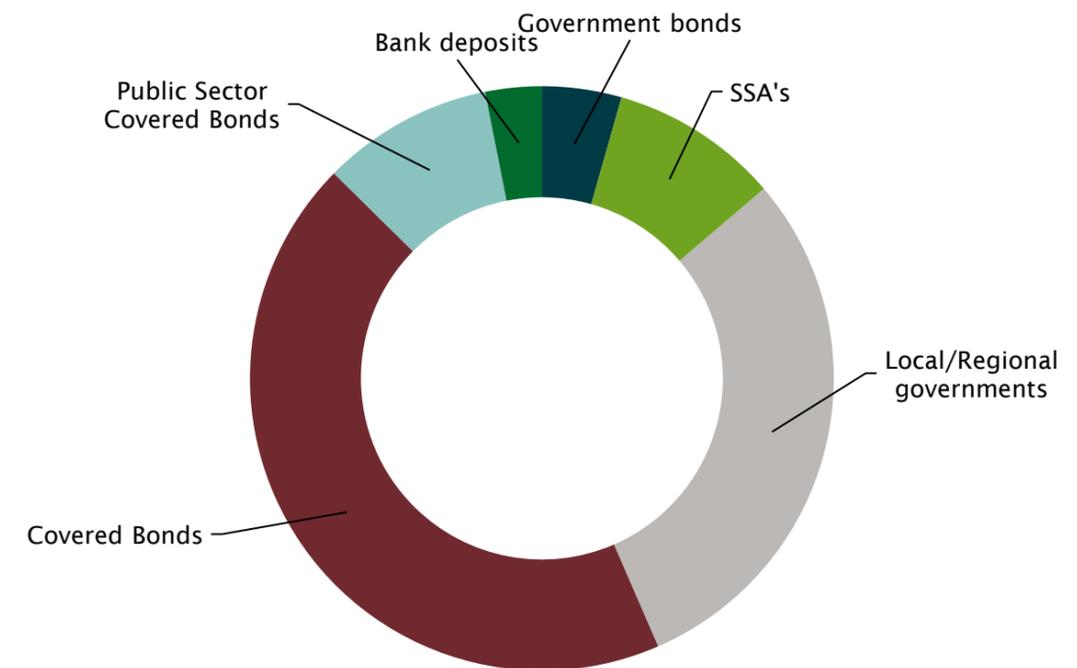
# Liquidity portfolio

- **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

- **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            | 58,618,816           | 4 %               | 0.32        |
| SSA's                       | 124,660,591          | 9 %               | 1.30        |
| Local/Regional governments  | 395,656,615          | 30 %              | 0.41        |
| Covered Bonds               | 584,588,144          | 44 %              | 1.69        |
| Public Sector Covered Bonds | 126,470,568          | 9 %               | 1.99        |
| Bank deposits               | 41,562,775           | 3 %               | 0.00        |
| <b>Total portfolio</b>      | <b>1,331,557,509</b> | <b>100 %</b>      | <b>1.19</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                            | Denmark  | Sweden  | 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       | 2020       |
|---|------------|-----------|-----------|------------|------------|------------|
| Total Interest income                                     | 2 066      | 1 861     | 2 049     | 2 162      | 2 624      | 2 230      |
| Total interest expenses                                   | 1 430      | 1 380     | 1 366     | 1 480      | 1 976      | 1 418      |
| Net interest income                                       | 636        | 482       | 683       | 682        | 648        | 812        |
| Dividend from shares classified as available for sale     | 6          | 6         | 6         | 18         | 19         | 13         |
| Total gains and losses on financial instruments at fair v | 203        | (81)      | (135)     | 22         | (6)        | 43         |
| Comission costs   | 443        | 300       | 410       | 458        | 490        | 647        |
| Total salaries and administrative expenses                | 42         | 39        | 48        | 50         | 51         | 51         |
| Depreciation  | 2          | 1         | 2         | 2          | 4          | 4          |
| Other operating expenses                                  | 13         | 14        | 16        | 16         | 15         | 14         |
| Losses on loans and gurantees                             | -          | -         | -         | -          | -          | -          |
| <b>PROFIT/(LOSS) BEFORE TAXES</b>                         | <b>344</b> | <b>50</b> | <b>78</b> | <b>197</b> | <b>102</b> | <b>153</b> |
| Taxes   | 81         | 11        | 18        | 45         | 14         | 29         |
| <b>PROFIT/(LOSS) FOR THE PERIOD</b>                       | <b>263</b> | <b>39</b> | <b>60</b> | <b>152</b> | <b>89</b>  | <b>124</b> |
| Net gains and losses on bonds and certificates            | -          | -         | -         | (7)        | 7          | 8          |
| Fair value adjustment, shares                             | -          | -         | -         | (15)       | -          | -          |
| Net gains and losses on basis swaps                       | -          | -         | -         | (106)      | 53         | 99         |
| Taxes on other comprehensive income                       | -          | -         | -         | 28         | (15)       | (27)       |
| <b>COMPREHENSIVE INCOME FOR THE PERIOD</b>                | <b>-</b>   | <b>-</b>  | <b>-</b>  | <b>52</b>  | <b>133</b> | <b>204</b> |

## Eika Boligkreditt AS - Report 2020:

Eika Boligkreditt showed a profit of NOK 124 million 2020, compared with a profit of NOK 89 million for the same period in 2019. Net gains and losses on basis swaps came to NOK 99 million for 2020 (2019: NOK 53 million), net gains and losses on bonds and certificates came to NOK 8 million and taxes on other comprehensive income came to negative NOK 27 million, so that the comprehensive income for the period including such changes came to a profit of NOK 204 million.

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

# Eika Boligkreditt - Balance sheet and key figures

| Amounts in NOK Million  | 2016   | 2017   | 2018    | 2019    | 2020    |
|---|--------|--------|---------|---------|---------|
| <b>Balance sheet development</b>  |        |        |         |         |         |
| Lending to customers  | 71 509 | 77 286 | 82 015  | 84 719  | 89 269  |
| Debt from issuing securities  | 86 983 | 90 030 | 97 288  | 94 300  | 106 127 |
| Subordinated loans  | 599    | 600    | 674     | 889     | 724     |
| Equity*   | 4 396  | 4 770  | 5 290   | 5 777   | 5 851   |
| Equity in % of total assets*  | 4.58   | 4.79   | 4.90    | 5.50    | 4.90    |
| Average total assets  | 92 324 | 99 466 | 101 744 | 107 506 | 120 881 |
| Total assets  | 96 017 | 99 603 | 107 969 | 105 835 | 120 563 |
| <b>Rate of return / profitability</b>   |        |        |         |         |         |
| Fee and commission income to relation to average total assets, annualised (%)                 | 0.32   | 0.40   | 0.40    | 0.50    | 0.50    |
| Staff and general administration expenses in relation to average total assets, annualised (%) | 0.04   | 0.05   | 0.03    | 0.03    | 0.03    |
| Return on equity, annualised (%)  | 1.37   | 1.90   | 4.50    | 2.20    | 3.00    |
| Total assets per full-time position   | 4 849  | 5 030  | 5 453   | 5 345   | 6 345   |
| <b>Financial strength</b>   |        |        |         |         |         |
| Core tier 1 capital   | 3 833  | 4 156  | 4 522   | 5 074   | 5 099   |
| Total tier 1 capital  | 4 282  | 4 706  | 5 227   | 5 648   | 5 673   |
| Total primary capital (tier 2 capital)  | 4 882  | 5 305  | 5 902   | 6 372   | 6 397   |
| Weighted calculation basis  | 29 766 | 31 468 | 33 731  | 34 074  | 37 222  |
| Core tier 1 capital ratio   | 12.88  | 13.20  | 13.40   | 14.90   | 13.70   |
| Total tier 1 capital ratio  | 14.39  | 15.00  | 15.50   | 16.60   | 15.20   |
| Capital adequacy ratio  | 16.40  | 16.90  | 17.50   | 18.70   | 17.20   |
| Delinquencies 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    | 19.0    |

\*Including AT1 capital

Source: EBK quarterly reports

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

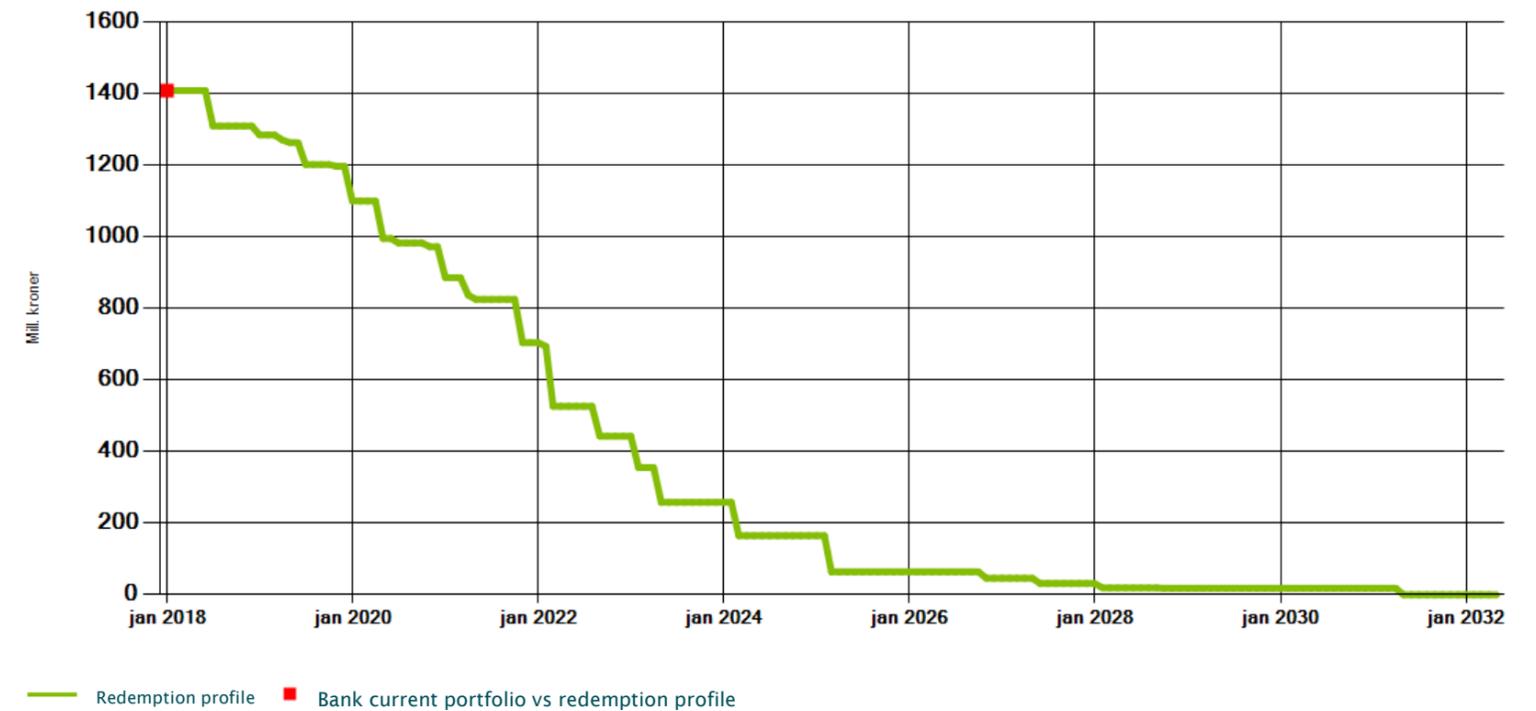
We have changed the following elements in the business model:

- 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 an agreement to merge the banks
- In April 2020 the boards announced putting the process on hold due to uncertainty because of the COVID-19 pandemic
- Both banks are among the 11 banks that have given notice of termination of its agreements with Eika Gruppen. The agreement ends December 31<sup>st</sup> 2021
- Stadsbygd Sparebank merged with Ørland Sparebank with Ørland Sparebank as the continuing bank
- Ola Setsaas, CEO in Stadsbygd Sparebank, proposed as CEO in the merged bank. Geir Arne Skjeltorp, CEO in Ørland Sparebank, is proposed as chair in the board 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

**The banks decided to terminate negotiations in November 2020**

# Mergers Eika banks in 2020

## Surnadal Sparebank and Sparebank1 Nordvest

- November 24<sup>th</sup>, 2020 the committee of representatives approved the agreement to merge the banks and is now pending approval from the FSA
- 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

## Tysnes Sparebank and Etne Sparebank

- December 16<sup>th</sup> 2020 the boards in the banks announced starting negotiations with the intention to merge the banks
- Tysnes is a member in The Eika Alliance while Etne Sparebank is a collaborating partner in DSS (dssbank.no) consisting of 9 saving banks on the south/west coast of Norway
- Currently not decided if the merged bank will join the Eika Alliance or DSS . Will be decided in 2021
- Rune Ramsvik, CEO in Etne Sparebank, is proposed as CEO in the merged bank and Dag Sandstå , CEO in Tysnes Sparebank is proposed as chair for the board of the merged bank
- Total assets, including transferred to Eika and Verd Boligkreditt, of NOK 6.8 billion
- Rationales for considering to merge are to increase size and improve competitiveness in Sunnhordland, reduce funding costs and secure jobs
- The merged banks will be more attractive for clients, owners, employees 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           |
| <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> | <b>6 601</b> | <b>7 430</b> |
| 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          |
| <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> | <b>3 778</b> | <b>3 951</b> |
| 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          |
| <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> | <b>2 645</b> | <b>3 310</b> |
| 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           |
| <b>Pre tax profit</b>                      | <b>1 931</b> | <b>1 267</b> | <b>1 955</b> | <b>2 142</b> | <b>2 553</b> | <b>2 260</b> | <b>2 851</b> | <b>2 951</b> | <b>3 278</b> | <b>3 968</b> |
| 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 %  |

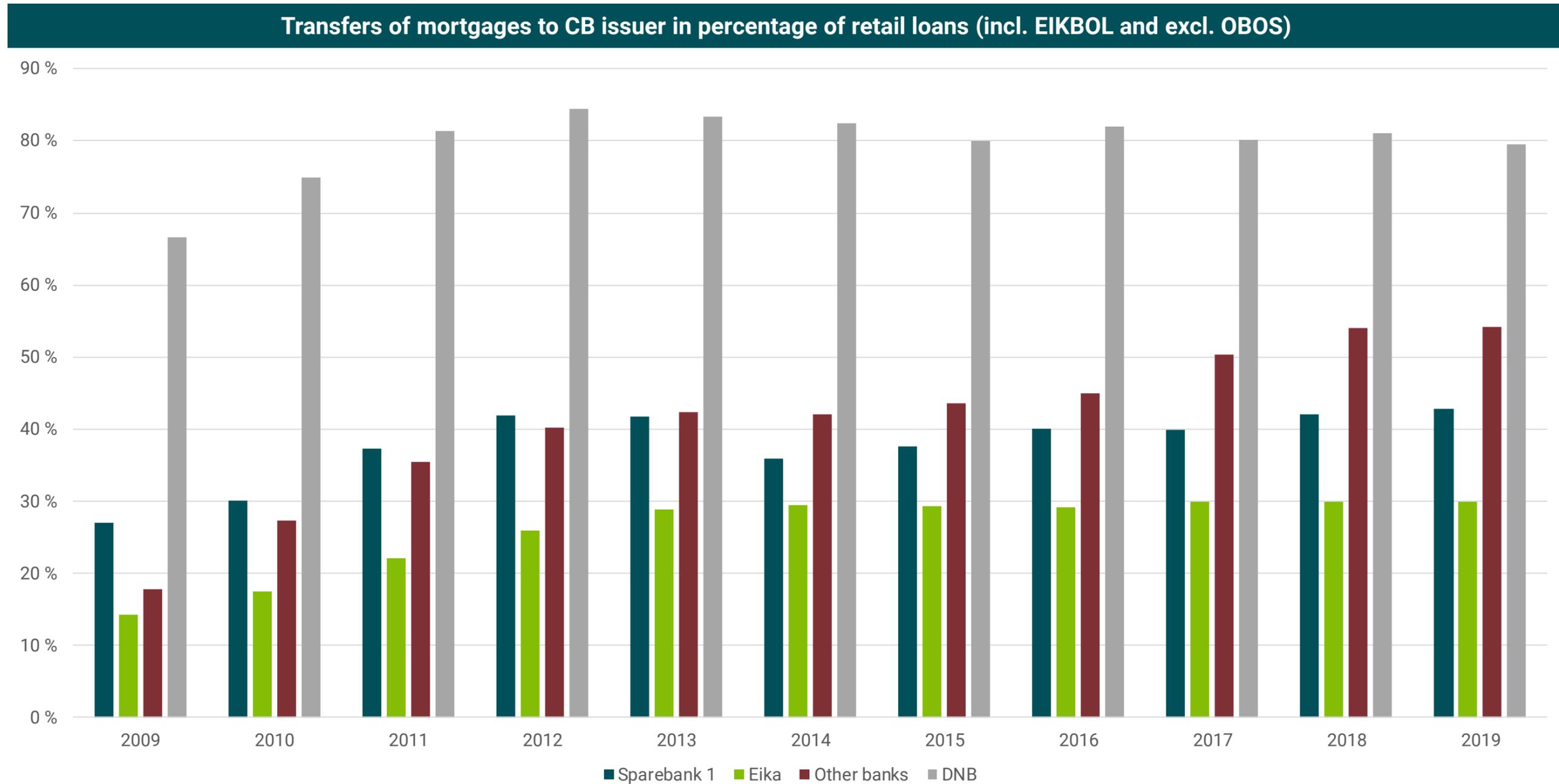
Source: Bank Analyst Eika

# 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 %  |
| <b>Total income</b>                        | <b>1,628</b> | <b>1,656</b> | <b>1,720</b> | <b>1,668</b> | <b>1,774</b> | <b>1,942</b> | <b>2,045</b> | <b>1,964</b> | <b>1,654</b> | 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 % |
| <b>Total costs</b>                         | <b>873</b>   | <b>947</b>   | <b>997</b>   | <b>990</b>   | <b>896</b>   | <b>987</b>   | <b>1,077</b> | <b>1,054</b> | <b>926</b>   | 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 % |
| <b>Core earnings</b>                       | <b>717</b>   | <b>686</b>   | <b>633</b>   | <b>655</b>   | <b>862</b>   | <b>935</b>   | <b>859</b>   | <b>605</b>   | <b>592</b>   | 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 % |
| <b>Pre tax profit</b>                      | <b>1,165</b> | <b>745</b>   | <b>721</b>   | <b>716</b>   | <b>1,391</b> | <b>958</b>   | <b>903</b>   | <b>344</b>   | <b>1,384</b> | 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 % |

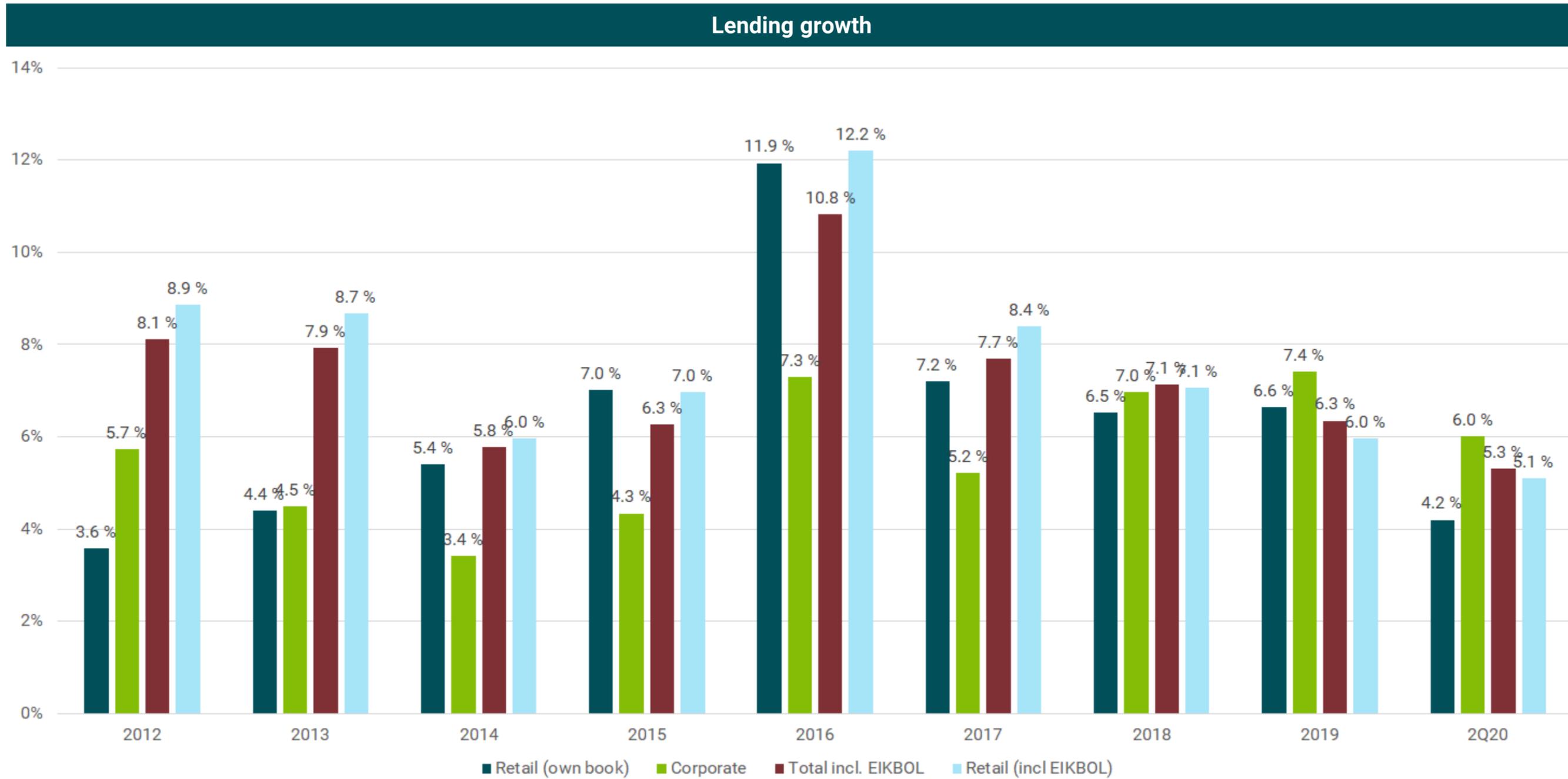
Source: Bank Analyst Eika

# Banks – transfer rate to Cov. Bond companies



Source: Bank Analyst Eika

# Eika banks - lending growth



Source: Bank Analyst Eika

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