

Eika Boligkreditt

Investor presentation

September 2021



Executive summary

• The economy

- GDP-growth -2.5% in 2020, but rebound in 2021
- Unemployment rate 3.1% in July 2021
- Expected higher mortgage rates are expected to lead to moderate to low increases in housing prices going forward
- Lower petroleum investments (-4.1% in 2020 and expected -1.0% in 2021)

• Robust, local saving banks

- 3rd 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

The Norwegian economy – Key indicators

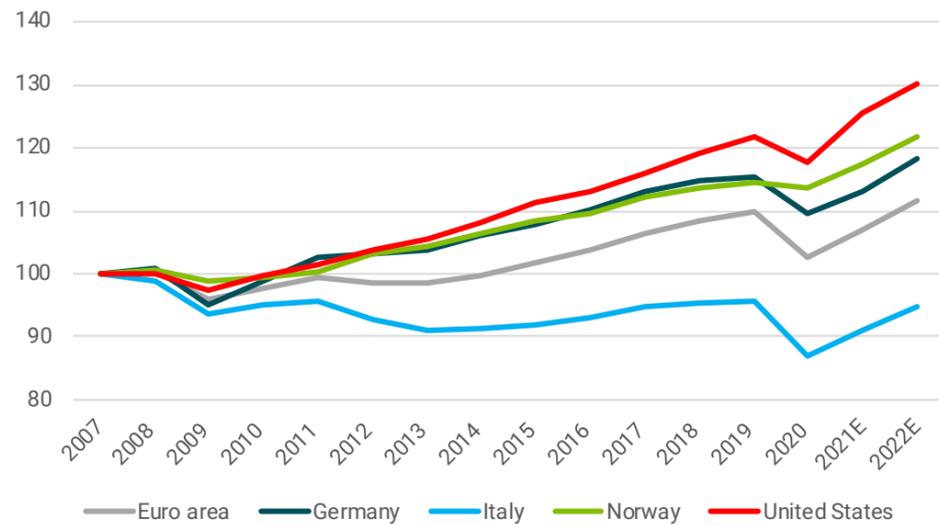
- Constitutional monarchy; Non EU member (EEA member); Population of 5.4 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated to be 48% higher than the average in EU (28 countries)
- GDP contracted by 2.5 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.1% driven by a reversal of negative development in private consumption, investments and export in 2020.

	2015	2016	2017	2018	2019	2020	2021E	2022E	2023E	2024E
GDP growth (Mainland)	1.4 %	0.9 %	2.0 %	2.2 %	2.3 %	-2.5 %	3.1 %	4.1 %	2.4 %	1.9 %
Consumer price inflation	2.1 %	3.6 %	1.8 %	2.7 %	2.2 %	1.3 %	3.1 %	1.8 %	1.8 %	1.9 %
Unemployment	4.5 %	4.7 %	4.2 %	3.8 %	3.7 %	4.6 %	4.6 %	4.2 %	3.9 %	3.7 %
Private Consumption	2.7 %	1.1 %	2.2 %	1.6 %	1.4 %	-6.9 %	5.1 %	7.9 %	3.3 %	3.1 %
Household savings rate	9.8 %	6.9 %	6.6 %	5.9 %	7.6 %	15.4 %	11.9 %	7.9 %	7.5 %	7.2 %
Houseprices	6.1 %	7.0 %	5.0 %	1.4 %	2.5 %	3.9 %	9.2 %	3.3 %	2.0 %	1.6 %
Mortgage rate (flexi loans)	3.2 %	2.6 %	2.6 %	2.7 %	3.0 %	2.6 %	2.0 %	2.3 %	2.8 %	3.2 %
Government net lending as % of GDP	6.0 %	4.1 %	5.0 %	7.8 %	6.6 %	-3.4 %	-1.1 %	0.3 %	n/a	n/a
Government pension fund / GDP	239 %	241 %	257 %	233 %	266 %	282 %	288 %	290 %	297 %	308 %

Source: Statistics Norway – Konjunkturtrendensen 2/2021, OECD – Economic Outlook No. 109 June 2021 and Norges Bank

The Norwegian economy – Relative solid economic situation

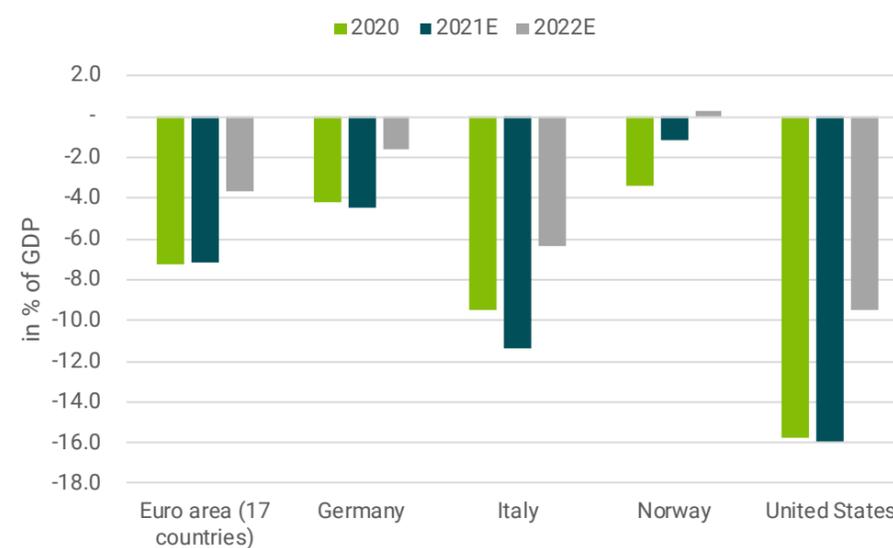
Real GDP growth (rebased to 100 in 2007)



Source: OECD Economic Outlook No. 109 (database), June 2021

- Economic growth at an annual average of 1.3% for Norwegian mainland GDP last 10 years, dragged down by -2.5% in 2020
- Strong current account surplus averaging 7.7% of GDP since 2011

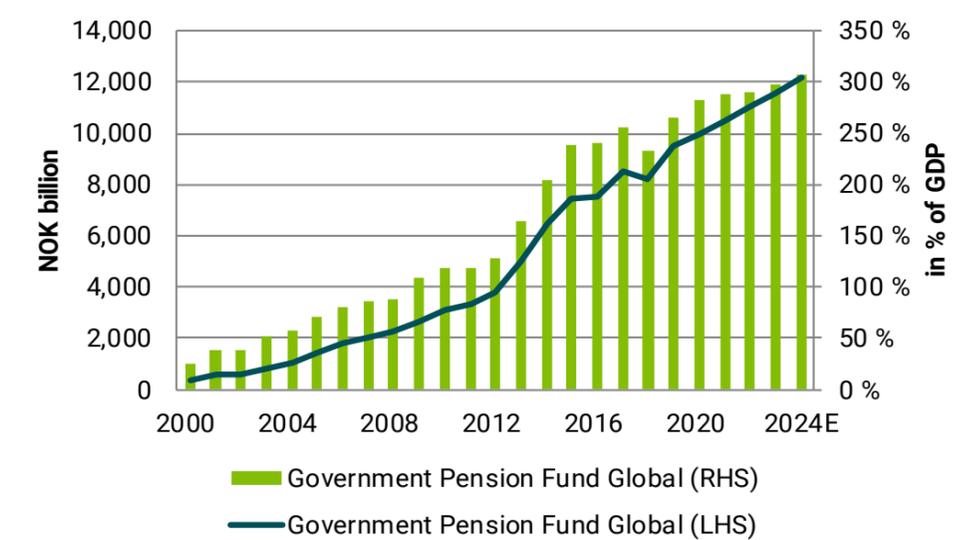
Government net lending (% of GDP)



Source: OECD Economic Outlook No. 109 (database), June 2021

- Significant negative government net lending (-3.4% of GDP in 2020, but OECD expect back to positive numbers in 2022) and the Government Pension Fund more than twice the size of GDP

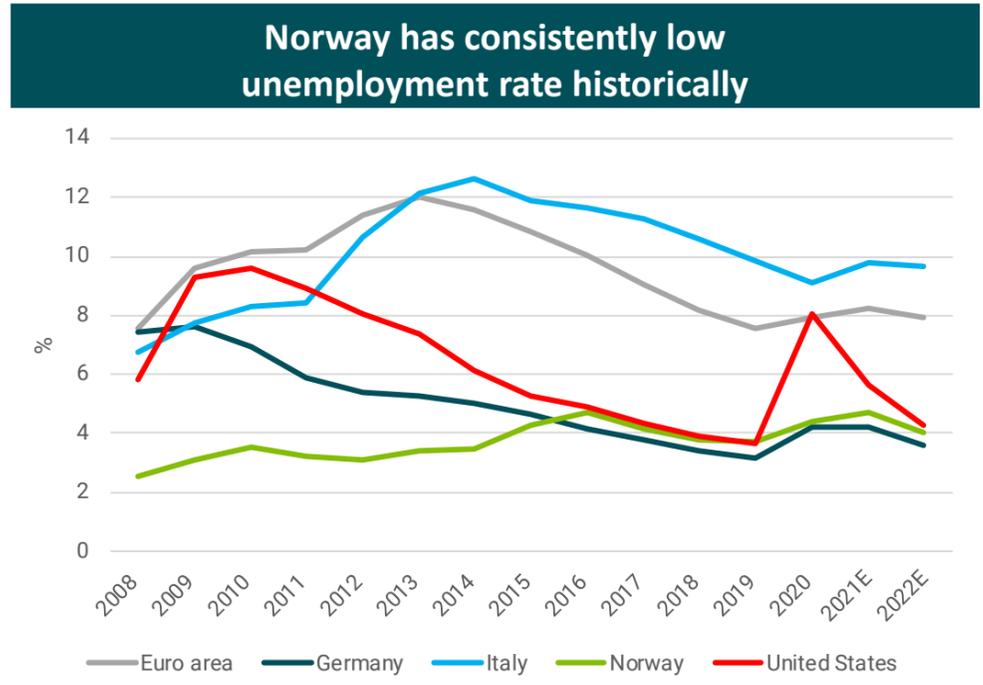
Government Pension Fund Global



Source : Norges Bank, Statistics Norway

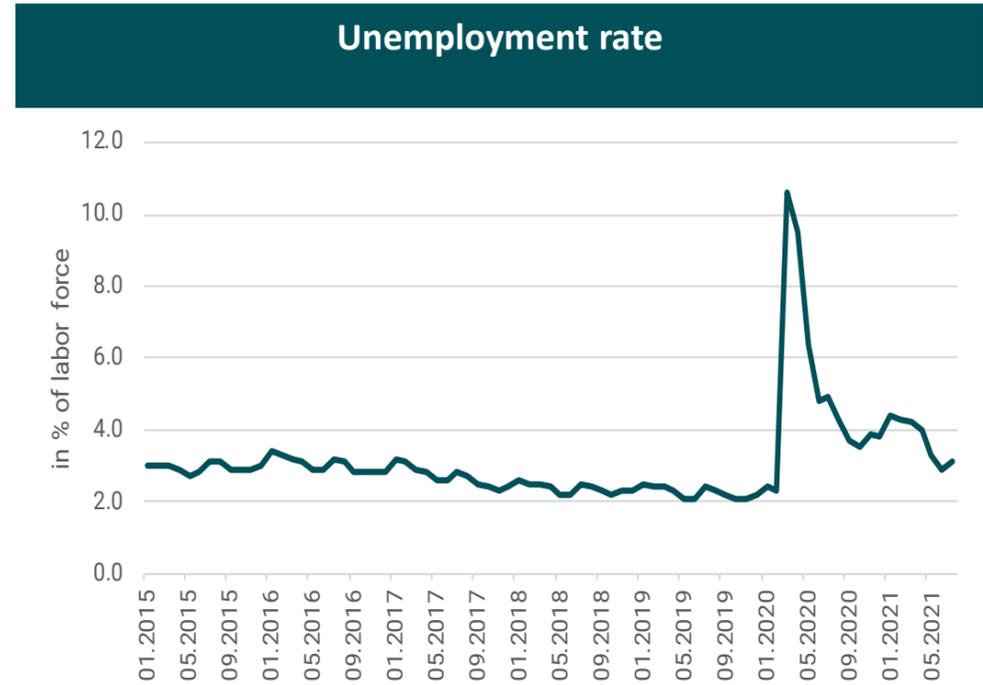
- Norway has a strong balance sheet
- High net central government financial assets (280% of GDP in 2018)

The Norwegian economy – Unemployment



Source: OECD Economic Outlook No. 109 (database), June 2021

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



Source: NAV, July 2021

- Significant growth in employment since 2016 until COVID-19
- 3.1% unemployment rate in July, higher than 2.3% before COVID-19 measures implemented, but down from high of 10.6% in March 2020

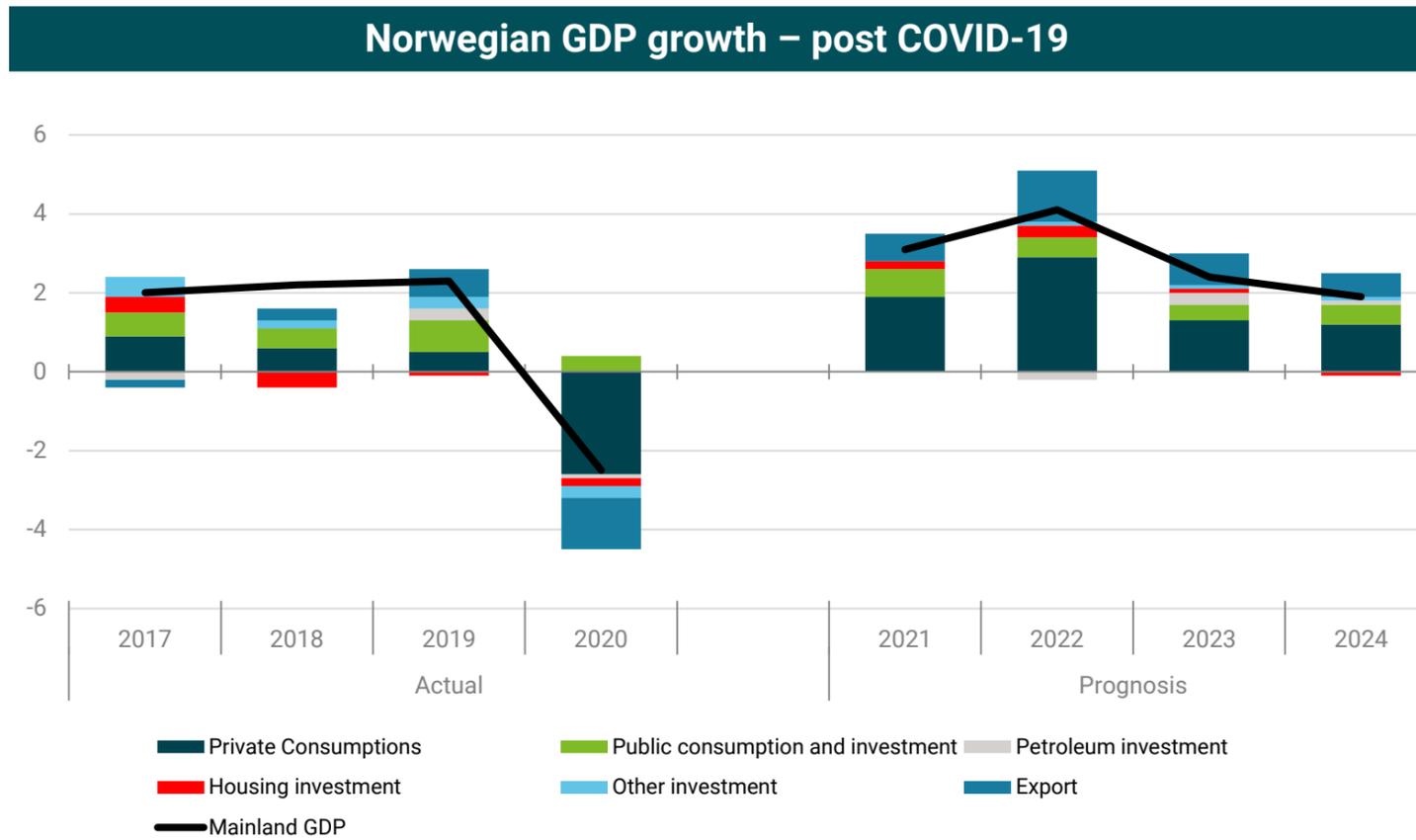
Registered unemployment in % of labour force and # by profession

Profesions	#	% of labour force	Change in # YoY	Change in % YoY	% of labour force last year
All	86,774	3.1	-53,064	-38	4.9
Managers	4,104	4.2	-3,031	-42	7.4
Engineers & IT	4,143	1.5	-4,424	-52	3.0
Teaching	3,121	1.5	-1,287	-29	2.1
Academical professions	1,311	1.0	-1,201	-48	1.9
Health and care services	4,540	1.1	-1,909	-30	1.5
Child and youth work	4,499	4.1	-2,134	-32	6.0
Brokers & consultants	2,459	1.6	-2,314	-48	3.1
Office workers	7,114	3.9	-5,257	-42	6.8
Store and sales work	10,022	3.7	-6,666	-40	6.2
Agriculture, forestry and fishery	933	1.7	-318	-25	2.3
Construction & building	7,161	3.3	-4,435	-38	5.3
Industrial work	7,300	3.9	-5,537	-43	6.8
Tourism & transportation	12,135	6.6	-7,602	-39	10.7
Services & other employment	10,039	4.0	-4,940	-33	5.9
No profession or unknown	7,893	*	-2,009	-20	*

Source: NAV, July 2021

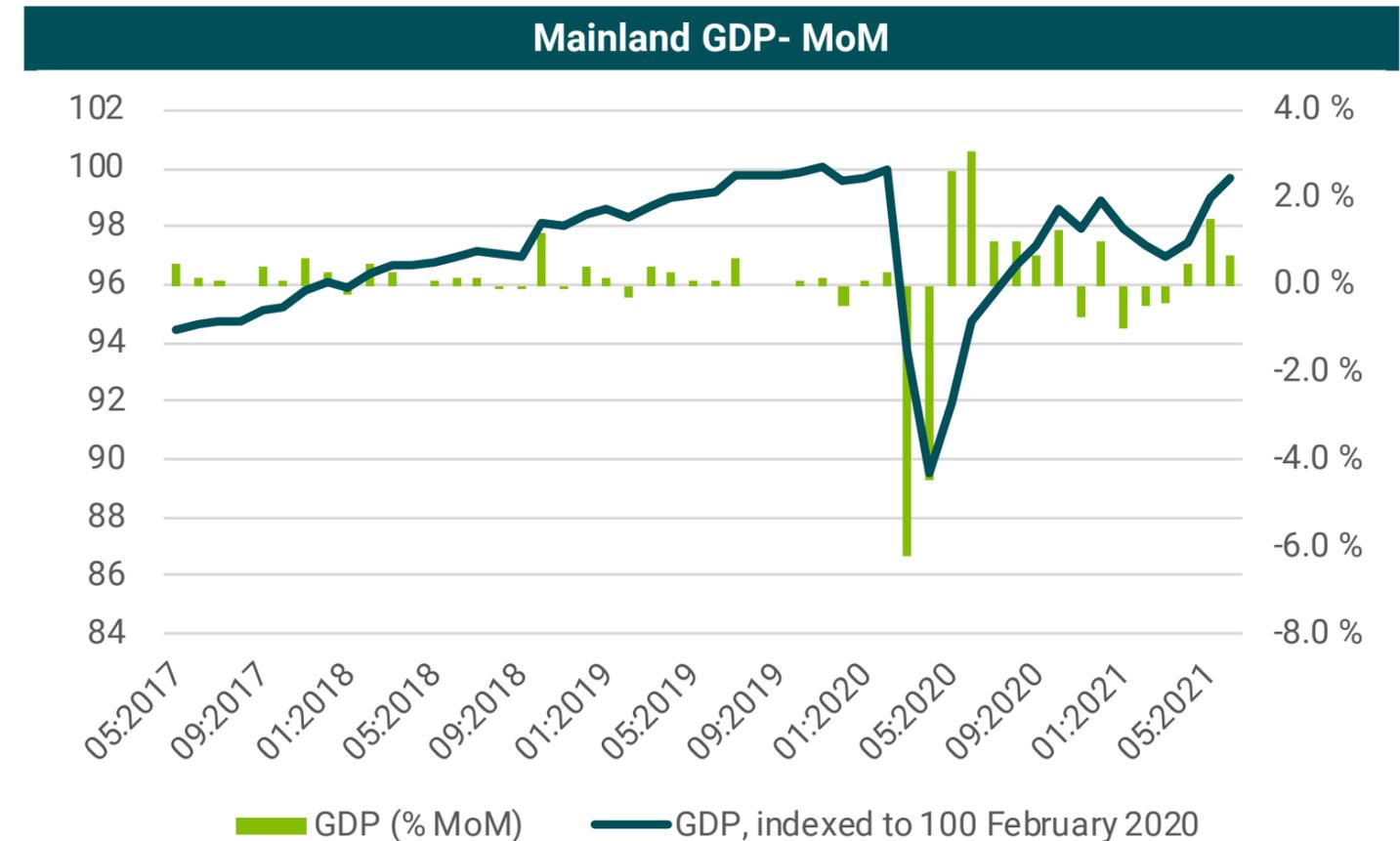
- A strong welfare system provides significant income protection: unemployment benefit is 62.4% of salary (capped at NOK 599,148) for a minimum of 104 weeks. COVID-19 related measure is to increase benefit to 80% of first NOK 300,000

The Norwegian economy – post COVID-19 outbreak



Source: Statistics Norway, Konjunkturtendensene 2/2021

- GDP growth contracted by 2.5 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.1% driven by a reversal of negative development in private consumption and export in 2020.



Source: Statistics Norway, June 2021

- The Norwegian economy contracted in March and April (-10.5%) but showed a strong rebound from May to October 2020 and again in 2nd quarter 2021. Mainland GDP contracted 2.5 % in 2020. -1.0% in Q1 2021 and +1.4% in Q2 2021. Lower infection rates, higher vaccination rates and easing in infection control measures have lifted the economy in the 2nd quarter and the level for mainland GDP is back to the level before Covid

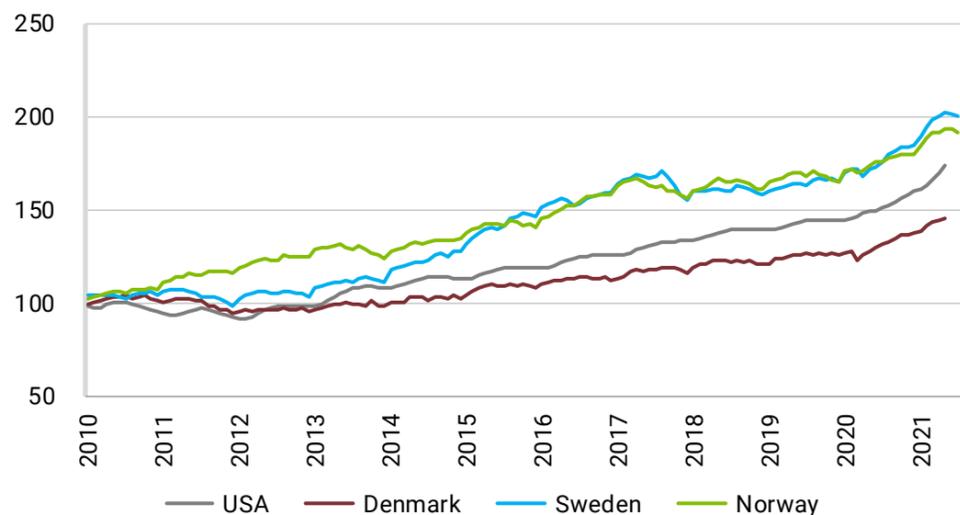
The housing market characteristics in Norway

<h2>Home ownership</h2>	<ul style="list-style-type: none"> • Among the highest in the world – 76.8% are owner-occupied households • Total size of the mortgage market NOK 3,300 bn (EUR 320 bn) 	<h2>Personal liability</h2>	<ul style="list-style-type: none"> • Borrowers personally liable for their debt – also following foreclosures and forced sales • Prompt and efficient foreclosure process upon non-payment • Strong incentives to service debt reflected in low arrears • Transparent and reliable information about borrowers available to the lenders
<h2>MoF lending regulation*</h2>	<ul style="list-style-type: none"> • Mortgages maximum LTV 85% (60% for secondary homes in Oslo) • Mortgages with an LTV > 60% are required to be amortizing • Debt service ability is stress tested for a 5% - point increase in interest rates • Total debt over gross income less than 5 • Flexibility quota per quarter 10% (8% in Oslo) 	<h2>Mortgage lending</h2>	<ul style="list-style-type: none"> • Typical legal maturity 25-30 years, on average 22-23 years • 94.4% of residential mortgages have variable interest rate (Q4 2020) • Lenders allowed to adjust interest rates with a six week notice • No “sub-prime” market in Norway • Very limited buy-to-let market
<h2>Tax incentives</h2>	<ul style="list-style-type: none"> • All interest expenses are tax deductible in Norway at capital gains tax rate (22%) • Preferential treatment of properties when calculating the wealth tax (0.85%) • Capital gain on a dwelling tax-free after one year of occupancy by the owner 		

* January 20th 2021 the Ministry of Finance decided to continue the current mortgage regulation unchanged with effect from January 1st 2021. Current regulation expired 31 December 2024. Due to Covid 19 the flexibility quota was increased to 20 percent on March 23rd for Q2 2020 and June 11th the increased flexibility quota of 20 percent was extended for Q3 2020, but was not extended for Q4 2020

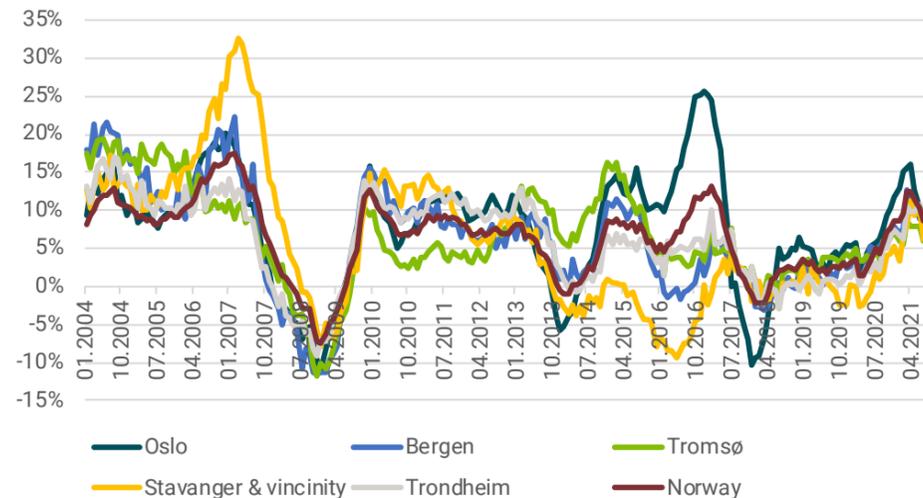
The housing market – Price development

Nominal house price development



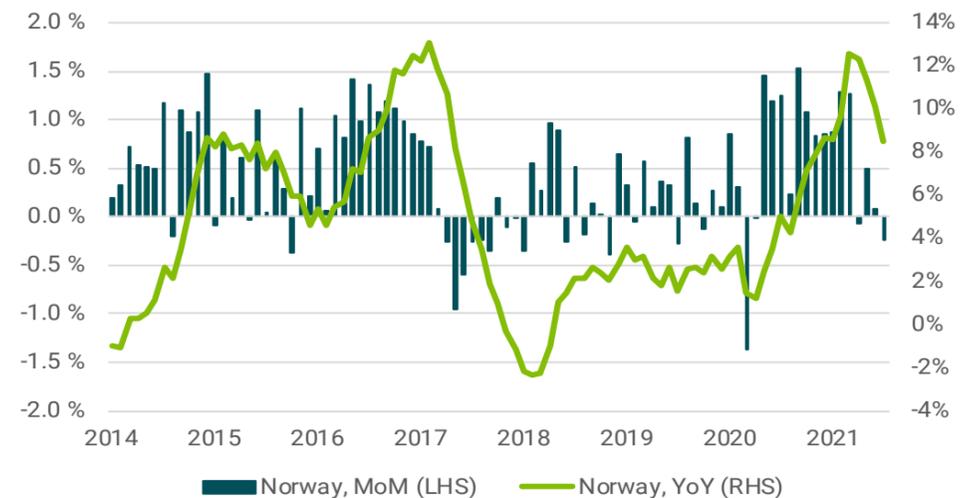
Source: S&P CoreLogic Case-Shiller US National Home Price NSA Index, Danmark statistik EJ14, Valueguard HOX® Index, Eiendomsverdi, May 2021– July 2021

House prices larger cities (twelve-month change)



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

House prices (monthly and twelve-month change)



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

- Nominal house prices have increased by an average of 5.8% per annum since 2010
- The Norwegian housing market stabilized in 2018 and 2019 after volatile price development in 2016 and 2017. +8.7% in 2020 and +6.5% YtD 2021, +12.5% 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
- Expected higher mortgage rates are expected to lead to moderate to low increases in housing prices going forward

- Median house price (last 6 months) in Norway is €351 000, median house price in Oslo is €478 000
- Average m² price last 6 months in Norway is €4 800 , m² price in Oslo is €8 400

The housing market – Drivers of the housing market

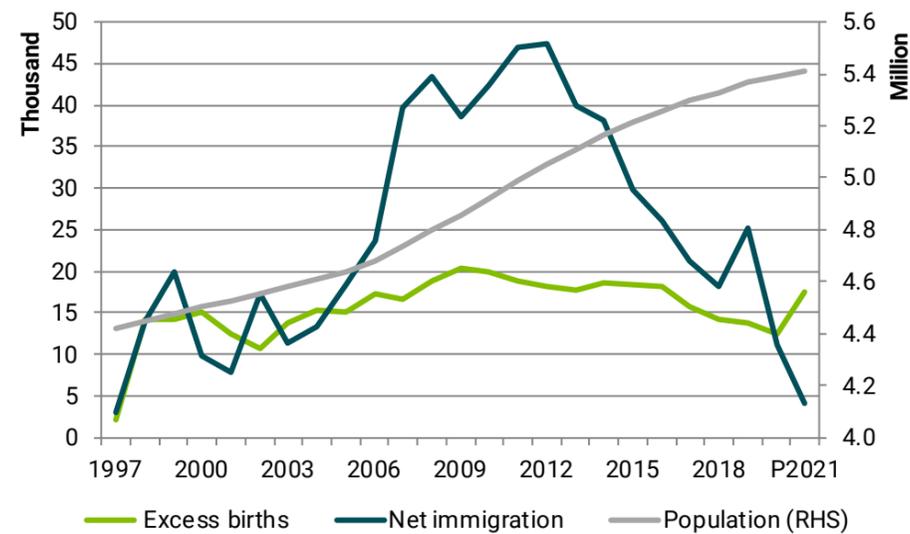
Housing starts (twelve-month change)



Source: Statistics Norway, July 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

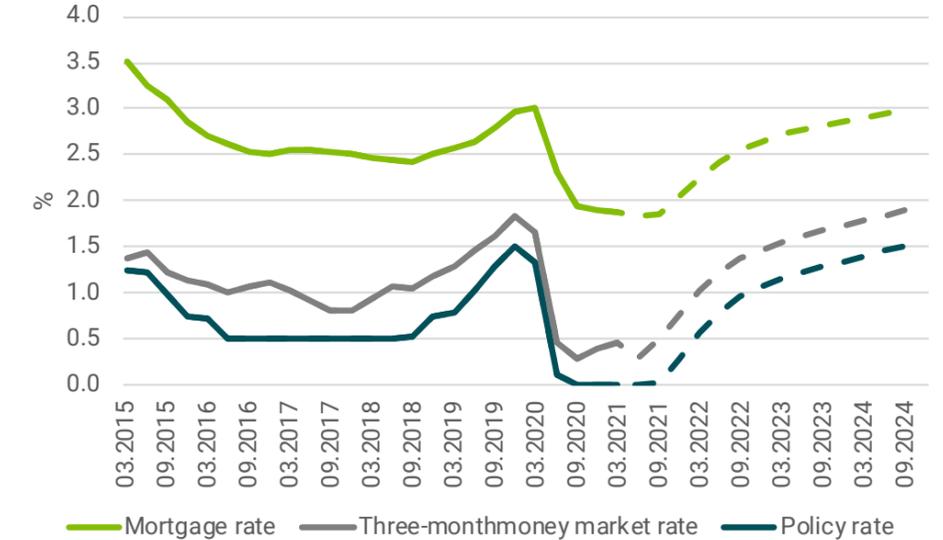
Population growth



Source: Statistics Norway, Q2 2021

- Net immigration down from above 47,000 in 2011/12 to 11,000 in 2020. -1,828 in Q2 2020 and -1,736 in Q2 2021. Net immigration in Q2 2020/21 were the first negative quarters since interception of this statistic series in Q4 1997.
- The population growth of 0.9% p.a. since 1997 has been driven both by excess birth rate (39%) and net immigration (61%)

Interest rates

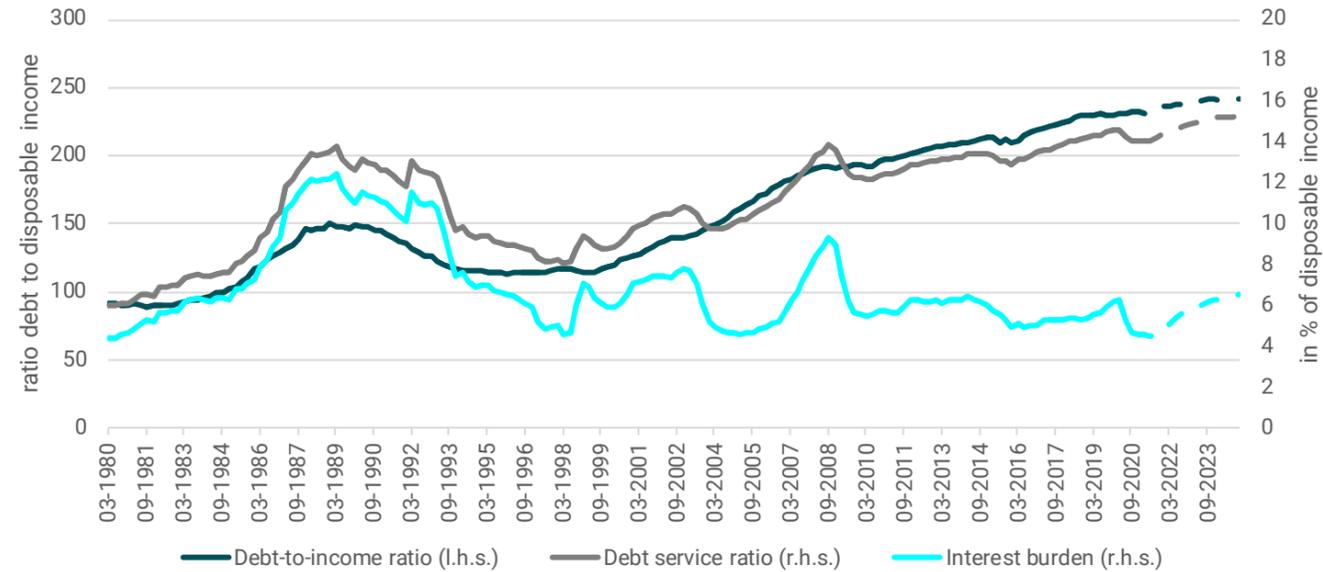


Source: Norges Bank, MPR June 2021

- Average variable mortgage rates was 1.83% in June. Average deposits rates was 0.26%. They are expected to increase going forward due to expectations for increased policy and money markets rates

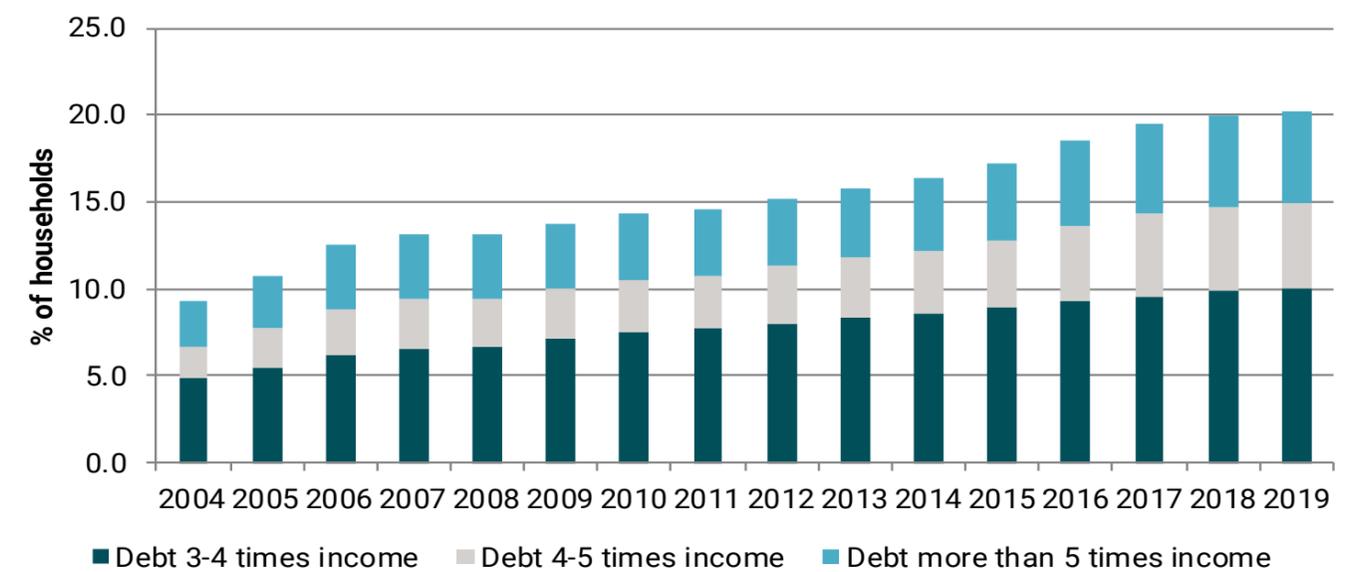
Households financial position

Household interest burden and debt-to-income ratio



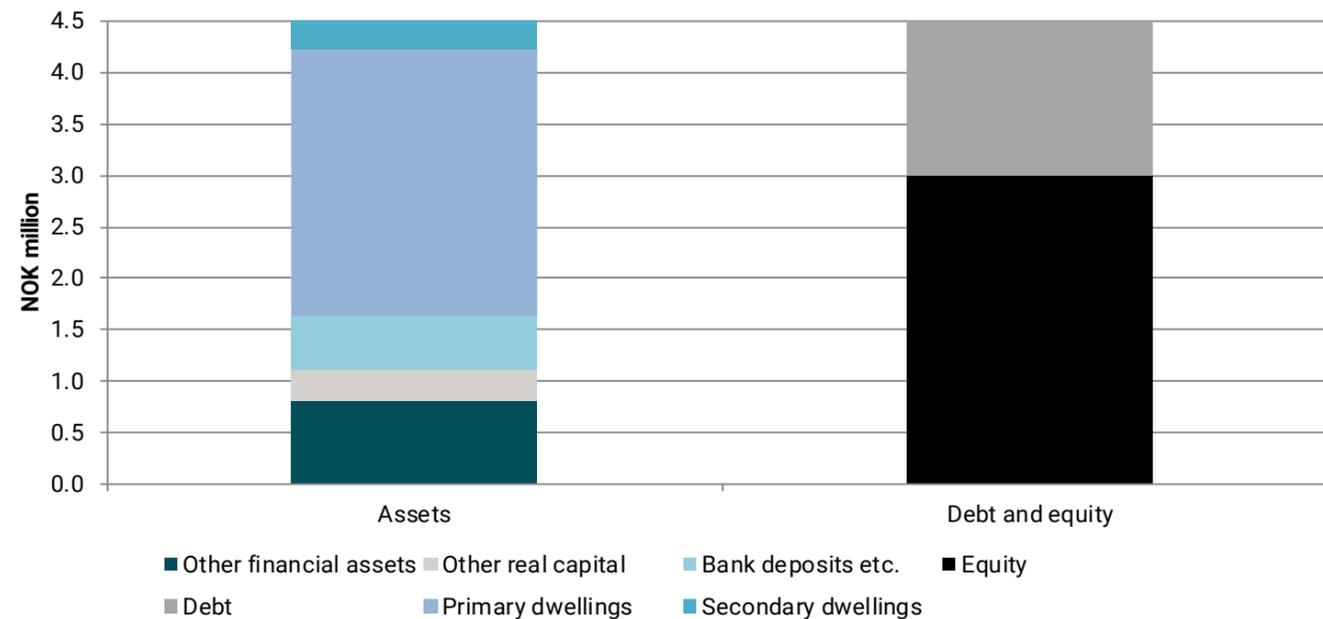
Source: Statistics Norway and Norges Bank, MPR June 2021

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



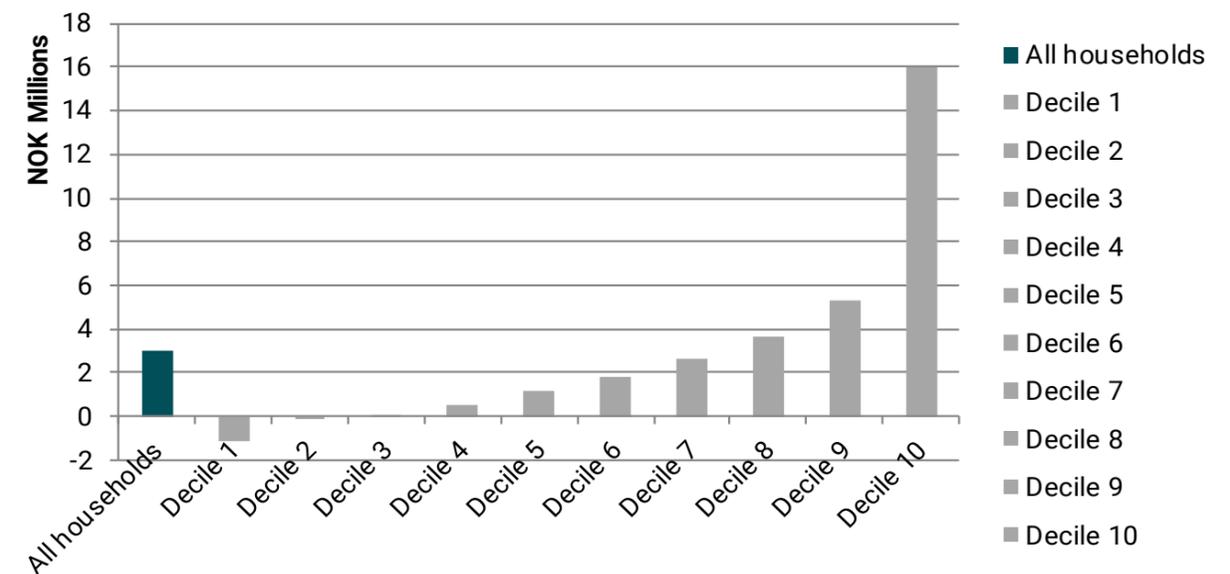
Source: Statistics Norway, Updated 2019

Household balance sheet



Source: Statistics Norway Updated 2019

Norwegian households net wealth (in NOK)



Source: Statistics Norway, Updated 2019

Agenda

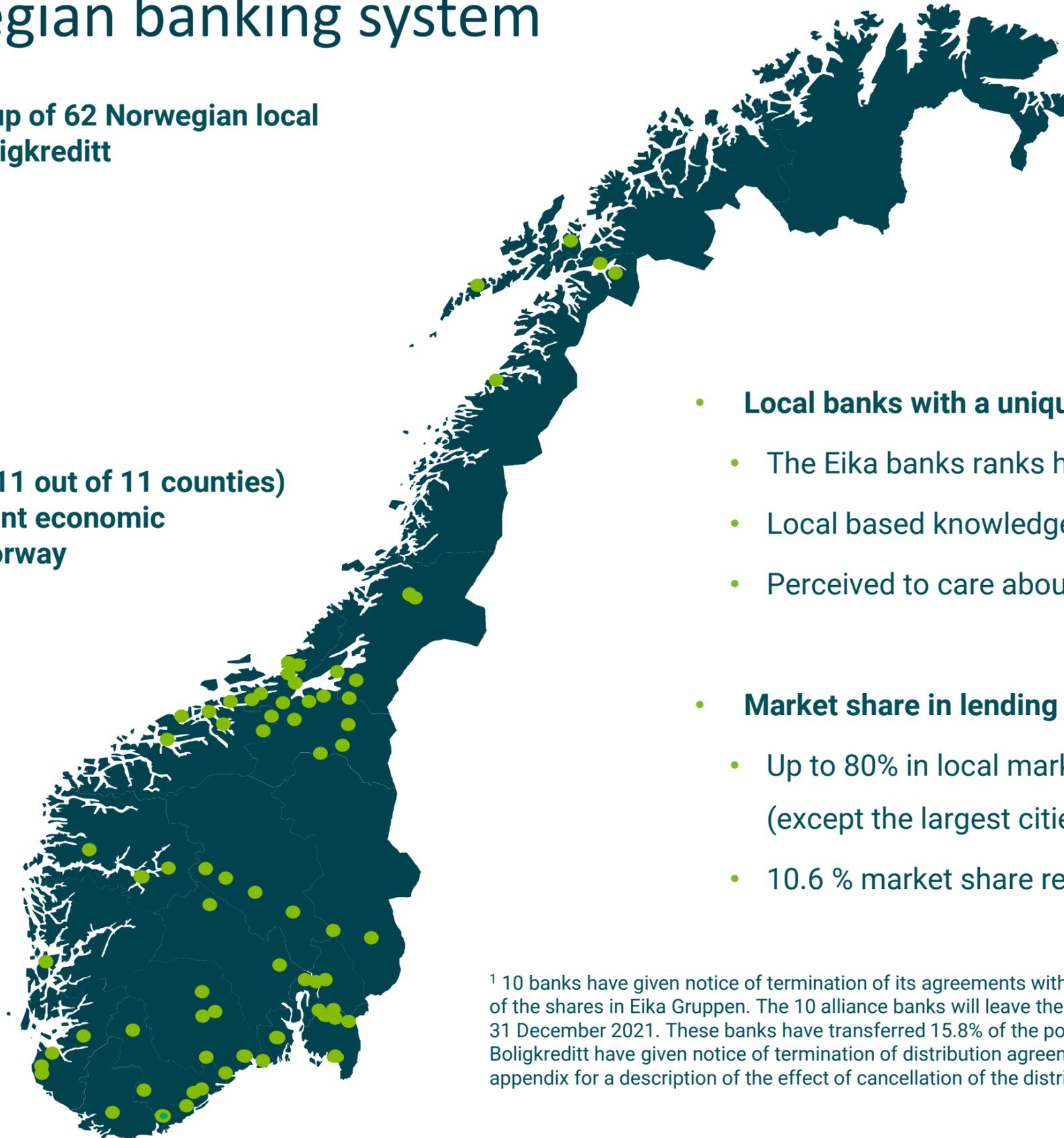
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3rd largest Norwegian banking system

- **The Eika Alliance consist of a group of 62 Norwegian local banks¹, Eika Gruppen and Eika Boligkreditt**

- Total assets EUR 50 bn
- 830,000 customers
- 2,200 employees
- 216 branch offices

- **The banks have a wide geographical reach (presence in 11 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

¹ 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 1st 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
 * 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

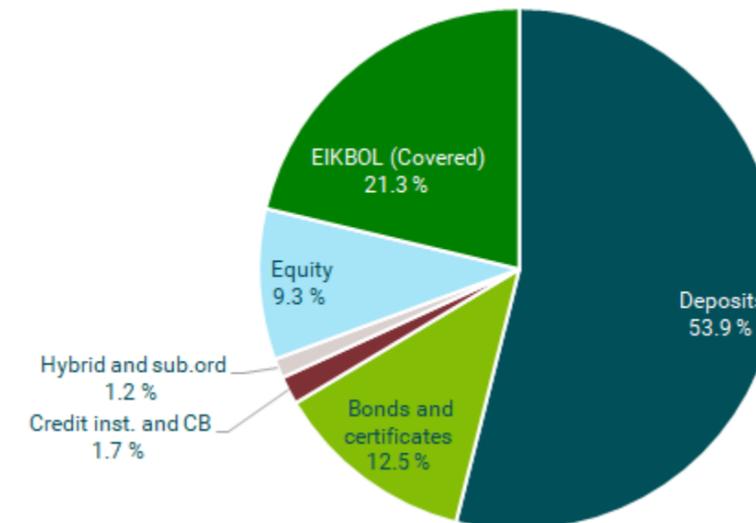
Efficiency

- 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 Q4 2020

Focus on retail customers

- Eika banks have a large and stable retail customer base
- Retail lending accounts for 81.1% of Eika banks' total lending
- Eika banks have a higher share of retail lending compared to the other Norwegian peers
- Retail lending consist predominantly of mortgage collateralized housing loans (approx. 93% of total)
- Low average LTV of 53.2% in mortgage portfolio

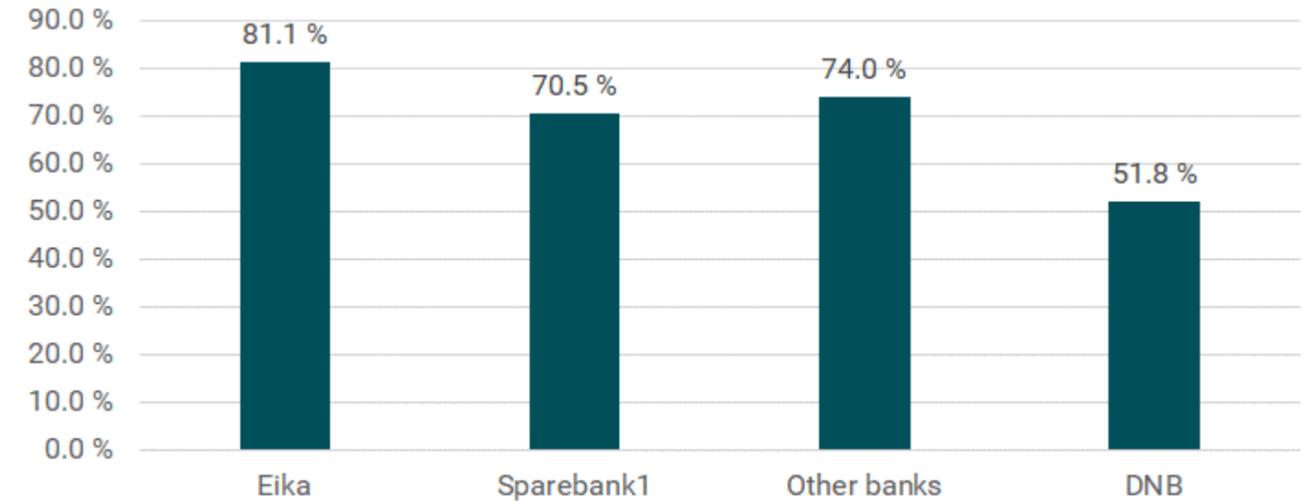
Local market focus

- 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



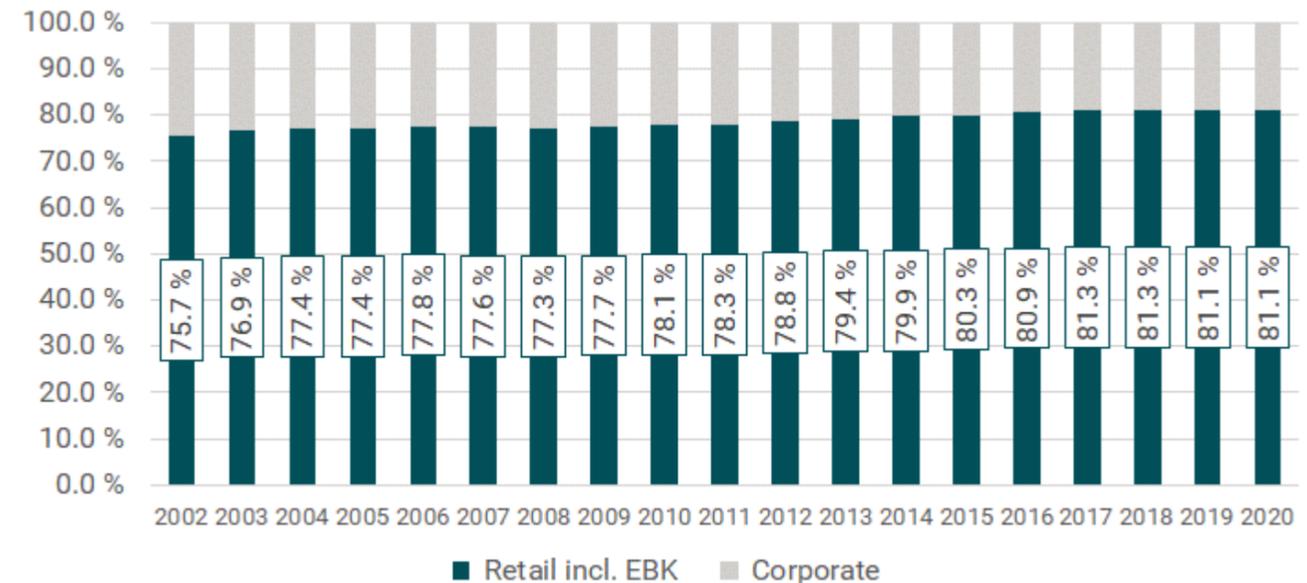
Separate legal identities and a common support brand

Retail share - Eika vs. peers



Source: Bank analyst Eika as of Q4 2020

Breakdown of the Eika banks lending

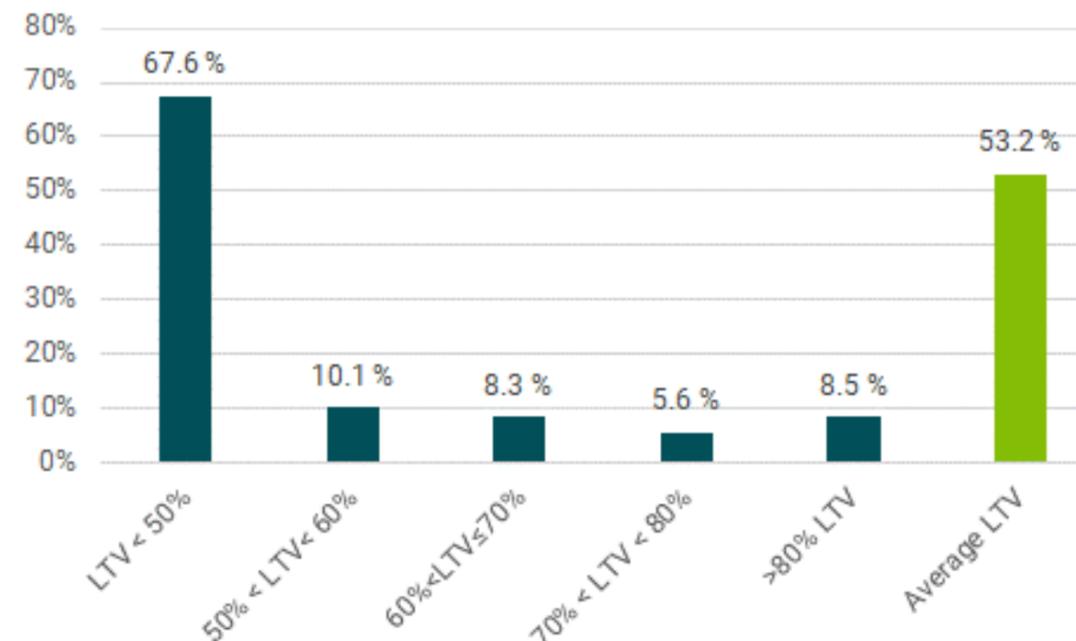


Source: Bank analyst Eika as of Q4 2020

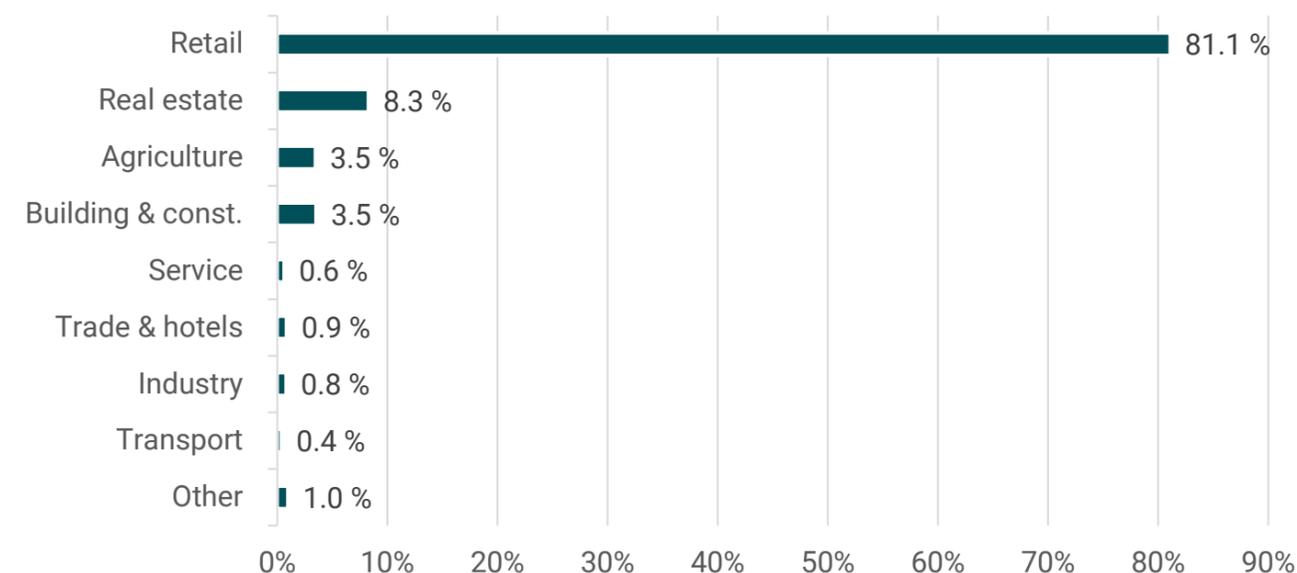
High asset quality

- 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 0.61% of gross loans Q4 2020
 - Gross doubtful loans constitute 0.73% of gross loans Q4 2020
 - Provisioning ratio on problem loans of 43.8% Q4 2020
- Gross problem loans relative to equity + loan loss reserves was 8.9 % in Q4 2020, down from 9.5 % in Q4 2019
- Loan loss provision ratio was 0.20% in 2020, up from 0.07% in 2019. Average last 10 years has been 0,16%. Average for sector in 2020 was 0.6%

Low LTV in mortgage portfolio (bank book)



Sector breakdown of the loan book (incl.EBK)



Source: Bank analyst Eika as of Q4 2020

Strong capitalization

- Strong capital ratios – Q4 2020**

- Common equity ratio (CET1): 19.3%
- Core capital ratio: 20.6%
- Capital ratio: 22.3%
- Equity ratio (Equity/Total assets): 11.8%

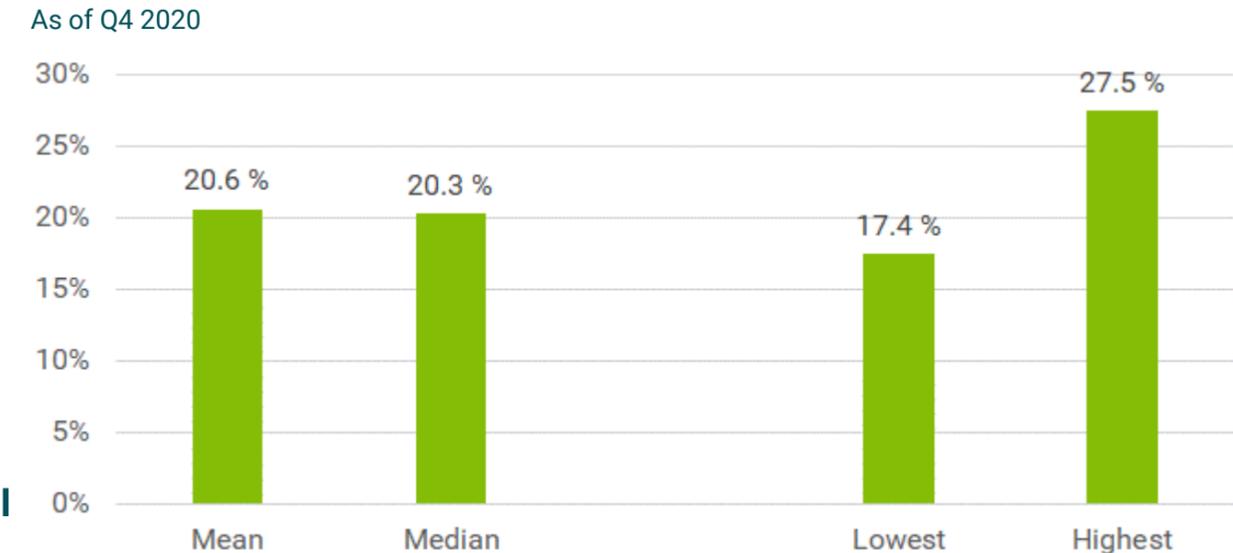
- All Eika banks are well capitalized (core capital ratio)**

- Lowest: 17.4%
- Highest: 27.5%

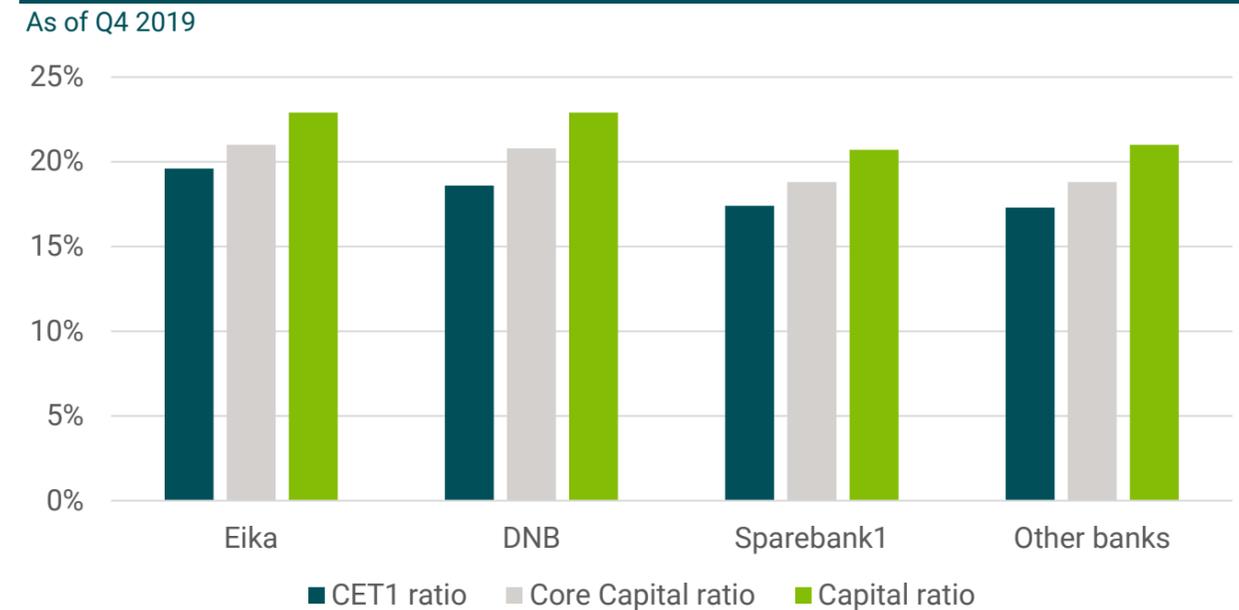
- All Eika banks use the standard approach under Basel II and therefore increase in mortgage risk-weights will not impact capital levels of Eika banks**

- If Eika banks were using the IRB method, the core and capital ratios are estimated to have been at 26.6% and 28.8% Q4 2020**

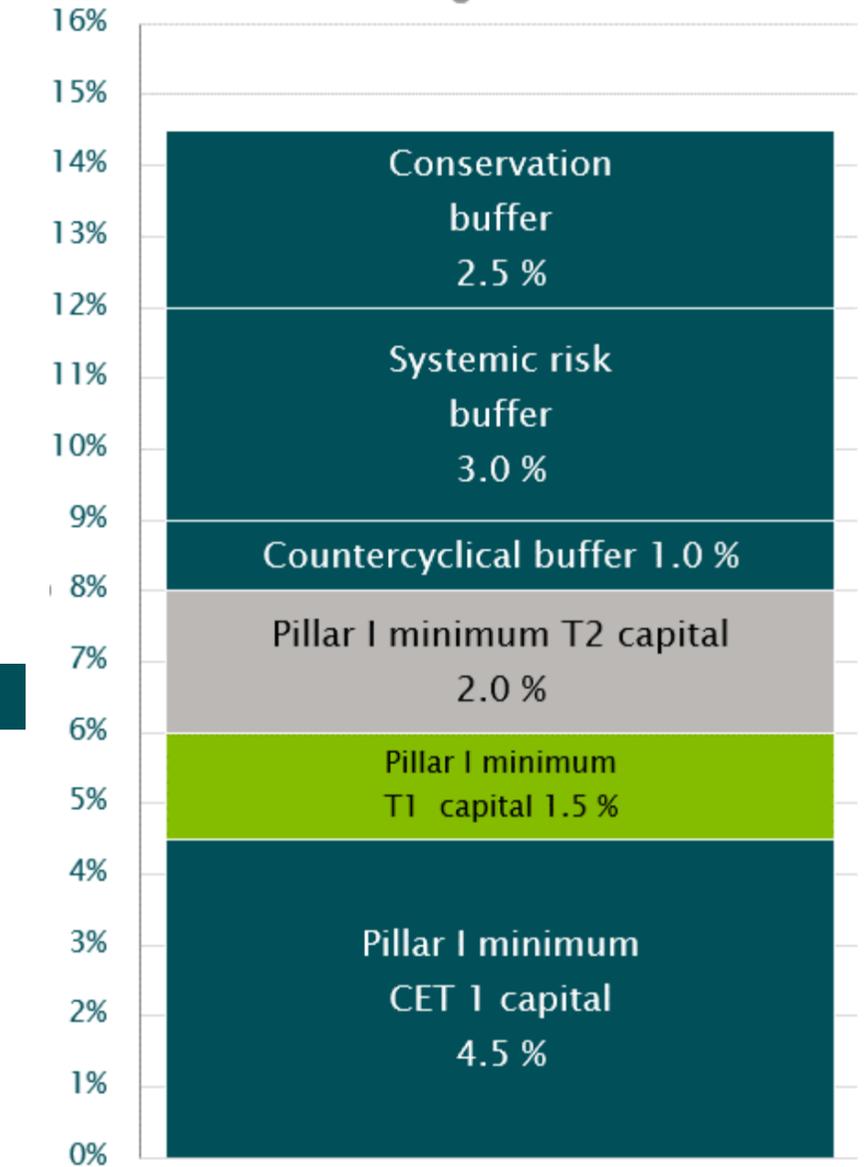
Core capital ratio – Eika banks



Capital ratio - Norwegian banks



Minimum capital requirements for Eika Banks*



* The countercyclical buffer was decreased from 2.5 percent to 1 percent with immediate effect from March 13th 2020. The buffer will be increased from 1 percent to 1.5 percent with effect from June 30th 2022. 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

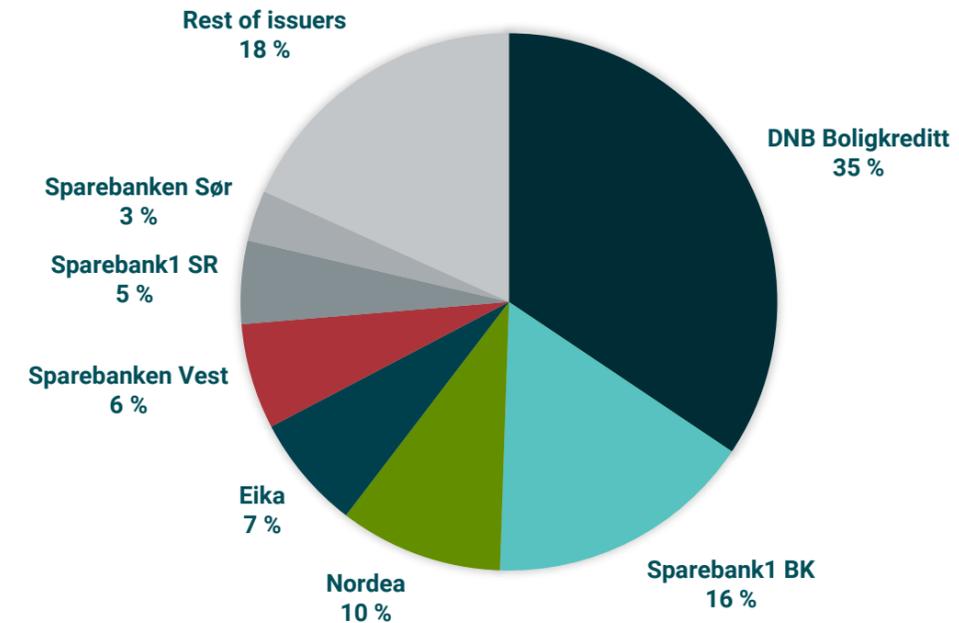
- Norwegian covered bonds are category 1 for LCR purposes (above EUR 500 mill.)
- 10% preferential risk weighting

III. Eika Boligkreditt covered bonds

- Eika Boligkreditt (**EIKBOL**) is a labelled covered bond issuer (www.coveredbondlabel.com)
- 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

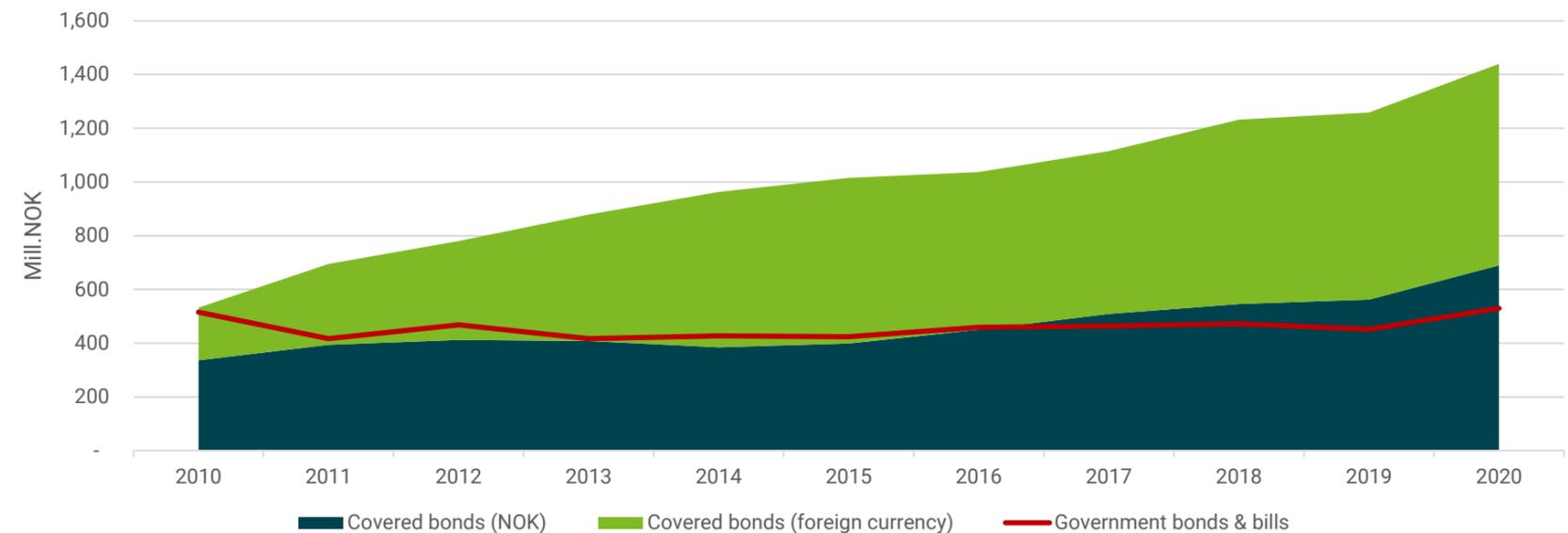
As of YE2020



Source: Finance Norway

Norwegian covered bonds and government bonds outstanding

As of YE2020



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

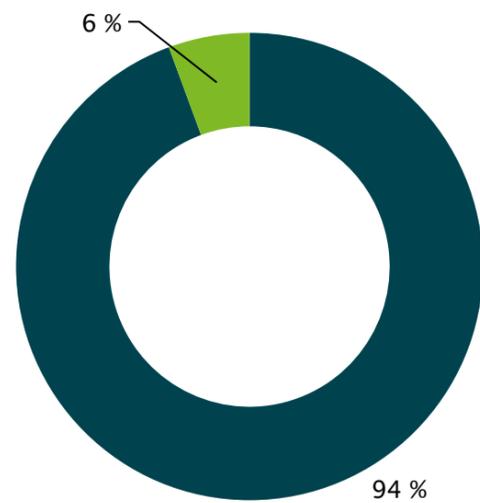
- **The Note Purchase Agreement (NPA)** is structured to ensure that EIKBOL has liquidity, at all times, sufficient to pay the Final Redemption Amount of any series of Notes in a rolling twelve month period
- **The Shareholders' Agreement** is structured to ensure that EIKBOL will uphold a sufficient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

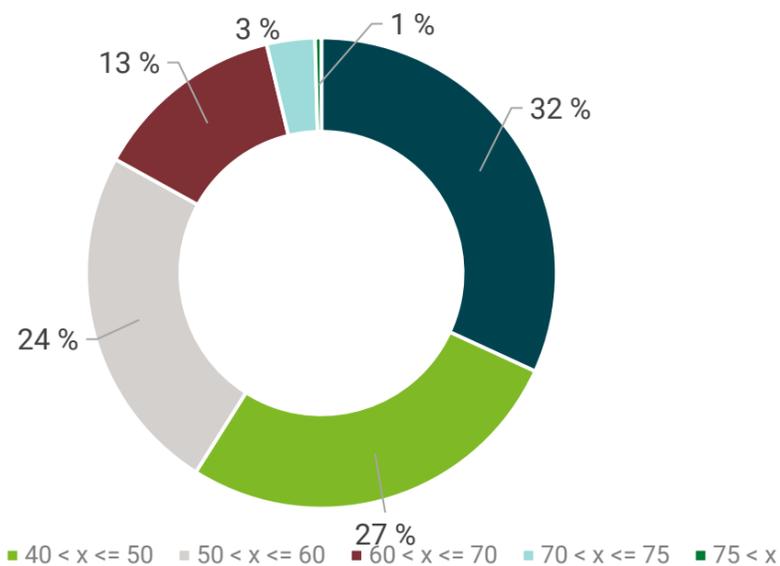
Nominal value	EUR 8.8 bn
Number of loans	53,657
Arithmetic average loan (nominal)	EUR 164,304
WA LTV (indexed)	45.4%
WA seasoning (months)	33
Loans in default of gross loans	0.04%
Over-collateralization *	11.3 %

Type of collateral



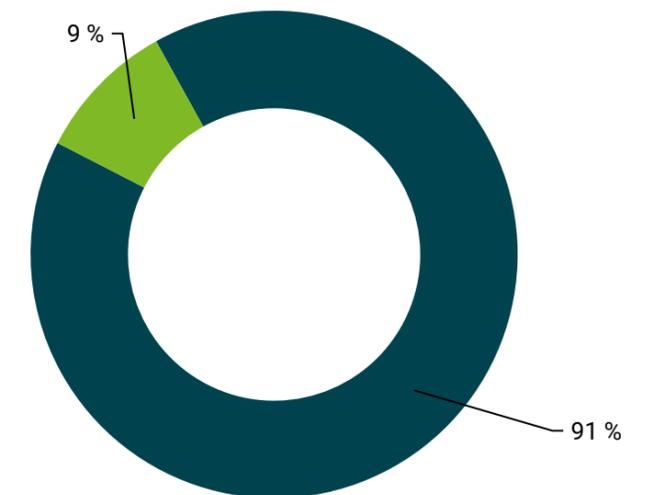
■ Residential (stand-alone) ■ Residential (cooperative housing)

Indexed LTV distribution



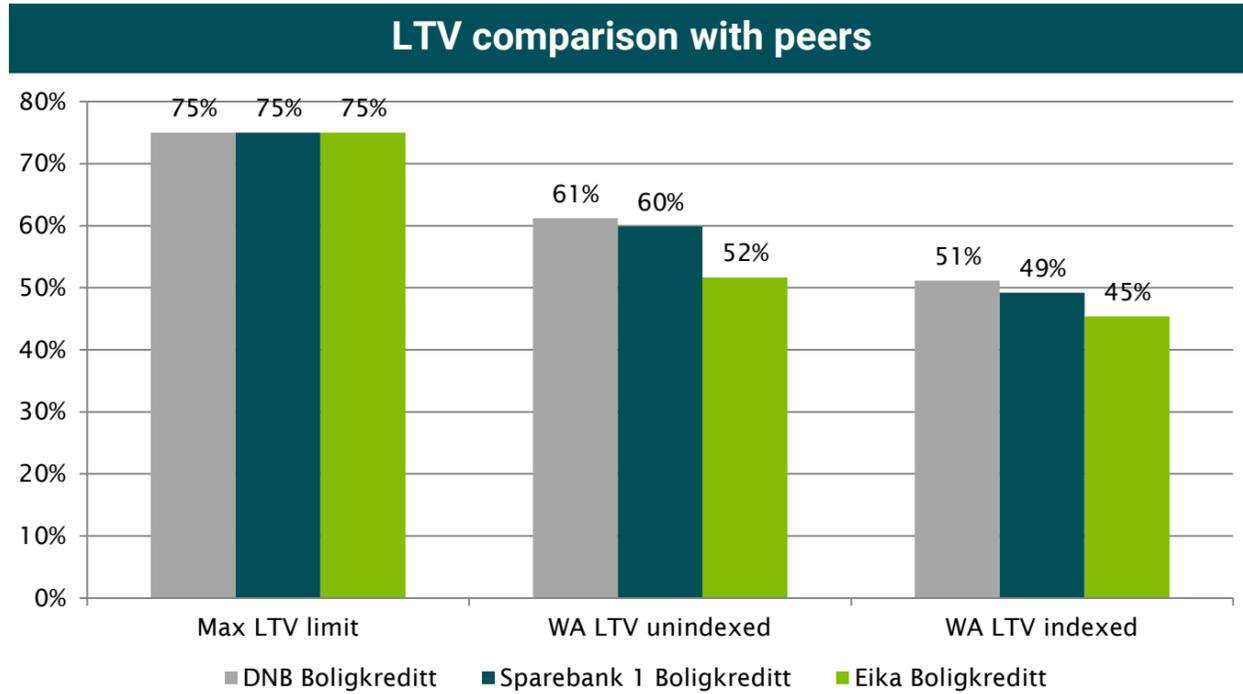
■ 0 <= 40 ■ 40 < x <= 50 ■ 50 < x <= 60 ■ 60 < x <= 70 ■ 70 < x <= 75 ■ 75 < x

Variable vs fixed rate

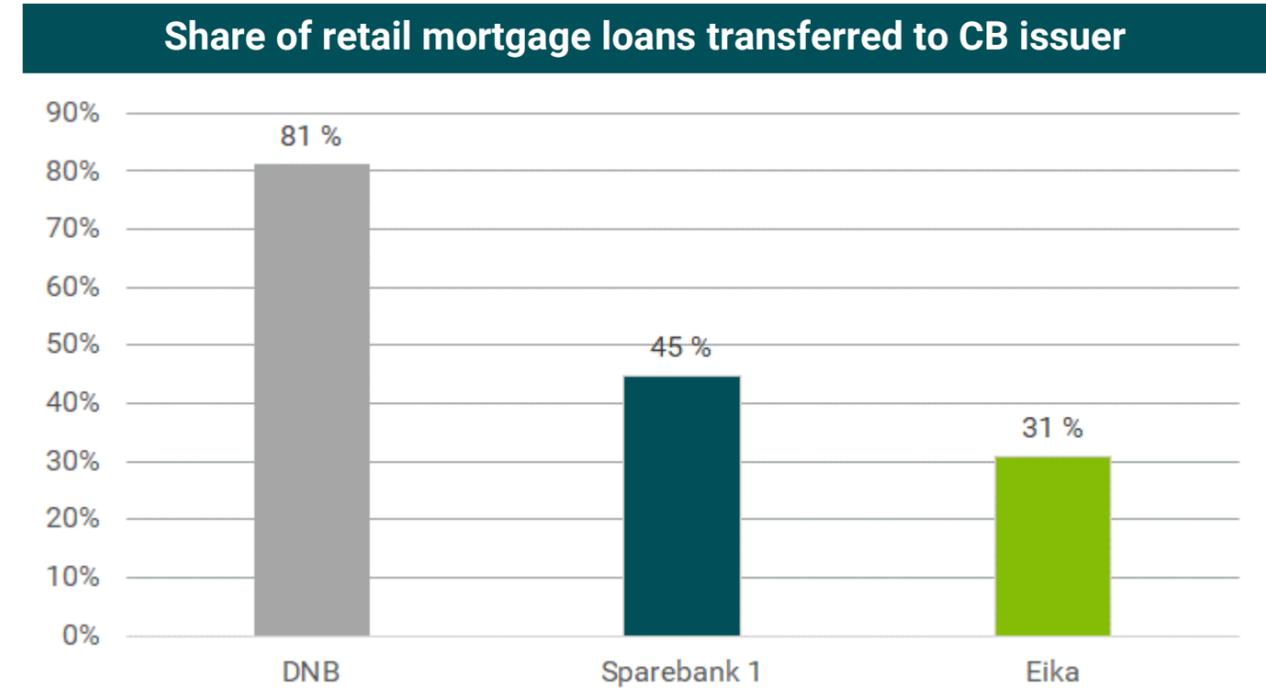


■ Variable ■ Fixed

Cover pool comparison and stress test



Source: Cover pool information as of Q2 2021



Source: Bank Analyst Eika, Q4 2020

Stress test: Decline in house prices

Stress test house price reduction (numbers in € million)	Unchanged	Decline of 10%	Decline of 20%	Decline of 30%
Mortgage Portfolio	8,920	8,920	8,920	8,920
Part of mortgages exceeding 75% LTV	0	31.1	144.7	399.2
Share of mortgage portfolio >75% LTV	0.00 %	0.4 %	1.6 %	4.5 %
Estimated over-collateralization*	11.3 %	11.0 %	9.8 %	7.1 %

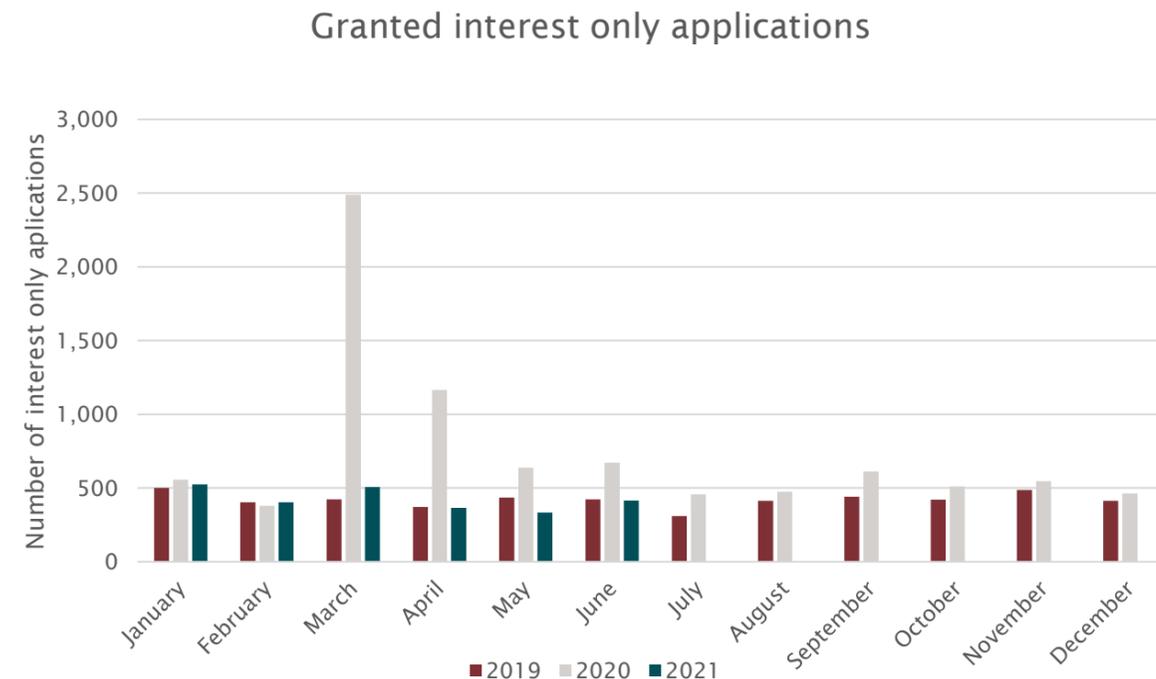
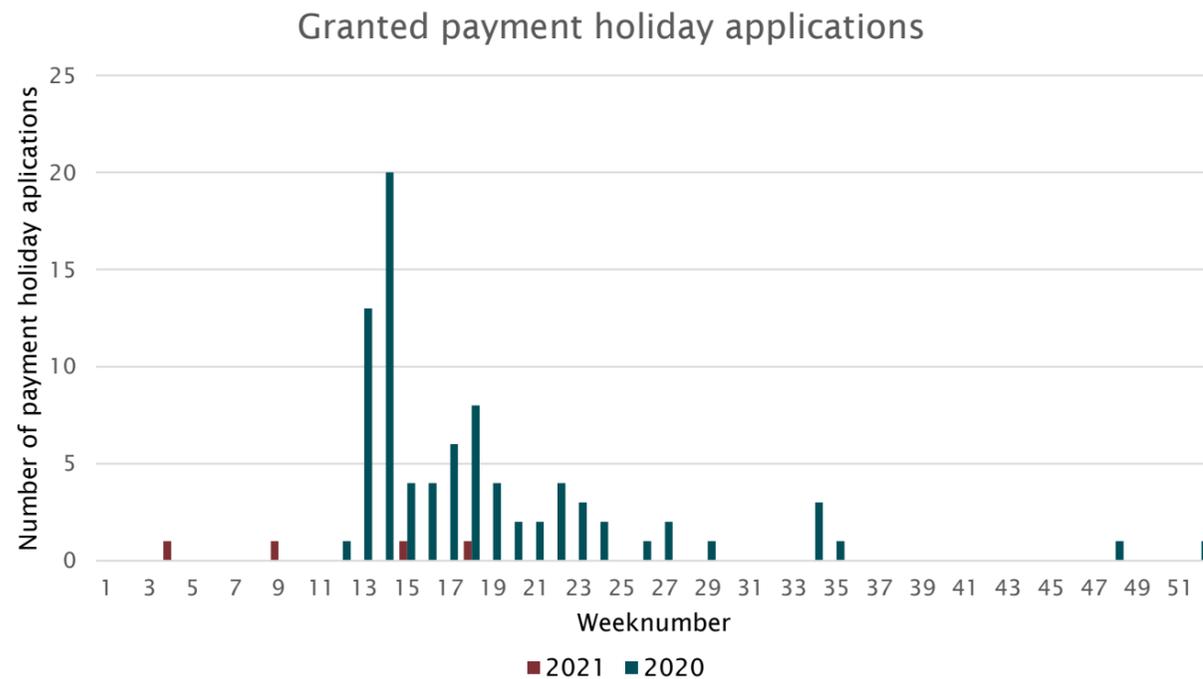
COVID-19 situation – Credit quality of the cover pool

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 was an increased demand for payment holidays and to temporarily pay interest only. This has now normalized.
- The graph on the bottom right shows monthly data for granted applications to pay interest only for a limited period.

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.

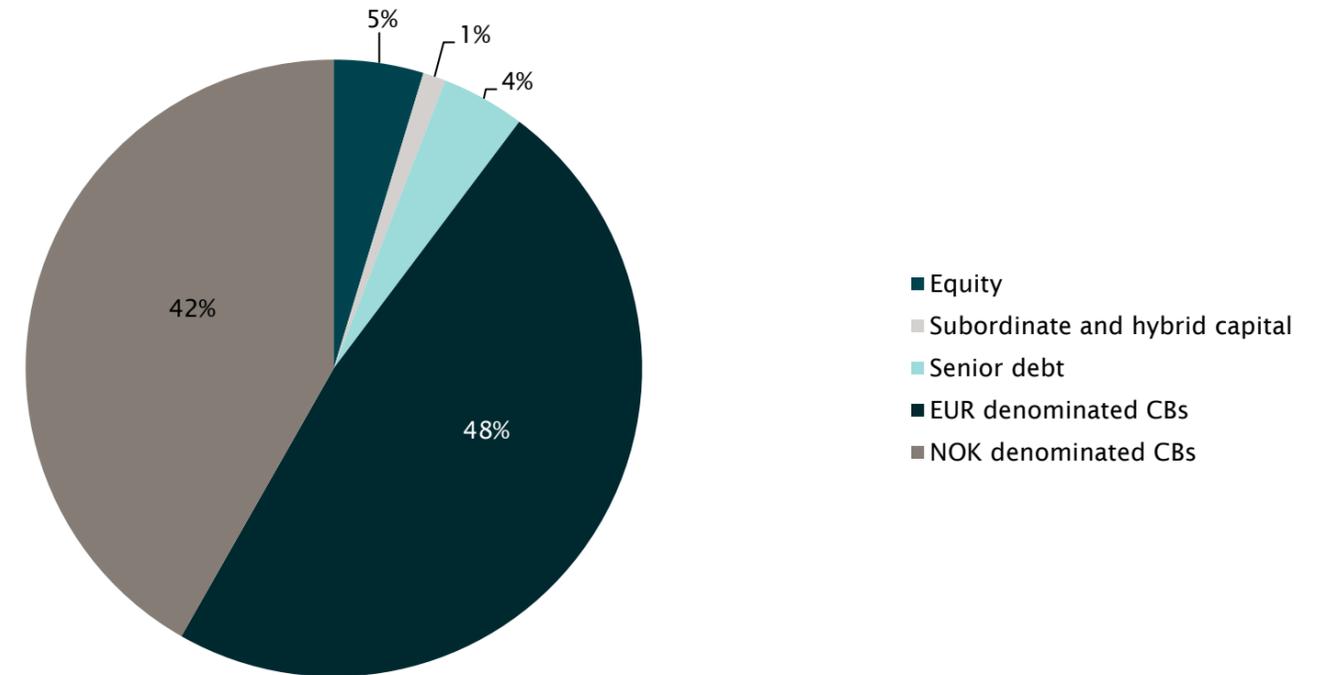


Current funding

- 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 2021-06-30

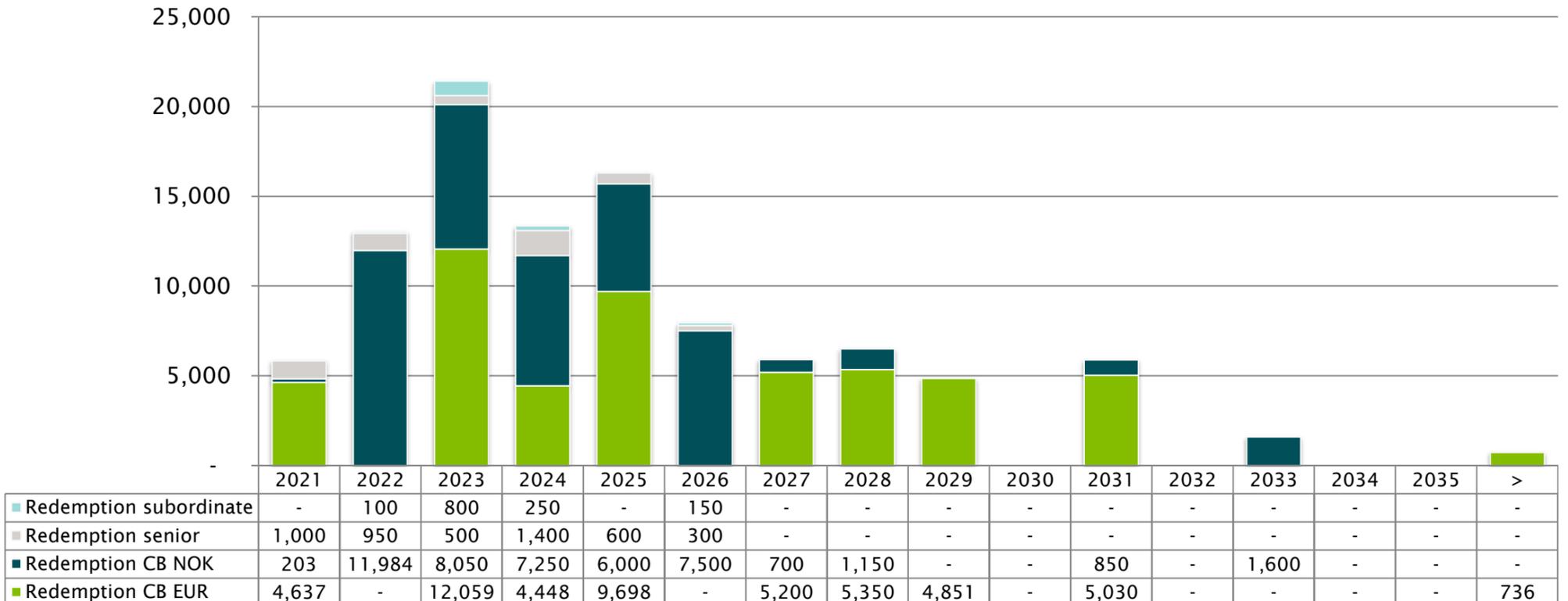


Outstanding EUR benchmark transactions

ISIN	Issue date	Volume (EUR mio)	Maturity date
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
XS2353312254	2021-06-16	500	2031-06-16

Maturity profile of funding (in million NOK)

As of 2021-06-30

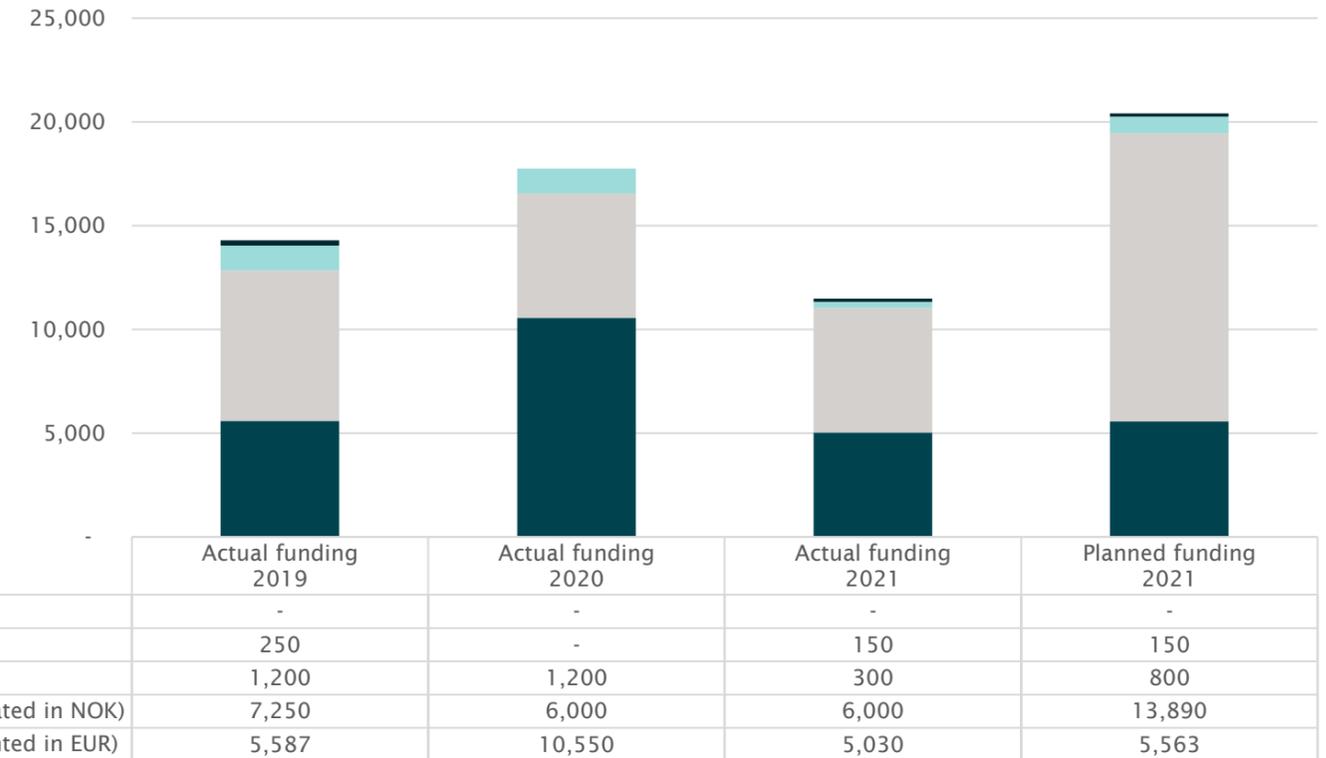


Planned long term funding

- 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

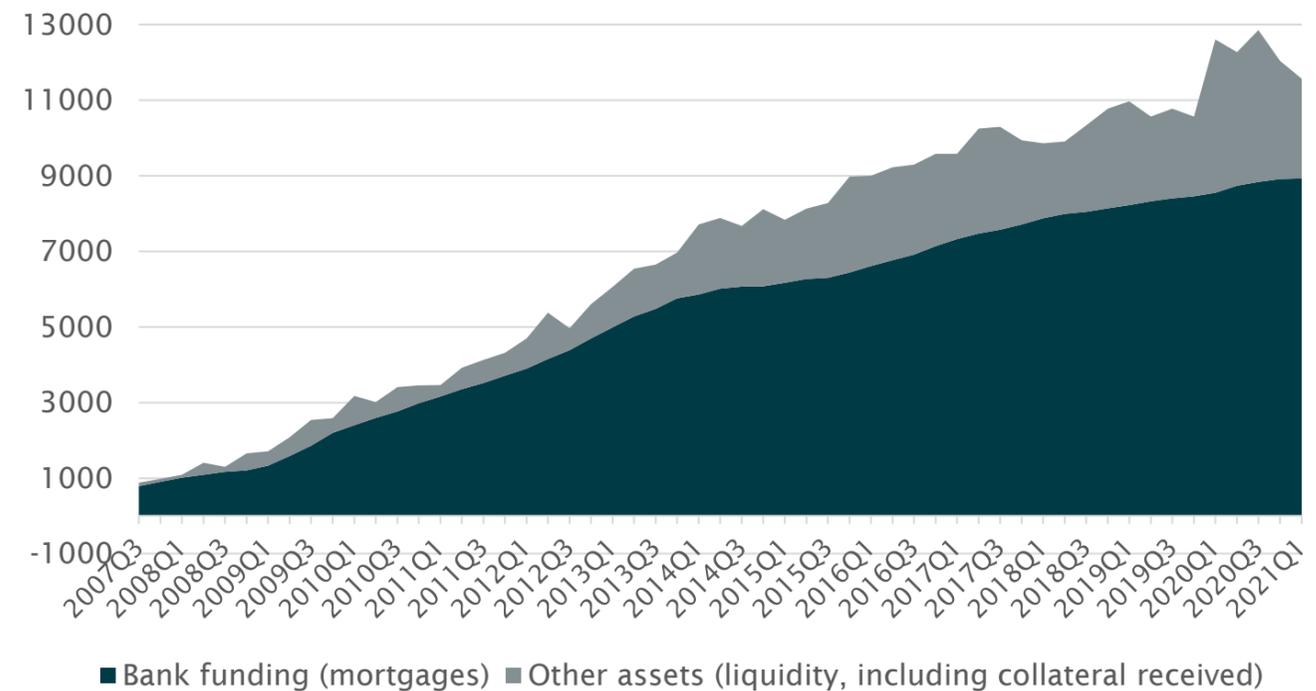
Actual and planned long term funding by instrument (in million NOK)

As of 2021-06-30



EIKBOL development in mortgages and AUM (in million €)

As of 2021-03-31



Agenda

- The Norwegian economy
- Eika Alliance
- Eika Boligkreditt
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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**

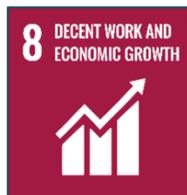


Local bank 2023 Initiative
Strong and caring local banks. Driving force for growth and development for you and your local community

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



Universe
7,944 companies
NOK 838k bn.

Excluded companies
226 companies
NOK 61k bn.

Accumulated exclusion list
226 companies
NOK 61k bn.

Excluded companies
187 companies
NOK 27k bn.

Accumulated exclusion list
329 companies
NOK 69k bn.

Excluded companies
142 companies
NOK 41k bn.

Accumulated exclusion list
346 companies
NOK 76k bn.

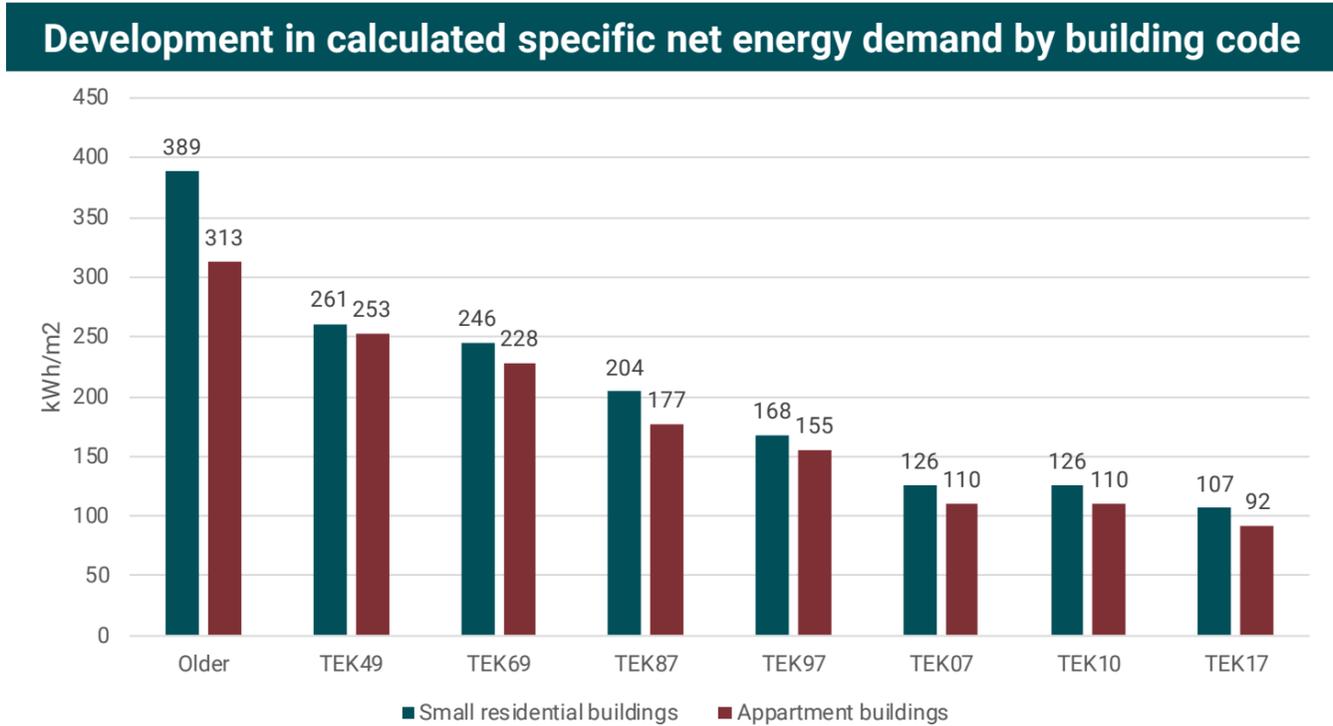
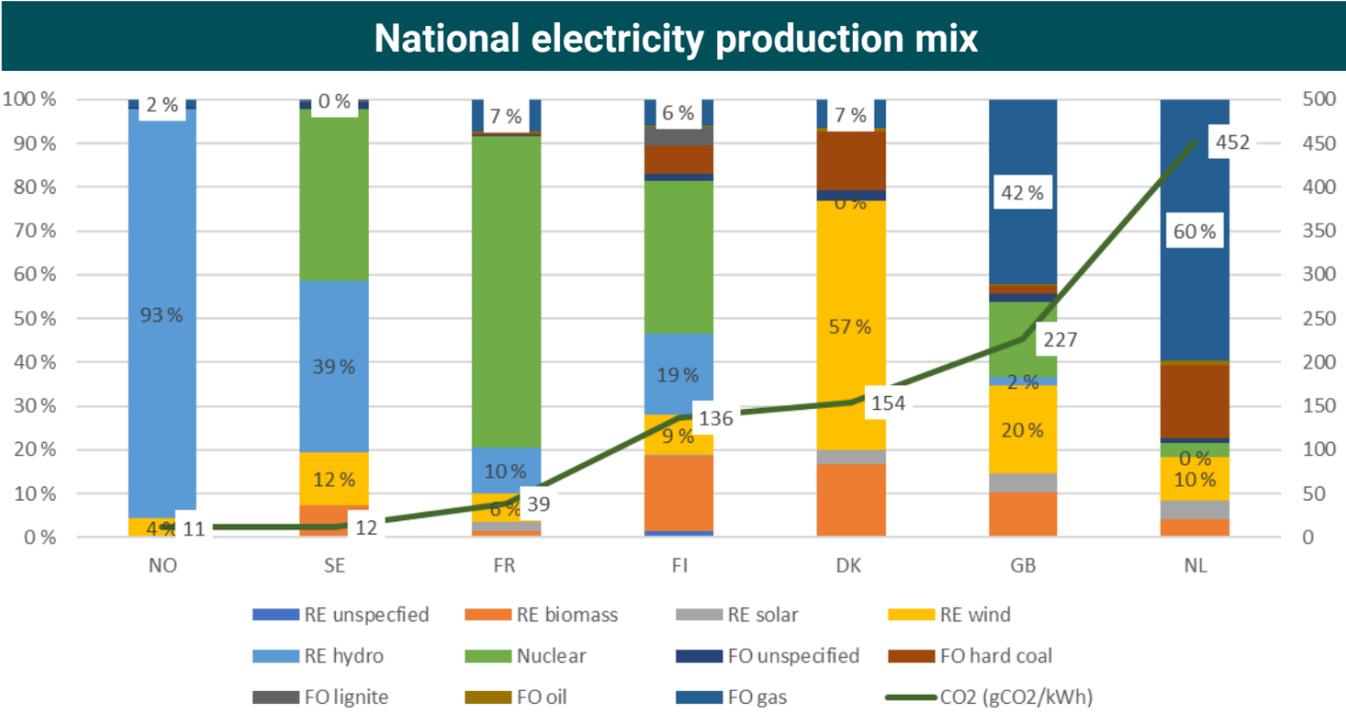
Excluded companies
1,715 companies
NOK 85k bn.

Accumulated exclusion list
1,908 companies
NOK 135k bn.

Eligible universe
6,036 companies (76%)
NOK 703k bn. (83%)

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 CO₂/Kwh, this compares to much higher carbon intensities for other European countries¹
- 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 CO₂ footprint of the entire Eika cover pool on this basis

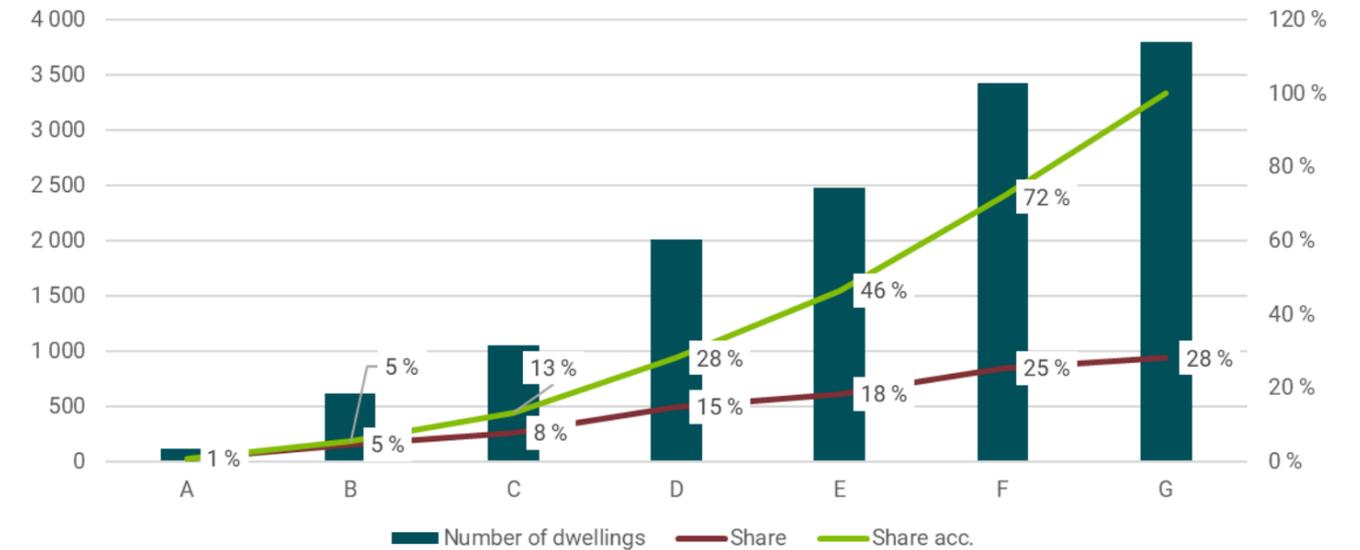


¹ taking into account the importing of electricity via the interconnected European grid

CO2 Footprint Analysis of the Cover Pool – 2020

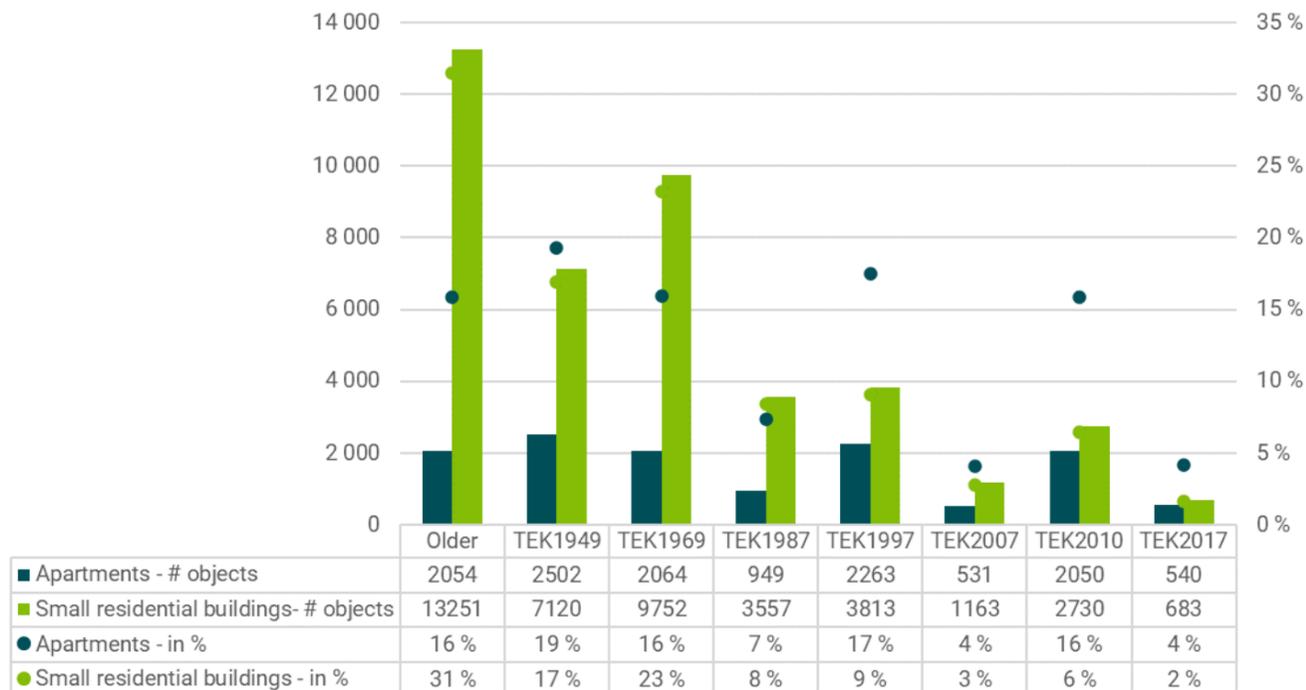
- As part of our ‘Strategic Framework for Sustainability’, Eika values increased disclosure in terms of scope 3 carbon impact
- The current portfolio, as of December 31st 2020, represents:
 - Yearly energy demand of 2 118 GWh
 - Yearly emissions of 261 504 tons CO₂ eq. for collateral and 114 603 tons CO₂ eq. for Eika funded share of collateral

Distribution of the Eika cover pool by EPC label YE2020²

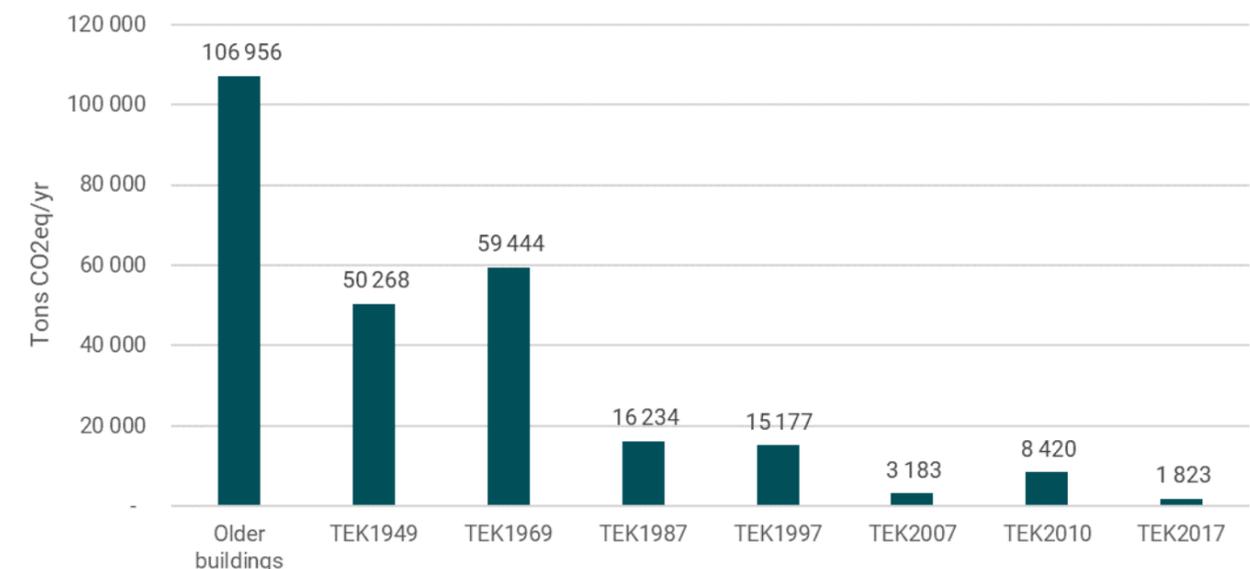


² EPC labels represent only 34% of the Eika cover pool, hence this is not fully representative of the entire cover pool

Current distribution of the Eika cover pool by building code YE2020



Eika cover pool CO2 footprint YE2020³



³ 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

- A (scale AAA-CCC)

Sustainalytics

- 25.1 risk rating
- Medium risk
- Last update November 2020

ISS ESG

- C (scale A+ - D-)
- Status: Prime
- 2nd decile ranking
- Last update August 2021

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

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- 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



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



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



External Review:

ISS-ESG has provided a Second-Party Opinion (including on EU Taxonomy alignment) on Eika Boligkreditt's Green Bond Framework¹. Eika has received CBI certification. Eika Boligkreditt may request a limited assurance on the Allocation Report

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/m², 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 Technical Screening Criteria	TEG Report Do No Significant Harm & Minimum Social Safeguards	Consultants & Third Parties
Green Buildings		<ul style="list-style-type: none"> • Top 15% approach for buildings built up until end 2020 • ≥30% improvement in Primary Energy Demand for refurbishments 	<ul style="list-style-type: none"> • Compliance with international, national and local Regulation and monitoring of environmental and social risks • DNSH and Minimum Social Safeguards met in accordance with ISS-ESG SPO in alignment with the EU Green Bond Standard 	 

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

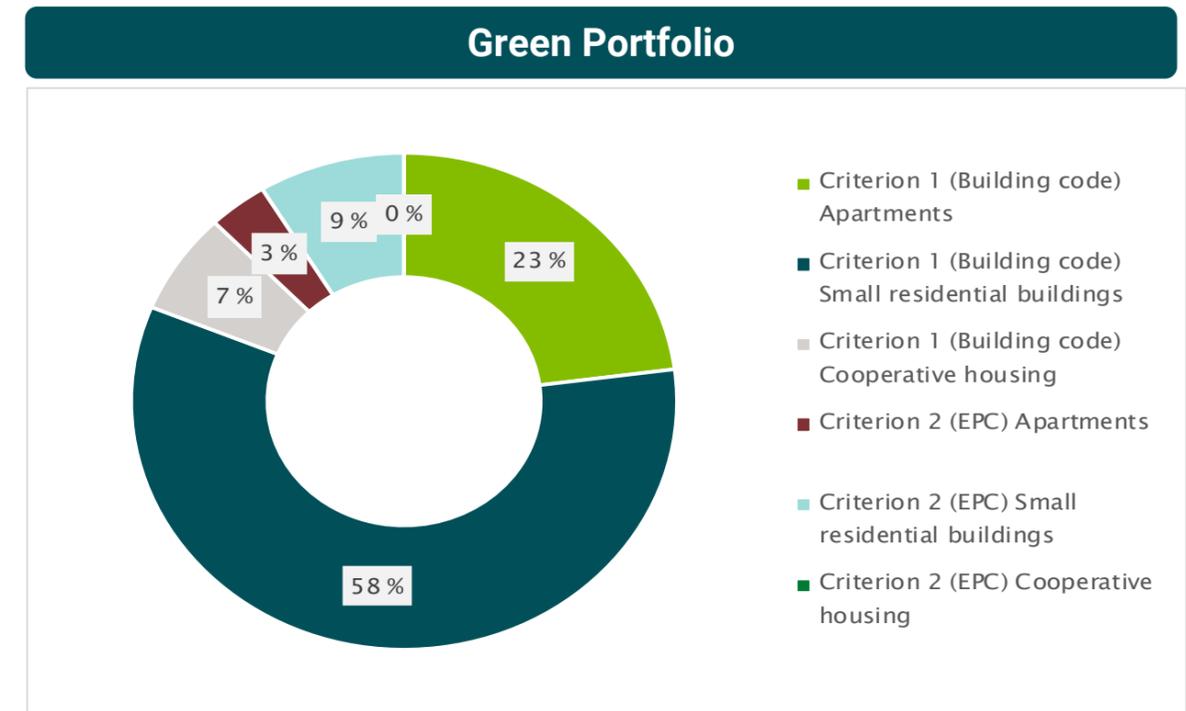
- The proceeds from Green Bonds will be managed by Eika Boligkreditt in a portfolio approach.
- Eika Boligkreditt intends to allocate these proceeds to an Eligible Green Loan Portfolio, that meet the Eligibility Criteria and in accordance with the evaluation and selection process

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



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)	Apartment	2,658	203,602	86,535	4,296
	Small residential buildings	4,606	815,279	389,437	10,909
	Cooperative housing	41	68,808	25,427	1,236
Criterion 2 (EPC)	Apartment	472	35,103	15,123	659
	Small residential buildings	755	133,888	64,448	1,628
	Cooperative housing	-	-	-	-
Total		8,532	1,256,680	580,970	18,728

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
Total	16.42	100%	100%	75,255	9,332

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 Boligkredditt has obtained an independent Second Party Opinion from ISS-ESG to confirm the validity of the Eika Boligkredditt'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 Boligkredditt has received Pre-Issuance Certification from the CBI



SPO SECTION	EVALUATION
Part 1: Issuer sustainability performance	Status: NOT PRIME Rating: C- 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 ¹¹	13 CLIMATE ACTION
	Limited contribution	11 SUSTAINABLE CITIES AND COMMUNITIES



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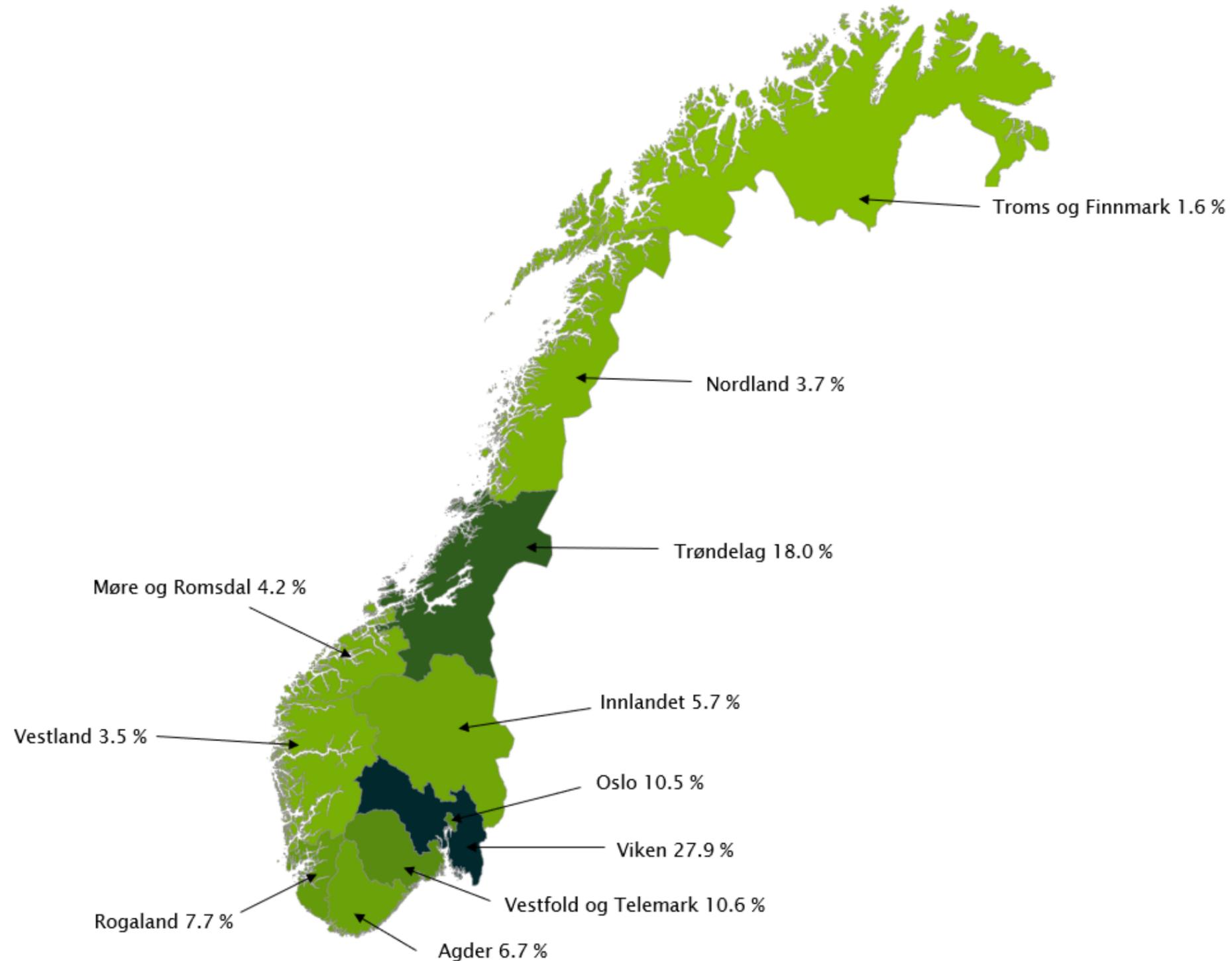
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More information may be found on
<https://eikbol.no>

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Mortgage lending - Strong geographical diversification



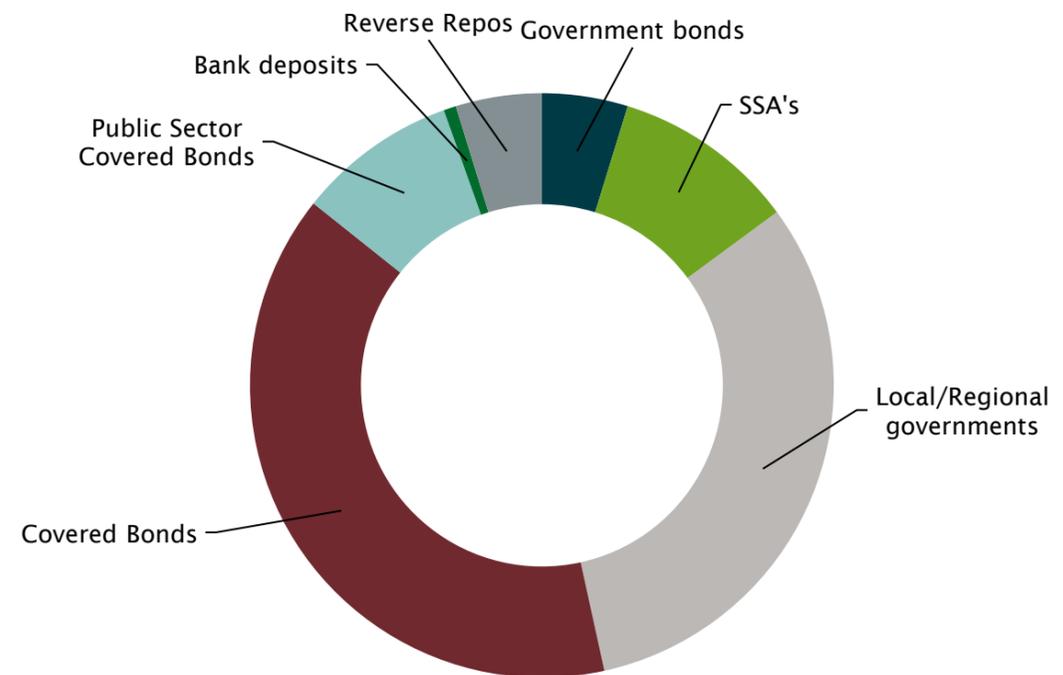
Liquidity portfolio

- **The substitute assets constitute EIKBOL's liquidity buffer**
 - Minimum liquidity > 6% of outstanding covered bonds (hard limit)
 - Minimum liquidity > 100% of next 6 months redemptions (hard limit)
 - Internal target is to have liquid assets covering at least 75% of redemptions within the next 12 months

Sectors and tenors			
Sector	Market values (EUR)	In % of portfolio	TtM
Government bonds	78,623,583	5 %	0.29
SSA's	167,745,512	10 %	1.08
Local/Regional governments	523,372,839	32 %	0.46
Covered Bonds	647,006,634	39 %	1.99
Public Sector Covered Bonds	146,213,648	9 %	2.39
Bank deposits	11,382,783	1 %	0.00
Reverse Repos	78,762,926	5 %	0.01
Total portfolio	1,653,107,925	100 %	1.26

- **The Liquidity portfolio conforms to a conservative investment policy**
 - Nordic, German and SSA 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

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
 - 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
Product name	Norwegian Covered Bonds	Særligt Dækkede Obligationer	Säkerställda Obligationer	Pfandbrief
Covered bond model	Specialised bank issuance model	Universal bank + specialised bank issuance model	Universal bank issuance model + specialised bank issuance model	Universal bank issuance model
Eligible cover assets	Public sector, mortgage loans	Public sector, mortgage loans, ship mortgages	Public sector, mortgage loans (commercial max. 10%)	Public sector, mortgage loans, ship + aircraft mortgages
Maximum LTVs	Residential: 75%, commercial: 60%	Commercial: 60%, agricultural: 60%, ships: 70%, residential: 80%	Commercial: 60%, residential: 75%, agricultural: 70%	Residential, commercial, ship, aircraft: 60%
Basis for LTV calculation	Market value	Market value	Market value	Mortgage lending value
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?	Yes	Yes	Yes	Yes
Minimum OC	2 %	Universal banks: 0%; Mortgage banks: 8% of RWA	2 %	2 %
Type of coverage test	NPV	NPV after stress test	Nominal + NPV after stress test	Nominal + NPV after stress test
Is OC above the minimum protected?	Yes	Yes	Yes	Yes
Legal transparency requirements?	No	Yes	No	Yes
Is there an issuance limit in place?	No	No	No	No

Eika Boligkreditt - P&L

Amounts in NOK Million	2016	2017	2018	2019	2020	2021Q1	2021Q2
Total Interest income	1 861	2 049	2 162	2 624	2 230	458	452
Total interest expenses	1 380	1 366	1 480	1 976	1 418	258	233
Net interest income	482	683	682	648	812	200	219
Dividend from shares classified as available for sale	6	6	18	19	13	3	4
Total gains and losses on financial instruments at fair v	(81)	(135)	22	(6)	43	(16)	23
Comission costs	300	410	458	490	647	187	179
Total salaries and administrative expenses	39	48	50	51	51	13	13
Depreciation	1	2	2	4	4	1	1
Other operating expenses	14	16	16	15	14	4	3
Losses on loans and gurantees	-	-	-	-	-	-	-
PROFIT/(LOSS) BEFORE TAXES	50	78	197	102	153	(17)	51
Taxes	11	18	45	14	29	(7)	(10)
PROFIT/(LOSS) FOR THE PERIOD	39	60	152	89	124	(11)	41
Net gains and losses on bonds and certificates	-	-	(7)	7	8	7	(4)
Fair value adjustment, shares	-	-	(15)	-	-	-	-
Net gains and losses on basis swaps	-	-	(106)	53	99	(88)	(34)
Taxes on other comprehensive income	-	-	28	(15)	(27)	20	9
COMPREHENSIVE INCOME FOR THE PERIOD	-	-	52	133	204	(71)	13

Eika Boligkreditt AS – Report Q2 2021:

Eika Boligkreditt showed a profit of NOK 51 million for second quarter, compared with a profit of NOK 123 million for the same period in 2020. Net gains and losses on basis swaps came to negative NOK 34 million for the second quarter of 2021 (2020: NOK 5 million), net gains and losses on bonds and certificates came to negative NOK 4 million and taxes on other comprehensive income came to NOK 9 million, so that the comprehensive income for the period including such changes came to a profit of NOK 13 million.

The full report is available on: eikbol.no

Eika Boligkreditt - Balance sheet and key figures

Amounts in NOK Million	2017	2018	2019	2020	2021Q1	2021Q2
Balance sheet development						
Lending to customers	77 286	82 015	84 719	89 269	89 468	90 274
Debt from issuing securities	90 030	97 288	94 300	106 127	104 321	106 744
Subordinated loans	600	674	889	724	724	724
Equity*	4 770	5 290	5 777	5 851	5 774	5 635
Equity in % of total assets*	4.8	4.9	5.5	4.9	5.0	4.8
Average total assets	99 466	101 744	107 506	120 881	122 901	121 320
Total assets	99 603	107 969	105 835	120 563	115 934	118 382
Rate of return / profitability						
Fee and commission income to relation to average total assets, annualised (%)	0.40	0.40	0.50	0.50	0.60	0.60
Staff and general administration expenses in relation to average total assets, annualised (%)	0.05	0.03	0.03	0.03	0.03	0.03
Return on equity, annualised (%)	1.90	4.50	2.20	3.00	(1.40)	1.30
Total assets per full-time position	5 030	5 453	5 345	6 345	6 102	6 231
Financial strength						
Core tier 1 capital	4 156	4 522	5 074	5 099	5 095	5 087
Total tier 1 capital	4 706	5 227	5 648	5 673	5 669	5 661
Total primary capital (tier 2 capital)	5 305	5 902	6 372	6 397	6 393	6 385
Weighted calculation basis	31 468	33 731	34 074	37 222	36 937	37 799
Core tier 1 capital ratio	13.20	13.40	14.90	13.70	13.80	13.50
Total tier 1 capital ratio	15.00	15.50	16.60	15.20	15.30	15.00
Capital adequacy ratio	16.90	17.50	18.70	17.20	17.30	16.90
Delinquencies in % of gross loans	-	-	-	-	0.04	0.04
Loss in % of gross loans	-	-	-	-	-	-
Staff						
Number of full-time positions at end of period	19.8	19.8	19.8	19.0	19.0	19.0

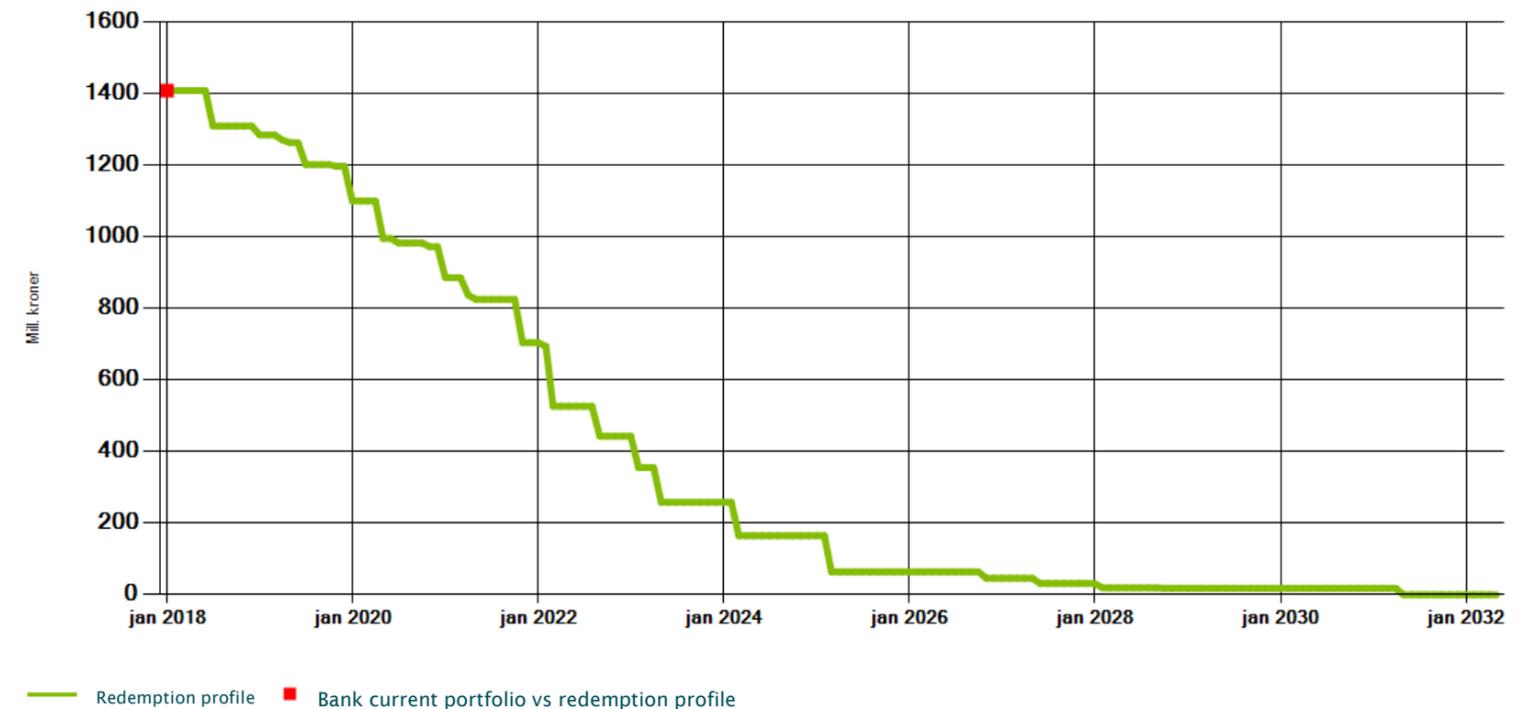
*Including AT1 capital

Source: EBK quarterly reports

Cancellation of distribution agreement

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

Example of an EBKD's redemption profile



Mergers Eika banks in 2020

Stadsbygd Sparebank and Ørland Sparebank

- June 18th 2019 the boards in the banks announced starting negotiations with the intention to merge the banks
- February 24th 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 situation
- Both banks are among the 11 banks that have given notice of termination of its agreements with Eika Gruppen. The agreement ends December 31st 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. Hans Kristian Glesne, 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 1st 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 3rd 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 4th 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 2021

Surnadal Sparebank and Sparebank1 Nordvest

- The banks merged May 1st 2021
- The merged bank is part of the Sparebank1 Alliance
- The name for the merged bank is Sparebank1 Nordmøre
- Surnadal was a member in The Eika Alliance while Sparebank1 Nordvest was a member of the Sparebank1 Alliance.
- Both banks are located on the northern part of the west coast of Norway
- The merged bank is part of the Sparebank1 Alliance
- Allan Troelsen, CEO in Surnadal Sparebank, is CEO in the merged bank and Runar Wiik, chair in Sparebank1 Nordvest, is chair in the board of the merged bank
- Total assets, including transferred to Eika and Sparebank1 Boligkreditt, of NOK 30 billion
- Rationales for the merger was 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 16th 2020 the boards in the banks announced starting negotiations with the intention to merge the banks
- Surnadal is a member in The Eika Alliance while Etne is a collaborating partner in DSS
- DSS is a group consisting of 9 saving banks on the southern part of Norway
- Currently the merged bank will join the Eika Alliance and decided in 2021
- Rune Ramsvik, CEO in Surnadal Sparebank, is proposed as CEO in the merged bank and Sandstå, CEO in Tysnes Sparebank is proposed for the board of the merged bank
- Total assets, including transferred to Eika and Sparebank1 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

The banks decided to terminate negotiations in March 2021

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

<i>P&L & balance in NOK mil.</i>	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net interest income	3,631	3,777	3,949	4,163	4,275	4,556	4,955	5,151	5,827	5,676
Net commission income	734	863	1,142	1,320	1,260	1,195	1,359	1,418	1,576	1,734
Other income	44	40	39	39	37	38	35	33	27	28
Total income	4,409	4,681	5,130	5,523	5,572	5,789	6,349	6,601	7,430	7,438
Personnel and adm. expenses	2,134	2,243	2,344	2,491	2,669	2,780	2,913	2,912	3,028	2,057
Depreciation	98	95	100	110	117	131	139	139	153	160
Other costs	495	515	578	605	665	687	705	727	772	1,881
Total costs	2,726	2,852	3,023	3,206	3,451	3,598	3,756	3,778	3,953	4,097
Core earnings before loan losses	1,683	1,828	2,108	2,317	2,121	2,191	2,592	2,824	3,477	3,341
Impairment of loans and guarantees	458	329	389	315	237	233	197	178	169	527
Core earnings	1,225	1,499	1,719	2,002	1,884	1,957	2,395	2,645	3,309	2,814
Dividends/associated companies	189	89	257	238	348	397	421	422	577	663
Net return on financial investments	-78	217	228	132	-189	182	147	44	85	42
One-offs and loss/gain on long-term assets	-69	150	-61	181	217	314	-12	167	-5	-250
Pre tax profit	1,267	1,955	2,142	2,553	2,260	2,851	2,951	3,278	3,966	3,270
Taxes	412	542	583	623	553	579	669	710	872	647
Net profit	855	1,413	1,559	1,930	1,707	2,271	2,282	2,569	3,093	2,623
Gross loans	159,645	166,255	173,617	182,081	193,576	214,360	228,738	243,903	260,555	271,855
Gross loans incl. EBK	193,092	208,764	225,292	238,296	253,212	280,620	302,214	323,779	344,736	362,204
Deposits	128,567	137,142	144,975	156,594	164,697	178,098	187,805	198,358	211,338	228,915
Equity	17,525	18,833	20,422	22,268	23,624	26,240	28,865	31,608	34,949	39,663
Total assets	196,623	200,895	210,302	224,157	231,814	254,313	273,190	291,614	312,675	336,857
Total assets incl. EBK	230,070	243,403	261,977	280,371	291,450	320,573	346,666	371,491	396,857	427,206
Growth in loans	1.4 %	4.1 %	4.4 %	4.9 %	6.3 %	10.7 %	6.7 %	6.6 %	6.8 %	4.3 %
Growth in loans incl. EBK	5.9 %	8.1 %	7.9 %	5.8 %	6.3 %	10.8 %	7.7 %	7.1 %	6.5 %	5.1 %
Growth in deposits	6.8 %	6.7 %	5.7 %	8.0 %	5.2 %	8.1 %	5.5 %	5.6 %	6.5 %	8.3 %

Source: Bank Analyst Eika

Eika banks - Key figures

Key figures	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Deposit ratio	80.5 %	82.5 %	83.5 %	86.0 %	85.1 %	83.1 %	82.1 %	81.3 %	81.1 %	84.2 %
Deposit over total funding	72.6 %	76.1 %	77.2 %	78.4 %	79.9 %	78.9 %	77.6 %	77.0 %	76.8 %	77.7 %
(Market funding - Liquid assets)/Total assets	7.8 %	6.3 %	5.4 %	3.1 %	4.2 %	5.9 %	6.3 %	6.8 %	6.8 %	3.7 %
Liquid assets/Total assets	16.9 %	15.1 %	15.0 %	16.2 %	13.7 %	12.9 %	13.5 %	13.5 %	13.6 %	15.8 %
Market funds/Total assets	24.7 %	21.4 %	20.4 %	19.3 %	17.8 %	18.8 %	19.8 %	20.3 %	20.4 %	19.5 %
Equity ratio	8.9 %	9.4 %	9.7 %	9.9 %	10.2 %	10.3 %	10.6 %	10.8 %	11.2 %	11.8 %
Common Equity Tier 1 ratio (CET1)	15.2 %	15.8 %	16.0 %	16.9 %	17.5 %	17.8 %	18.0 %	18.2 %	19.6 %	19.3 %
Core capital ratio	17.3 %	18.1 %	18.5 %	18.3 %	18.5 %	18.9 %	19.3 %	19.6 %	21.0 %	20.6 %
Capital ratio	18.2 %	18.6 %	18.7 %	18.9 %	19.2 %	20.0 %	20.7 %	21.4 %	22.9 %	22.3 %
Loan loss provision ratio	0.29 %	0.20 %	0.23 %	0.18 %	0.13 %	0.11 %	0.09 %	0.08 %	0.07 %	0.20 %
Loan loss provision/Pre-provision income	25.5 %	15.4 %	15.0 %	11.7 %	10.4 %	8.4 %	6.2 %	5.4 %	4.1 %	13.0 %
Gross problem loans/Gross loans	1.89 %	1.78 %	1.62 %	1.53 %	1.38 %	1.12 %	0.96 %	0.97 %	1.32 %	1.34 %
Net problem loans/Gross loans	1.38 %	1.32 %	1.20 %	1.13 %	1.01 %	0.84 %	0.72 %	0.75 %	1.06 %	1.06 %
Loan loss reserves/Gross loans	0.92 %	0.88 %	0.82 %	0.79 %	0.73 %	0.64 %	0.59 %	0.54 %	0.52 %	0.59 %
Problem loans/(Equity + LLR)	15.9 %	14.6 %	12.9 %	11.8 %	10.7 %	8.7 %	7.3 %	7.2 %	9.5 %	8.9 %
Net interest income/total assets	1.87 %	1.90 %	1.92 %	1.92 %	1.88 %	1.87 %	1.88 %	1.82 %	1.93 %	1.75 %
Net commission incom/total assets	0.38 %	0.43 %	0.56 %	0.61 %	0.55 %	0.49 %	0.52 %	0.50 %	0.52 %	0.53 %
Loss provision ratio	0.29 %	0.20 %	0.23 %	0.18 %	0.13 %	0.11 %	0.09 %	0.08 %	0.07 %	0.20 %
Cost/income ratio	60.3 %	57.2 %	53.8 %	54.4 %	60.2 %	56.5 %	54.3 %	53.5 %	48.8 %	50.3 %
Cost/income ratio (adjusted for net finance)	59.3 %	59.8 %	56.1 %	55.6 %	58.3 %	58.2 %	55.5 %	53.8 %	49.4 %	50.6 %
Cost/income ratio (adj. for net finance and dividend)	61.8 %	60.9 %	58.9 %	58.0 %	61.9 %	62.2 %	59.2 %	57.2 %	53.2 %	55.1 %
Net profit in % of total assets	0.44 %	0.71 %	0.76 %	0.89 %	0.75 %	0.93 %	0.87 %	0.91 %	1.02 %	0.81 %
Net profit/average RWA	0.80 %	1.29 %	1.37 %	1.61 %	1.37 %	1.74 %	1.63 %	1.72 %	2.00 %	1.60 %
Pre-provision income/average RWA	1.68 %	1.94 %	2.28 %	2.25 %	1.83 %	2.12 %	2.25 %	2.21 %	2.67 %	2.47 %
Core earnings in % of average RWA	1.14 %	1.36 %	1.51 %	1.67 %	1.52 %	1.50 %	1.71 %	1.77 %	2.14 %	1.72 %
Return on equity	5.0 %	7.8 %	7.9 %	9.0 %	7.4 %	9.1 %	8.3 %	8.5 %	9.3 %	7.0 %

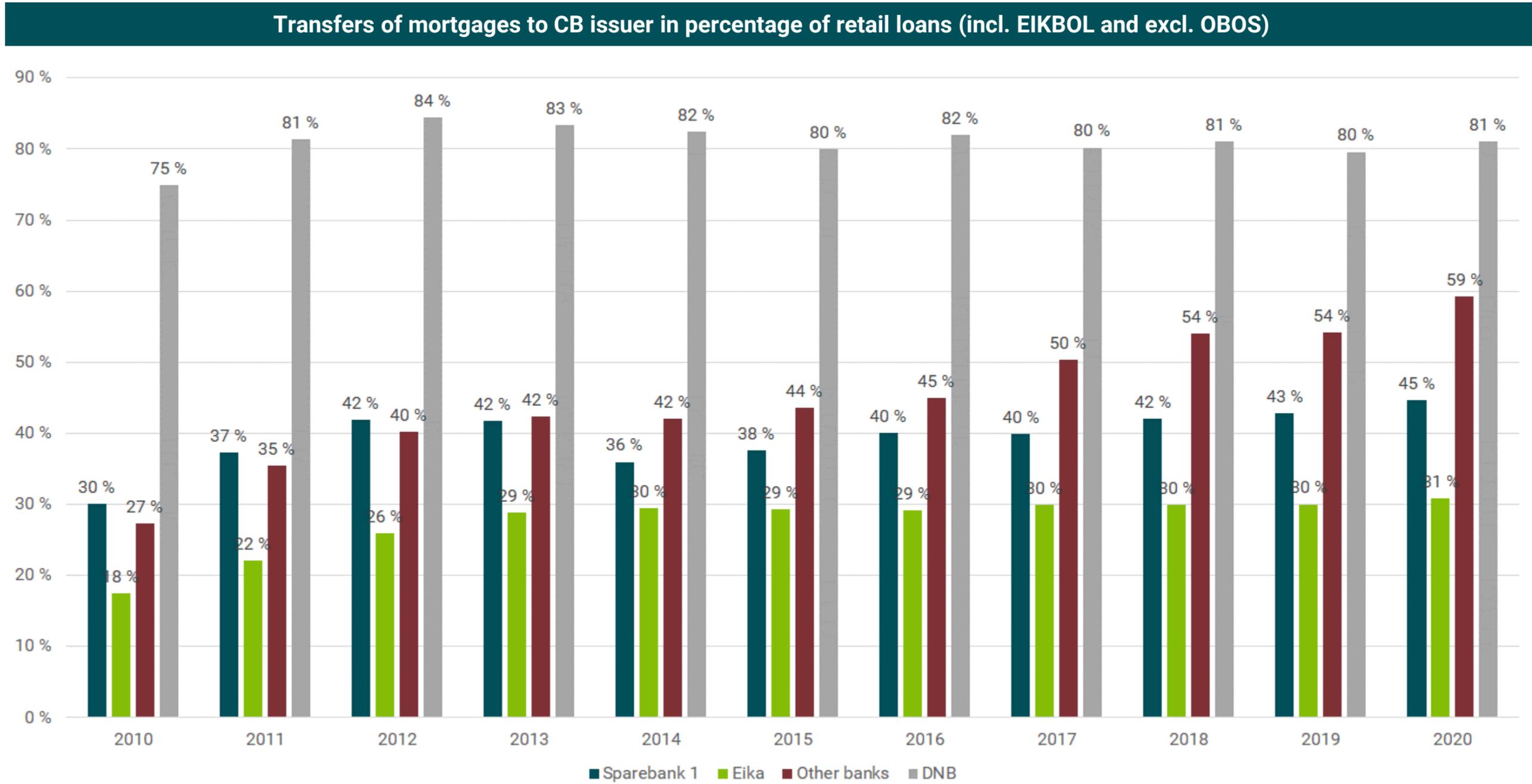
Source: Bank Analyst Eika

Quarterly data - P&L and Key figures

<i>P&L & balance in NOK mil.</i>	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Net interest income	1,321	1,404	1,514	1,587	1,546	1,284	1,410	1,436	1,396
Net commission income	340	363	419	454	408	366	446	514	447
Other income	7	6	6	8	8	6	7	8	7
Total income	1,668	1,773	1,940	2,049	1,962	1,656	1,863	1,957	1,850
Personnel and adm. expenses	765	660	765	837	550	439	519	548	556
Depreciation	38	37	38	41	38	39	39	43	52
Other costs	188	201	182	200	462	448	441	530	465
Total costs	991	897	985	1,079	1,050	926	999	1,121	1,073
Core earnings before loan losses	677	876	954	970	912	730	864	836	778
Impairment of loans and guarantees	25	16	21	107	304	123	44	56	-17
Core earnings	652	860	933	863	608	607	820	780	794
Dividends/associated companies	27	496	11	44	18	558	12	75	18
Net return on financial investments	34	22	18	11	-272	237	49	28	51
One-offs and loss/gain on long-term assets	1	9	-3	-12	-10	-11	2	-231	-15
Pre tax profit	713	1,387	960	906	344	1,391	883	652	848
Taxes	178	245	235	214	96	225	209	117	208
Net profit	535	1,142	725	692	248	1,166	674	535	640
Gross loans	246,930	253,514	257,299	260,555	262,726	265,403	268,850	271,855	276,014
Gross loans incl. EBK	327,672	335,645	340,570	344,736	348,426	353,267	357,899	362,204	367,084
Deposits	202,039	211,800	210,493	211,338	216,196	226,481	226,790	228,915	233,979
Equity	32,005	33,368	34,162	34,949	37,006	37,603	38,276	39,663	40,159
Total assets	296,779	310,486	311,973	312,675	322,778	331,998	332,859	336,857	343,792
Total assets incl. EBK	377,521	392,616	395,244	396,857	408,478	419,862	421,908	427,206	434,863
Growth in loans	1.2 %	2.7 %	1.5 %	1.3 %	0.8 %	1.0 %	1.3 %	1.1 %	1.5 %
Growth in loans incl. EBK	1.2 %	2.4 %	1.5 %	1.2 %	1.1 %	1.4 %	1.3 %	1.2 %	1.3 %
Growth in deposits	1.9 %	4.8 %	-0.6 %	0.4 %	2.3 %	4.8 %	0.1 %	0.9 %	2.2 %

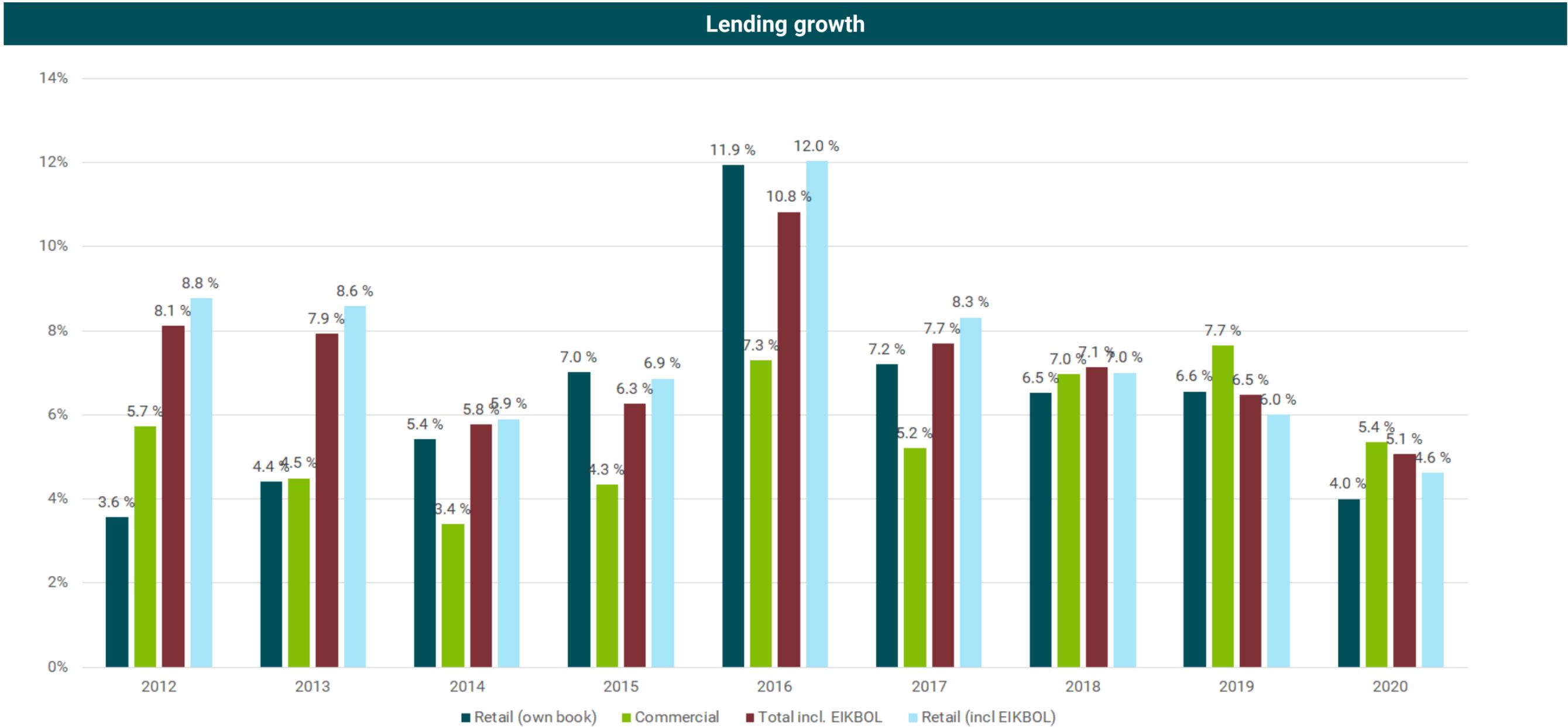
<i>Key figures</i>	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21
Deposit ratio	81.8 %	83.5 %	81.8 %	81.1 %	82.3 %	85.3 %	84.4 %	84.2 %	84.8 %
Deposit over total funding	77.3 %	77.5 %	77.0 %	77.4 %	76.5 %	77.7 %	77.6 %	77.7 %	77.7 %
(Market funding - Liquid assets)/Total assets	6.1 %	4.4 %	5.6 %	6.2 %	5.5 %	3.2 %	4.2 %	3.7 %	3.5 %
Liquid assets/Total assets	13.8 %	15.4 %	14.5 %	13.5 %	15.0 %	16.4 %	15.5 %	15.8 %	16.0 %
Market funds/Total assets	20.0 %	19.8 %	20.1 %	19.7 %	20.5 %	19.6 %	19.7 %	19.5 %	19.5 %
Equity ratio	10.8 %	10.7 %	11.0 %	11.2 %	11.5 %	11.3 %	11.5 %	11.8 %	11.7 %
Common Equity Tier 1 ratio (CET1)	18.2 %	17.8 %	17.8 %	20.0 %	19.7 %	19.4 %	18.9 %	19.3 %	18.9 %
Core capital ratio	19.1 %	18.8 %	18.7 %	21.0 %	20.7 %	20.3 %	20.2 %	20.6 %	20.1 %
Capital ratio	20.9 %	20.6 %	20.6 %	22.9 %	22.5 %	22.2 %	22.1 %	22.3 %	21.8 %
Loan loss provision ratio	0.04 %	0.02 %	0.03 %	0.16 %	0.46 %	0.19 %	0.07 %	0.08 %	-0.02 %
Loan loss provision/Pre-provision income	3.4 %	1.1 %	2.1 %	10.4 %	46.2 %	8.1 %	4.7 %	6.0 %	-2.0 %
Gross problem loans/Gross loans	1.03 %	1.14 %	1.17 %	1.32 %	1.39 %	1.35 %	1.34 %	1.34 %	1.26 %
Net problem loans/Gross loans	0.80 %	0.93 %	0.96 %	1.06 %	1.11 %	1.06 %	1.04 %	1.06 %	0.99 %
Loan loss reserves/Gross loans	0.54 %	0.51 %	0.51 %	0.52 %	0.58 %	0.60 %	0.60 %	0.59 %	0.56 %
Problem loans/(Equity + LLR)	7.6 %	8.3 %	8.5 %	9.5 %	9.5 %	9.1 %	9.0 %	8.9 %	8.3 %
Net interest income/total assets	1.80 %	1.85 %	1.95 %	2.03 %	1.95 %	1.57 %	1.70 %	1.71 %	1.64 %
Net commission incom/total assets	0.46 %	0.48 %	0.54 %	0.58 %	0.51 %	0.45 %	0.54 %	0.61 %	0.52 %
Loss provision ratio	0.04 %	0.02 %	0.03 %	0.16 %	0.46 %	0.19 %	0.07 %	0.08 %	-0.02 %
Cost/income ratio	57.3 %	39.2 %	50.0 %	51.3 %	61.5 %	37.8 %	51.9 %	54.4 %	55.9 %
Cost/income ratio (adjusted for net finance)	58.5 %	39.6 %	50.5 %	51.6 %	53.0 %	41.8 %	53.3 %	55.2 %	57.4 %
Cost/income ratio (adj. for net finance and divid)	59.4 %	50.6 %	50.8 %	52.7 %	53.5 %	55.9 %	53.6 %	57.3 %	58.0 %
Net profit in % of total assets	0.73 %	1.50 %	0.93 %	0.89 %	0.31 %	1.42 %	0.81 %	0.64 %	0.75 %
Net profit/average RWA	1.39 %	2.88 %	1.79 %	1.74 %	0.63 %	2.88 %	1.64 %	1.27 %	1.48 %
Pre-provision income/average RWA	1.91 %	3.51 %	2.43 %	2.58 %	1.66 %	3.77 %	2.26 %	2.24 %	1.95 %
Core earnings in % of average RWA	1.68 %	2.13 %	2.31 %	2.21 %	1.52 %	1.49 %	1.99 %	1.82 %	1.81 %
Return on equity	6.7 %	14.0 %	8.6 %	8.0 %	2.8 %	12.5 %	7.1 %	5.5 %	6.4 %

Banks – transfer rate to Cov. Bond companies



Source: Bank Analyst Eika

Eika banks - lending growth



Source: Bank Analyst Eika

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