

# Eika Boligkreditt

Investor presentation

*November 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 -2.0% 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
- 100% residential assets as collateral
- 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's Green Bond Framework
- Appendix
- Disclaimer

# The Norwegian economy – Key indicators

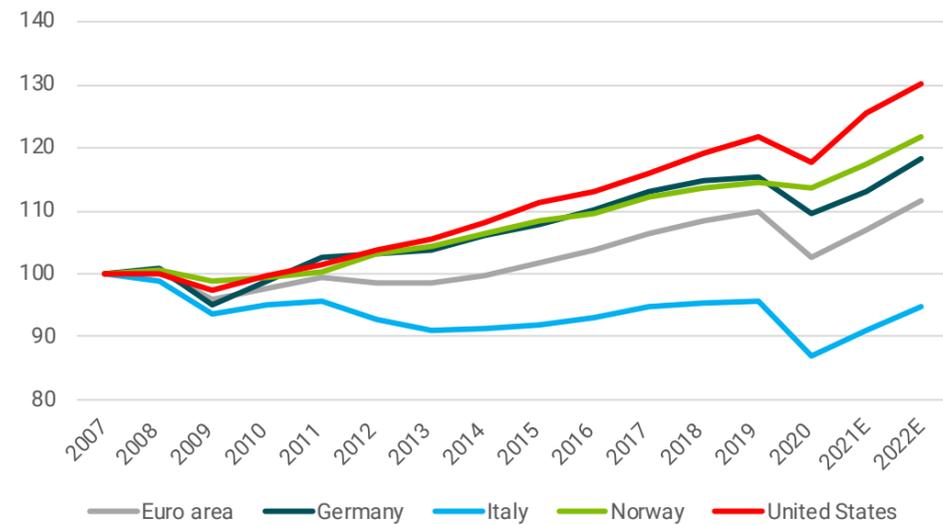
- Constitutional monarchy; Non EU member (EEA member); Population of 5.4 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated to be 48% higher than the average in EU (28 countries)
- GDP contracted by 2.5 % in 2020 driven by reduced private consumption, reduced investments and reduced export.
- Rebound in GDP expected in 2021 with growth of 3.6% 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 %	3.6 %	3.8 %	2.6 %	2.3 %
Consumer price inflation	2.1 %	3.6 %	1.8 %	2.7 %	2.2 %	1.3 %	3.3 %	1.9 %	1.5 %	2.1 %
Unemployment	4.5 %	4.7 %	4.2 %	3.8 %	3.7 %	4.6 %	4.7 %	4.4 %	4.2 %	3.9 %
Private Consumption	2.7 %	1.1 %	2.2 %	1.6 %	1.4 %	-6.9 %	4.1 %	7.8 %	4.0 %	3.5 %
Household savings rate	9.8 %	6.9 %	6.6 %	5.9 %	7.6 %	15.4 %	13.5 %	8.9 %	8.1 %	7.4 %
Houseprices	6.1 %	7.0 %	5.0 %	1.4 %	2.5 %	3.9 %	9.7 %	4.4 %	1.6 %	1.7 %
Mortgage rate (flexi loans)	3.2 %	2.6 %	2.6 %	2.7 %	3.0 %	2.6 %	2.1 %	2.5 %	3.1 %	3.4 %
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 %	283 %	291 %	289 %	289 %	294 %	303 %

Source: Statistics Norway – Konjunkturtendensen 3/2021, OECD – Economic Outlook No. 109 June 2021 and Norges Bank

# The Norwegian economy – Relative solid economic situation

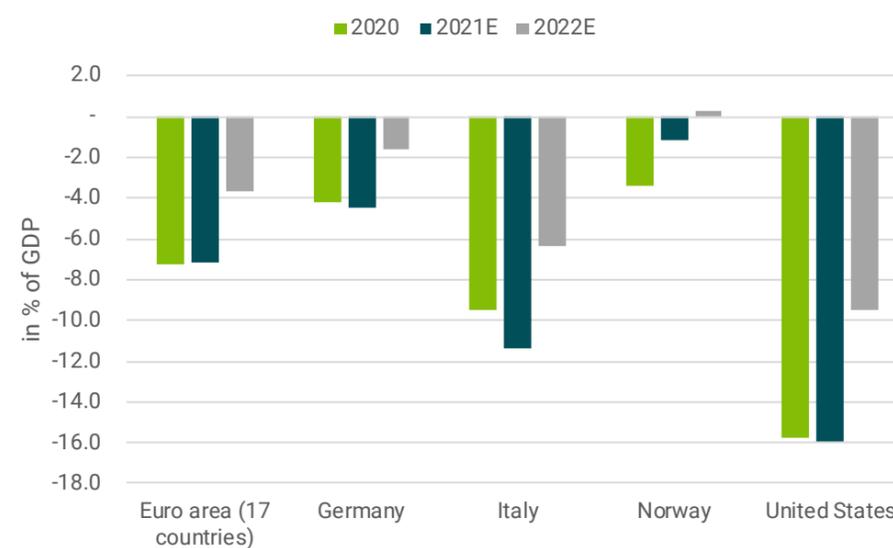
Real GDP growth (rebased to 100 in 2007)



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

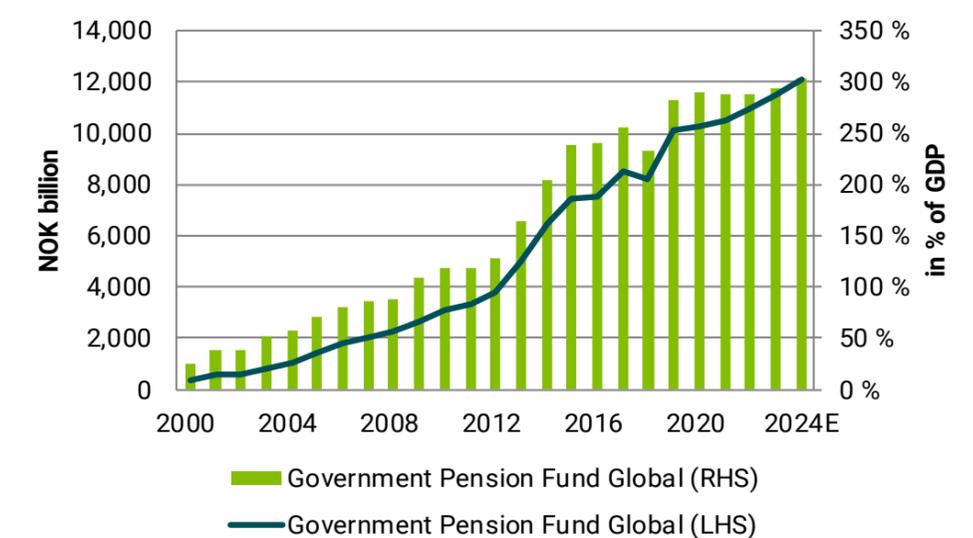
Government net lending (% of GDP)



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

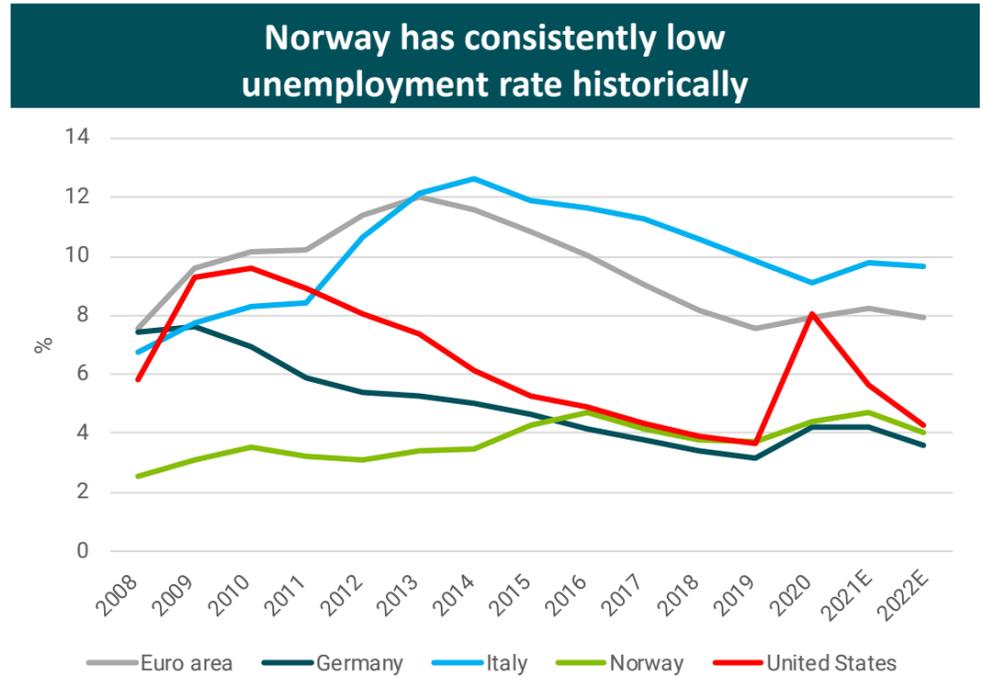
Government Pension Fund Global



Source : Norges Bank, Statistics Norway

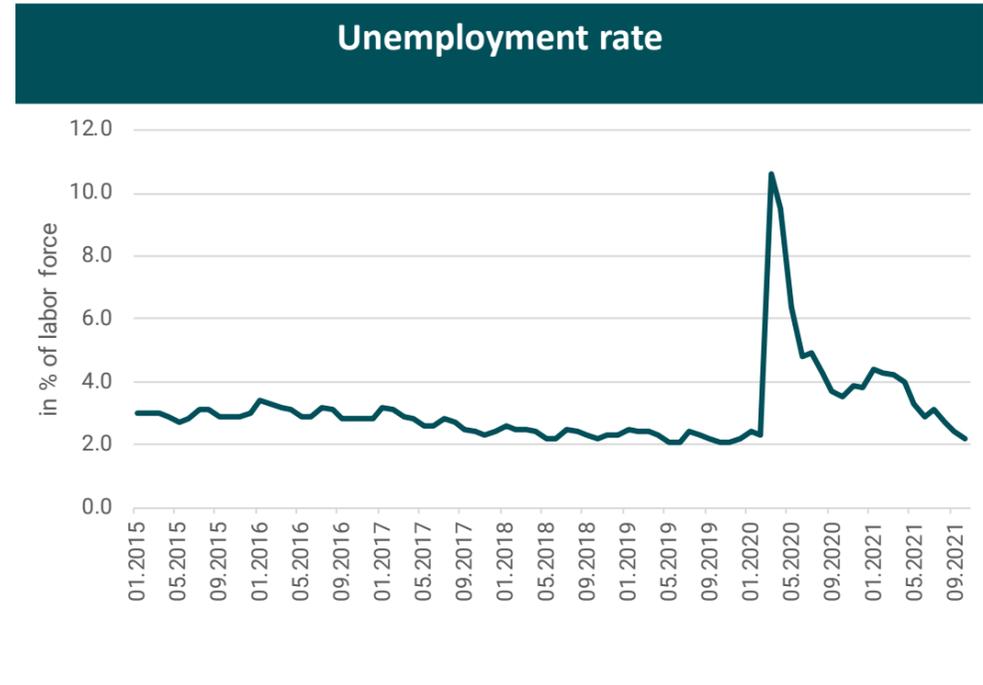
- Norway has a strong balance sheet
- High net central government financial assets (280% of GDP in 2018)

# The Norwegian economy – Unemployment



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

- A stable economy has ensured a high rate of employment
- After the COVID-19 outbreak unemployment increased dramatically due to temporary lay-offs, but labour market is back to normal after full reopening of the economy



Source: NAV, October 2021

- 2.2% unemployment rate in October back to the same level as before COVID-19 measures were implemented

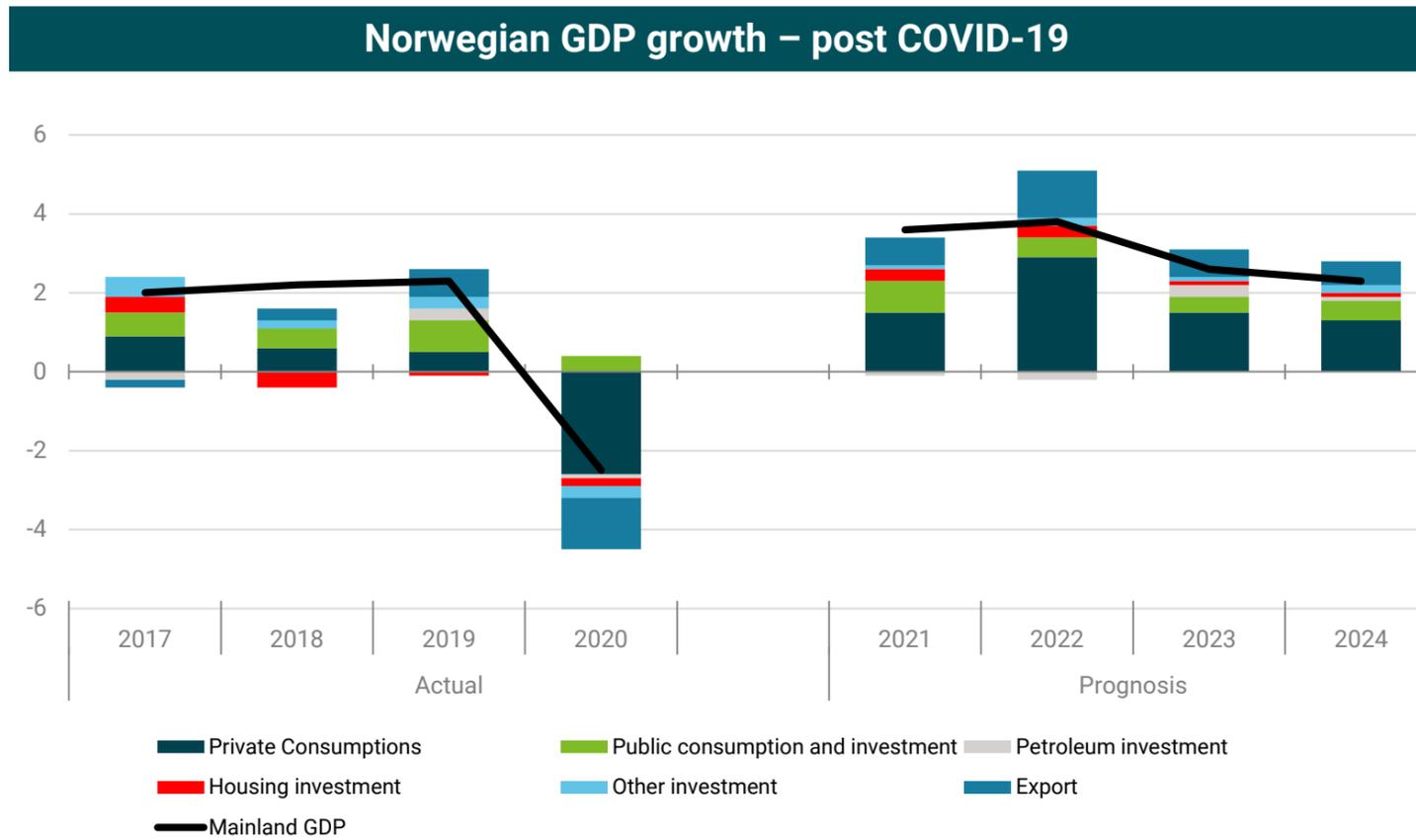
**Registered unemployment in % of labour force and # by profession**

Professions	#	% of labour force	Change in # YoY	Change in % YoY	% of labour force last year
All	63,298	2.2	-36,114	-36	3.5
Managers	2,700	2.8	-1,672	-38	4.5
Engineers & IT	3,072	1.1	-2,347	-43	1.9
Teaching	1,587	0.7	-763	-32	1.1
Academical professions	942	0.7	-671	-42	1.2
Health and care services	3,772	0.9	-1,440	-28	1.2
Child and youth work	2,641	2.4	-995	-27	3.3
Brokers & consultants	1,776	1.2	-1,381	-44	2.1
Office workers	5,309	2.9	-3,423	-39	4.8
Store and sales work	7,017	2.6	-4,380	-38	4.2
Agriculture, forestry and fishery	986	1.8	-325	-25	2.4
Construction & building	5,841	2.7	-3,161	-35	4.1
Industrial work	5,882	3.1	-2,981	-34	4.7
Tourism & transportation	7,654	4.1	-6,683	-47	7.8
Services & other employment	7,295	2.9	-3,419	-32	4.3
No profession or unknown	6,824	*	-2,473	-27	*

Source: NAV, October 2021

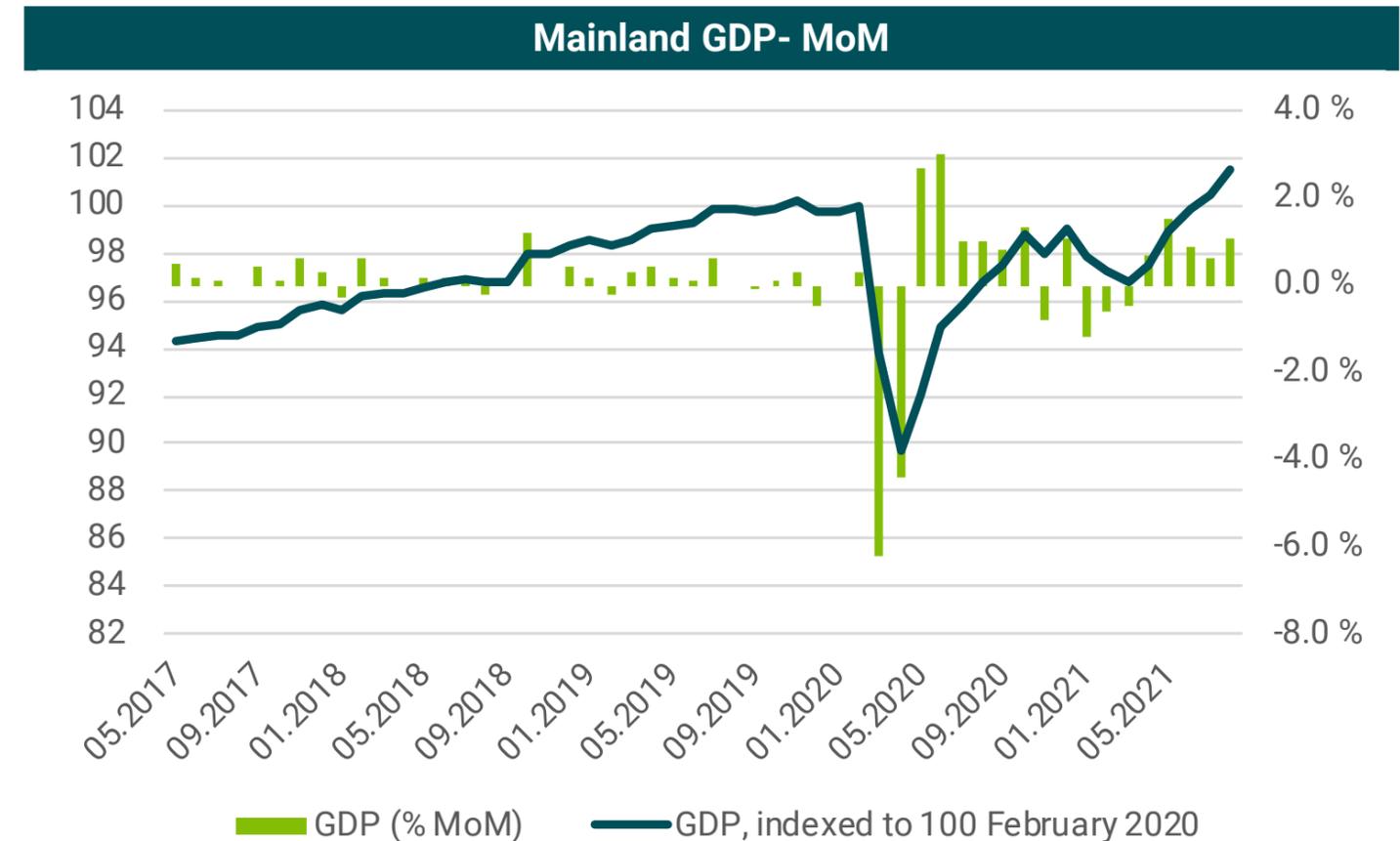
- A strong welfare system provides significant income protection: unemployment benefit is 62.4% of salary (capped at NOK 599,148) for a minimum of 104 weeks. COVID-19 related measure increased benefit to 80% of first NOK 300,000

# The Norwegian economy – post COVID-19 outbreak



Source: Statistics Norway, Konjunkturtendensene 3/2021

- 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 3.6% driven by a reversal of negative development in private consumption and export in 2020.



Source: Statistics Norway, August 2021

- The Norwegian economy contracted in March and April 2020 (-10.5%) but showed a strong rebound from May to October 2020 and again from April in 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 and most remaining infection control measures were lifted September 24<sup>th</sup> 2021.

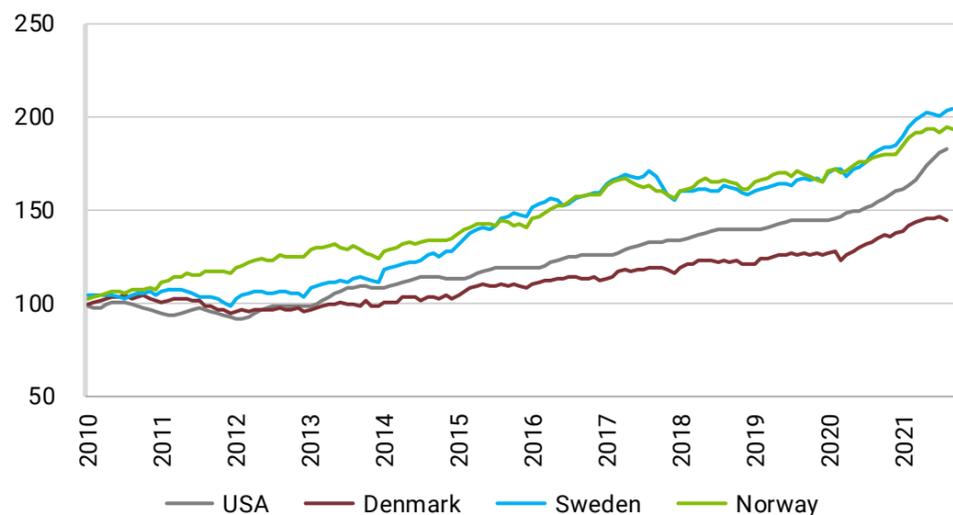
# The housing market characteristics in Norway

<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>3,300 bn</b> (EUR 320 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>94.4%</b> of residential mortgages have variable interest rate (Q4 2020)</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>• 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>		

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

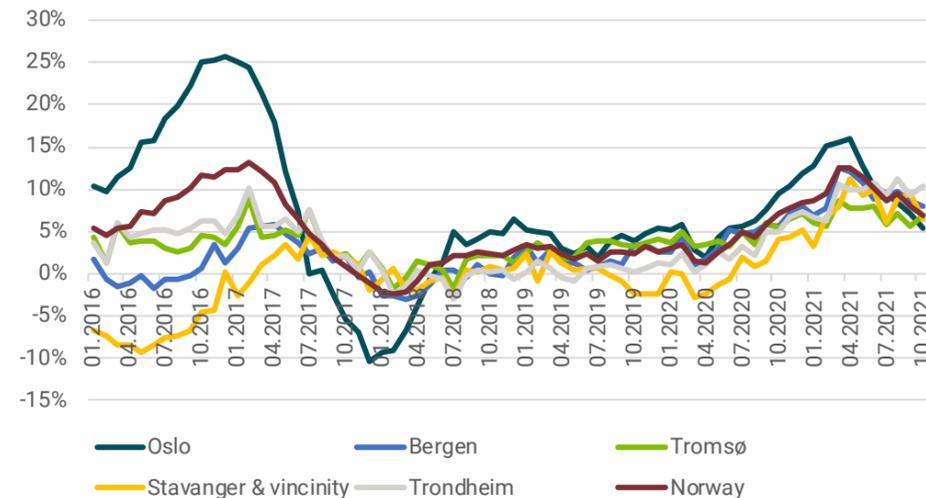
# The housing market – Price development

**Nominal house price development**



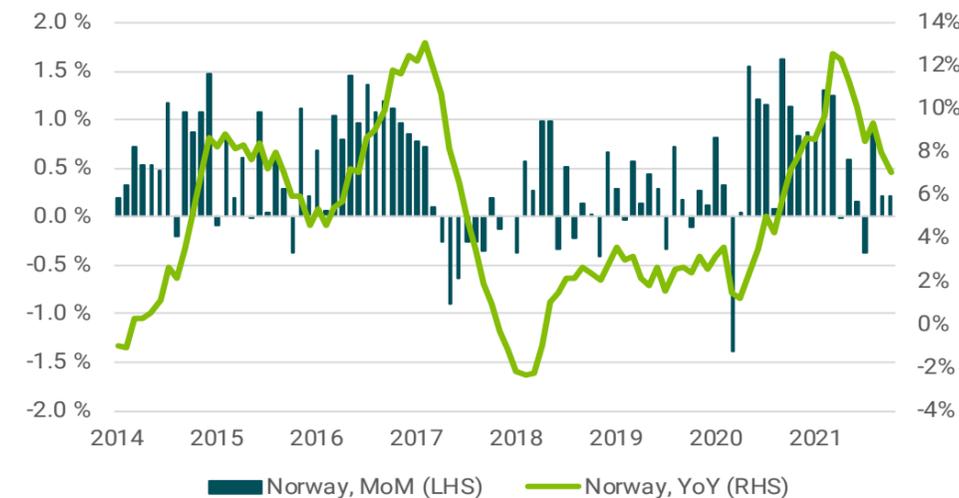
Source: S&P CoreLogic Case-Shiller US National Home Price NSA Index, Danmark statistik EJ14, Valueguard HOX® Index, Eiendomsverdi, August 2021 – October 2021

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



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

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



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

- Nominal house prices have increased by an average of 5.7% 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 +7.1% YtD 2021, +13.2% 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 m<sup>2</sup> price last 6 months in Norway is €4,800 , m<sup>2</sup> price in Oslo is €8,400

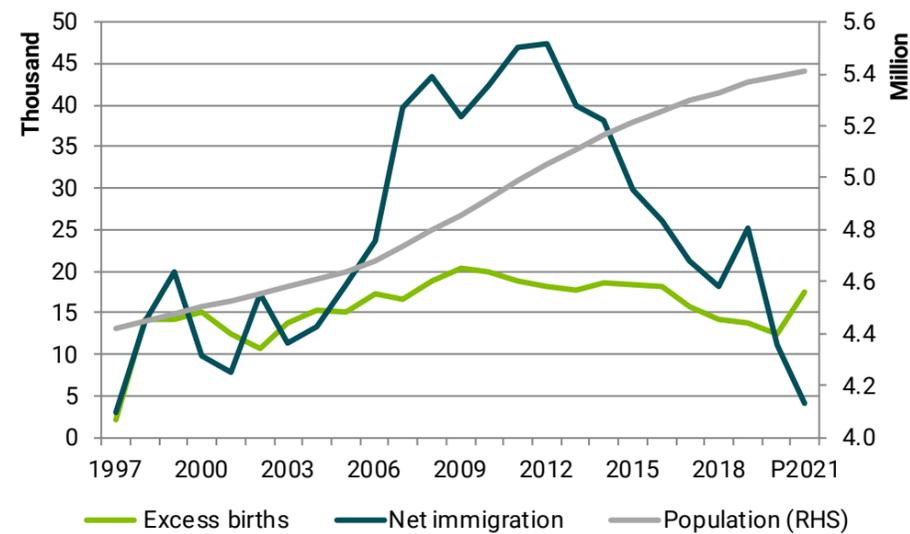
# The housing market – Drivers of the housing market

Housing starts (twelve-month change)



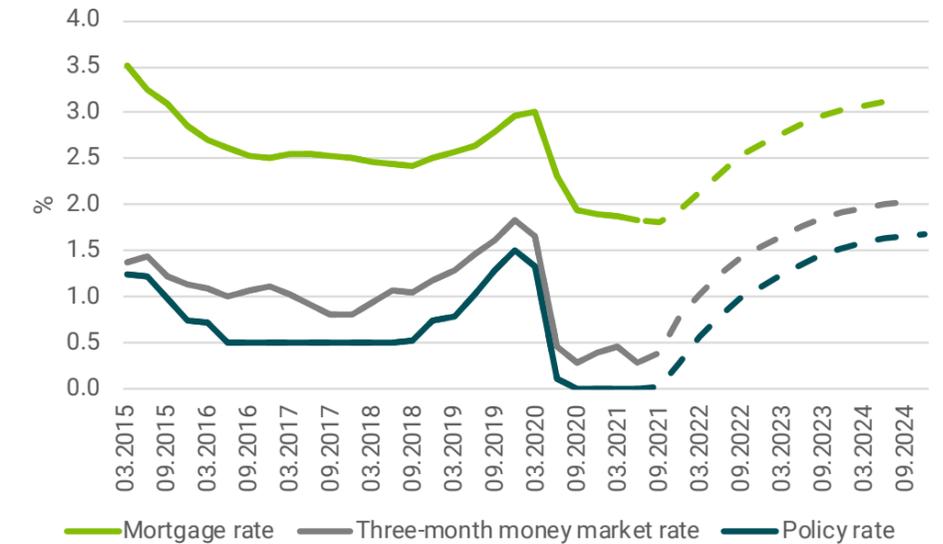
Source: Statistics Norway, September 2021

Population growth



Source: Statistics Norway, Q2 2021

Interest rates



Source: Norges Bank, MPR September 2021

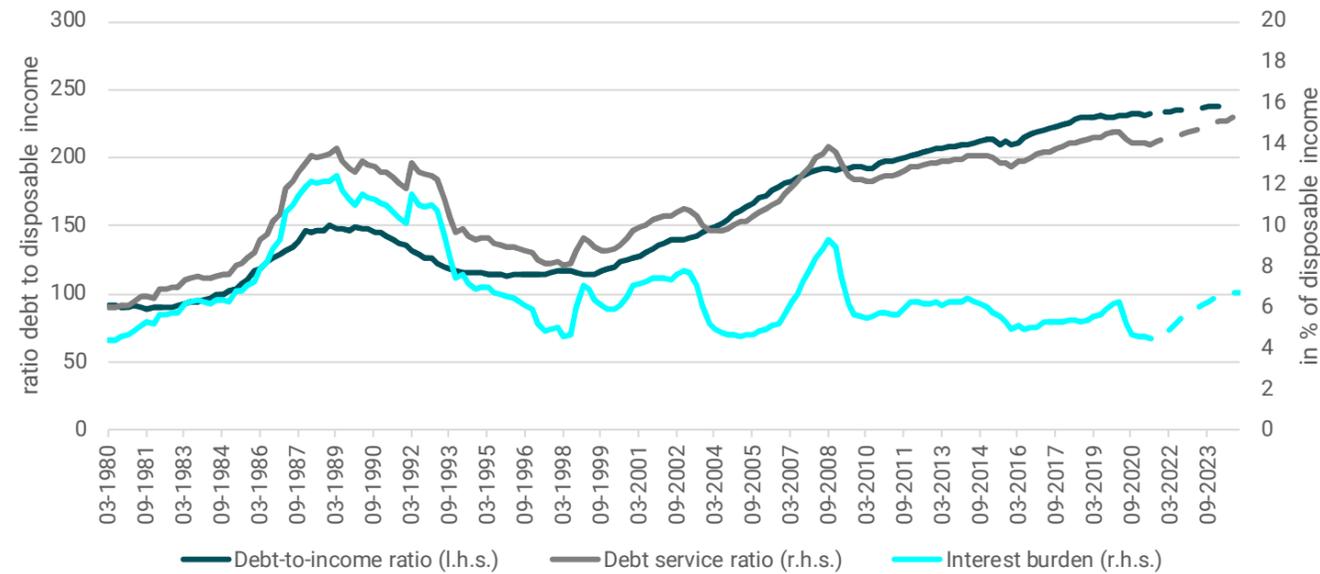
- Housing investments and new home construction are expected to remain at current levels going forward after a moderate growth last two years. Housing starts down by 5 % in 2020 compared to 2019

- 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%)

- Average variable mortgage rates was 1.81% in September. Average deposits rates was 0.30%. They are expected to increase going forward due to expectations for increased policy and money markets rates

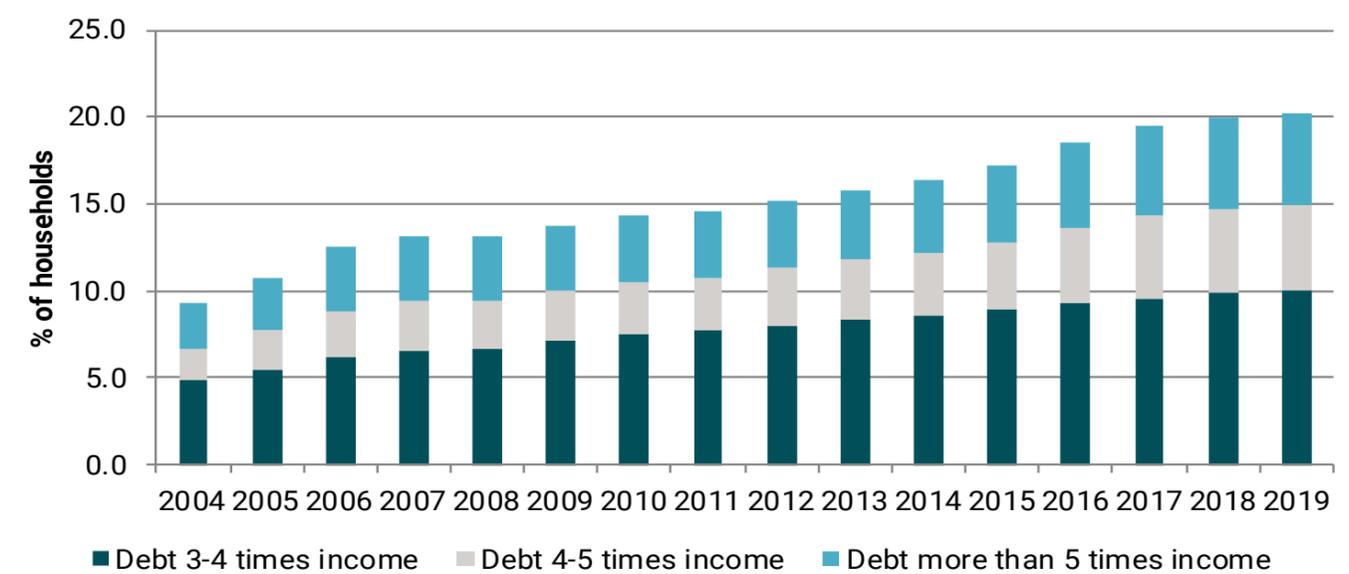
# Households financial position

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



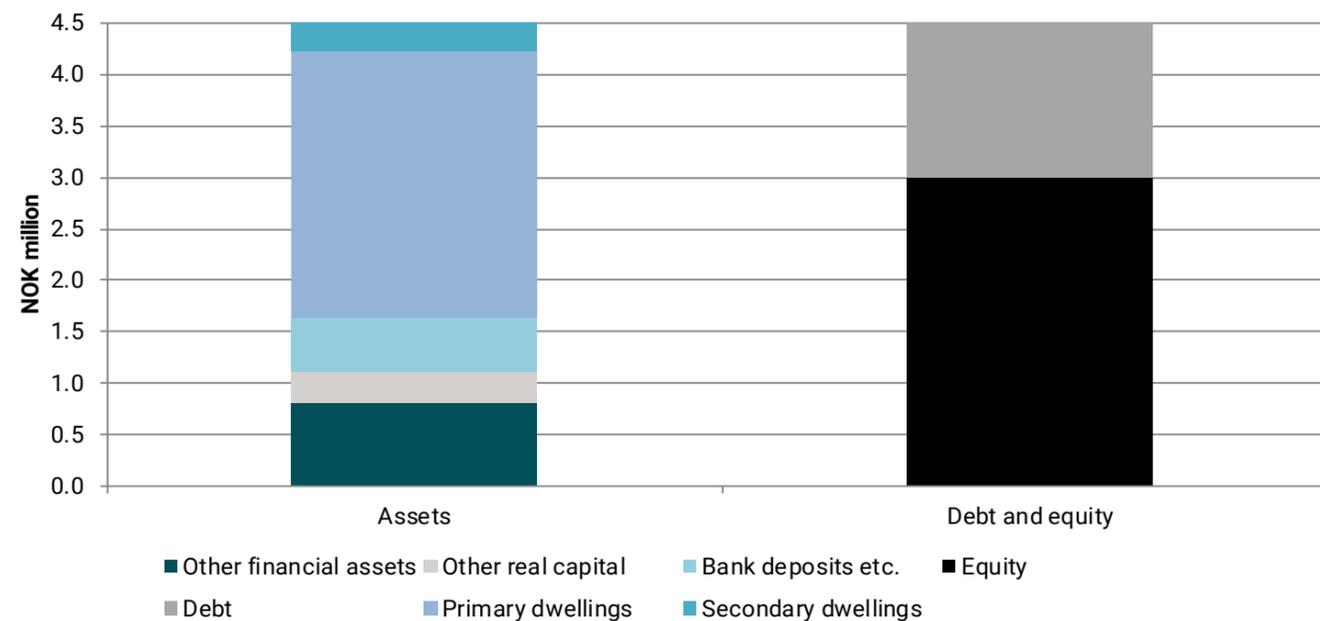
Source: Statistics Norway and Norges Bank, MPR September 2021

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



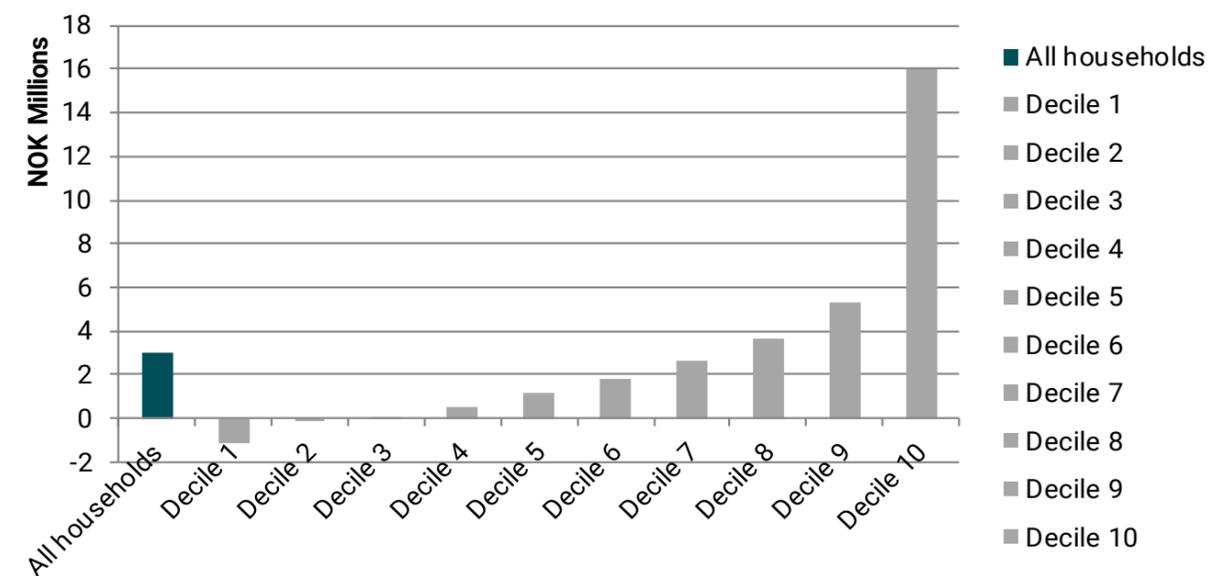
Source: Statistics Norway, Updated 2019

## Household balance sheet



Source: Statistics Norway Updated 2019

## Norwegian households net wealth (in NOK)



Source: Statistics Norway, Updated 2019

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

- **The Eika Alliance consist of a group of 52 Norwegian local banks<sup>1</sup>, Eika Gruppen and Eika Boligkreditt**

- Total assets EUR 45 bn
- 700,000 customers
- 1,850 employees
- 177 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)
- 9.4 % market share retail lending in Norway

<sup>1</sup> 10 banks have terminated their agreements with Eika Gruppen and left the Eika Alliance. These banks in total own 12.1% of the shares in Eika Gruppen. The 10 alliance banks left the alliance when their agreements terminated October 24<sup>th</sup> 2021. These banks have transferred 15.7% of the portfolio in Eika Boligkreditt as of 2021Q2. Eika Boligkreditt have given notice of termination of distribution agreement with effect from January 1<sup>st</sup> 2022. Se 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 terminated their agreements with Eika Gruppen and left the alliance

# 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

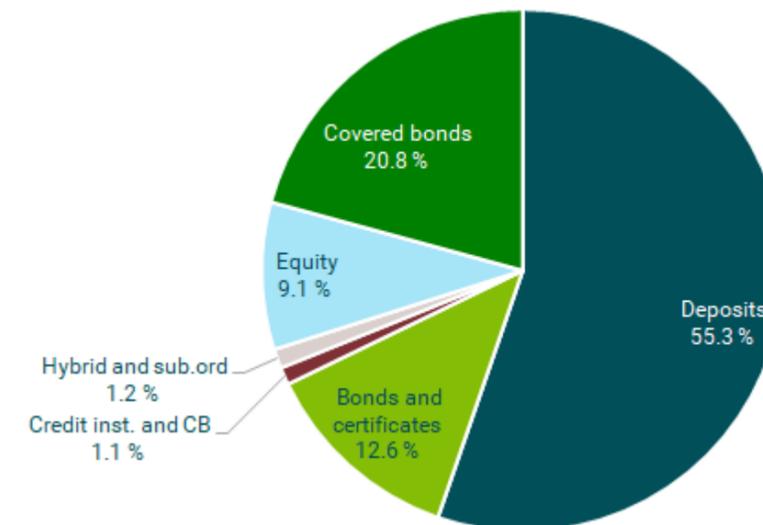
### Efficiency

- 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 2021

# 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

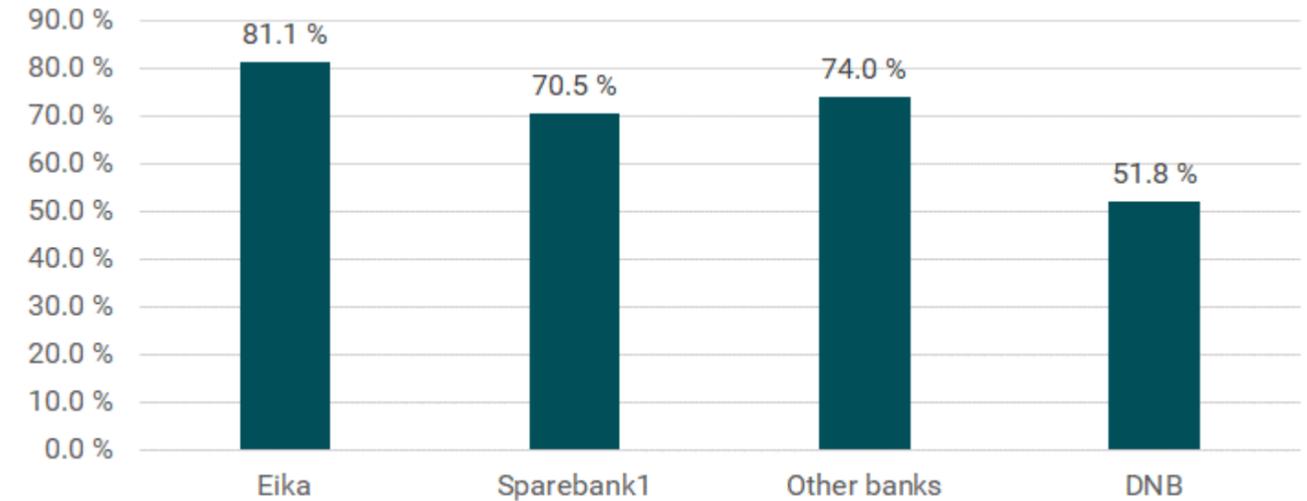
## Local market focus

- 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



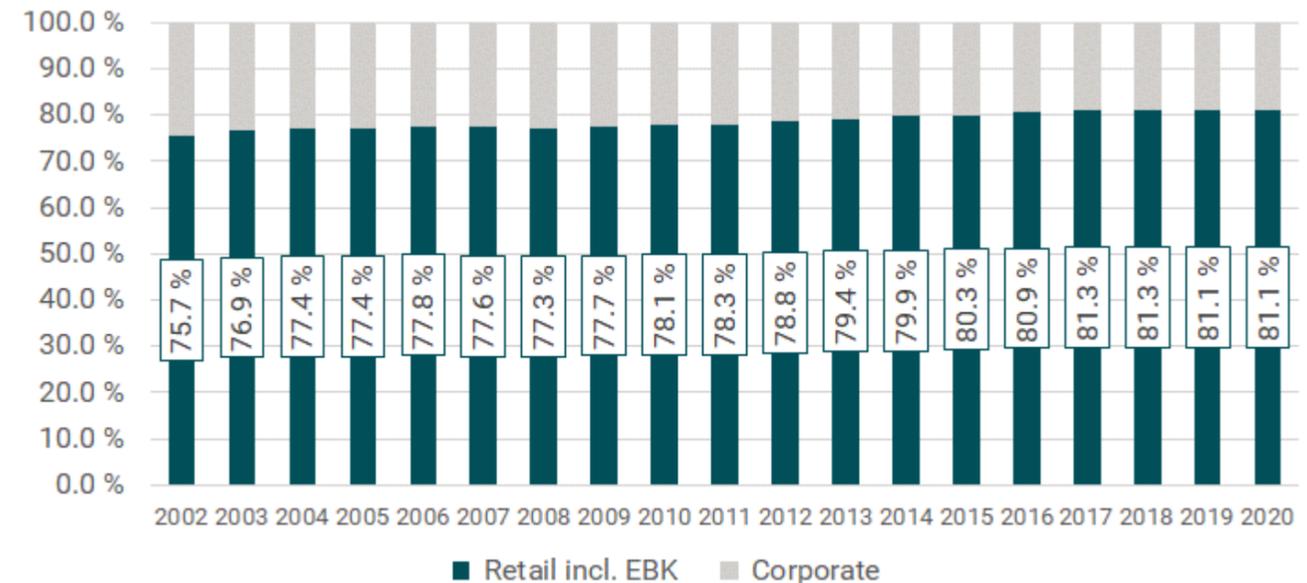
Separate legal identities and a common support brand

## Retail share - Eika vs. peers



Source: Bank analyst Eika as of Q4 2020

## Breakdown of the Eika banks lending

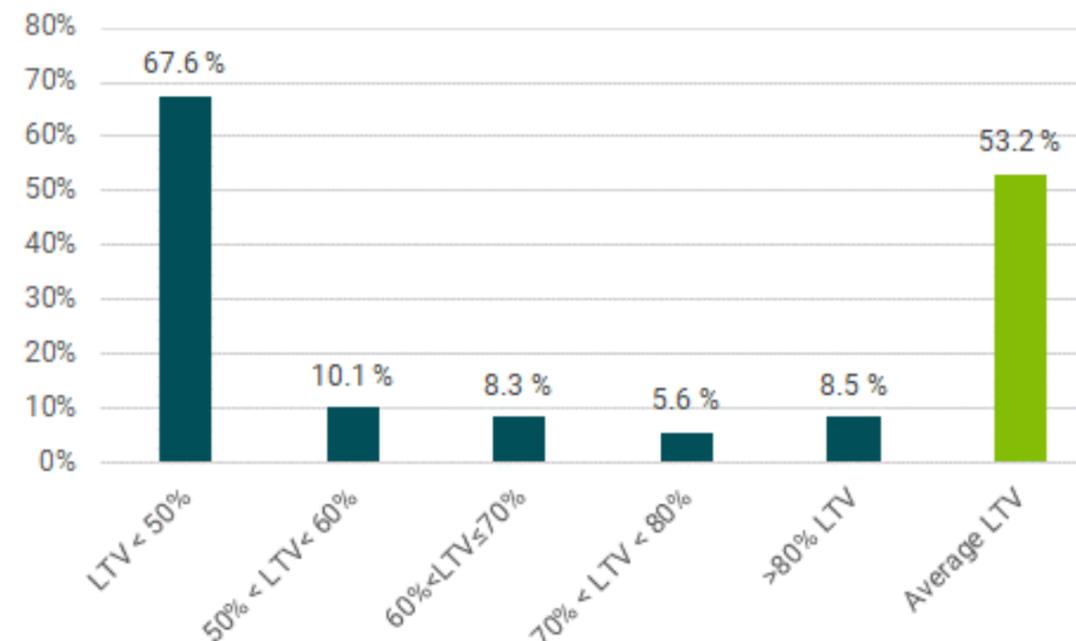


Source: Bank analyst Eika as of Q4 2020

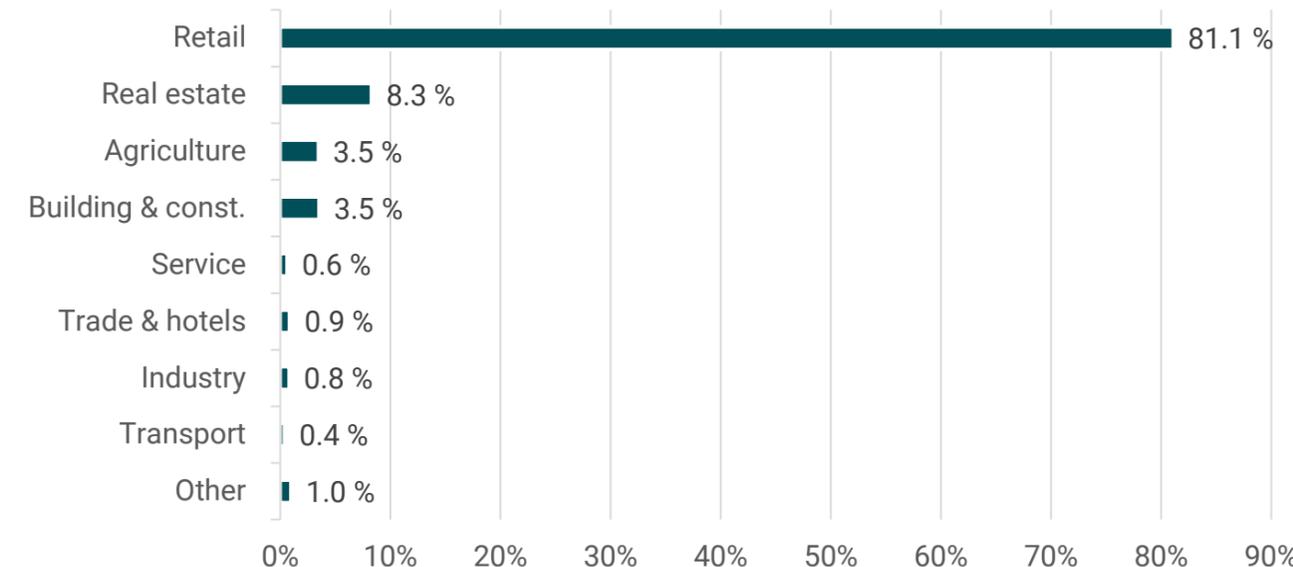
# High asset quality

- 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 0.52% of gross loans Q2 2021
  - Gross doubtful loans constitute 0.74% of gross loans Q2 2021
  - Provisioning ratio on problem loans of 41.4% Q2 2021
- Gross problem loans relative to equity + loan loss reserves was 8.4% in Q2 2021, down from 8.9 % in Q4 2020
- 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%

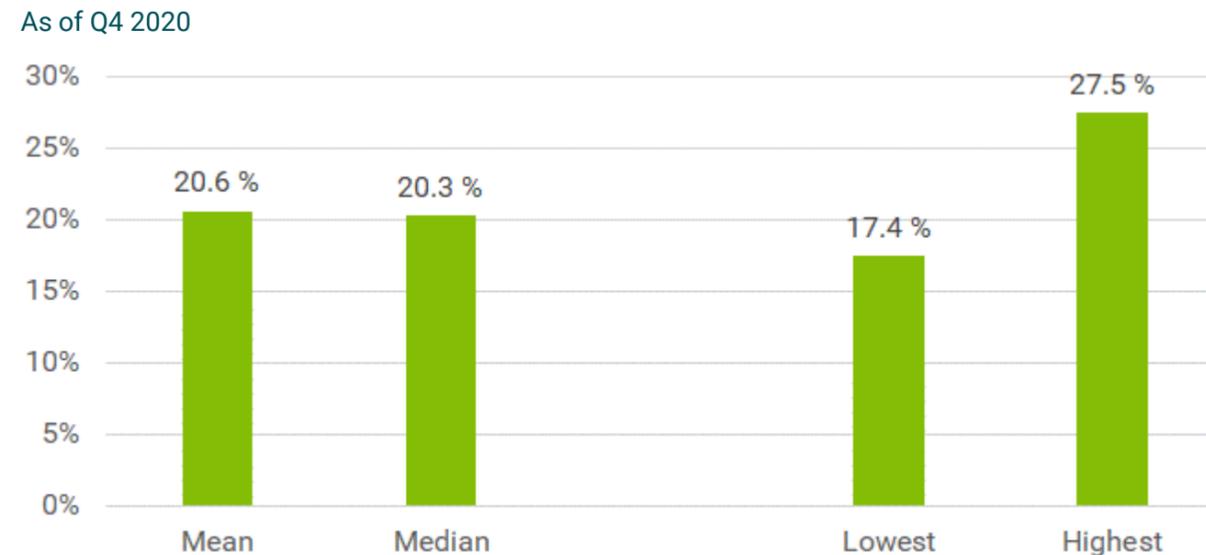
- All Eika banks are well capitalized (core capital ratio)**

- Lowest: 17.4%
- Highest: 27.5%

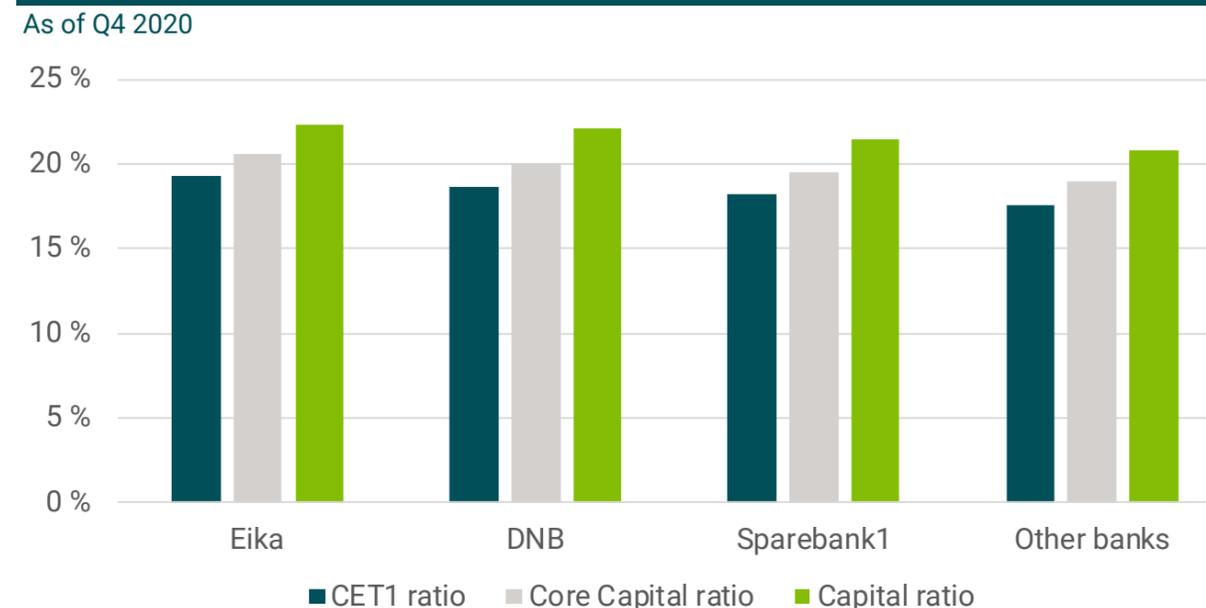
- All Eika banks use the standard approach under Basel II and therefore increase in mortgage risk-weights will not impact capital levels of Eika banks**

- 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**

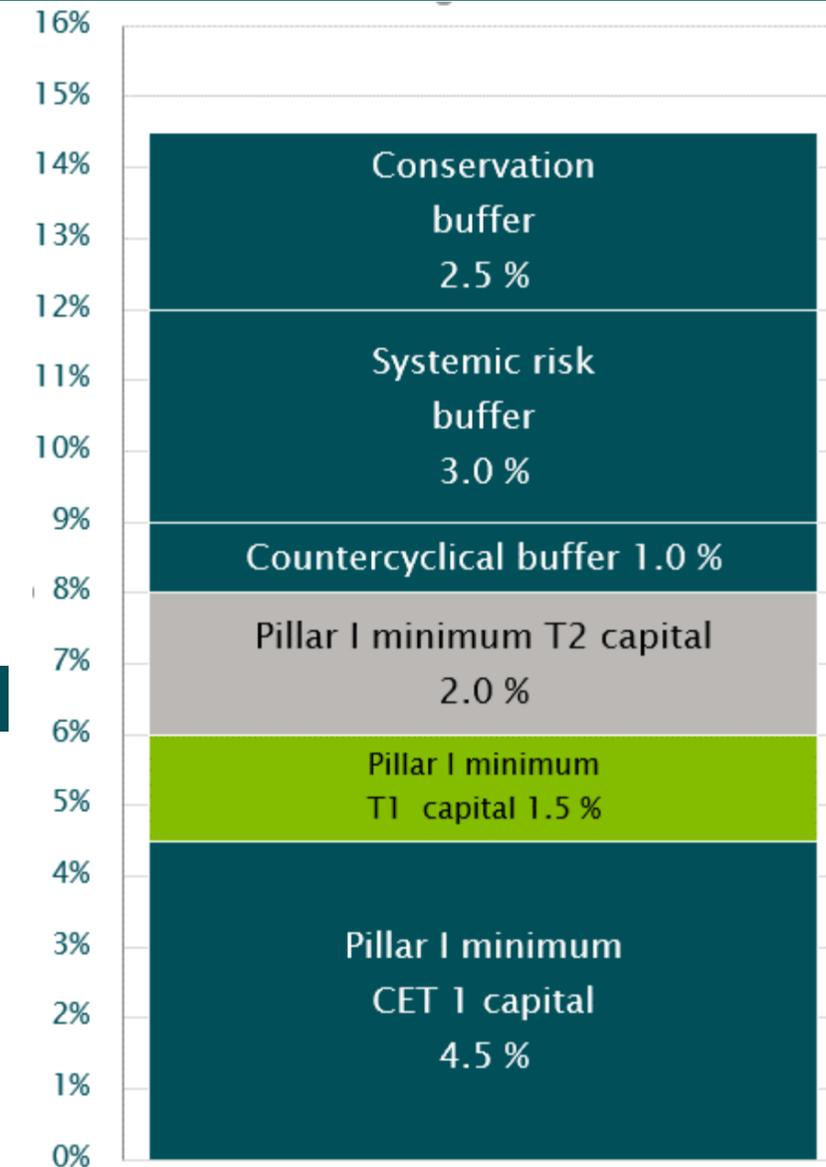
## Core capital ratio – Eika banks



## 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 13<sup>th</sup> 2020. The buffer will be increased from 1 percent to 1.5 percent with effect from June 30<sup>th</sup> 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

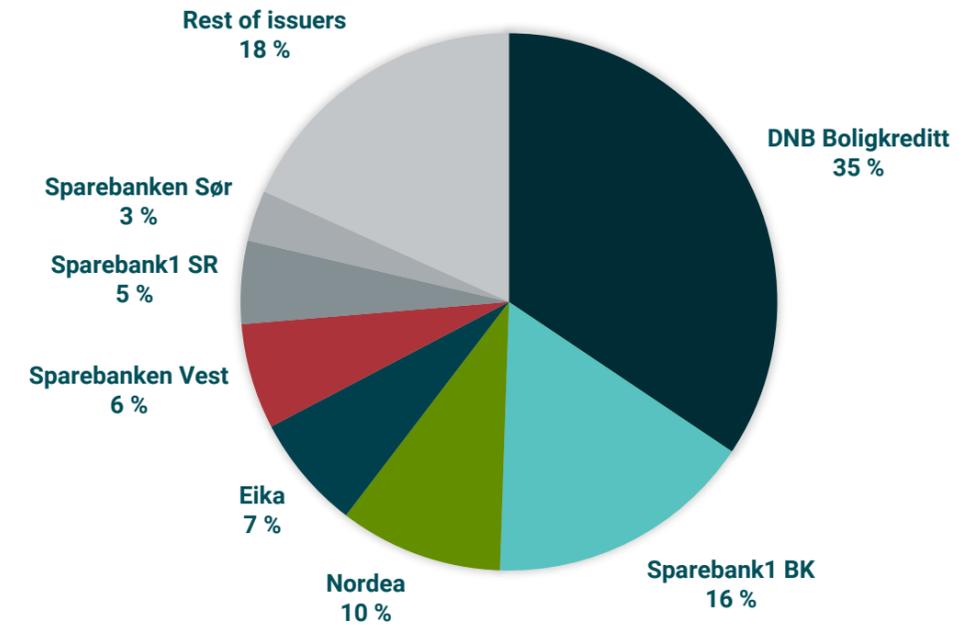
- Norwegian covered bonds are category 1 for LCR purposes (above EUR 500 mill.)
- 10% preferential risk weighting

## III. Eika Boligkreditt covered bonds

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

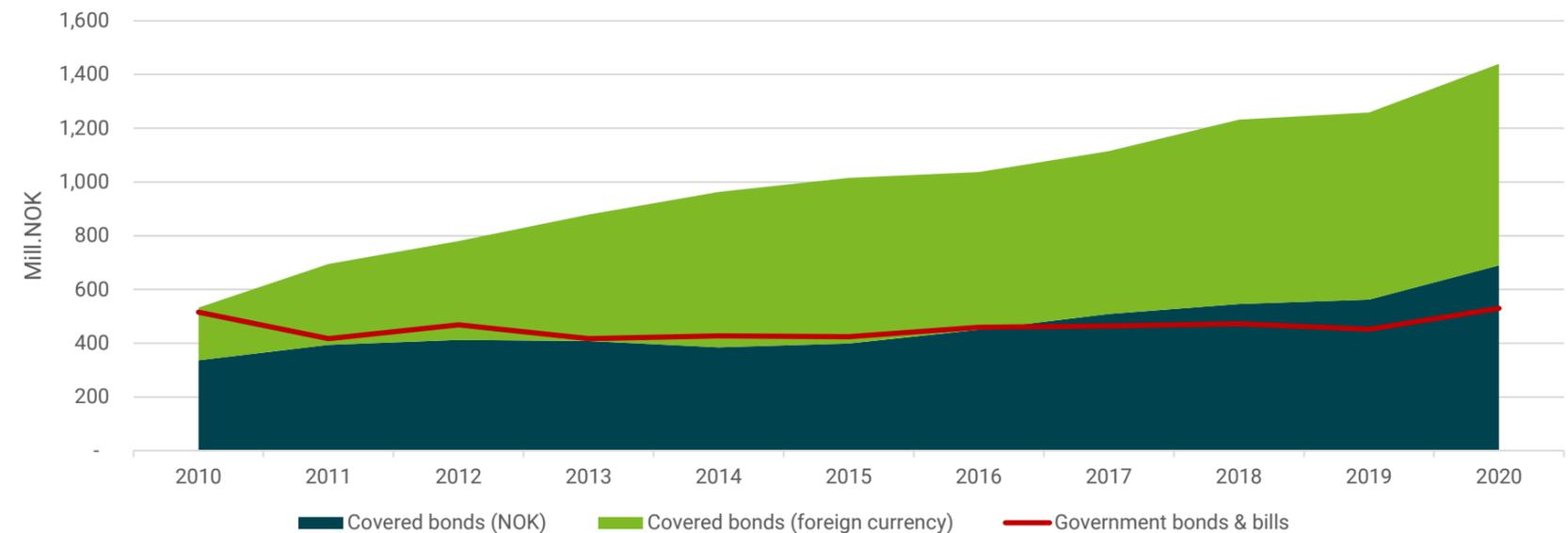
As of YE2020



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

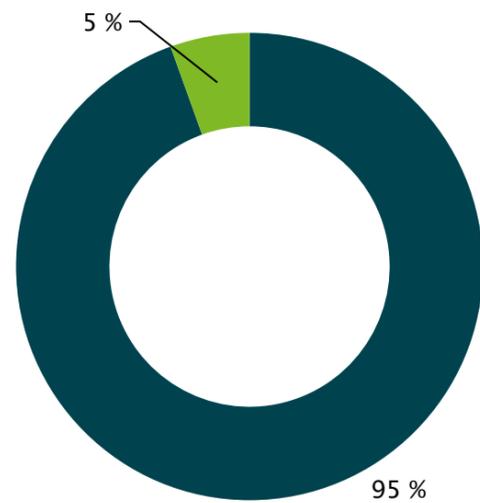
- **The Note Purchase Agreement (NPA)** is structured to ensure that EIKBOL has liquidity, at all times, sufficient to pay the Final Redemption Amount of any series of Notes in a rolling twelve month period
- **The Shareholders' Agreement** is structured to ensure that EIKBOL will uphold a sufficient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

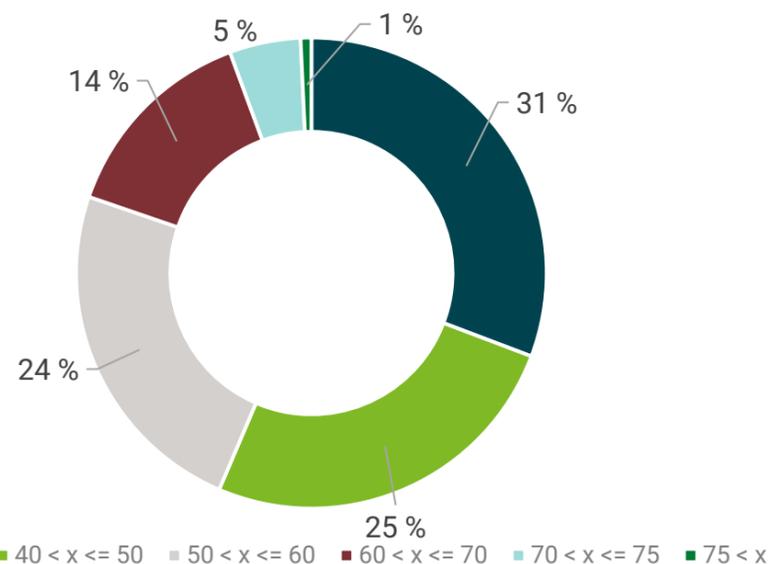
Nominal value	EUR 8.8 bn
Number of loans	52,771
Arithmetic average loan (nominal)	EUR 166,473
WA LTV (indexed)	46.3%
WA seasoning (months)	33
Doubtful loans in % of gross loans	0.04%
Over-collateralization *	12.4 %

Type of collateral



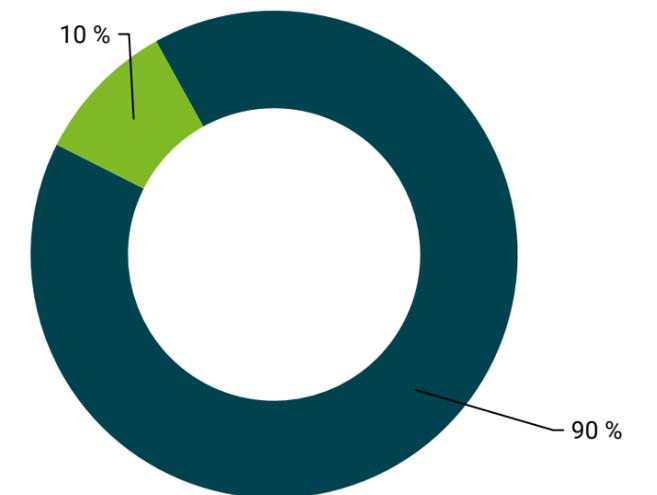
■ Residential (stand-alone) ■ Residential (cooperative housing)

Indexed LTV distribution



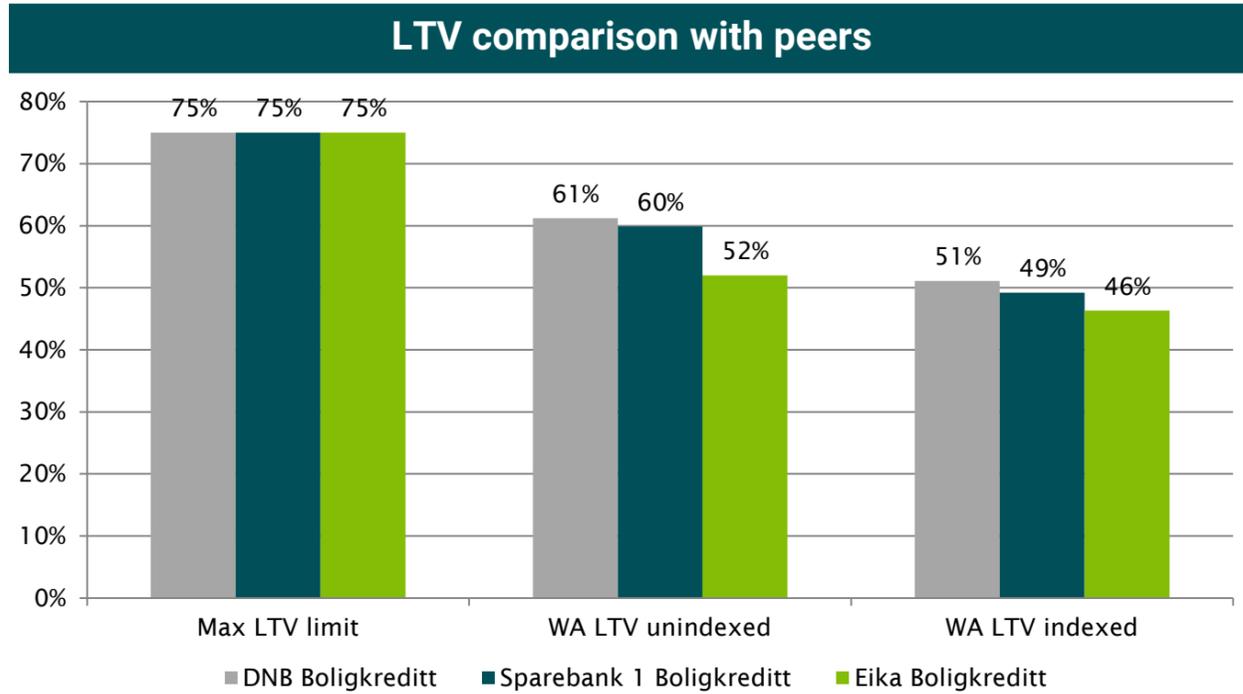
■ 0 <= 40 ■ 40 < x <= 50 ■ 50 < x <= 60 ■ 60 < x <= 70 ■ 70 < x <= 75 ■ 75 < x

Variable vs fixed rate

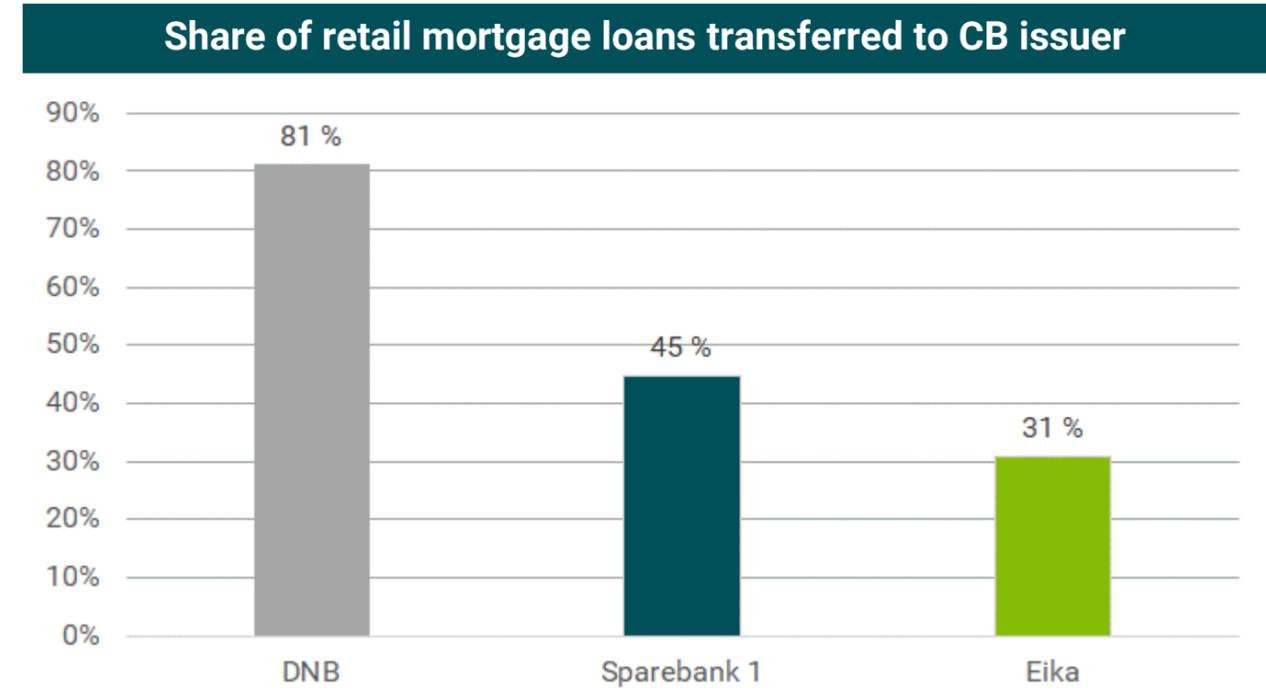


■ Variable ■ Fixed

# Cover pool comparison and stress test



Source: Cover pool information as of Q3 2021 For DNB and Eika, Q2 2021 for Sparebank 1.



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	8,785	8,785	8,785	8,785
Part of mortgages exceeding 75% LTV	0	45.5	180.4	466.5
Share of mortgage portfolio >75% LTV	0.0 %	0.5 %	2.0 %	5.3 %
Estimated over-collateralization*	12.4 %	11.9 %	10.5 %	7.5 %

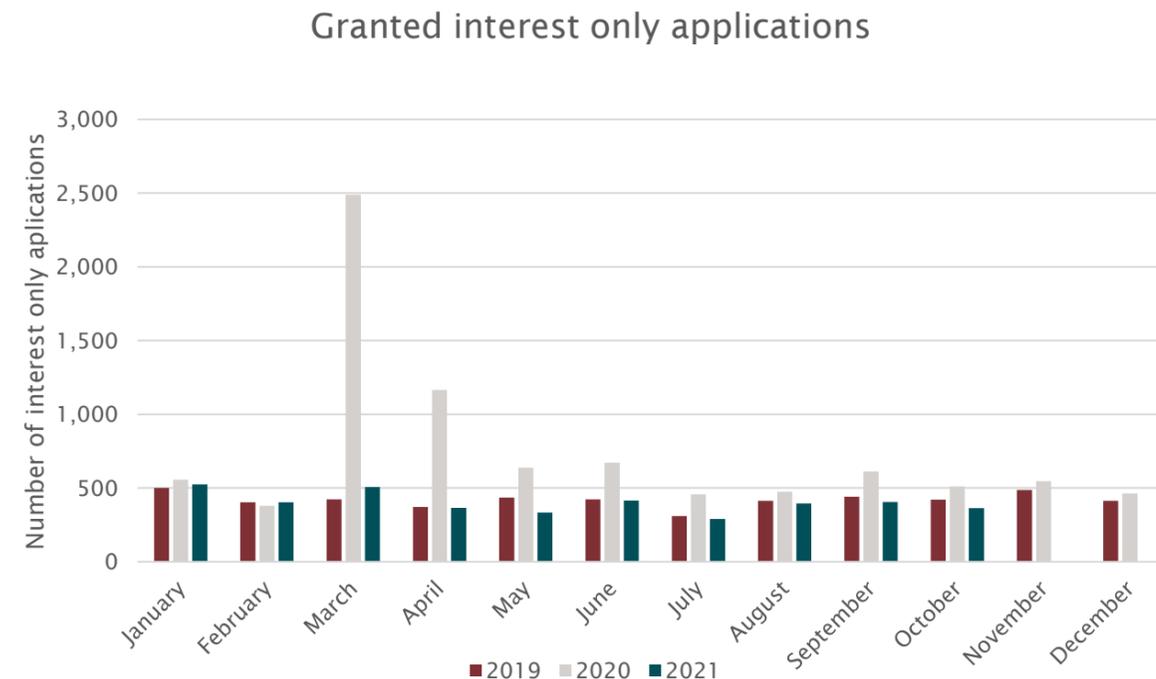
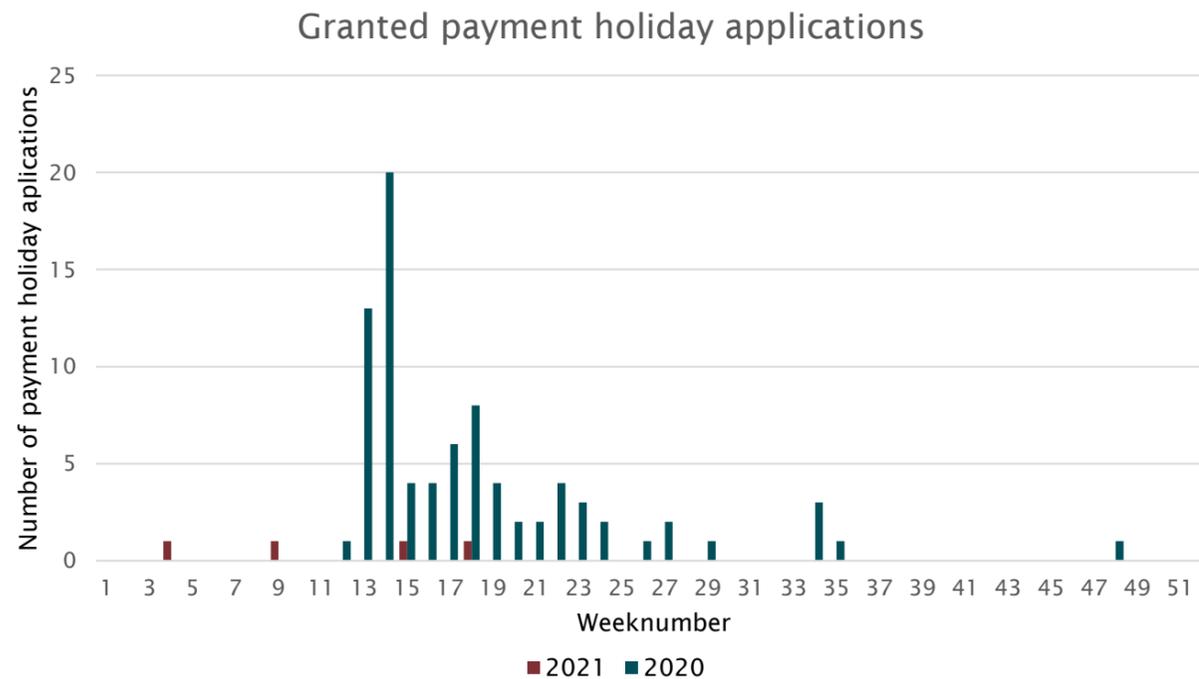
# COVID-19 situation – Credit quality of the cover pool

**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.

**During the pandemic, Eika Boligkreditt had the following policies regarding payment holidays/temporarily interest only:**

- 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.

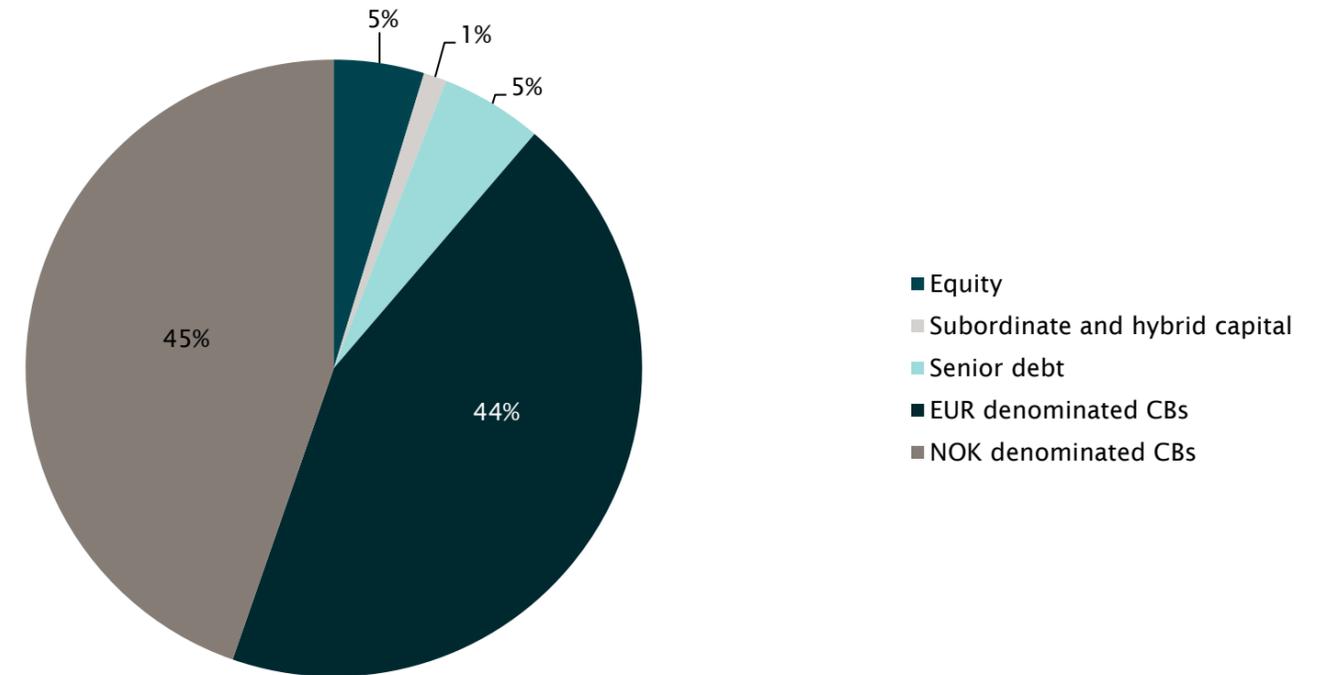


# Current funding

- 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 25% 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 2021-10-31

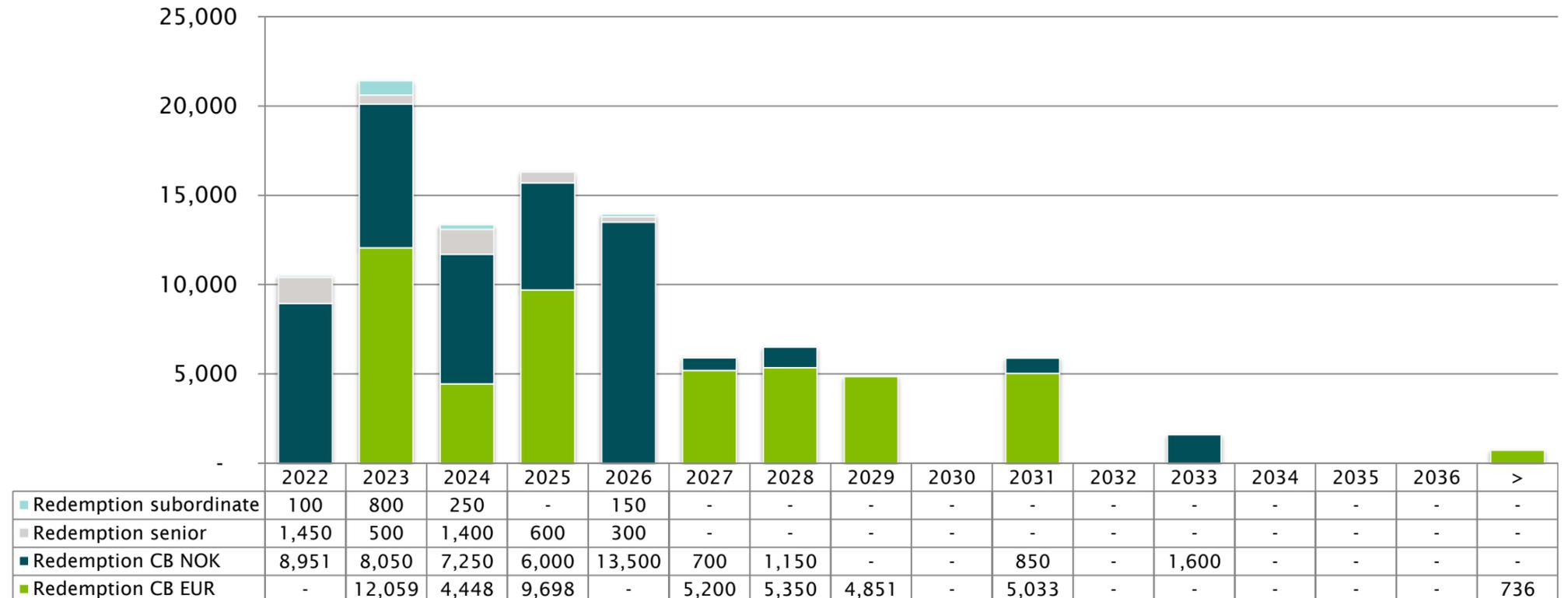


## Outstanding EUR benchmark transactions

ISIN	Issue date	Volume (EUR mio)	Maturity date
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 2021-10-31

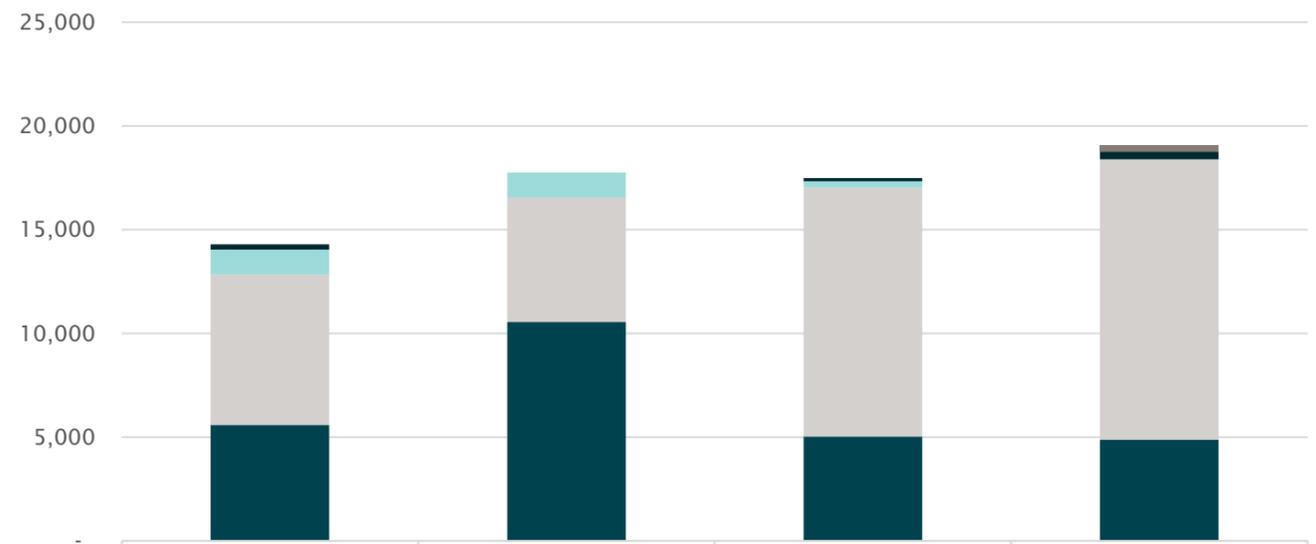


# Planned long term funding

- Budget for gross long term funding in 2022 is NOK-equivalent of 19.1 bn (EUR 2 bn)
  - NOK-equivalent of 18.4 bn in covered 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)

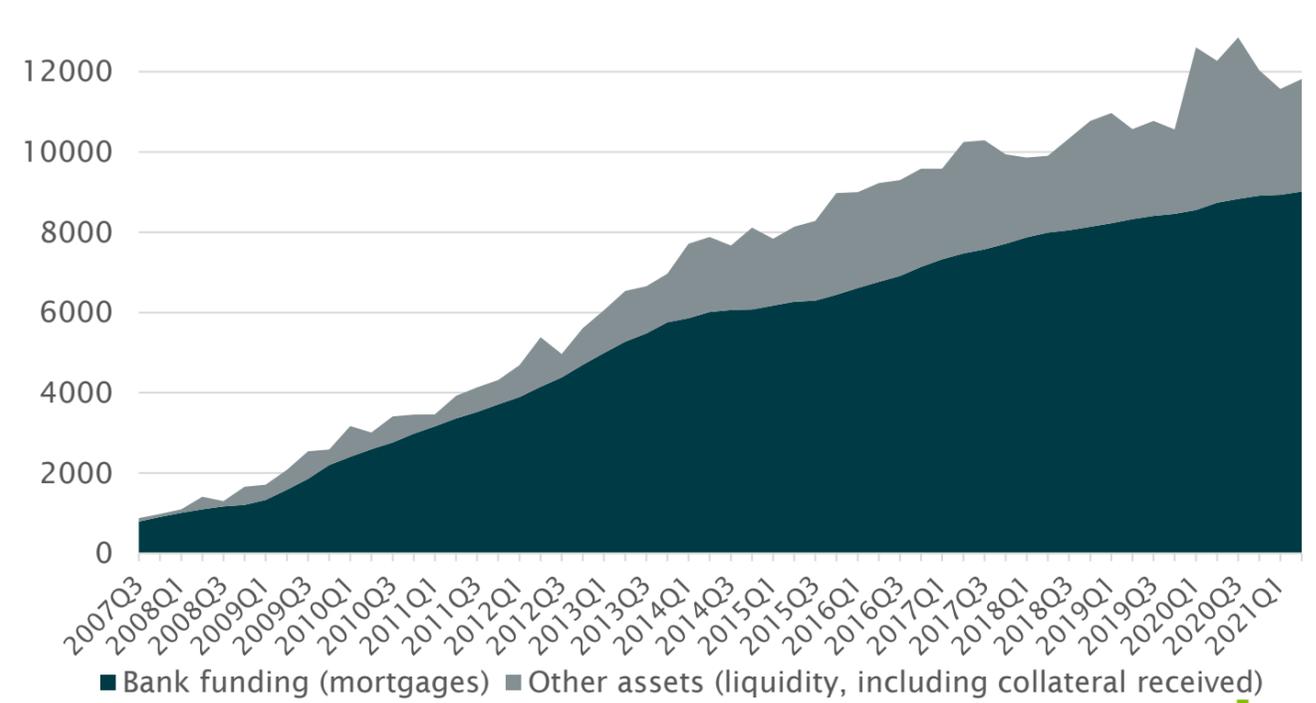
As of 2021-10-31



	Actual funding 2019	Actual funding 2020	Actual funding 2021	Planned funding 2022
AT1	-	-	-	300
T2	250	-	150	375
Senior unsecured	1,200	1,200	300	-
Covered Bonds (denominated in NOK)	7,250	6,000	12,000	13,500
Covered Bonds (denominated in EUR)	5,587	10,550	5,030	4,880

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

As of 2021-06-30



# Agenda

- The Norwegian economy
- Eika Alliance
- Eika Boligkreditt
- ESG at Eika
- Eika Boligkreditt's 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**

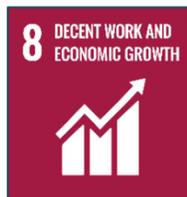


**Local bank 2023 Initiative**  
 Strong and caring local banks. Driving force for growth and development for you and your local community

# 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

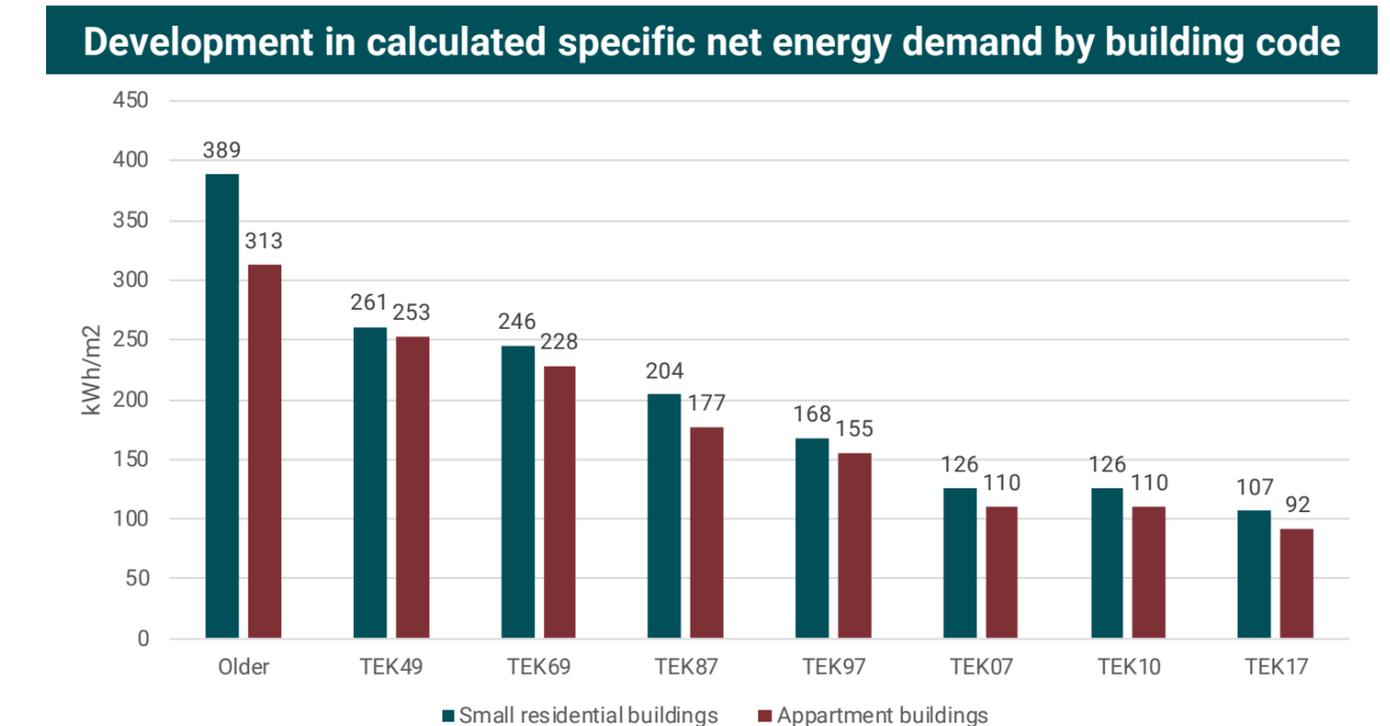
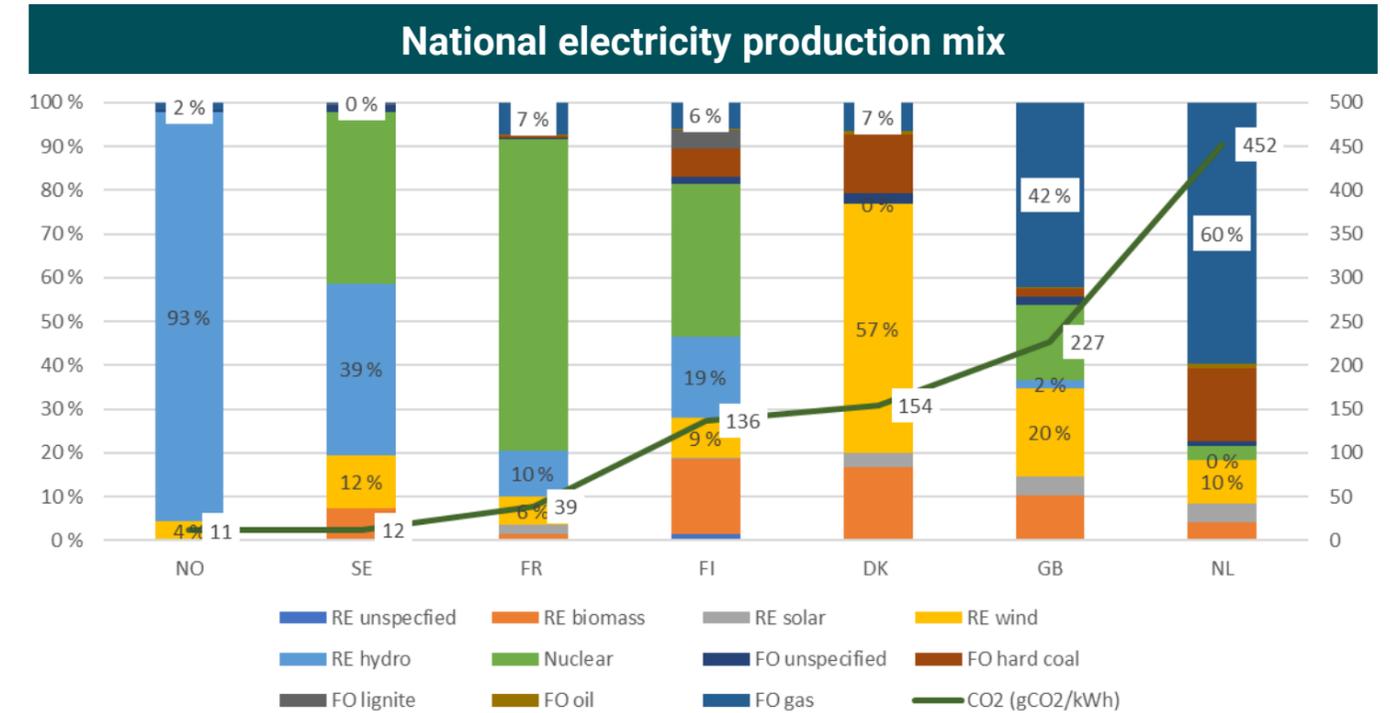


**Universe**  
7,944 companies  
NOK 838k bn.

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

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

- Norwegian buildings are predominantly heated with electricity
- Norway has one of the greenest energy source mix for electricity (>97% renewable energy 93% Hydro and 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 Boligkreditt cover pool on this basis

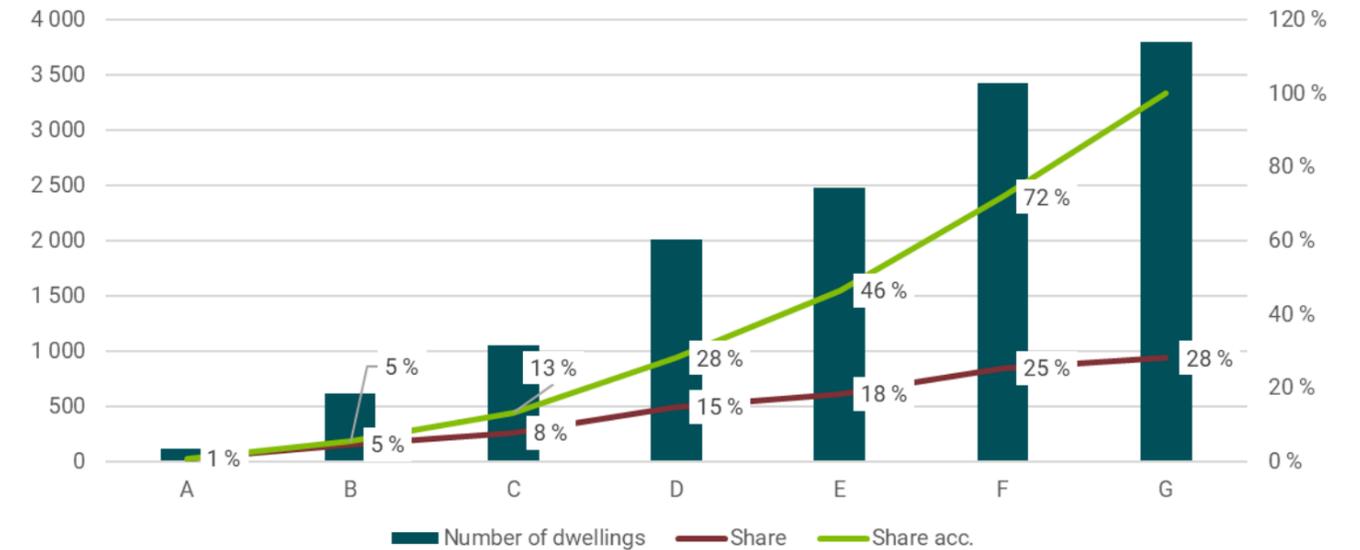


<sup>1</sup> taking into account the importing of electricity via the interconnected European grid

# CO<sub>2</sub> Footprint Analysis of the Cover Pool – 2020

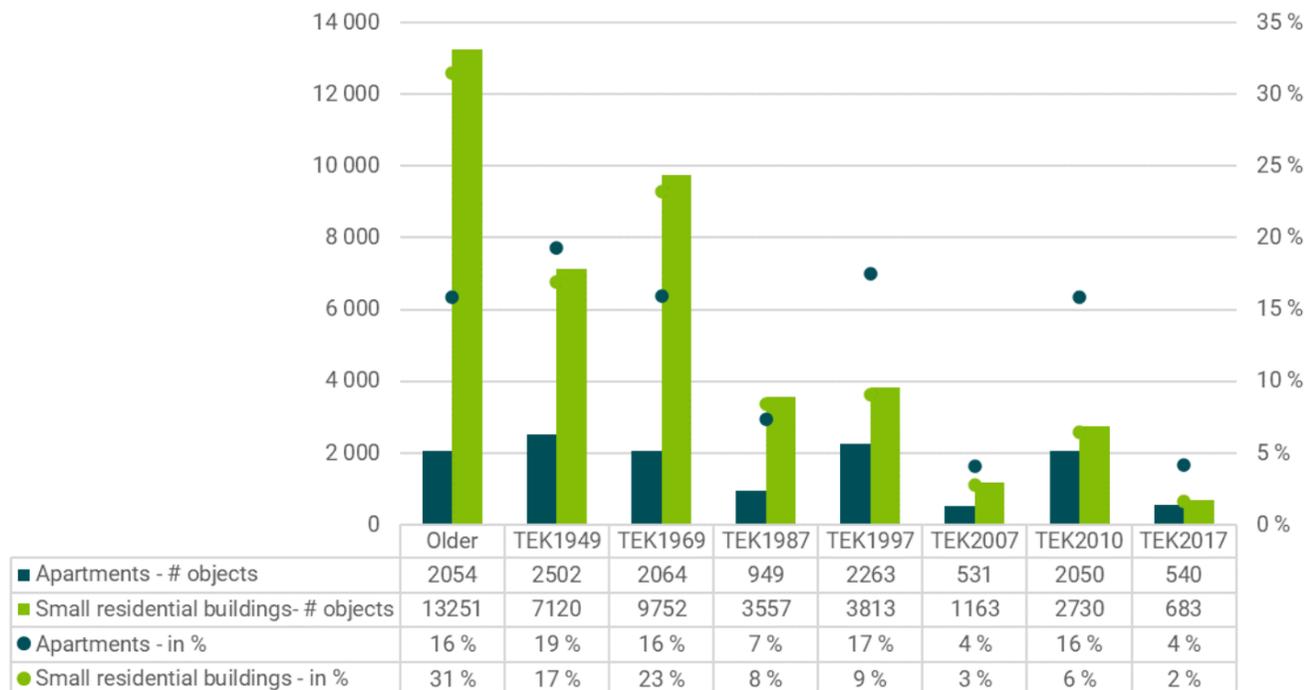
- As part of our ‘Strategic Framework for Sustainability’, Eika values increased disclosure in terms of scope 3 carbon impact
- The current portfolio, as of December 31<sup>st</sup> 2020, represents:
  - Yearly energy demand of 2,118 GWh
  - Yearly emissions of 261,504 tons CO<sub>2</sub> eq. for collateral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

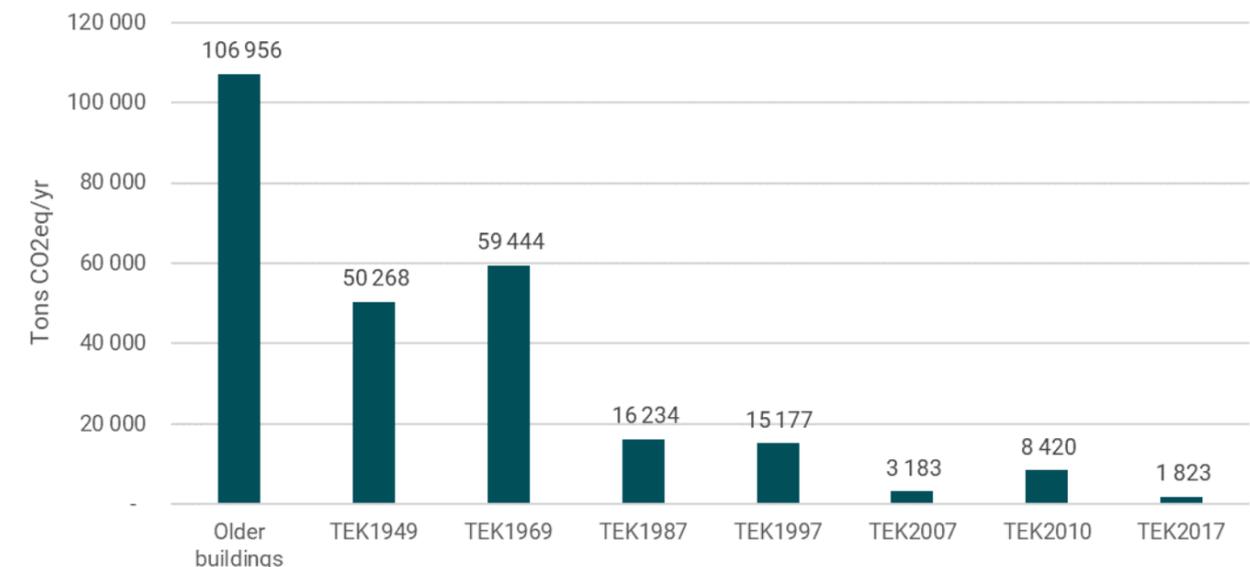


<sup>2</sup> EPC labels represent only 34% of the Eika cover pool, hence this is not fully representative of the entire cover pool

Current distribution of the Eika cover pool by building code YE2020



Eika cover pool CO<sub>2</sub> footprint YE2020<sup>3</sup>



<sup>3</sup> Portfolio CO<sub>2</sub>-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

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- A (scale AAA-CCC)

## Sustainalytics

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

## ISS ESG

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

## Norwegian Client Experience Index (CEI)

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

### 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 Technical Screening Criteria	TEG Report Do No Significant Harm & Minimum Social Safeguards	Consultants & Third Parties
Green Buildings		<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>	

# 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

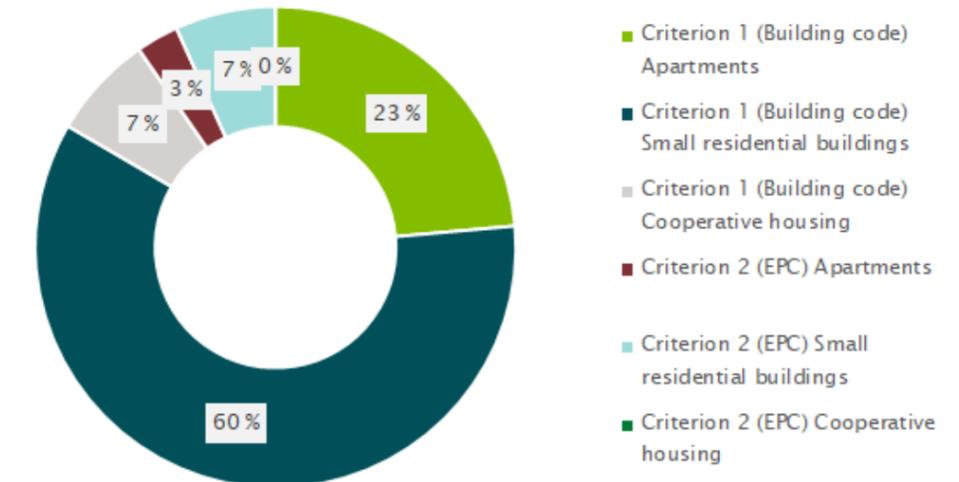
## Unallocated Proceeds

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



## Green Portfolio

As of 2021-09-30



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	2,668	203,965	87,428	4,327
	Small residential buildings	4,583	808,836	390,462	10,973
	Cooperative housing	43	69,085	27,248	1,276
Criterion 2 (EPC)	Apartments	390	29,223	11,944	527
	Small residential buildings	607	107,441	49,823	1,241
	Cooperative housing	-	-	-	-
<b>Total</b>		<b>8,291</b>	<b>1,218,550</b>	<b>566,905</b>	<b>18,344</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 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 <sup>11</sup>	13 CLIMATE ACTION
	Limited contribution	11 SUSTAINABLE CITIES AND COMMUNITIES



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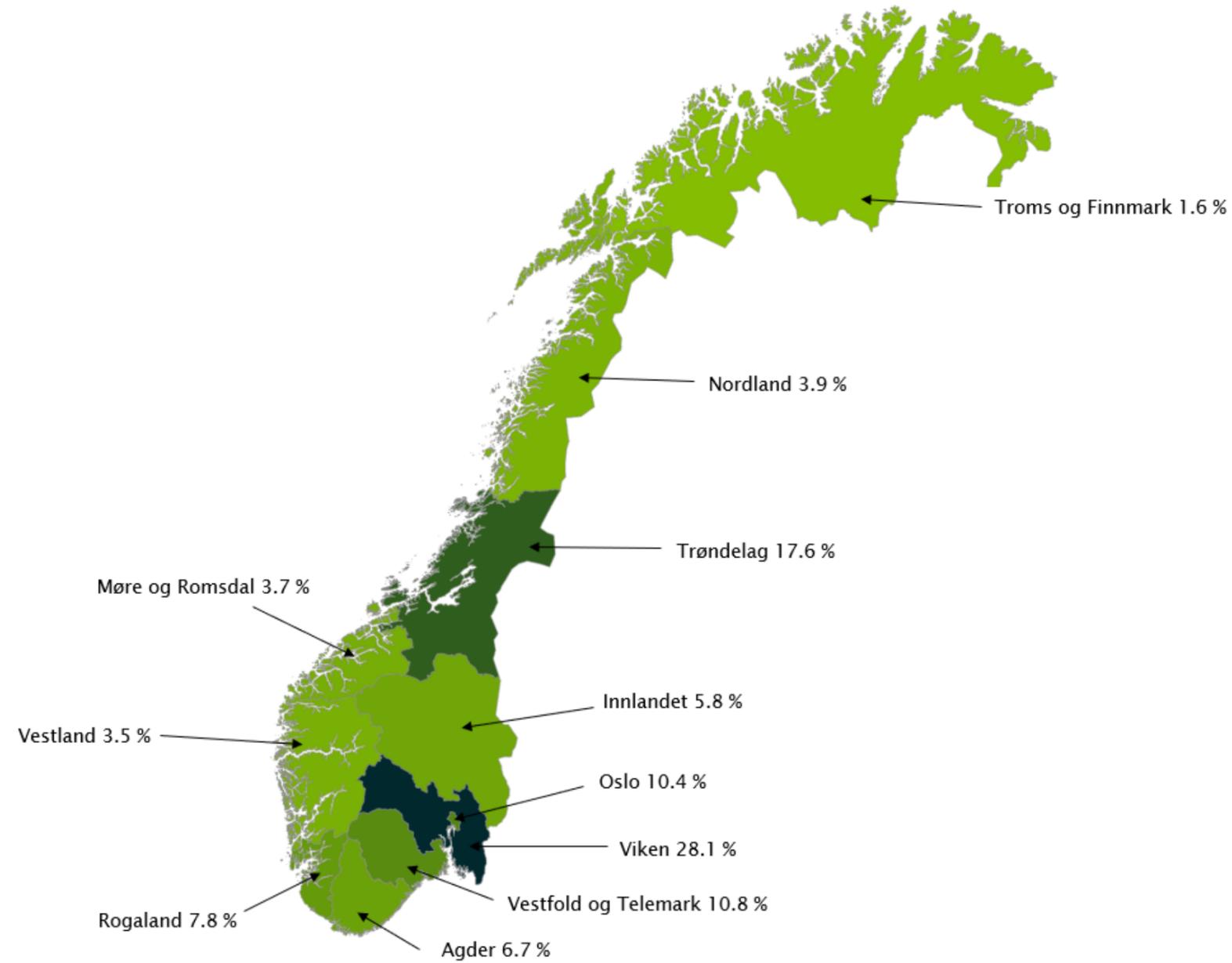
kf@eika.no

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

# Agenda

- The Norwegian economy
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# Mortgage lending - Strong geographical diversification



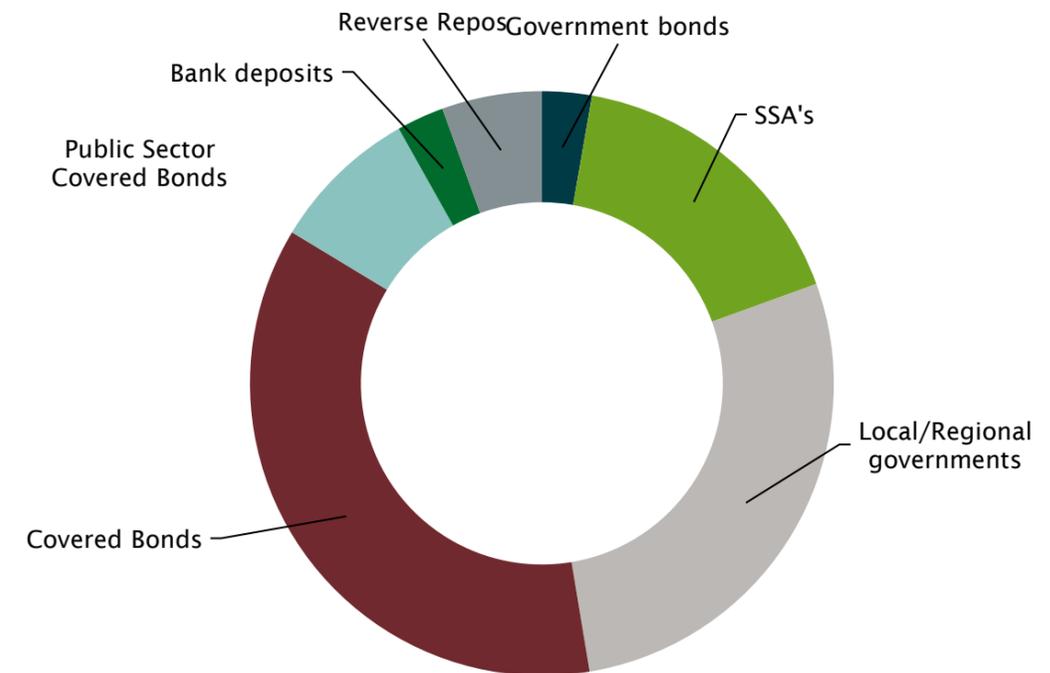
# Liquidity portfolio

- **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, 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

Sectors and tenors			
Sector	Market values (EUR)	In % of portfolio	TtM
Government bonds	49,149,779	3 %	0.33
SSA's	298,347,010	17 %	0.86
Local/Regional governments	498,138,034	28 %	0.69
Covered Bonds	647,212,773	36 %	1.74
Public Sector Covered Bonds	146,296,267	8 %	2.14
Bank deposits	46,726,471	3 %	0.00
Reverse Repos	98,764,018	6 %	0.01
<b>Total portfolio</b>	<b>1,784,634,351</b>	<b>100 %</b>	<b>1.15</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&amp;L

Amounts in NOK Million	2016	2017	2018	2019	2020	2021Q1	2021Q2	2021Q3
Total Interest income	1 861	2 049	2 162	2 624	2 230	458	452	444
Total interest expenses	1 380	1 366	1 480	1 976	1 418	258	233	218
Net interest income	482	683	682	648	812	200	219	226
Income from portfolio sale	-	-	-	-	-	-	-	22
Dividend from shares classified as available for sale	6	6	18	19	13	3	4	3
Total gains and losses on financial instruments at fair v	(81)	(135)	22	(6)	43	(16)	23	50
Comission costs	300	410	458	490	647	187	179	207
Total salaries and administrative expenses	39	48	50	51	51	13	13	13
Depreciation	1	2	2	4	4	1	1	1
Other operating expenses	14	16	16	15	14	4	3	3
Losses on loans and gurantees	-	-	-	-	-	-	-	-
<b>PROFIT/(LOSS) BEFORE TAXES</b>	<b>50</b>	<b>78</b>	<b>197</b>	<b>102</b>	<b>153</b>	<b>(17)</b>	<b>51</b>	<b>77</b>
Taxes	11	18	45	14	29	(7)	10	17
<b>PROFIT/(LOSS) FOR THE PERIOD</b>	<b>39</b>	<b>60</b>	<b>152</b>	<b>89</b>	<b>124</b>	<b>(11)</b>	<b>41</b>	<b>60</b>
Net gains and losses on bonds and certificates	-	-	(7)	7	8	7	(4)	(1)
Fair value adjustment, shares	-	-	(15)	-	-	-	-	-
Net gains and losses on basis swaps	-	-	(106)	53	99	(88)	(34)	49
Taxes on other comprehensive income	-	-	28	(15)	(27)	20	9	(12)
<b>COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>-</b>	<b>-</b>	<b>52</b>	<b>133</b>	<b>204</b>	<b>(71)</b>	<b>13</b>	<b>95</b>

**Eika Boligkreditt AS – Report Q3 2021:**

Eika Boligkreditt showed a profit of NOK 77 million for third quarter, compared with a profit of NOK 34 million for the same period in 2020. Net gains and losses on basis swaps came to NOK 49 million for the third quarter of 2021 (2020: NOK 10 million), net gains and losses on bonds and certificates came to negative NOK 1 million and taxes on other comprehensive income came to negative NOK 12 million, so that the comprehensive income for the period including such changes came to a profit of NOK 95 million.

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

# Eika Boligkreditt - Balance sheet and key figures

Amounts in NOK Million	2017	2018	2019	2020	2021Q1	2021Q2	2021Q3
<b>Balance sheet development</b>							
Lending to customers	77 286	82 015	84 719	89 269	89 468	90 274	89 844
Debt from issuing securities	90 030	97 288	94 300	106 127	104 321	106 744	107 019
Subordinated loans	600	674	889	724	724	724	724
Equity*	4 770	5 290	5 777	5 851	5 774	5 635	5 725
Equity in % of total assets*	4.8	4.9	5.5	4.9	5.0	4.8	4.8
Average total assets	99 466	101 744	107 506	120 881	122 901	121 320	120 475
Total assets	99 603	107 969	105 835	120 563	115 934	118 382	118 720
<b>Rate of return / profitability</b>							
Fee and commission income in relation to average total assets, annualised (%)	0.40	0.40	0.50	0.50	0.60	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	0.03
Return on equity, annualised (%)	1.90	4.50	2.20	3.00	(1.40)	1.30	2.90
Total assets per full-time position	5 030	5 453	5 345	6 345	6 102	6 231	6 248
<b>Financial strength</b>							
Core tier 1 capital	4 156	4 522	5 074	5 099	5 095	5 087	5 086
Total tier 1 capital	4 706	5 227	5 648	5 673	5 669	5 661	5 660
Total primary capital (tier 2 capital)	5 305	5 902	6 372	6 397	6 393	6 385	6 385
Weighted calculation basis	31 468	33 731	34 074	37 222	36 937	37 799	37 406
Core tier 1 capital ratio	13.20	13.40	14.90	13.70	13.80	13.50	13.60
Total tier 1 capital ratio	15.00	15.50	16.60	15.20	15.30	15.00	15.10
Capital adequacy ratio	16.90	17.50	18.70	17.20	17.30	16.90	17.10
Doubtful loans in % of gross loans	-	-	-	-	0.04	0.04	0.04
Loss in % of gross loans	-	-	-	-	-	-	-
<b>Staff</b>							
Number of full-time positions at end of period	19.8	19.8	19.8	19.0	19.0	19.0	19.0

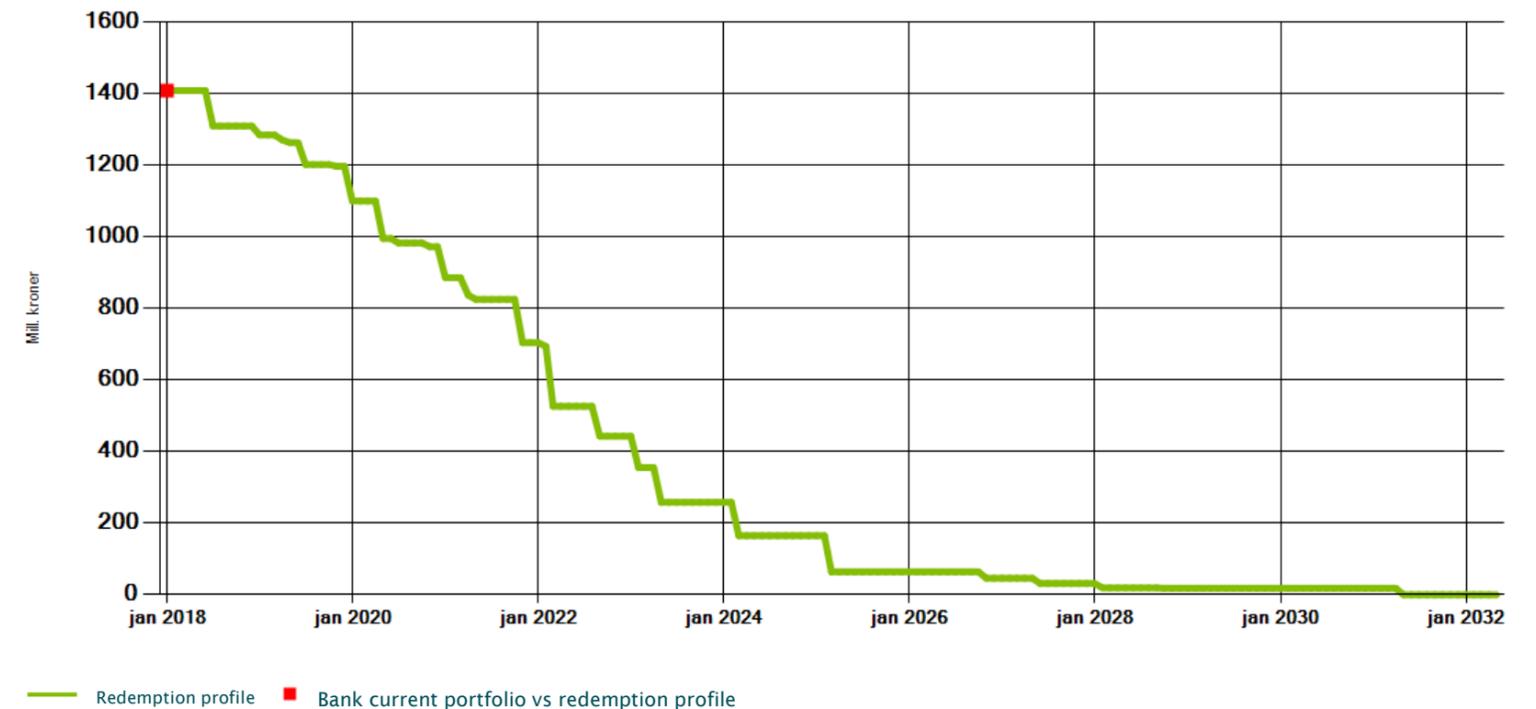
\*Including AT1 capital

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 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 situation
- 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 Skjeltne, 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 2021

## Surnadal Sparebank and Sparebank1 Nordvest

- The banks merged May 1<sup>st</sup> 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
- 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 16<sup>th</sup> 2020 the boards in the banks announced starting negotiations with the intention to merge the banks
- Surnadal is a member in The Eika Alliance while 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 Etne Sparebank, is proposed as CEO in the merged bank and Randstå, CEO in Tysnes Sparebank is proposed as chair 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

## Romerike Sparebank and Blaker Sparebank

- October 27<sup>th</sup> 2021 the boards in the banks approved a letter of intent to merge the banks
- Both banks are members in the Eika Alliance
- Blaker Sparebank is intended merged into Romerike Sparebank with Romerike Sparebank as the continuing bank
- Siri Berggren, CEO in Romerike Sparebank, is proposed as CEO in the merged bank and Erik Holsten, chair of the board in Romerike Sparebank, is proposed as chair of the board in the merged bank
- Total assets for the merged bank, including transferred to Eika Boligkreditt, of NOK 17.5 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

# P&L Eika banks

<i>P&amp;L &amp; balance in NOK mil.</i>	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Net interest income	3 461	3 580	3 720	3 889	4 101	4 205	4 482	4 868	5 054	5 711	5 558
Net commission income	653	721	850	1 125	1 297	1 235	1 170	1 330	1 388	1 539	1 694
Other income	43	44	40	39	39	37	38	34	32	27	28
<b>Total income</b>	<b>4 156</b>	<b>4 345</b>	<b>4 610</b>	<b>5 052</b>	<b>5 436</b>	<b>5 478</b>	<b>5 689</b>	<b>6 232</b>	<b>6 474</b>	<b>7 278</b>	<b>7 280</b>
Personnel and adm. expenses	2 030	2 101	2 210	2 308	2 450	2 628	2 736	2 867	2 865	2 975	2 023
Depreciation	120	96	92	98	107	114	128	136	136	151	158
Other costs	460	485	505	566	593	653	672	689	710	755	1 846
<b>Total costs</b>	<b>2 610</b>	<b>2 681</b>	<b>2 807</b>	<b>2 972</b>	<b>3 151</b>	<b>3 395</b>	<b>3 535</b>	<b>3 692</b>	<b>3 711</b>	<b>3 882</b>	<b>4 027</b>
Core earnings before loan losses	1 546	1 665	1 803	2 080	2 286	2 083	2 154	2 540	2 763	3 396	3 253
Impairment of loans and guarantees	394	455	323	387	311	234	229	193	174	163	518
<b>Core earnings</b>	<b>1 152</b>	<b>1 210</b>	<b>1 480</b>	<b>1 693</b>	<b>1 975</b>	<b>1 849</b>	<b>1 925</b>	<b>2 347</b>	<b>2 589</b>	<b>3 234</b>	<b>2 735</b>
Dividends/associated companies	175	184	88	251	232	342	391	414	414	566	649
Net return on financial investments	215	-76	213	226	128	-189	179	145	44	79	41
One-offs and loss/gain on long-term assets	371	-60	149	-61	178	217	312	-11	165	-5	-248
<b>Pre tax profit</b>	<b>1 914</b>	<b>1 258</b>	<b>1 929</b>	<b>2 109</b>	<b>2 513</b>	<b>2 219</b>	<b>2 806</b>	<b>2 895</b>	<b>3 212</b>	<b>3 874</b>	<b>3 177</b>
Taxes	497	407	535	574	613	542	572	657	695	853	627
<b>Net profit</b>	<b>1 417</b>	<b>851</b>	<b>1 395</b>	<b>1 535</b>	<b>1 900</b>	<b>1 677</b>	<b>2 234</b>	<b>2 238</b>	<b>2 517</b>	<b>3 022</b>	<b>2 550</b>
Gross loans	154 867	157 128	163 460	170 782	178 891	190 203	210 532	224 279	238 996	255 161	265 999
Gross loans incl. EBK	179 719	190 282	205 512	221 587	234 013	248 598	275 458	296 291	317 175	337 592	354 754
Deposits	118 671	126 641	135 038	142 754	154 063	162 046	175 189	184 518	194 416	207 234	224 395
Equity	16 487	17 261	18 551	20 116	21 932	23 261	25 786	28 375	31 001	34 214	38 837
Total assets	187 710	193 582	197 632	206 833	220 301	227 766	249 787	267 870	285 653	306 286	329 784
Total assets incl. EBK	212 562	226 736	239 683	257 638	275 424	286 161	314 713	339 882	363 831	388 717	418 539
Growth in loans	4.1 %	1.5 %	4.0 %	4.5 %	4.7 %	6.3 %	10.7 %	6.5 %	6.6 %	6.8 %	4.2 %
Growth in loans incl. EBK	7.3 %	5.9 %	8.0 %	7.8 %	5.6 %	6.2 %	10.8 %	7.6 %	7.0 %	6.4 %	5.1 %
Growth in deposits	7.4 %	6.7 %	6.6 %	5.7 %	7.9 %	5.2 %	8.1 %	5.3 %	5.4 %	6.6 %	8.3 %

Source: Bank Analyst Eika

# Eika banks - Key figures

Key figures	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Deposit ratio	76.6 %	80.6 %	82.6 %	83.6 %	86.1 %	85.2 %	83.2 %	82.3 %	81.3 %	81.2 %	84.4 %
Deposit over total funding	70.1 %	72.6 %	76.2 %	77.3 %	78.5 %	80.1 %	79.0 %	77.8 %	77.1 %	76.9 %	77.8 %
(Market funding - Liquid assets)/Total assets	11.5 %	7.7 %	6.2 %	5.3 %	3.0 %	4.0 %	5.8 %	6.1 %	6.8 %	6.7 %	3.5 %
Liquid assets/Total assets	15.5 %	17.0 %	15.2 %	15.0 %	16.2 %	13.7 %	12.9 %	13.6 %	13.5 %	13.6 %	15.9 %
Market funds/Total assets	27.0 %	24.6 %	21.3 %	20.3 %	19.2 %	17.7 %	18.7 %	19.7 %	20.3 %	20.3 %	19.4 %
Equity ratio	8.8 %	8.9 %	9.4 %	9.7 %	10.0 %	10.2 %	10.3 %	10.6 %	10.9 %	11.2 %	11.8 %
Common Equity Tier 1 ratio (CET1)	15.1 %	15.3 %	15.9 %	16.0 %	17.0 %	17.5 %	17.8 %	18.1 %	18.2 %	19.6 %	19.3 %
Core capital ratio	17.1 %	17.4 %	18.2 %	18.5 %	18.3 %	18.5 %	18.9 %	19.3 %	19.6 %	20.9 %	20.5 %
Capital ratio	18.2 %	18.2 %	18.7 %	18.8 %	18.9 %	19.2 %	20.0 %	20.8 %	21.4 %	22.9 %	22.2 %
Loan loss provision ratio	0.26 %	0.29 %	0.20 %	0.23 %	0.18 %	0.13 %	0.11 %	0.09 %	0.07 %	0.07 %	0.20 %
Loan loss provision/Pre-provision income	20.3 %	25.7 %	15.4 %	15.1 %	11.8 %	10.5 %	8.4 %	6.2 %	5.4 %	4.0 %	13.1 %
Gross problem loans/Gross loans	1.84 %	1.89 %	1.80 %	1.64 %	1.55 %	1.39 %	1.13 %	0.97 %	1.01 %	1.33 %	1.36 %
Net problem loans/Gross loans	1.35 %	1.38 %	1.33 %	1.21 %	1.14 %	1.02 %	0.84 %	0.72 %	0.78 %	1.07 %	1.08 %
Loan loss reserves/Gross loans	0.88 %	0.92 %	0.88 %	0.83 %	0.79 %	0.74 %	0.64 %	0.59 %	0.55 %	0.52 %	0.59 %
Problem loans/(Equity + LLR)	15.9 %	15.9 %	14.7 %	13.0 %	11.9 %	10.8 %	8.8 %	7.3 %	7.4 %	9.6 %	8.9 %
Net interest income/total assets	1.87 %	1.88 %	1.90 %	1.92 %	1.92 %	1.88 %	1.88 %	1.88 %	1.83 %	1.93 %	1.75 %
Net commission incom/total assets	0.35 %	0.38 %	0.43 %	0.56 %	0.61 %	0.55 %	0.49 %	0.51 %	0.50 %	0.52 %	0.53 %
Loss provision ratio	0.26 %	0.29 %	0.20 %	0.23 %	0.18 %	0.13 %	0.11 %	0.09 %	0.07 %	0.07 %	0.20 %
Cost/income ratio	57.4 %	60.2 %	57.2 %	53.8 %	54.4 %	60.3 %	56.5 %	54.4 %	53.5 %	49.0 %	50.5 %
Cost/income ratio (adjusted for net finance)	60.3 %	59.2 %	59.7 %	56.0 %	55.6 %	58.3 %	58.1 %	55.5 %	53.9 %	49.5 %	50.8 %
Cost/income ratio (adj. for net finance and dividend)	62.8 %	61.7 %	60.9 %	58.8 %	58.0 %	62.0 %	62.1 %	59.2 %	57.3 %	53.3 %	55.3 %
Net profit in % of total assets	0.77 %	0.45 %	0.71 %	0.76 %	0.89 %	0.75 %	0.94 %	0.86 %	0.91 %	1.02 %	0.80 %
Net profit/average RWA	1.39 %	0.81 %	1.29 %	1.37 %	1.62 %	1.37 %	1.74 %	1.63 %	1.72 %	1.99 %	1.59 %
Pre-provision income/average RWA	1.90 %	1.68 %	1.95 %	2.29 %	2.25 %	1.83 %	2.13 %	2.25 %	2.20 %	2.67 %	2.46 %
Core earnings in % of average RWA	1.13 %	1.15 %	1.37 %	1.52 %	1.68 %	1.51 %	1.50 %	1.71 %	1.77 %	2.13 %	1.70 %
Return on equity	8.9 %	5.0 %	7.8 %	7.9 %	9.0 %	7.4 %	9.1 %	8.3 %	8.5 %	9.3 %	7.0 %

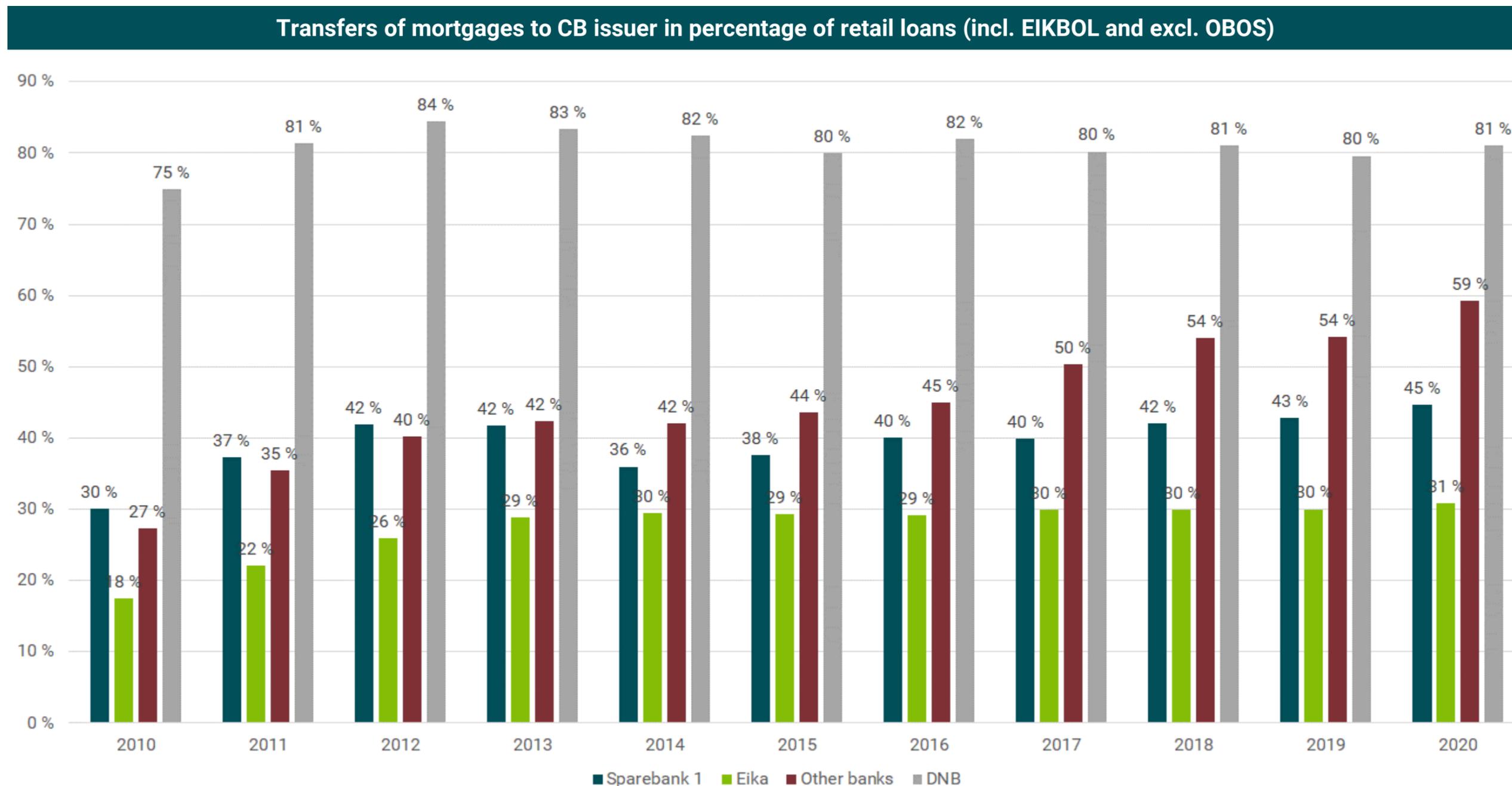
Source: Bank Analyst Eika

# Quarterly data - P&L and Key figures

<i>P&amp;L &amp; balance in NOK mil.</i>	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Net interest income	1 377	1 484	1 554	1 513	1 256	1 382	1 407	1 368	1 409
Net commission income	354	410	443	399	357	435	502	438	450
Other income	6	6	8	8	6	7	8	7	7
<b>Total income</b>	<b>1 738</b>	<b>1 899</b>	<b>2 005</b>	<b>1 920</b>	<b>1 619</b>	<b>1 824</b>	<b>1 917</b>	<b>1 812</b>	<b>1 866</b>
Personnel and adm. expenses	648	753	823	542	432	511	538	546	448
Depreciation	37	37	41	38	38	39	43	49	53
Other costs	196	179	196	453	441	432	520	456	455
<b>Total costs</b>	<b>881</b>	<b>968</b>	<b>1 060</b>	<b>1 034</b>	<b>911</b>	<b>982</b>	<b>1 100</b>	<b>1 051</b>	<b>956</b>
Core earnings before loan losses	857	931	945	886	708	842	817	761	909
Impairment of loans and guarantees	15	19	104	295	123	43	57	-16	-53
<b>Core earnings</b>	<b>842</b>	<b>912</b>	<b>841</b>	<b>591</b>	<b>585</b>	<b>799</b>	<b>760</b>	<b>777</b>	<b>962</b>
Dividends/associated companies	486	11	44	17	547	12	74	18	481
Net return on financial investments	21	18	7	-263	228	48	28	50	-8
One-offs and loss/gain on long-term assets	10	-3	-13	-10	-11	2	-229	-14	-46
Pre tax profit	1 359	939	879	335	1 349	860	633	831	1 390
Taxes	241	230	208	94	217	203	113	204	252
<b>Net profit</b>	<b>1 119</b>	<b>709</b>	<b>671</b>	<b>241</b>	<b>1 132</b>	<b>658</b>	<b>520</b>	<b>627</b>	<b>1 137</b>
Gross loans	248 398	252 008	255 161	257 258	259 852	263 088	265 999	269 979	276 790
Gross loans incl. EBK	328 817	333 595	337 592	341 199	346 023	350 523	354 754	359 558	367 928
Deposits	207 596	206 365	207 234	211 823	221 969	222 278	224 395	229 320	242 373
Equity	32 726	33 504	34 214	36 217	36 795	37 452	38 837	39 253	39 918
Total assets	304 272	305 498	306 286	316 116	325 219	325 839	329 784	336 653	350 133
Total assets incl. EBK	384 691	387 084	388 717	400 058	411 390	413 273	418 539	426 232	441 271
Growth in loans	2.7 %	1.5 %	1.3 %	0.8 %	1.0 %	1.2 %	1.1 %	1.5 %	2.5 %
Growth in loans incl. EBK	2.4 %	1.5 %	1.2 %	1.1 %	1.4 %	1.3 %	1.2 %	1.4 %	2.3 %
Growth in deposits	4.9 %	-0.6 %	0.4 %	2.2 %	4.8 %	0.1 %	1.0 %	2.2 %	5.7 %

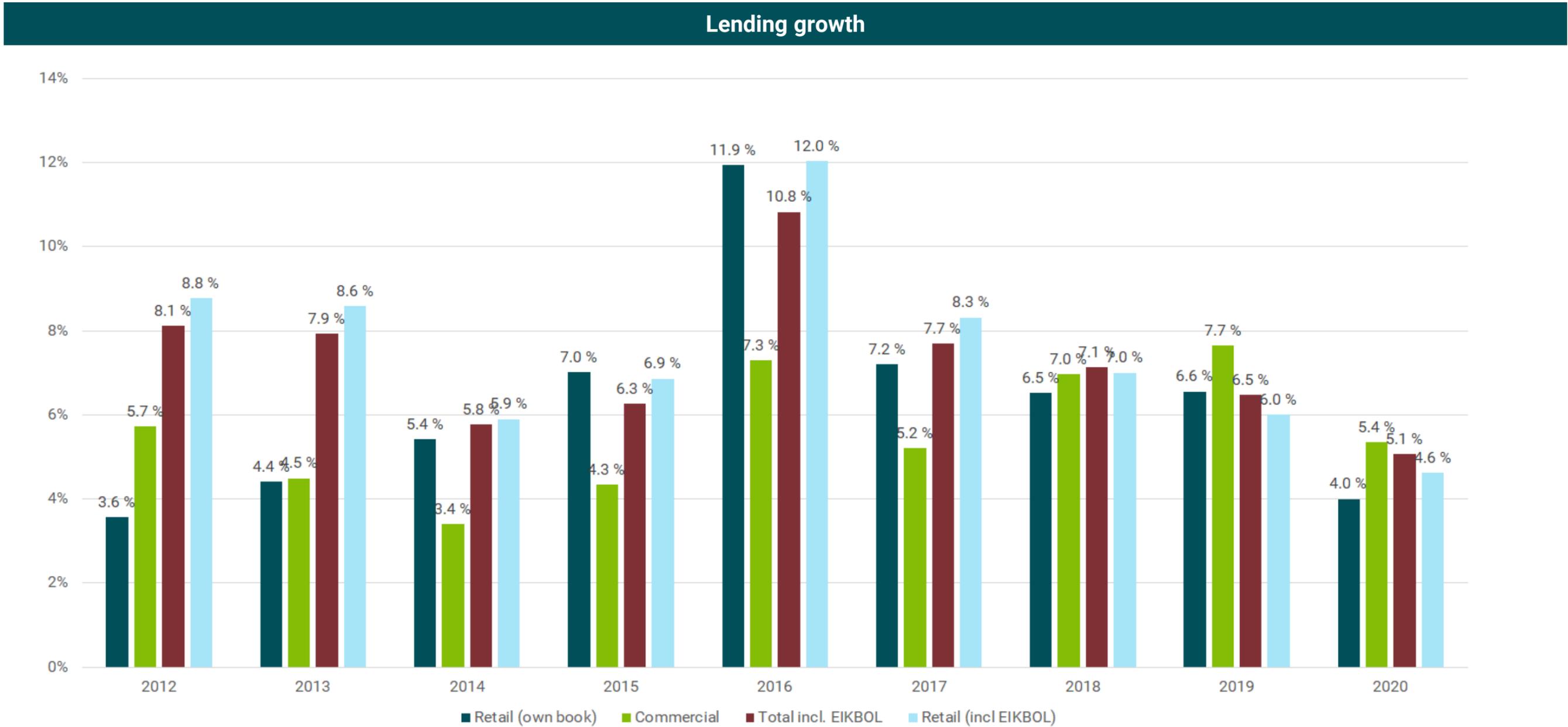
<i>Key figures</i>	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	4Q20	1Q21	2Q21
Deposit ratio	83.6 %	81.9 %	81.2 %	82.3 %	85.4 %	84.5 %	84.4 %	84.9 %	87.6 %
Deposit over total funding	77.5 %	77.1 %	77.5 %	76.6 %	77.7 %	77.7 %	77.8 %	77.8 %	78.8 %
(Market funding - Liquid assets)/Total assets	4.3 %	5.4 %	6.0 %	5.4 %	3.1 %	4.0 %	3.5 %	3.3 %	1.3 %
Liquid assets/Total assets	15.5 %	14.6 %	13.6 %	15.1 %	16.5 %	15.6 %	15.9 %	16.1 %	17.3 %
Market funds/Total assets	19.8 %	20.0 %	19.6 %	20.5 %	19.5 %	19.6 %	19.4 %	19.5 %	18.6 %
Equity ratio	10.8 %	11.0 %	11.2 %	11.5 %	11.3 %	11.5 %	11.8 %	11.7 %	11.4 %
Common Equity Tier 1 ratio (CET1)	17.7 %	17.7 %	19.8 %	19.5 %	19.2 %	18.9 %	19.3 %	18.9 %	18.7 %
Core capital ratio	18.8 %	18.8 %	20.9 %	20.7 %	20.3 %	20.2 %	20.5 %	20.1 %	19.9 %
Capital ratio	20.6 %	20.6 %	22.9 %	22.5 %	22.1 %	22.0 %	22.2 %	21.8 %	21.7 %
Loan loss provision ratio	0.02 %	0.03 %	0.16 %	0.46 %	0.19 %	0.07 %	0.09 %	-0.02 %	-0.08 %
Loan loss provision/Pre-provision income	1.1 %	2.0 %	10.5 %	46.1 %	8.3 %	4.8 %	6.2 %	-2.0 %	-3.8 %
Gross problem loans/Gross loans	1.15 %	1.18 %	1.33 %	1.40 %	1.36 %	1.35 %	1.36 %	1.26 %	1.26 %
Net problem loans/Gross loans	0.94 %	0.96 %	1.07 %	1.12 %	1.06 %	1.05 %	1.08 %	0.99 %	0.99 %
Loan loss reserves/Gross loans	0.51 %	0.51 %	0.52 %	0.58 %	0.60 %	0.61 %	0.59 %	0.57 %	0.52 %
Problem loans/(Equity + LLR)	8.4 %	8.5 %	9.6 %	9.6 %	9.2 %	9.1 %	8.9 %	8.3 %	8.4 %
Net interest income/total assets	1.85 %	1.95 %	2.03 %	1.94 %	1.57 %	1.70 %	1.72 %	1.64 %	1.64 %
Net commission incom/total assets	0.48 %	0.54 %	0.58 %	0.51 %	0.45 %	0.53 %	0.61 %	0.53 %	0.52 %
Loss provision ratio	0.02 %	0.03 %	0.16 %	0.46 %	0.19 %	0.07 %	0.09 %	-0.02 %	-0.08 %
Cost/income ratio	39.2 %	50.2 %	51.5 %	61.8 %	38.1 %	52.1 %	54.5 %	55.9 %	40.9 %
Cost/income ratio (adjusted for net finance)	39.6 %	50.7 %	51.7 %	53.4 %	42.1 %	53.5 %	55.3 %	57.5 %	40.7 %
Cost/income ratio (adj. for net finance and divid	50.7 %	51.0 %	52.9 %	53.8 %	56.3 %	53.8 %	57.4 %	58.0 %	51.3 %
Net profit in % of total assets	1.50 %	0.93 %	0.88 %	0.31 %	1.41 %	0.81 %	0.63 %	0.75 %	1.32 %
Net profit/average RWA	2.88 %	1.79 %	1.72 %	0.62 %	2.86 %	1.64 %	1.26 %	1.48 %	2.63 %
Pre-provision income/average RWA	3.51 %	2.43 %	2.56 %	1.65 %	3.74 %	2.25 %	2.23 %	1.95 %	3.20 %
Core earnings in % of average RWA	2.13 %	2.30 %	2.20 %	1.51 %	1.46 %	1.99 %	1.81 %	1.81 %	2.21 %
Return on equity	14.0 %	8.6 %	7.9 %	2.7 %	12.4 %	7.1 %	5.5 %	6.4 %	11.5 %

# Banks – transfer rate to Cov. Bond companies



Source: Bank Analyst Eika

# Eika banks - lending growth



Source: Bank Analyst Eika

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