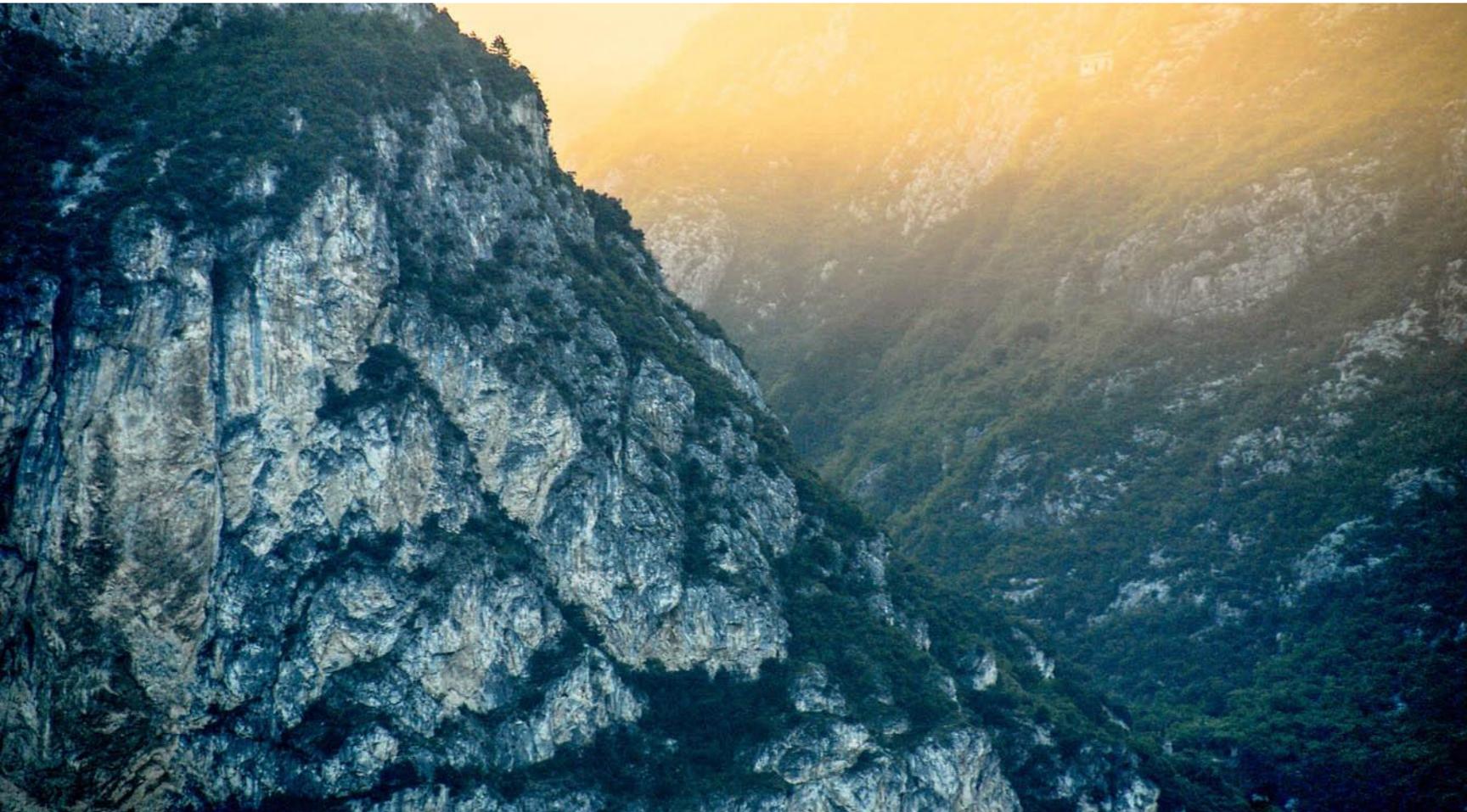


# Eika Boligkreditt

Investor presentation

November 2016



**eika.**

# Executive summary

- Resilient economy despite low oil price
  - Lower GDP-growth, but still growth
  - Large current account and fiscal surpluses
  - Low unemployment
  - Strong housing market (excluding Stavanger region)
  - Improved cost competitiveness and increasing mainland export helped by NOK depreciation
- Robust, local saving banks
  - 3<sup>rd</sup> largest banking group in Norway
  - 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 market
- Conservative covered bond company
  - Maximum 60% LTV for mortgages at origination and strict underwriting criteria
  - No arrears or losses since inception
  - Prudent risk management with regards to refinancing, liquidity, currency, interest rate and counterparty risk
  - Credit guarantees from and capital and liquidity support agreements with owners

# Agenda

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| The operating environment             | 3  |
| Eika banks                            | 12 |
| Eika Boligkreditt and Collateral Pool | 20 |
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## The operating environment

# The Norwegian economy – Key indicators

- Constitutional monarchy; Non EU member (EEA member); Population of 5 million
- Aaa / AAA / AAA rated country (all with stable outlook)
- GDP per capita amongst the highest in the OECD countries – estimated at NOK 613 366 (\$82,309) in 2014. 86% higher than the average in the EU-countries and 2<sup>nd</sup> highest behind Luxembourg
- Contributors to growth expected in 2017:
  - Positive contribution from private consumption, housing investments, public investments & consumption and exports (excluding oil & gas)
  - Marginal, negative contribution from reduced petroleum investments

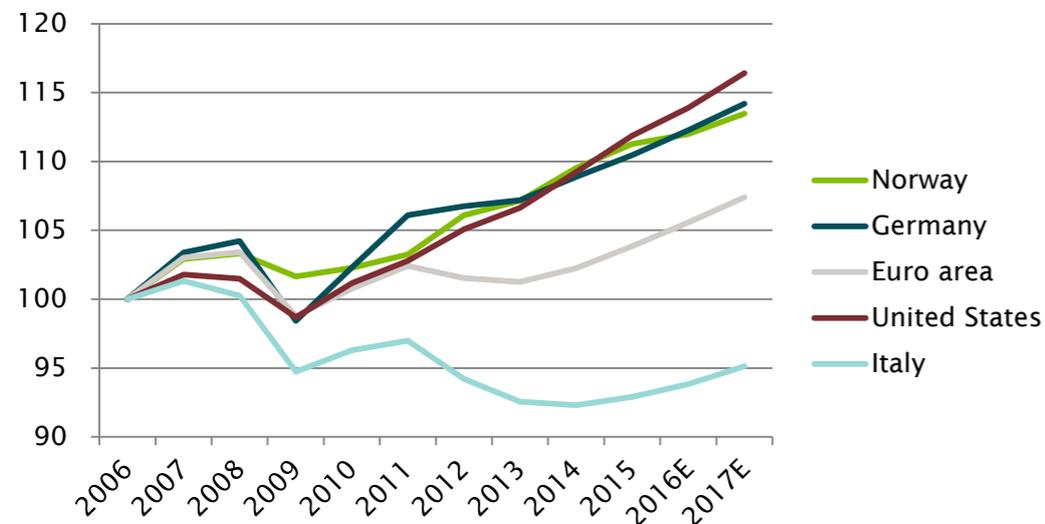
|                                    | 2010   | 2011   | 2012   | 2013   | 2014  | 2015   | 2016E | 2017E | 2018E | 2019E |
|------------------------------------|--------|--------|--------|--------|-------|--------|-------|-------|-------|-------|
| GDP growth (Mainland)              | 1.8 %  | 1.9 %  | 3.8 %  | 2.3 %  | 2.2 % | 1.0 %  | 0.9 % | 2.1 % | 2.2 % | 2.2 % |
| Consumer price inflation           | 2.5 %  | 1.2 %  | 0.8 %  | 2.1 %  | 2.0 % | 2.1 %  | 3.4 % | 2.0 % | 2.1 % | 2.0 % |
| Unemployment                       | 3.6 %  | 3,3%   | 3.2 %  | 3.5 %  | 3.5 % | 4.4 %  | 4.7 % | 4.5 % | 4.3 % | 4.3 % |
| Private Consumption                | 3.8 %  | 2.3 %  | 3.5 %  | 2.1 %  | 2.0 % | 2.0 %  | 1.9 % | 2.0 % | 2.4 % | 2.6 % |
| Household savings rate             | 4.3 %  | 6.2 %  | 7.4 %  | 7.4 %  | 8.5 % | 10.4 % | 6.2 % | 6.3 % | 6.2 % | 5.9 % |
| Houseprices                        | 8.3 %  | 8.0 %  | 6.7 %  | 4.1 %  | 2.7 % | 6.1 %  | 7.1 % | 5.4 % | 2.6 % | 2.5 % |
| Interest rates (money market)      | 2.5 %  | 2.9 %  | 2.2 %  | 1.8 %  | 1.7 % | 1.3 %  | 1.0 % | 1.0 % | 1.0 % | 1.2 % |
| Government net lending as % of GDP | 11.0 % | 13.4 % | 13.8 % | 10.8 % | 8.7 % | 5.7 %  | 3.2 % | 3.1 % | n/a   | n/a   |
| Government pension fund / GDP      | 119 %  | 118 %  | 129 %  | 164 %  | 204 % | 238 %  | 226 % | 230 % | 235 % | 238 % |

Source: Statistics Norway – Økonomiske analyser 4/2016 , OECD – Economic Outlook No 99 June 2016 and Norges Bank

## The operating environment

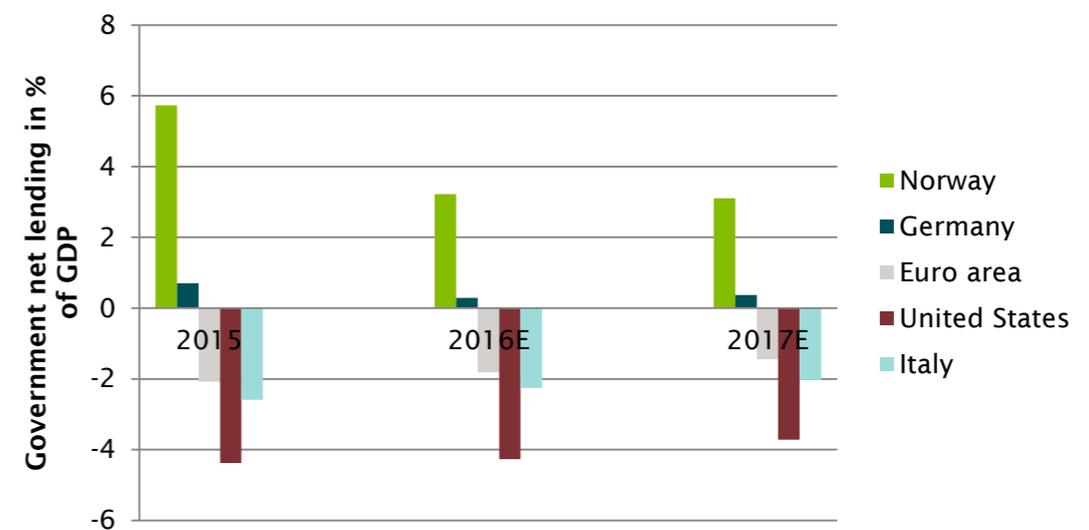
# The Norwegian economy – Solid economic situation

Real GDP growth (rebased to 100 in 2006)



Source: OECD Economic Outlook No. 99 (database), June 2016

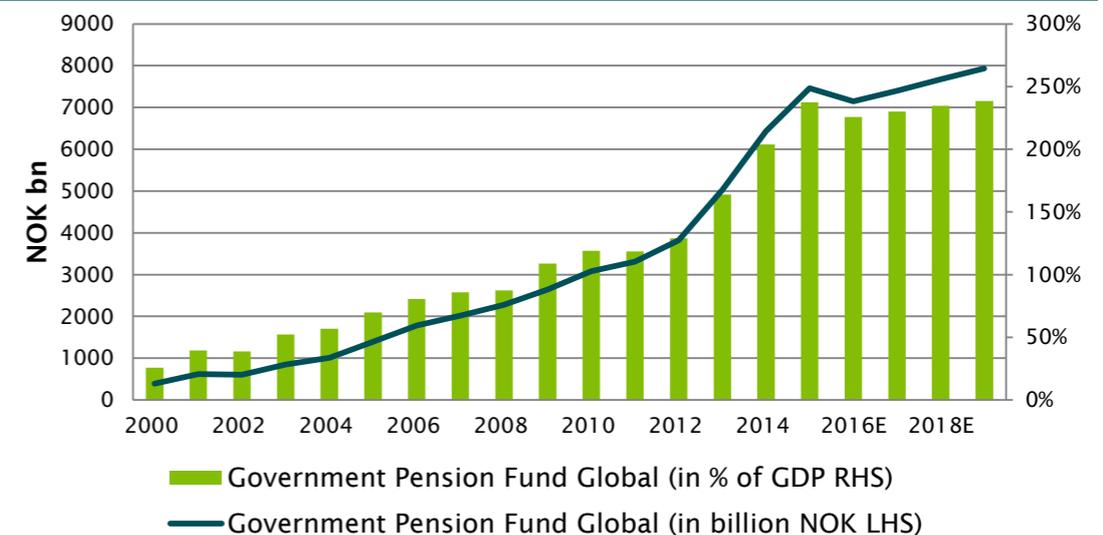
Government net lending



Source: OECD Economic Outlook No. 99 (database), June 2016

- Norway has a strong balance sheet
- High net central government financial assets (250% of GDP in 2015)
- Significant government net lending (5.7% of GDP in 2015) and the Government Pension Fund more than twice the size of GDP
- Sound economic growth at an annual average of 2.0% for mainland GDP for the last 10 years
- Strong current account surplus averaging 12.0% of GDP since 2006

Government Pension Fund Global

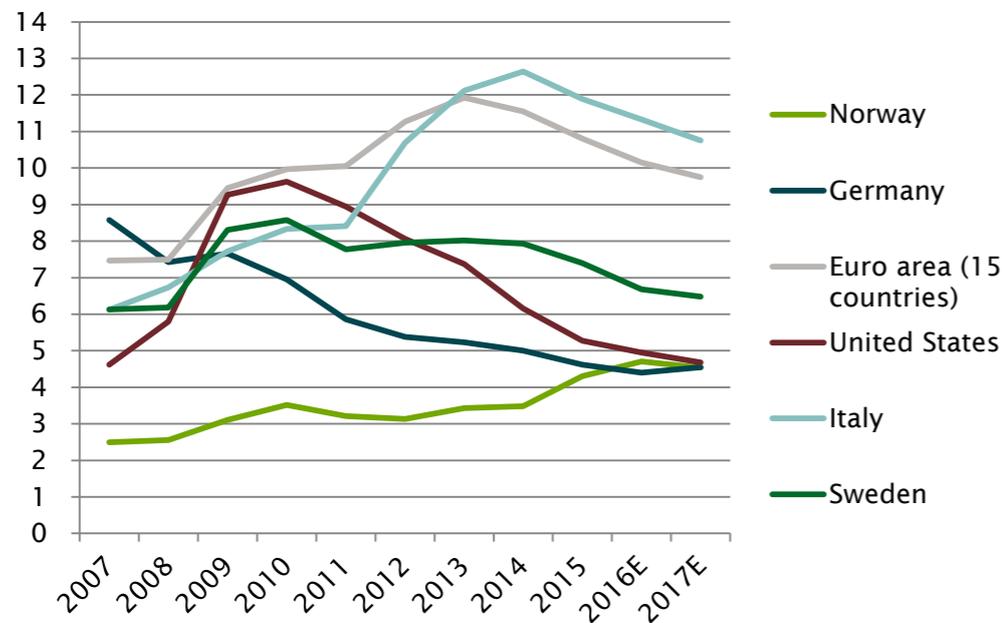


Source : Norges Bank, Statistics Norway

## The operating environment

# The Norwegian economy – Low unemployment

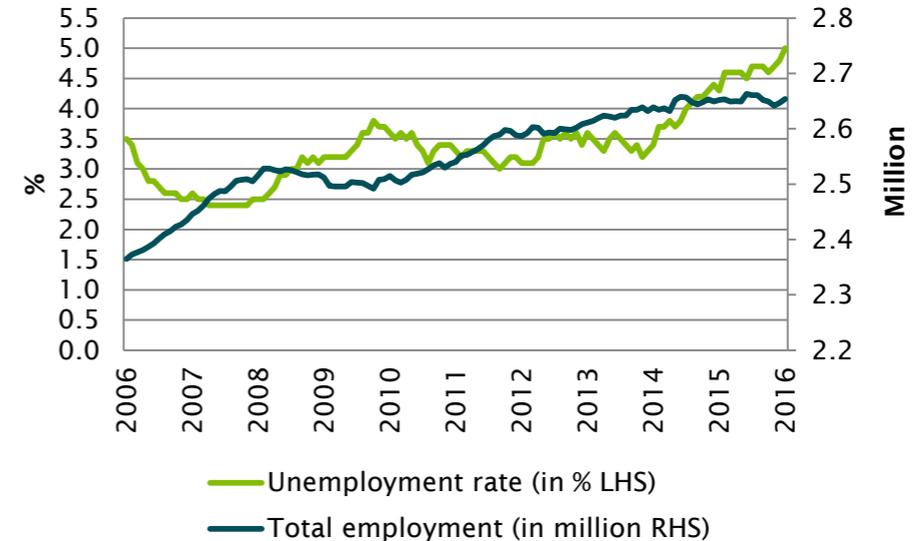
Norway has consistently lower unemployment rates



Source: OECD Economic Outlook No. 99 (database), June 2016

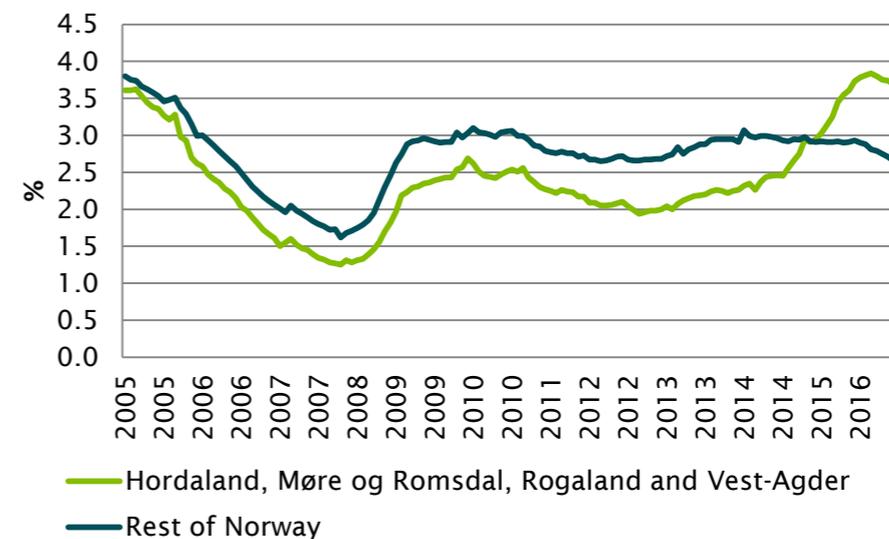
- A stable economy ensures a high rate of employment
- The survey based unemployment rate have increased to 5.0 % in 2016 after being below 4 % for more than a decade. Regions hit by lower oil related activity/investments drags up the average. Given slower economic growth unemployment is expected to stay above 4% over the next couple of years but still to remain at low levels compared to elsewhere in Europe
- Labour immigration to Norway has been high over the past 10 years but is sensitive to changes in unemployment. Thus lower migration is likely to counterbalance possible increase unemployment
- A strong welfare system provides significant income protection: average unemployment benefit is 62.4% of salary (capped at NOK 540 408) for a minimum of 104 weeks

Survey unemployment rate (LHS) and total employment



Source: Statistics Norway, July 2016

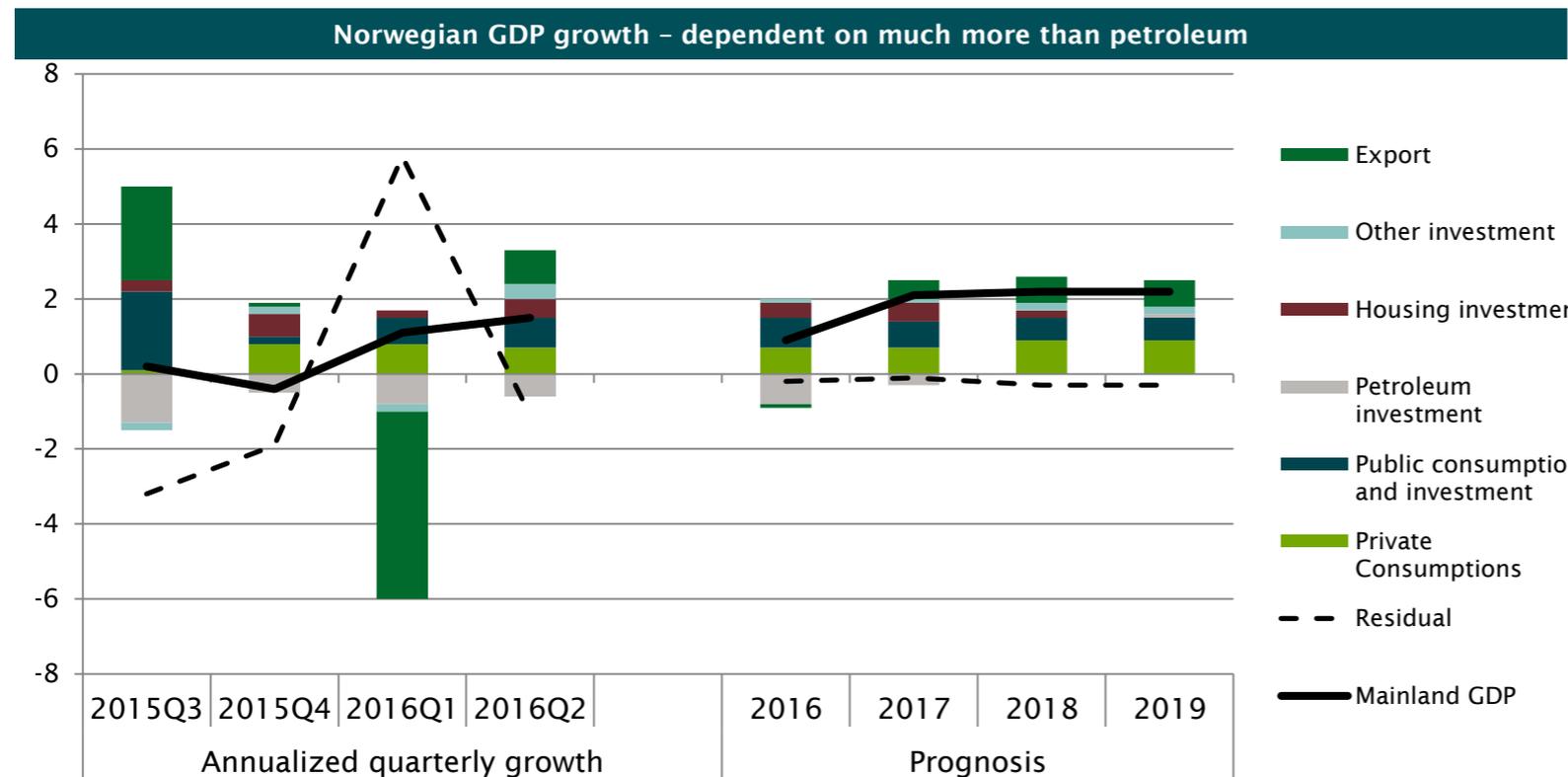
Registered unemployment rate “oil regions” and rest of country



Source: NAV, Norges Bank, August 2016

## The operating environment

# The Norwegian economy – much more than petroleum



Source: Statistics Norway, Økonomiske analyser 4/2016



Source: TBU, Statistics Norway, and Norges bank, projections broken lines

- Public and private consumption, housing investment and export are expected to be positive contributors to growth in 2017. Petroleum investment has been a drag on growth for the last 2 years, but this effect are expected to ebb away in 2017
- Following the decline in oil price since august 2014, the NOK has weakened further and should further improve competitiveness for Norwegian companies

## The operating environment

# The housing market characteristics in Norway

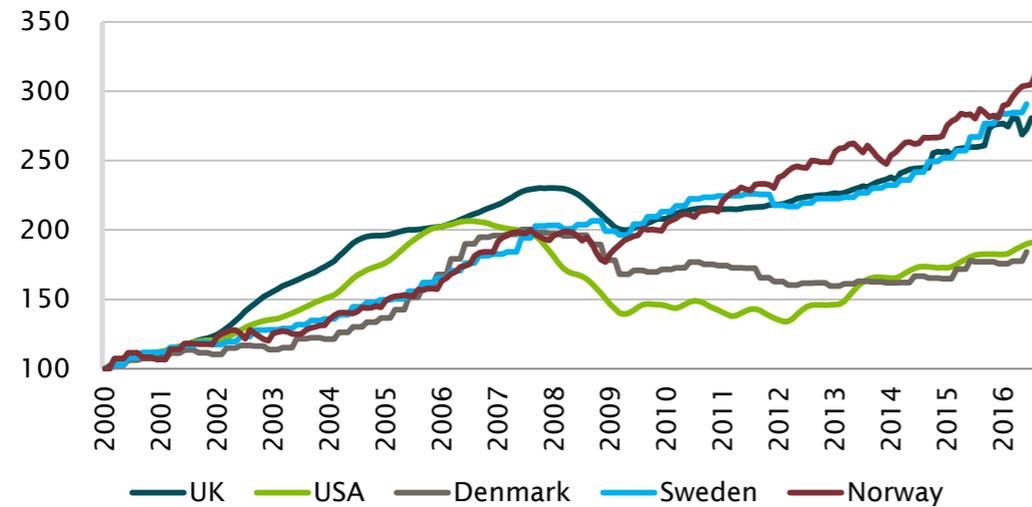
|                         |   |
|-------------------------|---|
| Home ownership          | <ul style="list-style-type: none"><li>▪ Among the highest in the world - around 80% are owner-occupied households</li><li>▪ Total size of the mortgage market approximately NOK 2,324bn (EUR 242bn)</li></ul>   |
| MoF lending regulation* | <ul style="list-style-type: none"><li>▪ Mortgages maximum LTV 85%</li><li>▪ Interest-only mortgages maximum LTV 70%</li><li>▪ Mortgages with an LTV &gt; 70% are required to be amortizing</li><li>▪ Debt service ability is stress tested for a 5%-point increase in interest rates</li></ul>  |
| Tax incentives          | <ul style="list-style-type: none"><li>▪ All interest expenses are tax deductible in Norway at capital gains tax rate (25%)</li><li>▪ Preferential treatment of properties when calculating the wealth tax (1.0%)</li><li>▪ Capital gain on a dwelling tax-free after one year of occupancy by the owner</li></ul>   |
| Personal liability      | <ul style="list-style-type: none"><li>▪ Borrowers personally liable for their debt – also following foreclosures and forced sales</li><li>▪ Prompt and efficient foreclosure process upon non-payment</li><li>▪ Strong incentives to service debt reflected in low arrears</li><li>▪ Transparent and reliable information about borrowers available to the lenders</li></ul>  |
| Mortgage lending        | <ul style="list-style-type: none"><li>▪ 97% of residential mortgage loans granted by banks/mortgage companies</li><li>▪ Typical legal maturity 25-30 years, on average 22-23 years</li><li>▪ 90.1 % of residential mortgages have variable interest rate (Q4 2015)</li><li>▪ Lenders allowed to adjust interest rates with a six week notice</li><li>▪ No “sub-prime” market in Norway</li><li>▪ Very limited buy-to-let market</li></ul> |

\* The Ministry of Finance sets mortgage guidelines in the regulation as of 1. June 2015, a stricter set of rules than the guidelines set prior to that

## The operating environment

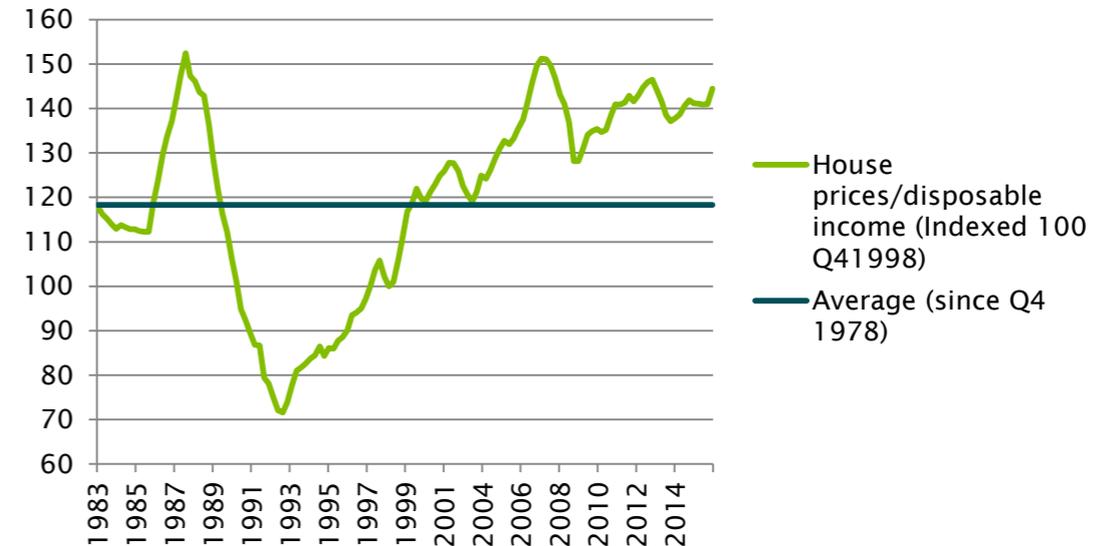
# The housing market – Price development

Nominal house price development



Source: S&P Case-Shiller Home Price Indices Composite 20, Realkreditrådet, Hometrack House price Index, Statistics Sweden, Eiendomsverdi, June 2016 – Sept. 2016

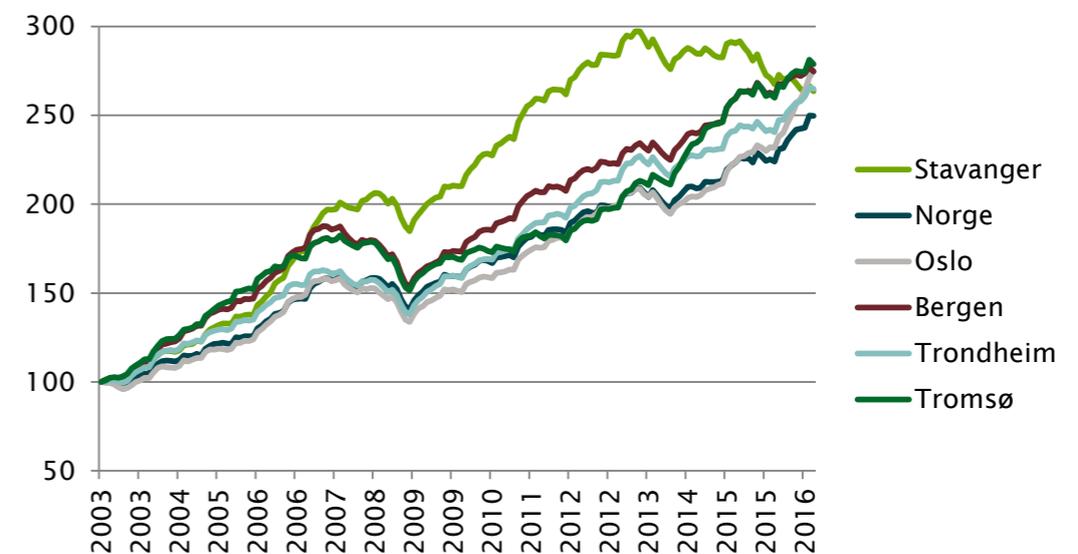
House prices relative to disposable income



Source: Norges Bank, Statistics Norway, Real Estate Norway, Eiendomsverdi, Finn.no, NEF, Q2 2016

- Nominal house prices have increased by an average of 7,0% per annum since 2000. However, when indexed by changes in disposable income (5.7% per annum since 2000) the increase in house prices has been moderate
- The housing market has been spurred by strong economic activity, environment of low interest rates, wage increases, population growth and inventory constraints
- There has been an increase in the divergence of house prices and volume of unsold stock between petroleum regions (primarily Stavanger) and the rest of the country (in particular Oslo) where the unsold stock remains close to all time low levels.

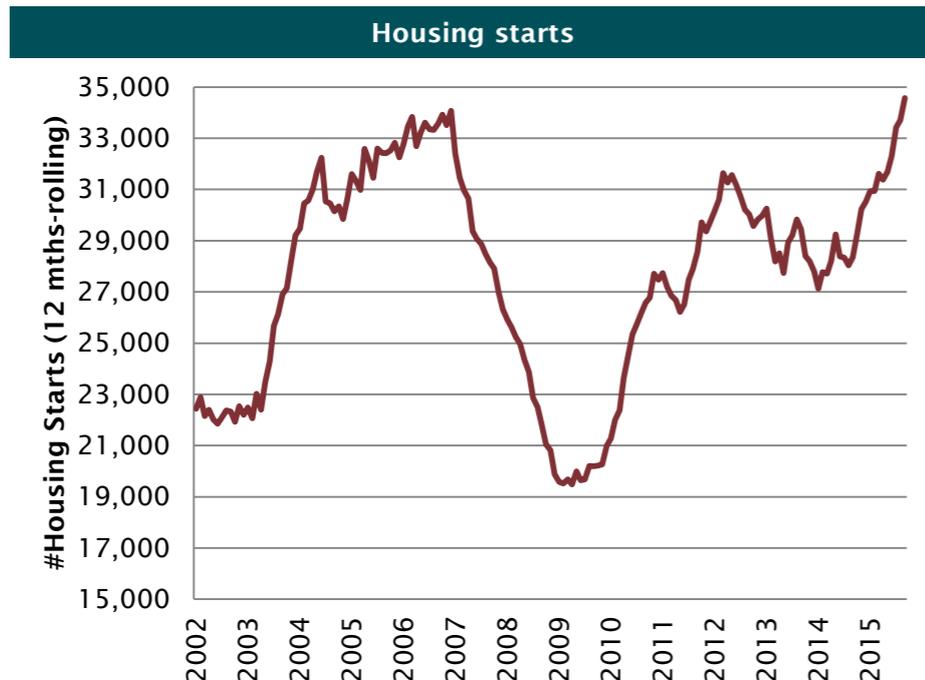
Nominal house price development in biggest cities



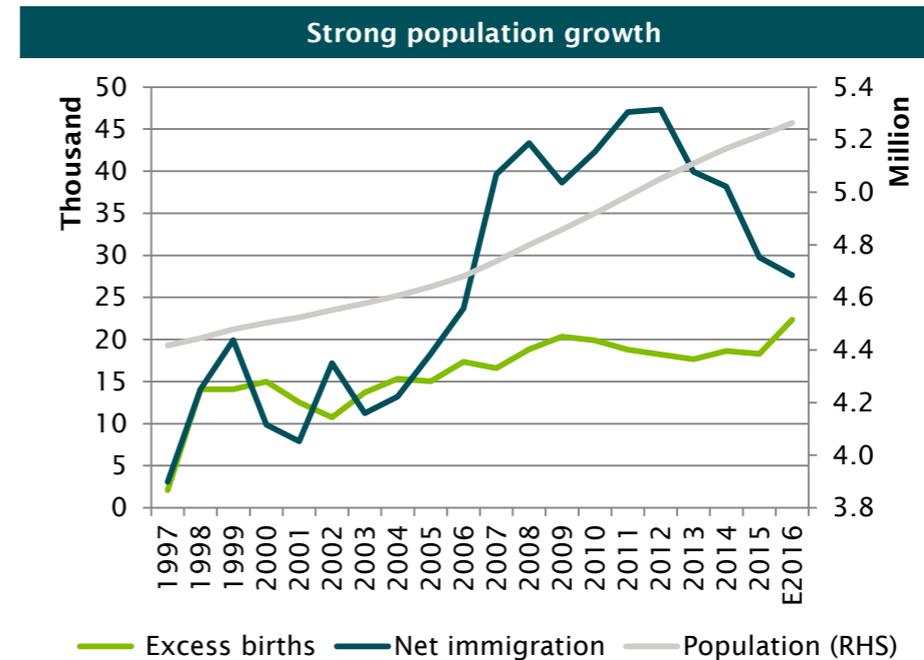
Source: Eiendomsverdi, September 2016

## The operating environment

# The housing market – Drivers of the housing market

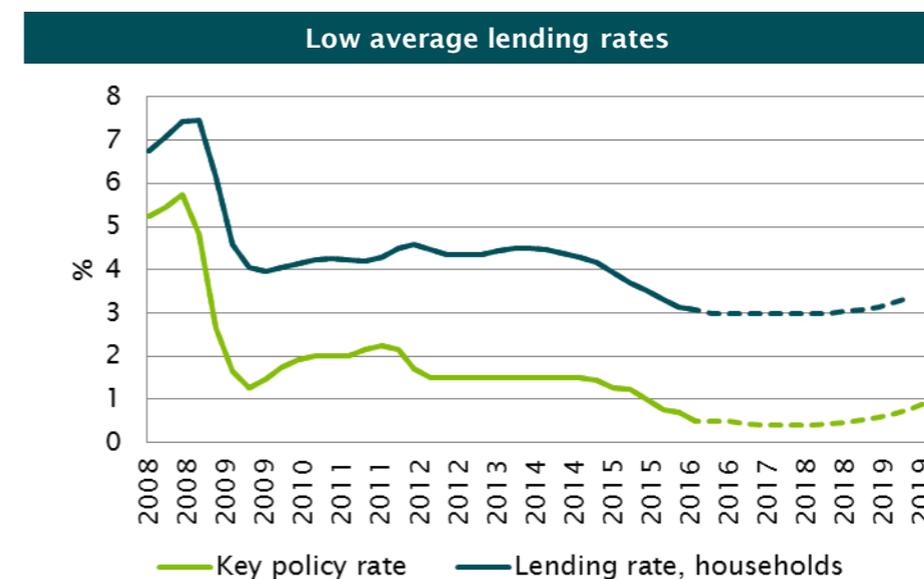


Source: Statistics Norway, August 2016



Source: Statistics Norway, Q2 2016

- Shortage of new housing supply and a strong population growth have been significant drivers of the strong price growth in the Norwegian housing market since 2008
- New home construction is up from the record low levels of 2009 and 2010 and has recently evolved towards the higher end of the range. This should mitigate the momentum on house prices going forward
- The population growth of 0.93 % p.a. since 1997 has been driven both by excess birth rate (37%) and net immigration (63%)
- Low average lending rates for households

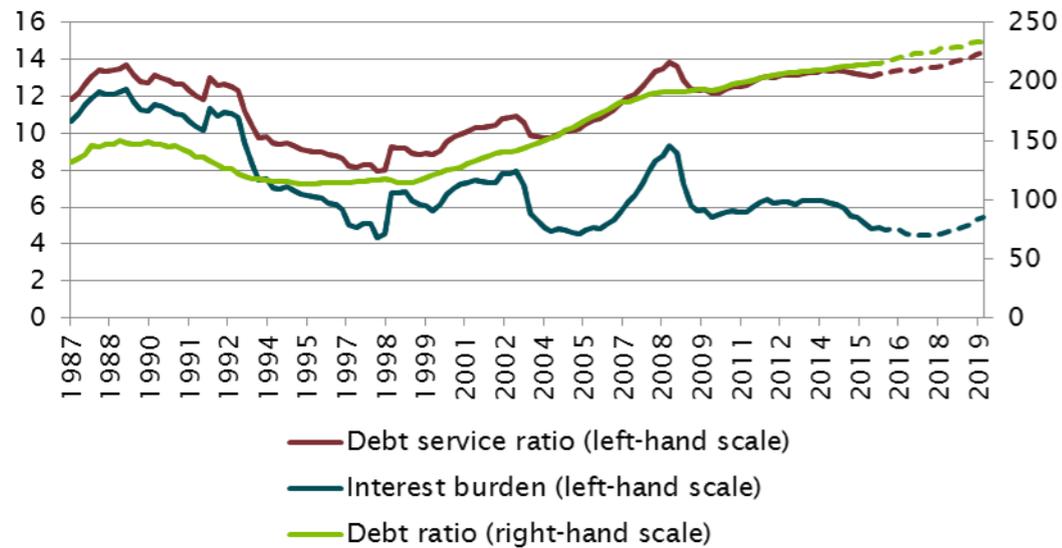


Source: Statistics Norway, Norges Bank, projections broken lines

# The operating environment

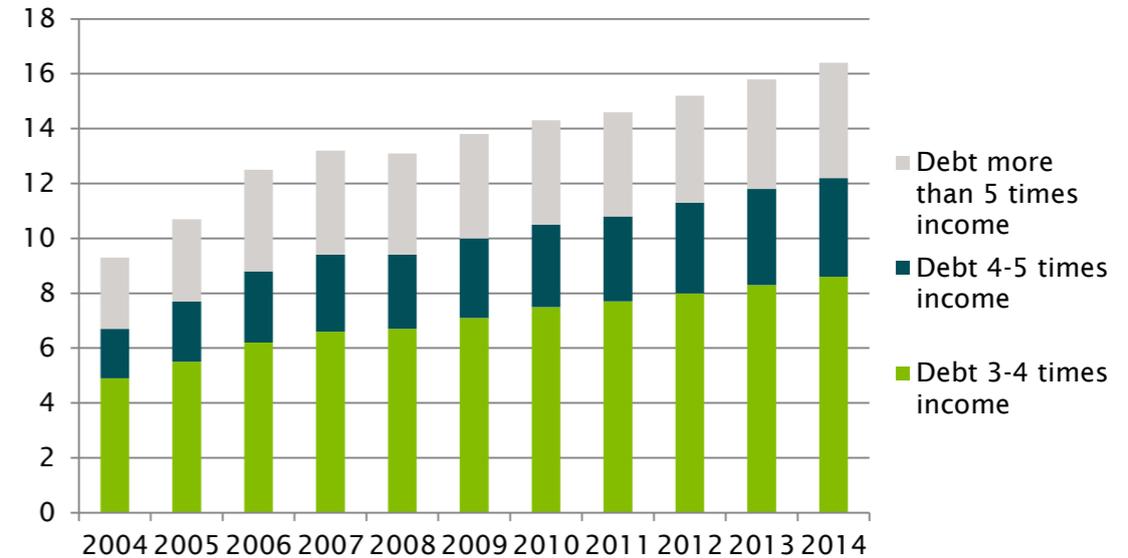
## Households financial position

Norwegian household interest burden, debt service and debt-to-income ratio (in %)



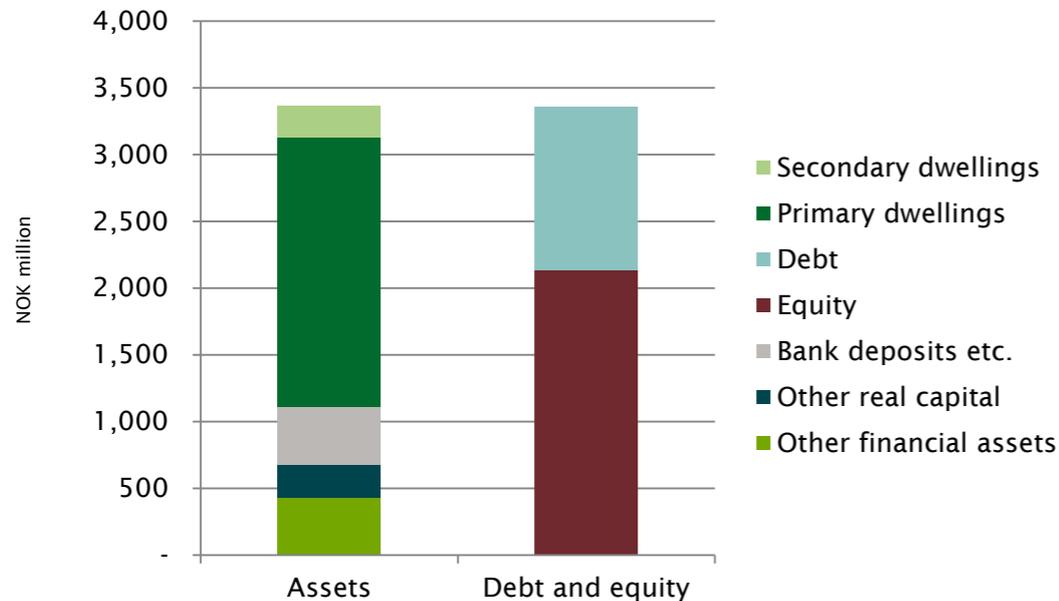
Source: Statistics Norway and Norges Bank, projections broken lines

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



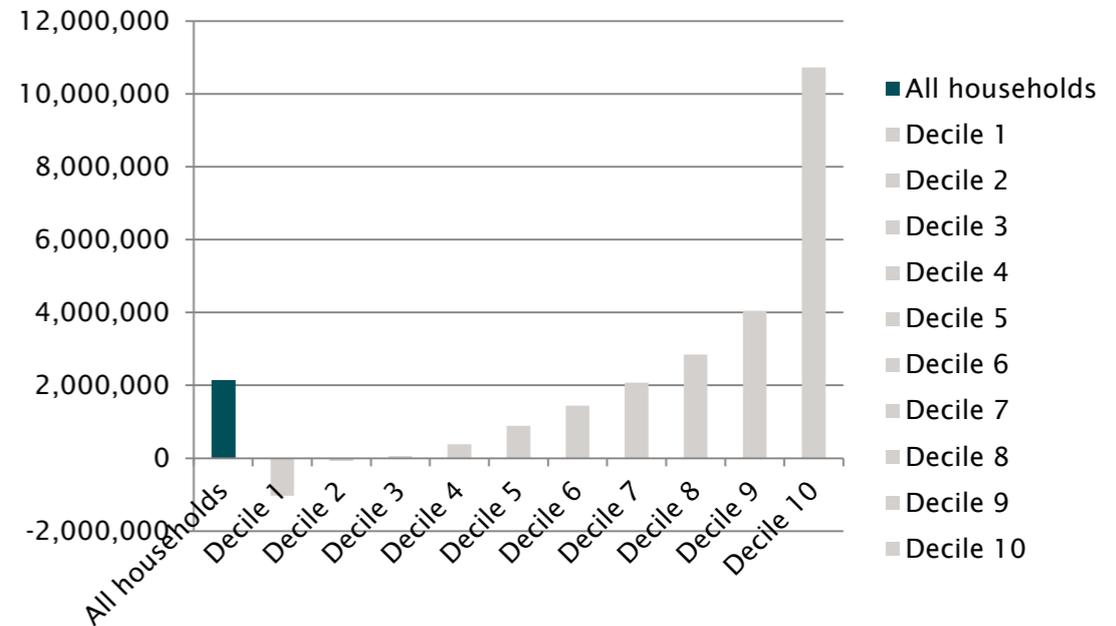
Source: Statistics Norway, December 2014

Household balance sheet



Source: Statistics Norway Updated 2014.

Norwegian household net wealth (in NOK)



Source: Statistics Norway, December 2014

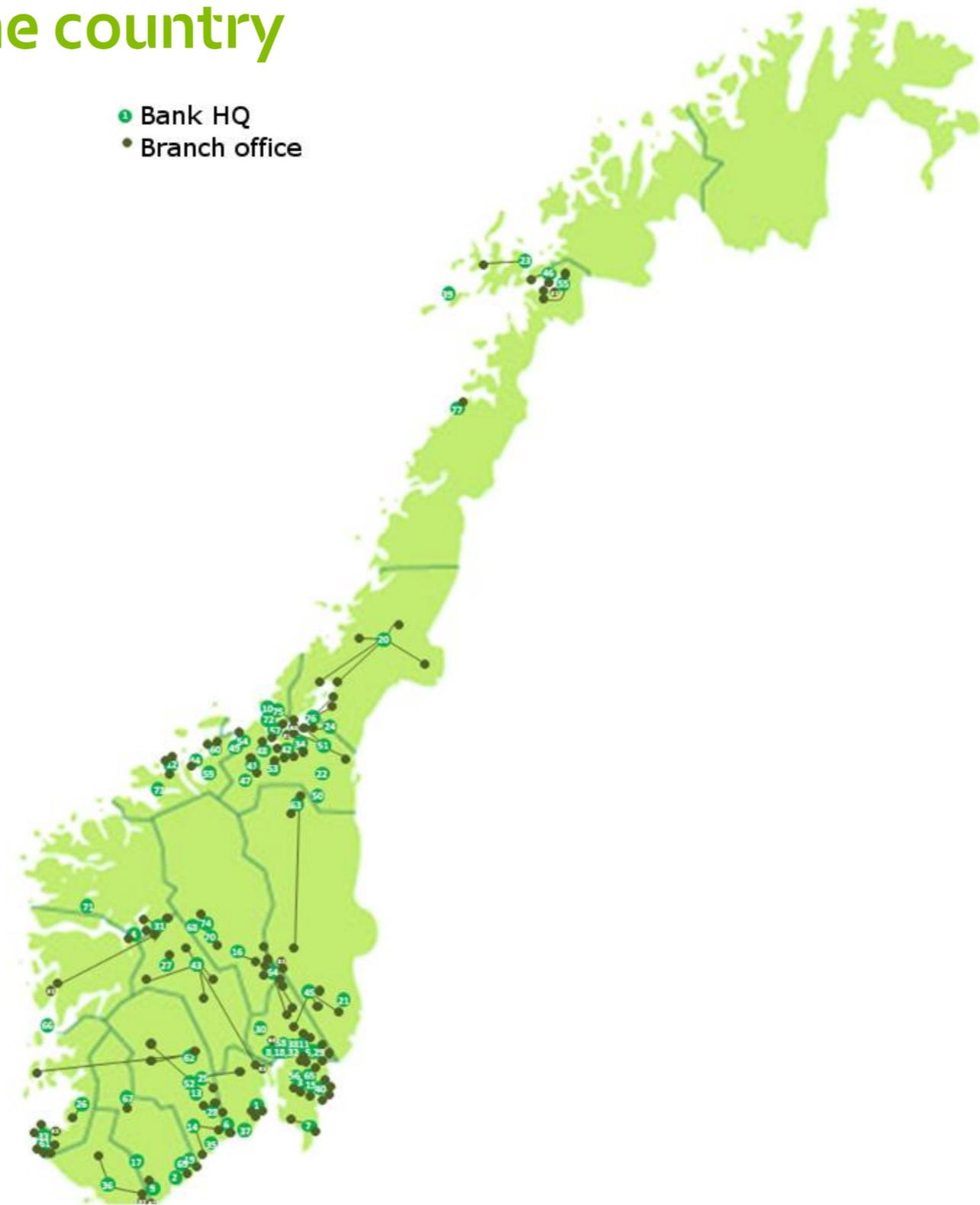
# Agenda

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## Eika banks

# Diversified operations across the country

- The Eika banks consist of a group of 74 Norwegian local banks and OBOS\*
- The Eika banks' operations are fully focused on serving domestic customers. The banks have a wide geographical reach (presence in 18 out of 19 counties) with a strong position in the vibrant economic centres in Central and Eastern Norway
- Scope of the banking operations:
  - The third largest banking group in Norway
  - 210 branch offices
  - 2,384 employees
- Aggregated balance sheet of Eika Banks is NOK 290bn (€ 30.2 bn) and average capital ratio of 18.9% (incl. Sandnes Sparebank and OBOS)
- Market share in lending to retail customers
  - Up to 80% in local markets (except the largest cities)
  - 11.3 % overall in Norway



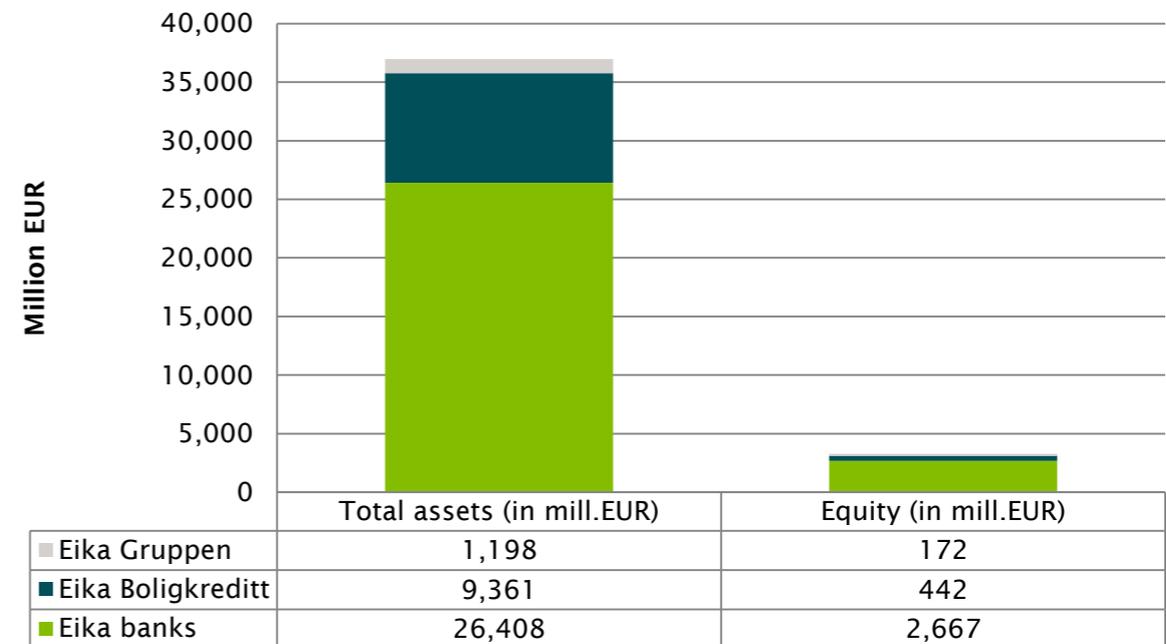
\*OBOS is the largest Nordic Cooperative Housing Association, established in 1929 and is owned by 226,000 members, mostly located in the Oslo-area. More information about OBOS can be found on [www.obos.no](http://www.obos.no)  
EURNOK as of 31.12.2015: 9.6075

## Eika banks

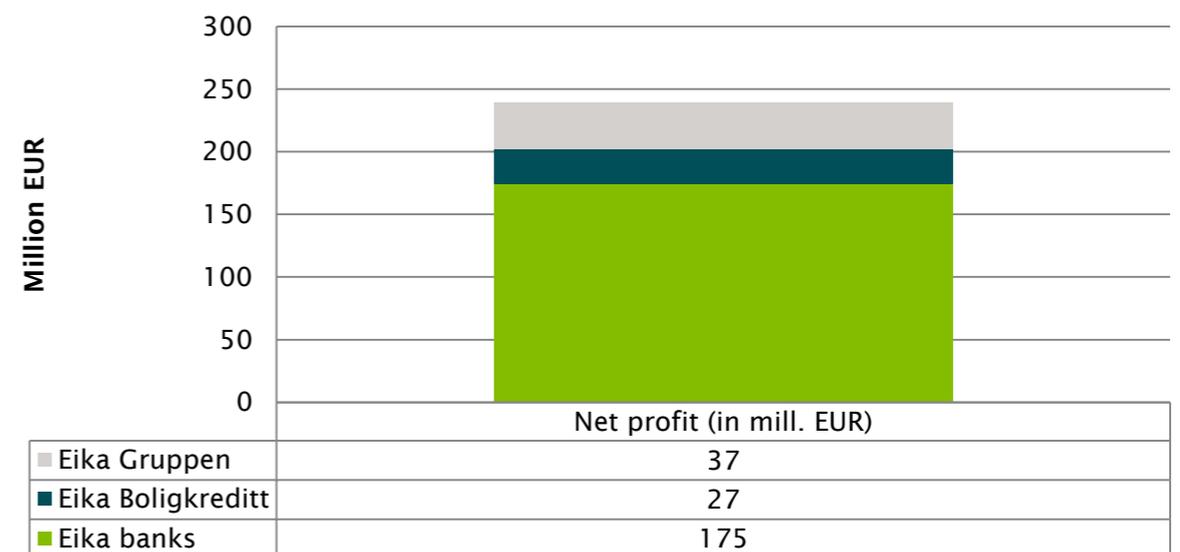
# The Eika alliance consists of the Eika banks, Eika Boligkreditt and Eika Gruppen

- Total assets EUR 36 967 million
- Total equity EUR 3 280 million
- Net profit EUR 239 million
- 1 million customers
- Strong agreements regulating capital, liquidity and losses on Mortgages transferred to Eika Boligkreditt

Assets and equity in the Eika alliance YE2015



Net profit in the Eika alliance 2015

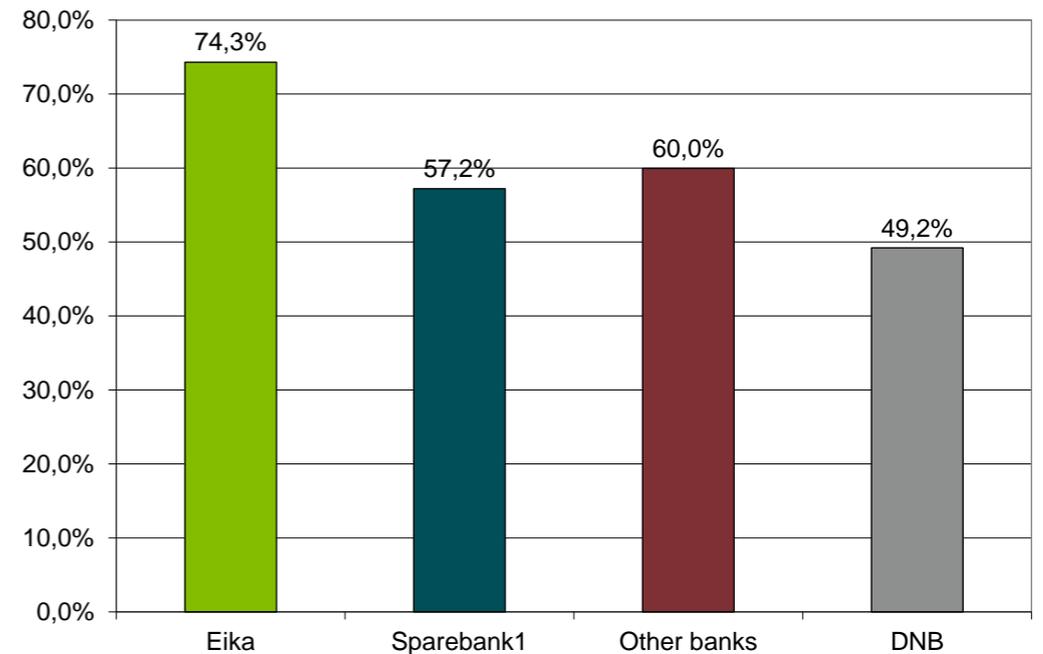


## Eika banks

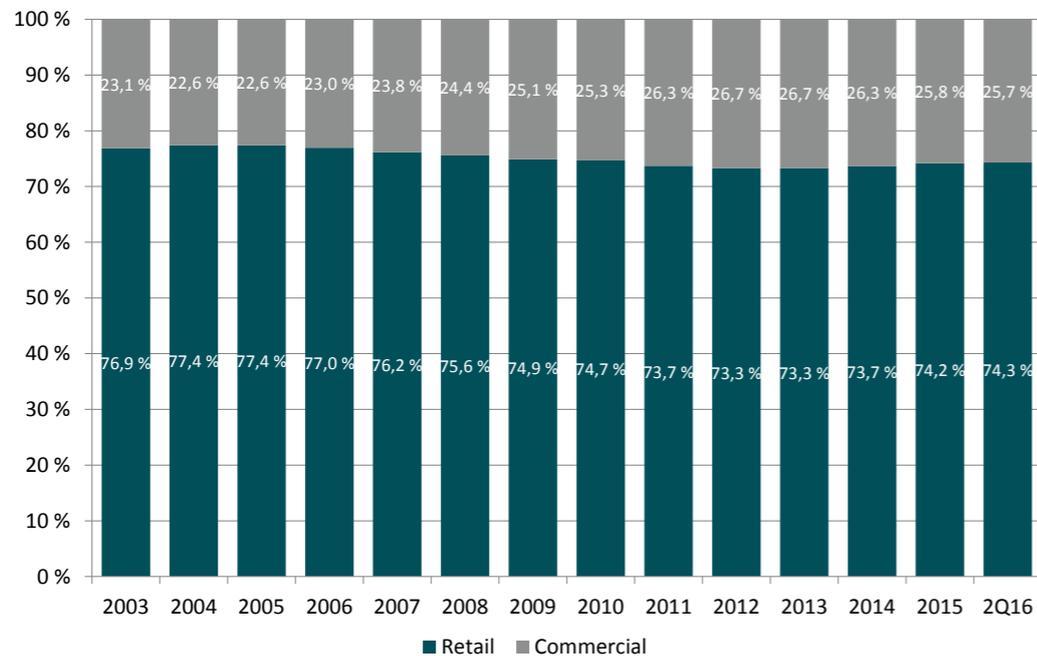
# Focus on retail customers

- Eika banks have a large and stable retail customer base
- Retail lending accounts for 74.3% of Eika banks' total lending 2Q16 (own balance sheet). Including transfers to Eika Boligkreditt the consolidated retail share is 80.3%
- Eika banks have a higher share of retail lending compared to the other Norwegian peers
- Retail lending consist predominantly of mortgage collateralised housing loans (approx. 93% of total)
- Low average LTV of 52.6% in mortgage portfolio
- Eika banks have low exposure to the corporate sector with no lending to shipping, oil sector and relatively low exposure to commercial real estate

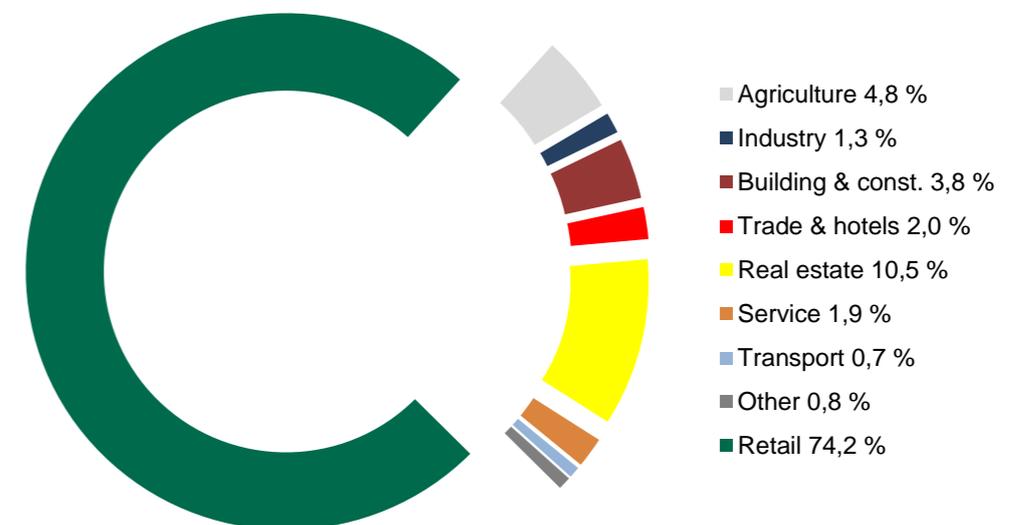
Retail share – Eika vs. peers 2Q16



Breakdown of the Eika banks lending (excl. transfers CB company)



Sector breakdown of the loan book YE2015



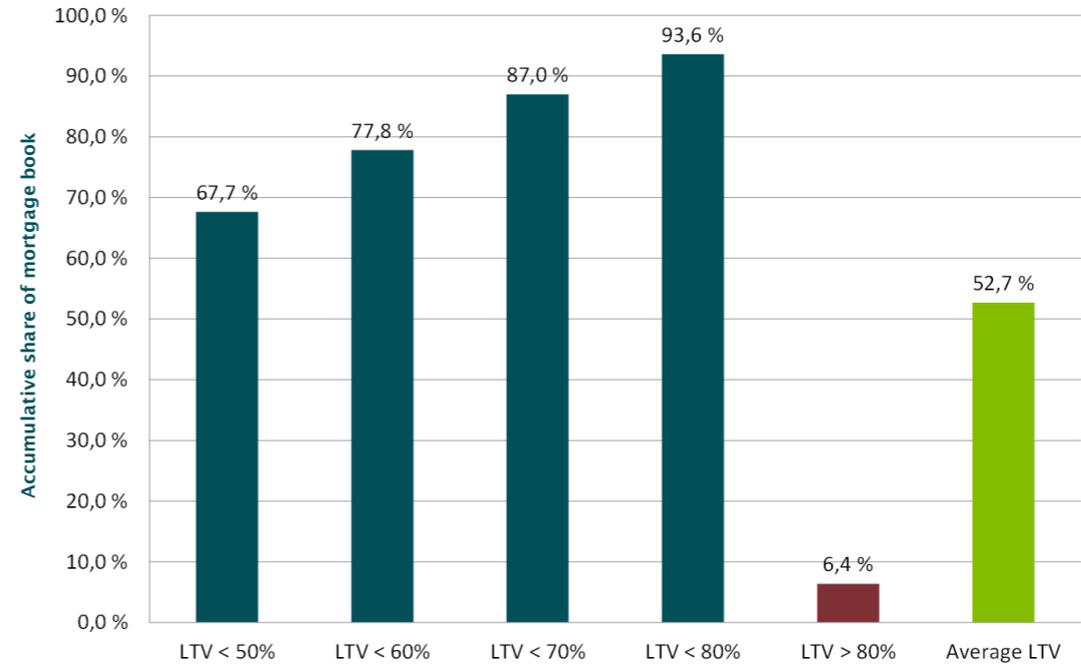
Source: Bank analyst Eika

# Eika banks

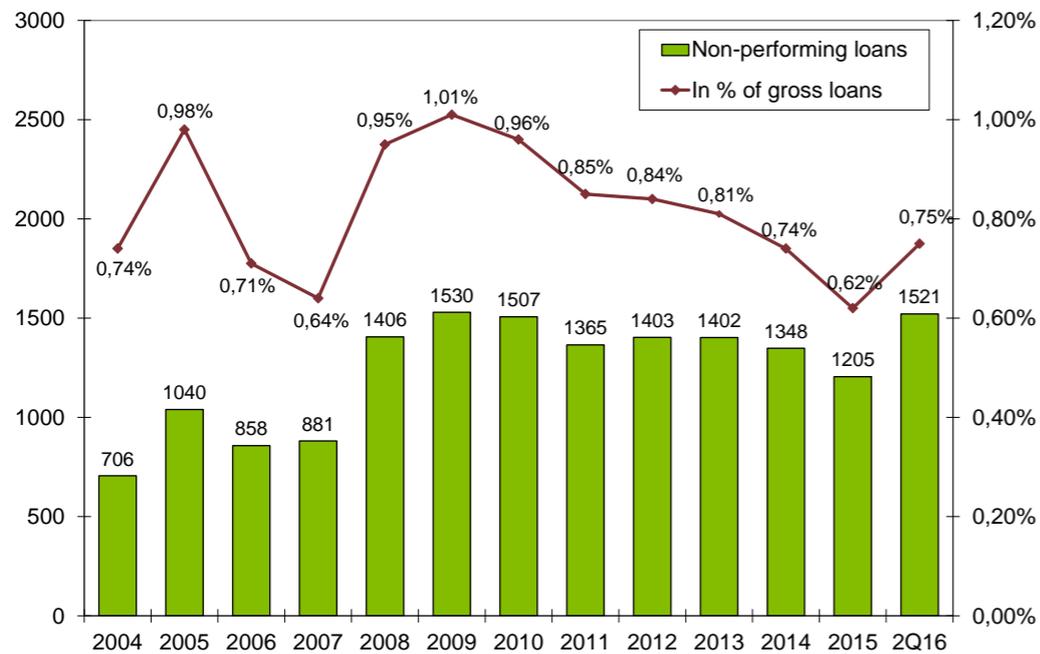
## High asset quality

- Conservative risk profile within the banks
- Few non-performing and doubtful loans
  - Gross non-performing loans constitute 0.75% of gross loans 2Q16, versus 0.62% in 2015
  - Gross doubtful loans constitute 0.65% of gross loans 2Q16, versus 0.76% in 2016
  - Provisioning ratio on problem loans of 50,5% 2Q16 (52.9% in 2015)
- Gross problem loans relative to equity + loan loss reserves has been declining gradually over the last 8 years and is now at 10.8% (2Q16)

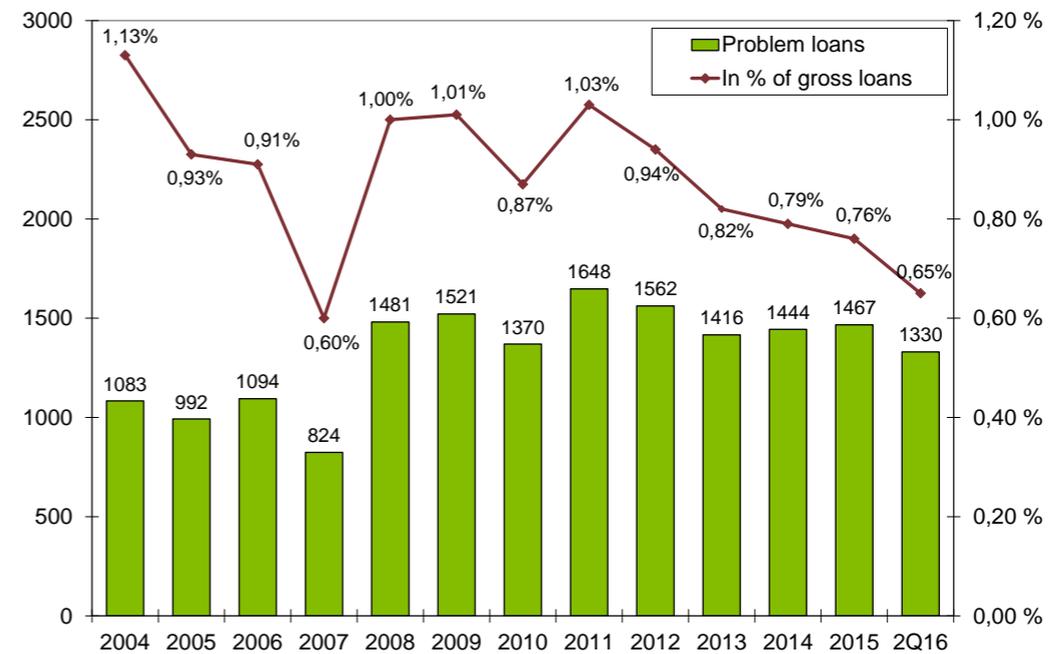
Low LTV in mortgage portfolio (bank book) YE2015



Non performing loans (in NOK million LHS & % of total # of loans RHS)



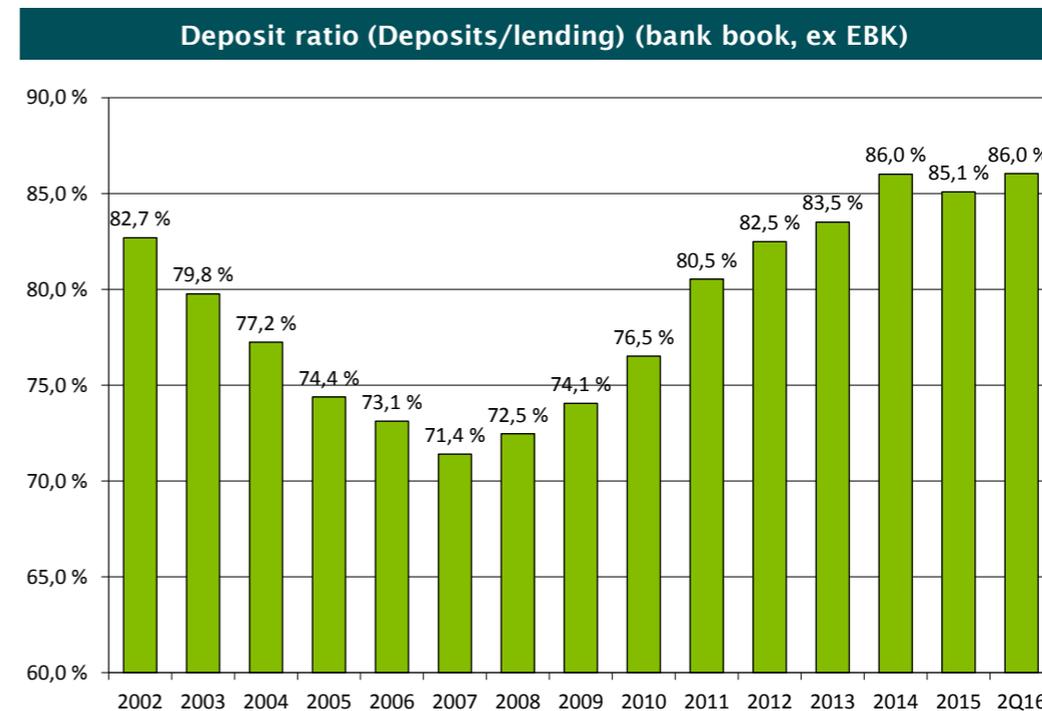
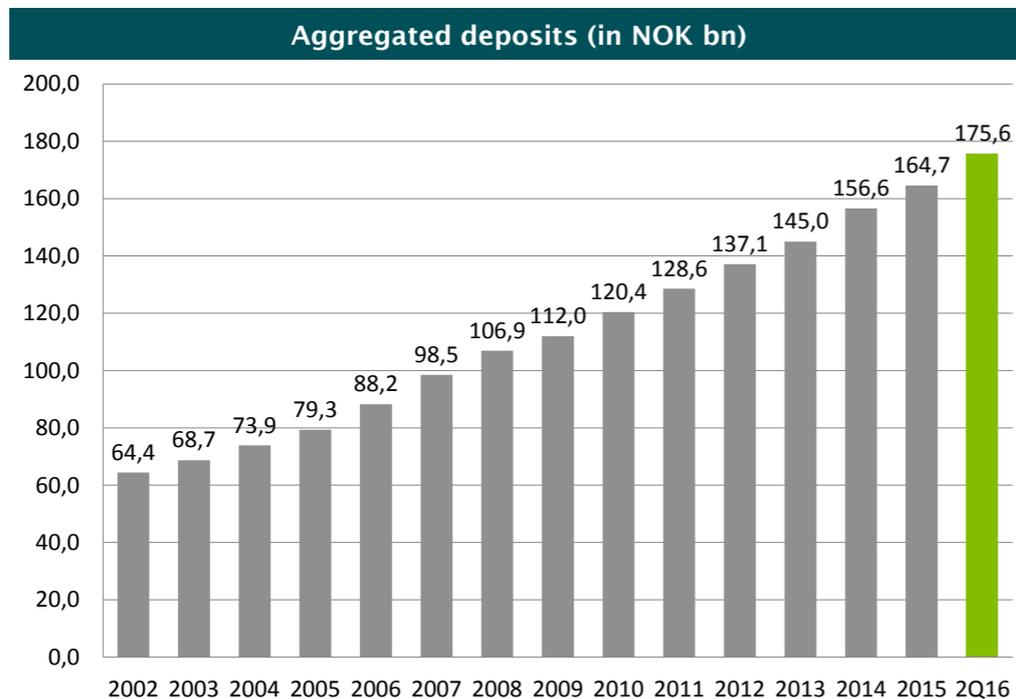
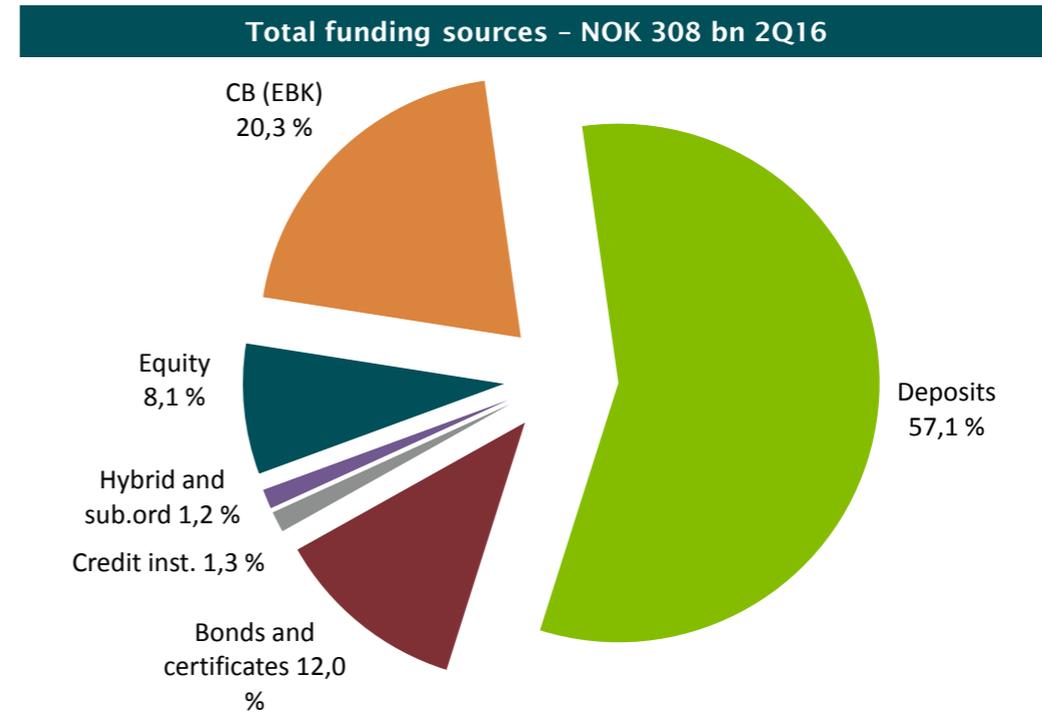
Doubtful loans (in NOK million LHS & % of total # of loans RHS)



Definitions:  
 Provisioning ratio:  $\text{Write down ratio} = (\text{individual provisions} + \text{group provisions}) / \text{Problem loans}$   
 Non-performing loans (NPL): Loans in delinquency for more than 3 months.  
 Doubtful loans: Loans that risk impairment (note that most banks use this rather conservatively)  
 Problem loans = non performing loans + doubtful loans

# Large and growing deposit base

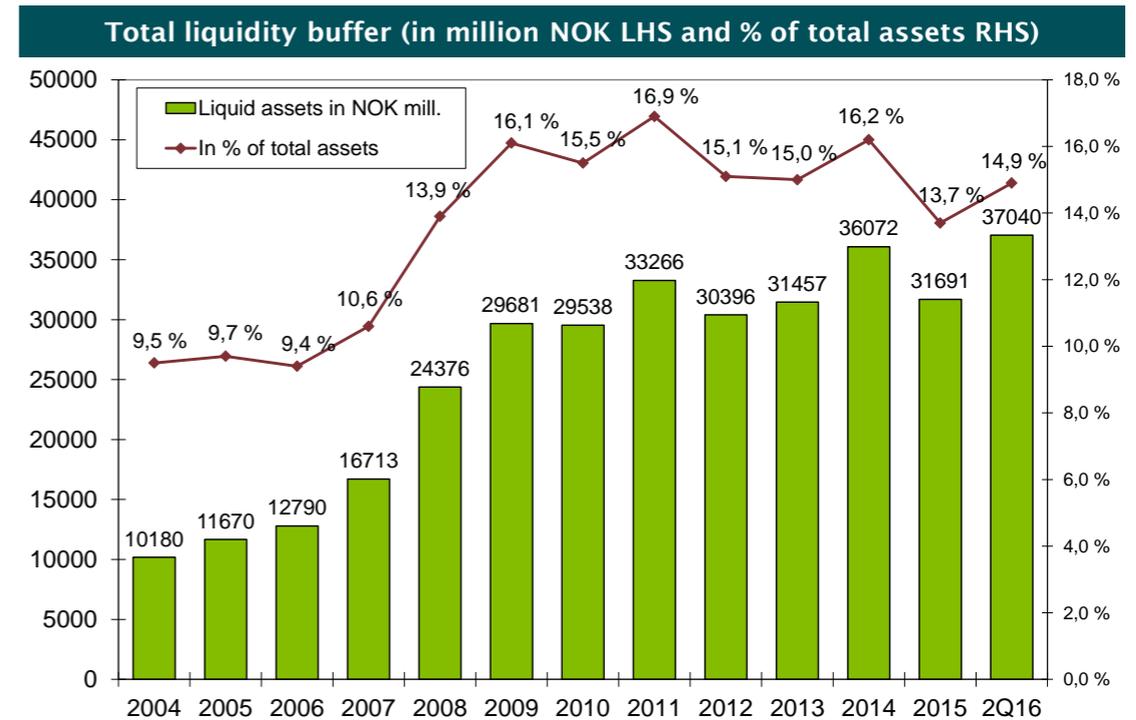
- Total funding incl. equity of Eika banks amounts to NOK 308bn 2Q16 of which 57.1% consists of deposits
- Steady growth in the deposit base and high deposit ratio of 86.0%. Average yearly growth rate in deposits has been 8.2% over the past 15 years
- Well diversified deposit base - approx. 85% of all deposits is within the NOK 2mn bank guarantee fund limit
- Deposit base is essentially household retail deposits



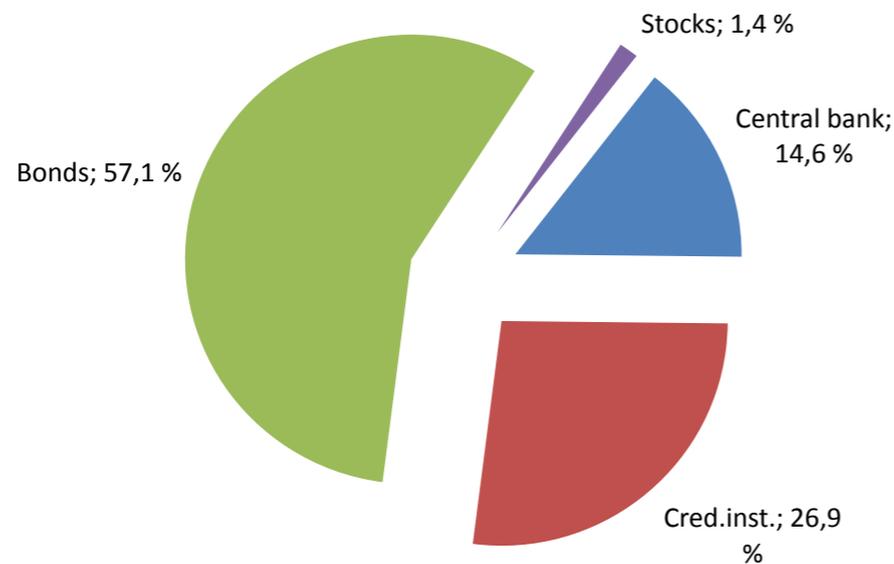
Source: Bank analyst Eika

# Strong liquidity and funding position

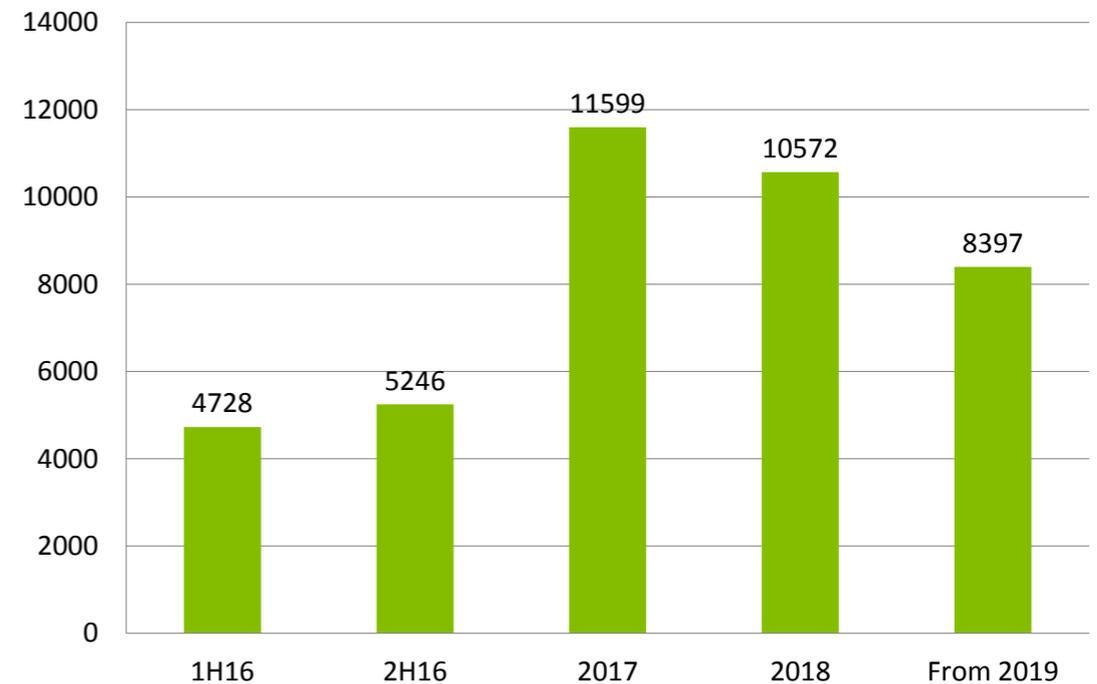
- Large liquidity buffer amounting to NOK 37.0bn (EUR 4.0bn) and 14.9% of total assets 2Q16
- Bond portfolio consists mainly of covered bonds, senior bank issues and money market funds
- No PIIGS exposure and marginal stock market exposure
- Relatively low dependency on market funding. Net market funding (less liquid assets) was only 3.1% of total assets 2Q16
- Extended maturity profile with increasing proportion of long term funding



**Liquidity portfolio 2Q16\***



**Maturity profile (Bonds, CD and Subordinated debt)**

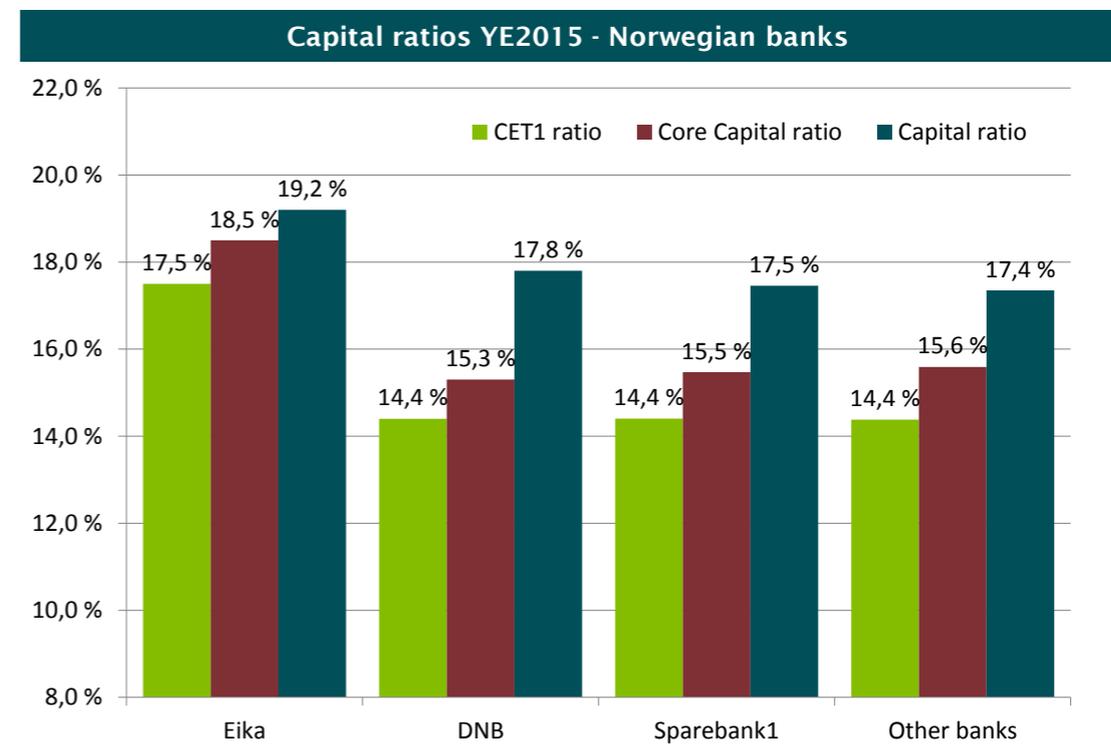
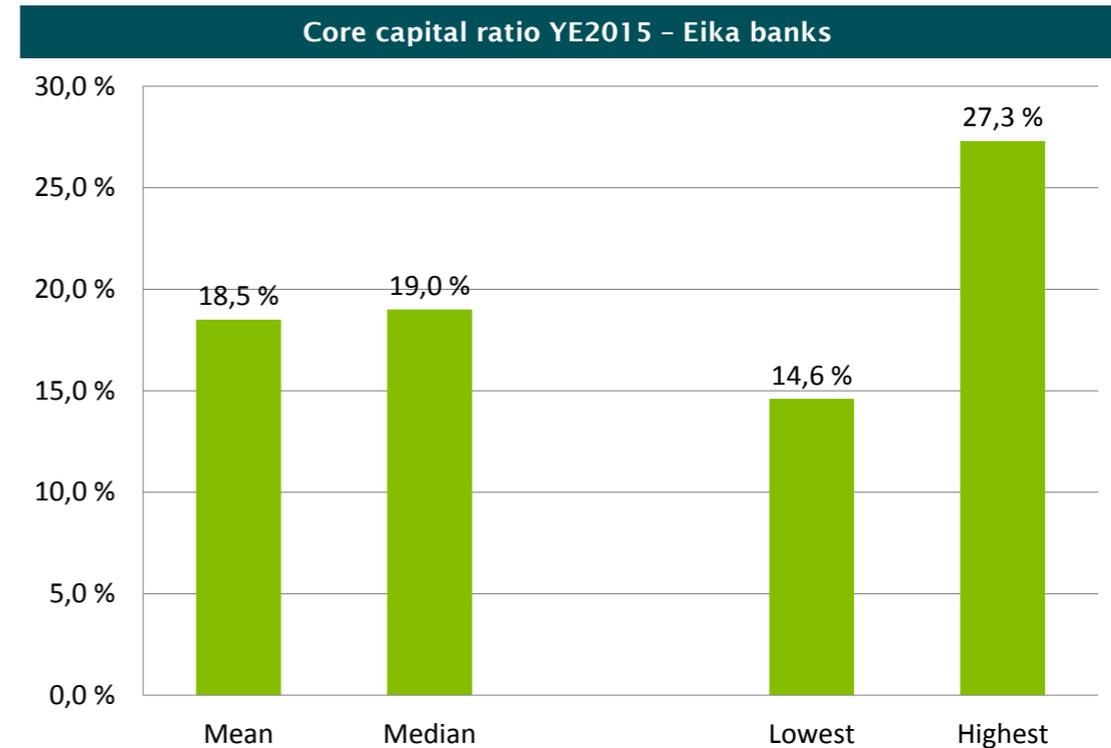


\*Liquidity buffer consists of cash, deposits in central bank and other credit institutions, bonds, certificates incl. money market funds and listed stocks

## Eika banks

# Strong capitalization

- Strengthened capital ratios
  - Common equity ratio (CET1): 17.5% (16.9%)
  - Core capital ratio 18.5% (18.3%)
  - Capital ratio 19.2% (18.9%)
  - Leverage ratio 10.2% (Equity/Total assets) (9.9%)
  
- Eika banks are well prepared to meet the new and higher capital requirements following implementation of CRD IV in Norway stipulating the following minimum incl. all capital buffer levels from 2Q16:
  - Common equity ratio (CET1): 11.5% (max buffer 12.5%)
  - Core capital ratio: 13.0% (14.0%)
  - Capital ratio: 15.0% (16.0%)
  
- All Eika banks are well capitalized (T1 ratio)
  - Lowest: 14.6% (14.4%)
  - Highest: 27.3% (27.3%)
  
- All Eika banks use the standard approach under Basel II and regulatory increased mortgage risk-weights will not impact capital levels of Eika banks
  
- If Eika banks were using the IRB method, the core and capital ratios are estimated to have been at 25.5% and 26.5% YE2015



Source: Bank Analyst Eika

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# Eika Boligkreditt

## Ownership structure



### Eika Boligkreditt AS

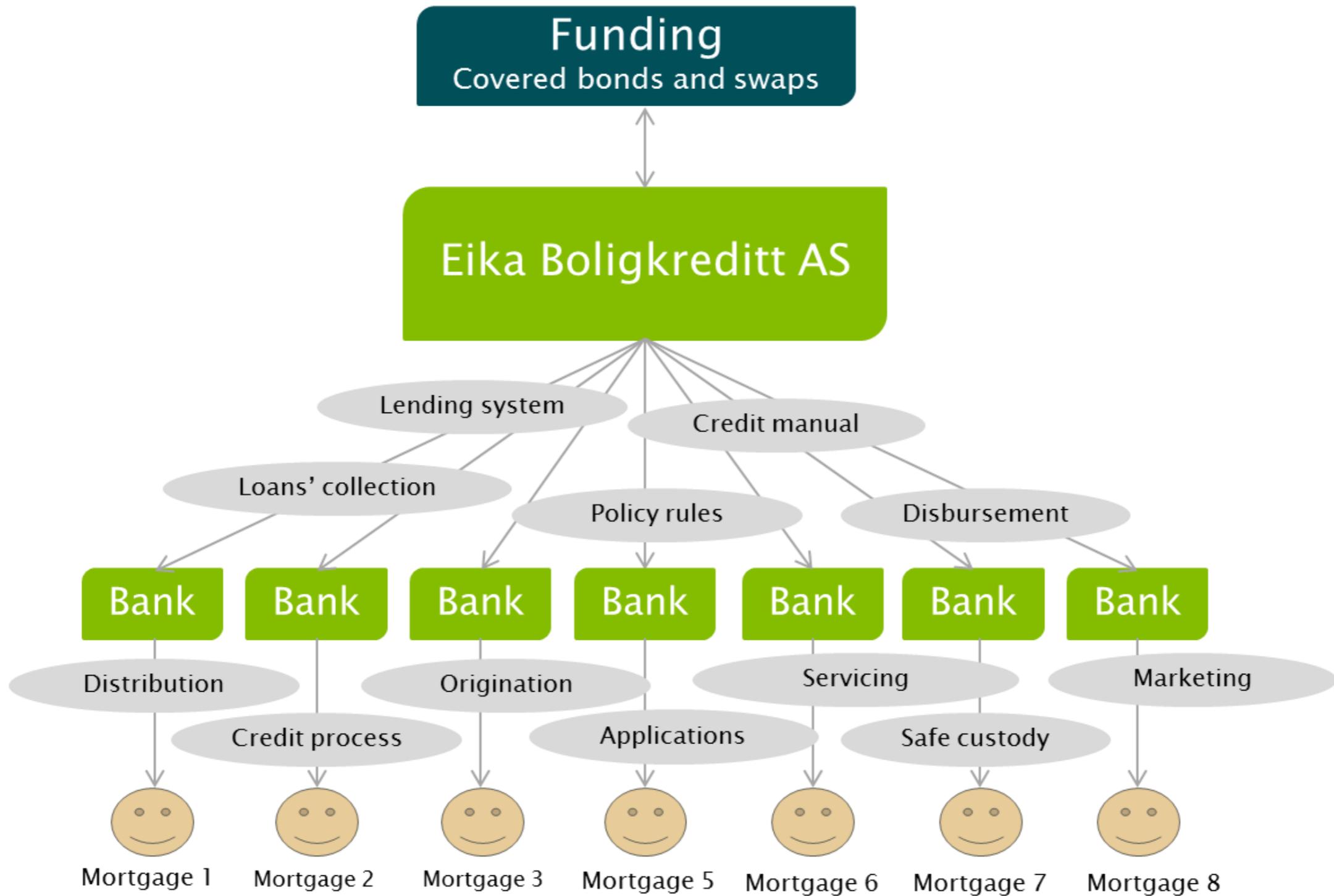
Covered Bond Funding

### 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

# Business concept



## Eligibility criteria for the cover pool

|                     |  |
|---------------------|--|
| Origination process | <ul style="list-style-type: none"><li>▪ Loan-by-loan origination</li></ul>   |
| Customer categories | <ul style="list-style-type: none"><li>▪ Norwegian residents (Retail)</li><li>▪ Cooperative housing associations (common debt between multiple individuals)</li></ul>   |
| Credit Criteria     | <ul style="list-style-type: none"><li>▪ Eika Boligkreditt sets the credit policy for acceptable mortgages (credit manual)</li><li>▪ No arrears</li></ul>   |
| Collateral          | <ul style="list-style-type: none"><li>▪ Max LTV 60% at time of origination (vs. max 75% in the Norwegian legislation)</li><li>▪ Recent valuations (within 6 months at time of origination)</li><li>▪ Quarterly valuation from independent 3<sup>rd</sup> party, documented</li></ul> |
| Type of properties  | <ul style="list-style-type: none"><li>▪ Stand alone residential mortgages</li><li>▪ Cooperative housing residential mortgages</li></ul>  |
| Type of products    | <ul style="list-style-type: none"><li>▪ Principal repayment loans (currently no flexi loans)</li><li>▪ Fixed and variable interest rate loans</li></ul>  |

# 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 they distribute for Eika Boligkreditt
- In order to satisfy auditor comments related to de-recognition of assets under IFRS some adjustments have been adopted for the credit guarantee structure

### 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.

## No arrears exceeding 90 days

- Eika Boligkreditt has *never* experienced mortgages being delinquent for more than 3 months
- The guarantees from the banks further reduce credit risk and help to avoid cherry-picking of mortgages
- In case there is a delayed payment (> 35 days) the Bank which has transferred the mortgage is requested to solve the problem within 2 months by:
  - Giving the client extra credit
  - Transferring the loan back to the bank (727 loans transferred back since the start-up of company in 2004 of a total of 113 844 loans)



# Top notch collateral score by Moody's

- On 10 November 2016, Moody's released the 25th edition of their Global Covered Bonds monitoring overview. The primary objective of this report is to provide transparency to Moody's covered bond ratings
- In the report Eika Boligkreditt is ranked the best out of over 200 covered bond issuers in terms of quality of collateral in the cover pool which is measured by the Collateral Score\*
- Starting from Q2 2012, Moody's changed its methodology by applying a transaction minimum credit enhancement level at a country level, which resulted in Eika Boligkreditt 's new collateral score at the floor level of 5% instead of a Eika Boligkreditt 's individual Collateral Score currently reported to be 2.0% pre country floor.

Exhibit 11

### Deals with Lowest (Best) Collateral Scores

| Name of Programme  | Type of Programme | Country | Collateral Score |
|--|-------------------|---------|------------------|
| Eika Boligkreditt AS Mortgage Covered Bonds  | Mortgage          | Norway  | 2.0%             |
| OP Mortgage Bank Mortgage Covered Bonds II   | Mortgage          | Finland | 2.0%             |
| Nordea Mortgage Bank Plc - Covered Bonds (previously known as Nordea Bank Finland Plc - Covered Bonds) | Mortgage          | Finland | 2.1%             |
| HSBC Covered Bond Programme  | Mortgage          | UK      | 2.2%             |
| Barclays Bank plc Covered Bonds  | Mortgage          | UK      | 2.2%             |
| Royal Bank of Scotland Plc - Mortgage Covered Bonds  | Mortgage          | UK      | 2.3%             |
| Coventry Building Society Covered Bond Programme   | Mortgage          | UK      | 2.4%             |
| SpareBank 1 Boligkreditt AS Mortgage Covered Bond Programme  | Mortgage          | Norway  | 2.6%             |
| Leeds Building Society Covered Bond Programme  | Mortgage          | UK      | 2.7%             |
| Nationwide Building Society Covered Bond Programme   | Mortgage          | UK      | 2.7%             |

Source: Moody's Investors Service

\* Measures the overall quality of collateral in the Cover Pool. The lower the Score, the better the credit quality of the Cover Pool.

## Structure of liquidity and capital support from owners

- The Note Purchase Agreement (NPA) is structured to ensure that Eika Boligkreditt 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 Eika Boligkreditt 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 the Eika Boligkreditt's general meeting and of any capital instruments to be issued



# Rating summary

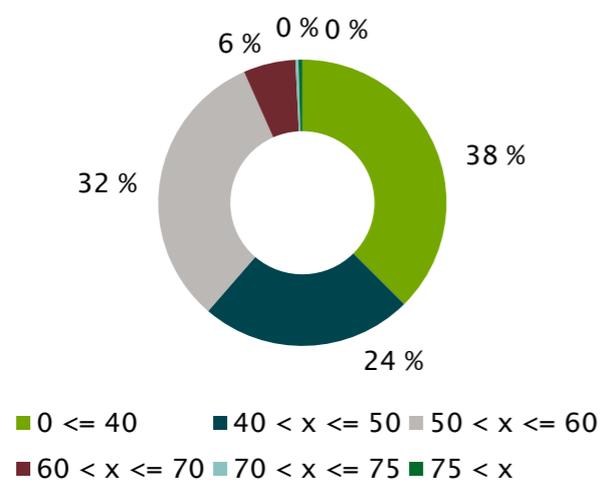
- Eika Boligkreditt covered bonds:
  - Rated **Aa1** by Moody's
  - TPI: **High**
  - Collateral Score on individual basis of 2.0% as of Q3 2016 (pre 5% country floor)
  
- Committed minimum OC in EMTCN Programme is 5%
  
- The Aa1 rating was confirmed on 17th July 2015.
  - Moody's has confirmed the ratings following the assignment of the Counterparty Risk (Cr) Assessment to the issuer.
  - The Aa1 ratings of the covered bonds are constrained by the level of committed over-collateralisation (OC).
  
- The confirmation follows the review process initiated 17<sup>th</sup> of March 2015.
  
- Minimum OC level consistent with current CB Rating is 3% as of 30.09.2016

|               |          | Timely Payment Indicators |                  |                  |                  |                  |                |
|---------------|----------|---------------------------|------------------|------------------|------------------|------------------|----------------|
|               |          | Very Improbable           | Improbable       | Probable         | Probable High    | High             | Very High      |
| Cr Assessment | A2(cr)   | Aaa                       | Aaa              | Aaa              | Aaa              | Aaa              | Aaa            |
|               | A3(cr)   | <b>Aa1</b>                | <b>Aa1</b>       | Aaa              | Aaa              | Aaa              | Aaa            |
|               | Baa1(cr) | <b>Aa2</b>                | <b>Aa2</b>       | Aaa              | Aaa              | Aaa              | Aaa            |
|               | Baa2(cr) | <b>Aa3</b>                | <b>Aa3</b>       | <b>Aa1</b>       | <b>Aa1</b>       | Aaa              | Aaa            |
|               | Baa3(cr) | <b>A1</b>                 | <b>A1</b>        | <b>Aa2</b>       | <b>Aa2</b>       | <b>Aa1</b>       | Aaa            |
|               | Ba1(cr)  | <b>A3</b>                 | <b>A2</b>        | <b>A1</b>        | <b>Aa3</b>       | <b>Aa2</b>       | <b>Aa1</b>     |
|               | Ba2(cr)  | <b>Baa1-Baa3</b>          | <b>A3-Baa2</b>   | <b>A2-Baa1</b>   | <b>A1-A3</b>     | <b>Aa3-A2</b>    | <b>Aa2-A1</b>  |
|               | Ba3(cr)  | <b>Baa2-Ba1</b>           | <b>Baa1-Baa2</b> | <b>A3-Baa2</b>   | <b>A2-Baa1</b>   | <b>A1-A3</b>     | <b>Aa3-A2</b>  |
|               | B1(cr)   | <b>Baa3-Ba2</b>           | <b>Baa2-Baa3</b> | <b>Baa1-Baa3</b> | <b>A3-Baa2</b>   | <b>A2-Baa1</b>   | <b>A1-A3</b>   |
|               | B2(cr)   | <b>Ba1-Ba3</b>            | <b>Ba1-Ba2</b>   | <b>Baa3-Ba2</b>  | <b>Baa1-Baa3</b> | <b>A3-Baa2</b>   | <b>A1-Baa1</b> |
|               | B3(cr)   | <b>Ba2-B1</b>             | <b>Ba1-Ba3</b>   | <b>Ba1-Ba3</b>   | <b>Baa2-Ba1</b>  | <b>Baa1-Baa3</b> | <b>A3-Baa2</b> |

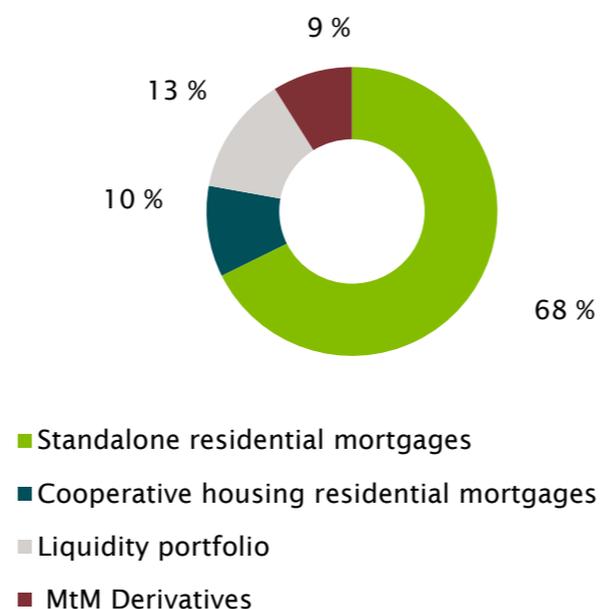
# Summary of the cover pool

| Numbers in EUR                     | Grand total     | Standalone residential mortgages | Cooperative residential housing |
|------------------------------------|-----------------|----------------------------------|---------------------------------|
| Nominal value                      | 7,536,804,168   | 6,550,397,907                    | 986,406,260                     |
| In % of total mortgage Pool        | 100 %           | 86.91 %                          | 13.09 %                         |
| Number of loans                    | 45,436          | 44,644                           | 792                             |
| Arithmetic average loan (nominal)  | 165,877         | 146,725                          | 1,245,462                       |
| WA LTV (unindexed / indexed)       | 46.29% / 41.63% | 50.56% / 45.81%                  | 17.90% / 13.90%                 |
| WA seasoning (months)              | 29.6            | 27.9                             | 40.4                            |
| Loans in arrears (over 90 days)    | 0.0             | 0.0                              | 0.0                             |
| Estimated over collateralization * | 108.34 %        | n/a                              | n/a                             |

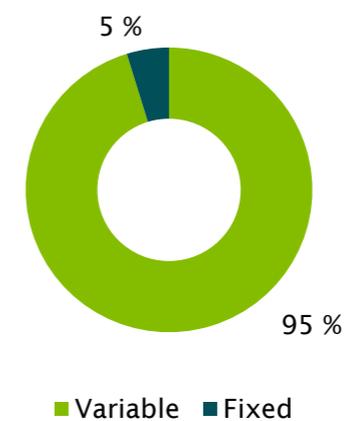
Indexed LTV distribution



Composition of Cover Pool

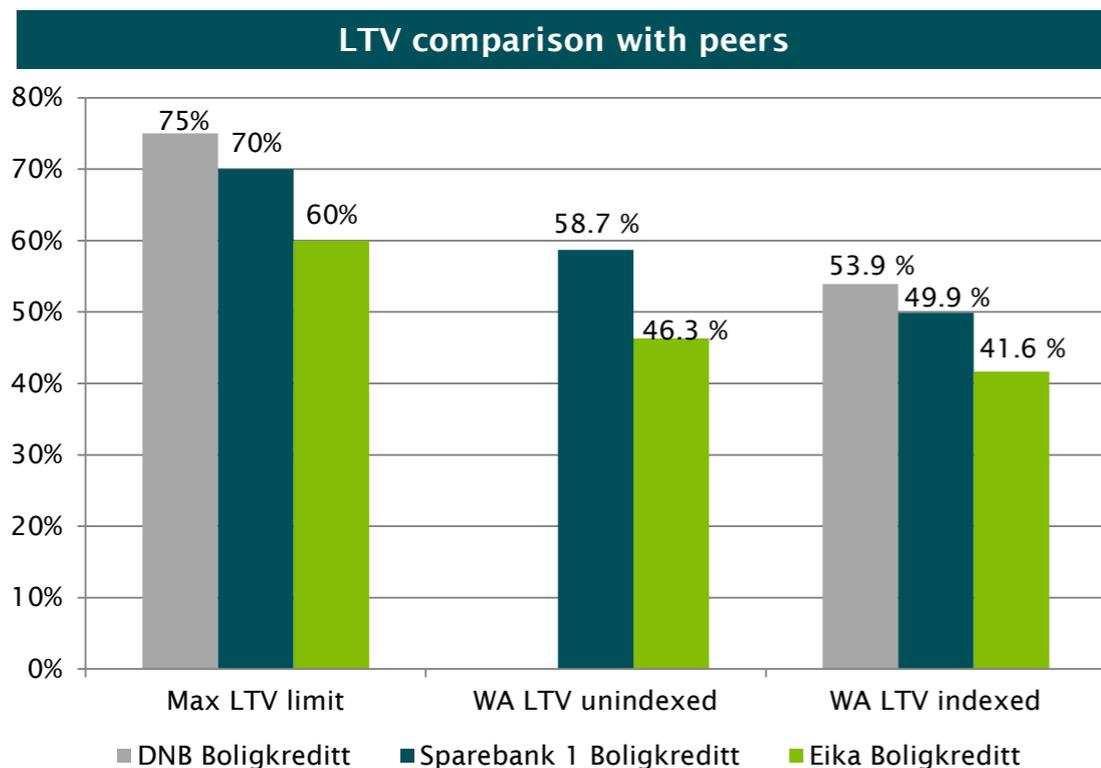


Variable vs fixed rate

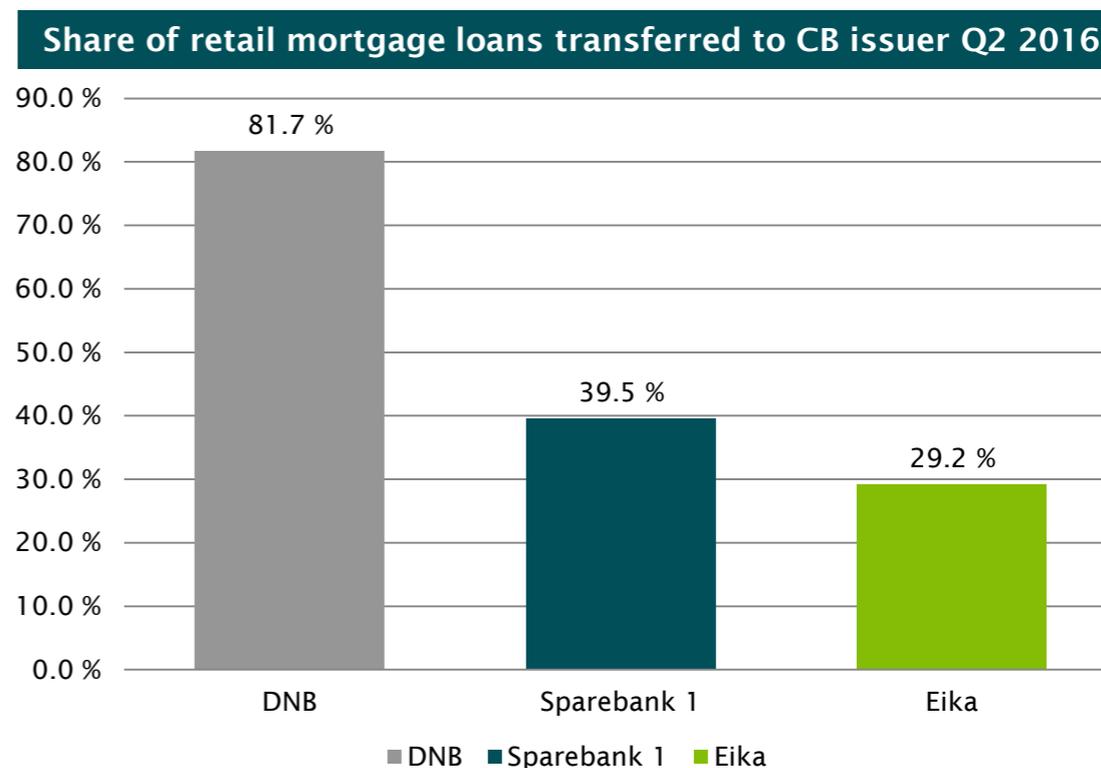


All data as of 30.09.2016. EURNOK 9.035  
 \* OC is estimated based on fair value

# Cover pool comparison and stress test



Source: Investor presentation DNB October 2016 (data as of 30.09.16), and investor presentation Sparebank 1 Boligkreditt October 2016 (data as of 30.06.16)



Source: Bank Analyst Eika

### Stress test: Decline in house prices

| Stress test house price reduction (numbers in €) | Unchanged     | Decline of 10% | Decline of 20% | Decline of 30% |
|--|---------------|----------------|----------------|----------------|
| Mortgage Portfolio                               | 7,536,804,168 | 7,536,804,168  | 7,536,804,168  | 7,536,804,168  |
| Part of mortgages exceeding 75% LTV              | -             | 8,776,579      | 29,903,112     | 191,401,093    |
| Share of mortgage portfolio >75% LTV             | 0.00 %        | 0.12%          | 0.40%          | 2.54 %         |
| Estimated Over collateralization*                | 8.34 %        | 8.24 %         | 8.00 %         | 6.20 %         |

EURNOK as of 30.09.2016: 9.035  
 \* OC is estimated based on fair value

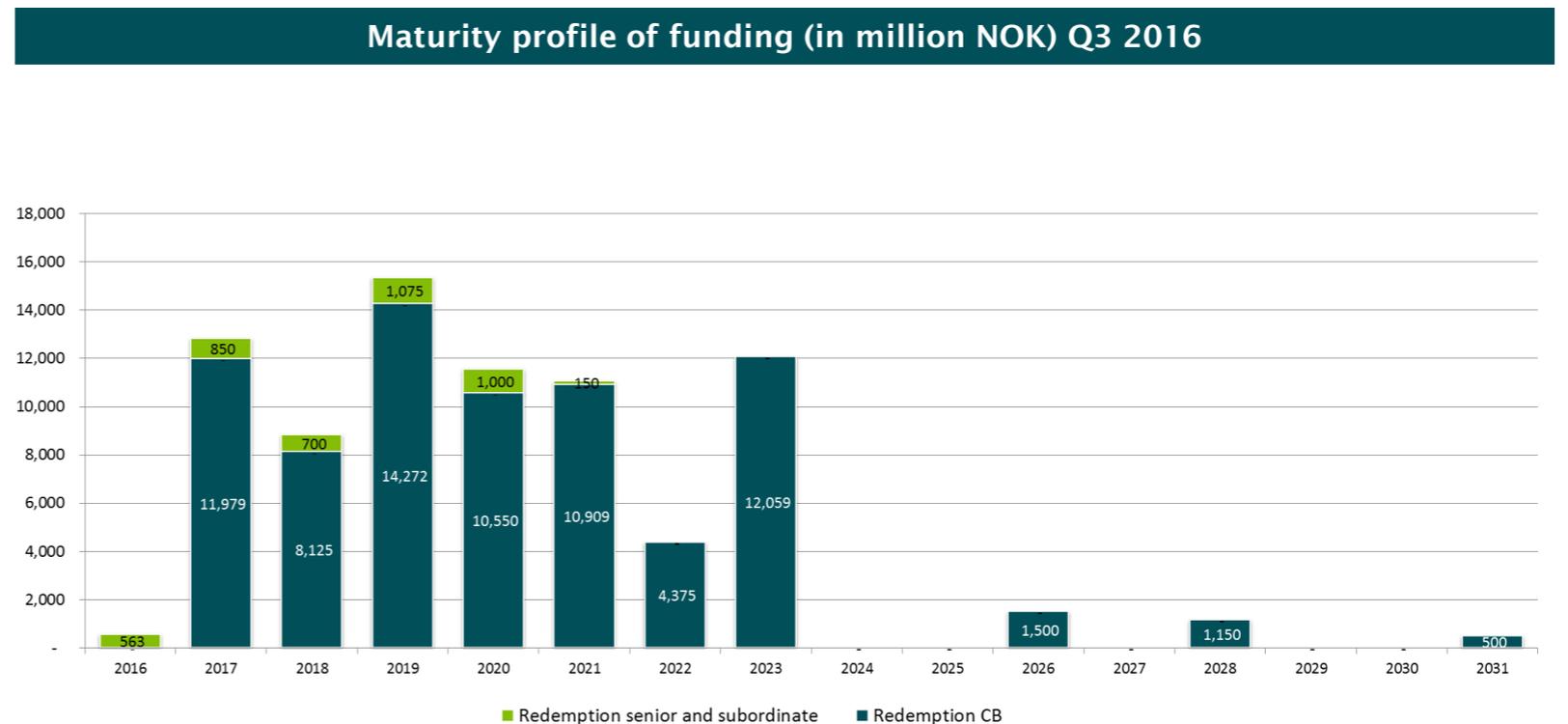
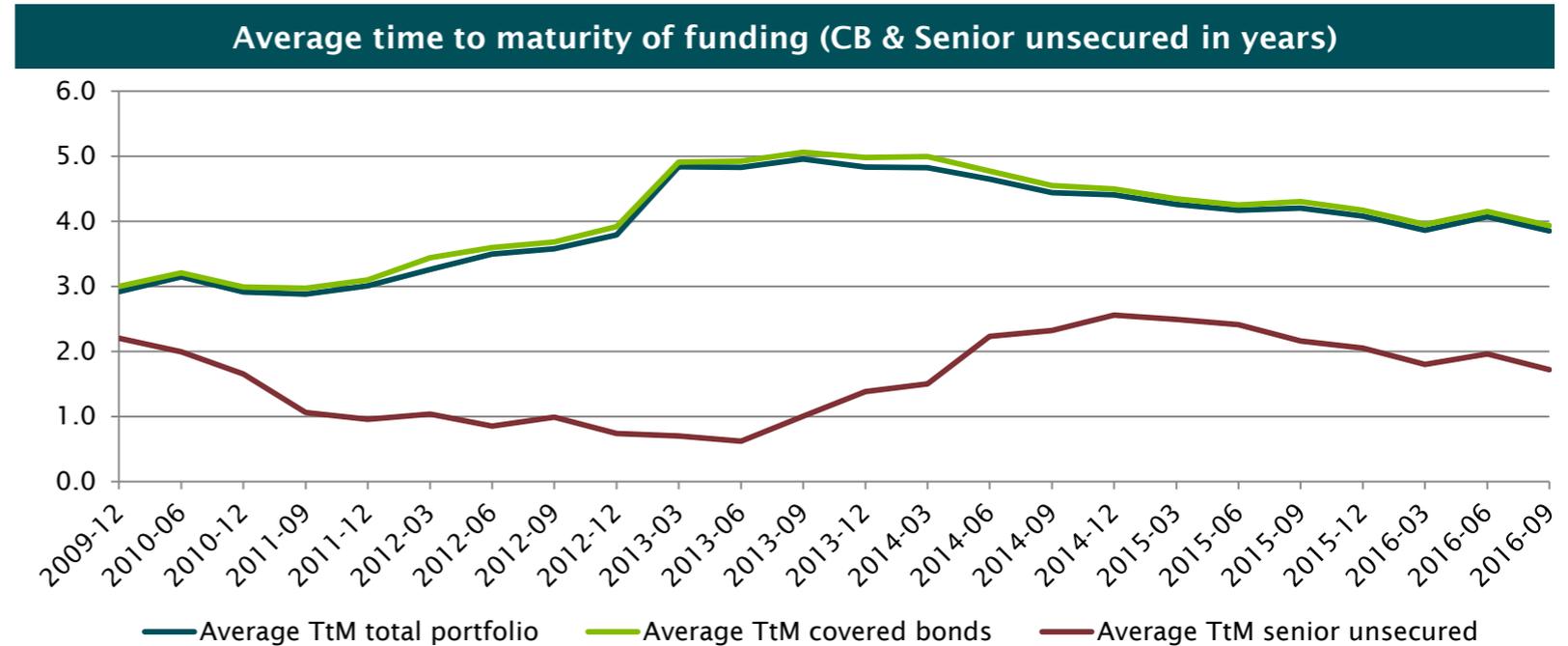
# Agenda

|                                       |    |
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## Funding strategy and activity

# Strong risk management

- Both sides of the balance sheet mostly swapped to 3 month NIBOR
- Minimum Over Collateralization level of 5% (committed in EMTCN Program)
- Redemptions within any future 12-month rolling period should not exceed 20% of the gross funding at the time of redemption (internal policy)
  - The 20% level is related to the expected maturity on the assets, i.e. 5 years
  - a simulation taking into account, amongst other elements, expected growth and future transactions
- Internal target is to have liquid assets covering at least 75% of redemptions within the next 12 months



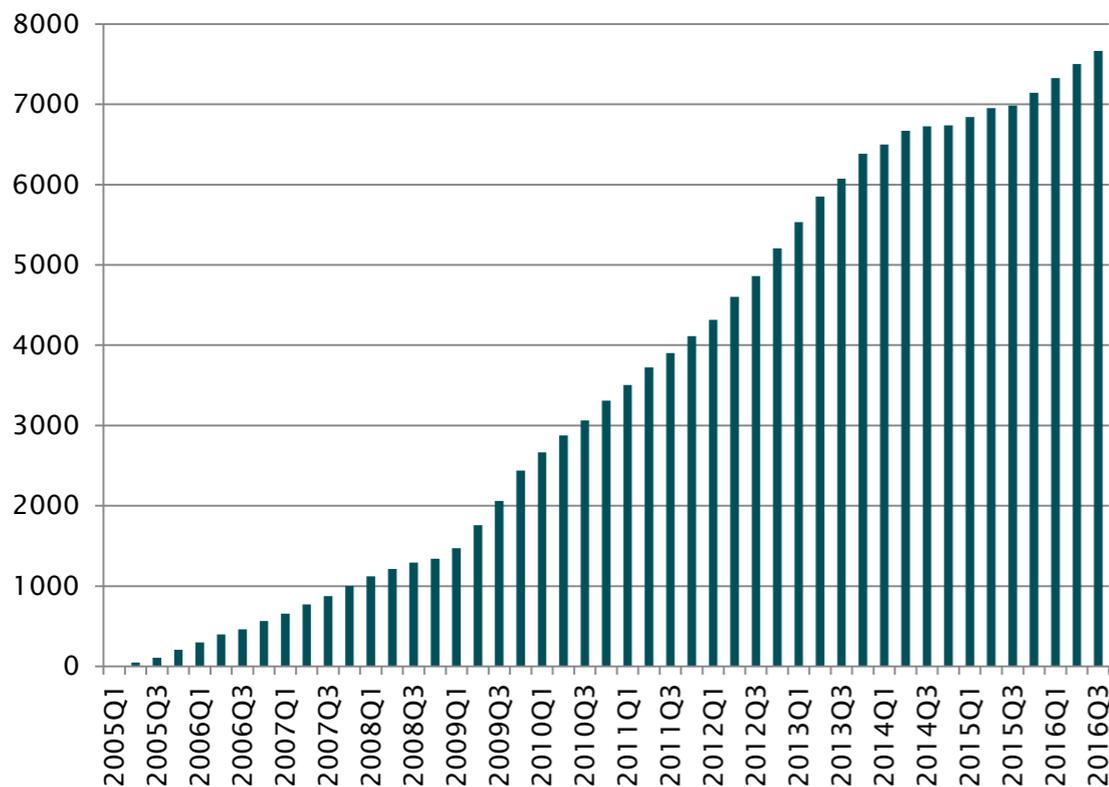
## Funding strategy and activity

# Funding and strategy

- The company has entered into a more mature phase where growth is more moderate, and in line with the owner banks' own growth. This indicates that the banks' have reached the relative level of external funding they are comfortable with

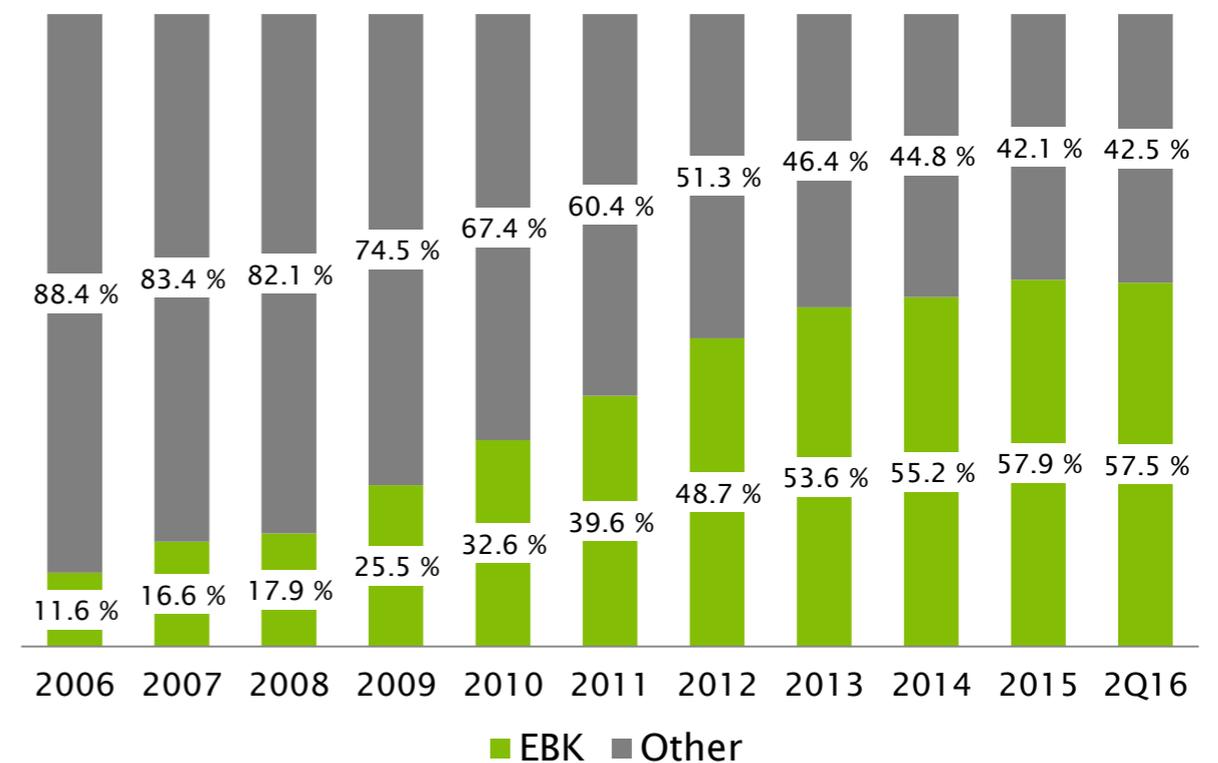
- Eika Boligkredditt is issuing Notes under its Euro Medium Term Covered Note Program of €20bn, that reflects the expectations;
  - Eika Boligkredditt has the objective to be a frequent benchmark issuer in both the EUR and NOK covered bond market, and to maintain two liquid yield curves
  - With a stable organic growth, and redemptions approaching in the euro denominated issues, Eika Boligkredditt will remain a frequent issuer in euros

Stable growth in the loan book (in million €)



EURNOK as of 30.09.2016: 9.035

Eika Boligkredditt funding in % of Eika bank's external funding



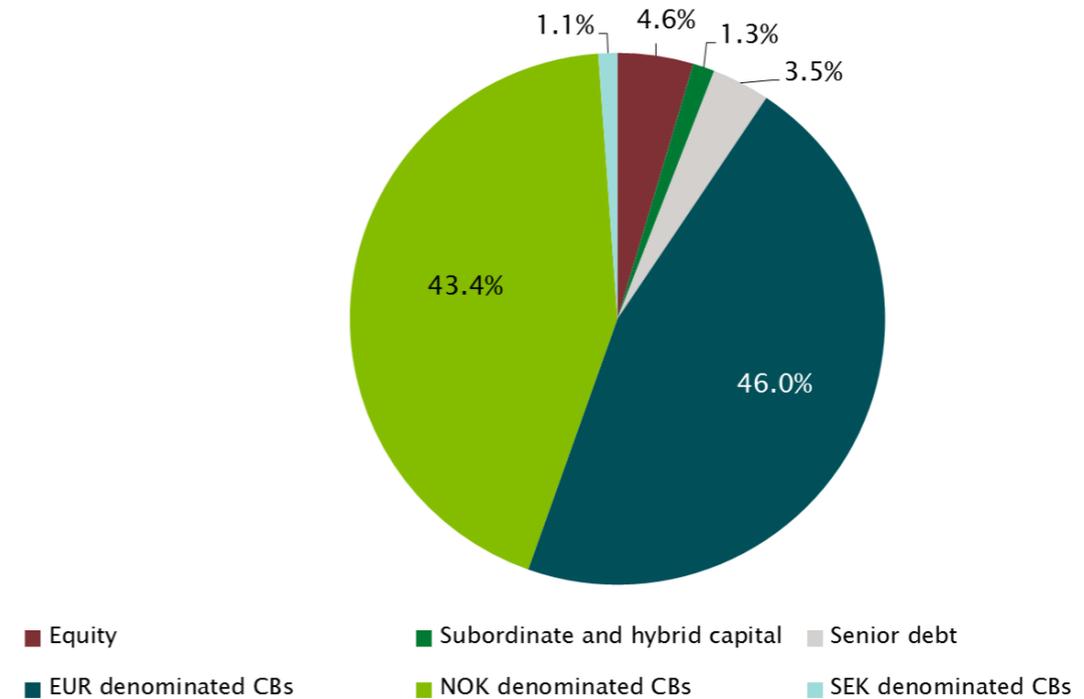
Source: Bank analyst Eika

## Funding strategy and activity

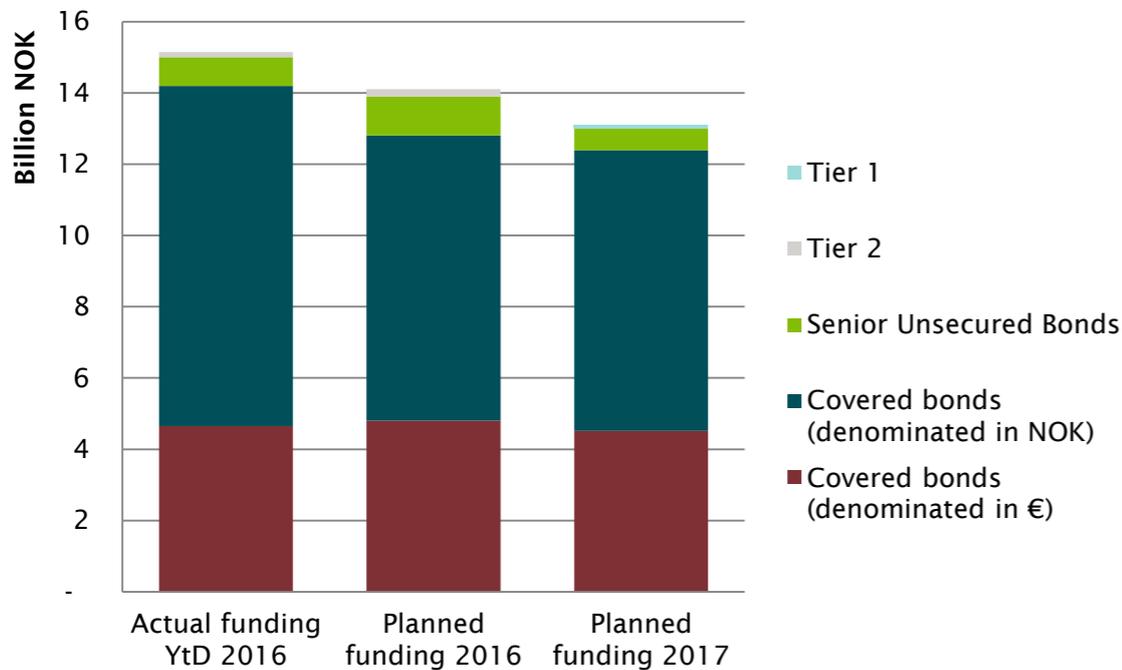
# Funding and strategy

- Budget for gross funding in 2017 is NOK-equivalent of 13.1 billion
  - NOK-equivalent of 12.4 billion in covered bonds
    - NOK 7,9 billion
    - EUR 500 million (equivalent to NOK 4.5 billion)
  - NOK 600 million in senior unsecured bonds
  - NOK 100 million in Tier 1 bonds

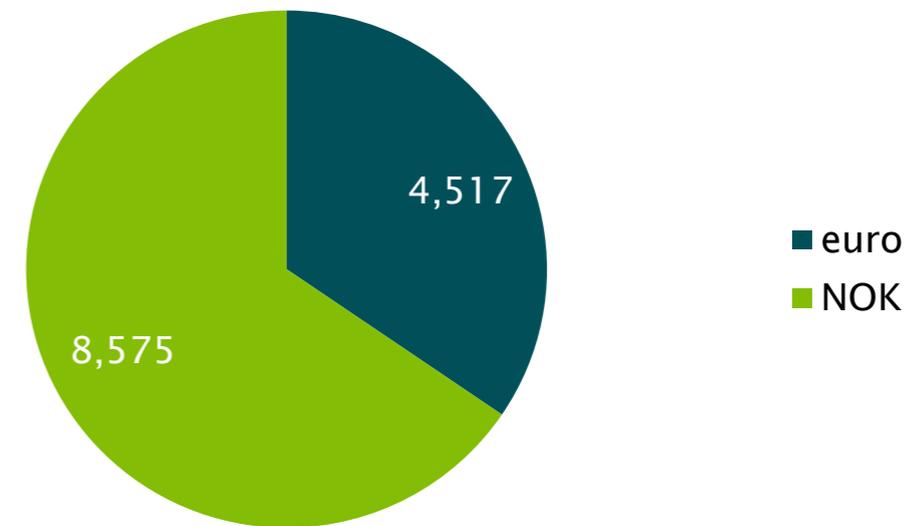
Current funding mix EBK (in million NOK equivalents)



Actual and planned funding 2016/2017 per sector (in billion NOK)



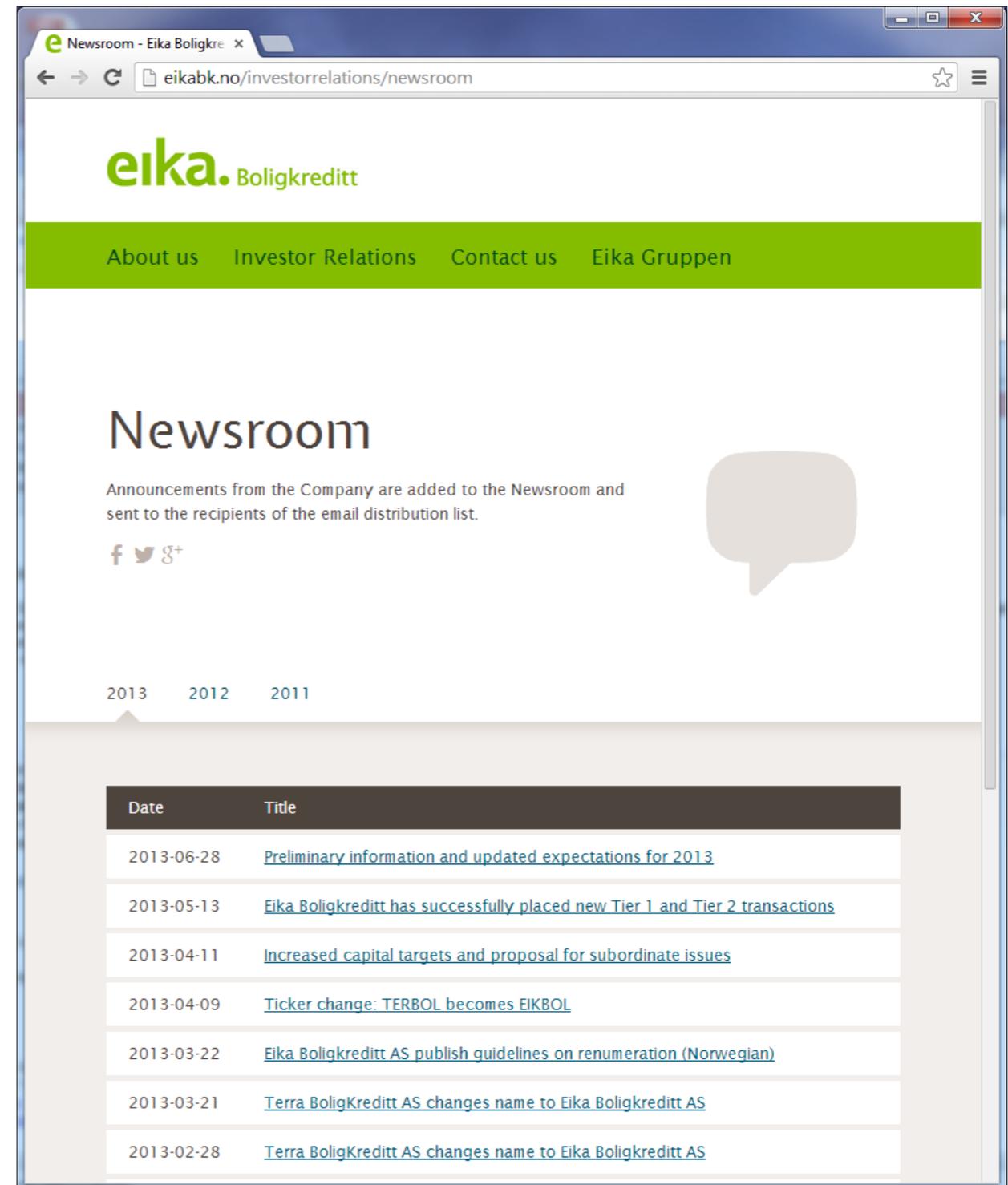
Planned funding 2017 per currency (in million NOK)



## Funding strategy and activity

# Funding and strategy

- Maintain Eika Boligkreditt as a solid, well-known and frequent issuer
  - Diversify funding both in terms of geography and investor type
  - Approximately 50% of the funding is expected to be international
- To provide the market with high quality and transparent information
  - Timely and high quality annual/quarterly reports and financial statements
  - Frequent road shows and investor presentations
  - Quarterly data on the cover pool in accordance with ECBC Harmonized Template available on <http://eikabk.no>



Newsroom - Eika Boligkre x

eikabk.no/investorrelations/newsroom

eika. Boligkreditt

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f t g+

2013 2012 2011

| Date       | Title  |
|------------|--|
| 2013-06-28 | <a href="#">Preliminary information and updated expectations for 2013</a>                    |
| 2013-05-13 | <a href="#">Eika Boligkreditt has successfully placed new Tier 1 and Tier 2 transactions</a> |
| 2013-04-11 | <a href="#">Increased capital targets and proposal for subordinate issues</a>                |
| 2013-04-09 | <a href="#">Ticker change: TERBOL becomes EIKBOL</a>   |
| 2013-03-22 | <a href="#">Eika Boligkreditt AS publish guidelines on remuneration (Norwegian)</a>          |
| 2013-03-21 | <a href="#">Terra BoligKreditt AS changes name to Eika Boligkreditt AS</a>                   |
| 2013-02-28 | <a href="#">Terra BoligKreditt AS changes name to Eika Boligkreditt AS</a>                   |

# Agenda

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## Appendix

# 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

# Mergers between Eika banks in 2016

- Kragerø and Bamble Sparebank
  - The general meeting decided to merge the banks February 25<sup>th</sup>
  - The merger was approved from the FSA July 4<sup>th</sup>
  - The merger will be implemented January 1<sup>st</sup> 2017
  - The name of the merged bank will be Skagerak Sparebank
  - Jon Guste-Pedersen will be CEO in the merged bank
  - Strong market position in lower Telemark/greater Grenland
  - 4 branches/69 employees
  - After the merger Skagerak Sparebank will be the 9<sup>th</sup> largest bank in the Eika Alliance
  - Total assets of NOK 10,3 billion (including transfers to EBK NOK 2,3 billion)
  - Rationales for the merger were to increase competitiveness in local markets and expand market reach, strengthen profitability and contribute to sustainable development of their local communities
  
- Orkdal og Meldal Sparebank
  - The board of directors in both banks made a resolution to merge the banks November 9<sup>th</sup>
  - The merger is pending approval from the general meetings in respective banks in Q1 2017 and a following approval from the authorities
  - The name of the merged bank remains to be decided
  - Dag Olav Løseth, CEO in Orkdal Sparebank, will be CEO in the merged bank
  - Strong market position in their local markets
  - 64 employees
  - After the merger the bank will be the 10<sup>th</sup> largest bank in the Eika Alliance
  - Total assets of NOK 9,5 billion (including transfers to EBK NOK 1,9 billion)
  - Rationales for the merger were to increase competitiveness in local markets and attractiveness as an employer and contribute to sustainable development of their local communities

# Cancellation of distributor agreement with OBOS-banken

- On 11 January 2016, OBOS-banken stated in a stock exchange announcement that it had decided to establish such a company.
- As a result of this decision, the board of Eika Boligkreditt decided in its meeting of 9 February 2016 to cancel the distributor agreement with OBOS-banken.
- A cancellation of the agreement by Eika Boligkreditt requires 12 months notice. The distributor agreement will accordingly remain in force until February 2017. At the expiry date for the distributor agreement, OBOS-banken will cease to have the right to transfer new residential mortgages to Eika Boligkreditt.
- The distributor agreement also provides that OBOS-banken and Eika Boligkreditt will seek to reach agreement before the expiry date on the continuation of OBOS-banken's distributor responsibility for the existing residential mortgage portfolio. The parties consider it very likely that they will reach such an agreement, which means that OBOS-banken will maintain a substantial residential mortgage portfolio and financing in Eika Boligkreditt during coming years.
- At 31 March 2016, OBOS-banken had a residential mortgage portfolio and financing in Eika Boligkreditt totalling NOK 7.9 billion. Following a rebalancing of ownership on the basis of OBOS-banken's share of the overall residential mortgage portfolio at 31 December 2015, OBOS holds 11.7 per cent of the shares in Eika Boligkreditt.

## Appendix

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

| <i>P&amp;L &amp; balance in NOK mil.</i>   | 2009         | 2010         | 2011         | 2012         | 2013         | 2014         | 2015         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income                        | 3 387        | 3 512        | 3 631        | 3 777        | 3 949        | 4 163        | 4 275        |
| Net commission income                      | 580          | 662          | 734          | 863          | 1 142        | 1 320        | 1 260        |
| Other income                               | 54           | 43           | 44           | 40           | 39           | 39           | 38           |
| <b>Total income</b>                        | <b>4 021</b> | <b>4 217</b> | <b>4 409</b> | <b>4 681</b> | <b>5 130</b> | <b>5 523</b> | <b>5 573</b> |
| Personnel and adm. expenses                | 2 032        | 2 061        | 2 134        | 2 243        | 2 344        | 2 491        | 2 669        |
| Depreciation                               | 165          | 123          | 98           | 95           | 100          | 110          | 117          |
| Other costs                                | 442          | 469          | 495          | 515          | 578          | 605          | 665          |
| <b>Total costs</b>                         | <b>2 639</b> | <b>2 653</b> | <b>2 726</b> | <b>2 852</b> | <b>3 023</b> | <b>3 206</b> | <b>3 451</b> |
| Core earnings before loan losses           | 1 383        | 1 564        | 1 683        | 1 828        | 2 108        | 2 317        | 2 121        |
| Impairment of loans and guarantees         | 442          | 404          | 458          | 329          | 389          | 315          | 237          |
| <b>Core earnings</b>                       | <b>940</b>   | <b>1 160</b> | <b>1 225</b> | <b>1 499</b> | <b>1 719</b> | <b>2 002</b> | <b>1 884</b> |
| Dividends/associated companies             | 81           | 177          | 189          | 89           | 257          | 238          | 348          |
| Net return on financial investments        | 564          | 218          | -78          | 217          | 228          | 132          | -189         |
| One-offs and loss/gain on long-term assets | 117          | 376          | -69          | 150          | -61          | 181          | 217          |
| <b>Pre tax profit</b>                      | <b>1 701</b> | <b>1 931</b> | <b>1 267</b> | <b>1 955</b> | <b>2 142</b> | <b>2 553</b> | <b>2 260</b> |
| Taxes                                      | 443          | 501          | 412          | 542          | 583          | 623          | 553          |
| <b>Net profit</b>                          | <b>1 259</b> | <b>1 430</b> | <b>855</b>   | <b>1 413</b> | <b>1 559</b> | <b>1 930</b> | <b>1 707</b> |
| Gross loans                                | 151 218      | 157 375      | 159 645      | 166 255      | 173 617      | 182 081      | 193 576      |
| Gross loans incl. EBK                      | 169 995      | 182 382      | 193 092      | 208 764      | 225 292      | 238 296      | 253 212      |
| Deposits                                   | 111 983      | 120 419      | 128 567      | 137 142      | 144 975      | 156 594      | 164 697      |
| Equity                                     | 15 496       | 16 748       | 17 525       | 18 833       | 20 422       | 22 268       | 23 624       |
| Total assets                               | 184 321      | 190 813      | 196 623      | 200 895      | 210 302      | 224 157      | 231 814      |
| Total assets incl. EBK                     | 203 097      | 215 820      | 230 070      | 243 403      | 261 977      | 280 371      | 291 450      |

Source: Bank Analyst Eika

## Appendix

# Eika banks - Key figures

| Key figures                                   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   |
|---|--------|--------|--------|--------|--------|--------|--------|
| Growth in loans                               | 2,5 %  | 4,1 %  | 1,4 %  | 4,1 %  | 4,4 %  | 4,9 %  | 6,3 %  |
| Growth in loans incl. EBK                     | 6,9 %  | 7,3 %  | 5,9 %  | 8,1 %  | 7,9 %  | 5,8 %  | 6,3 %  |
| Growth in deposits                            | 4,7 %  | 7,5 %  | 6,8 %  | 6,7 %  | 5,7 %  | 8,0 %  | 5,2 %  |
| Deposit ratio                                 | 74,1 % | 76,5 % | 80,5 % | 82,5 % | 83,5 % | 86,0 % | 85,1 % |
| Deposit over total funding                    | 67,1 % | 69,9 % | 72,6 % | 76,1 % | 77,2 % | 78,4 % | 79,9 % |
| (Market funding - Liquid assets)/Total assets | 13,7 % | 11,6 % | 7,8 %  | 6,3 %  | 5,4 %  | 3,1 %  | 4,2 %  |
| Liquid assets/Total assets                    | 16,1 % | 15,5 % | 16,9 % | 15,1 % | 15,0 % | 16,2 % | 13,7 % |
| Market funds/Total assets                     | 29,8 % | 27,1 % | 24,7 % | 21,4 % | 20,4 % | 19,3 % | 17,8 % |
| Equity ratio                                  | 8,4 %  | 8,8 %  | 8,9 %  | 9,4 %  | 9,7 %  | 9,9 %  | 10,2 % |
| Common Equity Tier 1 ratio (CET1)             | 14,3 % | 15,0 % | 15,2 % | 15,8 % | 16,1 % | 16,9 % | 17,5 % |
| Core capital ratio                            | 16,4 % | 17,0 % | 17,3 % | 18,1 % | 18,5 % | 18,3 % | 18,5 % |
| Capital ratio                                 | 17,6 % | 18,2 % | 18,2 % | 18,6 % | 18,7 % | 18,9 % | 19,2 % |
| Loan loss provision ratio                     | 0,30 % | 0,26 % | 0,29 % | 0,20 % | 0,23 % | 0,18 % | 0,13 % |
| Loan loss provision/Pre-provision income      | 21,8 % | 20,6 % | 25,5 % | 15,4 % | 15,0 % | 11,7 % | 10,4 % |
| Gross problem loans/Gross loans               | 2,02 % | 1,83 % | 1,89 % | 1,78 % | 1,62 % | 1,53 % | 1,38 % |
| Net problem loans/Gross loans                 | 1,50 % | 1,34 % | 1,38 % | 1,32 % | 1,20 % | 1,13 % | 1,01 % |
| Loan loss reserves/Gross loans                | 0,94 % | 0,88 % | 0,92 % | 0,88 % | 0,82 % | 0,79 % | 0,73 % |
| Problem loans/(Equity + LLR)                  | 18,0 % | 15,9 % | 15,9 % | 14,6 % | 12,9 % | 11,8 % | 10,7 % |
| Net interest income/total assets              | 1,88 % | 1,87 % | 1,87 % | 1,90 % | 1,92 % | 1,92 % | 1,88 % |
| Net commission incom/total assets             | 0,32 % | 0,35 % | 0,38 % | 0,43 % | 0,56 % | 0,61 % | 0,55 % |
| Cost/income ratio                             | 56,6 % | 57,5 % | 60,3 % | 57,2 % | 53,8 % | 54,4 % | 60,2 % |
| Cost/income ratio (adjsted)                   | 65,6 % | 62,9 % | 61,8 % | 60,9 % | 58,9 % | 58,0 % | 61,9 % |
| Net profit in % of total assets               | 0,70 % | 0,76 % | 0,44 % | 0,71 % | 0,76 % | 0,89 % | 0,75 % |
| Net profit/average RWA                        | 1,28 % | 1,38 % | 0,80 % | 1,29 % | 1,37 % | 1,61 % | 1,37 % |
| Pre-provision income/average RWA              | 2,06 % | 1,89 % | 1,68 % | 1,94 % | 2,28 % | 2,25 % | 1,83 % |
| Core earnings in % of average RWA             | 0,96 % | 1,12 % | 1,14 % | 1,36 % | 1,51 % | 1,67 % | 1,52 % |
| Return on equity                              | 8,5 %  | 8,9 %  | 5,0 %  | 7,8 %  | 7,9 %  | 9,0 %  | 7,4 %  |

Source: Bank Analyst Eika

## Appendix

# P&L Eika banks – 1Q15 – 2Q16

| <i>P&amp;L &amp; balance in NOK mil.</i>   | 1Q15         | 2Q15         | 3Q15         | 4Q15         | 1Q16         | 2Q16         |
|--|--------------|--------------|--------------|--------------|--------------|--------------|
| Net interest income                        | 1 022        | 1 053        | 1 087        | 1 114        | 1 086        | 1 117        |
| Net commission income                      | 318          | 312          | 325          | 305          | 278          | 285          |
| Other income                               | 8            | 9            | 10           | 11           | 10           | 9            |
| <b>Total income</b>                        | <b>1 348</b> | <b>1 373</b> | <b>1 422</b> | <b>1 430</b> | <b>1 375</b> | <b>1 411</b> |
| Personnel and adm. expenses                | 667          | 600          | 692          | 710          | 690          | 644          |
| Depreciation                               | 29           | 28           | 29           | 31           | 32           | 34           |
| Other costs                                | 161          | 155          | 164          | 185          | 173          | 180          |
| <b>Total costs</b>                         | <b>857</b>   | <b>784</b>   | <b>884</b>   | <b>927</b>   | <b>895</b>   | <b>857</b>   |
| Core earnings before loan losses           | 492          | 590          | 537          | 503          | 480          | 554          |
| Impairment of loans and guarantees         | 22           | 40           | 65           | 110          | 42           | 62           |
| <b>Core earnings</b>                       | <b>469</b>   | <b>550</b>   | <b>472</b>   | <b>394</b>   | <b>438</b>   | <b>492</b>   |
| Dividends/associated companies             | 24           | 308          | 2            | 13           | 21           | 345          |
| Net return on financial investments        | 5            | 16           | -173         | -37          | -20          | 67           |
| One-offs and loss/gain on long-term assets | 121          | 2            | 7            | 87           | -15          | 190          |
| <b>Pre tax profit</b>                      | <b>620</b>   | <b>876</b>   | <b>308</b>   | <b>456</b>   | <b>425</b>   | <b>1 094</b> |
| Taxes                                      | 137          | 189          | 97           | 130          | 110          | 201          |
| <b>Net profit</b>                          | <b>483</b>   | <b>687</b>   | <b>211</b>   | <b>327</b>   | <b>314</b>   | <b>892</b>   |
| Gross loans                                | 182 360      | 185 797      | 190 144      | 193 576      | 197 107      | 204 103      |
| Gross loans incl. EBK                      | 240 034      | 244 137      | 248 609      | 253 212      | 257 689      | 266 507      |
| Deposits                                   | 157 601      | 164 461      | 163 216      | 164 697      | 165 747      | 175 619      |
| Equity                                     | 22 200       | 23 049       | 23 255       | 23 624       | 23 913       | 25 009       |
| Total assets                               | 225 034      | 231 543      | 231 088      | 231 814      | 234 504      | 248 270      |
| Total assets incl. EBK                     | 282 708      | 289 883      | 289 553      | 291 450      | 295 086      | 310 675      |

Source: Bank Analyst Eika

## Appendix

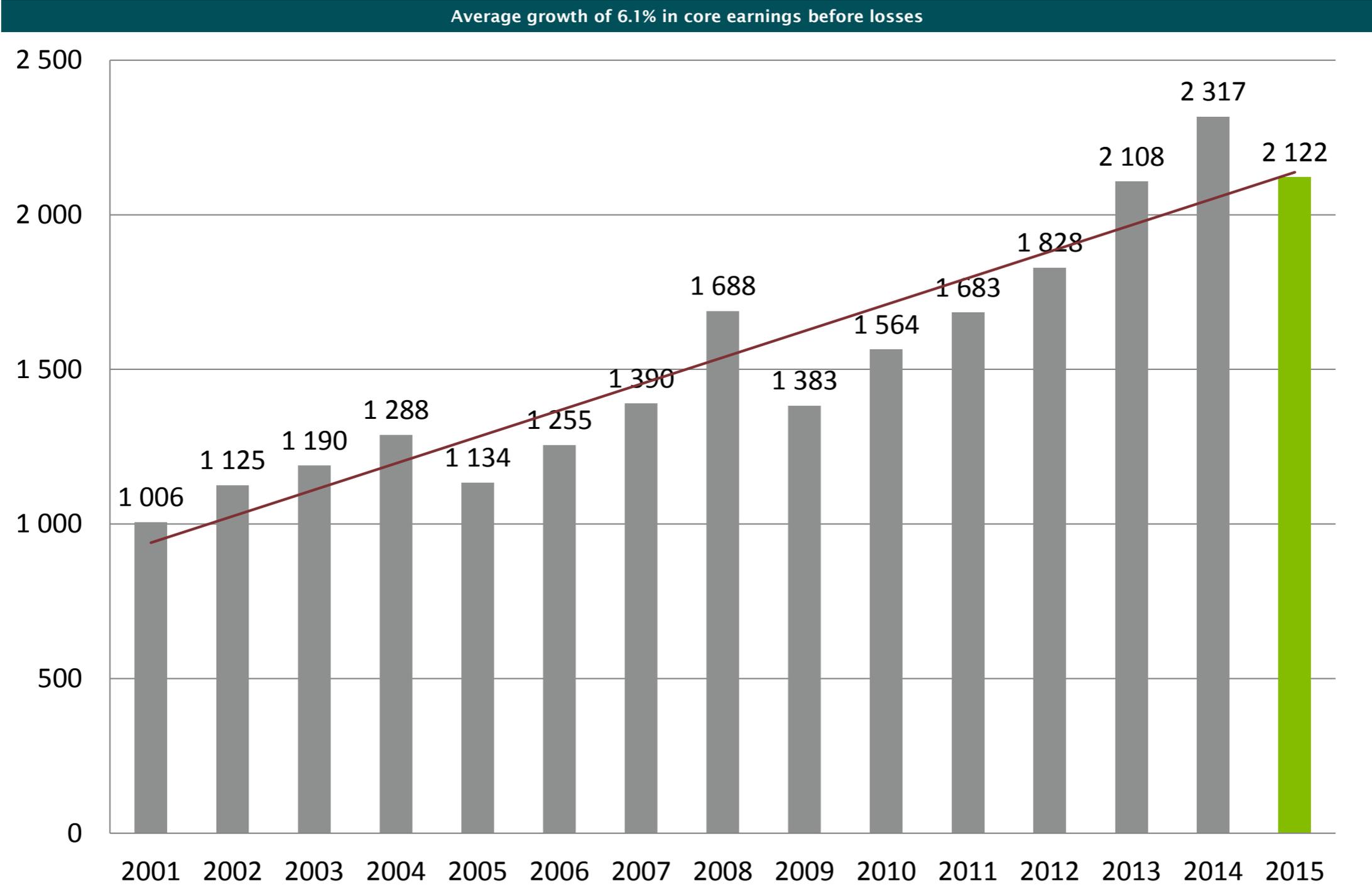
# Eika banks - Key figures 1Q15 – 2Q16

| Key figures   | 1Q15   | 2Q15   | 3Q15   | 4Q15   | 1Q16   | 2Q16   |
|---|--------|--------|--------|--------|--------|--------|
| Growth in loans   | 0,2 %  | 1,9 %  | 2,3 %  | 1,8 %  | 1,8 %  | 3,5 %  |
| Growth in loans incl. EBK   | 0,7 %  | 1,7 %  | 1,8 %  | 1,9 %  | 1,8 %  | 3,4 %  |
| Growth in deposits  | 0,6 %  | 4,4 %  | -0,8 % | 0,9 %  | 0,6 %  | 6,0 %  |
| Deposit ratio   | 86,4 % | 88,5 % | 85,8 % | 85,1 % | 84,1 % | 86,0 % |
| Deposit over total funding<br>(Market funding - Liquid assets)/Total assets | 78,9 % | 80,3 % | 80,1 % | 79,9 % | 79,7 % | 79,7 % |
| Liquid assets/Total assets  | 16,3 % | 16,9 % | 14,9 % | 13,7 % | 13,0 % | 14,9 % |
| Market funds/Total assets   | 18,8 % | 17,4 % | 17,5 % | 17,8 % | 18,0 % | 18,0 % |
| Equity ratio  | 9,9 %  | 10,0 % | 10,1 % | 10,2 % | 10,2 % | 10,1 % |
| Common Equity Tier 1 ratio (CET1)   | 16,6 % | 16,4 % | 16,3 % | 17,5 % | 17,0 % | 16,6 % |
| Core capital ratio  | 17,6 % | 17,3 % | 17,2 % | 18,5 % | 18,2 % | 17,7 % |
| Capital ratio   | 18,4 % | 17,9 % | 17,9 % | 19,2 % | 19,0 % | 18,5 % |
| Loan loss provision ratio   | 0,05 % | 0,09 % | 0,14 % | 0,23 % | 0,09 % | 0,12 % |
| Loan loss provision/Pre-provision income                                    | 4,3 %  | 4,4 %  | 17,8 % | 22,9 % | 8,7 %  | 6,4 %  |
| Gross problem loans/Gross loans   | 1,52 % | 1,51 % | 1,47 % | 1,38 % | 1,46 % | 1,40 % |
| Net problem loans/Gross loans   | 1,15 % | 1,14 % | 1,09 % | 1,01 % | 1,10 % | 1,05 % |
| Loan loss reserves/Gross loans  | 0,76 % | 0,74 % | 0,74 % | 0,73 % | 0,72 % | 0,71 % |
| Problem loans/(Equity + LLR)  | 11,8 % | 11,5 % | 11,3 % | 10,7 % | 11,3 % | 10,8 % |
| Net interest income/total assets  | 1,82 % | 1,84 % | 1,88 % | 1,93 % | 1,86 % | 1,85 % |
| Net commission incom/total assets   | 0,57 % | 0,55 % | 0,56 % | 0,53 % | 0,48 % | 0,47 % |
| Cost/income ratio   | 62,2 % | 46,2 % | 70,7 % | 65,9 % | 65,0 % | 47,0 % |
| Cost/income ratio (adjsted)   | 63,5 % | 57,1 % | 62,2 % | 64,8 % | 65,1 % | 60,8 % |
| Net profit in % of total assets   | 0,86 % | 1,20 % | 0,36 % | 0,56 % | 0,54 % | 1,48 % |
| Net profit/average RWA  | 1,56 % | 2,19 % | 0,67 % | 1,04 % | 1,00 % | 2,76 % |
| Pre-provision income/average RWA  | 1,68 % | 2,92 % | 1,16 % | 1,52 % | 1,53 % | 2,99 % |
| Core earnings in % of average RWA   | 1,51 % | 1,74 % | 1,49 % | 1,26 % | 1,38 % | 1,50 % |
| Return on equity  | 8,7 %  | 12,1 % | 3,6 %  | 5,6 %  | 5,3 %  | 14,6 % |

Source: Bank Analyst Eika

Appendix

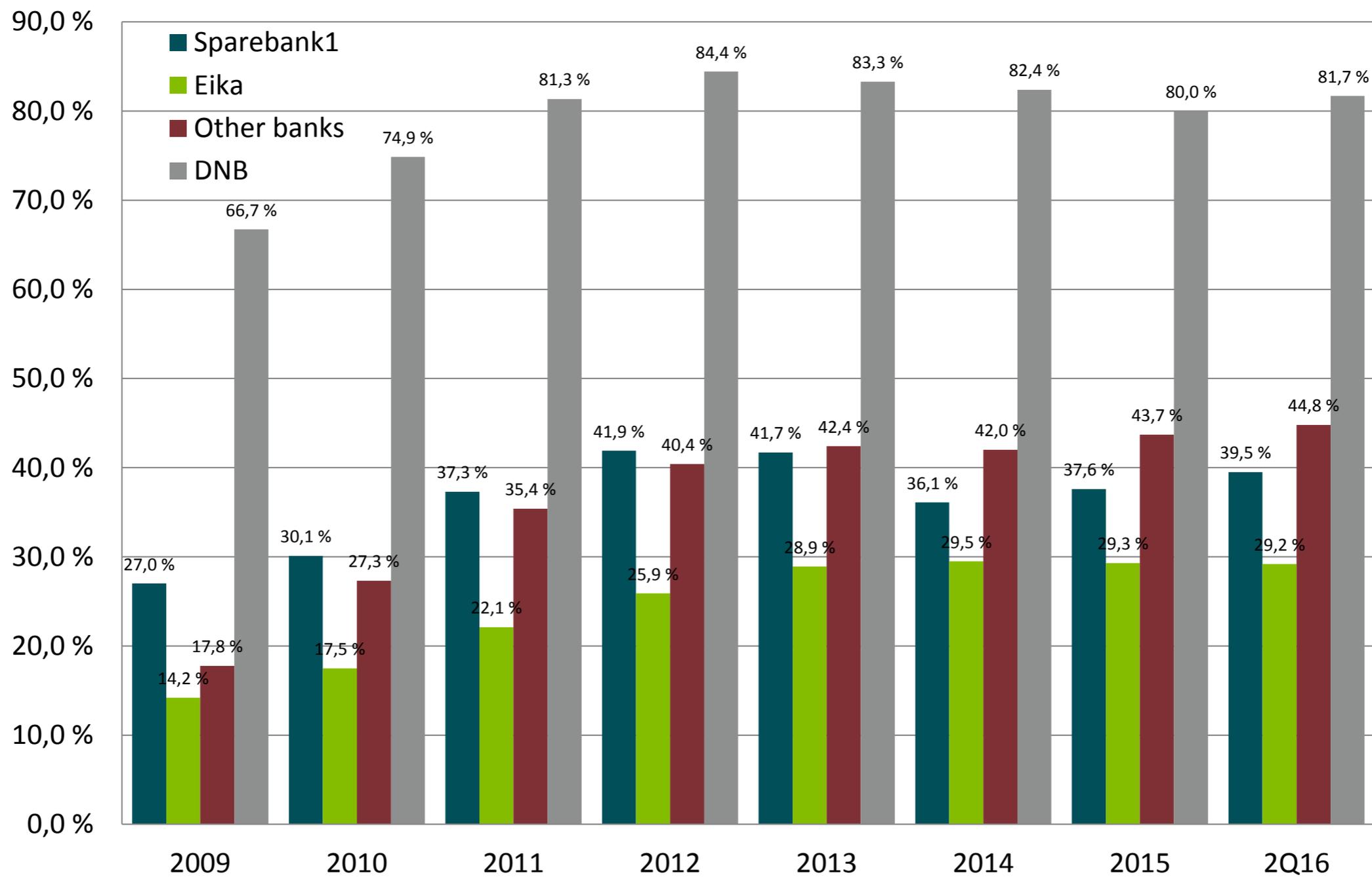
# Eika banks - core earnings



Source: Bank Analyst Eika

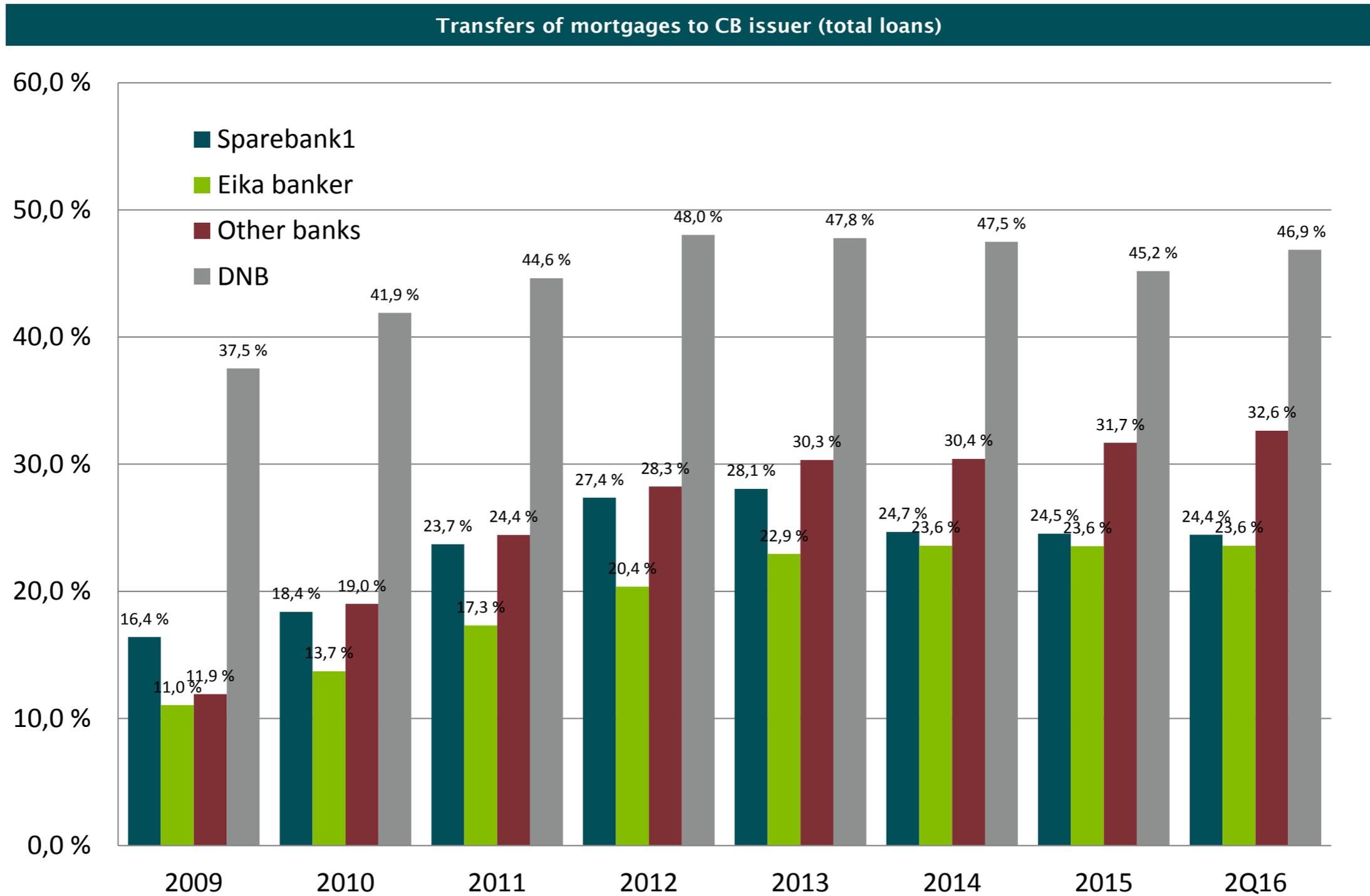
# Banks – transfer rate to Cov. Bond companies

Transfers of mortgages to CB issuer in percentage of retail loans (incl. EIKBOL and excl. OBOS)



Source: Bank Analyst Eika

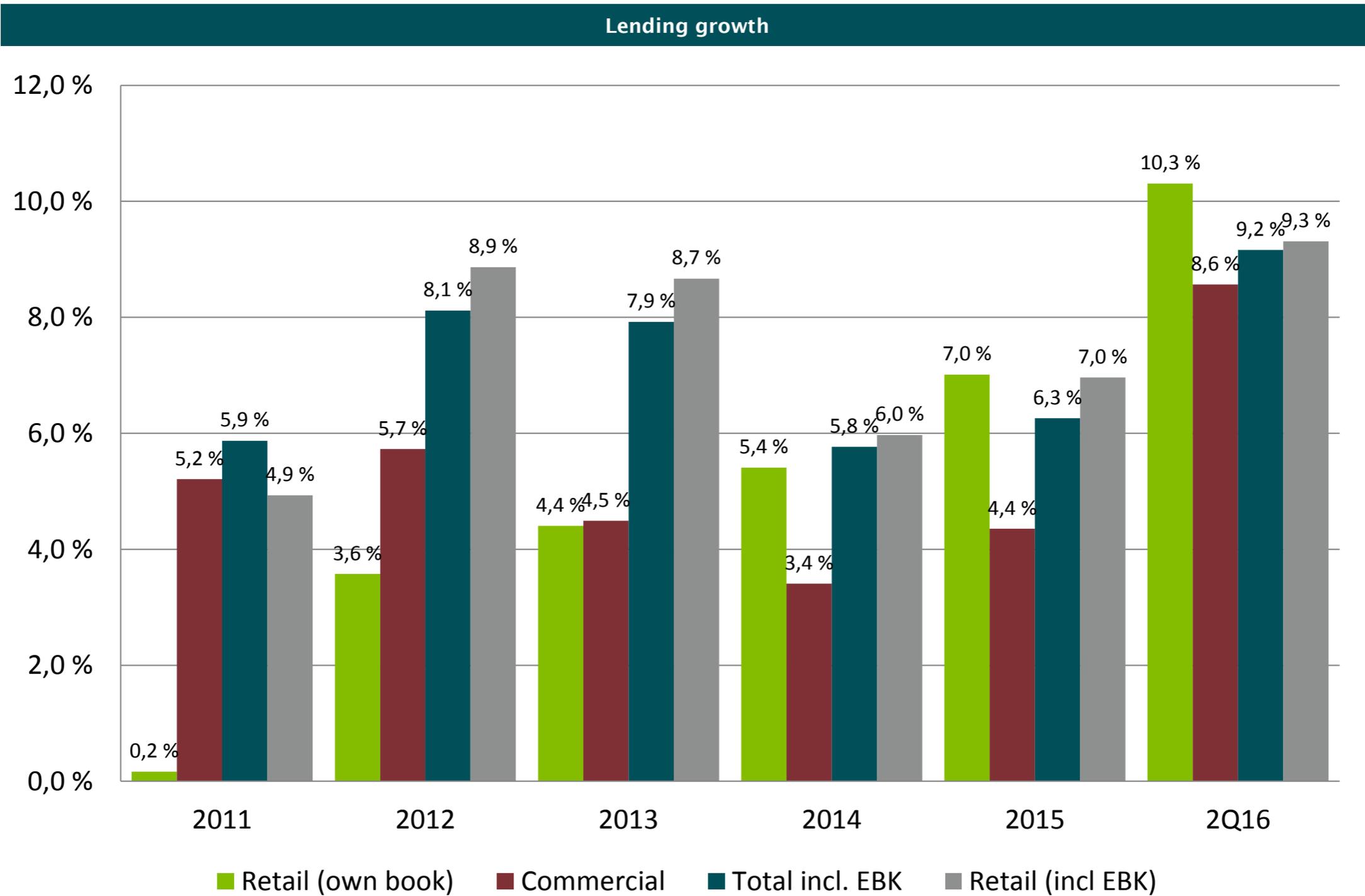
# Banks - transfers of mortgages to Cov. Bond companies



Source: Bank Analyst Eika

# Appendix

## Eika banks - lending growth



Source: Bank Analyst Eika

## Appendix

# Eika banks - lending distribution - high retail share compared to peers

- Significantly higher retail share compared with Sparebank1, other saving banks and DNB.
- Exposure to agriculture has more in common with retail loans since the house on the farm often makes up the main collateral of the loan
- No exposure to shipping and relatively low exposure to commercial real estate

| Sector                    | Eika    | Other banks | Sparebank 1 | DNB     | Nordea  |
|---------------------------|---------|-------------|-------------|---------|---------|
| Agriculture/forestry      | 4,8 %   | 2,6 %       | 4,6 %       | 0,4 %   | 3,2 %   |
| Fishing/fish farming      | 0,0 %   | 1,9 %       | 1,1 %       | 1,1 %   | 0,0 %   |
| Industry                  | 1,3 %   | 2,0 %       | 2,7 %       | 6,2 %   | 7,1 %   |
| Building and construction | 3,9 %   | 5,2 %       | 3,1 %       | 3,2 %   | 3,1 %   |
| Trade and hotels          | 2,0 %   | 2,1 %       | 2,1 %       | 3,2 %   | 4,5 %   |
| Shipping                  | 0,0 %   | 2,2 %       | 3,4 %       | 8,2 %   | 9,2 %   |
| Real estate business      | 10,6 %  | 18,0 %      | 17,1 %      | 13,1 %  | 15,7 %  |
| Service industry          | 1,9 %   | 2,7 %       | 4,0 %       | 6,4 %   | 2,2 %   |
| Transport/comm.           | 0,7 %   | 1,3 %       | 1,5 %       | 3,8 %   | 1,6 %   |
| Other                     | 0,6 %   | 1,8 %       | 1,4 %       | 5,3 %   | 2,8 %   |
| Public sector             | 0,1 %   | 0,0 %       | 0,6 %       | 0,9 %   | 0,0 %   |
| Commercial lending        | 25,8 %  | 40,0 %      | 41,6 %      | 51,8 %  | 49,5 %  |
| Retail lending            | 74,2 %  | 60,0 %      | 58,4 %      | 48,2 %  | 50,5 %  |
| Total lending             | 100,0 % | 100,0 %     | 100,0 %     | 100,0 % | 100,0 % |

## Appendix

# P&L Eika Boligkreditt - Strong income growth

| Amounts in NOK Million  | 2010       | 2011       | 2012       | 2013       | 2014       | 2015       | 1Q16       | 2Q16       | 3Q16       |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Total Interest income   | 1 029      | 1 403      | 1 806      | 2 205      | 2 461      | 2 066      | 462        | 461        | 459        |
| Total interest expenses                                       | 866        | 1 229      | 1 458      | 1 568      | 1 721      | 1 430      | 336        | 331        | 340        |
| <b>Net interest income</b>                                    | <b>163</b> | <b>173</b> | <b>348</b> | <b>637</b> | <b>741</b> | <b>636</b> | <b>127</b> | <b>130</b> | <b>119</b> |
| Dividend from shares classified as available for sale         | 1          | 3          | 3          | 5          | -          | 6          | -          | 6          | -          |
| Total gains and losses on financial instruments at fair value | 14         | 6          | 16         | (111)      | 51         | 203        | 103        | (18)       | (24)       |
| Comission costs   | 97         | 111        | 212        | 449        | 431        | 443        | 73         | 71         | 79         |
| Total salaries and administrative expenses                    | 26         | 26         | 31         | 37         | 32         | 42         | 10         | 11         | 7          |
| Depreciation  | 1          | 1          | 2          | 2          | 1          | 2          | -          | 0          | 0          |
| Other operating expenses                                      | 8          | 11         | 11         | 14         | 10         | 13         | 3          | 4          | 3          |
| Losses on loans and gurantees                                 | -          | -          | -          | -          | -          | -          | -          | -          | -          |
| <b>PROFIT BEFORE TAXES</b>                                    | <b>45</b>  | <b>112</b> | <b>112</b> | <b>29</b>  | <b>117</b> | <b>344</b> | <b>142</b> | <b>31</b>  | <b>6</b>   |
| Taxes   | 12         | 31         | 31         | 8          | 30         | 81         | 36         | 6          | 2          |
| <b>PROFIT FO THE PERIOD</b>                                   | <b>33</b>  | <b>81</b>  | <b>81</b>  | <b>21</b>  | <b>87</b>  | <b>263</b> | <b>106</b> | <b>25</b>  | <b>4</b>   |

### Eika Boligkreditt AS - Report Q3 2016:

Eika Boligkreditt showed a pre-tax profit of NOK 6.2 million for the third quarter, compared with NOK 46.2 million in the same period of 2015. Third-quarter profit included negative changes of NOK 48.7 million (2015: NOK 51.2 million) in the value of basis swaps, so that pre-tax profit excluding changes in the value of basis swaps came to NOK 54.9 million (2015: loss of NOK 5 million). Profit included a net loss of NOK 23.7 million in the fair value of financial instruments, compared with a net gain of NOK 22.9 million for the third quarter of 2015.

The full report is available on: <http://eikabk.no>

## Appendix

# Eika Boligkreditt - Balance sheet and key figures

| Amounts in NOK million  | 2010   | 2011   | 2012   | 2013   | 2014   | 2015   | 1Q2016 | 2Q2016 | 3Q2016 |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>Balance sheet development</b>  |        |        |        |        |        |        |        |        |        |
| Lending to customers  | 29 904 | 37 194 | 47 086 | 57 692 | 60 889 | 64 527 | 66 200 | 67 766 | 69 240 |
| Debt from issuing securities  | 32 719 | 41 212 | 52 583 | 63 889 | 72 878 | 79 876 | 79 971 | 82 420 | 83 455 |
| Subordinated loans  | 438    | 318    | 319    | 678    | 698    | 450    | 599    | 599    | 599    |
| Equity  | 909    | 1 070  | 1 801  | 2 459  | 3 024  | 4 242  | 4 344  | 4 344  | 4 342  |
| Equity in % of total assets   | 2.63   | 2.47   | 3.21   | 3.52   | 3.72   | 4.72   | 4.82   | 4.70   | 4.66   |
| Average total assets  | 31 337 | 38 645 | 50 013 | 63 765 | 76 845 | 84 571 | 90 030 | 90 822 | 91 400 |
| Total assets  | 34 612 | 43 255 | 56 165 | 69 829 | 81 298 | 89 932 | 90 127 | 92 407 | 93 134 |
| <b>Rate of return / profitability</b>   |        |        |        |        |        |        |        |        |        |
| Fee and commission income to relation to average total assets, annualised (%)                 | 0.31   | 0.29   | 0.42   | 0.70   | 0.74   | 0.50   | 0.30   | 0.30   | 0.32   |
| Staff and general administration expenses in relation to average total assets, annualised (%) | 0.08   | 0.07   | 0.06   | 0.06   | 0.05   | 0.10   | 0.05   | 0.05   | 0.04   |
| Return on equity, annualised (%)  | 4.92   | 3.12   | 6.54   | 1.21   | 4.17   | 10.70  | 16.10  | 9.70   | 6.63   |
| Total assets per full-time position   | 2 704  | 2 923  | 3 555  | 3 714  | 4 106  | 4 542  | 4 552  | 4 667  | 4 704  |
| <b>Financial strength</b>   |        |        |        |        |        |        |        |        |        |
| Core tier 1 capital   | 904    | 1 053  | 1 710  | 2 399  | 2 925  | 3 607  | 3 607  | 3 755  | 3 755  |
| Total tier 1 capital  | 904    | 1 053  | 1 710  | 2 648  | 3 374  | 4 055  | 4 056  | 4 204  | 4 204  |
| Total primary capital (tier 2 capital)  | 1 342  | 1 371  | 2 029  | 3 077  | 3 623  | 4 505  | 4 655  | 4 803  | 4 804  |
| Weighted calculation basis  | 10 829 | 13 724 | 17 150 | 21 445 | 25 155 | 27 510 | 27 542 | 28 575 | 28 753 |
| Core tier 1 capital ratio   | 8.3    | 7.7    | 10.0   | 11.2   | 11.63  | 13.10  | 13.10  | 13.10  | 13.06  |
| Total tier 1 capital ratio  | 8.3    | 7.7    | 10.0   | 12.3   | 13.41  | 14.70  | 14.73  | 14.71  | 14.62  |
| Capital adequacy ratio  | 12.4   | 10.0   | 11.8   | 14.3   | 14.40  | 16.40  | 16.90  | 16.81  | 16.71  |
| Delinquencies in % of gross loans   | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| Loss in % of gross loans  | -      | -      | -      | -      | -      | -      | -      | -      | -      |
| <b>Staff</b>  |        |        |        |        |        |        |        |        |        |
| Number of full-time positions at end of period  | 12.80  | 14.80  | 15.80  | 18.80  | 19.8   | 19.8   | 19.8   | 19.8   | 19.8   |

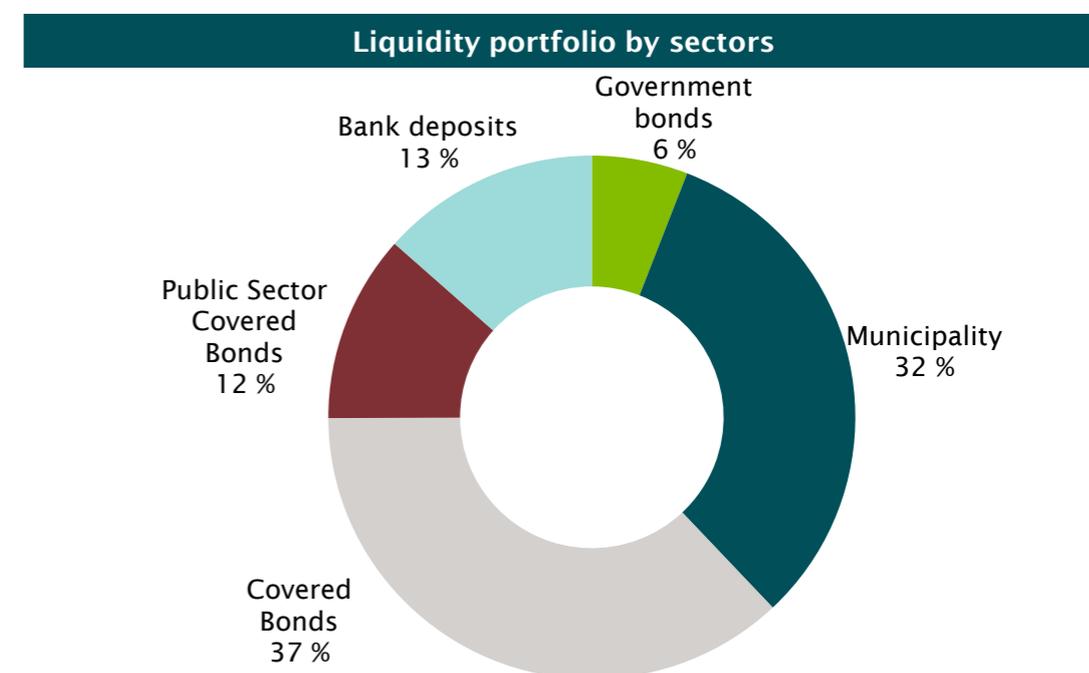
Source: EBK quarterly reports

## Appendix

# Liquidity portfolio

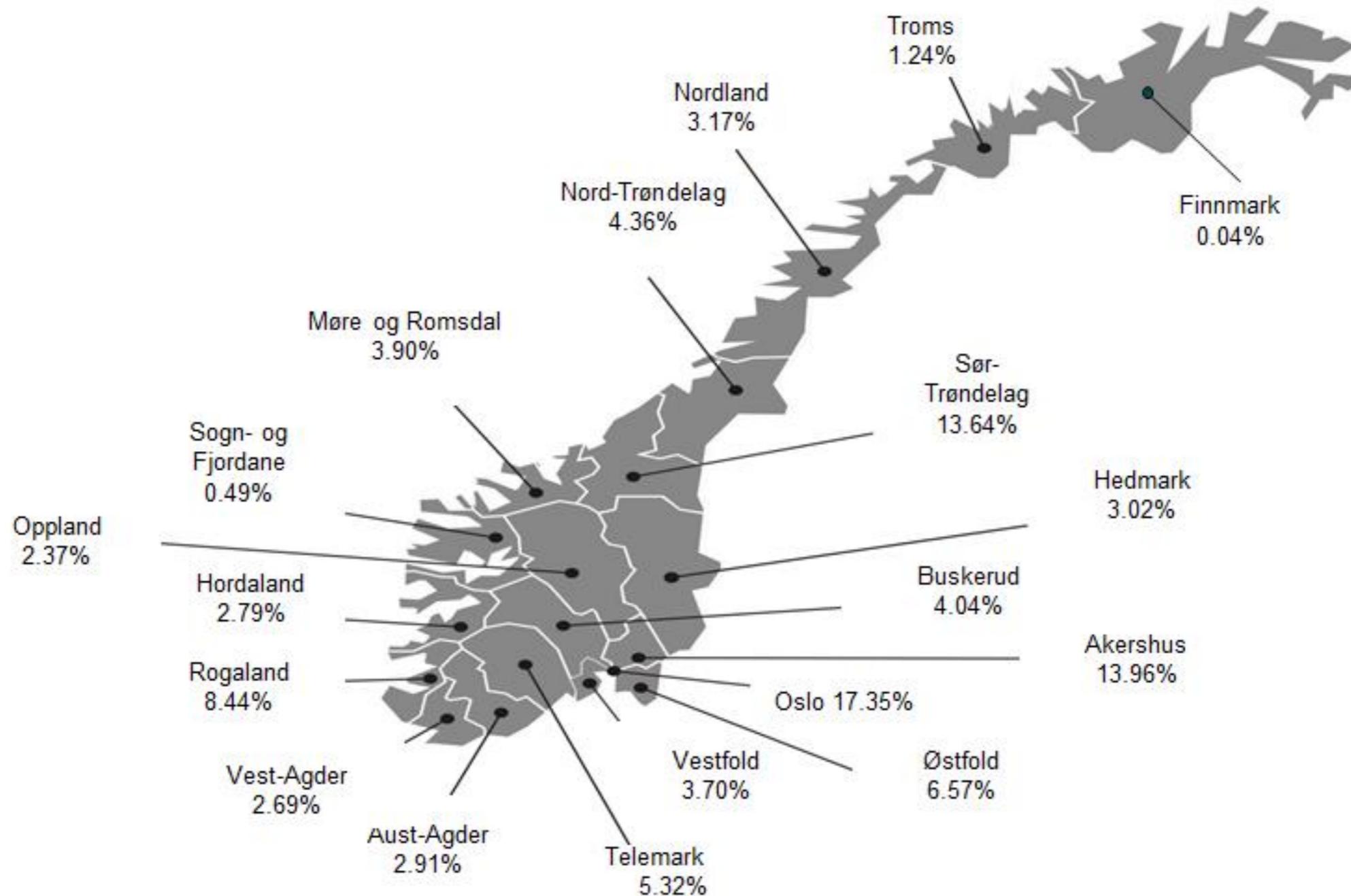
- **The substitute assets constitute EIKBOL's liquidity buffer**
  - Minimum liquidity > 6% of outstanding covered bonds (hard limit)
  - Minimum liquidity > 100% of next 6 months redemptions (hard limit)
  - Internal target is to have liquid assets covering at least 75% of redemptions within the next 12 months
  
- **The Liquidity portfolio conforms to a conservative investment policy**
  - Only Norwegian and NOK denominated exposure
  - 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 Value (EUR)   | In % of portfolio | TtM         |
| Government bonds            | 75,747,016           | 6 %               | 0.42        |
| Municipality                | 412,248,460          | 32 %              | 0.22        |
| Covered Bonds               | 475,720,631          | 37 %              | 1.89        |
| Public Sector Covered Bonds | 149,025,189          | 12 %              | 1.77        |
| Bank deposits               | 173,013,906          | 13 %              | 0.00        |
| <b>Total portfolio</b>      | <b>1,285,755,203</b> | <b>100 %</b>      | <b>1.00</b> |



## Appendix

# Eika Boligkreditt - Strong geographical diversification



Map of distribution as of 30.09.2016

## Appendix

# Comparison of legal frameworks for covered bonds

|  | Norway  | Sweden  | Denmark  | Finland   | Germany  |
|--|---|---|--|---|--|
| Special Banking Principle                  | Yes; Kredittforetaks  | No, but specialist banks still exist                                      | No, but specialist banks still exist   | No, but specialist banks still exist  | No   |
| Allowed Collateral                         | Residential mortgages, commercial mortgages, public sector debt       | Residential Mortgages, commercial mortgages (max 10%), public sector debt | Residential and commercial mortgage loans<br>Commercial banks are also allowed to introduce ship loans.            | Residential mortgages, commercial mortgages (max. 10%), public sector debt and shares in Finnish real estate corporations | Mortgage loans, public sector debt, ship loans, aircraft loans     |
| RMBS inclusion                             | No  | No  | No   | No  | No   |
| Inclusion of Hedge Positions               | Yes   | Yes   | Yes  | Yes   | Yes, 12% of the pool's NPV   |
| Substitute collateral                      | Max. 20%; 30% for a limited period if authorized by the Norwegian FSA | Up to 20% (30% for a limited period if authorised by the Swedish FSA)     | Up to 15 %   | Up to 20%   | Max. 20%   |
| Geographical scope for public assets       | OECD  | OECD  | Denmark, Greenland and Faroe Islands without restrictions - other countries with approval of Supervisory Authority | EEA   | EEA, Switzerland, USA, Canada and Japan                            |
| Geographical scope for mortgage assets     | OECD  | EEA   | Denmark, Greenland and Faroe Islands without restrictions - other countries with approval of Supervisory Authority | EEA   | EEA, Switzerland, USA, Canada and Japan                            |
| LTV barrier residential                    | 75%   | 75% (70% for agricultural purposes)                                       | 80%  | 70%   | 60%  |
| LTV barrier commercial                     | 60%   | 60%   | 60%  | 60%   | 60%  |
| Basis for valuation                        | Market value  | Market value  | Market value   | Market value  | Mortgage lending value   |
| Valuation check                            | Regular monitoring  | Regular monitoring  | Regular monitoring   | Regular monitoring  | Regular (at least every 2 years) examination of the cover register |
| Special supervision                        | Yes; Finanstilsynet   | Yes; Finansinspektionen   | Yes ; Finanstilsynet   | Yes; Finanssivalvonta<br>Finansinspektionen   | Yes; BaFin   |
| Protection against mismatching             | The law stipulates that cash-flows should be matched narrowly         | Nominal coverage, NPV coverage  | Yes; general or specific balance principles govern several restrictions on max. mismatches possible                | Nominal coverage, NPV coverage; 12 month cash flow coverage, stress testing, liquidity management                         | Nominal coverage, NPV coverage, 180d liq. buffer                   |
| Obligation to replace non-performing loans | No, but haircuts for loans in-arrears for more than 90 days           | No  | No   | Readjustment of valuation   | No   |
| Mandatory overcollateralization            | No  | No  | 8% on a risk-weighted basis for specialised institutions   | Yes (2% on a NPV basis)   | 2% NPV   |
| Fulfills UCITS 22(4)/CRD                   | Yes   | Yes   | Yes  | Yes   | Yes  |

Source: Natixis Covered Bond Research/Nordea Markets

## Appendix

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

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