

Guidelines for remuneration

INTRODUCTION

Eika Boligkreditt AS is the covered bond company in the Eika Alliance. The company is a credit institution wholly owned by the local banks in the Eika Alliance and OBOS. Eika Boligkreditt offers financing to the local banks and OBOS in exchange for the transfer of residential mortgages with a loan-to-value ratio below 60 per cent of the mortgaged property. The company is licensed as a credit institution and finances its lending business primarily through the issue of covered bonds with an international rating. Eika Boligkreditt makes an important contribution to ensuring that customers of the local banks achieve competitive terms for their residential mortgages.

As part of one of the country's leading bank alliances, Eika Boligkreditt wants to offer its employees remuneration arrangements which are equitable, motivating, and in line with the company's policy for risk management and control.

These guidelines have been developed by Eika Boligkreditt's remuneration committee and approved by the board of directors. They apply to remuneration, including pay, benefits in kind, pension and insurance plans, and termination payments. The guidelines apply to all employees.

MAIN PRINCIPLES FOR DETERMINING REMUNERATION

GENERAL

Eika Boligkreditt's remuneration policy is intended to contribute to securing access for the owner banks to long-term and competitive financing through the issue of covered bonds.

Eika Boligkreditt's remuneration policy will be entrenched in the company's business strategy, and compatible at all times with the company's risk tolerance and long-term interests as defined in its policy and guidelines for risk management and internal control. Eika Boligkreditt gives great emphasis to possessing a remuneration system which is sustainable both in the short term and in a long-term perspective.

The remuneration of Eika Boligkreditt's employees is determined by individual contracts of employment.

Eika Boligkreditt has established certain main principles for its reward strategy. These are general in scope, but will vary in their application to the various remuneration arrangements and job categories.

The main principles for Eika Boligkreditt's reward strategy will be as follows.

- The remuneration system will contribute to securing access for the owner banks to long-term and competitive financing through the issue of covered bonds.
- The remuneration system will contribute to providing a return to the shareholders.
- The remuneration system will be competitive but not a market pacesetter, and encourage a long-term community of interest between the employee, the company and the company's shareholders.
- The remuneration system will differentiate on the basis of the individual's responsibility, performance and qualifications.
- The remuneration system will be equitable and non-discriminatory.
- The remuneration system will reward the attainment of goals by individuals, units and the company.

- The remuneration system will contribute to promoting and incentivising good management and control of the company's risk, and discourage excessive risk-taking.
- The remuneration system will contribute to avoiding conflicts of interest between employees, the company and the company's customers, investors and shareholders. The system will accordingly accord with the company's guidelines on conflicts of interest.
- The remuneration system will accord with applicable external and internal regulations as well as Eika Boligkreditt's principles on good corporate governance.

FORMS OF REMUNERATION

Eika Boligkreditt's remuneration system currently comprises the following main elements:

- fixed pay
- pension and insurance plans
- benefits in kind and refunding of expenses
- bonus bank (bonus scheme wound up).

Fixed pay

Fixed pay consists of the employee's agreed fixed pay. Its level will be competitive but not a pacesetter, and will reflect the individual's responsibility and performance.

Fixed pay is normally assessed once a year.

Pension and insurance plans

Eika Boligkreditt provides occupational pension and insurance plans as prescribed by law within the frameworks for such schemes prevailing at any given time, as well as certain non-mandatory plans.

The following pension and insurance plans have been established by Eika Boligkreditt for its employees.

- **Defined-contribution occupational pension plan**

This plan is based on the company paying an annual contribution of seven per cent of pay up to 7.1 times the National Insurance base rate (G) and 20 per cent of pay from 7.1 to 12G. In addition, the company provides insurance cover for disability and children's pensions to members of the defined contribution plan. Employees who had a defined benefit plan in the spring of 2016 were transferred to the defined contribution scheme with full pay compensation.

- **Supplementary pension agreement**

The commitment related to supplementary pension provision is covered by a secured bank deposit. Only the CEO is included in this agreement today.

In addition, all employees of Eika Boligkreditt are covered by collective life and accident insurance as well as travel insurance.

Eika Boligkreditt's goal is to maintain a pension and insurance system for the company which is as uniform as possible. Every individual agreement on pension and insurance must accordingly be submitted to the company's remuneration committee before being entered into.

Severance payment, etc

Eika Boligkreditt does not provide severance payments or the like unless justified by special considerations. Such payments must not be made if the conditions for summary dismissal pursuant to section 15-14 of the Norwegian Working Environment Act are present.

The board of directors can enter into individual agreements with members of the company's executive management whereby the person concerned waives their protection against dismissal pursuant to the Working Environment Act in exchange for a severance payment.

Benefits in kind

Eika Boligkreditt will not provide benefits in kind which exceed normal market practice in terms of type or value.

The following main benefits provided today by Eika Boligkreditt are:

- free newspapers/magazines
- home office
- free mobile phone
- free car
- residential mortgage on certain terms, with up to one percentage point of the interest subsidised.

Eika Boligkreditt's policy is to tailor benefits in kind to the category and requirements of each position.

Bonus bank (bonus scheme wound up)

Eika Boligkreditt's employees and directors do not receive variable remuneration after the company's bonus scheme was wound up with effect from 1 January 2017. Those employees who were part of the company's special bonus scheme received payment of their bonus over a period of time. Fifty per cent was paid in the year of award, with the remainder placed in a bonus bank and paid out over the three subsequent years. The bonus bank will be fully depleted during 2019.

SPECIAL RULES FOR CERTAIN EMPLOYEE CATEGORIES

INTRODUCTION

Pursuant to sections 15-4 to 15-6 of the Norwegian regulations on financial institutions (FOR-2016-12-09-1502), Eika Boligkreditt has established special rules for the remuneration of senior executives, employees with jobs of particular significance for the company's risk exposure, and personnel with control functions. Holders of elective posts, including the directors of Eika Boligkreditt, are also subject to special requirements in relation to the regulations on financial institutions. Neither employees nor directors of Eika Boligkreditt receive variable remuneration.

SENIOR EXECUTIVES

The board of directors will ensure that the company defines which positions/categories of positions are to be regarded as "senior executives" pursuant to section 15-4 of the regulations on financial institutions. Senior executives do not receive variable remuneration.

A list will be maintained of categories of positions and employees defined in Eika Boligkreditt as senior executives. This list will be kept updated at all times, and will be revised and approved by the remuneration

committee at least once a year. The list will also be revised in connection with reorganisations which could affect its accuracy.

EMPLOYEES WITH JOBS OF PARTICULAR SIGNIFICANCE FOR THE COMPANY'S RISK EXPOSURE

The board of directors will ensure that the company defines which positions/categories of positions are to be regarded as "employees with jobs of particular significance for the company's risk exposure" pursuant to section 15-5 of the regulations on financial institutions. Employees with jobs of particular significance for the company's risk exposure receive no variable remuneration.

A list will be maintained of categories of positions and of employees defined as having jobs of particular significance for the company's risk exposure. This list will be kept updated at all times, and will be revised and approved by the remuneration committee at least once a year. The list will also be revised in connection with reorganisations which could affect its accuracy.

EMPLOYEES WITH CONTROL FUNCTIONS

The board of directors will ensure that the company defines which positions/categories of positions are to be regarded as "employees with control functions" pursuant to section 15-6 of the regulations on financial institutions. Employees with control functions do not receive variable remuneration.

A list will be maintained of categories of positions and of employees defined as having control functions. This list will be kept updated at all times, and will be revised and approved by the remuneration committee at least once a year. The list will also be revised in connection with reorganisations which could affect its accuracy.

REMUNERATION COMMITTEE

The company will have a remuneration committee appointed by the board of directors. This committee will comprise at least two directors. It will prepare all matters concerning the remuneration system to be decided by the board, and will have access to such documentation and information as the committee finds necessary.

INFORMATION DUTY

Eika Boligkreditt will publish information on the company's remuneration system. Furthermore, a report will be published with quantitative information about remuneration for the various categories covered by special rules for remuneration as well as other employees. This information will be made available on the company's website at www.eikbol.no.

INTERNAL CONTROL

Pursuant to section 15-2 of the regulations on financial institutions, the way Eika Boligkreditt's remuneration system is practised must be reviewed at least once a year by independent control units. The company will prepare a written report every year on the annual review. This report will be submitted on request to the Financial Supervisory Authority of Norway. Internal control of the company's remuneration system is conducted by the internal audit function.

APPROVAL OF THE GUIDELINES FOR REMUNERATION

These guidelines were approved by the board of directors on 15 March 2018 and came into force on the same date. The guidelines will be updated as required.