



Terra BoligKreditt AS
Covered Bond Investor Presentation
November 2011

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Executive summary

Norway

- Norway is one of the strongest economies in the world with large budget surplus and low public debt
- Rated Aaa / AAA / AAA (all stable outlooks)
- Low unemployment, high household wealth and sound housing market

Terra Banks

- Third largest Norwegian banking group with nationwide network and focus on retail clients
- Lending operations only in the Norwegian market and no exposure to the Baltics and to Southern Europe
- Highly capitalised, strong asset quality and high deposit base

Terra-Gruppen

- Owned by 78 Terra banks (93.16%) and OBOS* (6.84%)
- A systemically important, cohesive alliance
- All products (except own lending and deposit) are produced or provided by Terra-Gruppen

Terra BoligKreditt

- Terra BoligKreditt is a specialised covered bond issuer 100% owned by Terra-Gruppen
- Strong incentive structure ensures that only high quality loans are passed on to Terra BoligKreditt
- The mortgages in the Cover pool comprise of 100% high quality Norwegian residential mortgages
- Low average LTV-ratio of 44%, maximum LTV as low as 60%
- Has never recorded loans in arrears (>3 months) nor any losses on mortgages
- Covered bonds rated **Aa2** with stable outlook by Moody's, Timely Payment Indicator of "**High**" and the lowest (best) Collateral Score in the Nordics and among the best globally

** 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*

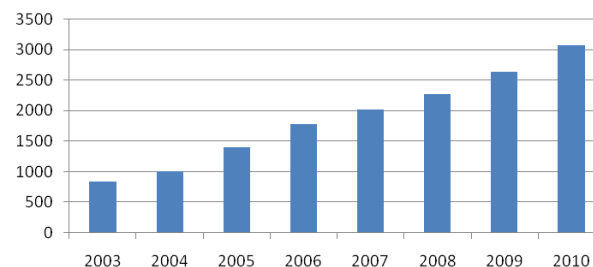
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Norwegian economy and housing market

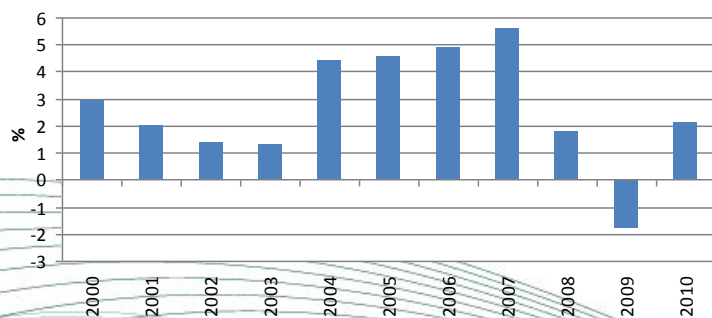
Norway – a strong Aaa economy

- Not part of the euro area (Currency: Norwegian Krone)
- GDP per capita among the highest in the world and above OECD and euro countries
- Strong balance sheet, significant budget surplus and low public debt
- Net assets accumulated in the Sovereign Wealth Fund which gives the government room for maneuvering in fiscal policy if needed. The fund exceeds the annual GDP of Norway
- Rating agencies' view on Norway - Aaa / AAA / AAA with stable outlooks

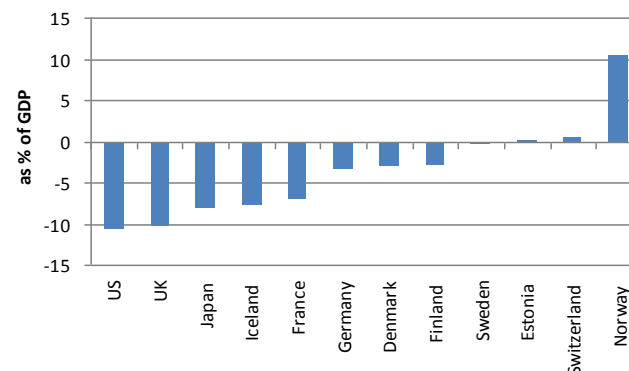
Market Value Norwegian Pension Fund (NOK bn)



GDP Growth - Mainland Norway



Government financial balances, 2010

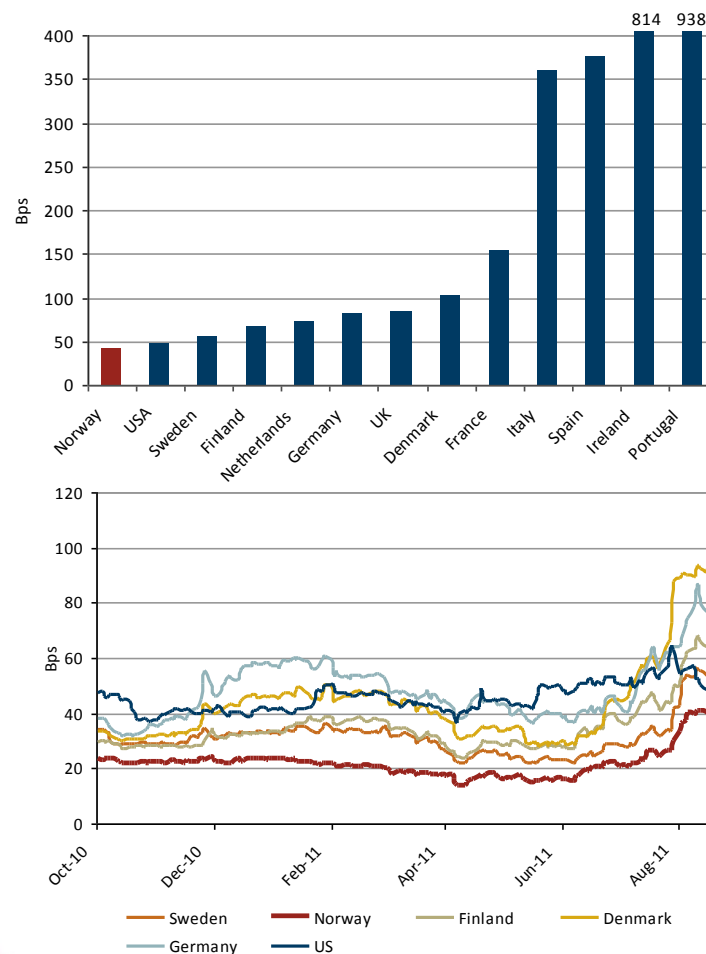


Sources: OECD, NBIM, Statistics Norway

Norwegian economy and housing market

Norway – the highest credit quality

- Safe haven status of Norway evidenced by the lowest sovereign CDS spread globally
- Strong historical performance in the CDS of Norway



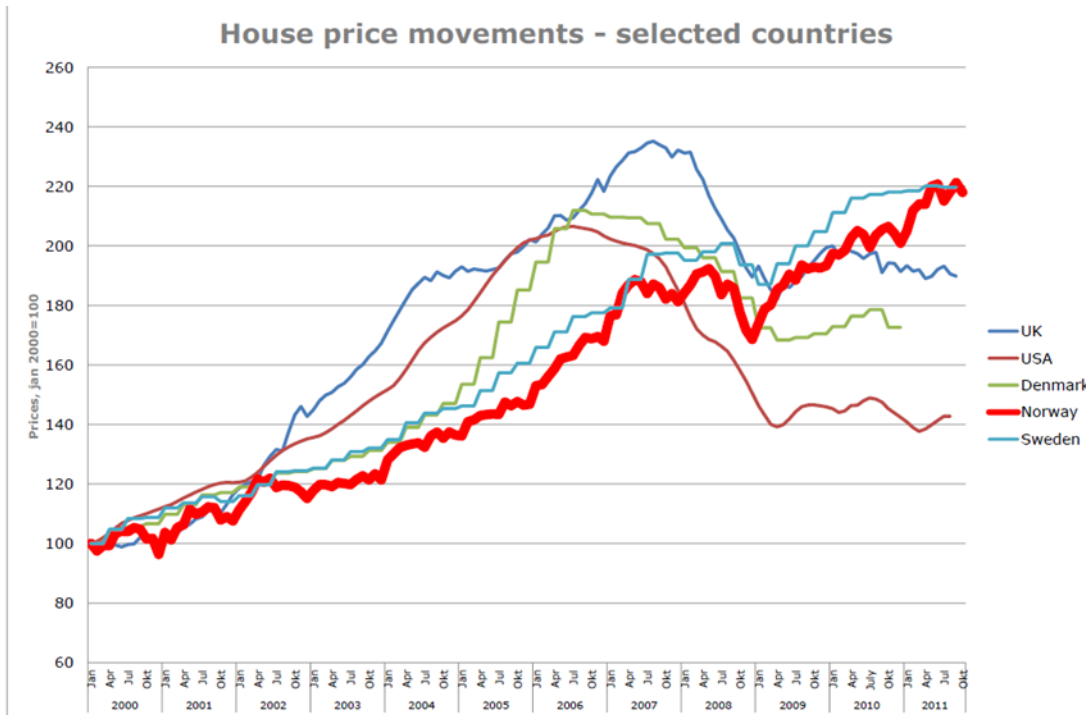
Source: 5y CDS levels, Bloomberg 22.08.2011

Norwegian economy and housing market

Norway – solid housing market

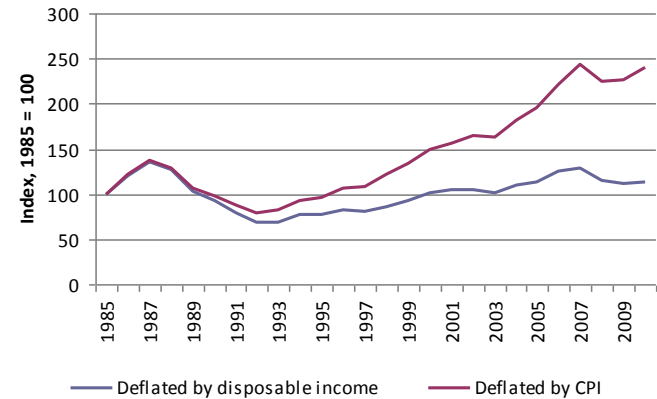
- Low unemployment and high household wealth
- Strong and sustainable housing market
 - Increase in house price driven by increase in disposable income and growing population
 - No subprime or buy-to-let market
- 80% of households own their home

House price movements - selected countries



Source: S&P Case-Shiller Home Price Indices Composite 20, Realkredittrådet, Halifax House price Index, Statistics Sweden

Real house price development



Source: Norges Bank

Unemployment rate and total employment



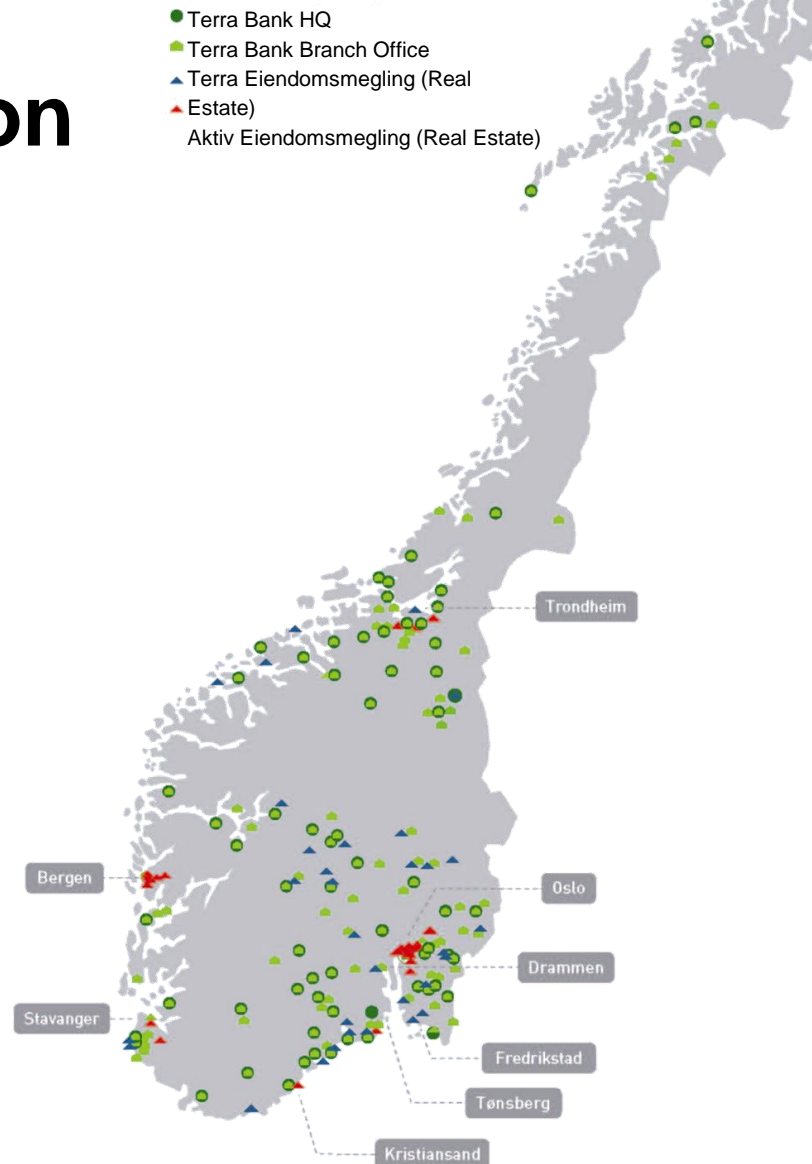
Source: Statistics Norway

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Terra in the Norwegian banking system

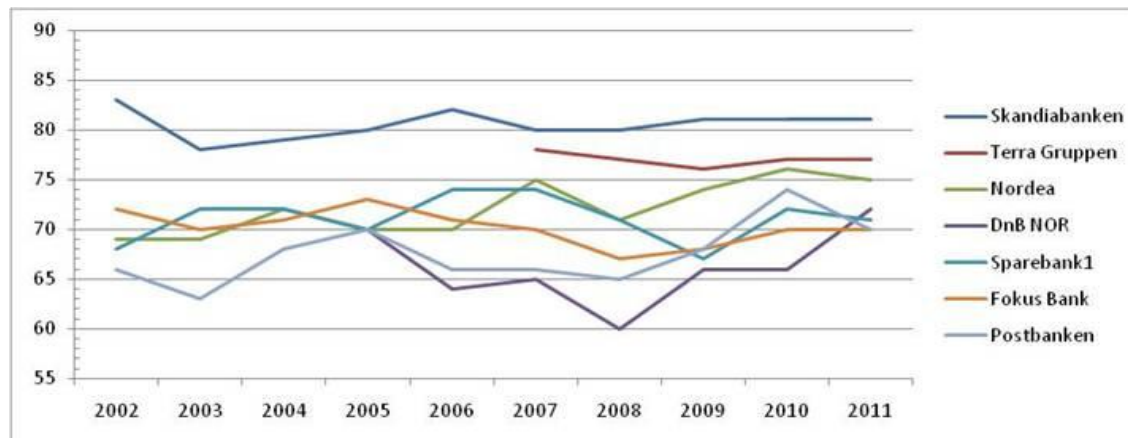
The local retail champion

- 78 Terra Banks and OBOS
- Scope of the banking operation;
 - 190 branch offices
 - 2,000 employees
 - In 105 municipalities
- Aggregated balance sheet of Terra banks is NOK 190 billion (approx. EUR 24 billion)
- Market share in retail customers
 - from 40% to 80% in local markets (except the largest cities)
 - 10% in Norway



Highly satisfied customers

- Terra has the 2nd highest score in the Customer Satisfaction Survey among the retail clients in 2010



The Norwegian Customer Satisfaction Barometer (Norwegian Business School)

- Terra had the most satisfied commercial customers in 2010

| Bank | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | Endring 09-10 | Feilmargin 2010 | Explanation 2010 |
|------------------------|-------------|-------------|-------------|-------------|-------------|-------------|------------------|--------------------|---------------------|
| DnB NOR | 65,7 | 64,8 | 66,6 | 66,4 | 66,2 | 67,8 | 1,6 | 1,55 | 0,61 |
| Fokus bank | | | | | 68,2 | 66,5 | -1,7 | 3,91 | 0,77 |
| Handelsbanken | 73,4 | 73,4 | 77,6 | 71,9 | 71,2 | 69,5 | -1,7 | 2,03 | 0,74 |
| Nordea | 67,2 | 65,6 | 67,0 | 66,0 | 64,9 | 64,9 | 0,0 | 2,76 | 0,72 |
| Sparebank 1 Gruppen | | 66,1 | 67,2 | 66,6 | 66,7 | 66,6 | -0,2 | 2,43 | 0,77 |
| Terra Gruppen | | | | | 69,0 | 72,8 | 3,8 | 3,44 | 0,66 |
| Annen forretningsbank* | | | | | | 64,1 | - | 6,95 | 0,82 |
| Annen Bank** | 71,0 | 71,6 | 73,1 | 71,1 | 70,1 | 70,2 | 0,1 | 2,50 | 0,74 |
| Industry | 69,0 | 68,5 | 69,2 | 68,2 | 67,2 | 67,6 | 0,4 | | |

EPSI Rating 2010

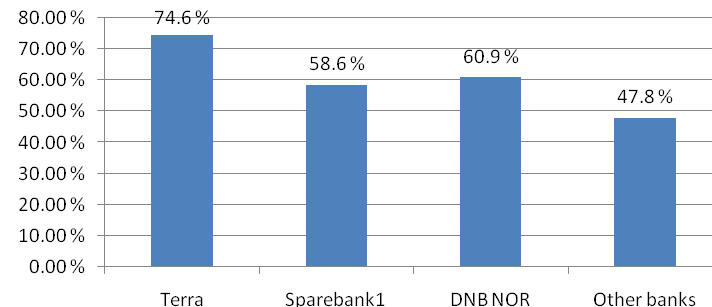
*Annen forretningsbank: inkluderer andre banker som Landkreditt Bank, Citibank, SEB, m.fl

**Annen Bank: inkluderer andre sparebanker som Sparebanken Vest, Sparebanken Sør, Sparebanken Møre m.fl
Bransje indeksen er veiet ihht. bankens markedsandel

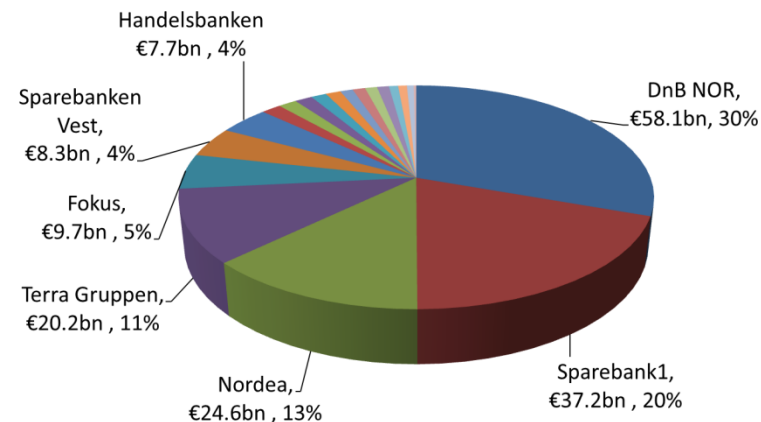
The local retail champion

- The Terra banks have a stronger retail focus than their peers
 - Retail lending is accounting for 75% of total lending in Terra

Retail share end 2010 (excl. transfers to CB company)



Market shares in retail lending in Norway

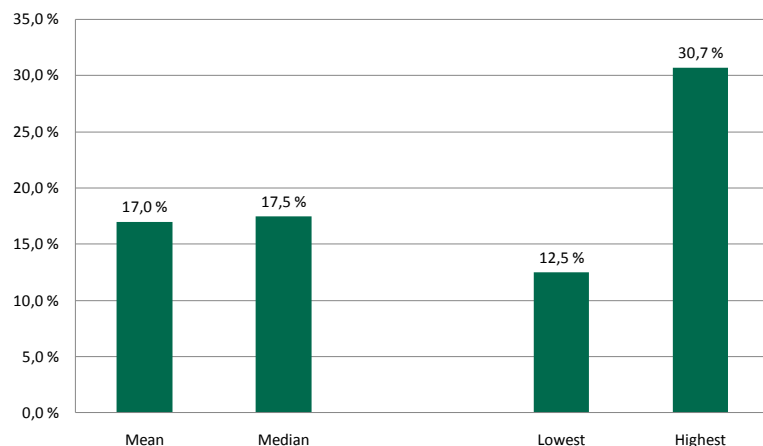


Source: Terra Markets

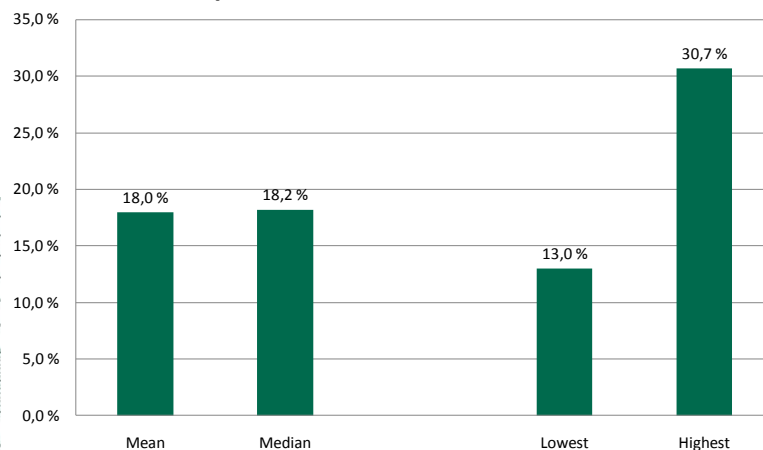
Terra in the Norwegian banking system

Strong capital ratios

Core capital ratio 1Q2011 - Terra banks



Capital ratio 1Q2011 - Terra banks



Source: Terra Markets

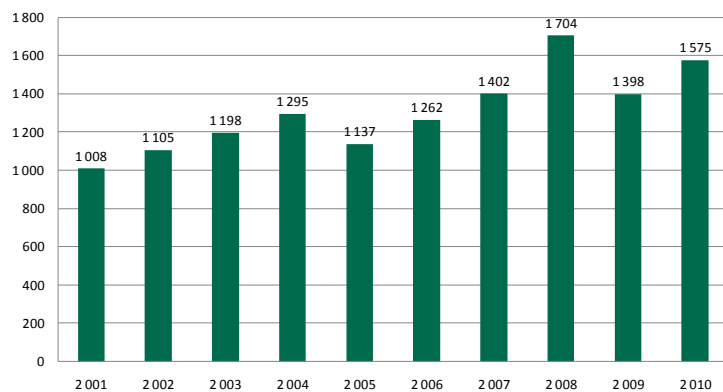
- Strengthened capital ratios in Q1
 - Core capital ratio 17.0% (16.3%)*
 - Capital ratio 18.0% (17.5%)*
 - Profit for Q1 would increase ratios by 0.3%
- All banks are well capitalized (T1 ratio)
 - Lowest: 12.5% (12.1%)*
 - Highest: 30.7% (29.4%)*
- All Terra banks use the standard approach under Basel II
- If Terra banks had used the IRB method, the core and capital ratios are estimated to be 20.3% and 21.6% at Q1.

* 2011Q1as reported – numbers in brackets “()” are comp. numbers as of 2010Q1

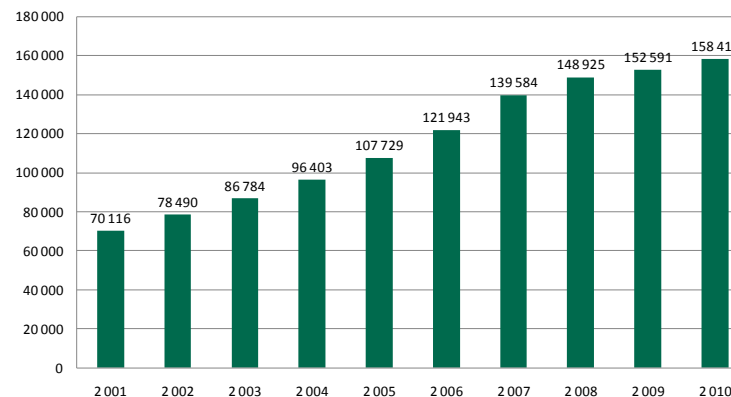
Strong and sustainable earnings

- The Terra banks have a strong focus on retail lending and deliver strong and sustainable core earnings

**Aggregated core earnings before loan losses
2001 - 2010 (NOK mill.)**



**Aggregated lending to customers Terra banks
2001 - 2010 (NOK mill.)**



2005: Investment in SDC/ new IT-system

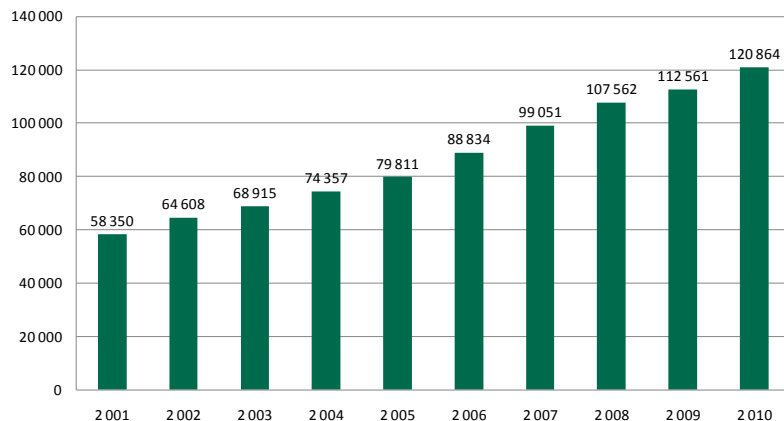
2009: Sharp drop in the interest rate level

Source: Terra Markets

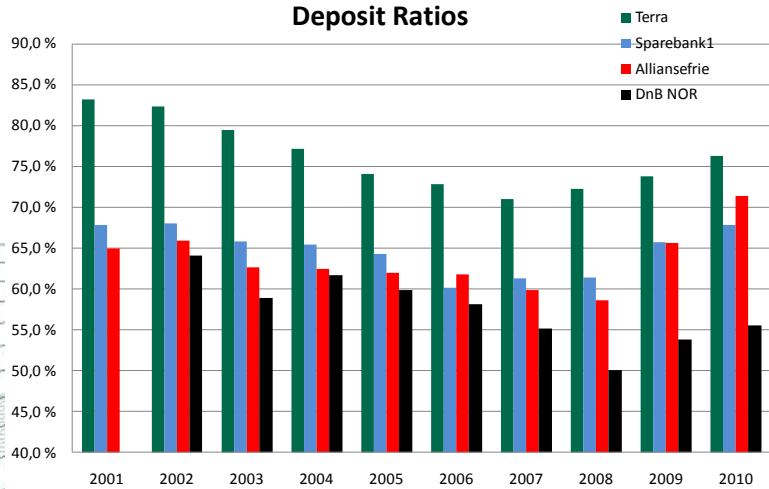
Terra in the Norwegian banking system

High and increasing deposit ratio

Aggregated deposits from customers Terra banks
2001 - 2010 (NOK mill.)



Deposit Ratios



Source: Terra Markets

- Average yearly growth in deposits has been 8.4% over the last 10 years
- High and increasing deposit ratio
- Well diversified deposit base - approx. 85% of all deposits is within the NOK 2 mill. bank guarantee fund limit
- The Terra banks have received net deposit inflow since the financial turmoil started in 2008 which reflects their solid, safe and stable financial position
- Higher deposit ratio for the Terra banks compared to DnB NOR, Sparebank1 and other banks

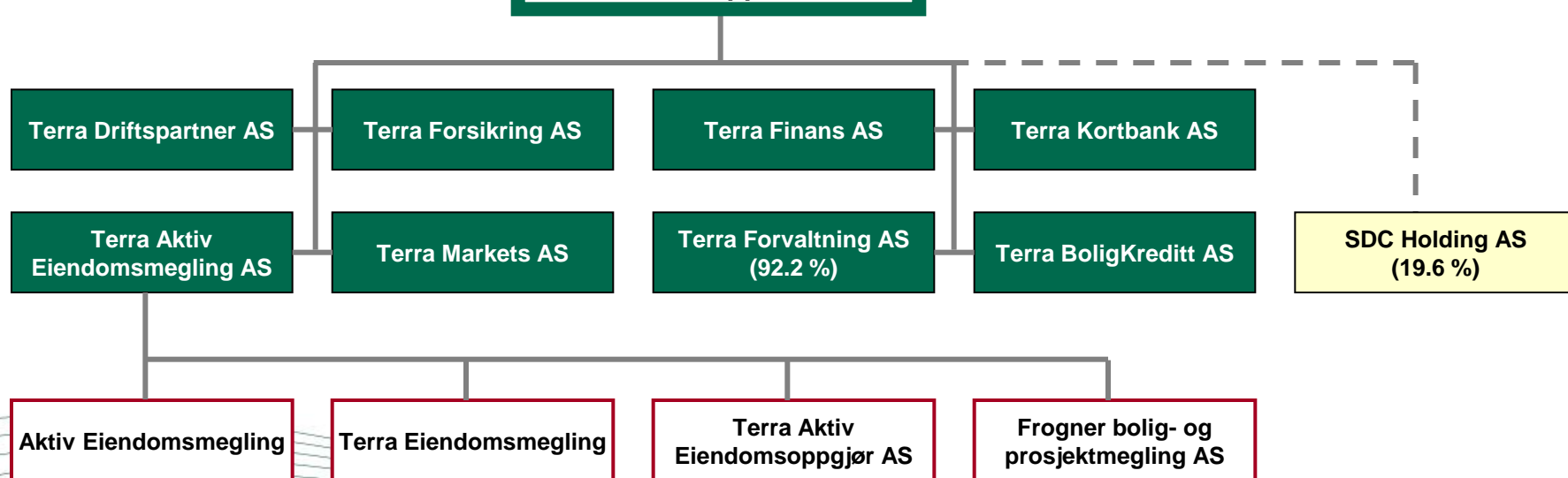
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Terra-Gruppen AS

79 shareholders ¹

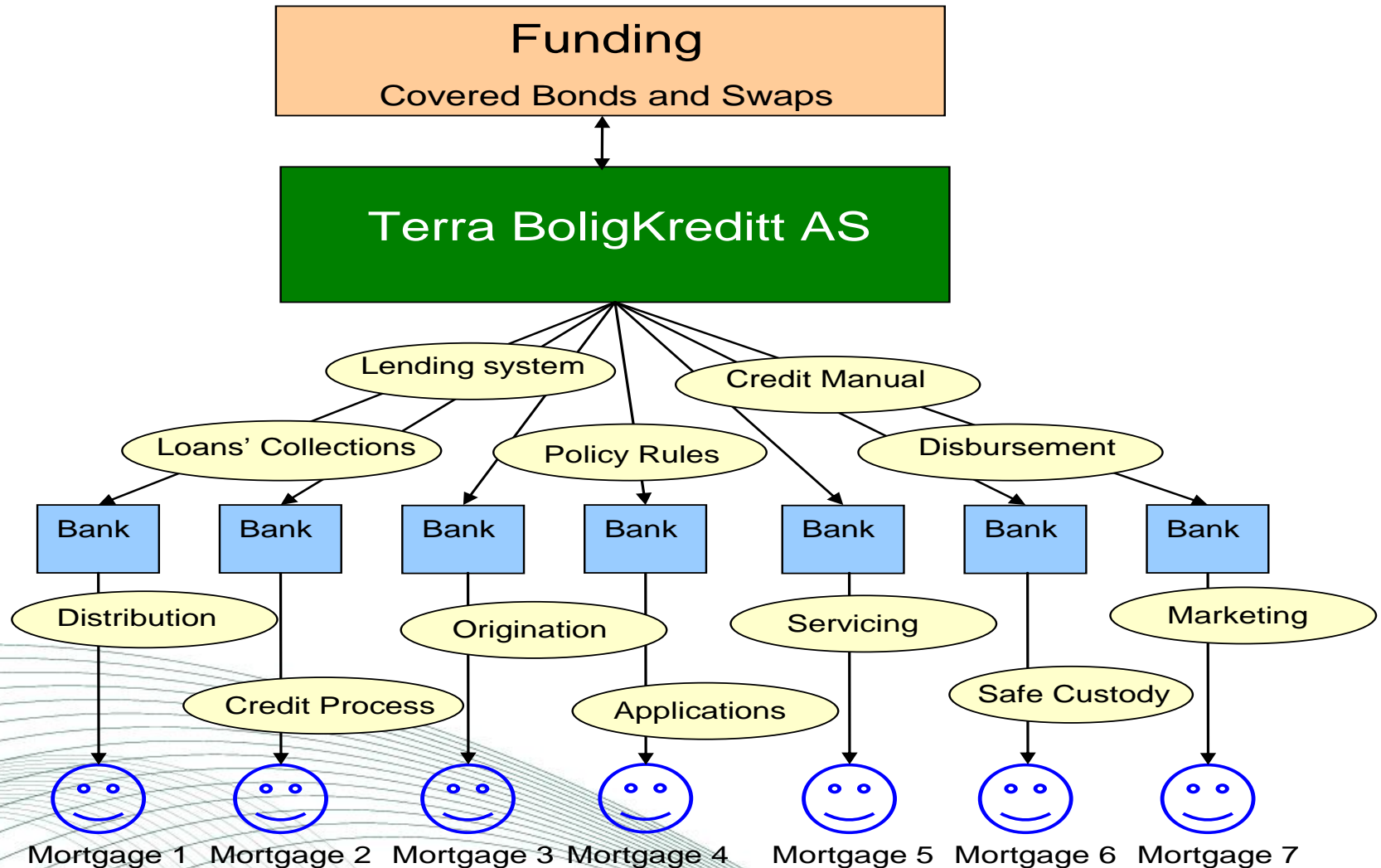


Terra-Gruppen AS

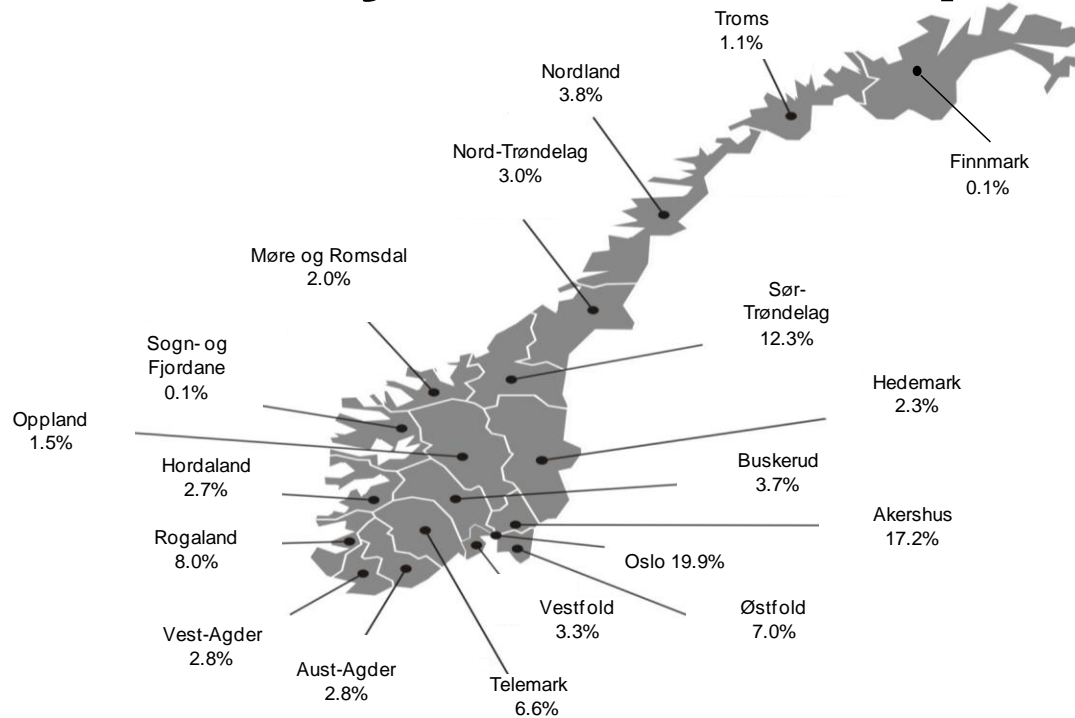


¹ 78 savings banks and OBOS

Business concept



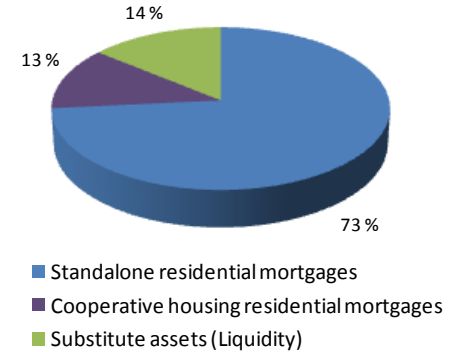
Summary of the cover pool



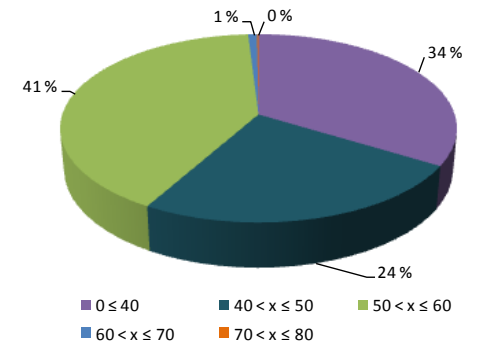
Overview of mortgages in the cover pool (EUR)

| | Grand total | Standalone residential mortgages | Cooperative residential housing |
|-----------------------------------|---------------|----------------------------------|---------------------------------|
| Nominal value | 4,464,680,503 | 3,816,928,757 | 647,751,746 |
| In % of total mortgage Pool | 100 % | 85.49 % | 14.51 % |
| Number of loans | 25,939 | 25,512 | 427 |
| Arithmetic average loan (nominal) | 172,122 | 149,613 | 1,516,983 |
| WA LTV (unindexed) | 46.34 % | 51.66 % | 14.98 % |
| WA LTV (indexed) | 41.94 % | 46.91 % | 12.70 % |

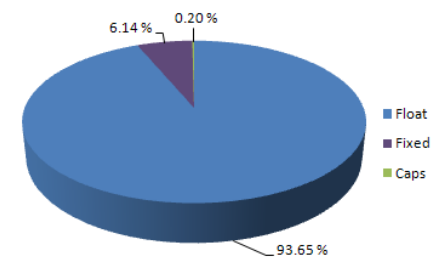
Composition of Cover Pool



Indexed LTV Breakdown



Interest Rate Reset Type



*EURNOK as of 30.09.2011: 7.888

Conservative underwriting standards

- Origination on loan-by-loan basis in strict compliance with Terra BoligKreditt credit manual
- Normally mortgages are limited to 3 x yearly income (joint; gross)
- Terra BoligKreditt has a self imposed max LTV ratio of 60% although the legislation allows for 75%
- The value of the residential property used as a collateral must be rigorously documented
 - When the mortgage loan is granted updated property value is always required (<6 months)
 - Quarterly re-evaluation using Eiendomsverdi AS (AVM)
- Distribution of only Norwegian residential mortgages by conservative savings banks with close relationship to customers
- Multiple credit scoring models are utilized
 - External credit database (Dun & Bradstreet, Lindorff etc)
 - Internal credit checks
 - History with savings banks

Strong incentive structure

Moody's:

*"The members of the Terra Group are incentivised by guarantee obligations to pass high quality loans to the issuer." **

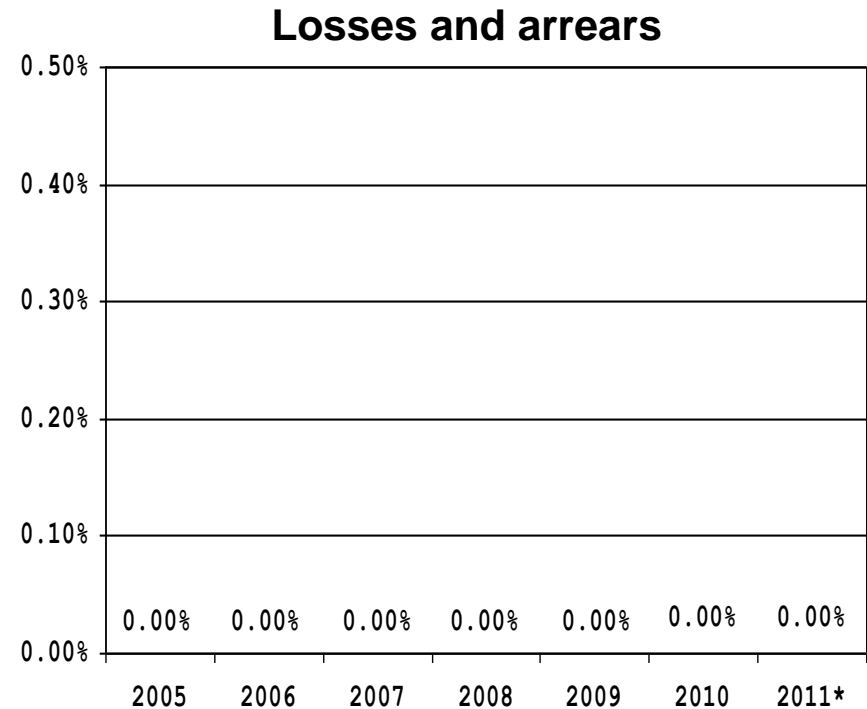
| Loss Guarantee | Set-off rights | Pro-rata Framework Guarantee |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>First loss guarantee for the portion of the loan exceeding 50% LTV</p> <p>Minimum guarantee of NOK 25.000 (EUR 3,138) per loan, irrespective of LTV</p> <p>100% of the loan is guaranteed by the bank until the collateral is registered</p> | <p>Terra BoligKreditt has set-off rights against each bank's commission for a period of up to 3 years</p> <p>To be used by Terra BoligKreditt if losses exceed paid guarantee amounts, or a bank fails to meet its guarantee obligation</p> | <p>All banks participate in a 1.00% pro-rata framework guarantee</p> <p>To be used by TBK if banks fail to meet their guarantee obligations, or losses exceed individual guarantees and set-offs</p> |
| Currently EUR 339 mn | Currently EUR 51 mn | Currently EUR 45 mn |

EURNOK as of 30.09.2011: 7.7880

*Moody's Investors Services, Terra BoligKreditt Mortgage Covered Bonds, August 2007

Low credit risk, no losses or arrears

- Terra BoligKreditt has **never** experienced mortgages being delinquent for more than 3 months
- No losses have been registered on Terra BoligKreditt's books in respect of mortgages
- The customers have a strong incentives to pay the mortgage, as the debt is personal, and follows the mortgage owner.
- The guarantees from the banks further reduces credit risks and helps avoiding cherry-picking of mortgages
- The Bank have to solve the problem within 2 months when there is a delayed payment by;
 - Give the client extra credit
 - Transfer the loan back to the bank
 - Pay the full guaranteed amount to TBK



*2011 as of Q3

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Rating

Rating history of Terra BoligKreditt

- Aaa rating from Moody's in August 2007
- Downgraded from Aaa to Aa2 in March 2009
 - Result of new methodology from Moody's with a closer link between sponsor rating and CB issuer rating
 - Not linked to performance of Terra banks or TBK
 - In absence of an explicit and irrevocable joint and several guarantee from parent banks, Moody's deducts two notches or more from rating assessment of Terra Banks (Sponsor bank rating)
 - In case of TBK two notches deduction was applied, hence two notch downgrade to Aa2
 - **The Aa2-rating was confirmed on November 17, 2009 and the rating has stable outlook**
- Moody's applies a TPI of "High" equal to German Public Pfandbriefe and assigns a Collateral Score which is among the best globally
 - Terra BoligKreditt is one of the few Norwegian issuer that have a "High" TPI
- In assessing the TPI Moody's stressed
 - *"The exceptionally high quality of assets in the cover pool, which is reflected in the low Collateral Score"*
 - *"The swaps, which are all with external counterparties are amongst the strongest swaps found in any covered bond transaction"*

| | | Timely Payment Indicators | | | | |
|----------------------|------|---------------------------|------------|----------|---------------|-----------|
| | | Very Improbable | Improbable | Probable | Probable-High | Very High |
| | | High | High | High | High | High |
| Sponsor Bank Ratings | A1 | Aaa | Aaa | Aaa | Aaa | Aaa |
| | A2 | Aa1 | Aa1 | Aaa | Aaa | Aaa |
| | A3 | Aa2 | Aa2 | Aaa | Aaa | Aaa |
| | Baa1 | Aa3 | Aa3 | Aa1 | Aa1 | Aaa |
| | Baa2 | A1 | A1 | Aa2 | Aa1 | Aaa |
| | Baa3 | A3 | A2 | A1 | Aa3 | Aa1 |
| | Ba1 | Baa3 | Baa2 | Baa1 | A3 | A1 |
| | Ba2 | Baa3 | Baa2 | Baa1 | A3 | A1 |
| | Ba3 | Baa3 | Baa2 | Baa1 | A3 | A1 |
| | B1 | Ba3 | Ba2 | Ba1 | Baa3 | Baa1 |
| | B2 | Ba3 | Ba2 | Ba1 | Baa3 | Baa1 |
| | B3 | Ba3 | Ba2 | Ba1 | Baa3 | Baa1 |

Rating

Top-notch collateral score by Moody's

- On 7 October 2011, Moody's released the seventh edition of their EMEA Covered Bonds monitoring overview. The primary objective of this report is to provide transparency to Moody's covered bond ratings.
- In the report Terra BoligKreditt is ranked the fourth highest out of over 200 covered bond issuers in terms of quality of collateral in the cover pool which is measured by the Collateral Score¹⁰

EXHIBIT 11

Deals with lowest (best) Collateral Scores¹⁰

| Name of Programme | Type of Programme | Country | Collateral Score |
|-------------------------------------------------------------|-------------------|----------------|------------------|
| KLP Kommunekreditt AS Public-Sector Covered Bonds | Public Sector | Norway | 1.7% |
| Landesbank Baden-Wuerttemberg - Public Sector Covered Bonds | Public Sector | Germany | 2.4% |
| OP Mortgage Bank Mortgage Covered Bonds | Mortgage | Finland | 2.5% |
| Terra Boligkreditt Mortgage Covered Bond Programme | Mortgage | Norway | 2.6% |
| Skipton Building Society - Covered Bond Programme | Mortgage | United Kingdom | 2.6% |
| Deutsche Postbank AG Mortgage Covered Bonds | Mortgage | Germany | 2.7% |
| Eurohypo AG Public Sector Covered Bonds | Public Sector | Germany | 2.8% |
| HSBC Covered Bond Programme | Mortgage | United Kingdom | 2.9% |
| DekaBank Deutsche Girozentrale Public Sector Covered Bonds | Public Sector | Germany | 2.9% |
| Société Générale SCF | Public Sector | France | 3.1% |
| Deutsche Hypothekenbank AG - Public Sector Covered Bonds | Public Sector | Germany | 3.1% |

10: Measures the overall quality of collateral in the Cover Pool. The lower the Score, the better the credit quality of the Cover Pool. The average Collateral Score was 11%.

Source: Moody's – "Moody's EMEA Covered Bonds Monitoring Overview: 2011Q1"

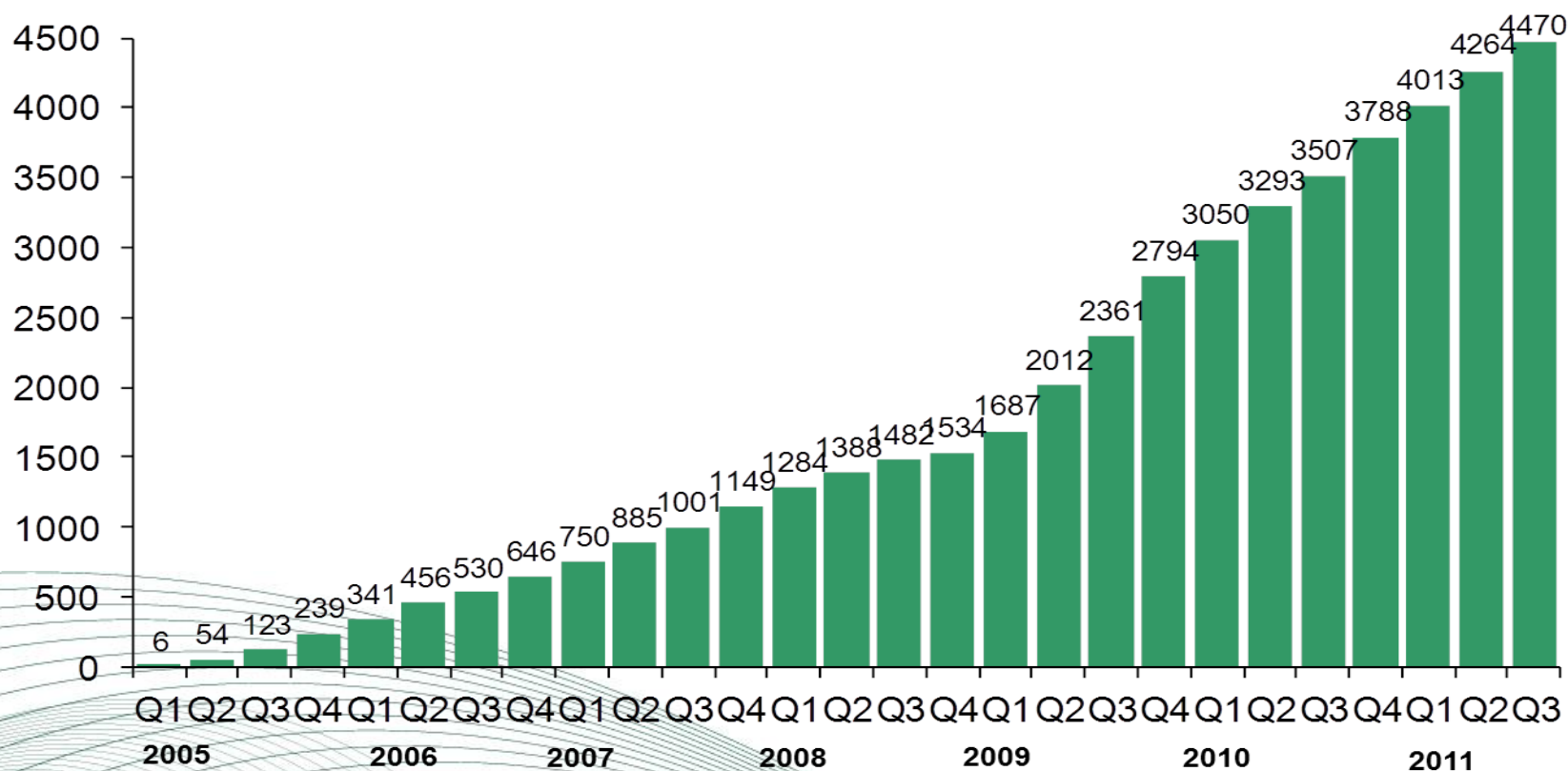
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Funding strategy

Growth potential in the covered bonds

- Healthy organic growth expected in the loan portfolios of the Terra banks
- Still a large potential in the existing loan books of the Terra banks which could be transferred to Terra BoligKreditt.

Total lending (EUR Mn)

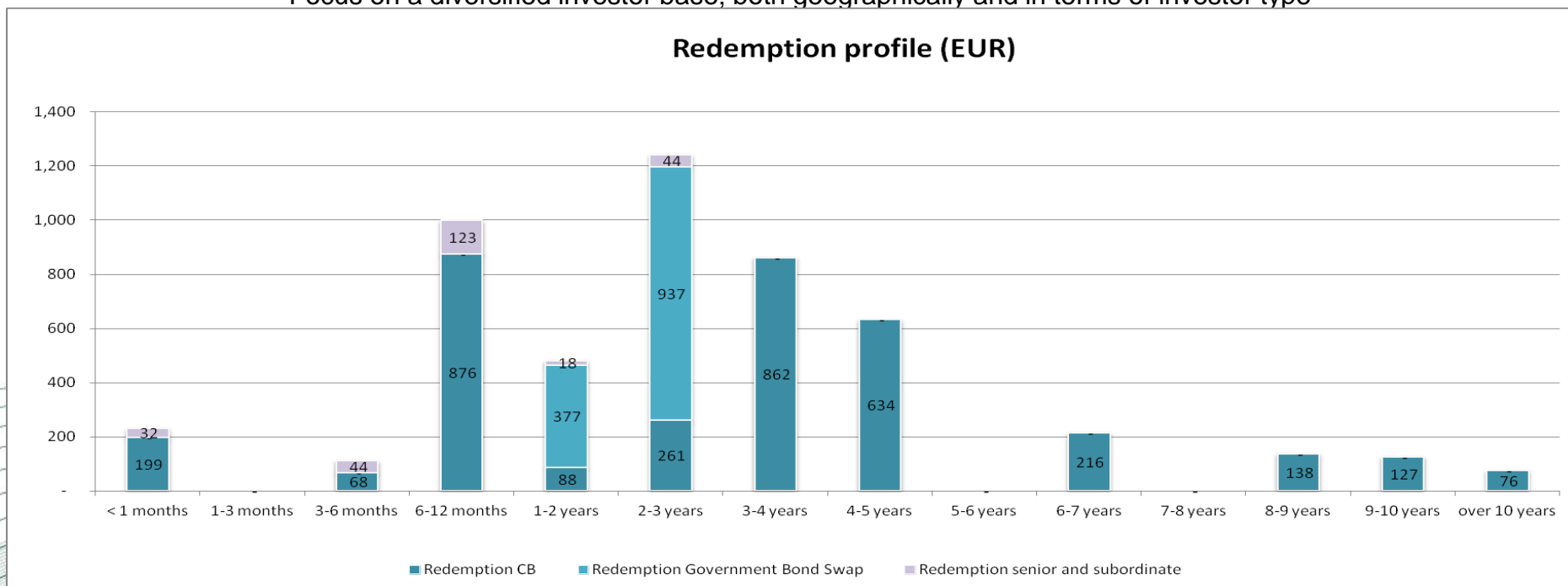


EURNOK as of 30.09.2011: 7.8880

Funding strategy

Transparent issuer with low risk

- Interest rate or currency risk removed by swapping all funding to 3 month Nibor
- Terra BoligKreditt has a self-committed obligation in the EMTCN Programme to maintain a minimum OC level of 5%
- Terra BoligKreditt shall maintain a minimum liquidity of 6% of the total funding balance
- Terra BoligKreditt is committed to build up its international reputation, but will continue to utilize the advantage of the competitive and well-functioning domestic market
 - Focus on a diversified investor base; both geographically and in terms of investor type




as of 30.09.2011

Strong interest both from Norwegian and international investors

TBK's international transactions

August 2010



Terra BoligKreditt

New issue of EUR 500 million
2.125% due August 2015


March 2010



Terra BoligKreditt

New issue of EUR 600 million
2.0% due September 2012


April 2008



Terra BoligKreditt

New issue of EUR 500 million
4.625% due April 2010

October 2007



Terra BoligKreditt

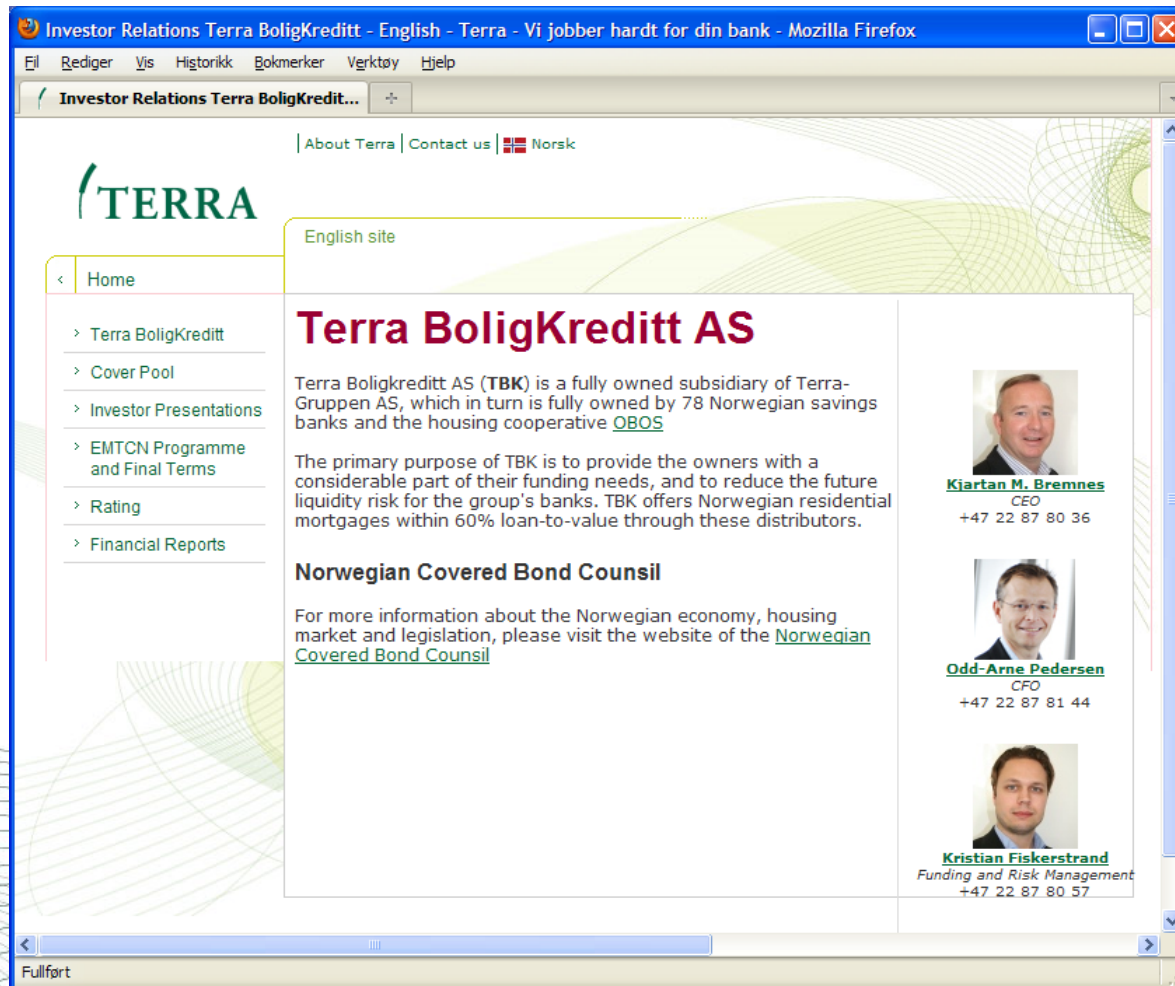
New issue of CHF 225 million
3.125% due October 2013

TBK's CB issues YTD 2011

| ISIN | Issued in 2011 (NOK mn) | Maturity | Type |
|--------------|-------------------------|------------|-------|
| NO0010625429 | 1,680 | 2014-10-23 | FRN |
| NO0010612039 | 1,200 | 2018-06-08 | FRN |
| NO0010572373 | 3,500 | 2016-05-03 | FRN |
| NO0010542244 | 540 | 2014-03-14 | FRN |
| NO0010625346 | 600 | 2026-10-13 | 4.60% |
| NO0010612179 | 500 | 2018-06-08 | 4.65% |
| NO0010605587 | 1,000 | 2021-04-06 | 5.20% |
| Sum | 9,020 | | |

Updated Investor Relations website

Updated information available at <http://www.terra.no/ir>



Contacts

| | | |
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|  | Kristian Fiskerstrand <i>Funding and risk management</i> | Tel: +47 22 87 80 57 kf@terra.no |

More information may be accessed via <http://www.terra.no/ir>

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Importance of savings banks in Norway



- **Norwegian Ministry of Finance** states that local savings banks are peripherally systemic important financial institutions

Speech held by State Secretary Morten Sørberg on 14 June 2011:

“Perspectives on systemic importance

*While ‘core systemic importance’ is a characteristic mainly attributed to commercial banks, **many savings banks are prominent examples of ‘peripherally systemic important’ financial institutions.** They are often the dominant source of financial services in local markets, with business models based on local knowledge, experience and trust. Many savings banks are in a position where other suppliers of financial services cannot easily replace them.*

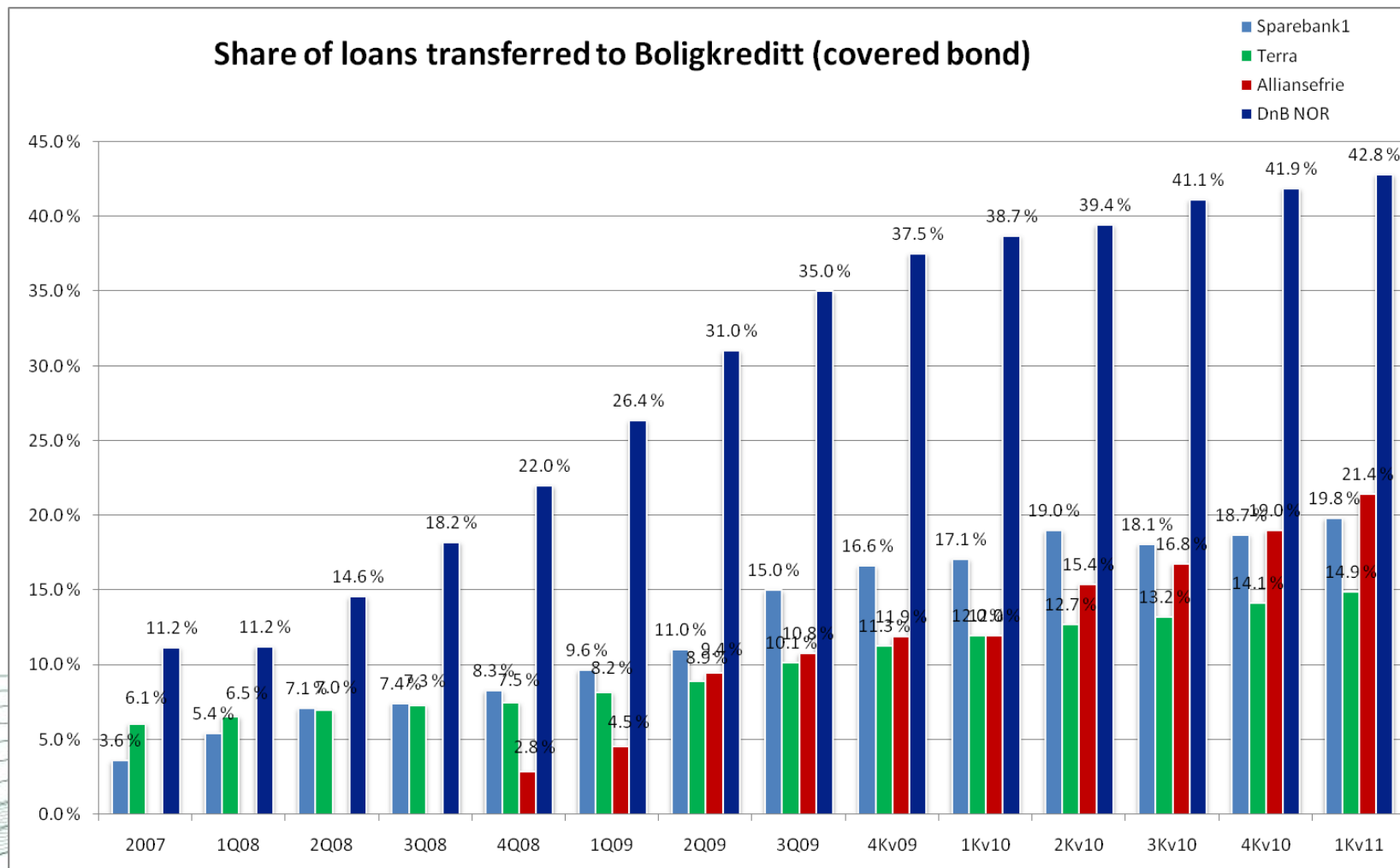
*The diversity and heterogeneity of the savings banks sector contribute to their importance in local markets, and in the Norwegian economy as a whole. The heavy presence of savings banks could also be a stabilising factor in the Norwegian financial system. Past experiences indicate that their business model and behaviour are strengths in challenging times. **Politically, it is therefore a priority to maintain a strong and competitive saving banks sector in Norway.**”*

Link to speech:

http://www.regjeringen.no/nb/dep/fin/aktuelt/taler_artikler/taler_og_artikler_av_ovrig_politisk_lede/Taler-og-artikler-av-statssekretar-Morten-Soberg/2011/learning-from-crisis.html?id=648335#

Appendix

Transfers of mortgages to CB issuer



Norwegian Covered Bond framework

- Special banking principle
 - Covered Bonds may only be issued by specialised credit institutions supervised by the Norwegian FSA
- Eligible collateral
 - Mortgage assets
 - Residential property 75% LTV
 - Commercial property 60% LTV
 - Derivative agreements
 - Substitution assets, max 20% of cover pool
- Monitoring of collateral value
 - In case of “significant value impairment”, a new prudent value has to be established. The part of the loan exceeding LTV 75% (residential) and LTV 60% (commercial) are not to be included when calculating the value of the pool
- ALM requirements
 - Matching requirements to control interest rate and FX risk and payment ability

Norwegian Covered Bond framework

- Supervision by an Independent Inspector
 - An independent inspector, appointed by the Norwegian FSA, supervises assets and liabilities, and the compliance with the requirement laid down in legislation
- Bankruptcy proceedings
 - Covered pool, covered bonds and secured derivatives are separated from the bankruptcy estate
 - Holders of covered bonds and secured derivatives have a preferential claim on the cover pool
 - Timely payment assured for covered bond holders and secured derivatives counterparts
- Risk weighting and ECB eligibility
 - Covered bonds are 10% risk weighted in Norway and comply with CRD
 - Eligible for 10% risk weight in EU member states
 - ECB eligible

Role of the regulator

- Only a specialised mortgage credit institution with governmental licence is entitled to issue Norwegian covered bonds.
- This licensed credit institution is supervised by the Norwegian FSA, which also appoints an independent inspector.
- The inspectors role is, on a regularly basis, to oversee that the register (cover pool and covered bonds) is correctly maintained, and to review compliance with the requirement concerning the balance principle.
- The inspector shall regularly inform the FSA of his observations and assessments.
- Both the FSA and the inspector are entitled to receive all relevant information about the business, and may conduct investigations at the premises of the institution.

Appendix

Comparison with selected Nordic peers

| | Terra BoligKreditt | DnB Nor Boligkreditt | SpareBank1 Boligkreditt | Danske Bank (pool I) | Nordea Bank Finland | Aktia MB |
|-----------------------------|----------------------------------------------------|-----------------------------------------|-------------------------------------------------|-----------------------------------------------------------|----------------------------------------------------------------------------------|--------------------------------------------------------|
| Cover pool size | NOK 34 bn (EUR 4.3bn) | NOK 422 bn (EUR 54bn) | NOK 89 bn (EUR 11 bn) | DKK 100bn (EUR 13bn) | EUR 8.8 bn | EUR 3.2 bn |
| Max LTV | 60% | 75% | 75% | 80% | 70% | 70% |
| WA LTV | 46.4% | 60.2% | 57.2% | 60% | 56.3% | 53.9% |
| WA Indexed LTV | 43.6% | 56.0% | 50.2% | 54% | 51.5% | — |
| Committed O/C | 5% | - | - | 2% | - | 12% |
| Seasoning | 18 months | 52 months | 32 months | 40 months | 47 months | 21 months |
| Geography | Norway | Norway | Norway | Norway/ Sweden | Finland | Finland |
| Property type | Residential (85%), Cooperative Housing (15%) | Residential (98%), Multi family (2%) | Residential (98%), Secondary housing (2%) | Owner-occupied (79%), Housing cooperatives (21%) | Residential (97%), Public sector Public sector (2%), Commercial (1%) | Residential (56%), Housing corporations (44%) |
| NPL | 0% | 0.1% | 0% | 0% | 0% | 0.1% |
| Collateral score | 2.6% | 7.5% | 3.3% | 7.8% | 5.6% | 6.6% |
| Timely Payment Indicator | High | Probable | Probable-High | Probable-High | Probable | Probable |

Source: Terra BoligKreditt, Nordea Markets, Moody's latest performance reports, issuers' most recent cover pool reports.

Comparison of legal frameworks

| | 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 |
| Potential Collateral | Residential mortgages, Commercial Mortgages, Public Sector Debt | Residential Mortgages, Commercial Mortgages, Public Sector Debt | Residential and commercial mortgage loans and substitute collateral. Commercial banks are also allowed to introduce ship loans. | Mortgage assets, public sector debt and shares in Finnish Real Estate Corporations | Mortgage loans, public sector debt, ship loans, aircraft loans |
| 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% | Yes | Yes | Max. 20% |
| Restrictions on inclusion of asset classes | No | Commercial mortgages are capped at 10% of the total pool | No | No | No |
| Geographical scope for public assets | OECD | OECD | Not applicable | 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% | 80% | 70% | 60% |
| LTV barrier commercial | 60% | 60% | 60% | 60% | 60% |
| Basis for valuation | Market value | Market value | Mortgage lending value | Market value | Mortgage lending value |
| Valuation check | Regular surveillance through accountant | Regular monitoring of property values | No explicit regulation | Regular examination | Regular (at least every 2 years) examination of the cover register |
| Special supervision | Yes; Finanstilsynet | Yes; Finansinspektionen | Yes ; DFSA | Yes; FIVA | 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 is required by law – also at capital centre level. | No | 2% NPV |
| Fulfills UCITS 22(4)/CRD | Yes | Yes | Yes | Yes | Yes |

Source: UniCredit Research

Appendix

P&L all Terra banks

| <i>P&L in NOK mil.</i> | 2 006 | 2 007 | 2 008 | 2 009 | 2 010 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 |
|-------------------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Net interest income | 2 947 | 3 269 | 3 689 | 3 418 | 3 536 | 858 | 865 | 895 | 918 | 886 |
| Net commission income | 517 | 569 | 585 | 589 | 673 | 150 | 162 | 172 | 189 | 174 |
| Other income | 78 | 53 | 52 | 53 | 46 | 11 | 11 | 12 | 12 | 11 |
| Total income | 3 541 | 3 891 | 4 327 | 4 060 | 4 255 | 1 019 | 1 038 | 1 079 | 1 119 | 1 072 |
| Personnel and adm. expenses | 1 741 | 1 880 | 2 021 | 2 048 | 2 080 | 512 | 473 | 511 | 584 | 550 |
| Depreciation | 184 | 199 | 190 | 167 | 124 | 31 | 30 | 30 | 32 | 23 |
| Other costs | 354 | 410 | 411 | 448 | 477 | 126 | 114 | 112 | 125 | 136 |
| Total costs | 2 279 | 2 489 | 2 622 | 2 662 | 2 680 | 669 | 617 | 653 | 741 | 709 |
| Core earnings before loan losses | 1 262 | 1 402 | 1 704 | 1 398 | 1 575 | 351 | 421 | 425 | 378 | 362 |
| Write-downs on loans | 33 | 50 | 606 | 482 | 418 | 72 | 73 | 78 | 195 | 39 |
| Core earnings | 1 229 | 1 352 | 1 099 | 916 | 1 157 | 278 | 349 | 347 | 182 | 324 |
| Dividends/associated copanies | 162 | 150 | 155 | 79 | 177 | 24 | 108 | 17 | 28 | 35 |
| Net return on financial investments | 111 | -58 | -734 | 564 | 220 | 74 | -52 | 112 | 86 | 59 |
| On-offs and loss/gain on long-term assets | -1 | 10 | -90 | 121 | 373 | 74 | 131 | 58 | 110 | -14 |
| Pre tax profit | 1 501 | 1 454 | 430 | 1 681 | 1 927 | 450 | 536 | 534 | 407 | 404 |
| Taxes | 380 | 399 | 247 | 439 | 500 | 125 | 138 | 149 | 88 | 111 |
| Net profit | 1 121 | 1 056 | 183 | 1 242 | 1 427 | 325 | 398 | 385 | 319 | 293 |

Appendix

Balance and key figures Terra banks

| <i>Balance</i> | 2 006 | 2 007 | 2 008 | 2 009 | 2 010 | 1Q10 | 2Q10 | 3Q10 | 4Q10 | 1Q11 |
|-----------------------------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|---------|
| Gross loans | 121 943 | 139 584 | 148 925 | 152 591 | 158 411 | 153 293 | 155 813 | 157 614 | 158 411 | 157 680 |
| Deposits | 88 834 | 99 051 | 107 562 | 112 561 | 120 864 | 112 707 | 117 842 | 117 370 | 120 864 | 120 825 |
| Equity | 12 910 | 14 095 | 14 306 | 15 591 | 16 819 | 15 852 | 16 243 | 16 615 | 16 819 | 17 079 |
| Total assets | 137 599 | 159 552 | 177 404 | 185 967 | 192 195 | 186 443 | 192 522 | 193 309 | 192 195 | 190 160 |
| Growth in loans | 13,2 % | 14,5 % | 6,7 % | 2,5 % | 3,8 % | 0,5 % | 1,6 % | 1,2 % | 0,5 % | -0,5 % |
| Growth in deposits | 11,3 % | 11,5 % | 8,6 % | 4,6 % | 7,4 % | 0,1 % | 4,6 % | -0,4 % | 3,0 % | 0,0 % |
| Deposit ratio | 72,8 % | 71,0 % | 72,2 % | 73,8 % | 76,3 % | 73,5 % | 75,6 % | 74,5 % | 76,3 % | 76,6 % |
| Equity ratio | 9,4 % | 8,8 % | 8,1 % | 8,4 % | 8,8 % | 8,5 % | 8,4 % | 8,6 % | 8,8 % | 9,0 % |
| Core capital ratio | 15,5 % | 14,9 % | 15,0 % | 16,4 % | 17,1 % | 16,3 % | 16,0 % | 15,8 % | 17,1 % | 17,0 % |
| Capital ratio | 16,5 % | 16,0 % | 16,3 % | 17,6 % | 18,2 % | 17,5 % | 17,1 % | 16,8 % | 18,2 % | 18,0 % |
| <i>Key figures</i> | | | | | | | | | | |
| Net interest/total assets | 2,27 % | 2,20 % | 2,19 % | 1,88 % | 1,87 % | 1,84 % | 1,83 % | 1,86 % | 1,90 % | 1,85 % |
| Net commission incom/total assets | 0,40 % | 0,38 % | 0,35 % | 0,32 % | 0,36 % | 0,32 % | 0,34 % | 0,36 % | 0,39 % | 0,36 % |
| Loss provision ratio | 0,03 % | 0,04 % | 0,42 % | 0,32 % | 0,27 % | 0,19 % | 0,19 % | 0,20 % | 0,49 % | 0,10 % |
| Cost/income ratio (adj.) | 64,4 % | 64,0 % | 60,6 % | 65,6 % | 63,0 % | 65,6 % | 59,4 % | 60,6 % | 66,2 % | 66,2 % |
| Net profit in % of total assets | 0,86 % | 0,71 % | 0,11 % | 0,68 % | 0,75 % | 0,70 % | 0,84 % | 0,80 % | 0,66 % | 0,61 % |
| Net profit on core earnings in % of RVA | 1,44 % | 1,40 % | 1,15 % | 0,90 % | 1,09 % | 1,08 % | 1,33 % | 1,31 % | 0,69 % | 1,21 % |
| Return on equity | 9,10 % | 7,82 % | 1,29 % | 8,31 % | 8,80 % | 8,3 % | 9,9 % | 9,4 % | 7,6 % | 6,9 % |

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