

Interim report

3rd quarter 2019
Unaudited



Interim report from the Board of Directors

OBOS Boligkreditt AS' registered office is in Oslo, and it is a wholly owned subsidiary of OBOS-banken. OBOS Boligkreditt started operations in 2016. OBOS Boligkreditt is licensed to operate as a mortgage company and to issue covered bonds, and is OBOS-banken's most important source of long term market funding and an important part of the parent bank's funding strategy. The assets consist of retail mortgage loans and housing co-operative loans originally underwritten by OBOS-banken. Total lending at third quarter end 2019 amounted to NOK 19 220 million. All loans are at the time of acquisition within 75 % of the property's estimated value. Total issued covered bond loans at third quarter end 2019 amounted to NOK 17 082 million. Overcollateralization at third quarter end 2019 was 112 %.

Rating

Moody's has given all covered bonds issued by OBOS Boligkreditt AS Aaa-rating.

Third quarter results

The income statement and balance sheet are compared with last year's figures (in parentheses).

The company's net interest income amounted to NOK 29.4 (26.0) million for the third quarter of 2019. Total operating costs amounted to NOK 2.1 (1.1) million. These expenses are mainly related to payments for banking services provided by the parent bank. Profit before loan losses and taxes was NOK 27.9 (24.8) million in the third quarter of 2019. The calculation of expected loss (ECL) for OBOS Boligkreditt AS resulted in net loan losses of NOK -0.8 million in the third quarter of 2019, compared to NOK -1.4 million in the same quarter in 2018. The ECL calculation as at 30 September 2019 shows expected credit loss of NOK 5.6 million, compared to NOK 5.4 million at 30 September 2018. Profit after tax was NOK 21.1 million (18.0) in the third quarter of 2019.

OBOS Boligkreditt AS has increased one covered bond with a tap issue of NOK 1 500 million during the quarter. New outstanding amount is NOK 4 000 million. No outstanding debt matured in the third quarter of 2019. OBOS Boligkreditt AS had seven bond loans outstanding at 30 September 2019 with total debt securities issued of NOK 17 082 million face value, compared to five bond loans and NOK 13 500 million face value outstanding at 30 September 2018.

Total assets at third quarter end 2019 amounted to NOK 19 363 (16 013) million. Gross lending to customers amounted to NOK 19 220 (15 970) million. There is no substitute assets forming part of the cover pool. Overcollateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 112.0 percent as at 30 September 2019, compared to 118.1 percent at 30 September 2018. At third quarter end 2019, the mortgages in the cover pool had a weighted average loan-to-value ratio of 36 percent.

OBOS Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 30.7 (30.8) million at 30 September 2019, reporting a total LCR of 197 (I/A).

Capital strength

Paid in equity and retained earnings amounted to NOK 1 377 (1 100) million by third quarter end 2019. Risk weighted assets amounted to NOK 6 973 (5 699) million by the end of third quarter 2019. The CET 1 capital ratio is 19.70 percent at 30 September 2019. OBOS Boligkreditt AS uses the standardised approach to calculate capital requirements for credit risk.

Outlook

The downturn in Europe, trade war and turmoil in the stock exchange and foreign exchange markets characterize the international macroeconomic situation. Chinese and US economy shows signs of weakness and Brexit continues to create some uncertainty. The central banks have for some time been planning interest rate increases, but are now turning and interest rates are on their way down again. Lower global growth could also dampen the pace of the Norwegian economy.

The strong macroeconomic situation in Norway is reflected in Norges Bank's three interest rate increases in one year. Unemployment is low, economic growth and capacity utilisation are higher than normal. This is primarily due to an upturn in the oil sector. High growth in the investment activity on the Norwegian Continental Shelf has a positive effect on large parts of the Norwegian economy in general. The downside risk in Norwegian economy is related to expected reduced investments in the oil sector, along with potential effects of a tightening of the home mortgage regulations. Norges Bank have signalled that the interest rate peak has most likely been reached.

Lending growth in the parent bank is more moderate in 2019 than previous years, following the strategic plan. Lending growth in OBOS Boligkreditt is also expected to be more moderate going forward than during the start-up phase. However, a strong macroeconomic situation contributes to healthy lending growth, higher NOK interest rates and strong asset quality. Unemployment is also expected to remain at low levels.

Oslo 12.11.2019

The board of directors of OBOS Boligkreditt AS

Key Figures

(Figures in MNOK)

	Q3 2019	Q3 2018	1.1 - 30.09 2019	1.1 - 30.09 2018	2018
Profitability					
1) Profit after tax	21	18	60	55	77
2) Net interest in % of average total assets	0,16 %	0,70 %	0,46 %	0,74 %	0,74 %
3) Cost-to-income ratio	7,0 %	4,1 %	6,5 %	5,5 %	6,0 %
4) Return on equity	6,3 %	6,3 %	6,1 %	7,0 %	7,2 %
Balance sheet					
5) Lending to customers	19 220	15 970	19 220	15 970	16 990
6) Loss in % of gross loans	0,0043 %	0,0087 %	0,0025 %	0,0087 %	-0,0014 %
7) Defaults in % of gross loans	0,0000 %	0,0000 %	0,0000 %	0,0000 %	0,0000 %
8) Total assets	19 363	16 013	19 363	16 013	17 024
9) Average total assets	19 081	14 732	18 194	13 868	14 984
10) Covered bonds issued	17 082	13 500	17 082	13 500	15 000
11) Overcollateralisation	112,0 %	118,1 %	112,0 %	114,2 %	112,8 %
Solidity					
12) CET 1 Capital ratio	19,7 %	22,5 %	19,7 %	19,0 %	18,9 %
13) T1 Capital ratio	19,7 %	22,5 %	19,7 %	19,0 %	18,9 %
14) Total capital ratio	19,7 %	22,5 %	19,7 %	19,0 %	18,9 %
15) Leverage ratio	7,1 %	6,8 %	7,1 %	6,8 %	6,8 %
16) LCR	197,4 %	1/A	197,4 %	1/A	147,8 %
Staffing					
17) Number of permanent employees	0	0	0	0	0

Definitions

- 2) Net interest income, % of average total assets
- 3) Sum operating expenses before losses, in % of net income
- 4) Return on equity after tax, % of average equity
- 7) Defaulted commitments over 90 days in % of gross loans
- 9) Average total assets pr month
- 10) Covered bonds face value
- 11) Cover pool in % of issued of cover bonds
- 12) Common Equity Tier 1 Capital ratio
- 13) Tier 1 Capital ratio
- 14) Total capital ratio
- 15) Leverage ratio
- 16) Liquidity coverage ratio
- 17) Number of permanent employees inc permanent vacancy

Income statement

(Figures in NOK 1000)

	NOTE	Q3 2019	Q3 2018	1.1 - 30.09 2019	1.1 - 30.09 2018	2018
Interest income calculated using the effective interest method		120 315	77 648	339 938	220 822	314 654
Interest income from instruments using fair value		159	122	437	129	255
Interest expenses calculated using the effective interest method		-87 864	-143 711	-252 612	-143 711	-206 416
Interest expenses from instruments using fair value		-3 163	91 943	-4 779	-	-
Net interest income	4	29 448	26 002	82 985	77 240	108 491
Commission and banking service expenses		-83	-67	-259	-198	-269
Net commission expenses		-83	-67	-259	-198	-269
Net gain/(loss) and change in value of fin. Instruments	5	677	-52	582	53	22
Net operating income		30 041	25 884	83 308	77 095	108 243
Salaries and other personnel cost		-	-183	-183	-183	-183
Administration cost		-	-72	-158	-284	-235
Other operating expenses	6	-2 101	-812	-5 043	-3 791	-6 125
Total operating expenses		-2 101	-1 066	-5 384	-4 258	-6 543
Profit before loan losses and taxes		27 940	24 817	77 925	72 838	101 700
Net loan losses	13	-831	-1 383	-480	-1 320	-1 083
Profit before tax		27 109	23 435	77 444	71 518	100 617
Income tax expense		-5 964	-5 390	-17 037	-16 449	-23 143
Profit after tax	14	21 144	18 045	60 405	55 069	77 474
Attributabel to						
Retained earnings	14	21 144	18 045	60 405	55 069	77 474
Total		21 144	18 045	60 405	55 069	77 474

Statement of comprehensive income

(Figures in NOK 1000)

	NOTE	Q3 2019	Q3 2018	1.1 - 30.09 2019	1.1 - 30.09 2018	2018
Profit after tax	14	21 144	18 045	60 405	55 069	77 474
Losses on loans and guarantees, fair value	13	166	710	153	733	852
Income tax expense on items that can be reclassified		-36	-163	-34	-169	-196
Items that can be reclassified to profit or loss		129	546	119	565	656
Net change in values from own credit risk		-987	-	-3 317	-	-
Income tax expense on items that will not be reclassified		217	-	730	-	-
Items that will not be reclassified to profit or loss		-770	-	-2 587	-	-
Comprehensive income for the periode		-641	546	-2 468	565	656
Total comprehensive income after tax		20 503	18 591	57 937	55 633	78 130
Attributable to						
Retained earnings	14	20 503	18 591	57 937	55 633	78 130
Total		20 503	18 591	57 937	55 633	78 130

Balance sheet

(Figures in NOK 1000)

	NOTE	30.09.2019	30.09.2018	31.12.2018
ASSETS				
Loans to and receivables from credit institutions	7	91 622	10 571	2 159
Loans to and receivables from customers	7,13	19 219 942	15 969 942	16 990 450
Certificates and bonds	9	30 735	30 845	30 820
Deferred tax asset		166	6	166
Financial derivatives		18 503	-	-
Prepaid cost		69	-	-
Other assets		2 063	1 394	316
TOTAL ASSETS		19 363 099	16 012 758	17 023 910
LIABILITIES AND EQUITY				
	NOTE	30.09.2019	30.09.2018	31.12.2018
Loans from credit institutions	6,7,11	734 177	1 297 614	760 137
Debt securities issued	6,7,9,11	17 176 712	13 544 075	15 063 309
Other liabilities		795	226	185
Deferred tax		-	16 204	-
Tax payable		16 342	-	23 142
TOTAL LIABILITIES		17 928 025	14 858 119	15 846 773
Share capital	14	121 000	111 000	111 000
Share premium	14	1 179 039	989 039	989 039
Retained earnings	14	135 036	54 601	77 099
TOTAL EQUITY		1 435 074	1 154 639	1 177 137
TOTAL LIABILITIES AND EQUITY		19 363 099	16 012 758	17 023 910

Cash flow

(Figures in NOK 1000)

	NOTE	30.09.2019	30.09.2018	31.12.2018
Profit before tax		77 444	71 518	100 617
Interest income calculated using the effective interest method	4	-340 375	-220 951	-314 908
Interest payments from customers and credit institutions		336 667	212 575	323 186
Loans to customers transferred from parent company		-2 229 493	-3 458 813	-4 487 004
Interest from certificates and bonds/bond funds	5	-582	-53	-22
Payment for other assets		-1 746	-1 394	-316
Payment for other debt		-34 735	-68 831	-69 035
Net gain/(loss) in value of bonds	5	15 156	27	27
Net loan losses	12	-480	-1 320	-1 083
Paid taxes		-23 141	-	-
Change in accrued interests		9 297	14 047	9 767
Change in other accruals		7 014	243	-921
Net new lines of credit	6	-25 960	623 397	85 920
(A) Net cash flow from operating activities		-2 210 935	-2 829 556	-4 353 771
Payments related to acquisition of shares and securities		-	-	-
(B) Net cash flow from investment activities		-	-	-
Issuance of covered bonds	10	4 538 286	2 514 139	4 029 970
Repayment of covered bonds	10	-2 438 000	-	-
Issue of share capital	13	200 000	300 000	300 000
(C) Net cash flow from financing activities		2 300 286	2 814 139	4 329 970
(A) + (B) + (C) Net cash flow for the period		89 350	-15 417	-23 802
Cash and cash equivalents at beginning of period		2 159	25 960	25 960
Cash and cash equivalents at end of period		91 509	10 543	2 159
Net change in cash and cash equivalents		89 350	-15 417	-23 802
Liquidity reserves specified				
Loans to and receivables from credit institutions 1)		91 509	10 543	2 159
Cash and cash equivalents		91 509	10 543	2 159

1) Hereof 0,2 TNOK in restricted deposits.

Quarterly changes in income statement

(Figures in NOK 1000)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Interest income calculated using the effective interest method	120 315	113 116	106 507	93 831	77 648
Interest income from instruments using fair value	159	145	133	126	122
Interest expenses calculated using the effective interest method	-87 864	-88 208	-76 540	-62 706	-51 767
Interest expenses from instruments using fair value	-3 163	-1 616	-	-	-
Net interest income	29 448	23 437	30 100	31 252	26 002
Commission and banking service expenses	-83	-91	-85	-72	-67
Net Commission expenses	-83	-91	-85	-72	-67
Net gain/(loss) and change in value of fin. instruments	677	-66	-28	-31	-52
Net operating income	30 041	23 280	29 987	31 149	25 883
Salaries and other personnel cost	-	-183	-	-	-183
Administration cost	-	-47	-111	49	-72
Other operating expenses	-2 101	-1 330	-1 611	-2 334	-812
Total operating expenses	-2 101	-1 560	-1 723	-2 285	-1 066
Profit before loan losses and taxes	27 940	21 720	28 265	28 864	24 817
Net loan losses	-831	996	-646	237	-1 383
Profit before tax	27 109	22 716	27 619	29 101	23 434
Income tax expense	-5 964	-4 997	-6 076	-6 694	-5 390
Profit after tax	21 146	17 718	21 543	22 407	18 044
Attributabel to					
Retained earnings	21 144	17 718	21 543	22 407	18 044
Total	21 144	17 718	21 543	22 407	18 044

Quarterly changes in statement of comprehensive income

(Figures in NOK 1000)

	Q3 2019	Q2 2019	Q1 2019	Q4 2018	Q3 2018
Profit after tax	21 144	17 718	21 543	22 407	18 044
Losses on loans and guarantees, fair value	166	-501	488	119	710
Income tax expense on items that can be reclassified	-36	110	-107	-27	-163
Items that can be reclassified to profit or loss	129	-391	381	91	546
Net change in values from own credit risk	-987	-2 330	-	-	-
Income tax expense on items that will not be reclassified	217	513	-	-	-
Items that will not be reclassified to profit or loss	-770	-1 818	-	-	-
Comprehensive income for the periode	-641	-2 209	381	91	546
Total comprehensive income after tax	20 503	15 510	21 924	22 498	18 591
Attributable to					
Retained earnings	20 503	15 510	21 924	22 498	18 591
Total	20 503	15 510	21 924	22 498	18 591

Quarterly changes in balance sheet

(Figures in NOK 1000)

	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Assets					
Loans to and receivables from credit institutions	91 622	2 203	30 286	2 159	10 571
Loans to and receivables from customers	19 219 942	18 753 032	19 650 106	16 990 450	15 969 942
Certificates and bonds	30 735	30 779	30 794	30 820	30 845
Deferred tax asset	166	166	166	166	6
Financial derivatives	18 503	9 600	-	-	-
Prepaid cost	69	129	160	-	-
Other assets	2 063	2 343	25 735	316	1 394
Total Assets	19 363 099	18 798 252	19 737 246	17 023 910	16 012 758
	30.09.2019	30.06.2019	31.03.2019	31.12.2018	30.09.2018
Liabilities and equity					
Loans from credit institutions	734 177	1 856 088	943 541	760 137	1 297 614
Debt securities issued	17 176 712	15 716 600	17 565 071	15 063 309	13 544 075
Other liabilities	795	435	247	185	226
Deferred tax	-	-	-	-	16 204
Tax payable	16 342	10 559	29 326	23 142	-
Total Liabilities	17 928 025	17 583 681	18 538 185	15 846 773	14 858 119
Share capital	121 000	111 000	111 000	111 000	111 000
Share premium	1 179 039	989 039	989 039	989 039	989 039
Retained earnings	135 036	114 532	99 023	77 099	54 601
Total Equity	1 435 074	1 214 571	1 199 061	1 177 137	1 154 639
Total Liabilities and Equity	19 363 099	18 798 252	19 737 246	17 023 910	16 012 758

Notes

Note 1 – Introduction

OBOS Boligkreditt AS is a fully owned subsidiary of OBOS-banken AS. The company was formally founded 13 May 2016, with the sole purpose of acquiring mortgages from OBOS-banken AS. The company will finance the business through the issuance of covered bonds. OBOS Boligkreditt received the required permit for operation from the Norwegian Financial Supervision 15 August 2016. OBOS Boligkreditt is registered and domiciled in Norway. The bank has business- and visiting address at Hammersborg Torg 1, 0129 Oslo.

Note 2 – Accounting principles

The interim report for OBOS Boligkreditt has been prepared in accordance with IAS 34. The interim comprises the period 01.01.2019-30.06.2019, and has been prepared in accordance with simplified IFRS.

All amounts in the accounts and notes are stated in Norwegian kroner (NOK) unless otherwise specified. The company's functional currency is NOK.

IFRS 16 Leases

According to IFRS 16 all leases should be reported on the balance sheet as assets and liabilities. Previous classification of leases as either operational or financial leases have been removed. All leases will be treated as financial leasing. Short-term leases (less than 12 months) and leasing of assets of low value are exempted from the requirements. IFRS 16 was implemented from 1 January 2019. The implementation does not have any effect on the accounts.

IFRS 9 Financial Instruments

OBOS Boligkreditt AS applies IFRS 9 for measurement of financial instruments. Financial assets and/or financial liabilities are reported on the balance sheet according to IFRS 9.

Derivatives

Derivatives are recorded at fair value at the time the derivative contracts are entered into, and are recognized at fair value through profit or loss subsequently. Derivatives are presented as a financial asset if the value is positive and as a financial liability if the value is negative. According to IFRS 9, an entity shall apply the hedge accounting requirements to a financial asset or a financial liability that is designated as a hedged item. OBOS Boligkreditt AS doesn't apply the hedge accounting requirements under IFRS 9, but applies interest rate swap agreements to reduce interest rate risk between fixed-rate and market rate. Swap interest rate and change in value are recognized through profit or loss under "Net gain/(loss) and change in value of financial instruments".

Net gain/loss on financial instruments

For interest bearing financial instruments that are measured at fair value, interest income is classified as "Interest income, fair value", and interest expense is classified as "Interest expense, fair value" with the exception of interest on derivatives. Interests paid and received in interest rate swap, as well as changes in accrued interest, are recognized as "Net gain/(loss) and change in value of financial instruments". Other changes in value of financial instruments are also recognized in this note.

The annual report for OBOS Boligkreditt 2018 gives a more detailed description of accounting principles used. The interim report is not audited.

Note 3 – Accounting estimates and discretionary Assessments

OBOS Boligkreditt prepares accounting estimates and makes discretionary assessments based on historical experience, assumptions about the future and other factors. The accounting estimates are evaluated continuously and may deviate from the results achieved. However, they are based on the best estimate available at the time of the financial reporting. Below are the most important areas where accounting estimates and discretionary assessments are used and these may be subject to changes in capitalized values in future periods.

3.1 Value measurement at fair value

OBOS Boligkreditt estimates the fair value of their financial instruments, which are not listed in an active market, using valuation methods described in note 15 in annual report 2018 and the accounting principles. The credit institution's choice of method and associated assumptions are based on market conditions at the balance sheet date. Financial instruments comprise the credit institutions holdings of bond funds.

3.2 Write-down of financial assets

The method for measurement on write-downs for expected loss on financial assets in IFRS 9 depends on credit risk increase since initial recognition, instead of an incurred loss model as in IAS 39. The assets are divided into three stages, based on the credit impairment degree. At initial recognition, and if credit risk has not increased significantly, provision will be made for 12 months expected loss (stage 1). If the credit risk had increased significantly after initial recognition, but there is no objective evidence for loss, provision will be made for total lifetime (stage 2). If credit risk has increased significantly and there is objective evidence for loss, provision will be made for total lifetime (stage 3). In addition, the interest income for the financial assets under stage 3 will be calculated on net balance value of the loan, after deduction of write-down on expected loss over total lifetime. This is different from stage 1 and 2 where the interest income is calculated on gross balance value.

For a more detailed description of the method used for measurement on write-down, see the annual report 2018 note 2 and 8.

Note 4 – Net interest and credit commission income

(Figures in NOK 1000)

	Q3 2019	Q3 2018	1.1 -30.09 2019	1.1 -30.09 2018	2018
Interest and similar income from loans to credit institutions, amortised cost	69	7	112	29	42
Interest and similar income from loans to customers, amortised cost	120 239	77 640	339 798	220 793	314 603
Other interest and similar income, amortised cost	6	-	26	-	8
Total Interest income calculated using the effective interest method	120 315	77 647	339 938	220 822	314 654
Interest and sim. income from loans to customers (fair value)					-
Interest and similar income from loans to customers, fair value					
Interest and similar income from certificates and bonds, fair value	159	122	437	129	255
Total Interest income, fair value	159	122	437	129	255
Interest and similar expenses from loans to credit institutions, amortised cost	-7 514	-2 922	-21 055	-7 674	-12 357
Interest and similar expenses of issued securities, amortised cost	-80 349	-48 845	-231 557	-136 037	-194 059
Total Interest expenses calculated using the effective interest method	-87 864	-51 767	-252 612	-143 711	-206 416
Interest and similar expenses of issued securities, fair value	-3 163	-	-4 779	-	-
Total Interest expenses, fair value	-3 163	-	-4 779	-	-
Net interest and credit commission income	29 448	26 002	82 985	77 240	108 491

Note 5 – Net gain/(loss) and change in value of financial instruments

(Figures in NOK 1000)

	Q3 2019	Q3 2018	1.1 - 30.09 2019	1.1 - 30.09 2018	2018
Net gain/(loss) and change in value on certificates and bonds	-52	-52	-105	8	-23
Net gain/(loss) and change in value on bond funds	-	-	0	45	45
Net interest income on derivatives ¹	476	-	782	-	-
Other net gain/(loss) and change in value on derivatives	5 862	-	15 156	-	-
Net gain/(loss) and change in value on fixed rate covered bonds ²	-5 610	-	-15 251	-	-
Net gain/(loss) and change in value of financial instruments	677	-52	582	53	22

1) Net interest income (/expenses) from derivatives that have been entered into as hedging agreements against the ordinary portfolios of OBOS Boligkreditt's fixed rate covered bonds is classified as net gain/(loss) and change in value of financial instruments in accounting terms. Net interest income on derivatives is included in relevant key figures.

2) OBOS Boligkreditt has used the Fair Value Option (FVO) when valuing fixed rate covered bonds in accordance with IFRS 9. The principle implies that changes in value as a result of changes in own credit risk are recognized in the OBOS-banken group's comprehensive income. The amount that has been deducted from OBOS Boligkreditt's result and transferred to the Group is -3,3 million Norwegian kroner on 30 September 2019.

Note 6 – Related parties

(Figures in NOK 1000)

Transactions within the group

	30.09.2019	30.09.2018	2018
Income Statement			
Other interest Income (OBOS-banken AS)	2	1	1
Other interest expense (OBOS-banken AS)	-28 973	-7 674	-15 986
Other operating costs (OBOS-banken AS)	-3 704	-3 483	-4 667
	-32 676	-11 156	-20 652
Balance Sheet			
Loans to and receivables from credit institutions (OBOS-banken AS)	2	-	-
Deposits from and debt to credit institutions (OBOS-banken AS)	-734 177	-1 297 614	-760 137
Other short-term assets	2 063	1 394	316
Debt through the issuance of securities	-504 528	-	-701 920
	-1 236 640	-1 296 220	-1 461 740

OBOS Boligkreditt AS has ongoing transactions with related parties. All transactions are carried out as part of the ordinary business and at market terms. OBOS Boligkreditt buys management services from OBOS-banken AS and is charged through the parent company to a share of the OBOS Group's joint costs, which are settled at full cost after actual use. OBOS Boligkreditt has established a NOK 3.0 billion credit facility with the parent company OBOS-banken AS for the coverage of current assets, including the transfer of the loan portfolio. The company is charged with the NIBOR + 50 bp. Collateral and a credit commission fee of 0.15% of the credit limit of NOK 3.0 billion. The company uses employees in OBOS-banken AS and the OBOS Group, as well as payroll systems, invoice processing systems and banking / finance systems, and in this connection has an intermediary with OBOS-banken AS to cover current operating payments. As at 30.09.19, this debt was at NOK 3.7 million, which is included in the drawn credit facility. All short-term deposits are settled on a continuous basis.

The credit institution entered into an agreement with OBOS-banken AS on a rolling liquidity facility, which at any time covers the expected liquidity that matures the coming 12 months. This liquidity facility is unused at 30.09.19.

Note 7 – Assets and liabilities measured at amortized cost

(Figures in NOK 1000)

For all items booked at amortised cost, the book value is approximately equal to the fair value. This applies to the following balance sheet items: Loans to and receivables from credit institutions, Loans to and receivables from customers and Debt to credit institutions.

Note 8 – Capital adequacy

(Figures in NOK 1000)

Net own funds	30.09.2019	30.09.2018	31.12.2018
Share capital	121 000	111 000	111 000
Share premium	1 179 039	989 039	989 039
Retained earnings	77 099	160	78 291
Qualifying equity from this years result	-	-	78 131
Total equity	1 377 137	1 100 198	1 178 330
Adjustments in common tier 1 capital	-3 366	-17 190	-18 218
Common equity tier 1 capital	1 373 771	1 083 009	1 160 112
Additional Tier 1 capital	-	-	-
Tier 1 capital	1 373 771	1 083 009	1 160 112
Tier 2 instruments	-	-	-
Own funds	1 373 771	1 083 009	1 160 112
Minimum requirement own funds	30.09.2019	30.09.2018	31.12.2018
Institutions	474	169	40
Secured by mortgages on immovable property	541 474	449 577	478 081
Exposures in default	2 923	-	4 300
Other items	231	-	-
Credit risk	545 103	449 746	482 421
Operational risk	9 549	6 186	9 549
CVA-risk	3 150	-	-
Minimum requirement own funds	557 801	455 932	491 970
Calculation basis	6 972 519	5 699 156	6 149 623
Capital adequacy ratio			
Common tier 1 capital ratio	19,70 %	19,00 %	18,86 %
Tier 1 capital ratio	19,70 %	19,00 %	18,86 %
Capital adequacy ratio	19,70 %	19,00 %	18,86 %

Note 9 – Assets and liabilities measured at fair value

(Figures in NOK 1000)

OBOS Boligkreditt uses the following valuation hierarchy for financial instruments measured at fair value:

- Level 1: Market price (non-adjusted) quoted in an active market for identical assets or liabilities.
- Level 2: Market price that is not listed, but is observable for assets or liabilities either directly (for example in the form of prices) or indirectly (for example derived from prices)
- Level 3: Information that is not based on observable market data.

There was no movement between level 1 and 2 during the periods.

Method for calculating fair value of financial instruments measured at fair value:

Certificates, bonds and debt securities

The bank obtains market prices and credit spreads from independent brokers in major financial institutions in order to calculate fair value.

Bond funds

The bank obtains the market value of fund units from the individual fund manager.

Financial derivatives

The fair value of financial derivatives is calculated on the basis of discounted cash flows based on exchange rates and current interest rate curves at the balance sheet date.

See also the description provided in note 2: accounting policies.

As at 30.09.19	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 735	-	30 735
Financial derivatives	-	18 503	-	18 503
Total assets	-	49 238	-	49 238
Liabilities				
Debt securities issued	-	543 348	-	543 348
Total liabilities	-	543 348	-	543 348

As at 30.09.18	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 845	-	30 845
Financial derivatives	-	-	-	-
Total assets	-	30 845	-	30 845
Liabilities				
Debt securities issued	-	-	-	-
Total liabilities	-	-	-	-

Note 10 – Assets and liabilities that are subject to net settlement

(Figures in NOK 1000)

30.09.2019	Gross financial assets / Net settlement of Gross		Book value	Cash collateral	Net value
	liabilities	financial assets/liabilities			
Derivatives assets	18 503	-	18 503	-	18 503
Derivatives liabilities	-	-	-	-	-
30.09.2018					
Derivatives assets	-	-	-	-	-
Derivatives liabilities	-	-	-	-	-

The note shows derivative positions in the balance sheet of OBOS Boligkreditt AS. OBOS Boligkreditt has entered into ISDA agreements with supplementary collateral agreement (CSA) with central counterparty. OBOS Boligkreditt has one active CSA agreement as of 30.09.2019.

Note 11 – Debt securities

(Figures in NOK 1000)

Changes in debt securities	Balance	New	Maturity/	Other	Balance
	30.09.2019	issues	buy backs	changes	31.12.2018
Debt securities issued	17 082 000	4 520 000	-2 438 000	-	15 000 000
Amortisation	36 854	16 695	-11 860	2 049	29 970
Fair value adjustment	18 569	-	-	18 569	-
Accrued interest	39 289	4 835	-5 307	6 421	33 339
Total debt securities	17 176 712	4 541 531	-2 455 167	27 039	15 063 309

Method:

Debt securities is classified at amortised cost or at fair value by "fair value option". Book value at amortised cost corresponds to cost adjusted for amortisation.

Loans issued in NOK as at 30.09.2019

ISIN	Type	Due date	Face value	Book value	Accrued interest	Book value incl. accrued interest	Maturity	interest rate
Bonds at amortised cost								
NO0010775570	FRN	07.10.2019	62 000	62 000	285	62 285	0,0	1,95 %
NO0010775588	FRN	07.10.2021	2 500 000	2 498 804	12 750	2 511 554	2,0	2,16 %
NO0010806870	FRN	05.10.2020	2 000 000	1 999 589	8 849	2 008 438	1,0	1,81 %
NO0010786494	FRN	15.06.2022	4 000 000	4 015 137	3 783	4 018 921	2,7	2,27 %
NO0010795487	FRN	06.06.2023	4 000 000	4 011 547	6 056	4 017 602	3,7	2,18 %
NO0010841232	FRN	19.06.2024	4 000 000	4 011 777	2 787	4 014 564	4,7	2,09 %
Bonds at fair value								
NO0010851645 ¹⁾	Fixed	15.05.2029	520 000	538 569	4 779	543 348	9,6	2,42 %
Total debt securities			17 082 000	17 137 423	39 289	17 176 712	3,3	2,14 %

All bond loans are listed on the Nordic ABM stock exchange. They have a bullet structure and fall due in their entirety on the maturity date. See obos.no for further information and agreements on each of the above-mentioned bond loans.

1) The bonds are hedged from fixed to floating interest rates.

Note 12 – Cover pool

(Figures in NOK 1000)

Cover pool	30.09.2019	30.09.2018	31.12.2018
Mortgages ¹⁾	19 219 942	15 969 942	16 990 450
Ineligible loans	-21 007	-14 804	-38 647
Total Cover pool	19 198 936	15 955 138	16 951 802
Debt through the issuance of securities (excl. accrued interest)	17 137 423	13 514 139	15 029 970
The cover pool's overcollateralisation	112,0 %	118,1 %	112,8 %

1) The cover pools composition is defined in Finansforetaksloven § 11-8 .

Note 13 – Impairment and losses

(Figures in NOK 1000)

Provisions for losses are calculated based on the expected credit loss (ECL) using the 3-step method in IFRS 9, as described in Note 3.

Changes in gross carrying amount

The table below shows changes in gross carrying amount to explain the significance of changes in loan provisions.

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 01.01.2019	16 876 460	113 990	-	16 990 450
Migration to Stage 1	7 274	-7 274	-	-
Migration to Stage 2	-16 471	16 471	-	-
Migration to Stage 3	-3 649	-	-	-3 649
Changes in ECL for loans which have not migrated	-237 896	-1 261	4 439	-234 717
New loans	4 529 204	20 483	-	4 549 687
Disposal of loans	-2 057 020	-19 172	-	-2 076 192
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.09.2019	19 097 901	123 238	4 439	19 225 578

Movements in provisions and write-downs

The table below shows the loss provisions broken down by the various steps of the transition to IFRS 9 for the period.

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2019	3 377	1 779	-	5 156
Migration to Stage 1	291	-291	-	-
Migration to Stage 2	-21	21	-	-
Migration to Stage 3	-4	-	4	-
Changes in ECL for loans which have not migrated	-469	-241	786	76
New loans	1 121	288	-	1 409
Disposal of loans	-766	-239	-	-1 006
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 30.09.2019	3 529	1 317	790	5 636
Provisions (%) of gross capitalised values	0,02 %	1,07 %	17,79 %	0,03 %
Net change (01.01.2019-30.09.2019)	152	-462	790	480

Breakdown of loan provisions per segment and stage

The table below shows the provisions broken down by the various segments and the stages, as well as net change in loan provisions during the period.

	ECL 30.09.2019			
Segment	Stage 1	Stage 2	Stage 3	Total
Housing co-operatives	625	-	-	625
Retail	2 905	1 317	790	5 011
Total loans and customer receivables	3 530	1 317	790	5 636

	ECL 01.01.2019			
Segment	Stage 1	Stage 2	Stage 3	Total
Housing co-operatives	522	-	-	522
Retail	2 855	1 779	-	4 634
Total loans and customer receivables	3 377	1 779	-	5 156

	Change in ECL entered in the income statement 01.01.2019-30.09.2019			
Segment	Stage 1	Stage 2	Stage 3	Total
Housing co-operatives	103	-	-	103
Retail	50	-462	790	377
Total change provision	153	-462	790	480

Estimated Stage 1 losses on assets measured at fair value

The table below show changes in fair value and expected losses on loans to customers measured at fair value through profit or loss, which are reversed over other comprehensive income.

	Stage 1	Stage 2	Stage 3	Total
Opening balance	3 377	-	-	3 377
Net change in expected losses	153	-	-	153
Closing balance	3 530	-	-	3 530

Net change in losses on stage 1 on loans measured at fair value, is reversed over other comprehensive income for OBOS Boligkreditt AS.

Movements in provisions and write-downs

The table below shows the loss provisions broken down by the various steps of the transition to IFRS 9 for the period.

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2018	2 525	1 548	-	4 073
Migration to Stage 1	418	-418	-	-
Migration to Stage 2	-11	11	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-565	439	-	-126
New loans	1 385	588	76	2 049
Disposal of loans	-493	-110	-	-603
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 30.09.2018	3 258	2 059	76	5 393
Provisions (%) of gross capitalised values	0,02 %	1,87 %		0,03 %
Net change (01.01.2018-30.09.2018)	733	511	76	1 320

Movements in provisions and write-downs

The table below shows the loss provisions broken down by the various steps of the transition to IFRS 9 as of 01.01.2018 and as of 31.12.2018.

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2018 according to IFRS 9	2 525	1 548	-	4 073
Migration to Stage 1	783	-783	-	-
Migration to Stage 2	-54	54	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL in the period for loans which have not migrated	-874	1 122	-	248
New loans	1 641	162	-	1 803
Disposal of loans	-645	-324	-	-969
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 31.12.2018	3 377	1 779	-	5 156
Provisions (%) of gross capitalised values	0,02 %	1,56 %		0,03 %
Net change (01.01.2018-31.12.2018)	852	231	-	1 083

Note 14 – Statement of changes in equity

(Figures in NOK 1000)

	Share Capital	Share Premium	Retained earnings	Total equity
Equity as at 01.01.2018	101 000	699 039	160	800 198
Issue of share capital	10 000	290 000	-	300 000
Total result 01.01 - 31.12.2018	-	-	78 131	78 131
Effect of IFRS 9 implementation	-	-	-1 192	-1 192
Equity as at 31.12.2018	111 000	989 039	77 099	1 177 137
Issue of share capital	10 000	190 000	-	200 000
Result for the period 01.01 - 30.09.2019	-	-	60 405	60 405
Losses on loans and guarantees, fair value	-	-	153	153
Income tax expense on items that can be reclassified	-	-	-34	-34
Net change in values from own credit risk	-	-	-3 317	-3 317
Income tax expense on items that will not be reclassified	-	-	730	730
Total comprehensive income 01.01.2019 - 30.09.2019	-	-	57 937	57 937
Equity as at 30.09.2019	121 000	1 179 039	135 035	1 435 074

