

Interim report

4th 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 fourth quarter end 2019 amounted to NOK 20 262 million. All loans are at the time of acquisition within 75 % of the property's estimated value. Total issued covered bond loans at fourth quarter end 2019 amounted to NOK 17 020 million. Overcollateralization was 119 %.

Rating

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

Fourth 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 34.0 (31.3) million for the fourth quarter of 2019. Total operating costs amounted to NOK 1.9 (2.3) million. These expenses are mainly related to payments for banking services provided by the parent bank. Profit before loan losses and taxes was NOK 31.6 (28.9) million in the fourth quarter of 2019. The calculation of expected loss (ECL) for OBOS Boligkreditt AS resulted in net loan losses of NOK -1.9 million in the fourth quarter of 2019, compared to a reversal of NOK 0.2 million in the same quarter in 2018. The ECL calculation as at 31 December 2019 shows expected credit loss of NOK 7.6 (5.2) million. Profit after tax was NOK 24.2 million (22.4) in the fourth quarter of 2019.

OBOS Boligkreditt AS did not issue covered bonds in the quarter. One covered bond with ISIN NO 001 0775570 matured during the quarter. OBOS Boligkreditt AS had six bond loans outstanding at 31 December 2019 with total debt securities issued of NOK 17 020 million face value, compared to five bond loans and NOK 15 000 million face value outstanding at 31 December 2018.

Total assets at fourth quarter end 2019 amounted to NOK 20 332 (17 024) million. Gross lending to customers amounted to NOK 20 262 (16 990) 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 119 percent as at 31 December 2019, compared to 113 percent at 31 December 2018. At fourth quarter end 2019, the mortgages in the cover pool had a weighted average loan-to-value ratio of 35 percent.

OBOS Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 30.7 (30.8) million at 31 December 2019, reporting a total LCR of 473 percent (148).

Capital strength

Total own funds for the purposes of capital adequacy amounted to NOK 1 455 (1 160) million by fourth quarter end 2019. Risk weighted assets amounted to NOK 7 397 (6 150) million by the end of fourth quarter 2019. The CET 1 capital ratio is 19.7 (18.9) percent at 31 December 2019. OBOS Boligkreditt AS uses the standardised approach to calculate capital requirements for credit risk.

Outlook

With a ceasefire in the US-China trade war and Britain's orderly exit from the EU, it seems that global growth may pick up again this year after falling sharply through last year. However, the Corona virus creates new uncertainty. There will also be uncertainty as to whether the UK will establish a new trade agreement with the EU in 2020.

The situation in Norway is characterized by low unemployment, inflation around normal levels and a weak Norwegian krone that helps export companies. After three interest rate increases in one year, Norges Bank has now signalled that the interest rate is expected to remain unchanged in the coming years. Households

are expected to have some increase in purchasing power. Mortgage regulations will still curb credit growth. All in all, this speaks for a balanced housing market going forward.

In 2019, the parent bank achieved another year of good lending growth, however more moderate than previous years. Lending growth in OBOS Boligkreditt through transferred loans from the parent bank is also expected to be more moderate going forward than during the start-up phase. The strong macroeconomic situation contributes to higher NOK interest rates and strong asset quality through low unemployment and stable housing markets.

Oslo 11.02.2019

The board of directors of OBOS Boligkreditt AS

Key Figures

(Figures in MNOK)

| | Q4 2019 | Q4 2018 | 2019 | 2018 |
|--|---------|---------|---------|---------|
| | Q4 2019 | Q4 2018 | | |
| Profitability | | | | |
| 1) Profit after tax | 24 | 22 | 85 | 77 |
| 2) Net interest in % of average total assets | 0,68 % | 0,75 % | 0,62 % | 0,74 % |
| 3) Cost-to-income ratio | 5,8 % | 7,3 % | 6,3 % | 6,0 % |
| 4) Return on equity | 6,4 % | 7,6 % | 6,5 % | 7,2 % |
| Balance sheet | | | | |
| 5) Lending to customers | 20 262 | 16 990 | 20 262 | 16 990 |
| 6) Loss in % of gross loans | 0,01 % | 0,00 % | 0,01 % | 0,00 % |
| 7) Defaults in % of gross loans | 0,00 % | 0,00 % | 0,00 % | 0,00 % |
| 8) Total assets | 20 332 | 17 024 | 20 332 | 17 024 |
| 9) Average total assets | 19 848 | 16 518 | 19 558 | 14 984 |
| 10) Covered bonds issued | 17 020 | 15 000 | 17 020 | 15 000 |
| 11) Overcollateralisation | 118,6 % | 112,8 % | 118,6 % | 112,8 % |
| Solidity and liquidity | | | | |
| 12) CET 1 Capital ratio | 19,7 % | 18,9 % | 19,7 % | 18,9 % |
| 13) T1 Capital ratio | 19,7 % | 18,9 % | 19,7 % | 18,9 % |
| 14) Total capital ratio | 19,7 % | 18,9 % | 19,7 % | 18,9 % |
| 15) Leverage ratio | 7,2 % | 6,9 % | 7,2 % | 6,8 % |
| 16) LCR | 472,9 % | 147,8 % | 472,9 % | 147,8 % |
| Staffing | | | | |
| 17) Number of permanent employees | 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 | Q4 2019 | Q4 2018 | 2019 | 2018 |
|--|-----------|---------------|---------------|----------------|----------------|
| Interest income calculated using the effective interest method | | 135 072 | 93 832 | 475 008 | 314 654 |
| Interest income from instruments using fair value | | 175 | 126 | 613 | 255 |
| Interest expenses calculated using the effective interest method | | -98 134 | -62 706 | -350 746 | -206 416 |
| Interest expenses from instruments using fair value | | -3 163 | - | -7 942 | - |
| Net interest income | 4 | 33 950 | 31 252 | 116 933 | 108 491 |
| Commission and banking service expenses | | -79 | -72 | -338 | -269 |
| Net commission expenses | | -79 | -72 | -338 | -269 |
| Net gain/(loss) and change in value of fin. Instruments | 5 | -345 | -31 | 238 | 22 |
| Net operating income | | 33 527 | 31 149 | 116 833 | 108 243 |
| Salaries and other personnel cost | | - | - | -183 | -183 |
| Administration cost | | -158 | 49 | -316 | -235 |
| Other operating expenses | 6 | -1 773 | -2 334 | -6 816 | -6 125 |
| Total operating expenses | | -1 931 | -2 285 | -7 314 | -6 543 |
| Profit before loan losses and taxes | | 31 596 | 28 865 | 109 519 | 101 700 |
| Net loan losses | 13 | -1 917 | 237 | -2 398 | -1 083 |
| Profit before tax | | 29 679 | 29 101 | 107 121 | 100 617 |
| Income tax expense | | -5 447 | -6 694 | -22 484 | -23 143 |
| Profit after tax | 14 | 24 232 | 22 408 | 84 637 | 77 474 |
| Attributabel to | | | | | |
| Retained earnings | 14 | 24 232 | 22 408 | 84 637 | 77 474 |
| Total | | 24 232 | 22 408 | 84 637 | 77 474 |

Statement of comprehensive income

(Figures in NOK 1000)

| | NOTE | Q4 2019 | Q4 2018 | 2019 | 2018 |
|--|-----------|---------------|---------------|---------------|---------------|
| Profit after tax | 14 | 24 232 | 22 408 | 84 637 | 77 474 |
| Losses on loans and guarantees, fair value | 13 | 143 | 119 | 296 | 852 |
| Income tax expense on items that can be reclassified | | -32 | -27 | -65 | -196 |
| Items that can be reclassified to profit or loss | | 112 | 91 | 231 | 656 |
| Net change in values from own credit risk | | -390 | - | -3 707 | - |
| Income tax expense on items that will not be reclassified | | 86 | - | 816 | - |
| Items that will not be reclassified to profit or loss | | -304 | - | -2 891 | - |
| Comprehensive income for the periode | | -192 | 91 | -2 660 | 656 |
| Total comprehensive income after tax | | 24 040 | 22 498 | 81 976 | 78 130 |
| Attributable to | | | | | |
| Retained earnings | 14 | 24 040 | 22 498 | 81 976 | 78 130 |
| Total | | 24 040 | 22 498 | 81 976 | 78 130 |

Balance sheet

(Figures in NOK 1000)

| | NOTE | 31.12.2019 | 31.12.2018 |
|---|----------|-------------------|-------------------|
| ASSETS | | | |
| Loans to and receivables from credit institutions | 7 | 30 267 | 2 159 |
| Loans to and receivables from customers | 7,13 | 20 261 577 | 16 990 450 |
| Certificates and bonds | 9 | 30 693 | 30 820 |
| Deferred tax asset | | 1 899 | 166 |
| Financial derivatives | | 4 804 | - |
| Prepaid cost | | 9 | - |
| Other assets | | 2 681 | 316 |
| TOTAL ASSETS | | 20 331 931 | 17 023 910 |
| LIABILITIES AND EQUITY | | | |
| | NOTE | 31.12.2019 | 31.12.2018 |
| Loans from credit institutions | 6,7,11 | 1 745 367 | 760 137 |
| Debt securities issued | 6,7,9,11 | 17 103 759 | 15 063 309 |
| Other liabilities | | 224 | 185 |
| Deferred tax | | - | - |
| Tax payable | | 23 468 | 23 142 |
| TOTAL LIABILITIES | | 18 872 817 | 15 846 773 |
| Share capital | 14 | 121 000 | 111 000 |
| Share premium | 14 | 1 179 039 | 989 039 |
| Retained earnings | 14 | 159 075 | 77 099 |
| TOTAL EQUITY | | 1 459 114 | 1 177 137 |
| TOTAL LIABILITIES AND EQUITY | | 20 331 931 | 17 023 910 |

Cash flow

(Figures in NOK 1000)

| | NOTE | 31.12.2019 | 31.12.2018 |
|--|------|-------------------|-------------------|
| Profit before tax | | 107 121 | 100 617 |
| Interest income calculated using the effective interest method | 4 | -475 621 | -314 908 |
| Interest payments from customers and credit institutions | | 472 880 | 323 186 |
| Loans to customers transferred from parent company | | -3 271 127 | -4 487 004 |
| Interest from certificates and bonds/bond funds | 5 | -238 | -22 |
| Payment for other assets | | -7 169 | -316 |
| Payment for other debt | | -22 523 | -69 035 |
| Net gain/(loss) and change in value of financial Instruments | 5 | -1 398 | 27 |
| Net loan losses | 13 | -2 694 | -1 083 |
| Paid taxes | | -23 142 | - |
| Change in accrued interests | | 13 329 | 9 767 |
| Change in other accruals | | 1 860 | -921 |
| Net new lines of credit | 6 | 985 230 | 85 920 |
| (A) Net cash flow from operating activities | | -2 223 491 | -4 353 771 |
| Payments related to acquisition of shares and securities | | - | - |
| (B) Net cash flow from investment activities | | - | - |
| Issuance of covered bonds | 11 | 4 551 598 | 4 029 970 |
| Repayment of covered bonds | 11 | -2 500 000 | - |
| Issue of share capital | 14 | 200 000 | 300 000 |
| (C) Net cash flow from financing activities | | 2 251 598 | 4 329 970 |
| (A) + (B) + (C) Net cash flow for the period | | 28 107 | -23 802 |
| Cash and cash equivalents at beginning of period | | 2 159 | 25 960 |
| Cash and cash equivalents at end of period | | 30 265 | 2 159 |
| Net change in cash and cash equivalents | | 28 107 | -23 802 |
| Liquidity reserves specified | | | |
| Loans to and receivables from credit institutions 1) | | 30 265 | 2 159 |
| Cash and cash equivalents | | 30 265 | 2 159 |

1) Hereof 0,2 TNOK in restricted deposits.

Quarterly changes in income statement

(Figures in NOK 1000)

| | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Interest income calculated using the effective interest method | 135 072 | 120 314 | 113 116 | 106 507 | 93 831 |
| Interest income from instruments using fair value | 175 | 159 | 145 | 133 | 126 |
| Interest expenses calculated using the effective interest method | -98 134 | -87 864 | -88 208 | -76 540 | -62 706 |
| Interest expenses from instruments using fair value | -3 163 | -3 163 | -1 616 | - | - |
| Net interest income | 33 950 | 29 446 | 23 437 | 30 100 | 31 252 |
| Commission and banking service expenses | -79 | -83 | -91 | -85 | -72 |
| Net Commission expenses | -79 | -83 | -91 | -85 | -72 |
| Net gain/(loss) and change in value of fin. instruments | -345 | 677 | -66 | -28 | -31 |
| Net operating income | 33 527 | 30 039 | 23 280 | 29 987 | 31 149 |
| Salaries and other personnel cost | - | - | -183 | - | - |
| Administration cost | -158 | - | -47 | -111 | 49 |
| Other operating expenses | -1 773 | -2 101 | -1 330 | -1 611 | -2 334 |
| Total operating expenses | -1 931 | -2 101 | -1 560 | -1 723 | -2 285 |
| Profit before loan losses and taxes | 31 596 | 27 938 | 21 720 | 28 265 | 28 864 |
| Net loan losses | -1 917 | -831 | 996 | -646 | 237 |
| Profit before tax | 29 679 | 27 107 | 22 716 | 27 619 | 29 101 |
| Income tax expense | -5 447 | -5 964 | -4 997 | -6 076 | -6 694 |
| Profit after tax | 24 232 | 21 144 | 17 718 | 21 543 | 22 407 |
| Attributabel to | | | | | |
| Retained earnings | 24 232 | 21 142 | 17 718 | 21 543 | 22 407 |
| Total | 24 232 | 21 142 | 17 718 | 21 543 | 22 407 |

Quarterly changes in statement of comprehensive income

(Figures in NOK 1000)

| | Q4 2019 | Q3 2019 | Q2 2019 | Q1 2019 | Q4 2018 |
|--|---------------|---------------|---------------|---------------|---------------|
| Profit after tax | 24 232 | 21 142 | 17 718 | 21 543 | 22 407 |
| Losses on loans and guarantees, fair value | 143 | 166 | -501 | 488 | 119 |
| Income tax expense on items that can be reclassified | -32 | -36 | 110 | -107 | -27 |
| Items that can be reclassified to profit or loss | 112 | 129 | -391 | 381 | 91 |
| Net change in values from own credit risk | -390 | -987 | -2 330 | - | - |
| Income tax expense on items that will not be reclassified | 86 | 217 | 513 | - | - |
| Items that will not be reclassified to profit or loss | -304 | -770 | -1 818 | - | - |
| Comprehensive income for the periode | -192 | -641 | -2 209 | 381 | 91 |
| Total comprehensive income after tax | 24 040 | 20 501 | 15 510 | 21 924 | 22 498 |
| Attributable to | | | | | |
| Retained earnings | 24 040 | 20 501 | 15 510 | 21 924 | 22 498 |
| Total | 24 040 | 20 501 | 15 510 | 21 924 | 22 498 |

Quarterly changes in balance sheet

(Figures in NOK 1000)

| | 31.12.2019 | 30.09.2019 | 30.06.2019 | 31.03.2019 | 31.12.2018 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|
| Assets | | | | | |
| Loans to and receivables from credit institutions | 30 267 | 91 622 | 2 203 | 30 286 | 2 159 |
| Loans to and receivables from customers | 20 261 577 | 19 219 942 | 18 753 032 | 19 650 106 | 16 990 450 |
| Certificates and bonds | 30 693 | 30 735 | 30 779 | 30 794 | 30 820 |
| Deferred tax asset | 1 899 | 166 | 166 | 166 | 166 |
| Financial derivatives | 4 804 | 18 503 | 9 600 | - | - |
| Prepaid cost | 9 | 69 | 129 | 160 | - |
| Other assets | 2 681 | 2 063 | 2 343 | 25 735 | 316 |
| Total Assets | 20 331 931 | 19 363 099 | 18 798 252 | 19 737 246 | 17 023 910 |
| | | | | | |
| | 31.12.2019 | 30.09.2019 | 30.06.2019 | 31.03.2019 | 31.12.2018 |
| Liabilities and equity | | | | | |
| Loans from credit institutions | 1 745 367 | 734 177 | 1 856 088 | 943 541 | 760 137 |
| Debt securities issued | 17 103 759 | 17 176 712 | 15 716 600 | 17 565 071 | 15 063 309 |
| Other liabilities | 224 | 795 | 435 | 247 | 185 |
| Deferred tax | - | - | - | - | - |
| Tax payable | 23 468 | 16 342 | 10 559 | 29 326 | 23 142 |
| Total Liabilities | 18 872 817 | 17 928 025 | 17 583 681 | 18 538 185 | 15 846 773 |
| | | | | | |
| Share capital | 121 000 | 121 000 | 111 000 | 111 000 | 111 000 |
| Share premium | 1 179 039 | 1 179 039 | 989 039 | 989 039 | 989 039 |
| Retained earnings | 159 075 | 135 036 | 114 532 | 99 023 | 77 099 |
| Total Equity | 1 459 114 | 1 435 074 | 1 214 571 | 1 199 061 | 1 177 137 |
| Total Liabilities and Equity | 20 331 931 | 19 363 099 | 18 798 252 | 19 737 246 | 17 023 910 |

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 01.01.2019-31.12.2019 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)

| | Q4 2019 | Q4 2018 | 2019 | 2018 |
|---|----------------|----------------|-----------------|-----------------|
| Interest and similar income from loans to credit institutions, amortised cost | 95 | 13 | 208 | 42 |
| Interest and similar income from loans to customers, amortised cost | 134 967 | 93 810 | 474 765 | 314 603 |
| Other interest and similar income, amortised cost | 9 | 8 | 36 | 8 |
| Total interest income calculated using the effective interest method | 135 072 | 93 831 | 475 008 | 314 654 |
| Interest and similar income from certificates and bonds, fair value | 175 | 126 | 613 | 255 |
| Total interest income, fair value | 175 | 126 | 613 | 255 |
| Interest and similar expenses from loans to credit institutions, amortised cost | -5 386 | -4 683 | -26 441 | -12 357 |
| Interest and similar expenses of issued securities, amortised cost | -91 240 | -58 022 | -322 797 | -194 059 |
| Other interest and similar expenses, amortised cost | -1 509 | - | -1 509 | - |
| Total interest expenses calculated using the effective interest method | -98 134 | -62 706 | -350 746 | -206 416 |
| Interest and similar expenses of issued securities, fair value | -3 163 | - | -7 942 | - |
| Total interest expenses, fair value | -3 163 | - | -7 942 | - |
| Net interest and credit commission income | 33 950 | 31 252 | 116 933 | 108 491 |

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

(Figures in NOK 1000)

| | Q4 2019 | Q4 2018 | 2019 | 2018 |
|--|-------------|------------|------------|-----------|
| Net gain/(loss) and change in value on certificates and bonds | -54 | -31 | -158 | -23 |
| Net gain/(loss) and change in value on bond funds | 0 | - | - | 45 |
| Net interest income on derivatives ¹ | 210 | - | 992 | - |
| Other net gain/(loss) and change in value on derivatives | -16 713 | - | -1 556 | - |
| Net gain/(loss) and change in value on fixed rate covered bonds ² | 16 212 | - | 960 | - |
| Net gain/(loss) and change in value of financial instruments | -345 | -31 | 238 | 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 -3,7 million Norwegian kroner on 31 December 2019.

Note 6 – Related parties

(Figures in NOK 1000)

Transactions within the group

| | 31.12.2019 | 31.12.2018 |
|--|-------------------|-------------------|
| Income Statement | | |
| Other interest Income (OBOS-banken AS) | 2 | 1 |
| Other interest Income (OBOS group) | 2 943 | - |
| Other interest expense (OBOS-banken AS) | -35 607 | -15 986 |
| Other operating costs (OBOS-banken AS) | -5 264 | -4 667 |
| | -37 926 | -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) | -1 745 367 | -760 137 |
| Other short-term assets | 2 681 | 316 |
| Debt through the issuance of securities | - | -701 920 |
| | -1 742 684 | -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 31.12.19, this debt was at NOK 5.3 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 31.12.19.

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 | 31.12.2019 | 31.12.2018 |
| Share capital | 121 000 | 111 000 |
| Share premium | 1 179 039 | 989 039 |
| Retained earnings | 159 075 | 78 291 |
| Qualifying equity from this years result | 81 976 | 78 131 |
| Total equity | 1 459 114 | 1 178 330 |
| Adjustments in common tier 1 capital | -3 742 | -18 218 |
| Common equity tier 1 capital | 1 455 371 | 1 160 112 |
| Additional Tier 1 capital | - | - |
| Tier 1 capital | 1 455 371 | 1 160 112 |
| Tier 2 instruments | - | - |
| Own funds | 1 455 371 | 1 160 112 |
| Minimum requirement own funds | 31.12.2019 | 31.12.2018 |
| Institutions | 831 | 40 |
| Secured by mortgages on immovable property | 571 040 | 478 081 |
| Exposures in default | 3 371 | 4 300 |
| Other items | 192 | - |
| Credit risk | 575 433 | 482 421 |
| Operational risk | 14 902 | 9 549 |
| CVA-risk | 1 475 | - |
| Minimum requirement own funds | 591 810 | 491 970 |
| Calculation basis | 7 397 624 | 6 149 623 |
| Capital adequacy ratio | | |
| Common tier 1 capital ratio | 19,67 % | 18,86 % |
| Tier 1 capital ratio | 19,67 % | 18,86 % |
| Capital adequacy ratio | 19,67 % | 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 31.12.2019 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|----------------|----------------|----------------|----------------|
| Assets | | | | |
| Certificates and bonds | - | 30 693 | - | 30 693 |
| Financial derivatives | - | 4 804 | - | 4 804 |
| Total assets | - | 35 498 | - | 35 498 |
| Liabilities | | | | |
| Debt securities issued | - | 530 689 | - | 530 689 |
| Total liabilities | - | 530 689 | - | 530 689 |

| As at 31.12.18 | Level 1 | Level 2 | Level 3 | Total |
|--------------------------|----------------|----------------|----------------|---------------|
| Assets | | | | |
| Certificates and bonds | - | 30 820 | - | 30 820 |
| Financial derivatives | - | - | - | - |
| Total assets | - | 30 820 | - | 30 820 |
| Liabilities | | | | |
| Debt securities issued | - | - | - | - |
| Total liabilities | - | - | - | - |

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

(Figures in NOK 1000)

| 31.12.2019 | Gross financial assets / liabilities | Net settlement of Gross financial | | Book value | Cash collateral | Net value |
|-------------------------|--------------------------------------|-----------------------------------|-------------|------------|-----------------|-----------|
| | | assets/liabilities | liabilities | | | |
| Derivatives assets | 4 804 | - | - | 4 804 | - | 4 804 |
| Derivatives liabilities | - | - | - | - | - | - |
| 31.12.2018 | | | | | | |
| 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 31.12.2019.

Note 11 – Debt securities

(Figures in NOK 1000)

| Changes in debt securities | Balance | New | Maturity/ | Other | Balance |
|------------------------------|-------------------|------------------|-------------------|---------------|-------------------|
| | 31.12.2019 | issues | buy backs | changes | 31.12.2018 |
| Debt securities issued | 17 020 000 | 4 520 000 | -2 500 000 | - | 15 000 000 |
| Amortisation | 34 344 | 16 695 | -11 860 | -461 | 29 970 |
| Fair value adjustment | 2 747 | - | - | 2 747 | - |
| Accrued interest | 46 668 | 4 835 | -5 307 | 13 800 | 33 339 |
| Total debt securities | 17 103 759 | 4 541 531 | -2 517 167 | 16 086 | 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 31.12.2019

| ISIN | Type | Due date | Face value | Book value | Book value incl. | | Maturity | interest rate |
|--------------------------------|-------|------------|-------------------|-------------------|------------------|-------------------|------------|---------------|
| | | | | | Accrued interest | accrued interest | | |
| Bonds at amortised cost | | | | | | | | |
| NO0010775588 | FRN | 07.10.2021 | 2 500 000 | 2 498 953 | 14 393 | 2 513 346 | 1,8 | 2,41 % |
| NO0010806870 | FRN | 05.10.2020 | 2 000 000 | 1 999 691 | 9 890 | 2 009 581 | 0,8 | 2,07 % |
| NO0010786494 | FRN | 15.06.2022 | 4 000 000 | 4 013 752 | 4 302 | 4 018 055 | 2,5 | 2,42 % |
| NO0010795487 | FRN | 06.06.2023 | 4 000 000 | 4 010 775 | 6 760 | 4 017 535 | 3,4 | 2,34 % |
| NO0010841232 | FRN | 19.06.2024 | 4 000 000 | 4 011 174 | 3 380 | 4 014 554 | 4,5 | 2,34 % |
| Bonds at fair value | | | | | | | | |
| NO0010851645 ¹⁾ | Fixed | 15.05.2029 | 520 000 | 522 747 | 7 942 | 530 689 | 9,4 | 2,42 % |
| Total debt securities | | | 17 020 000 | 17 057 091 | 46 668 | 17 103 759 | 3,1 | 2,34 % |

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 | 31.12.2019 | 31.12.2018 |
|---|-------------------|-------------------|
| Mortgages ¹⁾ | 20 261 577 | 16 990 450 |
| Ineligible loans | -24 570 | -38 647 |
| Total Cover pool | 20 237 007 | 16 951 802 |
| Debt through the issuance of securities (excl. accrued interest) | 17 057 091 | 15 029 970 |
| The cover pool's overcollateralisation | 118,6 % | 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 | 50 849 | -50 849 | - | - |
| Migration to Stage 2 | -77 459 | 77 459 | - | - |
| Migration to Stage 3 | -6 576 | - | 6 576 | - |
| Changes in ECL for loans which have not migrated | -342 937 | -2 734 | -31 | -345 702 |
| New loans | 6 125 596 | 24 155 | - | 6 149 751 |
| Disposal of loans | -2 505 277 | -27 646 | - | -2 532 923 |
| Confirmed losses | - | - | - | - |
| Included in previously confirmed losses | - | - | - | - |
| Change in risk model / parameters | - | - | - | - |
| Other changes | - | - | - | - |
| Gross carrying amount 31.12.2019 | 20 120 656 | 134 376 | 6 545 | 20 261 577 |

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 | 770 | -770 | - | - |
| Migration to Stage 2 | -64 | 64 | - | - |
| Migration to Stage 3 | -4 | - | 4 | - |
| Changes in ECL for loans which have not migrated | -875 | 950 | 1 765 | 1 840 |
| New loans | 1 389 | 420 | - | 1 809 |
| Disposal of loans | -920 | -331 | - | -1 251 |
| Confirmed losses | - | - | - | - |
| Included in previously confirmed losses | - | - | - | - |
| Change in risk model / parameters | - | - | - | - |
| Other changes | - | - | - | - |
| ECL 31.12.2019 | 3 673 | 2 111 | 1 770 | 7 554 |
| Provisions (%) of gross capitalised values | 0,02 % | 1,57 % | 27,04 % | 0,04 % |
| Net change (01.01.2019-31.12.2019) | 296 | 332 | 1 770 | 2 398 |

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

| | Stage 1 | Stage 2 | Stage 3 | Total |
|-------------------------------|--------------|----------|----------|--------------|
| Opening balance | 3 377 | - | - | 3 377 |
| Net change in expected losses | 296 | - | - | 296 |
| Closing balance | 3 673 | - | - | 3 673 |

Net change in losses on stage 1 on loans measured at fair value, is reversed over other comprehensive

Breakdown of loan provisions per. segment and stage

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

Changes in gross carrying amount - Housing co-operatives segment

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

| | 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 | Total |
|--|---|--|---|------------------------------|---|---|-------------------|
| | Stage 1 | Stage 2 | Stage 3 | | | | |
| Gross carrying amount 01.01.2019 | 10 168 049 | - | - | | | | 16 990 450 |
| Migration to Stage 1 | - | - | - | | | | - |
| Migration to Stage 2 | - | - | - | | | | - |
| Migration to Stage 3 | - | - | - | | | | - |
| Changes in ECL for loans which have not migrated | 1 433 430 | - | - | | | | 1 433 430 |
| New loans | 1 629 898 | - | - | | | | 1 629 898 |
| Disposal of loans | - | - | - | | | | - |
| Confirmed losses | - | - | - | | | | - |
| Included in previously confirmed losses | - | - | - | | | | - |
| Change in risk model / parameters | - | - | - | | | | - |
| Other changes | - | - | - | | | | - |
| Gross carrying amount 31.12.2019 | 13 231 377 | - | - | | | | 20 053 778 |

Movements in provisions and write-downs - Housing co-operatives segment

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

| | 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 | Total |
|--|---|--|---|--------------|
| | 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 | |
| ECL 01.01.2019 | 522 | | - | 5 156 |
| Migration to Stage 1 | - | - | - | - |
| Migration to Stage 2 | - | - | - | - |
| Migration to Stage 3 | - | - | - | - |
| Changes in ECL for loans which have not migrated | 71 | - | - | 71 |
| New loans | 83 | - | - | 83 |
| Disposal of loans | - | - | - | - |
| Confirmed losses | - | - | - | - |
| Included in previously confirmed losses | - | - | - | - |
| Change in risk model / parameters | 2 152 | - | - | 2 152 |
| Other changes | - | - | - | - |
| ECL 31.12.2019 | 2 828 | - | - | 7 462 |
| Provisions (%) of gross capitalised values | 0,02 % | 0,00 % | 0,00 % | 0,04 % |
| Net change (01.01.2019-31.12.2019) | 2 306 | - | - | 2 306 |

Changes in gross carrying amount - Retail segment

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

| | 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 | Total |
|--|---|--|---|----------------|
| | 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 | |
| Gross carrying amount 01.01.2019 | 6 708 410 | 113 990 | - | - |
| Migration to Stage 1 | 50 849 | -50 849 | - | - |
| Migration to Stage 2 | -77 459 | 77 459 | - | - |
| Migration to Stage 3 | -6 576 | - | 6 576 | - |
| Changes in ECL for loans which have not migrated | -1 776 366 | -2 734 | -31 | -1 779 131 |
| New loans | 4 495 698 | 24 155 | - | 4 519 853 |
| Disposal of loans | -2 505 277 | -27 646 | - | -2 532 923 |
| Confirmed losses | - | - | - | - |
| Included in previously confirmed losses | - | - | - | - |
| Change in risk model / parameters | - | - | - | - |
| Other changes | - | - | - | - |
| Gross carrying amount 31.12.2019 | 6 889 279 | 134 376 | 6 545 | 207 799 |

Movements in provisions and write-downs - Retail segment

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

| | 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 | 2 855 | 1 779 | - | - |
| Migration to Stage 1 | 770 | -770 | - | - |
| Migration to Stage 2 | -64 | 64 | - | - |
| Migration to Stage 3 | -4 | - | 4 | - |
| Changes in ECL for loans which have not migrated | -946 | 950 | 1 765 | 1 769 |
| New loans | 1 306 | 420 | - | 1 726 |
| Disposal of loans | -920 | -331 | - | -1 251 |
| Confirmed losses | - | - | - | - |
| Included in previously confirmed losses | - | - | - | - |
| Change in risk model / parameters | -2 152 | - | - | -2 152 |
| Other changes | - | - | - | - |
| ECL 31.12.2019 | 845 | 2 111 | 1 770 | 92 |
| Provisions (%) of gross capitalised values | 0,01 % | 1,57 % | 27,04 % | 0,04 % |
| Net change (01.01.2019-31.12.2019) | -2 010 | 332 | 1 770 | 92 |

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 - 31.12.2019 | - | - | 84 637 | 84 637 |
| Losses on loans and guarantees, fair value | - | - | 296 | 296 |
| Income tax expense on items that can be reclassified | - | - | -65 | -65 |
| Net change in values from own credit risk | - | - | -3 707 | -3 707 |
| Income tax expense on items that will not be reclassified | - | - | 816 | 816 |
| Total comprehensive income 01.01.2019 - 31.12.2019 | - | - | 81 976 | 81 976 |
| Equity as at 31.12.2019 | 121 000 | 1 179 039 | 159 075 | 1 459 114 |

