

Interim report

2nd quarter 2020
Unaudited



Interim report from the Board of Directors

OBOS Boligkreditt AS (“The company”) is registered in Oslo, and it is a wholly owned subsidiary of OBOS-banken. OBOS Boligkreditt started operations in 2016 and is licensed to operate as a mortgage company and to issue covered bonds. The company is OBOS-banken’s most important source of long term market funding and an important part of the bank’s funding strategy. Its assets consist of retail mortgage loans and housing co-operative loans originally underwritten by OBOS-banken. Total lending at second quarter end 2020 amounted to NOK 22 896 million. All loans are at the time of acquisition from the bank within 75 % of the property’s estimated value. Total issued covered bond loans at June 30, 2020 amounted to NOK 20 190 million. Overcollateralization was at 113 %.

Rating

All covered bonds issued by OBOS Boligkreditt AS have been assigned a Aaa-rating by Moody’s.

Second 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 11.9 (23.4) million for the second quarter of 2020. Net interest income is reduced due to a more rapid reduction in interest rates to customers than was reflected in the reduction of the 3m NIBOR and hence financing costs. Total operating expenses amounted to NOK 1.6 (1.6) million. These expenses are mainly related to payments for banking services provided by the parent bank. Profit before loan losses and taxes was NOK 12.2 (21.7) million in the second quarter of 2020. The calculation of expected loss (ECL) for OBOS Boligkreditt AS resulted in reversal of net loan losses of NOK 1.0 (1.0) million in the second quarter of 2020. The ECL calculation as at 30 June 2020 shows expected credit loss of NOK 7.4 million. Profit after tax was NOK 10.3 million (17.7) in the second quarter of 2020.

No covered bonds matured during the quarter, but OBOS Boligkreditt bought back NOK 622 million of ISIN NO 0010806870 and issued a new covered bond NOK 1 000 million of ISIN NO 0010786494. OBOS Boligkreditt AS had seven bond loans outstanding at 30 June 2020 with total debt securities issued of NOK 20 190 million face value, compared to seven bond loans and NOK 15 647 million face value outstanding at 30 June 2019.

Total assets at second quarter end 2020 amounted to NOK 23 016 (18 798) million. Gross lending to customers amounted to NOK 22 896 (18 753) million. There are 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 113 percent as at 30 June 2020, compared to 119 percent at 30 June 2019. At second quarter end 2020, the mortgages in the cover pool had a weighted average loan-to-value ratio of 34 percent.

OBOS Boligkreditt AS’ liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 30.5 (30.8) million at 30 June 2020, reporting a total LCR of 1155 (572) percent.

Capital strength

Total own funds for the purposes of capital adequacy amounted to NOK 1 661 (1 158) million at June 30, 2020. Risk weighted assets amounted to NOK 8 547 (6 768) million, the CET 1 capital ratio was 19.4 (17.1) percent. OBOS Boligkreditt AS uses the standardised approach to calculate capital requirements for credit risk.

Macroeconomic development and outlook for the company

The outlook for 2020 has changed dramatically due to the Covid-19 crisis, which has caused a severe setback for the Norwegian economy. A number of effective measures have been introduced to reduce the financial consequences of the virus outbreak including:

- Extraordinary F-loans to the banks offered from Norges Bank. F-loans are fully allocated at an interest rate corresponding to the key policy rate.

- Countercyclical capital buffer has been reduced from 2.5 percent to 1.0 percent as from 13 March 2020.
- The key policy rate was reduced three times during spring and is now 0.00 %.
- Authorities have also reinstated the Government Bond Fund with a mandate of purchasing corporate bonds which will increase liquidity and access to capital in the bond market for larger companies.
- A compensation scheme where the State assumes part of the costs inflicted on Norwegian companies by Covid-19.
- Most banks have granted grace periods for instalments by request, which is likely to be a powerful measure along with interest rates closer to zero with regards to default risk. Most banks also reduced interest rates rapidly during the spring.

Prior to the Covid-19 outbreak, macro figures in Norway were trending in a positive direction. Low unemployment, inflation around normal levels and a weak Norwegian krone helped exporting companies. Following the Covid-19 outbreak, oil prices dropped dramatically, leading to cutbacks in investments in the important crude oil industry and related industries. This resulted in a sharp rise in unemployment in all sectors in Norway. New housing sales was showing signs of weakness during the spring, while house prices have not seemed to react noticeably.

Currently, many indicators have been through a speedy recovery in the financial markets, and there is generally a sense of normalisation in the Norwegian economy. Government restrictions on activity have been gradually lifted, leading to a quick recovery of unemployment figures. There is currently a hope that the crisis will be somewhat milder than what was anticipated at the end for the previous quarter, even if some setbacks with regards to the spread of infection are currently being reported.

OBOS Boligkreditt's portfolio has an average loan to value (LTV) ratio at a low 34 percent, and no loans are in default. With an allowable LTV of 75 percent, there is significant headroom for even severe drops in house prices, should that pessimistic scenario materialize. Furthermore, the parent bank holds significant volumes of loans which qualify for transfer to OBOS Boligkreditt. Should house prices decline and LTV ratios rise, replacement loans will be transferred.

The prospects for OBOS Boligkreditt remain stable. The adverse macroeconomic environment observed going out of the previous quarter has now improved. The board is satisfied with the low LTV, along with the significant amount of loans that can be transferred from the parent bank should the situation call for it.

Oslo 13.08.2020

The board of directors of OBOS Boligkreditt AS

Key Figures

(Figures in MNOK)

	Q2 2020	Q2 2019	1.1 - 30.06 2020	1.1 - 30.06 2019	2019
Profitability					
1) Profit after tax	10	18	33	39	85
2) Net interest in % of average total assets	0,23 %	0,48 %	0,40 %	0,58 %	0,62 %
3) Cost-to-income ratio	11,5 %	6,7 %	7,4 %	6,2 %	6,3 %
4) Return on equity	2,9 %	5,8 %	4,3 %	6,6 %	6,4 %
Balance sheet					
5) Lending to customers	22 896	18 753	22 896	18 753	20 262
6) Loss in % of gross loans	0,00 %	-0,01 %	0,00 %	0,00 %	0,01 %
7) Defaults in % of gross loans	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
8) Total assets	23 016	18 798	23 016	18 798	20 332
9) Average total assets	23 073	19 268	22 159	18 520	19 558
10) Covered bonds issued	20 190	15 647	20 190	15 647	17 020
11) Overcollateralization	113,0 %	119,3 %	113,0 %	119,3 %	118,6 %
Capital and liquidity					
12) CET 1 capital ratio	19,4 %	17,1 %	19,4 %	17,1 %	19,7 %
13) T1 capital ratio	19,4 %	17,1 %	19,4 %	17,1 %	19,7 %
14) Total capital ratio	19,4 %	17,1 %	19,4 %	17,1 %	19,7 %
15) Leverage ratio	7,4 %	6,5 %	7,4 %	6,5 %	7,2 %
16) LCR	1154,6 %	572,4 %	1154,6 %	572,4 %	472,9 %
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 per 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					

Income statement

(Figures in NOK 1000)

	NOTE	Q2 2020	Q2 2019	1.1 - 30.06 2020	1.1 - 30.06 2019	1.1 - 31.12 2019
Interest income calculated using the effective interest method		109 904	113 116	259 442	219 623	475 008
Interest income from financial instruments measured at fair value		130	145	310	278	613
Interest expenses calculated using the effective interest method		-94 990	-88 208	-209 631	-164 748	-350 746
Interest expenses from financial instruments measured at fair value		-3 133	-1 616	-6 262	-1 616	-7 942
Net interest income	4	11 911	23 437	43 859	53 537	116 933
Commission and banking service expenses		-92	-91	-186	-176	-338
Net commission expenses		-92	-91	-186	-176	-338
Net gain/(loss) on financial instruments	5	1 946	-66	2 414	-94	238
Net operating income		13 765	23 280	46 087	53 267	116 833
Salaries and other personnel cost		-	-183	-	-183	-183
Administration cost		-134	-47	-162	-158	-316
Other operating expenses	6	-1 454	-1 330	-3 253	-2 942	-6 816
Total operating expenses		-1 587	-1 560	-3 416	-3 283	-7 314
Profit before loan losses and taxes		12 178	21 720	42 671	49 985	109 519
Net loan losses	13	981	996	172	350	-2 398
Profit before tax		13 159	22 716	42 844	50 335	107 121
Income tax expense		-2 895	-4 997	-9 426	-11 074	-22 484
Profit after tax	14	10 264	17 718	33 418	39 261	84 637
Attributable to						
Retained earnings	14	10 264	17 718	33 418	39 261	84 637
Total		10 264	17 718	33 418	39 261	84 637

Statement of comprehensive income

(Figures in NOK 1000)

	NOTE	Q2 2020	Q2 2019	1.1 - 30.06 2020	1.1 - 30.06 2019	1.1 - 31.12 2019
Profit after tax	14	10 264	17 718	33 418	39 261	84 637
Losses on loans and guarantees, fair value	13	83	-501	890	-13	296
Income tax expense on items that can be reclassified		-18	110	-196	3	-65
Items that can be reclassified to profit or loss		65	-391	694	-10	231
Net change in values from own credit risk		-5 054	-2 330	2 659	-2 330	-3 707
Income tax expense on items that will not be reclassified		1 112	513	-585	513	816
Items that will not be reclassified to profit or loss		-3 942	-1 818	2 074	-1 818	-2 891
Comprehensive income for the periode		-3 877	-2 209	2 769	-1 828	-2 660
Total comprehensive income after tax		6 387	15 510	36 187	37 434	81 976
Attributable to						
Retained earnings	14	6 387	15 510	36 187	37 434	81 976
Total		6 387	15 510	36 187	37 434	81 976

Balance sheet

(Figures in NOK 1000)

	NOTE	30.06.2020	30.06.2019	31.12.2019
ASSETS				
Loans to and receivables from credit institutions	7	8 779	2 203	30 267
Loans to and receivables from customers	7,13	22 896 481	18 753 032	20 261 577
Certificates and bonds	9	30 520	30 779	30 693
Deferred tax asset		1 899	166	1 899
Financial derivatives		51 592	9 600	4 804
Prepaid cost		25	129	9
Receivables		1 694	-	-
Other assets		24 788	2 343	2 681
TOTAL ASSETS		23 015 778	18 798 252	20 331 931
LIABILITIES AND EQUITY				
	NOTE	30.06.2020	30.06.2019	31.12.2019
Loans from credit institutions	6,7,11	1 028 216	1 856 088	1 745 367
Debt securities issued	6,7,9,11	20 268 112	15 716 600	17 103 759
Other liabilities		1 544	435	224
Deferred tax		10 206	-	-
Tax payable		12 400	10 559	23 468
TOTAL LIABILITIES		21 320 478	17 583 681	18 872 817
Share capital	14	131 000	111 000	121 000
Share premium	14	1 369 039	989 039	1 179 039
Retained earnings	14	195 262	114 532	159 075
TOTAL EQUITY		1 695 301	1 214 571	1 459 114
TOTAL LIABILITIES AND EQUITY		23 015 778	18 798 252	20 331 931

Cash flow

(Figures in NOK 1000)

	NOTE	30.06.2020	30.06.2019	31.12.2019
Profit before tax		42 844	50 335	107 121
Interest income calculated using the effective interest method	4	-259 442	-219 901	-475 008
Interest payments from customers and credit institutions		265 948	195 691	472 268
Loans to customers transferred from parent company		-2 640 423	-1 762 583	-3 270 493
Interest from certificates and bonds/bond funds		-49 623	94	1 921
Other net gain/(loss) on derivatives	5	52 037	-	-1 556
Payment for other assets		-68 895	-2 027	-7 169
Payment for other debt		1 494	207	167
Net gain/(loss) on financial instruments	5	-2 414	9 295	-238
Net loan losses		-1 067	350	2 106
Paid taxes		-11 068	-23 141	-23 142
Change in accrued interests		-28 777	-871	13 329
Change in other accruals		-1 710	-4 053	-137
Net new lines of credit	6	-717 151	1 095 951	985 230
(A) Net cash flow from operating activities		-3 418 247	-660 654	-2 195 602
Payments related to acquisition of shares and securities		-	-	-
(B) Net cash flow from investment activities		-	-	-
Issuance of covered bonds	11	5 026 679	3 033 494	4 523 710
Repayment of covered bonds	11	-1 830 000	-2 373 000	-2 500 000
Issue of share capital	14	200 000	-	200 000
(C) Net cash flow from financing activities		3 396 679	660 494	2 223 710
(A) + (B) + (C) Net cash flow for the period		-21 568	-160	28 109
Cash and cash equivalents at beginning of period		30 267	2 159	2 159
Cash and cash equivalents at end of period		8 699	1 999	30 267
Net change in cash and cash equivalents		-21 568	-160	28 109
Liquidity reserves specified				
Loans to and receivables from credit institutions 1)		8 699	1 999	30 267
Cash and cash equivalents		8 699	1 999	30 267

1) Hereof 0,6 TNOK in restricted deposits.

Quarterly changes in income statement

(Figures in NOK 1000)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Interest income calculated using the effective interest method	109 904	149 538	135 072	120 314	113 116
Interest income from financial instruments measured at fair value	130	181	175	159	145
Interest expenses calculated using the effective interest method	-94 990	-114 642	-98 134	-87 864	-88 208
Interest expenses from financial instruments measured at fair value	-3 133	-3 129	-3 163	-3 163	-1 616
Net interest income	11 911	31 948	33 950	29 446	23 437
Commission and banking service expenses	-92	-94	-79	-83	-91
Net Commission expenses	-92	-94	-79	-83	-91
Net gain/(loss) on financial instruments	1 946	468	-345	677	-66
Net operating income	13 765	32 322	33 527	30 039	23 280
Salaries and other personnel cost	-	-	-	-	-183
Administration cost	-134	-29	-158	-	-47
Other operating expenses	-1 454	-1 800	-1 773	-2 101	-1 330
Total operating expenses	-1 587	-1 828	-1 931	-2 101	-1 560
Profit before loan losses and taxes	12 178	30 494	31 596	27 938	21 720
Net loan losses	981	-809	-1 917	-831	996
Profit before tax	13 159	29 685	29 679	27 107	22 716
Income tax expense	-2 895	-6 531	-5 447	-5 964	-4 997
Profit after tax	10 264	23 154	24 232	21 144	17 718
Attributabel to					
Retained earnings	10 264	23 154	24 232	21 142	17 718
Total	10 264	23 154	24 232	21 142	17 718

Quarterly changes in statement of comprehensive income

(Figures in NOK 1000)

	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Profit after tax	10 264	23 154	24 232	21 142	17 718
Losses on loans and guarantees, fair value	83	807	143	166	-501
Income tax expense on items that can be reclassified	-18	-178	-32	-36	110
Items that can be reclassified to profit or loss	65	630	112	129	-391
Net change in values from own credit risk	-5 054	7 713	-390	-987	-2 330
Income tax expense on items that will not be reclassified	1 112	-1 697	86	217	513
Items that will not be reclassified to profit or loss	-3 942	6 016	-304	-770	-1 818
Comprehensive income for the periode	-3 877	6 646	-192	-641	-2 209
Total comprehensive income after tax	6 387	29 800	24 040	20 501	15 510
Attributable to					
Retained earnings	6 387	29 800	24 040	20 501	15 510
Total	6 387	29 800	24 040	20 501	15 510

Quarterly changes in balance sheet

(Figures in NOK 1000)

	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Assets					
Loans to and receivables from credit institutions	8 779	44 118	30 267	91 622	2 203
Loans to and receivables from customers	22 896 481	22 978 147	20 261 577	19 219 942	18 753 032
Certificates and bonds	30 520	30 604	30 693	30 735	30 779
Deferred tax asset	1 899	1 899	1 899	166	166
Financial derivatives	51 592	53 574	4 804	18 503	9 600
Prepaid cost	25	2	9	69	129
Receivables	1 694	847	-	-	-
Other assets	24 788	21 077	2 681	2 063	2 343
Total Assets	23 015 778	23 130 268	20 331 931	19 363 099	18 798 252
	30.06.2020	31.03.2020	31.12.2019	30.09.2019	30.06.2019
Liabilities and equity					
Loans from credit institutions	1 028 216	1 719 346	1 745 367	734 177	1 856 088
Debt securities issued	20 268 112	19 900 357	17 103 759	17 176 712	15 716 600
Other liabilities	1 544	847	224	795	435
Deferred tax	10 206	8 405	-	-	-
Tax payable	12 400	12 400	23 468	16 342	10 559
Total Liabilities	21 320 478	21 641 354	18 872 817	17 928 025	17 583 681
Share capital	131 000	121 000	121 000	121 000	111 000
Share premium	1 369 039	1 179 039	1 179 039	1 179 039	989 039
Retained earnings	195 262	188 875	159 075	135 036	114 532
Total Equity	1 695 301	1 488 914	1 459 114	1 435 074	1 214 571
Total Liabilities and Equity	23 015 778	23 130 268	20 331 931	19 363 099	18 798 252

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 01.01.2020-30.06.2020 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 2019 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 17 in annual report 2019 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 2019 note 2 and 8.

Note 4 – Net interest and credit commission income

(Figures in NOK 1000)

	Q2 2020	Q2 2019	1.1 - 30.06 2020	1.1 - 30.06 2019	2019
Interest and similar income from loans to credit institutions, amortised cost	4	20	80	43	208
Interest and similar income from loans to customers, amortised cost	109 878	113 080	259 276	219 559	474 765
Other interest and similar income, amortised cost	22	16	86	21	36
Total interest income calculated using the effective interest method	109 904	113 116	259 442	219 623	475 008
Interest and similar income from certificates and bonds, fair value	130	145	310	278	613
Total interest income, fair value	130	145	310	278	613
Interest and similar expenses from loans to credit institutions, amortised cost	-3 913	-10 330	-9 912	-13 541	-26 441
Interest and similar expenses of issued securities, amortised cost	-90 387	-77 878	-198 313	-151 207	-322 797
Other interest and similar expenses, amortised cost	-691	-	-1 407	-	1 509
Total interest expenses calculated using the effective interest method	-94 990	-88 208	-209 631	-164 748	-350 746
Interest and similar expenses of issued securities, fair value	-3 133	-1 616	-6 262	-1 616	- 7 942
Total interest expenses, fair value	-3 133	-1 616	-6 262	-1 616	- 7 942
Net interest and credit commission income	11 911	23 437	43 859	53 537	116 933

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

(Figures in NOK 1000)

	Q2 2020	Q2 2019	1.1 - 30.06 2020	1.1 - 30.06 2019	2019
Net gain/(loss) and change in value on certificates and bonds	-45	-25	-129	-53	-158
Net gain/(loss) and change in value on bond funds	-	-	-	-	-
Net interest income on derivatives ¹	1 207	306	1 337	306	992
Other net gain/(loss) and change in value on derivatives	6 561	9 295	52 037	9 295	-1 556
Net gain/(loss) and change in value on fixed rate covered bonds ²	-5 778	-9 642	-50 831	-9 642	960
Net gain/(loss) and change in value of financial instruments	1 946	-66	2 414	-94	238

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 2,7 million Norwegian kroner on 30 June 2020.

Note 6 – Related parties

(Figures in NOK 1000)

Transactions within the group

	30.06.2020	30.06.2019	31.12.2019
Income Statement			
Other interest Income (OBOS-banken AS)	-	2	2
Other interest expense (OBOS-banken AS)	-22 109	-19 758	-35 607
Other operating costs (OBOS-banken AS)	-2 632	-2 470	-5 264
	-24 740	-22 226	-40 869
Balance Sheet			
Loans to and receivables from credit institutions (OBOS-banken AS)	2	2	2
Deposits from and debt to credit institutions (OBOS-banken AS)	-1 028 216	-1 856 088	-1 745 367
Other short-term assets	24 788	2 504	2 681
Debt through the issuance of securities	-1 508 387	-	-
	-2 511 813	-1 853 583	-1 742 684

"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 30.06.20, this debt was at NOK 2.6 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 30.06.20."

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	30.06.2020	30.06.2019	31.12.2019
Share capital	131 000	111 000	121 000
Share premium	1 369 039	989 039	1 179 039
Retained earnings	159 075	77 099	159 075
Qualifying equity from this years result	36 187	-	81 976
Total equity	1 659 114	1 177 137	1 459 114
Adjustments in common tier 1 capital	2 577	-18 798	-3 742
Common equity tier 1 capital	1 661 691	1 158 339	1 455 371
Additional Tier 1 capital			
Tier 1 capital	1 661 691	1 158 339	1 455 371
Tier 2 instruments			
Own funds	1 661 691	1 158 339	1 455 371
Minimum requirement own funds	30.06.2020	30.06.2019	31.12.2019
Institutions	475	77	831
Corporates	-	27	-
Secured by mortgages on immovable property	636 602	528 452	571 040
Exposures in default	24 934	2 976	3 371
Other items	134	336	192
Credit risk	662 145	531 867	575 433
Operational risk	14 902	9 549	14 902
CVA-risk	6 709	-	1 475
Minimum requirement own funds	683 756	541 416	591 810
Risk weighted assets	8 546 947	6 767 701	7 397 624
Capital adequacy ratio			
Common tier 1 capital ratio	19,44 %	17,12 %	19,67 %
Tier 1 capital ratio	19,44 %	17,12 %	19,67 %
Capital adequacy ratio	19,44 %	17,12 %	19,67 %

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 based on 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 30.06.2020	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 520	-	30 520
Financial derivatives	-	51 592	-	51 592
Total assets	-	82 113	-	82 113
Liabilities				
Debt securities issued	-	572 539	-	572 539
Total liabilities	-	572 539	-	572 539

As at 30.06.2019	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 779	-	30 779
Financial derivatives	-	-	-	-
Total assets	-	30 779	-	30 779
Liabilities				
Debt securities issued	-	533 588	-	533 588
Total liabilities	-	533 588	-	533 588

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

(Figures in NOK 1000)

30.06.2020	Gross financial assets / Net settlement of Gross		Book value	Cash collateral	Net value
	liabilities	financial assets/liabilities			
Derivatives assets	51 592	-	51 592	-	51 592
Derivatives liabilities	-	-	-	-	-
30.06.2019					
Derivatives assets	9 600	-	9 600	-	9 600
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 30.06.2020.

Note 11 – Debt securities

(Figures in NOK 1000)

Changes in debt securities	Balance	New	Maturity/	Other	Balance
	30.06.2020	issues	buy backs	changes	31.12.2019
Debt securities issued nominal value	20 190 000	5 000 000	-1 830 000	-	17 020 000
Net premium / discount on bonds payable	-	-20 825	-2 338	23 163	-
Bond interest receivable / payable	-	3 605	-6 316	2 711	-
Accrued interest	17 891	-	-	-28 777	46 668
Amortisation	9 302	-	-	-25 043	34 344
Fair value adjustment	50 919	-	-	48 172	2 747
Total debt securities	20 268 112	4 982 780	-1 838 654	20 227	17 103 759

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 30.06.2020

ISIN	Type	Due date	Face value	Book value	Accrued interest	Book value incl. accrued interest	Maturity	interest rate
Bonds at amortised cost								
NO0010775588	FRN	07.10.2021	2 500 000	2 499 247	9 326	2 508 574	1,3	1,58 %
NO0010806870	FRN	05.10.2020	170 000	169 991	532	170 523	0,3	1,31 %
NO0010786494	FRN	15.06.2022	5 000 000	5 020 413	2 067	5 022 480	2,0	0,93 %
NO0010795487	FRN	06.06.2023	4 000 000	4 009 240	2 070	4 011 310	2,9	0,81 %
NO0010841232	FRN	19.06.2024	4 000 000	4 009 973	1 120	4 011 093	4,0	0,84 %
NO0010872757	FRN	13.06.2025	4 000 000	3 970 437	1 156	3 971 593	5,0	0,65 %
Bonds at fair value								
NO0010851645 ¹⁾	Fixed	15.05.2029	520 000	570 919	1 620	572 539	8,9	2,42 %
Total debt securities			20 190 000	20 250 221	17 891	20 268 112	3,2	0,95 %

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	30.06.2020	30.06.2019	31.12.2019
Mortgages ¹⁾	22 896 481	18 753 032	20 261 577
Ineligible loans	-14 951	-35 517	-24 570
Total Cover pool	22 881 530	18 717 515	20 237 007
Debt through the issuance of securities (excl. accrued interest)	20 250 221	15 684 437	17 057 091
The cover pool's overcollateralisation	113,0 %	119,3 %	118,6 %

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 01.01.2020	20 124 542	134 376	6 545	20 265 462
Migration to Stage 1	5 543	-5 543	-	-
Migration to Stage 2	-124 264	124 264	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-189 483	-2 567	-	-192 050
New loans	4 220 232	24 591	-	4 244 823
Disposal of loans	-1 397 855	-17 354	-6 545	-1 421 753
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.06.2020	22 638 715	257 766	-	22 896 481

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 01.01.2020	3 673	2 111	1 770	7 554
Migration to Stage 1	32	-32	-	-
Migration to Stage 2	-95	95	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-180	106	-	-74
New loans	722	99	-	821
Disposal of loans	-500	-264	-1 770	-2 534
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	911	705	-	1 616
Other changes	-	-	-	-
ECL 30.06.2020	4 563	2 818	-	7 382
Provisions (%) of gross capitalised values	0,02 %	1,09 %	0	0,03 %
Net change (01.01.2020-30.06.2020)	890	707	-1 770	-172

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	3 673	-	-	3 673
Net change in expected losses	890	-	-	890
Closing balance	4 563	-	-	4 563

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

Breakdown of loan provisions per. segment and stage

The tables below show 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 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 01.01.2020	13 231 377	-	-	13 231 377
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-	-	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-483 013	-	-	-483 013
New loans	3 474 838	-	-	3 474 838
Disposal of loans	-	-	-	-
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.06.2020	16 223 202	-	-	16 223 202

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 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 01.01.2020	2 828	-	-	2 828
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-	-	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	45	-	-	45
New loans	197	-	-	197
Disposal of loans	-	-	-	-
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 30.06.2020	3 069	-	-	3 070
Provisions (%) of gross capitalised values	0,02 %	0,00 %	0,00 %	0,02 %
Net change (01.01.2020-30.06.2020)	241	-	-	242

Changes in gross carrying amount - Retail segment

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	Total
	Stage 1	Stage 2	Stage 3	
Gross carrying amount 01.01.2020	7 070 148	154 761	13 090	7 237 999
Migration to Stage 1	5 543	-5 543	-	-
Migration to Stage 2	-124 264	124 264	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	293 530	-2 567	-	290 963
New loans	745 394	24 591	-	769 985
Disposal of loans	-1 397 855	-17 354	-6 545	-1 421 753
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.06.2020	6 415 513	257 766	-	6 673 279

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 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	Total
	Stage 1	Stage 2	Stage 3	
ECL 01.01.2020	-1 165	2 443	3 539	4 818
Migration to Stage 1	32	-32	-	-
Migration to Stage 2	-95	95	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-225	106	-	-119
New loans	525	99	-	624
Disposal of loans	-500	-264	-1 770	-2 534
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	911	705	-	1 616
Other changes	-	-	-	-
ECL 30.06.2020	1 494	2 818	-	4 312
Provisions (%) of gross capitalised values	0,02 %	1,09 %	0,00 %	0,06 %
Net change (01.01.2020-30.06.2020)	2 659	375	-3 539	-505

Note 14 – Statement of changes in equity

(Figures in NOK 1000)

	Share Capital	Share Premium	Retained earnings	Total equity
Equity as at 01.01.2019	111 000	989 039	77 099	1 177 137
Issue of share capital	10 000	190 000	-	200 000
Total result 01.01 - 31.12.2019	-	-	84 637	84 637
Effect of IFRS 9 implementation	-	-	-2 660	-2 660
Equity as at 31.12.2019	121 000	1 179 039	159 075	1 459 114
Issue of share capital	10 000	190 000	-	200 000
Result for the period 01.01 - 30.06.2020	-	-	33 418	33 418
Losses on loans and guarantees, fair value	-	-	890	890
Income tax expense on items that can be reclassified	-	-	-196	-196
Net change in values from own credit risk	-	-	2 659	2 659
Income tax expense on items that will not be reclassified	-	-	-585	-585
Total comprehensive income 01.01.2020 - 30.06.2020	-	-	36 187	36 187
Equity as at 30.06.2020	131 000	1 369 039	195 262	1 695 301

