OBOS BBL

Norway, Construction and Real Estate

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A housing development ecosystem in solid shape

We view OBOS as a well-managed and functioning housing development ecosystem with deep roots in Norwegian society and an expanding Nordic presence. The credit is supported by OBOS's leading position in favourable markets, its large membership base and moderate debt leverage at around 7x (excluding OBOS-banken). This balances its cyclical exposure, geographical concentration and moderate margins. Its business outlook is underpinned by solid GDP growth in Norway and Sweden of around 2.5%. We believe Norwegian housing prices have troughed, with solid demand, while Swedish prices should move sideways at lower development activity levels. We consider fair spread ranges for the contemplated 5-7 year NOK senior unsecured bonds to be 80-95 bp for a five-year note, and 90-110 bp for a seven-year note.

Housing development co-op with a broad service offering

The OBOS group offers homebuilding and associated services, including financing via OBOS-banken, along with adjacent operations such as commercial property investments and construction. Revenue reached NOK 11.5bn in 2017, with a 21% EBITDA margin. The group strategy's is membership-centric but includes expansionary elements in the broader core of its operating and geographical scope. Access to an attractive land bank of 40,000 units ensures a higher pace of activity of around 4,000 units per year. We view the co-op structure as neutral for credit quality; it has pros and cons from a credit point of view. We believe the company's track record shows a well-managed operation with a solid, good reputation.

Moderate debt leverage considering the activity focus

To increase comparability, we deconsolidate Baa1 rated OBOS-banken in our financial analysis. OBOS's financials and cash flow generation are linked to the activity in the housing development projects and recent investments weigh on free cash flow. Our 2018E-20E base case implies that the credit metrics should remain at around the 2017 level, with credit-adjusted debt/EBITDA expected to stay slightly above 6x and FOCF/debt to be just positive, elevated by the housing development activity and large portfolio of commercial real estate.

Fair spread range NOK sen unsec: 5-year 80-95 bp, 7-year 90-110 bp

Owing to a large share of assets pledged to secured lending in the group, the structural subordination in OBOS's senior unsecured bonds is an issue for bondholders to take into consideration.

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KEY INFO

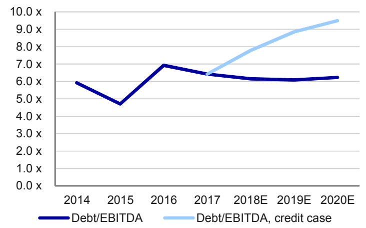
Country	Norway
Bloomberg debt	OBOS
Bloomberg equity	3481230Z NO
Moody's	NR/---
S&P	NR/---
Market cap. (bn)	n.a.
Company website	0
Next report date	

FAIR SPREAD RANGE

Tenor	Fair spread range
5 year	80-95
6 year	85-105
7 year	90-110

Source: Nordea estimates

ADJUSTED DEBT/EBITDA, X



Source: Company data and Nordea estimates (excluding OBOS-banken)

KEY CREDIT METRICS AND RATIOS NOKm

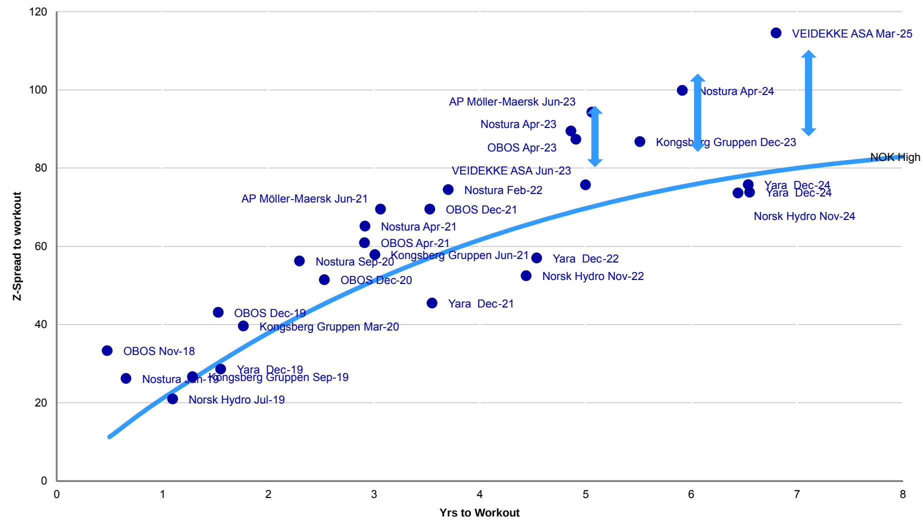
NOK	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Total revenues	0	0	0	6,279	9,503	11,052	11,269	12,171	12,779	13,418
NOI	0	0	0	0	0	0	0	0	0	0
- margin	n.m.	n.m.	n.m.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	0	0	0	1,736	2,170	1,961	2,381	2,678	2,875	3,019
Loan-to-value	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	n.m.	43.8%	43.7%	41.8%	43.0%	44.0%	44.7%	45.4%
Credit adjusted										
Debt/(Debt+Equity)	n.m.	n.m.	n.m.	45.6%	44.0%	46.8%	46.8%	46.0%	45.1%	44.6%
FFO/Debt	n.m.	n.m.	n.m.	11.9%	19.5%	13.8%	13.1%	12.6%	12.7%	12.4%
Loan-to-value	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	n.m.	45.1%	45.3%	43.0%	44.0%	44.8%	45.9%	46.7%
EBITDA interest coverage	n.m.	n.m.	n.m.	-3.9	-5.9	-4.3	-5.8	-5.2	-5.2	-5.0
Fixed-charge coverage	0.0	0.0	0.0	5,453.0	6,821.8	9,829.4	9,772.7	10,176.2	10,412.7	10,603.0

Source: Company data and Nordea estimates

Spread discussion

OBOS is contemplating an issue of senior unsecured bonds maturing in five to seven years, with the proceeds to be used to refinance the NOK 700m bond maturing in November 2018. Additional overfunding is to be used for general corporate purposes. Our fair spread assessment points to a spread range of 80-95 bp for a five-year bond and 90-110 bp for a seven-year bond.

OBOS BBL NOK SENIOR UNSECURED: FAIR SPREAD RANGE AT FIVE, SIX YEARS AND MATURITY AND RELEVANT PEER BONDS



Note: The reference curve represents a regression of bond spreads from a broad selection of NOK-denominated corporate bonds. We estimate the average credit quality of the bonds comprising this reference curve to be about BBB.
Source: Company data and Nordea estimates

Fair spread range estimate

Our fair spread range assessment take into consideration our view of OBOS's credit quality, operating performance and prospects, expected liquidity and demand, and our view of its strategy and event risk, putting these factors in relation to the reference bond curve and relevant investment alternative bond constituency.

Owing to a large share of assets pledged to secured lending in the group, the structural subordination in OBOS's senior unsecured bonds is an issue that bondholders should take into consideration.

Key terms of the bond

To our understanding, the proposed bonds will use the same terms as OBOS BBL's outstanding debt. This includes two financial covenants, which OBOS currently meets with a decent margin:

- Total interest-bearing debt for the group (excluding OBOS-banken) shall not exceed 50% of the sum of total interest-bearing debt (excluding OBOS-banken) and equity (adjusted for fair valuation of assets). In Q1 2018, the ratio was 36%.
- Total interest-bearing debt for the issuer (OBOS BBL) shall not exceed 35% of the sum of total interest-bearing debt for the issuer and equity (adjusted for fair valuation of assets). In Q1 2018, this ratio was 19% to our knowledge.

In addition, the issuer is prohibited from larger corporate events that would lead to significant weaker credit profile and from pledging assets in OBOS BBL (with certain carve-outs, among others NOK 600m for debt to subsidiaries and associates). However, a material part of the assets for the group are pledged to bank debt (read more in the "Significant share of assets pledged" section of this report). In general, the terms do not offer bondholders much protection but are, on the other hand, mostly in line with the general market.

A full service housing and property co-op

The OBOS group is a Norwegian housing co-op association with sizeable operations also in Sweden. The group offers homebuilding and associated services, including financing via OBOS-banken, along with adjacent operations such as commercial property investments and construction. Revenue reached NOK 11.5bn in 2017, with a 21% EBITDA margin. The group strategy is membership-centric but includes expansionary elements in the broader core of its operating and geographical scope. We view the co-op structure as neutral for credit quality; it has pros and cons from a credit point of view. We believe the company's track record shows a well-managed operation with a solid, positive reputation.

A mature Norwegian housing co-op association with a Nordic reach

OBOS BBL (OBOS) is the largest co-operative building association in the Nordic region. Originally founded in 1929 to offer housing development in Oslo, the company expanded when the Norwegian housing market was deregulated in the 1980s. Through organic growth and acquisitions, it has subsequently developed into a housing developer operating throughout Norway, with inroads into Sweden and Denmark.

Homebuilding focus with a lot of adjacent services and operations

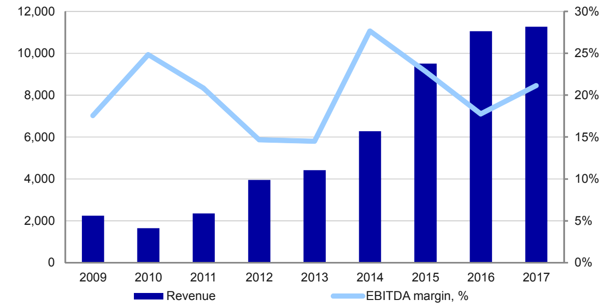
Today, the OBOS group hosts a full range of adjacent operations, including commercial property ownership and management, property services, advisory and financial operations, including OBOS-banken. It also has significant equity investments, mainly in adjacent businesses. The group is organised into the following segments.

OBOS BY SEGMENT

Segment	Share of 2017 revenue	Share of 2017 EBT	Summary overview
Housing development	80%	41%	Development, production and sale of housing facilities (multi-apartment and singl family) in Norway, Sweden, and to a smaller extent in Denmark. The operation is conducted in Norway via OBOS Nye Hjem, OBOS Fornebu and Block Watne; in Sweden, via Kärnhem AB and OBOS Sverige AB (also owner of the small-housing manufacturers Myresjöhus and Smålandsvillan)
Management & Advisory	7%	6%	Property management and advisory services to real estate property owners
Commercial properties	6%	25%	Ownership, management and development of a Norwegian commercial real estate portfoilio comprising office, retail, hotel, warehouse properties valued at NOK 11bn.
Bank, insurance and property agency	3%	8%	Norwegian full-service banking operation with a NOK 40bn balance sheet focusing on private and commercial housing financing. The segment also includes property agency operations across Norway's key cities and there is a cooperation with Tryg on selling insurance solutions.
Equity investments	0%	15%	Equity holdings in a number of entities including construction companies Veidekk and AF Gruppen
Other	4%	Loss making	Digital solutions and renewable energy investments.

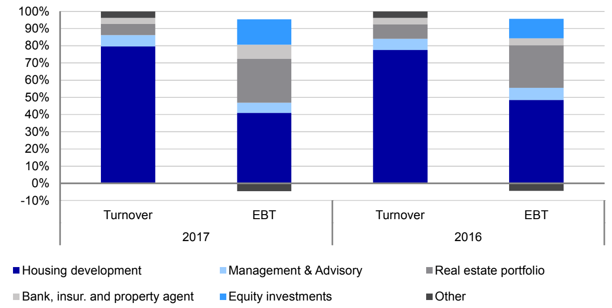
Source: Company data and Nordea estimates

REVENUE AND EBITDA MARGIN, NOKm AND %



Note: Consolidated basis including OBOS Bank
Source: Company data and Nordea

TURNOVER AND EBT SPLIT 2016 AND 2017, %



Note: The figures are not IFRS-based and include gains/losses on asset disposals, but exclude non-realised gains/losses. Housing development revenue and profit recognition is also based on the percentage of completion method.
Source: Company data and Nordea estimates

Strategy focus on the members but with expansionary elements

We understand that the OBOS strategy focuses on taking social responsibilities, creating added value for its members and expanding in a profitable manner over time.

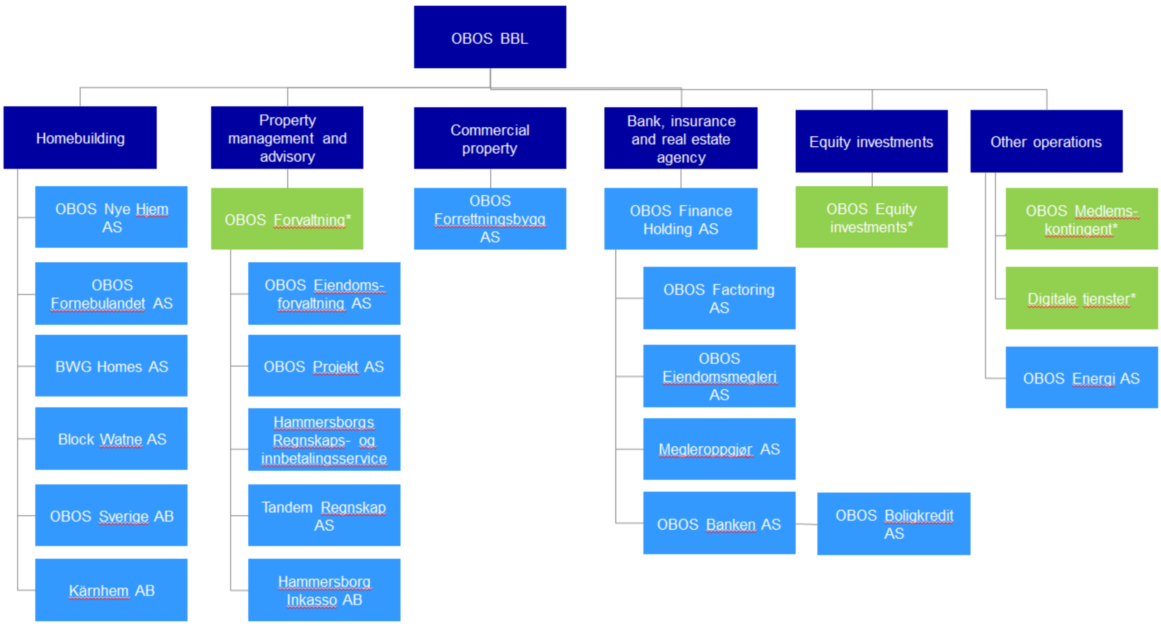
Although the details are fairly vague, the company's development in recent years also suggests that it is exploring organic growth and acquired opportunities in homebuilding, as well as adjacent markets in Norway and neighbouring regions. We understand the group aims to maintain a solid financial position without sacrificing financial flexibility.

Co-op ownership structure has neutral credit implications

OBOS's legal status is a co-operative housing association ("boligbyggelag" in Norwegian), which is owned by its roughly 435,000 members. The ownership base has steadily increased by 5-8% per year organically and via the incorporation of smaller housing co-ops. The co-op structure has implications on financial policy, flexibility and governance, but these are neutral to credit quality overall, in our view.

- **Constrained on access to equity**. Unlike a normal limited liability entity, access to new equity is constrained. The new member capital contribution is NOK 300 and a membership fee of NOK 200 is charged annually (currently about NOK 87m of annual contributions). Further equity contributions from members are typically cumbersome and require a complicated decision process in a co-op structure.
- **No dividend requirements**. The flipside of the co-op structure is that there are no dividend or ownership return requirements. We understand that the company policy is to reward the co-op members with various benefits.
- **Co-op governance structure**. In the co-op, one member has one vote in the general assembly ("generalsforsamling" in Norwegian), as opposed to a limited liability company where ownership and voting are linked to shareholding. Hence, like other co-ops, OBOS has no larger owners. We think that OBOS's successful operating, financial and social track records imply that it has successfully managed the challenges sometimes seen in associations without larger owners. The group has a strong reputation as a quality entity with solid governance practices.

OBOS'S ORGANISATIONAL AND CORPORATE STRUCTURE



*Part of parent company OBOS BBL Dititale Tjenster to form a separate business areas for digital services in the future)
Source: Company data and Nordea

A housing development ecosystem

We view OBOS as a well-managed and functioning housing development ecosystem with deep roots in Norwegian society. It also benefits from a leading market position in favourable markets, a large membership base and moderate debt leverage. Constraining factors include its cyclical exposure, geographical concentration and low margins. We think that the core housing development operation has somewhat higher risk than the commercial property operation, with the financing and property management having lower risk.

PERFORMANCE SNAPSHOT OBOS GROUP - NORDEA'S VIEW

	Our view	Change	Comment
Financial headroom	●	→	We consider OBOS moderately leveraged and believe it has good access to funding as well as a large and liquid asset base.
Performance trend	●	↘	Performance is improving in OBOS-banken and Commercial properties. The activity is somewhat weaker in Housing development, but margins and cash flow generation are improving.
Performance outlook	●●	→	The Norwegian macroeconomic outlook is benign, with GDP growth of ~2.5%, underpinning a strong real estate sector. The housing market has stabili sed with a slightly positive price trend, even if we do not expect any major price or demand surge. Swedish growth is softening from a high level and we still expect solid growth at about 2-2.5%. Still, regulatory changes have significantly cooled the Swedish housing market and we think that the property development segment will be significantly slower going forward.
Strategy and event risk	●	→	OBOS pursues a clear and consistent strategy in our view, and we do not forsee any major changes. Periodic affordable bolt-on acquisitions are expected to remain part of the story, as well as the typical portfolio pruning seen in any commercial real estate operation.

	Asset value risk	Cash flow risk	Business condition	Comments and comparisons
Housing develolpment	Moderately high	Moderately high	●●	A cyclical operation with valuation risks linked to land bank and ongoing projects. This is mitigated by prudent risk management by OBOS, including production star thresholds, execution and project margins. We consider OBOS to be lower risk than Swedish property development/construction companies JM or Bonava, and considerably lower risk than smaller Swedish property developers.
Commercial real estate	Moderate	Low	●	We consider the valuation risk low, with an even lower cash flow volatility risk. The risk in OBOS property operation is somewhat weaker than Swedish peers Atrium Ljungberg and Balder, but slightly stronger than Sagax and Kungsleden.
OBOS-Banken	Very low	Very low	●	Given OBOS-banken's focus on mortgage lending in one of the most affluent and financially solid countries in the World, we consider both asset value and cash flow risk to be low.
Property management	Low	Low	●	Competitive, lower margin business, but non-cyclical, with OBOS position underpinned by its excellent market reach and brand name. We consider the risk to be lower than e.g. Polygon, but higher than larger, global players as e.g. ISS.
Equity investments	High	Moderate	●●	By nature, equity investments values are highly volatile, with a somewhat lower dividend risk.

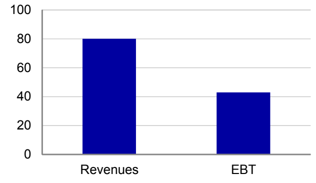
Source: Company data and Nordea estimates

SUMMARY OF KEY CREDIT FACTORS - NORDEA'S VIEW

Key credit-supportive factors	Key credit- constraining factors
A strong position as a leading player in housing development in the Nordics (especially Norway), with a strong brand recognition	Exposure to cyclical operations in the housing development and, to a lesser extent, commercial property operations
A well-integrated ecosystem of housing development related operations and services	Some concentration risks given the focus on housing development and adjacent services to the Norwegian market, with expansion to neighbouring countries limited and with moderate diversification benefits
A large membership base providing a backbone of demand for housing and adjecent services offered	Low margins in the housing development and financial services operations
No dividend requirements	Aggressive growth in recent years
Operations in one of the wealthiest and most stable regions in the world	Limited access to new equity given the co-op structure
Strong underlying structural demand for new housing in key markets	Repurchasing commitments concerning unsold properties in housing development
Sound commercial real estate operations with low leverage and growth potential	
Strong management and strategy track record	
Prudent, long-term focused landbase acquisition	
Moderate debt leverage	
Adequate liquidity and financial risk management	

Source: Nordea estimates

SHARE OF REVENUES AND PROFITS 2017, %

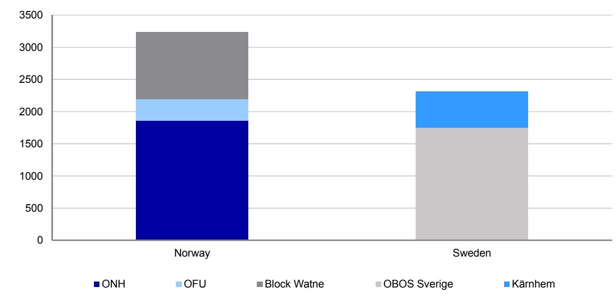


Source: Company data and Nordea estimates

Housing development: The expanded pillar of the business

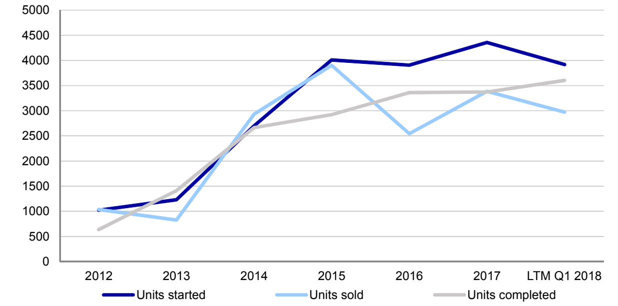
- **Largest business segment and a driver for the rest of the business.** Housing development is by far the dominating business segment for the OBOS Group in terms of revenues. In 2017, about 75% of the turnover was generated in the segment. Meanwhile, the share of earnings before taxes (EBT) was 45%.
- **Typical project developer risks.** OBOS typically retains projects in-house on its balance sheet until completion. At completion, properties and loan commitments are transferred to the tenant association ("boliglag" in Norwegian). OBOS provides repurchase guarantees for unsold apartments (current guarantee commitments are not disclosed). As we understand, OBOS typically uses turnkey contracts for construction activity, with the construction supplier taking the quality risk.
- **Adequate pre-sell rates and project margins.** We understand that OBOS requires a pre-sell rate of 50% before starting a new housing development project, calculated using the sales value and not the number of units. We consider this level prudent in light of OBOS distribution capacity. The selling rate in units under construction has fluctuated a bit – 60% at the end of 2014, over 85% at the end of 2016 and 72% at Q1 2018 (99% for deliveries in 2018, 64% in 2019 and 57% in 2020). We understand that OBOS operates with prudent project margins and contingency reserves. In Sweden, the focus outside Stockholm and on single houses lower risk.
- **High pace of expansion but now at a cruising level.** OBOS has ramped up its activity level significantly since about 2010, moving from ~500 units under construction to a current level of about 3,500-4,000 units. This is partially explained by the acquisition of BWG Homes. The figure was 3,600 as of Q1 2018. We understand that management aims for an activity pace of 4,000 units under construction. With a stable activity level, we expect the cash flow profile of the Housing development operation will be smoother.
- **Large land bank secures long-term business opportunities.** OBOS has gradually expanded its land bank, supported by the integration of acquired and merged housing co-ops and other entities. It reached the equivalent of 38,000 units in 2015 and has expanded slowly from there, hitting 40,000 units by Q1 2018. This includes about 10% from partnership investors in various projects. We note that OBOS's share of the land bank has increased to 90% (from 72% in 2014), reflecting the company's success at picking up building rights on its own merits. We expect the company to secure enough land to roughly maintain the current 40,000 unit level over time. About 6,000 units in the land bank are in Sweden and we understand that OBOS targets a similar level going forward, even if the Swedish property market and activity overall is slowing down.

OBOS UNITS UNDER CONSTRUCTION, Q1 2018



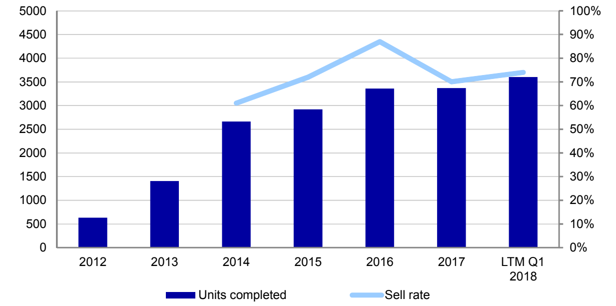
Source: Company data and Nordea

HOME DEVELOPMENT ACTIVITY LEVELS



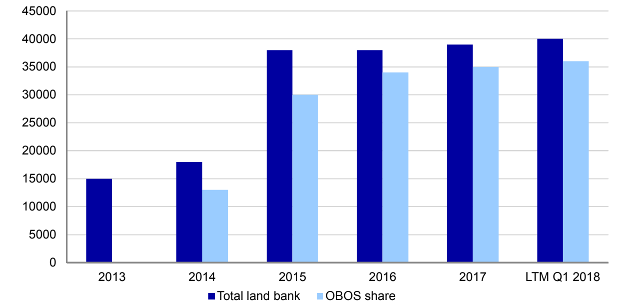
Source: Company data and Nordea

UNITS UNDER CONSTRUCTION AND SELL RATE



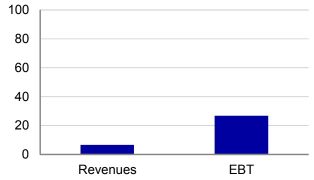
Source: Company data and Nordea

LAND BANK DEVELOPMENT



Source: Company data and Nordea

SHARE OF REVENUES AND PROFITS 2017, %

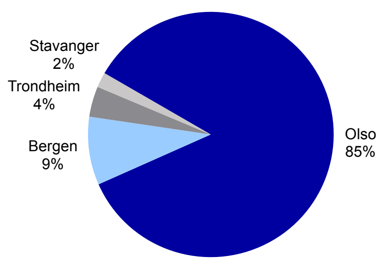


Source: Company data and Nordea estimates

Commercial property: Big-city commercial mix with moderate leverage

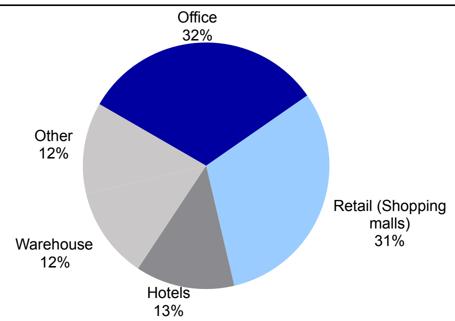
- **Commercial property focus with a mixed portfolio**. Following the disposal of the facility management business to Coor in early 2018, OBOS Forretningsbygg now fully focuses on owning, managing and developing a commercial property portfolio. The portfolio was valued at NOK 11.8bn at the end of 2017 (with an additional NOK 1.2bn in associated ownership), comprising 73 properties with a total area of 588,000 m^2. There are some lower risk community service properties in the portfolio, but overall the asset risk is tilted slightly higher than the sector average with office, retail (seven shopping centres with two qualifying on the Norway top-60 list for turnover), hotels (four) and warehouses.
- **High development share with the Ulven project to be digested over a long period.** We understand that current projects entail investments of around NOK 1.5bn. In addition, there is a higher capex need in the major City of Oslo project Ulven, acquired in 2016 at a price of NOK 2.9bn and providing around NOK 120m in revenues from existing properties. It is intended for gradual development by the OBOS group over the coming 15 years, both in terms of commercial properties and housing. We think that the size and long development period increases overall risk.
- **Concentration in major Norwegian cities and dominated by Oslo.** The company's geographical focus is Norway's larger cities, with 85% of rental revenues generated in Oslo, followed by 9% in Bergen, 4% in Trondheim and 2% in Stavanger. While the pure Norway focus brings concentration risks, the focus on the largest, most dynamic cities in the country is a mitigating factor in our view.
- **OBOS Forretningsbygg reports solid operating performance metrics with an improving trend.** The vacancy rate was record low 1.9% at the end of 2017 (3.8% including the Ulven project), while the average lease duration was a solid 5.7 years (fairly long in a Nordic context). About 21% of tenants are public sector entities.
- **Benign property market underpins a solid improving performance trend.** Like other Norwegian and Nordic real estate companies, we believe OBOS Forretningsbygg is benefitting from a benign market environment. The includes solid economic growth underpinned by demand for commercial space and low funding costs – which further fuels investor demand for real estate investments, pushing valuation yields lower and allowing significant valuation gains.
- **Moderate leverage levels and solid free cash flow.** OBOS Forretningsbygg has moderate debt leverage from a Nordic perspective, with a reported LTV of 45-50% and net debt/EBITDA of ~11x in 2017.

GEOGRAPHICAL PORTFOLIO SPLIT REVENUES 2017, %



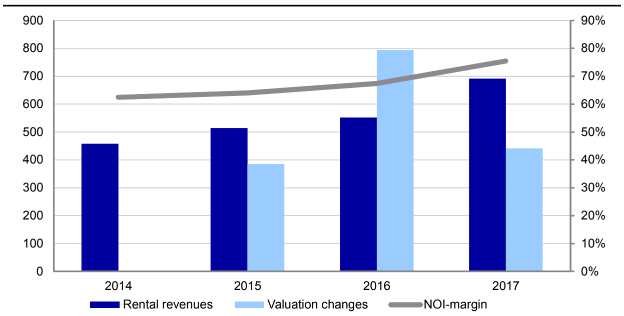
Source: Company data and Nordea

PROPERTY TYPE PORTFOLIO SPLIT REVENUES 2017, %



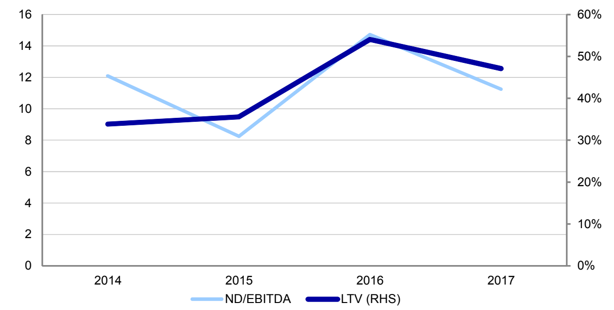
Source: Company data and Nordea

OPERATING PERFORMANCE



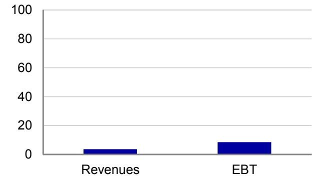
Source: Company data and Nordea estimates

LTV AND NET DEBT/EBITDA, % AND X



Source: Company data and Nordea estimates

SHARE OF REVENUES AND PROFITS 2017, %

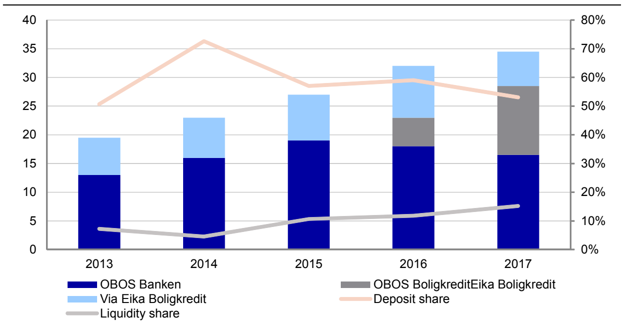


Source: Company data and Nordea estimates

OBOS-banken: Mortgage lending focus to support the OBOS group

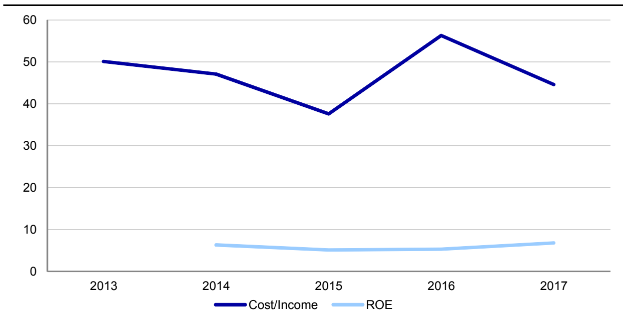
- **Mortgage lending focus with Baa1 rating.** OBOS-banken is focused on retail mortgages (primarily to OBOS members) and lending to housing co-ops in Norway (primarily to OBOS customers and projects). The OBOS Group's lending activities date back to 1929 but OBOS-banken received its full banking licence in 2013 and was organised as a 100% owned subsidiary. The bank is rated Baa1/Stable by Moody's and we largely consider it credit neutral to the OBOS group, while integral to the group's broad housing-related offerings.
- **Expanding business with high asset quality, albeit somewhat concentrated.** Bank lending has expanded significantly since the company's inauguration. The total balance sheet is now above NOK 40bn and can be expected to grow in line with OBOS's membership base and housing development activity. The total loan book was NOK 34.5bn at the end of 2017 (NOK 11.9bn to retail customers) and the liquidity reserve was NOK 5.4bn (15.2% of the loan book). The loan book is concentrated to Norway, with more than 80% in the Oslo and Akershus regions. Operating in the benign and stable Norwegian economy balances this concentration risk. Asset quality is high, with a miniscule level of problem loans at around 0.2%. Half of this is linked to a NOK 1.5bn portfolio acquired from BNP in 2014, suggesting strong internal underwriting standards. Having said that, the bank's resilience has not been tested in an economic trough environment.
- **Deposit and mortgage funding scheme.** OBOS-banken has a deposit scheme, providing around 50-55% of funding – a declining trend – with the remainder mainly being raised in the capital markets. The company has access to the mortgage market via OBOS Boligkredit, established in 2016. This replaces the funding arrangement via Eika Boligkredit (10% owned by OBOS), which will maintain the already sold loan portfolio in a wind-down arrangement).
- **Profitability tempered by business focus.** Internalisation of mortgage borrowing will also somewhat support the profitability of the bank, which is on the soft side (2017 reported ROE: 6.8%), albeit fairly stable, reflecting the low risk focus of the lending operation and the fairly narrow product offering. We note that the bank faces considerable competitive pressure on interest margins.
- **Solid capitalisation but limited equity funding flexibility.** OBOS-banken's capitalisation is sound and improving. Its reported CT1 ratio was 16.3% at the end of 2017. The OBOS group has contributed capital to support lending growth, but Moody's notes that the sole ownership still restricts options to raise capital.

TOTAL LOANS, DEPOSIT AND LIQUIDITY RATIO, NOKbn AND %



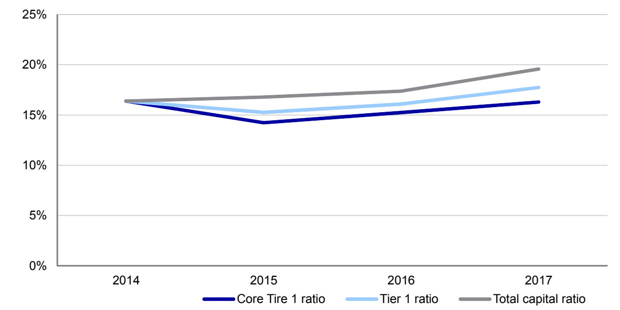
Source: Company data and Nordea

COST/INCOME RATIO AND ROE, %



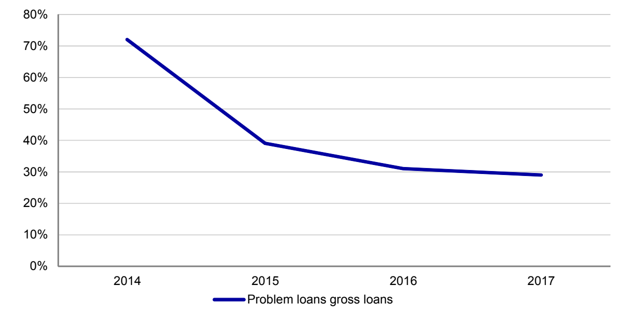
Source: Company data and Nordea

CAPITALISATION RATIOS, %



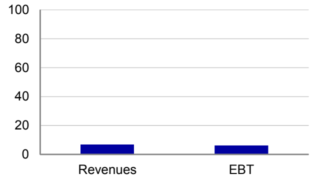
Source: Company data and Nordea

PROBLEM LOANS TO GROSS LOANS, %



Source: Company data and Nordea

SHARE OF REVENUES AND PROFITS 2017, %

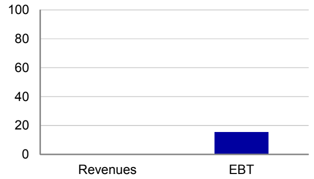


Source: Company data and Nordea estimates

Property management services: A core area gluing the system together

- **OBOS offers a wide range of property management services to housing associations**, including technical maintenance, accounting, invoicing, factoring and debt collection. We understand that this is a core business for OBOS, as defined in the co-op statutes. The customer base has expanded gradually, and the end of 2017, OBOS had service agreements of varying complexity with 4,117 different entities (mainly housing associations) for a total of 219,873 dwellings.
- **Stable steady operation with low risk.** We consider the property management operation as relatively low risk. Competition in this area tends to be intense, fuelled by a high degree of market fragmentation and overlapping. We still think that OBOS's position as a housing developer that creates a housing association from the start – and offers a superior range of services – should give it a significant competitive advantage. This is also backed by its strong name recognition and reputation.

SHARE OF REVENUES AND PROFITS 2017, %

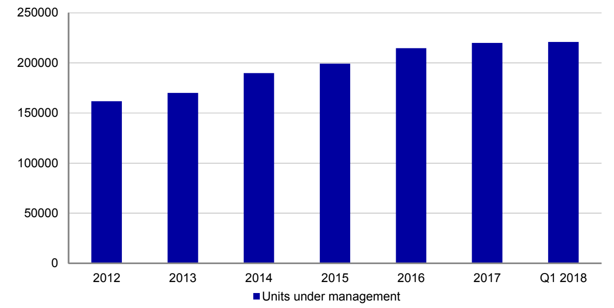


Source: Company data and Nordea estimates

Equity investments: Big stakes in construction suppliers

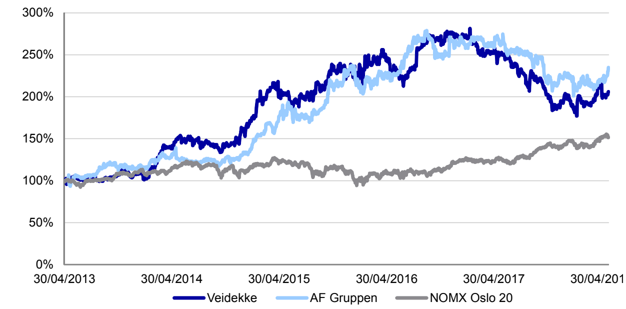
- **Strategic investments in major construction companies.** OBOS holds major equity stakes in the Norwegian construction and homebuilding companies Veidekke (17.8% at the end of 2017) and AF Gruppen (18.4%). OBOS is the largest shareholder in both companies. In 2017, the company disposed of a 8.9% stake in the Swedish construction company JM.

UNITS UNDER PROPERTY MANAGEMENT



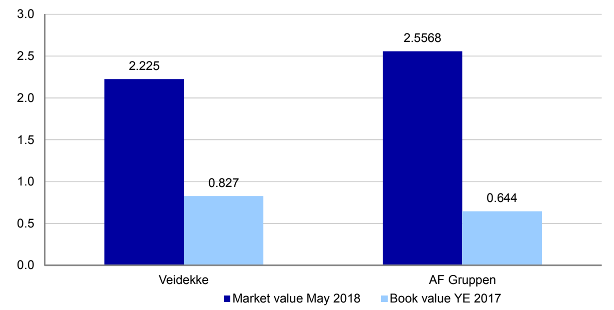
Source: Company data and Nordea

KEY SHAREHOLDING EQUITY PRICE INDEX (APRIL 2013 =100)



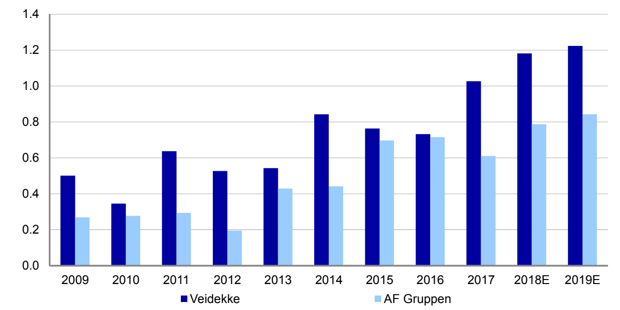
Source: Bloomberg and Nordea

KEY SHAREHOLDING VALUATION, NOKbn



Source: Company data, Bloomberg and Nordea estimates

KEY SHAREHOLDING NET INCOME DEVELOPMENT, NOKbn



Source: Company data and Nordea (2018E-19E: Bloomberg consensus estimates)

Overview of the Norwegian economy

We believe that the overall Norwegian economy remains healthy, in our view, and the economy has been aided by the recovery in oil prices during 2017 and so far in 2018. Real GDP growth came in at 1.8% for 2017 (1.1% in 2016), with the interest rate remaining at a record-low of 0.5% and the NOK having stabilised/strengthened since its depreciation after the oil price downturn. Moreover, the housing market has started to cool down, following a period of strong growth driven by low interest rates and high demand.

The state of the Norwegian economy

The Norwegian economy remains healthy overall, in our view, and has been positively affected by the jump in oil prices during late 2017 and early 2018. Mainland GDP growth remains positive in Norway at 1.8% for 2017 (1.0%) and appears to have turned the corner, with a ~2.4 pp increase expected for 2018, according to Nordea estimates. The Norwegian government also appears somewhat more upbeat regarding the state of the economy, due to the recovery in oil prices, which posed a challenge, especially for the west coast. Furthermore, debt remains low and Norway still has a significant budget surplus, which could help counteract a more pronounced economic downturn, and its sovereign wealth fund is among the highest in the world, managing about NOK 8.0 trillion.

Higher interest rates and strengthening NOK

Norwegian economic growth is now well above what Norges Bank considers the potential level; Nordea expects above-potential growth in the coming years too. Unemployment will drop further and wage growth will pick up, according to Norges Bank, which indicates higher inflation and consequently higher interest rates. Nordea expects the first rate hike to be sanctioned this September and anticipates two more hikes in 2019. The prospect of higher interest rates could lead to significant NOK strengthening in H2 2018, which would drag core inflation lower, although rising wage growth should prevent core inflation from falling below 1.5% in 2019. A slightly lower inflation rate will not stop Norges Bank. It will be forward-looking and, with rising capacity utilisation and declining unemployment, it will predict rising wage and price growth in the future.

NORWAY: MACROECONOMIC INDICATORS

	2015	2016	2017	2018E	2019E
Private consumption, % y/y	2.6	1.5	2.3	2.6	2.7
Government consumption	2.4	2.1	2	1.7	1.8
Fixed investments	-4	-0.2	3.5	2.6	3
- gross investmetn, mainland	-0.2	6.1	5.9	0.9	1.8
- gross investment, oil	-12.2	-16.9	-4	9	7
Stockbuilding*	0	1.4	-0.1	0	0
Exports	1220.4	-1.8	0.8	2.2	2.1
- crude oil and natural gas	551.4	4.3	1.9	0.6	1.3
- other goods	343.2	-8.2	2.2	3.7	2.5
Imports	937.2	2.3	2.2	2.8	2.6
Real GDP	2.0	1.1	1.8	2.0	2.2
Real GDP (Mainland), % y/y	1.4	1.0	1.8	2.4	2.4
Unemployment rate, %	4.4	4.7	4.2	3.8	3.5
Current account balance, % of BNP	7.9	3.8	5.1	7.4	6.2
Core consumer prices, % y/y	2.7	3.1	1.4	1.6	1.6
Annual wages, % y/y	2.8	1.7	2.3	2.9	3.2
Current account balance (NOKbn)	246.5	118.3	168.3	256.1	222.1
Current account balance, % of GDP	7.9	3.8	5.1	7.4	6.2
Trade balance, % of GDP	5.6	0.9	2.0	3.4	1.7
General gov. budget balance (NOKbn)	188.9	124.5	145.9	253.9	220.9
General gov. udget balance % of BNP	6.1	4.0	4.4	7.3	6.2
Monetary policy rate, deposit (end of period)	0.75	0.50	0.50	0.75	1.25
USD/NOK (end of period)	8.850	8.600	8.180	7.090	6.620
EUR/NOK (end of period)	9.61	9.08	9.82	9.00	8.80

Source: Nordea estimates

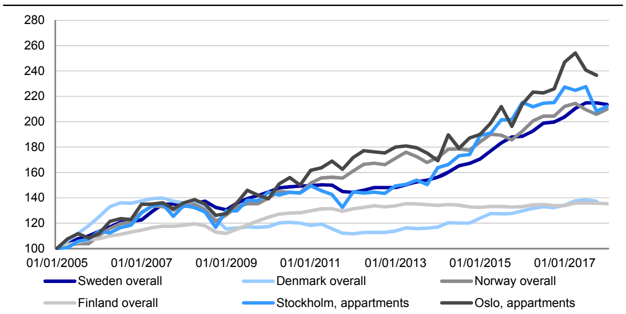
Slower housing market but no meltdown

We believe that the Norwegian housing market has passed the trough, while the Swedish housing market is undergoing a mild correction. Both markets are influenced by tighter lending rules, with concerns about higher interest rates ahead. In Sweden, a spate of additional supply also has an influence, partly fuelled by speculative construction. Nordea Markets' view is that Norway has passed the trough, while Swedish housing prices should stabilise in H1 2018, with a flat outlook during 2019. We expect a significant contraction in tenant-owned development activity, which should sooth the high inflation in construction costs. The pent-up supply in the secondary market, owing to uncertainty and hesitation, as well as the supply from new construction, needs to be cleared, after which demand should again be fully anchored by disposable incomes and low funding costs. Any form of interest rate shock remains a downside risk to demand and housing prices, which could hurt housing markets and the economy in general. A global economic downturn could have a similar impact.

Norwegian and Swedish housing market hiccup in 2017

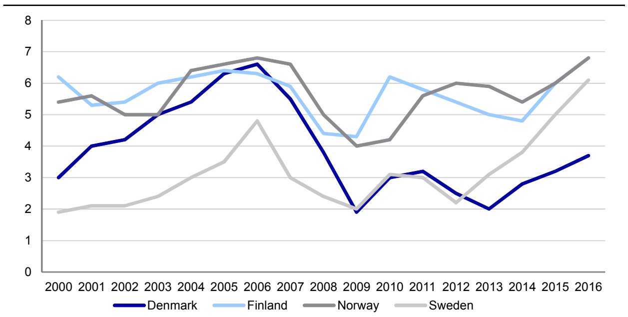
- **Lower Norwegian and Swedish housing prices**. Following almost a decade of steady increases, Norwegian and - later in the year – Swedish residential housing prices dropped in 2017 (about 5% from peak levels). The impact has been more accentuated for tenant-owned apartments in larger cities, notably Oslo and Stockholm (price decline of 10-15% from peaks).
- **The price corrections seem logical** in light of the hefty price inflation in recent years (which has increasingly hampered affordability for marginal buyers), tighter mortgage lending regulations (including minimum amortisation requirements and income leverage cap) and concerns about a pending end to the ultra-low interest rate era. In Sweden, this also coincides with significant new supply hitting the market following a rapid ramp-up in construction activity, three times the level seen in 2012.
- **We still perceive a structural shortage of residential housing in both Norway and Sweden**, fuelled by urbanisation, population growth, an increase in the number of households and - in Sweden in particular – low construction activity for much of the period between 1993 and 2014. Even in recent years, the activity level in Sweden does not appear aggressive from a Nordic perspective (with the exception of Denmark, which had a high supply level ahead of the 2008 financial crisis).

HIGH PRICE APPRECIATION IN BOTH NORWAY AND SWEDEN
House prices, 2005=100



Source: Macrobond, Valuegard and Nordea

SWEDISH ACTIVITY MODERATE FROM NORDIC PERSPECTIVE
Housing starts per 1,000 inhabitants



Source: Swedish Construction Industry Association and Nordea

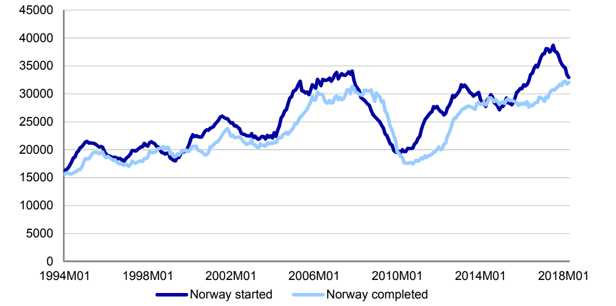
Base case Norway: The trough has passed

Nordea Markets expects Norwegian residential property prices to edge slightly higher in 2018-19. Following last year's drop, prices are more aligned with current interest rates and income trends. Indicators released in recent months clearly show that the downturn in housing prices has reversed. The number of unsold homes is declining and prices are edging upwards. A new sharp upturn is not on the cards, however, as the rate cycle has turned more negative and as supply remains high after several years of high construction activity.

Base case Sweden: Slight downside, levelling out in H1, more stable in 2019

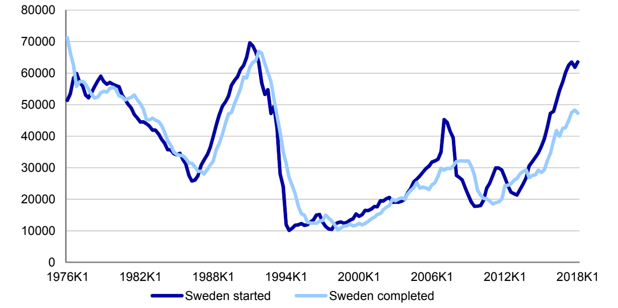
Nordea Markets expects Swedish residential property prices to fall 2-4% during H1 2018 before stabilising in H2 2018, with a more flat outlook during 2019. We believe there is some pent-up supply in the secondary market owing to uncertainty and hesitation, along with the supply from newbuilding. This needs to be cleared, after which demand should again be fully anchored by disposable incomes and low funding costs.

NORWEGIAN HOUSING START AND COMPLETION, UNITS LTM



Source: SSB and Nordea

SWEDISH HOUSING STARTS AND COMPLETIONS, UNITS LTM



Source: SCB and Nordea

Norwegian real estate: Clear skies

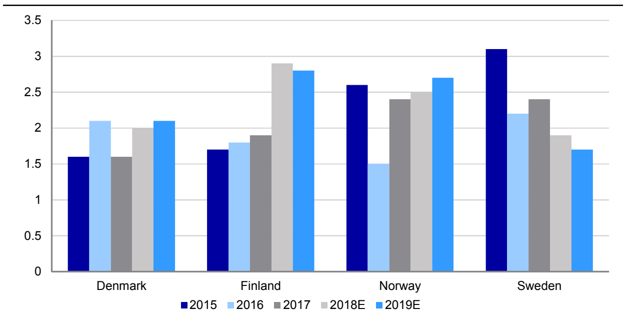
We believe that OBOS's Commercial property arm will benefit from the overall positive outlook for the Norwegian and Nordic real estate sector. It is supported by continued positive GDP growth driving demand amidst tight markets, with decent prospects for rent increases. We envisage some potential for upward yield pressure from low levels as we enter a period of higher interest rates. We still see tighter and more expensive financing as the key potential challenge ahead, but this should not be much of an issue for OBOS, in our view. The key risk to sector performance and OBOS's commercial properties would be global growth contraction that hits the Nordic economies, hampering operating performance and financing conditions.

SECTOR OUTLOOKS ARE FAIRLY POSITIVE ACROSS THE LINE, SWEDEN CLOSEST TO A TURN IN THE CYCLE
Nordea Markets assessment of sector outlook for 2018

	Denmark	Finland	Norway	Sweden	Comment
Office	🟢	🟢	🟢	🟡	Positive momentum driven by high/improving economic activity and relatively low demand Rental growth concentrated to capitals and major cities (CBD and prime locations) Strong demand for newly constructed office space Stockholm most advanced in cycle, Oslo and Helsinki later, Copenhagen early stage
Retail	🟡	🟡	🟡	🔴	Structurally challenged segment longer term Increasing differentiation between prime and secondary locations Sentiment surveys and macro trends suggest Sweden most challenging
Residential	🟢	🟡	🟡	🟡	Denmark: positive momentum, especially in Copenhagen Finland: fairly high construction activity tempers potential despite urbanisation trend Norway: pressure from declining housing prices giving way as the market stabilises Sweden: new build/tenant-owned negative outlook, existing/rental outlook positive given shortage
Logistics/ Wharehouse	🟢	🟢	🟢	🟢	Long-term structural changes in retail and trade flows support logistics High demand for new builds in prime locations Fairly limited supply, although speculative construction on the rise
Public sector	🟢	🟢	🟢	🟢	Favourable demographical trend (growing and ageing population) underpins demand Public sector financing constraints drive transaction activity Strong price performance levelling out somewhat

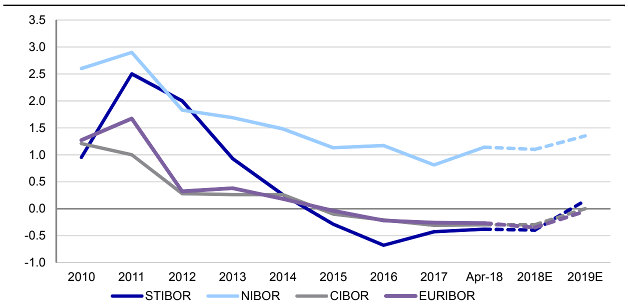
Source: Nordea estimates

SOLID GDP GROWTH PROSPECTS BUT SHIFT IN THE LEAD
GDP growth y/y, %



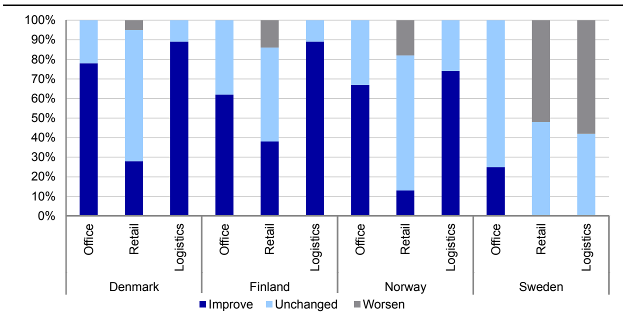
Source: Bloomberg and Nordea estimates

INTEREST RATES ARE EXPECTED TO MOVE UP
3M interbank rates, %



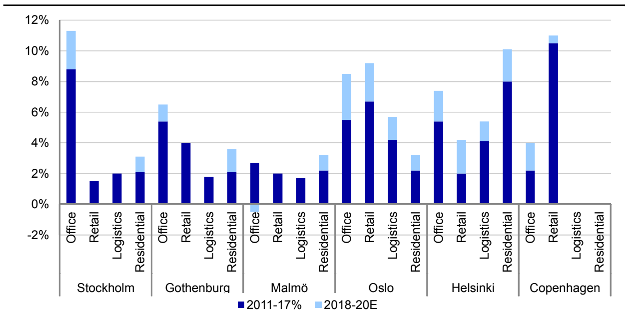
Source: Bloomberg and Nordea estimates

POSITIVE EXPECTATIONS EXCEPT IN SWEDEN
Demand expectations next six months (from Q1 2018)



Source: Cushman & Wakefield and Nordea

OSLO AND HELSINKI HAVE HIGHEST UPSIDE IN RENTS
Rent increase prospects y/y according to Newsec, %

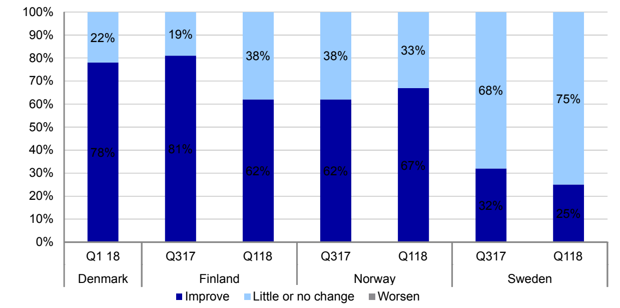


Source: Newsec and Nordea estimates

Positive confidence, Sweden more cautious

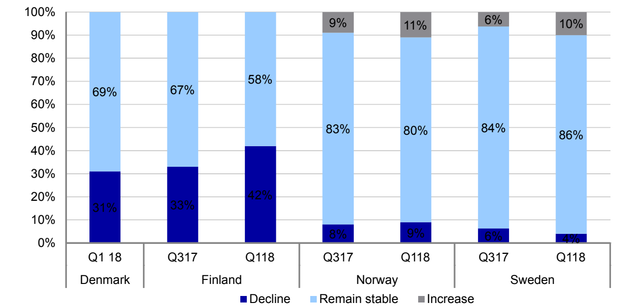
Cushman & Wakefield's Nordic real estate investor survey[1] reveals an optimistic outlook overall for Denmark and Finland, with Norway and Sweden more neutral (and with a negative twist for Sweden). Positive sentiment in the Office and Logistics segments contrasts with increasing concern over the Retail segment. There is strong confidence for office demand increases in Denmark, Finland and Norway, while Swedish expectations are more stable. This also translates into a positive tilt for office yield expectations, with Sweden and Norway more cautious. Expectations for retail are more tempered across the board, with a negative tilt on demand and yields in both Norway and Sweden (the latter more pronounced). In the longer term, this could become a more challenging issue for OBOS, given its exposure to the shopping centre segment.

OFFICE DEMAND: OPTIMISM INCREASING, SWEDEN STABLE
Office demand expectations for next six months



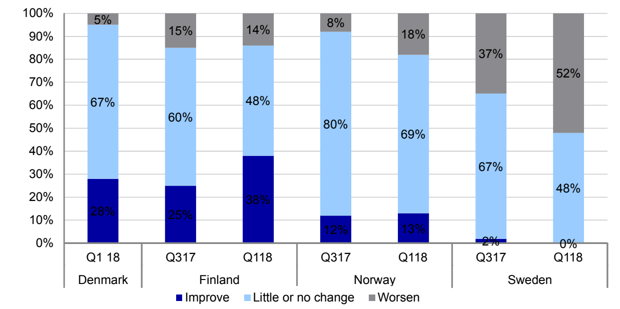
Source: Cushman & Wakefield and Nordea

OFFICE YIELDS: POSITIVE, SOME CONCERNS IN NOR/SWE
Office yield expectations trend for next six months



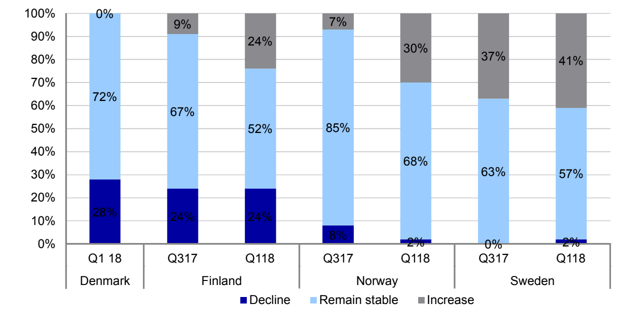
Source: Cushman & Wakefield and Nordea

RETAIL DEMAND: CONCERNS ARE GROWING
Retail demand expectations next six months



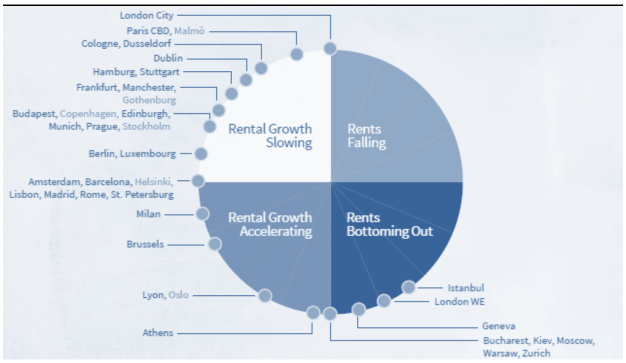
Source: Cushman & Wakefield and Nordea

RETAIL YIELDS: UPSIDE PRESSURE IS BUILDING
Retail yield expectations trend next six months



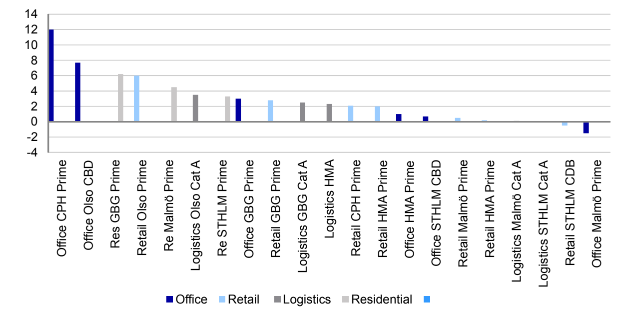
Source: Cushman & Wakefield and Nordea

NORDIC RENTS AT DIFFERENT STAGES IN THE CYCLE
JLL's Property clock for prime offices: Spring 2018



Source: JLL and Nordea

HIGHEST RETURNS IN COPENHAGEN AND OSLO OFFICES
Average capital growth 2018E-19E,%



Source: Newsec and Nordea

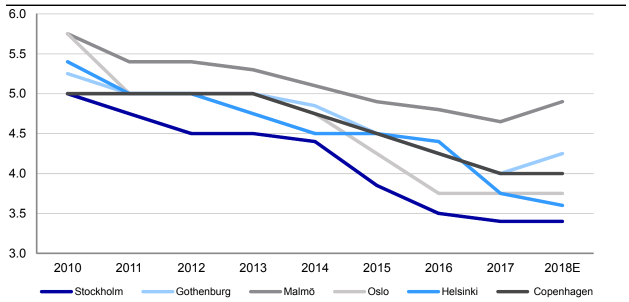
1. We understand that the Cushwake Nordic Investor Confidence index includes survey responses from 170 professionals across the Nordic region. The index monitors expectations for the next six months and was conducted Q1 2018.

Yields compress, still gaps outside Norway but no major OBOS concerns

The ultra-low interest rate environment has gradually pushed down yields in the real estate sector worldwide, including the Nordic region. The yield compression trend has also been evident outside major cities, with some time lag. We note that the yield gap to underlying interest rates has been largely unchanged over the course of the tightening. Given significantly higher interest rates in Norway, the gap is very tight, especially in low-risk segments. Looking ahead, market observers such as Newsec expect yields to flatten out y/y in 2018, with some widening tendencies in Sweden. Our base case assumes around a 25-50 bp widening of Swedish valuation yields in 2018-19, with Norway less affected. We consider secondary locations most at risk, which leaves OBOS less exposed, in our view.

PRIME OFFICE YIELDS: CONTINUED COMPRESSION

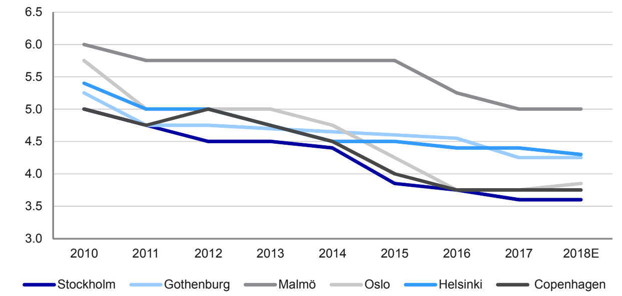
Prime office yields including Newsec's March 2018 forecast, %



Source: Newsec and Nordea

PRIME RETAIL YIELDS: TIGHTER BUT FLATTENING OUT

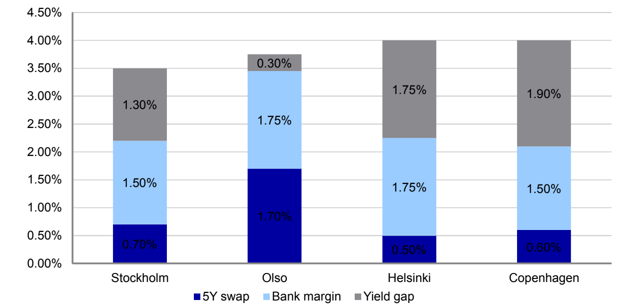
Prime retail yields including Newsec's March 2018 forecast, %



Source: Newsec and Nordea

STILL SIGNIFICANT OFFICE YIELD GAP EXCEPT IN NORWAY

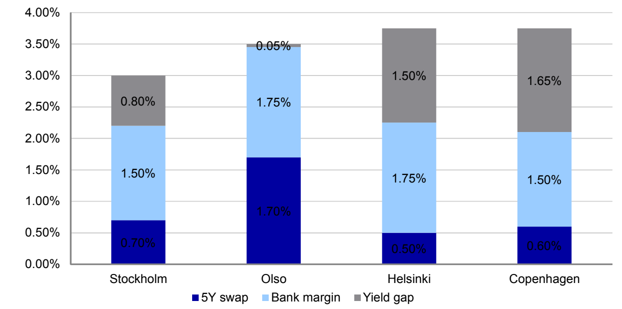
Prime office yield composition at year-end 2017, %



Source: Pangea and Nordea

TIGHTER ON THE RESIDENTIAL SIDE, NORWAY RAZOR THIN

Prime residential housing yield composition at year-end 2017, %



Source: Pangea and Nordea

Significant share of assets pledged

The various businesses in OBOS make the financial analysis complex, and for analytical reasons we deconsolidate OBOS-banken from the group. OBOS's financials and cash flow generation are linked to the activity in the housing development projects, and recent investments weigh down free cash flow. Owing to a large share of assets pledged to secured lending, the structural subordination in OBOS's unsecured bonds is an issue to take into consideration for bondholders.

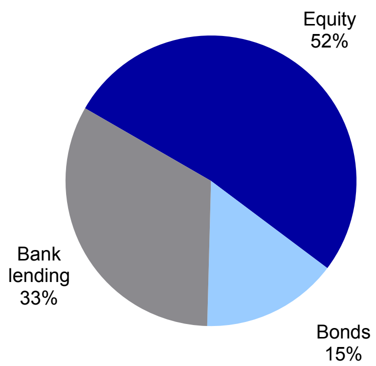
Deconsolidating OBOS bank
For analytical reasons, we deconsolidate OBOS's banking business. Including the bank business would inflate the balance sheet and lower the margin, which would cloud our assessment of the credit profile. The bank has an issuer rating of Baa1 from Moody's and we believe its business would be sustainable on a standalone basis. Moreover, the bank is regulated by the Norwegian FSA.

We do, however, acknowledge the mutually supportive interaction between OBOS-banken and OBOS and factor it into our assessment of OBOS's credit profile. Following the deconsolidation, our reported figures deviate from those reported by OBOS. We have deconsolidated the bank business based on public available information and have made our best efforts to adjust the income statement, the balance sheet and the cash flow statement to OBOS's non-financial operations. However, in doing so, we make some analytical assumptions.

Revenue and cost recognition upon completion of projects
OBOS does not recognise any revenue or costs until the completion of a project. In that sense, the income statement and the cash flow statement match fairly well, with working capital (inventories) being the control post. When OBOS sells a residence, the buyer pays an upfront payment (usually 10% of the price but could be a fixed sum as well) at the time of the agreement. Upon completion, the remaining 90% is transferred. All costs incurred during the project development phase are capitalised and added to inventories. To pay the running costs of the project, OBOS uses construction loans from banks. We believe such an accounting policy is more prudent than revenue recognition as percentage of completion, since revenue does not front-run cash flow.

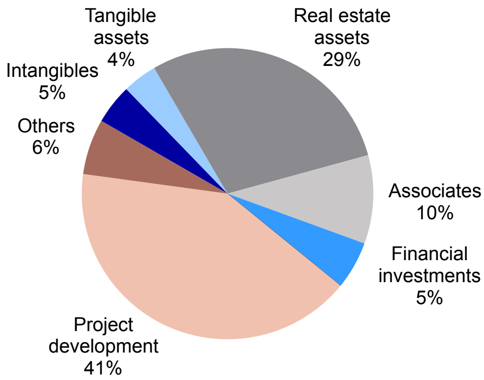
Capital structure with a large degree of encumbered assets
Funding is centrally organised but issued under several entities in the group. The base of the funding for the group is deposits to OBOS-banken and capital market instruments issued at several entities. In addition, there is bank debt, and the group has NOK 4.2bn of credit facilities, of which NOK 3.4bn is unutilised. According to our calculations, OBOS, excluding the bank, has pledged 51% of assets for secured debt. This includes almost all of the real estate portfolio and 59% of the projects under development. If we were to value the shares in Veidekke and AF-gruppen at market value, the pledged assets would still be 47% of total assets. We think that the structural subordination in OBOS's unsecured bonds is an issue to take into consideration for bond holders.

CAPITAL STRUCTURE, OBOS GROUP EXCL. OBOS BANK



Source: Company data and Nordea estimates

ASSET DISTRIBUTION, OBOS GROUP EXCL. OBOS BANK



Source: Company data and Nordea estimates

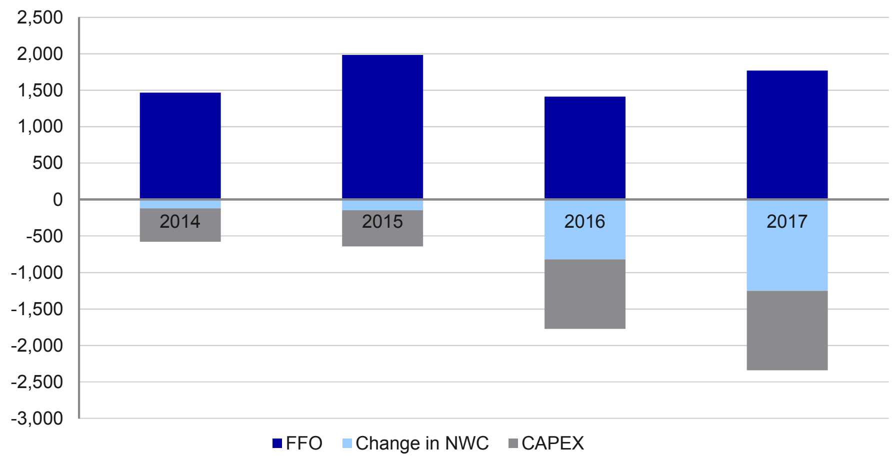
Investments add to liquidity

The balance sheet mirrors OBOS's business with mostly real estate assets or housing projects. However, a significant part of the balance sheet is also related to strategic equity investments. OBOS is the main shareholder in the construction companies Veidekke and AF-Gruppen and the reported book value of these is significantly lower than the market value. Besides this, OBOS also has less liquid holdings in housing development companies, but these are expected to be released within two years of construction start. Although we classify OBOS's holdings in Veidekke and AF-Gruppen as strategic, we still view these as a liquidity source should OBOS encounter financial distress.

Cash flow depends on project development

All housing project developments are booked as inventory. In our restated cash flow statement (deconsolidating OBOS-banken), the deferring items between EBITDA and operating cash flow are only cash interest, taxes paid and changes in working capital. The latter is the most volatile item depending on the investment levels in projects. Regular capex is fairly stable and refers to investments in real estate assets. FOCF has weakened following the ramp-up of project developments in 2016 and 2017.

SOURCES AND USES OF CASH, NOKm



Source: Company data and Nordea estimates

Financial forecasts

Our base-case scenario includes a stable housing market and continued high activity for OBOS in the development of new housing projects. The high investments will offset the operational improvements and the credit metrics develop sideways. In our sensitivity scenario, a drop in house prices and commercial real estate will lead to a weaker margin trend and deteriorating credit metrics.

Base case: More of the same, positive market development
In our base case scenario we include a supportive market for OBOS, with a stable housing market in Scandinavia. In such a scenario we expect OBOS to continue to develop more housing and commercial real estate projects.

- Growth is expected to be 8% in 2018 and 5% for 2019 and 2020, respectively. The lion's share of growth would come from growth in project development.
- EBITDA margins are projected to increase slightly to 22.5% for 2020, supported by the realisation of the profitable housing projects and a slightly improved cost base.
- Although we expect both the housing market and the market for commercial real estate to have stable or slightly higher valuations, we have not included any valuation gains in our forecasts.
- Underlying operational cash flow will improve significantly, partly owing to the higher EBITDA, but mostly thanks to less negative swings from working capital. The massive build-up of projects in 2017 consumed NOK 2.4bn in working capital in 2017. For the coming three years we expect the portfolio of projects to continue to grow but less dramatically.
- Credit metrics are expected to remain stable compared to 2017, as the improvements in EBITDA will be offset by continued investments in project development. According to our base-case forecast, credit-adjusted debt/EBITDA is expected to stay slightly above 6x and FOCF/debt to be just positive. As mentioned earlier, the credit metrics are not entirely comparable to the corporate scale, owing to the real estate assets and the housing development activity.

Sensitivity case: Harsh housing market leads to fewer sold inventories; development activity to cool down
In this scenario we expect the Swedish and the Norwegian housing prices to fall, due to a combination of weaker economic activity, higher interest rates and continued unfavourable regulation incentives. The effect for OBOS includes lower profits on the engaged projects but also lower activity in general. The credit metrics will, however, be supported by the lower investments in new projects.

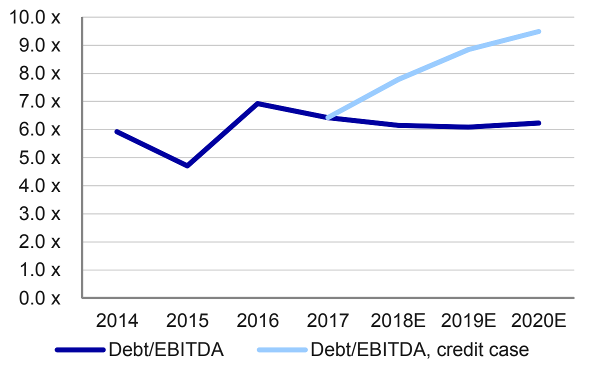
- Growth to be 1% throughout the forecast horizon.
- EBITDA margin to fall to 17% in 2020. The main reason behind the contracting margin is falling house prices.
- Operational cash flow to be relatively benign despite the lower EBITDA thanks to less capital used to develop projects.
- Credit metrics to weaken; debt/EBITDA at 9.5x in 2020 and FFO/debt at 7%. FOCF will remain the same as in our base case given the lower investment activity.

SUMMARY OF FORECASTS, CREDIT ADJUSTED

NOK(m)	2014	2015	2016	2017	2018E	2019E	2020E	2018E	2019E	2020E
Revenues	6,279	9,503	11,052	11,269	12,171	12,779	13,418	11,382	11,496	11,611
EBITDA	1,736	2,170	1,961	2,381	2,678	2,875	3,019	2,049	1,954	1,974
- margin	28%	23%	18%	21%	22%	23%	23%	18%	17%	17%
Debt	10,286	10,217	13,569	15,290	16,466	17,501	18,803	15,938	17,290	18,727
Equity	12,279	12,985	15,410	17,410	19,297	21,312	23,403	18,791	19,628	20,636
FFO	1,228	1,994	1,879	1,998	2,072	2,227	2,330	1,413	1,264	1,230
Change in NWC	-119	-145	-821	-1,252	-530	-272	-669	661	-119	-120
OCF	1,347	1,839	592	516	1,542	1,955	1,661	2,174	1,245	1,210
Capex	-458	-496	-955	-1,089	-1,176	-1,235	-1,297	-1,104	-1,115	-1,126
FOCF	890	1,343	-362	-574	366	719	364	1,070	130	84
Dividends	0	0	0	0	0	0	0	0	0	0
FFO/debt	11.9%	19.5%	13.8%	13.1%	12.6%	12.7%	12.4%	8.9%	7.3%	6.6%
FOCF/debt	8.6%	13.1%	-2.7%	-3.8%	2.2%	4.1%	1.9%	6.7%	0.8%	0.4%
DCF/debt	8.6%	13.1%	-2.7%	-3.8%	2.2%	4.1%	1.9%	6.7%	0.8%	0.4%
Debt/EBITDA	5.9	4.7	6.9	6.4	6.1	6.1	6.2	7.8	8.8	9.5
EBITDA/interest	3.9	5.9	4.3	5.8	5.2	5.2	5.0	4.0	3.2	3.0
Equity ratio	43.8%	43.7%	41.8%	43.0%	44.0%	44.7%	45.4%	43.7%	43.8%	43.7%

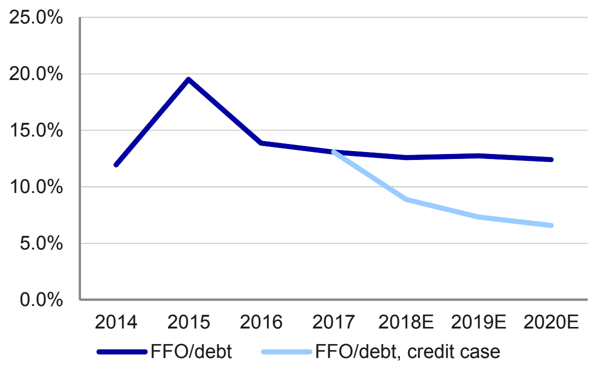
Source: Company data and Nordea estimates

CREDIT ADJUSTED DEBT/EBITDA TO BE STABLE IN OUR BASE CASE SCENARIO, x



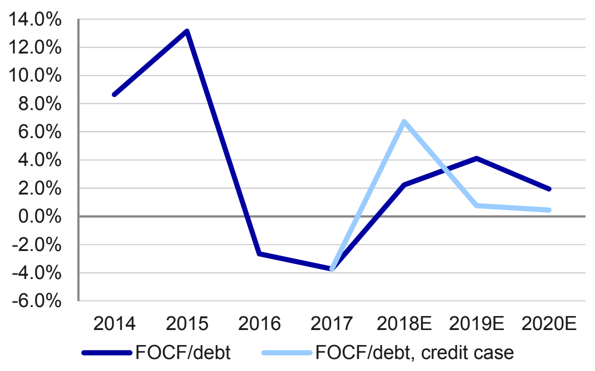
Source: Company data and Nordea estimates

CREDIT ADJUSTED FFO/DEBT. EXPECTED TO HOVER AROUND 13% IN OUR BASE CASE SCENARIO, %



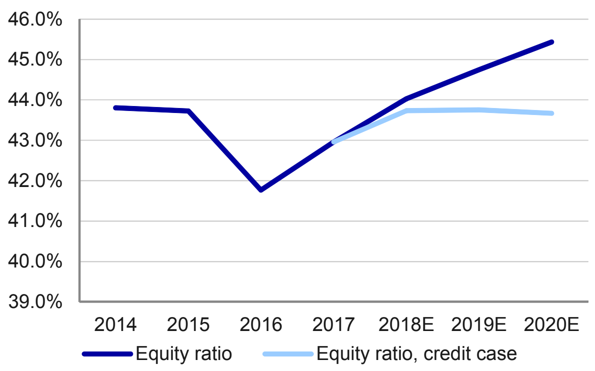
Source: Company data and Nordea estimates

CREDIT ADJUSTED FOCF/DEBT, %



Source: Company data and Nordea estimates

REPORTED EQUITY RATIO, %



Source: Company data and Nordea estimates

Reported numbers and forecasts

INCOME STATEMENT

NOKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Total revenue	0	0	0	6,279	9,503	11,052	11,269	12,171	12,779	13,418
- growth	n.a.	n.a.	n.a.	n.a.	51.4%	16.3%	2.0%	8.0%	5.0%	5.0%
NOI	0	0	0	0	0	0	0	0	0	0
- margin	n.m.	n.m.	n.m.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	0	0	0	1,736	2,170	1,961	2,381	2,678	2,875	3,019
- margin	n.m.	n.m.	n.m.	27.6%	22.8%	17.7%	21.1%	22.0%	22.5%	22.5%
EBITA	0	0	0	1,736	2,170	1,961	2,381	2,678	2,875	3,019
- margin	n.m.	n.m.	n.m.	27.6%	22.8%	17.7%	21.1%	22.0%	22.5%	22.5%
EBIT	0	0	0	1,986	2,282	2,601	2,676	2,500	2,671	2,789
- margin	n.m.	n.m.	n.m.	31.6%	24.0%	23.5%	23.7%	20.5%	20.9%	20.8%
Value changes	0	0	0	0	0	0	0	0	0	0
Pre-tax profit	0	0	0	1,709	2,237	2,738	2,480	2,104	2,247	2,333
Taxes	0	0	0	-231	-132	-145	-130	-210	-225	-233
Net profit, continuing operation:	0	0	0	1,478	2,105	2,593	2,349	1,894	2,023	2,100
Discontinued operations	0	0	0	0	0	0	0	0	0	0
Net profit to equity	0	0	0	1,473	2,100	2,588	2,342	1,887	2,015	2,091
EBITDA (credit adj)	0	0	0	1,736	2,170	1,961	2,381	2,678	2,875	3,019
EBIT (credit adj)	0	0	0	1,986	2,282	2,601	2,676	2,500	2,671	2,789
Interest expense (credit adj)	0	0	0	-445	-370	-455	-408	-515	-554	-601

Source: Company data and Nordea estimates

BALANCE SHEET

NOKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Goodwill	0	0	0	1,029	1,134	1,095	1,067	1,067	1,067	1,067
Other intangibles	0	0	0	757	831	791	872	872	872	872
Tangible assets	0	0	0	8,267	8,956	11,007	12,391	13,369	14,369	15,427
Shares associates	0	0	0	0	0	0	0	0	0	0
Interest bearing assets	0	0	0	829	1,676	4,300	2,456	2,456	2,456	2,456
Deferred tax assets	0	0	0	0	0	0	0	0	0	0
Other non-interest bearing non-	0	0	0	3,264	3,495	2,242	4,116	5,716	7,316	8,916
Other non-current assets	0	0	0	1,402	68	49	304	316	339	339
Non-current assets	0	0	0	15,549	16,160	19,484	21,206	23,797	26,420	29,078
Inventory	0	0	0	9,802	11,204	13,809	16,215	17,039	17,507	18,383
Accounts receivable	0	0	0	221	334	392	503	548	575	604
Other current assets	0	0	0	1,369	632	794	1,003	1,083	1,137	1,194
Cash and cash equivalents	0	0	0	1,092	1,365	1,459	1,257	1,023	1,642	1,906
Current assets	0	0	0	12,484	13,536	16,453	18,979	19,693	20,862	22,087
Assets held for sale	0	0	0	0	0	963	346	346	346	346
Total assets	0	0	0	28,033	29,695	36,900	40,531	43,836	47,628	51,512
Shareholders equity	0	0	0	12,279	12,985	15,410	17,410	19,297	21,312	23,403
Minority interest	0	0	0	0	0	0	0	0	0	0
Deferred tax	0	0	0	1,685	1,873	1,698	1,668	1,668	1,668	1,668
Convertible debt	0	0	0	0	0	0	0	0	0	0
Long term interest bearing debt	0	0	0	7,557	6,809	7,147	9,138	10,138	11,638	13,138
Non-current liabilities	0	0	0	0	0	0	0	0	0	0
Pension provisions	0	0	0	275	151	103	111	111	111	111
Other long-term provisions	0	0	0	0	0	0	0	0	0	0
Other long-term liabilities	0	0	0	0	0	0	0	0	0	0
Non-current liabilities	0	0	0	9,517	8,833	8,948	10,918	11,918	13,418	14,918
Short-term provisions	0	0	0	0	0	0	0	0	0	0
Accounts payable	0	0	0	651	876	900	1,135	1,229	1,291	1,355
Other current liabilities	0	0	0	2,314	2,720	3,809	4,009	4,333	4,549	4,777
Short term interest bearing deb	0	0	0	3,272	4,282	7,413	6,983	6,983	6,983	6,983
Current liabilities	0	0	0	6,237	7,878	12,122	12,127	12,545	12,823	13,115
Liabilities for assets held for sa	0	0	0	0	0	420	76	76	76	76
Total liabilities and equity	0	0	0	28,033	29,695	36,900	40,531	43,836	47,629	51,512
Cash and cash eq (credit adj)	0	0	0	273	341	365	314	256	411	477
Total assets (credit adj)	0	0	0	27,214	28,671	35,806	39,588	43,069	46,397	50,082
Shareholders equity (credit adj)	0	0	0	12,279	12,985	15,410	17,410	19,297	21,312	23,403
Debt (credit adj)	0	0	0	10,286	10,217	13,569	15,290	16,466	17,501	18,803

Source: Company data and Nordea estimates

CASH FLOW STATEMENT

NOKm	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EBITDA	0	0	0	1,736	2,170	1,961	2,381	2,678	2,875	3,019
Adj due to change in group stru	0	0	0	0	0	0	0	0	0	0
Change in Provisions	0	0	0	0	0	0	0	0	0	0
Other non-cash adjustments	0	0	0	0	0	0	0	0	0	0
Net financials	0	0	0	-233	-62	-315	-351	-395	-424	-456
Dividends received	0	0	0	0	0	0	0	0	0	0
Paid taxes	0	0	0	-36	-125	-233	-263	-210	-225	-233
Other	0	0	0	0	0	0	0	0	0	0
Operating cash flow before NW	0	0	0	1,467	1,983	1,413	1,768	2,072	2,227	2,330
Change in NWC	0	0	0	-119	-145	-821	-1,252	-530	-272	-669
Operating cash flow	0	0	0	1,347	1,839	592	516	1,542	1,955	1,661
CAPEX	0	0	0	-458	-496	-955	-1,089	-1,176	-1,235	-1,297
Free Operating cash flow	0	0	0	890	1,343	-362	-574	366	719	364
Dividends paid	0	0	0	0	0	0	0	0	0	0
Share issues / buybacks	0	0	0	0	0	0	0	0	0	0
Discretionary cash flow	0	0	0	890	1,343	-362	-574	366	719	364
Other investments / divestment	0	0	0	-691	-1,873	-4,196	-1,764	-1,600	-1,600	-1,600
Other	0	0	0	0	0	0	0	0	0	0
Proceeds from sale of assets	0	0	0	0	0	0	0	0	0	0
Net change to group borrowing	0	0	0	893	803	4,652	2,136	1,000	1,500	1,500
Other	0	0	0	0	0	0	0	0	0	0
Change in cash	0	0	0	1,092	273	93	-202	-234	619	264
Adjusted metrics										
Funds from operations (FFO) (a	0	0	0	1,228	1,994	1,879	1,998	2,072	2,227	2,330
Operating cash flow (OCF) (adj	0	0	0	1,347	1,839	592	516	1,542	1,955	1,661
Free operating cash flow (FOC	0	0	0	890	1,343	-362	-574	366	719	364
Discretionary cash flow (DCF) (	0	0	0	890	1,343	-362	-574	366	719	364

Source: Company data and Nordea estimates

KEY RATIOS

Profitability	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
ROC	n.m.	n.m.	n.m.	16.4%	9.3%	9.3%	8.2%	7.0%	6.9%	6.6%
ROIC after tax	n.m.	n.m.	n.a.	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROE after tax	n.m.	n.m.	n.m.	24.0%	16.6%	18.2%	14.3%	10.3%	9.9%	9.4%
Debt & Interest coverage	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
FFO/Debt	n.m.	n.m.	n.m.	11.9%	19.5%	13.8%	13.1%	12.6%	12.7%	12.4%
FOCF/Debt	n.m.	n.m.	n.m.	8.6%	13.1%	-2.7%	-3.8%	2.2%	4.1%	1.9%
DCF/Debt	n.m.	n.m.	n.m.	8.6%	13.1%	-2.7%	-3.8%	2.2%	4.1%	1.9%
EBITDA interest coverage	n.m.	n.m.	n.m.	-3.9	-5.9	-4.3	-5.8	-5.2	-5.2	-5.0
Fixed-charge coverage	0.0	0.0	0.0	5,453.0	6,821.8	9,829.4	9,772.7	10,176.2	10,412.7	10,603.0
Leverage	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Loan-to-value	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity ratio	n.m.	n.m.	n.m.	43.8%	43.7%	41.8%	43.0%	44.0%	44.7%	45.4%
Debt/(Debt+Equity)	n.m.	n.m.	n.m.	0.5	0.4	0.5	0.5	0.5	0.5	0.4
Capital expenditure	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
CAPEX/Depreciation and amor	n.m.	n.m.	n.m.	-1.83	-4.44	-1.49	-3.70	6.61	6.06	5.64
CAPEX/Sales	n.m.	n.m.	n.m.	-0.07	-0.05	-0.09	-0.10	-0.10	-0.10	-0.10
Working capital ratios	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Inventory turnover (days)	n.m.	n.m.	n.m.	570	430	456	525	511	500	500
Receivables turnover (days)	n.m.	n.m.	n.m.	13	13	13	16	16	16	16
Days sales outstanding (days)	n.m.	n.m.	n.m.	38	34	30	37	37	37	37
Per share data	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
EPS	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
EPS (adj.)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
DPS	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.
Equity valuation and yield	2011	2012	2013	2014	2015	2016	2017	2018E	2019E	2020E
Market cap.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Enterprise value	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/E	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
P/BV	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/Sales	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
EV/EBITDA	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Dividend yield	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Payout ratio	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.	n.m.

Source: Company data and Nordea estimates

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Nordea Markets analysts do not hold shares in the companies that they cover. No holdings or other affiliations by analysts or associates.

Market-making obligations and other significant financial interest

Nordea Markets has no market-making obligations in OBOS BBL.

Recommendation definitions

Outperform
Over the next three months we expect the performance of this fixed income instrument to exceed the performance of the relevant index, sector or benchmark

Market perform
Over the next three months we expect the performance of this fixed income instrument to be in line with the performance of the relevant index, sector or benchmark

Underperform
Over the next three months we expect the performance of this fixed income instrument to fall short of the performance of the relevant index, sector or benchmark

The relevant benchmark is set at the individual bond level, and determined by factors such as the currency, time to maturity and the credit quality of the bond.All research is produced on an ad hoc basis and will be updated when the circumstances require it.

Investment banking transactions

Nordea has a role as Joint Bookrunner in the contemplated issuance of bonds of OBOS BBL.

Distribution of recommendations

Recommendation	Count	% Distribution
Outperform	130	29%
Market perform	199	44%
Underperform	123	27%
Total	452	100%

As of 1 April 2018

Distribution of recommendations (transactions)*

Recommendation	Count	Distribution
Outperform	79	33%
Market perform	99	41%
Underperform	61	26%
Total	239	100%

As of 1 April 2018

* Companies under coverage with which Nordea has ongoing or completed public investment banking transactions.

Completion Date

28 May 2018, 13:08 CET

Issuer Review

This report has been reviewed, for the purpose of verification of fact or sequence of facts, by the Issuer of the relevant financial instruments mentioned in the report prior to publication. No Nordea recommendations or target prices have, however, been disclosed to the issuer. The review has led to changes of facts in the report.

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