

Interim report

2nd quarter 2019
Unaudited



Interim report from the Board of Directors

OBOS Boligkreditt AS' registered office is in Oslo, and it is a wholly owned subsidiary of OBOS-banken. OBOS Boligkreditt started operations in 2016. OBOS Boligkreditt is licensed to operate as a mortgage company and to issue covered bonds, and is OBOS-banken's most important source of long term market funding and an important part of the parent bank's funding strategy. The assets consist of retail mortgage loans and housing co-operative loans originally underwritten by OBOS-banken. Total lending at second quarter end 2019 amounted to NOK 18 753 million. All loans are at the time of acquisition within 75 % of the property's estimated value. Total issued covered bond loans at second quarter end 2019 amounted to NOK 15 647 million. Overcollateralization at second quarter end 2019 was 119.3 %.

Highlights	Q2 2019	Q2 2018	H1 2019	H1 2018	2018
Profit before tax (TNOK)	22 716	19 953	50 335	48 083	100 618
Profit after tax (TNOK)	17 718	15 364	39 261	37 024	77 474
Return on equity after tax	5,8 %	6,0 %	6,6 %	5,2 %	7,2 %
Loss on loans in % of gross loans	-0,01 %	0,00 %	0,00 %	0,00 %	0,00 %
Gross loan to customers (MNOK)	18 753	13 390	18 753	13 390	16 990
- Retail mortgage loans (MNOK)	6 760	5 656	6 760	5 656	6 822
- Housing co-operative mortgage loans (MNOK)	11 995	7 733	11 995	7 733	10 168
Overcollateralization	119,3 %	111,3 %	119,3 %	111,3 %	112,8 %
Total assets (MNOK)	18 798	13 451	18 798	13 451	17 024
Core tier 1 capital ratio	17,12 %	22,70 %	17,12 %	22,70 %	18,86 %

Rating

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

Second quarter results

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

The financial statements of OBOS Boligkreditt AS show a pre-tax profit of NOK 22.7 (20.0) million in the second quarter of 2019. Net interest income amounted to NOK 23.4 (21.6) million. Operating costs amounted to NOK 1.6 (1.5) million in the second quarter of 2019.

The calculation of expected loss (ECL) for OBOS Boligkreditt AS resulted in a reduction of impairments of NOK 1.0 million in the second quarter of 2019, compared to an increase of NOK 0.2 million in the same quarter in 2018. The ECL calculation as at 30 June 2019 shows expected credit loss of NOK 4.8 million, compared to NOK 4.0 million at 30 June 2018.

OBOS Boligkreditt AS issued a new fixed rate covered bond with an outstanding amount of NOK 520 million during the quarter. No outstanding debt matured in the second quarter of 2019. OBOS Boligkreditt AS had seven bond loans outstanding at 30 June 2019 with total debt securities issued of NOK 15 647 million face value, compared to five bond loans and NOK 12 000 million face value outstanding at 30 June 2018.

Total assets at second quarter end 2019 amounted to NOK 18 798 (13 451). Gross lending amounted to NOK 18 753 (13 390) million at second quarter end 2019. There is no substitute assets forming part of the cover pool. Overcollateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 119.3 percent as at 30 June 2019, compared to 111.3 percent at 30 June 2018. At second quarter end 2019, the mortgages in the cover pool had a weighted average loan-to-value ratio of 36 percent.

OBOS Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 33.0 million at 30 June March 2019, reporting a total LCR of 572 percent by second quarter end 2019.

Capital strength

Paid in equity and retained earnings amounted to NOK 1 177 (1 100) million by end of second quarter 2019. Risk weighted assets amounted to NOK 6 768 million by end of second quarter 2019. The CET 1 capital

ratio is 17.12 percent at 30 June 2019. OBOS Boligkreditt AS uses the standardised approach to calculate capital requirements for credit risk.

Outlook

Global economic growth is expected to ease during the current year, but is expected to equal trend rate of growth. Unemployment has declined and wage growth has picked up in several countries, but remains moderate. Expectations of higher interest rates have been revised down somewhat, and long-term government bond rates have declined to very low levels. The increased possibility for hard Brexit and trade wars colours the international macro outlook.

The Norwegian mainland economy is growing on trend or somewhat over trend this year and is expected to be approximately on trend over the next couple of years. Growth is primarily driven by increased investment in the petroleum sector and mainland industries. The still weak NOK is fueling export, but growth is expected to ease. Unemployment has receded throughout the country. Norges Bank has announced that the key policy rate most likely will be raised gradually over the next couple of years.

Although lending growth in the parent bank is expected to be more moderate in 2019, it will combined with low level of unemployment, low interest rates and high disposable income contribute position OBOS Boligkreditt to acquire further mortgages from the parent bank. It is however expected that lending growth in OBOS Boligkreditt also to be more moderate going forward than during the start-up phase.

Oslo 13.08.2019

The board of directors of OBOS Boligkreditt AS

Key Figures

(Figures in MNOK)

	Q2 2019	Q2 2018	1.1 - 30.06 2019	1.1 - 30.06 2018	2018
Return on assets					
1) Net interest in % of average total assets	0,48 %	0,66 %	0,58 %	0,85 %	0,74 %
2) Combined ratio	6,7 %	6,5 %	6,2 %	5,8 %	6,0 %
3) Return on equity	5,8 %	6,0 %	6,6 %	5,2 %	7,2 %
Balance sheet					
4) Lending to customers	18 753	13 388	18 753	13 388	16 990
5) Loss in % of gross loans	-0,0053 %	-0,0013 %	-0,0019 %	-0,0013 %	-0,0014 %
6) Defaults in % of gross loans	0,0000 %	0,0000 %	0,0000 %	0,0000 %	0,0000 %
7) Total assets	18 798	13 451	18 798	13 451	17 024
8) Average total assets	19 268	13 154	18 520	11 166	14 984
9) Overcollateralisation	119,34 %	111,32 %	119,34 %	111,32 %	112,79 %
Solidity					
10) Core tier 1 capital ratio	17,12 %	22,70 %	17,12 %	22,70 %	18,86 %
11) Tier 1 capital ratio	17,12 %	22,70 %	17,12 %	22,70 %	18,86 %
12) Total capital ratio	17,12 %	22,70 %	17,12 %	22,70 %	18,86 %
13) Equity in % of total assets	6,5 %	8,4 %	6,5 %	8,4 %	6,9 %
14) Liquidity coverage ratio	572,42 %	N/A	572,42 %	N/A	147,8 %
Staffing					
15) Number of permanent employees	0	0	0	0	0
16) Number of full-time positions at end of period	0	0	0	0	0

Definitions

- 1) Net interest income in % of average total assets
- 2) Sum operating expenses before loss on loans in % of net income
- 3) Return on equity after tax in % of average equity
- 6) Defaulted commitment over 90 days in % of gross loans
- 8) Average total assets pr month
- 9) Cover pool in % of issuance of cover bonds
- 10) Core equity capital to its total risk- weighted assets
- 11) Equity capital to its total risk -weighted assets
- 12) Total capital to risk weighted assets
- 13) Equity in % of total assets
- 14) Liquidity coverage ratio
- 15) Number of permanent employees inc permanent vacancy
- 16) Number of FTEs inc permanent vacancy

Income statement

(Figures in NOK 1000)

	NOTE	Q2 2019	Q2 2018	1.1 - 30.06 2019	1.1 - 30.06 2018	2018
Interest income calculated using the effective interest method		113 116	72 083	219 623	143 175	314 654
Interest income from instruments using fair value		145	7	278	7	255
Interest expenses calculated using the effective interest method		-88 208	-50 502	-164 748	-91 943	-206 416
Interest expenses from instruments using fair value		-1 616	-	-1 616	-	-
Net interest income	4	23 437	21 587	53 537	51 238	108 491
Commission and banking service expenses		-91	-53	-176	-131	-269
Net commission expenses		-91	-53	-176	-131	-269
Net gain/(loss) and change in value of fin. Instruments	5	-66	109	-94	105	22
Net operating income		23 280	21 642	53 267	51 212	108 243
Salaries and other personnel cost		-183	-	-183	-	-183
Administration cost		-47	-106	-158	-213	-235
Other operating expenses	6	-1 330	-1 412	-2 942	-2 979	-6 125
Total operating expenses		-1 560	-1 518	-3 283	-3 192	-6 543
Profit before loan losses and taxes		21 720	20 124	49 985	48 020	101 700
Net loan losses	12	996	-172	350	63	-1 083
Profit before tax		22 716	19 953	50 335	48 083	100 617
Income tax expense		-4 997	-4 589	-11 074	-11 059	-23 143
Profit after tax	13	17 718	15 364	39 261	37 024	77 474
Attributabel to						
Retained earnings	13	17 718	15 364	39 261	37 024	77 474
Total		17 718	15 364	39 261	37 024	77 474

Statement of comprehensive income

(Figures in NOK 1000)

	NOTE	Q2 2019	Q2 2018	1.1 - 30.06 2019	1.1 - 30.06 2018	2018
Profit after tax	13	17 718	15 364	39 261	37 024	77 474
Losses on loans and guarantees, fair value	12	-501	31	-13	24	852
Income tax expense on items that can be reclassified		110	-7	3	-5	-196
Items that can be reclassified to profit or loss		-391	24	-10	18	656
Net change in values from own credit risk		-2 330	-	-2 330	-	-
Income tax expense on items that will not be reclassified		513	-	513	-	-
Items that will not be reclassified to profit or loss		-1 818	-	-1 818	-	-
Comprehensive income for the periode		-2 209	24	-1 828	18	656
Total comprehensive income after tax		15 510	15 387	37 434	37 042	78 130
Attributable to						
Retained earnings	13	15 510	15 387	37 434	37 042	78 130
Total		15 510	15 387	37 434	37 042	78 130

Balance sheet

(Figures in NOK 1000)

	NOTE	30.06.2019	30.06.2018	31.12.2018
ASSETS				
Loans to and receivables from credit institutions	7	2 203	30 018	2 159
Loans to and receivables from customers	7,12	18 753 032	13 388 101	16 990 450
Certificates and bonds	9	30 779	30 900	30 820
Deferred tax asset		166	6	166
Financial derivatives		9 600	-	-
Prepaid cost		129	-	-
Other assets		2 343	1 551	316
TOTAL ASSETS		18 798 252	13 450 577	17 023 910
LIABILITIES AND EQUITY				
	NOTE	30.06.2019	30.06.2018	31.12.2018
Loans from credit institutions	6,7,10	1 856 088	272 528	760 137
Debt securities issued	6,7,9,10	15 716 600	12 030 871	15 063 309
Other liabilities		435	478	185
Deferred tax		-	10 651	-
Tax payable		10 559	-	23 142
TOTAL LIABILITIES		17 583 681	12 314 528	15 846 773
Share capital	13	111 000	111 000	111 000
Share premium	13	989 039	989 039	989 039
Retained earnings	13	114 532	36 010	77 099
TOTAL EQUITY		1 214 571	1 136 048	1 177 137
TOTAL LIABILITIES AND EQUITY		18 798 252	13 450 577	17 023 910

Cash flow

(Figures in NOK 1000)

	NOTE	30.06.2019	30.06.2018	31.12.2018
Profit before tax		50 335	48 083	100 617
Interest income calculated using the effective interest method	4	-219 901	-143 182	-314 908
Interest payments from customers and credit institutions		195 691	141 201	323 186
Loans to customers transferred from parent company		-1 762 583	-844 219	-4 487 004
Interest from certificates and bonds/bond funds	5	94	-105	-22
Payment for other assets		-2 027	-1 551	-316
Payment for other debt		207	-68 556	-69 035
Net gain/(loss) in value of bonds	5	9 295	27	27
Net loan losses	12	350	-63	-1 083
Paid taxes		-23 141	-	-
Change in accrued interests		-871	-33 926	9 767
Change in other accruals		-4 053	379	-921
Net new lines of credit	6	1 095 951	-401 689	85 920
(A) Net cash flow from operating activities		-660 654	-1 303 601	-4 353 771
Payments related to acquisition of shares and securities		-	-	-
(B) Net cash flow from investment activities		-	-	-
Issuance of covered bonds	10	3 033 494	1 007 637	4 029 970
Repayment of covered bonds	10	-2 373 000	-	-
Issue of share capital	13	-	300 000	300 000
(C) Net cash flow from financing activities		660 494	1 307 637	4 329 970
(A) + (B) + (C) Net cash flow for the period		-160	4 037	-23 802
Cash and cash equivalents at beginning of period		2 159	25 960	25 960
Cash and cash equivalents at end of period		1 999	29 997	2 159
Net change in cash and cash equivalents		-160	4 037	-23 802
Liquidity reserves specified				
Loans to and receivables from credit institutions 1)		1 999	29 997	2 159
Cash and cash equivalents		1 999	29 997	2 159

1) Hereof 0,2 TNOK in restricted deposits.

Quarterly changes in income statement

(Figures in NOK 1000)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Interest income calculated using the effective interest method	113 116	106 507	93 831	77 648	72 083
Interest income from instruments using fair value	145	133	126	122	7
Interest expenses calculated using the effective interest method	-88 208	-76 540	-62 706	-51 767	-50 502
Interest expenses from instruments using fair value	-1 616	-	-	-	-
Net interest income	23 437	30 100	31 252	26 002	21 587
Commission and banking service expenses	-91	-85	-72	-67	-53
Net Commission expenses	-91	-85	-72	-67	-53
Net gain/(loss) and change in value of fin. instruments	-66	-28	-31	-52	109
Net operating income	23 280	29 987	31 149	25 883	21 642
Salaries and other personnel cost	-183	-	-	-183	-
Administration cost	-47	-111	49	-72	-106
Other operating expenses	-1 330	-1 611	-2 334	-812	-1 412
Total operating expenses	-1 560	-1 723	-2 285	-1 066	-1 518
Profit before loan losses and taxes	21 720	28 265	28 864	24 817	20 124
Net loan losses	996	-646	237	-1 383	-172
Profit before tax	22 716	27 619	29 101	23 434	19 953
Income tax expense	-4 997	-6 076	-6 694	-5 390	-4 589
Profit after tax	17 718	21 543	22 407	18 044	15 364
Attributabel to					
Retained earnings	17 718	21 543	22 407	18 044	15 364
Total	17 718	21 543	22 407	18 044	15 364

Quarterly changes in statement of comprehensive income

(Figures in NOK 1000)

	Q2 2019	Q1 2019	Q4 2018	Q3 2018	Q2 2018
Profit after tax	17 718	21 543	22 407	18 044	15 364
Losses on loans and guarantees, fair value	-501	488	119	710	31
Income tax expense on items that can be reclassified	110	-107	-27	-163	-7
Items that can be reclassified to profit or loss	-391	381	91	546	24
Net change in values from own credit risk	-2 330	-	-	-	-
Income tax expense on items that will not be reclassified	513	-	-	-	-
Items that will not be reclassified to profit or loss	-1 818	-	-	-	-
Comprehensive income for the periode	-2 209	381	91	546	24
Total comprehensive income after tax	15 510	21 924	22 498	18 591	15 387
Attributable to					
Retained earnings	15 510	21 924	22 498	18 591	15 387
Total	15 510	21 924	22 498	18 591	15 387

Quarterly changes in balance sheet

(Figures in NOK 1000)

	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Assets					
Loans to and receivables from credit institutions	2 203	30 286	2 159	10 571	30 018
Loans to and receivables from customers	18 753 032	19 650 106	16 990 450	15 969 942	13 388 101
Certificates and bonds	30 779	30 794	30 820	30 845	30 900
Deferred tax asset	166	166	166	6	6
Financial derivatives	9 600	-	-	-	-
Prepaid cost	129	160	-	-	-
Other assets	2 343	25 735	316	1 394	1 551
Total Assets	18 798 252	19 737 246	17 023 910	16 012 758	13 450 577
	30.06.2019	31.03.2019	31.12.2018	30.09.2018	30.06.2018
Liabilities and equity					
Loans from credit institutions	1 856 088	943 541	760 137	1 297 614	272 528
Debt securities issued	15 716 600	17 565 071	15 063 309	13 544 075	12 030 871
Other liabilities	435	247	185	226	478
Deferred tax	-	-	-	16 204	10 651
Tax payable	10 559	29 326	23 142	-	-
Total Liabilities	17 583 681	18 538 185	15 846 773	14 858 119	12 314 528
Share capital	111 000	111 000	111 000	111 000	111 000
Share premium	989 039	989 039	989 039	989 039	989 039
Retained earnings	114 532	99 023	77 099	54 601	36 010
Total Equity	1 214 571	1 199 061	1 177 137	1 154 639	1 136 048
Total Liabilities and Equity	18 798 252	19 737 246	17 023 910	16 012 758	13 450 577

Notes

Note 1 – Introduction

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

Note 2 – Accounting principles

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

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

IFRS 16 Leases

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

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

Note 3 – Accounting estimates and discretionary Assessments

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

3.1 Value measurement at fair value

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

3.2 Write-down of financial assets

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

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

Note 4 – Net interest and credit commission income

(Figures in NOK 1000)

	Q2 2019	Q2 2018	1.1 - 30.06 2019	1.1 - 30.06 2018	2018
Interest and similar income from loans to credit institutions, amortised cost	20	11	43	22	42
Interest and similar income from loans to customers, amortised cost	113 080	72 071	219 559	143 153	314 603
Other interest and similar income, amortised cost	16	-	21	-	8
Total interest income calculated using the effective interest method	113 116	72 083	219 623	143 175	314 654
Interest and similar income from certificates and bonds, fair value	145	7	278	7	255
Total interest income, fair value	145	7	278	7	255
Interest and similar expenses from loans to credit institutions, amortised cost	-10 330	-2 196	-13 541	-4 751	-12 357
Interest and similar expenses of issued securities, amortised cost	-77 878	-48 306	-151 207	-87 192	-194 059
Total interest expenses calculated using the effective interest method	-88 208	-50 502	-164 748	-91 943	-206 416
Interest and similar expenses of issued securities, fair value	-1 616	-	-1 616	-	-
Total interest expenses, fair value	-1 616	-	-1 616	-	-
Net interest and credit commission income	23 437	21 587	53 537	51 238	108 491

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

(Figures in NOK 1000)

	Q2 2019	Q2 2018	1.1 - 30.06 2019	1.1 - 30.06 2018	2018
Net gain/(loss) and change in value on certificates and bonds	-25	60	-53	60	-23
Net gain/(loss) and change in value on bond funds	-	49	-	45	45
Net interest income on derivatives ¹	306	-	306	-	-
Other net gain/(loss) and change in value on derivatives	9 295	-	9 295	-	-
Net gain/(loss) and change in value on fixed rate covered bonds ²	-9 642	-	-9 642	-	-
Net gain/(loss) and change in value of financial instruments	-66	109	-94	105	22

1) Net interest income (/expenses) from derivatives that have been entered into as hedging agreements against the ordinary portfolios of OBOS Boligkredit'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 Boligkredit 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 Boligkredit's result and transferred to the Group is -2,3 million Norwegian kroner on 30 June 2019.

Note 6 – Related parties

(Figures in NOK 1000)

Transactions within the group

	30.06.2019	30.06.2018	2018
Income Statement			
Other interest Income (OBOS-banken AS)	2	1	1
Other interest expense (OBOS-banken AS)	-19 758	-4 751	-15 986
Other operating costs (OBOS-banken AS)	-2 470	-2 322	-4 667
	-22 226	-7 072	-20 652
Balance Sheet			
Loans to and receivables from credit institutions (OBOS-banken AS)	2	-	-
Deposits from and debt to credit institutions (OBOS-banken AS)	-1 856 088	-272 528	-760 137
Other short-term assets	2 504	1 551	316
Debt through the issuance of securities	-	-201 622	-701 920
	-1 853 583	-472 599	-1 461 740

OBOS Boligkreditt AS has ongoing transactions with related parties. All transactions are carried out as part of the ordinary business and at market terms. OBOS Boligkreditt buys management services from OBOS-banken AS and is charged through the parent company to a share of the OBOS Group's joint costs, which are settled at full cost after actual use. OBOS Boligkreditt has established a NOK 3.0 billion credit facility with the parent company OBOS-Banken AS for the coverage of current assets, including the transfer of the loan portfolio. The company is charged with the NIBOR + 50 bp. Collateral and a credit commission fee of 0.15% of the credit limit of NOK 3.0 billion. The company uses employees in OBOS-Banken AS and the OBOS Group, as well as payroll systems, invoice processing systems and banking / finance systems, and in this connection has an intermediary with OBOS-Banken AS to cover current operating payments. As at 30.06.19, this debt was at NOK 2.5 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 30.06.19.

Note 7 – Assets and liabilities measured at amortized cost

(Figures in NOK 1000)

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

Note 8 – Capital adequacy

(Figures in NOK 1000)

Net own funds	30.06.2019	30.06.2018	31.12.2018
Share capital	111 000	111 000	111 000
Share premium	989 039	989 039	989 039
Retained earnings	77 099	160	78 291
Qualifying equity from this years result	-	-	78 131
Total equity	1 177 137	1 100 198	1 178 330
Adjustments in core tier 1 capital to regulatory adjustments	-18 798	-14 609	-18 218
Core tier 1 capital	1 158 339	1 085 590	1 160 112
Tier 1 capital	1 158 339	1 085 590	1 160 112
Tier 2 capital	1 158 339	1 085 590	1 160 112
Minimum requirement own funds	30.06.2019	30.06.2018	31.12.2018
Institutions	77	480	40
Corporates	27	-	-
Secured by mortgages on immovable property	528 452	375 850	478 081
Exposures in default	2 976	-	4 300
Other items	336	-	-
Credit risk	531 867	376 330	482 421
Operational risk	9 549	6 186	9 549
CVA-risk	-	-	-
Minimum requirement own funds	541 416	382 516	491 970
Calculation basis	6 767 701	4 781 455	6 149 623
Capital adequacy ratio			
Core tier 1 capital ratio	17,12 %	22,70 %	18,86 %
Tier 1 capital ratio	17,12 %	22,70 %	18,86 %
Capital adequacy ratio	17,12 %	22,70 %	18,86 %

Note 9 – Assets and liabilities measured at fair value

(Figures in NOK 1000)

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

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

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

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

Certificates, bonds and debt securities

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

Bond funds

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

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

As at 30.06.19	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 779	-	30 779
Total assets	-	30 779	-	30 779
Liabilities				
Debt securities issued	-	533 588	-	533 588
Total liabilities	-	533 588	-	533 588
As at 30.06.18	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 900	-	30 900
Total assets	-	30 900	-	30 900

Note 10 – Debt securities

(Figures in NOK 1000)

	Balance 30.06.2019	New issues 2019	Maturity/ buy backs 2019	Other changes 2019	Balance 31.12.2018
Changes in debt securities					
Debt securities issued	15 647 000	3 020 000	-2 373 000	-	15 000 000
Amortisation	25 466	-1 625	-4 791	1 912	29 970
Fair value adjustment	11 972	-	-	11 972	-
Accrued interest	32 162	-	-1 838	662	33 339
Total debt securities	15 716 600	3 018 375	-2 379 629	14 545	15 063 309

Method:

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

Loans issued in NOK as at 30.06.2019

ISIN	Type	Due date	Face value	Book value	Accrued interest	Book value incl. Accrued interest	Maturity	interest rate
Bonds at amortised cost								
NO0010775570	FRN	07.10.2019	127 000	126 987	527	127 514	0,3	1,78 %
NO0010775588	FRN	07.10.2021	2 500 000	2 498 656	11 608	2 510 264	2,3	1,99 %
NO0010806870	FRN	05.10.2020	2 000 000	1 999 488	7 927	2 007 415	1,3	1,64 %
NO0010786494	FRN	15.06.2022	4 000 000	4 016 518	3 298	4 019 816	3,0	2,12 %
NO0010795487	FRN	06.06.2023	4 000 000	4 012 316	5 528	4 017 844	3,9	1,99 %
NO0010841232	FRN	19.06.2024	2 500 000	2 498 501	1 658	2 500 159	5,0	1,99 %
Bonds at fair value								
NO0010851645 ¹⁾	Fixed	15.05.2029	520 000	531 972	1 616	533 588	9,9	2,42 %
Total debt securities			15 647 000	15 684 437	32 162	15 716 600	3,4	1,99 %

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 11 – Cover pool

(Figures in NOK 1000)

Cover pool	30.06.2019	30.06.2018	31.12.2018
Loans secured by a home mortgage (housing mortgage loan) ¹⁾	18 753 032	13 388 101	16 990 450
Deducted the share of debt to assets ratios above 75%	-35 517	-29 959	-38 647
Total Cover pool	18 717 515	13 358 142	16 951 802
Debt through the issuance of securities (excl. accrued interest)	15 684 437	12 000 211	15 029 970
The cover pool's overcollateralisation	119,3 %	111,3 %	112,8 %

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

Note 12 – Impairment and losses

(Figures in NOK 1000)

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

Changes in gross carrying amount

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 01.01.2019	16 876 460	113 990	-	16 990 450
Migration to Stage 1	7 274	-7 274	-	-
Migration to Stage 2	-14 239	14 239	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-81 205	-1 688	-	-82 893
New loans	3 322 403	22 086	-	3 344 489
Disposal of loans	-1 487 224	-12 125	-	-1 499 349
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.06.2019	18 623 469	129 229	-	18 752 697

Movements in provisions and write-downs

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2019	3 377	1 779	-	5 156
Migration to Stage 1	291	-291	-	-
Migration to Stage 2	-20	20	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-412	-264	-	-676
New loans	685	307	-	992
Disposal of loans	-557	-110	-	-667
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 30.06.2019	3 364	1 442	-	4 806
Provisions (%) of gross capitalised values	0,02 %	1,12 %		0,03 %
Net change (01.01.2019-30.06.2019)	-13	-337	-	-350

Breakdown of loan provisions per. segment and stage

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

	ECL 30.06.2019			
Segment	Stage 1	Stage 2	Stage 3	Total
Housing co-operatives	613	-	-	613
Retail	2 751	1 442	-	4 192
Total loans and customer receivables	3 364	1 442	-	4 806

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

	Change in ECL entered in the income statement 01.01.2019-30.06.2019			
Segment	Stage 1	Stage 2	Stage 3	Total
Housing co-operatives	91	-	-	91
Retail	-104	-337	-	-441
Total change provision	-13	-337	-	-350

Estimated Stage 1 losses on assets measured at fair value

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

	Stage 1	Stage 2	Stage 3	Total
Opening balance	3 377	-	-	3 377
Net change in expected losses	-13	-	-	-13
Closing balance	3 364	-	-	3 364

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

Movements in provisions and write-downs

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss		
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument		
	Stage 1	Stage 2	Stage 3	Total	
ECL 01.01.2018	2 525	1 548	-	4 073	
Migration to Stage 1	89	-89	-	-	
Migration to Stage 2	-11	11	-	-	
Migration to Stage 3	-	-	-	-	
Changes in ECL for loans which have not migrated	-199	-136	-	-335	
New loans	499	164	-	664	
Disposal of loans	-354	-37	-	-391	
Confirmed losses	-	-	-	-	
Included in previously confirmed losses	-	-	-	-	
Change in risk model / parameters	-	-	-	-	
Other changes	-	-	-	-	
ECL 30.06.2018	2 548	1 462	-	4 010	
Provisions (%) of gross capitalised values	0,02 %	1,58 %		0,03 %	
Net change (01.01.2018-30.06.2018)	24	-87	-	-63	

Movements in provisions and write-downs

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

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

Note 13 – Statement of changes in equity

(Figures in NOK 1000)

	Share Capital	Share Premium	Retained earnings	Total equity
Equity as at 01.01.2018	101 000	699 039	160	800 198
Issue of share capital	10 000	290 000	-	300 000
Total result 01.01 - 31.12.2018	-	-	78 131	78 131
Effect of IFRS 9 implementation	-	-	-1 192	-1 192
Equity as at 31.12.2018	111 000	989 039	77 099	1 177 137
Result for the period 01.01 - 30.06.2019	-	-	39 261	39 261
Losses on loans and guarantees, fair value	-	-	-13	-13
Income tax expense on items that can be reclassified	-	-	3	3
Net change in values from own credit risk	-	-	-2 330	-2 330
Income tax expense on items that will not be reclassified	-	-	513	513
Total comprehensive income 01.01.2019 - 30.06.2019	-	-	37 434	37 434
Equity as at 30.06.2019	111 000	989 039	114 532	1 214 571

