

Annual report

2019



OBOS Boligkreditt AS
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Key Figures

(Figures in NOK million)

	2019	2018
Profitability		
1) Profit after tax	85	77
2) Net interest in % of average total assets	0,62 %	0,74 %
3) Cost-to-income ratio	6,3 %	6,0 %
4) Return on equity	6,4 %	7,2 %
Balance sheet		
5) Lending to customers	20 262	16 990
6) Loss in % of gross loans	0,01 %	0,00 %
7) Defaults in % of gross loans	0,00 %	0,00 %
8) Total assets	20 332	17 024
9) Average total assets	19 558	14 984
10) Covered bonds issued	17 020	15 000
11) Overcollateralisation	118,6 %	112,8 %
Solidity		
12) CET 1 Capital ratio	19,7 %	18,9 %
13) T1 Capital ratio	19,7 %	18,9 %
14) Total capital ratio	19,7 %	18,9 %
15) Leverage ratio	7,2 %	6,8 %
16) LCR	472,9 %	147,8 %
Staffing		
17) Number of permanent employees	0	0

Definitions

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



Content

Key Figures.....	2
Report from the Board of Directors.....	4
Income statement	8
Balance sheet	9
Cash flow	10
Notes.....	11
Note 1 – Introduction	11
Note 2 – Accounting principles	11
Note 3 – Accounting estimates and discretionary Assessments	17
Note 4 – Risk management and internal control.....	17
Note 5 – Net interest and credit commission income	20
Note 6 – Net gain/(loss) and change in value of financial instruments	20
Note 7a – Personnel	20
Note 7b – Remuneration to executive personnel, the Board and auditors	21
Note 8 – Impairment and losses	21
Note 9 – Credit risk exposure and collateral	26
Note 10 – Risk classification of loans and guarantees	27
Note 11 – Loans to customers divided in main segments	28
Note 12 – Financial assets measured at fair value	28
Note 13 – Debt securities	29
Note 14 – Weighted average effective interest rate on financial obligation	29
Note 15 – Financial derivatives	30
Note 16 – Assets and liabilities that are subject to net settlement.....	31
Note 17 – Classification of financial instruments	31
Note 18 – Assets and liabilities measured at fair value	32
Note 19 – Assets and liabilities measured at amortised cost	32
Note 20 – Capital adequacy.....	33
Note 21 – Liquidity risk – financial obligations	34
Note 22 – Interest rate risk – time to rate reset.....	34
Note 23 – Market risk sensitivity by a parallel shift of the yield curve of 1 %	35
Note 24 – Maximum credit exposure, not taking collateral into account	36
Note 25 – Cover pool	36
Note 26 – Related parties	37
Note 27 – Tax.....	38
Note 28 – Statement of changes in equity	39
Note 29 – Share capital and shareholders information.....	39
Note 30 – Subsequent events.....	39



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, and 2017 was the first full year. OBOS Boligkreditt is licensed to operate as a mortgage company and to issue covered bonds. The company is OBOS-banken's most important source of long-term market funding and an important part of the parent bank's funding strategy. The assets consist of home mortgage loans and housing co-operative loans originally underwritten by OBOS-banken.

At year-end 2019, the company's lending to customers totalled NOK 20 262 million, an increase of 19 % during the year. The full net growth is related to acquired loans from OBOS-banken, and all loans are at the time of acquisition within 75% of the property's estimated value.

In 2019, OBOS Boligkreditt issued a total of NOK 4 520 million through a new issue of one NOK 2 000 million floating rate loan, tap issues of NOK 2 000 million of the same loan later in the year, and a new issue of a NOK 520 million fixed rate loan. One bond loan of NOK 2 500 million matured during 2019.

One bond loan of NOK 2 500 million matured during 2019. Liabilities in the form of covered bonds amounted to NOK 17 103 million at year-end 2019, compared with NOK 15 063 million at the turn of the previous year.

Rating

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

Annual Financial Statements

The company recorded operating profit before write-downs and tax of NOK 109.5 million for the financial year 2019 (101.7). Profit after write-downs and provision for tax amounted to NOK 84.6 million in 2019 (77.5).

The company's net interest income amounted to NOK 116.9 million in 2019 (108.5). Total operating expenses amounted to NOK 7.3 million (6.5). Cooperation with OBOS-banken AS is formalised in various agreements to ensure that the company has the required expertise and capacities in operational areas, while at the same time facilitating cost-efficient operation. OBOS Boligkreditt had no losses and allocated no provisions for individual impairment in 2019. The calculation of expected credit loss (ECL) related to IFRS 9 resulted in an increase of impairments of NOK 2.4 million in 2019 (1.1). Profit after tax amounted to NOK 84.6 million in 2019 (77.5).

Total assets at the end of 2019 amounted to NOK 20 332 million compared with NOK 17 024 million at the end of 2018.

Over-collateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 118.6 % as at 31 December 2019 (112.8). No substitute assets form part of the cover pool, and the cover pool as such consists exclusively of loans to customers.

OBOS Boligkreditt's liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 30.6 million as at 31 December 2019 (33.0).

It is the opinion of the Board of Directors that the presented financial statements provide correct and adequate information about the company's operations and status as at 31 December 2019.

Capital adequacy

OBOS Boligkreditt uses the standard method to calculate capital adequacy. The capital adequacy ratio was 19.7 % as at 31 December 2019 (18.9).

OBOS Boligkreditt is required to have a capital adequacy ratio of at least 16.0 %, of which core tier 1 capital must amount to at least 12.5 % of risk weighted assets. The countercyclical buffer is 2.5 % as from 31 December 2019. OBOS Boligkreditt is well capitalized, and the Board also assumes that the parent bank will continue to be ready to increase the company's capital base if this should be necessary.



Employees and the working environment

The company had no employees in 2019. The managing director as well as other services are formally employed by the parent bank and hired to carry out work for OBOS Boligkreditt. Other resources required to run the company are provided by the relevant departments in OBOS-banken based on SLA-agreements between the company and the parent bank. No serious work accidents or incidents occurred or was reported during the year. The working environment in and around the company is deemed to be good, and the company does not pollute the environment.

OBOS Boligkreditt, like all other companies in the OBOS group, must follow the personnel policy for gender equality, and commits itself to:

- Provide conditions for all employees and their opportunities for job development
- Stimulate to get more women in senior positions
- Ensure equal opportunities and rights and prevent discrimination due to ethnicity, complexion, language, religion, gender, sexual orientation, age or disability

This also applies to hired employees.

Risk factors

During the start-up phase, OBOS Boligkreditt has focused on establishing the frameworks and routines that are essential for the company's operations. OBOS Boligkreditt is subject to strict regulations and requirements. A fundamental element of the business is to take risk, and the company's Board has a conscious attitude towards management, control and follow-up of the company's overall risk profile. The Board notes that OBOS Boligkreditt has not had significant deviations, losses or events, and considers that prudent risk management and internal control measures are in place. The Board is of the opinion that the company's overall risk exposure is within the target profile.

The Board reviews the overall framework for risk management annually, in connection with the revision of the strategy. The frameworks are defined through own risk strategies for each significant risk area. The separate strategies are reviewed by the Board at least annually. The various strategies form the framework for the company's ICAAP, which is part of the banking group's ICAAP.

OBOS Boligkreditt's risk exposure and risk development are followed up by periodic reports to the administration and the Board. In addition to review in its own Board, it is natural for the company's business to be discussed in the banking group's Board, in light of being the parent bank's most important source of long-term market funding.

Credit risk

Credit risk is the risk that a borrower or counterparty will be unable to meet its obligations to OBOS Boligkreditt. The company's credit approval framework contains requirements stipulating which loans may be included in the company's loan portfolio. There were no significant changes in the credit risk policy in 2018. Credit risk is the company's most significant risk area. The company has defined low appetite for credit risk. The company has Board-approved frameworks and procedures for buying and selling loans between the parent bank and OBOS Boligkreditt. The company's current credit practice is managed by the parent bank through Service Level Agreements, and is operationalised in the bank's credit policy, as well as established procedures in OBOS Boligkreditt.

OBOS Boligkreditt's assets exclusively consist of home mortgage loans and housing cooperatives where the outstanding balance on the loan does not exceed 75 % of an appropriate value assessment of the mortgaged property. Retail mortgage loans primarily consist of members of OBOS. Housing cooperative mortgage loans are mostly related to cooperatives where OBOS is the business manager. There were no loans in default at the turn of the year. The Board regards the quality of the lending portfolio as very good.

Liquidity risk

Liquidity risk is the risk that OBOS Boligkreditt will not be able either to refinance its commitments upon maturity or to finance an increase in assets on market terms. Norwegian covered bond companies must meet the liquidity requirements introduced for European banks by 100 %. The liquidity coverage ratio (LCR) was 472,9 % as at 31 December 2019 (147,8 %).



OBOS Boligkreditt has entered into a Revolving Credit Facility agreement with the parent bank in which the bank will provide liquidity support in order to ensure payments related to issued covered bonds. Bonds issued by OBOS Boligkreditt have a soft bullet structure in which the company has the opportunity to extend the term of its borrowing by up to 12 months. This right will only be exercised in an event where the company were to experience refinancing problems and if the parent bank would be unable to provide liquidity support.

The Board considers the company's liquidity risk as low.

Market risk

Market risk is defined as the risk of financial loss as the result of changes in observable market variables such as interest and exchange rates and the price of financial instruments.

OBOS Boligkreditt has low market risk. All loans are at variable interest rate terms that can be adjusted without notice for housing cooperatives and within six weeks' notice for retail mortgages. The company's covered bonds are both floating rate terms and fixed rate terms.

To the extent that OBOS Boligkreditt borrows at fixed rate and/or bonds are issued in foreign currency, interest rate risk and currency risk are eliminated by entering into swap agreements concurrently with the bonds issued.

Liquidity portfolio assets are at floating interest rates and market risk related to these is therefore low.

Operational risk

Operational risk is the risk of losses due to inadequate or failing internal processes, human error, system failures or external events. Services covered by the SLA-agreement include administration, IT operations, and financial and risk management. Although the operational risk of OBOS Boligkreditt is dependent of the parent bank's ability to manage this type of risk, OBOS Boligkreditt independently bear risk associated with errors in the deliveries and services provided by the parent bank.

Operational risk is identified through assessments and management confirmations that are part of the company's internal control and operational risk is assessed on an ongoing basis. Management considers the company's IT systems as central to operations, accounting and reporting of completed transactions, as well as obtaining the basis for important estimates and calculations. OBOS Boligkreditt uses BDO as its internal auditor, and any non-conformities are reported to the Board.

Business risk / strategic risk

The company is exposed to business risk and strategic risk based on changes in the business cycle or through other major changes in the financial markets, the competitive situation or the economy.

Compliance risk

As a licensed entity, OBOS Boligkreditt is highly exposed to compliance risk. Compliance with laws and regulations has the highest attention, at department, management and Board levels. During the start-up phase, the company has had a strong focus on putting in place all necessary strategies, management documents and procedures that are expected by such a company.

Accounting policies

The annual accounts have been prepared in accordance with simplified IFRS (International Financial Reporting Standards) in accordance with section 3-9 of the Norwegian Accounting Act and the regulations on annual accounts for Banks and Financing Companies § 1-5.

Going concern

In the Board's view, prerequisites for the going concern assumption exist, and the Board confirms that the 2019 financial statements is prepared on the basis of the going concern assumption.

Future prospects

Entering 2020, global growth was expected to pick up somewhat despite US-China trade tensions and the uncertainty whether the UK would implement a new trade agreement with the EU. The Norwegian economy was characterized by low unemployment, a downturn in prices and a weak krone to help export. There were good prospects of sustained low interest rates, and households were expected to see some increase in purchasing power. The mortgage loan regulations were expected to continue to curb credit growth. In sum, this underpinned the belief in a balanced housing market going forward.



At the beginning of 2020, the corona virus hits China and eventually spreads like a pandemic. At the same time, we have had a breakdown in the OPEC talks, which has resulted in a sharp fall in oil prices. This has contributed to increased uncertainty for developments in the global economy and marked declines in both stock prices and interest rates. It is difficult to predict the effect of the measures and extensive restrictions that have been implemented to prevent the spread of the corona virus and to stimulate the Norwegian economy. This could affect supply and demand for goods, challenges related to supply of goods and have major financial consequences. This, together with a possible sustained low oil price, will dampen growth in the Norwegian economy.

At the time the 2019 accounts were published, Norges Bank reduced its key interest rate and established an arrangement with extraordinary F-loans. The Financial Supervisory Authority of Norway has provided relief in liquidity and capital requirements. In isolation, lower interest rates will be positive for the housing market. However, uncertainty related to the financial consequences of the corona pandemic could increase household concerns and act in the opposite direction, and a weakening of the housing market is expected.

Allocations

The profit after tax amounted to NOK 84.6 million for 2019. The recommendation from the Board of Directors is to allocate the profit to other equity.

Composition of the Board and Corporate Governance

The company's Board consist of the following members:

Chairman of the Board: Marit Midttun

Member of the Board: Morten Dick

Member of the Board: Svein Haugsvold

During 2019, the Board held eight meetings. The topic of the meetings has been the company's status and financial development, risk management and internal control, business strategy process and approval of guidelines, procedures and instructions.

The Board of Directors consists of one woman and two men. Marit Midttun is CEO of the parent bank.

OBOS BBL is in line with the «Norwegian Code of Practice for Corporate Governance» (NUES). OBOS Boligkreditt refers to the OBOS Group's statement in its own annual report. The Board has decided guidelines and strategies to promote the goal of effective management of the company's business relationship. These clarifies the role between the Board and daily management beyond what is provided by the law and provide the basis for how the enterprise's goals are set, achieved and monitored. The Board evaluates annually its work and its form of work. For statement of the corporate social responsibility (cf. lov om årsregnskap m.v. § 3-3 c), OBOS Boligkreditt refers to the annual report of the OBOS group, which will be published on www.obos.no.

Oslo, 24 March 2020

The Board in OBOS Boligkreditt AS

This document is signed electronically

Marit Midttun
Chairman

Morten Dick

Svein Haugsvold

Tore Weldingh
CEO



Income statement

(Figures in NOK 1000)

	NOTE	2019	2018
Interest income calculated using the effective interest method		475 008	314 654
Interest income from instruments using fair value		613	255
Interest expenses calculated using the effective interest method		-350 746	-206 416
Interest expenses from instruments using fair value		-7 942	-
Net interest income	5,26	116 933	108 492
Commission and banking service expenses		-338	-269
Net commission expenses		-338	-269
Net gain/(loss) and change in value of fin. Instruments	6	238	22
Net operating income		116 833	108 244
Salaries and other personnel cost	7	-183	-183
Administration cost	7	-316	-235
Other operating expenses	26	-6 816	-6 125
Total operating expenses		-7 314	-6 543
Profit before loan losses and taxes		109 519	101 701
Net loan losses	8	-2 398	-1 083
Profit before tax		107 121	100 618
Income tax expense	27	-22 484	-23 143
Profit after tax	28	84 637	77 475
Attributabel to			
Retained earnings	28	84 637	77 475
Total		84 637	77 475

Statement of comprehensive income

	NOTE	2019	2018
Profit after tax	28	84 637	77 475
Losses on loans and guarantees, fair value		296	852
Income tax expense on items that can be reclassified		-65	-196
Items that can be reclassified to profit or loss		231	656
Net change in values from own credit risk		-3 707	-
Income tax expense on items that will not be reclassified		816	-
Items that will not be reclassified to profit or loss		-2 891	-
Comprehensive income for the periode		-2 660	656
Total comprehensive income after tax	28	81 976	78 131
Attributable to			
Retained earnings		81 976	78 131
Total	28	81 976	78 131



Balance sheet

(Figures in NOK 1000)

	NOTE	31.12.2019	31.12.2018
ASSETS			
Loans to and receivables from credit institutions	17,19	30 267	2 159
Loans to and receivables from customers	8,10,11,17,19	20 261 577	16 990 450
Certificates and bonds	6,12,17,18	30 693	30 820
Deferred tax asset	27	1 899	166
Financial derivatives		4 804	-
Prepaid cost		9	-
Other assets	26	2 681	316
TOTAL ASSETS		20 331 931	17 023 910
LIABILITIES AND EQUITY			
	NOTE	31.12.2019	31.12.2018
Loans from credit institutions	13,14,17	1 745 367	760 137
Debt securities issued	13,14,17	17 103 759	15 063 309
Other liabilities		224	185
Tax payable	27	23 468	23 142
TOTAL LIABILITIES		18 872 817	15 846 773
Share capital		121 000	111 000
Share premium		1 179 039	989 039
Retained earnings		159 075	77 099
TOTAL EQUITY	28	1 459 114	1 177 137
TOTAL LIABILITIES AND EQUITY		20 331 931	17 023 910

Oslo, 24 March 2020

The Board in OBOS Boligkreditt AS

This document is signed electronically

Marit Midttun
Chairman

Morten Dick

Svein Haugsvold

Tore Weldingh
CEO



Cash flow

(Figures in NOK 1000)

	NOTE	31.12.2019	31.12.2018
Profit before tax		107 121	100 617
Interest income calculated using the effective interest method	5	-475 008	-314 908
Interest payments from customers and credit institutions		472 268	323 186
Loans to customers transferred from parent company		-3 270 493	-4 487 004
Interest from certificates and bonds/bond funds		1 921	-1 083
Other net gain/(loss) on derivatives	6	-1 556	-
Payment for other assets		-7 169	-316
Payment for other debt		167	-69 035
Net gain/(loss) on financial instruments	6	-238	27
Net loan losses		2 106	-22
Paid taxes		-23 142	-
Change in accrued interests		13 329	9 767
Change in other accruals		-137	-921
Net new lines of credit	26	985 230	85 920
(A) Net cash flow from operating activities		-2 195 602	-4 353 771
Payments related to acquisition of shares and securities		-	-
(B) Net cash flow from investment activities		-	-
Issuance of covered bonds	13	4 523 710	4 029 970
Repayment of covered bonds	13	-2 500 000	-
Issue of share capital	28	200 000	300 000
(C) Net cash flow from financing activities		2 223 710	4 329 970
(A) + (B) + (C) Net cash flow for the period		28 109	-23 802
Cash and cash equivalents at beginning of period		2 159	25 960
Cash and cash equivalents at end of period		30 267	2 159
Net change in cash and cash equivalents		28 109	-23 802
Liquidity reserves specified			
Loans to and receivables from credit institutions 1)		30 267	2 159
Cash and cash equivalents		30 267	2 159

1) Hereof 0,2 TNOK in restricted deposits.



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.

The company is included in the consolidation of the OBOS Group and the sub-group OBOS-banken. The annual accounts for 2019 were approved by the Board on 24 March 2020 and published the same day. The consolidated accounts can be obtained at Hammersborg torg 1.

Note 2 – Accounting principles

2.1 General

The financial statements of the Company are prepared in accordance with simplified IFRS pursuant to the Norwegian Accounting Act §3-9 and regulations regarding simplified application of IFRS issued by the Norwegian Ministry of Finance on 3 November 2014.

The following simplification from IFRS has been applied:

- IAS 10 no. 12 and 13 and IAS 18 no. 30: dividends and group contributions are accounted for in accordance with the provisions of the Norwegian Accounting law (NGAAP).

2.2 Currency

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

Foreign currency monetary items are converted at the balance sheet date exchange rate. The effect of changes in exchange rates is recognised on the income statement. Foreign currency transactions are recorded initially at the rate of exchange at the date of the transaction.

2.3 Financial instruments

Financial assets and liabilities are recognised in the balance sheet on the date when OBOS Boligkreditt becomes a party to the contractual provisions of the instrument. Purchase of financial instruments are recognised at the trade date.

Financial assets are derecognised at the time the actual risk related to the assets has been transferred and the control of the rights to the asset has ended or expired.

Financial liabilities are derecognised when the obligation under the liability is settled, cancelled or expired. Upon repurchase of own bonds, the repurchased bonds are derecognised with the result of difference between the consideration and the book value of the bond.

2.3.1 Classifications

According to IFRS 9 financial instruments are to be classified into the following categories:

Financial assets:

- fair value through profit or loss
- amortised cost
- fair value through other comprehensive income (OCI)

Financial liabilities:

- amortised cost



- fair value through profit or loss

The classification of the financial asset depends on how the assets are managed and whether contractual cash flow are solely payments of principal and interest.

Note 18 provides an overview of the classification of the financial instruments in OBOS Boligkreditt.

2.3.1.1 Financial assets and liabilities at fair value through profit or loss

Financial assets and liabilities classified for recognition at fair value through profit or loss are recognised at fair value in the balance sheet at the time of the transaction. Transaction cost are recognised in the income statement.

OBOS Boligkreditt has the company's bonds and financial derivatives in this category. The company has a liquidity portfolio invested in interest-bearing bond and financial derivatives, in addition to deposits. Investments in interest-bearing securities are valued on a fair value basis and is managed in accordance to the investment strategy. A description of the financial instruments recognised at fair value is presented in note 19.

2.3.1.2 Loans and Receivables valued at amortised cost

Loans and receivables valued at amortised cost are initially recognised on the balance sheet at fair value, including transaction cost. Subsequently to initial recognition, the instruments are measured at amortised cost where the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method.

A description of the financial instruments recognised at amortised cost is presented in note 20.

2.3.1.3 Loans and Receivables valued at fair value through OCI

According to IFRS 9, loans and receivables from customers have been classified at fair value in the balance sheet, and changes in value are recognised in comprehensive income (OCI). The company has a business model where the objective for realizing these assets is both collecting contractual cash flows and selling these assets. These assets are measured at fair value through OCI (FVOCI) according to IFRS 9.

2.3.2 Measurement

2.3.2.1 Measurement at fair value

Fair value of financial instruments traded in active markets is determined at the end of the reporting period with reference to market prices or rates from traders of financial instruments, without deduction of transaction costs. The market is active if it is possible to obtain external observable prices, rates or interest levels, and these prices represent actual and frequent market transactions. When measuring interest on items classified at fair value, contractual interest is applied.

For financial instruments not traded on an active market, fair value is determined applying a suitable valuation method. Such valuation methods include:

- Recent market transactions at arm's length between well-informed and voluntary parties, if available
- Reference to current fair value for another instrument that is practically identical
- Discounted cash flow calculation or other valuation models

OBOS Boligkreditt AS apply the following classification of levels when assessing fair value (see note 19).

Level 1: Market price (not adjusted) listed in an active market for identical assets or liabilities. OBOS Boligkreditt has no instruments at level 1 as of 31.12.2019.

Level 2: Market price (not listed), observable for assets or liabilities, either directly or indirectly. Fair value of bond funds/bonds is based on net asset value obtained from relevant providers in the market.

Level 3: The credit institution has no financial instruments at level 3.

2.3.2.2. Measurement at amortised cost

Financial instruments not measured at fair value are measured at amortised cost. Financial assets and liabilities measured at amortised cost are initially recognised on the balance sheet at fair value, including transaction costs. Subsequent to initial recognition, the instruments within this category are measured at



amortised cost. In an amortised cost measurement, the difference between acquisition cost and redemption value is amortised in the income statement over the remaining term using the effective interest rate method. Interest on assets and liabilities classified at amortised cost is recognised in the income statement.

2.3.2.3 Impairment of financial assets

The principles in IFRS 9 relating to impairment of financial instruments are based on the approach that a provision shall be made for expected credit losses (ECL). OBOS Boligkreditt assess on a forward-looking basis the ECL associated with its assets carried at FVOCI. The IFRS 9 standard outline a three-stage model for impairment based on changes in credit quality since initial recognition. The ECL is measured on either a 12-month or lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. At initial recognition, and if credit risk has not increased significantly, provision will be made for 12 month 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 lifetime ECL (stage 2). If the financial asset is considered credit-impaired the assets is moved into stage 3. Interest revenue is calculated by using the effective interest method. For assets in stage 1 and stage 2 this is calculated applying the effective interest to the gross carrying amount of the financial asset. For assets that are credit impaired and hence in stage 3, the EIR is applied to the amortised cost (i.e. Gross carrying amount minus loan loss provision).

The balance sheet item "loans to and receivables from credit institutions" consists of deposits in DNB and the parent company. ECL for such balance sheet items is estimated to zero.

2.3.2.4 Grouping of financial assets

OBOS Boligkreditt has grouped instruments with corresponding credit risk characteristics in two portfolios;

1. Mortgage loans to the private market. Calculation of provision in this portfolio is based on the discounted product of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).
2. Secured loans to housing co-operatives. Calculation of provision in this portfolio is based on a simplified loss ratio approach.

2.3.2.5 Significant increase in credit risk

An important factor for the size of the impairments after IFRS 9 is the incident(s) leading to the transition of an asset from stage 1 to stage 2. OBOS Boligkreditt has identified such incidents that significantly increases credit risk as follows;

1. An increase in the PD with a factor of 2.5 since the last period of measurement, given that the PD at the time of reporting is over 0.6%
2. Assets on "watch list"
3. Number of days in arrears exceeding 30 days

Loan in arrears over 60 days and LTV over 60 % with individual write downs according to internal guidelines, are transferred to stage 3. Loans in arrears over 90 days will be transferred to stage 3. The company has maintained the presumption in the standard that there is a significant increase in credit risk if the contractual cash flows are more than 30 days overdue and that there is a default in contractual cash flows when they are more than 90 days overdue.

The company defines low risk assets as mortgage loans to the private market with a PD lower than 0.6 %. Provisions for assets with a lower PD than 0.6 % is calculated for 12 months expected loss (stage 1) regardless if the increase in PD is 2.5.

Assets in stage 2, where the PD decreases back to a level consistent with 12 month provisions, are subject to a cure period of three months.

2.3.2.6 Incorporation of forward-looking information

The company incorporates forward-looking information into measurement of ECL. OBOS Boligkreditt assess development in macroeconomic variables across three scenarios; base, lower and upper. The variables are BNP for mainland Norway, employment growth, wage increase, disposable real income, unemployment, three months NIBOR, mortgage rate on credit lines, the development in housing prices, new housing investments, debt growth, and population growth.



Per 31 December 2019 the assessed development in macroeconomic variables are as follows;

	Yearly average assessment	
	2019	2020
BNP for mainland Norway	2,4 %	1,9 %
Employment growth	1,5 %	0,8 %
Wage increase	3,3 %	3,3 %
Disposable real income	3,0 %	2,4 %
Unemployment	3,5 %	3,5 %
Three months NIBOR,	1,5 %	1,6 %
Mortgage rate on credit lines	2,9 %	3,1 %
The development in housing prices	2,4 %	2,4 %
New housing investments	1,4 %	1,6 %

Assed debt growth is 5,5 % and population growth are 0,62% per 31 December 2019.

The following factors for outcome and probabilities have been used for both portfolios per 31 December 2019:

	Factor	Probability
Base scenario	100 %	80 %
Lower scenario	200 %	10 %
Upper scenario	50 %	10 %

2.3.3 Presentation of financial assets and liabilities

2.3.3.1 Loans and receivables

All loans to and receivables from customers are presented in the balance sheet as "Loans to and receivables from customers". Changes in value attributable to write-downs of loans are included in "Net loan losses".

2.3.3.2 Certificates and bonds

This category includes certificate- and bond funds recognised at fair value. Interest income is included in "Interest income, fair value". Other value changes are a part of "Net gain/(loss) on change in value of financial instruments".

2.3.3.3 Debt securities issued

This category includes bond debt that initially were recognised on the balance sheet at fair value, adjusted for any transaction costs, and subsequently at amortised cost in accordance with the effective interest rate method.

2.3.3.4 Derivatives

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



2.3.3.5 Net presentation of assets and liabilities

Financial assets and liabilities are offset, and the net amount reported in the balance sheet if the instruments have a legally enforceable right to be offset at their recognised amounts and intends to be settled on a net basis or realised and settled simultaneously.

2.4 Revenue recognition / expense

Interest income and interest expense

Interest income- and expenses from assets and liabilities measured at amortised cost are recognised using the effective interest rate method. All fees connected to interest bearing loans are included in the calculations of effective interest rate and is subject to amortisation over the expected lifetime of the asset or liability. Effective interest income method is applied for interest income stemming from impaired assets. In case of buyback of issued bonds that are measured at amortised cost, profit / loss is recorded at the transaction date.

Interest income on loans at amortised cost and FVOCI, and interest expense on financial liabilities held at amortised cost are calculated using the effective interest method. This implies that interest is recorded when incurred, with the addition of amortized fees which are regarded as an integral part of the effective interest rate. The effective interest rate is set by discounting contractual cash flows based on the expected life of the asset.

Commissions and fees

Commissions are recorded in accordance with the matching principle. Fees related to interest bearing instruments are not recorded as commissions, but are included in the calculation of effective interest and booked accordingly.

Net gain/(loss) and change in value of financial Instruments

Changes in value of bond funds and bonds are accounted for in this category.

Other operating expenses

Operating expenses are accrued and expensed within the accounting period. Operating expenses includes administration cost, group overhead and other operating expenses.

2.5 Loans from credit institutions

Loans from credit institutions are carried at amortised cost. Interest expense is included in "Interest expenses calculated using the effective interest method".

2.6 Taxes

Taxes in the income statement includes both tax payable for the period and net change in deferred tax. Deferred tax in the balance sheet is net differences between accounting and tax values on assets and liabilities. Tax-reducing temporary differences are reversed against tax-increasing temporary differences in the same period.

The deferred tax asset is capitalised based on expectations of taxable income through future earnings.

Deferred tax and deferred tax assets are presented as net values in the balance sheet.

2.7 Other liabilities

Accounts payable and other short-term liabilities in the balance sheet are reported at nominal value on the date of establishment and are not subject to changes in value stemming from interest rate changes.

2.8 Other commitments

OBOS Boligkreditt will establish an allowance for any legal requirements, improvements or restructuring if the three following criteria are met:

1. There is an obligation arising from past events
2. It is probable that the commitment will be settled
3. A reliable estimate of the commitment amount can be made

Allowances are calculated as the present value of expected payments required to meet the obligation.



2.9 Approved standards and interpretations in effect from 2019

2.9.1 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 are 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 will be implemented from 1 January 2019. The implementation did not have any effect on the accounts of OBOS Boligkreditt.

2.10 Approved standards and interpretations that are not yet in use

Amendments to the regulations on Annual accounts for Banks, Mortgage companies and Financial institutions enter into force from 1.1.2020. From this date, the company will prepare company accounts in accordance with § 1-4 (b) of the regulations. The changes will not have any consequences for classification and measurement, but the company will be required to follow a standardized presentation plan for profit and loss and balance sheet. It is not expected that the presentation plan will lead to significant changes for OBOS Boligkreditt.

Furthermore, there are no approved standards and interpretations, which have not entered into force, that are expected to have an impact on the annual account of OBOS Boligkreditt.



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.

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 18 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.

Write-down of financial assets

According to IFRS 9 one should measure the expected loss for financial assets. The method after IFRS 9 for measuring expected losses for financial instruments depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and if the credit risk has not increased after initial recognition, 12 months expected losses are set aside (stage 1). This means that judgements are made to determine among other things, whether the credit risk has increased. The model for measuring expected losses, is described in the policy note.

Note 4 – Risk management and internal control

4.1 Guidelines and basis for risk management in OBOS Boligkreditt

OBOS Boligkreditt's risk management includes identification, measurement and assessment of all risks that may affect the company's objectives. The overall purpose of risk management is to ensure that the company achieves the stated goals, ensure efficient operations, managing risks that can hinder achievement of business goals, ensure internal and external reporting of high quality, and ensure that the company operates in accordance with current laws, rules and internal guidelines.

The Board of OBOS-Banken has defined the overall risk management and internal control guidelines applicable to the entire group, including OBOS Boligkreditt. The Board of OBOS Boligkreditt has also defined its own strategies and guidelines. The company shall have a low risk in its operations. This means undertaking risks that are understood, can be monitored, and that will not harm the Group's reputation. Earnings should be a result of the company's lending business and financing in the covered bonds market. The risk profile is an expression of how much risk the company is willing to undertake and thus lay the foundation for its operations.

The Board of OBOS Boligkreditt shall ensure that risks are kept within the agreed risk profile, and in accordance with decided strategies and guidelines. The Board has the overall responsibility to ensure that the company has sufficient capital adequacy based on its risk exposure and ensure that the company is capitalised in terms of regulatory requirements. The Board will further ensure that risk management and internal control are sufficiently robust and in compliance with laws and regulations, statutes, orders, external and internal guidelines. Further, the Board determines strategies and guidelines for risk management within defined risk areas. The Board revises the strategies regularly, at least annually.

The administration's task is to adapt the business to the risk profile decided by the Board and facilitate a result that corresponds to the Board's performance targets. The CEO is responsible for the establishment of sound risk management and internal control based on strategies and guidelines established by the Board. Further, the CEO is responsible for establishing a robust control environment, to continuous follow-up of changes in the company's risks, and to see that these are properly taken care of in accordance with the Board's guidelines. The CEO also ensures that risk management and internal control are documented in accordance with laws, rules, regulations and statutes. This includes an annual review of the overall risk situation, which is presented the Board. The CEO is outsourced from OBOS-Banken AS.

The risk management function is independent and shall not be involved in the performance of services and activities being controlled. The risk management function is responsible for monitoring the overall risk



situation and the framework for risk management, including internal control and aggregation of risk. Risk management is furthermore responsible for controlling the risk strategy and other risk management guidelines, further developing methods and tools associated with risk management, as well as responsibility for ICAAP. ICAAP is implemented as part of the banking group's process.

The compliance function is also independent and not involved in the performance of services and activities being controlled. The compliance function controls that the company fulfil its obligations in accordance with the regulations, conducts regular checks that internal guidelines, procedures and measures are sufficiently effective, consider any measures that must be implemented to remedy non-compliance with the regulations, ensure that relevant changes in the regulations are captured and that the changes within reasonable time before they come into force, is known. The compliance function provides further advice and guidance on obligations under the regulations. When introducing new products or significant changes in organization, routines and similar events, the compliance function considers the changes in the light of the regulations. The risk management function and the Compliance function are also outsourced from OBOS-Banken AS

The Internal Audit performs systematic risk assessments and inspections of the internal control system to ensure that it works in an appropriate and satisfactory manner, and that it operates independently of the administration. Internal auditor has the right to attend Board meetings. Internal auditors prepare annual plans based on their own risk assessment and carry out projects that are regularly reported to the Board. Internal audit is outsourced to BDO AS.

4.2 Identified risk areas

OBOS Boligkreditt has decided an overall risk strategy that provides a description of the entire company's risk management and risk profile. For the most important risk areas, individual strategy papers have been created. In addition, it is implemented an overall management and control strategy.

4.2.1 Credit risk

Credit risk is defined as the risk of loss resulting from OBOS Boligkreditt's customers and other counterparties not fulfilling their obligations. The credit risk area includes counterparty risk, impairment and concentration risk. These risks are considered both at a portfolio level and at an individual level. OBOS Boligkreditt has defined low appetite for credit risk and has a conservative lending policy, which is based on OBOS-banken's lending policy. The Board approves the credit strategy, and this is assessed annually.

The company has Board-approved frameworks and procedures for buying and selling loans between the parent bank and the company. The company's current credit practices are managed by the parent bank through an SLA agreement, and are operationalized in the bank's credit manual, as well as in established procedures in the company. Specific limits on the debt-serving ability and debt-serving will are established in the credit manual. Loans are granted only to customers with proven ability and willingness to pay. The customer shall be able to service his debt with current income / earnings. Loans must have satisfactory security and be within an approved internal framework.

OBOS Boligkreditt uses the standard method for calculating the required capital adequacy for the credit risk. In addition to regulatory minimum targets, the company's capital adequacy must include a buffer that corresponds to the company's accepted risk tolerance and is in line with the supervisory practices defined by the Norwegian Financial Supervisory Authority. OBOS Boligkreditt offers mortgage loans to the private market and housing cooperatives. A restrictive lending policy and thorough knowledge of the customers and their businesses contribute to low credit risk for OBOS Boligkreditt.

4.2.2 Liquidity risk

Liquidity risk is the risk that OBOS Boligkreditt is unable to meet its maturing obligations and the risk that the company cannot meet its liquidity obligations without increasing its cost dramatically. Liquidity is crucial for financial activities, but this risk category will often be conditional upon other events, internal or external, causing concern for the company's ability to meet its obligations.

The liquidity risk framework is included in OBOS Boligkreditt's Liquidity and Financing Strategy, which is revised as needed and at least annually. OBOS Boligkreditt's liquidity risk must be low. The CEO has an executive role in liquidity management.

To ensure timely payment to covered bonds owners, a revolving credit facility has been established between OBOS-Banken AS and OBOS Boligkreditt AS. OBOS-Banken AS guarantees for OBOS Boligkreditt's



payment obligations over the next 12 months. Issued covered bonds also have 12 months soft bullet that provides a one-sided right to extend the agreed maturity. This right could be used if the company would have difficulty refinancing itself at ordinary maturity and if the parent bank is unable to provide liquidity support. Loans purchased from OBOS-Banken AS, which are not yet included in a portfolio funded by covered bonds issued, and loans that serve as over-indebtedness, are funded through a revolving credit facility in OBOS-Banken by equity. The long-term overdraft facility was NOK 3.00 billion at the end of 2019.

4.2.3 Market risk

Market risk is the risk of loss or reduced future earnings due to changes in market prices or market rates. The risk arises mainly in connection with investments in securities and because of lending activities through the issuance of securities.

OBOS Boligkreditt has defined low appetite for market risk in the business. OBOS Boligkreditt does not take currency risk and equity risk. The market risk strategy contains defined frames. The strategy is decided by the Board and gives the overall direction of the activity in the capital market.

4.2.4. Operational risk

Operational risk is the risk of loss due to insufficient or failing internal processes or systems, human errors, or external events. Operational risk also includes compliance risk, which is the risk of loss caused by breach of laws and regulations or equivalent obligations, as well as legal risk. This is a risk that often arises from issues relating to documentation and interpretation of contracts.

OBOS Boligkreditt has defined low appetite for operational risk in the business. Measures that are of a preventive and risk-reducing nature are central and help reduce the risk either by reducing the number of events with a loss or by reducing loss per. event.

4.2.5 Business risk / strategic risk

Business risk is the risk associated with fluctuations in earnings due to changes in external conditions such as the market condition, changes in regulations or loss of revenue due to impaired reputation. The handling of OBOS Boligkreditt's business risk is primarily through the strategy process and ongoing work to preserve and improve the company's reputation.



Note 5 – Net interest and credit commission income

(Figures in NOK 1000)

	2019	2018
Interest and similar income from loans to credit institutions, amortised cost	208	42
Interest and similar income from loans to customers, amortised cost	474 765	314 603
Other interest and similar income, amortised cost	36	8
Total interest income calculated using the effective interest method	475 008	314 654
Interest and similar income from certificates and bonds, fair value	613	255
Total interest income, fair value	613	255
Interest and similar expenses from loans to credit institutions, amortised cost	-26 441	-12 357
Interest and similar expenses of issued securities, amortised cost	-322 797	-194 059
Other interest and similar expenses, amortised cost	-1 509	-
Total interest expenses calculated using the effective interest method	-350 746	-206 416
Interest and similar expenses of issued securities, fair value	-7 942	-
Total interest expenses, fair value	-7 942	-
Net interest and credit commission income	116 933	108 491

Note 6 – Net gain/(loss) and change in value of financial instruments

(Figures in NOK 1000)

	2019	2018
Net gain/(loss) and change in value on certificates and bonds	-158	-23
Net gain/(loss) and change in value on bond funds	-	45
Net interest income on derivatives ¹	992	-
Other net gain/(loss) and change in value on derivatives	-1 556	-
Net gain/(loss) and change in value on fixed rate covered bonds ²	960	-
Net gain/(loss) and change in value of financial instruments	238	22

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

2) OBOS Boligkreditt has used the Fair Value Option (FVO) when valuing fixed rate covered bonds in accordance with IFRS 9. The principle implies that changes in value as a result of changes in own credit risk are recognized in the OBOS-banken group's comprehensive income. The amount that has been deducted from OBOS Boligkreditt's result and transferred to the Group is -3,7 million Norwegian kroner on 31 December 2019.

Note 7a – Personnel

The company had no employees in 2019. The managing director as well as other services are formally employed by the parent bank and hired to carry out work for OBOS Boligkreditt.



Note 7b – Remuneration to executive personnel, the Board and auditors

(Figures in NOK 1000)

Remuneration to executive personnel

The company's general manager is hired from OBOS-banken AS (equivalent to a 50% position). Salary for management have been invoiced from the parent company OBOS-banken AS to Obos Boligkreditt AS amounting to NOK 0.8 million for the fiscal year 2019.

Fees to the Board	2019	2018
Marit Sigrid Midttun	-	-
Ove Brudløs Haupberg - until February 2018	-	-
Martin H. Arnholdt - from February 2018 to September 2019	-	-
Morten Dick - from September 2019	-	-
Svein Haugsvold	160	160
Total Fees	160	160

Remuneration to the auditor	2019	2018
Statutory audit	112	141
Remuneration for other services	91	93
Total Remunerations	203	235

Note 8 – Impairment and losses

(Figures in NOK 1000)

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

Changes in gross carrying amount

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 01.01.2019	16 876 460	113 990	-	16 990 450
Migration to Stage 1	50 849	-50 849	-	-
Migration to Stage 2	-77 459	77 459	-	-
Migration to Stage 3	-6 576	-	6 576	-
Changes in ECL for loans which have not migrated	-339 051	-2 734	-31	-341 816
New loans	6 125 596	24 155	-	6 149 751
Disposal of loans	-2 505 277	-27 646	-	-2 532 923
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 31.12.2019	20 124 542	134 376	6 545	20 265 462



Movements in provisions and write-downs

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2019	3 377	1 779	-	5 156
Migration to Stage 1	770	-770	-	-
Migration to Stage 2	-64	64	-	-
Migration to Stage 3	-4	-	4	-
Changes in ECL for loans which have not migrated	-875	950	1 765	1 840
New loans	1 389	420	-	1 809
Disposal of loans	-920	-331	-	-1 251
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 31.12.2019	3 673	2 111	1 770	7 554
Of which ECL Off-balance	-	-	-	-
Provisions (%) of gross capitalised values	0,02 %	1,57 %	27,04 %	0,04 %
Net change (01.01.2019-31.12.2019)	296	332	1 770	2 398

Estimated Stage 1 losses on assets measured at fair value

The table below show changes in fair value and expected losses on loans to customers measured at fair 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	296	-	-	296
Closing balance	3 673	-	-	3 673

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



Breakdown of loan provisions per. segment and stage

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

Changes in gross carrying amount - Housing co-operatives segment

The table below shows changes in gross carrying amount to explain the significance of changes in loan 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	10 168 049	-	-	10 168 049
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-	-	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	1 433 430	-	-	1 433 430
New loans	1 629 898	-	-	1 629 898
Disposal of loans	-	-	-	-
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 31.12.2019	13 231 377	-	-	13 231 377



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

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

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

Effects of forward-looking macro information on loss provisions

The table below show the effect of forward-looking macro information on calculated loan loss provision.

The base scenario shows loss provision before recognition of forward-looking macro information.

	Expected loss total	Base scenario	Effect of forward-looking macro information
Provisions pr. 31.12.2019	7 554	7 194	360



Changes in gross carrying amount - Retail segment

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 01.01.2019	6 708 410	113 990	-	6 822 401
Migration to Stage 1	50 849	-50 849	-	-
Migration to Stage 2	-77 459	77 459	-	-
Migration to Stage 3	-6 576	-	6 576	-
Changes in ECL for loans which have not migrated	-1 772 481	-2 734	-31	-1 775 246
New loans	4 495 698	24 155	-	4 519 853
Disposal of loans	-2 505 277	-27 646	-	-2 532 923
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 31.12.2019	6 893 165	134 376	6 545	7 034 085

Movements in provisions and write-downs - Retail segment

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2019	2 855	1 779	-	4 634
Migration to Stage 1	770	-770	-	-
Migration to Stage 2	-64	64	-	-
Migration to Stage 3	-4	-	4	-
Changes in ECL for loans which have not migrated	-946	950	1 765	1 769
New loans	1 306	420	-	1 726
Disposal of loans	-920	-331	-	-1 251
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-2 152	-	-	-2 152
Other changes	-	-	-	-
ECL 31.12.2019	845	2 111	1 770	4 726
Of which ECL Off-balance	-	-	-	-
Provisions (%) of gross capitalised values	0,01 %	1,57 %	27,04 %	0,07 %
Net change (01.01.2019-31.12.2019)	-2 010	332	1 770	92



Note 9 – Credit risk exposure and collateral

(Figures in NOK 1000)

	31.12.2019		31.12.2018	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Loan-to-value, secured loans				
0 % - 40 %	45 %	3 136 979	35 %	2 402 079
40 % - 60 %	26 %	1 829 924	32 %	2 188 463
60 % - 80 %	28 %	1 988 719	31 %	2 144 733
80 % - 90 %	0 %	20 517	1 %	35 525
90 % - 100 %	0 %	15 225	0 %	8 652
>100 %	1 %	42 721	1 %	44 727
Residential mortgages, secured by fixed property	100 %	7 034 085	100 %	6 824 179
0 % - 40 %	80 %	10 532 879	81 %	8 194 014
40 % - 60 %	19 %	2 552 008	17 %	1 751 041
60 % - 80 %	1 %	146 490	2 %	222 995
80 % - 90 %	0 %	-	0 %	-
90 % - 100 %	0 %	-	0 %	-
>100 %	0 %	-	0 %	-
Housing co-operatives, secured by fixed property	100 %	13 231 377	100 %	10 168 049
TOTAL LOANS TO CUSTOMERS, SECURED		20 265 462		16 992 229

	31.12.2019		31.12.2018	
	Distribution as percentage	Gross carrying amounts	Distribution as percentage	Gross carrying amounts
Loan-to-value, residential mortgage (relative distribution)				
0% - 85 %	99 %	6 968 098	99 %	6 759 435
85 % - 100 %	0 %	23 266	0 %	20 018
> 100 %	1 %	42 721	1 %	44 727
Residential mortgage, secured by fixed property	100 %	7 034 085	100 %	6 824 179



Note 10 – Risk classification of loans and guarantees

(Figures in NOK 1000)

Credit risk represents the most significant area of risk and is defined as the risk of losses associated with customers being unable to fulfil their obligations at the agreed time and pursuant to written agreements, and the received collateral not covering outstanding claims. The company's credit risk strategy is revised and approved annually by the Board and sets forth the company's risk profile in the area of credit.

The risk classification systems are used as decision support, monitoring and reporting. The risk parameters used in the classification systems are an integral part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies. Probability of default, PD, is used to measure quality for private customers. The risk classification system is based on the probability of default which is an estimate of the likelihood of a counterparty defaulting on its contractual obligations within the next 12 months. For housing cooperatives, a simplified ECL-approach is used.

In the table below, all loans to customers are presented according to risk groups. The amounts are based on the nominal amounts before adjustments for impairment. Loans for which payments are overdue with more than 90 days are considered non-performing and transferred to "Default".

31.12.2019

Commitments broken down by risk groups based on probability of default and loss	Loans	Guarantees	Unused credit	Total
1 – Low risk	20 106 143	0	0	20 106 143
2 – Medium risk	135 649	0	0	135 649
3 – High risk	17 140	0	0	17 140
4 – Default	6 530	0	0	6 530
Total before loan loss provisions	20 265 462	-	-	20 265 462
- Loan loss provisions	-3 885	-	-	-3 885
Net loans and receivables from customers at 31.12.19	20 261 577	-	-	20 261 577

31.12.2018

Commitments broken down by risk groups based on probability of default and loss	Loans	Guarantees	Unused credit	Total
1 – Low risk	16 864 975	0	0	16 864 975
2 – Medium risk	108 981	0	0	108 981
3 – High risk	21 650	0	0	21 650
4 – Default	0	0	0	0
Total before loan loss provisions	16 995 606	-	-	16 995 606
- Loan loss provisions	-5 156	-	-	-5 156
Net loans and receivables from customers at 31.12.18	16 990 450	-	-	16 990 450



Note 11 – Loans to customers divided in main segments

(Figures in NOK 1000)

As at 31.12.2019	Loans	Unused credit	Guarantees	ECL	Total	o/w non-perf.
Retail	7 034 085	-	-	-3 886	7 030 200	-
Housing co-operatives	13 231 377	-	-	-	13 231 377	-
Total	20 265 462	-	-	-3 886	20 261 577	-

As at 31.12.2018	Loans	Unused credit	Guarantees	ECL	Total	o/w non-perf.
Retail	6 821 620	-	-	-4 634	6 816 986	-
Housing co-operatives	10 173 986	-	-	-522	10 173 464	-
Total	16 995 606	-	-	-5 156	16 990 450	-

Note 12 – Financial assets measured at fair value

(Figures in NOK 1000)

As at 31.12.2019

Sector	Risk class	Aquisition Cost	Book value	Market value	Unrealised change in value
Certificates and bonds	0 %	30 755	30 693	30 693 -	-
Total		30 755	30 693	30 693 -	62

Financial assets at fair value over profit

Balance sheet value as at 31.12.2018	30 820
Additions	-
Sales	-
Realised profit (loss)	-
Change in unrealised change in value	- 246
Interest income	613
Net received interest	- 493
Balance sheet value as at 31.12.2019	30 693

As at 31.12.2018

Sector	Risk class	Aquisition Cost	Book value	Market value	Unrealised change in value
Certificates and bonds	0 %	30 755	30 820	30 820	65
Total		30 755	30 820	30 820	65

Financial assets at fair value over profit

Balance sheet value as at 31.12.2017	30 184
Additions	30 755
Sales	- 30 228
Realised profit (loss)	45
Change in unrealised change in value	- 24
Interest income	255
Net received interest	- 167
Balance sheet value as at 31.12.2018	30 820

Average interest rate when calculating time-weighted return according to Newtons methode "Current yield" give 1,67% per 31.12.2019. (1,04% per 31.12.2018)

All certificates and bonds owned as at 31.12.2019 qualify as Level 1A under the LCR regulations.



Note 13 – Debt securities

(Figures in NOK 1000)

	Balance 31.12.2019	New issues 2019	Maturity/ buy backs 2019	Other changes 2019	Balance 31.12.2018
Changes in debt securities					
Debt securities issued nominal value	17 020 000	4 520 000	-2 500 000	-	15 000 000
Net premium / discount on bonds payable	-	11 860	-4 835	-7 025	-
Bond interest receivable / payable	-	5 307	-2 331	-2 976	-
Accrued interest	46 668	-	-	13 329	33 339
Amortisation	34 344	-	-	4 375	29 970
Fair value adjustment	2 747	-	-	2 747	-
Total debt securities	17 103 759	4 537 167	-2 507 166	10 449	15 063 309

Method:

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

Loans issued in NOK as at 31.12.2019

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

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

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

Note 14 – Weighted average effective interest rate on financial obligation

(Figures in NOK 1000)

	2019	2018
Issued securities	2,34 %	1,68 %

Weighted average effective interest rate is calculated by multiplying the face value each issued security by its interest rate as at end of period to obtain per loan weight factor. The sum total of the per loan weight factor for all issued securities is then divided by the total face value av all securities issued and multiplied by 100 to calculate the weighted average.



Note 15 – Financial derivatives

(Figures in NOK 1000)

OBOS Boligkreditt uses interest rate swaps for the purpose of hedging changes in interest rate on covered bond debt issued with fixed interest. All interest rate swaps are recorded at fair value, with any changes in value through the income statement, and recognised gross per contract, as either asset or liability.

As at 31.12.2019

Interest rate swaps	Contract value ¹⁾	Fair value ²⁾	Unrealised gain / loss
Receive floating interest, pay fixed interest	-	-	-
Receive fixed interest, pay floating interest	520 000	-1 556	-1 556
Net accrued interest		6 361	
Total financial derivative contracts	520 000	4 804	-1 556
Financial derivative asset		4 804	
Financial derivative liability		-	
Net asset / liability derivatives		4 804	

1) Contract value is defined as gross nominal underlying principal.

2) Fair value is calculated through discounting future cash flows to their present value.

As at year end OBOS Boligkreditt has one active interest rate swap agreement. The credit risk of the swap contract is considered low as the counterparty is a large nordic financial institution.



Note 16 – Assets and liabilities that are subject to net settlement

(Figures in NOK 1000)

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

The note shows derivative positions in the balance sheet of OBOS Boligkreditt AS. OBOS Boligkreditt has entered into ISDA agreements with supplementary collateral agreement (CSA) with central counterparty. OBOS Boligkreditt has one active CSA agreement as of 31.12.2019.

Note 17 – Classification of financial instruments

(Figures in NOK 1000)

	Financial instruments at fair value through profit and loss	Financial instruments at fair value through OCI	Financial instruments carried at amortised cost	Total
As at 31.12.2019				
Financial assets				
Loans to and receivables from credit institutions			30 267	30 267
Loans to customers		20 257 904	3 673	20 261 577
Certificates and bonds	30 693			30 693
Financial derivatives	4 804			4 804
Total financial assets	35 498	20 257 904	33 940	20 322 538
Financial liabilities				
Debt to credit institutions			1 745 367	1 745 367
Securitised debt			17 103 759	17 103 759
Total financial liabilities	-	-	18 849 126	18 849 126
As at 31.12.2018				
Financial assets				
Loans to and receivables from credit institutions			2 159	2 159
Loans to customers		16 987 925	2 525	16 990 450
Bond funds	30 820			30 820
Total financial assets	30 820	16 987 925	4 683	17 023 428
Finansielle liabilities				
Debt to credit institutions			760 137	760 137
Securitised debt			15 063 309	15 063 309
Total financial liabilities	-	-	15 823 445	15 823 445



Note 18 – Assets and liabilities measured at fair value

(Figures in NOK 1000)

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

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

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

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

Certificates, bonds and debt securities

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

Bond funds

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

Financial derivatives

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

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

As at 31.12.2019	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 693	-	30 693
Financial derivatives	-	4 804	-	4 804
Total assets	-	35 498	-	35 498
Liabilities				
Debt securities issued	-	530 689	-	530 689
Total liabilities	-	530 689	-	530 689

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

Note 19 – Assets and liabilities measured at amortised cost

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 20 – Capital adequacy

(Figures in NOK 1000)

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



Note 21 – Liquidity risk – financial obligations

(Figures in NOK 1000)

As at 31.12.2019	0-1 month	1-3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Deposit from and debt to credit institutions	-3 403	-6 807	-20 421	-1 745 367	-	-1 775 998
Debt securities	-25 862	-71 789	-2 307 302	-15 338 513	-582 920	-18 326 386
Total liabilities	-29 266	-78 596	-2 327 722	-17 083 880	-582 920	-20 102 384

Financial derivatives

Contractual maturities outgoing cashflow	-	-3 164	-9 053	-49 646	-58 591	-120 454
Contractual maturities incoming cashflow	-	-	12 584	50 336	62 920	125 840

As at 31.12.2018	0-1 month	1-3 months	3 months to 1 year	1 to 5 years	Over 5 years	Total
Deposit from and debt to credit institutions	-1 121	-2 242	-6 727	-760 137	-	-770 227
Debt securities	-26 830	-36 180	-2 704 697	-13 236 756	-	-16 004 463
Total liabilities	-27 951	-38 422	-2 711 424	-13 996 893	-	-16 774 690

See note 4: Risk management and intern control for statement of the company liquidity risk.

Note 22 – Interest rate risk – time to rate reset

(Figures in NOK 1000)

As at 31.12.2019	0-1 month	1-3 months	3 months to 1 year	1 to 5 years	Over 5 years	Without exposure	Total
Loans to and receivables from credit institutions	30 267	-	-	-	-	-	30 267
Loans to customers	-	20 261 577	-	-	-	-	20 261 577
Certificates and bonds	10 596	20 097	-	-	-	-	30 693
Financial Derivatives	-	4 804	-	-	-	-	4 804
Total assets	40 864	20 286 479	-	-	-	-	20 327 342
Deposit from and debt to credit institutions	-1 745 367	-	-	-	-	-	-1 745 367
Debt securities	-4 522 927	-12 050 143	-530 689	-	-	-	-17 103 759
Total liabilities	-6 268 294	-12 050 143	-530 689	-	-	-	-18 849 126
Net interest rate exposure	-6 227 430	8 236 336	-530 689	-	-	-	
Net interest rate exposure as percentage of total liabilities	33,04 %	-43,70 %	2,82 %	0,00 %	0,00 %	0,00 %	

OBOS Boligkreditt measures interest rate risk by a parallel shift of the yield curve by one percentage point, and consequently the result of all interest-sensitive items on and off the balance sheet.



As at 31.12.2018	0-1 month	1-3 3 months to months 1 year	1 to 5 years	Over 5 years	Without exposure	Total
Loans to and receivables from credit institutions	2 159	-	-	-	-	2 159
Loans to customers	-	16 990 450	-	-	-	16 990 450
Certificates and bonds	10 717	20 103	-	-	-	30 820
Total assets	12 875	17 010 553	-	-	-	17 023 428
Deposit from and debt to credit institutions	-760 137					-760 137
Debt securities	-7 022 003	-8 041 306	-	-	-	-15 063 309
Total liabilities	-7 782 139	-8 041 306	-	-	-	-15 823 445
Net interest rate exposure	-7 769 264	8 969 246	-	-	-	-
Net interest rate exposure as percentage of total liabilities	49,10 %	-56,68 %	0,00 %	0,00 %	0,00 %	0,00 %

OBOS Boligkreditt measures interest rate risk by a parallel shift of the yield curve by one percentage point, and consequently the result of all interest-sensitive items on and off the balance sheet.

Note 23 – Market risk sensitivity by a parallel shift of the yield curve of 1 %

(Figures in NOK 1000)

Sensitivity	31.12.2019	31.12.2018
Assets		
Loans to and receivables from credit institutions	-303	0
Certificates and bonds	-33	-32
Loans to customers, floating	-22 927	-21 805
Total assets	-23 262	-21 837
Liabilities		
Issued securities, fixed	42 796	0
Issued securities, floating	25 120	16 684
Other liabilities	2 726	8 514
Derivatives	-43 702	0
Total liabilities	26 940	25 197
Net	3 677	3 360

Assumptions made when calculating sensitivity:

Equal notification time for loans to and deposits from customers. All amounts before tax.



Note 24 – Maximum credit exposure, not taking collateral into account

(Figures in NOK 1000)

Assets	31.12.2019	31.12.2018
Loans to and receivables from credit institutions	30 267	2 159
Loans to and receivables from customers	20 261 577	16 990 450
Bond funds	30 693	30 820
Financial derivatives	4 804	-
Total credit exposure on balance sheet	20 327 342	17 023 428
Total credit exposure	20 327 342	17 023 428

The table shows maximum exposure against the credit risk in the balance, included derivatives. The exposure is gross before any pledges.

Note 25 – Cover pool

(Figures in NOK 1000)

Cover pool	31.12.2019	31.12.2018
Mortgages ¹⁾	20 261 577	16 990 450
Ineligible loans	-24 570	-38 647
Total Cover pool	20 237 007	16 951 802
Debt through the issuance of securities (excl. accrued interest)	17 057 091	15 029 970
The cover pool's overcollateralisation	118,6 %	112,8 %

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



Note 26 – Related parties

(Figures in NOK 1000)

Transactions within the group

	31.12.2019	31.12.2018
Income Statement		
Other interest income (OBOS-banken AS)	2	1
Other interest expense (OBOS-banken AS)	-35 607	-15 986
Other operating costs (OBOS-banken AS)	-5 264	-4 667
	-40 869	-20 652
Balance Sheet		
Loans to and receivables from credit institutions (OBOS-banken AS)	2	-
Deposits from and debt to credit institutions (OBOS-banken AS)	-1 745 367	-760 137
Other short-term assets	2 681	316
Debt through the issuance of securities	-	-701 920
	-1 742 684	-1 461 740

OBOS Boligkreditt AS has ongoing transactions with related parties. All transactions are carried out as part of the ordinary business and at market terms. OBOS Boligkreditt buys management services from OBOS-banken AS and is charged through the parent company to a share of the OBOS Group's joint costs, which are settled at full cost after actual use. OBOS Boligkreditt has established a NOK 3.0 billion credit facility with the parent company OBOS-banken AS for the coverage of current assets, including the transfer of the loan portfolio. The company is charged with the NIBOR + 50 bp. Collateral and a credit commission fee of 0.15% of the credit limit of NOK 3.0 billion. The company uses employees in OBOS-banken AS and the OBOS Group, as well as payroll systems, invoice processing systems and banking / finance systems, and in this connection has an intermediary with OBOS-banken AS to cover current operating payments. As at 31.12.19, this debt was at NOK 5.3 million, which is included in the drawn credit facility. All short-term deposits are settled on a continuous basis.

The credit institution entered into an agreement with OBOS-banken AS on a rolling liquidity facility, which at any time covers the expected liquidity that matures the coming 12 months. This liquidity facility is unused at 31.12.19.



Note 27 – Tax

(Figures in NOK 1000)

	2019	2018
Profit before tax	107 121	100 618
Net changes in values from own credit risk	-3 411	
Permanent differences	2 953	3
Corrections in temporary differences in other securities	-4 461	
Change in temporary differences	4 468	-3
Group contribution paid	-	-
Basis for tax payable	106 671	100 615
Tax payable (22%) / (23%)	23 468	23 141
	2019	2018
Overview of temporary differences		
Shares, other securities etc.	-4 484	-23
Accrued interest swap contracts	-7	
Total temporary differences affecting the tax base	-4 492	-23
Deferred tax asset (22%) / (23%)	988	5
Tax effect of IFRS 9 booked towards equity 01.01.2018	-	356
Deferred tax over OCI	911	-196
Deferred tax asset (22%)	1 899	166
	2019	2018
Tax expense		
Tax payable	23 468	23 141
Tax-effect of paid group contribution	-	-
Change in deferred taxes/deferred tax assets	-983	1
Tax in OCI	750	
Total taxes	23 235	23 143
Assesment of the year's tax expense		
Accounting profit before taxes	107 121	100 618
Tax (22%) / (23%)	23 567	23 143
Change in tax-rate from 23 to 22%	-	0
Accounting tax expense	23 236	23 143
Difference	331	-



Note 28 – Statement of changes in equity

(Figures in NOK 1000)

	Share Capital	Share Premium	Retained earnings	Total equity
Equity as at 01.01.2018	101 000	699 039	160	800 198
Issue of share capital	10 000	290 000	-	300 000
Total result 01.01 - 31.12.2018	-	-	78 131	78 131
Effect of IFRS 9 implementation	-	-	-1 192	-1 192
Equity as at 31.12.2018	111 000	989 039	77 099	1 177 137
Issue of share capital	10 000	190 000	-	200 000
Result for the period 01.01 - 31.12.2019	-	-	84 637	84 637
Losses on loans and guarantees, fair value	-	-	296	296
Income tax expense on items that can be reclassified	-	-	-65	-65
Net change in values from own credit risk	-	-	-3 707	-3 707
Income tax expense on items that will not be reclassified	-	-	816	816
Total comprehensive income 01.01.2019 - 31.12.2019	-	-	81 976	81 976
Equity as at 31.12.2019	121 000	1 179 039	159 075	1 459 114

Note 29 – Share capital and shareholders information

OBOS Boligkreditt share capital at 31 December 2019 was 121 000 000 NOK. Total numbers of shares are 12 100 with par value of 10 000 NOK. All shares have equal voting rights.

OBOS-banken AS is the owner of 100% of the shares.

Note 30 – Subsequent events

The outbreak of the corona pandemic and turmoil in the global economy will significantly affect the Norwegian economy. Norwegian financial institutions including OBOS Boligkreditt is experiencing increasing negative effects due to the effects of the corona pandemic on the financial market. OBOS Boligkreditt is continuously monitoring the situation and implementing measures to manage the effects and reduce risk. Liquidity in the bond market is low at the time the accounts are published. This has an impact on OBOS Boligkreditts' liquidity portfolio with falling market value, and will also affect the funding costs going forward. The possibility of issuing bonds is currently also limited. If the situation persists, the level of losses in Norwegian banks is also expected to increase.

The authorities have implemented several measures. Norges Bank has reduced the key policy rate and established an arrangement with extraordinary F-loans. The Financial Supervisory Authority of Norway has provided certain relief in liquidity and capital requirements. The economic consequences in the future are unclear due to the uncertainty currently prevailing in general and in the financial market for how the situation is developing and how long it will take before conditions are more normalized.

The Board is of the opinion that OBOS Boligkreditt has sufficient liquidity, outstanding credit quality, and is well equipped to handle the corona effects.



Auditor's report

Auditor's report is enclosed separately.



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To the General Meeting of OBOS Boligkreditt AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of OBOS Boligkreditt AS, which comprise the balance sheet as at 31 December 2019, the income statement, statement of comprehensive income and cash flow for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation and fair presentation of the financial statements in accordance with simplified application of International Accounting Standards according to the Norwegian Accounting Act section 3-9, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 24 March 2020

PricewaterhouseCoopers AS

Anne Lene Stensholdt
State Authorised Public Accountant
(This document is signed electronically)

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of the document.