

Interim report

1st quarter 2020
Unaudited



Interim report from the Board of Directors

OBOS Boligkreditt AS' registered office is in Oslo, and it is a wholly owned subsidiary of OBOS-banken. OBOS Boligkreditt started operations in 2016. OBOS Boligkreditt is licensed to operate as a mortgage company and to issue covered bonds, and is OBOS-banken's most important source of long term market funding and an important part of the parent bank's funding strategy. The assets consist of retail mortgage loans and housing co-operative loans originally underwritten by OBOS-banken. Total lending at first quarter end 2020 amounted to NOK 22 978 million. All loans are at the time of acquisition within 75 % of the property's estimated value. Total issued covered bond loans at first quarter end 2020 amounted to NOK 19 812 million. Overcollateralization was 116 %.

Rating

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

First quarter results

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

The company's net interest income amounted to NOK 31.9 (30.1) million for the first quarter of 2020. Total operating costs amounted to NOK 1.8 (1.7) million. These expenses are mainly related to payments for banking services provided by the parent bank. Profit before loan losses and taxes was NOK 30.5 (28.3) million in the first quarter of 2020. The calculation of expected loss (ECL) for OBOS Boligkreditt AS resulted in net loan losses of NOK -0.8 (-0,6) million in the first quarter of 2020. The ECL calculation as at 31 March 2020 shows expected credit loss of NOK 8.4 million. Profit after tax was NOK 23.2 million (21.5) in the first quarter of 2020.

OBOS Boligkreditt AS issued a new covered bond, ISIN NO 0010872757 of NOK 4 000 million, maturing June 2025 in the quarter. No covered bonds matured during the quarter, but OBOS Boligkreditt bought back NOK 1.2 million of ISIN NO 0010806870. OBOS Boligkreditt AS had seven bond loans outstanding at 31 March 2020 with total debt securities issued of NOK 19 812 million face value, compared to six bond loans and NOK 17 500 million face value outstanding at 31 March 2019.

Total assets at first quarter end 2020 amounted to NOK 23 130 (19 737) million. Gross lending to customers amounted to NOK 22 978 (19 650) million. There is no substitute assets forming part of the cover pool. Overcollateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt was 116 percent as at 31 March 2020, compared to 112 percent at 31 March 2019. At first quarter end 2020, the mortgages in the cover pool had a weighted average loan-to-value ratio of 35 percent.

OBOS Boligkreditt AS' liquidity portfolio consisting of Liquidity Coverage Ratio (LCR) eligible assets amounted to NOK 30.6 (30.8) million at 31 March 2020, reporting a total LCR of 614 percent (412).

Capital strength

Total own funds for the purposes of capital adequacy amounted to NOK 1 467 (1 177) million by first quarter end 2020. Risk weighted assets amounted to NOK 8 483 (7 103) million by the end of the first quarter 2020. The CET 1 capital ratio is 17.3 (16.6) percent at 31 March 2020. OBOS Boligkreditt AS uses the standardised approach to calculate capital requirements for credit risk.

Macroeconomic development and outlook for the company

The outlook for 2020 has changed dramatically due to the Covid-19 crisis and a severe setback for the Norwegian economy can currently be observed. A number of effective measures have been introduced to reduce the financial consequences of the virus outbreak.

Extraordinary F-loans to the banks have been offered from Norges Bank. F-loans are fully allocated at an interest rate corresponding to the key policy rate. Countercyclical capital buffer has been reduced from 2.5 percent to 1.0 percent as from 13 March 2020. The key policy rate was reduced by a total of 1.25 percentage points to 0.25 percent. Authorities have also reinstated the Government Bond Fund with a mandate of purchasing corporate bonds which will increase liquidity and access to capital in the bond market for larger

companies. A compensation scheme where the state assumes part of the costs inflicted on Norwegian companies by Covid-19 have also been established.

Prior to the Covid-19 outbreak, the situation in Norway was characterized by low unemployment, inflation around normal levels and a weak Norwegian krone that helped export companies. After the outbreak, oil prices are dropping leading to cutbacks in Norwegian continental shelf investments and unemployment is rising due to measures implemented by government due measures to prevent the spread of Covid-19.

House prices seem so far not to have reacted noticeably to the Covid-19 crisis, and it is uncertain to which extent this will happen. The newbuild-market is expected to take the stronger hit in any case. Grace periods for instalments have been granted by most banks to customers by request, which is likely to be a powerful measure along with interest rates closer to zero with regards to default risk.

OBOS Boligkreditt has a portfolio of mortgage loans with an average loan to value (LTV) at a low 35 percent, and no loans are in default. With an allowable LTV of 75 percent, there is significant headroom for even severe drops in house prices, should that pessimistic scenario materialize. Even though OBOS Boligkreditt's cover pool is geographically inclined towards the Oslo and Viken regions, this also represents a well diversified area with regards to industries and job possibilities.

The parent bank holds significant volumes of loans which qualifies for transfer to OBOS Boligkreditt, with loan portfolios largely reflecting the subsidiary. Should house prices decline and LTV ratios rise, replacement loans will be transferred.

The prospects for OBOS Boligkreditt remain stable, despite the adverse macroeconomic environment. The board is satisfied with the low LTVs, along with the significant amount of loans that can be transferred from the parent bank should the situation call for it. This will ensure a robust overcollateralization.

Oslo 12.05.2020

The board of directors of OBOS Boligkreditt AS

Key Figures

(Figures in MNOK)

	Q1 2020	Q1 2019	2019
Profitability			
1) Profit after tax	23	22	85
2) Net interest in % of average total assets	0,64 %	0,65 %	0,62 %
3) Cost-to-income ratio	5,7 %	5,7 %	6,3 %
4) Return on equity	6,8 %	7,1 %	6,4 %
Balance sheet			
5) Lending to customers	22 978	19 650	20 262
6) Loss in % of gross loans	0,00 %	0,00 %	0,01 %
7) Defaults in % of gross loans	0,00 %	0,00 %	0,00 %
8) Total assets	23 130	19 737	20 332
9) Average total assets	21 731	18 381	19 558
10) Covered bonds issued	19 812	17 500	17 020
11) Overcollateralisation	115,6 %	111,9 %	118,6 %
Solidity			
12) CET 1 Capital ratio	17,3 %	16,6 %	19,7 %
13) T1 Capital ratio	17,3 %	16,6 %	19,7 %
14) Total capital ratio	17,3 %	16,6 %	19,7 %
15) Leverage ratio	6,4 %	6,1 %	7,2 %
16) LCR	614,7 %	412,3 %	472,9 %
Staffing			
17) Number of permanent employees	0	0	0

Definitions

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

Income statement

(Figures in NOK 1000)

	NOTE	Q1 2020	Q1 2019	2019
Interest income calculated using the effective interest method		149 538	106 507	475 008
Interest income from financial instruments measured at fair value		181	133	613
Interest expenses calculated using the effective interest method		-114 642	-76 540	-350 746
Interest expenses from financial instruments measured at fair value		-3 129	-	-7 942
Net interest income	4	31 948	30 100	116 933
Commission and banking service expenses		-94	-85	-338
Net commission expenses		-94	-85	-338
Net gain/(loss) on financial instruments	5	468	-28	238
Net operating income		32 322	29 987	116 833
Salaries and other personnel cost		-	-	-183
Administration cost		-29	-111	-316
Other operating expenses	6	-1 800	-1 611	-6 816
Total operating expenses		-1 828	-1 723	-7 314
Profit before loan losses and taxes		30 494	28 265	109 519
Net loan losses	13	-809	-646	-2 398
Profit before tax		29 685	27 619	107 121
Income tax expense		-6 531	-6 076	-22 484
Profit after tax	14	23 154	21 543	84 637
Attributabel to				
Retained earnings	14	23 154	21 543	84 637
Total		23 154	21 543	84 637

Statement of comprehensive income

(Figures in NOK 1000)

	NOTE	Q1 2020	Q1 2019	2019
Profit after tax	14	23 154	21 543	84 637
Losses on loans and guarantees, fair value	13	807	488	296
Income tax expense on items that can be reclassified		-178	-107	-65
Items that can be reclassified to profit or loss		630	381	231
Net change in values from own credit risk		7 713	-	-3 707
Income tax expense on items that will not be reclassified		-1 697	-	816
Items that will not be reclassified to profit or loss		6 016	-	-2 891
Comprehensive income for the periode		6 646	381	-2 660
Total comprehensive income after tax		29 800	21 924	81 976
Attributable to				
Retained earnings	14	29 800	21 924	81 976
Total		29 800	21 924	81 976

Balance sheet

(Figures in NOK 1000)

	NOTE	31.03.2020	31.03.2019	31.12.2019
ASSETS				
Loans to and receivables from credit institutions	7	44 118	30 286	30 267
Loans to and receivables from customers	7,13	22 978 147	19 650 106	20 261 577
Certificates and bonds	9	30 604	30 794	30 693
Deferred tax asset		1 899	166	1 899
Financial derivatives		53 574	-	4 804
Prepaid cost		2	160	9
Receivables		847	-	-
Other assets		21 077	25 735	2 681
TOTAL ASSETS		23 130 268	19 737 246	20 331 931
LIABILITIES AND EQUITY				
	NOTE	31.03.2020	31.03.2019	31.12.2019
Loans from credit institutions	6,7,11	1 719 346	943 541	1 745 367
Debt securities issued	6,7,9,11	19 900 357	17 565 071	17 103 759
Other liabilities		847	247	224
Deferred tax		8 405	-	-
Tax payable		12 400	29 326	23 468
TOTAL LIABILITIES		21 641 354	18 538 185	18 872 817
Share capital	14	121 000	111 000	121 000
Share premium	14	1 179 039	989 039	1 179 039
Retained earnings	14	188 875	99 023	159 075
TOTAL EQUITY		1 488 914	1 199 061	1 459 114
TOTAL LIABILITIES AND EQUITY		23 130 268	19 737 246	20 331 931

Cash flow

(Figures in NOK 1000)

	NOTE	31.03.2020	31.03.2019	31.12.2019
Profit before tax		29 685	27 619	107 121
Interest income calculated using the effective interest method	4	-149 538	-106 640	-475 008
Interest payments from customers and credit institutions		145 815	81 361	472 268
Loans to customers transferred from parent company		-2 712 923	-2 659 656	-3 270 493
Interest from certificates and bonds/bond funds		-45 085	28	1 921
Other net gain/(loss) on derivatives	5	45 476	-	-1 556
Payment for other assets		-67 166	-25 419	-7 169
Payment for other debt		45	42	167
Net gain/(loss) on financial instruments	5	-468	-	-238
Net loan losses		-	-646	2 106
Paid taxes		-11 068	-	-23 142
Change in accrued interests		587	4 947	13 329
Change in other accruals		-95	-3 722	-137
Net new lines of credit	6	-26 021	183 404	985 230
(A) Net cash flow from operating activities		-2 790 757	-2 498 681	-2 195 602
Payments related to acquisition of shares and securities		-	-	-
(B) Net cash flow from investment activities		-	-	-
Issuance of covered bonds	11	4 012 532	2 526 785	4 523 710
Repayment of covered bonds	11	-1 208 000	-	-2 500 000
Issue of share capital	14	-	-	200 000
(C) Net cash flow from financing activities		2 804 532	2 526 785	2 223 710
(A) + (B) + (C) Net cash flow for the period		13 775	28 105	28 109
Cash and cash equivalents at beginning of period		30 267	2 159	2 159
Cash and cash equivalents at end of period		44 042	30 263	30 267
Net change in cash and cash equivalents		13 775	28 105	28 109
Liquidity reserves specified				
Loans to and receivables from credit institutions 1)		44 042	30 263	30 267
Cash and cash equivalents		44 042	30 263	30 267

1) Hereof 0,6 TNOK in restricted deposits.

Quarterly changes in income statement

(Figures in NOK 1000)

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest income calculated using the effective interest method	149 538	135 072	120 314	113 116	106 507
Interest income from financial instruments measured at fair value	181	175	159	145	133
Interest expenses calculated using the effective interest method	-114 642	-98 134	-87 864	-88 208	-76 540
Interest expenses from financial instruments measured at fair value	-3 129	-3 163	-3 163	-1 616	-
Net interest income	31 948	33 950	29 446	23 437	30 100
Commission and banking service expenses	-94	-79	-83	-91	-85
Net Commission expenses	-94	-79	-83	-91	-85
Net gain/(loss) on financial instruments	468	-345	677	-66	-28
Net operating income	32 322	33 527	30 039	23 280	29 987
Salaries and other personnel cost	-	-	-	-183	-
Administration cost	-29	-158	-	-47	-111
Other operating expenses	-1 800	-1 773	-2 101	-1 330	-1 611
Total operating expenses	-1 828	-1 931	-2 101	-1 560	-1 723
Profit before loan losses and taxes	30 494	31 596	27 938	21 720	28 265
Net loan losses	-809	-1 917	-831	996	-646
Profit before tax	29 685	29 679	27 107	22 716	27 619
Income tax expense	-6 531	-5 447	-5 964	-4 997	-6 076
Profit after tax	23 154	24 232	21 144	17 718	21 543
Attributabel to					
Retained earnings	23 154	24 232	21 142	17 718	21 543
Total	23 154	24 232	21 142	17 718	21 543

Quarterly changes in statement of comprehensive income

(Figures in NOK 1000)

	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Profit after tax	23 154	24 232	21 142	17 718	21 543
Losses on loans and guarantees, fair value	807	143	166	-501	488
Income tax expense on items that can be reclassified	-178	-32	-36	110	-107
Items that can be reclassified to profit or loss	630	112	129	-391	381
Net change in values from own credit risk	7 713	-390	-987	-2 330	-
Income tax expense on items that will not be reclassified	-1 697	86	217	513	-
Items that will not be reclassified to profit or loss	6 016	-304	-770	-1 818	-
Comprehensive income for the periode	6 646	-192	-641	-2 209	381
Total comprehensive income after tax	29 800	24 040	20 501	15 510	21 924
Attributable to					
Retained earnings	29 800	24 040	20 501	15 510	21 924
Total	29 800	24 040	20 501	15 510	21 924

Quarterly changes in balance sheet

(Figures in NOK 1000)

	31.03.2020	31.12.2019	30.09.2019	30.06.2019	31.03.2019
Assets					
Loans to and receivables from credit institutions	44 118	30 267	91 622	2 203	30 286
Loans to and receivables from customers	22 978 147	20 261 577	19 219 942	18 753 032	19 650 106
Certificates and bonds	30 604	30 693	30 735	30 779	30 794
Deferred tax asset	1 899	1 899	166	166	166
Financial derivatives	53 574	4 804	18 503	9 600	-
Prepaid cost	2	9	69	129	160
Receivables	847	-	-	-	-
Other assets	21 077	2 681	2 063	2 343	25 735
Total Assets	23 130 268	20 331 931	19 363 099	18 798 252	19 737 246
Liabilities and equity					
Loans from credit institutions	1 719 346	1 745 367	734 177	1 856 088	943 541
Debt securities issued	19 900 357	17 103 759	17 176 712	15 716 600	17 565 071
Other liabilities	847	224	795	435	247
Deferred tax	8 405	-	-	-	-
Tax payable	12 400	23 468	16 342	10 559	29 326
Total Liabilities	21 641 354	18 872 817	17 928 025	17 583 681	18 538 185
Share capital	121 000	121 000	121 000	111 000	111 000
Share premium	1 179 039	1 179 039	1 179 039	989 039	989 039
Retained earnings	188 875	159 075	135 036	114 532	99 023
Total Equity	1 488 914	1 459 114	1 435 074	1 214 571	1 199 061
Total Liabilities and Equity	23 130 268	20 331 931	19 363 099	18 798 252	19 737 246

Notes

Note 1 – Introduction

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

Note 2 – Accounting principles

The interim report for OBOS Boligkreditt has been prepared in accordance with IAS 34. The interim comprises the period 01.01.2020-31.03.2020 and has been prepared in accordance with simplified IFRS.

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

IFRS 16 Leases

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

IFRS 9 Financial Instruments

OBOS Boligkreditt AS applies IFRS 9 for measurement of financial instruments. Financial assets and/or financial liabilities are reported on the balance sheet according to IFRS 9.

Derivatives

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

Net gain/loss on financial instruments

For interest bearing financial instruments that are measured at fair value, interest income is classified as "Interest income, fair value", and interest expense is classified as "Interest expense, fair value" with the exception of interest on derivatives. Interests paid and received in interest rate swap, as well as changes in accrued interest, are recognized as "Net gain/(loss) and change in value of financial instruments". Other changes in value of financial instruments are also recognized in this note.

The annual report for OBOS Boligkreditt 2019 gives a more detailed description of accounting principles used. The interim report is not audited.

Note 3 – Accounting estimates and discretionary Assessments

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

3.1 Value measurement at fair value

OBOS Boligkreditt estimates the fair value of their financial instruments, which are not listed in an active market, using valuation methods described in note 17 in annual report 2019 and the accounting principles. The credit institution's choice of method and associated assumptions are based on market conditions at the balance sheet date. Financial instruments comprise the credit institutions holdings of bond funds.

3.2 Write-down of financial assets

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

For a more detailed description of the method used for measurement on write-down, see the annual report 2019 note 2 and 8.

Note 4 – Net interest and credit commission income

(Figures in NOK 1000)

	Q1 2020	Q1 2019	2019
Interest and similar income from loans to credit institutions, amortised cost	77	23	208
Interest and similar income from loans to customers, amortised cost	149 398	106 479	474 765
Other interest and similar income, amortised cost	64	5	36
Total Interest income calculated using the effective interest method	149 538	106 507	475 008
Interest and similar income from certificates and bonds, fair value	181	133	613
Total Interest income, fair value	181	133	613
Interest and similar expenses from loans to credit institutions, amortised cost	-5 999	-3 210	-26 441
Interest and similar expenses of issued securities, amortised cost	-107 926	-73 329	-322 797
Other interest and similar expenses, amortised cost	-716	-	-1 509
Total Interest expenses calculated using the effective interest method	-114 642	-76 540	-350 746
Interest and similar expenses of issued securities, fair value	-3 129	-	-7 942
Total Interest expenses, fair value	-3 129	-	-7 942
Net interest and credit commission income	31 948	30 100	116 933

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

(Figures in NOK 1000)

	Q1 2020	Q1 2019	2019
Net gain/(loss) and change in value on certificates and bonds	-84	-28	-158
Net gain/(loss) and change in value on bond funds	-	-	-
Net interest income on derivatives ¹	130	-	992
Other net gain/(loss) and change in value on derivatives	45 476	-	-1 556
Net gain/(loss) and change in value on fixed rate covered bonds ²	-45 054	-	960
Net gain/(loss) and change in value of financial instruments	468	-28	238

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

2) OBOS Boligkreditt has used the Fair Value Option (FVO) when valuing fixed rate covered bonds in accordance with IFRS 9. The principle implies that changes in value as a result of changes in own credit risk are recognized in the OBOS-banken group's comprehensive income. The amount that has been deducted from OBOS Boligkreditt's result and transferred to the Group is 7,7 million Norwegian kroner on 31 March 2020.

Note 6 – Related parties

(Figures in NOK 1000)

Transactions within the group

	31.03.2020	31.03.2019	31.12.2019
Income Statement			
Other interest Income (OBOS-banken AS)	-	-	2
Other interest expense (OBOS-banken AS)	-9 299	-8 791	-35 607
Other operating costs (OBOS-banken AS)	-1 316	-1 235	-5 264
	-10 615	-10 026	-40 869
Balance Sheet			
Loans to and receivables from credit institutions (OBOS-banken AS)	2	-	2
Deposits from and debt to credit institutions (OBOS-banken AS)	-1 719 346	-943 541	-1 745 367
Other short-term assets	21 077	25 735	2 681
Debt through the issuance of securities	-2 070 771	-1 512 327	-
	-3 769 038	-2 430 132	-1 742 684

"OBOS Boligkreditt AS has ongoing transactions with related parties. All transactions are carried out as part of the ordinary business and at market terms. OBOS Boligkreditt buys management services from OBOS-banken AS and is charged through the parent company to a share of the OBOS Group's joint costs, which are settled at full cost after actual use. OBOS Boligkreditt has established a NOK 3.0 billion credit facility with the parent company OBOS-banken AS for the coverage of current assets, including the transfer of the loan portfolio. The company is charged with the NIBOR + 50 bp. Collateral and a credit commission fee of 0.15% of the credit limit of NOK 3.0 billion. The company uses employees in OBOS-banken AS and the OBOS Group, as well as payroll systems, invoice processing systems and banking / finance systems, and in this connection has an intermediary with OBOS-banken AS to cover current operating payments. As at 31.03.20, this debt was at NOK 1.3 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 31.03.20."

Note 7 – Assets and liabilities measured at amortized cost

(Figures in NOK 1000)

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

Note 8 – Capital adequacy

(Figures in NOK 1000)

Net own funds	31.03.2020	31.03.2019	31.12.2019
Share capital	121 000	111 000	121 000
Share premium	1 179 039	989 039	1 179 039
Retained earnings	159 075	77 099	159 075
Qualifying equity from this years result	29 800	-	81 976
Total equity	1 459 114	1 177 138	1 459 114
Adjustments in common tier 1 capital	7 629	-31	-3 742
Common equity tier 1 capital	1 466 743	1 177 107	1 455 371
Additional Tier 1 capital			
Tier 1 capital	1 466 743	1 177 107	1 455 371
Tier 2 instruments			
Own funds	1 466 743	1 177 107	1 455 371
Minimum requirement own funds	31.03.2020	31.03.2019	31.12.2019
Institutions	-	480	831
Secured by mortgages on immovable property	644 048	554 199	571 040
Exposures in default	12 494	3 973	3 371
Other items	157	-	192
Credit risk	656 699	558 651	575 433
Operational risk	14 902	9 549	14 902
CVA-risk	7 038	-	1 475
Minimum requirement own funds	678 638	568 200	591 810
Risk weighted assets	8 482 971	7 102 503	7 397 624
Capital adequacy ratio			
Common tier 1 capital ratio	17,29 %	16,57 %	19,67 %
Tier 1 capital ratio	17,29 %	16,57 %	19,67 %
Capital adequacy ratio	17,29 %	16,57 %	19,67 %

Note 9 – Assets and liabilities measured at fair value

(Figures in NOK 1000)

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

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

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

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

Certificates, bonds and debt securities

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

Bond funds

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

Financial derivatives

The fair value of financial derivatives is calculated 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 31.03.2020	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 604	-	30 604
Financial derivatives	-	53 574	-	53 574
Total assets	-	84 177	-	84 177
Liabilities				
Debt securities issued	-	571 158	-	571 158
Total liabilities	-	571 158	-	571 158
As at 31.03.2019				
Assets				
Certificates and bonds	-	30 794	-	30 794
Financial derivatives	-	-	-	-
Total assets	-	30 794	-	30 794
Liabilities				
Debt securities issued	-	-	-	-
Total liabilities	-	-	-	-

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

(Figures in NOK 1000)

31.03.2020	Net settlement of Gross		Book value	Cash collateral	Net value
	Gross financial assets / liabilities	financial assets/liabilities			
Derivatives assets	53 574	-	53 574	-	53 574
Derivatives liabilities	-	-	-	-	-
31.03.2019					
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 31.03.2020.

Note 11 – Debt securities

(Figures in NOK 1000)

Changes in debt securities	Balance	New issues	Maturity/ buy backs	Other changes	Balance
	31.03.2020	2020	2020	2020	31.12.2019
Debt securities issued nominal value	19 812 000	4 000 000	-1 208 000	-	17 020 000
Net premium / discount on bonds payable	-	-31 125	-1 394	32 519	-
Bond interest receivable / payable	-	1 015	-5 976	4 961	-
Accrued interest	47 254	-	-	587	46 668
Amortisation	1 015	-	-	-33 329	34 344
Fair value adjustment	40 087	-	-	37 340	2 747
Total debt securities	19 900 357	3 969 890	-1 215 369	42 077	17 103 759

Method:

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

Loans issued in NOK as at 31.03.2020

ISIN	Type	Due date	Face value	Book value	Accrued interest	Book value	Maturity	interest rate
						incl. accrued interest		
Bonds at amortised cost								
NO0010775588	FRN	07.10.2021	2 500 000	2 499 100	14 639	2 513 739	1,5	2,48 %
NO0010806870	FRN	05.10.2020	792 000	791 917	4 011	795 928	0,5	2,12 %
NO0010786494	FRN	15.06.2022	4 000 000	4 012 378	4 480	4 016 858	2,2	2,52 %
NO0010795487	FRN	06.06.2023	4 000 000	4 010 009	6 182	4 016 191	3,2	2,14 %
NO0010841232	FRN	19.06.2024	4 000 000	4 010 574	2 586	4 013 160	4,2	1,79 %
NO0010872757	FRN	13.06.2025	4 000 000	3 969 037	4 286	3 973 323	5,2	2,03 %
Bonds at fair value								
NO0010851645 ¹⁾	Fixed	15.05.2029	520 000	560 087	11 071	571 158	9,1	2,42 %
Total debt securities			19 812 000	19 853 102	47 254	19 900 357	3,4	2,17 %

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

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

Note 12 – Cover pool

(Figures in NOK 1000)

Cover pool	31.03.2020	31.03.2019	31.12.2019
Mortgages ¹⁾	22 978 147	19 650 106	20 261 577
Ineligible loans	-20 298	-39 492	-24 570
Total Cover pool	22 957 849	19 610 613	20 237 007
Debt through the issuance of securities (excl. accrued interest)	19 853 102	17 526 785	17 057 091
The cover pool's overcollateralisation	115,6 %	111,9 %	118,6 %

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

Note 13 – Impairment and losses

(Figures in NOK 1000)

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

Changes in gross carrying amount

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	Total
	Stage 1	Stage 2	Stage 3				
Gross carrying amount 01.01.2020	20 120 656	134 376	6 545				20 261 577
Migration to Stage 1	-	-	-				-
Migration to Stage 2	-137 398	137 398	-				-
Migration to Stage 3	-	-2 932	6 576				3 644
Changes in ECL for loans which have not migrated	-61 415	-2 961	-17				-64 393
New loans	3 415 686	22 628	-				3 438 314
Disposal of loans	-646 651	-7 799	-6 545				-660 995
Confirmed losses	-	-	-				-
Included in previously confirmed losses	-	-	-				-
Change in risk model / parameters	-	-	-				-
Other changes	-	-	-				-
Gross carrying amount 31.03.2020	22 690 879	280 709	6 559				22 978 147

Movements in provisions and write-downs

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	3 673	2 111	1 770	7 554
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-103	103	-	-
Migration to Stage 3	-	-81	81	-
Changes in ECL for loans which have not migrated	-109	124	725	740
New loans	477	88	-	565
Disposal of loans	-264	-131	-1 770	-2 164
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	805	632	230	1 668
Other changes	-	-	-	-
ECL 31.03.2020	4 480	2 846	1 036	8 364
Provisions (%) of gross capitalised values	0,02 %	1,01 %	15,80 %	0,04 %
Net change (01.01.2020-31.03.2020)	807	735	-733	810

Estimated Stage 1 losses on assets measured at fair value

The table below show changes in fair value and expected losses on loans to customers measured at fair

	Stage 1	Stage 2	Stage 3	Total
Opening balance	3 673	-	-	3 673
Net change in expected losses	807	-	-	807
Closing balance	4 480	-	-	4 480

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

Breakdown of loan provisions per. segment and stage

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

Changes in gross carrying amount - Housing co-operatives segment

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	Total
	Stage 1	Stage 2	Stage 3				
Gross carrying amount 01.01.2020	13 231 377	-	-				13 231 377
Migration to Stage 1	-	-	-				-
Migration to Stage 2	-	-	-				-
Migration to Stage 3	-	-	-				-
Changes in ECL for loans which have not migrated	-112 219	-	-				-112 219
New loans	2 861 027	-	-				2 861 027
Disposal of loans	-	-	-				-
Confirmed losses	-	-	-				-
Included in previously confirmed losses	-	-	-				-
Change in risk model / parameters	-	-	-				-
Other changes	-	-	-				-
Gross carrying amount 31.03.2020	15 980 185	-	-				15 980 185

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

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	2 828	-	-	2 828
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-	-	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	26	-	-	26
New loans	153	-	-	153
Disposal of loans	-	-	-	-
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
ECL 31.03.2020	3 007	-	-	3 008
Provisions (%) of gross capitalised values	0,02 %	0,00 %	0,00 %	0,02 %
Net change (01.01.2020-31.03.2020)	179	-	-	180

Changes in gross carrying amount - Retail segment

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
Gross carrying amount 01.01.2020	7 070 148	154 761	13 090	7 237 999
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-137 398	137 398	-	-
Migration to Stage 3	-	-2 932	6 576	3 644
Changes in ECL for loans which have not migrated	50 805	-2 961	-17	47 826
New loans	554 659	22 628	-	577 287
Disposal of loans	-646 651	-7 799	-6 545	-660 995
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 31.03.2020	6 710 695	280 709	6 559	6 997 962

Movements in provisions and write-downs - Retail segment

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	-1 165	2 443	3 539	4 818
Migration to Stage 1	-	-	-	-
Migration to Stage 2	-103	103	-	-
Migration to Stage 3	-	-81	81	-
Changes in ECL for loans which have not migrated	-135	124	725	714
New loans	324	88	-	412
Disposal of loans	-264	-131	-1 770	-2 164
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	805	632	230	1 668
Other changes	-	-	-	-
ECL 31.03.2020	1 473	2 846	1 036	5 355
Provisions (%) of gross capitalised values	0,02 %	1,01 %	15,80 %	0,08 %
Net change (01.01.2020-31.03.2020)	2 637	403	-2 503	538

Note 14 – Statement of changes in equity

(Figures in NOK 1000)

	Share Capital	Share Premium	Retained earnings	Total equity
Equity as at 01.01.2019	111 000	989 039	77 099	1 177 137
Issue of share capital	10 000	190 000	-	200 000
Total result 01.01 - 31.12.2019	-	-	84 637	84 637
Effect of IFRS 9 implementation	-	-	-2 660	-2 660
Equity as at 31.12.2019	121 000	1 179 039	159 075	1 459 114
Issue of share capital	-	-	-	-
Result for the period 01.01 - 31.03.2020	-	-	23 154	23 154
Losses on loans and guarantees, fair value	-	-	807	807
Income tax expense on items that can be reclassified	-	-	-178	-178
Net change in values from own credit risk	-	-	7 713	7 713
Income tax expense on items that will not be reclassified	-	-	-1 697	-1 697
Total comprehensive income 01.01.2020 - 31.03.2020	-	-	29 800	29 800
Equity as at 31.03.2020	121 000	1 179 039	188 875	1 488 914

