

Interim report

3rd quarter 2020
Unaudited



Interim report from the Board of Directors

OBOS Boligkreditt AS (“The company”) is registered in Oslo, and it is a wholly owned subsidiary of OBOS-banken. OBOS Boligkreditt started operations in 2016 and is licensed to operate as a mortgage company and to issue covered bonds. The company is OBOS-banken’s most important source of long term market funding and an important part of the bank’s funding strategy. Its assets consist of retail mortgage loans and housing co-operative loans originally underwritten by OBOS-banken. Total lending at third quarter end 2020 amounted to NOK 23 648 million. All loans are at the time of acquisition from the bank within 75 % of the property’s estimated value. Total issued covered bond loans at September 30, 2020 amounted to NOK 20 090 million. Overcollateralization was at 117 %.

Rating

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

Third quarter results

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

The company’s net interest income amounted to NOK 50.4 (29.4) million for the third quarter of 2020, up from NOK 11.9 million in the second quarter. The significant improvement was due to a sharp drop in 3m NIBOR, resulting in a corresponding reduction in financing costs. Total operating expenses amounted to NOK 1.6 (2.1) million. These expenses are mainly related to payments for banking services provided by the parent bank. Profit before loan losses and taxes was NOK 51.0 (27.9) million in the third quarter of 2020. Net loan losses were NOK -0.2 (-0.8) million. Profit after tax was NOK 39.6 million (21.1) in the third quarter of 2020.

No covered bonds matured during the quarter. OBOS Boligkreditt bought back NOK 100 million of ISIN NO 0010806870, which leaves the total remaining outstanding amount before maturity 5 October 2020 at NOK 70 million. OBOS Boligkreditt AS had seven bond loans outstanding at 30 September 2020 with total debt securities issued of NOK 20 090 million face value. This is up from seven bond loans and NOK 17 082 million face value outstanding at 30 September 2019.

Total assets at the end of the third quarter 2020 amounted to NOK 23 823 (19 363) million. Lending to customers amounted to NOK 23 648 (19 220) million. There are no substitute assets forming part of the cover pool. Overcollateralisation, calculated as the value of the cover pool relative to the value of outstanding covered bond loan debt, was 117,3 percent as at 30 September 2020. This is up from 112,0 percent at 30 September 2019. At third quarter end 2020, the mortgages in the cover pool had a weighted average loan-to-value ratio of 33 percent.

OBOS Boligkreditt AS’ liquidity portfolio consisted of Liquidity Coverage Ratio (LCR) eligible assets of NOK 30.5 (30.7) million at 30 September 2020, resulting in a total LCR of 160 (197) percent.

Capital strength

Total equity amounted to NOK 1 733 (1 435) million at September 30, 2020. Total own funds for the purposes of capital adequacy amounted to NOK 1 659 (1374) million. Risk weighted assets amounted to NOK 8 820 (6 973) million, the CET 1 capital ratio was 18.8 (19.7) percent. OBOS Boligkreditt AS uses the standardised approach to calculate capital requirements for credit risk.

Macroeconomic development and outlook for the company

The corona pandemic led to a sharp setback in the Norwegian and international economy. However, the recovery is well underway and has risen faster than expected. Relief in infection-control measures throughout the summer has boosted economic activity, but the consequence for the time being seems to be another surge in the spread of the coronavirus. Infection rates are higher in several places in the country now than they were in the spring.

The market effects in the wake of Covid-19 were very strong in the first half of the year but have diminished somewhat through the spring and summer. Credit spreads in the bond markets have fallen further. Market pricing indicates expectations of very low interest rates for a long time. Norwegian money market interest rates are historically low, and mortgage rates are still declining. Activity in the housing market has picked up markedly, turnover has been high, and house prices have risen more than projected.

Unemployment levels have declined, but are still relatively high by Norwegian standards. The uncertainty about further recovery is still significant, not least in connection with the reintroduction of certain infection control measures. The effects of the pandemic and market uncertainty will therefore continue to characterize future developments.

OBOS Boligkreditt's portfolio has an average loan to value (LTV) ratio at a low 33 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. The parent bank holds significant volumes of loans which qualify for transfer to OBOS Boligkreditt. Should house prices decline and LTV ratios rise, replacement loans will be transferred.

The prospects for OBOS Boligkreditt remain stable. Lending margins have increased considerably. That, combined with good cost control and a low-risk loan portfolio with low loan losses, has resulted in an increased profitability in the third quarter. The level of profitability is expected to remain unchanged in the fourth quarter. The macroeconomic environment is improving. The Board is satisfied with the improvement of the macroeconomic environment and the increased profitability.

Oslo 27.10.2020

The Board of Directors of OBOS Boligkreditt AS

Key Figures

(Figures in MNOK)

	Q3 2020	Q3 2019	1.1 - 30.09 2020	1.1 - 30.09 2019	2019
Profitability					
1) Profit after tax	40	21	73	60	85
2) Net interest in % of average total assets	0,91 %	0,64 %	0,57 %	0,61 %	0,62 %
3) Cost-to-income ratio	3,0 %	7,0 %	5,1 %	6,5 %	6,3 %
4) Return on equity	9,7 %	6,3 %	6,1 %	6,1 %	6,4 %
Balance sheet					
5) Lending to customers	23 648	19 220	23 648	19 220	20 262
6) Loss in % of gross loans	0,00 %	0,00 %	0,00 %	0,00 %	0,01 %
7) Defaults in % of gross loans	0,00 %	0,00 %	0,00 %	0,00 %	0,00 %
8) Total assets	23 823	19 363	23 823	19 363	20 332
9) Average total assets	23 419	19 081	22 077	18 194	19 558
10) Covered bonds issued	20 090	17 082	20 090	17 082	17 020
11) Overcollateralization	117,3 %	112,0 %	117,3 %	112,0 %	118,6 %
Capital and liquidity					
12) CET 1 capital ratio	18,8 %	19,7 %	18,8 %	19,7 %	19,7 %
13) T1 capital ratio	18,8 %	19,7 %	18,8 %	19,7 %	19,7 %
14) Total capital ratio	18,8 %	19,7 %	18,8 %	19,7 %	19,7 %
15) Leverage ratio	7,0 %	7,0 %	7,0 %	7,1 %	7,2 %
16) LCR	159,8 %	197,4 %	159,8 %	197,4 %	472,9 %
Definitions					
2) Net interest income, % of average total assets					
3) Sum operating expenses before losses, in % of net income					
4) Return on equity after tax, % of average equity					
7) Defaulted commitments over 90 days in % of gross loans					
9) Average total assets per month					
10) Covered bonds face value					
11) Cover pool in % of issued of cover bonds					
12) Common Equity Tier 1 Capital ratio					
13) Tier 1 Capital ratio					
14) Total capital ratio					
15) Leverage ratio					
16) Liquidity coverage ratio					

Income statement

(Figures in NOK 1000)

	NOTE	Q3 2020	Q3 2019	1.1 - 30.09 2020	1.1 - 30.09 2019	1.1 - 31.12 2019
Interest income calculated using the effective interest method		96 301	120 314	355 743	339 937	475 008
Interest income from financial instruments measured at fair value		80	159	390	437	613
Interest expenses calculated using the effective interest method		-42 811	-87 864	-252 443	-252 612	-350 746
Interest expenses from financial instruments measured at fair value		-3 172	-3 163	-9 434	-4 779	-7 942
Net interest income	4	50 397	29 446	94 256	82 983	116 933
Commission and banking service expenses		-78	-83	-263	-259	-338
Net commission expenses		-78	-83	-263	-259	-338
Net gain/(loss) on financial instruments	5	2 239	677	4 653	582	238
Net operating income		52 559	30 039	98 645	83 306	116 833
Salaries and other personnel cost		-120	-	-120	-183	-183
Administration cost		-35	-	-197	-158	-316
Other operating expenses		-1 416	-2 101	-4 669	-5 043	-6 816
Total operating expenses		-1 570	-2 101	-4 986	-5 384	-7 314
Profit before loan losses and taxes		50 988	27 938	93 660	77 923	109 519
Net loan losses	10	-167	-831	5	-480	-2 398
Profit before tax		50 821	27 107	93 665	77 442	107 121
Income tax expense		-11 181	-5 964	-20 606	-17 037	-22 484
Profit after tax		39 640	21 142	73 059	60 405	84 637
Attributabel to						
Retained earnings		39 640	21 142	73 059	60 405	84 637
Total		39 640	21 142	73 059	60 405	84 637

Statement of comprehensive income

(Figures in NOK 1000)

	NOTE	Q3 2020	Q3 2019	1.1 - 30.09 2020	1.1 - 30.09 2019	1.1 - 31.12 2019
Profit after tax		39 640	21 142	73 059	60 405	84 637
Losses on loans and guarantees, fair value	10	-188	166	703	153	296
Income tax expense on items that can be reclassified		41	-36	-155	-34	-65
Items that can be reclassified to profit or loss		-146	129	548	119	231
Net change in values from own credit risk		-2 318	-987	341	-3 317	-3 707
Income tax expense on items that will not be reclassified		510	217	-75	730	816
Items that will not be reclassified to profit or loss		-1 808	-770	266	-2 587	-2 891
Comprehensive income for the periode		-1 955	-641	814	-2 468	-2 660
Total comprehensive income after tax		37 686	20 501	73 872	57 937	81 976
Attributable to						
Retained earnings		37 686	20 501	73 872	57 937	81 976
Total		37 686	20 501	73 872	57 937	81 976

Balance sheet

(Figures in NOK 1000)

	NOTE	30.09.2020	30.09.2019	31.12.2019
ASSETS				
Loans to and receivables from credit institutions		76 800	91 622	30 267
Loans to and receivables from customers	6,1	23 647 594	19 219 942	20 261 577
Certificates and bonds	8	30 494	30 735	30 693
Deferred tax asset		1 899	166	1 899
Financial derivatives		56 036	18 503	4 804
Prepaid cost		723	69	9
Receivables		2 541	-	-
Other assets		6 759	2 063	2 681
TOTAL ASSETS		23 822 845	19 363 099	20 331 931
LIABILITIES AND EQUITY				
	NOTE	30.09.2020	30.09.2019	31.12.2019
Loans from credit institutions	6,9	1 899 674	734 177	1 745 367
Debt securities issued	6,8,9	20 167 811	17 176 712	17 103 759
Other liabilities		205	795	224
Deferred tax		20 836	-	-
Tax payable		1 332	16 342	23 468
TOTAL LIABILITIES		22 089 858	17 928 025	18 872 817
Share capital		131 000	121 000	121 000
Share premium		1 369 039	1 179 039	1 179 039
Retained earnings		232 948	135 036	159 075
TOTAL EQUITY		1 732 986	1 435 074	1 459 114
TOTAL LIABILITIES AND EQUITY		23 822 845	19 363 099	20 331 931

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
Result for the period 01.01 - 30.09.2019	-	-	60 405	60 405
Losses on loans and guarantees, fair value	-	-	153	153
Income tax expense on items that can be reclassified	-	-	-34	-34
Net change in values from own credit risk	-	-	-3 317	-3 317
Income tax expense on items that will not be reclassified	-	-	730	730
Total comprehensive income 01.01.2019 - 30.09.2019	-	-	57 937	57 937
Equity as at 30.09.2019	121 000	1 179 039	135 035	1 435 074
Total result 01.10 - 31.12.2019	-	-	26 700	26 700
Group contribution paid	-	-	-	-
Effect of IFRS 9 implementation	-	-	-2 660	-2 660
Equity as at 31.12.2019	121 000	1 179 039	159 075	1 459 114
Issue of share capital	10 000	190 000	-	200 000
Result for the period 01.01 - 30.09.2020	-	-	73 059	73 059
Losses on loans and guarantees, fair value	-	-	703	703
Income tax expense on items that can be reclassified	-	-	-155	-155
Net change in values from own credit risk	-	-	341	341
Income tax expense on items that will not be reclassified	-	-	-75	-75
Total comprehensive income 01.01.2020 - 30.09.2020	-	-	73 872	73 872
Equity as at 30.09.2020	131 000	1 369 039	232 948	1 732 986

Cash flow

(Figures in NOK 1000)

	NOTE	30.09.2020	30.09.2019	31.12.2019
Profit before tax		93 665	77 442	107 121
Interest income calculated using the effective interest method	4	-355 743	-340 375	-475 008
Interest payments from customers and credit institutions		360 325	336 667	472 268
Loans to customers transferred from parent company		-3 389 967	-2 229 493	-3 270 493
Interest from certificates and bonds/bond funds		-48 647	-582	1 921
Other net gain/(loss) on derivatives	5	53 300		-1 556
Payment for other assets		-55 309	-1 746	-7 169
Payment for other debt		33	-34 735	167
Net gain/(loss) on financial instruments	5	-4 653	15 156	-238
Net loan losses		-712	-480	2 106
Paid taxes		-22 135	-23 141	-23 142
Change in accrued interests		-30 192	5 950	13 329
Change in other accruals		-3 107	7 014	-137
Net new lines of credit		154 307	-25 960	985 230
(A) Net cash flow from operating activities		-3 248 835	-2 214 284	-2 195 602
Payments related to acquisition of shares and securities		-	-	-
(B) Net cash flow from investment activities		-	-	-
Issuance of covered bonds	9	5 025 288	4 538 286	4 523 710
Repayment of covered bonds	9	-1 930 000	-2 438 000	-2 500 000
Issue of share capital		200 000	200 000	200 000
(C) Net cash flow from financing activities		3 295 288	2 300 286	2 223 710
(A) + (B) + (C) Net cash flow for the period		46 453	86 002	28 109
Cash and cash equivalents at beginning of period		30 267	2 159	2 159
Cash and cash equivalents at end of period		76 720	88 160	30 267
Net change in cash and cash equivalents		46 453	86 002	28 109
Liquidity reserves specified				
Loans to and receivables from credit institutions 1)		76 720	91 509	30 267
Cash and cash equivalents		76 720	91 509	30 267

1) Hereof 0,6 TNOK in restricted deposits.

Quarterly changes in income statement

(Figures in NOK 1000)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Interest income calculated using the effective interest method	96 301	109 904	149 538	135 072	120 314
Interest income from instruments using fair value	80	130	181	175	159
Interest expenses calculated using the effective interest method	-42 811	-94 990	-114 642	-98 134	-87 864
Interest expenses from instruments using fair value	-3 172	-3 133	-3 129	-3 163	-3 163
Net interest income	50 397	11 911	31 948	33 950	29 446
Commission and banking service expenses	-78	-92	-94	-79	-83
Net Commission expenses	-78	-92	-94	-79	-83
Net gain/(loss) and change in value of fin. instruments	2 239	1 946	468	-345	677
Net operating income	52 559	13 765	32 322	33 527	30 039
Salaries and other personnel cost	-120	-	-	-	-
Administration cost	-35	-134	-29	-158	-
Other operating expenses	-1 416	-1 454	-1 800	-1 773	-2 101
Total operating expenses	-1 570	-1 587	-1 828	-1 931	-2 101
Profit before loan losses and taxes	50 988	12 178	30 494	31 596	27 938
Net loan losses	-167	981	-809	-1 917	-831
Profit before tax	50 821	13 159	29 685	29 679	27 107
Income tax expense	-11 181	-2 895	-6 531	-5 447	-5 964
Profit after tax	39 640	10 264	23 154	24 232	21 144
Attributabel to					
Retained earnings	39 640	10 264	23 154	24 232	21 142
Total	39 640	10 264	23 154	24 232	21 142

Quarterly changes in statement of comprehensive income

(Figures in NOK 1000)

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Profit after tax	39 640	10 264	23 154	24 232	21 142
Losses on loans and guarantees, fair value	-188	83	807	143	166
Income tax expense on items that can be reclassified	41	-18	-178	-32	-36
Items that can be reclassified to profit or loss	-146	65	630	112	129
Net change in values from own credit risk	-2 318	-5 054	7 713	-390	-987
Income tax expense on items that will not be reclassified	510	1 112	-1 697	86	217
Items that will not be reclassified to profit or loss	-1 808	-3 942	6 016	-304	-770
Comprehensive income for the periode	-1 955	-3 877	6 646	-192	-641
Total comprehensive income after tax	37 686	6 387	29 800	24 040	20 501
Attributable to					
Retained earnings	37 686	6 387	29 800	24 040	20 501
Total	37 686	6 387	29 800	24 040	20 501

Quarterly changes in balance sheet

(Figures in NOK 1000)

	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Assets					
Loans to and receivables from credit institutions	76 800	8 779	44 118	30 267	91 622
Loans to and receivables from customers	23 647 594	22 896 481	22 978 147	20 261 577	19 219 942
Certificates and bonds	30 494	30 520	30 604	30 693	30 735
Deferred tax asset	1 899	1 899	1 899	1 899	166
Financial derivatives	56 036	51 592	53 574	4 804	18 503
Prepaid cost	723	25	2	9	69
Receivables	2 541	1 694	847	-	-
Other assets	6 759	24 788	21 077	2 681	2 063
Total Assets	23 822 845	23 015 778	23 130 268	20 331 931	19 363 099
	30.09.2020	30.06.2020	31.03.2020	31.12.2019	30.09.2019
Liabilities and equity					
Loans from credit institutions	1 899 674	1 028 216	1 719 346	1 745 367	734 177
Debt securities issued	20 167 811	20 268 112	19 900 357	17 103 759	17 176 712
Other liabilities	205	1 544	847	224	795
Deferred tax	20 836	10 206	8 405	-	-
Tax payable	1 332	12 400	12 400	23 468	16 342
Total Liabilities	22 089 858	21 320 478	21 641 354	18 872 817	17 928 025
Share capital	131 000	131 000	121 000	121 000	121 000
Share premium	1 369 039	1 369 039	1 179 039	1 179 039	1 179 039
Retained earnings	232 948	195 262	188 875	159 075	135 036
Total Equity	1 732 986	1 695 301	1 488 914	1 459 114	1 435 074
Total Liabilities and Equity	23 822 845	23 015 778	23 130 268	20 331 931	19 363 099

Notes

Note 1 – Introduction

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

Note 2 – Accounting principles

The interim report for OBOS Boligkreditt has been prepared in accordance with IAS 34. The interim comprises the period 01.01.2020-30.09.2020 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)

	Q3 2020	Q3 2019	1.1 - 30.09 2020	1.1 - 30.09 2019	2019
Interest and similar income from loans to credit institutions, amortised cost	-	69	80	112	208
Interest and similar income from loans to customers, amortised cost	96 291	120 239	355 568	339 798	474 765
Other interest and similar income, amortised cost	9	6	95	26	36
Total Interest income calculated using the effective interest method	96 301	120 315	355 743	339 938	475 008
Interest and similar income from certificates and bonds, fair value	80	159	390	437	613
Total Interest income, fair value	80	159	390	437	613
Interest and similar expenses from loans to credit institutions, amortised cost	-2 978	-7 514	-12 890	-21 055	-26 441
Interest and similar expenses of issued securities, amortised cost	-39 130	-80 349	-237 442	-231 557	-322 797
Other interest and similar expenses, amortised cost	-703		-2 110		-1 509
Total Interest expenses calculated using the effective interest method	-42 811	-87 864	-252 443	-252 612	-350 746
Interest and similar expenses of issued securities, fair value	-3 172	-3 163	-9 434	-4 779	-7 942
Total Interest expenses, fair value	-3 172	-3 163	-9 434	-4 779	-7 942
Net interest and credit commission income	50 397	29 448	94 256	82 985	116 933

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

(Figures in NOK 1000)

	Q3 2020	Q3 2019	1.1 - 30.09 2020	1.1 - 30.09 2019	2019
Net gain/(loss) and change in value on certificates and bonds	-14	-52	-143	-105	-158
Net gain/(loss) and change in value on bond funds	0	-	-	0	-
Net interest income on derivatives ¹	2 189	476	3 526	782	992
Other net gain/(loss) and change in value on derivatives	1 263	5 862	53 300	15 156	-1 556
Net gain/(loss) and change in value on fixed rate covered bonds ²	-1 199	-5 610	-52 030	-15 251	960
Net gain/(loss) and change in value of financial instruments	2 239	677	4 653	582	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 0,3 million Norwegian kroner on 30 September 2020.

Note 6 – 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 7 – Capital adequacy

(Figures in NOK 1000)

Net own funds	30.09.2020	30.09.2019	31.12.2019
Share capital	131 000	121 000	121 000
Share premium	1 369 039	1 179 039	1 179 039
Retained earnings	159 075	77 099	159 075
Qualifying equity from this years result	73 872	-	81 976
Total equity	1 659 114	1 377 137	1 459 114
Adjustments in common tier 1 capital	259	-3 366	-3 742
Common equity tier 1 capital	1 659 373	1 373 771	1 455 371
Additional Tier 1 capital		-	
Tier 1 capital	1 659 373	1 373 771	1 455 371
Tier 2 instruments		-	
Own funds	1 659 373	1 373 771	1 455 371
Minimum requirement own funds	30.09.2020	30.09.2019	31.12.2019
Institutions	-	474	831
Corporates	-	-	-
Secured by mortgages on immovable property	659 304	541 474	571 040
Exposures in default	24 353	2 923	3 371
Other items	-	231	192
Credit risk	683 657	545 103	575 433
Operational risk	14 902	9 549	14 902
CVA-risk	7 045	3 150	1 475
Minimum requirement own funds	705 604	557 801	591 810
Risk weighted assets	8 820 049	6 972 519	7 397 625
Capital adequacy ratio			
Common tier 1 capital ratio	18,81 %	19,70 %	19,67 %
Tier 1 capital ratio	18,81 %	19,70 %	19,67 %
Capital adequacy ratio	18,81 %	19,70 %	19,67 %

Note 8 – Assets and liabilities measured at fair value

(Figures in NOK 1000)

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

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

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

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

Certificates, bonds and debt securities

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

Bond funds

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

Financial derivatives

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

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

As at 30.09.2020	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 494	-	30 494
Financial derivatives	-	56 036	-	56 036
Total assets	-	86 530	-	86 530
Liabilities				
Debt securities issued	-	579 228	-	579 228
Total liabilities	-	579 228	-	579 228

As at 30.09.2019	Level 1	Level 2	Level 3	Total
Assets				
Certificates and bonds	-	30 735	-	30 735
Financial derivatives	-	18 503	-	18 503
Total assets	-	49 238	-	49 238
Liabilities				
Debt securities issued	-	543 348	-	543 348
Total liabilities	-	543 348	-	543 348

Note 9 – Debt securities

(Figures in NOK 1000)

	Balance 30.09.2020	New issues 2020	Maturity/ buy backs 2020	Other changes 2020	Balance 31.12.2019
Changes in debt securities					
Debt securities issued nominal value	20 090 000	5 000 000	-1 930 000	-	17 020 000
Net premium / discount on bonds payable	-	-20 825	-2 368	23 193	-
Bond interest receivable / payable	-	3 605	-6 439	2 834	-
Accrued interest	16 475	-	-	-30 192	46 668
Amortisation	6 900	-	-	-27 445	34 344
Fair value adjustment	54 436	-	-	51 689	2 747
Total debt securities	20 167 811	4 982 780	-1 938 807	20 079	17 103 759

Method:

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

Loans issued in NOK as at 30.09.2020

ISIN	Type	Due date	Face value	Book value	Accrued interest	Book value incl. accrued interest	Maturity	interest rate
Bonds at amortised cost								
NO0010806870	FRN	05.10.2020	70 000	70 000	105	70 105	0,0	0,62 %
NO0010775588	FRN	07.10.2021	2 500 000	2 499 396	5 674	2 505 070	1,0	0,95 %
NO0010786494	FRN	15.06.2022	5 000 000	5 017 824	1 933	5 019 758	1,7	0,87 %
NO0010795487	FRN	06.06.2023	4 000 000	4 008 461	2 053	4 010 514	2,7	0,77 %
NO0010841232	FRN	19.06.2024	4 000 000	4 009 363	822	4 010 185	3,7	0,74 %
NO0010872757	FRN	13.06.2025	4 000 000	3 971 856	1 096	3 972 952	4,7	0,58 %
Bonds at fair value								
NO0010851645	¹⁾ Fixed	15.05.2029	520 000	574 436	4 792	579 228	8,6	2,42 %
Total debt securities			20 090 000	20 151 336	16 475	20 167 811	3,0	0,82 %

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 10 – 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	Total
Gross carrying amount 01.01.2020	20 124 542	134 376	6 545	20 265 462
Migration to Stage 1	5 543	-5 543	-	-
Migration to Stage 2	-262 182	262 182	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-356 286	-6 167	-	-362 454
New loans	5 838 573	65 540	-	5 904 113
Disposal of loans	-2 123 026	-22 408	-6 545	-2 151 979
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.09.2020	23 227 165	427 978	-	23 655 143

Movements in provisions and write-downs

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

	Classification at first time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	
	Expected loss over 12 months	Expected loss over the lifetime of the instrument	Expected loss over the lifetime of the instrument	
	Stage 1	Stage 2	Stage 3	Total
ECL 01.01.2020	3 673	2 111	1 770	7 554
Migration to Stage 1	32	-32	-	-
Migration to Stage 2	-181	181	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-386	-33	-	-419
New loans	1 021	496	-	1 517
Disposal of loans	-720	-344	-1 770	-2 834
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	937	793	-	1 731
Other changes	-	-	-	-
ECL 30.09.2020	4 375	3 173	-	7 549
Provisions (%) of gross capitalised values	0,02 %	0,74 %	0	0,03 %
Net change (01.01.2020-30.09.2020)	703	1 062	-1 770	-5

Estimated Stage 1 losses on assets measured at fair value

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

	Stage 1	Stage 2	Stage 3	Total
Opening balance	3 673	-	-	3 673
Net change in expected losses	703	-	-	703
Closing balance	4 376	-	-	4 376

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

Breakdown of loan provisions per. segment and stage

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

Changes in gross carrying amount - Housing co-operatives segment

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

	Classification at first-time capitalisation and fresh loans	Significant increase in credit risk since the time of the first capitalisation	Significant increase in credit risk since the time of the first capitalisation and objective evidence of loss	Total
	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	
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	-874 656	-	-	-874 656
New loans	4 628 680	-	-	4 628 680
Disposal of loans	-	-	-	-
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.09.2020	16 985 402	-	-	16 985 402

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	Total
	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	
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	-61	-	-	-61
New loans	262	-	-	262
Disposal of loans	-	-	-	-
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	84	-	-	84
Other changes	-	-	-	-
ECL 30.09.2020	3 113	-	-	3 113
Provisions (%) of gross capitalised values	0,02 %	0,00 %	0,00 %	0,02 %
Net change (01.01.2020-30.09.2020)	284	-	-	285

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			Total
	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	
Gross carrying amount 01.01.2020	6 893 165	134 376	6 545	7 034 085
Migration to Stage 1	5 543	-5 543	-	-
Migration to Stage 2	-262 182	262 182	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	518 369	-6 167	-	512 202
New loans	1 209 893	65 540	-	1 275 432
Disposal of loans	-2 123 026	-22 408	-6 545	-2 151 979
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	-	-	-	-
Other changes	-	-	-	-
Gross carrying amount 30.09.2020	6 241 763	427 978	-	6 669 741

Movements in provisions and write-downs - Retail segment

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

	Classification at first time capitalisation and fresh loans			Total
	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	
ECL 01.01.2020	845	2 111	1 770	4 726
Migration to Stage 1	32	-32	-	-
Migration to Stage 2	-181	181	-	-
Migration to Stage 3	-	-	-	-
Changes in ECL for loans which have not migrated	-325	-33	-	-358
New loans	759	496	-	1 255
Disposal of loans	-720	-344	-1 770	-2 834
Confirmed losses	-	-	-	-
Included in previously confirmed losses	-	-	-	-
Change in risk model / parameters	854	793	-	1 647
Other changes	-	-	-	-
ECL 30.09.2020	1 263	3 173	-	4 436
Provisions (%) of gross capitalised values	0,02 %	0,74 %	0,00 %	0,07 %
Net change (01.01.2020-30.09.2020)	418	1 062	-1 770	-289

