

# OBOS BBL

Full Rating Report

## LONG-TERM RATING

**BBB-**

## OUTLOOK

**Stable**

## SHORT-TERM RATING

**N3**

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## RATING RATIONALE

Our 'BBB-' long-term issuer rating on Norway-based residential property developer OBOS BBL reflects the company's strong market position as one of the largest residential developers in the Nordic region. OBOS has been a fixture in the Norwegian housing sector for nearly 100 years and has become a major component of the Swedish housing market over the past decade. Our assessment takes account of the benefits of OBOS' diverse range of business, investment and financial activities. It also reflects the company's strong balance sheet, especially given the large excess values in its land bank, equity investments and subsidiaries. We take a positive view of OBOS' ability to generate liquidity and its healthy covenant headroom.

These strengths are partly offset by a weak residential development market, in which demand for new housing has declined significantly due to a sharp rise in interest rates over the past two years. Our assessment is also constrained by OBOS' weak leverage and interest coverage metrics. In our view, the company's structure as a member association results in a limited ability to inject equity, if needed, increasing the importance of its ability to divest its equity investments and land bank to generate liquidity.

## STABLE OUTLOOK

The outlook is stable, reflecting our expectations of a financial risk profile that continues to benefit from a strong balance sheet and the completion of housing projects supporting near-term liquidity and continued investment. It also reflects our expectations that OBOS will reduce its capital spending as a result of a reduction in the amount of completed projects over the next few years, and our view that the company is well-positioned to capitalise when the market recovers.

### POTENTIAL POSITIVE RATING DRIVERS

- Improved credit metrics, with net debt/EBITDA below 4x.
- EBITDA/net interest above 4x over an extended period.
- Increased scale and improved operating margins, combined with a stronger market position in Sweden.

### POTENTIAL NEGATIVE RATING DRIVERS

- Further deterioration or lack of recovery in the residential market.
- Deteriorating credit metrics, with an equity ratio below 55%.
- EBITDA/net interest below 1.5x over an extended period.

Figure 1. Key credit metrics, 2020–2026e

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
Revenues	11,772	11,242	13,976	15,842	18,346	10,090	10,393
EBITDA	2,704	1,661	1,493	1,819	2,490	1,804	2,128
EBITDA margin (%)	23.0	14.8	10.7	11.5	13.6	17.9	20.5
FFO	2,289	1,268	1,155	1,323	1,388	851	1,181
Net debt	13,885	13,571	20,043	25,108	27,255	28,818	29,174
Total assets	67,814	72,666	79,080	87,317	83,455	87,103	90,596
Net debt/EBITDA (x)	5.1	8.2	13.4	13.8	10.9	16.0	13.7
EBITDA/net interest (x)	8.4	5.1	3.2	2.4	2.6	2.0	2.5
FFO/net debt (%)	16.5	9.3	5.8	5.3	5.1	3.0	4.0
FOCF/net debt (%)	14.9	-8.5	-9.5	-13.3	-9.9	-4.4	-0.2
Equity ratio (%)	67.7	66.8	63.0	60.8	65.4	62.8	60.8

Source: company and NCR. e—estimate. FFO—funds from operations. FOCF—free operating cash flow. All metrics adjusted in line with NCR methodology.

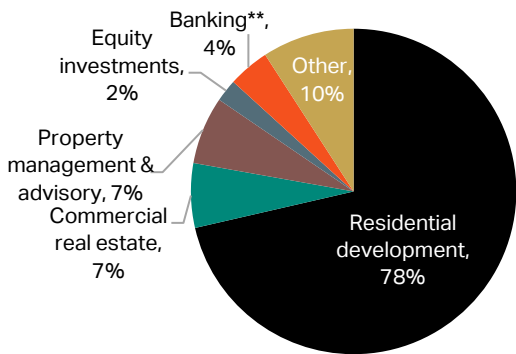
**ISSUER PROFILE**

OBOS is a Norway-based residential property developer, owned by over 600,000 members in Norway and Sweden. The company's primary focus is residential development in Norway and Sweden, but it also provides property management and advisory services for housing cooperatives and owns strategic equity investments. In addition, it is a sizable commercial real-estate manager through subsidiary OBOS Eiendom AS and operates a regulated bank (OBOS-banken AS), with its member homeowners and housing cooperatives constituting the bank's primary customer base. OBOS has been a fixture in the Norwegian housing sector for nearly 100 years and has become a major component of the Swedish housing market over the past decade.

OBOS develops large-scale residential housing and neighbourhood transformation projects in Oslo, Stockholm and other urban centres in Norway and Sweden. It also develops single-family timber-frame homes within commuting distances of these centres via subsidiaries OBOS Block Watne and Solon Eiendom in Norway and OBOS Sverige in Sweden.

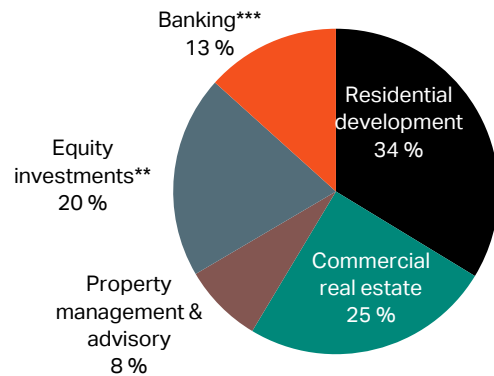
Our rating on OBOS takes account of the entire group and, although our assessment of key credit metrics excludes OBOS-banken, we believe that the bank adds value to the overall group by providing loans and alternative financing options to OBOS members and housing cooperatives.

Figure 2. Revenues\* by business area, 2018–2023



Source: company. \*Excluding eliminations. \*\*Including real estate agency.

Figure 3. Pre-tax profit\* by business area, 2018–2023



Source: company. \*Excluding other, eliminations and IFRS adjustments. \*\*Excluding NOK 2.1bn profit from sale of JM in 2021. \*\*\*Including real estate agency.

**BUSINESS RISK ASSESSMENT**

Business risk assessment 'bbb-'

Our business risk assessment reflects OBOS' long-term presence in the Norwegian housing and commercial property markets and its growing influence in the Swedish housing market. It also takes into account the company's range of business, investment and financial activities and its relative position as a leading residential developer in the Nordic region. We view real-estate development as a cyclical business, which weighs on our overall business assessment, as does the company's modest earnings profile.

**Residential market remains challenging, but recovery in sight**

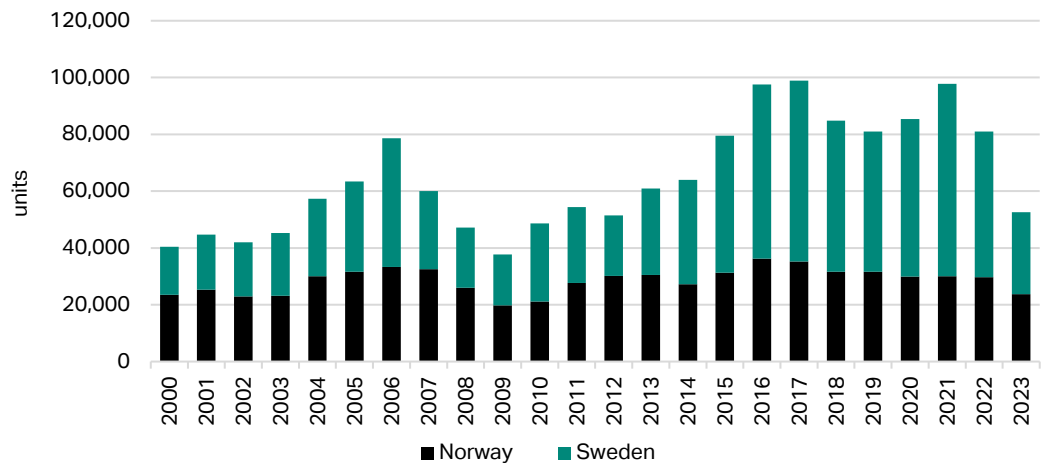
Operating environment 'bb-'

OBOS' revenues are dominated by income from its residential development business, which has accounted for 78% of revenues over the past six years. Due to relatively low operating margins, this division accounted for only 39% of pre-tax profit over the same period. Our assessment of the operating environment factors in the cyclicity of residential development, together with the earnings stability provided by the less cyclical commercial real estate business and property management & advisory division.

The residential development sector has been weakening in tandem with the recent rise in interest rates. Demand for new housing has declined due to uncertainty about housing prices and interest rate levels upon project completion. This has resulted in a reduction in housing sales and construction starts across the Nordic region (see figures 4, 7 and 8). Positively, we expect that a likely decline in interest rates will increase demand with a positive impact on housing prices. As of 31. Mar. 2024, prices for new builds in Norway were up 2.1% year on year. Building costs have remained relatively high in

Norway and Sweden, but cost increases have been subdued over the past 12 months (see figure 5 and 6).

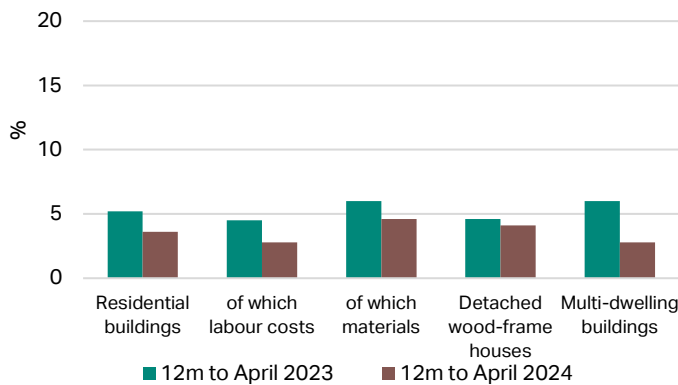
Figure 4. Housing construction starts in Norway and Sweden 2000-2023



Source: Statistics Norway, Statistics Sweden.

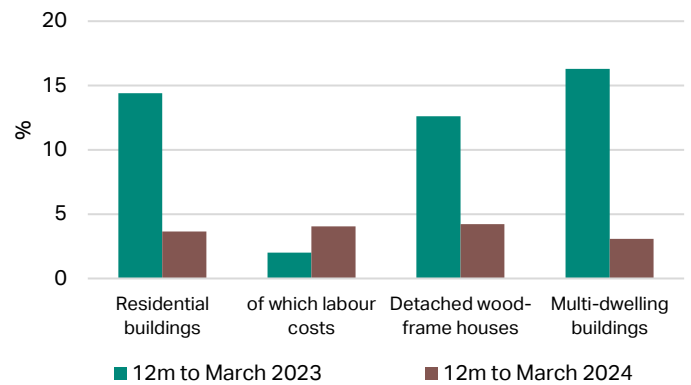
Development times are around two years and OBOS has historically built a high proportion of pre-sold apartments and houses. Capital investment in new housing has declined materially. OBOS has significantly lower capital spending plans in comparison with recent years and is taking a cautious approach to new production projects. We note that the company has launched development projects with lower levels of pre-sold apartments to maintain its future offerings to members. We believe demand for new housing will increase in 2025 as we expect interest rates to decrease. We also believe that the residential market will slowly recover in the next few years but not to historical levels. Completions are likely to be significantly lower in 2025 and 2026, with a negative impact on revenues and results.

Figure 5. One-year increase in construction costs for residential development in Norway, April 2023/2024



Source: Statistics Norway.

Figure 6. One-year increase in construction costs for residential development in Sweden, March 2023/2024



Source: Statistics Sweden.

Despite a relatively modest revenue contribution, subsidiary OBOS Eiendom has contributed 31% of pre-tax profit and about 25% of EBITDA over the past five years. OBOS Eiendom's pre-tax profit was negative in 2023, mainly due to adjustments in the value of investment properties and financial instruments, but we expect it to recover in 2024 due to positive market conditions. Commercial real estate is less cyclical than residential development and we regard it as making a positive contribution in our business risk assessment. We take a favourable view of the property portfolio's focus on Oslo, where market conditions are strong.

In addition to OBOS' value-creating divisions, the company has substantial equity investments, primarily in building companies Veidekke, AF Gruppen, and NCC. We assess the operating environment for these companies as similar to that in which OBOS' carries out residential

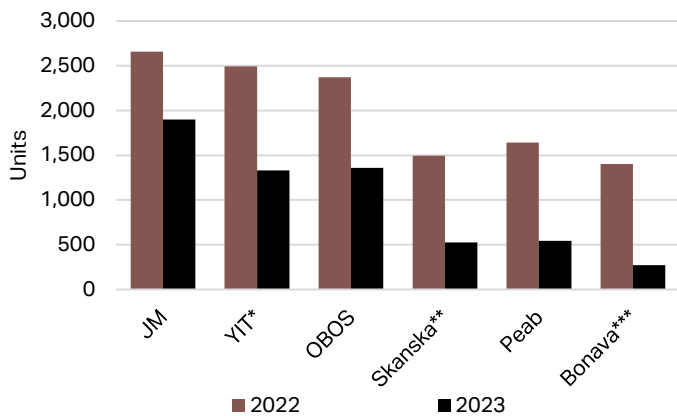
development. As of 31 Mar. 2024, the book value of these investments was NOK 2.6bn, while their combined market value was estimated to exceed book value by NOK 3.8bn. We include these excess values in our calculations of value-adjusted equity and our assessment of financial risk.

**Norwegian residential property leader**

Market position 'a-'

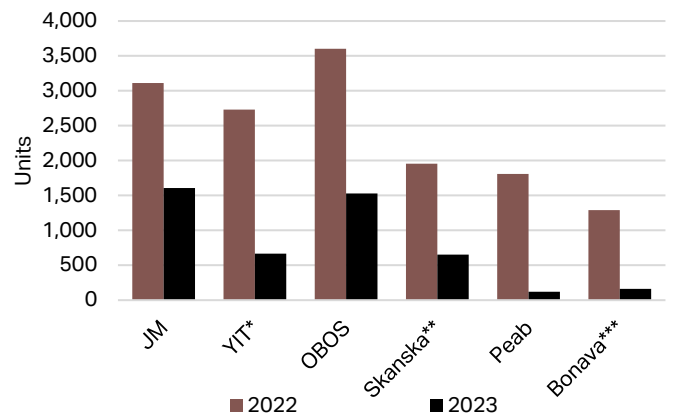
OBOS' long history and well-established position in the Norwegian residential housing market is a notable strength. With over 600,000 members, the company plays an important role in Norway and is increasing its market recognition in Sweden, where it launched a membership programme in 2020. Membership benefits include the right of first refusal on OBOS homes for sale. They also encourage long-term loyalty among members seeking to maintain their position in the membership structure.

Figure 7. Units sold by Nordic residential developers, 2022-2023



Source: companies. \*Finland only. \*\*Includes Nordic projects only. \*\*\*Sweden and Finland.

Figure 8. Units started by Nordic residential developers, 2022-2023



Source: companies. \*Finland only. \*\*Includes Nordic projects only. \*\*\*Sweden and Finland.

OBOS is a market leader in the Nordic countries and aims to be among the top three regional developers in terms of units sold. We expect the company's investments in the next few years to help it maintain this position. OBOS uses turnkey contracts with major partners, effectively reducing project risk. Three of its primary building partners, Veidekke, AF Gruppen and NCC, also represent OBOS' largest equity investments. OBOS is the largest shareholder in Veidekke and NCC, which we believe supports close future cooperation.

As of 31 Mar. 2024, OBOS had 4,317 units under construction in Sweden and Norway, making it the second-largest homebuilder in the Nordic region. The company maintains a substantial land bank, in which it makes significant investments. As of 31 Mar. 2024, the land bank had capacity for 29,500 new homes in Norway and 13,500 in Sweden, creating a competitive advantage. These properties are included on the balance sheet at historical acquisition costs and carried unrealised gains of about NOK 9.2bn as of 31 Mar. 2024 (including a 5% valuation deduction) which we take into consideration when calculating value-adjusted equity. About half of the unrealised values are associated with a large, long-term development project in Fornebu near Oslo.

Subsidiary OBOS Eiendom has a long history as a commercial real-estate manager in Norway, with a focus on shopping centres, offices, and other commercial buildings. Properties are typically located close to OBOS' residential development projects, with almost all rental income coming from the Oslo area. As of 31 Mar. 2024, OBOS Eiendom's portfolio was valued at NOK 17.3bn, making the company a relatively small property manager in a Nordic context. However, in our view, OBOS Eiendom's market position is supported by its close ties with the wider OBOS group.

Although OBOS-banken is a minor contributor to revenue and EBITDA, we believe that its offering supports OBOS' overall market position and the parent company's objectives to provide its members with affordable housing, while also cementing customer relationships. With nearly NOK 60bn in net lending, the bank is among the top 20 lenders in Norway.

**Mix of offerings, brands and equity investments adds to diversity**

OBOS is active throughout the entire residential and commercial property value chain, generating revenues from development, management, financing and real-estate agencies. Revenues are

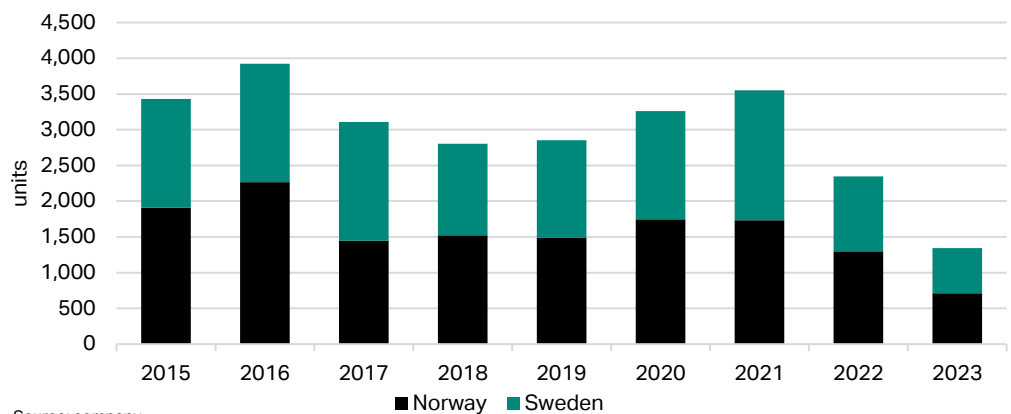
Size and diversification 'a-'

dominated by residential property sales, although pre-tax profits demonstrate OBOS Eiendom's relatively strong earnings profile and returns from equity investments.

Within residential development, OBOS has divisions focused on urban development and the construction of timber-frame terraced houses and single-family homes. Within the urban development division, OBOS focuses on large, often decades-long, urban transformation projects in Oslo, Stockholm and other metropolitan centres. In Norway, most new production is built by OBOS Nye Hjem and OBOS Fornebu in the form of apartments that are part of larger neighbourhood developments in the greater Oslo area.

In Sweden, most homes are wood-frame, single-family modular homes built by OBOS Sverige under the Myresjöhus and SmålandsVillan brands. The company also sells apartments and terraced houses via housing cooperatives (bostadsrättsföreningar) in Sweden. Demand for single-family homes in Sweden has been particularly reduced by higher costs of living and uncertainty about the direction of interest rates. In addition, the lead times for single-family homes are much shorter than for large urban projects.

Figure 9. Homes sold by country, 2015–2023



OBOS' equity investments and joint ventures have made a material contribution to profits in recent years. Dividends added around NOK 580m to cash flow in 2023, while the divestment of OBOS' shares in residential developer JM resulted in a NOK 2.1bn one-off profit and a NOK 4.6bn cash flow impact in 2021. OBOS has also made significant unrealised gains from its positions in Veidekke, AF Gruppen and NCC, in which the company increased its stake to 8.4% (26.2% voting rights) in Dec. 2023. OBOS has had a 75% stake in Solon Eiendom Holding AS (100% owner of Solon Eiendom AS) since 2022 and the stake was fully included into the figures for the residential development division in 2023. Sweden-based property manager Samhällsbyggnadsbolaget i Norden AB (publ) owns the remaining 25% of Solon Eiendom Holding AS.

**Construction starts dependent on demand; ability to pass on cost increases limited**

The revenue and profit from OBOS' residential development business are closely linked to demand for new housing. The company expects to complete 3,200 units in 2024 and 1,655 units in 2025. We believe that the number of units sold could be higher than completions over the next few years, as demand gradually increases, thereby reducing inventory and the stock of unsold apartments. We believe OBOS will prioritise selected projects in 2024 and that construction starts will increase moderately as demand for residential properties gradually improves. Over time, a fall in the number of starts is likely to result in higher demand, but the profitability of new projects and the level of interest in pre-sales is not clear.

OBOS mitigates some risk in ongoing projects by the frequent use of fixed turnkey contracts, resulting in the bulk of construction risk being borne by the builder. Risk is further mitigated by the company's longstanding relationships with the Nordic region's largest construction companies. Nonetheless, reduced demand and high building costs in recent years have delayed construction starts across the sector.

Operating efficiency 'bb'

OBOS' operating margins have historically been broadly in line with those of its peers. Margins, however, vary widely between the company's different divisions. We expect company-wide margins to increase in 2025-2026 as revenues from residential development decrease. This reflects a change in business mix, given that average EBITDA margins are 60-70% in commercial real estate compared with a recent average of 15% for residential development.

Figure 10. Revenues, gross profit, EBITDA, and margins (excl. OBOS-banken), 2020–2026e

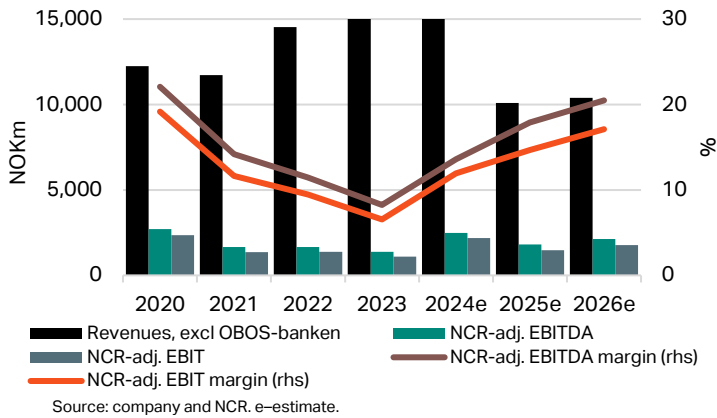
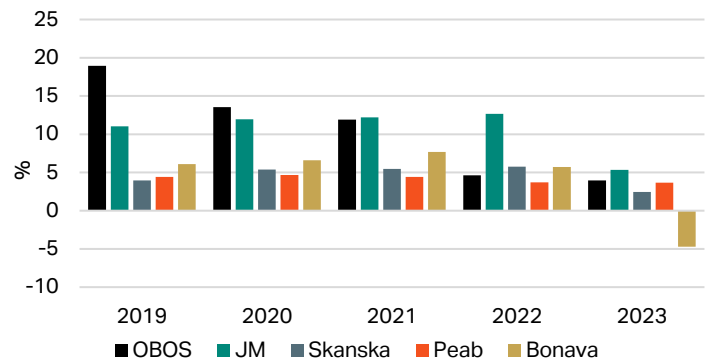


Figure 11. Peer EBIT margins\*, 2019–2023



**FINANCIAL RISK ASSESSMENT**

Financial risk assessment 'bbb-'

Our financial risk assessment takes into account OBOS' key credit metrics, excluding OBOS-banken. The assessment also factors in the substantial excess values in OBOS' equity investments, land bank and subsidiaries. Given the nature of the company, we include the equity ratio in our financial ratio assessment. We view OBOS' financial risk appetite as commensurate with our ratio analysis.

**High financial gearing mitigated by strong balance sheet and unrealised gains**

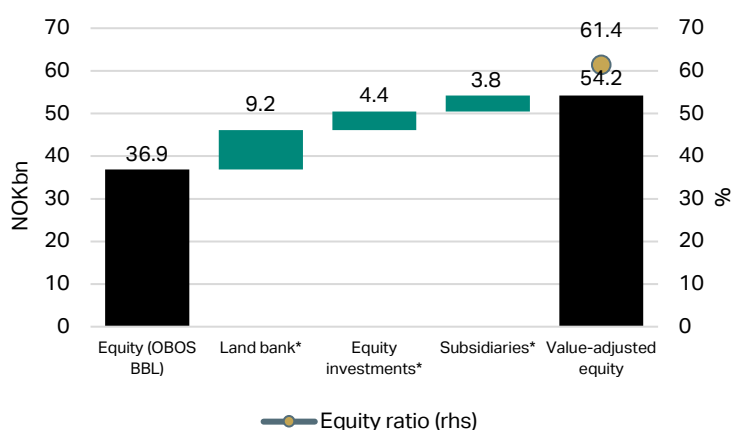
Ratio analysis 'bbb-'

We expect net debt/EBITDA to fall in 2024 from elevated levels at end-2023. However, financial leverage is likely to increase over the two next years due to lower EBITDA and a rise in debt to fund capital spending. OBOS remains highly leveraged in comparison with its property developer peers, even excluding OBOS-banken, but maintains NOK 17.1bn in investment properties in OBOS Eiendom and a strong balance sheet, including NOK 17.3bn in unrealised market value. The company's net interest coverage has fallen due to higher interest rates and increased debt. Although the effect of the decline has been mitigated by interest-rate hedging, we forecast interest coverage of 2x-2.6x through our forecast period.

We view OBOS' strong balance sheet and substantial unrealised gains in its land bank, equity investments and subsidiaries as substantial mitigators of financial risk. This has been evidenced in recent years by the company's divestment of its shares in JM in 2021, the sale of land for use in partnerships with other Nordic developers, and full or partial divestments of commercial properties held by OBOS Eiendom, turning unrealised gains into cash flows. The sale of JM in particular allowed the company to provide internal financing for residential development and commercial real estate projects, resulting in strong cash flows for internally funded projects completed in 2023 and early 2024.

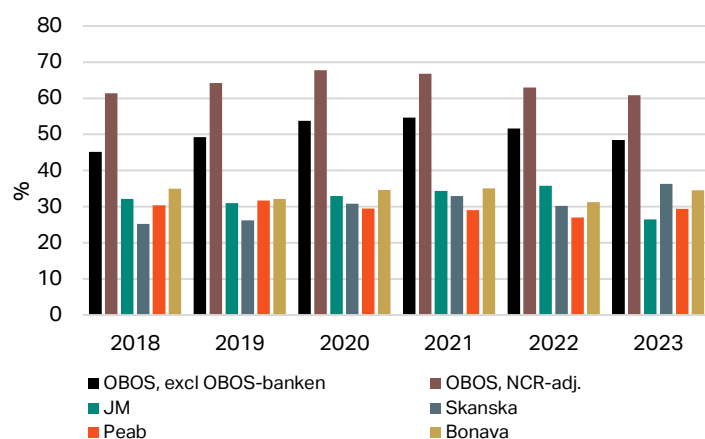
OBOS' unadjusted equity ratio is strong in the context of its developer peer group and we reflect these excess market values in our adjusted equity ratio, which we regard as a key credit metric in our assessment. We note that the company has added a 60% adjusted equity ratio to its financial policy. We expect these excess values to be more volatile than OBOS' balance sheet items, particularly the equity investments, and therefore expect the company to maintain adequate headroom. In our view, the company's strong balance sheet provides good opportunities to reduce investments to weather economic downturns. We therefore view financial risk as moderate, despite other metrics being weak.

Figure 12. Value-adjusted equity and equity ratio (excl. OBOS-banken), 31 Mar. 2024



Source: company. \*Excess market value.

Figure 13. Peer equity ratios, 2018–2023



Source: companies.

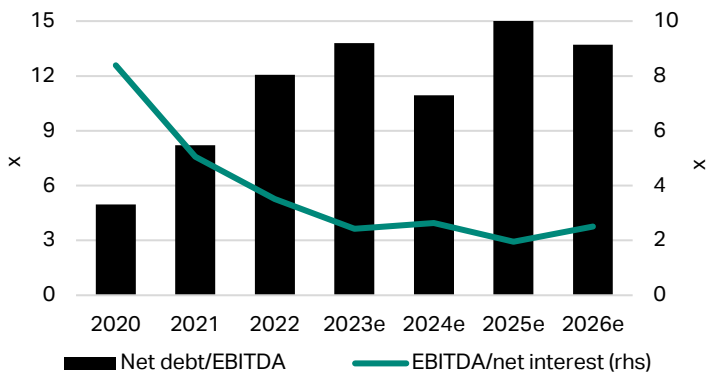
Figure 14. Key base-case forecast assumptions and credit metrics, 2024e–2026e

NOKm	2024e	2025e	2026e
Revenue growth (%)	15.8	-45.0	3.0
EBITDA margin (%)	13.6	17.9	20.5
Capital spending	3,939	1,896	1,250
Other investments	1,220	1,220	1,220
Net debt/EBITDA (x)	10.9	16.0	13.7
EBITDA/net interest (x)	2.6	2.0	2.5
FFO/net debt (%)	5.1	3.0	4.0
FOCF/net debt (%)	-9.9	-4.4	-0.2
Equity ratio (%)	65.4	62.8	60.8

Source: company and NCR. e–estimate. All metrics adjusted in line with NCR methodology.

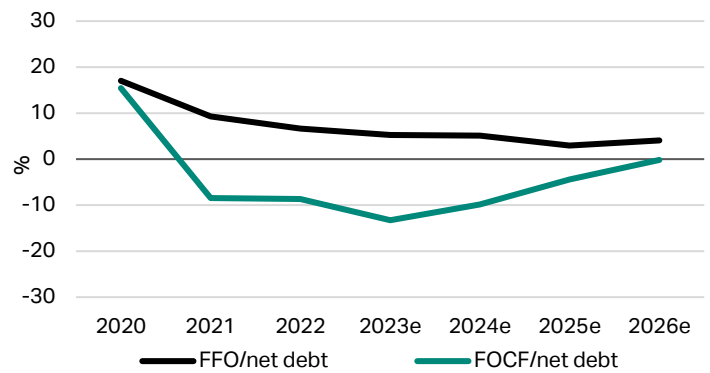
Our calculations of key credit metrics exclude OBOS-banken, which would otherwise distort the metrics in a way which, in our view, would not accurately reflect OBOS' financial risk profile. However, we include dividend payments from the bank to the parent to reflect the cash flow impact. We adjust EBITDA for the company's annual 'OBOS gir tilbake' donation to charity. In practice, the decision to allocate these funds is discretionary and decided at board level as if it were a dividend payment, despite being reported as an operating cost in the company's financial statements. Our adjustment for capitalised interest amounts reflects interest on loans from other OBOS companies. Although these interest amounts are capitalised by the company, we include them in net interest because we expect that they will eventually result in cash outflows. We also include all projected interest payments in our forecast, although the company capitalises a proportion of its construction loans.

Figure 15. Net debt/EBITDA and EBITDA/net interest (excl. OBOS-banken), 2020–2026e



Source: company and NCR. e-estimate.

Figure 16. FFO/net debt and FOCF/net debt (excl. OBOS-banken), 2020–2026e



Source: company and NCR. e-estimate.

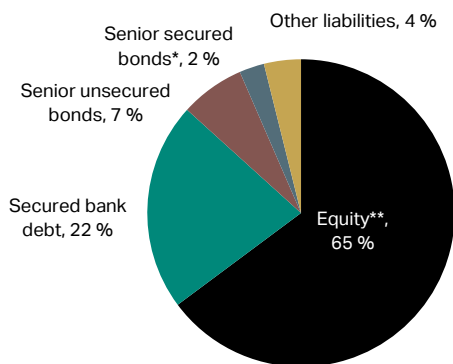
**Retention of cash flows a strength, lack of equity injection procedures a constraint**

Risk appetite 'bbb-'

Excluding OBOS-banken, which is self-financed, OBOS is funded through a mix of equity, secured bank loans for property and construction projects, and secured and unsecured bonds. In addition to profit from previous years, NOK 136m of the company's equity is made up of capital contributed by members, which is not refundable. Because OBOS is a member association, it has no set procedures for injecting equity, if needed, and therefore has no real ability to obtain equity injections to restore financial ratios if they fell below target. This risk is mitigated by a robust liquidity position based on OBOS' financial policy which stipulates that available liquidity at all times must be enough to cover all outstanding market loans issued by the company maturing within the next 12 months.

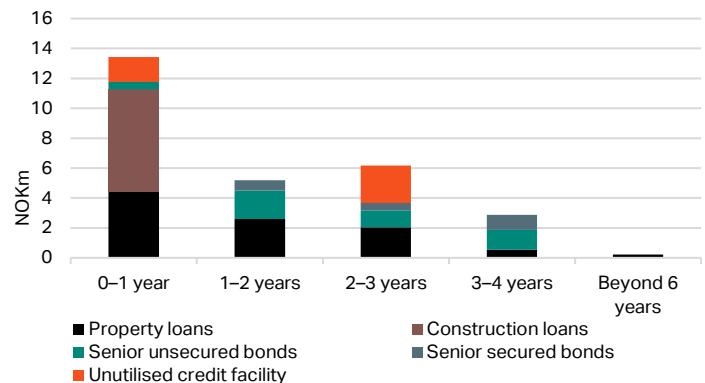
We view OBOS' debt maturity profile as relatively balanced, despite large maturities over the next few years. As of 31 Mar. 2024, the company's average debt maturity was under two years. The average maturity is explained by the fact that 28% of the company's bank loans are construction loans associated with ongoing development projects. We view the maturity risk of these loans as lower than that of other maturities, due to their close association with specific project properties and plans to repay upon project completion.

Figure 17. Funding profile (excl. OBOS-banken), 31 Mar. 2024



Source: company. \*Bonds issued by OBOS Eiendom and OBOS Nye Hjem. \*\*Equity adjusted for excess values in land bank, equity investments and subsidiaries.

Figure 18. Debt maturity profile (excl. OBOS-banken), 31 Mar. 2024



Source: company.

OBOS pays no dividends to its members. However, it donates up to 10% of after-tax profit to charity each year. In 2023, the amount donated was NOK 167m. Because of this low dividend-like payment, most cash flows generated stay within the group, which we view positively in our assessment of financial risk.

OBOS' interest-bearing debt is governed by financial policy targets as well as a group-wide financial covenant, which stipulates that the loan-to-value ratio must be maintained below 50% (see Figure 19). The company's interest coverage ratio had fallen below target as of 31 Mar. 2024 but is likely to exceed



its 3x target (excluding capitalised interest on projects) by end-2024. All covenants and targets are calculated excluding OBOS-banken. In addition, company policy stipulates a return on capital employed in excess of 5%. In our view, OBOS' financial targets are adequate, given the company's structure, and covenant headroom is sufficient.

**Figure 19. Financial covenants, policies and reported metrics**

Metric	Common covenants	Financial policy/targets	Reported 31 Mar. 2024
Loan-to-value ratio	<50%	<40%	33.1%*
Interest coverage ratio	-	>3x	2.4x
Value-adjusted equity ratio	-	>60%	61.4%
Average fixed-interest period**	-	1.5–4 years	3.3 years

Source: company. \*Interest-bearing debt divided by total value, excluding OBOS-banken. \*\*Excluding construction loans.

## ADJUSTMENT FACTORS

Adjustment factors are assessed as neutral and have no effect on the rating.

### Liquidity

Our 12-month liquidity analysis is based on a stressed scenario in which the company cannot access the capital markets or extend bank loans, and therefore has to rely on internal or committed external funding sources to cover its liquidity needs. We typically expect a company with an investment grade rating ('BBB-' or above) to cover its liquidity needs, with limited need for external funding over the coming 12 months.

We assess OBOS' liquidity position as adequate. The company has net sources/uses of 1x for the 12 months to 31 Mar. 2025. In addition, OBOS has short-term credit facilities with NOK 1.26bn undrawn as of 31 Mar. 2024. These facilities are not included in our liquidity assessment. In our view, the company's liquidity profile is supported by its strong banking relationships. Near-term debt maturities related to ongoing development projects are not included in our assessment as we expect the debt to be refinanced or to be repaid upon completion. We include NOK 1.8bn in cash flows associated with expected completions over the 12-month period.

**Figure 20. Liquidity analysis (stressed scenario) 31 Mar. 2024–31 Mar. 2025**

Liquidity, next 12 months	Amount NOKm
Cash and cash equivalents (100%)	2,035
Other cash	272
Adjusted FFO (75%)	941
Unutilised credit facilities	2,500
Cash flow adj. for sales expenses	1,824
<b>Total sources</b>	<b>7,571</b>
Repayment of borrowings	-3,626
Committed capital spending	-3,939
<b>Total uses</b>	<b>-7,565</b>
<b>Sources/uses (x)</b>	<b>1.00</b>
<b>Sources-uses (NOKm)</b>	<b>6</b>

Source: company and NCR.

Adjustment factors  
neutral

Liquidity adequate

ESG factors adequate

### Environmental, social and governance factors

OBOS' environmental, social, and governance (ESG) risks and opportunities are incorporated into our assessment of the company's overall business and financial risk. The company's social focus is embedded in its business model. In our view, the overall target of providing housing to members, along with annual charitable donations of up to 10% of after-tax profit, strengthens the company's ESG profile.

OBOS' increasing social initiatives include efforts to reduce the cost of buying a home. The company offers shared ownership that allows buyers to acquire only 50–90% of a home, with OBOS owning the remainder (the OBOS "Deleie" scheme, available in both Norway and Sweden). It also gives buyers the option of reducing the market price by 10–15%, with OBOS retaining the right to reacquire the home when it is resold (the OBOS "Bostart" scheme, available in Norway). We believe the company's social initiatives, including these financing schemes, support its market position by adding value to the member offering. OBOS collaborates in research initiatives to create sustainable neighbourhoods and cities. The company's main environmental targets focus on new construction, carbon emissions, certification, and waste management.

The main ESG issues that could affect our overall assessment are factors that could contribute to increased costs, loss of revenues, higher capital spending or a deterioration in financing opportunities.

**Figure 21. ESG considerations**

Issue	Risk	Mitigating efforts	Result
CO <sub>2</sub> emissions	Increased costs due to regulatory and/or taxation changes.	Drive to increase energy efficiency and reduce CO <sub>2</sub> emissions.	Targets reducing CO <sub>2</sub> emissions from projects (80%-90% of emissions) by 45% by 2026, 55% by 2030 and 95% by 2050. Increasing proportion of fossil-free construction projects.
Impact of climate change on operations	Loss of revenues or increased capital spending.	Evaluation of impact on properties (in OBOS Eiendom).	Reporting according to Task Force on Climate Related Financial Disclosure. Results for 2023 show financial impact between NOK 10m-213m in Norwegian operations. Company reports increasing EU Taxonomy alignment in its subsidiaries.
Choice of materials, efficiency and waste management	Increased costs, as well as impact on ability to certify properties or finance projects with sustainable financing.	Projects have targets of 80–90% recycled material, and waste generation of maximum 25kg/sqm.	Close to half of units built are constructed from wood. Requirements for new projects to be certified by BREEAM (Norway) and Svanenmärkt (Sweden).
Corruption	Increased costs, possibly material.	Procedures and policies in place to avoid corruption issues, internally and in managed projects.	Zero tolerance of corruption. No reported cases in 2023.
Increased environmental focus on financial markets	Adverse effect on financing opportunities or higher financing costs due to slow transition to lower carbon dependence.	Established green bond framework. OBOS-banken provides green mortgages. Targets class 'A' energy efficiency at all new properties. Started assessment of biodiversity impact in 2021 in anticipation of future investor demand.	Green bond frameworks for OBOS and OBOS-banken rated "light green" by S&P Global.

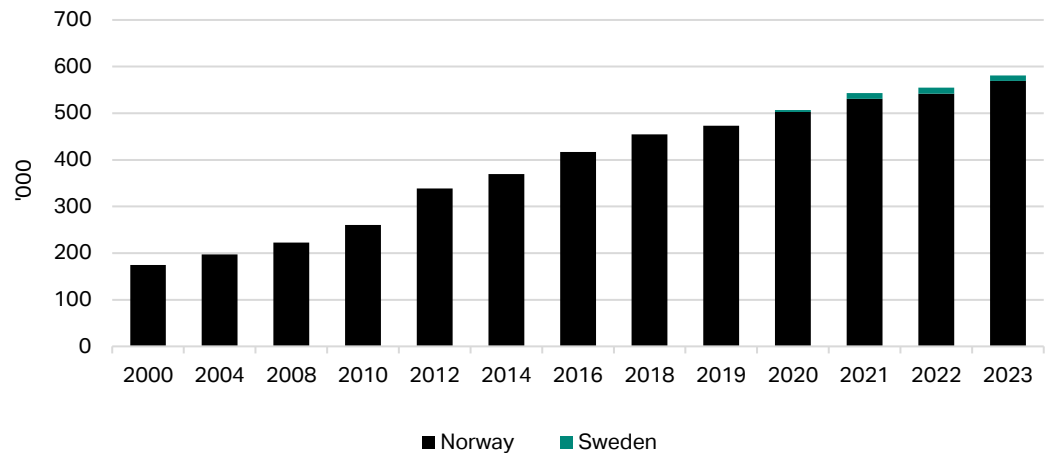
Source: company. See [ESG factors in corporate ratings](#).

Ownership neutral

## OWNERSHIP ANALYSIS

OBOS is owned by its more than 600,000 members. As a member association, the company has no set procedures for injecting equity, if needed. Although we believe that OBOS' members value the company's efforts to provide them with affordable housing, as indicated by the strong growth in membership over the past two decades, we would not expect members to be financially committed to OBOS in an event of financial distress. We assess OBOS' ownership profile as neutral, but factor in our view of the corporate structure in our assessment of financial risk appetite.

Figure 22. Number of members in Norway and Sweden, 2000–2023



Source: company.

## ISSUE RATINGS

As of 31 Mar. 2024, OBOS' gross secured debt to NCR-adjusted assets (excluding OBOS-banken) was some 24%. Most of the company's interest-bearing debt is secured by mortgage certificates on encumbered properties. We do not expect gross secured loan to value to exceed 40% during our forecast period. Consequently, we rate OBOS' senior unsecured bonds in line with the long-term issuer rating.

## SHORT-TERM RATING

The 'N3' short-term rating reflects OBOS' liquidity profile relative to the 'BBB-' long-term issuer rating. According to our liquidity analysis, the company's committed sources to uses stands at 1x, which we see as indicative of an adequate liquidity profile for the long-term issuer rating.

## METHODOLOGIES USED

- (i) [Corporate Rating Methodology](#), 8 May 2023.
- (ii) [Rating Principles](#), 14 Feb. 2024.
- (iii) [Group and Government Support Rating Methodology](#), 14 Feb. 2024.

**Figure 23. NCR's adjustments to credit metrics, 2020–2026e**

NOKm	2020	2021	2022	2023	2024e	2025e	2026e
EBITDA	2,444	4,177	1,831	1,925	1,633	1,009	1,299
Divestment of JVs	-27	-2,136	-286	-6			
Share of profits in JVs	-1,044	-1,076	-779	-541			
Dividends received from JVs	1,506	807	848	581	581	581	581
Annual donation to charity	125	167	230	169	77	14	48
OBOS-banken dividends			170	200	200	200	200
OBOS-banken EBITDA	-301	-279	-352	-509			
<b>NCR-adj. EBITDA</b>	<b>2,704</b>	<b>1,661</b>	<b>1,693</b>	<b>1,819</b>	<b>2,490</b>	<b>1,804</b>	<b>2,128</b>
Net interest	-295	-268	-396	-623	-818	-796	-721
Dividends reported as interest inc.	-9	-20	-5	-1			
Capitalised interest	-18	-41	-72	-128	-128	-128	-128
<b>NCR-adj. net interest</b>	<b>-322</b>	<b>-329</b>	<b>-474</b>	<b>-752</b>	<b>-946</b>	<b>-924</b>	<b>-849</b>
<b>NCR-adj. EBITDA</b>	<b>2,704</b>	<b>1,661</b>	<b>1,493</b>	<b>1,819</b>	<b>2,490</b>	<b>1,804</b>	<b>2,128</b>
<b>NCR-adj. net interest</b>	<b>-322</b>	<b>-329</b>	<b>-474</b>	<b>-752</b>	<b>-946</b>	<b>-924</b>	<b>-849</b>
Current taxes	-163	-118	49	143	-156	-29	-99
Other FFO adjustments	72	54	87	113	0	0	0
<b>NCR-adj. FFO</b>	<b>2,289</b>	<b>1,268</b>	<b>1,155</b>	<b>1,323</b>	<b>1,388</b>	<b>851</b>	<b>1,181</b>
<b>NCR-adj. FFO</b>	<b>2,289</b>	<b>1,268</b>	<b>1,155</b>	<b>1,323</b>	<b>1,388</b>	<b>851</b>	<b>1,181</b>
Changes in working capital	820	-1,698	-2,116	-3,128	-139	-223	8
Capital spending on tangible assets	-1,034	-722	-951	-1,529	-3,939	-1,896	-1,250
<b>NCR-adj. FOCF</b>	<b>2,075</b>	<b>-1,152</b>	<b>-1,913</b>	<b>-3,334</b>	<b>-2,690</b>	<b>-1,268</b>	<b>-61</b>
Cash and cash equivalents	1,970	933	1,913	1,399	1,771	1,708	2,851
Adjustment for liquid assets	883	3,217	560	105	105	105	105
Other cash adjustments	433	417	422	985	492	492	492
<b>NCR-adj. cash and equivalents</b>	<b>3,286</b>	<b>4,567</b>	<b>2,895</b>	<b>2,489</b>	<b>2,368</b>	<b>2,305</b>	<b>3,449</b>
Gross interest-bearing debt	62,680	66,925	74,202	87,041	89,541	91,041	92,541
Leasing liabilities	383	324	338	343	343	343	343
Retirement benefit obligations	102	110	99	113	114	114	114
Liabilities related to assets held for sale	176	119	0				
OBOS-banken interest-bearing debt	-46,613	-49,291	-51,701	-59,900	-60,375	-60,375	-60,375
<b>NCR-adj. cash and equivalents</b>	<b>-3,286</b>	<b>-4,567</b>	<b>-2,895</b>	<b>-2,489</b>	<b>-2,368</b>	<b>-2,305</b>	<b>-3,449</b>
<b>NCR-adj. net debt</b>	<b>13,443</b>	<b>13,619</b>	<b>20,043</b>	<b>25,108</b>	<b>27,255</b>	<b>28,818</b>	<b>29,174</b>
Total equity	29,112	33,178	35,580	36,652	37,260	37,373	37,758
Excess value	20,513	19,485	18,588	16,461	17,330	17,330	17,330
<b>NCR-adj. equity</b>	<b>49,625</b>	<b>52,662</b>	<b>54,168</b>	<b>53,113</b>	<b>54,590</b>	<b>54,703</b>	<b>55,088</b>
Total assets	97,915	106,749	116,944	131,398	129,687	131,938	135,167
Excess value	20,513	19,485	18,588	16,461	17,330	17,330	17,330
OBOS-banken total assets	-50,614	-53,568	-56,453	-65,058	-68,146	-67,505	-67,504
OBOS-banken total equity	3,707	4,129	4,363	4,516	4,585	5,341	5,604
<b>NCR-adj. total assets</b>	<b>71,521</b>	<b>76,794</b>	<b>83,441</b>	<b>87,318</b>	<b>83,455</b>	<b>87,103</b>	<b>90,596</b>

Source: company and NCR. e=estimate. JVs=joint ventures.

**Figure 24. Key financial data, 2020–2023**

NOKm	2020	2021	2022	2023
<b>INCOME STATEMENT</b>				
Total revenue	12,246	11,715	14,540	16,678
Gross profit	1,373	966	767	-15,294
EBITDA	2,444	4,177	1,831	541
EBIT	2,088	3,882	1,544	1,925
Net financial items	497	-151	-159	-283
Pre-tax profit	3,224	4,454	1,581	-444
<b>Net profit</b>	<b>3,021</b>	<b>4,268</b>	<b>1,629</b>	<b>843</b>
<b>BALANCE SHEET</b>				
Goodwill	1,125	1,127	1,304	1,294
Intangible assets other than goodwill	2,113	2,393	2,290	2,439
Interests in joint ventures	5,793	5,145	4,732	5,660.0
Investment property	12,943	14,207	16,100	17,198
Investment property under construction or development	19,996	22,206	30,680	33,711
Other non-current assets	51,059	56,418	56,362	64,290
<b>Non-current assets</b>	<b>93,029</b>	<b>101,496</b>	<b>111,468</b>	<b>124,592</b>
Cash and cash equivalents	1,970	933	1,913	1,399
Other current assets	2,917	4,320	3,563	5,407
<b>Total current assets</b>	<b>4,887</b>	<b>5,253</b>	<b>5,476</b>	<b>6,806</b>
<b>Total assets</b>	<b>97,915</b>	<b>106,749</b>	<b>116,944</b>	<b>131,398</b>
Total equity	29,112	33,178	35,580	36,652
Long-term borrowings	29,717	34,642	39,136	43,600
Long-term lease liabilities	330	279	281	116
Retirement benefit obligations	102	110	99	113
Deferred tax liabilities	1,566	1,748	2,004	1,744
Other long-term liabilities	281	314	426	414
<b>Non-current liabilities</b>	<b>31,997</b>	<b>37,093</b>	<b>41,946</b>	<b>45,987</b>
Short-term borrowings	32,963	32,282	35,066	43,441
Other short-term liabilities	3,843	4,195	4,352	5,316
<b>Current liabilities</b>	<b>36,806</b>	<b>36,477</b>	<b>39,418</b>	<b>48,757</b>
<b>Total equity and liabilities</b>	<b>97,915</b>	<b>106,749</b>	<b>116,944</b>	<b>131,396</b>
<b>CASH FLOW STATEMENT</b>				
Pre-tax profit	3,224	4,454	1,581	700
Adjustment for items not in cash flow	-2,494	-2,142	-1,148	172
<b>Cash flow before changes in working capital</b>	<b>730</b>	<b>2,312</b>	<b>432</b>	<b>872</b>
Changes in working capital	820	-1,698	-2,116	-3,128
<b>Operating cash flow</b>	<b>1,550</b>	<b>613</b>	<b>-1,684</b>	<b>-2,256</b>
Cash flow from investment activities	-1,773	-3,676	1,554	-5,301
Cash flow from financing activities	1,535	2,034	1,102	10,515
Other adjustment cash and cash equivalents	0	6	14	0
Cash and cash equivalents at start of year	644	1,970	933	-1,575
<b>Cash flow for year</b>	<b>1,326</b>	<b>-1,038</b>	<b>981</b>	<b>2,974</b>
Cash and cash equivalents at end of year	1,970	933	1,913	1,399

Source: company.

**Figure 25. OBOS BBL rating scorecard**

Subfactors	Impact	Score
Operating environment	20.0%	bb-
Market position	10.0%	a-
Size and diversification	10.0%	a-
Operating efficiency	10.0%	bb
<b>Business risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>
Ratio analysis		bbb-
Risk appetite		bbb-
<b>Financial risk assessment</b>	<b>50.0%</b>	<b>bbb-</b>
<b>Indicative credit assessment</b>		<b>bbb-</b>
Liquidity		Adequate
ESG		Adequate
Peer calibration		Neutral
<b>Stand-alone credit assessment</b>		<b>bbb-</b>
Support analysis		Neutral
<b>Issuer rating</b>		<b>BBB-</b>
Outlook		Stable
<b>Short-term rating</b>		<b>N3</b>

**Figure 26. Capital structure ratings**

Seniority	Rating
Senior unsecured	BBB-

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