



*bustadkreditt  
sogn og fjordane*



# Interim report

Q2 2021 (unaudited)

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Front cover photo: Vegard Fimland

GRAPHIC DESIGN: Sparebanken Sogn og Fjordane E. Natvik Prenteverk AS

English translation: Språkverkstaden AS

# Key figures

FIGURES IN 000S OF NOK

INCOME STATEMENT	H1 2021	H1 2020	Full-year 2020
Profit/loss after taxation	86 390	54 687	145 903
Net interest margin	1,00 %	0,78 %	0,94 %
Profit/loss after tax as a % of average total assets	0,74 %	0,53 %	0,68 %

## KEY BALANCE SHEET FIGURES

Gross loans to customers	23 193 411	20 217 150	21 829 282
Loss allowance	8 113	8 573	9 144
Equity	1 847 649	1 815 043	1 906 259
Total assets	23 687 857	20 993 278	22 383 824
Average total assets	23 396 098	20 667 527	21 308 308

## OTHER KEY FIGURES

Cost-to-income ratio	5,41 %	7,86 %	5,45 %
Impairment loss as a % of gross loans	0,00 %	0,00 %	0,01 %
Loss allowance as a % of gross loans	0,03 %	0,04 %	0,04 %
Return on equity after tax *)	9,45 %	5,91 %	8,03 %
Capital adequacy ratio	19,12 %	21,38 %	20,60 %
Liquidity Coverage Ratio (LCR)	556 %	433 %	511 %

## YEAR-ON-YEAR BALANCE SHEET GROWTH

Growth in total assets	12,84 %	12,48 %	12,50 %
Growth in customer lending	14,72 %	10,48 %	12,37 %

## INFORMATION ABOUT THE LOAN PORTFOLIO

Surplus value of cover pool (NOK millions)	2 725	2 816	2 924
Surplus value of cover pool (%)	13,3 %	16,1 %	15,5 %
Loan-to-value ratio, indexed	54,3 %	56,2 %	56,6 %
Loan-to-value ratio, not indexed	59,6 %	59,4 %	59,4 %
Face value of covered bonds issued (NOK millions)	20 400	17 500	18 900
Substitute assets other than loans (NOK millions)	178,1	236,6	121,6
Weighted average time since issue of loans (years)	3,3	3,5	3,4
Weighted average remaining term of loans (years)	19,1	18,7	18,9
Proportion of variable-rate loans	99,5 %	99,2 %	99,3 %
Proportion of fixed-rate loans	0,5 %	0,8 %	0,7 %
Proportion of flexible mortgages	14,3 %	16,0 %	14,7 %
Average loan value (NOK millions)	1,51	1,47	1,49
Number of loans	15 165	13 704	14 686
Proportion of loans secured by an overseas property	0 %	0 %	0 %

\*) Calculated using the opening equity balance adjusted for capital increases and dividend payments.

# Interim report 30 June 2021

## Highlights

Bustadkreditt Sogn og Fjordane AS is a wholly-owned subsidiary of Sparebanken Sogn og Fjordane, with its head office in Førde.

Bustadkreditt Sogn og Fjordane AS has given the Sparebanken Sogn og Fjordane group access to long-term funding on competitive terms. It finances itself by issuing covered bonds.

Services such as customer care, loan servicing, management and administrative services are supplied by Sparebanken Sogn og Fjordane.

At the end of June 2021, the Company had 15,165 mortgages with a total face value of NOK 23.2 billion. The loans in the cover pool were issued by Sparebanken Sogn og Fjordane, and subsequently bought by Bustadkreditt Sogn og Fjordane AS. At the end of June, 99.5% of the loans were variable rate loans and 0.5% were fixed-rate loans. 14.3% of the loan book was made up of flexible mortgages.

The weighted average loan-to-value ratio was 54.3%, the weighted average loan term was 19.1 years and the weighted average time since the loans were granted was 3.3 years. The average loan per customer was NOK 1.51 million. The Company's total loan portfolio grew by NOK 3.0 billion over the past year.

The volume of covered bonds issued by the Company was NOK 20.4 billion.

## Rating of covered bonds

In 2011, Bustadkreditt Sogn og Fjordane AS's covered bond programme was given a long-term rating of Aaa by the ratings agency Moody's, and the TPI Leeway was set at 2. At the end of the second quarter of 2021, the long-term rating was still Aaa, while the TPI Leeway was 4. This implies that the rating of the covered bond programme is less at risk of a downgrade now than it was in 2011.

## Calculation of loan-to-value ratio

The loan-to-value ratio is calculated as the loan amount divided by the value of the collateral. The value of the collateral is based on Eiendomsverdi AS's estimation model. This model is used by all Norwegian credit institutions.

## Key figures

(Figures in brackets are for the year-earlier period)

- Profit after taxation of NOK 86.4 million (54.7 million)
- Net interest income of NOK 116.1 million (80.2 million)
- Operating expenses of NOK 6.3 million (6.0 million)
- Net change in the value of financial instruments of NOK -1.2 million (-4.6 million)
- Impairment gain of NOK 1.0 million (loss of 0.6 million)
- Annualised return on equity of 9.45% (5.91% after tax)
- Core Tier 1 capital adequacy ratio of 19.12% (21.38%)

## Income statement

In the first six months of 2021, the Company made a pre-tax profit of NOK 110.8 million. Profit after tax was NOK 86.4 million, giving an annualised return on equity of 9.45%. The equivalent figures for the previous year were NOK 70.1 million in pre-tax profit, NOK 54.7 million in profit after tax and return on equity of 5.91%. Profit after tax was equivalent to 0.74% of average total assets, compared with 0.53% in the year-earlier period.

## Net interest income

Net interest income totalled NOK 116.1 million. The net interest margin for the six months to 30 June 2021 was 1.0%. The equivalent figures for the year-earlier period were NOK 80.2 million and 0.78%.

## Operating expenses

Operating expenses were NOK 6.3 million, compared with NOK 6.0 million for the same period of 2020. The Company's biggest expense was the purchase of services from Sparebanken Sogn og Fjordane, followed by the purchase of services from Eiendomsverdi, credit rating agency fees and the cost of issuing bonds.

The cost-to-income ratio was 5.41%, down from 7.86% last year.

## Expected credit losses on loans, etc.

The Company follows Sparebanken Sogn og Fjordane's guidelines for assessing expected credit losses on loans, guarantees and undrawn credit facilities. At 30 June 2021, the Company had fourteen loans with a combined value of NOK 24.6 million that were more than 90 days past due. The Company has not realised any losses.

For the first six months of 2021, a NOK 1.0 million impairment gain was recognised for changes in expected credit losses. The total allowance for expected credit losses was NOK 8.1 million at the end of the quarter. The loss allowance was reduced due to a combination of the curing of defaults and a reduction in the average probability of default (PD) of the portfolio.

For the second quarter viewed in isolation, there was a slightly higher allowance for credit losses, on account of many new loans being transferred to the Company.

For a more detailed explanation see Notes 3 and 4, which include a sensitivity analysis of how expected losses may be affected by various scenarios for macroeconomic parameters.

## Balance sheet

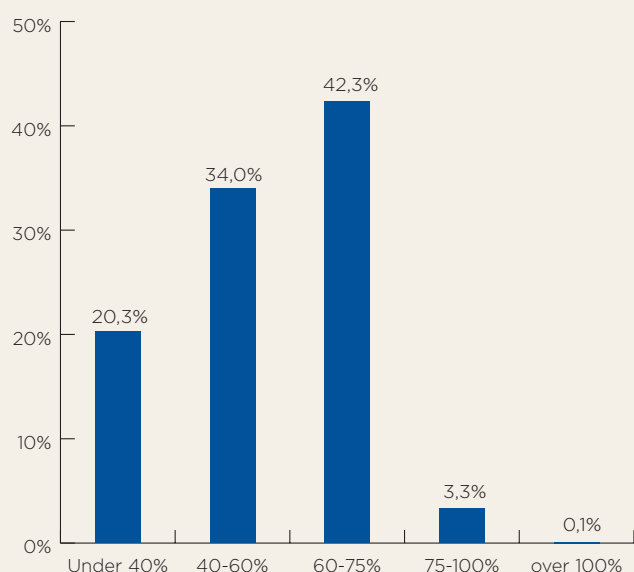
The Group had total assets of NOK 23.7 billion at 30 June 2021. This represented an increase of NOK 2.7 billion (12.8%) over the past 12 months.

## Customer loans and other substitute assets

In addition to the NOK 23.2 billion of mortgage loans, NOK 178.1 million of other substitute assets have been established. The total value of the cover pool is NOK 23.2 billion, which is 13.3% higher than the volume of covered bonds issued.

54.3% of Bustadkreditt Sogn og Fjordane's loan portfolio has a loan-to-value ratio of less than 60%. The Company considers its loan portfolio to be low-risk. The figure below shows the weighted loan-to-value ratio for the loans held by the Company.

### Loans-to-value ratio



The geographic distribution of the residential mortgage portfolio was as follows:

### 5 BIGGEST COUNTIES MEASURED BY LOAN VOLUME

County	Percentage
Vestland	74.9%
Oslo	9.8%
Viken	8.3%
Møre og Romsdal	1.7%
Rogaland	1.5%
Rest of Norway	3.8%
<b>Total</b>	<b>100 %</b>

### 5 BIGGEST MUNICIPALITIES MEASURED BY LOAN VOLUME

Municipality	Percentage
Bergen	18.7%
Sunnfjord	16.3%
Kinn	12.5%
Oslo	9.8%
Sogndal	5.6%
Rest of Norway	37.1%
<b>Total</b>	<b>100%</b>

### DISTRIBUTION BY LOAN VALUE

Loan value	Volume (NOK millions)
NOK 0-1 million	2.764
NOK 1-2 million	6.888
NOK 2-3 million	6.546
NOK 3-4 million	3.527
over NOK 4 million	3.468
<b>Total</b>	<b>23.193</b>

## Shareholders' equity and capital adequacy

At 30 June 2021, Bustadkreditt Sogn og Fjordane AS had NOK 1,847.6 million of equity. The capital adequacy ratio was 19.12%. The equivalent figures for the previous year were NOK 1,815.0 million of equity and a capital adequacy ratio of 21.38%.

In the first quarter of 2021, the Company paid NOK 145.0 million in dividends to the parent company.

## Liquidity

At the close of the second quarter, Bustadkreditt Sogn og Fjordane had NOK 178.1 million of substitute assets consisting of deposits held at Sparebanken Sogn og Fjordane. The Company also had bonds with a carrying amount of NOK 234.2 million. These bonds are not included as substitute assets.

Bustadkreditt Sogn og Fjordane AS has excellent credit facilities with Sparebanken Sogn og Fjordane. These will allow the Company to make interest and principal payments to the owners of covered bonds, enable it to make advances to customers with flexible mortgages, provide bridge financing when loans are being transferred to it from the parent bank, and fund the necessary surplus in the cover pool.

## Risk

Under its licence as a credit provider, Bustadkreditt Sogn og Fjordane is subject to laws, regulations and rules that limit the level of risk to which it can be exposed. The Board of Directors and CEO are responsible for establishing risk management procedures, and for ensuring that they are adequate and in compliance with laws and regulations.

Bustadkreditt Sogn og Fjordane is exposed to credit risk, operational risk, liquidity risk and interest rate risk. The Board considers it a priority for the Company to maintain a low risk exposure. Limits have been set on exposure to the various classes of risk, and a system has been established for measuring, managing and monitoring each of them.

### Credit risk

Credit risk is the danger of losing money as a result of customers or counterparties being unable or unwilling to meet their obligations to Bustadkreditt Sogn og Fjordane.

The Company has its own rules on which loans it can buy from its parent company. The rules are strict, which means that in principle the credit risk is low. The rules specify requirements relating to the type of loan, loan-to-value ratio, risk class and type of collateral. At the end of the second quarter of 2021, the Company's weighted loan-to-value ratio was 54.3%, measured using the approved valuation of the collateral by Eiendomsverdi AS. The Board of Directors considers the loan portfolio to be of high quality, and to be associated with a low credit risk.

### Market risk

Market risk is the risk arising from the Company's open positions relating to loans and financial instruments whose values fluctuate over time in response to changes in market prices. Bustadkreditt Sogn og Fjordane AS has not invested in shares or in foreign currencies, so all of its market risk consists of interest rate risk. The Company's risk management framework sets limits on the Company's exposure to market risk. The Board of Directors considers it important for Bustadkreditt Sogn og Fjordane AS to maintain a low exposure to market risk.

### Liquidity risk

Liquidity risk is the risk that the Company will be unable to fulfil its obligations and/or finance an increase in assets without significant additional cost, either because it has to realise losses on the sale of assets or because it has to make use of unusually expensive financing.

The Board has decided that the Company should maintain a low exposure to liquidity risk. This is, amongst other things, reflected in the size of the required liquidity buffer. The Company's credit agreements with its parent also play an important role in reducing its liquidity risk.

### Operational risk

Operational risk is defined as the risk of losses due to human error, external actions or failures and defects in the Company's systems, procedures and processes.

Bustadkreditt Sogn og Fjordane AS has signed an agreement with Sparebanken Sogn og Fjordane on the provision of services in areas such as customer service, administration, IT, finance and risk management. In these areas, the parent company is responsible for resolving any mistakes and for handling the operational risk. The Board believes that it handles this well.

## Outlook

The Company produced strong results and its operations were stable in the second quarter of 2021. The Company's volume of loans to customers is experiencing healthy growth, and net interest income rose significantly due to lower funding costs.

The company achieved a return on equity of 9.45%, 3.54 percentage points higher than in the year-earlier period. The Company's costs are tightly controlled, and it has not realised any losses.

Looking forward, BSF will remain an important source of long-term funding for the Sparebanken Sogn og Fjordane group.

Førde, 10 August 2021

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth  
Chair

Linda Vøllestad Westbye

Ingeborg Aase Fransson

Peter Midthun

Irene Flølo  
CEO

# Income statement

	Note	Q2 2021	Q2 2020	H1 2021	H1 2020	Full-year 2020
Interest income		109 366	116 165	213 869	275 005	483 579
Interest expenses		49 013	85 915	97 758	194 848	282 825
<b>Net interest income</b>		<b>60 353</b>	<b>30 249</b>	<b>116 111</b>	<b>80 158</b>	<b>200 754</b>
Commission income		555	567	1 112	1 136	2 260
<b>Net commission income</b>		<b>555</b>	<b>567</b>	<b>1 112</b>	<b>1 136</b>	<b>2 260</b>
Net gains/losses on financial instruments		- 187	- 1 413	- 1 229	- 4 594	- 3 978
<b>Total other operating income</b>		<b>- 187</b>	<b>- 1 413</b>	<b>- 1 229</b>	<b>- 4 594</b>	<b>- 3 978</b>
<b>Net other operating income</b>		<b>369</b>	<b>- 846</b>	<b>- 117</b>	<b>- 3 458</b>	<b>- 1 718</b>
<b>Total operating income</b>		<b>60 722</b>	<b>29 404</b>	<b>115 994</b>	<b>76 700</b>	<b>199 036</b>
Wages, salaries, etc.		0	0	0	0	40
Other operating expenses		2 973	2 699	6 278	6 030	10 804
<b>Total operating expenses</b>		<b>2 973</b>	<b>2 699</b>	<b>6 278</b>	<b>6 030</b>	<b>10 844</b>
<b>Operating profit/loss before impairment loss</b>		<b>57 749</b>	<b>26 705</b>	<b>109 716</b>	<b>70 670</b>	<b>188 191</b>
Impairment loss (+)/gain (-)	3, 4, 5	1 311	- 3 511	- 1 041	558	1 136
<b>Operating profit/loss</b>		<b>56 438</b>	<b>30 216</b>	<b>110 757</b>	<b>70 112</b>	<b>187 055</b>
Tax expense		12 417	6 648	24 367	15 425	41 152
<b>Profit/loss for the reporting period</b>		<b>44 021</b>	<b>23 568</b>	<b>86 390</b>	<b>54 687</b>	<b>145 903</b>
<b>COMPREHENSIVE INCOME</b>						
<b>Profit/loss for the reporting period</b>		<b>44 021</b>	<b>23 568</b>	<b>86 390</b>	<b>54 687</b>	<b>145 903</b>
Other comprehensive income		0	0	0	0	0
<b>Comprehensive income</b>		<b>44 021</b>	<b>23 568</b>	<b>86 390</b>	<b>54 687</b>	<b>145 903</b>

# Balance sheet

<b>ASSETS</b>	Note	30/06/21	30/06/20	31/12/20
Loans and advances to credit institutions		178 104	236 627	121 586
Loans to customers	3,4,5	23 185 298	20 208 578	21 820 137
Commercial paper and bonds		234 171	295 691	295 187
Financial assets		86 716	251 129	143 674
Deferred tax assets		2 240	1 253	2 240
Other assets		1 328	0	0
<b>Total assets</b>		<b>23 687 857</b>	<b>20 993 278</b>	<b>22 382 824</b>
<b>DEBT AND EQUITY</b>				
<b>Liabilities</b>				
Debt to credit institutions		1 141 911	1 113 799	1 250 663
Debt securities in issue	6	20 584 181	17 749 770	19 043 018
Financial derivatives		21 721	22 342	20 607
Tax payable		24 367	38 053	42 139
Other liabilities and provisions		68 028	254 271	120 138
<b>Total liabilities</b>		<b>21 840 208</b>	<b>19 178 235</b>	<b>20 476 566</b>
<b>Paid-up equity</b>				
Share capital		1 750 000	1 750 000	1 750 000
<b>Total paid-up equity</b>		<b>1 750 000</b>	<b>1 750 000</b>	<b>1 750 000</b>
<b>Retained earnings</b>				
Other equity	7	97 649	65 043	11 259
Allocated for dividends		0	0	145 000
<b>Total retained earnings</b>		<b>97 649</b>	<b>65 043</b>	<b>156 259</b>
<b>Total equity</b>		<b>1 847 649</b>	<b>1 815 043</b>	<b>1 906 259</b>
<b>Total liabilities and equity</b>		<b>23 687 857</b>	<b>20 993 278</b>	<b>22 382 824</b>

Førde, 10 August 2021

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth  
Chair

Linda Vøllestad Westbye

Ingeborg Aase Fransson

Peter Midthun

Irene Flølo  
CEO



# Cash flow statement

	H1 2021	H1 2020	Full-year 2020
Profit/loss before taxation	110 757	70 112	187 055
Impairment loss	- 1 041	558	1 136
Tax paid	- 42 139	- 20 273	- 42 900
Reduction/increase (-) in loans and advances to customers	- 1 364 129	- 791 484	- 2 403 615
Other non-cash transactions	- 53 427	253 767	119 626
<b>A) Net cash flow from operating activities</b>	<b>- 1 349 979</b>	<b>- 487 319</b>	<b>- 2 138 697</b>
Reduction/increase (-) in investments in commercial paper/bonds/derivatives	117 974	- 417 794	- 309 835
<b>B) Net cash flow from investment activities</b>	<b>117 974</b>	<b>- 417 794</b>	<b>- 309 835</b>
Increase/reduction (-) in loans from credit institutions	- 108 752	- 41 170	95 694
Increase/reduction (-) in debt securities/derivatives	1 542 276	973 972	2 265 486
Dividends	- 145 000	- 140 000	- 140 000
<b>C) Net cash flow from financing activities</b>	<b>1 288 524</b>	<b>792 802</b>	<b>2 221 180</b>
<b>D) Net cash flow during the year (A+B+C)</b>	<b>56 519</b>	<b>- 112 312</b>	<b>- 227 352</b>
Opening balance of cash and cash equivalents	121 586	348 938	348 938
<b>Closing balance of cash and cash equivalents</b>	<b>178 104</b>	<b>236 627</b>	<b>121 586</b>
<b>Breakdown of cash and cash equivalents</b>			
Deposits at other financial institutions	178 104	236 627	121 586
<b>Total</b>	<b>178 104</b>	<b>236 627</b>	<b>121 586</b>

# Equity statement

	PAID-UP EQUITY Share capital	RETAINED EARNINGS Other equity	TOTAL EQUITY
<b>Opening balance 01/01/2020</b>	<b>1 750 000</b>	<b>150 356</b>	<b>1 900 356</b>
Dividends paid	0	- 140 000	- 140 000
Profit/loss for the reporting period	0	145 903	145 903
<b>Closing balance 31/12/2020</b>	<b>1 750 000</b>	<b>156 259</b>	<b>1 906 259</b>
<b>Opening balance 01/01/2021</b>	<b>1 750 000</b>	<b>156 259</b>	<b>1 906 259</b>
Dividends paid	0	- 145 000	- 145 000
Profit/loss for the reporting period	0	86 390	86 390
<b>Closing balance 30/06/2021</b>	<b>1 750 000</b>	<b>97 649</b>	<b>1 847 649</b>

# Notes to the financial statements

## Note 1 Accounting principles and critical accounting estimates

Bustadkreditt Sogn og Fjordane AS's financial statements are prepared in accordance with the simplified application of IFRS and the relevant regulations issued by the Norwegian Ministry of Finance on 3 March 2014. These interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting".

### CHANGES TO ACCOUNTING STANDARDS

There were no changes to accounting standards that were implemented by the Company in the second quarter of 2021.

### CRITICAL ACCOUNTING ESTIMATES

In the first quarter of 2021, the Bank adjusted its impairment model to the new definition of default. Amongst other things, there are new rules on how one account being in default affects other accounts held by the same customer (the "pulling effect"). Previously, if one account was in default all of the customer's accounts were considered in default. With the new definition, a customer may default on an unsecured loan without any secured loans being considered in default. The new definition of default has also resulted in a probation period of at least 3 months for payment defaults and at least 12 months for defaults involving debt restructuring.

The new definition of default has had no significant impact on the volume of defaults or loss allowances.

### GENERAL

For more detailed information about accounting policies and for information about critical accounting estimates, please see Bustadkreditt Sogn og Fjordane AS's 2020 annual report. See: [www.ssf.no](http://www.ssf.no).

All figures are stated in thousands of NOK, unless otherwise specified.

## Note 2 Segments

The Company has one segment. This segment consists of loans to retail customers and a small volume of loans to private businesses. All of the loans have been bought from Sparebanken Sogn og Fjordane. The Company does not have any operations outside Norway. Customers with overseas addresses are classified as part of the Norwegian operations.

## Note 3 Impairment loss on loans and undrawn credit facilities

	H1 2021	H1 2020	2020
Increase/reduction in individually assessed allowances	- 1 213	1 132	1 214
Increase/reduction in expected credit losses (model-based)	172	- 574	- 77
Losses realised during period for which a loss allowance had previously been made	0	0	0
Losses realised during the period for which a loss allowance had not previously been made	0	0	0
Recoveries against previous years' realised losses	0	0	0
<b>Impairment loss for the period</b>	<b>- 1 041</b>	<b>558</b>	<b>1 136</b>

## Note 4 Loss allowances classified by IFRS 9 stage

Upon initial recognition, a loan is generally allocated to Stage 1. If its credit risk has increased significantly since initial recognition, it is transferred to Stage 2. Assets in default are allocated to Stage 3. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. In the table below, individually assessed allowances are included under Stage 3. In the first quarter, Sparebanken Sogn og Fjordane started using a new definition of default. This change had little impact on overall credit losses.

2021	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for loans at amortised cost at 01/01/2021</b>	<b>2 772</b>	<b>3 793</b>	<b>2 538</b>	<b>9 103</b>
Transferred to Stage 1	138	- 1111	- 274	- 1 247
Transferred to Stage 2	- 139	715	- 135	441
Transferred to Stage 3	0	- 293	447	154
New financial assets issued or acquired	789	2 050	176	3 015
Derecognised financial assets	- 437	- 536	- 566	- 1 539
Changes to model/macro-economic parameters	- 159	414	- 28	227
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 423	- 625	- 1 029	- 2 077
<b>Loss allowance for loans at amortised cost at 30/06/2021</b>	<b>2 541</b>	<b>4 406</b>	<b>1 129</b>	<b>8 076</b>
<b>Loss allowance for loans at fair value at 30/06/2021</b>	<b>7</b>	<b>7</b>	<b>23</b>	<b>37</b>
<b>Total loss allowance for loans at 30/06/2021</b>	<b>2 548</b>	<b>4 413</b>	<b>1 152</b>	<b>8 113</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for undrawn credit facilities and guarantees at 01/01/2021</b>	<b>63</b>	<b>12</b>	<b>0</b>	<b>75</b>
Transferred to Stage 1	0	- 3	0	- 2
Transferred to Stage 2	- 1	4	0	3
Transferred to Stage 3	0	0	0	0
New financial assets issued or acquired	4	1	0	6
Derecognised financial assets	- 1	- 1	0	- 2
Changes to model/macro-economic parameters	- 3	2	0	- 1
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 13	- 1	0	- 14
<b>Loss allowance for undrawn credit facilities and guarantees at 30/06/2021</b>	<b>50</b>	<b>15</b>	<b>0</b>	<b>65</b>
	Stage 1	Stage 2	Stage 3	Total
<b>2020</b>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Opening loss allowance for loans at amortised cost at 01/01/2020</b>	<b>1 571</b>	<b>4 760</b>	<b>2 322</b>	<b>8 652</b>
Transferred to Stage 1	449	- 1 706	- 185	- 1 442
Transferred to Stage 2	- 81	666	- 137	448
Transferred to Stage 3	- 2	- 189	800	608
New financial assets issued or acquired	571	718	116	1 406
Derecognised financial assets	- 239	- 716	- 1 634	- 2 589
Changes to model/macro-economic parameters	128	886	- 1	1 013
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 78	- 581	1 091	432
<b>Loss allowance for loans at amortised cost at 30/06/2020</b>	<b>2 318</b>	<b>3 838</b>	<b>2 373</b>	<b>8 528</b>
<b>Loss allowance for loans at fair value at 30/06/2020</b>	<b>14</b>	<b>31</b>	<b>0</b>	<b>57</b>
<b>Total loss allowance for loans at 30/06/2020</b>	<b>2 331</b>	<b>3 868</b>	<b>2 373</b>	<b>8 573</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for undrawn credit facilities and guarantees at 01/01/2020</b>	<b>41</b>	<b>13</b>	<b>0</b>	<b>55</b>
Changes during the period	18	- 4	0	14
<b>Loss allowance for undrawn credit facilities and guarantees at 30/06/2020</b>	<b>59</b>	<b>9</b>	<b>0</b>	<b>68</b>

## Note 4 Loss allowances classified by IFRS 9 stage, continued

### Sensitivity analysis of impairment model under IFRS 9

Under IFRS 9, impairment allowances shall take into account expectations for future defaults and impairment losses. In 2018 and 2019, the bank used a statistical model to estimate how expected changes in macro-economic parameters will affect the future probability of default amongst the bank's customers. The Covid-19 pandemic led to such great fluctuations in the macroeconomic variables that are used as independent variables in the model that the model was no longer suitable for predicting future defaults. We have therefore performed a qualitative assessment of what is likely to happen to the probability of default and house prices over the coming five years, based on the impacts of past crises, long-term expectations prior to the coronavirus crisis and the outlook in Norges Bank's monetary policy report. Expected credit losses are calculated using a weighted average of the losses under the 3 different scenarios; see below.

Future scenarios used to measure estimated expected credit losses at 30/06/2021	Probability of default starting from 30 June 2021					Annual average growth	House prices	
	Year 1	Year 2	Year 3	Year 4	Year 5		Expected credit losses	Weighting of scenario
Scenario 1: Base scenario	1,60	1,70	1,70	1,70	1,70	2,4 %	7 847	50 %
Scenario 2: Optimistic scenario	1,36	1,45	1,45	1,45	1,45	3,4 %	6 701	25 %
Scenario 3: Pessimistic scenario	2,00	2,13	2,13	2,13	2,13	0,4 %	10 317	25 %
Impact on profit of giving 100% weighting to each scenario	Impact on ECLs/profit							
Scenario 1: Base scenario	331							
Scenario 2: Optimistic macroeconomic scenario	1 477							
Scenario 3: Pessimistic macroeconomic scenario	- 2 139							

## Note 5 Assets classified by IFRS 9 stage

2021	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at amortised cost at 01/01/2021</b>	<b>20 115 257</b>	<b>1 513 123</b>	<b>50 075</b>	<b>21 678 455</b>
Transferred to Stage 1	547 851	- 534 027	- 13 824	0
Transferred to Stage 2	- 423 291	438 634	- 15 343	0
Transferred to Stage 3	- 1 799	- 36 642	38 441	0
New financial assets issued or acquired	4 479 758	280 695	13 940	4 774 393
Derecognised financial assets	- 2 569 954	- 241 471	- 4 418	- 2 815 843
Other changes	- 528 310	- 27 703	- 219	- 556 231
<b>Gross loans at amortised cost at 30/06/2021</b>	<b>21 619 514</b>	<b>1 392 609</b>	<b>68 652</b>	<b>23 080 775</b>
Loss allowance for loans at amortised cost at 30/06/2021	2 541	4 406	1 129	8 076
<b>Net loans at amortised cost at 30/06/2021</b>	<b>21 616 973</b>	<b>1 388 203</b>	<b>67 523</b>	<b>23 072 698</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at fair value at 30/06/2021</b>	<b>102 933</b>	<b>8 921</b>	<b>782</b>	<b>112 636</b>
Loss allowance for loans at fair value at 30/06/2021	7	7	23	37
<b>Net loans at fair value at 30/06/2021</b>	<b>102 926</b>	<b>8 914</b>	<b>759</b>	<b>112 599</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Total gross loans at 30/06/2021</b>	<b>21 722 447</b>	<b>1 401 530</b>	<b>69 434</b>	<b>23 193 411</b>
Total loss allowance for loans at 30/06/2021	2 548	4 413	1 152	8 113
<b>Total net loans at 30/06/2021</b>	<b>21 719 899</b>	<b>1 397 116</b>	<b>68 282</b>	<b>23 185 298</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Guarantees and undrawn credit facilities at 30/06/2021</b>	<b>1 803 073</b>	<b>30 346</b>	<b>0</b>	<b>1 833 419</b>
Loss allowance for guarantees and undrawn credit facilities at 30/06/2021	50	15	0	65
<b>Net exposure to guarantees and undrawn credit facilities at 30/06/2021</b>	<b>1 803 023</b>	<b>30 331</b>	<b>0</b>	<b>1 833 354</b>
	Stage 1	Stage 2	Stage 3	Total
<b>2020</b>				
<b>Gross loans at amortised cost at 01/01/2020</b>	<b>16 395 717</b>	<b>2 808 777</b>	<b>53 953</b>	<b>19 258 446</b>
Transferred to Stage 1	1 438 892	- 1 431 056	- 7 836	0
Transferred to Stage 2	- 304 459	308 428	- 3 969	0
Transferred to Stage 3	- 4 160	- 15 175	19 335	0
New financial assets issued or acquired	3 388 079	268 726	4 737	3 661 543
Derecognised financial assets	- 1 982 132	- 382 825	- 15 015	- 2 379 972
Other changes	- 453 613	- 37 609	- 242	- 491 464
<b>Gross loans at amortised cost at 30/06/2020</b>	<b>18 478 324</b>	<b>1 519 266</b>	<b>50 963</b>	<b>20 048 554</b>
Loss allowance for loans at amortised cost at 30/06/2020	2 318	3 838	2 373	8 528
<b>Net loans at amortised cost at 30/06/2020</b>	<b>18 476 006</b>	<b>1 515 429</b>	<b>48 591</b>	<b>20 040 025</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at fair value at 30/06/2020</b>	<b>154 029</b>	<b>14 568</b>	<b>0</b>	<b>168 597</b>
Loss allowance for loans at fair value at 30/06/2020	14	31	0	44
<b>Net loans at fair value at 30/06/2020</b>	<b>154 015</b>	<b>14 537</b>	<b>0</b>	<b>168 552</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Total gross loans at 30/06/2020</b>	<b>18 632 352</b>	<b>1 533 835</b>	<b>50 963</b>	<b>20 217 150</b>
Total loss allowance for loans at 30/06/2020	2 331	3 868	2 373	8 573
<b>Total net loans at 30/06/2020</b>	<b>18 630 021</b>	<b>1 529 966</b>	<b>48 591</b>	<b>20 208 578</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Guarantees and undrawn credit facilities at 30/06/2020</b>	<b>1 711 159</b>	<b>21 651</b>	<b>6</b>	<b>1 732 816</b>
Loss allowance for guarantees and undrawn credit facilities at 30/06/2020	59	9	0	68
<b>Net exposure to guarantees and undrawn credit facilities at 30/06/2020</b>	<b>1 711 100</b>	<b>21 642</b>	<b>6</b>	<b>1 732 748</b>

## Note 6 Debt securities in issue

	30/06/2021	30/06/2020	31/12/2020
<b>Face value</b>			
Commercial paper and other short-term borrowings	0	0	0
Bonds in issue at amortised cost	18 400 000	15 500 000	16 900 000
Own unamortised commercial paper/bonds at amortised cost	0	0	0
Bonds in issue at fair value	2 000 000	2 000 000	2 000 000
<b>Total debt securities in issue</b>	<b>20 400 000</b>	<b>17 500 000</b>	<b>18 900 000</b>

### Term to maturity

Remaining term to maturity (face value)			
2020	0	0	0
2021	0	2 500 000	2 500 000
2022	2 500 000	2 500 000	2 500 000
2023	2 500 000	2 500 000	2 500 000
2024	2 500 000	2 500 000	2 500 000
2025	3 000 000	3 000 000	3 000 000
2026	4 000 000	2 500 000	3 000 000
2027	3 900 000	0	900 000
2030	500 000	500 000	500 000
2033	500 000	500 000	500 000
2034	1 000 000	1 000 000	1 000 000
<b>Total</b>	<b>20 400 000</b>	<b>17 500 000</b>	<b>18 900 000</b>
New borrowings in 2021	4 000 000		
Repaid during the reporting period	2 500 000		

ISIN NUMBER	Face value	Interest rate	Coupon margin	Maturity date *)	Carrying amount 30/06/2021
NO0010770019	2 500 000	3 MTH NIBOR	0,67	15.06.22	2 501 198
NO0010782543	2 500 000	3 MTH NIBOR	0,60	15.06.23	2 501 859
NO0010819170	2 500 000	3 MTH NIBOR	0,42	15.04.24	2 502 889
NO0010843311	3 000 000	3 MTH NIBOR	0,49	23.04.25	3 004 594
NO0010881048	4 000 000	3 MTH NIBOR	0,49	18.06.26	4 017 652
NO0011008377	3 000 000	3 MTH NIBOR	0,75	27.05.27	3 087 764
NO0010895329	900 000	3 MTH NIBOR	0,40	12.10.27	901 927
NO0010871643	500 000	Fixed-rate	2,30	19.06.30	512 649
NO0010830524	500 000	Fixed-rate	2,68	31.08.33	541 345
NO0010863772	1 000 000	Fixed-rate	2,04	20.09.34	1 012 302

### Total debt securities in issue

**20 584 181**

The table shows the agreed maturity date.

\*) The terms allow for the maturity date to be extended by one year.

All of the loans are denominated in NOK.

All loan agreements are subject to standard loan terms.

The Company has issued three fixed-rate bonds. A hedge has been initiated to counteract fluctuations in the values of the bonds, and hedge accounting was introduced in conjunction with that.

There is a ratio of virtually 1:1 between the hedged item (the bond) and the hedging instrument (the interest rate swap).

## Note 7 Capital adequacy

<b>Equity and subordinated debt</b>	<b>30/06/2021</b>	<b>30/06/2020</b>	<b>31/12/2020</b>
Share capital and share premium account	1 750 000	1 750 000	1 750 000
Other equity	11 259	10 356	11 259
<b>Equity</b>	<b>1 761 259</b>	<b>1 760 356</b>	<b>1 761 259</b>
<b>Other core capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deductions:			
Valuation adjustment (prudent valuation rules)	- 522	- 530	- 421
Deferred tax assets	- 2 240	- 1 253	- 2 240
<b>Net core capital</b>	<b>1 758 497</b>	<b>1 758 572</b>	<b>1 758 598</b>
<b>Core Tier 1 capital</b>	<b>1 758 497</b>	<b>1 758 572</b>	<b>1 758 598</b>
<b>Net supplementary capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net equity and subordinated debt</b>	<b>1 758 497</b>	<b>1 758 572</b>	<b>1 758 598</b>
<b>BASIS FOR CALCULATION</b>			
<b>Credit risk</b>			
Institutions	41 886	58 530	30 317
Retail loans	877 257	1 068 711	591 355
Residential mortgage loans	7 685 160	6 529 579	7 305 167
Overdue advances	70 196	117 210	148 729
Covered bonds	12 053	18 075	18 060
Other advances	27 384	0	16 225
<b>Total calculation basis for credit risk</b>	<b>8 713 934</b>	<b>7 792 104</b>	<b>8 109 852</b>
Operational risk	367 806	362 493	367 806
CVA	117 697	71 751	60 773
<b>Total calculation basis</b>	<b>9 199 437</b>	<b>8 226 349</b>	<b>8 538 430</b>
<b>Excess equity and subordinated debt</b>	<b>1 022 542</b>	<b>1 100 464</b>	<b>1 075 524</b>
<b>CAPITAL ADEQUACY RATIO</b>			
Capital adequacy ratio	19,12 %	21,38 %	20,60 %
Core capital adequacy ratio	19,12 %	21,38 %	20,60 %
Core Tier 1 capital adequacy ratio	19,12 %	21,38 %	20,60 %
Unweighted core capital ratio	7,38 %	8,39 %	7,83 %

The capital adequacy ratio has been calculated using the new capital adequacy regulations (Basel II). The standardised approach has been used for credit risk and market risk, whilst the basic indicator approach has been used for operational risk.

There are three pillars to the Basel II regulations. Pillar 1 relates to minimum capital adequacy requirements, and builds on the previous regulations in Basel I. Pillar 2 relates to the institution's internal assessment of total capital requirements (ICAAP), whilst Pillar 3 covers disclosure requirements for financial information.



## Note 8 Transactions with related parties

### Intra-group transactions

	30/06/2021	30/06/2020	31/12/2020
Interest received from Sparebanken Sogn og Fjordane	582	1 543	2 062
Interest paid to Sparebanken Sogn og Fjordane	8 134	15 199	23 278
Interest paid to Sparebanken Sogn og Fjordane on covered bonds	9 929	20 051	28 960
Services bought from Sparebanken Sogn og Fjordane	3 337	3 000	6 112
Deposits at Sparebanken Sogn og Fjordane	178 104	236 627	121 586
Liabilities to Sparebanken Sogn og Fjordane	1 141 911	1 113 799	1 250 663
Covered bonds held by Sparebanken Sogn og Fjordane	2 435 675	2 713 110	2 283 099

Bustadkreditt Sogn og Fjordane AS has no employees. An agreement has been signed with Sparebanken Sogn og Fjordane on the supply of loan servicing and administrative services. All of the Company's loans have been acquired from Sparebanken Sogn og Fjordane, and an agreement has been signed with the bank on the servicing of the portfolio. Bustadkreditt Sogn og Fjordane AS takes on all of the risk associated with the loans that it acquires from its parent. Bustadkreditt Sogn og Fjordane AS has been given access to good credit facilities with Sparebanken Sogn og Fjordane. These will allow it to make interest and principal payments to the owners of covered bonds, enable it to make advances to customers with flexible mortgages, provide bridge financing when loans are being transferred, and fund the necessary surplus in the cover pool.

Further details of the credit facilities:

Bustadkreditt Sogn og Fjordane AS (BSF) has four credit facilities with Sparebanken Sogn og Fjordane (SSF):

- a) A 3-year credit that matures in January 2023. The credit facility is to be used for buying mortgage loans from SSF. It had a limit of NOK 750 million at 30/06/2021, but it can only be used for the bulk transfer of loans.
- b) A credit agreement to ensure that owners of covered bonds will be paid even if the mortgage credit subsidiary is unable to meet its obligations. The limit on the facility at 30/06/2021 was NOK 192 million. Under the agreement, the obligations of the Bank relate to all payments due to the owners of the covered bonds over the coming year.
- c) A credit facility that can be used to finance advances to customers with available credit within their flexible mortgages. At 30/06/2021, the limit on the facility was NOK 1,833 million.
- d) A credit facility related to overcollateralisation. The facility shall only be used to buy loans for inclusion in the cover pool, and to buy instruments that qualify as part of a liquidity buffer. At 30/06/2021, the limit on the facility was NOK 1,632 million, but this limit depends on the volume of covered bonds issued at any given time.

In addition to these four credit agreements, BSF and SSF have signed an ISDA agreement. The ISDA agreement regulates all derivative transactions between the parties. The ISDA agreement has the same structure as agreements between SSF and external entities, which means that changes in the value of interest rate swaps are measured daily and there is an exchange of collateral. When fixed-rate covered bonds are issued, SSF hedges the relevant amount with an external party and then performs an internal swap with BSF. The same applies to interest rate hedging for fixed-rate loans.

All agreements and transactions adhere to arm's length principles.

## Note 9 Substitute assets

	30/06/2021	30/06/2020	31/12/2020
Deposits at the parent company	178 104	236 627	121 586
Government-guaranteed commercial paper	0	0	0
Other commercial paper and bonds	0	0	0
<b>Total substitute assets</b>	<b>178 104</b>	<b>236 627</b>	<b>121 586</b>

## Note 10 Fair value of financial instruments

### Fair value of financial instruments measured at amortised cost

	30/06/2021		30/06/2020		31/12/2020	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>						
Loans and advances to credit institutions	178 104	178 104	236 627	236 627	121 586	121 586
Loans to customers (gross)	23 080 775	23 080 775	20 048 554	20 048 554	21 678 455	21 678 455
<b>Total financial assets measured at amortised cost</b>	<b>23 258 879</b>	<b>23 258 879</b>	<b>20 285 180</b>	<b>20 285 180</b>	<b>21 800 041</b>	<b>21 800 041</b>
<i>Financial liabilities</i>						
Debt to credit institutions	1 141 911	1 141 911	1 113 799	1 113 799	1 250 663	1 250 663
Securities in issue (covered bonds)	18 517 885	18 653 045	15 515 890	15 600 252	16 917 693	17 040 078
<b>Total financial liabilities measured at amortised cost</b>	<b>19 659 796</b>	<b>19 794 956</b>	<b>16 629 689</b>	<b>16 714 051</b>	<b>18 168 356</b>	<b>18 290 742</b>

### Financial assets measured at fair value

	Level 1	Level 2	Level 3	30/06/2021	
				TOTAL	
<i>Financial assets at fair value through profit or loss</i>					
Loans and advances to customers at fair value	0	0	112 599	<b>112 599</b>	
Commercial paper and bonds measured at fair value	10 000	224 172	0	<b>234 172</b>	
Derivatives, trading portfolio	0	86 716	0	<b>86 716</b>	
<i>Financial liabilities at fair value through profit or loss (gross)</i>					
Securities in issue (covered bonds)	0	2 066 296	0	<b>2 066 296</b>	
Derivatives, trading portfolio	0	21 721	0	<b>21 721</b>	

### Fair value hierarchy

Financial instruments measured at fair value are split into three levels:

Level 1: Prices quoted in active markets

Level 2: Valuation is directly or indirectly based on observable prices for similar assets

Level 3: Valuation is not based on observable prices, and instead relies on e.g. our own valuation models

## Declaration by the Board of Directors and CEO

We declare that, to the best of our knowledge, the interim financial statements for the first half of 2021 have been prepared in accordance with current accounting standards, and that the information contained therein provides a true picture of the assets, liabilities, financial position and results of the Company. The Board believes that the interim report gives a true picture of the performance, results and financial position of the Company, and assesses the most important areas of uncertainty and potential risks it faces.

Førde, 10 August 2021

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth  
Chair

Linda Vøllestad Westbye

Ingeborg Aase Fransson

Peter Midthun

Irene Flølo  
CEO

# Information about the company

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TEL. NO. +47 57 82 97 00

ORGANISATION NUMBER 946 917 990

## MANAGEMENT

Irene Flølo CEO

## BOARD OF DIRECTORS

Frode Vasseth	Chair
Linda Vøllestad Westbye	Board member
Ingeborg Aase Fransson	Board member
Peter Midthun	Board member

## CONTACT PERSON

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