



*bustadkreditt  
sogn og fjordane*



# Interim report

Q1 2022 (unaudited)

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

FIGURES IN 000S OF NOK	31 March 2022/ Q1 2022	31 March 2021/ Q1 2021	31 December 2021/ Full-year 2021
<b>INCOME STATEMENT</b>			
Profit/loss after taxation	39 688	42 369	183 273
Net interest margin	0,93 %	0,99 %	1,04 %
Profit/loss after tax as a % of average total assets	0,65 %	0,74 %	0,77 %
<b>KEY BALANCE SHEET FIGURES</b>			
Gross loans to customers	24 837 012	22 739 094	23 309 972
Loss allowance	11 113	6 801	10 158
Equity	1 801 220	1 803 628	1 944 532
Total assets	25 217 241	23 241 213	23 716 815
Average total assets	24 353 818	22 919 288	23 692 219
<b>OTHER KEY FIGURES</b>			
Cost-to-income ratio	5,88 %	5,98 %	4,85 %
Impairment loss as a % of gross loans	0,00 %	-0,01 %	0,00 %
Loss allowance as a % of gross loans	0,04 %	0,03 %	0,04 %
Return on equity after tax	8,16 %	8,94 %	10,21 %
Capital adequacy ratio	18,73 %	19,69 %	19,48 %
Liquidity Coverage Ratio (LCR)	568 %	416 %	707 %
<b>YEAR-ON-YEAR BALANCE SHEET GROWTH</b>			
Growth in total assets	8,50 %	13,59 %	5,96 %
Growth in customer lending	9,23 %	14,24 %	6,78 %
<b>INFORMATION ABOUT THE LOAN PORTFOLIO</b>			
Surplus value of cover pool (NOK millions)	3 895	2 846	2 779
Surplus value of cover pool (%)	18,6 %	14,3 %	13,6 %
Loan-to-value ratio, indexed	53,4 %	54,6 %	55,6 %
Loan-to-value ratio, not indexed	59,4 %	59,4 %	59,6 %
Face value of covered bonds issued (NOK millions)	20 900	19 900	20 400
Substitute assets other than loans (NOK millions)	178,1	156,5	142,1
Weighted average time since issue of loans (years)	3,4	3,3	3,4
Weighted average remaining term of loans (years)	19,2	19,1	19,2
Proportion of variable-rate loans	99,9 %	99,4 %	99,9 %
Proportion of fixed-rate loans	0,1 %	0,6 %	0,1 %
Proportion of flexible mortgages	13,3 %	14,3 %	13,9 %
Average loan value (NOK millions)	1,53	1,51	1,55
Number of loans	16 172	15 075	15 057
Proportion of loans secured by an overseas property	0 %	0 %	0 %

# Interim report 31.03.2022

## 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 March 2022, the Company had 16,172 mortgages with a total face value of NOK 24.8 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 March, 99.9% of the loans were variable rate loans and 0.1% were fixed-rate loans. 13.3% of the loan book was made up of flexible mortgages.

The weighted average loan-to-value ratio was 53.4%, the weighted average loan term was 19.2 years and the weighted average time since the loans were granted was 3.4 years. The average loan per customer was NOK 1.53 million. The Company's total loan portfolio grew by NOK 2.1 billion over the past year.

The volume of covered bonds issued by the Company was NOK 20.9 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 first quarter of 2022, 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 39.7 millionm (42.4 million)
- Net interest income of NOK 56.1 million (55.8 million)
- Operating expenses of NOK 3.2 million (3.3 million)
- Net change in the value of financial instruments of NOK -1.6 million (-1.0 million)
- Impairment loss of NOK 1.0 million (gain of 2.4 million)
- Annualised return on equity of 8.16% (8.94%) after tax
- Core Tier 1 capital adequacy ratio of 18.73% (19.69%)

## Profitability

In the first quarter of 2022, the Company made a pre-tax profit of NOK 50.9 million. Profit after tax was NOK 39.7 million, giving an annualised return on equity of 8.16%. The equivalent figures for the previous year were NOK 54.3 million in pre-tax profit, NOK 42.4 million in profit after tax and return on equity of 8.94%. Profit after tax was equivalent to 0.65% of average total assets, compared with 0.74% the previous year.

## Net interest income

Net interest income totalled NOK 56.1 million. The net interest margin for the first quarter was 0.93%. The equivalent figures for the year-earlier period were NOK 55.8 million and 0.99%.

## Operating expenses

Operating expenses were NOK 3.2 million, compared with NOK 3.3 million for the same period of 2021. 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 5.88%, down from 5.98% 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 31 March 2022, the Company had twelve loans with a combined value of NOK 13.7 million that were more than 90 days past due. The Company has not realised any losses.

For the first quarter of 2022, a NOK 1.0 million impairment loss was recognised for changes in expected credit losses. The total allowance for expected credit losses was NOK 11.1 million at the end of the quarter. The loss allowance rose due to a combination of changes in the macroeconomic outlook and a slight increase in the average probability of default (PD) of the portfolio. 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

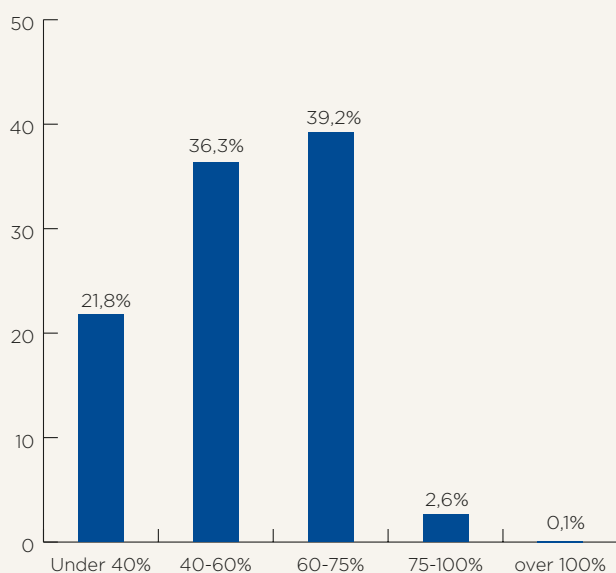
The Group had total assets of NOK 25.2 billion at 31 March 2022. This represented an increase of NOK 2.0 billion (8.5%) over the past 12 months.

## Customer loans and other substitute assets

In addition to the NOK 24.8 billion of mortgage loans, NOK 170.4 million of other substitute assets have been established. The total value of the cover pool is NOK 24.8 billion, which is 18.6% higher than the volume of covered bonds issued.

58.1% 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 shows the weighted loan-to-value ratio for the loans held by the Company.

## Loan-to-value ratio



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

### 5 BIGGEST COUNTIES MEASURED BY LOAN VOLUME

County	Percentage
Vestland	74.2%
Oslo	9.9%
Viken	8.8%
Møre og Romsdal	1.7%
Rogaland	1.4%
Rest of Norway	4.0%
<b>Total</b>	<b>100%</b>

### BIGGEST MUNICIPALITIES MEASURED BY LOAN VOLUME

Municipality	Percentage
Bergen	18.6%
Sunnfjord	16.1%
Kinn	12.2%
Oslo	9.9%
Sogndal	5.8%
Rest of Norway	37.4%
<b>Total</b>	<b>100%</b>

### DISTRIBUTION BY LOAN VALUE

Loan value	Volume (NOK millions)
NOK 0-1 million	2,957
NOK 1-2 million	7,096
NOK 2-3 million	6,984
NOK 3-4 million	3,895
Over NOK 4 million	3,905
<b>Total</b>	<b>24,837</b>

## Shareholders' equity and capital adequacy

At 31 March 2022, Bustadkreditt Sogn og Fjordane AS had NOK 1.801,2 million of equity. Its capital adequacy ratio was 18.73%. The equivalent figures for the previous year were NOK 1803,6 million of equity and a capital adequacy ratio of 19.69%.

In the first quarter of 2022, the Company paid NOK 183.0 million in dividends to the parent company.

## Liquidity

Ved utgangen av 1. kvartal 2022 hadde Bustadkreditt AS At the close of the first quarter, Bustadkreditt Sogn og Fjordane had NOK 170.4 million of substitute assets consisting of deposits held at Sparebanken Sogn og Fjordane. The Company also had bonds with a carrying amount of NOK 183.6 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 first quarter of 2022, the Company's weighted loan-to-value ratio was 53.4%, 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 first quarter of 2022. In spite of the turbulent geopolitical situation, the Company is experiencing healthy growth in lending to customers. House prices have risen over the past year, but Norges Bank's warning that it intends to raise interest rates will add to uncertainty.

In the first quarter of 2022, there was greater pressure on margins than the previous year. Nevertheless, the company achieved a satisfactory return on equity of 8.16%, 0.78 percentage points lower 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, 2 May 2022

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	Q1 2022	Q1 2021	Full-year 2021
Interest income		136 146	104 504	446 838
Interest expenses		80 026	48 745	200 475
<b>Net interest income</b>		<b>56 120</b>	<b>55 758</b>	<b>246 363</b>
Commission income		551	557	2 216
<b>Net commission income</b>		<b>551</b>	<b>557</b>	<b>2 216</b>
Net gains/losses on financial instruments		- 1 575	- 1 043	- 594
<b>Total other operating income</b>		<b>- 1 575</b>	<b>- 1 043</b>	<b>- 594</b>
<b>Net other operating income</b>		<b>- 1 025</b>	<b>- 486</b>	<b>1 623</b>
<b>Total operating income</b>		<b>55 096</b>	<b>55 272</b>	<b>247 985</b>
Wages, salaries, etc.		0	0	43
Other operating expenses		3 238	3 305	11 976
<b>Total operating expenses</b>		<b>3 238</b>	<b>3 305</b>	<b>12 018</b>
<b>Operating profit/loss before impairment loss</b>		<b>51 857</b>	<b>51 968</b>	<b>235 967</b>
Impairment loss (+)/gain (-)	3, 4, 5	975	- 2 352	1 001
<b>Operating profit/loss</b>		<b>50 882</b>	<b>54 319</b>	<b>234 966</b>
Tax expense		11 194	11 950	51 692
<b>Profit/loss for the reporting period</b>		<b>39 688</b>	<b>42 369</b>	<b>183 273</b>
<b>COMPREHENSIVE INCOME</b>				
<b>Profit/loss for the reporting period</b>		<b>39 688</b>	<b>42 369</b>	<b>183 273</b>
Other comprehensive income		0	0	0
<b>Comprehensive income</b>		<b>39 688</b>	<b>42 369</b>	<b>183 273</b>

# Balance sheet

<b>ASSETS</b>	Note	31 March 2022	31 March 2021	31 December 2021
Loans and advances to credit institutions		170 388	156 472	142 148
Loans to customers	3,4,5	24 825 899	22 732 293	23 299 814
Commercial paper and bonds		183 556	294 915	233 145
Financial assets		37 399	55 292	41 709
Deferred tax assets		0	2 240	0
<b>Total assets</b>		<b>25 217 241</b>	<b>23 241 213</b>	<b>23 716 815</b>
<b>DEBT AND EQUITY</b>				
<b>Liabilities</b>				
Debt to credit institutions		2 314 729	1 391 013	1 149 260
Debt securities in issue	6	20 873 998	19 955 992	20 529 335
Financial derivatives		185 389	36 140	30 151
Tax payable		11 194	33 020	47 872
Deferred tax		1 581	0	1 581
Other liabilities and provisions		29 130	21 421	14 086
<b>Total liabilities</b>		<b>23 416 020</b>	<b>21 437 585</b>	<b>21 772 284</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	51 220	53 628	11 532
Allocated for dividends		0	0	183 000
<b>Total retained earnings</b>		<b>51 220</b>	<b>53 628</b>	<b>194 532</b>
<b>Total equity</b>		<b>1 801 220</b>	<b>1 803 628</b>	<b>1 944 532</b>
<b>Total liabilities and equity</b>		<b>25 217 241</b>	<b>23 241 213</b>	<b>23 716 815</b>

Førde, 2 May 2022

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth  
Chair

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Irene Flølo  
CEO



# Cash flow statement

	Q1 2022	Q1 2021	Full-year 2021
Profit/loss before taxation	50 882	54 319	234 966
Impairment loss	975	- 2 352	1 001
Tax paid	- 47 872	- 21 070	- 42 139
Reduction/increase (-) in loans and advances to customers	- 1 527 040	- 909 812	- 1 480 690
Other non-cash transactions	15 024	- 98 708	- 106 039
<b>A) Net cash flow from operating activities</b>	<b>- 1 508 030</b>	<b>- 977 623</b>	<b>- 1 392 901</b>
Reduction/increase (-) in investments in commercial paper/bonds/derivatives	53 899	88 654	164 008
<b>B) Net cash flow from investment activities</b>	<b>53 899</b>	<b>88 654</b>	<b>164 008</b>
Increase/reduction (-) in loans from credit institutions	1 165 470	140 349	- 101 404
Increase/reduction (-) in debt securities/derivatives	499 901	928 506	1 495 860
Dividends	- 183 000	- 145 000	- 145 000
<b>C) Net cash flow from financing activities</b>	<b>1 482 371</b>	<b>923 855</b>	<b>1 249 456</b>
<b>D) Net cash flow during the year (A+B+C)</b>	<b>28 239</b>	<b>34 886</b>	<b>20 563</b>
Opening balance of cash and cash equivalents	142 148	121 586	121 586
<b>Closing balance of cash and cash equivalents</b>	<b>170 388</b>	<b>156 472</b>	<b>142 148</b>
<b>Breakdown of cash and cash equivalents</b>			
Deposits at other financial institutions	170 388	156 472	142 148
<b>Total</b>	<b>170 388</b>	<b>156 472</b>	<b>142 148</b>

# Equity statement

	PAID-UP EQUITY	RETAINED EARNINGS	
	Share capital	Other equity	TOTAL EQUITY
<b>Opening balance 01.01.21</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	183 273	<b>183 273</b>
<b>Closing balance 31.12.2021</b>	<b>1 750 000</b>	<b>194 532</b>	<b>1 944 532</b>
<b>Opening balance 01.01.2022</b>	<b>1 750 000</b>	<b>194 532</b>	<b>1 944 532</b>
Dividends paid	0	- 183 000	- 183 000
Profit/loss for the reporting period	0	39 688	<b>39 688</b>
<b>Closing balance 31.03.2022</b>	<b>1 750 000</b>	<b>51 220</b>	<b>1 801 220</b>

# Notes to the financial statements

## Note 1 Accounting principles and critical accounting estimates

### BASIS OF PRESENTATION

Bustadkreditt Sogn og Fjordane AS's financial statements are prepared using International Financial Reporting Standards (IFRS). These interim financial statements have been presented in accordance with IAS 34 "Interim Financial Reporting". All figures are stated in thousands of NOK, unless otherwise specified.

### GENERAL

For more detailed information about accounting policies and for information about critical accounting estimates, please see Bustadkreditt Sogn og Fjordane AS's 2021 annual report. See: [www.ssf.no](http://www.ssf.no).

### CHANGES TO ACCOUNTING STANDARDS

There were no changes to accounting standards or interpretations that were implemented by the Company in the first quarter of 2022.

## 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

	Q1 2022	Q1 2021	2021
Increase/reduction in individually assessed allowances	0	- 1 213	- 1 213
Increase/reduction in expected credit losses (model-based)	975	- 1 138	2 215
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>975</b>	<b>- 2 352</b>	<b>1 001</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.

2022	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for loans at amortised cost at 01.01.2022</b>	<b>2 635</b>	<b>3 989</b>	<b>3 530</b>	<b>10 154</b>
Transferred to Stage 1	114	- 797	- 127	- 810
Transferred to Stage 2	- 135	1126	- 26	966
Transferred to Stage 3	- 4	- 165	923	753
New financial assets issued or acquired	606	748	23	1 378
Derecognised financial assets	- 190	- 286	- 1 249	- 1 725
Changes to model/macroeconomic parameters	124	437	- 116	445
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 77	25	0	- 52
<b>Loss allowance for loans at amortised cost at 31.03.2022</b>	<b>3 074</b>	<b>5 077</b>	<b>2 958</b>	<b>11 109</b>
<b>Loss allowance for loans at fair value at 31.03.2022</b>	<b>2</b>	<b>2</b>	<b>0</b>	<b>4</b>
<b>Total loss allowance for loans at 31.03.2022</b>	<b>3 076</b>	<b>5 080</b>	<b>2 958</b>	<b>11 113</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2022</b>	<b>45</b>	<b>17</b>	<b>0</b>	<b>62</b>
Transferred to Stage 1	1	- 2	0	- 2
Transferred to Stage 2	- 1	4	0	3
Transferred to Stage 3	0	0	0	0
New financial assets issued or acquired	3	5	0	8
Derecognised financial assets	0	0	0	0
Changes to model/macroeconomic parameters	3	4	0	6
Actual losses covered by previous provisions	0	0	0	0
Other changes	6	- 1	0	5
<b>Loss allowance for undrawn credit facilities and guarantees at 31.03.2022</b>	<b>56</b>	<b>26</b>	<b>0</b>	<b>82</b>
	Stage 1	Stage 2	Stage 3	Total
<b>2021</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 01.01.2021</b>	<b>2 772</b>	<b>3 793</b>	<b>2 538</b>	<b>9 103</b>
Transferred to Stage 1	158	- 1 390	- 262	- 1 494
Transferred to Stage 2	- 118	852	- 234	500
Transferred to Stage 3	0	- 269	314	45
New financial assets issued or acquired	493	225	19	737
Derecognised financial assets	- 234	- 250	- 226	- 710
Changes to model/macroeconomic parameters	- 248	171	- 2	- 78
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 218	- 115	- 1 011	- 68
<b>Loss allowance for loans at amortised cost at 31.03.2021</b>	<b>2 605</b>	<b>3 018</b>	<b>1 137</b>	<b>6 759</b>
<b>Loss allowance for loans at fair value at 31.03.2021</b>	<b>10</b>	<b>9</b>	<b>22</b>	<b>41</b>
<b>Total loss allowance for loans at 31.03.2021</b>	<b>2 615</b>	<b>3 027</b>	<b>1 159</b>	<b>6 801</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>
Changes during the period	- 9	1	0	- 8
<b>Loss allowance for undrawn credit facilities and guarantees at 31.03.2021</b>	<b>54</b>	<b>13</b>	<b>0</b>	<b>67</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 31.03.2022	Probability of default starting from 30 March 2022					House prices	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Optimistic scenario	1,53	1,70	1,87	1,87	1,70	3,0 %	25 %
Scenario 2: Base scenario	1,80	2,00	2,20	2,20	2,00	2,0 %	50 %
Scenario 3: Pessimistic scenario	2,25	2,50	2,75	2,75	2,50	- 0,1 %	25 %

Impact on profit of giving 100% weighting to each scenario	Impact on profit/loss
Scenario 1: Optimistic scenario	2 041
Scenario 2: Base scenario	441
Scenario 3: Pessimistic scenario	- 2 924

## Note 5 Assets classified by IFRS 9 stage

2022	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at amortised cost at 01.01.2022</b>	<b>21 611 310</b>	<b>1 552 094</b>	<b>115 217</b>	<b>23 278 621</b>
Transferred to Stage 1	413 208	- 403 420	- 9 787	0
Transferred to Stage 2	- 387 749	391 877	- 4 128	0
Transferred to Stage 3	- 11 452	- 24 565	36 016	0
New financial assets issued or acquired	3 018 134	244 292	2 227	3 264 653
Derecognised financial assets	- 1 256 274	- 124 356	- 10 299	- 1 390 929
Other changes	- 328 499	- 8 030	- 322	- 336 851
<b>Gross loans at amortised cost at 31.03.2022</b>	<b>23 058 677</b>	<b>1 627 893</b>	<b>128 924</b>	<b>24 815 493</b>
Loss allowance for loans at amortised cost at 31.03.2022	3 074	5 077	2 958	11 109
<b>Net loans at amortised cost at 31.03.2022</b>	<b>23 055 603</b>	<b>1 622 815</b>	<b>125 966</b>	<b>24 804 384</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at fair value at 31.03.2022</b>	<b>18 174</b>	<b>3 345</b>	<b>0</b>	<b>21 519</b>
Loss allowance for loans at fair value at 31.03.2022	2	2	0	4
<b>Net loans at fair value at 31.03.2022</b>	<b>18 173</b>	<b>3 342</b>	<b>0</b>	<b>21 515</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Total gross loans at 31.03.2022</b>	<b>23 076 851</b>	<b>1 631 237</b>	<b>128 924</b>	<b>24 837 012</b>
Total loss allowance for loans at 31.03.2022	3 076	5 080	2 958	11 113
<b>Total net loans at 31.03.2022</b>	<b>23 073 775</b>	<b>1 626 158</b>	<b>125 966</b>	<b>24 825 899</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Guarantees and undrawn credit facilities at 31.03.2022</b>	<b>1 910 409</b>	<b>30 849</b>	<b>6</b>	<b>1 941 264</b>
Loss allowance for guarantees and undrawn credit facilities at 31.03.2022	56	26	0	82
<b>Net exposure to guarantees and undrawn credit facilities at 31.03.2022</b>	<b>1 910 353</b>	<b>30 823</b>	<b>6</b>	<b>1 941 182</b>
<b>2021</b>	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	555 963	- 544 763	- 11 200	0
Transferred to Stage 2	- 332 649	356 439	- 23 790	0
Transferred to Stage 3	- 1 553	- 24 203	25 756	0
New financial assets issued or acquired	2 440 814	115 813	2 876	2 559 504
Derecognised financial assets	- 1 208 299	- 123 282	- 2 088	- 1 333 669
Other changes	- 294 336	- 16 286	- 24	- 310 646
<b>Gross loans at amortised cost at 31.03.2021</b>	<b>21 275 198</b>	<b>1 276 841</b>	<b>41 605</b>	<b>22 593 644</b>
Loss allowance for loans at amortised cost at 31.03.2021	2 605	3 018	1 137	6 759
<b>Net loans at amortised cost at 31.03.2021</b>	<b>21 272 593</b>	<b>1 273 823</b>	<b>40 468</b>	<b>22 586 884</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at fair value at 31.03.2021</b>	<b>132 995</b>	<b>11 673</b>	<b>782</b>	<b>145 450</b>
Loss allowance for loans at fair value at 31.03.2021	10	9	22	41
<b>Net loans at fair value at 31.03.2021</b>	<b>132 985</b>	<b>11 664</b>	<b>760</b>	<b>145 409</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Total gross loans at 31.03.2021</b>	<b>21 408 193</b>	<b>1 288 514</b>	<b>42 387</b>	<b>22 739 094</b>
Total loss allowance for loans at 31.03.2021	2 615	3 027	1 159	6 801
<b>Total net loans at 31.03.2021</b>	<b>21 405 578</b>	<b>1 285 487</b>	<b>41 228</b>	<b>22 732 293</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Guarantees and undrawn credit facilities at 31.03.2021</b>	<b>1 775 558</b>	<b>27 815</b>	<b>0</b>	<b>1 803 373</b>
Loss allowance for guarantees and undrawn credit facilities at 31.03.2021	54	13	0	67
<b>Net exposure to guarantees and undrawn credit facilities at 31.03.2021</b>	<b>1 775 504</b>	<b>27 802</b>	<b>0</b>	<b>1 803 306</b>

## Note 6 Debt securities in issue

	31.03.22	31.03.21	31.12.21
<b>Face value</b>			
Commercial paper and other short-term borrowings	0	0	0
Bonds in issue at amortised cost	18 400 000	17 900 000	18 400 000
Own unamortised commercial paper/bonds at amortised cost	0	0	0
Bonds in issue at fair value	2 500 000	2 000 000	2 000 000
<b>Total debt securities in issue</b>	<b>20 900 000</b>	<b>19 900 000</b>	<b>20 400 000</b>
<b>Term to maturity</b>			
Remaining term to maturity (face value)			
2021	0	2 500 000	0
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	4 000 000	4 000 000
2027	3 900 000	900 000	3 900 000
2030	1 000 000	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>20 900 000</b>	<b>19 900 000</b>	<b>20 400 000</b>
New borrowings in 2022	500 000		
Repaid during the reporting period	0		

ISIN NUMBER	Face value	Interest rate	Coupon margin	Maturity date *)	Carrying amount 31.03.22
NO0010770019	2 500 000	3 MTH NIBOR	0,67	15.06.22	2 502 339
NO0010782543	2 500 000	3 MTH NIBOR	0,60	15.06.23	2 502 829
NO0010819170	2 500 000	3 MTH NIBOR	0,42	15.04.24	2 506 944
NO0010843311	3 000 000	3 MTH NIBOR	0,49	23.04.25	3 008 468
NO0010881048	4 000 000	3 MTH NIBOR	0,49	18.06.26	4 016 997
NO0011008377	3 000 000	3 MTH NIBOR	0,75	27.05.27	3 079 071
NO0010895329	900 000	3 MTH NIBOR	0,40	12.10.27	903 182
NO0010871643	1 000 000	Fixed-rate	2,30	19.06.30	958 472
NO0010830524	500 000	Fixed-rate	2,68	31.08.33	486 922
NO0010863772	1 000 000	Fixed-rate	2,04	20.09.34	908 772
<b>Total debt securities in issue</b>					<b>20 873 998</b>

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>31.03.22</b>	<b>31.03.21</b>	<b>31.12.21</b>
Share capital and share premium account	1 750 000	1 750 000	1 750 000
Other equity	11 532	11 259	11 532
<b>Equity</b>	<b>1 761 532</b>	<b>1 761 259</b>	<b>1 761 532</b>
<b>Other core capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deductions:			
Valuation adjustment (prudent valuation rules)	-282	-553	-349
Deferred tax assets	0	-2 240	0
<b>Net core capital</b>	<b>1 761 250</b>	<b>1 758 465</b>	<b>1 761 183</b>
<b>Core Tier 1 capital</b>	<b>1 761 250</b>	<b>1 758 465</b>	<b>1 761 183</b>
<b>Net supplementary capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net equity and subordinated debt</b>	<b>1 761 250</b>	<b>1 758 465</b>	<b>1 761 183</b>
<b>BASIS FOR CALCULATION</b>			
<b>Credit risk</b>			
Institutions	41 578	37 294	34 430
Retail loans	256 737	747 708	429 203
Residential mortgage loans	8 506 369	7 597 371	7 941 394
Overdue advances	128 704	41 455	114 930
Covered bonds	7 107	18 059	12 031
Other advances	35 071	26 942	15 509
<b>Total calculation basis for credit risk</b>	<b>8 975 566</b>	<b>8 468 830</b>	<b>8 547 497</b>
Operational risk	398 886	367 806	398 886
CVA	28 691	94 324	92 671
<b>Total calculation basis</b>	<b>9 403 143</b>	<b>8 930 960</b>	<b>9 039 054</b>
<b>Excess equity and subordinated debt</b>	<b>1 008 998</b>	<b>1 043 987</b>	<b>1 038 059</b>
<b>CAPITAL ADEQUACY</b>			
Capital adequacy ratio	18,73 %	19,69 %	19,48 %
Core capital adequacy ratio	18,73 %	19,69 %	19,48 %
Core Tier 1 capital adequacy ratio	18,73 %	19,69 %	19,48 %
Unweighted core capital ratio	6,92 %	7,51 %	7,37 %

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

	31.03.22	31.03.21	31.12.21
Interest received from Sparebanken Sogn og Fjordane	649	372	1 347
Interest paid to Sparebanken Sogn og Fjordane	8 645	4 142	17 343
Interest paid to Sparebanken Sogn og Fjordane on covered bonds	9 780	4 569	23 807
Services bought from Sparebanken Sogn og Fjordane	1 797	1 650	6 789
Deposits at Sparebanken Sogn og Fjordane	170 388	156 472	142 148
Liabilities to Sparebanken Sogn og Fjordane	2 314 729	1 391 013	1 149 260
Covered bonds held by Sparebanken Sogn og Fjordane	2 502 441	2 288 184	2 501 824

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 has a limit of NOK 750 million, but up until 30.06.2022 this has been raised to NOK 1,950 million. 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 31.03.2022 was NOK 340 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 31.03.2022, the facility had a limit of NOK 1,941 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 31.03.2022, the limit on the facility was NOK 1,672 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.

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

## Note 9 Substitute assets

	31.03.22	31.03.21	31.12.21
Deposits at the parent company	170 388	156 472	142 148
Government-guaranteed commercial paper	0	0	0
Other commercial paper and bonds	0	0	0
<b>Total substitute assets</b>	<b>170 388</b>	<b>156 472</b>	<b>142 148</b>

## Note 10 Fair value of financial instruments

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

	31.03.22		31.03.2021		31.12.21	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>						
Loans and advances to credit institutions	170 388	170 388	156 472	156 472	142 148	142 148
Loans to customers (gross)	24 815 493	24 815 493	22 593 644	22 593 644	23 278 621	23 278 621
<b>Total financial assets measured at amortised cost</b>	<b>24 985 881</b>	<b>24 985 881</b>	<b>22 750 116</b>	<b>22 750 116</b>	<b>23 420 769</b>	<b>23 420 769</b>
<i>Financial liabilities</i>						
Debt to credit institutions	2 314 729	2 314 729	1 391 013	1 391 013	1 149 260	1 149 260
Securities in issue (covered)	18 519 831	18 542 601	17 934 439	18 068 877	18 516 863	18 605 970
<b>Total financial liabilities measured at amortised cost</b>	<b>20 834 560</b>	<b>20 857 331</b>	<b>19 325 452</b>	<b>19 459 889</b>	<b>19 666 122</b>	<b>19 755 229</b>

### Financial assets measured at fair value

<i>Financial assets at fair value through profit or loss</i>	Level 1	Level 2	Level 3	TOTAL AT 31.03.2022
Loans and advances to customers at fair value	0	0	21 515	<b>21 515</b>
Commercial paper and bonds measured at fair value	9 958	173 598	0	<b>183 556</b>
Derivatives, trading portfolio	0	37 399	0	<b>37 399</b>

### *Financial liabilities at fair value through profit or loss (gross)*

Securities in issue (covered bonds)	2 354 167	<b>2 354 167</b>
Derivatives, trading portfolio	185 389	<b>185 389</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

# Information about the company

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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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