



*bustadkreditt  
sogn og fjordane*



# Interim report

Q1 2023 (ikkje revidert)

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GRAPHIC DESIGN: Sparebanken Sogn og Fjordane    E. Natvik Prenteverk AS  
FRONT COVER PHOTO: Vegard Fimland  
ENGLISH TRANSLATION: Språkverkstaden

# Key figures

FIGURES IN 000S OF NOK	31 March 2023/ Q1 2023	31 March 2022/ Q1 2022	31 Dec. 2022/ Full-year 2022
<b>INCOME STATEMENT</b>			
Profit/loss after taxation	38 481	39 688	118 912
Net interest margin	0,82 %	0,93 %	0,74 %
Profit/loss after tax as a % of average total assets	0,54 %	0,65 %	0,46 %
<b>KEY BALANCE SHEET FIGURES</b>			
Gross loans to customers	28 316 239	24 837 012	27 938 103
Loss allowance	34 175	11 113	21 587
Equity	2 200 925	1 801 220	2 280 444
Total assets	28 769 458	25 217 241	28 328 634
Average total assets	28 725 822	24 353 818	25 843 097
<b>OTHER KEY FIGURES</b>			
Cost-to-income ratio	5,73 %	5,88 %	7,06 %
Impairment loss as a % of gross loans	0,04 %	0,00 %	0,04 %
Loss allowance as a % of gross loans	0,12 %	0,04 %	0,08 %
Return on equity after tax *)	6,78 %	8,16 %	6,42 %
Capital adequacy ratio	20,21 %	18,73 %	20,57 %
Liquidity Coverage Ratio (LCR)	429 %	568 %	440 %
Net Stable Funding Ratio (NSFR)	106 %	-	104 %
<b>YEAR-ON-YEAR BALANCE SHEET GROWTH</b>			
Growth in total assets	14,09 %	8,50 %	19,45 %
Growth in customer lending	14,01 %	9,23 %	19,85 %
<b>INFORMATION ABOUT THE LOAN PORTFOLIO</b>			
Surplus value of cover pool (NOK millions)	6 645	3 895	6 162
Surplus value of cover pool (%)	31,0 %	18,6 %	28,8 %
Loan-to-value ratio, indexed	55,0 %	53,4 %	56,9 %
Loan-to-value ratio, not indexed	60,5 %	59,4 %	60,6 %
Face value of covered bonds issued (NOK millions)	21 436	20 900	21 436
Substitute assets other than loans (NOK millions)	146,1	178,1	136,1
Weighted average time since issue of loans (years)	3,4	3,4	3,3
Weighted average remaining term of loans (years)	19,9	19,2	19,8
Proportion of variable-rate loans	99,0 %	99,9 %	100,0 %
Proportion of fixed-rate loans	1,0 %	0,1 %	0,0 %
Proportion of flexible mortgages	12,5 %	13,3 %	12,5 %
Average loan value (NOK millions)	1,59	1,53	1,57
Number of loans	17 737	16 172	17 818
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 31.03.2023

## 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 2023, the Company had 17,737 mortgages with a total face value of NOK 28.3 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 close of March, 99% of the loans were variable rate loans. 12.5% of the loan book was made up of flexible mortgages.

The weighted average loan-to-value ratio was 55.0%, the weighted average loan term was 19.9 years and the weighted average time since the loans were granted was 3.4 years. The average loan per customer was NOK 1.59 million. The Company's total loan portfolio grew by NOK 3.5 billion (14.0%) over the past year.

The volume of covered bonds issued by the Company was NOK 21.4 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 first quarter of 2023, 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 38.5 million (39.7 million)
- Net interest income of NOK 58.2 million (56.1 million)
- Operating expenses of NOK 3.8 million (3.2 million)
- Net change in the value of financial instruments of NOK 7.1 million (-1.6 million)
- Impairment loss of NOK 12.7 million (1.0 million)
- Annualised return on equity of 6.78% (8.16%) after tax
- Core Tier 1 capital adequacy ratio of 20.21% (18.73%)

## Profitability

In the first quarter of 2023, the Company made a pre-tax profit of NOK 49.3 million. Profit after tax was NOK 38.5 million, giving an annualised return on equity of 6.78%. The equivalent figures for the previous year were NOK 50.9 million in pre-tax profit, NOK 39.7 million in profit after tax and return on equity of 8.16%. Profit after tax was equivalent to 0.54% of average total assets, compared with 0.65% in the year-earlier period.

## Net interest income

Net interest income totalled NOK 58.2 million. The net interest margin for the first quarter was 0.82%. The equivalent figures for the year-earlier period were NOK 56.1 million and 0.93%.

## Operating expenses

Operating expenses were NOK 3.8 million, compared with NOK 3.2 million for the same period of 2022. 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 5.73%, down from 5.88% 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 2023, the Company had fifteen loans with a combined value of NOK 14.1 million that were more than 90 days past due. The Company has not realised any losses.

For the first quarter of 2023, a NOK 12.7 million impairment loss was recognised for changes in expected credit losses. The total balance sheet allowance for expected credit losses was NOK 34.2 million at the end of the quarter. 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

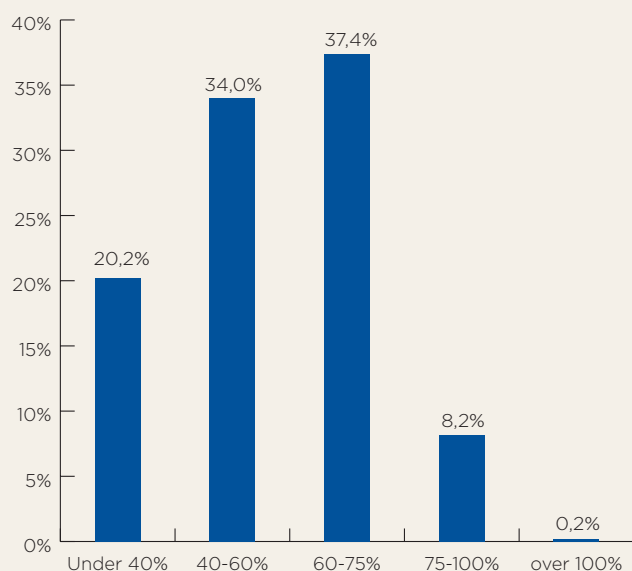
The Company had total assets of NOK 28.8 billion at 31 March 2023. This represented an increase of NOK 3.6 billion (14.1%) over the past 12 months.

## Customer loans and other substitute assets

In addition to the NOK 28.3 billion of mortgage loans, NOK 207.0 million of other substitute assets have been established. The total value of the cover pool is NOK 28.1 billion, which is 31.0% higher than the volume of covered bonds issued.

54.2% 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.

### 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	73,7 %
Oslo	10,0 %
Viken	8,8 %
Møre og Romsdal	1,8 %
Rogaland	1,5 %
Rest of Norway	4,2 %
<b>Total</b>	<b>100 %</b>

### BIGGEST MUNICIPALITIES MEASURED BY LOAN VOLUME

Municipality	Percentage
Bergen	18,1 %
Sunnfjord	15,3 %
Kinn	12,2 %
Oslo	10,0 %
Sogndal	5,7 %
Rest of Norway	38,7 %
<b>Total</b>	<b>100 %</b>

### DISTRIBUTION BY LOAN VALUE

Loan value	Volume (NOK millions)
NOK 0-1 million	3.138
NOK 1-2 million	7.420
NOK 2-3 million	7.822
NOK 3-4 million	4.690
Over NOK 4 million	5.247
<b>Total</b>	<b>28.316</b>

## Shareholders' equity and capital adequacy

At 31 March 2023, Bustadkreditt Sogn og Fjordane AS had NOK 2,200.9 million of equity. Its capital adequacy ratio was 20.21%. The equivalent figures for the previous year were NOK 1,801.2 million of equity and a capital adequacy ratio of 18.73%.

In the first quarter of 2023, the Company paid NOK 118.0 million in dividends to the parent company.

## Liquidity

At the close of the first quarter, Bustadkreditt Sogn og Fjordane had NOK 146.1 million of substitute assets consisting of deposits held at Sparebanken Sogn og Fjordane. The Company also had bonds with a carrying amount of NOK 207.0 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 2023, the Company's weighted loan-to-value ratio was 55.0%, 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, anti-corruption, 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.

## Summary

Loans to customers grew by 14.0%, which is a good performance. Net interest income fell by 3.6% as a result of the Company facing higher financing costs.

The company achieved a return on equity of 6.78%, 1.38 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 2023

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth  
Chair

Linda Vøllestad Westbye

Ole Aukland

Andrea Kvamsdal

Peter Midthun

Irene Flølo  
CEO

# Income statement

	Note	Q1 2023	Q1 2022	Full-year 2022
Interest income		309 646	136 146	743 348
Interest expenses		251 492	80 026	551 947
<b>Net interest income</b>		<b>58 153</b>	<b>56 120</b>	<b>191 401</b>
Commission income		564	551	2 234
<b>Net commission income</b>		<b>564</b>	<b>551</b>	<b>2 234</b>
Net gains/losses on financial instruments		7 122	- 1 575	- 16 957
<b>Total other operating income</b>		<b>7 122</b>	<b>- 1 575</b>	<b>- 16 957</b>
<b>Net other operating income</b>		<b>7 686</b>	<b>- 1 025</b>	<b>- 14 723</b>
<b>Total operating income</b>		<b>65 840</b>	<b>55 096</b>	<b>176 678</b>
Wages, salaries, etc.		0	0	46
Other operating expenses		3 770	3 238	12 425
<b>Total operating expenses</b>		<b>3 770</b>	<b>3 238</b>	<b>12 471</b>
<b>Operating profit/loss before impairment loss</b>		<b>62 070</b>	<b>51 857</b>	<b>164 207</b>
Impairment loss (+)/gain (-)	3, 4, 5	12 735	975	11 509
<b>Operating profit/loss</b>		<b>49 335</b>	<b>50 882</b>	<b>152 698</b>
Tax expense		10 854	11 194	33 786
<b>Profit/loss for the reporting period</b>		<b>38 481</b>	<b>39 688</b>	<b>118 912</b>
<b>COMPREHENSIVE INCOME</b>				
<b>Profit/loss for the reporting period</b>		<b>38 481</b>	<b>39 688</b>	<b>118 912</b>
Other comprehensive income		0	0	0
<b>Comprehensive income</b>		<b>38 481</b>	<b>39 688</b>	<b>118 912</b>

# Balance sheet

<b>ASSETS</b>	Note	31 March 2023	31 March 2022	31 December 2022
Loans and advances to credit institutions		146 080	170 388	136 106
Loans to customers	3,4,5	28 282 064	24 825 899	27 916 516
Commercial paper and bonds		206 959	183 556	207 384
Financial assets		131 526	37 399	68 628
Other assets		2 829	0	0
<b>Total assets</b>		<b>28 769 458</b>	<b>25 217 241</b>	<b>28 328 634</b>
<b>DEBT AND EQUITY</b>				
<b>Liabilities</b>				
Debt to credit institutions		5 011 340	2 314 729	4 318 520
Debt securities in issue	6	21 226 032	20 873 998	21 352 355
Financial derivatives		307 072	185 389	340 847
Tax payable		10 854	11 194	31 436
Deferred tax		3 930	1 581	3 930
Other liabilities and provisions		9 305	29 130	11 020
<b>Total liabilities</b>		<b>26 568 533</b>	<b>23 416 020</b>	<b>26 048 190</b>
<b>Paid-up equity</b>				
Share capital		2 150 000	1 750 000	2 150 000
<b>Total paid-up equity</b>		<b>2 150 000</b>	<b>1 750 000</b>	<b>2 150 000</b>
<b>Retained earnings</b>				
Other equity	7	50 925	51 220	12 444
Allocated for dividends		0	0	118 000
<b>Total retained earnings</b>		<b>50 925</b>	<b>51 220</b>	<b>130 444</b>
<b>Total equity</b>		<b>2 200 925</b>	<b>1 801 220</b>	<b>2 280 444</b>
<b>Total liabilities and equity</b>		<b>28 769 458</b>	<b>25 217 241</b>	<b>28 328 634</b>

Førde, 2 May 2023

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth  
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CEO



# Cash flow statement

	Q1 2023	Q1 2022	Full-year 2022
Profit/loss before taxation	49 335	50 882	152 698
Impairment loss	12 735	975	11 509
Tax paid	- 23 936	- 47 872	- 47 872
Reduction/increase (-) in loans and advances to customers	- 378 136	- 1 527 040	- 4 628 131
Other non-cash transactions	- 2 273	15 024	- 13 065
<b>A) Net cash flow from operating activities</b>	<b>- 342 275</b>	<b>- 1 508 030</b>	<b>- 4 524 860</b>
Reduction/increase (-) in investments in commercial paper/ bonds/derivatives	- 62 473	53 899	- 1 159
<b>B) Net cash flow from investment activities</b>	<b>- 62 473</b>	<b>53 899</b>	<b>- 1 159</b>
Increase/reduction (-) in loans from credit institutions	692 820	1 165 470	3 169 260
Increase/reduction (-) in debt securities/derivatives	- 160 098	499 901	1 133 716
Increase/reduction in paid-up share capital	0	0	400 000
Dividends	- 118 000	- 183 000	- 183 000
<b>C) Net cash flow from financing activities</b>	<b>414 722</b>	<b>1 482 371</b>	<b>4 519 976</b>
<b>D) Net cash flow during the year (A+B+C)</b>	<b>9 975</b>	<b>28 239</b>	<b>- 6 043</b>
Opening balance of cash and cash equivalents	136 106	142 148	142 148
<b>Closing balance of cash and cash equivalents</b>	<b>146 080</b>	<b>170 388</b>	<b>136 106</b>
<b>Breakdown of cash and cash equivalents</b>			
Deposits at other financial institutions	146 080	170 388	136 106
<b>Total</b>	<b>146 080</b>	<b>170 388</b>	<b>136 106</b>

# Equity statement

	PAID-UP EQUITY Share capital	RETAINED EARNINGS Other equity	TOTAL EQUITY
<b>Opening balance 01.01.2022</b>	<b>1 750 000</b>	<b>194 533</b>	<b>1 944 533</b>
Dividends paid	0	- 183 000	- 183 000
Capital increase	400 000	0	400 000
Profit/loss for the reporting period	0	118 912	118 912
<b>Closing balance 31.12.2022</b>	<b>2 150 000</b>	<b>130 445</b>	<b>2 280 445</b>
<b>Opening balance 01.01.2023</b>	<b>2 150 000</b>	<b>130 445</b>	<b>2 280 445</b>
Dividends paid	0	- 118 000	- 118 000
Profit/loss for the reporting period	0	38 481	38 481
<b>Closing balance 31.03.2023</b>	<b>2 150 000</b>	<b>50 926</b>	<b>2 200 926</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 2022 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 2023.

## 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 2023	Q1 2022	2022
Increase/reduction in individually assessed allowances	0	0	0
Increase/reduction in expected credit losses (model-based)	12 735	975	11 509
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>12 735</b>	<b>975</b>	<b>11 509</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.

Changes have been made to the loss allowances after validating the impairment model. The changes with the biggest impact on impairments relate to how the collateral coverage ratio is calculated and to the cure rate for loans in default. A change has also been made to the rules for transferring loans to Stage 2, whereby the absolute limit for changes in the PD has been lowered from 0.75 to 0.5 percentage points. A loan is now moved to Stage 2 if its PD has increased by at least 100% since it was originated and the increase in the PD is over 0.5 percentage points.

The changes to the model and parameters of the scenarios in the first quarter led to an increase in impairments of approximately NOK 12.5 million.

<b>2023</b>	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for loans at amortised cost at 01.01.2023</b>	<b>5 479</b>	<b>11 381</b>	<b>4 726</b>	<b>21 587</b>
Transferred to Stage 1	1028	- 3176	- 31	- 2 179
Transferred to Stage 2	- 276	2265	- 184	1 806
Transferred to Stage 3	- 2	- 800	1186	384
New financial assets issued or acquired	1 275	1 414	187	2 876
Derecognised financial assets	- 508	- 886	- 1 257	- 2 651
Changes to model/macroeconomic parameters	2 856	4 915	4 683	12 454
Actual losses covered by previous provisions	0	0	0	0
Other changes	109	- 139	- 260	- 289
<b>Loss allowance for loans at amortised cost at 31.03.2023</b>	<b>9 962</b>	<b>14 975</b>	<b>9 051</b>	<b>33 988</b>
<b>Loss allowance for loans at fair value at 31.03.2023</b>	<b>75</b>	<b>112</b>	<b>0</b>	<b>187</b>
<b>Total loss allowance for loans at 31.03.2023</b>	<b>10 037</b>	<b>15 087</b>	<b>9 051</b>	<b>34 175</b>

	Stage 1	Stage 2	Stage 3	Total
<b>Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2023</b>	<b>105</b>	<b>36</b>	<b>2</b>	<b>142</b>
Transferred to Stage 1	2	- 6	0	- 4
Transferred to Stage 2	- 2	7	0	5
Transferred to Stage 3	0	0	0	0
New financial assets issued or acquired	10	10	0	21
Derecognised financial assets	0	0	0	0
Changes to model/macroeconomic parameters	101	32	5	138
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 6	- 7	0	- 12
<b>Loss allowance for undrawn credit facilities and guarantees at 31.03.2023</b>	<b>210</b>	<b>73</b>	<b>7</b>	<b>289</b>

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

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	1 126	- 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>
Changes during the period	11	9	0	20
<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>

### Future scenarios in the 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. During the Covid-19 pandemic and subsequently, there have been such great fluctuations in the macroeconomic variables used as independent variables in the model that the model is 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 31.03.2023	Probability of default starting from 31 March 2023					House prices	
	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Optimistic scenario for retail market	1,50	1,65	1,50	1,35	1,20	2,7 %	25 %
Scenario 2: Base scenario for retail market	2,00	2,20	2,00	1,80	1,60	1,7 %	50 %
Scenario 3: Pessimistic scenario for retail market	2,50	2,75	2,50	2,25	2,00	- 0,3 %	25 %

## Note 5 Assets classified by IFRS 9 stage

The change in the rules for transferring loans to Stage 2, whereby the absolute limit for changes in the PD was lowered from 0.75 to 0.5 percentage points, increased the volume of loans in Stage 2 by around NOK 990 million in the first quarter.

2023	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at amortised cost at 01.01.2023</b>	<b>25 544 763</b>	<b>2 263 849</b>	<b>129 491</b>	<b>27 938 103</b>
Transferred to Stage 1	747 612	- 743 411	- 4 201	0
Transferred to Stage 2	- 1 833 287	1 841 069	- 7 781	0
Transferred to Stage 3	- 1 099	- 42 265	43 364	0
New financial assets issued or acquired	2 270 222	192 871	4 215	2 467 307
Derecognised financial assets	- 1 811 476	- 193 218	- 18 810	- 2 023 503
Other changes	- 315 810	- 19 385	- 490	- 335 685
<b>Gross loans at amortised cost at 31.03.2023</b>	<b>24 600 924</b>	<b>3 299 511</b>	<b>145 786</b>	<b>28 046 221</b>
Loss allowance for loans at amortised cost at 31.03.2023	9 962	14 975	9 051	33 988
<b>Net loans at amortised cost at 31.03.2023</b>	<b>24 590 962</b>	<b>3 284 535</b>	<b>136 736</b>	<b>28 012 233</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans at fair value at 31.03.2023</b>	<b>241 768</b>	<b>28 250</b>	<b>0</b>	<b>270 018</b>
Loss allowance for loans at fair value at 31.03.2023	75	112	0	187
<b>Net loans at fair value at 31.03.2023</b>	<b>241 693</b>	<b>28 138</b>	<b>0</b>	<b>269 831</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Total gross loans at 31.03.2023</b>	<b>24 842 692</b>	<b>3 327 760</b>	<b>145 786</b>	<b>28 316 239</b>
Total loss allowance for loans at 31.03.2023	10 037	15 087	9 051	34 175
<b>Total net loans at 31.03.2023</b>	<b>24 832 655</b>	<b>3 312 673</b>	<b>136 736</b>	<b>28 282 064</b>
	Stage 1	Stage 2	Stage 3	Total
<b>Guarantees and undrawn credit facilities at 31.03.2023</b>	<b>2 071 247</b>	<b>48 438</b>	<b>381</b>	<b>2 120 066</b>
Loss allowance for guarantees and undrawn credit facilities at 31.03.2023	210	73	7	289
<b>Net exposure to guarantees and undrawn credit facilities at 31.03.2023</b>	<b>2 071 037</b>	<b>48 366</b>	<b>374</b>	<b>2 119 777</b>

## Note 5 Assets classified by IFRS 9 stage (cont.)

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>

## Note 6 Debt securities in issue

	31 March 2023	31 March 2022	31 December 2022
<b>Face value</b>			
Commercial paper and other short-term borrowings	0	0	0
Bonds in issue at amortised cost	16 411 000	18 400 000	16 411 000
Own unamortised commercial paper/bonds, at amortised cost	- 209 000	0	0
Bonds in issue at fair value	5 025 000	2 500 000	5 025 000
<b>Total debt securities in issue</b>	<b>21 227 000</b>	<b>20 900 000</b>	<b>21 436 000</b>
<b>Term to maturity</b>			
Remaining term to maturity (net face value)			
2022	0	2 500 000	0
2023	1 802 000	2 500 000	2 011 000
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	4 900 000	3 900 000	4 900 000
2029	1 000 000	0	1 000 000
2030	1 000 000	1 000 000	1 000 000
2032	525 000	0	525 000
2033	1 000 000	500 000	1 000 000
2034	1 000 000	1 000 000	1 000 000
2037	500 000	0	500 000
<b>Total</b>	<b>21 227 000</b>	<b>20 900 000</b>	<b>21 436 000</b>
New borrowings in 2023	0		
Net repayments during the reporting period	0		

ISIN NUMBER	Face value	Interest rate	Coupon margin	Maturity date *)	Carrying amount 31.03.23
NO0010782543	1 802 000	3 MTH NIBOR	0,60	15.06.23	1 805 029
NO0010819170	2 500 000	3 MTH NIBOR	0,42	15.04.24	2 518 519
NO0010843311	3 000 000	3 MTH NIBOR	0,49	23.04.25	3 020 920
NO0010881048	4 000 000	3 MTH NIBOR	0,49	18.06.26	4 015 604
NO0011008377	4 000 000	3 MTH NIBOR	0,75	27.05.27	4 084 164
NO0010895329	900 000	3 MTH NIBOR	0,40	12.10.27	907 461
NO0012713553	1 000 000	Fixed-rate	4,14	04.10.29	1 043 440
NO0010871643	1 000 000	Fixed-rate	2,30	19.06.30	942 444
NO0012767963	525 000	Fixed-rate	3,80	25.08.23	538 411
NO0010830524	1 000 000	Fixed-rate	2,68	31.08.33	944 588
NO0010863772	1 000 000	Fixed-rate	2,04	20.09.34	881 313
NO0012654476	500 000	Fixed-rate	3,72	31.08.37	524 140
<b>Total debt securities in issue</b>					<b>21 226 032</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 six 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

	31 March 2023	31 March 2022	31 December
<b>EQUITY AND SUBORDINATED DEBT</b>			
Share capital and share premium account	2 150 000	1 750 000	2 150 000
Other equity	12 444	11 532	12 444
<b>Equity</b>	<b>2 162 444</b>	<b>1 761 532</b>	<b>2 162 444</b>
<b>Other core capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
Deductions:			
Valuation adjustment (prudent valuation rules)	- 765	- 282	- 376
Deferred tax assets	0	0	0
<b>Net core capital</b>	<b>2 161 679</b>	<b>1 761 250</b>	<b>2 162 068</b>
<b>Core Tier 1 capital</b>	<b>2 161 679</b>	<b>1 761 250</b>	<b>2 162 068</b>
<b>Net supplementary capital</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net equity and subordinated debt</b>	<b>2 161 679</b>	<b>1 761 250</b>	<b>2 162 068</b>
<b>BASIS FOR CALCULATION</b>			
<b>Credit risk</b>			
Institutions	58 597	41 578	56 765
Retail loans	301 229	256 737	275 632
Residential mortgage loans	9 684 638	8 506 369	9 572 531
Overdue advances	139 416	128 704	128 345
Covered bonds	10 124	7 107	10 143
Other advances	63 734	35 071	26 551
<b>Total calculation basis for credit risk</b>	<b>10 257 738</b>	<b>8 975 566</b>	<b>10 069 967</b>
Operational risk	389 812	398 886	389 812
CVA	50 829	28 691	53 163
<b>Total calculation basis</b>	<b>10 698 379</b>	<b>9 403 143</b>	<b>10 512 942</b>
<b>Excess equity and subordinated debt</b>	<b>1 305 809</b>	<b>1 008 998</b>	<b>1 321 033</b>
<b>CAPITAL ADEQUACY</b>			
Capital adequacy ratio	20,21 %	18,73 %	20,57 %
Core capital adequacy ratio	20,21 %	18,73 %	20,57 %
Core Tier 1 capital adequacy ratio	20,21 %	18,73 %	20,57 %
Unweighted core capital ratio	7,44 %	6,92 %	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 March 2023	31 March 2022	31 December 2022
Interest received from Sparebanken Sogn og Fjordane	2 280	649	6 483
Interest paid to Sparebanken Sogn og Fjordane	50 906	8 645	94 911
Interest paid to Sparebanken Sogn og Fjordane on covered bonds	0	9 780	21 588
Services bought from Sparebanken Sogn og Fjordane	2 144	1 797	7 399
Deposits at Sparebanken Sogn og Fjordane	146 080	170 388	136 106
Liabilities to Sparebanken Sogn og Fjordane	5 011 340	2 314 729	4 318 520
Covered bonds held by Sparebanken Sogn og Fjordane	0	2 502 441	0

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 five credit facilities with Sparebanken Sogn og Fjordane (SSF):

- a) A NOK 4,000 million credit facility to be used to settle the purchase of mortgage loans from SSF. This is a revolving credit facility with a 15-month notice period on the part of SSF. BSF can cancel or change the limit on the facility with SSF at 14 days' notice. At 31.03.2023, the amount drawn against the facility was NOK 2,436 million.
- 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 31.03.2023 was NOK 709 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 31.03.2023, the limit on the facility was NOK 2,120 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 31.03.2023, the limit on the facility was NOK 1,715 million, but this limit depends on the volume of covered bonds issued at any given time.
- e) A long-term credit facility. The limit on the facility is NOK 1,000 million, which was fully drawn at 31.03.2023.

In addition to these five 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 March 2023	31 March 2022	31 December 2022
Deposits at the parent company	146 080	170 388	136 106
Government-guaranteed commercial paper	0	0	0
Other commercial paper and bonds	0	0	0
<b>Total substitute assets</b>	<b>146 080</b>	<b>170 388</b>	<b>136 106</b>

## Note 10 Fair value of financial instruments

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

	31 March 2023		31 March 2022		31 December 2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>						
Loans and advances to credit institutions	146 080	146 080	170 388	170 388	136 106	136 106
Loans to customers (gross)	28 046 221	28 046 221	24 815 493	24 815 493	27 938 103	27 938 103
<b>Total financial assets measured at amortised cost</b>	<b>28 192 302</b>	<b>28 192 302</b>	<b>24 985 881</b>	<b>24 985 881</b>	<b>28 074 208</b>	<b>28 074 208</b>
<i>Financial liabilities</i>						
Debt to credit institutions	5 011 340	5 011 340	2 314 729	2 314 729	4 318 520	4 318 520
Securities in issue (covered)	16 351 696	16 332 735	18 519 831	18 542 601	16 568 372	16 565 433
<b>Total financial liabilities measured at amortised cost</b>	<b>21 363 036</b>	<b>21 344 075</b>	<b>20 834 560</b>	<b>20 857 331</b>	<b>20 886 892</b>	<b>20 883 952</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 31.03.2023
Loans and advances to customers at fair value	0	0	269 831	<b>269 831</b>
Commercial paper and bonds measured at fair value	0	206 959	0	<b>206 959</b>
Derivatives, trading portfolio	0	131 526	0	<b>131 526</b>

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

Securities in issue (covered bonds)	4 874 336	<b>4 874 336</b>
Derivatives, trading portfolio	307 072	<b>307 072</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
Ole Aukland	Board member
Andrea Kvamsdal	Board member
Peter Midthun	Board member

## CONTACT PERSON

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