



*bustadkreditt
sogn og fjordane*



Interim report

Q2 2023 (unaudited)

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Front cover photo: Lene Neverdal

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

English translation: Språkverkstaden AS

Key figures

FIGURES IN 000S OF NOK

INCOME STATEMENT

	30 June 2023/ H1 2023	30 June 2022/ H1 2022	31 Dec. 2022/ Full-year 2022
Profit/loss after taxation	71 534	76 634	118 912
Net interest margin	0,78 %	0,85 %	0,74 %
Profit/loss after tax as a % of average total assets	0,51 %	0,61 %	0,46 %

KEY BALANCE SHEET FIGURES

Gross loans to customers	25 737 964	25 529 360	27 938 103
Loss allowance	32 980	9 707	21 587
Equity	2 233 978	1 838 166	2 280 444
Total assets	26 538 095	26 168 930	28 328 634
Average total assets	28 325 090	24 942 491	25 843 097

OTHER KEY FIGURES

Cost-to-income ratio	6,75 %	6,00 %	7,06 %
Impairment loss as a % of gross loans	0,04 %	0,00 %	0,04 %
Loss allowance as a % of gross loans	0,13 %	0,04 %	0,08 %
Return on equity after tax *)	6,46 %	8,29 %	6,42 %
Capital adequacy ratio	21,70 %	18,28 %	20,57 %
Liquidity Coverage Ratio (LCR)	972 %	1242 %	440 %
Net Stable Funding Ratio (NSFR)	108 %	108 %	104 %

YEAR-ON-YEAR BALANCE SHEET GROWTH

Growth in total assets	1,41 %	10,47 %	19,45 %
Growth in customer lending	0,82 %	10,07 %	19,85 %

INFORMATION ABOUT THE LOAN PORTFOLIO

Surplus value of cover pool (NOK millions)	4 341	5 592	6 162
Surplus value of cover pool (%)	20,7 %	28,1 %	28,8 %
Loan-to-value ratio, indexed	53,9 %	53,0 %	56,9 %
Loan-to-value ratio, not indexed	60,1 %	59,6 %	60,6 %
Face value of covered bonds issued (NOK millions)	20 938	19 910	21 436
Substitute assets other than loans (NOK millions)	246,9	173,5	136,1
Weighted average time since issue of loans (years)	3,7	3,3	3,3
Weighted average remaining term of loans (years)	19,5	19,5	19,8
Proportion of variable-rate loans	99,8 %	100,0 %	100,0 %
Proportion of fixed-rate loans	0,2 %	0,0 %	0,0 %
Proportion of flexible mortgages	13,4 %	13,2 %	12,5 %
Average loan value (NOK millions)	1,57	1,57	1,57
Number of loans	16 356	16 300	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 30 June 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 start of the second quarter, it was announced that Sparebanken Sogn og Fjordane will become part of the SpareBank 1 alliance. This will also lead to a strategic change of direction for Bustadkreditt Sogn og Fjordane. In the future, the parent company will transfer loans to the jointly owned company SpareBank 1 Boligkreditt, and consequently gradually reduce its use of Bustadkreditt Sogn og Fjordane. The Company will continue to fulfil all of its ongoing obligations.

At the end of June 2023, the Company had 16,356 mortgage loans with a combined value of NOK 25.7 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, 99.8% of the loans were variable rate loans, while 13.4% of the loan book was made up of flexible mortgages.

The weighted average loan-to-value ratio was 53.9%, the weighted average loan term was 19.5 years and the weighted average time since the loans were granted was 3.7 years. The average loan per customer was NOK 1.57 million. The Company's total loan portfolio grew by just NOK 0.2 billion over the past year, due to the strategic change of course.

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 second quarter of 2023, the long-term rating was still Aaa, while the TPI Leeway was 4. In June 2023, BSF was assigned an A1 issuer rating by Moody's.

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 71.5 million (76.6 million)
- Net interest income of NOK 110.1 million (104.7 million)
- Operating expenses of NOK 7.5 million (6.2 million)
- Net change in the value of financial instruments of NOK -0.4 million (-1.7 million)
- Impairment loss of NOK 11.6 million (gain of 0.4 million)
- Annualised return on equity of 6.46% (8.29%) after tax
- Core Tier 1 capital adequacy ratio of 21.70% (18.28%)

Profitability

In the first six months of 2023, the Company made a pre-tax profit of NOK 91.7 million. Profit after tax was NOK 71.5 million, giving an annualised return on equity of 6.46%. The equivalent figures for the previous year were NOK 98.2 million in pre-tax profit, NOK 76.6 million in profit after tax and return on equity of 8.29%. Profit after tax was equivalent to 0.51% of average total assets, compared with 0.61% in the year-earlier period.

Net interest income

Net interest income totalled NOK 110.1 million. The net interest margin for the six months to 30 June 2023 was 0.78%. The equivalent figures for the year-earlier period were NOK 104.7 million and 0.85%.

Operating expenses

Operating expenses were NOK 7.5 million, compared with NOK 6.2 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 6.75%, up from 6.0% 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 2023, the company had eighteen loans with a combined value of NOK 21.6 million that were more than 90 days past due. The Company has not realised any losses.

For the first six months of 2023, a NOK 11.5 million impairment loss was recognised for changes in expected credit losses. The total balance sheet allowance for expected credit losses (ECLs) was NOK 33.0 million at the end of the quarter. The increase in the allowance for ECLs since 30 June 2022 is due to changes in the impairment model after a major validation process in the first quarter of 2023. 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

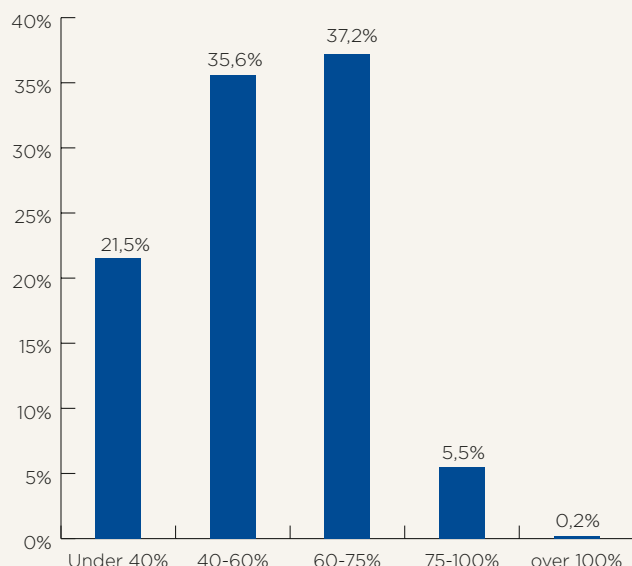
The Company had total assets of NOK 26.5 billion at 30 June 2023. This represented an increase of NOK 0.4 billion (1.4%) over the past 12 months.

Customer loans and other substitute assets

In addition to the NOK 25.7 billion of mortgage loans, NOK 246.9 million of other substitute assets have been established. The total value of the cover pool is NOK 25.3 billion, which is 20.7% higher than the volume of covered bonds issued.

57.1% 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 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	73,5 %
Oslo	10,0 %
Viken	8,9 %
Møre og Romsdal	1,9 %
Rogaland	1,4 %
Rest of Norway	4,3 %
Total	100 %

5 BIGGEST MUNICIPALITIES MEASURED BY LOAN VOLUME

Municipality	Percentage
Bergen	18,0 %
Sunnfjord	15,2 %
Kinn	12,3 %
Oslo	10,0 %
Sogndal	5,7 %
Rest of Norway	38,8 %
Total	100 %

DISTRIBUTION BY LOAN VALUE

Loan value	Volume (NOK millions)
NOK 0-1 million	2.891
NOK 1-2 million	6.844
NOK 2-3 million	7.131
NOK 3-4 million	4.189
Over NOK 4 million	4.684
Total	25.738

Shareholders' equity and capital adequacy

At 30 June 2023, Bustadkreditt Sogn og Fjordane AS had NOK 2,234 million of equity. Its capital adequacy ratio was 21.70%. The equivalent figures for the previous year were NOK 1,838.2 million of equity and a capital adequacy ratio of 18.28%.

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 second quarter, Bustadkreditt Sogn og Fjordane had NOK 246.8 million of substitute assets consisting of deposits held at Sparebanken Sogn og Fjordane. The Company also had bonds with a carrying amount of NOK 507.7 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 2023, the Company's weighted loan-to-value ratio was 53.9%, 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.

Summary

The Company produced strong results and its operations were stable in the first half of 2023. The Company generated NOK 110 million of net interest income, which was 5.1% more than in the first half of last year. Its return on equity was 6.46%. Growth in lending volume was marginal over the past year. This reflects the fact that the Sparebanken Sogn og Fjordane Group is becoming part of the SpareBank 1 alliance. The Company, which has a strong capital position, its costs firmly under control and no realised losses, will continue to meet all of its obligations in the future.

Førde, 14 August 2023

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth
Chair

Ole Aukland

Andrea Kvamsdal

Peter Midthun

Linda Vøllestad Westbye

Irene Flølo
CEO

Income statement

	Note	Q2 2023	Q2 2022	H1 2023	H1 2022	Full-year 2022
Interest income		315 729	155 065	625 375	291 212	743 348
Interest expenses		263 827	106 492	515 319	186 518	551 947
Net interest income		51 902	48 574	110 056	104 694	191 401
Commission income		557	562	1 121	1 113	2 234
Net commission income		557	562	1 121	1 113	2 234
Net gains/losses on financial instruments		- 7 558	- 148	- 436	- 1 723	- 16 957
Total other operating income		- 7 558	- 148	- 436	- 1 723	- 16 957
Net other operating income		- 7 001	414	685	- 610	- 14 723
Total operating income		44 901	48 988	110 741	104 084	176 678
Wages, salaries, etc.		0	0	0	0	46
Other operating expenses		3 707	3 008	7 476	6 247	12 425
Total operating expenses		3 707	3 008	7 476	6 247	12 471
Operating profit/loss before impairment loss		41 194	45 980	103 264	97 837	164 207
Impairment loss (+)/gain (-)	3, 4, 5	- 1 180	- 1 385	11 555	- 410	11 509
Operating profit/loss		42 374	47 365	91 709	98 247	152 698
Tax expense		9 321	10 419	20 175	21 613	33 786
Profit/loss for the reporting period		33 053	36 946	71 534	76 634	118 912
COMPREHENSIVE INCOME						
Profit/loss for the reporting period		33 053	36 946	71 534	76 634	118 912
Other comprehensive income		0	0	0	0	0
Comprehensive income		33 053	36 946	71 534	76 634	118 912

Balance sheet

ASSETS	Note	30.06.2023	30.06.2022	31.12.2022
Loans and advances to credit institutions		246 862	173 476	136 106
Loans to customers	3,4,5	25 704 985	25 519 653	27 916 516
Commercial paper and bonds		507 742	425 586	207 384
Financial assets		76 620	48 476	68 628
Other assets		1 886	1 737 819	0
Total assets		26 538 095	26 168 930	28 328 634
DEBT AND EQUITY				
Liabilities				
Debt to credit institutions		3 150 790	4 229 208	4 318 520
Debt securities in issue	6	20 618 489	19 743 961	21 352 355
Financial derivatives		506 457	333 306	340 847
Tax payable		20 175	21 613	31 436
Deferred tax		3 930	1 581	3 930
Other liabilities and provisions		4 275	1 096	1 102
Total liabilities		24 304 117	24 330 764	26 048 190
Paid-up equity				
Share capital		2 150 000	1 750 000	2 150 000
Total paid-up equity		2 150 000	1 750 000	2 150 000
Retained earnings				
Other equity	7	83 978	88 166	12 444
Allocated for dividends		0	0	118 000
Total retained earnings		83 978	88 166	130 444
Total equity		2 233 978	1 838 166	2 280 444
Total liabilities and equity		26 538 095	26 168 930	28 328 634

Førde, 14 August 2023

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth
Chair

Ole Aukland

Andrea Kvamsdal

Peter Midthun

Linda Vøllestad Westbye

Irene Flølo
CEO

Cash flow statement

	30.06.2023	30.06.2022	31.12.2022
Profit/loss before taxation	91 709	98 247	152 698
Impairment loss	11 555	- 410	11 509
Tax paid	- 31 436	- 47 872	- 47 872
Reduction/increase (-) in loans and advances to customers	2 200 138	- 2 219 388	- 4 628 131
Other non-cash transactions	1 125	- 14 770	- 13 065
A) Net cash flow from operating activities	2 273 091	- 2 184 192	- 4 524 860
Reduction/increase (-) in investments in commercial paper/bonds/derivatives	- 308 350	- 199 209	- 1 159
B) Net cash flow from investment activities	- 308 350	- 199 209	- 1 159
Increase/reduction (-) in loans from credit institutions	- 1 167 729	3 079 948	3 169 260
Increase/reduction (-) in debt securities/derivatives	- 568 256	- 482 219	1 133 716
Increase/reduction in paid-up share capital	0	0	400 000
Dividends	- 118 000	- 183 000	- 183 000
C) Net cash flow from financing activities	- 1 853 985	2 414 729	4 519 976
D) Net cash flow during the year (A+B+C)	110 756	31 328	- 6 043
Opening balance of cash and cash equivalents	136 106	142 148	142 148
Closing balance of cash and cash equivalents	246 862	173 476	136 106
Breakdown of cash and cash equivalents			
Deposits at other financial institutions	246 862	173 476	136 106
Total	246 862	173 476	136 106

Equity statement

	PAID-UP EQUITY Share capital	RETAINED EARNINGS Other equity	TOTAL EQUITY
Opening balance 01.01.2022	1 750 000	194 532	1 944 532
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
Closing balance 31.12.2022	2 150 000	130 444	2 280 444
Opening balance 01.01.2023	2 150 000	130 444	2 280 444
Dividends paid	0	- 118 000	- 118 000
Profit/loss for the reporting period	0	71 534	71 534
Closing balance 30.06.2023	2 150 000	83 978	2 233 978

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.

CHANGES TO ACCOUNTING STANDARDS

There were no changes to accounting standards or interpretations that were implemented by the Company in the second 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

	Q2 2023	Q2 2022	H1 2023	H1 2022	Full-year 2022
Increase/reduction in individually assessed allowances	0	0	0	0	0
Increase/reduction in expected credit losses (model-based)	- 1 180	- 1 385	11 555	- 410	11 509
Losses realised during period for which a loss allowance had previously been made	0	0	0	0	0
Losses realised during the period for which a loss allowance had not previously been made	0	0	0	0	0
Recoveries against previous years' realised losses	0	0	0	0	0
Impairment loss for the period	- 1 180	- 1 385	11 555	- 410	11 509

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, changes were 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% from when it was originated and the increase in the PD is over 0.5 percentage points.

2023	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2023	5 479	11 381	4 726	21 587
Transferred to Stage 1	207	- 1835	- 49	- 1 677
Transferred to Stage 2	- 679	3503	- 406	2 418
Transferred to Stage 3	- 5	- 860	1534	669
New financial assets issued or acquired	689	1 902	460	3 051
Derecognised financial assets	- 978	- 1 796	- 1 327	- 4 101
Changes to model/macroeconomic parameters	2 523	5 851	4 961	13 335
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 561	- 1 568	- 219	- 2 348
Loss allowance for loans at amortised cost at 30.06.2023	6 675	16 579	9 681	32 935
Loss allowance for loans at fair value at 30.06.2023	8	37	0	45
Total loss allowance for loans at 30.06.2023	6 683	16 616	9 681	32 980

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2023	105	36	2	142
Transferred to Stage 1	0	- 3	0	- 3
Transferred to Stage 2	- 10	25	0	15
Transferred to Stage 3	0	0	0	0
New financial assets issued or acquired	5	6	0	11
Derecognised financial assets	0	0	0	0
Changes to model/macroeconomic parameters	84	63	3	151
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 3	- 9	0	- 11
Loss allowance for undrawn credit facilities and guarantees at 30.06.2023	182	118	5	305

Note 4 Loss allowances classified by IFRS 9 stage, continued

2022	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2022	2 635	3 989	3 530	10 154
Transferred to Stage 1	109	- 825	- 89	- 805
Transferred to Stage 2	- 138	1 089	- 164	786
Transferred to Stage 3	- 6	- 276	1 160	878
New financial assets issued or acquired	1 142	1 279	90	2 512
Derecognised financial assets	- 397	- 951	- 2 288	- 3 636
Changes to model/macroeconomic parameters	281	375	- 238	418
Actual losses covered by previous provisions	0	0	0	0
Other changes	- 394	- 270	64	- 601
Loss allowance for loans at amortised cost at 30.06.2022	3 233	4 408	2 066	9 707
Loss allowance for loans at fair value at 30.06.2022	0	0	0	0
Total loss allowance for loans at 30.06.2022	3 233	4 408	2 066	9 707
	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2022	45	17	0	62
Changes during the period	21	21	0	41
Loss allowance for undrawn credit facilities and guarantees at 30.06.2022	65	38	0	103

Future scenarios in the impairment model under IFRS 9

Under IFRS 9, impairment allowances shall take into account expectations for future defaults and credit losses. In 2018 and 2019, the bank used a statistical model to estimate how expected changes in macroeconomic 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 30.06.2023	Probability of default starting from 30 June 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	3,3 %	25 %
Scenario 2: Base scenario for retail market	2,00	2,20	2,00	1,80	1,60	2,3 %	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 that was introduced in the first quarter, 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.

2023	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2023	25 544 763	2 263 849	129 491	27 938 103
Transferred to Stage 1	461 453	- 458 918	- 2 536	0
Transferred to Stage 2	- 1 483 373	1 501 296	- 17 923	0
Transferred to Stage 3	- 9 799	- 56 051	65 851	0
New financial assets issued or acquired	1 940 729	323 700	11 921	2 276 350
Derecognised financial assets	- 3 483 147	- 352 637	- 22 780	- 3 858 564
Other changes	- 597 696	- 55 584	- 4 177	- 657 457
Gross loans at amortised cost at 30.06.2023	22 372 929	3 165 655	159 848	25 698 432
Loss allowance for loans at amortised cost at 30.06.2023	6 675	16 579	9 681	32 935
Net loans at amortised cost at 30.06.2023	22 366 253	3 149 076	150 167	25 665 497
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 30.06.2023	27 720	11 813	0	39 533
Loss allowance for loans at fair value at 30.06.2023	8	37	0	45
Net loans at fair value at 30.06.2023	27 712	11 776	0	39 488
	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 30.06.2023	22 400 649	3 177 468	159 848	25 737 964
Total loss allowance for loans at 30.06.2023	6 683	16 616	9 681	32 980
Total net loans at 30.06.2023	22 393 966	3 160 852	150 167	25 704 985
	Stage 1	Stage 2	Stage 3	Total
Guarantees and undrawn credit facilities at 30.06.2023	2 070 750	57 433	367	2 128 550
Loss allowance for guarantees and undrawn credit facilities at 30.06.2023	182	118	5	305
Net exposure to guarantees and undrawn credit facilities at 30.06.2023	2 070 568	57 315	362	2 128 245

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

2022	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2022	21 611 310	1 552 094	115 217	23 278 621
Transferred to Stage 1	463 698	- 455 840	- 7 858	0
Transferred to Stage 2	- 420 964	430 029	- 9 065	0
Transferred to Stage 3	- 14 507	- 50 284	64 790	0
New financial assets issued or acquired	5 361 776	392 645	8 365	5 762 786
Derecognised financial assets	- 2 653 810	- 244 103	- 22 954	- 2 920 867
Other changes	- 565 256	- 24 561	- 1 362	- 591 179
Gross loans at amortised cost at 30.06.2022	23 782 248	1 599 980	147 132	25 529 360
Loss allowance for loans at amortised cost at 30.06.2022	3 233	4 408	2 066	9 707
Net loans at amortised cost at 30.06.2022	23 779 015	1 595 571	145 067	25 519 653
	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 30.06.2022	0	0	0	0
Loss allowance for loans at fair value at 30.06.2022	0	0	0	0
Net loans at fair value at 30.06.2022	0	0	0	0
	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 30.06.2022	23 782 248	1 599 980	147 132	25 529 360
Total loss allowance for loans at 30.06.2022	3 233	4 408	2 066	9 707
Total net loans at 30.06.2022	23 779 015	1 595 571	145 067	25 519 653
	Stage 1	Stage 2	Stage 3	Total
Guarantees and undrawn credit facilities at 30.06.2022	1 966 144	36 194	0	2 002 338
Loss allowance for guarantees and undrawn credit facilities at 30.06.2022	65	38	0	103
Net exposure to guarantees and undrawn credit facilities at 30.06.2022	1 966 079	36 156	0	2 002 235

Note 6 Debt securities in issue

	30.06.2023	30.06.2022	31.12.2022
Face value			
Commercial paper and other short-term borrowings	0	0	0
Bonds in issue at amortised cost	15 917 000	16 900 000	16 411 000
Own unamortised commercial paper/bonds, at amortised cost	- 79 000	0	0
Bonds in issue at fair value	5 025 000	3 000 000	5 025 000
Total debt securities in issue	20 863 000	19 900 000	21 436 000
Term to maturity			
Remaining term to maturity (net face value)			
2023	0	2 500 000	2 011 000
2024	1 938 000	2 500 000	2 500 000
2025	5 000 000	3 000 000	3 000 000
2026	4 000 000	4 000 000	4 000 000
2027	4 900 000	4 900 000	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	1 000 000	1 000 000
2034	1 000 000	1 000 000	1 000 000
2037	500 000	0	500 000
Total	20 863 000	19 900 000	21 436 000
New borrowings in 2023	2 000 000		
Net repayments during the reporting period	2 494 000		

ISIN NUMBER	Face value	Interest rate	Coupon margin	Maturity date *)	Carrying amount 30.06.2023
NO0010819170	2 500 000	3 MTH NIBOR	0,42	15.04.24	1 953 852
NO0012916818	2 000 000	3 MTH NIBOR	0,21	15.01.25	2 007 997
NO0010843311	3 000 000	3 MTH NIBOR	0,49	23.04.25	3 023 205
NO0010881048	4 000 000	3 MTH NIBOR	0,49	18.06.26	4 015 745
NO0011008377	4 000 000	3 MTH NIBOR	0,75	27.05.27	4 081 485
NO0010895329	900 000	3 MTH NIBOR	0,40	12.10.27	908 404
NO0012713553	1 000 000	Fixed-rate	4,14	04.10.29	1 005 894
NO0010871643	1 000 000	Fixed-rate	2,30	19.06.30	881 303
NO0012767963	525 000	Fixed-rate	3,80	25.08.23	514 226
NO0010830524	1 000 000	Fixed-rate	2,68	31.08.33	898 111
NO0010863772	1 000 000	Fixed-rate	2,04	20.09.34	833 977
NO0012654476	500 000	Fixed-rate	3,72	31.08.37	494 290
Total debt securities in issue					20 618 489

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

	30.06.2023	30.06.2022	31.12.2022
EQUITY AND SUBORDINATED DEBT			
Share capital and share premium account	2 150 000	1 750 000	2 150 000
Other equity	12 444	11 532	12 444
Equity	2 162 444	1 761 532	2 162 444
Other core capital	0	0	0
Deductions:			
Valuation adjustment (prudent valuation rules)	- 733	- 522	- 376
Deferred tax assets	0	- 2 240	0
Net core capital	2 161 711	1 758 770	2 162 068
Core Tier 1 capital	2 161 711	1 758 770	2 162 068
Net supplementary capital	0	0	0
Net equity and subordinated debt	2 161 711	1 758 770	2 162 068
BASIS FOR CALCULATION			
Credit risk			
Institutions	77 828	41 886	56 765
Retail loans	133 520	877 257	275 632
Residential mortgage loans	8 858 104	7 685 160	9 572 531
Overdue advances	151 823	70 196	128 345
Covered bonds	33 072	12 053	10 143
Other advances	76 620	27 384	26 551
Total calculation basis for credit risk	9 330 967	8 713 934	10 069 967
Operational risk	389 812	367 806	389 812
CVA	242 550	117 697	53 163
Total calculation basis	9 963 329	9 199 437	10 512 942
Excess equity and subordinated debt	1 364 645	1 022 815	1 321 033
CAPITAL ADEQUACY			
Capital adequacy ratio	21,70 %	19,12 %	20,57 %
Core capital adequacy ratio	21,70 %	19,12 %	20,57 %
Core Tier 1 capital adequacy ratio	21,70 %	19,12 %	20,57 %
Unweighted core capital ratio	8,04 %	7,38 %	7,37 %

The capital adequacy ratio has been calculated using the Basel II capital adequacy regulations. The standardised approach has been used for credit risk, whilst the basic indicator approach has been used for operational risk. The original exposure method has been used for derivatives.

Note 8 Transactions with related parties

Intra-group transactions

	30.06.2023	30.06.2022	31.12.2022
Interest received from Sparebanken Sogn og Fjordane	6 818	1 661	6 483
Interest paid to Sparebanken Sogn og Fjordane	99 699	23 951	94 911
Interest paid to Sparebanken Sogn og Fjordane on covered bonds	205	18 648	21 588
Services bought from Sparebanken Sogn og Fjordane	4 261	3 636	7 399
Deposits at Sparebanken Sogn og Fjordane	246 862	173 476	136 106
Liabilities to Sparebanken Sogn og Fjordane	3 150 790	4 229 208	4 318 520
Covered bonds held by Sparebanken Sogn og Fjordane	0	515 305	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 1,200 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 30.06.2023, the amount drawn against the facility was NOK 577 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 30.06.2023 was NOK 816 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 30.06.2023, the limit on the facility was NOK 2,129 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 30.06.2023, the limit on the facility was NOK 1,675 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 30.06.2023.

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

	30.06.2023	30.06.2022	31.12.2022
Deposits at the parent company	246 862	173 476	136 106
Government-guaranteed commercial paper	0	0	0
Other commercial paper and bonds	0	0	0
Total substitute assets	246 862	173 476	136 106

Note 10 Fair value of financial instruments

Fair value of financial instruments measured at amortised cost

	30.06.2023		30.06.2022		31.12.2022	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>						
Loans and advances to credit institutions	246 862	246 862	173 476	173 476	136 106	136 106
Loans to customers (gross)	25 698 432	25 698 432	25 529 360	25 529 360	27 938 103	27 938 103
Total financial assets measured at amortised cost	25 945 293	25 945 293	25 702 836	25 702 836	28 074 208	28 074 208
<i>Financial liabilities</i>						
Debt to credit institutions	3 150 790	3 150 790	4 229 208	4 229 208	4 318 520	4 318 520
Securities in issue (covered bonds)	15 990 688	15 960 778	17 028 274	16 960 199	16 568 372	16 565 433
Total financial liabilities measured at amortised cost	19 141 478	19 111 569	21 257 482	21 189 406	20 886 892	20 883 953

Financial assets measured at fair value

	30.06.2023			TOTAL
<i>Financial assets at fair value through profit or loss</i>	Level 1	Level 2	Level 3	
Loans and advances to customers at fair value	0	0	39 488	39 488
Commercial paper and bonds measured at fair value	0	507 742	0	507 742
Derivatives, trading portfolio	0	76 620	0	76 620

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

Securities in issue (covered bonds)	0	4 627 801	0	4 627 801
Derivatives, trading portfolio	0	506 457	0	506 457

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 2023 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, 14 August 2023

The Board of Directors of Bustadkreditt Sogn og Fjordane AS

Frode Vasseth
Chair

Ole Aukland

Andrea Kvamsdal

Peter Midthun

Linda Vøllestad Westbye

Irene Flølo
CEO

Information about the company

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ORGANISATION NUMBER 946 917 990

MANAGEMENT

Irene Flølo CEO

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Frode Vasseth	Chair
Ole Aukland	Board member
Andrea Kvamsdal	Board member
Peter Midthun	Board member
Linda Vøllestad Westbye	Board member

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