



bustadkreditt
sogn og fjordane



Interim report

Q3 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 Sept. 2023 / Q1-Q3 2023 | 30 Sept. 2022/ Q1-Q3 2022 | 31 Dec. 2022 / Full-year 2022 |
|--|-------------------------------|------------------------------|----------------------------------|
| Profit/loss after taxation | 102 406 | 108 875 | 118 912 |
| Net interest margin | 0,76 % | 0,79 % | 0,74 % |
| Profit/loss after tax as a % of average total assets | 0,49 % | 0,57 % | 0,46 % |

KEY BALANCE SHEET FIGURES

| | | | |
|--------------------------|------------|------------|------------|
| Gross loans to customers | 25 268 324 | 26 007 769 | 27 938 103 |
| Loss allowance | 34 485 | 10 754 | 21 587 |
| Equity | 2 264 850 | 1 870 407 | 2 280 444 |
| Total assets | 26 176 631 | 27 493 284 | 28 328 634 |
| Average total assets | 27 964 425 | 25 266 388 | 25 843 097 |

OTHER KEY FIGURES

| | | | |
|---------------------------------------|---------|---------|---------|
| Cost-to-income ratio | 7,31 % | 6,19 % | 7,06 % |
| Impairment loss as a % of gross loans | 0,05 % | 0,00 % | 0,04 % |
| Loss allowance as a % of gross loans | 0,14 % | 0,04 % | 0,08 % |
| Return on equity after tax *) | 6,21 % | 7,98 % | 6,42 % |
| Capital adequacy ratio | 22,13 % | 17,96 % | 20,57 % |
| Liquidity Coverage Ratio (LCR) | 918 % | 868 % | 440 % |
| Net Stable Funding Ratio (NSFR) | 107 % | 108 % | 104 % |

YEAR-ON-YEAR BALANCE SHEET GROWTH

| | | | |
|----------------------------|----------|---------|---------|
| Growth in total assets | - 4,79 % | 15,25 % | 19,45 % |
| Growth in customer lending | - 2,84 % | 11,30 % | 19,85 % |

INFORMATION ABOUT THE LOAN PORTFOLIO

| | | | |
|---|--------|---------|---------|
| Surplus value of cover pool (NOK millions) | 3 715 | 4 376 | 6 162 |
| Surplus value of cover pool (%) | 17,8 % | 20,7 % | 28,8 % |
| Loan-to-value ratio, indexed | 55,1 % | 53,3 % | 56,9 % |
| Loan-to-value ratio, not indexed | 59,2 % | 59,8 % | 60,6 % |
| Face value of covered bonds issued (NOK millions) | 20 942 | 21 200 | 21 436 |
| Substitute assets other than loans (NOK millions) | 244,0 | 150,4 | 136,1 |
| Weighted average time since issue of loans (years) | 3,8 | 3,3 | 3,3 |
| Weighted average remaining term of loans (years) | 19,3 | 19,7 | 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 | 14,2 % | 13,0 % | 12,5 % |
| Average loan value (NOK millions) | 1,57 | 1,59 | 1,57 |
| Number of loans | 16 016 | 16 334 | 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 September 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 September 2023, the Company had 16,016 mortgages with a total face value of NOK 25.3 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 September, 99,80 % of the loans were variable rate loans. 14.2% of the loan book was made up of flexible mortgages.

The weighted average loan-to-value ratio was 55.1%, the weighted average loan term was 19.3 years and the weighted average time since the loans were granted was 3.8 years. The average loan per customer was NOK 1.57 million. The Company's total loan portfolio fell by NOK 0.7 billion over the past year, which reflects the fact that the Sparebanken Sogn og Fjordane Group is becoming part of the SpareBank 1 alliance.

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 third 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 102.4 million (108.9 million)
- Net interest income of NOK 158.4 million (149.9 million)
- Operating expenses of NOK 11.4 million (9.2 million)
- Net change in the value of financial instruments of NOK -4.3 million (-2.1 million)
- Impairment loss of NOK 13 million (0.6 million)
- Annualised return on equity of 6.21% (7.98%) after tax
- Core Tier 1 capital adequacy ratio of 22.13% (17.96%)

Income statement

In the first nine months of 2023, the Company made a pre-tax profit of NOK 131.3 million. Profit after tax was NOK 102.4 million, giving an annualised return on equity of 6.21%. The equivalent figures for the previous year were NOK 139.6 million in pre-tax profit, NOK 108.9 million in profit after tax and return on equity of 7.98%. Profit after tax was equivalent to 0.49% of average total assets, compared with 0.57% in the year-earlier period.

Net interest income

Net interest income totalled NOK 158.4 million. The net interest margin for the nine months to 30 September 2023 was 0.76%. The equivalent figures for the year-earlier period were NOK 149.9 million and 0.79%.

Operating expenses

Operating expenses were NOK 11.4 million, compared with NOK 9.2 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 7.31%, up from 6.19% 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 September 2023, the Company had seventeen loans with a combined value of NOK 19.6 million that were more than 90 days past due. The Company has not realised any losses.

For the first nine months of 2023, a NOK 13 million impairment loss was recognised for changes in expected credit losses. The total balance sheet allowance for expected credit losses (ECLs) was NOK 34.4 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

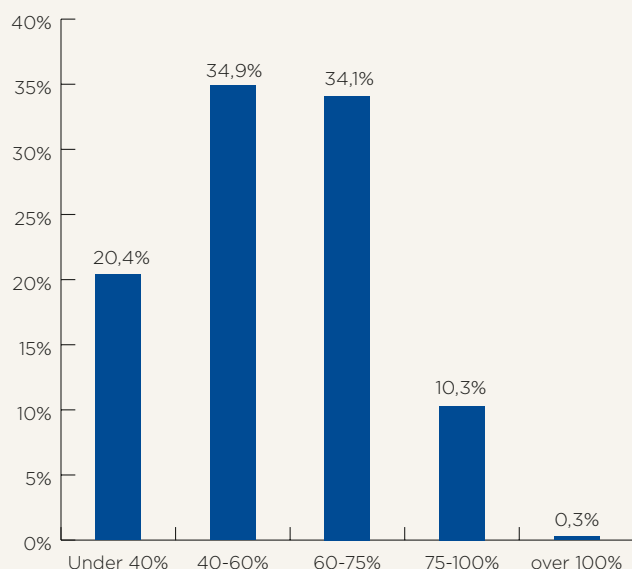
The Company had total assets of NOK 26.2 billion at 30 September 2023. This represented a decline of NOK 1.3 billion (-4.8%) over the past 12 months.

Customer loans and other substitute assets

In addition to the NOK 25.3 billion of mortgage loans, NOK 244 million of other substitute assets have been established. The total value of the cover pool is NOK 24.6 billion, which is 17.8% higher than the volume of covered bonds issued.

55.3% of Bustadkreditt Sogn og Fjordane's loan portfolio has a loan-to-value ratio of less than 60%. The Company considers its loan portfolio to be low-risk. The figure below shows the weighted loan-to-value ratio for the loans held by the Company.

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 | 73,4 % |
| Oslo | 10,3 % |
| Viken | 8,9 % |
| Møre og Romsdal | 1,8 % |
| Rogaland | 1,4 % |
| Rest of Norway | 4,2 % |
| Total | 100 % |

5 BIGGEST MUNICIPALITIES MEASURED BY LOAN VOLUME

| Municipality | Percentage |
|----------------|--------------|
| Bergen | 17,8 % |
| Sunnfjord | 15,2 % |
| Kinn | 12,3 % |
| Oslo | 10,3 % |
| Sogndal | 5,7 % |
| Rest of Norway | 38,7 % |
| Total | 100 % |

DISTRIBUTION BY LOAN VALUE

| Loan value | Volume (NOK millions) |
|--------------------|-----------------------|
| NOK 0-1 million | 2.813 |
| NOK 1-2 million | 6.746 |
| NOK 2-3 million | 6.943 |
| NOK 3-4 million | 4.108 |
| Over NOK 4 million | 4.660 |
| Total | 25.269 |

Shareholders' equity and capital adequacy

At 30 September 2023, Bustadkreditt Sogn og Fjordane AS had NOK 2,264.8 million of equity. Its capital adequacy ratio was 22.13%. The equivalent figures for the previous year were NOK 1,870.4 million of equity and a capital adequacy ratio of 17.96%.

In the first quarter of 2023, the Company paid NOK 118 million in dividends to the parent company.

Liquidity

At the close of the third quarter, Bustadkreditt Sogn og Fjordane had NOK 244 million of substitute assets consisting of deposits held at Sparebanken Sogn og Fjordane. The Company also had bonds with a carrying amount of NOK 663.4 million. These bonds are not included as substitute assets.

Bustadkreditt Sogn og Fjordane AS has excellent credit facilities with Sparebanken Sogn og Fjordane. These are designed to ensure that the Company can 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 third quarter of 2023, the Company's weighted loan-to-value ratio was 55.1%, 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

The Company generated NOK 158.4 million of net interest income, which was 5.6% more than in the first nine months of last year. Rising interest rates and low lending margins mean that the return on equity is currently low at 6.21%. Gross loans have been falling 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, 23 October 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 | Q3 2023 | Q3 2022 | Q1-Q3 2023 | Q1-Q3 2022 | Full-year 2022 |
|---|---------|----------------|---------------|----------------|----------------|-------------------|
| Interest income | | 337 900 | 185 749 | 963 274 | 476 961 | 743 348 |
| Interest expenses | | 289 598 | 140 523 | 804 917 | 327 040 | 551 947 |
| Net interest income | | 48 301 | 45 227 | 158 357 | 149 921 | 191 401 |
| Commission income | | 555 | 559 | 1 677 | 1 672 | 2 234 |
| Net commission income | | 555 | 559 | 1 677 | 1 672 | 2 234 |
| Net gains/losses on financial instruments | | - 3 879 | - 397 | - 4 315 | - 2 120 | - 16 957 |
| Total other operating income | | - 3 879 | - 397 | - 4 315 | - 2 120 | - 16 957 |
| Net other operating income | | - 3 323 | 162 | - 2 638 | - 449 | - 14 723 |
| Total operating income | | 44 978 | 45 388 | 155 719 | 149 472 | 176 678 |
| Wages, salaries, etc | | 0 | 0 | 0 | 0 | 46 |
| Other operating expenses | | 3 911 | 3 002 | 11 388 | 9 249 | 12 425 |
| Total operating expenses | | 3 911 | 3 002 | 11 388 | 9 249 | 12 471 |
| Operating profit/loss before impairment loss | | 41 067 | 42 386 | 144 331 | 140 223 | 164 207 |
| Impairment loss (+)/gain (-) | 3, 4, 5 | 1 486 | 1 049 | 13 041 | 639 | 11 509 |
| Operating profit/loss | | 39 581 | 41 337 | 131 290 | 139 584 | 152 698 |
| Tax expense | | 8 709 | 9 096 | 28 884 | 30 709 | 33 786 |
| Profit/loss for the reporting period | | 30 872 | 32 241 | 102 406 | 108 875 | 118 912 |
| COMPREHENSIVE INCOME | | | | | | |
| Profit/loss for the reporting period | | 30 872 | 32 241 | 102 406 | 108 875 | 118 912 |
| Other comprehensive income | | 0 | 0 | 0 | 0 | 0 |
| Comprehensive income | | 30 872 | 32 241 | 102 406 | 108 875 | 118 912 |

Balance sheet

| ASSETS | Note | 30.09.2023 | 30.09.2022 | 31.12.2022 |
|---|-------|-------------------|-------------------|-------------------|
| Loans and advances to credit institutions | | 244 367 | 150 376 | 136 106 |
| Loans to customers | 3,4,5 | 25 233 838 | 25 997 015 | 27 916 516 |
| Commercial paper and bonds | | 663 435 | 333 716 | 207 384 |
| Financial assets | | 33 582 | 10 863 | 68 628 |
| Other assets | | 1 408 | 1 001 314 | 0 |
| Total assets | | 26 176 631 | 27 493 284 | 28 328 634 |
| DEBT AND EQUITY | | | | |
| Liabilities | | | | |
| Debt to credit institutions | | 2 940 774 | 4 231 570 | 4 318 520 |
| Debt securities in issue | 6 | 20 344 143 | 20 975 337 | 21 352 355 |
| Financial derivatives | | 589 616 | 380 486 | 340 847 |
| Tax payable | | 32 814 | 30 709 | 31 436 |
| Deferred tax | | 0 | 1 581 | 3 930 |
| Other liabilities and provisions | | 4 433 | 3 194 | 1 102 |
| Total liabilities | | 23 911 781 | 25 622 877 | 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 | 114 850 | 120 407 | 12 444 |
| Allocated for dividends | | 0 | 0 | 118 000 |
| Total retained earnings | | 114 850 | 120 407 | 130 444 |
| Total equity | | 2 264 850 | 1 870 407 | 2 280 444 |
| Total liabilities and equity | | 26 176 631 | 27 493 284 | 28 328 634 |

Førde, 23 October 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

| | Q1-Q3 2023 | Q1-Q3 2022 | Full-year 2022 |
|---|--------------------|--------------------|--------------------|
| Profit/loss before taxation | 131 290 | 139 584 | 152 698 |
| Impairment loss | 13 041 | 639 | 11 509 |
| Tax paid | - 31 436 | - 47 872 | - 47 872 |
| Reduction/increase (-) in loans and advances to customers | 2 669 779 | - 2 697 797 | - 4 628 131 |
| Other non-cash transactions | 1 781 | - 1 012 249 | - 13 065 |
| A) Net cash flow from operating activities | 2 784 455 | - 3 617 694 | - 4 524 860 |
| Reduction/increase (-) in investments in commercial paper/ bonds/derivatives | - 421 005 | - 69 725 | - 1 159 |
| B) Net cash flow from investment activities | - 421 005 | - 69 725 | - 1 159 |
| Increase/reduction (-) in loans from credit institutions | - 1 377 745 | 3 082 311 | 3 169 260 |
| Increase/reduction (-) in debt securities/derivatives | - 759 443 | 796 337 | 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 | - 2 255 188 | 3 695 648 | 4 519 976 |
| D) Net cash flow during the year (A+B+C) | 108 262 | 8 228 | - 6 043 |
| Opening balance of cash and cash equivalents | 136 106 | 142 148 | 142 148 |
| Closing balance of cash and cash equivalents | 244 367 | 150 376 | 136 106 |
| Breakdown of cash and cash equivalents | | | |
| Deposits at other financial institutions | 244 367 | 150 376 | 136 106 |
| Total | 244 367 | 150 376 | 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 | 102 406 | 102 406 |
| Closing balance 30.09.2023 | 2 150 000 | 114 850 | 2 264 850 |

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 third 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

| | Q3 2023 | Q3 2022 | Q1-Q3 2023 | Q1-Q3 2022 | Full-year 2022 |
|---|--------------|--------------|---------------|---------------|-------------------|
| Increase/reduction in individually assessed allowances | 0 | 0 | 0 | 0 | 0 |
| Increase/reduction in expected credit losses (model-based) | 1 486 | 1 049 | 13 041 | 639 | 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 | 1 486 | 1 049 | 13 041 | 639 | 11 509 |

Note 4 Loss allowances classified by IFRS9 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 of 2023, 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 | 203 | - 1 980 | - 144 | - 1 920 |
| Transferred to Stage 2 | - 633 | 4 260 | - 579 | 3 049 |
| Transferred to Stage 3 | - 8 | - 1 268 | 2 694 | 1 418 |
| New financial assets issued or acquired | 1 042 | 2 171 | 660 | 3 873 |
| Derecognised financial assets | - 1 442 | - 2 331 | - 1 429 | - 5 203 |
| Changes to model/macroeconomic parameters | 2 490 | 5 913 | 5 353 | 13 756 |
| Actual losses covered by previous provisions | 0 | 0 | 0 | 0 |
| Other changes | - 763 | - 1 195 | - 160 | - 2 118 |
| Loss allowance for loans at amortised cost at 30.09.2023 | 6 369 | 16 951 | 11 122 | 34 442 |
| Loss allowance for loans at fair value at 30.09.2023 | 13 | 31 | 0 | 43 |
| Total loss allowance for loans at 30.09.2023 | 6 381 | 16 982 | 11 122 | 34 485 |

| | 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 | - 4 | 0 | - 4 |
| Transferred to Stage 2 | - 9 | 25 | - 2 | 14 |
| Transferred to Stage 3 | 0 | 0 | 0 | 0 |
| New financial assets issued or acquired | 13 | 10 | 0 | 23 |
| Derecognised financial assets | - 1 | 0 | 0 | - 1 |
| Changes to model/macroeconomic parameters | 85 | 59 | 0 | 144 |
| Actual losses covered by previous provisions | 0 | 0 | 0 | 0 |
| Other changes | - 12 | - 22 | 0 | - 34 |
| Loss allowance for undrawn credit facilities and guarantees at 30.09.2023 | 181 | 104 | 0 | 285 |

Note 4 Loss allowances classified by IFRS9 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 | 103 | - 907 | - 205 | - 1 009 |
| Transferred to Stage 2 | - 141 | 1 244 | - 107 | 995 |
| Transferred to Stage 3 | - 10 | - 290 | 1 348 | 1 047 |
| New financial assets issued or acquired | 1 596 | 1 930 | 165 | 3 691 |
| Derecognised financial assets | - 611 | - 1 188 | - 2 343 | - 4 142 |
| Changes to model/macroeconomic parameters | 584 | 1 027 | - 261 | 1 350 |
| Actual losses covered by previous provisions | 0 | 0 | 0 | 0 |
| Other changes | - 652 | - 723 | 44 | - 1 332 |
| Loss allowance for loans at amortised cost at 30.09.2022 | 3 504 | 5 080 | 2 170 | 10 754 |
| Loss allowance for loans at fair value at 30.09.2022 | 0 | 0 | 0 | 0 |
| Total loss allowance for loans at 30.09.2022 | 3 504 | 5 080 | 2 170 | 10 754 |
| | 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 | 29 | 14 | 0 | 43 |
| Loss allowance for undrawn credit facilities and guarantees at 30.09.2022 | 74 | 31 | 0 | 105 |

Future scenarios in the impairment model under IFRS9

Under IFRS9, 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 Covid 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 30.09.2023 | Probability of default starting from 30 September 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 | 3,6 % | 25 % |
| Scenario 2: Base scenario for retail market | 2,00 | 2,20 | 2,00 | 1,80 | 1,60 | 2,6 % | 50 % |
| Scenario 3: Pessimistic scenario for retail market | 2,50 | 2,75 | 2,50 | 2,25 | 2,00 | 0,6 % | 25 % |

Note 5 Assets classified by IFRS9 stage

The change in the rules for transferring loans to Stage 2 that was introduced in the first quarter of 2023, 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 | 511 555 | - 502 824 | - 8 731 | 0 |
| Transferred to Stage 2 | - 1 497 423 | 1 527 387 | - 29 964 | 0 |
| Transferred to Stage 3 | - 19 194 | - 85 354 | 104 548 | 0 |
| New financial assets issued or acquired | 3 352 650 | 423 132 | 17 385 | 3 793 167 |
| Derecognised financial assets | - 5 089 319 | - 485 906 | - 25 316 | - 5 600 542 |
| Other changes | - 811 181 | - 89 016 | - 5 301 | - 905 498 |
| Gross loans at amortised cost at 30.09.2023 | 21 991 851 | 3 051 268 | 182 111 | 25 225 230 |
| Loss allowance for loans at amortised cost at 30.09.2023 | 6 369 | 16 951 | 11 122 | 34 442 |
| Net loans at amortised cost at 30.09.2023 | 21 985 482 | 3 034 317 | 170 989 | 25 190 788 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross loans at fair value at 30.09.2023 | 34 542 | 8 551 | 0 | 43 094 |
| Loss allowance for loans at fair value at 30.09.2023 | 13 | 31 | 0 | 43 |
| Net loans at fair value at 30.09.2023 | 34 530 | 8 521 | 0 | 43 050 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Total gross loans at 30.09.2023 | 22 026 393 | 3 059 819 | 182 111 | 25 268 324 |
| Total loss allowance for loans at 30.09.2023 | 6 381 | 16 982 | 11 122 | 34 485 |
| Total net loans at 30.09.2023 | 22 020 012 | 3 042 838 | 170 989 | 25 233 838 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Guarantees and undrawn credit facilities at 30.09.2023 | 2 113 048 | 55 527 | 0 | 2 168 575 |
| Loss allowance for guarantees and undrawn credit facilities at 30.09.2023 | 181 | 104 | 0 | 285 |
| Net exposure to guarantees and undrawn credit facilities at 30.09.2023 | 2 112 868 | 55 422 | 0 | 2 168 290 |

Note 5 Assets classified by IFRS9 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 | 480 606 | - 457 031 | - 23 575 | 0 |
| Transferred to Stage 2 | - 476 457 | 481 118 | - 4 661 | 0 |
| Transferred to Stage 3 | - 19 870 | - 50 846 | 70 717 | 0 |
| New financial assets issued or acquired | 7 336 965 | 557 777 | 12 620 | 7 907 362 |
| Derecognised financial assets | - 3 987 230 | - 360 374 | - 26 639 | - 4 374 242 |
| Other changes | - 777 044 | - 13 327 | - 13 600 | - 803 971 |
| Gross loans at amortised cost at 30.09.2022 | 24 168 280 | 1 709 411 | 130 079 | 26 007 769 |
| Loss allowance for loans at amortised cost at 30.09.2022 | 3 504 | 5 080 | 2 170 | 10 754 |
| Net loans at amortised cost at 30.09.2022 | 24 164 776 | 1 704 330 | 127 909 | 25 997 015 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Gross loans at fair value at 30.09.2022 | 0 | 0 | 0 | 0 |
| Loss allowance for loans at fair value at 30.09.2022 | 0 | 0 | 0 | 0 |
| Net loans at fair value at 30.09.2022 | 0 | 0 | 0 | 0 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Total gross loans at 30.09.2022 | 24 168 280 | 1 709 411 | 130 079 | 26 007 769 |
| Total loss allowance for loans at 30.09.2022 | 3 504 | 5 080 | 2 170 | 10 754 |
| Total net loans at 30.09.2022 | 24 164 776 | 1 704 330 | 127 909 | 25 997 015 |
| | Stage 1 | Stage 2 | Stage 3 | Total |
| Guarantees and undrawn credit facilities at 30.09.2022 | 1 980 965 | 28 856 | 0 | 2 009 821 |
| Loss allowance for guarantees and undrawn credit facilities at 30.09.2022 | 74 | 31 | 0 | 105 |
| Net exposure to guarantees and undrawn credit facilities at 30.09.2022 | 1 980 891 | 28 825 | 0 | 2 009 716 |

Note 6 Debt securities in issue

| | 30.09.2023 | 30.09.2022 | 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 | - 254 000 | 0 | 0 |
| Bonds in issue at fair value | 5 025 000 | 4 300 000 | 5 025 000 |
| Total debt securities in issue | 20 688 000 | 21 200 000 | 21 436 000 |

Term to maturity

| Remaining term to maturity (net face value) | | | |
|---|-------------------|-------------------|-------------------|
| 2023 | 0 | 2 500 000 | 2 011 000 |
| 2024 | 1 763 000 | 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 | 1 000 000 | 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 | 300 000 | 500 000 |
| Total | 20 688 000 | 21 200 000 | 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 30.09.2023 |
|---------------------------------------|------------|---------------|---------------|------------------|----------------------------|
| NO0010819170 | 1 763 000 | 3 MTH NIBOR | 0,42 | 15.04.24 | 1 780 366 |
| NO0012916818 | 2 000 000 | 3 MTH NIBOR | 0,21 | 15.01.25 | 2 018 007 |
| NO0010843311 | 3 000 000 | 3 MTH NIBOR | 0,49 | 23.04.25 | 3 028 420 |
| NO0010881048 | 4 000 000 | 3 MTH NIBOR | 0,49 | 18.06.26 | 4 016 202 |
| NO0011008377 | 4 000 000 | 3 MTH NIBOR | 0,75 | 27.05.27 | 4 081 487 |
| NO0010895329 | 900 000 | 3 MTH NIBOR | 0,40 | 12.10.27 | 909 988 |
| NO0012713553 | 1 000 000 | Fixed-rate | 4,14 | 04.10.29 | 1 007 853 |
| NO0010871643 | 1 000 000 | Fixed-rate | 2,30 | 19.06.30 | 879 484 |
| NO0012767963 | 525 000 | Fixed-rate | 3,80 | 25.08.23 | 495 338 |
| NO0010830524 | 1 000 000 | Fixed-rate | 2,68 | 31.08.33 | 860 352 |
| NO0010863772 | 1 000 000 | Fixed-rate | 2,04 | 20.09.34 | 799 811 |
| NO0012654476 | 500 000 | Fixed-rate | 3,72 | 31.08.37 | 466 834 |
| Total debt securities in issue | | | | | 20 344 143 |

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

| | 30.09.2023 | 30.09.2022 | 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) | - 814 | - 359 | - 376 |
| Deferred tax assets | 0 | 0 | 0 |
| Net core capital | 2 161 630 | 1 761 172 | 2 162 068 |
| Core Tier 1 capital | 2 161 630 | 1 761 172 | 2 162 068 |
| Net supplementary capital | 0 | 0 | 0 |
| Net equity and subordinated debt | 2 161 630 | 1 761 172 | 2 162 068 |
| BASIS FOR CALCULATION | | | |
| Credit risk | | | |
| Institutions | 76 489 | 45 801 | 56 765 |
| Retail loans | 129 719 | 222 740 | 275 632 |
| Residential mortgage loans | 8 687 829 | 8 922 827 | 9 572 531 |
| Overdue advances | 171 615 | 142 115 | 128 345 |
| Covered bonds | 48 717 | 23 186 | 10 143 |
| Other advances | 33 582 | 5 639 | 26 551 |
| Total calculation basis for credit risk | 9 147 951 | 9 362 307 | 10 069 967 |
| Operational risk | 389 812 | 398 886 | 389 812 |
| CVA | 231 034 | 45 923 | 53 163 |
| Total calculation basis | 9 768 797 | 9 807 116 | 10 512 942 |
| Excess equity and subordinated debt | 1 380 126 | 976 603 | 1 321 033 |
| CAPITAL ADEQUACY | | | |
| Capital adequacy ratio | 22,13 % | 17,96 % | 20,57 % |
| Core capital adequacy ratio | 22,13 % | 17,96 % | 20,57 % |
| Core Tier 1 capital adequacy ratio | 22,13 % | 17,96 % | 20,57 % |
| Unweighted core capital ratio | 8,15 % | 6,33 % | 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

| | 30.09.2023 | 30.09.2022 | 31.12.2022 |
|--|------------|------------|------------|
| Interest received from Sparebanken Sogn og Fjordane | 11 009 | 3 691 | 6 483 |
| Interest paid to Sparebanken Sogn og Fjordane | 139 529 | 54 233 | 94 911 |
| Interest paid to Sparebanken Sogn og Fjordane on covered bonds | 205 | 20 887 | 21 588 |
| Services bought from Sparebanken Sogn og Fjordane | 6 310 | 5 498 | 7 399 |
| Deposits at Sparebanken Sogn og Fjordane | 244 367 | 150 376 | 136 106 |
| Liabilities to Sparebanken Sogn og Fjordane | 2 940 774 | 4 231 570 | 4 318 520 |
| Covered bonds held by Sparebanken Sogn og Fjordane | 0 | 82 537 | 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 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 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 30.09.2023, the amount drawn against the facility was NOK 357 million.
- b) A credit facility that can be used to finance advances to customers with available credit within their flexible mortgages. At 30.09.2023, the limit on the facility was NOK 2,168 million.
- c) 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 30.09.2023, 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.
- d) A long-term credit facility. The limit on the facility is NOK 1,000 million, which was fully drawn at 30.09.2023.

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

| | 30.09.2023 | 30.09.2022 | 31.12.2022 |
|--|----------------|----------------|----------------|
| Deposits at the parent company | 244 367 | 150 376 | 136 106 |
| Government-guaranteed commercial paper | 0 | 0 | 0 |
| Other commercial paper and bonds | 0 | 0 | 0 |
| Total substitute assets | 244 367 | 150 376 | 136 106 |

Note 10 Fair value of financial instruments

Fair value of financial instruments measured at amortised cost

| | 30.09.2023 | | 30.09.2022 | | 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 | 244 367 | 244 367 | 150 376 | 150 376 | 136 106 | 136 106 |
| Loans to customers (gross) | 25 225 230 | 25 225 230 | 26 007 769 | 26 007 769 | 27 938 103 | 27 938 103 |
| Total financial assets measured at amortised cost | 25 469 597 | 25 469 597 | 26 158 146 | 26 158 146 | 28 074 208 | 28 074 208 |
| <i>Financial liabilities</i> | | | | | | |
| Debt to credit institutions | 2 940 774 | 2 940 774 | 4 231 570 | 4 231 570 | 4 318 520 | 4 318 520 |
| Securities in issue (covered bonds) | 15 834 471 | 15 833 225 | 17 040 990 | 16 919 192 | 16 568 372 | 16 565 433 |
| Total financial liabilities measured at amortised cost | 18 775 245 | 18 773 999 | 21 272 561 | 21 150 762 | 20 886 892 | 20 883 953 |

Financial assets measured at fair value

| <i>Financial assets at fair value through profit or loss</i> | | | | TOTAL AT |
|--|---------|---------|---------|----------------|
| | Level 1 | Level 2 | Level 3 | 30.09.2023 |
| Loans and advances to customers at fair value | 0 | 0 | 43 050 | 43 050 |
| Commercial paper and bonds measured at fair value | 0 | 663 435 | 0 | 663 435 |
| Derivatives, trading portfolio | 0 | 33 582 | 0 | 33 582 |

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

| | | | | |
|-------------------------------------|---|-----------|---|------------------|
| Securities in issue (covered bonds) | 0 | 4 509 672 | 0 | 4 509 672 |
| Derivatives, trading portfolio | 0 | 589 616 | 0 | 589 616 |

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 |
| Linda Vøllestad Westbye | Board member |

CONTACT PERSON

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