Annual report
2024

bustadkreditt
sogn og fjordane

Contents

This report is a translation of the official Norwegian report.

Front cover photo: Michaela Klouda
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Key figures

FIGURES IN 000S OF NOK	31 Dec. 2024/ Full-year 2024	31 Dec. 2023/ Full-year 2023
INCOME STATEMENT		
Profit/loss after taxation	199 470	143 385
Net interest margin	1,00 %	0,76 %
Profit/loss after tax as a % of average total assets	0,74 %	0,52 %
KEY BALANCE SHEET FIGURES		
Gross loans to customers	26 057 654	25 127 741
Loss allowance	26 999	36 588
Equity	2 362 299	2 305 829
Total assets	27 897 754	25 807 397
Average total assets	26 847 733	27 512 185
OTHER KEY FIGURES		
Cost-to-income ratio	5,35 %	6,83 %
Impairment loss as a % of gross loans	– 0,04 %	0,06 %
Loss allowance as a % of gross loans	0,10 %	0,15 %
Return on equity after tax *)	8,70 %	6,55 %
Capital adequacy ratio	21,90 %	22,22 %
Liquidity Coverage Ratio (LCR)	240 %	705 %
Net Stable Funding Ratio (NSFR)	109,45 %	103 %
YEAR-ON-YEAR BALANCE SHEET GROWTH		
Growth in total assets	8,10 %	– 8,90 %
Growth in customer lending	3,70 %	– 10,06 %
INFORMATION ABOUT THE LOAN PORTFOLIO		
Surplus value of cover pool (NOK millions)	3 890	3 778
Surplus value of cover pool (%)	18,0 %	18,0 %
Loan-to-value ratio, indexed	53,2 %	56,7 %
Loan-to-value ratio, not indexed	58,0 %	59,1 %
Face value of covered bonds issued (NOK millions)	21 617	20 942
Substitute assets other than loans (NOK millions)	112,2	228,8
Weighted average time since issue of loans (years)	4,02	3,8
Weighted average remaining term of loans (years)	19,20	19,29
Proportion of variable-rate loans	90,8 %	100,0 %
Proportion of fixed-rate loans	9,2 %	0,0 %
Proportion of flexible mortgages	14,1 %	14,3 %
Average loan value (NOK millions)	1,71	1,59
Number of loans	15 231	15 787
Proportion of loans secured by an overseas property	0 %	0 %

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

Annual report 2024

Highlights
Bustadkreditt Sogn og Fjordane AS (BSF) is a wholly-owned subsidiary of SpareBank 1 Sogn og Fjordane, based at the bank's head office in Førde.

Bustadkreditt Sogn og Fjordane AS has given the SpareBank 1 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 SpareBank 1 Sogn og Fjordane.

In November, what was formerly Sparebanken Sogn og Fjordane became part of the SpareBank 1 alliance. Going forward, the parent company will use both SpareBank 1 Boligkreditt and Bustadkreditt Sogn og Fjordane to obtain external financing.

At the end of 2024, the Company had 15,231 mortgages with a total face value of NOK 26.1 billion. The loans in the cover pool were issued by SpareBank 1 Sogn og Fjordane and subsequently bought by Bustadkreditt Sogn og Fjordane AS. At the close of September, 91% of the loans were variable rate loans. 14.1% of the loan book was made up of flexible mortgages.

The weighted average loan-to-value ratio was 53.2%, the weighted average loan term was 19.2 years and the weighted average time since the loans were granted was 4 years. The average loan per customer was NOK 1.71 million. Loan growth over the past year was NOK 0.9 billion. The volume of covered bonds issued by the Company was NOK 21.6 billion.

The geographic distribution of our mortgage portfolio, based on the addresses of the borrowers, was as follows:

5 BIGGEST COUNTIES MEASURED BY LOAN VOLUME

County	Share
Vestland	73.5%
Oslo	10.5%
Akershus	7.0%
Møre og Romsdal	1.7%
Rogaland	1.4%
Rest of Norway	5.9%
Total	**100%**

Income statement
In 2024, the Company made an operating profit before loan impairment losses and tax of NOK 246 million. For the full year, the Company recognised a NOK 9.7 million gain for changes in expected credit losses.

Profit for the year after tax was NOK 199.5 million. In 2023, profit after tax was NOK 143.4 million. Total assets amount to 2.1 billion, or 8.1% higher than at the same time last year, while the net interest income has increased by 29.2%.

Net interest income in 2024 amounted to NOK 269.4 million, which is equivalent to 1.0% of average total assets. The equivalent figure for 2023 was NOK 208.5 million in net interest income, which was 0.76% of average total assets.

In 2024, operating expenses were NOK 13.9 million, which was 5.4% of total operating income. Operating expenses in 2023 were NOK 14.6 million (6.8% of total operating income).

The Company has no employees, and it buys services from SpareBank 1 Sogn og Fjordane. All services are bought on market terms. The Company's biggest expense was the purchase of services from its parent company.

Expected credit losses and trends in assets in default
The Company follows SpareBank 1 Sogn og Fjordane's guidelines for assessing expected credit losses on loans, guarantees and undrawn credit facilities.

At the end of 2024, the Company had 33 loans that were more than 90 days past due, but no losses had been realised on them. In 2024, a NOK 9.7 million gain was recognised for net changes in expected credit losses. The total loss allowance on the balance sheet was NOK 27 million at the end of the year, equivalent to 0.10% of gross outstanding loans. For more details, see Note 13. Default levels are monitored carefully.

Balance sheet and capital adequacy
The company had total assets of NOK 27.9 billion at 31 December 2024. That represents an increase of NOK 2.1 billion over the past year. The Company borrows money from financial markets using covered bonds. In addition, the Company has good, long-term credit facilities with SpareBank 1 Sogn og Fjordane.

In 2024, it paid NOK 143 million in dividends to its parent company. This amount was equal to the Company's profit for 2023.

Equity at the close of the year 2024 was NOK 2,362 million. All of the Company's equity is core Tier 1 capital, and its core Tier 1 capital adequacy ratio was 21.9%. Capital adequacy has been calculated by measuring credit risk using the standardised approach and operational risk using the basic indicator approach.

The Board of Directors considers the Company's equity to be satisfactory and adequate in relation to its activities and operations.

International rating

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 2023, the long-term rating was still Aaa, while the TPI Leeway was 4. In June 2023, Bustadkreditt Sogn og Fjordane AS was assigned an A1 issuer rating by Moodys.

Guarantees and mortgages

The Company has not issued any kind of guarantees. Nor has it issued any collateral, except residential mortgages and the substitute assets in the cover pool. Residential mortgages and substitute assets are collateral for the covered bonds.

Risk

Under its licence as a credit provider, BSF 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 internal controls, and for ensuring that they are in compliance with laws and regulations.

Bustadkreditt Sogn og Fjordane AS is exposed to credit risk, operational risk (including ESG risk), liquidity risk and market risk. Credit risk is the most significant of these. Limits have been set on exposure to the various classes of risk. The Board considers it a priority for the Company to maintain a low risk exposure.

Credit risk

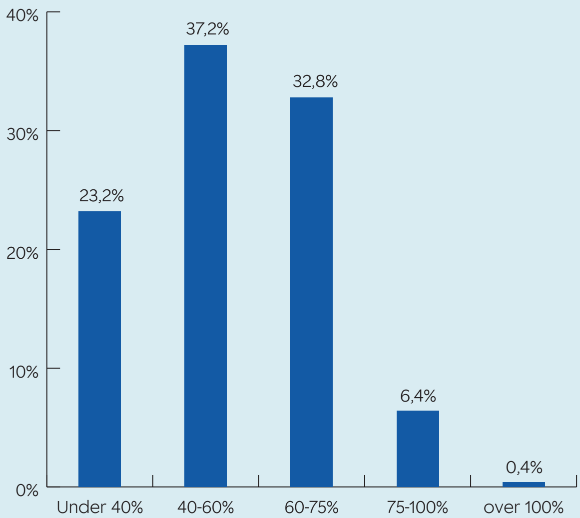
Credit risk is the danger of losing money as a result of customers or counterparties being unable or unwilling to meet their obligations to Bustadkreditt Sogn og Fjordane AS.

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 2024, the Company's average loan-to-value ratio was 53.2%, based on the approved valuations of the collateral established 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.

The figure below shows the weighted loan-to-value ratio for the loans held by the Company.

Weighted loan-to-value ratio



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. BSF does not have any investments in shares or foreign currencies, so all of its market risk is related to interest rate risk. The Company's risk management framework sets limits on the Company's exposure to market risk. The Board considers it a priority for the Company 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, 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 Company has good credit facilities with its parent company which reduce its liquidity risk.

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.

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 has signed an agreement with SpareBank 1 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 it handles the operational risk. The Board believes that it handles this area well. The risk management department is responsible for assessing whether the Company has an adequate first line of defence.

ESG risk covers risks relating to the climate and environment, social issues and corporate governance.

Climate risk is currently the most important risk within ESG. Climate risk is the risk associated with climate change that could increase risks and losses associated with the Company's loans to its customers. For more detailed information about ESG risk, please see Note 5.

Laws and regulations set out specific requirements relating to various records that have to be kept. Establishing and monitoring these records helps the Board and CEO to uncover errors or inadequacies in the running of the Company.

Internal controls also play a very important role in reducing the Company's operational risk. We consider the control activities and the system for risk assessment and internal control to be comprehensive and good in relation to the size and complexity of the Company's operations.

The Board of Directors considers the level of operational risk at the Company to be low.

Equal opportunity and discrimination

The Board of Directors consists of three men and two women. The CEO is a woman. The Board of Directors and management believe, like the rest of the bank, in proactively promoting equal opportunity and preventing discrimination at the workplace.

Corporate governance

The Company's corporate governance principles are based on the Norwegian Code of Practice for Corporate Governance, as drawn up by the Norwegian Corporate Governance Board (NUES).

The AGM is the Company's highest decision-making body. Amongst other things, the AGM elects the Board of Directors and auditor, and monitors the Board and CEO's management of the Company.

The election of the Board is governed by Section 3 of the articles of association. Board members are elected for a two-year term. The Board is responsible for ensuring that the Company is managed and governed in accordance with laws, regulations, the articles of association and specific guidelines adopted by the AGM. The Board of Directors is made up of four members from within the Group and one external member. Five board meetings were held during 2024. The Board has drawn up an annual plan for its activities, and one of its main priorities is ensuring that the Board members have sufficient knowledge and expertise between them.

The CEO is responsible for the management of the Company, and must follow the guidelines and rules laid down by the Board. The Company must be managed in accordance with the regulatory framework provided by laws, regulations, the Financial Supervisory Authority of Norway's circulars, government rules and the Company's articles of association.

Over the course of the year numerous reports enable the CEO to follow developments in the Company's various areas of risk. These reports are produced on a daily, monthly or quarterly basis, and provide the necessary information for managing risks and implementing any required risk-reduction measures. The reports are also sent to the Board for review. Once a year, the CEO prepares an overall assessment of risks and internal controls, which is presented to the Board.

Internal controls comply with the Norwegian Internal Control Regulations. All of the reporting units within the Group, and hence also Bustadkreditt Sogn og Fjordane, are responsible for having an effective and appropriate internal control system to deal with their own risks. Units must assess risk levels prior to and after risk-reduction measures. They must then evaluate what internal controls are required to deal with the residual risk, and ensure that this risk is managed and monitored in a satisfactory manner.

The Company's internal auditor (PwC) also produces an independent report on internal controls each year. The monitor (KPMG) and external auditor (Deloitte) are two other important elements of the Company's control mechanisms. The scope of control mechanisms and oversight bodies makes it likely that any errors, defects or risks will be discovered, reported and corrected.

The Company has taken out liability insurance for the Board and CEO, through a joint scheme that SpareBank 1 has on behalf of the banks in the SpareBank 1 alliance.

Administration and management

Bustadkreditt Sogn og Fjordane has an agreement with SpareBank 1 Sogn og Fjordane setting out the terms on which loans are purchased, transferred and serviced. Tasks are carried out by employees at

SpareBank 1 Sogn og Fjordane. The CEO is employed by SpareBank 1 Sogn og Fjordane and seconded to Bustadkreditt Sogn og Fjordane.

Internal controls and financial reporting

As part of its internal controls, the Company's management must also assess whether the Company's activities create a risk of inaccurate financial reporting.

Processes and internal control procedures have been established to quality assure financial reporting. These include rules on authorisation, the allocation of responsibilities, reconciliation, IT controls, etc. Financial reporting must at all times also satisfy external laws and regulations. SpareBank 1 Sogn og Fjordane's CFO is responsible for the Group's accounting and finance function, which includes overall responsibility for compliance with external legislation throughout the Group. The Group's senior management team also continuously monitors the financial results of the various business areas and subsidiaries.

The Board oversees financial reporting and internal controls and makes sure that they operate effectively. The annual financial statements are finally approved by the AGM, after they have been reviewed by the Board.

Each year the external auditor produces a report summarising the results of the financial audit. The report also includes information about any weaknesses and defects, as well as suggested corrective measures.

Employees and working environment

The Company has no employees. As a result, no special measures have been implemented to improve the working environment.

The Company buys services from SpareBank 1 Sogn og Fjordane. The parent company is certified as an Eco-Lighthouse. No inputs or production methods are used that directly pollute the environment. For more details, see SpareBank 1 Sogn og Fjordane's annual report.

Corporate social responsibility

Please refer to SpareBank 1 Sogn og Fjordane's annual report, which sets out how the Group, including Bustadkreditt Sogn og Fjordane, meets its corporate social responsibility.

Review of the annual financial statements

The income statement, balance sheet and notes provide sufficient information about the Company's operations and financial position at 31 December 2024. The Board confirms that the going concern assumption has been used in the preparation of the financial statements for 2024.

Post balance sheet events

The Board is not aware of any events after 31 December 2024 that have a material impact on the financial statements as presented.

Summary

The Company produced strong results and its operations were stable at the end of 2024. The Company generated NOK 269 million of net interest income, which was 29.2% more than in the previous year. Its return on equity was 8.7%. Loan growth is continuously adjusted in view of the cover pool needed.

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.

Allocation of profit for the year

Bustadkreditt Sogn og Fjordane made a profit after tax of NOK 199.5 million. The Board recommends that NOK 199.4 million be paid in dividends to the parent company. The remainder of the profit, NOK 0.1 million, will be transferred to other equity. This high dividend is considered justified in view of BSF's strong capital position.

Førde, 13 February 2025
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	2024	2023
Interest income	19	1 541 307	1 326 221
Interest expenses	19	1 271 928	1 117 738
Net interest income		**269 379**	**208 483**
Commission income		2 208	2 231
Net commission income		**2 208**	**2 231**
Net gains/losses on financial instruments	19	– 11 601	2 860
Total other operating income		**– 11 601**	**2 860**
Net other operating income		**– 9 392**	**5 091**
Total operating income		**259 987**	**213 574**
Wages, salaries, etc.	20	51	46
Other expenses	20	13 864	14 550
Total operating expenses		**13 915**	**14 596**
Operating profit/loss before impairment loss		**246 072**	**198 978**
Impairment loss	13-15	– 9 659	15 151
Ordinary operating profit before tax		**255 730**	**183 827**
Tax expense	23	56 261	40 442
Profit/loss for the reporting period		**199 470**	**143 385**
COMPREHENSIVE INCOME			
Profit/loss for the reporting period		**199 470**	**143 385**
Comprehensive income		**199 470**	**143 385**
Profit/loss per share (in NOK)		**9,28**	**6,67**

Balance sheet

ASSETS	Note	31.12.24	31.12.23
Loans and advances to credit institutions	16,19	111 882	228 804
Loans to customers	3,6-13,24	26 030 655	25 091 153
Commercial paper and bonds	24,25,26	1 717 524	433 079
Financial assets	24,33	37 693	54 361
Total assets		**27 897 754**	**25 807 397**
DEBT AND EQUITY			
Liabilities			
Debt to credit institutions	18,24,27	3 624 281	2 606 451
Debt securities in issue	18,24,28	21 347 794	20 521 113
Financial derivatives	18,33	498 767	327 609
Tax payable	23	59 160	38 420
Deferred tax	23	3 053	5 953
Other liabilities and provisions	29	2 399	2 022
Total liabilities		**25 535 455**	**23 501 568**
Paid-up equity			
Share capital	32	2 150 000	2 150 000
Total paid-up equity		**2 150 000**	**2 150 000**
Retained earnings			
Other equity		12 899	12 829
Allocated for dividends		199 400	143 000
Total retained earnings		**212 299**	**155 829**
Total equity		**2 362 299**	**2 305 829**
Total liabilities and equity		**27 897 754**	**25 807 397**

Førde, 13 February 2025
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

Cash flow statement

	31.12.2024	31.12.2023
Profit/loss before taxation	255 730	183 827
Impairment loss	– 9 659	15 151
Tax paid	– 38 420	– 31 436
Reduction/increase (-) in loans and advances to customers	– 929 913	2 810 362
Other non-cash transactions	446	771
A) Net cash flow from operating activities	**– 721 814**	**2 978 675**
Reduction/increase (-) in investments in commercial paper/bonds/derivatives	– 1 267 777	– 211 428
B) Net cash flow from investment activities	**– 1 267 777**	**– 211 428**
Increase/reduction (-) in loans from credit institutions	1 017 831	– 1 712 069
Increase/reduction (-) in debt securities/derivatives	997 839	– 844 480
Increase/reduction in paid-up share capital	0	0
Dividends	– 143 000	– 118 000
C) Net cash flow from financing activities	**1 872 669**	**– 2 674 549**
D) Net cash flow during the year (A+B+C)	**– 116 922**	**92 699**
Opening balance of cash and cash equivalents	228 804	136 106
Closing balance of cash and cash equivalents	**111 882**	**228 804**
Breakdown of cash and cash equivalents		
Deposits at other financial institutions	111 882	228 804
Total	**111 882**	**228 804**

Equity statement

	PAID-UP EQUITY Share capital	RETAINED EARNINGS Other equity	TOTAL EQUITY
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	143 385	**143 385**
Closing balance 31.12.2023	**2 150 000**	**155 829**	**2 305 829**
Opening balance 01.01.2024	**2 150 000**	**155 829**	**2 305 829**
Dividends paid	0	– 143 000	**– 143 000**
Profit/loss for the reporting period	0	199 470	**199 470**
Closing balance 31.12.2024	**2 150 000**	**212 299**	**2 362 299**

Notes to the financial statements

Note 1 Accounting principles

GENERAL
Bustadkreditt Sogn og Fjordane is a wholly-owned subsidiary of SpareBank 1 Sogn og Fjordane. The Company was established to issue covered bonds on behalf of the bank. Bustadkreditt Sogn og Fjordane was founded in 2009 and has its head office in Førde.

The 2024 financial statements for Bustadkreditt Sogn og Fjordane AS were discussed and adopted at the Board meeting of 13 February 2025.

All amounts in the accounts and notes are given in thousands of NOK unless otherwise stated.

ACCOUNTING STANDARDS APPLIED
The financial statements have been prepared in accordance with the international accounting standards (IFRS – International Financial Reporting Standards) approved by the EU.

CHANGES TO ACCOUNTING PRINCIPLES
In the event of fundamental accounting reforms/ changes to accounting principles, the figures for previous years must be adjusted to allow accurate comparison. If items in the accounts are reclassified, comparative figures for previous periods shall be calculated and reported in the financial statements.

Under IAS 8, the Company must report any changes that it has implemented during the current accounting period and state what impact they have had on the annual financial statements.

AMENDMENTS TO STANDARDS AND INTERPRETATIONS APPROVED BY THE EU
There were no changes to standards and/or interpretations that were relevant to the Company in 2024.

ESTIMATES
When preparing the financial statements, certain estimates are made that affect reported amounts. Note 2 sets out significant estimates and assumptions in greater detail. Assets and liabilities are included on the balance sheet from the date on which the Company achieves genuine control over the assets and/or takes on genuine liabilities.

Assets are taken off the balance sheet on the date on which genuine risk relating to the assets is transferred and the Company no longer has genuine control over the assets.

FINANCIAL INSTRUMENTS
A financial instrument is a contract that gives rise to a financial asset of one enterprise and a financial obligation or an equity instrument of another enterprise.

Classification and measurement under IFRS 9

Financial Instruments
Classification is based on whether the instruments are held within a business model whose object is both to collect the contractual cash flows and sell the instrument, and on whether the contractual cash flows are solely payments of principal and interest on fixed dates.

Financial assets are classified in one of the following categories:
- Debt instruments at amortised cost
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

Financial assets measured at amortised cost
The Company measures financial assets at amortised cost if the following criteria are met:
- The financial asset is part of a business model whose objective is to collect contractual cash flows, and
- The contractual terms of the financial asset give rise to cash flows that solely consist of payments of principal and interest on fixed dates

Subsequent valuations of financial assets measured at amortised cost are based on the effective interest rate method and the assets are tested for impairment. Gains and losses are recognised in the income statement if the asset is derecognised, modified or impaired.

The Company's assets at amortised cost include variable-rate loans to customers and deposits held at other banks.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)
The following instruments are included in this measurement category:
- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments with a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term

trading of the instruments in the portfolio in order to make a profit, or with a business model that implies that the instruments are managed and evaluated on a fair value basis.

Bustadkreditt Sogn og Fjordane uses this category for commercial paper and bonds, fixed-rate loans to customers and derivatives. The interest rates on fixed-rate loans are generally hedged with derivatives that are measured at fair value. To avoid an accounting mismatch the fixed-rate loans are also measured at fair value.

Derecognition of financial assets

A financial asset is derecognised if:

- The contractual rights to the cash flows from the financial asset expire, or
- The Company has either transferred the contractual rights to the cash flows from the financial asset, or retained the rights to the cash flows from the asset while assuming an obligation to pay the cash flows received from the asset to another party; and either
  a. The Company has transferred substantially all of the risks and rewards of ownership of the asset, or
  b. The Company has neither transferred nor retained substantially all of the risks and rewards of ownership of the asset, but has transferred control of the asset

Financial liabilities

Financial liabilities are classified in one of the following categories:

- Financial liabilities measured at amortised cost
- Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

Financial liabilities at amortised cost

Bustadkreditt Sogn og Fjordane uses this category for liabilities to credit institutions, for the majority of the interest-bearing debt securities that it has issued and for other financial liabilities.

Debt instruments, derivatives and equity instruments at fair value through profit or loss (FVTPL)

The following instruments are included in this measurement category:

- Derivatives measured at fair value through profit or loss
- Equity instruments, as a general rule
- Debt instruments, if the criteria for the Fair Value Option (FVO) are met or the business model implies that the instruments are managed and evaluated on a fair value basis.

Bustadkreditt Sogn og Fjordane uses this category for derivatives.

Further details about financial liabilities

On initial recognition, financial liabilities are classified either as borrowings and other liabilities, or as derivatives designated as hedging instruments in an effective hedge. On initial recognition, derivatives are measured at fair value. Borrowings and other liabilities are measured at fair value adjusted for transaction costs that are directly attributable to them.

Derivatives are considered financial liabilities if their fair value is negative, and for accounting purposes they are treated in an equivalent manner to derivatives that are assets.

Borrowings and other liabilities

After initial recognition, interest-bearing loans are measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liability is derecognised. Amortised cost is calculated by taking into account any transaction costs, and any costs and fees that are an integral part of the effective interest. Effective interest is presented in the income statement under interest expenses.

Other liabilities are measured at face value if the effect of discounting is immaterial.

Derecognition of financial liabilities

A financial liability is derecognised if the liability is redeemed, cancelled or expires. If an existing financial liability is replaced by a new financial liability issued by the same lender on significantly different terms, or the terms of an existing liability are significantly modified, the original liability is derecognised and the new liability is recognised. The difference in the carrying amount is recognised in the income statement.

Estimating expected credit losses

The impairment model for financial instruments in IFRS 9 is based on the principle that provisions should be made for expected credit losses. That requires us to estimate future credit losses regardless of whether or not a financial asset is impaired.

The impairment model in IFRS 9 applies to financial assets that are debt instruments. It also covers undrawn credit facilities. See Note 11 for an explanation of the impairment model.

Recognition of losses

A loss shall be recognised (i.e. recorded against the customer) when all collateral has been sold and it is not expected that the bank will receive further payments with respect to the asset. The claim against the customer shall still be pursued after a loss has been recognised, unless an agreement to cancel the debt has been reached with the customer.

PRESENTATION ON THE BALANCE SHEET AND IN THE INCOME STATEMENT

Loans

Depending on the counterparty, loans are included on the balance sheet as either “Loans and advances to credit institutions”, “Loans to customers measured at amortised cost” or “Loans to customers measured at fair value”. To simplify the balance sheet, all loans to customers are presented jointly on a single line, with the breakdown by category being presented in a note to the financial statements.

Interest income from financial instruments classified as loans is included under “Net interest income” using the effective interest rate method. The effective interest rate method is described under “Amortised cost method”.

Changes in the fair value of loans measured at amortised cost and loans measured at fair value are included under “Impairment loss”. Any portion of the change in the value of fixed-rate loans attributable to changes in interest rate levels is included under “Net gains/losses on financial instruments”. For a fuller explanation of the valuation principles for loans, refer to the paragraph headed “Impairment model” earlier in this note.

Commercial paper and bonds

Commercial paper and bonds are managed and evaluated within a business model whose objective involves collecting contractual cash flows from interest, fees and capital, as well as short-term trading of the instruments in the portfolio in order to make a profit.

Interest income and expenses on commercial paper and bonds are included under “Net interest income” using the effective interest rate method. This method is described in the paragraph on amortised cost.

Other changes in value are included under “Net gains/ losses on financial instruments”.

Financial derivatives

A derivative is a financial instrument with the following characteristics:

- The value of the instrument changes as a result of changes to the interest rate, value or price of an underlying asset
- The instrument requires little or no initial investment
- The instrument is settled at a future date

Derivatives are initially recognised at their fair value on the date on which the contract was signed, and subsequently at fair value.

Financial derivatives are presented as an asset if they have a positive value and as a liability if they have a negative value. Assets and liabilities are offset against one another if the Company has a binding contract with its counterparty stating that they will be offset, and if the Company intends to sell the assets and redeem the liabilities at the same time.

Interest payments on financial derivatives are included under “Net interest income” using the effective interest rate method. This method is explained in the paragraph on amortised cost. Other changes in value are included under “Net gains/losses on financial instruments”.

Debt to credit institutions

Debt to credit institutions and customers is recorded, depending on the counterparty, as either “Debt to credit institutions”, “Customer deposits measured at amortised cost” or “Customer deposits measured at fair value”. Interest expenses on these instruments are included under “Net interest income” using the effective interest rate method. Other changes in value are included under “Net gains/losses on financial instruments”.

Debt securities in issue

Debt securities in issue include commercial paper and bonds, and they are measured either at amortised cost or at fair value through profit or loss. To simplify the balance sheet, all debt securities in issue are presented jointly on a single line, with a more detailed breakdown in a note to the financial statements.

Interest expenses on these instruments are included under “Net interest income” using the effect interest rate method. Other changes in value are included under “Net gains/losses on financial instruments”.

TAX EXPENSE

The tax expense stated in the income statement includes both tax payable on income and assets, and changes to deferred tax for the financial period. Deferred tax liabilities/assets are calculated as 22% of temporary differences that exist between accounting and taxable values at the close of the year. Deferred tax is calculated using the tax rates and regulations that apply on the balance sheet date, or that are likely to be adopted and will apply when the deferred tax asset is realised or the deferred tax liability becomes payable.

Deferred tax assets are included on the balance sheet on the assumption that the Company will have taxable profits in future years.

Tax payable and deferred tax are charged to equity if the tax relates to items that in the current or previous periods have been taken to equity.

ACCRUAL OF INTEREST AND FEES

Interest and commission are recognised in the income statement as they accrue as income or expenses. Arrangement fees for loans are included in the cash flow when calculating the amortised cost, and are taken to income under “Net interest income” using the effective interest rate method.

RECOGNITION OF INTEREST INCOME

Interest income is recognised in the income statement using the effective interest rate method. This involves taking arising nominal interest plus amortised set-up fees to income. Interest income is calculated using the effective interest rate method both for balance sheet items measured at amortised cost and for ones measured at fair value through profit or loss. Interest income on impaired loans is calculated as the effective interest rate on the carrying value.

CASH FLOW STATEMENT

The cash flow statement shows cash flows grouped by source and area of use. Cash is defined as cash and receivables from central banks, and instant access deposits with credit institutions.

HEDGE ACCOUNTING

The Company uses hedge accounting for fixed-rate bonds and derivatives designed to protect against fluctuations in the value of the bonds in question. The hedged items (the fixed-rate bonds) are measured at fair value through “Net gains/losses on financial instruments” and the hedging instruments (the derivatives) are measured at fair value through “Net gains/losses on financial instruments”.

Amongst other things, IFRS 9 requires the hedged item and the hedging instrument to be formally designated as such.

There must be a close economic relationship between the hedged item and the hedging instrument, the hedged item must be reliably measurable and the hedge must be effective. If the hedge no longer fulfils the hedge effectiveness requirement, hedge accounting shall be discontinued and the resulting adjustment shall be amortised through profit or loss. The amortisation shall be based on the recalculated effective interest rate at the date amortisation begins.

Gains or losses on hedging instruments are recognised in the income statement under “Net gains/losses on financial instruments”. Gains or losses on hedged items are considered an adjustment to the carrying amount of the hedged item and are recognised in the income statement under “Net gains/losses on financial instruments”.

POST BALANCE SHEET EVENTS

Post balance sheet events shall be reported in accordance with IAS 10. Events that are not covered by the financial statements, but that are material to any evaluation of the company, shall be disclosed.

ADOPTED ACCOUNTING STANDARDS AND OTHER CHANGES THAT MAY AFFECT FUTURE FINANCIAL REPORTING

Relevant standards and interpretations that have been adopted prior to the presentation of the Company’s financial statements, but that will be implemented at a later date, are listed below. The Company intends to implement the changes that are relevant as and when they come into force, provided that the EU approves them before the Company prepares its financial statements.

IFRS 18 Presentation and Disclosure in Financial Statements

IFRS 18 replaces IAS 1 Presentation of Financial Statements. IFRS 18 introduces new requirements to improve reporting of financial performance such as:

- Requirement for defined subtotals in the income statement
- Requirement to disclose management-defined performance measures
- New principles for aggregating and disaggregating information

IFRS 18 was adopted on 9 April 2024 and comes into force as of financial periods starting on or after 1 January 2027. It is possible to implement the standard earlier. The Company will assess the impacts of the changes and implement the necessary changes when the standard has been adopted by the EU.

No changes have been adopted that will have a significant impact on the financial statements.

Note 2 Critical accounting estimates and judgements

Estimates and judgements are continuously reassessed, and are based on past experience and other factors, such as expectations of probable future events. The Company prepares estimates and makes assumptions about future developments. Accounting estimates produced on the basis of this rarely entirely correspond with what actually happens. Estimates that constitute a significant risk of changes to the carrying amount of assets and liabilities over the coming financial year are discussed below.

FAIR VALUE OF FINANCIAL DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

For securities that are not listed and for which there is not an active market, the Group uses valuation techniques to determine their fair value. The Group makes its assessments and uses methods and assumptions that in so far as possible are based on market conditions on the balance sheet date.

Interest-bearing securities

To value bonds and commercial paper, we obtain valuations from Nordic Bond Pricing.

Interest rate derivatives

Interest rate derivatives are valued using discounted cash flows based on the swap rate at the reporting date.

Fixed-rate loans to customers

The value of fixed-rate loans is calculated as the net present value of their future cash flows. For fixed-rate loans we use a yield curve that is derived from the average interest rates on fixed-rate products offered by competing banks to represent the market rate.

EXPECTED CREDIT LOSSES

There is a detailed explanation of the loan impairment model under IFRS 9 in Note 11. The method for calculating expected credit losses (ECLs) is based on estimates of the probability of default (PD), loss given default (LGD) and exposure at default (EAD), for all loans and undrawn credit facilities. There are uncertainties associated with estimating ECLs, particularly in relation to the PD, but also to the LGD and EAD.

Uncertainties

Measuring expected credit losses is a complex process, and in the case of several of the assumptions used as inputs, the management must exercise its professional judgement.

For assets where a model is used to calculate ECLs, the main uncertainties relate to estimating PD, LGD and EAD. For assets in Stage 3, where expected credit losses are measured individually, judgement is involved in the assumptions used to estimate future cash flows and value collateral.

Other areas involving uncertainty include the choice of various future economic scenarios (including their weighting), assessing significant increases in credit risk and decisions relating to whether the criterion for default has been met.

Macroeconomic scenarios

ECLs should be calculated by weighting several macroeconomic scenarios. The Company has chosen three future macroeconomic scenarios: a base scenario with a 50% weighting, and one pessimistic and one optimistic scenario each with a 25% weighting. Expected credit losses are weighted based on the outcomes of the three scenarios.

The relationship between the macroeconomic parameters and the PD used to be based on a model developed by the Norwegian Computing Centre, which used future interest rates and unemployment to estimate future default rates for retail banking customers. Due to the unusual macroeconomic situation which we have experienced, the model is not sufficiently good at predicting the future probability of default. We have therefore used our best judgement to assess what is likely to happen to the probability of default over the coming five years, based on projections from Norges Bank's monetary policy and financial stability reports.

Note 15 contains more information about the various scenarios and how they affect impairment losses.

Note 3 Segments

The Company has one main segment. This segment consists of loans to retail customers and a small volume of loans to private businesses. All of the Company's loans have been bought from SpareBank 1 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 4 Capital adequacy

EQUITY AND SUBORDINATED DEBT	31.12.24	31.12.23
Share capital and share premium account	2 150 000	2 150 000
Other equity	12 899	12 829
Equity	**2 162 899**	**2 162 829**
Other core capital	**0**	**0**
Deductions:		
Valuation adjustment (prudent valuation rules)	– 4 209	– 577
Deferred tax assets	0	0
Other deductions	– 1 841	0
Net core capital	**2 156 849**	**2 162 252**
Core Tier 1 capital	**2 156 849**	**2 162 252**
Net supplementary capital	**0**	**0**
Net equity and subordinated debt	**2 156 849**	**2 162 252**
BASIS FOR CALCULATION		
Credit risk		
Institutions	48 983	72 350
Retail loans	124 025	146 172
Residential mortgage loans	8 981 972	8 610 539
Overdue advances	145 687	228 364
Covered bonds	114 587	25 701
Other advances	28 879	27 233
Total calculation basis for credit risk	**9 444 132**	**9 110 360**
Operational risk	406 399	398 898
CVA		219 732
Total calculation basis	**9 850 531**	**9 728 990**
Excess equity and subordinated debt	**1 368 807**	**1 383 933**
CAPITAL ADEQUACY		
Capital adequacy ratio	21,90 %	22,22 %
Core capital adequacy ratio	21,90 %	22,22 %
Core Tier 1 capital adequacy ratio	21,90 %	22,22 %
Unweighted core capital ratio	7,64 %	8,27 %

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 5 Risk

Bustadkreditt Sogn og Fjordane AS (BSF) is exposed to credit risk, operational risk (including climate risk), liquidity risk and market risk. Credit risk is the most significant of these. Limits have been set on exposure to the various classes of risk. The Board considers it a priority for the Company to maintain a low risk exposure. The most important goals of the risk management strategy are to ensure: that the Company meets its goals and deals with risks that might prevent it from doing so; that internal and external reporting is of a high standard; and that the Company operates in keeping with internal guidelines and relevant legislation.

Credit risk

Bustadkreditt Sogn og Fjordane AS is exposed to credit risk through residential mortgages, and to counterparty risk through its investments in financial markets.

The loans that it purchases from SpareBank 1 Sogn og Fjordane have good collateral. At the time of purchase, the loan must represent no more than 80 percent of the approved value of the collateral. The values of properties used as collateral for residential mortgage loans at BSF are updated quarterly. Estimated values provided by Eiendomsverdi AS, used alone or in combination with valuations from surveyors or estate agents, determine the approved values for properties.

The first tranche of loans from SpareBank 1 Sogn og Fjordane was bought in March 2009. Since then, the market value of residential property has risen. SpareBank 1 Sogn og Fjordane services the loans held by BSF. The loans are performing well, and are closely monitored. The Company considers its loan portfolio to be low-risk.

The loans held by BSF are granted by SpareBank 1 Sogn og Fjordane, and the credit scoring of mortgage customers follows the credit scoring procedures of the parent company. Customers who apply for a mortgage are carefully assessed on the basis of the collateral, their ability to service the loan, their debt levels and the probability of default. Consideration is also given to the risks associated with factors such as the customer's situation in life, employment situation and education. Procedures have also been put in place for transferring loans to BSF, specifying the criteria that must be fulfilled by the loans in order for them to be moved to the Company. These criteria comply with all regulatory requirements. Furthermore, the bank has additional internal restrictions on which kinds of loans that can be transferred to the Company. Loans that are held by BSF are also monitored very carefully in relation to credit impairment. BSF also has risk management procedures in place that have been approved by the Board, which set out the checks that must be made in order to minimise credit risk, and allocate responsibility for carrying out the checks and for reporting.

The performance of the loan portfolio is monitored through a credit report which sets out areas such as the composition of the portfolio by risk group, loan performance and the impact of a fall in property prices and higher default rates on the cover pool.

The Company's counterparty risk derives from investments in financial markets and exposure to other financial institutions.

There are limits on BSF's exposure to any given counterparty. In order to protect itself against losses, BSF only has exposure to financially sound counter-parties.

In accordance with the stipulations of IFRS 9, BSF makes an allowance for expected credit losses on all of its loans and other exposures. See Note 11 of the annual financial statements for a more detailed description of model-based and individually assessed impairment allowances. Normally, a loss is realised when all collateral has been sold and it is not expected that the Company will receive further payments with respect to the asset. The claim against the customer is still pursued unless an agreement to cancel the remaining debt has been reached with the customer.

Liquidity risk

Liquidity risk is the risk that BSF will be unable to meet its obligations when they fall due. The company's liquidity buffer shall be sufficient to allow it to meet all of its obligations when they fall due. The company always maintains the minimum liquidity buffer required by the Board and sufficient liquidity to cover its net obligations over the next six months.

Bustadkreditt Sogn og Fjordane AS shall maintain a low exposure to liquidity risk. That is important in order to maintain the confidence of financial markets and ensure acceptable funding costs. Without good liquidity, the Company would be more exposed to unfavourable and turbulent conditions in financial markets. It is important that the Company's liquidity position gives it the security and flexibility needed to allow it to borrow on competitive terms.

BSF's primary source of funding is covered bonds. In order to ensure access to a wide range of funding sources, BSF issues bonds with varying terms to maturity, including both fixed and variable rate bonds. The rating of the Company's covered bond programme is important for ensuring access to funding and for keeping liquidity risk low.

The Company has credit facilities with its parent company that ensure good access to liquidity even during challenging market conditions. These credit facilities can be used to settle the purchase of mortgage loans from the parent company, to finance available credit within flexible mortgages, and to buy instruments that qualify for inclusion in the liquidity buffer.

Interest rate risk

The company shall manage its exposure to interest rate risk in order to minimise its exposure to interest rate fluctuations. There are limits on exposure to changes in the absolute level of interest rates, which are monitored and reported monthly. The Company uses interest rate swaps to manage its interest rate risk.

Spread risk

BSF has a portfolio of bonds that acts as a liquidity buffer. The portfolio is designed to qualify for inclusion in the Company's liquidity coverage ratio (LCR), which means it has low credit risk and is primarily made up of covered bonds issued by Norwegian institutions. These bonds have ratings from international rating agencies. BSF has rules governing the credit quality, concentration and term to maturity of its portfolio.

Operational risk

Operational risk is defined as the risk of losses due to weaknesses or defects in processes or systems, carried out by employees or third parties, arising from BSF's operations. A large part of the operational risk is dealt with through the service agreement between the parent company and BSF, which commits the parent company to supplying services to BSF. In the current SREP guidelines, many different kinds of risk are included under the heading operational risk. Below, we concentrate on some of the most important kinds of operational risk: compliance risk, money laundering and terrorism financing risk, and ESG risk.

Compliance risk

Compliance risk is the risk that the Company will be fined or suffer economic losses due to failure to comply with laws, rules and industry standards.

The regulations covering Norwegian mortgage credit institutions are relatively limited in scope. The institutions must ensure that legislation governing the granting and monitoring of credit facilities is complied with for the loans they buy from their parent company. In the case of BSF, this is done through the credit investigations and monitoring performed by the parent company, including audits by the internal auditor and on-site inspections by the Financial Supervisory Authority of Norway. BSF's independent monitor is also free to investigate the credit-worthiness of the loans on BSF's balance sheet if he so wishes.

In addition, the Financial Institutions Act regulates which types of loans can be included in the cover pool of Norwegian credit institutions. The rules are clear and straightforward, and the compliance risk is considered to be low. The monitor also checks compliance in this area. In addition, the risk management and compliance department further reduces the compliance risk through its checks and reviews of financial services legislation with the CEO.

Money laundering and terrorism financing risk

The financial services industry plays an important role in society's fight against money laundering and terrorism financing. BSF takes its responsibility seriously and is working to ensure good compliance with the regulations. In 2021, the Company was granted permission to consider the customer due diligence performed by SpareBank 1 Sogn og Fjordane in the area of money laundering as measures taken by BSF to combat money laundering.

The work done by the parent company to reduce the risk of money laundering thus also determines the overall money laundering risk at BSF.

There are two main issues relating to the Company's lending activities that create a risk of terrorism financing and money laundering:

When granting loans, there is a risk that the money is not being borrowed for the stated purpose, and that it is instead being used to finance terrorism. The loans on the balance sheet of BSF are granted by its parent company. However, if the terrorism financing occurs after BSF has bought the loan from its parent company, BSF will be the lender that is financing terrorist activities. The risk of money laundering will be related to the loan agreement with the customers. There is a risk that the source of the money used to repay the loan is criminal activity. The principle of "Know your customer" (KYC), which also involves knowing the source of their funds, is therefore the building block for work on reducing the risk of both terrorism financing and money laundering. Risk assessments include an assessment of the risk associated with the product range offered by BSF (repayment loans and flexible mortgages to retail customers). The residual risk associated with these products is moderate after implementing the risk-reduction measures required by KYC regulations.

ESG risk

ESG risk covers risks relating to the climate and environment, social issues and corporate governance. The EU has created a classification system that defines the criteria for judging whether or not an economic activity can be considered sustainable. The aim is to establish a shared understanding of what is sustainable, and to avoid "greenwashing".

Climate risk is currently the most important risk within ESG. Climate risk is the risk associated with climate change leading to an increase in the Bank's risks and losses. Climate risk is usually split into three areas:

1. Physical risk: The risk that climate change will lead to temperature changes and more extreme weather events. This has the potential to reduce the value of assets, and thereby cause major financial losses to both the customers of banks and the banks themselves.
2. Transition risk: Risks associated with the transition to a net zero society. These include political, regulatory and technological factors that may affect demand for goods and services.
3. Liability risk: Companies may be held liable for damage from climate change caused by their decisions, or failure to take decisions. This applies to the bank, but also to the bank's customers.

There is also a risk of loss of reputation if the financial services industry fails to live up to what is expected and required of it by the regulations governing the role of financial institutions in the battle against climate change. Here the ability of financial institutions to set appropriate sustainability requirements of their customers comes in, as well as the ability of individuals and businesses to comply with them.

BSF provides financing to individual customers with mortgages with strong collateral. Of the various forms of climate risk, physical risk and transition risk are the ones that could have some impact on its activities. Climate change could mean that the locations of some of the homes the Company has a mortgage over become more at risk of flooding, landslides or other natural disasters than is currently the case. The Company could incur losses from this if the values of the homes in these areas fall. It should be noted that in order for the Company to suffer losses, its customers must both default on their loans and live in an area where climate risk affects the value of their collateral. Default rates on mortgage loans are generally low. Moreover, most mortgaged properties can lose quite a lot of value before the collateral value becomes lower than the value of the loan to the customer. Therefore, BSF is currently considered to have low exposure to rising credit risk as a result of potential climate change.

The transition risk is considered low based on the nature of BSF's business. Any rules setting strict requirements to raise energy ratings could affect the types of loans and collateral held by BSF, but we do not envisage any difficulty obtaining a sufficiently large cover pool to meet the needs of BSF based on its strategy for developing its balance sheet.

REPORTING

Bustadkreditt Sogn og Fjordane AS considers it a priority to report its risk exposure and capital position accurately and completely. It has therefore established various periodic reports for the Board to review, as well as reports that form part of the day-to-day running of the Company, which are designed to ensure compliance with current legislation and internal guidelines at all times. These reports keep Board members up-to-date on whether the Company is on target to achieve the goals that have been set for it, and whether risk exposure is within the established limits. Financial performance reports are prepared monthly. Credit reports, financing reports, liquidity reports and anti-money laundering reports are prepared quarterly. All of these reports are reviewed by the Board. In addition, there is a monthly report on loans in default and a daily report to show that lending volumes and the cover pool comply with current legislation and internal guidelines.

An ICAAP is performed and reported each year.

Internal control reports are produced annually. The report includes an assessment of, and comments on, internal controls at the Company, a review of all important areas of risk, an assessment of compliance with legislation and proposals for improvements.

Each year the internal auditor performs an independent review of the Company's internal controls, which is presented to the Board, as are the monitor's quarterly reports.

In its capital adequacy reporting, BSF uses the standardised approach for credit risk and the basic indicator approach for operational risk. Following the implementation of CRR 3 in 2025, BSF's reported capital adequacy ratio will probably increase by 8-10 percentage points, assuming a portfolio of an equivalent size and quality as the one held by the company at the end of 2024.

Note 6 Risk classification of loans to customers

The bank's PD models predict the likelihood of customers going into default over the coming 12 months. More information about the models can be found in Note 11. The Bank uses the models to classify all of its loans monthly, in the risk classes A-K, with A being the lowest risk class and K being loans in default. Based on that, it places its customers in three main groups: Low risk (PD of A to D), medium risk (E–G) and high risk (H–K).

	Probability of default (PD)	
Risk class	from	up to
A	0,00 %	0,10 %
B	0,10 %	0,25 %
C	0,25 %	0,50 %
D	0,50 %	0,75 %
E	0,75 %	1,25 %
F	1,25 %	2,00 %
G	2,00 %	3,00 %
H	3,00 %	5,00 %
I	5,00 %	8,00 %
J	8,00 %	100,00 %
K	100,00 %	100,00 %

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2024	2023	2024	2023	2024	2023
Low risk (A–D)	20 238 368	18 663 765	2 180 716	2 098 720	3 757	4 495
Medium risk (E–G)	4 947 315	5 375 816	82 979	96 862	6 262	8 967
High risk (H–K)	871 971	1 088 159	334	3 649	17 202	23 418
Total	**26 057 654**	**25 127 741**	**2 264 029**	**2 199 231**	**27 221**	**36 880**

Note 7 Loans in default and debt relief

Payment default

Assets are considered past due when at least one of the customer's accounts is overdue or overdrawn by at least NOK 1,000. The number of days that a customer is considered to have been in payment default is determined by the account that has been past due for longest.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2024	2023	2024	2023	2024	2023
11–30 days past due	22 163	24 931	0	0	261	476
31–90 days past due	23 813	17 921	0	0	319	465
More than 90 days past due	55 287	42 432	0	0	6 068	2 376
Total assets more than 10 days past due	**101 263**	**85 284**	**0**	**0**	**6 647**	**3 317**

Assets in default or at risk of default

An asset is considered in default or at risk of default if one or more of the following criteria apply:

- At least one of the customer's accounts is more than 90 days past due and the amount overdue is material
- An individually assessed allowance has been made for the customer
- A loss has been realised in relation to the customer
- One or more of the following external indicators applies to the customer:
  - Debt restructuring
  - Insolvency/Bankruptcy

The threshold for considering overdue payments material has been set at NOK 1,000.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2024	2023	2024	2023	2024	2023
More than 90 days past due	55 287	42 432	0	0	6 068	2 376
Other assets in default	100 435	195 637	0	0	4 979	10 360
Total assets in default	**155 722**	**238 068**	**0**	**0**	**11 047**	**12 736**

Debt relief

Debt relief refers to changes to the agreed terms and conditions granted because a customer is in financial difficulties that would not have been granted if the customer were in a stronger financial position.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2024	2023	2024	2023	2024	2023
Assets with debt relief that are not in default	259 678	210 582	0	126	2 531	2 673
Assets with debt relief that are in default	40 867	91 976	0	0	2 428	4 989
Total assets with debt relief	**300 545**	**302 558**	**0**	**126**	**4 959**	**7 662**

Note 8 Loans by sector

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2024	2023	2024	2023	2024	2023
Wage and salary earners and pensioners	25 777 673	24 829 618	2 233 430	2 164 343	26 639	35 896
Self-employed	279 981	298 123	30 599	34 888	583	983
Total	**26 057 654**	**25 127 741**	**2 264 029**	**2 199 231**	**27 221**	**36 880**

Note 9 Loans by geographic area

	Gross loans		Percentage of gross loans	
	2024	2023	2024	2023
Vestland	19 167 612	18 451 203	73,6 %	73,4 %
Oslo	2 734 944	2 583 104	10,5 %	10,3 %
Akershus	1 816 329	2 256 035	7,0 %	9,0 %
Møre og Romsdal	431 928	447 346	1,7 %	1,8 %
Rogaland	355 566	358 579	1,4 %	1,4 %
Rest of Norway and international	1 551 275	1 031 475	6,0 %	4,1 %
Total gross loans	**26 057 654**	**25 127 741**	**100,0 %**	**100,0 %**

Note 10 Loans by loan-to-value ratio

The table below shows the Company's assets by various ranges of loan-to-value ratio. The loan-to-value ratio is calculated as the value of the asset divided by the value of the properties used to secure the asset. Valuations by Eiendomsverdi AS are used to determine the values of the properties.

	Gross loans		Guarantees and undrawn credit facilities		Loss allowances	
	2024	2023	2024	2023	2024	2023
LTV ratio from 0% up to and including 40%	6 030 323	4 822 130	1 233 000	1 028 733	6 667	4 222
LTV ratio from 40% up to and including 60%	9 703 360	8 101 886	839 759	869 246	6 496	7 048
LTV ratio from 60% up to and including 75%	8 544 740	8 243 387	147 142	234 933	9 632	14 970
LTV ratio from 75% up to and including 100%	1 665 904	3 851 678	32 926	45 796	3 084	9 767
LTV ratio over 100%	113 327	108 659	11 202	20 522	1 341	874
Unsecured	0	0	0	0	0	0
Total	**26 057 654**	**25 127 741**	**2 264 029**	**2 199 231**	**27 221**	**36 880**

Note 11 Explanation of impairment model under IFRS 9

The Company has developed a model for calculating impairment losses that meets the requirements of IFRS 9. The model calculates the Expected Credit Loss (ECL) for all loan accounts, guarantees and undrawn credit facilities. The ECL is an unbiased estimate based on several future scenarios.

The model splits loans into three stages. Upon initial recognition, a loan is generally allocated to Stage 1. If the account's credit risk has increased significantly since initial recognition, it is moved to Stage 2. Assets in default are allocated to Stage 3, using the same definition of default as used for internal risk management, as stated in Note 7. An account shall always be allocated to the highest stage that it qualifies for.

For assets in Stage 1, expected credit losses are calculated for the coming 12 months, whereas for Stages 2 and 3, expected credit losses are calculated for the expected lifetime of the asset.

The ECL is calculated using parameters that estimate the exposure at default (EAD) and loss given default (LGD), as well as the probability of default (PD) for any given period.

Individually assessed allowances

As a general rule, the Company does not make individually assessed allowances for loans to the retail market. Nevertheless, as an exception to that rule, an individually assessed allowance can be made for individual high-value loans where the model-based impairment is considered too low.

Individually assessed allowances are determined by a probability-weighted calculation of various possible outcomes. Where an individually assessed allowance has been made, this takes precedence over the impairment calculated by the model. Individually assessed allowances are included in Stage 3.

Probability of default (PD)

The Company has, based on its own default data, developed models for estimating the likelihood of default over the coming 12 months (12-month PD). The likelihood that a customer will default on their obligations during the remaining term of the asset (the lifetime PD) is derived from the 12-month PD, using the assumption that in the long term the PD will migrate towards the average PD of the portfolio.

The Company has models for application scoring and behavioural scoring at the customer level. The application scoring models are used to estimate the PD when a customer applies for a loan or credit facility. The behavioural scoring models are used to estimate the PD for all existing assets at the end of each month.

Loss given default (LGD)

The LGD represents how much the Company expects to lose in the event of a default, and it incorporates the following components:

- The likelihood that an asset in default will be cured
- The projected collateral ratio for the exposure
- The expected recovery rate for the unsecured part of an exposure
- External costs associated with debt recovery

A floor is also set for losses if the account is not cured. At 31.12.2024, this floor was set at 1%. An account is considered cured if it was in default and is closed without any losses being realised.

When calculating the collateral ratio, the expected sales value of the underlying collateral is used. In the case of residential properties, when calculating losses the sales value is set at 50% of the valuation. The projected sales values are based on three future scenarios for house prices.

Exposure at default (EAD)

The EAD represents the expected credit exposure to the customer at the time of default. For loans with a contractual loan repayment schedule, that schedule is used as a basis for determining the EAD. An adjustment is made to take into account the likelihood of the customer repaying the loan more quickly than is stipulated by the loan repayment schedule (prepayment). This includes the likelihood of the customer paying off the loan completely before the maturity date. For credit facilities, it is assumed that the whole credit limit has been drawn at the time of default.

Expected life

For loans and advances in Stage 2, the ECL shall be calculated for the remaining expected life of the asset. For loans and advances with a contractual term, this is the remaining term to maturity at the reporting date. For undrawn credit facilities, the expected life is based on the average observed life of discontinued credit facilities.

Significant increase in credit risk

Transfers from Stage 1 to Stage 2 are governed by the definition of a significant increase in credit risk. The Company itself is responsible for defining what constitutes a significant increase in credit risk. There are three elements to how it does this: a quantitative element, a qualitative element and the back stop. The quantitative element is the main driver of transfers from Stage 1 to Stage 2.

Quantitative element: An asset is considered to have experienced a significant increase in credit risk if the PD on the reporting date is at least twice as high as the expected PD calculated at the recognition date, and the change in PD is at least 0.5 percentage points.

Qualitative element: If the customer has been given debt relief on at least one loan, or if the customer is on the Company's watch list for customers with increased credit risk, all of the customer's accounts shall be transferred to Stage 2 if they don't qualify for Stage 3.

Back stop: If an account is more than 30 days past due, it shall be transferred to Stage 2 regardless of whether or not it meets the requirements of the quantitative and qualitative tests. If an account is more than 90 days past due, it shall be moved to Stage 3.

In its inspection reports, the Financial Supervisory Authority of Norway has pointed out that basing transfers to Stage 2 on absolute limits for changes in the PD in reality amounts to making use of the low credit risk exemption in IFRS 9, and that banks must ensure that the limit does not prevent timely identification of loans where the risk has risen. The Company reduced the absolute limit from 0.75 percentage points to 0.5 percentage points in 2023. At 31/12/2024, removing the limit would have increased impairments by NOK 0.6 million. The Company considers that the limit does not have a material impact on estimated losses and helps to reduce the volatility of transfers between stages 1 and 2 between accounting periods.

Transfer to lower stages

An account in Stage 2 can be transferred back to Stage 1 if it no longer meets any of the three criteria described above. If a loan has been on the Group's watch list, it must complete a three month probation period before it can be moved to Stage 1.

Assets that are in default will be transferred from Stage 3 to Stage 1 or 2 when they are no longer identified as in default, and once they have completed a three month probation period without any further default events.

In the case of customers who have been considered in default on account of receiving debt relief on two or more occasions during a two-year period, or who become overdrawn/more than 30 days past due in the two-year period after receiving debt relief, there is a probation period of 12 months.

Derecognition of loans

A loan is shown as being derecognised if it has been repaid and the loan account has been closed. This applies both if the loan has been repaid by the customer and if it has been refinanced with our bank or another bank.

Macroeconomic scenarios

As previously mentioned, the Company takes into account information about the future when estimating ECLs. This is done by incorporating three macro-economic scenarios into the calculation: a base scenario with a 50% weighting, and one pessimistic and one optimistic scenario each with a 25% weighting. ECLs are calculated based on the weighted outcomes of the three scenarios.

The relationship between the macroeconomic parameters and the PD used to be based on a model developed by the Norwegian Computing Centre, which used future interest rates and unemployment to estimate future default rates for retail banking customers. Due to the unusual macroeconomic situation we have been through, the model is not sufficiently good at predicting the probability of default over the next few years. We have therefore used best judgement and internal expert assessments of what is likely to happen to the probability of default over the coming five years, based on projections from the monetary policy report.

All of the Company's assets are secured with a mortgage on a property, with the collateral values in the scenarios being projected based on the house price forecast in the monetary policy report.

As of the current time, no climate-related scenarios have been included when calculating expected losses.

More information about the macroeconomic scenarios can be found in Note 15.

Uncertainties

Measuring expected credit losses is a complex process, and when deciding on several of the assumptions used as inputs, the management must exercise its professional judgement.

For assets where a model is used to calculate ECLs, the main uncertainties relate to estimating PD, LGD and EAD, as well as to the rules on what constitutes a significant increase in credit risk (Stage 2) and decisions as to whether the criteria for individually assessing a loss allowance have been met. For individually assessed allowances, we have used our best judgement to determine the assumptions for future cash flows and the valuation of the collateral.

Other areas involving uncertainty include the choice of various future scenarios for PD and house prices, including their weighting. There is also great uncertainty surrounding future climate change and how it will affect losses on mortgage loans.

Corporate governance

The Company's procedures and guidelines establish a clear system for determining losses. This system gives different departments at the parent company responsibility for different areas, such as developing and maintaining models, preparing macroeconomic scenarios, assessing scenarios and calculating expected credit losses.

Note 12 Assets classified by IFRS 9 stage

2024	Stage 1	Stage 2	Stage 3	Total
Gross loans at amortised cost at 01.01.2024	**21 833 253**	**3 056 419**	**238 068**	**25 127 741**
Transferred to Stage 1	814 436	– 797 380	– 17 056	0
Transferred to Stage 2	– 764 999	792 039	– 27 040	0
Transferred to Stage 3	– 16 331	– 46 535	62 866	0
New financial assets issued or acquired	5 856 000	522 087	0	6 378 087
Derecognised financial assets	– 5 385 715	– 890 358	– 102 178	– 6 378 251
Other changes	– 1 330 198	– 130 236	1 062	– 1 459 372
Gross loans at amortised cost at 31.12.2024	**21 006 447**	**2 506 036**	**155 722**	**23 668 206**
Loss allowance for loans at amortised cost at 31.12.2024	4 812	9 771	11 046	25 630
Net loans at amortised cost at 31.12.2024	**21 001 635**	**2 496 265**	**144 676**	**23 642 575**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2024	**2 139 829**	**249 620**	**0**	**2 389 448**
Loss allowance for loans at fair value at 31.12.2024	693	676	0	1 369
Net loans at fair value at 31.12.2024	**2 139 136**	**248 943**	**0**	**2 388 079**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.2024	**23 146 276**	**2 755 655**	**155 722**	**26 057 654**
Total loss allowance for loans at 31.12.2024	5 505	10 448	11 046	26 999
Total net loans at 31.12.2024	**23 140 771**	**2 745 208**	**144 676**	**26 030 655**

	Stage 1	Stage 2	Stage 3	Total
Guarantees and undrawn credit facilities at 31.12.2024	**2 206 420**	**57 603**	**6**	**2 264 029**
Loss allowance for guarantees and undrawn credit facilities at 31.12.2024	161	61	0	222
Net exposure to guarantees and undrawn credit facilities at 31.12.2024	**2 206 259**	**57 541**	**6**	**2 263 807**

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	497 221	– 487 108	– 10 113	0
Transferred to Stage 2	– 1 462 963	1 489 520	– 26 557	0
Transferred to Stage 3	– 71 890	– 87 867	159 757	0
New financial assets issued or acquired	4 729 102	596 118	20 086	5 345 306
Derecognised financial assets	– 6 443 663	– 641 585	– 29 569	– 7 114 817
Other changes	– 959 317	– 76 508	– 5 027	– 1 040 851
Gross loans at amortised cost at 31.12.2023	**21 833 253**	**3 056 419**	**238 068**	**25 127 741**
Loss allowance for loans at amortised cost at 31.12.2023	6 948	16 904	12 735	36 588
Net loans at amortised cost at 31.12.2023	**21 826 305**	**3 039 515**	**225 333**	**25 091 153**

	Stage 1	Stage 2	Stage 3	Total
Gross loans at fair value at 31.12.2023	**0**	**0**	**0**	**0**
Loss allowance for loans at fair value at 31.12.2023	0	0	0	0
Net loans at fair value at 31.12.2023	**0**	**0**	**0**	**0**

	Stage 1	Stage 2	Stage 3	Total
Total gross loans at 31.12.2023	**21 833 253**	**3 056 419**	**238 068**	**25 127 741**
Total loss allowance for loans at 31.12.2023	6 948	16 904	12 735	36 588
Total net loans at 31.12.2023	**21 826 305**	**3 039 515**	**225 333**	**25 091 153**

	Stage 1	Stage 2	Stage 3	Total
Guarantees and undrawn credit facilities at 31.12.2023	**2 143 839**	**55 387**	**5**	**2 199 231**
Loss allowance for guarantees and undrawn credit facilities at 31.12.2023	198	94	0	292
Net exposure to guarantees and undrawn credit facilities at 31.12.2023	**2 143 641**	**55 293**	**5**	**2 198 939**

Note 13 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.

2024	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for loans at amortised cost at 01.01.2024	**6 948**	**16 904**	**12 735**	**36 588**
Transferred to Stage 1	530	– 3 878	– 928	– 4 276
Transferred to Stage 2	– 513	3 334	– 993	1 827
Transferred to Stage 3	– 17	– 554	2 086	1 515
New financial assets issued or acquired	1 494	1 898	0	3 392
Derecognised financial assets	– 2 188	– 5 635	– 4 594	– 12 418
Changes to model/macroeconomic parameters	– 1 006	– 1 161	– 694	– 2 862
Actual losses covered by previous provisions	0	0	0	0
Other changes	– 435	– 1 136	3 434	1 863
Loss allowance for loans at amortised cost at 31.12.2024	**4 812**	**9 771**	**11 046**	**25 630**
Loss allowance for loans at fair value at 31.12.2024	**693**	**676**	**0**	**1 369**
Total loss allowance for loans at 31.12.2024	**5 505**	**10 448**	**11 046**	**26 999**

	Stage 1	Stage 2	Stage 3	Total
Opening loss allowance for undrawn credit facilities and guarantees at 01.01.2024	**198**	**94**	**0**	**292**
Transferred to Stage 1	6	– 31	0	– 26
Transferred to Stage 2	– 6	24	0	18
Transferred to Stage 3	0	0	0	0
New financial assets issued or acquired	12	9	0	21
Derecognised financial assets	– 11	– 14	0	– 26
Changes to model/macroeconomic parameters	– 33	– 15	0	– 48
Actual losses covered by previous provisions	0	0	0	0
Other changes	– 5	– 5	0	– 10
Loss allowance for undrawn credit facilities and guarantees at 31.12.2024	**161**	**61**	**0**	**222**

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	218	– 1 810	– 150	– 1 742
Transferred to Stage 2	– 599	4 461	– 563	3 299
Transferred to Stage 3	– 39	– 1 255	3 832	2 537
New financial assets issued or acquired	1 621	3 047	860	5 528
Derecognised financial assets	– 1 770	– 3 322	– 1 758	– 6 850
Changes to model/macroeconomic parameters	2 940	5 284	5 905	14 129
Actual losses covered by previous provisions	0	0	0	0
Other changes	– 903	– 880	– 117	– 1 899
Loss allowance for loans at amortised cost at 31.12.2023	**6 948**	**16 904**	**12 735**	**36 588**
Loss allowance for loans at fair value at 31.12.2023	**0**	**0**	**0**	**0**
Total loss allowance for loans at 31.12.2023	**6 948**	**16 904**	**12 735**	**36 588**

	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	– 5	0	– 4
Transferred to Stage 2	– 9	23	– 2	12
Transferred to Stage 3	0	0	0	0
New financial assets issued or acquired	16	7	0	22
Derecognised financial assets	– 1	0	0	– 1
Changes to model/macroeconomic parameters	103	53	0	156
Actual losses covered by previous provisions	0	0	0	0
Other changes	– 16	– 19	0	– 35
Loss allowance for undrawn credit facilities and guarantees at 31.12.2023	**198**	**94**	**0**	**292**

Note 14 Impairment loss on loans and undrawn credit facilities

	2024	2023
Increase/reduction in individually assessed allowances	0	0
Increase/reduction in expected credit losses (model-based)	– 9 659	15 151
Losses realised during period for which a loss allowance had previously been made	0	0
Losses realised during the period for which a loss allowance had not previously been made	0	0
Recoveries against previous years' realised losses	0	0
Impairment loss for the period	**– 9 659**	**15 151**

Note 15 Macroeconomic 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 a statistical model was introduced to estimate how expected changes in macroeconomic parameters will affect the future probability of default. Due to the unusual macroeconomic situation over the past few years, the model is not sufficiently good at predicting the future probability of default. A qualitative assessment has therefore been made of what is likely to happen to the probability of default and house prices over the next five years, based on forecasts in Norges Bank's monetary policy report.

Expected credit losses are calculated on the basis of three macroeconomic scenarios, with scenario 1 being the base scenario. In addition, there is an optimistic macroeconomic scenario (scenario 2) where the Norwegian economy performs better than expected, and a pessimistic macroeconomic scenario (scenario 3) where the Norwegian economy performs worse than expected.

The table below shows the future scenarios used to calculate expected credit losses at 31.12.2024.

	Probability of default starting from 31.12.24					House prices	
Future scenarios for retail market used to measure estimated expected credit losses at 31.12.2024	Year 1	Year 2	Year 3	Year 4	Year 5	Annual average growth	Weighting of scenario
Scenario 1: Base scenario	2,00	1,80	1,60	1,40	1,20	5,1 %	50 %
Scenario 2: Optimistic scenario	1,50	1,35	1,20	1,05	0,86	6,1 %	25 %
Scenario 3: Pessimistic scenario	2,70	2,43	2,16	1,89	1,62	2,3 %	25 %

Sensitivity analysis of changes to assumptions in impairment model under IFRS 9

The table below shows how sensitive the Bank's profitability would be to changes in the parameters presented above. For example, if we had put the probability of default in all of the scenarios 10% higher across the whole 5 years, expected credit losses would have been NOK 1.45 million higher. This would reduce pre-tax profit by an equivalent amount.

	Change to parameter	Impact on pre-tax profit/loss
Probability of default compared with central assumption	– 50 %	7 567
	– 20 %	2 931
	– 10 %	1 451
	+ 10 %	– 1 420
	+ 20 %	– 2 812
	+ 50 %	– 6 828
Annual change in house prices	– 5 pp.	– 3 640
	– 2 pp.	– 1 401
	– 1 pp.	– 689
	+ 1 pp.	665
	+ 2 pp.	1 301
	+ 5 pp.	3 026

Note 15 Macroeconomic scenarios in the impairment model under IFRS 9 (cont.)

The table below shows the impact on pre-tax profit of changing the weighting of the optimistic and pessimistic scenarios. For example, if the pessimistic scenario were to be given a 35% weighting, and the optimistic scenario a 15% weighting, expected credit losses would be NOK 1.18 million higher. This would reduce pre-tax profit by an equivalent amount.

Weighting of Scenario 1:	Weighting of Scenario 2: Optimistic	Weighting of Scenario 3: Pessimistic	Impact on pre-tax profit/loss
50 %	5 %	45 %	– 2 351
50 %	15 %	35 %	– 1 176
50 %	35 %	15 %	1 176
50 %	45 %	5 %	2 351
100 %	0 %	0 %	926
0 %	100 %	0 %	4 951
0 %	0 %	100 %	– 6 804

Note 16 Loans and advances to credit institutions

	2024	2023
Total loans and advances to credit inst. without an agreed term at amortised cost *)	111 882	228 804
Total loans and advances to credit inst. with an agreed term at amortised cost *)	0	0
Total loans and advances to credit institutions, measured at amortised cost	**111 882**	**228 804**

*) Overdraft/running account between Bustadkreditt Sogn og Fjordane AS and SpareBank 1 Sogn og Fjordane.

Note 17 Sensitivity analysis

Based on the balance sheet at 31/12/2023, any changes in market risk taking place over the coming year will have the following impact on profit and equity.

Impact on profit/equity

	INTEREST RATE	
	– 1,50 %	**1,50 %**
Loans and advances to credit institutions	– 1 097	1 097
Bonds and other fixed-interest securities	– 11 259	11 259
Loans to customers	– 195 419	195 419
Debt securities in issue	171 974	– 171 974
Financial derivatives	– 2 560	2 560
Debt to credit institutions	35 942	– 35 942
Total	**– 2 419**	**2 419**

This note sets out the impact on the financial statements over a period of 12 months of an immediate parallel change in interest rates of +1.5 percentage points and -1.5 percentage points. It takes into account the change in ongoing interest income and expenses, the one-off impacts that any such immediate change in interest rates would have on items measured at fair value and the impact of the change on profit in the remaining fixed interest term prior to the change impacting income and expenses. The Company uses hedge accounting in its financial statements.

Note 18 Liquidity risk

Undiscounted cash flows required to meet financial obligations.

Amounts in 000s of NOK	0–1 months	1–3 months	3–12 months	1–5 years	>5 years	Per-pe-tual loans	Total
Debt to credit institutions	15 264	30 528	137 377	3 732 823	0	0	3 915 993
Debt securities in issue	802 341	120 758	7 736 054	12 134 556	4 465 826	0	25 259 534
Other liabilities	0	29 580	29 580	0	0	0	59 160
Unused credit facilities	2 264 029	0	0	0	0	0	2 264 029
Financial derivatives, gross payments	13 983	8 493	95 106	465 212	1 178 655	0	1 761 448
Total 2024	**3 095 617**	**189 359**	**7 998 117**	**16 332 591**	**5 644 481**	**0**	**33 260 164**
Financial derivatives, gross receipts	0	4 941	29 909	426 234	783 425	0	1 244 509
Financial derivatives, net (negative figure implies net receipts)	13 983	3 551	65 197	38 978	395 230	0	516 938

Amounts in 000s of NOK	0–1 months	1–3 months	3–12 months	1–5 years	>5 years	Per-pe-tual loans	Total
Debt to credit institutions	11 340	22 680	102 061	2 621 453	0	0	2 757 534
Debt securities in issue	276 093	122 349	2 250 290	16 777 154	5 615 926	0	25 041 811
Other liabilities	0	19 210	19 210	0	0	0	38 419
Unused credit facilities	2 199 231	0	0	0	0	0	2 199 231
Financial derivatives, gross payments	13 736	26 848	209 314	708 308	681 021	0	1 639 228
Total 2023	**2 500 400**	**191 087**	**2 580 875**	**20 106 914**	**6 296 947**	**0**	**31 676 223**

The tables above include interest payable. In order to calculate the interest expense on variable-rate borrowing, current interest rates on the reporting date were used.

Note 19 Net income from financial instruments

Net interest income	2024	2023
Interest receivable and similar income on loans and advances to credit institutions, measured at amortised cost	17 146	14 755
Interest receivable and similar income on loans and advances to customers, measured at amortised cost	1 472 504	1 287 424
Interest receivable and similar income on loans and advances to customers, measured at fair value	20 255	3 075
Interest receivable and similar income on commercial paper and other interest-bearing securities at fair value	31 402	20 967
Total interest income	**1 541 307**	**1 326 221**
Interest payable and similar charges on debt to credit institutions, measured at amortised cost	157 543	177 963
Interest payable and similar charges on debt securities in issue measured at amortised cost	843 937	706 563
Interest payable and similar charges on debt securities in issue measured at fair value	264 382	227 318
Guarantee Fund contribution/emergency response fee	3 709	3 772
Other interest payable and similar charges on debt measured at amortised cost	2 357	2 122
Total interest expenses	**1 271 928**	**1 117 738**
Total net interest income	**269 379**	**208 483**
Net gains/losses on financial instruments		
Fair value adjustments to fixed-rate loans to customers	– 18 558	– 30
Commercial paper and bonds – holdings	1 599	– 795
Bonds in issue	204 230	11 407
Derivatives	– 198 871	– 7 722
Net gains/losses on financial instruments measured at fair value	**– 11 601**	**2 860**

Note 20 Operating expenses

	2024	2023
Wages, salaries, etc	**51**	**46**
IT expenses	912	872
Other services	1 151	1 151
Other expenses	114	130
Total administration expenses	**2 177**	**2 153**
Purchase of services from the Group	7 665	8 321
Auditor’s fee	116	220
Inspection	264	112
Bond issuance and credit rating costs	3 514	3 608
Other operating expenses	127	136
Other expenses	**11 686**	**12 397**
Total other expenses	**13 863**	**14 550**
Total operating expenses	**13 915**	**14 596**

Note 21 Remuneration of senior management and the Board of Directors Transactions with related parties

Remuneration of senior management and the Board of Directors

The Company hires its CEO from SpareBank 1 Sogn og Fjordane on a contract basis. The CEO received no remuneration from the Company. The Board of Directors has one external member. The external member receives a fee.

Board of Directors	Remuneration	Outstanding loans at 31.12.2024
Frode Vasseth	0	407
Linda Vøllestad Westbye	0	0
Ole Aukland	0	0
Andrea Kvamsdal	0	1 906
Peter Midthun	40	0
CEO		
Irene Flølo (on a contract basis; employed by the bank)	0	0

Intra-group transactions

	2024	2023
Interest received from SpareBank 1 Sogn og Fjordane	17 146	14 755
Interest paid to SpareBank 1 Sogn og Fjordane	159 900	180 085
Interest paid to SpareBank 1 Sogn og Fjordane on covered bonds	30 970	205
Services bought from SpareBank 1 Sogn og Fjordane	7 665	7 665
Deposits held at SpareBank 1 Sogn og Fjordane	111 882	228 804
Debt to SpareBank 1 Sogn og Fjordane	3 624 281	2 606 451
Covered bonds in issue held by SpareBank 1 Sogn og Fjordane	0	0

Bustadkreditt Sogn og Fjordane AS has no employees. An agreement has been signed with SpareBank 1 Sogn og Fjordane on the supply of loan servicing and administrative services. All of the Company's loans have been acquired from SpareBank 1 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 SpareBank 1 Sogn og Fjordane. These will allow 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 SpareBank 1 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 31.12.2024, the amount drawn against the facility was NOK 1.014 billion.

b) A credit facility that can be used to finance advances to customers with available credit within their flexible mortgages. At 31.12.2024, the limit on the facility was NOK 2,264 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 31.12.2024, the limit on the facility was NOK 1,729 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 31.12.2024.

In addition to these four credit agreements, Bustadkreditt and SpareBank 1 Sogn og Fjordane 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 Sparebanken 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, Sparebanken hedges the relevant amount with an external party and then performs an internal swap with Bustadkreditt.

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

Note 22 Auditor's fee

	2024	2023
Statutory audit incl. VAT	116	117
Inspection fees incl. VAT	0	103
Other services not related to auditing incl. VAT	0	0
Total	**116**	**220**

Note 23 Tax expense

	2024	2023
Tax payable for the period	59 160	38 420
Excess tax provision for last year	0	0
Total tax payable	**59 160**	**38 420**
Change in deferred tax/tax assets		
Deferred tax relating to the origination and reversal of temporary differences	– 2 900	2 022
Total change in deferred tax/tax assets	**– 2 900**	**2 022**
Total tax expense	**56 261**	**40 442**
Reconciliation of expected tax expense with actual tax expense		
Profit/loss before taxation	255 730	183 827
Expected income tax applying nominal tax rate of 22%	56 261	40 442
Reduction in income tax	0	0
Shortfall in allocation last year	0	0
Other differences	0	0
Tax expense	**56 261**	**40 442**
Tax payable	59 160	38 420
Tax payable on balance sheet	**59 160**	**38 420**
BREAKDOWN OF THE TAX IMPACT OF TEMPORARY DIFFERENCES		
Deductible temporary differences		
Financial instruments	0	0
Income statement	37	46
Total deductible temporary differences	**37**	**46**
Taxable temporary differences		
Financial instruments	13 915	27 104
Income statement	0	0
Total taxable temporary differences	**13 915**	**27 104**
Net difference	**– 13 879**	**– 27 058**
Net deferred tax liabilities (-) / assets (+) on the balance sheet	**– 3 053**	**– 5 953**

The tax rate for tax payable and deferred tax assets/liabilities was 22%, both in 2024 and 2023.

Deferred tax assets are only recognised to the extent that it is probable that it will be possible to offset them against future taxable income.

Note 24 Classification of financial instruments

	2024		2023	
	Carrying amount	Fair value	Carrying amount	Fair value
Net loans and advances to credit institutions				
Total loans and advances to credit institutions measured at amortised cost	111 882	111 882	228 804	228 804
Total loans and advances to credit institutions	**111 882**	**111 882**	**228 804**	**228 804**
Bonds and commercial paper				
Commercial paper and bonds designated at fair value	1 717 524	1 717 524	433 079	433 079
Total bonds and other securities	**1 717 524**	**1 717 524**	**433 079**	**433 079**
Net loans to customers				
Gross loans and advances to customers measured at amortised cost	23 668 206	23 668 206	25 127 741	25 127 741
Gross loans and advances to customers measured at fair value	2 389 448	2 389 448	0	0
Total loans before individually and collectively assessed impairment provisions	**26 057 654**	**26 057 654**	**25 127 741**	**25 127 741**
– Individually assessed allowances	0	0	0	0
– Model-based allowances	– 26 999	– 26 999	– 36 588	– 36 588
Total net loans to customers	**26 030 655**	**26 030 655**	**25 091 153**	**25 091 153**
Other assets				
Financial derivatives, fair value	37 693	37 693	54 361	54 361
Other assets, amortised cost	0	0	0	0
Total other assets	**37 693**	**37 693**	**54 361**	**54 361**
Total financial assets	**27 897 754**	**27 897 754**	**25 807 397**	**25 807 397**
Financial assets grouped by category				
Financial assets designated at fair value	4 143 296	4 143 296	487 440	487 440
Financial assets measured at amortised cost, loans and advances	23 754 457	23 754 457	25 319 957	25 319 957
Total financial assets	**27 897 754**	**27 897 754**	**25 807 397**	**25 807 397**
Debt to credit institutions				
Loans and deposits from credit institutions measured at amortised cost	3 624 281	3 624 281	2 606 451	2 606 451
Total debt to credit institutions	**3 624 281**	**3 624 281**	**2 606 451**	**2 606 451**
Debt securities in issue				
Issued commercial paper and bonds measured at amortised cost	16 755 734	16 654 934	15 734 362	15 744 626
Issued commercial paper and bonds measured at fair value	4 592 060	4 592 060	4 786 751	4 786 751
Total debt securities in issue	**21 347 794**	**21 246 993**	**20 521 113**	**20 531 377**
Other financial liabilities				
Financial derivatives, fair value	498 767	498 767	327 609	327 609
Other debt measured at amortised cost	64 613	64 613	46 395	46 395
Total other financial liabilities	**563 380**	**563 380**	**374 004**	**374 004**
Total financial liabilities	**25 535 455**	**25 434 655**	**23 501 568**	**23 511 831**
Financial liabilities grouped by category				
Financial liabilities designated at fair value	5 090 827	5 090 827	5 114 360	5 114 360
Financial liabilities measured at amortised cost, loans and advances	20 444 628	20 343 828	18 387 208	18 397 471
Total financial liabilities	**25 535 455**	**25 434 655**	**23 501 568**	**23 511 831**

Note 25 Valuation of financial assets

Breakdown of financial assets measured at fair value

	Quoted prices and observable assumptions		Carrying amount	
	2024	2023	2024	2023
Finance, banking and insurance	1 145 871	327 779	1 145 871	327 779
Government and government-backed	571 653	105 299	571 653	105 299
Total	**1 717 524**	**433 079**	**1 717 524**	**433 079**

Valuation method

Norwegian bonds and securities are measured at fair value based on valuation techniques. The valuation techniques incorporate prices supplied by an external party.

Note 26 Commercial paper and bonds

	2024			2023		
Commercial paper and bonds at fair value through profit or loss	Commercial paper	Bonds	Total	Commercial paper	Bonds	Total
Commercial paper and bonds, carrying amount	0	1 717 524	1 717 524	0	433 079	433 079
Of which listed on a stock exchange	0	1 717 524	1 717 524	0	433 079	433 079
Face value	0	1 692 000	1 692 000	0	425 000	425 000
Distribution by sector						
Finance, banking and insurance	0	1 145 871	1 145 871	0	257 007	257 007
Government and government-backed	0	571 653	571 653	0	176 072	176 072
Total	**0**	**1 717 524**	**1 717 524**	**0**	**433 079**	**433 079**
Modified duration (years)	0,00	0,14	0,14	0,00	0,14	0,14
Weighted average effective interest rate at 31 Dec.	0,00 %	4,61 %	4,61 %	0,00 %	4,52 %	4,52 %
Maturity structure of investments in bonds and commercial paper (market value)						
2025	0	810 236	810 236	0	155 666	155 666
2026	0	283 262	283 262	0	101 341	101 341
2027	0	349 580	349 580	0	105 299	105 299
2028	0	70 729	70 729	0	70 773	70 773
2029	0	203 717	203 717	0	0	0
TOTAL	**0**	**1 717 524**	**1 717 524**	**0**	**433 079**	**433 079**

All securities are NOK-denominated.

Note 27 Debt to credit institutions

	2024	2023
Total debt to credit institutions without an agreed term at amortised cost	0	0
Total debt to credit institutions with an agreed term at amortised cost	3 624 281	2 606 451
Total debt to credit institutions, measured at amortised cost	**3 624 281**	**2 606 451**

The Company has several agreements with SpareBank 1 Sogn og Fjordane regulating various matters relating to its operations and credit facilities. For further details about these agreements, please see Note 21.

Note 28 Debt securities in issue

	31.12.24	31.12.23
Commercial paper and other short-term borrowings	0	0
Bonds in issue at amortised cost	16 592 000	15 917 000
Own unamortised commercial paper/bonds at amortised cost	0	354 000
Bonds in issue at fair value	5 025 000	5 025 000
Total debt securities in issue (face value)	**21 617 000**	**20 588 000**

Term to maturity

Remaining term to maturity (net face value)		
2024	0	1 663 000
2025	7 692 000	5 000 000
2026	4 000 000	4 000 000
2027	4 900 000	4 900 000
2029	1 000 000	1 000 000
2030	1 000 000	1 000 000
2032	525 000	525 000
2033	1 000 000	1 000 000
2034	1 000 000	1 000 000
2037	500 000	500 000
Total	**21 617 000**	**20 588 000**

New borrowings in 2024	4 000 000
Repaid during the reporting period	3 360 044

2024

ISIN number	Face value	Interest rate	Coupon margin	Maturity date *)	Carrying amount 31.12.24
NO0012916818	692 000	3 MTH NIBOR	0,21	15.01.25	699 250
NO0010843311	3 000 000	3 MTH NIBOR	0,49	23.04.25	3 029 735
NO0013181529	4 000 000	3 MTH NIBOR	0,23	15.10.25	4 043 015
NO0010881048	4 000 000	3 MTH NIBOR	0,49	18.06.26	4 012 448
NO0011008377	4 000 000	3 MTH NIBOR	0,75	27.05.27	4 061 123
NO0010895329	900 000	3 MTH NIBOR	0,40	12.10.27	910 164
NO0012713553	1 000 000	4.14% FIXED-RATE		04.10.29	988 396
NO0010871643	1 000 000	2.30% FIXED-RATE		19.06.30	911 331
NO0012767963	525 000	3.80% FIXED-RATE		30.08.32	506 860
NO0010830524	1 000 000	2.68% FIXED-RATE		31.08.33	886 220
NO0010863772	1 000 000	2.04% FIXED-RATE		20.09.34	826 026
NO0012654476	500 000	3.72% FIXED-RATE		31.08.37	473 227
Total debt securities in issue					**21 347 794**

Note 28 Debt securities in issue (cont.)

2023 ISIN number	Face value	Interest rate	Coupon margin	Maturity date *)	Carrying amount 31.12.23
NO0010819170	1 663 000	3 MTH NIBOR	0,42	15.04.24	1 680 522
NO0012916818	2 000 000	3 MTH NIBOR	0,21	15.01.25	2 019 497
NO0010843311	3 000 000	3 MTH NIBOR	0,49	23.04.25	3 029 811
NO0010881048	4 000 000	3 MTH NIBOR	0,49	18.06.26	4 015 936
NO0011008377	4 000 000	3 MTH NIBOR	0,75	27.05.27	4 078 025
NO0010895329	900 000	3 MTH NIBOR	0,40	12.10.27	910 570
NO0012713553	1 000 000	4.14% FIXED-RATE		04.10.29	1 020 520
NO0010871643	1 000 000	2.30% FIXED-RATE		19.06.30	933 679
NO0012767963	525 000	3.80% FIXED-RATE		30.08.23	530 429
NO0010830524	1 000 000	2.68% FIXED-RATE		31.08.33	926 937
NO0010863772	1 000 000	2.04% FIXED-RATE		20.09.34	866 928
NO0012654476	500 000	3.72% FIXED-RATE		31.08.37	508 258
Total debt securities in issue					**20 521 113**

The tables show 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.

Note 29 Other liabilities and provisions

	2024	2023
Accrued costs and advance income		
Other liabilities	2 177	1 730
Loss allowance for undrawn credit facilities	222	292
Total other liabilities and provisions	**2 399**	**2 022**

Note 30 Off-balance-sheet obligations

The company has no off-balance-sheet obligations.

Note 31 Disputes

Bustadkreditt Sogn og Fjordane AS was not involved in any disputes in 2024.

Note 32 Share capital and shareholder information

At 31.12.2024, the Company's share capital was made up of the following classes of shares

	Number	Face value	Carrying amount (in NOK 000s)
Class A shares	21 500 000	100	2 150 000
Total	**21 500 000**		**2 150 000**

Ownership structure
Biggest shareholders in the Company at 31.12.2024

	A Class shares	Ownership interest	Share of voting rights
SpareBank 1 Sogn og Fjordane	21 500 000	100 %	100 %
Total number of shares	**21 500 000**	**100 %**	**100 %**

Neither the members of the Board of Directors nor the CEO own any shares or options.

Note 33 Financial derivatives

Bustadkreditt Sogn og Fjordane AS trades in financial derivatives in order to hedge and manage market risk and in conjunction with issuing fixed-rate bonds and hedging fixed-rate mortgages. It does not trade in foreign exchange contracts, so all of its financial derivatives are interest rate contracts. The contracts are measured at fair value.

		2024			2023	
	Total nominal values	Positive market value	Negative market value	Total nominal values	Positive market value	Negative market value
Interest rate contracts						
Swaps	7 140 000	37 693	498 767	5 025 000	54 361	327 609
Total financial derivatives	**7 140 000**	**37 693**	**498 767**	**5 025 000**	**54 361**	**327 609**

Note 34 Hedge accounting

Bustadkreditt Sogn og Fjordane uses hedge accounting for fixed-rate debt securities in issue. The aim is to counteract fluctuations in the value of the bond in issue. The hedged item (the bond in issue) is measured at fair value through "Net gains/losses on financial instruments" and the hedging instrument (the derivative) is measured at fair value with changes in value recognised through "Net gains/losses on financial instruments".

SpareBank 1 Sogn og Fjordane is the counterparty to all of the derivatives contracts, and there is an ISDA master agreement between the parties governing all of their derivatives trading. Within this framework, changes in the value of derivative contracts are measured daily and collateral is exchanged between the parties in the event of any fluctuations, in order to reduce the risks for both parties.

At 31.12.2024, hedge accounting was used for twelve hedge relationships where the hedged item and hedging instrument were closely related through being subject to exactly the same terms and conditions (interest rate, term to maturity, face value). The hedge effectiveness has been calculated based on 1% shifts in the yield curve and what the impact on profit of this would be.

	2024	2023
Hedging instrument		
Nominal opening value	5 025 000	5 025 000
Change in value (+gain/-loss)	**198 053**	**– 1 346**
Hedged item		
Nominal opening value	5 025 000	5 025 000
Change in value (+gain/-loss)	**– 194 736**	**– 2 219**
Net change in value – hedge ineffectiveness (+gain/-loss)	**3 316**	**– 3 566**
Hedge ratio	**100,00 %**	**100,00 %**
Weighted hedge effectiveness	**100,16 %**	**99,47 %**

Hedge accounting has been used for the following covered bonds and their associated hedging instruments

	Nominal value	Remaining term to maturity
SSFBK15PRO		
Hedged item	1 000 000	31.08.2033
Hedging instrument	1 000 000	31.08.2033
SSFBK17PRO (split in three tranches)		
Hedged item	1 000 000	20.09.2034
Hedging instrument	1 000 000	20.09.2034
SSFBK18PRO		
Hedged item	1 000 000	19.06.2030
Hedging instrument	1 000 000	19.06.2030
SSFBK22PRO		
Hedged item	500 000	31.08.2037
Hedging instrument	500 000	31.08.2037
SSFBK23PRO		
Hedged item	1 000 000	04.10.2029
Hedging instrument	1 000 000	04.10.2029
SSFBK24PRO		
Hedged item	525 000	30.08.2032
Hedging instrument	525 000	30.08.2032

DECLARATION BY THE BOARD OF DIRECTORS AND CEO

We declare that, to the best of our knowledge, the financial statements for 2024 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 annual 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, 13 February 2025
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

Auditor's report

Auditor's report

Auditor’s report

Auditor's report

Information about the company

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TEL. NO.	+47 57 82 97 00
ORGANISATION NUMBER	946 917 990
MANAGEMENT	
Irene Flølo	CEO
BOARD OF DIRECTORS	
Frode Vasseth	Chair
Linda Vøllestad Westbye	Board member
Ole Aukland	Board member
Andrea Kvamsdal	Board member
Peter Midthun	Board member

CONTACT PERSON
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