

# First Quarter Report 2023



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## Main figures

From the income statement (NOKm)	January - March		
	2023	2022	2022
Net interest	1,035	759	3,339
Net commission income and other income	541	522	2,042
Net return on financial investments	28	175	380
<b>Total income</b>	<b>1,604</b>	<b>1,456</b>	<b>5,760</b>
<b>Total operating expenses</b>	<b>728</b>	<b>629</b>	<b>2,443</b>
<b>Results before losses</b>	<b>875</b>	<b>827</b>	<b>3,317</b>
Loss on loans, guarantees etc	-71	0	-7
<b>Results before tax</b>	<b>946</b>	<b>827</b>	<b>3,324</b>
Tax charge	206	166	718
Result investment held for sale, after tax	38	37	179
<b>Net profit</b>	<b>778</b>	<b>698</b>	<b>2,785</b>
Interest Tier 1 Capital	34	21	63
Net profit excl. Interest Tier 1 Capital	744	677	2,722

Balance sheet figures	31 Mar 2023	31 Mar 2022	31 Dec 2022
Gross loans to customers	153,181	147,023	152,629
Gross loans to customers incl. SB1 Boligkreditt and SB1 Næringskreditt	213,967	199,965	211,244
Deposits from customers	123,529	114,053	122,010
Average total assets	225,759	202,936	196,226
Total assets	228,207	207,027	223,110

Key figures	January - March		
	2023	2022	2022
<b>Profitability</b>			
Return on equity <sup>1)</sup>	13.0 %	12.6 %	12.3 %
Cost-income ratio <sup>1)</sup>	45 %	43 %	42 %
Deposit-to-loan ratio excl. SB1 Boligkreditt and SB1 Næringskreditt	81 %	78 %	80 %
Deposit-to-loan ratio incl. SB1 Boligkreditt and SB1 Næringskreditt <sup>1)</sup>	58 %	57 %	58 %
Growth in loans (gross) last 12 months (incl. SB1 Boligkreditt and SB1 Næringskreditt) <sup>1)</sup>	7.0 %	7.9 %	8.1 %
Growth in deposits last 12 months	8.3 %	11.4 %	9.6 %
<b>Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>			
Impairment losses ratio <sup>1)</sup>	-0.13 %	0.00 %	0.00 %
Stage 3 as a percentage of gross loans <sup>1)</sup>	0.96 %	1.62 %	0.97 %
<b>Solidity</b>			
Capital ratio	22.2 %	21.9 %	23.1 %
Tier 1 capital ratio	20.1 %	19.8 %	20.9 %
Common equity Tier 1 capital ratio	18.2 %	18.3 %	18.9 %
Tier 1 capital	21,985	19,797	21,835
Total eligible capital	24,298	21,839	24,147
Liquidity Coverage Ratio (LCR)	194 %	155 %	239 %
Leverage Ratio	6.9 %	6.9 %	7.1 %
<b>Branches and staff</b>			
Number of branches	40	40	40
No. Of full-time positions	1,415	1,401	1,432

<sup>1)</sup> Defined as alternative performance measures, see attachment to quarterly report

Key figures ECC	31 Mar 2023	31 Mar 2022	31 Dec 2022	31 Dec 2021	31 Dec 2020	31 Dec 2019
ECC ratio	64 %	64 %	64 %	64 %	64 %	64 %
Number of certificates issued, millions <sup>1)</sup>	129.43	129.39	129.29	129.39	129.39	129.30
ECC share price at end of period (NOK)	123.60	141.20	127.40	149.00	97.60	100.20
Stock value (NOKM)	15,997	18,270	16,471	19,279	12,629	12,956
Booked equity capital per ECC (including dividend) <sup>1)</sup>	105.63	99.55	109.86	103.48	94.71	90.75
Profit per ECC, majority <sup>1)</sup>	3.51	3.20	12.82	13.31	8.87	12.14
Dividend per ECC			6.50	7.50	4.40	6.50
Price-Earnings Ratio <sup>1)</sup>	8.79	11.05	9.94	11.19	11.01	8.26
Price-Book Value Ratio <sup>1)</sup>	1.17	1.42	1.16	1.44	1.03	1.10

<sup>1)</sup> Defined as alternative performance measures, see attachment to quarterly report

# Report of the Board of Directors

## First quarter 2023

*(Consolidated figures. Figures in parenthesis refer to the same period of 2022 unless otherwise stated)*

- Net profit: NOK 778m (698m)
- Return on equity: 13.0 per cent (12.6 per cent)
- CET1 ratio: 18.2 per cent (18.3 per cent)
- Growth in lending: 1.3 per cent (2.4 per cent) and in deposits: 1.2 per cent (growth of 2.5 per cent)
- Growth in lending over the past 12 months: 7.0 per cent (7.9 per cent) and in deposits: 8.3 per cent (11.4 per cent)
- Lending to personal customers rose by 0.7 per cent in the quarter (1.6 per cent), in the fourth quarter 2022 growth was 1.0 per cent. Lending to corporate clients rose by 2.5 per cent (4.0 per cent), compared with 1.4 per cent in the fourth quarter 2022.
- Deposits from personal customers rose by 1.3 per cent (2.2 per cent), compared with 1.4 per cent in the fourth quarter 2022. Deposits from corporate clients rose by 1.2 per cent (2.6 per cent), growth in the fourth quarter 2022 was 1.4 per cent.
- Net result of ownership interests: NOK 125m (62m)
- Net result of financial instruments (incl. dividends): minus NOK 97m (gain of 113m)
- Net recovery of losses on loans and guarantees: NOK 71m (0m), -0.13 per cent of gross lending (0 per cent)
- Earnings per equity certificate (EC): NOK 3.51 (3.20). Book value per EC: NOK 105.63 (99.55)
- In the first quarter of 2023, the accounts were debited by NOK 51 million as a result of the embezzlement committed against the bank in January 2023.

## Events in the quarter

### Interest rates continue to rise

Norges Bank raised its base rate to 3.00 per cent in March and to 3.25 per cent at the beginning of May. SpareBank 1 SMN has like other banks raised mortgage interest rates and deposit rates. At its interest rate meeting in March the central bank indicated a base rate hike to 3.50 – 3.75 per cent in the course of 2023.

The 12-month rate of growth in the consumer price index was 6.5 per cent at the end of the quarter, and Norges Bank expects the CPI to remain above the target level of 2 per cent up to 2026. The labour market remains tight, and activity levels in the Norwegian economy are high. At the same time there are signs that price growth and a tighter monetary policy stance are reducing households' purchasing power. This is expected to affect firms' activity in the period ahead. More customers are turning to the bank for financial advice, but so far no significant increase in loan defaults is in evidence.

Figures for the first quarter 2023 indicate that the number of bankruptcies in the region is nearing the level prior to the pandemic. For SpareBank 1 SMN's part the credit risk trend in the corporate portfolio is acceptable. While continued improvement is seen in the offshore segment, increased risk is noted in the wider business sector due to high inflation and higher interest rates. Industries viewed as more exposed than others are construction, retail trade and commercial property.

**Embezzlement case**

On 19 January SpareBank 1 SMN reported a hired replacement employee to the police for gross embezzlement. The matter was brought to light by the bank's own control systems. The embezzlement totals NOK 75m. The accused returned about NOK 9m to SpareBank 1 SMN before his arrest. The net amount taken out of SpareBank 1 SMN is accordingly just over NOK 66m. NOK 15m was returned to the bank from the police after being placed in safekeeping. SpareBank 1 SMN has insurance cover against economic crime, including embezzlement. The claim against the insurer is a contingent asset under IAS 37 which is not recognised as income since the standard requires an absence of all uncertainty as to the claim settlement before recognition can take place. The insurance policy carries a deductible of NOK 5m.

**Merger with SpareBank 1 Søre Sunnmøre**

Over the course of the first quarter the banks carried out a comprehensive merger project, and a successful legal merger was completed on 2 May. SpareBank 1 Søre Sunnmøre is now a part of SpareBank 1 SMN, and work on achieving business gains of the merger is under way.

**Results for the first quarter of 2023**

The first quarter net profit was NOK 778m (698m), and return on equity was 13.0 per cent (12.6 per cent). The net profit is NOK 10m better than in the fourth quarter. The profit growth from last year's fourth quarter is largely due to increased net interest income and reduced losses.

Earnings per equity certificate (EC) were NOK 3.51 (3.20) and the EC's book value was NOK 105.63 (99.55). In the fourth quarter 2022 earnings per EC were NOK 3.53.

Net interest income totalled NOK 1,035m (759m), which is NOK 73m higher than in the fourth quarter and NOK 275m better than in the same quarter last year. In the first quarter 2023 a flattening of the base rate and the interest rate increases has resulted in increased margins on loans and reduced margins on deposits. Increased lending and deposit volumes, along with higher return on equity, have strengthened net interest income.

Net commission and other income rose from the previous quarter by NOK 68m to NOK 541m (522m). Increased incomes from accounting services are the main reason for the growth from the fourth quarter.

The group's share of the results from ownership interests and related companies was NOK 125m (62m). In the fourth quarter the profit share was NOK 195m. The decline from the fourth quarter is mainly down to a profit decline recorded by SpareBank 1 Gruppen. A positive profit performance was posted by BN Bank in which SpareBank 1 SMN holds a 35 per cent stake.

Return on financial investments (incl. dividends) was minus NOK 97m (gain of 113m) and in the fourth quarter minus NOK 33m.

Operating expenses came to NOK 728m (629m) and in the fourth quarter to NOK 646m. The first quarter 2023 accounts are debited by NOK 51m as a result of the embezzlement committed against the bank in January 2023, and NOK 15m in merger costs.

A net recovery of NOK 71m was (0m) was recorded on losses on loans and guarantees in the first quarter and a loss of NOK 19m in the fourth quarter. The first quarter saw a reversal of previous loss write-downs on offshore exposures totalling NOK 137m.

Overall lending grew by 7.0 per cent (7.9 per cent) and deposits by 8.3 per cent (11.4 per cent) in the last 12 months. In the first quarter lending growth was 1.3 per cent (2.4 per cent) and deposit growth 1.2 per cent (2.5 per cent). Growth in credit to households has slowed, and growth in SpareBank 1 SMN's mortgage lending has been on the decline, but above the credit growth to households in the past year.

As at 31 March 2023 the CET1 ratio was 18.2 per cent (18.3 per cent), a decline of 0.7 per cent from the previous quarter. The CET1 ratio target is 17.2 per cent.

### Increased net interest income

Norges Bank raised its base rate to 3.00 per cent in March 2023. Market interest rates in terms of NIBOR have risen substantially, and were approximately 3.30 per cent at the end of the first quarter 2023 compared with 1.18 at the end of the first quarter 2022. The bank has raised mortgage and deposit rates in step with the changes in the base rate, most recently with effect from 1 February 2023. A further increase is announced with effect from 11 May 2023 following Norges Bank's base rate hike on 23 March.

Net interest income totalled NOK 1,035m (759m) compared with NOK 961m in the fourth quarter 2022. The increase of NOK 73m from the fourth quarter is 7.6 per cent. Average market interest rates in the fourth quarter 2022 and the first quarter 2023 were at approximately the same level. Margins on residential mortgages and loans to corporates rose, while margins on deposits fell in the quarter. Compared with the first quarter 2022, increased deposit margins, growth in lending and deposits along with higher return on equity have strengthened net interest income.

Norges Bank has revised up its forecast for the base rate, and has signalled a rate of 3.50 per cent in summer 2023.

### Commission income and other operating income

A high proportion of multi-product customers contributes to high customer satisfaction and a diversified income flow for the group.

Commission income (NOKm)	1Q 23	4Q 22	1Q 22
Payment transfers	72	91	69
Creditcard	17	15	15
Saving products	10	11	9
Insurance	61	60	57
Guarantee commission	16	25	19
Real estate agency	105	94	94
Accountancy services	188	127	156
Other commissions	11	14	14
Commissions ex SB1 Boligkreditt and SB1 Næringskreditt	480	438	434
Commissions SB1 Boligkreditt	57	32	84
Commissions SB1 Næringskreditt	3	4	4
<b>Total commissions</b>	<b>541</b>	<b>473</b>	<b>522</b>

Commission income and other operating income totalled NOK 541m (522m) compared with NOK 473m in the fourth quarter 2022.

Commission income on loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt altogether totalled NOK 60m (88m). In the fourth quarter 2022 commissions came to NOK 36m. The increase in the first quarter 2023 compared with the preceding quarter is due to higher margins on loans sold to SpareBank 1 Boligkreditt.

Other commission income totalled NOK 480m (434m) compared with NOK 438m in the fourth quarter. The increase from both the fourth quarter and first quarter of 2022 relates mainly to accounting services.

### Return on financial investments

Return on financial investments in the first quarter was minus NOK 99m (111m) and in the fourth quarter minus NOK 52m. The group's shareholdings showed a capital loss of NOK 17m (gain of 137m). Financial instruments, including bonds and CDs, showed a capital loss of NOK 105m (loss of 33m) as a result of increased credit margins and interest rate turbulence. Income of NOK 23m (8m) from forex transactions refers to corporate clients' currency trading and agio on the bank's funding in foreign currencies.

Return on financial investments (NOKm)	1Q 23	4Q 22	1Q 22
Capital gains/losses shares	-17	-23	137
Gain/(loss) on financial instruments	-105	-55	-33
Foreign exchange gain/(loss)	23	25	8
<b>Net return on financial instruments</b>	<b>-99</b>	<b>-52</b>	<b>111</b>

### Product companies and other related companies

The product companies provide SpareBank 1 SMN with a broad product range and commission income along with return on invested capital. The overall profit share from the product companies and other related companies was NOK 125m (62m). In the fourth quarter the figure was NOK 195m.

Income from investment in associated companies (NOKm)	1Q 23	4Q 22	1Q 22
SpareBank 1 Gruppen (19.5%)*	34	128	13
SpareBank 1 Boligkreditt (22.6%)	33	-1	-5
SpareBank 1 Næringskreditt (16.3%)	2	2	0
BN Bank (35.0 %)	62	54	49
SpareBank 1 Kreditt (18.0 %)	-4	0	3
SpareBank 1 Betaling (20.8%)	-8	22	-5
SpareBank 1 Forvaltning (19.6%)	8	5	8
Other companies	-3	-15	-1
<b>Income from investment in associated companies</b>	<b>125</b>	<b>195</b>	<b>62</b>

\* SpareBank 1 Gruppen has implemented IFRS 17 from 01 January 2023, comparison figures have not been reinstated but information about the effect is shown in Note 1.

### SpareBank 1 Gruppen

The company owns 100 per cent of the shares of SpareBank 1 Forsikring, SpareBank 1 Factoring and SpareBank 1 Spleis. The company is majority owner of Fremtind Forsikring with a 65 per cent stake, and owns 50 per cent of Kredinor.

SpareBank 1 Gruppen's profit share from SpareBank 1 Gruppen was NOK 34m (13m) and in the fourth quarter 2022 NOK 128m. The group has not restated comparatives, but the effect on the group's net profit is shown in note 1.

SpareBank 1 Gruppen's post-tax profit in the first quarter 2023 was NOK 272m (289m). Of the profit of NOK 272m, NOK 176m (188m) accrues to the majority owners of SpareBank 1. Return on equity in the first quarter 2023 was 7.8 per cent (8.3 per cent).

As at 1 January 2023, a negative implementation effect on equity upon the transition to IFRS 17 and IFRS 9 was recognised in an amount of NOK 1,045, of which SpareBank 1 SMN's share is NOK 202m. The effect of IFRS 17 will be reversed over time when incomes are recognised in step with the reduction in the insurance obligation. SpareBank 1 Gruppen has restated its comparatives.



**Fremtind Forsikring** posted a profit of NOK 274m (293m) after tax in the first quarter 2023 and a return on equity of 12.7 per cent (13.9 per cent).

The result of insurance services was NOK 267m (420m). The result from insurance services includes incomes, IFRS 17 expenses (operating expenses and commissions), claims paid, best estimate changes, risk adjustment, loss component and changes in self-supporting arrangements and the net result of reinsurance contracts.

Net income from investments came to NOK 295m (minus 318m), NOK 613m higher than in the same period last year. Incomes are affected by a positive development in equity markets and improved interest yield following the sharp interest rate rise in 2022. Premiums for sums insured increased by NOK 374m (218m) in the first quarter, corresponding to an annual growth of 10.2 per cent (6.8 per cent).

The net insurance-related financial result was minus NOK 147m (364m). The net financial result of insurance services comprises the discounting effect on provisions, and is affected by the negative trend in the interest rate curve.

**SpareBank 1 Forsikring** reported a profit of NOK 44m (minus 16m) after tax and a return on equity of 4.6 per cent (minus 1.9 per cent).

The result of insurance services came to NOK 6m (30m) in the first quarter, which is a reduction of NOK 24m from the same period last year. The fall is mainly due to increased expenses related to insurance services since actual expenses from insurance services were higher than expected.

Net income from investments was NOK 646m (minus 547m), an improvement of NOK 1,193m from the previous year. The improvement is due to improved return on financial assets. Financial income related to the company's funds accrues to the company in its entirety.

Net insurance-related financial costs were minus NOK 584m (plus 501m), a reduction of NOK 1,085m compared with the same period of 2022. The negative result and the decline from last year is attributable to the portion of net incomes from investments that accrues to insurance customers.

The sum of net income from investments and the net insurance-related financial result came to NOK 62m (minus 47m), an improvement of NOK 109m from the first quarter 2022.

**Kredinor** is for SpareBank 1 Gruppen a joint venture with an owner stake of 50 per cent. SpareBank 1 Gruppen's share of the company's deficit was NOK 15m after tax. By the end of the quarter, portfolios worth about NOK 50m had been written down in the Kredinor group.

**SpareBank 1 Factoring** posted a first-quarter profit of NOK 18m (17m) after tax, and has shown a positive trend in incomes and portfolios.

**SpareBank 1 Spleis** recorded pre-tax profit of minus NOK 5m (minus 4m).

### **SpareBank 1 Forvaltning**

The company was established in 2021 to strengthen the SpareBank 1 banks' competitive power in the savings market. SpareBank 1 Kapitalforvaltning, SpareBank 1 SR Forvaltning and SpareBank 1

verdipapirservice has been merged into the parent company SpareBank 1 Forvaltning, which also own Odin Forvaltning. SpareBank 1 SMN owns 19.6 per cent of the company, and the profit share in the first quarter was NOK 8m (8m) and in the fourth quarter NOK 5m.

Capital in managed funds has grown by NOK 11bn in 2023 and amounted to NOK 106bn as at 31 March 2023, the same level as one year ago. Net new subscription in the quarter totalled NOK 1.9bn.

### **SpareBank 1 Boligkreditt**

SpareBank 1 Boligkreditt was established by the banks making up the SpareBank 1 Alliance to draw benefit from the market for covered bonds. The banks sell well-secured residential mortgages to the company and achieve reduced funding costs.

As at 31 March 2023 the bank had sold loans totalling NOK 59.1bn (51.2bn) to SpareBank 1 Boligkreditt, corresponding to 41.3 per cent (38.0 per cent) of the bank's overall lending to retail borrowers.

The bank's ownership stake is 22.6 per cent and its share of the company's net profit was NOK 33m (minus 5m). The first quarter's high net profit is in all essentials related to reversal of unrealised capital losses on the company's own debt in the fourth quarter 2022.

### **SpareBank 1 Næringskreditt**

SpareBank 1 Næringskreditt was established along the same lines and with the same administration as SpareBank 1 Boligkreditt. As at 31 March 2023, loans worth NOK 1.7bn (1.7bn) had been sold to SpareBank 1 Næringskreditt.

SpareBank 1 SMN's share of the profit was NOK 2m (0m). SpareBank 1 SMN holds a stake of 16.3 per cent.

### **SpareBank 1 Kreditt**

SpareBank 1 SMN's share of the first quarter net profit was minus NOK 4m (gain of 3m). SpareBank 1 SMN customers' portfolio of credit cards and consumer loans totalled NOK 1,293m (1,076m) and its stake was 18.0 per cent.

In the first quarter the company recorded a deficit of NOK 22.5m (profit of 16.7m). The decline was down to increased interest expenses and losses. As at 31 March 2023 the company's overall portfolio was worth NOK 8.1bn (6.2bn). The growth is ascribable both to credit cards and repayment loans.

### **BN Bank**

BN Bank offers residential mortgages and loans to commercial property and its main market is Oslo and south-eastern Norway. BN Bank showed good growth of 8.1 per cent in lending to personal customers in the last 12 months (14.4 per cent) and growth of 0.5 per cent in the first quarter (2.3 per cent). The growth in lending to corporate clients was 6.9 per cent in the last 12 months (5.0 per cent) and 0.9 per cent in the first quarter (4.2 per cent). Total outstanding loans come to NOK 57bn (53bn).

BN Bank recorded a net profit of NOK 183m (143m) in the first quarter, providing a return on equity of 13.5 per cent (11.6 per cent). Increased net interest income and reduced losses explain the profit growth. SpareBank 1 SMN's share of BN Bank's profit is NOK 62m (49m).

## SpareBank 1 Betaling

SpareBank 1 Betaling is the SpareBank 1 banks' parent company in Vipps AS. SpareBank 1 SMN has a 20.8 per cent stake in the company and its profit share was minus NOK 8m (minus 5m) in the first quarter. The result for the fourth quarter 2022 was affected by the merger with MobilePay by a gain of NOK 29 million.

## Operating expenses

Operating expenses (NOKm)	1Q 23	4Q 22	1Q 22
Staff costs	398	333	375
IT costs	106	100	89
Marketing	23	24	19
Ordinary depreciation	29	33	29
Operating expenses, real properties	16	9	22
Purchased services	38	53	52
Merger expenses	15	22	0
Other operating expense	104	73	44
<b>Total operating expenses</b>	<b>728</b>	<b>646</b>	<b>629</b>

Overall expenses in the first quarter came to NOK 728m (629m), an increase of NOK 99m compared with the same period of 2022. Overall expenses in the fourth quarter 2022 were NOK 646m. Adjusted for the costs related to the embezzlement committed against the bank in January 2023 and expenses related to the merger, the growth in costs and expenses from the first quarter 2022 was 5.3 per cent, mainly comprising growth in salaries and prices.

The subsidiaries show expense growth of NOK 19m compared with the same period of last year, with the highest growth reported by SpareBank 1 Regnskapshuset SMN. This company is carrying out a substantial change of strategy bringing increased personnel and technology costs but also substantial income growth.

The bank recorded expenses of NOK 469m (389m) and in the previous quarter NOK 416m. In the first quarter 2023 the accounts were debited by NOK 51m as a result of the embezzlement committed against the bank in January 2023. When adjusted for fraud and merger costs, growth from the first quarter 2022 was NOK 14m, corresponding to 4 per cent. The cost-income ratio was 45 per cent (43 per cent) for the group, 42 per cent (39 per cent) for the parent bank.

## Net recovery of losses

A net recovery of NOK 71m (0m) was recorded on losses and in the fourth quarter a loss of NOK 19m.

Impairment losses (NOKm)	1Q 23	4Q 22	1Q 22
RM	11	31	-5
CM	-82	-12	5
<b>Total impairment losses</b>	<b>-71</b>	<b>19</b>	<b>-0</b>

A net recovery of NOK 82m was recorded on loans to corporates (loss of NOK 5m), including a net recovery of NOK 137m (net recovery of NOK 12m) in the offshore portfolio and increased losses of NOK 55m (17m) on loans to other business and industry, distributed across a wide range of customers and segments. Losses on loans to other business and industry mainly comprise model losses resulting from a higher expected interest rate level and inflation.



A strong improvement is noted in the offshore segments, customers are achieving longer contracts on better terms and conditions and increasing use is made of vessels not on contract. A number of customers have excellent debt-servicing capacity, enabling reversal of parts of the bank's loss provisioning on those customers. Scenario weights in the offshore portfolio were normalised in the first quarter 2023 and are on a par with business and industry in general.

Losses of NOK 11m were recorded on retail customers (recovery of 5m).

Overall impairment write-downs on loans and guarantees total NOK 1,101m (1,351m).

Problem loans (Stage 3) total NOK 2,065m (3,243m) corresponding to 0.96 per cent (1.62 per cent) of gross outstanding loans, including loans sold to SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt. Most of the decline from last year is due to improved market conditions in the offshore segment with an appurtenant reduction in problem loans.

### **Total assets of NOK 228bn**

The bank's total assets were NOK 228bn (207bn), having risen as a result of higher lending and higher liquidity holdings.

Loans totalling NOK 61bn (53bn) have been sold from SpareBank 1 SMN to SpareBank 1 Boligkreditt and to SpareBank 1 Næringskreditt. These loans do not figure as loans in the bank's balance sheet. The comments covering lending growth take into account loans sold.

### **Lending**

Total outstanding loans rose in the last 12 months by NOK 14.0bn (14.6bn), corresponding to 7.0 per cent (7.9 per cent), and stood at NOK 214.0bn (200.0bn) at quarter-end. Growth in the first quarter was 1.3 per cent (2.4 per cent).

- Lending to personal customers rose by NOK 7.8bn (9.5bn) to NOK 142.8bn (135.0bn) in the last 12 months. Growth of 5.8 per cent (7.6 per cent). In the fourth quarter 0.7 per cent (1.6 per cent)
- Lending to corporate clients rose by NOK 6.2bn (5.1bn) to NOK 71.1bn (65.0bn) in the last 12 months. Growth of 9.5 per cent (8.6 per cent). In the first quarter 2.5 per cent (4.0 per cent)
- Lending to personal customers accounted for 67 per cent (68 per cent) of total loans to customers.

Good, albeit somewhat diminishing, growth is noted in lending to personal customers. Growth has over time exceeded credit growth to households (C2), and the group is strengthening its market position. The growth in lending to corporate clients is distributed across a number of segments, and industry and single name concentrations are avoided.

(For distribution by sector, see [note 5](#)).

### **Deposits**

Customer deposits rose in the last 12 months by NOK 9.5bn (11.7bn) to NOK 123.5bn (114.1bn), corresponding to a growth of 8.3 per cent (11.4 per cent). Growth in the first quarter 1.2 per cent (2.5 per cent).

- Personal deposits rose by NOK 3.4bn (4.3bn) to NOK 48.9bn (45.6bn), corresponding to 7.4 per cent (10.3 per cent). In the fourth quarter 1.3 per cent (2.2 per cent)

- Corporate deposits rose by NOK 6.1bn (7.4bn) to NOK 74.6bn (68.5bn), corresponding to 8.9 per cent (12.1 per cent). In the first quarter 1.2 per cent (2.6 per cent)
- The deposit-to-loan ratio including SpareBank 1 Boligkreditt and SpareBank 1 Næringskreditt was 58 per cent (57 per cent).

Deposit growth has been very high due to the pandemic, but normalised in 2022. Deposits are an important funding source for the bank, and the bank has drawn up plans to strengthen the growth in personal deposits.

(For distribution by sector, see [note 9](#)).

### Personal customers

The Personal Banking Division and EiendomsMegler 1 Midt-Norge offer a broad range of financial services. Improved coordination between the bank and the real estate agency business affords customers a better service offering and contributes to increased growth and profitability.

Result before tax (NOKm)	1Q 23	4Q 22	1Q 22
Personal market	372	371	274
EiendomsMegler 1	18	-6	14
<b>Total</b>	<b>390</b>	<b>365</b>	<b>287</b>

The **Personal Banking Division** achieved a pre-tax profit of NOK 372m (274m), and NOK 371m in the previous quarter.

Profit and loss account (NOKm)	1Q 23	4Q 22	1Q 22
Net interest	524	476	313
Commission income and other income	181	176	202
Total income	706	651	515
Total operating expenses	325	253	248
Ordinary operating profit	381	398	266
Loss on loans, guarantees etc.	9	27	-7
<b>Result before tax including held for sale</b>	<b>372</b>	<b>371</b>	<b>274</b>
<b>Balance</b>			
Loans and advances to customers	148,294	147,426	139,759
Adv. of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-59,306	-57,134	-51,477
Deposits to customers	55,948	54,930	52,321
<b>Key figures</b>			
Return on equity per quarter <sup>1)</sup>	15.8 %	16.2 %	13.0 %
Lending margin	0.93 %	0.39 %	1.04 %
Deposit margin	1.82 %	2.19 %	0.73 %

Loans granted by the Personal Banking Division total NOK 148bn (140bn) and deposits NOK 56bn (52bn). These are loans to and deposits from wage earners, agricultural customers and sole proprietorships.

Operating income posted by the division totalled NOK 706m (515m) and NOK 651m in the previous quarter. Net interest income accounted for NOK 524m (313m) and NOK 476m in the fourth quarter. Commission income totalled NOK 181m (202m) and NOK 176m in the previous quarter. Net interest income has risen compared with the first quarter 2022 as a result of growth and a strengthened deposit margin, while lower margins on loans have weakened net interest income and commissions from SpareBank 1 Boligkreditt. A higher central bank base rate is the driver behind the margin changes. NIBOR stabilised in the first quarter 2023 and increases in lending rates had a positive effect.

The lending margin was 0.93 per cent (1.04 per cent) and in the fourth quarter 2022 0.39 per cent. The deposit margin was 1.82 per cent (0.73 per cent) and 2.19 per cent in the previous quarter.

Lending to and deposits from personal customers grew by 6.1 per cent (7.3 per cent) and 6.9 per cent (8.0 per cent) respectively in the last 12 months. In the first quarter growth in lending and deposits was 0.6 per cent (1.5 per cent) and 1.9 per cent (3.2 per cent) respectively.

Lending to personal customers consistently carries low risk, as reflected in continued low losses. The loan portfolio is largely secured by residential property. Net loan losses of NOK 9m (net recovery of 7m) were recorded in the first quarter.

**EiendomsMegler 1 Midt-Norge** is the market leader in Trøndelag and in Møre and Romsdal.

<b>EiendomsMegler 1 Midt-Norge (87%)</b>	<b>1Q 23</b>	<b>4Q 22</b>	<b>1Q 22</b>
Total income	107	93	95
Total operating expenses	89	100	81
<b>Result before tax (NOKm)</b>	<b>18</b>	<b>-6</b>	<b>14</b>
Operating margin	17 %	-7 %	15 %

Operating income came to NOK 107m in the fourth quarter (95m) and operating expenses ended at NOK 89m (81m), bringing a pre-tax profit of NOK 18m (14m). 1,587 properties were sold in the first quarter compared with 1,606 in the same period of 2022. The company continues to note good activity in the housing market despite higher interest rates and high inflation. However, much uncertainty attaches to how the market will absorb an even higher interest rate level after the summer.

Higher earnings per property sale compared with last year along with a stable cost trend contribute to an increase in the operating margin, from 15 per cent in the first quarter 2022 to 17 per cent in the first quarter 2023. The company's market share at 31 March 2023 was 38 per cent (37 per cent).

### Corporate customers

The corporate business at SpareBank 1 SMN consists of the bank's corporate banking arm, SpareBank 1 Regnskapshuset SMN and SpareBank 1 Finans Midt-Norge. These business lines offer business and industry a complete range of accounting, banking and capital market services. Coordination between the business lines has a high priority and strengthens the group's position in the business sector.

<b>Result before tax (NOKm)</b>	<b>1Q 23</b>	<b>4Q 22</b>	<b>1Q 22</b>
Corporate banking	500	443	277
SpareBank 1 Regnskapshuset SMN (88.7%)	44	20	23
SpareBank 1 Finans Midt-Norge (54.3%)	53	51	53
<b>Total corporate customers</b>	<b>597</b>	<b>514</b>	<b>353</b>

The **Corporate Banking Division** achieved a pre-tax profit of NOK 500m (NOK 277m) and NOK 443m in the fourth quarter 2022. Lower losses strengthen the profit performance.



CM, Profit and loss account (NOKm)	1Q 23	4Q 22	1Q 22
Net interest	474	458	330
Comission income and other income	63	85	74
Total income	541	544	404
Total operating expenses	127	119	124
Ordinary operating profit	413	425	280
Loss on loans, guarantees etc.	-86	-19	3
<b>Result before tax including held for sale</b>	<b>500</b>	<b>443</b>	<b>277</b>
<b>Balance</b>			
Loans and advances to customers	53,245	51,822	49,764
Adv.of this sold to SB1 Boligkreditt and SB1 Næringskreditt	-1,481	-1,481	-1,465
Deposits to customers	63,644	62,920	59,541
<b>Key figures</b>			
Return on equity per quarter <sup>1)</sup>	28.4 %	26.0 %	15.4 %
Lending margin	2.64 %	2.23 %	2.38 %
Deposit margin	0.27 %	0.47 %	-0.05 %

Outstanding loans to the bank's corporate customers total NOK 53bn (50bn) and deposits total NOK 64bn (60bn). This is a diversified portfolio of loans to and deposits from corporate clients in Trøndelag and in Møre and Romsdal.

Operating income came to NOK 541m (404m) and NOK 544m in the fourth quarter. Net interest income was NOK 474m (330m) and NOK 458m in the fourth quarter. Commission income totalled NOK 67m (74m) compared with NOK 85m in the fourth quarter. A levelling out of NIBOR combined with a lag in interest rate changes brought increased lending margins in the quarter, but reduced deposit margins. Increased loan and deposit volumes have strengthened the earnings base.

The lending margin was 2.64 per cent (2.38 per cent) and the deposit margin was 0.27 per cent (minus 0.05 per cent). Lending growth in the last 12 months was 7.0 per cent (7.7 per cent) while deposits rose 6.9 per cent (11.9 per cent). Lending growth in the quarter was 2.7 per cent (4.6 per cent) and deposit growth was 1.2 per cent (minus 0.1 per cent).

A net recovery of NOK 86m was recorded on loan losses to the bank's corporate clients (loss of 3m) and a net recovery of NOK 19m on losses in the third quarter. Market conditions in the offshore industry have improved markedly enabling a reversal of earlier impairment write-downs worth NOK 137m.

SpareBank 1 SMN and SpareBank 1 Regnskapshuset SMN each have a large proportion of businesses in the market area as customers. Development of the customer offering aims to ensure that customers see the value of being a customer of both the bank and Regnskapshuset.

**SpareBank 1 Regnskapshuset SMN** posted a pre-tax profit of NOK 44m (23m) and an operating margin of 22 per cent (14 per cent). Operating income was NOK 202m (166m) and expenses were NOK 158m (143m).

SpareBank 1 Regnskapshuset SMN (88.7%)	1Q 23	4Q 22	1Q 22
Total income	202	139	166
Total operating expenses	158	119	143
<b>Result before tax (NOKm)</b>	<b>44</b>	<b>20</b>	<b>23</b>
Operating margin	22 %	15 %	14 %

The company is implementing a restructuring programme entitled "from accountant to accounting consultant". The object is to take into use modern technology to boost the efficiency of accounting and

reporting services for customers, while at the same time retaining the role as the customer's closest sparring partner. The programme develops advisers and launches new accounting advisory services in the field of taxes and duties, corporate transactions, IT solutions, HR services and Sustainability.

In the sustainability field a strong increase is noted in demand from customers for assistance in empowering businesses for the green transition.

The company has seen a very positive development since the restructuring programme was launched in 2021. Figures for the first quarter 2023 show turnover growth of 21 per cent from last year, of which close to 17 per cent is organic. The company notes a substantial net customer influx of more than 200 new customers in the quarter.

Income from advisory services rose as much as 30 per cent from the first quarter 2022, showing the company's ability to deliver relevant advisory services. In tandem with the development of advisors, the business model is also being revamped through the introduction of subscriptions to replace traditional time recording.

In total the company delivered an operating margin of 22 per cent (14 per cent) for the quarter – putting it in a class of its own in the accounting industry. The company's market share in Trøndelag, Møre and Romsdal and Gudbrandsdal is about 25 per cent.

**SpareBank 1 Finans Midt-Norge** delivered a pre-tax profit of NOK 53m (47m). The company's focal areas are leasing and invoice factoring services to businesses and car loans to personal customers.

<b>SpareBank 1 Finans Midt-Norge (54.3%)</b>	<b>1Q 23</b>	<b>4Q 22</b>	<b>1Q 22</b>
Total income	90	87	80
Total operating expenses	30	25	28
Loss on loans, guarantees etc.	7	11	4
<b>Result before tax (NOKm)</b>	<b>53</b>	<b>51</b>	<b>47</b>

The company's incomes altogether totalled NOK 90m (80m). Costs in the first quarter 2023 were NOK 30m (28m). Losses amounted to NOK 7m (4m).

The company has leasing agreements with and loans to corporate customers worth NOK 5.3bn (4.3bn) and car loans worth NOK 7.1bn (6.4bn). Growth in the last 12 months was 19.6 per cent and 11.5 per cent respectively. Invoice factoring is an important product for the company and invoices worth NOK 167m (154m) were purchased in the first quarter 2023.

SpareBank 1 Finans Midt-Norge and other SpareBank 1 banks own 47 per cent of the shares of the car subscription company Fleks. Fleks offers flexible car subscription solutions. Along with electrification of the car population, the car subscription system makes for reduced emissions. Fleks currently has 3,000 cars and is the market leader in Norway. SpareBank 1 Finans Midt-Norge recognised a profit share from Flex of minus NOK 7m in the first quarter (minus 6m).

### **SpareBank 1 Markets**

SpareBank 1 Markets is headquartered in Oslo and has offices in Trondheim, Ålesund and Stavanger. It employs 164 FTEs.

SpareBank 1 Markets' pre-tax profit was NOK 38m (39m).

Activity levels in the respective business lines were high in the quarter. The market in particular for advisory services and to some extent for management of stock issues has picked up compared with the same quarter of 2022, but was somewhat quieter than in the previous quarter. This has provided good incomes for Investment Banking but to a lesser degree for stockbroking. Earnings from the fixed income and forex business and debt capital have been high. Overall income came to NOK 194m (176m). Operating expenses totalled NOK 125m (99m).

SpareBank 1 Markets has developed into one of the largest Norwegian brokerages with a strong position in several product areas, and is the leading capital market unit in SpareBank 1 SMN's market area. The announced amalgamation of the capital market units of SpareBank 1 Markets, SpareBank 1 SR-Bank and SpareBank 1 Nord-Norge is under preparation and is expected to contribute to higher and more diversified earnings. The merger is currently scheduled to take place in the second quarter 2023, but this is dependent on the government authorities' process. SpareBank 1 Markets has been classified as held for sale, see further description in note 2.

### **SpareBank 1 SMN Invest**

The company owns shares in regional businesses. The portfolio is managed together with other long-term shareholdings of the bank and will be scaled down. The company's shares are worth NOK 560m (686m) as at 31 March 2023.

The pre-tax result was minus NOK 31m (net profit of 132m) and in the previous quarter minus NOK 4m. The deficit is mainly down to unrealised losses on the company's shareholdings.

### **Good funding and liquidity**

Price growth remains high, and base rates have been raised further both abroad and in Norway. The Norwegian currency has depreciated. In the first quarter 2023, problems at some banks in the USA and Switzerland have led to substantial movements in financial markets. Credit spreads have narrowed somewhat after the fluctuations in the wake of the banking turbulence.

The bank has a conservative liquidity strategy, with liquidity reserves that ensure the bank's survival for 12 months of ordinary operation without need of fresh external funding.

The bank is required to maintain sufficient liquidity buffers to withstand periods of limited access to market funding. The liquidity coverage ratio (LCR) measures the size of banks' liquid assets relative to net liquidity outflow 30 days ahead given a stressed situation.

The LCR was 194 per cent as at 31 March 2023 (155 per cent). The requirement is 100 per cent.

The group's deposit-to-loan ratio at 31 March 2023 was 58 per cent (57 per cent).

The bank's funding sources and products are amply diversified.

SpareBank 1 Boligkreditt and Næringskreditt are the bank's most important funding sources, and loans totalling NOK 61bn (53bn) had been sold to these mortgage companies as at 31 March 2023.

In the first quarter the bank raised new senior non-preferred debt (MREL) in Japanese yen at three years' maturity, equivalent to NOK 760m.



As at 31 March 2023 SpareBank 1 SMN held NOK 7.9bn in senior non-preferred debt (MREL), SpareBank 1 SMN will meet the MREL requirements by the end of 2023.

### Rating

The bank has a rating of A1 (positive outlook) with Moody's.

### Financial soundness

The CET1 ratio at 31 March 2023 was 18.2 per cent (18.3 per cent) compared with 18.9 per cent as at 31 December 2022. The CET1 requirement is 15.9 per cent, including combined buffer requirements and a Pillar 2 requirement of 1.9 per cent. Finanstilsynet set a new Pillar 2 requirement for SpareBank 1 SMN on 30 April 2022. The 1.9 per cent rate is unchanged, but the bank is subject to a provisional add-on of 0.7 per cent to its Pillar 2 requirement until its application for adjustment of IRB models has been processed. The provisional add-on of 0.7 per cent is not included in the bank's long-term target.

Finanstilsynet has resolved that SpareBank 1 SMN is to have a Pillar 2 guidance of 1.25 per cent over and above overall capital requirements. This brings the bank's long-term CET1 ratio target to 17.2 per cent.

The CET1 ratio shows a 0.7 percentage point decline in the first quarter. Risk weighted assets grew 4.4 per cent in the first quarter. This is a result of lending growth, an increased liquidity portfolio, increased customer positions linked to derivatives, and a higher capital requirement related to CVA. In addition, BN Bank has been instructed by Finanstilsynet to increase security margins in its corporate portfolio.

A good profit performance has in isolation strengthened CET1 capital, but implementation of IFRS 17 at SpareBank 1 Forsikring has adversely affected equity capital. This is partially offset by a reduced deduction on the bank's holding in SpareBank 1 Gruppen. CET1 capital rose 0.9 per cent in the first quarter. A payout ratio of 50 per cent of the group's net profit for 2023 is assumed.

A leverage ratio of 6.9 per cent (7.0 per cent) shows the bank to be very solid. See note 4 for further details.

### Sustainability

In the first quarter SpareBank 1 SMN published its consolidated carbon account as part of its annual report for 2022. The carbon account contains for the first time the group's estimated greenhouse gas emissions, both from its own operations and from the loan portfolio. Greenhouse gas emissions from its own operations are estimated using the Klimakost model, whereas portfolio emissions are estimated using the PCAF framework. The carbon account is our best basis for developing and updating the group's action plans towards net zero emissions by 2050.

Follow-up and management of sustainability are integrated into the group's corporate governance, at the same time as the group's competencies and capacity in this area are being strengthened. Important tasks for Personal Banking and Corporate Banking in the period ahead are to prepare and implement transition plans for households and industries. These will be significant contributions to reaching the group's overarching goal of zero emissions in 2050. At the same time all reporting requirements must be met, and work has started on identifying and structuring data needed in order to satisfy regulatory requirements and to meet the need for management information in the ESG field.

The sustainability strategy stands firm and we will in the period ahead intensify efforts to stimulate a sustainable development of Trøndelag, Møre and Romsdal, Sunnmøre and Fjordane.

**The bank's equity certificate (MING)**

The market price of the equity certificate (EC) as at 31 March 2023 was NOK 123.60 (141.20), and the book value per EC was NOK 105.63 (99.55). Earnings per EC were NOK 3.51 (3.20). In 2023 a cash dividend of NOK 6,50 (NOK 7.50) per EC has been paid for the year 2022.

The Price / Income ratio was 8.79 (11.05) and the Price / Book ratio was 1.17 (1.42).

**Outlook**

SpareBank 1 SMN delivered a good profit performance in the first quarter 2023, and achieved its goals in terms of profitability and capitalisation. The business lines performed extremely well and the group's market position is strengthened even though the growth in residential mortgage lending is subsiding.

Uncertainty in the economy persists with an expectation of further base rate increases by Norges Bank and high price growth. Households' purchasing power is impaired and a reduction in private consumption is expected in 2023. Increased pessimism is noted in business and industry, although there wide variations between sectors. Unemployment nonetheless remains extremely low in Mid Norway and activity levels in the Norwegian economy are high. At the same time as there are signs that inflation is levelling off.

Increased earnings and the prospect of strengthened market balance in the offshore segment have provided a basis for reversal of earlier loss provisions. At the same time the bank is increasing its provision for losses on loans to business and industry in general due to higher expected interest rates and inflation. The risk trend in SpareBank 1 SMN's loan portfolio is satisfactory. Increased risk is noted in commercial property and construction, but as yet no significant increase in defaults is in evidence.

Activity in the housing market continues at a high level. However, uncertainty attaches to the market's ability to absorb an even higher interest rate level after the summer. More customers are in dialogue with the bank for financial advice, and the number of enquiries about mortgage payment holidays has risen somewhat, although no increase is seen in defaults. The bank is well equipped with highly competent advisers who are close to the customer and are present throughout Trøndelag and Møre and Romsdal.

SpareBank 1 SMN aspires to be among the best performers in the Nordic region and aims for a return on equity of 13 per cent, and achieving the group's strategy objectives has the board of directors' close attention.

The growth ambition will be realised through a prioritisation of segments and industries in the group's business lines, synergies between the real estate business, bank and accounting business along with an increased focus on deposits and saving. Competitive pricing of all products and services in the group is important in the implementation of the strategy. The merger with SpareBank 1 Søre Sunnmøre has reached completion, and the group's market position will be further strengthened through profitable growth and expanded market shares in Sunnmøre and Fjordane.

Sustainability is being integrated into all the group's business lines. This ensures that the group will meet the challenges to which the stakeholders have drawn attention in the group's materiality analysis. Transition plans at industry level are being drawn up and implemented with a view to attaining the goal of net zero emissions in 2050.

Exploiting the strength of SpareBank 1 Alliance is an important strategic foundation for SpareBank 1 SMN. Highest on the agenda in 2023 are simplification of loan approval processes in the personal market and

corporate market alike, setting the stage for improving customer service centres' efficiency, and establishing a shared data platform for increased use of data in and insight into business processes.

The board of directors is well pleased with the work done to implement the group strategy and with results achieved in the first quarter of 2023. Although the economic prospects are uncertain, 2023 is expected to be another good year for SpareBank 1 SMN.

Trondheim, 9. May 2023  
The Board of Directors of SpareBank 1 SMN

Kjell Bjordal  
(chair)

Christian Stav  
(deputy chair)

Mette Kamsvåg

Freddy Aursø

Tonje Eskeland Foss

Ingrid Finboe Svendsen

Kristian Sætre

Christina Straub  
(employee rep.)

Inge Lindseth  
(employee rep.)

Jan-Frode Janson  
(Group CEO)



# Income statement

Parent bank				Note	Group		
2022	2022	2023			2023	2022	2022
Jan - Mar			(NOKm)		Jan - Mar		
5,128	991	1,889	Interest income effective interest method		2,014	1,104	5,596
724	124	354	Other interest income		353	123	720
2,972	467	1,331	Interest expenses		1,332	468	2,977
<b>2,880</b>	<b>648</b>	<b>911</b>	<b>Net interest</b>	<b>10</b>	<b>1,035</b>	<b>759</b>	<b>3,339</b>
1,192	299	281	Commission income		341	358	1,446
90	20	26	Commission expenses		50	42	186
55	17	16	Other operating income		249	206	781
<b>1,156</b>	<b>296</b>	<b>271</b>	<b>Commission income and other income</b>	<b>11</b>	<b>541</b>	<b>522</b>	<b>2,042</b>
677	63	4	Dividends		2	2	33
-	-	-	Income from investment in related companies	3	125	62	442
-123	-19	-66	Net return on financial investments	13	-99	111	-94
<b>554</b>	<b>43</b>	<b>-62</b>	<b>Net return on financial investments</b>		<b>28</b>	<b>175</b>	<b>380</b>
<b>4,590</b>	<b>988</b>	<b>1,120</b>	<b>Total income</b>		<b>1,604</b>	<b>1,456</b>	<b>5,760</b>
661	181	189	Staff costs		398	375	1,406
841	208	280	Other operating expenses	12	330	255	1,038
<b>1,502</b>	<b>389</b>	<b>469</b>	<b>Total operating expenses</b>		<b>728</b>	<b>629</b>	<b>2,443</b>
<b>3,088</b>	<b>599</b>	<b>651</b>	<b>Result before losses</b>		<b>875</b>	<b>827</b>	<b>3,317</b>
-37	-4	-77	Loss on loans, guarantees etc.	6,7	-71	-0	-7
<b>3,125</b>	<b>603</b>	<b>728</b>	<b>Result before tax</b>	<b>3</b>	<b>946</b>	<b>827</b>	<b>3,324</b>
631	144	176	Tax charge		206	166	718
-	-	-	Result investment held for sale, after tax	2, 3	38	37	179
<b>2,494</b>	<b>459</b>	<b>552</b>	<b>Net profit</b>		<b>778</b>	<b>698</b>	<b>2,785</b>
60	20	33	Attributable to additional Tier 1 Capital holders		34	21	63
1,557	280	332	Attributable to Equity capital certificate holders		455	413	1,658
877	158	187	Attributable to the saving bank reserve		256	233	934
			Attributable to non-controlling interests		33	30	130
<b>2,494</b>	<b>459</b>	<b>552</b>	<b>Net profit</b>		<b>778</b>	<b>698</b>	<b>2,785</b>
			Profit/diluted profit per ECC	19	3.51	3.20	12.82

## Other comprehensive income

Parent bank				Group		
Jan - Mar				Jan - Mar		
2022	2022	2023	(NOKm)	2023	2022	2022
2,494	459	552	Net profit	778	698	2,785
<b>Items that will not be reclassified to profit/loss</b>						
177	-	-	- Actuarial gains and losses pensions	-	-	177
-44	-	-	- Tax	-	-	-44
-	-	-	- Share of other comprehensive income of associates and joint venture	1	1	4
<b>133</b>	<b>-</b>	<b>-</b>	<b>Total</b>	<b>1</b>	<b>1</b>	<b>137</b>
<b>Items that will be reclassified to profit/loss</b>						
9	-	-	- Fair value change on financial assets through other comprehensive income	-	-	9
-	-1	5	- Value changes on loans measured at fair value	5	-1	-
-	-	-	- Share of other comprehensive income of associates and joint venture	-16	75	113
-	-	-	- Tax	-	-	-
<b>9</b>	<b>-1</b>	<b>5</b>	<b>Total</b>	<b>-11</b>	<b>73</b>	<b>122</b>
<b>142</b>	<b>-1</b>	<b>5</b>	<b>Net other comprehensive income</b>	<b>-10</b>	<b>74</b>	<b>259</b>
<b>2,636</b>	<b>458</b>	<b>558</b>	<b>Total comprehensive income</b>	<b>768</b>	<b>772</b>	<b>3,044</b>
60	20	33	Attributable to additional Tier 1 Capital holders	34	21	63
1,647	280	335	Attributable to Equity capital certificate holders	448	461	1,823
929	158	189	Attributable to the saving bank reserve	253	260	1,028
			Attributable to non-controlling interests	33	30	130
<b>2,636</b>	<b>458</b>	<b>558</b>	<b>Total comprehensive Income</b>	<b>768</b>	<b>772</b>	<b>3,044</b>

## Balance sheet

Parent bank				Note	Group		
31 Dec 2022	31 Mar 2022	31 Mar 2023			31 Mar 2023	31 Mar 2022	31 Dec 2022
			(NOKm)				
1,171	1,190	1,241	Cash and receivables from central banks		1,241	1,190	1,171
21,972	18,214	19,259	Deposits with and loans to credit institutions		8,630	9,456	11,663
139,550	135,306	139,845	Net loans to and receivables from customers	5	152,208	145,773	151,549
38,072	32,013	44,329	Fixed-income CDs and bonds	17	44,330	32,014	38,073
6,804	4,321	7,073	Derivatives	17	7,073	4,077	6,804
417	386	429	Shares, units and other equity interests	17	826	2,635	840
5,063	4,631	5,069	Investment in related companies		7,913	7,534	7,873
2,379	2,374	1,924	Investment in group companies		-	-	-
98	98	554	Investment held for sale	2	1,509	112	1,919
467	457	467	Intangible assets		670	854	663
2,092	1,851	3,246	Other assets	14	3,808	3,384	2,555
<b>218,085</b>	<b>200,839</b>	<b>223,434</b>	<b>Total assets</b>		<b>228,207</b>	<b>207,027</b>	<b>223,110</b>
14,636	18,598	15,875	Deposits from credit institutions		15,875	19,468	14,636
122,699	114,717	124,202	Deposits from and debt to customers	9	123,529	114,053	122,010
47,474	37,093	49,361	Debt created by issue of securities	16	49,361	37,093	47,474
8,307	5,164	7,792	Derivatives	17	7,792	5,147	8,307
2,067	5,239	4,169	Other liabilities	15	4,880	7,030	2,725
-	-	-	Investment held for sale	2	620	2	1,093
2,015	1,753	2,015	Subordinated loan capital	16	2,058	1,796	2,058
<b>197,199</b>	<b>182,564</b>	<b>203,414</b>	<b>Total liabilities</b>		<b>204,115</b>	<b>184,588</b>	<b>198,303</b>
2,597	2,597	2,597	Equity capital certificates		2,597	2,597	2,597
-0	-0	-0	Own holding of ECCs		-8	-9	-11
895	895	895	Premium fund		895	895	895
7,877	7,007	7,877	Dividend equalisation fund		7,838	6,974	7,828
840	-	-	Recommended dividends		-	-	840
474	-	-	Provision for gifts		-	-	474
6,408	5,918	6,408	Ownerless capital		6,408	5,918	6,408
70	171	70	Unrealised gains reserve		70	171	70
(0)	-1	5	Other equity capital		2,825	2,919	2,940
1,726	1,230	1,617	Additional Tier 1 Capital		1,659	1,271	1,769
	459	552	Profit for the period		778	698	
			Non-controlling interests		1,031	1,005	997
<b>20,887</b>	<b>18,275</b>	<b>20,021</b>	<b>Total equity capital</b>		<b>24,092</b>	<b>22,439</b>	<b>24,807</b>
<b>218,085</b>	<b>200,839</b>	<b>223,434</b>	<b>Total liabilities and equity</b>		<b>228,207</b>	<b>207,027</b>	<b>223,110</b>

# Cash flow statement

Parent bank				Group		
Jan - Mar				Jan - Dec		
2022	2022	2023	(NOKm)	2023	2022	2022
2,494	459	552	Net profit	778	698	2,785
77	19	23	Depreciations and write-downs on fixed assets	29	29	117
-37	-4	-77	Losses on loans and guarantees	-71	-0	-7
-324	-	-	Adjustments for undistributed profits of related companies	-125	-62	-443
-2,420	-1,769	2,233	Other adjustments	2,265	-1,889	-2,436
<b>-210</b>	<b>-1,295</b>	<b>2,730</b>	<b>Net cash increase from ordinary operations</b>	<b>2,876</b>	<b>-1,224</b>	<b>16</b>
-4,626	-1,881	-1,374	Decrease/(increase) other receivables	-1,442	-2,145	-4,193
5,155	5,048	1,587	Increase/(decrease) short term debt	1,167	5,052	5,136
-3,739	463	-212	Decrease/(increase) loans to customers	-583	116	-5,643
-8,782	-5,024	2,713	Decrease/(increase) loans credit institutions	3,033	-4,751	-6,959
10,672	2,689	1,502	Increase/(decrease) deposits to customers	1,519	2,767	10,724
294	4,257	1,239	Increase/(decrease) debt to credit institutions	1,239	4,404	-429
-7,310	-1,251	-6,257	Increase/(decrease) in short term investments	-6,257	-1,252	-7,311
-	-	-	Increase/(decrease) in shares held for trading	-	-	1,821
<b>-8,546</b>	<b>3,006</b>	<b>1,928</b>	<b>A) Net cash flow from operations</b>	<b>1,552</b>	<b>2,966</b>	<b>-6,837</b>
-71	-36	-71	Increase in tangible fixed assets	-116	-59	-89
-18	-	-	Proceeds from sales of property, plant and equipment	-	-	276
-	-	-	Cash flows from losing control of subsidiaries or other businesses	-	-	-
-5	-	-	Cash flows used in obtaining control of subsidiaries or other businesses	410	41	-1,815
324	-	-	Dividends received from investments in related companies	0	-	324
6	2	23	Other cash receipts from sales of interests in associates and joint ventures	23	2	6
-479	-43	-26	Other cash payments to acquire interests in associates and joint ventures	-26	-43	-492
813	138	706	Other cash receipts from sales of equity instruments of other entities	707	170	849
-835	-122	-698	Other cash payments to acquire equity instruments of other entities	-700	-124	-846
<b>-265</b>	<b>-59</b>	<b>-65</b>	<b>B) Net cash flow from investments</b>	<b>298</b>	<b>-12</b>	<b>-1,788</b>
1,000	-	-	Increase in subordinated loan capital	-	-	1,000
-750	-	-	Decrease in subordinated loan capital	-	-	-750
-0	-0	-0	Purchase of treasury shares	-	-0	-21
-	-	-	Proceeds from sale or issue of treasury shares	13	-	-
-970	-970	-840	Dividend cleared	-840	-970	-970
-	-	-	Dividends paid to non-controlling interests	-	-7	-162
-547	-547	-474	Disbursed from gift fund	-474	-547	-547
-	-	-	Additional Tier 1 capital issued	-	-	-
476	-	-76	Repayments of Additional Tier 1 Capital	-76	-	476
-60	-20	-33	Interest payments Additional Tier 1 Capital	-34	-21	-63
16,194	3,380	857	Increase in other long term loans	857	3,380	16,194
-6,613	-4,851	-1,227	Decrease in other long term loans	-1,227	-4,851	-6,613
<b>8,729</b>	<b>-3,009</b>	<b>-1,793</b>	<b>C) Net cash flow from financial activities</b>	<b>-1,781</b>	<b>-3,017</b>	<b>8,544</b>
<b>-81</b>	<b>-62</b>	<b>70</b>	<b>A) + B) + C) Net changes in cash and cash equivalents</b>	<b>70</b>	<b>-62</b>	<b>-81</b>
1,252	1,252	1,171	Cash and cash equivalents at 1.1	1,171	1,252	1,252
1,171	1,190	1,241	Cash and cash equivalents at end of quarter	1,241	1,190	1,171
<b>-81</b>	<b>-62</b>	<b>70</b>	<b>Net changes in cash and cash equivalents</b>	<b>70</b>	<b>-62</b>	<b>-81</b>

## Change in equity

Parent Bank (NOKm)	Issued equity		Earned equity						
	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	Total equity
<b>Equity at 1 January 2022</b>	<b>2,597</b>	<b>895</b>	<b>5,918</b>	<b>7,007</b>	<b>1,517</b>	<b>171</b>	<b>-</b>	<b>1,250</b>	<b>19,356</b>
Net profit	-	-	440	781	1,314	-101	-	60	2,494
<b>Other comprehensive income</b>									
Financial assets through OCI	-	-	-	-	-	-	9	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	133	-	133
Other comprehensive income	-	-	-	-	-	-	142	-	142
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>440</b>	<b>781</b>	<b>1,314</b>	<b>-101</b>	<b>142</b>	<b>60</b>	<b>2,636</b>
<b>Transactions with owners</b>									
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-970
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-547
Additional Tier 1 Capital	-	-	-	-	-	-	-	476	476
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-60	-60
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-0
Direct recognitions in equity	-	-	50	88	-	-	-142	-	-3
<b>Total transactions with owners</b>	<b>0</b>	<b>-</b>	<b>50</b>	<b>88</b>	<b>-1,517</b>	<b>-</b>	<b>-142</b>	<b>416</b>	<b>-1,105</b>
<b>Equity at 31 December 2022</b>	<b>2,597</b>	<b>895</b>	<b>6,408</b>	<b>7,877</b>	<b>1,314</b>	<b>70</b>	<b>0</b>	<b>1,726</b>	<b>20,887</b>
<b>Equity at 1 January 2023</b>	<b>2,597</b>	<b>895</b>	<b>6,408</b>	<b>7,877</b>	<b>1,314</b>	<b>70</b>	<b>0</b>	<b>1,726</b>	<b>20,887</b>
Net profit	-	-	-	-	-	-	552	-	552
<b>Other comprehensive income</b>									
Value changes on loans measured at fair value	-	-	-	-	-	-	5	-	5
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	5	-	5
<b>Total comprehensive income</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>558</b>	<b>-</b>	<b>558</b>
<b>Transactions with owners</b>									
Dividend declared for 2022	-	-	-	-	-840	-	-	-	-840
To be disbursed from gift fund	-	-	-	-	-474	-	-	-	-474
Additional Tier 1 Capital	-	-	-	-	-	-	-	-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-76	-76
Purchase and sale of own ECCs	-	-	-	-	-	-	-	-33	-33
Direct recognitions in equity	-0	-	-	-0	-	-	-	-	-0
<b>Total transactions with owners</b>	<b>-0</b>	<b>-</b>	<b>-</b>	<b>-0</b>	<b>-1,314</b>	<b>-</b>	<b>-</b>	<b>-109</b>	<b>-1,423</b>
<b>Equity at 31 March 2023</b>	<b>2,597</b>	<b>895</b>	<b>6,408</b>	<b>7,877</b>	<b>-</b>	<b>70</b>	<b>558</b>	<b>1,617</b>	<b>20,021</b>



Group	Attributable to parent company equity holders									
	Issued equity		Earned equity							
(NOKm)	EC capital	Premium fund	Owner-less capital	Equalisation fund	Dividend and gifts	Un-realised gains reserve	Other equity	Additional Tier 1 Capital	NCI	Total equity
<b>Equity at 1 January 2022</b>	<b>2,588</b>	<b>895</b>	<b>5,918</b>	<b>6,974</b>	<b>1,517</b>	<b>171</b>	<b>2,896</b>	<b>1,293</b>	<b>989</b>	<b>23,241</b>
Implementation effect of IFRS 17 in SpareBank 1 Gruppen <sup>2)</sup>	-	-	-	-	-	-	-234	-	-	-234
<b>Equity at 1 January 2022</b>	<b>2,588</b>	<b>895</b>	<b>5,918</b>	<b>6,974</b>	<b>1,517</b>	<b>171</b>	<b>2,662</b>	<b>1,293</b>	<b>989</b>	<b>23,007</b>
Net profit	-	-	440	781	1,314	-101	158	63	130	2,785
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	149	-	-	149
Value changes on loans measured at fair value	-	-	-	-	-	-	9	-	-	9
Actuarial gains (losses), pensions	-	-	-	-	-	-	133	-	-	133
Other comprehensive income	-	-	-	-	-	-	291	-	-	291
<b>Total comprehensive income</b>	-	-	<b>440</b>	<b>781</b>	<b>1,314</b>	<b>-101</b>	<b>449</b>	<b>63</b>	<b>130</b>	<b>3,076</b>
<b>Transactions with owners</b>										
Dividend declared for 2021	-	-	-	-	-970	-	-	-	-	-970
To be disbursed from gift fund	-	-	-	-	-547	-	-	-	-	-547
Additional Tier 1 Capital issued	-	-	-	-	-	-	-	476	-	476
Buyback Additional Tier 1 Capital issued	-	-	-	-	-	-	-	-	-	-
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-63	-	-63
Purchase and sale of own ECCs	0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets <sup>1)</sup>	-2	-	-	-16	-	-	-2	-	-	-21
Direct recognitions in equity	-	-	50	88	-	-	-149	-	-	-11
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-19	-	-	-19
Change in non-controlling interests	-	-	-	-	-	-	-	-	-122	-122
<b>Total transactions with owners</b>	<b>-2</b>	<b>-</b>	<b>50</b>	<b>72</b>	<b>-1,517</b>	<b>-</b>	<b>-170</b>	<b>413</b>	<b>-122</b>	<b>-1,276</b>
<b>Equity at 31 December 2022</b>	<b>2,586</b>	<b>895</b>	<b>6,408</b>	<b>7,828</b>	<b>1,314</b>	<b>70</b>	<b>2,940</b>	<b>1,769</b>	<b>997</b>	<b>24,807</b>

<b>Equity at 1 January 2023</b>	<b>2,586</b>	<b>895</b>	<b>6,408</b>	<b>7,828</b>	<b>1,314</b>	<b>70</b>	<b>2,940</b>	<b>1,769</b>	<b>997</b>	<b>24,807</b>
Net profit	-	-	-	-	-	-	745	-	33	778
<b>Other comprehensive income</b>	-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates and joint ventures	-	-	-	-	-	-	-16	-	-	-16
Value changes on loans measured at fair value	-	-	-	-	-	-	5	-	-	5
Actuarial gains (losses), pensions	-	-	-	-	-	-	-	-	-	-
Other comprehensive income	-	-	-	-	-	-	-10	-	-	-10
<b>Total comprehensive income</b>	-	-	-	-	-	-	<b>734</b>	-	<b>33</b>	<b>768</b>
<b>Transactions with owners</b>										
Dividend declared for 2022	-	-	-	-	-840	-	-	-	-	-840
To be disbursed from gift fund	-	-	-	-	-474	-	-	-	-	-474
Additional Tier 1 capital issued	-	-	-	-	-	-	-	-	-	-
Buyback additional Tier 1 Capital issued	-	-	-	-	-	-	-	-76	-	-76
Interest payments additional Tier 1 capital	-	-	-	-	-	-	-	-34	-	-34
Purchase and sale of own ECCs	-0	-	-	-0	-	-	-	-	-	-0
Own ECC held by SB1 Markets 1)	3	-	-	10	-	-	-0	-	-	13
Direct recognitions in equity	-	-	-	-	-	-	0	-	-	0
Share of other transactions from associates and joint ventures	-	-	-	-	-	-	-71	-	-	-71
Change in non-controlling interests	-	-	-	-	-	-	-	-	-	-
<b>Total transactions with owners</b>	<b>3</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>-1,314</b>	<b>-</b>	<b>-71</b>	<b>-110</b>	<b>-</b>	<b>-1,482</b>
<b>Equity at 31 March 2023</b>	<b>2,589</b>	<b>895</b>	<b>6,408</b>	<b>7,838</b>	<b>-</b>	<b>70</b>	<b>3,603</b>	<b>1,659</b>	<b>1,031</b>	<b>24,092</b>

1) Holding of own equity certificates as part of SpareBank 1 Markets' trading activity

2) The change in principle as a result of the implementation of IFRS 17 is described in Note 1 Accounting Principles

# Notes

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## Note 1 - Accounting principles

SpareBank 1 SMN prepares and presents its quarterly accounts in compliance with the Stock Exchange Regulations, Stock Exchange Rules and International Financial Reporting Standards (IFRS) approved by EU, including IAS 34, Interim Financial Reporting. The quarterly accounts do not include all the information required in a complete set of annual financial statements and should be read in conjunction with the annual accounts for 2022. The Group has in this quarterly report used the same accounting principles and calculation methods as in the latest annual report and accounts, with the exception of the implementation of IFRS 17 in the associated company SpareBank 1 Gruppen, as described below.

### IFRS 17 Insurance contracts

IFRS 17 Insurance contracts replace IFRS 4 Insurance Contracts and specify principles for recognition, measurement, presentation and disclosure of insurance contracts. The purpose of the new standard is to eliminate inconsistent practices in accounting for insurance contracts and the core of the new model are as follows:

- An estimate of the present value of future cash flows for a group of insurance contracts. Future cash flows include future premium payments and payments of insurance settlements, claims and other payments to policyholders. The estimate shall take an explicit adjustment for risk into account and the estimates shall be based on the balance sheet date.
- A contractual service margin, which is equal to the one-day gain in the estimate of the present value of future cash flows from a group of insurance contracts. This corresponds to the profit element of the insurance contracts that will be recognised over the period of service, ie over the cover period of the insurance.
- Certain changes in the estimate of the present value of future cash flows are adjusted against the contract margin, and thereby recognised in the result over the remaining period covered by the relevant contracts.
- The effect of change in discount rate shall, as a choice of accounting principle, be presented either in profit or loss or in other comprehensive income.

IFRS 17 shall, as a starting point, be used retrospectively, but it has been opened for a modified retrospective application or use based on fair value at the time of transition if retrospective use is impracticable.

IFRS 17 is effective for reporting periods beginning on or after 1 January 2023, with comparative figures required. Early application is permitted.

The effect on equity as a result of the associated company SpareBank 1 Gruppen implementing this standard as of 1 January 2022 is NOK 234 million in reduced equity. The result for 2022 from SpareBank 1 Gruppen, after adapting IFRS 17/IFRS 9, has been adjusted by NOK 32 million. As such the effect on equity as of 1 January 2023 is NOK 202 million. The group's result for 2022 and other key figures have not been restated.

IFRS 17 effects for the Group	
<b>Implementation of IFRS 17/IFRS 9 as of 1 January 2022</b>	<b>- 234</b>
Restated results from SpareBank 1 Gruppen for 2022 as a result of implementing IFRS 17/IFRS 9	32
<b>Implementation effect on equity as of 1 January 2022</b>	<b>- 202</b>
Restatement of comparable figures	
	<b>First quarter 2022</b>
Group's share of recognised profit from SpareBank 1 Gruppen Q1 2022	13
Effects of implementing IFRS 17/IFRS 9	23
<b>Group's restated results from SpareBank 1 Gruppen for Q1 2022</b>	<b>36</b>

## Note 2 - Critical estimates and assessment concerning the use of accounting principles

When it prepares the consolidated accounts the management team makes estimates, discretionary assessments and assumptions which influence the application of accounting principles. This accordingly affects recognised amounts for assets, liabilities, revenues and expenses. Last year's annual accounts give a closer explanation of significant estimates and assumptions in Note 3 Critical estimates and assessments concerning the use of accounting principles.

### Investment held for sale

SpareBank 1 SMN's strategy is that ownership due to defaulted exposures should at the outset be of brief duration, normally not longer than one year. Investments are recorded at fair value in the Parent Bank's accounts, and is classified as investment held for sale.

From fourth quarter 2022, the subsidiary SpareBank1 Markets is classified as held for sale. On 22 June 2022, SpareBank1 SMN announced that SpareBank1 Markets is strengthening its investment within the capital market and SpareBank1 SR-Bank and SpareBank1 Nord-Norge will be its majority owners. SpareBank1 SR-Bank and SpareBank1 Nord-Norge will transfer their markets business to SpareBank1 Markets, and also buy into the company in the form of a cash consideration. After completion of the transaction, SpareBank1 SMN will own 39.4% and SpareBank1 Markets will be treated as an associated company. The transaction is dependent on approval from the Norwegian Financial Supervisory Authority and the Norwegian Competition Authority, and is planned to be completed in June 2023.

Profit from SpareBank 1 Markets has been reclassified as shown:

Income Statement (NOKm)	First Quarter 2023	First Quarter 2022
Net interest	-7	2
Interest on capital employed	-	-
<b>Total interest income</b>	<b>-7</b>	<b>2</b>
Commission income and other income	-159	-115
Net return on financial investments	-42	-60
<b>Total income</b>	<b>-208</b>	<b>-174</b>
Total operating expenses	-164	-133
<b>Result before losses</b>	<b>-45</b>	<b>-41</b>
Loss on loans, guarantees etc.	-	-
<b>Result before tax</b>	<b>-45</b>	<b>-41</b>
Tax charge	7	4
<b>Net profit for investment held for sale</b>	<b>38</b>	<b>37</b>

January - March 2023 (NOK Million)	Assets	Liabilities	Revenue	Expenses	Profit	Ownership
Mavi XV AS Group	75	30	4	4	-0	100 %
SpareBank 1 Markets	1,434	589	208	171	38	67 %
<b>Total Held for sale</b>	<b>1,509</b>	<b>620</b>	<b>212</b>	<b>174</b>	<b>38</b>	

### Losses on loans and guarantees

For a detailed description of the Bank's model for expected credit losses, refer to note 10 in the annual accounts for 2022.

In 2020 and 2021, the bank changed the model assumptions due to increased uncertainty related to the pandemic. The change consisted of increased loss expectations in the base scenario both for retail and corporate portfolio. These changes were reversed in 2021 for retail customers and in first quarter of 2022 for corporate market portfolio. In addition, the bank's exposure to hotels and tourism in stage 1 was included in stage 2 and this change was reversed in fourth quarter of 2022.

In 2022, increased macroeconomic uncertainty as a result of the war in Ukraine, strong increases in energy and raw material prices, challenges in the supply chains and the prospect of permanently higher inflation and interest rates have led to an increased probability of a low scenario for the corporate market excl. offshore. Future loss expectations have been increased by increased PD and LGD for both the personal market and the corporate market, excl. offshore in the base scenario. The bank has focused on the expected long-term effects of the crisis. For the offshore portfolio, during 2022, as a result of significant improvement in the market and market prospects, increased earnings assumptions have been used in the simulations and the weight for low scenarios has been reduced for supply and subsea. In the first quarter of 2023, the write-down models for the offshore portfolio are calculated using the same assumptions as the corporate market with regards to scenario weights, adjustment factors for PD and LGD and repayment assumptions.

The effect of the change in input assumptions in 2023 is shown as "Effect of changed assumptions in the ECL model" in note 7.



The write-downs are reduced for offshore as a result of increased earnings assumptions and a reduced weight for the low scenario. On the other hand, write-downs are increasing for both the business and personal market portfolios as a result of significant increase in interest rates and inflation are expected to increase future levels for PD and LGD lines.

In total, this amounts to NOK 19 million for the Bank and NOK 9 million for the Group in increased write-downs.

### Sensitivity

The first part of the table below show total calculated expected credit loss as of 31 March 2023 in each of the three scenarios, distributed in the portfolios Retail Market, Corporate Market and offshore, tourism and agriculture, which adds up to parent bank. In addition the subsidiary SpareBank 1 Finans Midt-Norge is included. ECL for the parent bank and the subsidiary is summed up in the column "Group".

The second part of the table show the ECL distributed by portfolio using the scenario weight applied, in addition to a alternative weighting where downside scenario weight has been doubled.

If the downside scenario's probability were doubled at the expense of the baseline scenario at the end of March 2023, this would have entailed an increase in loss provisions of NOK 268 million for the parent bank and NOK 291 million for the group.

	CM (excl offshore and agriculture)	RM	Offshore	Tourism	Agriculture	Total parent	SB 1 Finans MN, CM	SB 1 Finans MN, RM	Group
ECL base case	504	78	152	10	51	796	38	24	857
ECL worst case	1,201	267	262	33	181	1,944	84	82	2,110
ECL best case	348	28	137	5	27	544	25	15	585
ECL with scenario weights used 60 /25/15	655	-	177	15	80	927	44	-	971
ECL with scenario weights used 70 /15/15	-	99	-	-	-	99	-	32	131
<b>Total ECL used</b>	<b>655</b>	<b>99</b>	<b>177</b>	<b>15</b>	<b>80</b>	<b>1,026</b>	<b>44</b>	<b>32</b>	<b>1,102</b>
ECL alternative scenario weights 35 /50/15	829	-	205	21	112	1,167	59	-	1,226
ECL alternative scenario weights 55 /30/15	-	127	-	-	-	127	-	39	167
<b>Total ECL alternative weights</b>	<b>829</b>	<b>127</b>	<b>205</b>	<b>21</b>	<b>112</b>	<b>1,294</b>	<b>59</b>	<b>39</b>	<b>1,393</b>
<b>Change in ECL if alternative weights were used</b>	<b>174</b>	<b>28</b>	<b>27</b>	<b>6</b>	<b>33</b>	<b>268</b>	<b>15</b>	<b>8</b>	<b>291</b>

The table reflects that there are some significant differences in underlying PD and LGD estimates in the different scenarios and that there are differentiated levels and level differences between the portfolios. At group level, the ECL in the upside scenario, which largely reflects the loss and default picture in recent years, is about 70 per cent of the ECL in the expected scenario. The downside scenario gives about double the ECL than in the expected scenario. Applied scenario weighting gives about 30 percent higher ECL than in the expected scenario.

### Note 3 - Account by business line

For the subsidiaries the figures refer to the respective company accounts, while for joint ventures incorporated by the equity method the Group's profit share is stated, after tax, as well as book value of the investment at group level.

#### Group 31 March 23

Profit and loss account (NOKm)	RM	CM	EM 1	SB 1	SB 1	Other	Uncollated	Total
				Finans	Regnskaps-			
				MN	huset SMN			
Net interest	433	406	1	123	1	-	70	1,035
Interest from allocated capital	91	68	-	-	-	-	-158	-
<b>Total interest income</b>	<b>524</b>	<b>474</b>	<b>1</b>	<b>123</b>	<b>1</b>	<b>-</b>	<b>-88</b>	<b>1,035</b>
Comission income and other income	181	63	105	-27	201	-	17	541
Net return on financial investments <sup>**</sup> )	1	4	-	-7	-	131	-101	28
<b>Total income</b>	<b>706</b>	<b>541</b>	<b>107</b>	<b>90</b>	<b>202</b>	<b>131</b>	<b>-172</b>	<b>1,604</b>
<b>Total operating expenses</b>	<b>325</b>	<b>127</b>	<b>89</b>	<b>30</b>	<b>158</b>	<b>-</b>	<b>-0</b>	<b>728</b>
<b>Ordinary operating profit</b>	<b>381</b>	<b>413</b>	<b>18</b>	<b>59</b>	<b>44</b>	<b>131</b>	<b>-172</b>	<b>875</b>
Loss on loans, guarantees etc.	9	-86	-	7	-	-	-0	-71
<b>Result before tax</b>	<b>372</b>	<b>500</b>	<b>18</b>	<b>53</b>	<b>44</b>	<b>131</b>	<b>-172</b>	<b>946</b>
<b>Equity return <sup>*)</sup></b>	<b>15.8%</b>	<b>28.4%</b>						<b>13.0%</b>

#### Group 31 March 22

Profit and loss account (NOKm)	RM	CM	EM 1	SB 1	SB 1	Other	Uncollated	Total
				Finans	Regnskaps-			
				MN	huset SMN			
Net interest	287	309	1	111	0	-	52	759
Interest from allocated capital	25	22	-	-	-	-	-47	-
<b>Total interest income</b>	<b>313</b>	<b>330</b>	<b>1</b>	<b>111</b>	<b>0</b>	<b>-</b>	<b>5</b>	<b>759</b>
Comission income and other income	203	72	94	-25	166	-	12	522
Net return on financial investments <sup>**</sup> )	-0	2	-	-6	-	68	112	175
<b>Total income</b>	<b>515</b>	<b>404</b>	<b>95</b>	<b>80</b>	<b>166</b>	<b>62</b>	<b>129</b>	<b>1,456</b>
<b>Total operating expenses</b>	<b>248</b>	<b>124</b>	<b>81</b>	<b>28</b>	<b>143</b>	<b>-</b>	<b>4</b>	<b>629</b>
<b>Ordinary operating profit</b>	<b>266</b>	<b>280</b>	<b>14</b>	<b>51</b>	<b>23</b>	<b>62</b>	<b>124</b>	<b>827</b>
Loss on loans, guarantees etc.	-7	3	-	4	-	-	-0	-0
<b>Result before tax</b>	<b>274</b>	<b>277</b>	<b>14</b>	<b>47</b>	<b>23</b>	<b>62</b>	<b>125</b>	<b>827</b>
<b>Equity return <sup>*)</sup></b>	<b>13.4%</b>	<b>11.5%</b>						<b>12.6%</b>

## Group 31 December 22

Profit and loss account (NOKm)	RM	CM	EM 1	SB 1	SB 1	Other	Uncollated	Total
				Finans	Regnskaps-			
				MN	huset SMN			
Net interest	1,328	1,380	3	459	2	-	167	3,339
Interest from allocated capital	163	125	-	-	-	-	-288	-
<b>Total interest income</b>	<b>1,491</b>	<b>1,505</b>	<b>3</b>	<b>459</b>	<b>2</b>	<b>-</b>	<b>-121</b>	<b>3,339</b>
Comission income and other income	796	290	418	-106	605	-	39	2,042
Net return on financial investments **)	-4	9	8	-23	-	466	-76	380
<b>Total income</b>	<b>2,283</b>	<b>1,804</b>	<b>429</b>	<b>329</b>	<b>607</b>	<b>466</b>	<b>-158</b>	<b>5,760</b>
<b>Total operating expenses</b>	<b>958</b>	<b>467</b>	<b>371</b>	<b>108</b>	<b>511</b>	<b>-</b>	<b>28</b>	<b>2,443</b>
<b>Ordinary operating profit</b>	<b>1,325</b>	<b>1,337</b>	<b>58</b>	<b>221</b>	<b>96</b>	<b>466</b>	<b>-186</b>	<b>3,317</b>
Loss on loans, guarantees etc.	29	-66	-	30	-	-	-0	-7
<b>Result before tax</b>	<b>1,296</b>	<b>1,403</b>	<b>58</b>	<b>191</b>	<b>96</b>	<b>466</b>	<b>-186</b>	<b>3,324</b>
<b>Equity return *)</b>	13.6%	20.8%						12.3%

\*) Regulatory capital is used as a basis for calculating capital used in retail market (RM) and corporate market (CM). This capital has been grossed up to 17.2 per cent to be in line with the Bank's capital target.

***) Specification of other (NOKm)	31 Mar 23	31 Mar 22	31 Dec 22
SpareBank 1 Gruppen	34	13	175
SpareBank 1 Boligkreditt	33	-5	1
SpareBank 1 Næringskreditt	2	-0	3
BN Bank	62	49	203
SpareBank 1 Kreditt	-4	3	9
SpareBank 1 Betaling	-8	-5	13
SpareBank 1 Forvaltning	8	8	33
Other companies	4	5	29
<b>Income from investment in associates and joint ventures</b>	<b>131</b>	<b>68</b>	<b>466</b>
SpareBank 1 Mobilitet Holding	-7	-6	-23
<b>Net income from investment in associates and joint ventures</b>	<b>125</b>	<b>62</b>	<b>442</b>

## Note 4 - Capital adequacy

Capital adequacy is calculated and reported in accordance with the EU capital requirements regulations for banks and investment firms (CRR/CRD IV). SpareBank 1 SMN utilises the Internal Rating Based Approach (IRB) for credit risk. Advanced IRB Approach is used for the corporate portfolios. Use of IRB imposes wide-ranging requirements on the bank's organisational set-up, competence, risk models and risk management systems.

As of 31 March 2023 the overall minimum requirement on CET1 capital is 14.0 per cent. The capital conservation buffer requirement is 2.5 per cent, the systemic risk requirement for Norwegian IRB-banks is 4.5 per cent and the Norwegian countercyclical buffer is 2.5 per cent. These requirements are additional to the requirement of 4.5 per cent CET1 capital. In addition the financial supervisory authority has set a Pillar 2 requirement of 1.9 per cent for SpareBank 1 SMN, however not below NOK 1,794 million in monetary terms. From 30 April 2022, SpareBank 1 SMN has received a new Pillar 2 requirement. The rate of 1.9 per cent is unchanged, but in addition the bank must have an additional 0.7 per cent in Pillar 2 requirements until the application for adjusting IRB-models has been processed.

Under the CRR/CRDIV regulations the average risk weighting of exposures secured on residential property in Norway cannot be lower than 20 per cent. As of 31 March 2023 an adjustment was made in both the parent bank and the group to bring the average risk weight up to 20 per cent. This is presented in the note together with 'mass market exposure, property' under 'credit risk IRB'.

The systemic risk buffer stands at 4.5 per cent for the Norwegian exposures. For exposures in other countries, the particular country's systemic buffer rate shall be employed. As of 31 March 2023 the effective rate for the parent bank and for the group is accordingly 4.45 per cent.

The countercyclical buffer is calculated using differentiated rates. For exposures in other countries the countercyclical buffer rate set by the authorities in the country concerned is applied. If that country has not set a rate, the same rate as for exposures in Norway is applied unless the Ministry of Finance sets another rate. For the first quarter of 2023 both the parent bank and the group is below the capital deduction threshold such that the Norwegian rate is applied to all relevant exposures.

Parent Bank				Group		
31 Dec 2022	31 Mar 2022	31 Mar 2023	(NOKm)	31 Mar 2023	31 Mar 2022	31 Dec 2022
20,887	18,275	20,021	<b>Total book equity</b>	24,092	22,439	24,807
-1,726	-1,230	-1,617	Additional Tier 1 capital instruments included in total equity	-1,659	-1,271	-1,769
-467	-457	-467	Deferred taxes, goodwill and other intangible assets	-951	-957	-947
-1,314	-	-	Deduction for allocated dividends and gifts	-	-	-1,314
-	-	-	Non-controlling interests recognised in other equity capital	-1,031	-1,005	-997
-	-	-	Non-controlling interests eligible for inclusion in CET1 capital	834	579	784
-	-459	-552	Net profit	-778	-698	-
-	100	147	Year-to-date profit included in core capital (50 per cent (50 per cent) pre tax of group profit)	372	338	-
-72	-46	-78	Value adjustments due to requirements for prudent valuation	-95	-62	-89
-194	-469	-258	Positive value of adjusted expected loss under IRB Approach	-363	-529	-279
-	-	-	Cash flow hedge reserve	-4	-2	-4
-281	-202	-281	Deduction for common equity Tier 1 capital in significant investments in financial institutions	-460	-603	-417
16,833	15,513	16,915	<b>Common equity Tier 1 capital</b>	19,959	18,229	19,776
1,726	1,250	1,650	Additional Tier 1 capital instruments	2,073	1,616	2,106
-47	-47	-46	Deduction for significant investments in financial institutions	-46	-47	-47
18,512	16,715	18,519	<b>Tier 1 capital</b>	21,985	19,797	21,835
-	-	-	<b>Supplementary capital in excess of core capital</b>			
2,000	1,750	2,000	Subordinated capital	2,522	2,258	2,523
-210	-217	-209	Deduction for significant investments in financial institutions	-209	-217	-210
1,790	1,533	1,791	<b>Additional Tier 2 capital instruments</b>	2,313	2,041	2,312
20,301	18,249	20,309	<b>Total eligible capital</b>	24,298	21,839	24,147

Minimum requirements subordinated capital						
1,148	1,157	1,234	Specialised enterprises	1,469	1,376	1,351
901	1,052	920	Corporate	947	1,072	923
1,379	1,356	1,368	Mass market exposure, property	2,587	2,374	2,559
98	101	108	Other mass market	111	104	100
1,249	1,008	1,253	Equity positions IRB	-	1	-
<b>4,774</b>	<b>4,674</b>	<b>4,884</b>	<b>Total credit risk IRB</b>	<b>5,113</b>	<b>4,927</b>	<b>4,933</b>
6	3	3	Central government	3	4	6
82	97	109	Covered bonds	156	144	139
403	421	383	Institutions	285	301	276
187	1	217	Local and regional authorities, state-owned enterprises	242	20	207
143	139	174	Corporate	421	401	385
7	4	7	Mass market	679	485	662
27	33	36	Exposures secured on real property	111	123	109
90	279	90	Equity positions	501	495	504
97	65	102	Other assets	180	125	162
<b>1,042</b>	<b>1,041</b>	<b>1,121</b>	<b>Total credit risk standardised approach</b>	<b>2,578</b>	<b>2,098</b>	<b>2,450</b>
27	52	42	Debt risk	43	54	29
-	-	-	Equity risk	10	30	10
-	-	-	Currency risk and risk exposure for settlement/delivery	4	2	1
458	433	458	Operational risk	852	809	853
30	28	40	Credit value adjustment risk (CVA)	149	67	101
<b>6,331</b>	<b>6,228</b>	<b>6,544</b>	<b>Minimum requirements subordinated capital</b>	<b>8,749</b>	<b>7,988</b>	<b>8,377</b>
<b>79,140</b>	<b>77,846</b>	<b>81,801</b>	<b>Risk weighted assets (RWA)</b>	<b>109,366</b>	<b>99,847</b>	<b>104,716</b>
3,561	3,503	3,681	Minimum requirement on CET1 capital, 4.5 per cent	4,921	4,493	4,712
			Capital Buffers			
1,978	1,946	2,045	Capital conservation buffer, 2.5 per cent	2,734	2,496	2,618
3,561	3,503	3,640	Systemic risk buffer, 4.5 per cent	4,867	4,493	4,712
1,583	778	2,045	Countercyclical buffer, 1.0 per cent	2,734	998	2,094
<b>7,123</b>	<b>6,228</b>	<b>7,730</b>	<b>Total buffer requirements on CET1 capital</b>	<b>10,335</b>	<b>7,988</b>	<b>9,424</b>
<b>6,149</b>	<b>5,782</b>	<b>5,504</b>	<b>Available CET1 capital after buffer requirements</b>	<b>4,702</b>	<b>5,748</b>	<b>5,639</b>
			<b>Capital adequacy</b>			
21.3 %	19.9 %	20.7 %	Common equity Tier 1 capital ratio	18.2 %	18.3 %	18.9 %
23.4 %	21.5 %	22.6 %	Tier 1 capital ratio	20.1 %	19.8 %	20.9 %
25.7 %	23.4 %	24.8 %	Capital ratio	22.2 %	21.9 %	23.1 %
			<b>Leverage ratio</b>			
209,285	193,702	216,517	Balance sheet items	311,331	275,296	300,772
6,234	9,942	6,724	Off-balance sheet items	8,046	11,167	7,744
-313	-563	-382	Regulatory adjustments	-504	-641	-419
215,205	203,081	222,858	Calculation basis for leverage ratio	318,873	285,823	308,097
18,512	16,715	18,519	Core capital	21,985	19,797	21,835
<b>8.6 %</b>	<b>8.2 %</b>	<b>8.3 %</b>	<b>Leverage Ratio</b>	<b>6.9 %</b>	<b>6.9 %</b>	<b>7.1 %</b>



## Note 5 - Distribution of loans by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2022	31 Mar 2022	31 Mar 2023		31 Mar 2023	31 Mar 2022	31 Dec 2022
10,707	9,446	10,773	Agriculture and forestry	11,214	9,807	11,140
7,047	7,069	7,095	Fisheries and hunting	7,123	7,086	7,075
2,324	1,949	1,864	Sea farming industries	2,179	2,194	2,656
2,563	2,259	2,736	Manufacturing	3,321	2,856	3,150
4,370	3,287	4,923	Construction, power and water supply	6,086	4,266	5,526
2,976	2,783	3,129	Retail trade, hotels and restaurants	3,872	3,212	3,632
5,382	5,067	5,700	Maritime sector	5,700	5,067	5,382
18,722	17,468	19,587	Property management	19,703	17,570	18,840
3,561	4,649	3,817	Business services	4,635	5,207	4,312
5,327	5,500	5,102	Transport and other services provision	6,182	6,448	6,375
1	2	3	Public administration	37	32	35
1,343	1,280	1,142	Other sectors	1,094	1,223	1,288
<b>64,322</b>	<b>60,759</b>	<b>65,872</b>	<b>Gross loans in Corporate market</b>	<b>71,146</b>	<b>64,966</b>	<b>69,411</b>
134,841	128,673	135,646	Wage earners	142,822	134,998	141,833
<b>199,163</b>	<b>189,432</b>	<b>201,518</b>	<b>Gross loans incl. SB1 Boligkreditt /SB1 Næringskreditt</b>	<b>213,967</b>	<b>199,965</b>	<b>211,244</b>
56,876	51,233	59,054	of which SpareBank 1 Boligkreditt	59,054	51,233	56,876
1,739	1,709	1,732	of which SpareBank 1 Næringskreditt	1,732	1,709	1,739
<b>140,549</b>	<b>136,490</b>	<b>140,731</b>	<b>Total Gross loans to and receivables from customers</b>	<b>153,181</b>	<b>147,023</b>	<b>152,629</b>
890	1,098	784	- Loan loss allowance on amortised cost loans	870	1,162	972
109	87	102	- Loan loss allowance on loans at FVOCI	102	87	109
<b>139,550</b>	<b>135,306</b>	<b>139,845</b>	<b>Net loans to and receivables from customers</b>	<b>152,208</b>	<b>145,773</b>	<b>151,549</b>

## Note 6 - Losses on loans and guarantees

	Jan - Mar								
	2023			2022			2022		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
<b>Parent Bank (NOKm)</b>									
Change in provision for expected credit losses	6	-93	-87	-6	-13	-18	29	-97	-68
Actual loan losses on commitments exceeding provisions made	5	7	11	1	18	19	7	38	45
Recoveries on commitments previously written-off	-2	-1	-2	-2	-3	-5	-7	-7	-14
<b>Losses for the period on loans and guarantees</b>	<b>9</b>	<b>-86</b>	<b>-77</b>	<b>-7</b>	<b>3</b>	<b>-4</b>	<b>29</b>	<b>-66</b>	<b>-37</b>
	Jan - Mar								
	2023			2022			2022		
	RM	CM	Total	RM	CM	Total	RM	CM	Total
<b>Group (NOKm)</b>									
Change in provision for expected credit losses	8	-91	-83	-5	-12	-16	38	-86	-48
Actual loan losses on commitments exceeding provisions made	5	9	14	2	20	22	13	45	58
Recoveries on commitments previously written-off	-2	-1	-2	-2	-3	-5	-7	-10	-17
<b>Losses for the period on loans and guarantees</b>	<b>11</b>	<b>-82</b>	<b>-71</b>	<b>-5</b>	<b>5</b>	<b>-0</b>	<b>44</b>	<b>-51</b>	<b>-7</b>

## Note 7 - Losses

Parent Bank (NOKm)	1 Jan 23	Change in provision	Net write-offs /recoveries	31 Mar 23
Loans as amortised cost- CM	921	-93	-	828
Loans as amortised cost- RM	35	7	-3	39
Loans at fair value over OCI- RM	147	-1	-	146
Loans at fair value over OCI- CM	2	0	-	2
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,106</b>	<b>-87</b>	<b>-3</b>	<b>1,015</b>
<b>Presented as</b>				
Provision for loan losses	999	-109	-3	887
Other debt- provisons	67	17	-	83
Other comprehensive income - fair value adjustment	40	5	-	45

Parent Bank (NOKm)	1 Jan 22	Change in provision	Net write-offs /recoveries	31 Mar 22
Loans as amortised cost- CM	1,298	-13	-149	1,137
Loans as amortised cost- RM	31	6	-4	32
Loans at fair value over OCI- RM	128	-11	-	116
Loans at fair value over OCI- CM	1	-0	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,458</b>	<b>-18</b>	<b>-153</b>	<b>1,286</b>
<b>Presented as</b>				
Provision for loan losses	1,348	-10	-153	1,185
Other debt- provisons	79	-7	-	71
Other comprehensive income - fair value adjustment	31	-1	-	30

Parent Bank (NOKm)	1 Jan 22	Change in provision	Net write-offs /recoveries	31 Dec 22
Loans as amortised cost- CM	1,298	-98	-278	921
Loans as amortised cost- RM	31	10	-5	35
Loans at fair value over OCI- RM	128	19	-	147
Loans at fair value over OCI- CM	1	1	-	2
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,458</b>	<b>-68</b>	<b>-284</b>	<b>1,106</b>
<b>Presented as</b>				
Provision for loan losses	1,348	-65	-284	999
Other debt- provisons	79	-12	-	67
Other comprehensive income - fair value adjustment	31	9	-	40

Group (NOKm)	1 Jan 23	Change in provision	Net write-offs /recoveries	31 Mar 23
Loans as amortised cost- CM	976	-91	-	885
Loans as amortised cost- RM	63	9	-3	69
Loans at fair value over OCI- RM	147	-1	-	146
Loans at fair value over OCI- CM	2	0	-	2
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,188</b>	<b>-83</b>	<b>-3</b>	<b>1,101</b>
<b>Presented as</b>				
Provision for loan losses	1,081	-105	-3	973
Other debt- provisons	67	17	-	83
Other comprehensive income - fair value adjustment	40	5	-	

Group (NOKm)	1 Jan 22	Change in provision	Net write-offs /recoveries	31 Mar 22
Loans as amortised cost- CM	1,343	-12	-149	1,182
Loans as amortised cost- RM	49	7	-4	51
Loans at fair value over OCI- RM	128	-11	-	116
Loans at fair value over OCI- CM	1	-0	-	1
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,520</b>	<b>-17</b>	<b>-153</b>	<b>1,351</b>
<b>Presented as</b>				
Provision for loan losses	1,410	-8	-153	1,249
Other debt- provisons	79	-7	-	71
Other comprehensive income - fair value adjustment	31	-1	-	30

Group (NOKm)	1 Jan 22	Change in provision	Net write-offs /recoveries	31 Dec 22
Loans as amortised cost- CM	1,343	-88	-280	976
Loans as amortised cost- RM	49	19	-5	63
Loans at fair value over OCI- RM	128	19	-	147
Loans at fair value over OCI- CM	1	1	-	2
<b>Provision for expected credit losses on loans and guarantees</b>	<b>1,520</b>	<b>-48</b>	<b>-285</b>	<b>1,188</b>
<b>Presented as</b>				
Provision for loan losses	1,410	-45	-285	1,081
Other debt- provisons	79	-12	-	67
Other comprehensive income - fair value adjustment	31	9	-	40

**Accrual for losses on loans**

Parent Bank (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail market</b>												
Opening balance	46	93	42	181	39	82	36	156	39	82	36	156
Transfer to (from) stage 1	20	-20	-0	-	15	-15	-0	-	18	-18	-0	-
Transfer to (from) stage 2	-3	3	-0	-	-2	2	-0	-	-2	2	-0	-
Transfer to (from) stage 3	-0	-5	5	-	-0	-5	5	-	-0	-6	6	-
Net remeasurement of loss allowances	-21	18	5	2	-16	12	0	-4	-24	20	7	4
Originations or purchases	8	2	1	11	5	4	1	10	17	24	4	45
Derecognitions	-6	-9	-3	-18	-3	-8	-2	-13	-12	-24	-3	-39
Changes due to changed input assumptions	6	7	-4	9	-0	2	-2	0	9	13	-2	20
Actual loan losses	0	0	-3	-3	-	-	-4	-4	0	0	-5	-5
Closing balance	51	89	43	182	38	74	34	146	46	93	42	181
<b>Corporate Market</b>												
Opening balance	138	298	421	858	84	268	871	1,223	84	268	871	1,223
Transfer to (from) stage 1	28	-27	-0	-	20	-20	-0	-	75	-74	-1	-
Transfer to (from) stage 2	-4	14	-10	-	-2	2	-	-	-5	97	-92	-
Transfer to (from) stage 3	-1	-2	3	-	-1	-3	4	-	-1	-3	4	-
Net remeasurement of loss allowances	-31	-56	-20	-107	38	19	-12	45	-67	-35	-66	-168
Originations or purchases	18	1	-	19	25	8	2	35	49	34	4	87
Derecognitions	-13	-15	-3	-32	-6	-10	-15	-31	-33	-31	-24	-88
Changes due to changed input assumptions	7	5	-	12	-55	-6	6	-54	37	41	4	83
Actual loan losses	-	-	-	-	-	-	-149	-149	-	-	-278	-278
Closing balance	141	218	391	750	104	258	708	1,069	138	298	421	858
<b>Total accrual for loan losses</b>	<b>192</b>	<b>306</b>	<b>434</b>	<b>932</b>	<b>142</b>	<b>332</b>	<b>741</b>	<b>1,215</b>	<b>184</b>	<b>391</b>	<b>463</b>	<b>1,039</b>



Group (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail market</b>												
Opening balance	55	107	47	209	45	89	40	174	45	89	40	174
Transfer to (from) stage 1	21	-21	-0	-	16	-16	-0	-	20	-20	-0	-
Transfer to (from) stage 2	-3	3	-0	-	-2	2	-0	-	-3	3	-1	-
Transfer to (from) stage 3	-0	-6	6	-	-0	-5	5	-	-0	-7	7	-
Net remeasurement of loss allowances	-21	-21	-6	7	-16	15	1	-1	-24	25	8	9
Originations or purchases	10	2	1	13	7	5	1	12	22	30	4	56
Derecognitions	-6	-10	-3	-19	-4	-8	-2	-14	-13	-26	-4	-43
Changes due to changed input assumptions	5	5	-4	6	-1	2	-3	-2	8	13	-3	18
Actual loan losses	-	-	-3	-3	-	-	-4	-4	-	-	-5	-5
Closing balance	60	103	49	212	45	82	38	165	55	107	47	209
<b>Corporate Market</b>												
Opening balance	151	311	450	912	94	278	896	1,268	94	278	896	1,268
Transfer to (from) stage 1	29	-28	-0	-	21	-21	-0	-	77	-76	-1	-
Transfer to (from) stage 2	-5	15	-10	-	-2	2	-0	-	-7	99	-92	-
Transfer to (from) stage 3	-1	-3	4	-	-1	-3	4	-	-2	-3	4	-
Net remeasurement of loss allowances	-29	-53	-19	-101	39	20	-11	48	-68	-30	-47	-145
Originations or purchases	2	0	1	3	27	8	2	37	55	35	5	95
Derecognitions	-14	-16	-3	-33	-6	-11	-16	-33	-34	-33	-26	-93
Changes due to changed input assumptions	7	4	-6	5	-55	-7	6	-56	35	40	-8	67
Actual loan losses	-	-	-	-	-	-	-149	-149	-	-	-280	-280
Closing balance	158	231	417	806	115	268	732	1,115	151	311	450	912
<b>Total accrual for loan losses</b>	<b>219</b>	<b>334</b>	<b>465</b>	<b>1,018</b>	<b>160</b>	<b>350</b>	<b>770</b>	<b>1,279</b>	<b>206</b>	<b>418</b>	<b>497</b>	<b>1,121</b>

## Accrual for losses on guarantees and unused credit lines

Parent Bank and Group (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Opening balance	24	34	9	67	19	55	5	79	19	55	5	79
Transfer to (from) stage 1	1	-1	-0	-	1	-1	-0	-	16	-16	-0	-
Transfer to (from) stage 2	-0	0	-0	-	-0	0	-0	-	-1	1	-0	-
Transfer to (from) stage 3	-0	-0	0	-	-0	-0	0	-	-0	-0	1	-
Net remeasurement of loss allowances	-4	11	4	12	2	-5	0	-2	-16	-3	3	-15
Originations or purchases	-	-	-	-	5	1	0	6	12	6	0	18
Derecognitions	-1	-3	-0	-4	-1	-5	-0	-6	-4	-12	-0	-16
Changes due to changed input assumptions	2	-4	-	-2	-5	-1	0	-5	-3	3	0	1
Actual loan losses	-	-	-	-	-	-	-	-	-	-	-	-
<b>Closing balance</b>	<b>31</b>	<b>39</b>	<b>13</b>	<b>83</b>	<b>21</b>	<b>45</b>	<b>5</b>	<b>71</b>	<b>24</b>	<b>34</b>	<b>9</b>	<b>67</b>
Of which												
Retail market				3				3				1
Corporate Market				81				68				66

## Provision for credit losses specified by industry

Parent Bank (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	3	33	18	54	2	31	8	41	4	38	18	60
Fisheries and hunting	13	8	-	21	9	10	0	19	11	12	0	23
Sea farming industries	2	1	1	4	1	0	1	2	3	1	1	5
Manufacturing	9	39	5	53	5	31	11	47	9	47	2	58
Construction, power and water supply	39	12	6	57	13	14	8	35	26	22	11	59
Retail trade, hotels and restaurants	9	20	14	42	10	28	11	49	16	14	1	32
Maritime sector	12	20	0	32	22	109	409	539	19	117	184	320
Property management	1	3	12	16	24	45	30	99	34	55	28	117
Business services	44	86	195	324	14	14	221	249	13	24	177	214
Transport and other services	15	37	158	210	7	8	18	33	9	11	16	36
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	0	0	-	0	0	0	-	0	0	0	0	0
Wage earners	0	49	25	74	3	42	25	70	1	50	25	75
Total provision for losses on loans	146	306	434	887	111	332	741	1,185	144	391	463	999
loan loss allowance on loans at FVOCI	45			45	30			30	40			40
<b>Total loan loss allowance</b>	<b>192</b>	<b>306</b>	<b>434</b>	<b>932</b>	<b>142</b>	<b>332</b>	<b>741</b>	<b>1,215</b>	<b>184</b>	<b>391</b>	<b>463</b>	<b>1,039</b>

Group (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Agriculture and forestry	4	35	19	58	3	32	9	44	5	40	19	64
Fisheries and hunting	13	8	0	21	9	10	0	19	11	12	0	23
Sea farming industries	4	1	1	6	2	1	1	4	4	1	4	9
Manufacturing	13	43	11	67	8	34	16	57	11	50	8	70
Construction, power and water supply	43	15	12	69	16	16	11	44	30	25	16	71
Retail trade, hotels and restaurants	10	21	15	46	12	28	19	59	17	15	2	34
Maritime sector	12	20	0	32	22	109	409	539	19	117	184	320
Property management	1	3	13	17	25	45	30	100	35	55	29	118
Business services	46	87	203	336	15	16	225	256	15	25	184	224
Transport and other services	18	42	162	222	10	10	21	41	12	16	21	49
Public administration	0	-	-	0	0	-	-	0	0	0	0	0
Other sectors	0	0	0	0	0	0	-	0	0	0	0	0
Wage earners	8	61	30	99	8	49	29	86	8	61	29	99
Total provision for losses on loans	173	334	465	973	130	350	770	1,249	166	418	497	1,081
loan loss allowance on loans at FVOCI	45			45	30			30	40			40
<b>Total loan loss allowance</b>	<b>219</b>	<b>334</b>	<b>465</b>	<b>1,018</b>	<b>160</b>	<b>350</b>	<b>770</b>	<b>1,279</b>	<b>206</b>	<b>418</b>	<b>497</b>	<b>1,121</b>

## Note 8 - Gross Loans

Parent Bank (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail Market</b>												
Opening balance	80,994	3,962	527	85,484	82,299	3,892	444	86,636	82,299	3,892	444	86,636
Transfer to stage 1	1,061	-1,048	-14	-	1,034	-1,022	-12	-	1,075	-1,060	-15	-
Transfer to stage 2	-1,003	1,010	-7	-	-968	968	-0	-	-1,403	1,411	-8	-
Transfer to stage 3	-2	-95	97	-	-19	-115	133	-	-32	-119	150	-
Net increase/decrease amount existing loans	-973	-33	-2	-1,007	-1,224	-50	-32	-1,306	-2,501	-106	-15	-2,623
New loans	11,257	205	49	11,511	12,643	234	30	12,906	38,691	1,418	120	40,229
Derecognitions	-11,250	-489	-59	-11,798	-13,820	-502	-33	-14,355	-37,136	-1,473	-137	-38,746
Financial assets with actual loan losses	0	0	-8	-8	-	-	-6	-6	-0	-1	-11	-12
Closing balance	80,085	3,514	583	84,181	79,946	3,406	523	83,875	80,994	3,962	527	85,484
<b>Corporate Market</b>												
Opening balance	43,127	5,883	1,346	50,356	38,359	5,186	2,656	46,201	38,359	5,186	2,656	46,201
Transfer to stage 1	791	-787	-4	-	201	-198	-3	-	1,839	-1,820	-19	-
Transfer to stage 2	-625	700	-76	-	-555	555	-0	-	-1,699	2,606	-908	-
Transfer to stage 3	-11	-16	27	-	-66	-73	139	-	-67	-72	139	-
Net increase/decrease amount existing loans	106	-66	2	42	390	-83	-13	294	-731	-257	-3	-990
New loans	4,732	30	47	4,810	5,932	261	78	6,271	17,124	1,661	86	18,872
Derecognitions	-3,147	-162	-50	-3,360	-3,805	-404	-283	-4,492	-11,697	-1,415	-514	-13,625
Financial assets with actual loan losses	0	0	-5	-5	0	0	-31	-31	-3	-8	-91	-102
Closing balance	44,972	5,582	1,288	51,843	40,455	5,244	2,543	48,242	43,127	5,883	1,346	50,356
Fixed interest loans at FV	4,707			4,707	4,373			4,373	4,709	-	-	4,709
<b>Total gross loans at the end of the period</b>	<b>129,764</b>	<b>9,096</b>	<b>1,872</b>	<b>140,731</b>	<b>124,774</b>	<b>8,651</b>	<b>3,066</b>	<b>136,490</b>	<b>128,830</b>	<b>9,845</b>	<b>1,874</b>	<b>140,549</b>

Group (NOKm)	31 Mar 2023				31 Mar 2022				31 Dec 2022			
	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
<b>Retail Market</b>												
Opening balance	86,972	4,901	635	92,508	87,577	4,612	531	92,721	87,577	4,612	531	92,721
Transfer to stage 1	1,180	-1,167	-14	-	1,141	-1,128	-12	-	1,278	-1,261	-17	-
Transfer to stage 2	-1,219	1,229	-10	-	-1,147	1,150	-2	-	-1,771	1,784	-13	-
Transfer to stage 3	-5	-120	124	-	-21	-129	149	-	-40	-151	190	-
Net increase/decrease amount existing loans	-902	-40	-3	-944	-1,067	-59	-32	-1,158	-2,177	-170	-25	-2,372
New loans	12,195	229	50	12,474	13,427	248	40	13,715	41,570	1,801	129	43,500
Derecognitions	-11,990	-581	-69	-12,640	-14,473	-582	-61	-15,117	-39,465	-1,714	-150	-41,329
Financial assets with actual loan losses	-0	-	-8	-8	-	-	-6	-6	-0	-1	-11	-12
Closing balance	86,232	4,451	705	91,389	85,436	4,113	606	90,155	86,972	4,901	635	92,508
<b>Corporate Market</b>												
Opening balance	47,621	6,460	1,410	55,491	41,855	5,768	2,759	50,382	41,855	5,768	2,759	50,382
Transfer to stage 1	846	-834	-12	-	250	-235	-15	-	2,090	-2,045	-45	-
Transfer to stage 2	-684	760	-76	-	-618	620	-2	-	-2,042	2,959	-917	-
Transfer to stage 3	-16	-41	57	-	-70	-80	149	-	-97	-88	185	-
Net increase/decrease amount existing loans	119	-68	1	52	419	-86	-14	319	-761	-329	-13	-1,104
New loans	5,242	41	50	5,333	6,390	268	94	6,752	19,085	1,751	109	20,945
Derecognitions	-3,431	-211	-66	-3,708	-4,078	-467	-304	-4,849	-12,507	-1,546	-577	-14,629
Financial assets with actual loan losses	0	0	-4	-4	0	0	-31	-31	-3	-8	-91	-102
Balance at 31 December	49,696	6,108	1,359	57,163	44,148	5,788	2,636	52,573	47,621	6,460	1,410	55,491
Closing balance												
Fixed interest loans at FV	4,629			4,629	4,295			4,295	4,631			4,631
<b>Total gross loans at the end of the period</b>	<b>140,557</b>	<b>10,559</b>	<b>2,065</b>	<b>153,181</b>	<b>133,879</b>	<b>9,901</b>	<b>3,243</b>	<b>147,023</b>	<b>139,224</b>	<b>11,361</b>	<b>2,044</b>	<b>152,629</b>

## Note 9 - Distribution of customer deposits by sector/industry

Parent Bank			(NOKm)	Group		
31 Dec 2022	31 Mar 2022	31 Mar 2023		31 Mar 2023	31 Mar 2022	31 Dec 2022
2,159	2,453	2,747	Agriculture and forestry	2,747	2,453	2,159
1,366	1,487	1,464	Fisheries and hunting	1,464	1,487	1,366
644	789	774	Sea farming industries	774	789	644
2,881	2,255	2,880	Manufacturing	2,880	2,255	2,881
5,534	4,552	4,952	Construction, power and water supply	4,952	4,552	5,534
6,065	5,452	4,976	Retail trade, hotels and restaurants	4,976	5,452	6,065
1,198	1,006	1,265	Maritime sector	1,265	1,006	1,198
5,645	5,913	5,810	Property management	5,738	5,855	5,577
13,036	12,452	13,225	Business services	13,225	12,452	13,036
9,364	9,598	9,912	Transport and other services provision	9,417	9,158	8,856
21,690	19,242	23,301	Public administration	23,301	19,242	21,690
4,800	3,929	3,952	Other sectors	3,846	3,762	4,687
<b>74,383</b>	<b>69,127</b>	<b>75,259</b>	<b>Total</b>	<b>74,586</b>	<b>68,463</b>	<b>73,693</b>
48,316	45,590	48,943	Wage earners	48,943	45,590	48,316
<b>122,699</b>	<b>114,717</b>	<b>124,202</b>	<b>Total deposits</b>	<b>123,529</b>	<b>114,053</b>	<b>122,010</b>



## Note 10 - Net interest income

Parent bank			(NOKm)	Group		
2022	2022	2023		2023	2022	2022
			<b>Interest income</b>			
435	59	183	Interest income from loans to and claims on central banks and credit institutions (amortised cost)	77	24	212
2,814	565	981	Interest income from loans to and claims on customers (amortised cost)	1,207	707	3,483
1,879	368	725	Interest income from loans to and claims on customers (FVOCI)	725	368	1,879
125	28	33	Interest income from loans to and claims on customers (FVPL)	33	28	125
599	96	320	Interest income from money market instruments, bonds and other fixed income securities	319	95	595
-	-	-	Other interest income	6	5	22
<b>5,852</b>	<b>1,115</b>	<b>2,243</b>	<b>Total interest income</b>	<b>2,367</b>	<b>1,227</b>	<b>6,315</b>
			<b>Interest expense</b>			
260	30	126	Interest expenses on liabilities to credit institutions	126	30	260
1,524	225	696	Interest expenses relating to deposits from and liabilities to customers	689	223	1,508
1,035	179	462	Interest expenses related to the issuance of securities	462	179	1,035
66	11	24	Interest expenses on subordinated debt	25	11	68
7	2	2	Other interest expenses	9	4	26
79	20	21	Guarantee fund levy	21	20	79
<b>2,972</b>	<b>467</b>	<b>1,331</b>	<b>Total interest expense</b>	<b>1,332</b>	<b>468</b>	<b>2,977</b>
<b>2,880</b>	<b>648</b>	<b>911</b>	<b>Net interest income</b>	<b>1,035</b>	<b>759</b>	<b>3,339</b>

## Note 11 - Net commission income and other income

Parent bank			Group			
Jan - Mar			Jan - Mar			
2022	2022	2023	(NOKm)	2023	2022	2022
<b>Commission income</b>						
77	20	18	Guarantee commission	18	20	77
-	-	-	Broker commission	64	61	267
44	10	11	Portfolio commission, savings products	11	10	44
256	84	57	Commission from SpareBank 1 Boligkreditt	57	84	256
16	4	3	Commission from SpareBank 1 Næringskreditt	3	4	16
475	103	113	Payment transmission services	112	102	471
236	57	61	Commission from insurance services	61	57	236
88	21	18	Other commission income	16	19	80
<b>1,192</b>	<b>299</b>	<b>281</b>	<b>Total commission income</b>	<b>341</b>	<b>358</b>	<b>1,446</b>
<b>Commission expenses</b>						
80	18	23	Payment transmission services	24	18	80
11	2	3	Other commission expenses	26	24	105
<b>90</b>	<b>20</b>	<b>26</b>	<b>Total commission expenses</b>	<b>50</b>	<b>42</b>	<b>186</b>
<b>Other operating income</b>						
30	13	9	Operating income real property	10	13	32
-	-	-	Property administration and sale of property	42	33	151
-	-	-	Accountant's fees	188	156	564
25	3	7	Other operating income	10	5	34
<b>55</b>	<b>17</b>	<b>16</b>	<b>Total other operating income</b>	<b>249</b>	<b>206</b>	<b>781</b>
<b>1,156</b>	<b>296</b>	<b>271</b>	<b>Total net commission income and other operating income</b>	<b>541</b>	<b>522</b>	<b>2,042</b>

## Note 12 - Operating expenses

Parent bank				Group		
Jan - Mar				Jan - Mar		
2022	2022	2023	(NOKm)	2023	2022	2022
304	76	92	IT costs	106	89	355
11	3	3	Postage and transport of valuables	4	4	14
59	14	17	Marketing	23	19	86
77	19	23	Ordinary depreciation	29	29	117
46	21	13	Operating expenses, real properties	16	22	55
188	42	43	Purchased services	53	52	217
156	33	90	Other operating expense *)	99	40	195
<b>841</b>	<b>208</b>	<b>280</b>	<b>Total other operating expenses</b>	<b>330</b>	<b>255</b>	<b>1,038</b>

\*) In the first quarter of 2023, an operational loss under other operating expenses of NOK 51 million has been expensed in connection with the embezzlement case.

On 19 January SpareBank 1 SMN reported a hired replacement employee to the police for gross embezzlement. The matter was brought to light by the bank's own control systems. The embezzlement totals NOK 75m. The accused returned about NOK 9m to SpareBank 1 SMN before his arrest. The net amount taken out of SpareBank 1 SMN is accordingly just over NOK 66m. NOK 15m was returned to the bank from the police after being placed in safekeeping. SpareBank 1 SMN has insurance cover against economic crime, including embezzlement. The claim against the insurer is a contingent asset under IAS 37 which is not recognised as income since the standard requires an absence of all uncertainty as to the claim settlement before recognition can take place. The insurance policy carries a deductible of NOK 5m.

## Note 13 - Net return on financial investments

Parent Bank				Group		
Jan - Mar				Jan - Mar		
2022	2022	2023	(NOKm)	2023	2022	2022
			Valued at fair value through profit/loss			
-433	-203	-33	Value change in interest rate instruments	-33	-203	-283
			Value change in derivatives/hedging			
-6	-0	9	Net value change in hedged bonds and derivatives*	9	-0	-6
12	-3	-24	Net value change in hedged fixed rate loans and derivatives	-24	-3	12
301	171	-57	Other derivatives	-57	171	332
			Income from equity instruments			
			Income from owner interests	125	62	705
726	60	-	Dividend from owner instruments			
8	4	5	Value change and gain/loss on owner instruments	2	4	13
6	3	4	Dividend from equity instruments	2	2	22
-4	3	11	Value change and gain/loss on equity instruments	-18	133	163
610	34	-85	Total net income from financial assets and liabilities at fair value through profit/(loss)	5	166	959
			Valued at amortised cost			
-2	-0	-1	Value change in interest rate instruments held to maturity	-1	-0	-2
-2	-0	-1	Total net income from financial assets and liabilities at amortised cost	-1	-0	-2
72	10	24	Total net gain from currency trading	24	10	70
680	43	-62	Total net return on financial investments	28	175	1,026
* Fair value hedging						
-664	-824	185	Changes in fair value on hedging instrument	185	-824	-664
657	824	-176	Changes in fair value on hedging item	-176	824	657
-6	-0	9	Net Gain or Loss from hedge accounting	9	-0	-6

## Note 14 - Other assets

Parent Bank			(NOKm)	Group		
31 Dec 2022	31 Mar 2022	31 Mar 2023		31 Mar 2023	31 Mar 2022	31 Dec 2022
-	3	-	Deferred tax asset	5	87	5
117	99	114	Fixed assets	227	223	232
223	255	275	Right to use assets	410	477	325
87	119	143	Earned income not yet received	192	183	104
262	974	1,780	Accounts receivable, securities	1,780	1,752	262
240	62	240	Pension assets	240	62	240
1,164	338	694	Other assets	953	600	1,387
<b>2,092</b>	<b>1,851</b>	<b>3,246</b>	<b>Total other assets</b>	<b>3,808</b>	<b>3,384</b>	<b>2,555</b>

## Note 15 - Other liabilities

Parent Bank					Group		
31 Dec 2022	31 Mar 2022	31 Mar 2023	(NOKm)		31 Mar 2023	31 Mar 2022	31 Dec 2022
72	-	72	Deferred tax		127	56	127
611	322	527	Payable tax		602	367	705
13	12	13	Capital tax		13	12	13
97	407	265	Accrued expenses and received, non-accrued income		574	932	388
427	542	619	Provision for accrued expenses and commitments		619	542	427
66	71	83	Losses on guarantees and unutilised credits		83	71	66
6	8	6	Pension liabilities		6	8	6
233	265	285	Lease liabilities		421	492	339
97	57	109	Drawing debt		109	57	97
73	240	81	Creditors		159	377	116
176	1,330	972	Debt from securities		966	1,940	176
-	-	-	Equity Instruments		-	-0	-
196	1,986	1,139	Other liabilities		1,201	2,177	265
<b>2,067</b>	<b>5,239</b>	<b>4,169</b>	<b>Total other liabilities</b>		<b>4,880</b>	<b>7,030</b>	<b>2,725</b>



## Note 16 - Debt created by issue of securities and subordinated debt

## Group

	31 Dec 2022	Issued	Fallen due/ Redeemed	Other changes	31 Mar 2023
<b>Change in securities debt (NOKm)</b>					
Bond debt, nominal value	42,532	72	1,227	2,189	43,567
Senior non preferred, nominal value	7,100	784	-	-10	7,874
Value adjustments	-2,438	-	-	26	-2,412
Accrued interest	280	-	-	52	332
<b>Total</b>	<b>47,474</b>	<b>857</b>	<b>1,227</b>	<b>2,257</b>	<b>49,361</b>

	31 Dec 2022	Issued	Fallen due/ Redeemed	Other changes	31 Mar 2023
<b>Change in subordinated debt and hybrid equity (NOKm)</b>					
Ordinary subordinated loan capital, nominal value	2,043	-	-	-	2,043
Value adjustments	-	-	-	-	-
Accrued interest	16	-	-	-	16
<b>Total</b>	<b>2,058</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,058</b>

## Note 17 - Measurement of fair value of financial instruments

Financial instruments at fair value are classified at various levels.

### Level 1: Valuation based on quoted prices in an active market

Fair value of financial instruments that are traded in the active markets is based on market price on the balance sheet date. A market is considered active if market prices are easily and regularly available from a stock exchange, dealer, broker, industry group, price-setting service or regulatory authority, and these prices represent actual and regularly occurring market transactions at an arm's length. This category also includes quoted shares and Treasury bills.

### Level 2: Valuation based on observable market data

Level 2 consists of instruments that are valued by the use of information that does not consist in quoted prices, but where the prices are directly or indirectly observable for the assets or liabilities concerned, and which also include quoted prices in non-active markets.

### Level 3: Valuation based on other than observable data

If valuation data are not available for level 1 and 2, valuation methods are applied that are based on non-observable information.

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2023:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	7,073	-	7,073
- Bonds and money market certificates	4,576	39,754	-	44,330
- Equity instruments	158	120	548	826
- Fixed interest loans	-	-	4,628	4,628
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	80,843	80,843
<b>Total assets</b>	<b>4,734</b>	<b>46,947</b>	<b>86,019</b>	<b>137,699</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	-	7,792	-	7,792
- Equity instruments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>7,792</b>	<b>-</b>	<b>7,792</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 March 2022:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	2	4,074	-	4,077
- Bonds and money market certificates	3,164	28,850	-	32,014
- Equity instruments	1,861	89	685	2,635
- Fixed interest loans	-	-	4,294	4,294
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	80,643	80,643
<b>Total assets</b>	<b>5,027</b>	<b>33,013</b>	<b>85,623</b>	<b>123,662</b>
Liabilities	Level 1	Level 2	Level 3	Total
Financial liabilities through profit/loss				
- Derivatives	0	5,147	-	5,147
- Equity instruments	-0	-	-	-0
<b>Total liabilities</b>	<b>-0</b>	<b>5,147</b>	<b>-</b>	<b>5,146</b>

The following table presents the Group's assets and liabilities measured at fair value at 31 December 2022:

Assets (NOKm)	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit/loss				
- Derivatives	-	6,804	-	6,804
- Bonds and money market certificates	3,721	34,352	-	38,073
- Equity instruments	140	130	570	840
- Fixed interest loans	-	-	4,630	4,630
Financial assets through other comprehensive income				
- Loans at fair value through other comprehensive income	-	-	81,901	81,901
<b>Total assets</b>	<b>3,861</b>	<b>41,285</b>	<b>87,102</b>	<b>132,248</b>
<b>Liabilities</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial liabilities through profit/loss				
- Derivatives	-	8,307	-	8,307
- Equity instruments	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>8,307</b>	<b>-</b>	<b>8,307</b>

The following table presents the changes in the instruments classified in level 3 as at 31 March 2023:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	570	4,630	81,901	87,101
Investment in the period	4	211	10,292	10,506
Disposals in the period	-3	-209	-11,356	-11,568
Expected credit loss	-	-	1	1
Gain or loss on financial instruments	-24	-4	5	-22
<b>Closing balance 31 March 2023</b>	<b>548</b>	<b>4,628</b>	<b>80,843</b>	<b>86,019</b>

The following table presents the changes in the instruments classified in level 3 as at 31 March 2022:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	564	4,198	83,055	87,817
Investment in the period	3	460	11,522	11,985
Disposals in the period	-2	-264	-13,944	-14,209
Expected credit loss	-	-	11	11
Gain or loss on financial instruments	120	-100	-1	19
<b>Closing balance 31 March 2022</b>	<b>685</b>	<b>4,294</b>	<b>80,643</b>	<b>85,623</b>

The following table presents the changes in the instruments classified in level 3 as at 31 December 2022:

(NOKm)	Equity instruments through profit/loss	Fixed interest loans	Loans at fair value through OCI	Total
Opening balance 1 January	564	4,198	83,055	87,817
Investment in period	17	1,355	36,461	37,834
Disposals in the period	-2	-752	-37,604	-38,358
Expected credit loss	-	-	-20	-20
Gain or loss on financial instruments	-8	-171	9	-171
<b>Closing balance 31 December</b>	<b>570</b>	<b>4,630</b>	<b>81,901</b>	<b>87,102</b>

### Valuation method

The valuation method applied is adapted to each financial instrument, and is intended to utilise as much of the information that is available in the market as possible.

The method for valuation of financial instruments in level 2 and 3 is described in the following:

#### *Fixed interest loans to customers (level 3)*

The loans consist for the most part of fixed interest loans denominated in Norwegian kroner. The value of the fixed interest loans is determined such that agreed interest flows are discounted over the term of the loan by a discount factor that is adjusted for margin requirements. The discount factor is raised by 10 points when calculating sensitivity.

#### *Loans at fair value through other comprehensive income (level 3)*

Property Loans at floating interest classified at fair value over other comprehensive income is valued based on nominal amount reduced by expected credit loss. Loans with no significant credit risk deterioration since first recognition is assessed at nominal amount. For loans with a significant increase in credit risk since first recognition or objective evidence of loss, the calculation of expected credit losses over the life of the asset is in line with loan losses for loans at amortised cost. Estimated fair value is the nominal amount reduced by expected lifetime credit loss. If the likelihood of the worst case scenario in the model is doubled, fair value is reduced by NOK 6 million.

#### *Short-term paper and bonds (level 2 and 3)*

Valuation on level 2 is based for the most part on observable market information in the form of interest rate curves, exchange rates and credit margins for the individual credit and the bond's or certificate's characteristics. For paper valued under level 3 the valuation is based on indicative prices from a third party or comparable paper.

#### *Equity instruments (level 3)*

Shares that are classified to level 3 include essentially investments in unquoted shares. Among other a total of NOK 474 million in Private Equity investments, property funds, hedge funds and unquoted shares through the company SpareBank SMN 1 Invest. The valuations are in all essentials based on reporting from managers of the funds who utilise cash flow based models or multiples when determining fair value. The Group does not have full access to information on all the elements in these valuations and is therefore unable to determine alternative assumptions.

#### *Financial derivatives (level 2)*

Financial derivatives at level 2 include for the most part currency futures and interest rate and exchange rate swaps. Valuation is based on observable interest rate curves. In addition the item includes derivatives related to FRAs. These are valued with a basis in observable prices in the market. Derivatives classified to level 2 also include equity derivatives related to SpareBank 1 Markets' market-making activities. The bulk of these derivatives refer to the most sold shares on Oslo Børs, and the valuation is based on the price of the actual /underlying share and observable or calculated volatility.

### Sensitivity analyses, level 3 as at 31 March 2023:

(NOKm)	Book value	Effect from change in reasonable possible alternative assumptions
Fixed interest loans	4,628	-13
Equity instruments through profit/loss*	548	-
Loans at fair value through other comprehensive income	80,843	-6

\* As described above, the information to perform alternative calculations are not available

## Note 18 - Liquidity risk

Liquidity risk is the risk that the group will be unable to refinance its debt or to finance asset increases. Liquidity risk management starts out from the group's overall liquidity strategy which is reviewed and adopted by the board of directors at least once each year. The liquidity strategy reflects the group's moderate risk profile.

The group reduces its liquidity risk through guidelines and limits designed to achieve a diversified balance sheet, both on the asset and liability side. Preparedness plans have been drawn up both for the group and the SpareBank 1 Alliance to handle the liquidity situation in periods of turbulent capital markets. The bank's liquidity situation is stress tested on a monthly basis using various maturities and crisis scenarios: bank-specific, for the financial market in general or a combination of internal and external factors. The group's objective is to survive twelve months of ordinary operations without access to fresh external funding while housing prices fall 30 per cent. In the same period minimum requirements to LCR shall be fulfilled.

The average residual maturity on debt created by issue of securities at the end of the first quarter 2023 was 3.2 years. The overall LCR at the same point was 194 per cent and the average overall LCR in the first quarter was 205 per cent. The LCR in Norwegian kroner and euro at quarter-end was 196 and 405 per cent respectively.

## Note 19 - Earnings per EC

ECC owners share of profit have been calculated based on net profit allocated in accordance to the average number of certificates outstanding in the period. There is no option agreements in relation to the Equity Capital certificates, diluted net profit is therefore equivalent to Net profit per ECC.

(NOKm)	Jan - Mar		
	2023	2022	2022
Adjusted Net Profit to allocate between ECC owners and Savings Bank Reserve 1)	711	646	2,692
Allocated to ECC Owners 2)	455	413	1,722
Issues Equity Capital Certificates adjusted for own certificates	129,357,116	129,387,872	129,339,665
<b>Earnings per Equity Capital Certificate</b>	<b>3.51</b>	<b>3.20</b>	<b>13.31</b>

1) Adjusted Net Profit	Jan - Mar		
	2023	2022	2022
Net Profit for the group	778	698	2,902
adjusted for non-controlling interests share of net profit	-33	-30	-160
Adjusted for Tier 1 capital holders share of net profit	-34	-21	-50
<b>Adjusted Net Profit</b>	<b>711</b>	<b>646</b>	<b>2,692</b>

2) Equity capital certificate ratio (parent bank) (NOKm)	31 Mar 2023	31 Mar 2022	31 Dec 2022
ECC capital	2,597	2,597	2,597
Dividend equalisation reserve	7,877	7,007	7,007
Premium reserve	895	895	895
Unrealised gains reserve	45	109	109
Other equity capital	3	-	-
<b>A. The equity capital certificate owners' capital</b>	<b>11,417</b>	<b>10,609</b>	<b>10,609</b>
Ownerless capital	6,408	5,918	5,918
Unrealised gains reserve	25	62	62
Other equity capital	2	-	-
<b>B. The saving bank reserve</b>	<b>6,435</b>	<b>5,980</b>	<b>5,980</b>
To be disbursed from gift fund	-	-	547
Dividend declared	-	-	970
<b>Equity ex. profit</b>	<b>17,852</b>	<b>16,588</b>	<b>18,106</b>
<b>Equity capital certificate ratio A/(A+B)</b>	<b>64.0 %</b>	<b>64.0 %</b>	<b>64.0 %</b>
<b>Equity capital certificate ratio for distribution</b>	<b>64.0 %</b>	<b>64.0 %</b>	<b>64.0 %</b>

## Results from quarterly accounts

Group (NOKm)	1Q 2023	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
Interest income effective interest method	2,367	2,136	1,605	1,346	1,227	1,107	1,026	1,025	1,012
Interest expenses	1,332	1,175	791	543	468	382	318	325	341
<b>Net interest</b>	<b>1,035</b>	<b>961</b>	<b>814</b>	<b>803</b>	<b>759</b>	<b>725</b>	<b>709</b>	<b>701</b>	<b>671</b>
Commission income	341	340	370	378	358	405	407	401	374
Commission expenses	50	45	52	46	42	47	47	41	41
Other operating income	249	178	173	223	206	163	162	213	193
<b>Commission income and other income</b>	<b>541</b>	<b>473</b>	<b>491</b>	<b>555</b>	<b>522</b>	<b>521</b>	<b>521</b>	<b>572</b>	<b>526</b>
Dividends	2	19	8	4	2	1	1	17	4
Income from investment in related companies	125	195	108	77	62	186	179	212	128
Net return on financial investments	-99	-52	-30	-123	111	-19	37	1	93
<b>Net return on financial investments</b>	<b>28</b>	<b>163</b>	<b>86</b>	<b>-43</b>	<b>175</b>	<b>168</b>	<b>217</b>	<b>230</b>	<b>224</b>
<b>Total income</b>	<b>1,604</b>	<b>1,597</b>	<b>1,391</b>	<b>1,316</b>	<b>1,456</b>	<b>1,414</b>	<b>1,447</b>	<b>1,503</b>	<b>1,422</b>
Staff costs	398	333	348	350	375	342	341	343	352
Other operating expenses	330	314	235	235	255	267	246	235	234
<b>Total operating expenses</b>	<b>728</b>	<b>646</b>	<b>583</b>	<b>585</b>	<b>629</b>	<b>609</b>	<b>586</b>	<b>579</b>	<b>586</b>
<b>Result before losses</b>	<b>875</b>	<b>951</b>	<b>808</b>	<b>731</b>	<b>827</b>	<b>805</b>	<b>861</b>	<b>924</b>	<b>836</b>
Loss on loans, guarantees etc.	-71	19	22	-48	-0	32	31	39	59
<b>Result before tax</b>	<b>946</b>	<b>932</b>	<b>785</b>	<b>779</b>	<b>827</b>	<b>773</b>	<b>830</b>	<b>885</b>	<b>777</b>
Tax charge	206	210	179	164	166	103	174	156	131
Result investment held for sale, after tax	38	46	10	87	37	33	19	26	122
<b>Net profit</b>	<b>778</b>	<b>768</b>	<b>617</b>	<b>702</b>	<b>698</b>	<b>703</b>	<b>675</b>	<b>755</b>	<b>768</b>



## Key figures from quarterly accounts

Group (NOKm)	1Q 2023	4Q 2022	3Q 2022	2Q 2022	1Q 2022	4Q 2021	3Q 2021	2Q 2021	1Q 2021
<b>Profitability</b>									
Return on equity per quarter <sup>1)</sup>	13.0%	13.1%	10.9%	12.9%	12.6%	12.7%	12.4%	14.3%	14.8%
Cost-income ratio <sup>1)</sup>	45 %	40 %	42 %	44 %	43 %	43 %	41 %	39 %	41 %
<b>Balance sheet figures</b>									
Gross loans to customers	153,181	152,629	150,247	148,681	147,023	147,301	143,972	141,935	137,471
Gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt	213,967	211,244	208,900	205,504	199,965	195,353	191,976	189,015	185,342
Deposit from customers	123,529	122,010	120,558	123,812	114,053	111,286	109,691	110,133	102,390
Total assets	228,207	223,312	218,918	217,458	207,027	198,845	200,124	200,426	193,822
Quarterly average total assets	225,759	221,115	218,188	212,243	202,936	199,492	200,275	197,124	190,867
Growth in loans incl. SB1 Boligkreditt and SB1 Næringskreditt last 12 months <sup>1)</sup>	1.3 %	1.1 %	1.7 %	2.8 %	2.4 %	1.8 %	1.6 %	2.0 %	1.4 %
Growth in deposits last 12 months	1.2 %	1.2 %	-2.6 %	8.6 %	2.5 %	1.5 %	-0.4 %	7.6 %	5.0 %
<b>Losses in % of gross loans incl. SB1 Boligkreditt and SB1 Næringskreditt</b>									
Impairment losses ratio <sup>1)</sup>	-0.13 %	0.04 %	0.04 %	-0.09 %	0.00 %	0.07 %	0.07 %	0.08 %	0.13 %
Stage 3 as a percentage of gross loans <sup>1)</sup>	0.96 %	0.97 %	1.02 %	1.08 %	1.62 %	1.68 %	1.80 %	1.87 %	1.66 %
<b>Solidity</b>									
Common equity Tier 1 capital ratio	18.2 %	18.9 %	19.2 %	18.8 %	18.3 %	18.0 %	18.1 %	18.3 %	18.0 %
Tier 1 capital ratio	20.1 %	20.9 %	20.8 %	20.4 %	19.8 %	19.6 %	19.7 %	20.0 %	19.7 %
Capital ratio	22.2 %	23.1 %	23.0 %	22.7 %	21.9 %	21.6 %	21.8 %	22.2 %	21.9 %
Tier 1 capital	21,985	21,835	21,252	20,547	19,797	19,322	19,265	19,011	18,636
Total eligible capital	24,298	24,147	23,546	22,910	21,839	21,333	21,338	21,105	20,741
Liquidity Coverage Ratio (LCR)	194 %	239 %	180 %	204 %	155 %	138 %	163 %	184 %	190 %
Leverage Ratio	6.9 %	7.1 %	7.3 %	6.9 %	7.0 %	6.9 %	6.9 %	7.0 %	7.0 %
<b>Key figures ECC</b>									
ECC share price at end of period (NOK)	123.60	127.40	111.40	115.80	141.20	149.00	129.80	119.20	107.40
Number of certificates issued, millions <sup>1)</sup>	129.43	129.29	129.29	129.31	129.39	129.39	129.39	129.36	129.22
Booked equity capital per ECC (NOK) <sup>1)</sup>	105.63	109.86	107.19	102.91	99.55	103.48	103.57	100.18	96.70
Profit per ECC, majority (NOK) <sup>1)</sup>	3.51	3.53	2.89	3.20	3.20	3.20	3.22	3.51	3.40
Price-Earnings Ratio (annualised) <sup>1)</sup>	8.79	9.02	9.62	9.06	11.05	11.65	10.09	8.50	7.91
Price-Book Value Ratio <sup>1)</sup>	1.17	1.16	1.04	1.13	1.42	1.44	1.25	1.19	1.11

<sup>1)</sup> Defined as alternative performance measures, see attachment to the quarterly report.

## Equity capital certificates

### Stock price compared with OSEBX and OSEEX

1 March 2021 to 31 March 2023

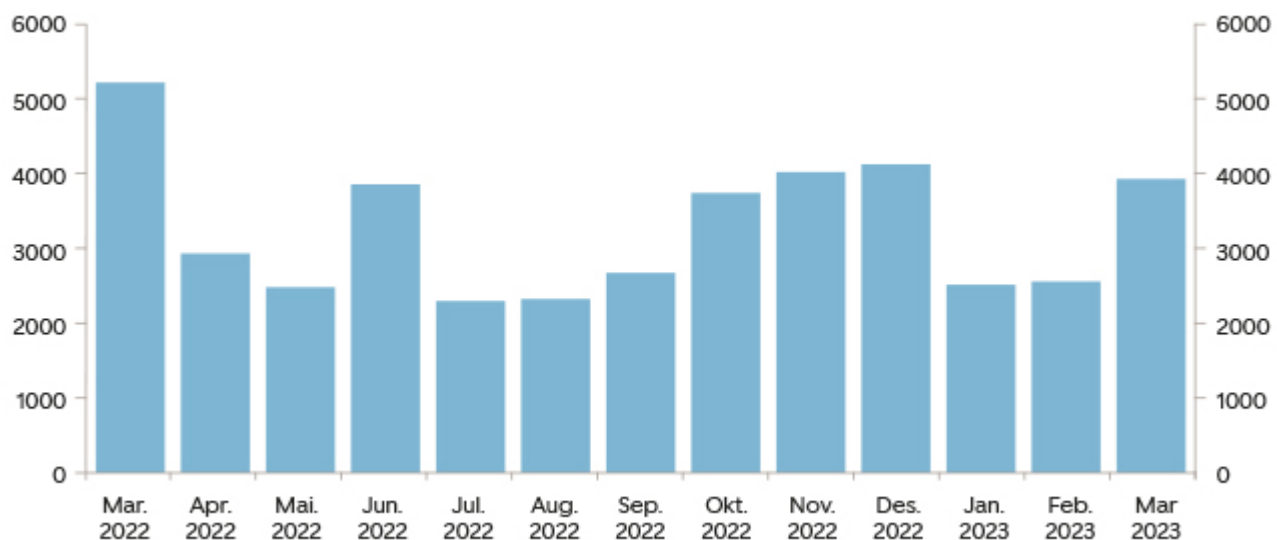


OSEBX = Oslo Stock Exchange Benchmark Index (rebased)

OSEEX = Oslo Stock Exchange ECC Index (rebased)

### Trading statistics

1 April 2022 to 31 March 2023



Total number of ECs traded (1000)

20 largest ECC holders	No. Of ECCs	Holding
Sparebankstiftelsen SMN	3,965,391	3.05 %
KLP	3,302,912	2.54 %
Pareto Aksje Norge VPF	3,081,093	2.37 %
VPF Odin Norge	2,987,707	2.30 %
VPF Eika Egenkapitalbevis	2,813,786	2.17 %
Pareto Invest Norge AS	2,790,803	2.15 %
J. P. Morgan Securities plc	2,635,011	2.03 %
J. P. Morgan Chase Bank, N.A., London	2,555,343	1.97 %
State Street Bank and Trust Comp	2,538,938	1.96 %
VPF Alfred Berg Gamba	2,269,698	1.75 %
VPF Nordea Norge	2,203,686	1.70 %
State Street Bank and Trust Comp	2,032,211	1.57 %
Danske Invest Norske Aksjer Institusjon II	2,027,190	1.56 %
Forsvarets personellservice	2,014,446	1.55 %
J. P. Morgan SE	1,802,526	1.39 %
Spesialfondet Borea Utbytte	1,773,713	1.37 %
RBC Investor Services Trust	1,586,047	1.22 %
VPF Holberg Norge	1,405,000	1.08 %
MP Pensjon PK	1,352,771	1.04 %
Morgan Stanley & Co. International	1,271,977	0.98 %
<b>The 20 largest ECC holders in total</b>	<b>46,410,249</b>	<b>35.75 %</b>
Others	83,426,194	64.25 %
<b>Total issued ECCs</b>	<b>129,836,443</b>	<b>100.00 %</b>

### Dividend policy

SpareBank 1 SMN aims to manage the Group's resources in such a way as to provide equity certificate holders with a good, stable and competitive return in the form of dividend and a rising value of the bank's equity certificate.

The net profit for the year will be distributed between the owner capital (the equity certificate holders) and the ownerless capital in accordance with their respective shares of the bank's total equity capital.

SpareBank 1 SMN's intention is that about one half of the owner capital's share of the net profit for the year should be disbursed in dividends and, similarly, that about one half of the owner capital's share of the net profit for the year should be disbursed as gifts or transferred to a foundation. This is on the assumption that capital adequacy is at a satisfactory level. When determining dividend payout, account will be taken of the profit trend expected in a normalised market situation, external framework conditions and the need for tier 1 capital.



To the Board of Sparebank 1 SMN

## Report on Review of Interim Financial Information

### Introduction

We have reviewed the accompanying consolidated interim balance sheet of Sparebank 1 SMN as of 31 March 2023, and the related consolidated income statement, the statement of changes in equity and the cash flow statement for the three-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation of this interim financial information that gives a true and fair view in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (ISAs), and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not, in all material respects, give a true and fair view of the financial position of the entity as at 31 March 2023, and of its financial performance and its cash flows for the three-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Trondheim, 9 May 2023

**PricewaterhouseCoopers AS**

Rune Kenneth S. Lædre  
State Authorised Public Accountant

*Note: This translation from Norwegian has been prepared for information purposes only.*