Quarterly report Q1 2023

Lea bank ASA

About Lea bank ASA

Lea bank is a leading digital niche bank with an international distribution platform. The strategy is to deliver attractive terms to customers, leading technological solutions, cost-effective operations, prudent credit risk management, and efficient capital utilization.

Lea bank offers unsecured loans and deposit products to the consumer market. The bank has lending operations in Norway, Finland, Sweden, and Spain and offers deposit products to customers in Norway, Germany, Spain, Austria, and France. The bank has access to euro deposits through a partnership with Raisin Bank.

Lea bank has a scalable European operation model and leading cloud-based IT solutions with a focus on delivering superior customer experiences.

By using automated loan processing and user-friendly digital products, Lea bank has gained a solid position among Nordic niche banks. The bank has developed a proprietary credit model and offers risk-based pricing to defined customer segments to optimize return on equity.

Lea bank is an independent bank with approximately 1,300 shareholders and is listed on Euronext Growth Oslo with the ticker symbol LEA.

Lea bank is a member of the Central Bank of Norway’s Deposit Guarantee Fund, Finans Norge, and Finansieringsselskapenes Forening. Deposits up to NOK 2 million are covered by the guarantee scheme fund. Deposits outside Norway are covered up to EUR 100,000.

The bank's headquarter is located at Holbergs gate 21 in Oslo.

Q1 2023 Results

The bank reported a profit before tax of NOK 36.4 million for Q1 2023, with aprofit after tax of NOK 27.6 million. Equity at the end of the quarter was NOK 1,381 million, and the annualized return on equity was 8.4% for the quarter.

Volume growth was strong during the last quarter, with gross loans to customers growing by NOK 390 million. The depreciation of NOK against EUR and SEK contributed to NOK 290 million of the growth being attributable to currency effects.

The bank continues to focus on effective operations, loan growth, and cost control in the quarter.

The financing cost has increased by 0.4 percentage points compared to the previous quarter, and the annualized financing cost on deposit products at the end of the quarter is at 1.8%.

The bank had a solid liquidity position at the end of the quarter, which is expected to continue.

The interim financial statement is not audited.

Income statement for Q1 2023

Profit before tax for Q1 2023 was NOK 36.4 million, compared to NOK 34.3 million in Q1 2022. Profit after tax for Q1 2023 was NOK 27.6 million, compared to NOK 25.9 million in Q1 2022.

Net interest income for the quarter was NOK 131.5 million, an increase of NOK 17.4 million compared to Q1 2022, and a decrease of NOK 0.2 million compared to the previous quarter. Total income was NOK 138.4 million, compared to NOK 118.3 million in the same quarter of 2022.

The net change in the value of liquidity holdings and currency effects resulted in a loss of NOK 0.8 million in the quarter, compared to a loss of NOK 0.9 million in Q1 2022. The market for liquidity placements has been positive due to increased underlying interest rates, however the quarter has also been affected by volatility in credit spreads as a result of the banking market turmoil in March. The bank takes positions to hedge currency risk, as a significant portion of the bank's lending is outside Norway. There have been significant movements in the currency market throughout the quarter, resulting in currency losses for the quarter.

Total operating expenses were 42.0 MNOK compared to 39.4 MNOK in the first quarter of last year.

Losses on loans were 60.0 MNOK compared to 44.6 MNOK in the first quarter of last year.

Balance sheet as of 31.03.2023

Loan development has been positive throughout the quarter, and gross loans amounted to 6,677 MNOK as of 31.03.2023, compared to 6,287 MNOK in the previous quarter and 5,486 MNOK as of 31.03.2022.

Total assets amounted to 7,920 MNOK as of 31.03.2023, compared to 6,891 MNOK as of 31.03.2022.

Deposits to customers amounted to 6,326 MNOK as of 31.03.2023, compared to 5,317 MNOK as of 31.03.2022. Total equity amounted to 1,381 MNOK, compared to 1,333 MNOK as of 31.03.2022. See note 4 for information on capital adequacy.

Deposits with other banks and liquid assets amounted to 1,537 MNOK. Liquid assets were invested in the Central Bank of Norway, other Norwegian banks, certificates and government bonds, and funds invested in preferred stock bonds and liquidity funds.

The total capital adequacy ratio (tier 2) was 22.38%, the tier 1 capital adequacy ratio (tier 1) was 21.00%, and common equity capital adequacy ratio (CET 1) was 20.08% at the end of the quarter. The interim financial statement has not been audited. Including the profit for the quarter, the capital adequacy ratios would have been 22.85%, 21.47%, and 20.55%, respectively.

The Liquidity Coverage Ratio (LCR) was 681% (488% in EUR and 702% in SEK) and the Net Stable Funding Ratio (NSFR) was 153% as of 31.03.2023.

Outlook

The bank will continue its strategy of becoming a leading digital niche bank with a focus on consumer financing. Lea bank has lending operations in Norway, Finland, Sweden, Spain, and a scalable international operation model.

The focus is to deliver attractive returns for the shareholders, efficient operations, a exciting workplace for the bank's employees, and offer superior customer experiences for the bank's customers and partners.

Going forward, Lea bank will focus on growth in existing markets and continue to focus on scalable and efficient operations. Capital requirements are lower outside of Norway, and the bank will seek to optimize capital usage to increase return on equity.

Lea bank has initiated a project to consider redomicilation of the bank. The goal is to ensure that the bank has attractive and competitive capital requirements going forward as an international niche bank.

The bank has strong solvency at the end of the quarter with a pure core capital adequacy ratio of 20.08%, which provides a good margin to statutory capital requirements.

There is general uncertainty related to future conditions that may affect the bank's economic development.

Profit and loss account

(Amounts in NOK 1 000)	Note	Q1 2023	Q1 2022	2022
Interest income		160,705	128,148	554,259
Interest expense		-29,193	-14,017	-61,123
Net interest income		**131,512**	**114,131**	**493,136**
Commission and bank services income		8,726	5,587	28,766
Commission and bank services expenses		-1,080	-871	-4,740
Net changes in value on securities and currency		-763	-569	5,594
Other income		12	13	220
Net other operating income		**6,894**	**4,160**	**29,841**
Total income		**138,406**	**118,291**	**522,977**
Personnel expenses		-14,934	-15,923	-62,600
General administrative expenses		-20,421	-19,143	-79,170
- hereof marketing expenses		*-912*	*-824*	*-3,883*
Depreciation and impairment		-3,465	-2,450	-10,833
Other operating expenses		-3,131	-1,874	-8,046
Total operating expenses		**-41,952**	**-39,390**	**-160,649**
Profit before loan losses		**96,454**	**78,901**	**362,327**
Provision for loan losses	2	-60,073	-44,556	-175,968
Profit before tax		**36,381**	**34,345**	**186,359**
Tax charge		-8,819	-8,398	-45,782
Profit after tax		**27,563**	**25,947**	**140,577**

Balance sheet

(Amounts in NOK 1 000)	Note	31.03.2023	31.03.2022	31.12.2021
Assets				
Cash and deposits with the central bank		50,685	49,988	50,402
Loans and deposits with credit institutions		496,705	289,262	322,201
Loans to customers	2	6,230,637	5,073,395	5,883,551
Certificates and bonds		989,545	1,300,676	961,163
Deferred tax asset		82,937	129,140	91,756
Other intangible assets		28,730	16,936	29,380
Fixed assets		8,051	9,468	8,775
Other assets		32,270	22,079	20,256
Total assets		**7,919,560**	**6,890,945**	**7,367,484**
Liabilities and equities				
Debt to the central bank		0	0	0
Deposits from customers		6,325,948	5,316,978	5,791,333
Other liabilities	7	130,473	136,579	142,315
Subordinated loans	3	81,830	104,311	81,746
Total liabilities		**6,538,251**	**5,557,867**	**6,015,394**
Share capital		190,348	189,681	189,681
Share premium		662,360	660,322	660,322
Tier 1 capital		54,165	75,875	54,114
Other paid-in equity		13,750	11,929	13,405
Other equity		460,684	395,270	434,568
Total equity	**4,5,6,8**	**1,381,309**	**1,333,077**	**1,352,089**
Total liabilities and equity		**7,919,560**	**6,890,945**	**7,367,484**

Note 1 – General accounting principles

1.1 Company information

Lea bank ASA is a Norwegian public limited company with a business address at Holbergs gate 21, 0166 Oslo - Norway.

Lea bank is a leading digital niche bank with an international distribution platform. The bank offers unsecured loans and deposit products to the consumer market and has lending activities in Norway, Finland, Sweden, and Spain.

1.2 Basis for preparation of the financial statements

The financial statements for Lea bank ASA are prepared in accordance with the Regulations relating to annual accounts for banks, credit institutions, and financing companies (the annual accounts regulations). Changes were made to the annual accounts regulations effective from January 1, 2020. The Bank has chosen to prepare the financial statements in accordance with Section 1-4(2)(b) of the annual accounts regulations, which means that the financial statements are prepared in accordance with IFRS unless otherwise provided by the regulations. Measurement and recognition are fully in accordance with IFRS, except that dividends and group contributions from subsidiaries are recognized as liabilities on the balance sheet date.

The Bank has used the transitional provisions in the regulations, and the effects of the transition to the new annual accounts regulations have been recognized in equity as of January 1, 2020. The Bank has chosen not to restate comparative figures in accordance with Section 9-2 of the regulations, but comparative figures have been partly reclassified to best fit the presentation format under the new regulations.

The Bank will omit the following disclosure requirements under IFRS:
1) IFRS 13. Instead, information on fair value is provided in accordance with Section 7-3 of the regulations.
2) IFRS 15.113-128
3) IAS 19.135 litra c and IAS 19.145-147.

IFRS 16 is included from January 1, 2021.

Unless otherwise stated, amounts in the notes are given in thousands of Norwegian kroner.

The interim financial statement is not audited.

1.3 Summary of the main accounting principles

1.3.1 Revenue recognition

Interest income is recognized using the effective interest method. This involves recognizing interest income on an ongoing basis, with the addition of amortization of establishment fees. The effective interest rate is determined by discounting contracted cash flows within expected maturity. Cash flows include establishment fees, as well as any residual value at the end of the expected maturity.

Revenue recognition of interest using the effective interest method is used for balance sheet items that are valued at amortized cost. For interest-bearing balance sheet items that are valued at fair value through profit or loss, the nominal interest is recognized on an ongoing basis, while other changes in value are presented as "Net change in value and gains/losses on currency and financial instruments." Interest income on engagements that are credit impaired is calculated using the effective interest rate on the written down value. Interest income on engagements that are not credit impaired is calculated using the gross effective interest rate (amortized cost before provision for expected losses).

The effective interest rate is the rate that makes the present value of future cash flows within the expected maturity of the loan equal to the book value of the loan at initial recognition. Cash flows include establishment fees, as well as any residual value at the end of the expected maturity.

Fees and commissions are recognized as revenue as the service is provided. Fees for the establishment of loan agreements are included in cash flows when calculating amortized cost and recognized as revenue under net interest income using the effective interest method. Payment of fees to loan intermediaries for consumer loans is spread over the expected maturity.

Dividends from investments are recognized at the time the dividend is approved at the general meeting.

1.3.2 Financial Instruments

Recognition and derecognition of Financial Instruments
Financial assets and liabilities are recognized on the balance sheet at the time the bank becomes a party to the contractual terms of the instrument. Common purchases and sales of investments are recorded at the time of agreement. Financial assets are removed from the balance sheet when the rights to receive cash flows from the investment cease or when these rights have been transferred and the bank has substantially transferred the risks and entire profit potential of ownership. Financial liabilities are derecognized when the rights to the contractual terms have been fulfilled, cancelled or expired.

Classification and Subsequent Measurement of Financial Instruments
Financial instruments are classified into one of the following measurement categories upon initial recognition.

Financial assets:
- amortized cost (AC)
- fair value through profit or loss (FVPL) or;

Financial assets are classified based on an assessment of the bank's business model for managing assets and the contractual cash flow characteristics of the instrument. Financial assets with contractual cash flows that are solely payments of principal and interest on specified dates and held in a business model whose objective is to collect contractual cash flows are measured at amortized cost. Other financial assets are measured at fair value through profit or loss. Based on this, "Cash and cash equivalents", "Loans and receivables from credit institutions and financing companies" and "Loans from customers" are measured at amortized cost, but the bank's holdings of "Interest-bearing securities" and "Shares, and other equity instruments" are measured at fair value through profit or loss.

Financial liabilities:
- Amortized cost

This category consists of “Deposits from customers”.

Measurement at fair value
Financial assets and liabilities that are measured at fair value through profit or loss are recognized at fair value upon acquisition and transaction costs are recognized in profit or loss. The items are subsequently measured at fair value in subsequent periods.
The fair value of financial instruments traded in active markets is based on market prices on the balance sheet date.
The fair value of financial instruments not traded in an active market is determined using valuation techniques.

Measurement at amortized cost
All financial assets not measured at fair value are initially recognized at fair value with transaction costs added, and other liabilities recognized at amortized cost are initially recognized at fair value with transaction costs deducted.
Amortized cost is determined by discounting the contractual cash flows over the expected life. The cash flows include establishment fees and direct, marginal transaction costs not directly paid by the customer, as well as any residual value at the end of the expected life. Amortized cost is the present value of such cash flows, discounted at the effective interest rate, with an allowance for expected losses.

Impairment of financial assets
Under IFRS 9, impairment losses are recognized based on expected credit losses.
The measurement of the provision for expected losses in the general model depends on whether the credit risk has increased significantly since initial recognition. At initial recognition and when the credit risk has not increased significantly since initial recognition, the provisions are based on 12-month expected credit losses ("stage 1"). 12-month expected credit losses are the losses expected to occur over the life of the instrument but that can be attributed to events occurring in the first 12 months.
If the credit risk, assessed as the probability of default over the remaining life of an asset or group of assets, is considered to have increased significantly since initial recognition, a provision for expected losses equal to the present value, determined using the effective interest rate, of the expected loss over the entire expected life of the instrument must be made, and the asset must be reclassified to stage 2. If a credit event occurs, the instrument is moved to stage 3.
The bank has defined expected life as the expected time horizon associated with the first occurrence of default or full payment of interest and principal on the claim. The bank looks at changes in the risk of default since initial recognition to determine if an asset has experienced a significant increase in credit risk. The bank considers a commitment to be impaired/defaulted when the loan is more than 90 days past due, the customer has been transferred to a debt collection agency for recovery of the claim, there is a death, or cases where there is suspicion of fraud.
In the event of bankruptcy or a court judgment, the bank records commitments affected by such circumstances as incurred losses (write-offs). This also applies in cases where the bank has otherwise ceased recovery or waived parts of or the entire commitment.

Model Characteristics
The bank uses a loss model to calculate loss provisions. The model includes, among other things, the probability of default (PD), discount rate, exposure at default (EAD), and loss given default (LGD).

The bank uses various indicators to assess whether an asset has had a significant increase in the risk of default. This information is based on the actual behavior of customers, and the bank has established a range of rules that it has identified as triggers for a significant increase in credit risk.

The models provide an estimate of PD, which involves separate LGD loss models that run both before and after default. The bank uses models for exposures at the time of default. Triggers are used to classify accounts into three stages:

- Stage 1: "12-month expected loss"
- Stage 2: "Significant increase in credit risk compared to initial recognition"
- Stage 3: "Credit-impaired"

All defaulted engagements are placed in stage 3 of the model. Engagements that have had a significant increase in credit risk since initial recognition are allocated to stage 2. The remaining engagements are included in stage 1.

Default is defined as engagements that are more than 90 days past due according to the agreed payment plan and the overdue amount is at least € 100 in the respective local currency. On December 31, 2022, the bank switched to a new definition of default, which is in line with the definition used by the EBA (Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013). The "last in, first out" (LIFO) principle is applied, where the most recent overdue invoice is covered first. This is different from the previous default definition where the oldest overdue invoice was covered first. This new principle means that a customer who consistently falls 30 days behind schedule will roll over into default.

To assess whether an engagement has had a significant increase in credit risk and should be transferred from stage 1 to stage 2 in the model, two main tests are conducted. The first test, the PD test, checks whether two criteria are met for an engagement to be considered to have had a significant increase in credit risk. The first criterion is a relative measurement of PD, which means that the observed PD on the reporting date must be at least six times higher than the expected PD calculated on the recognition date. The second criterion measures the absolute change in PD and requires it to be at least five percentage points higher, if the increase in credit risk is to be considered significant. Both criteria in the first test must be met for the engagement to be considered to have had a significant increase in credit risk. The second test serves as a backstop and involves moving the engagement to stage 2 if it is at least 30 days overdue, regardless of the result in the first test to stage 2.

In addition to the two tests, the bank also used information regarding approved payment relief (forbearance), as well as information regarding defaults on other products, to assess whether an engagement has had a significant increase in credit risk. For engagements that have been granted payment relief in the form of repayment holidays, the bank considers these to be engagements with a substantial increase in credit risk and has calculated expected losses over the remaining expected life of these engagements during the period when the payment relief is in effect. The volume of engagements with active payment relief at the reporting date is specified in the loan note in the corresponding overview showing changes in gross loans.

A loan that has migrated to stage 2 can migrate back to stage 1, provided it no longer meets any of the criteria or conditions described in the paragraphs above. There is no explicit quarantine before a loan can migrate from stage 2 to stage 1. Loans in default (stage 3) will migrate to stage 1 or 2 when they are no longer classified as defaults, unless they are purchased defaulted loans or loans originally assessed as credit-impaired.

The bank has developed models for the expected lifetime of all unsecured loans per country, measured against repayment agreements and current repayment patterns. The chosen methodology for each model is based on the respective maturity of the portfolio as well as the availability of data in the respective markets. The models are continuously validated. This includes validation on out of time sample.

The PD, LGD, and EAD models use an adjustment factor based on macro assessments for each product and country. Through simulations, an expected, an upper, and a lower scenario for expected losses are established where the model weights in the management's assessment of the likely macro picture. Significant macro variables are defined as GDP, unemployment, and interest rates. For engagements with SME and mortgage customers, the portfolio is of insignificant size, and the bank has therefore not applied a quantitative model.

The bank segments the portfolio into groups of loans with common risk characteristics and calculates expected credit losses (ECL) for each segment. The expected credit loss (ECL) is calculated as a product of a defined set of parameters tailored to the characteristics of each segment. The formula used is: ECL = PD * EAD * LGD.

Cash and deposits with the central bank
The bank's credit risk related to "Cash and balances with central banks" is exclusively towards Norges Bank. Norges Bank is rated Aaa by Moody's and AAA/A-1+ by S&P, and therefore has low credit risk. The bank assesses that the presumption of low credit risk is fulfilled and does not make any provisions for losses related to this balance item.

Loans and deposits with credit institutions
"Loans and deposits with credit institutions" are towards Norwegian financial institutions with good ratings and are thus considered to meet the presumption of low credit risk under the standard. The bank assesses that this, combined with LGD, will result in insignificant provisions for losses, and therefore has not made any provisions for losses related to this balance item.

1.3.3 Fixed assets and intangible assets

Fixed assets and intangible assets are recorded on the balance sheet at acquisition cost, less accumulated ordinary depreciation and any impairment losses.

Ordinary depreciation is based on acquisition cost and is linearly distributed over the estimated economic life of the asset. There have been no changes to the depreciation schedules.

If the fair value of a property, plant and equipment asset is significantly lower than the book value and the impairment is not expected to be temporary, the asset is written down to fair value.

The bank's lease agreement for office space falls under IFRS 16. At initial recognition, the lease liability and the right-of-use asset are measured at the present value of future lease payments and are amortized in the accounts.

1.3.4 Currency

Losses or gains due to foreign exchange rates that arise from payments made to foreign countries are recognized as income or expenses at the time of the transaction in NOK.

1.3.5 Taxes

Deferred tax and deferred tax assets are recognized in accordance with NRS (F) on income tax. The tax expense in the income statement includes both the current payable tax and the change in deferred tax. The change in deferred tax is related to the tax effect of temporary differences in results and changes in losses carried forward.

Deferred tax assets in the balance sheet can only be recognized as an asset in the balance sheet if it can be held to be more likely than not that the company will have a taxable income in a future accounting year that makes it possible to utilize the benefit.

1.3.6 Financial derivatives

The estimated value of options is expensed continuously in the income statement in line with the accrual, with the offset recorded in other contributed equity in the balance sheet.

Freestanding subscription rights are recognized as an intangible asset with the offset recorded in other contributed equity. The asset is depreciated on a straight-line basis over five years.

The bank has a forward flow agreement with Axactor for defaulted loans in the Finnish market. In addition, the bank has a forward flow agreement with the debt collection company Kredinor for Norwegian consumer loans. The bank's forward flow agreements are defined as financial derivatives. The bank has concluded that the value of the financial derivatives is not material and therefore the agreement is not recognized in the balance sheet. This assessment is based on a comparison of the LGD rates that the bank realizes with the forward flow agreement compared to the LGD rates observed in the market for comparable banks with comparable products.

1.3.7 Pension

The bank is subject to the Mandatory Occupational Pension Act and has a deposit-based pension scheme that covers all employees. Contributions to the scheme are made continuously, and the bank has no obligations beyond the ongoing contributions to the scheme.

1.3.8 Assessments and estimates

In preparing the financial statements, management has made judgments, estimates, and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, revenues, and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed continuously. Changes in estimates are recognized as they arise.

Information about judgments made in the application of accounting policies that have the most significant effect on the amounts presented in the financial statements is included in the following notes:

Note 2: including establishing the criteria for when a significant increase in credit risk has occurred since initial recognition, determining the methodology for incorporating forward-looking information in the measurement of ECL (Expected Credit Loss), and choosing the models used to measure ECL.

Note 2 – Gross loans and loan loss provisions

2.1 Gross loans, undrawn credit lines, and expected credit losses

Gross loans, undrawn credit lines, and expected credit losses per product and country - 31.03.2023

				Gross loans				Loan loss provisions (ECL)				Net loans			
	Gross loans	Of which agent-comm/ fees	Off-balance	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Consumer loans															
Norway	2,759,258	59,030	5,176	2,121,371	174,795	463,093	2,759,258	43,644	22,684	154,830	221,158	2,077,727	152,111	308,263	2,538,100
Finland	3,138,408	82,272	10,183	2,706,114	202,392	229,902	3,138,408	71,808	35,074	73,081	179,963	2,634,306	167,318	156,821	2,958,445
Sweden	745,989	26,556	2,837	649,775	33,583	62,630	745,989	12,436	2,728	26,137	41,301	637,339	30,855	36,493	704,688
SME and mortgages				-	-	-	-	-	-	-	-	-	-	-	-
Norway	32,904	-	-	32,904	-	-	32,904	3,500	-	-	3,500	29,404	-	-	29,404
Total	**6,676,559**	**167,858**	**18,196**	**5,510,164**	**410,770**	**755,625**	**6,676,559**	**131,388**	**60,486**	**254,048**	**445,922**	**5,378,777**	**350,284**	**501,577**	**6,230,637**

Gross loans (mainly related to consumer loans).

2.2 Specification of credit losses on loans and guarantees *

Amounts in NOK 1 000	**Q1 2023**
Change in impairment provision - expected credit losses over 12 months (stage 1)	5,326
Change in provision for expected credit losses - expected credit losses over the lifetime of the product (stage 2).	2,570
Change in provision for expected credit losses - expected credit losses over the lifetime of the product (stage 3).	34.653
Realized losses **	17,524
Loan losses during the period	**60,073**

** The bank has no issued guarantees as of 31.03.2023*
*** Contractually regulated outstanding amounts for financial assets that were written off during the reporting period, and which are still subject to enforcement activities, are insignificant for the financial statements*

2.3 Gross loans, undrawn credit lines and maximum exposure per risk class - 31.03.2023

Risk class, amounts in NOK 1 000	Probability of default	Gross loans	Off-balance	Max exposure	Of which stage 1	Of which stage 2	Of which stage 3
A	0 - 10 %	4,463,425	18,196	4,481,621	4,461,300	20,321	-
B	10 - 20 %	607,572	-	607,572	572,584	34,988	-
C	20 - 30 %	263,928	-	263,928	202,749	61,179	-
D	30 - 40 %	187,073	-	187,073	121,356	65,717	-
E	40 - 50 %	157,847	-	157,847	71,960	85,887	-
F	50 - 60 %	204,263	-	204,263	63,153	141,110	-
G	60 - 70 %	36,770	-	36,770	7,776	28,994	-
H	70 - 80 %	-	-	-	-	-	-
I	80 - 90 %	-	-	-	-	-	-
J	90 - 100 %	56	-	56	56	-	-
Defaulted loans	100 %*	755,625	-	755,625	-	-	755,625
Total		**6,676,559**	**18,196**	**6,694,755**	**5,500,934**	**438,196**	**755,625**

Risk classes are grouped by probability of default (12-month PD) into groups from A to J, where group A is the group with the lowest risk and group J is the group with the highest risk. Defaulted loans are separated into their own group. *Parts of the volume in stage 3 have PD lower than 100%. This applies to loans that are in stage 3 due to the new definition of default and/or are in quarantine.

2.4 Changes in gross loans and loan loss provisions

Total consumer loans - 01.01.2023 - 31.03.2023

Reconciliation of gross loans

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Gross loans per 01.01.2023	**5,222,515**	**412,572**	**651,837**	**6,286,924**
transfers				
- transfers from stage 1 to stage 2	-215,724	215,724	-	-
- transfers from stage 1 to stage 3	-49,305	-	49,305	-
- transfers from stage 2 to stage 3	-	-115,202	115,202	-
- transfers from stage 3 to stage 2	-	12,422	-12,422	-
- transfers from stage 2 to stage 1	80,630	-80,630	-	-
- transfers from stage 3 to stage 1	15,161	-	-15,161	-
New financial assets issued	869,892	9,158	782	879,832
Financial assets derecognized in the period	-421,969	-52,604	-38,697	-513,271
Partial repayments	-235,865	-8,052	-16,415	-260,332
Currency effects	244,830	17,383	21,192	283,405
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Gross loans per 31.03.2023	**5,510,164**	**410,770**	**755,625**	**6,676,559**
- of which loans with payment concessions	-	193,619	-	193,619

Reconciliation of total expected credit losses

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Loan loss provisions per 01.01.2023	**126,062**	**57,916**	**219,395**	**403,373**
transfers				
- transfers from stage 1 to stage 2	-9,518	9,518	-	-
- transfers from stage 1 to stage 3	-3,660	-	3,660	-
- transfers from stage 2 to stage 3	-	-16,178	16,178	-
- transfers from stage 3 to stage 2	-	1,616	-1,616	-
- transfers from stage 2 to stage 1	9,654	-9,654	-	-
- transfers from stage 3 to stage 1	1,819	-	-1,819	-
New financial assets issued	16,051	558	14	16,622
Financial assets derecognized in the period	-8,714	-7,086	-10,200	-26,000
Changes in measurements*	-5,979	21,247	22,753	38,021
Currency effects	5,673	2,549	5,683	13,905
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Loan loss provisions per 31.03.2023	**131,388**	**60,486**	**254,048**	**445,922**

** Change in PD, LGD or EAD and 12-month credit loss versus credit loss over expected lifetime.*
PD (probability of default), LGD (loss given default), EAD (exposure at default)

Consumer loans in Norway

Reconciliation of gross loans – consumer loans Norway

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Gross loans per 01.01.2023	**2,135,911**	**201,774**	**438,780**	**2,776,465**
transfers				
- transfers from stage 1 to stage 2	-71,413	71,413	-	-
- transfers from stage 1 to stage 3	-15,077	-	15,077	-
- transfers from stage 2 to stage 3	-	-46,585	46,585	-
- transfers from stage 3 to stage 2	-	6,282	-6,282	-
- transfers from stage 2 to stage 1	41,214	-41,214	-	-
- transfers from stage 3 to stage 1	7,853	-	-7,853	-
New financial assets issued	319,874	-252	722	320,343
Financial assets derecognized in the period	-186,205	-9,781	-10,466	-206,451
Partial repayments	-110,786	-6,841	-13,471	-131,099
Currency effects	-	-	-	-
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Gross loans per 31.03.2023	**2,121,371**	**174,795**	**463,093**	**2,759,258**
- of which loans with payment concessions	-	48,846	-	48,846

Reconciliation of total expected credit losses – consumer loans in Norway

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Loan loss provisions per 01.01.2023	**41,797**	**23,212**	**142,868**	**207,878**
transfers				
- transfers from stage 1 to stage 2	-2,807	2,807	-	-
- transfers from stage 1 to stage 3	-1,082	-	1,082	-
- transfers from stage 2 to stage 3	-	-6,071	6,071	-
- transfers from stage 3 to stage 2	-	810	-810	-
- transfers from stage 2 to stage 1	3,919	-3,919	-	-
- transfers from stage 3 to stage 1	958	-	-958	-
New financial assets issued	5,351	87	-	5,438
Financial assets derecognized in the period	-3,243	-1,059	-2,346	-6,647
Changes in measurements*	-1,250	6,817	8,922	14,489
Currency effects	-	-	-	-
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Loan loss provisions per 31.03.2023	**43,644**	**22,684**	**154,830**	**221,158**

** Change in PD, LGD or EAD and 12-month credit loss versus credit loss over expected lifetime.*

Consumer loans in Finland

Reconciliation of gross loans – consumer loans Finland

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Gross loans per 01.01.2023	**2,596,235**	**191,302**	**178,782**	**2,966,319**
transfers				
- transfers from stage 1 to stage 2	-121,306	121,306	-	-
- transfers from stage 1 to stage 3	-24,638	-	24,638	-
- transfers from stage 2 to stage 3	-	-52,285	52,285	-
- transfers from stage 3 to stage 2	-	5,805	-5,805	-
- transfers from stage 2 to stage 1	37,334	-37,334	-	-
- transfers from stage 3 to stage 1	6,662	-	-6,662	-
New financial assets issued	328,840	1,929	60	330,829
Financial assets derecognized in the period	-221,182	-42,721	-27,796	-291,698
Partial repayments	-100,553	-921	-2,933	-104,407
Currency effects	204,721	15,311	17,332	237,365
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Gross loans per 31.03.2023	**2,706,114**	**202,392**	**229,902**	**3,138,408**
- of which loans with payment concessions	-	144,191	-	144,191

Reconciliation of total expected credit losses – consumer loans in Finland

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Loan loss provisions per 01.01.2023	**69,971**	**33,084**	**57,654**	**160,710**
transfers				
- transfers from stage 1 to stage 2	-6,366	6,366	-	-
- transfers from stage 1 to stage 3	-2,392	-	2,392	-
- transfers from stage 2 to stage 3	-	-8,822	8,822	-
- transfers from stage 3 to stage 2	-	722	-722	-
- transfers from stage 2 to stage 1	5,519	-5,519	-	-
- transfers from stage 3 to stage 1	701	-	-701	-
New financial assets issued	8,409	175	14	8,597
Financial assets derecognized in the period	-5,231	-6,025	-7,751	-19,007
Changes in measurements*	-3,999	12,719	8,764	17,484
Currency effects	5,196	2,374	4,610	12,179
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Loan loss provisions per 31.03.2023	**71,808**	**35,074**	**73,081**	**179,963**

** Change in PD, LGD or EAD and 12-month credit loss versus credit loss over expected lifetime.*

Consumer loans in Sweden

Reconciliation of gross loans – consumer loans Sweden

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Gross loans per 01.01.2023	**454,133**	**19,496**	**34,275**	**507,904**
transfers				
- transfers from stage 1 to stage 2	-23,005	23,005	-	-
- transfers from stage 1 to stage 3	-9,590	-	9,590	-
- transfers from stage 2 to stage 3	-	-16,332	16,332	-
- transfers from stage 3 to stage 2	-	335	-335	-
- transfers from stage 2 to stage 1	2,082	-2,082	-	-
- transfers from stage 3 to stage 1	645	-	-645	-
New financial assets issued	221,179	7,481	-	228,661
Financial assets derecognized in the period	-11,251	-103	-436	-11,790
Partial repayments	-24,526	-290	-11	-24,827
Currency effects	40,109	2,071	3,860	46,040
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Gross loans per 31.03.2023	**649,775**	**33,583**	**62,630**	**745,989**
- of which loans with payment concessions	-	582	-	582

Reconciliation of total expected credit losses – consumer loans in Sweden

Amounts in NOK 1 000	Stage 1	Stage 2	Stage 3	Total
Loan loss provisions per 01.01.2023	**10,793**	**1,620**	**18,872**	**31,285**
transfers				
- transfers from stage 1 to stage 2	-345	345	-	-
- transfers from stage 1 to stage 3	-186	-	186	-
- transfers from stage 2 to stage 3	-	-1,285	1,285	-
- transfers from stage 3 to stage 2	-	84	-84	-
- transfers from stage 2 to stage 1	216	-216	-	-
- transfers from stage 3 to stage 1	160	-	-160	-
New financial assets issued	2,291	296	-	2,587
Financial assets derecognized in the period	-240	-2	-103	-345
Changes in measurements*	-730	1,711	5,068	6,048
Currency effects	477	175	1,074	1,726
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Loan loss provisions per 31.03.2023	**12,436**	**2,728**	**26,137**	**41,301**

** Change in PD, LGD or EAD and 12-month credit loss versus credit loss over expected lifetime.*

SMW and mortgages

Reconciliation of gross loans – SME and mortgages

Amounts in NOK 1 000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans per 01.01.2023	**36,236**	**-**	**-**	**36,236**
transfers				
- transfers from stage 1 to stage 2	-	-	-	-
- transfers from stage 1 to stage 3	-	-	-	-
- transfers from stage 2 to stage 3	-	-	-	-
- transfers from stage 3 to stage 2	-	-	-	-
- transfers from stage 2 to stage 1	-	-	-	-
- transfers from stage 3 to stage 1	-	-	-	-
New financial assets issued	-	-	-	-
Financial assets derecognized in the period	-3,332	-	-	-3,332
Partial repayments	-	-	-	-
Currency effects	-	-	-	-
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Gross loans per 31.03.2023	**32,904**	**-**	**-**	**32,904**
- of which loans with payment concessions	-	-	-	-

Reconciliation of total expected credit losses – SME and mortgages

Amounts in NOK 1 000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan loss provisions per 01.01.2023	**3,500**	**-**	**-**	**3,500**
transfers				
- transfers from stage 1 to stage 2	-	-	-	-
- transfers from stage 1 to stage 3	-	-	-	-
- transfers from stage 2 to stage 3	-	-	-	-
- transfers from stage 3 to stage 2	-	-	-	-
- transfers from stage 2 to stage 1	-	-	-	-
- transfers from stage 3 to stage 1	-	-	-	-
New financial assets issued	-	-	-	-
Financial assets derecognized in the period	-	-	-	-
Changes in measurements*	-	-	-	-
Currency effects	-	-	-	-
Changes due to model modifications and risk parametres	-	-	-	-
Other adjustments	-	-	-	-
Loan loss provisions per 31.03.2023	**3,500**	**-**	**-**	**3,500**

* *Change in PD, LGD or EAD and 12-month credit loss versus credit loss over expected lifetime*.

2.5 Macro scenario sensitivity on ECL - 31.03.2023

Amounts in NOK 1 000	ECL reported under IFRS 9	Base scenario (30-35 %)	Optimistic scenario (30 %)	Pessimistic scenario (35-40 %)
Total	**445,922**	**408,442**	**363,325**	**543,424**
Consumer loans	442,422	404,942	359,825	539,924
SME and mortgages	3,500	3,500	3,500	3,500
Norway	**224,658**	**209,744**	**189,966**	**269,307**
Consumer loans	221,158	206,244	186,466	265,807
SME and mortgages	3,500	3,500	3,500	3,500
Finland	**179,963**	**160,028**	**137,603**	**226,683**
Consumer loans	179,963	160,028	137,603	226,683
SME and mortgages	-	-	-	-
Sweden	**41,301**	**38,669**	**35,755**	**47,434**
Consumer loans	41,301	38,669	35,755	47,434
SME and mortgages	-	-	-	-

Expected credit losses reported under IFRS 9 are macro-weighted. The following weights are used for the three scenarios:
Norway: base scenario (35%), optimistic scenario (30%), and pessimistic scenario (35%).
Finland and Sweden: base scenario (30%), optimistic scenario (30%), and pessimistic scenario (40%).

Note 3 – Subordinated loans

ISIN	Nominal value	Currency	Interest	Reference-interest + margin	Due date	Book value
NO0010877863	15,000	NOK	Floating	NIBOR + 700bp	27.03.30	14,881
NO0011108276	50,000	NOK	Floating	NIBOR + 425bp	29.09.31	49,275
NO0012750803	18,000	NOK	Floating	NIBOR + 575bp	09.02.33	17,675
Total subordinated loans	**83,000**					**81,830**

Note 4 – Capital adequacy

Amounts in NOK 1 000	31.03.2023	31.03.2022
Share capital	190,348	190,014
Share premium	662,360	659,989
Other equity	446,872	381,077
IFRS9 effects	0	42,053
Deferred tax assets and other intangible assets	-111,667	-128,711
Deduction for defaulted loans	-78	0
Valuation adjustment	-990	-1,301
Common equity tier 1 (CET 1)	1,186,846	1,143,121
Additional tier 1 capital	54,165	74,688
Tier 1 capital (Tier 1)	1,241,011	1,217,809
Tier 2 capital	81,830	99,584
Total capital (Tier 2)	1,322,841	1,317,394
Calculation basis		
Loans and deposits with credit institutions	99,341	57,852
Institutions	9,219	13,756
Loans to customers	4,198,901	3,346,844
Mortgages	8,807	11,062
Defaulted loans	501,577	453,716
Certificates and bonds	49,498	109,719
Equity positions	2,531	2,698
Other assets	188,186	293,450
Total credit risk	**5,058,059**	**4,289,099**
Operational risk	846,955	689,710
CVA risk	4,847	400
Total calculation basis	**5,909,861**	**4,979,209**

Capital ratios	31.03.2023	31.03.2022
Common equity tier 1 in % (CET 1)	20.08 %	22.96 %
Tier 1 capital in % (Tier 1)	21.00 %	24.46 %
Total capital in % (Tier 2)	22.38 %	26.46 %
Leverage ratio in %	15.84 %	17.86 %

Note 5 - Equity

Amounts in NOK 1 000	Share capital	Share premium	Tier 1 capital	Other paid-in capital	Other equity	Total
Equity per 31.12.2022	**189,681**	**660,322**	**54,114**	**13,405**	**434,568**	**1,352,089**
Cost Tier 1 capital					-1,395	-1,395
Changes Tier 1 capital			51		-51	-
Share issue	667	2,039				2,706
Share options				346		346
Profit after tax					27,563	27,563
Equity per 31.03.2023	**190,348**	**662,360**	**54,165**	**13,751**	**460,684**	**1,381,309**

Note 6 – Earnings per share

Amounts in NOK 1 000	
Equity per 31.12.22*	1,297,975
Equity per 31.03.23*	1,327,144
Profit before tax Q1 2023	36,381
Profit after tax Q1 2023	27,563
Number of shares 31.03.23 (in thousands)	95,174
Equity per share per 31.03.23*	13.94
Earnings per share before tax Q1 2023	0.38
Earnings per share after tax Q1 2023	0.29
Annualized return on equity Q1 2023*	8.4 %

* excluding tier 1 capital

Note 7 – Contractual obligations

Amounts in NOK 1 000	Q1 2023	Q4 2022
Right to use:		
Opening balance	**7,953**	**6,936**
Implementation effect		
Assets		
Write-downs		
Adjustments		
Depreciation	-1,175	-1,115
Disposals		
Closing balance	7,300	7,953
Lease obligation		
Opening balance	-8,114	-7,083
Implementation effect		
Assets		
Effect of changes in exchange rates		
Adjustments		
Lease payments	1,236	1,174
Interest	-68	-73
Settlement upon disposal		
Closing balance	**-7,468**	**-8,114**
Proportion of short-term debt	-4,249	-4,310
Proportion of long-term debt	-3,220	-3,804
Maturity analysis, undiscounted cash flow		
Up to 1 year	4,321	4,382
1-2 years	3,389	3,446
2-3 years	574	574
3-4 years	0	0
4-5 years		
More than 5 years		
Other key figures		
Costs related to agreements with exceptions for short-term duration	6	6
Weighted average discount rate on implementation date	0.035	

Note 8 – Shareholder list

Rank	Name	Nbr of shares	Ownership %
1	Braganza AB	10,383,899	10.9 %
2	Hjellegjerde Invest AS	7,600,000	8.0 %
3	DNB Bank ASA, klientkonto	5,473,852	5.8 %
4	Skagerrak Sparebank	4,409,380	4.6 %
5	Fondsavanse AS	3,371,048	3.5 %
6	Altitude Capital AS	3,127,380	3.3 %
7	Verdipapirfondet Alfred Berg Norge	3,088,045	3.2 %
8	Verdipapirfondet Alfred Berg Aktiv	2,719,589	2.9 %
9	Vida AS	2,581,654	2.7 %
10	Umico - Gruppen AS	2,143,779	2.3 %
11	Shelter AS	1,945,486	2.0 %
12	Jolly Roger AS	1,885,482	2.0 %
13	Jenssen & Co AS	1,845,879	1.9 %
14	Lindbank AS	1,838,007	1.9 %
15	Verdipapirfondet Alfred Berg Norge	1,700,000	1.8 %
16	MP Pensjon Pk	1,632,767	1.7 %
17	Krogsrud Invest AS	1,125,000	1.2 %
18	Thon Holding AS	1,081,211	1.1 %
19	Varde Norge AS	1,050,000	1.1 %
20	Nordic Private Equity AS	1,000,000	1.1 %
	Total top 20 shareholders	**60,002,458**	**63.0 %**
	Other shareholders	35,171,729	37.0 %
	Total number of shares	**95,174,187**	**100.0 %**

Shareholder list per April 18th 2023

Quarterly figures

Profit and loss statement (amounts in NOK 1 000)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Interest income	160,705	152,427	140,257	133,427	128,148	129,351	130,975
Interest expense	-29,193	-20,735	-13,932	-12,439	-14,017	-12,751	-12,522
Net interest income	**131,512**	**131,692**	**126,325**	**120,988**	**114,131**	**116,599**	**118,453**
Commission and bank services income	8,726	8,186	7,896	7,097	5,587	7,146	7,186
Commission and bank services expenses	-1,080	-1,435	-1,072	-1,361	-871	-3,722	-2,059
Net changes in value on securities and currency	-763	12,001	-4,082	-1,756	-569	-1,002	223
Other income	12	133	44	31	13	678	-83
Net other operating income	**6,894**	**18,884**	**2,786**	**4,011**	**4,160**	**3,100**	**5,267**
Total income	**138,406**	**150,576**	**129,111**	**124,999**	**118,291**	**119,699**	**123,720**
Personnel expenses	-14,934	-15,661	-15,700	-15,316	-15,923	-19,161	-14,634
General administrative expenses	-20,421	-20,257	-19,831	-19,939	-19,143	-22,203	-20,611
- of which marketing expenses	*-912*	*-437*	*-1,699*	*-923*	*-824*	*-1,243*	*-1,173*
Depreciation and impairment	-3,465	-3,275	-2,600	-2,508	-2,450	-3,225	-3,140
Other operating expenses	-3,131	-2,756	-1,850	-1,565	-1,874	-477	-996
Total operating expenses	**-41,952**	**-41,949**	**-39,982**	**-39,328**	**-39,390**	**-45,066**	**-39,381**
Profit before loan losses	**96,454**	**108,627**	**89,129**	**85,671**	**78,901**	**74,633**	**84,339**
Provision for loan losses	-60,073	-37,012	-52,123	-42,277	-44,556	-37,228	-34,035
Profit before tax	**36,381**	**71,615**	**37,006**	**43,394**	**34,345**	**37,406**	**50,305**
Tax charge	-8,819	-18,287	-8,393	-10,705	-8,398	-9,603	-12,426
Profit after tax	**27,563**	**53,328**	**28,613**	**32,689**	**25,947**	**27,802**	**37,879**

Balance sheet (Amounts in NOK 1 000)	Q1 2023	Q4 2022	Q3 2022	Q2 2022	Q1 2022	Q4 2021	Q3 2021
Assets							
Cash and deposits with the central bank	50,685	50,402	50,154	50,021	49,988	49,980	49,991
Loans and deposits with credit institutions	496,705	322,201	190,562	294,555	289,262	351,774	169,229
Gross loans to customers	6,676,559	6,286,924	6,090,391	5,837,647	5,486,168	5,488,704	5,399,838
- Provision for loan losses	-445,922	-403,373	-413,302	-391,784	-412,773	-457,667	-454,084
Certificates and bonds	989,545	961,163	985,827	1,011,184	1,300,676	1,514,166	1,644,786
Deferred tax asset	82,937	91,756	107,960	118,434	129,140	137,538	147,141
Other intangible assets	28,730	29,380	26,951	19,668	16,936	15,719	15,173
Fixed assets	8,051	8,775	7,613	8,457	9,468	10,204	11,825
Other assets	32,270	20,256	19,729	27,980	22,079	19,455	51,121
Total assets	**7,919,560**	**7,367,484**	**7,065,885**	**6,976,162**	**6,890,945**	**7,129,873**	**7,035,020**
Liabilities and equities							
Debt to the central bank	0	0	0	0	0	0	0
Deposits from customers	6,325,948	5,791,333	5,545,223	5,397,067	5,316,978	5,568,411	5,510,527
Other liabilities	130,473	142,315	70,396	110,206	136,579	149,419	77,035
Subordinated loans	81,830	81,746	87,522	104,420	104,311	104,203	104,092
Total liabilities	**6,538,251**	**6,015,394**	**5,703,141**	**5,611,692**	**5,557,867**	**5,822,033**	**5,691,655**
Share capital	190,348	189,681	189,681	189,681	189,681	189,589	189,589
Share premium	662,360	660,322	660,322	660,322	660,322	659,989	659,989
Tier 1 capital	54,165	54,114	49,012	75,947	75,875	75,805	75,732
Other paid in equity	13,750	13,405	12,944	12,454	11,929	11,404	9,631
Other equity	460,684	434,568	450,786	426,066	395,270	371,053	408,424
Total equity	**1,381,309**	**1,352,089**	**1,362,745**	**1,364,470**	**1,333,077**	**1,307,839**	**1,343,365**
Total liabilities and equity	**7,919,560**	**7,367,484**	**7,065,885**	**6,976,162**	**6,890,945**	**7,129,873**	**7,035,020**

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