

Annual Report

2019

Norwegian Finans Holding Group

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Financial highlights

Profit and loss account

<i>Amounts in NOK 1000</i>	2019	NFH Group 2018
Net interest income	5 260 685	4 702 884
Net other operating income	321 792	245 947
Total income	5 582 477	4 948 831
Total operating expenses	1 324 659	1 236 163
Provision for loan losses	1 627 359	1 324 189
Profit before tax	2 630 459	2 388 478
Comprehensive income for the period	1 981 051	1 807 073

Balance sheet

<i>Amounts in NOK 1000</i>	31.12.19	NFH Group 31.12.18
Total assets	58 073 384	50 435 746
Loans to customers	40 560 502	37 797 618
Liquid assets	16 813 654	12 372 865
Deposits from customers	40 118 369	39 091 791
Debt securities issued	6 537 863	2 018 724
Subordinated loans	822 688	836 205
Tier 1 capital	635 000	635 000
Total equity	9 473 707	7 544 254

Key figures and alternative performance measures

	2019	NFH Group 2018
Return on equity (ROE) ^{1,2}	25.2 %	30.1 %
Return on assets (ROA) ^{1,2}	3.8 %	3.8 %
Earnings per share (EPS) ²	10.61	9.68
Common equity tier 1 (CET 1)	21.2 %	19.4 %
Leverage ratio	14.5 %	13.7 %
Liquidity coverage ratio (LCR) ²	450 %	213 %
Net interest margin (NIM) ^{1,2}	10.0 %	9.9 %
Cost/income ratio ^{1,2}	0.24	0.25
Delinquent loans to loans ^{1,2}	17.3 %	10.4 %
Non-performing loans to loans ^{1,2}	13.1 %	7.8 %
Loan loss provisions to average loans ^{1,2}	3.9 %	3.6 %
Loan loss allowance to loans ^{1,2}	8.1 %	5.0 %
Loan loss allowance to non-performing loans ^{1,2}	62.1 %	63.8 %

¹⁾ Defined as alternative performance measure (APM). APMs are described on banknorwegian.no/OmOss/InvestorRelations.

²⁾ Figures for Q4 2018 are restated.

Bank Norwegian is a fully digital bank that provides simple and competitive products to the retail customer market. The business is based on leading digital solutions and analysis models, synergies with the airline Norwegian, attractive terms for our customers, cost-effective operations and effective risk selection.

Letter from the CEO



**Tine
Wollebekk**
CEO

■ 2019 marked another good year for the bank with our core business continuing to develop well throughout our Nordic footprint. The number of customers increased to 1.7 million and the loans and credit card lending balances combined surpassed NOK 44 billion, while net profit increased by 11% during the year.

The bank is well funded and has a strong capital and liquidity position. Following the receipt of its Minimum Requirement for own funds and Eligible Liabilities (MREL) requirements in December, additional MREL qualifying senior preferred instruments were issued in December to ensure immediate compliance with the upcoming requirement.

Regulatory focus is on top of the agenda in the sector and it is essential to ensure that innovation and compliance go hand in hand. Traditional banks and Fintechs alike deploy extensive resources to guarantee compliance with AML and KYC regulations. Clear regulation with the customers' best interest in focus is beneficial for everyone and a well-regulated financial sector is key to support long-term sustainability. Bank Norwegian has adopted well to all new regulations and guidelines. We will remain alert and agile to be well positioned in the Nordic and European financial sector.

The bank has focus on sustainability in its contribution to economic, environmental and social progress. Several new initiatives have been initiated during 2019. The Risk Management Framework (RMF) has been updated according to EBA guidelines and the bank has embedded responsible business conduct into policies and management systems, based on the OECD Due Diligence for responsible Business Conduct framework. The bank is fully digital with a limited environmental footprint, however all operations are measured against UN's guiding principles including calculation and compensation for our yearly CO2 footprint. A detailed description of our work in this area is provided in our Sustainability Report.

The future of European financial services is still taking shape. There is no clear contender for a universal digital payments platform and the impact of PSD2 has so far been moderate, indicating that the largest impact of the financial sector's transition still lies ahead of us. As the sector continues to develop at a rapid pace, consumers are provided with more choices and a digital frontend is no longer a differentiator. Going forward, the success factor that will define winners in the sector is banks and Fintechs that accomplish becoming truly digital on the inside as well. Long-term sustainability will be defined through

In 2020, Bank Norwegian will continue to focus on sustainable profitable growth in our Nordic footprint

a scalable operating model where growth equals profitability.

In 2020, Bank Norwegian will continue to focus on sustainable profitable growth in our Nordic footprint. Through our advanced analytics capabilities and lean operation, we are well-positioned for continued expansion. In addition to a continued strong focus on our Nordic footprint, Bank Norwegian is considering a European expansion with an aim to establish operation in more countries with the same benchmark performance as in the Nordic region. The bank has expanded its partnership with Norwegian Air Shuttle through the acquisition of European branding rights for bank services and cooperation with the reward program. The expansion strategy is based on a market by market entry as well as exploring the potential to domicile

the bank within EU to make the bank more competitive. Already more than half of the bank's lending and savings are within the EU. A European expansion will benefit from our analytical expertise, low cost operational efficiency and fully digital business model

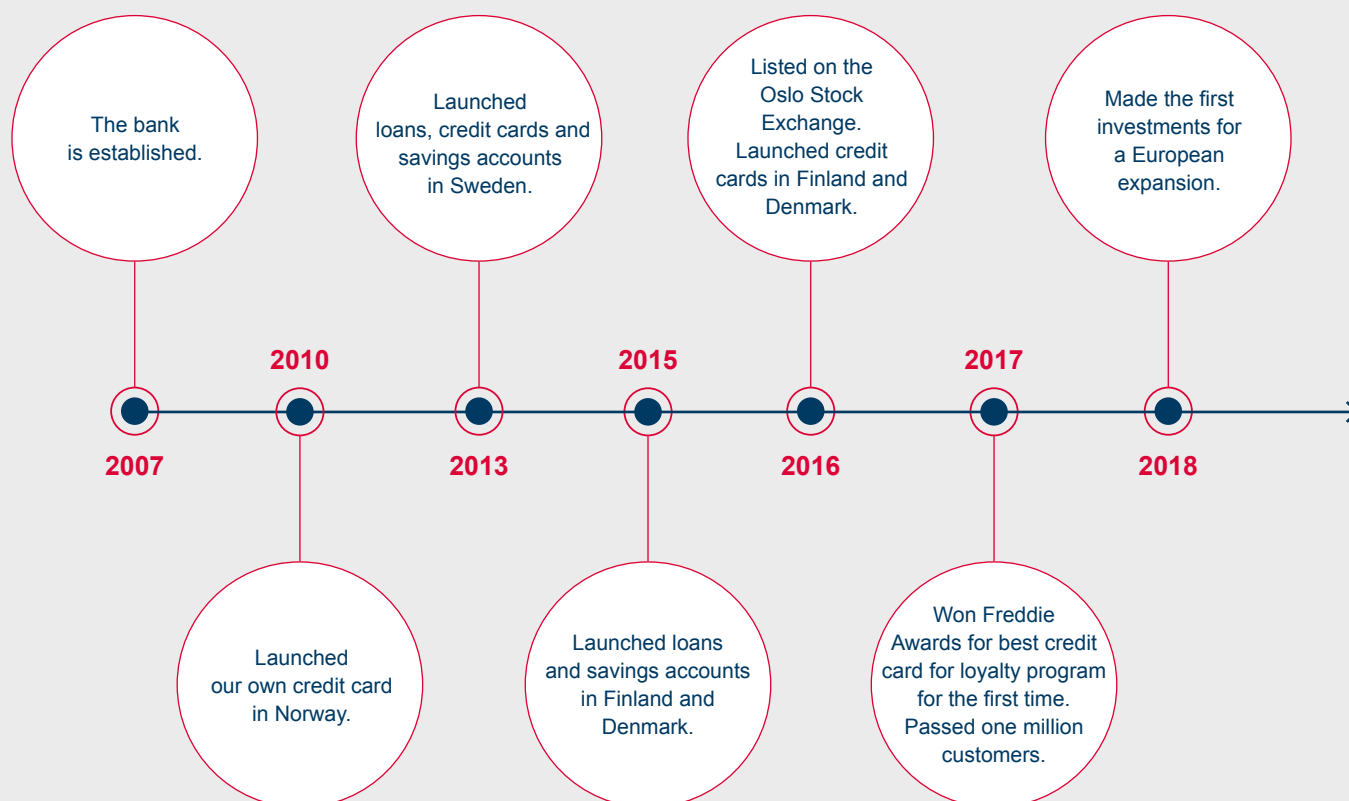
Due to the Corona virus outbreak and the effects on economic activity stemming from initiatives seeking to contain the spread of the disease, the macro economic outlook for 2020 remains uncertain. Bank Norwegian is well positioned for an eventual economic downturn due our solid capital position and cost-efficient operating model.

Fornebu, March 25th 2020

Tine Wollebekk



Bank Norwegian – our story



Important events 2019

26 April

■ We win the Freddie Awards for best credit card loyalty programme in Europe and Africa for the second time.



2 May

■ NOFI secures control over European expansion by acquiring Norwegian Air Shuttle's and HBK Holding's stakes in Lillienthal Finance Ltd.

15 June

■ First bank to exchange data with Gjeldsregisteret AS.

19 August

■ Nordic Capital and Sampo sign an agreement with Norwegian Air Shuttle to acquire 17.47 percent of NOFI's shares.

1 October

■ Evry becomes the bank's issuer services provider for the Norwegian Card.

3 October

■ The bank submits exploratory phase documentation to the Central Bank of Ireland to explore the possibility of obtaining a banking licence in Ireland.

6 November

■ Pass 400,000 credit card customers in Sweden.

27 November

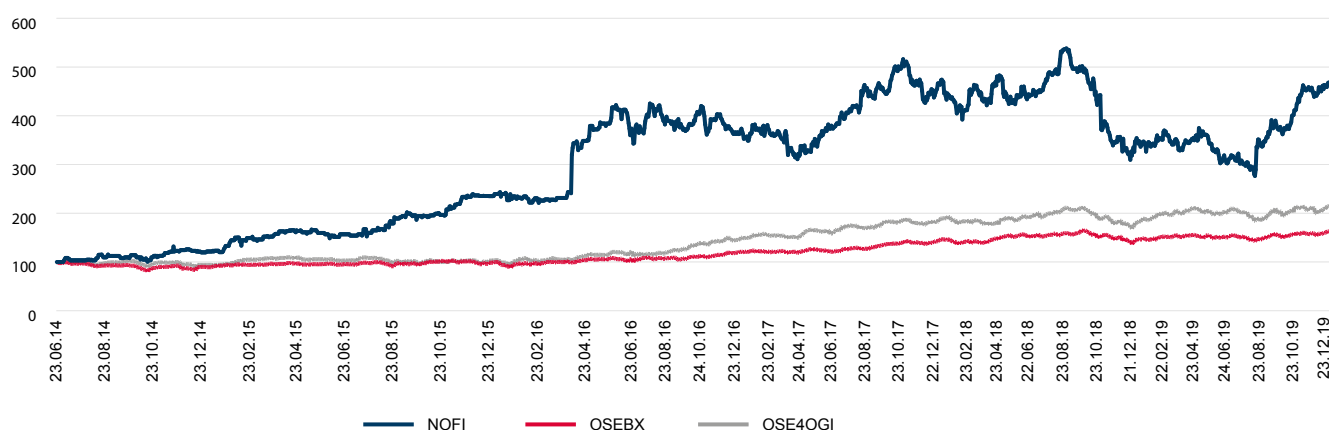
■ The Financial Supervisory Authority of Norway sets a new minimum requirement for own funds and eligible liabilities (MREL) for the bank, effective from 30 June 2020.

31 January 2020

■ The Financial Supervisory Authority of Norway sets a new Pillar 2 requirement of 5.8 percent of Risk-Weighted Assets. The new requirement for the bank's Common Equity Tier 1 capital is 18.5 percent, a reduction of 0.4 percentage points.

About the share

Relative share price development since listing on NOTC list
Index 100 = 23 June 2014



Facts about the share

Norwegian Finans Holding ASA was listed on the Oslo Stock Exchange on 17 June 2016 with the ticker code NOFI. Before this, the share was listed on the NOTC List from 23 June 2014.

The share capital in NOFI is NOK 186,751,856, divided among 186,751,856 shares, each with a nominal value of NOK 1. All outstanding shares have equal voting rights. At the end of 2019 the share was included in OSEBX Oslo Stock Exchange Benchmark Index, OSEAX All-share Index, OSEFX Mutual Fund index, OSE4010GI Banks Index and OSE40GI Financial Sector index.

Sales and trading

A total of 119 million shares were traded in 2019, with a total trading volume of approximately NOK 8.6 billion. Each trading day, an average of approximately 480,300 shares were traded with a total average trading volume of approximately NOK 34 million.

The highest trading price during 2019 was NOK 96.6. The lowest trading price was NOK 55.4. The highest closing price was NOK 95.3 and the lowest closing price was NOK 56.3. At year end, the closing price

was NOK 95.3 compared with NOK 67.0 at the start of the year. The share price rose by 42.2 percent during the year.

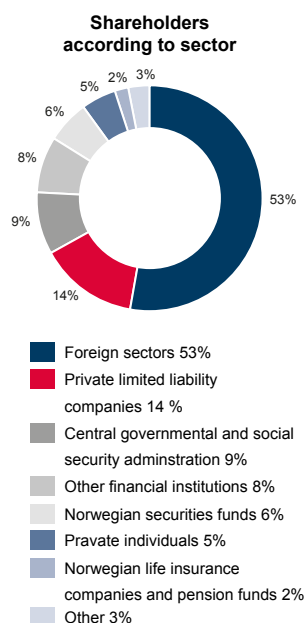
On 31 December 2019 NOFI had a total of 3,355 owners (4,489 in 2018). The largest reported owner constellation is Nordic Capital fund IX and Sampo Plc through the company Cidron Linhua Ltd., with an ownership interest of 16.4%. The stake was acquired after Norwegian Air Shuttle ASA sold its position in the bank. The owner constellation is held through nominee accounts. The second largest shareholder is Folketrygdfondet with 9.47% registered ownership at the end of 2019. The ten largest owners together held 47.36% of the bank's share capital at year end.

General meetings

One ordinary and one extraordinary general meeting were held in 2019. The extraordinary general meeting was held to alter the composition of the Board and the Nomination Committee following the new ownership structure of the bank.

Dividends and buybacks

In 2019, the bank satisfied all current requirements for a dividend payout and share repurchase, and repurchased

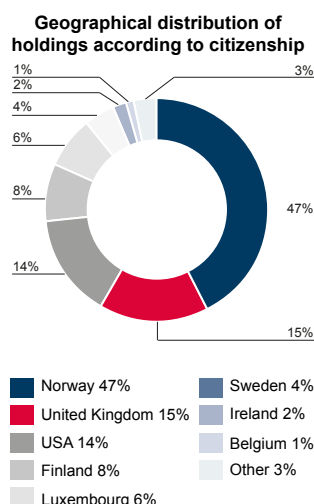


2,133,333 shares corresponding to NOK 160 million. This was the first shareholder distribution since the bank's establishment in 2007. The majority of the shares were used as settlement for the acquisition of exclusive rights to Norwegian Reward in Europe, and have thus not been deleted. At the end of 2019, the bank has a remaining stake of 57,078 shares.

The bank's dividend policy is to pay out capital to shareholders in excess of capital necessary for coverage of current and future capital requirements, taking into consideration expected growth. Norwegian Finans Holding aims to distribute between 30 and 60 percent of net profit as dividend.

equally, hence information to the market is primarily communicated through quarterly investor presentations, stock exchange releases, accounting reports and our website. Regular presentations are held for national and international collaborative partners, rating companies, lenders and investors.

At the end of 2019, a total of ten brokerage houses covered the NOFI share. These were ABG Sundal Collier, Arctic Securities, Carnegie, Danske Bank Markets, DNB Markets, Nordea Markets, Pareto Securities, SEB Markets, SpareBank1 Markets and Kepler Cheuvreux (Swedbank). Contact info for all analysts is available at <https://www.banknorwegian.no/omoss/investorrelations>.



The current capital base and internal generation of capital are considered more than adequate to ensure the NFH Group's growth ambitions as well as maintaining an attractive dividend distribution.

Investor policy and analysts following the NOFI share

It is important to create and maintain trust in the investor market. Norwegian Finans Holding ASA strives to provide correct, relevant and timely information about the Group's development and results to the market. All shareholders must be treated

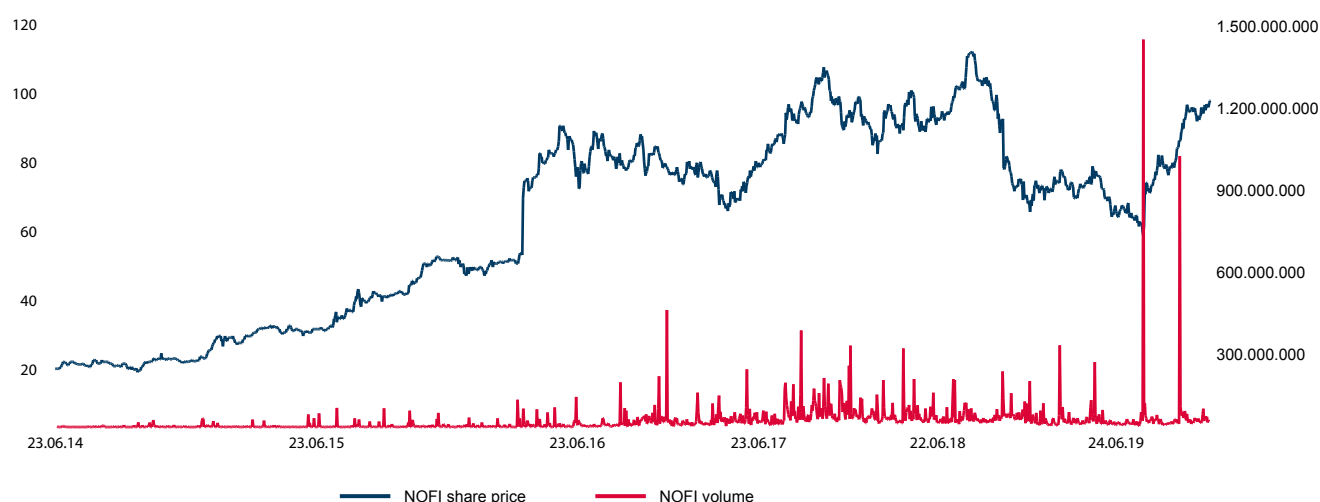
Key figures:

Market value:	17.8 billion
Effective rate of return 2019:	Plus 42.2%

Information addresses

Norwegian Finans Holding and Bank Norwegian distribute information to the market online via <https://www.banknorwegian.no/OmOss/Investor-Relations> and www.newsweb.no.

The NOFI share since listing on the NOTC List 23 June 2014



Financial calendar

2019 Financial year

20 February 2020	Quarterly Report 4Q 2019
26 March 2020	Annual Report 2019
29 April 2020	Ordinary General Meeting

2020 Financial year

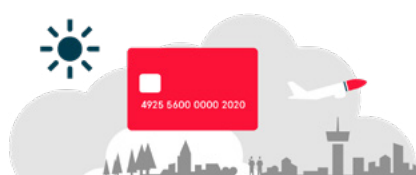
29 April 2020	Ordinary General Meeting
30 April 2020	Quarterly Report 1Q 2020
13 August 2020	Quarterly Report 2Q 2020
28 October 2020	Quarterly Report 3Q 2020

20 largest owners

Shareholder		Numer of shares	% stake
1	Goldman Sachs International	NOMINEE	20 830 064 11.15 %
2	Folketrygdfondet		17 685 849 9.47 %
3	Goldman Sachs & Co. LLC	NOMINEE	12 060 425 6.46 %
4	BNP Paribas Securities Services	NOMINEE	11 826 105 6.33 %
5	Banque Degroof Petercam Lux. SA	NOMINEE	5 085 999 2.72 %
6	Brumm AS		5 067 018 2.71 %
7	Stenshagen Invest AS		4 551 416 2.44 %
8	State Street Bank and Trust Company	NOMINEE	4 052 849 2.17 %
9	Green 91 AS		3 964 900 2.12 %
10	Varma Mutual Pension Insurance CO.		3 312 292 1.77 %
11	Nye Gkb Invest AS		3 201 102 1.71 %
12	Sneisungen AS		3 194 162 1.71 %
13	Mp Pensjon Pk		3 012 236 1.61 %
14	JPMorgan Chase Bank, N.A., London	NOMINEE	2 621 641 1.40 %
15	Nye Km Aviatrix Invest AS		2 534 074 1.36 %
16	Verdipapirfondet Pareto Investment		2 463 000 1.32 %
17	Torstein Ingvald Tvenge		2 250 000 1.20 %
18	Skandinaviska Enskilda Banken AB		2 000 000 1.07 %
19	KLP AksjeNorge indeks		1 825 164 0.98 %
20	Euroclear Bank S.A./N.V.	NOMINEE	1 810 356 0.97 %
20 largest		113 348 652	60.69 %
Total		186 751 856	

Our products

The Norwegian Card



■ The Norwegian Card is an award-winning credit card that offers some of the best benefits in the market, as well as CashPoints on purchases. CashPoints are Norwegian Air Shuttle's own currency and can be used, for example, to pay for tickets when flying with the airline. The card has no annual fee, no cash advance fees abroad, and includes travel and cancellation insurance when the trip is paid for using the card.

Loans



■ Bank Norwegian offers unsecured loans and refinancing loans of up to NOK 600,000. We offer competitive, transparent prices. The application process is completely digital, from registration to the submission of documentation and identification.

Savings account



■ Bank Norwegian offers customers competitive rates on savings accounts. Savings accounts are free to open and there are no restrictions on withdrawals or hidden costs. Accounts are opened and operated digitally.

Insurance



■ Bank Norwegian offers competitive insurance products together with selected partners. We developed our existing products further in 2019 and expanded our product portfolio in Denmark and Finland to ensure, wherever possible, we can offer the same insurance products in each country.

Innovative customer solutions

■ Bank Norwegian is a fully digital and flexible bank that has been challenging traditional banks since the bank was founded in 2007 by offering simple, standardised deposit and lending products online. Our focus on new technology, automated and self-service solutions, and our mobile app results in efficient operations, low costs, good scalability and a high degree of flexibility.

The mobile app launched in 2017 has become an increasingly important communication channel. The service was

further refined in 2019 to make it more reliable and customer friendly.

New services launched during 2019 include a feature to locate the closest ATM that accepts Visa cards. This can be used anywhere in the world. We also introduced a currency calculator that lets customers see the exchange rate Visa uses. The exchange rate includes the foreign transaction fee. Both features will be particularly useful for customers who use their card abroad.

Our mobile app is an important communication channel. The service was further refined in 2019 to make it more reliable and customer-friendly.

67%

increased use of mobile app

Increase in log-ins via app from 2018 compared to 2019

66,864

average daily log-ins

Daily logins increased by 35.8 percent from 2018 to 2019



Foto: Gettyimages

Our customers

591

new customers
each day

■ Bank Norwegian's strong growth continued in 2019. Net customer growth for the year was 216,000, an average of 591 new customers every day. While all of our products contribute positively, the Norwegian Card accounts for the highest growth in terms of customer numbers. 192,000 people in the Nordic region acquired the card in 2019.

Average card usage per customer, adjusted for seasonal variations, was stable throughout the year. Our customers made 124 million transactions using the Norwegian Card, totalling NOK 65 billion. On average, each active customer uses their card 17 times a month.

The Norwegian Card is used as an everyday card for everyday purchases. On average, 99 percent of the monthly card expenditure is repaid the following month. Customers use the card sensibly and are self-disciplined when it comes to paying off card balances.

The bank gained 70,400 new loan customers in 2019. While the bank continues to capture market share in Norway, a significant share of customer growth stems from the other Nordic countries. A large proportion of our customers take out loans to meet short-term needs. Half of the loans are repaid

7.1

million logins via
the app in the
fourth quarter

after 2 years, and on average, loans are repaid within 3.5 years. Customer experience is important and an important proportion of new sales is comprised of repeat customers, who take up a new loan after paying off an existing loan account.

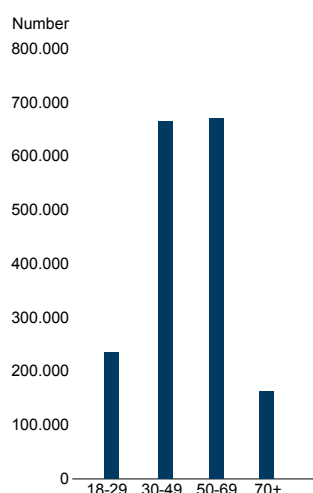
In addition to our core products, we improved our attractive offering to existing customers consisting of relevant insurance products through selected partners. At the end of the year, the bank had 149,000 active insurance policies

distributed across a portfolio of seven insurance products.

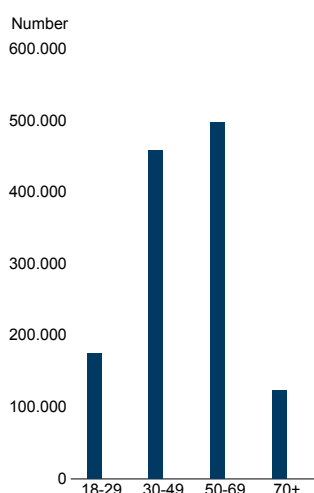
In 2019, we further developed our app to strengthen our digital engagement with our customers. In the fourth quarter of 2019, the app had 7.1 million logins compared with 4.9 million logins of the same quarter in 2018. The app has become our most important channel for customer communication, and the proportion of customer logins via the app had increased to 73 percent by the end of December compared with 64 percent in January.



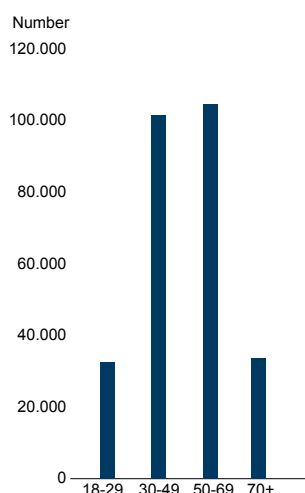
Age distribution of our customers in all countries combined



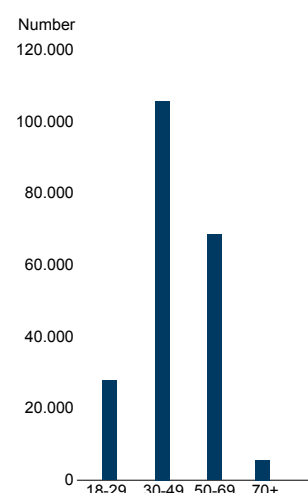
Age distribution – credit cards



Age distribution – deposits



Age Distribution – instalment

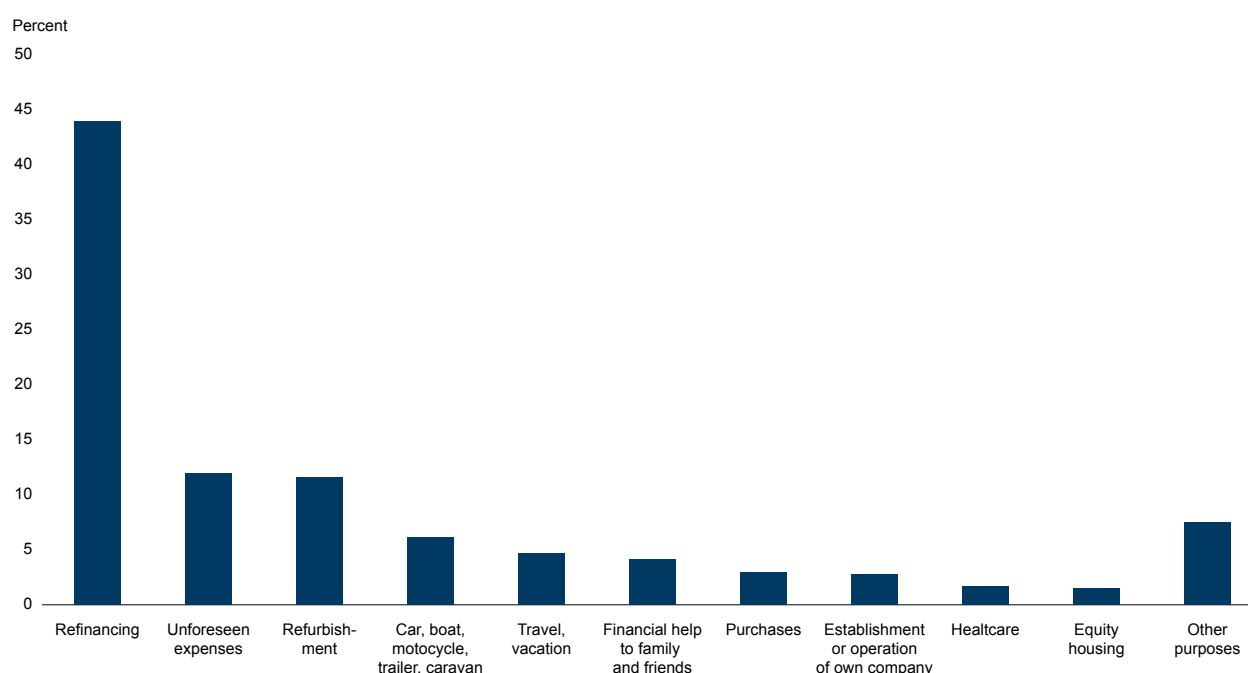


Why do our customers take out loans

■ The bank conducted a customer survey in September, asking our customers in Norway that have taken out a loan during the last 5 years what their main reason was for taking a loan in Bank Norwegian. The questionnaire was sent to 99,908 current and former customers of the bank and 5,524 responses were received.

The results confirm what previous surveys have said regarding the main reasons why people take out loans. Most people take out a loan because they need to sort out their personal finances by refinancing other debt, or because they suffer unforeseen expenses, for example, property damage or a separation.

Why do our customers take out loans



The survey was sent to Bank Norwegian's loan customers in Norway between 1/1 2014 - 30/6 2019 who either have or have not repaid the loan. The survey was sent to 99,908 customers and we received 5,524 replies.

Time period: September 16–September 30, 2019

Data collection: Web filling in from www.panel.no/ (Norstat)

Source: Bank Norwegian customer survey n=5524



Our employees

85.5
number of FTEs

■ Bank Norwegian is an attractive, exciting place to work with a high degree of competence in all parts of the organisation. The bank has employees from all of the Nordic countries where we offer our products. The employees have diverse backgrounds, with more than 14 different nationalities represented.

At the end of 2019, we had 85.5 full-time equivalents (FTEs) made up of 85 permanent employees and two temporary employees. The number of FTEs rose by 10.3 in 2019. All of the employees work at the head office in Fornebu. We also

have nine self-employed consultants who mainly work for the bank.

The bank stresses the importance of employees' professional development, and one of the keys to success is communication across departments. This results in dedicated specialists with broad expertise about the bank.

Bank Norwegian is an inclusive workplace with a good working environment. We have established policies and routines to safeguard our employees' health, safety and environment, as well as to prevent discrimination. The turnover of



49%

of employees
are female

key employees is low and the sick leave rate was 2 percent in 2019. The bank has a working environment committee and a safety representative.

All employees must take part in an annual review of the bank's Code of Conduct and a high level of awareness concerning the bank's corporate social responsibility is required. In addition, we arrange an annual seminar on compliance and ethics for all employees.

The bank also has policies designed to prevent any discrimination on the basis of gender, ethnicity, age, disability or sexual orientation. The bank's gender ratio is satisfactory, with 43 women out of a total of 87 employees. 37.5 percent of the bank's

managers are women. Women make up 42.9 percent of the board of Norwegian Finans Holding ASA and 33.3 percent of the Board of Bank Norwegian AS.

We achieved a high score for employee job satisfaction in our internal employee survey. 93 percent of survey respondents look forward to going to work.

Some of our customer services are provided from Benalmadena in Spain via Webhelp. We have good access to qualified employees from all of the Nordic countries in Southern Spain, which means our customers are served by dedicated employees in their own language.

Key figures: Our employees

- 87 employees – 85 permanent and two temporary
- 85.5 FTEs
- 43 women and 44 men
- 16 managers, six of whom are women
- 11 employees has been here since the bank was founded in 2007
- 2 percent sick leave in 2019

Sustainability

Bank Norwegian has prepared specific governing documents and guidelines for sustainability. These have been approved by the Board and integrated into our day-to-day operations. Responsible lending, protecting customers' privacy, preventing economic crime and safeguarding our employees are priority areas that entail long-term obligations and provide the basis for our social mission.

Sustainability and corporate social responsibility

■ Bank Norwegian performs an important role in society by providing products and services within finance, saving and payments in the Nordic consumer banking market. For us, corporate social responsibility is about combining profitability with responsible business conduct. As part of responsible business, our operations must comply with all applicable laws and regulations and maintain a high ethical standard.

The bank's business activities require a long-term perspective and a high degree of trust from customers and society in general. This trust is dependent on Bank Norwegian being transparent regarding our business activities and open in our communication with customers, employees, employee representatives, owners, government authorities and other stakeholders.

We operate cross border activities, offering our products throughout the Nordic countries from our head office in Norway. In 2019, we paid a total of NOK 899 million in direct taxes and fees in Norway.

During the last 6 months, we have dedicated a large amount of resources to elevating our Risk Management Framework to a European Banking Authority (EBA) standard. The Risk Management Framework and associated risk strategies were approved by the Board on 26 November 2019. Other policies, including the Sustainability Policy and Conduct Risk Policy, were considered by the Board in the first quarter of 2020.

In autumn 2019, the bank conducted several working meetings to identify and assess the risks to which the bank is exposed in the area of sustainability.

Going forward, Environmental, Social and Governance (ESG) risk analyses will be a permanent component of the annual internal control review in which we identify any new risks and/or weaknesses in our established control measures. Based on the "OECD Due Diligence Guidance for Responsible Business Conduct", the bank has incorporated responsibility into policies and management systems, as well as analysed and assessed where the bank has the greatest impact regarding sustainability.

Bank Norwegian has calculated and compensated for our annual carbon footprint from energy consumption, employees' travel to and from work (mobility), business travel, board meetings, materials and waste. The bank's contribution to protecting the climate also includes a smaller donation to climate education.

Access to regulated credit products is beneficial for society. At the same time, access to credit can exacerbate the financial challenges some people face. Responsible lending is important when it comes to protecting individuals, but it is also crucial for the bank's profitability.

Bank Norwegian has a clear framework for how unsecured products are to be marketed. One of our key principles is that products must be targeted at customers who have themselves identified a need for credit. As a consequence, Search engine marketing is an important channel since it targets customers who are actively searching for the bank's products. We believe that search engines promote consumer choice and free competition by facilitating comparisons of different options.

Paid NOK

899

million in taxes and fees in Norway

As an employer and lender, the bank aims to create value for society and lay the foundations for further growth. The core of our corporate social responsibility is how this value is generated.

Please see the bank's [Sustainability Report 2019](#) for more information.

Responsible lending

■ Bank Norwegian performs an important social role by offering both deposit and loan products. Access to credit is a social benefit that can turn into a financial challenge for some people. We understand our responsibilities with respect to marketing, credit granting and collection. Responsible lending practices are a prerequisite for the bank's profitable growth.

Bank Norwegian has a framework that dictates how credit must be marketed. One of our key marketing principles is that it must be targeted at customers who have themselves identified a need for credit. The customer has the best insight into their personal financial situation. The bank's task is to practice responsible lending and provide all relevant information in order for the customer to make informed decisions and choose the right product for their needs.

It is paramount that our customers are able to service the loans we grant them. All loan applications are subject to an automated risk assessment and liquidity calculation. Following the automated process, loan applications are then subject to a manual assessment and checks before potentially being granted. Applicants who would be unable to service the loan due to high debt levels

or low income will be rejected. We do not offer loans to customers with payment remarks, who are younger than 23, or who for other reasons should not be granted a loan.

The bank's loan application process is internally and fully automated. The majority of loan applications received by the bank are rejected and less than 15 percent of loan applications are ultimately successful. At the end of 2019, Bank Norwegian had 1.25 million credit card customers and 200,000 loans customers in the Nordic region. Our customer database enables us to conduct high-quality individual credit assessments and develop our own risk models, providing an effective tool for responsible lending practices.

The bank complies with the lending regulations in the countries where we operate. For Norwegian customers, we have adopted the regulation concerning banks' lending practices for consumer loans, including credit cards. The debt registers in Norway commenced operations on 1 July 2019, providing information that enables us to improve credit assessments even further and avoid granting loans to people who should not get them.

Less than
15%
of loan applications
are successful

Privacy of customers, applicants and employees

■ As a continuation of the work conducted in 2018, privacy was a priority area in 2019 as well. We spent the year implementing the approved framework throughout the organisation.

The bank strives to be transparent. It must be easy for customers and other stakeholders to find clear and understandable information regarding their rights and how the bank uses personal data.

As part of the professionalisation of the bank, we have expanded our internal

control framework. Among other things, the Board has approved new guidelines and policies for information security and how personal data is processed. To ensure necessary expertise and quality throughout our operations, employees must complete multiple GDPR e-learning courses. By the end of 2019, these had been completed by all employees, temporary staff, consultants and others who work for the bank. The bank also has routines for dealing with and reporting discrepancies.

Financial crime

■ The bank constantly seeks to detect and prevent fraud, money laundering, tax evasion, terrorist financing and corruption. This is accomplished through a combination of own-developed systems, internal competence and partners that provide external expertise. In addition, we seek to detect other types of fraud such as first party fraud, where the perpetrator has no intention of repaying a loan.

Due to the increasing digitalisation of society, confidential personal codes and passwords are commonplace. Since these are used to confirm the users' identity for financial services and other tasks in society are commonplace and must not be shared. There are several examples of individual's digital IDs used for fraudulent purposes, resulting in financial harm.

In addition to automated digital monitoring of the customer base, employees undergo regular mandatory training in detecting money laundering and terrorist financing. We have an internal department addressing financial crime, with expertise in detecting money laundering, terrorist financing and corruption. It is also responsible for maintaining contact with equivalent units in the bank to prevent these types of criminal acts.

The bank focuses on developing routines and frameworks, improving skills, monitoring current fraud trends, in addition to obtaining and providing the right information to improve the skills of our employees.

Regular mandatory training in detecting money laundering and terrorist financing

New regulatory framework for the bank

■ Bank Norwegian is a responsible member of society and we conduct our business in accordance with applicable laws and regulations across national boundaries. In 2019, we upgraded our framework for regulatory compliance and risk management. It now complies with the standard required by the European Banking Authority (EBA) for major banks and in line with the stricter regulatory control requirements, enabling a future expansion in Europe.

The bank implemented the regulation concerning banks' lending practices for consumer loans, including credit cards by the deadline of 15 May. The regulation has reduced banks' discretion in credit assessments. It is important to monitor whether the regulation is having unintended and adverse effects on access to regulated credit. Experience suggests that the regulation's refinancing rule is not working as intended and that it is hindering solutions for restructuring customers' debt with instalment schemes tailored to customers' finances.

The best and most effective measure for preventing undesirable growth in unsecured debt in Norway has been the introduction of the debt registers. They are contributing to better credit assessments and ensuring decisions on credit are based on correct information. The Norwegian debt registers commenced operations on 1 July. Bank Norwegian was the first bank to exchange data with the registers. The registers help to lower the risk of consumers taking on insurmountable debt. This, together with the fact that consent-based loan applications give the bank access to electronic payslips and tax returns from the Tax Administration, has improved the data available for making credit assessments. One natural next step

would be to include other types of debt in the debt registers.

Finland introduced new rules for unsecured credit on 1 September 2019, which the bank has implemented. The rules include, among other things, a 20 percent interest rate and cost cap for consumer loans and credit cards. In addition to this, Finland is exploring rules for credit assessments in line with the rules that have been introduced in Norway. Bank Norwegian has submitted a consultation response to the Finnish Ministry of Justice, in which the positive effects of the debt registers are particularly highlighted. Finland already has a good debt register, but submitting and obtaining data from the register is not mandatory. Bank Norwegian has submitted and obtained data from the register since 2016. A more complete register would produce the same positive effects as the debt registers in Norway.

In Denmark, the authorities have focused heavily on unsecured credit, and especially so-called "Kviklån" or "quick loans". Following the election in summer, the new government announced several measures. The provisional proposals are an interest rate cap of 35 percent and a ban on marketing by companies that offer loans at interest rates in excess of 25 percent. The measures do not appear to affect Bank Norwegian's products.

In Sweden, the Swedish Consumer Agency proposed new guidelines for marketing of unsecured credit. In addition, the proposed guidelines regulate which information lenders should obtain from customers.

The Revised Directive on Payment Services (PSD2) obligates all banks in the EU and EEA to give authorised third parties access to the customers' account

Reduction in the Common Equity Tier 1 capital of 0.4 percentage points

information and transaction history. The bank met the requirements by the implementation deadline, 14 September.

The focus on anti-money laundering and anti-terrorist financing has also been intensified since 2019. The Financial Supervisory Authority of Norway has issued a new circular that provides more detailed and exhaustive guidance. In December 2019, the Ministry of Finance published a public consultation paper on proposed changes to the anti-money laundering regulations. The proposals implement the EU's fifth anti-money laundering directive. The bank has good routines for combating money laundering and terrorist financing. In 2019, we further strengthened our control mechanisms by, among other things, improving the independent, third line control of internal audits.

In December 2019, the Financial Supervisory Authority of Norway published the MREL requirements for eight Norwegian banks, including Bank Norwegian, which marked the start of

the rollout of the crisis management regulations in Norway. We have established a recovery plan in line with the regulations, while the Financial Supervisory Authority of Norway has prepared a contingency plan for NOFI. In November 2019, the Financial Supervisory Authority of Norway set a minimum requirement for own funds and eligible liabilities (MREL requirement) amounting to NOK 12,893 million, equivalent to 37.13 percent of an adjusted calculation basis as at 31 December 2018, which must be met by 30 June 2020. The requirement was in line with expectations and was met in December 2019.

On 31 January 2020, the Financial Supervisory Authority of Norway set a Pillar 2 requirement of 5.8 percent of the calculation basis (RWA), effective from 31 March 2020. A management buffer requirement of 1 percent was also set. The new requirement for the bank's Common Equity Tier 1 capital is 18.5 percent, a reduction of 0.4 percentage points in relation to the former requirement.



WE SUPPORT

The bank is a member of and shall comply with the UN Global Compact's 10 principles for human rights, labour rights, the environment, and anti-corruption.

Sustainable operations and human rights

■ Bank Norwegian strives to contribute to a sustainable development and aims to minimise the bank's negative impact on the environment. Our objective is to take account of the environmental impact in all of our business operations. The bank is fully digital, has no physical branches, and only offers services online and via the bank's mobile app. The bank's procedures and processes are largely automated with electronic documentation and communication, which reduces paper consumption and transport. The bank's goal is to bill as

many customers as possible electronically, and we encourage all customers to select electronic billing solutions. The bank also encourages all shareholders to choose to receive notices of general meetings and other relevant information electronically. The bank does not send out marketing materials by post.

The bank's offices are located in an energy efficient building. The process of gaining BREEAM-In-Use certification has begun. The bank's offices are easily

accessible by public transport and bicycle, and also offer charging points for electric cars. Garbage is recycled and the bank ensures IT hardware is disposed of in an eco-friendly manner.

We calculated our CO₂ emissions for 2019 using myclimate and have donated a matching amount to climate protection projects. The calculation shows that the employees' transport to and from work is the greatest contributor to the bank's emissions.

The bank is a member of and shall comply with the UN Global Compact's 10 principles for human rights, labour rights, the environment, and anti-corruption. We expect all of our partners to comply with these principles as well. Guided

by these principles, we have integrated sustainability into our operations.

Bank Norwegian strives to support the UN Sustainable Development Goals (SDGs). As part of our annual risk assessment, the bank conducts a number of workshops on sustainability to define the SDGs on which our operations have a positive and negative impact. We will comply with and strive to influence the SDGs in our market area in order to achieve a more sustainable future.

Bank Norwegian supports Concern Worldwide.

Please see the [bank's Sustainability Report 2019](#) for more information.

Responsible investments

■ The bank's investment mandate contains requirements for Environmental, Social and Governance (ESG). The bank makes investments that safeguard economic, environmental and social sustainability. Compliance with the requirements for responsible investment is implemented in the bank's Market Risk Policy and through this integrated into our business.

There are specific activities, companies and industries that Bank Norwegian

does not invest in. Bank Norwegian does not invest in activities, companies and industries that are excluded by Norges Bank Investment Management (NBIM). The bank's "Exclusion List" requires companies that are invested in to meet the bank's criteria for human rights and employee rights, corruption, serious environmental damage as well as tobacco and controversial weapons production.

See the [bank's Sustainability Report 2019](#) for more information.

Management and results

Presentation of management



Tine Gottlob Wollebakk
Chief Executive Officer

Tine Wollebakk (1962) has been employed as CEO in Bank Norwegian since June 2017, and has more than 30 years of financial services experience. Prior to joining Bank Norwegian Mrs. Wollebakk worked as Senior Vice President and Global Head of Financial Services at Telenor (2012–2017), Country Manager at SEB Norge (2007–2010), CEO of SEB Kort Norge (1999–2010) and CMO and other management positions at Diners Club Nordic and SEB Kort (1989–1999). Mrs Wollebakk was previously a board member at, among others, Andvord Tybring-Gjedde ASA (2004–2007), Goodtech ASA (2011–2013), Gjensidige ASA (2014–2017) and Telenor Kapitalforvaltning AS (2014–2017).

Education

Master of Science in Business Administration, Copenhagen Business School.

Other on-going principal assignments

Board member MøllerGruppen AS/Aars since 2011.



Pål Svenkerud
Chief Financial Officer

Pål Svenkerud (1962) has been employed as CFO of Bank Norwegian since its inception in 2007, and has more than 30 years of financial services experience. Prior to joining Bank Norwegian, Mr. Svenkerud worked as CFO at Teller AS (2005–2007). Earlier assignments include management positions in Storebrand (1994–2005), including as Chief Risk Officer (CRO) and CFO at Storebrand Bank, and analyst positions at Procorp ASA (1993–1994) and U.S. Bancorp (1988–1992).

Education

Bachelor of Arts in Business Administration, University of Oregon, MBA in Finance, University of Denver, and European Certified Financial Analyst, Norwegian School of Economics.

Other on-going principal assignments

Chairman of the board of Emerald Invest AS.



Tore Andresen
Chief Operating Officer

Tore Andresen (1965) has been employed as COO in Bank Norwegian since 2009, and has more than 30 years of financial service experience. Prior to joining Bank Norwegian, Mr. Andresen worked as CEO of Aktiv Kapital Norge (2007–2008) and Lindorff Decision (2001–2006). Mr. Andresen was also previously a board member at Lindorff Match AS (2005–2006) and Aktiv Kapital Danmark AS (2007–2008) and Chairman of Aktiv Kapitaladministrasjon AS (2007–2008).

Education

Associate Degree in Business Administration, Norwegian School of Economics (NHH).

Other on-going principal assignments

Chairman of the board of Valorem Invest AS and board member of Agera Venture 1 AS.



Karstein Holen
Chief Information Officer

Mr Holen (1971) has been employed as Chief Information Officer (CIO) in Bank Norwegian since March 2020, and has more than 20 years of experience working with IT within financial services and telecom. Prior to joining Bank Norwegian, Mr. Holen worked 12 years in various IT positions at Norge Bank Investment Management (NBIM), most recently as Head of IT for the Real Estate investment branch in NBIM. Earlier assignments include DBA at NetCom (1999–2007) and database developer at EDB-Konsulent AS (1997–1999) and ATM AS (1995–1997).

Education

Bachelor in Computer Science from Bergen College of Engineering and MBA from Edinburgh Business School, Heriot-Watt University.

Other on-going principal assignments

None.



Fredrik Mundal
Chief Marketing Officer

Fredrik Mundal (1976) has been employed as CMO of Bank Norwegian since the end of 2016. Mr. Mundal has been with the bank since 2007 in previous positions as Head of Customer Service and Product Manager of Credit Cards and as Head of Credit. He has 17 years of financial services experience. Prior to joining Bank Norwegian, Mr. Mundal was employed at the SEB Kort Credit Department (2003–2007).

Education

Bachelor in Business Administration and IT, University of Agder.

Other on-going principal assignments

None.



Peer Timo Andersen-Ulven
Chief Risk Officer

Peer Timo Andersen-Ulven (1970) has been employed as CRO of Bank Norwegian since 2018 and was engaged as the bank's Program Manager for IFRS 9 implementation from October 2017. Mr. Andersen-Ulven has 24 years of financial services experience. Prior to joining Bank Norwegian, Mr. Andersen-Ulven was a Partner for Financial Risk Management at KPMG (2016–2017), Program Manager for IRB-A at Santander Consumer Finance (2007–2015), Consultant at Capgemini (2004–2007) and worked with capital adequacy modelling for Fairprice (2000–2004).

Education

Pre PhD in Quantitative Finance, Norwegian School of Economics (NHH).

Other on-going principal assignments

Chairman of the board of Drøbak Rideklubb.



Frode Bergland Bjørnstad
Chief Legal and Compliance Officer

Frode Bjørnstad (1976) has been the Chief Legal and Compliance Officer in Bank Norwegian since May 2018. He has 16 years of legal commercial experience within privacy, compliance, financial services, IPR, marketing, commercial contracts, IT and tech. Prior to Bank Norwegian, Mr. Bjørnstad was a lawyer and legal counsel in EVRY (2011–2018), where he also was a member of the financial control committee for EVRY Card Service's payment service. Earlier assignments include external lawyer in Føyen Torkildsen (2006–2011), Legal adviser in the Norwegian Data Protection Authority – Datatilsynet (2004–2006).

Education

Cand Jur (master of Law), University of Bergen.

Other on-going principal assignments

None.



Kai-Harry Hansen
Head of Risk Management

Kai-Harry Hansen (1981) has been employed as Head of Risk Management of Bank Norwegian since August 2019. He has more than 10 years of risk experience from the banking sector. Prior to joining Bank Norwegian, Mr. Hansen was Risk Manager at SpareBank 1 Østlandet (2017–2019) and SpareBank 1 Oslo Akershus (2010–2017). Earlier assignments include working as a Risk Analyst at SpareBank 1 Oslo Akershus (2008–2010) and as a Corporate Trainee at SpareBank 1 Gruppen (2006–2008). Mr. Hansen has also been teaching Martial Arts (Aikido and Kenjutsu) regularly since 2001, and economics at high school as part of his Practical Pedagogical Education (2003–2004).

Education

Master's degree in Economics and Business Administration, University of Tromsø (UiT). Practical Pedagogical Education (Lecturer), UiT.

Other on-going principal assignments

None.

Presentation of the Board of Directors



Bjørn Østbø
Chairman of the Board (NOFI), board member (BN)

Bjørn Østbø (1964) has been a board member since 2018.

Mr. Østbø was temporary CEO of Silver Pensjonsforsikring AS under public administration (2017–2018). He previously served as an executive at First Securites (2007–2011), CEO of Vital Eiendom (2003–2007) and held various management positions in Vital Forsikring (1996–2003), and was also Executive Vice President of DNB (2001–2003) and Chief Analyst at Elcon Securities ASA.

Education

Master of Science in Business and Graduate Programme in Economics and Business Administration, Norwegian School of Economics (NHH).

Other on-going principal assignments

Chairman of the board of Vestlandets Innovasjonsselskap. Deputy Chairman of the board of Folketrygdfondet. Member of the board of directors of SIVA – Selskapet for Industrivekst, Helse Bergen, Universitetet i Bergen and Bergen Kommunale Pensjonskasse.

Number of NOFI and BN board meetings in 2019
13/13 and 10/10.



John E. Høsteland
Chairman of the Board (BN)

John E. Høsteland (1947) has been a board member since 2007.

Mr. Høsteland owns JH Consult, through which he offers advisory services. He has previously held the role of CEO in a number of companies including Høegh Capital Management AS, Skogbrand Forsikring, First Securities ASA and Elcon Securities ASA. Mr. Høsteland is a board member at Høegh Capital Partners ASA, Guardian Corporate AS and First Fondene AS.

Education

Dr. Scient. in Economics, Norwegian University of Life Sciences at Ås.

Other on-going principal assignments

Self-employed owner of JH Consult. Chairman of the board of Høst Verdien i Avfall AS and Koppang Landbruk- og næringsmegling AS. Member of the board of directors of Tekas AS and Fire Fondene AS.

Number of BN board meetings in 2019
9/10.



Christine Rødsæther
Board member (NOFI and BN)

Christine Rødsæther (1964) has been a board member since 2017.

Since 2002, Ms. Rødsæther has been a partner at the law firm Simonsen Vogt Wiig AS and has extensive experience in banking and finance, contract law, as well as shipping and offshore. She has previous experience from Wikborg, Rein & Co. and Andersen Legal ANS.

Education

Master of Law, University of the Pacific, Sacramento, California and Cand. Jur., University of Bergen.

Other on-going principal assignments

Board member of Odfjell SE and Tide ASA. Member of the Governments Counsel for Maritime Development (MARUT).

Number of NOFI and BN board meetings in 2019
13/13 and 10/10.



Lars Ola Kjos

Board member (BN)

Lars Ola Kjos (1978) has been a board member since 2013.

Mr. Kjos previously held the position of VP of Norwegian Reward and Business Development for non-air projects at Norwegian, including the airline's Bank Norwegian project.

Education

Bachelor of Science in Business Administration Finance, University of Denver.

Other on-going principal assignments

Chairman of the board of directors of Green 91 AS and Executive Vice President Commercial at Arctic Aviation Assets Ltd where he works with aircraft purchasing, financing and leasing.

Number of BN board meetings in 2019

10/10.



Anders Gullestad

Board member (elected by the employees) (BN)

Anders Gullestad (1977) has been a board member since 2016.

Mr. Gullestad has been employed at the bank since 2007. He is currently employed as Risk Manager and has previously worked in the credit department.

Education

Master of Science in Business, Nord University Business School.

Number of BN board meetings in 2019

10/10.



Anita M Hjerkin Aarnæs

Board member (NOFI)

Anita Hjerkin Aarnæs (1950) has been a board member since 2007.

Ms. Hjerkin Aarnæs is an experienced manager with a background in business development, strategic planning and operational performance across industries. Her current position is Managing Partner Scandinavia at The Board Practice. Prior to this she served as the HR Director at DNO ASA, Manager of the Norwegian subsidiary of Heidrick & Struggles, Manager of Triple A Consulting AS and as a management consultant at PA Consulting Group for 20 years.

Education

Master of Public Administration, Harvard University.

Other on-going principal assignments

Member of the nomination committee at DNO ASA.

Number of NOFI board meetings in 2019

13/13.



Gunn Ingemundsen

Board member (NOFI and BN)

Gunn Ingemundsen (1968) has been a board member since 2018.

Gunn Ingemundsen was previously VP Head of Risk Management at Telenor Financial Services. She has extensive experience in consumer banking. Gunn has previous experience from Ikano Bank, GE Money Bank and Handelsbanken and is a former board member at Ya Bank and Telenor Banka, Serbia.

Education

MSc in Shipping, Trade and Finance, Cass Business School (former City University) and BSc (hons) in Business Administration, University of Bath.

Other on-going principal assignments

None.

Number of NOFI and BN board meetings in 2019
12/13 and 10/10.



Kjetil Garstad

Board member (NOFI)

Kjetil Garstad (1976) has been a board member since 2019.

Mr. Garstad has been an analyst at Stenshagen Invest AS since 2014. From 2007 to 2013, Garstad was an analyst at Arctic Securities AS and before that at Enskilda Securities AB. Between 2001 and 2003, Garstad worked in the corporate finance department of UBS in London.

Education

Master of Science in business administration, Norwegian School of Economics (NHH).

Other on-going principal assignments

Chairman of the board of Steel City AS. Member of the board of Øgreid AS and Vininor AS. Deputy board member of B2Holding ASA.

Number of NOFI board meetings in 2019
7/13.



Knut Arne Alsaker

Board member (NOFI)

Knut Arne Alsaker (1973) has been a board member since 2019.

Knut Arne Alsaker has been Group Chief Financial Officer of Sampo Group since 2019 and a member of the Group Executive Committee since 2014. He previously held various positions in Storebrand ASA (1998–2000) and If P&C Insurance Ltd (2000–2018).

Education

Master of Science in Economics and Business Administration from the Norwegian School of Economics (NHH).

Other on-going principal assignments

Board member of If P&C Insurance Holding Ltd and the vice chairman of the board of Mandatum Life Insurance Company Limited.

Number of NOFI board meetings in 2019
3/13.

[illegible]

Corporate governance

■ Corporate governance at the Norwegian Finans Holding Group complies with Norwegian law and the Norwegian Code of Practice for Corporate Governance (NUES). Each year, the Board of Directors of the Norwegian Finans Holding Group evaluates

compliance with the companies' corporate governance principles in relation to Section 3-3b of the Norwegian Accounting Act and the Norwegian Code of Practice for Corporate Governance. Any deviations from the Code are explained.

REPORT ON CORPORATE GOVERNANCE IN ACCORDANCE WITH SECTION 3-3B OF THE ACCOUNTING ACT

1. The corporate governance structure of the Norwegian Finans Holding Group is based on Norwegian law and the Group follows the Norwegian Code of Practice for Corporate Governance (NUES).
2. The Norwegian Code of Practice for Corporate Governance is available at www.nues.no.
3. Deviations from the Code are commented on in this report.
4. A description of the main elements of the Group's internal control and risk management systems related to the financial reporting process is presented in Section 10 under the Norwegian Code of Practice for Corporate Governance below.
5. There are no provisions in the Articles of Association of Norwegian Finans Holding ASA which deviate from Chapter 5 of the Norwegian Public Limited Liability Companies Act, which deals with the general meeting.
6. The composition of governing bodies and a description of the main elements of the applicable instructions and guidelines are described under Sections 6, 7, 8 and 9 of the Norwegian Code of Practice for Corporate Governance below.
7. Provisions in the Articles of Association governing the appointment and replacement of board members are presented under Section 8 of the Norwegian Code of Practice for Corporate Governance below.
8. Provisions in the Articles of Association and authorisations which permit the Board of Directors to decide to buy back or issue new shares are described in Section 3 under the Norwegian Code of Practice for Corporate Governance below.

THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

The following is a description of how the 15 sections of the Code are implemented in the Norwegian Finans Holding Group.

1 Implementation and reporting on corporate governance

The Group's activities shall be governed on the basis of high ethical standards and shall take into consideration our stakeholders in the bank's ordinary course of business. The bank shall maintain responsible credit practices and ensure that we provide all relevant information to our customers in order for them to be able to make informed decisions. We only approve loan applications from customers that we believe have the willingness and ability to repay the loan in accordance with the loan terms.

No deviations from the Code.

2 Business

The bank's activities are described in the Articles of Association, which are available on the Company's website. The Board has defined objectives, strategies and risk profiles for the bank. The bank may, subject to the applicable legislation, carry out all transactions and services which are customary or natural for a bank to perform. Bank Norwegian offers banking services through the Internet to retail customers in the Nordic market.

The Board's annual and interim reports describe the Company's goals, main strategies and risk profile. Bank Norwegian shall be a digital bank that delivers simple and competitive products in the retail customer market. The business activities are based on digital solutions, synergies with the Norwegian Air Shuttle, attractive terms for our customers, cost-effective operations and effective risk selection. The Board evaluates the bank's goals, strategies and risk profile at least annually.

Bank Norwegian has established

corporate social responsibility, sustainability and ethical guidelines, which govern the business activities of the bank. The bank complies with the United Nations Global Compact's 10 Principles for human rights, labour rights, the environment, and anti-corruption. Guidelines for sustainability are available in the bank's Sustainability Report.

No deviations from the Code.

3 Equity and dividends

The Board continuously monitors the Company's capital situation in relation to objectives, strategy and risk profile. The bank displays a strong capital adequacy with a common equity Tier 1 ratio of 19.7 percent, a Tier 1 capital ratio of 21.3 percent and a total capital ratio 23.4 percent as of 31 December 2019. The Group has a common equity Tier 1 ratio of 19.7 percent, a Tier 1 capital ratio of 21.3 percent and a total capital ratio of 23.4 percent. The bank's significant growth and profitability give it a great deal of flexibility in terms of controlling the capital situation.

Norwegian Finans Holding ASA aims to create shareholder value through a combination of share price growth and dividend yield. The Board has adopted a dividend policy which targets a long-term dividend payout ratio of between 30% and 60% of the profit after tax. The bank is planning to distribute excess capital above a target capitalisation level to the shareholders. Among other things, the dividend ratio will depend on expected loan growth and earnings growth as well as regulatory capital requirements. Changes in the bank's operating conditions and future prospects may impact its ability to pay dividends and the dividend ratio.

The general meeting has authorised the Board to increase the share capital to enable issuance of shares as non-cash consideration under incentive schemes

and to increase the share capital for acquisitions which are consistent with the Company's objectives or necessary to strengthen the Company's equity. The general meeting has also authorised the Board to buy back shares. The Board authorisations remain valid until the ordinary general meeting in 2020.

No deviations from the Code.

4 Equal treatment of shareholders and transactions with close associates

The Company has one share class and all shares have equal voting rights. Existing shareholders are given preemption rights in the event of share capital increases. If the Board proposes to the general meeting that the preemption rights of existing shareholders shall not apply, such a deviation must be grounded on the common interests of the Company and the shareholders. The justification for an increase in share capital with waived pre-emption rights of existing shareholders will be publicly disclosed in a stock exchange announcement issued in connection with the increase in share capital. The Company's transactions in own shares take place in the market at market price.

The Board obtains external independent valuations of the market value of the Company's shares when the share capital is increased in connection with the bank's share-based incentive scheme. The Board arranges for valuation from an independent party in the event of any not immaterial transactions between the Company and shareholders, a shareholder's parent company, members of the Board, executive personnel or close associates of any such parties.

Nordic Capital Fund IX and Sampo plc are the Company's largest shareholders with an ownership stake of 17.47 percent as of 31 December 2019. The stake was acquired from Norwegian Air Shuttle ASA during 2019.

Since October 2007, Bank Norwegian

AS and Norwegian Air Shuttle ASA have had an agreement governing the bank's use of the Norwegian brand, intellectual property rights, and collaboration on loyalty programmes and credit cards. Following the establishment of banking operations in Sweden, Denmark and Finland, new agreements have been negotiated. Existing acquired rights have been transferred. The agreements are due for renegotiation by 31 December 2020.

No deviations from the Code.

5 Shares and negotiability

The Company's shares are listed on the Oslo Stock Exchange with ticker code NOFI and are freely negotiable. There are no provisions in the Articles of Association restricting the right to own, sell or vote for shares in the Company.

No deviations from the Code.

6 General meetings

Shareholders shall be able to attend the general meeting. Notice of a general meeting and of the recommendation of the Nominating Committee must be available on the Company's website no later than 21 days before a general meeting is held. The deadline for registration is the final day before the general meeting.

The Chairman of the Board, Chairman of the Nominating Committee, Chief Executive Officer and Chief Financial Officer participate at general meetings. The Company's auditor attends general meetings when the matters to be dealt with are of such a nature that it is considered necessary. Board members may also participate. The general meeting is permitted to elect an independent person to chair the meeting.

The voting is stated in the notice. It is permitted to vote on each item that shall be dealt with, including voting for individual candidates. Shareholders who are unable to attend a general meeting are permitted

to vote by electronic means or cast their votes in advance in writing or by proxy form. The minutes of general meetings are available on the Company's website.

No deviations from the Code.

7 Nomination Committee

Under the Articles of Association, the bank is required to have a Nomination Committee which shall make substantiated recommendations to the ordinary general meeting for the election of shareholder-elected board members and deputy boards members, the members and deputy members of the Nomination Committee, and the remuneration of the same. The general meeting stipulates guidelines for the Nomination Committee.

The Nomination Committee has contact with shareholders, the Board and the management in the work of proposing candidates to serve on the Board.

The Nomination Committee consists of three members. One or more deputies may also be elected to the committee.

The members of the Nomination Committee are elected initially for two years, however the Committee shall – through the annual appointment of at least one member of the Committee – seek to achieve satisfactory continuity in the committee.

No board members or representatives of management are members of the Nomination Committee.

Information about the Nomination Committee and how shareholders can submit proposed candidates is available on the Company's website.

No deviations from the Code.

8 Board of Directors: composition and independence

The Board shall be composed in such a manner that it safeguards the interests of the shareholders and the Company's requirements for expertise, capacity and diversity. The Company's Board of Directors shall consist of five to seven members, all of whom shall be elected by the general meeting. Both genders shall have a minimum of 40 percent representation on the Board, cf. Section 6-11 a of the Norwegian Public Limited Liability Companies Act. The general meeting shall appoint the Chairman of the Board from among the board members. Board members are elected for two-year terms. When electing the board members, a suitability assessment is carried out that, among other things, takes into consideration the need for both continuity and independence, as well as a balanced composition of the Board.

The Board of Directors of Norwegian Finans Holding ASA consists of seven members, three of whom are women.

The Board of Directors of Bank Norwegian AS consists of six members, two of whom are women and one of whom is a representative elected by the employees. No senior executives are members of the Board. At least two of the members of the Board elected by shareholders are at all times independent of the Company's main shareholders.

The independence of board members is assessed in connection with their election. The Board is considered independent. The Board of Directors of Bank Norwegian AS held 10 meetings and the Board of Directors of Norwegian Finans Holding ASA held 13 meetings in 2019.

The background of each board member is described in the presentation of the Board in a separate chapter in the annual report and on the bank's website.

No deviations from the Code.

9 The work of the Board of Directors

The Board has adopted a set of instructions which govern its responsibilities and the duties and responsibilities of the CEO, with an emphasis on internal division of responsibilities and duties. The instructions regulate matters to be discussed by the Board and rules of procedure, etc. The work and expertise of the Board are evaluated annually. The Board adopts an annual plan for its work.

The Company has adopted guidelines on conflicts of interest. The Board assesses potential conflicts of interest in all matters considered by the Board. The rules of procedure for the Board of Directors are reviewed annually. Board members and senior executives are required to notify the Board of any significant interests in an agreement which the Company intends to enter into.

The Board has established two permanent board committees that consist of board members. The committees monitor the management on behalf of the Board and prepare matters to be transacted by the Board.

Risk and Audit Committee

The Group's Risk and Audit Committee consists of three members. The Chairman is appointed annually from among the Committee's independent members. At least one of the committee members must have relevant accounting or auditing expertise. The majority of the members are independent.

The Risk and Audit Committee is a sub-committee of the Board of Directors of Norwegian Finans Holding ASA with the objective of carrying out more thorough assessments of specified matters and reports on the results of its work to the Board.

The Risk and Audit Committee is tasked with ensuring that the Group is audited effectively by an independent external

auditor, satisfactorily fulfils its financial reporting obligations under applicable laws and regulations, and that internal control and risk management systems function effectively.

Remuneration Committee

The bank's Remuneration Committee consists of three members and appoints its chairman from among its independent members. The Committee Chairman is appointed annually. The members of the Committee are independent of the Company's executive personnel.

The Remuneration Committee is a sub-committee of the Board of Directors of Bank Norwegian AS and is tasked with preparing matters for the Board concerning the bank's remuneration policy and determining the remuneration of the CEO.

No deviations from the Code.

10 Risk management and internal control

Sound risk and capital management are central to Bank Norwegian in terms of long-term value creation. Internal control aims to ensure efficient operation and proper management of risks of significance for the attainment of business goals.

This goal shall be achieved through:

- A strong organisational culture characterised by a high level of risk awareness;
- A good and effective risk management;
- A good organization that ensures targeted and independent management and control;
- A good understanding of the risks that drive earnings;
- Striving for optimal capital utilisation within the framework of the adopted business strategy; and
- Avoidance of unexpected individual events that can damage the bank's financial position.

The bank has established a board-approved risk management framework with its own policies for all significant risks with associated risk appetite, key risk indicators (KRI) and tolerance levels. The overall purpose and objective of the risk management framework is to provide guidance, principles and expectations for Bank Norwegian's risk management processes and to ensure that material risks will be managed in accordance with Bank Norwegian's business objectives and risk appetite.

As outlined in the risk management framework and in the business strategy, the bank shall primarily generate earnings through exposure to unsecured lending in the retail segment. Other financial risks are limited by the defined risk limits. The risk limits are determined in relation to the bank's buffer capital and risk-bearing capacity.

Risk management and internal control are based on the following elements:

- Roles and responsibilities;
- Policies, guidelines and procedures for managing and controlling risk;
- Strategic planning and capital planning;
- Reporting and monitoring; and
- Recovery- and contingency plans.

Roles and responsibilities

The Board exercises supervision and shall ensure that the bank has a sound system for managing and controlling risk. It defines overall goals, policies, guidelines and authorisation for the bank's risk management and control activities. The Risk and Audit Committee shall ensure that the bank is audited effectively by an independent auditor and satisfactorily fulfils its financial reporting obligations under applicable laws and regulations, and that internal risk management and internal control systems function effectively.

The CEO shall ensure that the Board-approved objectives, guidelines and authorisations for the bank's risk

management and internal control are complied with and shall ensure the effective management and control of risk. Heads of departments that report to the CEO are responsible for the control, reporting and monitoring of self-imposed and statutory requirements.

The Credit Risk Department is responsible for monitoring the bank's adopted credit risk policy and procedures, and shall ensure regular reporting and monitoring.

The Finance Department is responsible for complying with the requirements and guidelines set out in the bank's policies for capital management, liquidity and funding risk, and market risk. The Finance Department shall ensure regular reporting and monitoring.

The Risk Management Function reports to the CEO and is responsible for independent control, monitoring and reporting to executive management and the Board. The Head of Risk Management shall follow up the bank's risk management framework and related key risk indicators (KRI) for credit risk, liquidity- and funding risk, market risk, operational risk, as well as capital management and business risk. The Risk Management Function shall also ensure that all significant risks are identified, measured and reported by the relevant units.

The Compliance Function reports to the CEO and is responsible for independent control, monitoring and reporting of compliance with self-imposed and statutory requirements. The Chief Compliance Officer is responsible for following up key risk indicators (KRI) defined in the bank's compliance risk policy, as well as conduct risk policy.

The Internal Audit Function shall assist the Board and CEO in discharging their responsibilities for ensuring satisfactory internal control. It shall also assess the appropriateness and effectiveness of

the bank's management and control processes.

Policies, guidelines and procedures for managing and controlling risk

The bank has established a board-approved risk management framework with its own policies for all significant risks with associated risk appetite, key risk indicators (KRI) and tolerance levels.

The bank has established policies for capital management, credit risk, liquidity and funding risk, operational risk and internal control, sustainability, model risk, outsourcing, remuneration, conduct risk, information security, new product approval (NPAP), anti-money laundering (AML), conflicts of interest, and dividend. These policies and associated procedures and routines provide guidelines for the bank's efforts to identify and monitor various risks.

Strategic planning and capital planning

The Board approves strategic plans that are subject to ongoing review. The capital plan is a key element of the strategic planning process. Capital planning shall ensure adequate capitalisation of the bank beyond the legal minimum, and demonstrate the expected capital requirements and plan for raising capital. The plan shall also demonstrate the need for debt financing during the period.

Reporting and monitoring

Bank Norwegian has established a set of thresholds that are used to monitor and review the risk exposure compared to its risk appetite. The key risk indicators are followed up and reported according to a "traffic light approach" for each risk indicator.

The Risk Management Function are responsible for ongoing and periodic risk reporting, and for ensuring that all risk factors are within the approved risk limits.

The Risk appetite related to profitability and capital will be reported to the Board

of Directors on a monthly basis. Other indicators impacting profits and capital will be available through daily and weekly reports to the CFO and the executive management. The head of the risk management function is responsible for independent reporting to the board at least every quarter.

Recovery- and contingency plans

The Group has established a board-approved recovery plan in addition to various contingency plans for ensuring sufficient capital and liquidity in the event that internal and/or external factors have a negative impact on the bank's solvency or liquidity.

No deviations from the Code.

11 Remuneration of the Board of Directors

The remuneration of the Board of Directors is determined by the general meeting based on the recommendation of the Nomination Committee. The remuneration of board members is not performance-based or dependent on the Company's share performance. Board members are not issued options. None of the board members have responsibilities for the Company beyond their directorships. The remuneration of the Board of Directors is disclosed in the annual report.

No deviations from the Code.

12 Remuneration of executive personnel

The guidelines for remuneration of senior executives are aimed at promoting long-term value creation for the shareholders while ensuring sound and effective risk management. The guidelines are presented as a separate case document for the general meeting. The guidelines have been designed to attract, develop and retain highly qualified and productive executive staff. The remuneration shall also be related to the performance of the Company and of the individual executive. The level of remuneration shall be

competitive and reasonably distributed internally. The payment structure shall also be costeffective.

Senior executives' total remuneration may consist of a basic salary, variable remuneration, pension and insurance benefits, benefits in kind, and severance pay. Basic salaries are set with regard to market conditions and in accordance with the area of responsibility, experience and skills. Adjustments of basic salaries are based on an individual evaluation of the executive's performance. A variable remuneration scheme has been introduced under which executives are allocated shares in Norwegian Finans Holding ASA. The scheme complies with the provisions of the Norwegian Regulations relating to Remuneration Schemes in Financial Institutions, etc.

No deviations from the Code.

13 Information and communications

The Group aims to provide reliable and timely information to the securities market based on equal treatment of participants. Investor information such as annual and interim reports, presentations, stock exchange releases and the Company's financial calendar are made available on the Group's website at the same time as they are disclosed to the market. The Group arranges quarterly earnings presentations with the participation of journalists, analysts and investors.

The bank has separate pages for investor information on the Company's website. Information about the Company is available in Norwegian and English when the shareholder structure warrants this.

The Board has established guidelines for

the Company's contact with shareholders other than through general meetings.

No deviations from the Code.

14 Take-overs

An entity wishing to make an acquisition that will result in the entity becoming the owner of a qualified interest (10 percent or more) in a financial undertaking is required to provide advance notice of this to the Financial Supervisory Authority of Norway. The acquisition of a qualified interest is subject to authorisation from the Norwegian Ministry of Finance.

The Board of Directors of Norwegian Finans Holding ASA handles any takeover bids in accordance with the principle of equal treatment of shareholders. The Board also seeks to ensure that shareholders are given the best possible information in all situations which affect their interests.

No deviations from the Code.

15 Auditor

The auditor presents the annual audit plan to the Board. The auditor participates in risk and audit committee meetings at which the financial reports are discussed. Each year, the auditor reviews the Company's internal control system with the Board. The Board meets the auditor without the presence of management. Each year, the auditor confirms his or her independence in writing and gives an account of which other services other than the statutory audit have been provided to the Company during the financial year.

No deviations from the Code.

Director's Report 2019 – NFH Group

OPERATIONS, GOALS AND STRATEGY

Norwegian Finans Holding ASA (NFH) owns 100% of the shares in Bank Norwegian AS and Lilienthal Finance Ltd. The company does not engage in any other operations. The ownership of Norwegian Finans Holding ASA is divided between institutional and private investors in Norway and abroad. Norwegian Finans Holding ASA is listed on the Oslo Stock Exchange with the ticker code NOFI.

Bank Norwegian started its operations in November 2007 and offers instalment loans, credit cards and deposit accounts to retail customers distributed through the Internet in the Nordic market. Bank Norwegian offers, in cooperation with the airline Norwegian, a combined credit card and reward card. The bank started operations in Sweden in May 2013. In December 2015 the bank launched operations in Denmark and Finland, where it initially offered instalment loans and deposit accounts. Credit cards were launched in June 2016.

Norwegian Finans Holding ASA entered into agreements on May 2, 2019, to acquire all the shares in the Irish company Lilienthal Finance Ltd. and through this company all rights to the Norwegian brand for banking services and access to customers in Europe.

Bank Norwegian is a digital bank that offers simple and competitive products to the retail market. The strategy is based on leading digital solutions, synergies with the airline Norwegian, attractive terms for our customers, cost-effective operations and effective risk selection.

At the end of 2019 the NFH Group had a customer base of 1 716 500 customers, which can be broken down into 1 255 700 credit card customers, 208 100 instalment loan customers and 252 700 deposit customers.

ECONOMIC DEVELOPMENT

Profit and loss account for the fourth quarter 2019

The NFH Group's comprehensive income amounted to NOK 503.9 million compared with NOK 513.9 million in the third quarter. Return on equity was 23.5%, compared with 25.4% in the third quarter. The return on assets was 3.6%, compared with 3.9% in the third quarter.

Net interest income amounted to NOK 1 362 million, an increase of NOK 31.4 million from the third quarter. The increase is mainly explained by loan growth. The net interest margin was 9.7%, compared with 10.0% in the third quarter. The fourth quarter margin is impacted by lower asset utilization due to senior debt issuances related to MREL requirement and resulting increased liquid assets.

Net other operating income amounted to NOK 87.0 million compared with NOK 89.4 million in the third quarter. Net commission income increased NOK 13.3 million to NOK 77.5 million mainly due to lower issuing services cost. Net gain on securities and currency amounted to NOK 9.5 million, compared with a net gain of NOK 25.2 million in the third quarter. The decrease is due to lower currency gains in the fourth quarter.

Total operating expenses amounted to NOK 345.1 million, an increase of

NOK 20.9 million in the fourth quarter. Personnel expenses increased NOK 0.4 million. Administrative expenses increased NOK 19.9 million, mainly due to higher marketing spending and increased external services costs, partly offset by lower IT-costs. Depreciation increased NOK 1.2 million. Other operating expenses decreased NOK 0.7 million.

Provisions for loan losses were NOK 432.8 million, an increase of NOK 19.3 million from the third quarter. Provisions equalled 3.9% of average gross loans, unchanged from the third quarter.

The tax charge totalled NOK 166.9 million in the fourth quarter, an decrease of NOK 1.1 million from the third quarter.

Profit and loss account for 2019

The NFH Group's comprehensive income for 2019 was NOK 1 981 million, compared with NOK 1 807 million in 2018. The return on equity was 25.2% and the return on assets was 3.8%. The profit growth is explained by customer and loan growth. The NFH Group recruited approximately 209 000 new customers in 2019 and had a gross loan growth of NOK 4 386 million.

A revised method for accounting for loans to customers transferred to debt collection was implemented in the fourth quarter. Comparable figures have been restated. The changes are described in the notes.

Net interest income

Net interest income was NOK 5 261 million, an increase of NOK 557.8 million from 2018. The increase was driven by customer and loan growth. The net interest margin was 10.0%, compared with 9.9% in 2018.

Net other operating income

Net other operating income was NOK 321.8 million, an increase of NOK 75.8 million from 2018. Net commission and bank services income increased NOK

56.6 million, totalling NOK 289.7 million due to increased credit card activity. The net change in value on securities and currency was NOK 32.1 million, an increase of NOK 19.2 million. Gains on currency and positive change in value of shares exceeded negative change in value on fixed income securities in 2019. Value-adjusted return on the securities portfolio was 0.8%, compared with 0.4% in 2018.

Operating expenses

Total operating expenses totalled NOK 1 325 million, an increase of NOK 88.5 million from 2018. Personnel expenses increased NOK 14.6 million due to increased number of employees. General administrative expenses increased NOK 59.2 million, mainly due to increased sales and IT expenses. Depreciation increased NOK 7.7 million and other operating expenses increased NOK 7.1 million.

Provision for loan losses

The NFH Group's provision for loan losses was NOK 1 627 million, compared with NOK 1 324 million in 2018. Provisions equalled 3.9% of average gross loans, compared with 3.6% in 2018.

Gross delinquent loans were NOK 7 637 million, compared with NOK 4 204 million at the end of 2018. Delinquent loans accounted for 17.3% of gross loans, compared with 10.4% in 2018. Gross non-performing loans accounted for 13.1% of gross loans, compared with 7.8% at the end of 2018. Delinquent and non-performing loan levels are developing as expected and must be seen in relation to sale of delinquent loans in Finland in December 2018.

Balance sheet, liquidity and capital

The NFH Group's total assets were NOK 58 073 million at the end of the year, an increase of NOK 7 638 million for the full year.

Gross loans to customers increased NOK 4 386 million and totalled NOK

44 156 million at year end. Gross loans to customers are distributed into NOK 20 137 million, NOK 10 930 million, NOK 7 641 million and NOK 4 449 million in Norway, Finland, Sweden and Denmark, respectively. Instalment loans increased NOK 2 434 million, while credit card loans increased NOK 1 952 million.

Customer deposits increased NOK 1 027 million and totalled NOK 40 118 million at year end. Following the reduction in deposit guarantee amount from NOK 2 million to EUR 100 thousand outside of Norway as of January 1, 2019, the NFH Group experienced a fall in customer deposits in the first quarter and followed by increases in the subsequent quarters. Currency adjusted growth is NOK 1 320 million. Customer deposits are distributed into NOK 19 418 million, NOK 7 438 million, NOK 7 317 million and NOK 5 946 million in Norway, Finland, Denmark and Sweden, respectively. The deposit-to-loan ratio was 91% at the end of the year.

The holdings of certificates and bonds increased NOK 4 048 million and totalled NOK 14 651 million at the end of 2019. Other liquid assets totalled NOK 2 163 million at the end of 2019. The liquidity reserves increased NOK 4 441 million and totalled NOK 16 814 million, equivalent of 29.0% of total assets. The liquidity position has been strong throughout the year. The securities portfolio is liquid with solid counterparties and a high percentage of government certificates.

Debt securities issued increased NOK 4 519 million and totalled NOK 6 538 million at year end. The NFH Group has during the year issued net NOK 2 682 million and SEK 1 983 million in senior debt securities with up to four years maturity, in relation to received MREL requirements.

Total equity was NOK 9 474 million for the NFH Group at year end. The total capital ratio at the end of 2019 was 25.0% for

the NFH Group and 25.3% for the bank. The core capital ratio at the same point in time was 22.9% for the NFH Group and 23.2% for the bank. The common equity tier 1 ratio was 21.2% for the NFH Group and 21.6% for the bank.

RISK MANAGEMENT

Risk Management at Bank Norwegian shall ensure that the exposure to risk is known at all times and within the limits set by the Board. Risk management shall further support the NFH Group's strategic development and achievement of targets.

The NFH Group has established a board-approved risk management framework with its own policies for all significant risks with associated risk appetite, key risk indicators (KRI) and tolerance levels. As outlined in the risk management framework and in the business strategy, the NFH Group shall primarily generate earnings through exposure to unsecured lending in the retail segment. Other financial risks are limited by the defined risk limits. The risk limits are determined in relation to the NFH Group's buffer capital and risk-bearing capacity.

Risk exposure and development are regularly monitored and reported to the NFH Group's board and executive management team.

Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations.

Credit risk in the loan portfolio is the NFH Group's greatest risk. The risk is continuously managed in line with the board approved Risk Management Framework with associated Credit Risk Policy, routines and guidelines for granting credit, as well as various reporting and follow-up requirements.

The NFH Group offers credit exclusively to the retail customer market, and all credit decisions are made by means of

automated decision support systems where the applicant receives an automatic rejection or a conditional grant at the time of application. The credit allocations are based on a qualitative and quantitative analysis with a positive conclusion about the customer's future willingness to pay and ability to pay. The analysis of willingness to pay identifies the characteristics of the customer that predict future payment conduct, while the analysis of the customer's ability to repay is a quantitative evaluation of the customer's ability to repay his/her obligations, given the customer's current and anticipated future financial situation. The case handler's role is to subsequently check if the preconditions for the conditional approval are present.

The NFH Group's portfolio of interest-bearing securities also entails a credit risk but is followed up through the NFH Group's Market Risk Policy.

The Board considers that Bank Norwegian's total credit risk is within the NFH Group's accepted risk tolerance.

Liquidity and funding risk

Liquidity risk is the risk of not being able to meet commitments or unable to finance assets, including desired growth, without significantly increased costs. Funding risk is defined as the risk that the NFH Group will not be able to settle its loans on settlement date, or that new loans must be issued at, relatively speaking, substantially worse terms.

The management of liquidity and funding risk is based on the board approved Liquidity and Funding Policy which stipulate requirements concerning the time horizons for which the NFH Group must be independent of new external funding, the size and quality of the liquidity reserve, and the duration and diversification of funding. Risk exposure and development are continuously monitored and reported to the board and executive management team.

Deposits from customers represent the NFH Group's most important source of funding. In addition to deposits, the NFH Group is funded by loans in the Norwegian and international securities markets.

In December 2019, the NFH Group issued in total NOK 3.6 billion in senior debt securities as part of the NFH Group's strategy to increase the NFH Group's diversification and reduce the need for deposits as a source of funding. However, the borrowing was accelerated due to the Norwegian Financial Supervisory Authority's decision on MREL requirements.

The Board of Directors assesses that Bank Norwegians' overall liquidity risk is within the NFH Group's adopted risk tolerance. The NFH Group's liquidity and funding risk is assessed to be low.

Market risk

Market risk is the risk of loss due to changes in observable market variables such as interest rates, foreign exchange rates and shares/equity instruments. The risk associated with falls in value in the real estate market is also included in market risk. The same applies to the risk of changes in the market value of bonds, certificates and funds as a consequence of general changes in credit spreads (spread risk).

The management of market risk is based on the Board approved Policy for Market Risk, which sets limits to the exposure in various risk categories. Risk exposure and development are continuously monitored and reported to the board and executive management team.

Interest rate risk arises as a result of the balance sheet items having different remaining interest rate commitment terms. The Board of Directors has adopted limits for the total interest rate risk, both in the accounting and economic perspective. Economic interest rate risk is an expression of actual interest rate

risk, while accounting interest rate risk includes those items that are recognized at fair value in the balance sheet.

The NFH Group's investment portfolio is mainly invested with short interest rates. The NFH Group only offers products with administratively set interest rates and no fixed interest rates are offered. The interest rate fixing in the NFH Group's financial instruments and products is largely coincident in the economic perspective, where administrative interest rate risk is taken into account. Any exposure beyond the interest rate risk limits shall be hedged with hedging instruments. Interest rate risk is closely followed by both first and second line and the exposure are regularly reported to the Board and executive management team.

Currency risk arises because the NFH Group has differences between assets and liabilities in each currency. Board approved limits have been established for the net exposure in each currency, as well as the limits for aggregate net currency exposure. The NFH Group's framework defines quantitative targets for maximum net exposure in currency, measured in NOK.

Through its core business, the NFH Group has currency exposure in SEK, DKK and EUR and currency exposure is hedged using forward exchange contracts.

The NFH Group has no market risk associated with real estate and very limited equity risk.

The Board of Directors assesses that NFH Group's overall market risk is within the NFH Group's accepted risk tolerance. The NFH Group's market risk as assessed to be low.

Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes or systems, human error or external events. The process for

managing operational risk shall, insofar as it is possible, ensure that no individual incidents caused by operational risk seriously damage the NFH Group's financial position.

The management of operational risk is based on the Policy for Operational Risk and Internal Control. Risk assessments are carried out both at the overall level, but also within different processes that the NFH Group is exposed to at all times. Special systems have been established for following up risk assessment control measures and improvement measures, as well as for reporting adverse events. Incidents that have impacted or could impact profitability and/or reputation are systematically followed up.

In addition to an annual review of significant operational risks and control measures, management performs a continuous evaluation of the operational risk situation, and risk reducing measures are implemented as necessary. Ongoing reporting of operational loss incidents and internal control deviations is made to management and the Board.

The NFH Group's operating concept is based to a large extent on the purchase of services from external suppliers. The agreements contain provisions relating to quality standards and are continuously followed up by the NFH Group in accordance with the outsourcing guidelines.

Given the risk inherent in using Information and communications technology, this area is subject to continuous monitoring. ICT-related Key Risk Indicators (KRIs) are closely monitored and included in the NFH Group's risk reporting to the Board and executive management team. The Internal Audit also carries out independent reviews and tests of the NFH Group's security in the area.

Given the NFH Group's earnings and financial strength, as well as

the organisation's competence and management systems, the Board assesses that the NFH Group's overall risk exposure in relation to operational risk is acceptable and within the NFH Group's adopted risk tolerance.

Compliance risk

Compliance risk is the risk that the NFH Group will incur public sanctions, penalties, other criminal sanctions, loss of reputation or financial losses as a consequence of failure to comply with acts, regulations, official guidelines and mandatory public orders.

Management and control of the NFH Group's compliance risk is based on the Board of Directors' adopted Compliance Risk Policy. The NFH Group has a low tolerance for compliance risk, and there is zero tolerance of deliberate infringement of regulations.

The Board of Directors assess that the NFH Group exerts satisfactory governance and control of the compliance risk, and that the NFH Group's exposure to compliance risk is prudent.

Conduct risk

Conduct risk is the risk of public sanctions, criminal sanctions, loss of reputation or financial loss as a consequence of the NFH Group's business methods or the employees' conduct materially jeopardising customers' interests or the integrity of the market.

Management and control of the NFH Group's conduct risk is based on the Board of Directors' adopted Conduct Risk Policy.

All employees are required to contribute to ensuring that customers' needs and entitlements are adequately handled, including by providing professional and honest customer services to ensure that the NFH Group's customers can make clear and well-informed choices.

Key instruments to ensure good business conduct include, among other things, ethical guidelines/Code of Conduct, internal information and training initiatives, implementation of risk analyses, in addition to a well-functioning procedure to handle customer complaints.

The Board of Directors assess that the NFH Group exerts satisfactory governance and control of the conduct risk.

PERSONNEL AND THE ENVIRONMENT

The NFH Group's employees have yet again delivered good results. At December 31, 2019 the NFH Group had 85 employees and 2 temporary employees, corresponding to 85,5 full time equivalent employees, compared with 78 employees and 75 full time equivalent employees at December 31, 2018. There are no other employees in Norwegian Finans Holding ASA than the CEO.

The NFH Group's board of directors and management aim to promote equal status between men and women. The NFH Group has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning salaries, promotions, recruitment, and others. Of the NFH Group's 85 employees, there are 43 men and 42 women. Of the 16 managers with personnel responsibility, six are women.

The NFH Group has a bonus scheme for all permanent employees in accordance with current guidelines. The bonuses earned are based on the return on equity achieved. The NFH Group has established good pension and personnel insurance schemes, and offers a programme for employees to counteract ergonomic injuries.

Absence due to illness was 2%. The working environment is regarded as good. The NFH Group has established a Workers Environment and Liaison

Committee. There have not been any work related accidents or injuries during the year. In the opinion of the board of directors, the NFH Group's operations do not pollute the external environment.

The NFH Group is located at Snarøyveien 36, Fornebu. The NFH Group has established a customer call centre in Malaga, based on outsourcing, to service Nordic customers.

SUSTAINABILITY REPORT

The NFH Group has prepared policies and guidelines for sustainability. These have been adopted by the Board and integrated into the NFH Group's daily operations. The ultimate responsibility for these issues lies with the Board of Directors, which defines the strategic direction and establishes policy frameworks and control processes. The CEO is responsible for integration into the operations, and each department is responsible for advancing and developing the efforts within its area of responsibility. The NFH Group's guidelines on environmental, social and governance (ESG) are described in the annual report and the sustainability report.

CORPORATE GOVERNANCE

The board of directors supports the Norwegian Code of Practice for Corporate Governance. The principles of corporate governance are described later in the annual report. Norwegian Finans Holding ASA's shares are listed on the Oslo Stock Exchange with the ticker code NOFI and are freely negotiable. There are no statutory restrictions on ownership, trade or voting for shares in the company.

EVENTS AFTER THE DATE OF THE BALANCE SHEET

The board of directors is not aware of events after the date of the balance sheet that may be of material significance to the annual accounts.

OUTLOOK

The outbreak of the coronavirus has had a major negative impact on the

Norwegian and international economy and has led to significant movements in the financial markets.

At the beginning of the year, the economic conditions in the Nordic markets where the NFH Group operates was characterized by moderate growth and stable unemployment, even though the global economic growth expectations had subsided.

In 2019 Norwegian Finans Holding ASA received a requirement to hold total MREL capital of 37.135% of adjusted risk weighted assets as of December 31, 2018, which leads to an absolute MREL requirement of NOK 4 675 million. The NFH Group is required to meet the absolute MREL requirement at June 30, 2020. The MREL capital shall be issued by Norwegian Finans Holding ASA in senior non-preferred format with a phase-in period until December 31, 2022. After the issuances of senior debt securities in 2019, which qualifies as MREL capital in the phase-in period, the NFH Group overholds the MREL requirements at June 30, 2020 and further into the phase-in period. The NFH Group will continue its efforts for further funding diversification.

The effects from new regulations have dampened loan growth in Norway in the second half of 2019. The NFH Group has a broad Nordic platform and loan volumes have grown faster outside of Norway. As such, the NFH Group has a diversified risk in relation to the individual markets.

As a result of the corona virus with increased marked unrest, the NFH Group established a crisis team on March 12, 2020, where various follow-up measures related to liquidity, operations, and communication with customers, partners, the media and employees were discussed and specific measures were decided. On the same day, the government implemented drastic corona-related measures.

The NFH Group has adapted operations and financial plans based on the outlook for the Nordic and international economy, and the NFH Group has implemented contingency plans to ensure full operation and customer service regardless of location and societal restrictions in the public space.

The NFH Group considers it part of its social responsibility to ensure the public has a predictable access to credit even in times of crisis, so that limited access to credit should not in itself reinforce the challenges faced by society. The NFH Group's financial position makes the NFH Group well equipped to withstand the negative effects of the "corona crisis" without compromising the NFH Group's ability to offer credit to the public.

It is too early to predict how the effects of the coronavirus, and the socio-economic consequences, will affect the NFH Group. Recent developments indicate an increase in unemployment. An economic downturn as a result of the coronavirus may reduce economic activity and private consumption, which can be expected to result in lower credit demand. Lower activity and loan growth are expected to reduce net interest income, net commission income and activity-driven operating costs at the same time as increased credit losses. The financial market unrest with observed spread outflow may result in increased unrealized losses in the liquidity portfolio, while currency fluctuations may affect the value of assets in foreign currency.

Lower loan growth will in isolation reduce the risk weighted assets for capital adequacy and thus have a positive effect on the capital adequacy, while currency fluctuations may have a negative effect through increased risk weighted assets. Nordic authorities' reduction of the countercyclical capital buffer reduces the regulatory requirement for common equity tier 1 ratio from 17.47% to 16.25%.

At the beginning of the year, the credit quality of the loan portfolios in all markets were exhibiting a stable development. The implementation of proprietary credit application and behavior scorecards are yielding expected results. Credit models and systems are undergoing continuous development.

Regulatory common equity tier 1 requirement amounts to 18.9% at the end of 2019, including the 3.0% buffer required for distributing excess capital.

In January 2020, the Financial Supervisory Authority decided that the NFH Group shall have a Pillar 2 requirement of 5.8% of the risk weighted assets for Pillar 1, with a minimum of NOK 2 030 million. The NFH Group is also expected to maintain a management buffer of 1.0%. In accordance with the NFH Group's capital management policy, the NFH Group shall have an internal management buffer of 1.25%.

On March 13, 2020, the Ministry of Finance decided to reduce the requirement for countercyclical capital buffer from 2.5% to 1.0% with immediate effect. At the same time, both the Swedish and Danish authorities lowered the countercyclical capital buffer to 0%. This reduces the NFH Group's effective capital requirement by 1.22 percentage points.

The regulatory requirement for common equity tier 1 and total capital adequacy, is thereby reduced to 16.25% and 19.75% respectively, and the NFH Group's common equity tier 1 target will thus be 17.5% as of March 31, 2020.

The NFH Group's dividend policy states a payout ratio between 30% and 60% in cash dividends. In addition, repurchases of own shares may be used to allocate capital.

Based on prevailing market conditions, the profit for 2019 will be withheld.

Common equity tier 1 was 21.2% at December 31, 2019 for the NFH Group. The current capital base and internal generation of capital are considered more than adequate to ensure the NFH Group's growth ambitions as well as maintaining an attractive dividend distribution in the future.

The NFH Group is in the finishing stage of the exploratory phase to apply for an EU banking license in Ireland in order to give the NFH Group a more efficient access to expand the business concept with a fully digitalized bank in European markets. A decision to initiate a draft application process will be made as soon as the exploratory phase is concluded.

The NFH Group has concurrently initiated preparations for expansion into European markets.

The board of directors has accordingly a positive view of the NFH Group's ongoing operations and confirms that Norwegian Finans Holding ASA's annual accounts have been presented under the assumption of continued operations.

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

Norwegian Finans Holding ASA's profit for 2019 was NOK -5,9 million. The Board proposes that the profit for the year is transferred to retained earnings and other reserves.

Bærum, March 25, 2020

The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebakk
CEO

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Profit and loss account

		NFH Group	
Amounts in NOK 1000	Note	2019	2018
Interest income, effective interest method		5 748 496	5 205 273
Other interest income		162 279	104 303
Interest expenses		650 090	606 692
Net interest income	15	5 260 685	4 702 884
Commission and bank services income	16	540 443	463 551
Commission and bank services expenses	16	250 703	230 454
Net change in value on securities and currency	17	32 053	12 818
Other income		-	32
Net other operating income		321 792	245 947
Total income		5 582 477	4 948 831
Personnel expenses	18	102 293	87 726
General administrative expenses	19	1 095 085	1 035 911
Depreciation and impairment of fixed and intangible assets	28, 29, 30	67 693	59 998
Other operating expenses	20	59 588	52 528
Total operating expenses		1 324 659	1 236 163
Provision for loan losses	5, 6	1 627 359	1 324 189
Profit before tax		2 630 459	2 388 478
Tax charge	27	649 408	581 405
Profit after tax	2	1 981 051	1 807 073
Earnings per share	21	10.61	9.68
Diluted earning per share	21	10.61	9.68

Figures for 2018 are restated, see note 36

Comprehensive income

		NFH Group	
Amounts in NOK 1000		2019	2018
Profit on ordinary activities after tax		1 981 051	1 807 073
Comprehensive income for the period		1 981 051	1 807 073

Balance sheet

		NFH Group	
Amounts in NOK 1000	Note	31.12.19	31.12.18
Assets			
Cash and deposits with the central bank	11, 12, 22, 23	68 500	67 959
Loans and deposits with credit institutions	11, 12, 22, 23	2 094 165	1 702 308
Loans to customers	2, 3, 5, 7, 8, 11, 12, 23	40 560 502	37 797 618
Certificates and bonds	11, 12, 23, 24, 25	14 650 988	10 602 597
Financial derivatives	11, 12, 23, 24	76 371	12 773
Shares and other securities	23, 24	44 863	36 691
Intangible assets	28	510 840	133 670
Deferred tax asset	27	3 502	18 021
Fixed assets	29	819	719
Receivables	31	62 835	63 388
Total assets		58 073 384	50 435 746
Liabilities and equity			
Loans from credit institutions		52 750	-
Deposits from customers	2, 12, 23	40 118 369	39 091 791
Debt securities issued	11, 23, 25, 26	6 537 863	2 018 724
Financial derivatives	11, 12, 23, 24	29 621	120 497
Tax payable	27	625 745	603 085
Deferred tax	27	3 821	-
Other liabilities	32	225 912	32 434
Accrued expenses	33	182 907	188 755
Subordinated loans	11, 23, 25, 26	822 688	836 205
Total liabilities		48 599 677	42 891 492
Share capital		186 695	186 752
Share premium		972 295	976 938
Tier 1 capital	34	635 000	635 000
Retained earnings and other reserves		7 679 717	5 745 564
Total equity		9 473 707	7 544 254
Total liabilities and equity		58 073 384	50 435 746

Bærum, March 25, 2020
The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebakk
CEO

Cash flow statement

		NFH Group	
Amounts in NOK 1000	Note	2019	2018
Profit / loss before tax		2 630 459	2 398 941
Unrealized gain or losses on currency		-105 965	92 674
Depreciation and impairment of fixed and intangible assets	28, 29, 30	67 693	59 998
Provision for loan losses	5, 6	1 627 359	1 324 189
Change in loans to customers	2, 3, 5, 7, 8, 11, 12, 23	-4 390 047	-6 587 671
Change in deposits from customers	2, 12, 23	1 026 578	5 409 516
Change in certificates and bonds	11, 12, 23, 24, 25	-4 048 391	-1 742 763
Change in receivables and financial derivatives	11, 12, 23, 24, 27	-8 172	3 326
Change in shares and other securities	23, 24	-63 045	-9 478
Change in derivatives, accrued expenses and other liabilities	32, 33	52 750	-
Change in loans from credit institutions		96 754	-12 028
Income taxes paid		-608 408	-522 126
Net cash flow from operating activities		-3 722 434	414 578
Proceeds from sale of tangible assets	29	-	32
Payment for acquisition of intangible assets	28	-393 592	-67 853
Payment for acquisition of tangible assets	29	-643	-112
Net cash flow from investment activities		-394 235	-67 933
Buy back of shares		-161 200	-
Allocation of shares		150 000	-
Allocation of bonus shares		5 301	5 819
Issued debt securities	11, 23, 25, 26	5 834 015	388 040
Repayment of debt securities	11, 23, 25, 26	-1 281 602	-611 739
Issued subordinated loans	11, 23, 25, 26	-	533 555
Repayment subordinated loans	11, 23, 25, 26	-	-171 964
Investments in subsidiaries		-40 240	-
Issued tier 1 capital	34	-	125 000
Repayment of tier 1 capital	34	-	-125 000
Paid interest tier 1 capital	34	-45 697	-39 037
Net cash flow from financing activities		4 460 576	104 673
Net cash flow for the period		343 908	451 318
Cash and cash equivalents at the start of the period		1 770 267	1 411 622
Currency effect on cash and cash equivalents		48 490	-92 674
Cash and cash equivalents at the end of the period		2 162 665	1 770 267

Off which:

Cash and deposits with the central bank	68 500	67 959
Loans and deposits with credit institutions	2 094 165	1 702 308

Change in equity

NFH Group

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.18	186 752	976 938	635 000	5 745 564	7 544 254
This period's profit	-	-	-	1 981 051	1 981 051
Comprehensive income for the period	-	-	-	1 981 051	1 981 051
Paid interest tier 1 capital	-	-	-	-45 697	-45 697
Buy back of shares	-2 133	-157 867	-	-	-160 000
Allocation of shares	2 000	148 000	-	-	150 000
Allocation of bonus shares	76	5 224	-	-	5 301
Fees	-	-	-	-1 201	-1 201
Balance 31.12.19	186 695	972 295	635 000	7 679 717	9 473 707

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.17	186 689	971 182	635 000	3 920 750	5 713 621
This period's profit	-	-	-	1 807 073	1 807 073
Comprehensive income for the period	-	-	-	1 807 073	1 807 073
Paid interest tier 1 capital	-	-	-	-39 037	-39 037
Other changes	-	-	-	2 211	2 211
Allocation of bonus shares	63	5 756	-	-	5 819
Change in write-downs under IFRS 9	-	-	-	54 567	54 567
Issued tier 1 capital	-	-	125 000	-	125 000
Repayment of tier 1 capital	-	-	-125 000	-	-125 000
Balance 31.12.18	186 752	976 938	635 000	5 745 565	7 544 254

Notes

Note 1 Accounting principles

1. COMPANY INFORMATION

Norwegian Finans Holding ASA is a Norwegian public limited company listed on the Oslo Stock Exchange under the ticker NOFI. The company is the parent company of the Norwegian Finans Holding Group (hereafter NFH Group / Bank). The NFH Group offers banking services in the form of consumer loans, credit cards and deposits to retail customers in the Nordic market through Bank Norwegian AS, a wholly owned subsidiary of Norwegian Finans Holding ASA. The bank is headquartered at Snarøyveien 36, Fornebu. The operations in Sweden, Denmark and Finland are established through cross-border operations in Bank Norwegian AS.

2. BASIS FOR PREPARATION OF THE ACCOUNTS

The consolidated financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU. Amounts in the note information are stated in NOK thousand unless otherwise stated.

3. CHANGE IN ACCOUNTING PRINCIPLES

IFRS 16 Leases

The standard applies to all leases and entered into force on January 1, 2019. At initial recognition the bank measured *the lease obligation* and *the right to use asset* at present value of future lease agreements. Rent payments shall be accounted for as interest expenses and amortization. The bank mainly leases the premises of the headquarter as well as fixtures that were recognized in the balance sheet by the adoption of IFRS 16 on January 1, 2019, see note 30. The bank has decided to use the following principle choices in the standard:

- Exceptions for low value leases (Leases with present value less than TNOK 50)
- Exceptions for short-term leases (Short-term leases under 12 months)
- Exceptions for changing comparable figures

IAS 12 Income Taxes

Due to an amendment of IAS 12 Income Taxes, income tax consequences of group contribution and distribution of interest on the bank's equity accounted for as tier 1 capital are recognized in profit or loss and not directly in equity, if the transactions that generated distributable profit are recognized in profit or loss. The bank implemented this clarification as at 1 January 2019. Comparative amounts have been restated.

4. FUTURE CHANGES IN ACCOUNTING

The consolidated financial statements will be affected by future amendments to IFRS. No published standards or interpretations are expected to have a material effect on the NFH Group in implementation.

5. GENERAL ACCOUNTING PRINCIPLES

5.1. Financial instruments

Financial assets and liabilities mainly include loans to and receivables from credit institutions, loans to and receivables from customers, certificates and bonds, other receivables, subordinated loan capital, securities debt, other short-term debt and deposits from and debt to customers. Financial instruments are generally capitalized at the time the company becomes a part of the contractual terms of the instrument. For loans to and receivables from customers, loans are recognized in the balance sheet at the time the loan is paid to the customer. Financial assets are derecognized when the rights to receive cash flows from the asset expire. Financial liabilities are derecognized at the time the rights to the contractual terms are fulfilled, expired or cancelled.

5.1a. Financial liabilities

Financial liabilities, which mainly consist of deposits from customers and subordinated loans, are initially recognized at fair value less any transaction costs at the time of establishment. In subsequent periods, the liabilities are measured at amortized cost using the effective interest method.

5.1b. Financial assets

According to IFRS 9, financial assets are classified into three measurement categories. The measurement category is determined on initial recognition of the financial instrument:

- Fair value with value changes over profit
- Fair value with value changes over other comprehensive income
- Amortized cost

The Group's financial assets consist of *Cash and receivables from central banks, Loans and receivables from credit institutions, Loans to customers, Certificates and bonds, Financial derivatives, Shares and other securities and Assets held for sale.*

Financial assets measured at fair value

Certificates and bonds constitute the banks liquidity portfolio. The portfolio is held to secure the banks liquidity needs and is classified as assets held for trading and measured at fair value through profit or loss. Upon initial recognition of assets in this category asset are measured at fair value. In subsequent periods, it is measured at fair value, where any changes in value are recognized against net changes in value and gains/losses on currency. Interest income on certificates and bonds is presented in the income statement under interest income and other income.

Financial instruments at fair value are placed in the various levels below based on the quality of market data for each type of instrument. The levels reflect the hierarchy that prevails in IFRS for how to measure fair value. If input from level 1 is available, then this should be used over level 2 and 3.

Level 1: Valuation based on quoted prices in active markets

Financial instruments that are valued using quoted prices in active markets for identical assets or liabilities are classified as Level 1.

Level 2: Valuation based on observable market data

Financial instruments that are valued using information where prices are directly or indirectly observable for the assets or liabilities are classified as Level 2. The bank's liquidity portfolio with investments in certificates and government bonds is categorized as level 2.

Level 3: Valuation based on other than observable market data

If valuation cannot be determined in Level 1 or 2, valuation methods based on non-observable market data are used. The bank's shares in VN Norge AS and Vipps AS are categorized in level 3.

Shares and other securities comprise the banks ownership interest in VN Norge AS and Vipps AS and are measured at fair value.

Financial assets measured at amortized cost

Financial assets with contractual cash flows that are only payment of interest and principal on given dates and which are held in a business model with the aim of receiving contractual cash flows are initially measured at amortized cost.

Loans to and receivables from customers

Loans to and receivables from customers, which essentially consist of loans to private individuals and credit card receivables, are measured at amortized cost. At initial recognition, amortized cost is the fair value of the asset (normally acquisition cost), plus the addition of transaction expenses that are directly attributable to the acquisition or issuance of the financial asset. Amortized cost in subsequent periods is the measurement at initial recognition, with

the addition of accumulated effective interest, less the cash flows received, with the addition or deduction for changes in the present value of expected contractual cash flows and less the recognized losses.

The effective interest rate is the interest rate that discounts the loan's contractual cash flows (interest, installments and fees) over the expected maturity of the loan's amortized cost at the time of establishment. For assets that are not credit impaired, effective interest is calculated on the asset's carrying amount before provisions for losses. For assets that are credit impaired effective interest is calculated on the asset's carrying amount (amortized cost). The bank considers that a loan to or receivable from a customer is credit impairment when the customer has overlooked payment for 90 days on the balance sheet date, has been transferred to a debt collection company for recovery of the claim, has died or is suspected of fraud. Such loans are recognized as loans in step 3.

The bank derecognizes a loan from the balance sheet when the rights to the cash flows expire, normally as a result of the customer paying interest and repayments, but also through the sale of the loans to third parties. The bank also derecognizes a loan (charge-off), with corresponding provision for loss of balance when the bank has no reasonable expectation of recovering the loan.

In the event of bankruptcy or judicial judgment, the bank records commitments that are affected by such circumstances as recorded loss (write-off). This also applies in cases where the bank has otherwise suspended recovery or waived part of all the commitment.

The bank makes provision for expected losses on assets measured at amortized cost. For assets that have not had a significant increase in credit risk (lending in step 1) the bank makes provision on expected losses from defaults that may occur within the shorter of the asset's expected life and 12 months from the balance sheet date.

Regarding loans in step 2 or step 3, the bank provision for expected losses over the remainder of the assets expected lifetime. The bank has defined lifetime expectancy as the expected time horizon associated with the first occurrence of default or full payment of interest and repayments on the claim. The bank is looking at a change in the risk of default since initial recognition to determine whether an asset has had a significant increase in credit risk. The bank considers a commitment to be defaulted when the loan is more than 90 days past due, the customer has been transferred to a debt collection company in the event of death or cases where fraud is suspected.

Model Characteristics

The bank uses a loan loss model to compute provisions and the model includes default probability (PD), discount rate, exposure time of 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. Such information is based on the actual behavior of the customers, and the bank has established several rules that the bank has identified as triggers for a significant increase in credit risk.

The models provide an estimate of PD. This implies separate loss models for LGDs that are run both before and after default. The bank uses models for exposures at the time of default. Triggers are used to classify accounts in 3 steps:

Step 1: "12-month expected loss"

Step 2: "Significant increase in credit risk compared to initial recognition"

Step 3: "Default"

The triggers measure change in credit quality by comparing original PD with PD at the time of reporting, observation of "forbearance" flags, 30 days late payment, defaults on other product and history of delays over the last three months. The bank has developed lifetime expectancy models for all unsecured loans per country, as measured against the repayment agreement and the current repayment pattern. The selected methodology for each model is based on the respective maturity of the portfolio as well as access to data in the respective markets.

The models are validated on an ongoing basis. This includes both validation for a different period than the one or those on which each model is based, and validation on some of the data held outside the model building.

PD-models are using an adjustment factor based on macroeconomic simulations for each product and country, based on NIGEM methodology. Through thousands of simulations it is calculated an expected, an upper and a lower scenario for expected losses where the model weights into management's assessment of probable macro picture.

Definition of defaults are commitments that are over 90 days delayed according to the agreed payment plan and the minimum amount due amounts to a size equivalent to € 100 in the respective local currency.

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 adapted to the characteristics of each segment. The formula used is: $ECL = PD * EAD * LGD$.

Movement between steps

Loans are classified in step 1, 2 or 3 at the reporting date. Impairment levels vary between the three stages. See note 4 for more information about triggers.

5.2. Intangible assets

Intangible assets are recognized in the balance sheet to the extent that it is probable that financial benefits will accrue to the NFH Group in the future, and these expenses can be reliably measured. Intangible assets are recognized in the balance sheet at cost less accumulated depreciation and any impairment losses. Purchased software is capitalized at acquisition cost plus expenses to make the software ready for use. Identifiable expenses for proprietary software are capitalized as intangible assets if the asset is controlled by the NFH Group and it is probable that financial benefits will cover development expenses at the balance sheet date.

Direct expenses include expenses for employees directly involved in program development, material and directly attributable expenses. Expenses related to maintenance of software and IT systems are expensed as incurred on the income statement if the maintenance does not increase the future financial benefits of the software.

Capitalized software expenses are depreciated over their expected economic life. Intangible assets are derecognized by sale or when no additional economic benefits are expected from the use or disposal of the asset.

On the balance sheet date, the accounts are reviewed to determine whether there are indications of impairment of the intangible assets. In the event of impairment, the recoverable amount of the asset is measured. The recoverable amount is the higher of net sales value and value in use. If it is shown that the recoverable amount for the asset in question is lower than the carrying amount, an impairment loss is carried out so that the asset is assessed at the recoverable amount. Such impairment is reversed when the basis for impairment is no longer present.

Brokerage commissions for agents are capitalized, depreciated and tested for impairment when the commission is related to sold credit cards that have not yet been activated. Brokerage commissions on approved cards are classified as loans to customers and are accounted for using the effective interest method.

Ordinary depreciation based on cost is calculated on a straight-line basis over the expected economic life of the asset. The following depreciation period is used:

IT / software:	5 years
Brokerage commissions:	3 years
Leases:	3 years
IP rights:	Non-depreciable
Connection fee :	Non-depreciable

The connection fee to Finans Norge is activated at cost price. It provides access to a joint payment system infrastructure in Norway. The infrastructure ensures that the bank can offer payment services that allow customers to make transactions between themselves, regardless of bank connections.

5.3. Fixed assets

Tangible fixed assets are valued at historical cost less accumulated ordinary depreciation and any impairment losses. Value increases are added to the cost of tangible fixed assets and depreciated in line with the fixed assets. The assessment of impairment requirements follows the same principles as described in the section on intangible assets. The carrying amount of an asset is derecognized in the event of sale or disposal.

When there is indication of impairment of tangible fixed assets, recoverable amounts are calculated. The recoverable amount is the higher of net sales value and value in use. If the recoverable amount is lower than the book value, the asset will be written down to the recoverable amount. If the criteria for impairment are no longer present, the impairment will be reversed.

Reversal of impairment may never result in the value of the asset surpassing the original cost price or to what it would have been capitalized if the asset would have followed the original depreciation plan. When the amortization plan is changed, the effect is distributed over the remaining amortization period.

Depreciation periods for tangible fixed assets are from 0 to 5 years. Ordinary depreciation based on cost is calculated on a straight-line basis over the estimated economic life of the asset. The following depreciation time is used:

Office machines:	5 years
Computer equipment:	3 years
Equipment and fixtures:	5 years

5.4. Other receivables

Other receivables are capitalized at amortized cost. Prepaid commission costs are capitalized and accrued over the expected term. If the loan terms are terminated before the expected time, the remaining commission that is not recognized as an expense will be fully accounted for when the loan is repaid. Expected maturity is normally 36 months.

5.5. Tax

5.5a. Deferred tax and deferred tax assets

Deferred tax / deferred tax assets are recognized in accordance with IAS 12. Deferred tax / deferred tax assets are calculated at the nominal rate based on the temporary differences that exist between the accounting and tax values at the end of the accounting period. Tax-increasing and tax-reducing temporary differences are offset and recorded in the balance sheet. The current tax rate used to calculate deferred tax / deferred tax assets in the bank is 25% and the tax rate in NFH ASA is 22%. Deferred tax assets are capitalized to the extent that it is probable that the benefit will be realized at a future date.

5.5b. Tax expense

In the income statement, both the change in deferred tax and the tax payable for the period are included in the tax expense. The tax expense also includes those cases where in the past periods a tax payable has been set aside that deviates from the final tax settlement.

Tax consequences of the payment of interest on Tier 1 capital and group contributions are recognized in profit or directly in equity, depending on where the entity originally recognized the related transactions or events that have generated the profits distributed.

5.5c. Payable tax

Payable tax for current and prior periods not paid at the reporting date, is recognized as a liability. Tax payable is tax calculated on the taxable profit for the year. The current tax rate is industry specific.

5.6. Pension

The bank is subject to the compulsory occupational pension law has a defined contribution scheme that includes all employees. Deposits in the scheme are paid on an ongoing basis and the bank has no obligations beyond the current payment to the scheme.

5.7. Currency

The NFH Group has NOK as its presentation currency. Balance sheet items in foreign currency are translated into NOK using the exchange rate on the balance sheet date. Amounts in foreign currency included in the income statement are converted to NOK using the average exchange rate. The NFH Group has income and expenses in SEK, DKK and EUR in addition to NOK.

5.8. Estimates

The estimation of valuation items and discretionary valuations is based on the NFH Group's historical experience and a probability weighted expectation picture related to future events. The NFH Group considers impairment losses as a central assessment item based on discretionary assessments.

5.9. Cash flow statement

The cash flow statement has been prepared using the indirect method and is structured based on the business. The statement reflects the main elements of the NFH Group's liquidity management, with special emphasis on cash flows for lending and deposit operations. Cash and cash equivalents consist of cash and deposits with the central bank as well as loans to credit institutions.

Note 2. Segments

The profit and loss and balance sheet presentation for segments are based on internal financial reporting as it is reported to management. The figures are based on Bank Norwegian's governance model.

Profit and loss account 2019

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	2 389 911	863 804	651 865	1 356 133	-1 028	5 260 685
Net other operating income	177 839	69 151	23 530	51 784	-512	321 792
Total income	2 567 750	932 955	675 394	1 407 917	-1 539	5 582 477
Total operating expenses	560 336	291 275	181 638	278 890	12 519	1 324 659
Provision for loan losses	696 095	221 951	200 618	508 696	-	1 627 359
Profit before tax	1 311 319	419 729	293 138	620 331	-14 058	2 630 459
Tax charge	356 831	109 876	63 918	121 254	-2 471	649 408
Profit after tax	954 488	309 853	229 220	499 077	-11 588	1 981 051
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	954 488	309 853	229 220	499 077	-11 588	1 981 051

Balance sheet 31.12.19

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	18 844 355	6 802 103	4 724 885	10 189 159	-	40 560 502
Other assets	8 546 780	3 467 465	3 151 700	2 157 276	189 662	17 512 882
Total assets	27 391 134	10 269 568	7 876 585	12 346 435	189 662	58 073 384
Deposits from customers	19 417 635	5 946 156	7 316 699	7 437 880	-	40 118 369
Other liabilities and equity	7 973 500	4 323 412	559 886	4 908 555	189 662	17 955 015
Total liabilities and equity	27 391 134	10 269 568	7 876 585	12 346 435	189 662	58 073 384

Profit and loss account 2018

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	2 281 471	783 310	545 662	1 092 362	78	4 702 884
Net other operating income	144 893	75 673	29 682	-3 498	-803	245 947
Total income	2 426 365	858 983	575 344	1 088 863	-725	4 948 831
Total operating expenses	537 585	277 024	163 053	254 273	4 228	1 236 163
Provision for loan losses	421 873	249 051	247 573	405 693	-	1 324 189
Profit before tax	1 466 907	332 908	164 719	428 898	-4 953	2 388 478
Tax charge	353 489	82 632	40 708	105 638	-1 063	581 405
Profit after tax	1 113 418	250 276	124 010	323 259	-3 891	1 807 073
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	1 113 418	250 276	124 010	323 259	-3 891	1 807 073

Balance sheet 31.12.18

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	18 512 497	6 660 599	4 082 280	8 542 242	-	37 797 618
Other assets	6 515 429	2 366 123	1 282 722	2 269 710	204 143	12 638 128
Total assets	25 027 926	9 026 722	5 365 003	10 811 952	204 143	50 435 746
Deposits from customers	19 744 468	6 573 122	3 920 335	8 853 867	-	39 091 791
Other liabilities and equity	5 283 458	2 453 600	1 444 668	1 958 085	204 143	11 343 955
Total liabilities and equity	25 027 926	9 026 722	5 365 003	10 811 952	204 143	50 435 746

Note 3. Capital adequacy and Liquidity Coverage Ratio

Norwegian Finans Holding group uses the standardized approach for credit risk and the standardized approach for operational risk to calculate capital adequacy in accordance with current capital adequacy regulations - Basel II.

Total capital		
<i>Amounts in NOK 1000</i>	2019	2018
Amounts in NOK 1000		
Share capital	186 695	186 752
Share premium	972 295	976 938
Other reserves	7 679 717	5 745 564
Deferred tax assets, intangible assets and additional valuation adjustment	-529 143	-162 464
Common equity tier 1	8 309 564	6 746 789
Additional tier 1 capital	635 000	635 000
Tier 1 capital	8 944 564	7 381 789
Tier 2 capital	822 688	836 205
Total capital	9 767 252	8 217 995
Calculation basis		
Covered bonds	336 787	273 532
Regional governments or local authorities	87 123	97 143
Institutions	1 161 242	890 923
Loans to customers	26 750 970	25 396 605
Defaulted loans	4 892 542	3 935 478
Equity positions	44 818	36 654
Other assets	139 948	76 867
Total credit risk	33 413 430	30 707 203
Operational risk	5 728 063	4 012 591
Market risk	1 575	-
Total calculation basis	39 143 067	34 719 794
Common equity tier 1 %	21.2 %	19.4 %
Tier 1 capital %	22.9 %	21.3 %
Total capital %	25.0 %	23.7 %

Note 4. Expected credit loss

The NFH Group applies the expected credit loss (ECL) methodology subject to the IFRS 9 rules with three stages of impairment calculation. Stage 1 is not impaired and uses a 12-month ECL calculation. Stage 2 has a significant increase in credit risk since its origination, according to the triggers disclosed below, and uses the lifetime approach to ECL calculation. Stage 3 is impaired with the 90 days past due definition and calculates the ECL based on the lifetime approach.

Significant increase in credit risk

Probability of default (PD) is an experience-based probability that a commitment is in breach for more than 90 days in the next 12 months. A significant increase in credit risk is assessed on the basis of several criteria, including late payment beyond 30 days after invoice due date. The most important factor for the assessment is a comparison between the lifetime original probability of default and the lifetime probability of default at the reporting date. The trigger-model below utilizes an assessment of the forward looking lifetime of the exposure, taking into account the probability of early repayment and the lifetime probability of defaulting on the loan. Hence it is neither the contractual length of the loan, nor the normal 12-month PD that is reflected in the figures. It is an accumulation of monthly behavior default probabilities that for example for credit cards will be very low for high quality clients until it is activated. As such, a high trigger level is needed for an indication of a significant increase in credit risk when the lifetime PD is very low. Each product has its own threshold values when one considers an increase to be significant. An increase of more than 0% indicates that any increase above the lifetime PD at origination is a significant increase in credit risk.

	PD at origination	Instalment loans	PD at origination	Credit card loans
Norway				
	<=5%	700 %	<=2%	900 %
	>5%, 10%]	30 %	>2%	40 %
	>10%	20 %		
Sweden				
	<=10%	40 %	<=2%	900 %
	>10%, 20%]	30 %	>2%, 5%]	40 %
	>20%	20 %	>5%	0 %
Denmark				
	<=20%	300 %	<=50%	80 %
	>20%, 40%]	100 %	>50%	0 %
	>40%	20 %		
Finland				
	<=9%	900 %	<=30%	200 %
	>9%, 21%]	350 %	>30%	30 %
	>21%	50 %		

Economic variables used to measure ECL

The NFH Group has chosen to disclose the three most important modelling variables in each individual country. The data is modelled across three scenarios: a base, an upper and a lower case for expected credit loss. The model is based on the NIGEM-model developed by UK's Institute of Economic and Social Research. The following weights have been used across all portfolios per 31.12.2019: 40% - 30% - 30% for base, optimistic and pessimistic scenario for expected credit loss.

	Base scenario		Optimistic scenario		Pessimistic scenario	
	12 months	5 years	12 months	5 years	12 months	5 years
Norway						
3-month interbank rate	2.00 %	2.92 %	1.75 %	2.67 %	2.68 %	3.57 %
Hourly pay in NOK	451	514	456	536	449	502
Real interest rate	-0.59 %	-0.22 %	-0.99 %	-0.62 %	0.31 %	0.64 %
Sweden						
3-month interbank rate	0.30 %	2.28 %	-0.20 %	0.99 %	0.98 %	4.08 %
Consumption in millions	182 864	198 932	184 107	201 966	180 247	192 690
Unemployment level in thousands	376	376	333	339	413	413
Denmark						
3-month interbank rate	0.75 %	2.91 %	1.36 %	3.26 %	0.13 %	2.59 %
Consumption in millions	81 753	88 301	84 132	94 747	79 394	82 807
Unemployment percentage	5.23 %	5.19 %	4.13 %	4.96 %	6.38 %	5.44 %
Finland						
3-month interbank rate	-0.28 %	1.08 %	0.43 %	1.25 %	-0.41 %	0.65 %
Consumption in millions	9 409	9 944	9 574	10 384	9 248	9 535
Unemployment percentage	6.62 %	6.21 %	4.93 %	5.64 %	8.61 %	6.77 %

Macro scenario sensitivity on ECL

	Final ECL	Base scenario	Optimistic scenario	Pessimistic scenario
Norway				
Credit card	354 140	351 745	351 609	351 873
Instalment loans	938 210	931 056	929 857	932 248
Sweden				
Credit card	191 566	191 315	191 285	191 345
Instalment loans	646 980	646 613	646 196	646 943
Denmark				
Credit card	115 174	113 930	113 663	114 194
Instalment loans	608 822	605 359	604 235	606 479
Finland				
Credit card	91 249	91 239	91 081	91 451
Instalment loans	649 269	649 251	649 587	649 025

The final ECL is a macro-weighted ECL based on 40% - 30% - 30% weighting given to the base, optimistic and pessimistic scenarios. The outcome can be close to the base scenario if the two scenarios differ by the same magnitude. If one scenario is of higher variability, the final ECL will tend towards that.

Note 5. Loans to customers by product groups and change in loan loss allowance

2019	Loan loss allowance							
Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Total
Instalment loans Norway	7 999 722	2 063 588	2 573 790	12 637 099	80 380	103 819	754 011	11 698 889
Credit card loans Norway	5 824 972	862 289	812 344	7 499 606	37 765	53 238	263 137	7 145 466
Instalment loans Sweden	2 185 929	1 082 078	1 354 141	4 622 148	55 479	62 960	528 540	3 975 168
Credit card loans Sweden	2 149 014	506 081	363 405	3 018 501	9 750	29 111	152 705	2 826 935
Instalment loans Denmark	3 266 952	243 881	944 127	4 454 960	47 840	36 935	524 047	3 846 139
Credit card loans Denmark	729 045	55 505	209 370	993 920	13 921	9 341	91 912	878 746
Instalment loans Finland	6 113 516	1 207 147	1 217 531	8 538 194	109 419	159 519	380 331	7 888 925
Credit card loans Finland	1 715 782	513 680	162 021	2 391 482	10 502	31 243	49 504	2 300 234
Total	29 984 932	6 534 249	7 636 728	44 155 910	365 055	486 167	2 744 186	40 560 502
Provision coverage ratio per stage					1.22 %	7.44 %	35.93 %	

2018					Loan loss allowance			
Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	Total
Instalment loans Norway	9 514 473	1 393 015	1 679 254	12 586 743	43 926	33 764	495 005	12 014 048
Credit card loans Norway	5 539 885	578 421	546 689	6 664 995	7 902	5 378	153 267	6 498 449
Instalment loans Sweden	1 762 810	1 897 750	814 962	4 475 521	39 624	88 305	231 058	4 116 534
Credit card loans Sweden	2 050 510	409 908	207 241	2 667 660	10 348	37 187	76 059	2 544 065
Instalment loans Denmark	3 022 112	194 614	542 704	3 759 430	55 607	33 292	309 990	3 360 540
Credit card loans Denmark	590 512	52 360	195 408	838 279	12 350	12 502	91 687	721 740
Instalment loans Finland	5 656 943	1 137 260	204 891	6 999 094	52 301	84 806	49 766	6 812 221
Credit card loans Finland	1 258 407	506 254	13 229	1 777 889	13 322	30 702	3 844	1 730 021
Total	29 395 652	6 169 582	4 204 377	39 769 611	235 381	325 937	1 410 676	37 797 618
Provision coverage ratio per stage					0.80 %	5.28 %	33.55 %	

The loan loss allowance is calculated based on the expected credit loss using the 3-stage method as described in note 2.1 of the annual report 2018.

Migration out of one stage is calculated at previous closing date 1.1.19, while migration into one stage is calculated at the closing date 31.12.19.

Total Loans

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.19	235 381	325 937	1 410 676	1 971 993
Transfers from stage 1 to stage 2	-71 095	255 413	-	184 318
Transfers from stage 1 to stage 3	-42 515	-	567 392	524 877
Transfers from stage 2 to stage 1	26 579	-76 797	-	-50 218
Transfers from stage 2 to stage 3	-	-181 722	569 379	387 657
Transfers from stage 3 to stage 2	-	10 886	-75 777	-64 891
Transfers from stage 3 to stage 1	908	-	-24 677	-23 769
New financial assets issued	114 107	82 182	96 178	292 466
Financial assets derecognized in the period	-59 646	-41 706	-78 482	-179 835
Modification of contractual cash flows from non-discounted financial assets	161 336	111 975	533 888	807 199
Charge-off	-	-	-254 390	-254 390
Loan loss allowance as at 31.12.19	365 055	486 167	2 744 186	3 595 408

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.19	29 395 652	6 169 582	4 204 377	39 769 611
Transfers from stage 1 to stage 2	-3 180 507	3 433 778	-	253 271
Transfers from stage 1 to stage 3	-1 502 462	-	1 752 771	250 309
Transfers from stage 2 to stage 1	1 503 892	-1 704 531	-	-200 639
Transfers from stage 2 to stage 3	-	-1 578 807	1 770 127	191 319
Transfers from stage 3 to stage 2	-	148 204	-238 159	-89 955
Transfers from stage 3 to stage 1	43 484	-	-85 458	-41 975
New financial assets issued	6 784 682	983 291	259 297	8 027 269
Financial assets derecognized in the period	-3 787 160	-747 003	-255 738	-4 789 901
Modification of contractual cash flows from non-discounted financial assets	727 352	-170 264	892 439	1 449 527
Charge-off	-	-	-662 927	-662 927
Gross loans to customers as at 31.12.19	29 984 932	6 534 249	7 636 728	44 155 910

Instalment loans total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.19	191 427	239 920	1 086 542	1 517 890
Transfers from stage 1 to stage 2	-52 405	189 444	-	137 039
Transfers from stage 1 to stage 3	-35 786	-	466 484	430 697
Transfers from stage 2 to stage 1	22 941	-51 038	-	-28 097
Transfers from stage 2 to stage 3	-	-154 821	456 322	301 501
Transfers from stage 3 to stage 2	-	9 328	-57 345	-48 017
Transfers from stage 3 to stage 1	853	-	-18 140	-17 287
New financial assets issued	91 683	58 284	80 125	230 091
Financial assets derecognized in the period	-55 351	-37 208	-60 125	-152 685
Modification of contractual cash flows from non-discounted financial assets	129 756	109 324	406 740	645 820
Charge-off	-	-	-173 674	-173 674
Loan loss allowance as at 31.12.19	293 117	363 233	2 186 929	2 843 280

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.19	19 956 269	4 613 244	3 251 721	27 821 234
Transfers from stage 1 to stage 2	-2 322 931	2 320 080	-	-2 851
Transfers from stage 1 to stage 3	-1 249 303	-	1 418 332	169 028
Transfers from stage 2 to stage 1	997 504	-1 058 116	-	-60 611
Transfers from stage 2 to stage 3	-	-1 271 868	1 418 240	146 372
Transfers from stage 3 to stage 2	-	131 426	-182 825	-51 399
Transfers from stage 3 to stage 1	39 045	-	-62 410	-23 365
New financial assets issued	5 537 090	665 313	218 029	6 420 432
Financial assets derecognized in the period	-3 516 914	-669 592	-194 032	-4 380 538
Modification of contractual cash flows from non-discounted financial assets	125 359	-133 793	680 895	672 461
Charge-off	-	-	-458 362	-458 362
Gross loans to customers as at 31.12.19	19 566 119	4 596 694	6 089 588	30 252 401

Credit card total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.19	43 953	86 016	324 134	454 103
Transfers from stage 1 to stage 2	-18 690	65 969	-	47 280
Transfers from stage 1 to stage 3	-6 729	-	100 908	94 180
Transfers from stage 2 to stage 1	3 638	-25 759	-	-22 122
Transfers from stage 2 to stage 3	-	-26 901	113 057	86 156
Transfers from stage 3 to stage 2	-	1 558	-18 432	-16 874
Transfers from stage 3 to stage 1	56	-	-6 537	-6 481
New financial assets issued	22 424	23 898	16 053	62 375
Financial assets derecognized in the period	-4 295	-4 498	-18 357	-27 150
Modification of contractual cash flows from non-discounted financial assets	31 580	2 651	127 148	161 379
Charge-off	-	-	-80 717	-80 717
Loan loss allowance as at 31.12.19	71 938	122 933	557 257	752 128

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.19	9 439 383	1 556 338	952 656	11 948 378
Transfers from stage 1 to stage 2	-857 576	1 113 698	-	256 123
Transfers from stage 1 to stage 3	-253 158	-	334 439	81 281
Transfers from stage 2 to stage 1	506 387	-646 415	-	-140 028
Transfers from stage 2 to stage 3	-	-306 939	351 887	44 948
Transfers from stage 3 to stage 2	-	16 778	-55 334	-38 557
Transfers from stage 3 to stage 1	4 439	-	-23 049	-18 610
New financial assets issued	1 247 591	317 978	41 268	1 606 837
Financial assets derecognized in the period	-270 246	-77 411	-61 706	-409 363
Modification of contractual cash flows from non-discounted financial assets	601 993	-36 471	211 544	777 066
Charge-off	-	-	-204 565	-204 565
Gross loans to customers as at 31.12.19	10 418 813	1 937 555	1 547 140	13 903 509

Note 6. Provision for loan losses

<i>Amounts in NOK 1000</i>	2019	2018
Realized losses in the period due to final write-offs	46 813	33 426
Realized losses in the period due to charge-offs*	436 891	-
Loan loss provisions - lifetime expected credit loss (stage 3)	922 091	1 121 528
Loan loss provisions - lifetime expected credit loss (stage 2)	99 639	89 805
Loan loss provisions - 12 months expected credit loss (stage 1)	121 926	28 057
Adjustments for sold NPL portfolios	-	42 918
Collection expenses related to sold NPL portfolios	-	8 456
Provision for loan losses	1 627 359	1 324 189

*Charge-off means that the entire loan is written down and removed from gross loans while maintaining the claim against the customer.

Note 7. Gross loans to customers by geographical region

<i>Amounts in NOK 1000</i>	2019	2018
Østlandet	10 480 804	10 021 391
Vestlandet	4 975 175	4 875 296
Nord-Norge	2 010 017	2 021 530
Trøndelag	1 455 798	1 424 490
Sørlandet	843 243	841 986
Not classified	371 666	67 045
Total Norway	20 136 705	19 251 738
Svealand	3 627 702	3 421 680
Götaland	3 192 125	3 036 875
Norrland	700 422	684 498
Not classified	120 400	128
Total Sweden	7 640 648	7 143 181
Hovedstaden	1 957 314	1 605 798
Sjælland	1 111 651	977 184
Syddanmark	1 006 011	886 112
Midtjylland	887 574	771 329
Nordjylland	409 228	352 618
Not classified	77 103	4 668
Total Denmark	5 448 880	4 597 709
Södra Finland	7 510 873	6 052 070
Mellersta Finland	1 274 001	1 012 353
Västra Finland	1 215 607	969 723
Norra Finland	457 719	376 078
Östra Finland	384 845	317 698
Not classified	86 632	49 061
Total Finland	10 929 676	8 776 983
Gross loans to customers	44 155 910	39 769 611

Note 8. Risk classes

Amounts in NOK 1000	12 month Probability of default	Gross loans		Undrawn credit limits	
		2019	2018	2019	2018
A	0 – 1 %	6 851 773	6 508 855	42 938 545	38 031 582
B	1 – 3 %	10 371 775	14 550 011	1 955 651	2 095 667
C	3 – 5 %	4 405 790	4 355 243	253 409	327 242
D	5 – 9 %	4 066 599	3 024 680	261 556	192 421
E	9 – 15 %	3 615 128	2 083 212	163 107	91 990
F	15 – 20 %	1 373 658	731 222	16 446	18 571
G	20 – 30 %	1 495 696	1 199 003	14 185	14 875
H	30 – 40 %	614 004	444 297	2 039	22 675
I	40 – 55 %	422 106	480 509	1 205	4 995
J	55 – 100%	355 278	374 058	223	2 015
Engagements under collections by an agency, where the customer is less than 90 days past due		909 344	751 439	-	-
On track with engagement, at least one other product where payment is more than 90 days past d		1 447 684	473 418	-	-
Engagements that are in warning, but less than 90 days past due		565 289	547 856	-	-
Engagements that are more than 90 days past due		7 549 800	3 913 077	-	-
Engagements that are written down		111 319	331 990	-	-
Total classified		44 155 245	39 768 870	45 606 367	40 802 033
Not classified		665	742	-	-
Total		44 155 910	39 769 611	45 606 367	40 802 033

Performing stage 3¹

1 851 658 1 108 303

¹⁾ As described on banknorwegian.no/OmOss/InvestorRelations.

Risk is grouped into PD bands from A to J, with A being the lowest risk.

Note 9. Risk Management

Risk Management at Bank Norwegian shall ensure that the exposure to risk is known at all times and within the limits set by the Board. Risk management shall further support the NFH Group's strategic development and achievement of targets.

The NFH Group has established a board-approved risk management framework with its own policies for all significant risks with associated risk appetite, key risk indicators (KRI) and tolerance levels. As outlined in the risk management framework and in the business strategy, the NFH Group shall primarily generate earnings through exposure to unsecured lending in the retail segment. Other financial risks are limited by the defined risk limits. The risk limits are determined in relation to the NFH Group's buffer capital and risk-bearing capacity.

Risk exposure and development are regularly monitored and reported to the NFH Group's board and executive management team.

Note 10. Credit risk

Credit risk is defined as the risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations.

Credit risk in the loan portfolio is the groups greatest risk. The risk is continuously managed in line with the board approved Risk Management Framework with associated Credit Risk Policy, routines and guidelines for granting credit, as well as various reporting and follow-up requirements.

The NFH Group's credit guidelines are based on automated rules where the applicant receives an automatic rejection or a conditional grant at the time of application. The credit allocations are based on a qualitative and quantitative analysis with a positive conclusion about the customer's future willingness to pay and ability to pay. The analysis of willingness to pay identifies the characteristics of the customer that predict future payment conduct, while the analysis of the customer's ability to repay is a quantitative evaluation of the customer's ability to repay his/ her obligations, given the customer's current and anticipated future financial situation. The case handler's role is to subsequently check if the preconditions for the conditional approval are present.

The NFH Group's portfolio of interest-bearing securities also entails a credit risk but is followed up through the groups Market Risk Policy.

Note 11. Liquidity risk

The liquidity risk is the risk that the bank is not capable of covering all its financial obligations as they fall due. The liquidity risk is evaluated as low at the time of this report, since a large portion of the bank's assets consists of easily transferable securities. The asset side is financed by core deposits from the retail market, debt securities and subordinated capital. The bank manages its liquidity position by short-term cash flow forecasts and liquidity due date summaries.

The liquidity reserve (LCR) is defined as the NFH Group's liquid assets in relation to the net liquidity outflow 30 days ahead given a stress situation. As of December 31, 2019, the liquidity reserve at the total level for the NFH Group was 450%. The NFH Group has significant currencies in Norwegian, Swedish and Danish kroner, as well as the euro. As of December 31, 2019, LCR was 321% in Norwegian kroner, 396% in Swedish kroner, 649% in Danish kroner and 167% in Euro. The statutory requirement for liquidity reserves per on 31 December 2019, the total level and for significant currencies is 100%, except for NOK where the requirement is 50%.

Remaining time to maturity for main items

Amounts in NOK 1000	2019						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	
Loans from credit institutions	52 750	-	-	-	-	-	52 750
Subordinated loan	-	-	-	-	928 992	-	928 992
Deposits from customers	40 118 369	-	-	-	-	-	40 118 369
Debt securities issued	-	-	-	761 976	6 297 124	-	7 059 099
Financial derivatives	-	25 219	1 359	3 043	-	-	29 621
Non interest-bearing liabilities	2 679	199 587	166 538	669 582	-	-	1 038 386
Total liabilities	40 121 048	224 805	167 897	1 434 601	7 226 116	-	49 174 467
Cash and deposits with the central bank	68 500	-	-	-	-	-	68 500
Loans and deposits with credit institutions	2 094 165	-	-	-	-	-	2 094 165
Loans to customers	12 905 622	58 780	13 874	4 051 989	1 525 551	22 004 687	40 560 502
Certificates and bonds	-	824 523	3 847 901	4 102 466	5 876 098	-	14 650 988
Financial derivatives	-	4 989	8 156	63 226	-	-	76 371
Assets without remaining time to maturity	620 178	-	-	-	-	-	620 178
Total assets	15 688 466	888 292	3 869 931	8 217 681	7 401 649	22 004 687	58 070 705

Amounts in NOK 1000	2018						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	
Subordinated loan	-	-	-	-	969 445	-	969 445
Deposits from customers	39 091 791	-	-	-	-	-	39 091 791
Debt securities issued	-	-	-	347 672	1 715 692	-	2 063 364
Financial derivatives	-	40 477	55 387	24 634	-	-	120 497
Non interest-bearing liabilities	-	12 208	173 931	638 135	-	-	824 274
Total liabilities	39 091 791	52 685	229 318	1 010 440	2 685 138	-	43 069 372
Cash and deposits with the central bank	67 959	-	-	-	-	-	67 959
Loans and deposits with credit institutions	1 702 308	-	-	-	-	-	1 702 308
Loans to customers	11 370 785	23 505	9 149	125 600	4 181 292	22 087 287	37 797 618
Certificates and bonds	-	764 312	2 664 010	3 498 238	3 676 038	-	10 602 597
Financial derivatives	-	10 610	305	1 858	-	-	12 773
Assets without remaining time to maturity	252 490	-	-	-	-	-	252 490
Total assets	13 393 542	798 426	2 673 463	3 625 697	7 857 330	22 087 287	50 435 746

The table is based on contractual maturities. Debt items for subordinated loans and securities debt include future interest rates.

Note 12. Market risk related to interest rate risk

Interest rate risk arises because interest bearing assets and liabilities have different remaining fixed rate terms. The Board has set limits for the total interest rate risk.

The Board of Directors has adopted limits for the total interest rate risk, both in the accounting and economic perspective. Economic interest rate risk is an expression of actual interest rate risk, while accounting interest rate risk includes those items that are recognized at fair value in the balance sheet.

The NFH Group's investment portfolio is mainly invested with short interest rates. The NFH Group only offers products with administratively set interest rates and no fixed interest rates are offered. The interest rate fixing in the groups financial instruments and products is largely coincident in the economic perspective. Administrative interest rate risk has not been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in markets interest rates and the bank having adjusted the terms and conditions for deposits and loans at floating rates of interest. Any exposure beyond the interest rate risk limits shall be hedged with hedging instruments. Interest rate risk is closely followed by both first and second line and the exposure is regularly reported to the Board and executive management team.

The table below shows the impact on the instruments' fair value based on a 1%-point parallel shift in the yield curve.

Amounts in NOK 1000	Interest rate risk, 1% change	
	2019	2018
Cash and deposits with the central bank	-1	-1
Loans and deposits with credit institutions	-43	-35
Loans to customers	-34 812	-32 441
Certificates and bonds	-27 864	-18 155
Financial derivatives	-	-
Total assets	-62 721	-50 632
Deposits from customers	49 736	48 464
Debt securities issued	9 564	1 877
Financial derivatives	-	-
Subordinated loan	500	778
Total liabilities	59 800	51 118
Tier 1 capital	825	590
Total equity	825	590
Total interest rate risk, effect on profit after tax*	-2 096	1 077

*Negative figures indicates that the NFH Group loses on an increase in interest rates.

Although the calculations above show that the NFH Group will incur a loss from an increase in interest rates, the way in which the increase in interest rates happens is not insignificant. The table below shows yield curve risk, i.e. the risk of the yield curve shifting differently within the different time periods when there is a change in interest rates, by measuring the NFH Group's net interest rate exposure within the different periods.

Yield curve risk	2019	2018
0 - 1 month	-680	-728
1 - 3 months	14 638	12 824
3 - 6 months	-6 191	-4 683
6 - 12 months	-9 356	-4 907
1-3 years	-508	-1 430
3-5 years	-	-
> 5 years	-	-
Total interest rate risk, effect on profit after tax	-2 096	1 077

Note 13. Market risk related to currency exposure

Currency risk arises because the bank has differences between assets and liabilities in each currency.

Board approved limits have been established for the net exposure in each currency, as well as the limits for aggregate net currency exposure. The NFH Group's framework defines quantitative targets for maximum net exposure in currency, measured in NOK.

Through its core business, the NFH Group has currency exposure in SEK, DKK and EUR and currency exposure is hedged using forward exchange contracts. In accordance with the groups internal framework, net positions in single currencies and in total may amount up to 2% of eligible capital.

The table shows net currency exposure including financial derivatives as at December 31, 2019, as well as the effect on after-tax profit/loss of a 3 percent change in FX-rates.

Amounts in NOK 1000

Currency	2019	2018
SEK	-37 388	-40 276
DKK	109 888	7 592
EUR	-114 547	48 997
Total	-42 047	16 312
Effect on after-tax profit/loss of a 3 percent change in FX-rates	-946	367

Note 14. Operational risk

Operational risk is the risk of losses due to inadequate or failed internal processes or systems, human error or external events. The process for managing operational risk shall, insofar as it is possible, ensure that no individual incidents caused by operational risk seriously damage the NFH Group's financial position.

The management of operational risk is based on the Policy for Operational Risk and Internal Control. Risk assessments are carried out both at the overall level, but also within different processes that the NFH Group is exposed to at all times. Special systems have been established for following up risk assessment control measures and improvement measures, as well as for reporting adverse events. Incidents that have impacted or could impact the NFH Group's profitability and/or reputation are systematically followed up.

In addition to an annual review of significant operational risks and control measures, management performs a continuous evaluation of the operational risk situation, and risk reducing measures are implemented as necessary. Ongoing reporting of operational loss incidents and internal control deviations is made to management and the Board.

The NFH Group's operating concept is based to a large extent on the purchase of services from external suppliers. The agreements contain provisions relating to quality standards and are continuously followed up by the NFH Group in accordance with the outsourcing guidelines.

Given the risk inherent in using Information and communications technology, this area is subject to continuous monitoring. ICT-related Key Risk Indicators (KRIs) are closely monitored and included in the bank's risk reporting to the Board and executive management team. The Internal Audit also carries out independent reviews and tests of the NFH Group's security in the area.

Note 15. Net interest income

<i>Amounts in NOK 1000</i>	2019	2018
Interest income from cash and deposits with the central bank	781	389
Interest income from loans to and deposits with credit institutions	7 403	3 920
Interest income from instalment loans	4 114 730	3 847 441
Interest income from credit card loans	1 624 932	1 351 451
Interest income from sales financing	650	2 072
Interest income, effective interest method	5 748 496	5 205 273
Interest and other income from certificates and bonds	155 937	100 717
Other interest and other interest related income	6 343	3 586
Other interest income	162 279	104 303
Total interest income	5 910 775	5 309 576
Interest expense from deposits from credit institutions	-	1 434
Interest expense from deposits from customers	478 037	523 598
Interest expense on debt securities issued	70 531	30 404
Interest expense on subordinated loan	34 665	24 134
Other interest and other interest related expenses	66 857	27 122
Interest expenses	650 090	606 692
Net interest income	5 260 685	4 702 884

Note 16. Net commission and bank services income

<i>Amounts in NOK 1000</i>	2019	2018
Payment services	416 056	345 095
Insurance services	70 440	64 858
Other fees and commission and bank services income	53 947	53 598
Total commission and bank services income	540 443	463 551
Payment services	160 458	147 595
Insurance services	67 516	55 689
Other fees and commission and bank services expense	22 729	27 170
Total commission and bank services expenses	250 703	230 454

Note 17. Net change in value on securities and currency

<i>Amounts in NOK 1000</i>	2019	2018
Net change on certificates and bonds	-74 558	-51 315
Net change on FX-forwards	143 008	41 273
Net currency effects	-49 509	19 534
Net change on shares and other securities	13 112	3 326
Net change in value on securities and currency	32 053	12 818

Note 18. Salaries and other personnel expenses

Specification of personnel expenses

<i>Amounts in NOK 1000</i>	2019	2018
Salaries	79 903	69 548
Social security tax	15 666	13 031
Pension premiums	4 374	2 885
Social benefits	2 350	2 264
Total	102 293	87 728

There are no obligations in connection with termination or change of employment/appointments for the CEO or the Board of Directors. There are no loans to employees.

Number of employees as at December 31, 2019, wages and remuneration

At 31.12.19 the group had 87 employees, corresponding to 85.5 man-labour years.

Wages and remuneration to key employees

<i>Amounts in NOK 1000</i>	2019				
	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration					
Tine Wollebakk	3 468	1 488	123	253	5 332
Pål Svenkerud	2 365	1 018	123	208	3 713
Fredrik Mundal	1 698	724	123	126	2 671
Tore Andresen	2 187	926	123	173	3 409
Merete Gillund	2 143	769	123	172	3 208
Peer Timo Andersen-Ulven	1 886	356	123	146	2 510
Total	13 746	5 280	738	1 078	20 843

Amounts in NOK 1000	2018				Total remuneration
	Wages	Bonus	Pension premiums	Other remuneration	
Combined wages, pension liabilities and other remuneration					
Tine Wollebakk	3 263	1 274	72	253	4 863
Pål Svenkerud	2 377	894	72	203	3 545
Fredrik Mundal	1 630	725	72	126	2 553
Tore Andresen	2 098	813	72	165	3 149
Merete Gillund	1 984	876	72	158	3 091
Peer Timo Andersen-Ulven	1 800	-	72	149	2 021
Nils Sælen	692	-	23	55	770
Tore Widding	271	-	-	-	271
Total	14 116	4 582	458	1 108	20 263

Key personnel are defined as members of the management group.

Bonus

Bank Norwegian has a bonus scheme that includes all permanent employees in accordance with detailed guidelines. The bonuses earned are based on profit after tax and the return on equity achieved. Bonus payments distributed to employees are limited to a maximum of 2.25 % of the profit after tax. The amount includes social security tax and financial activity tax.

Bonus to key personnel are earned according to circular 11/2011 from The Financial Supervisory Authority of Norway, "Godtgjørelsesordninger i finansinstitusjoner m.v." (Compensation arrangements at banks). Key personnel receive the entire bonus in shares in Norwegian Finans Holding ASA with a right of disposal three years after the grant date. Other employees receive the bonus in cash. The terms of the current bonus scheme applies for the period 2016 to 2018.

Provision for bonus for 2019, including employer's contribution and financial tax, which forms the basis for payment of bonus in 2020, amounts to NOK 17.4 million. A new bonus program applies from and including the financial year 2019, where fixed targets are assessed annually, based on risk-adjusted return on equity calculated on the basis of annual profit after tax.

Fees paid out to the Board of Directors

Amounts in NOK 1000	2019	2018
Bjørn Østbø	600	-
John Høstelund	625	250
Bjørn H. Kise	50	500
Anita Marie Hjerkin Aarnæs	325	250
Christine Rødsæther	325	175
Gunn Isabel Westerlund Ingemundsen	250	-
Lars Ola Kjos	325	250
Rolv-Erik Spilling	300	-
Ninett R. Olsen	15	50
Anders Gullestad	50	-
Brede Huser	-	225
Frode Foss	-	125
Total	2 865	1 825

Fees paid out to the Election Committee

Amounts in NOK 1000	2019	2018
Knut Gillesen	100	50
Alf Nielsen	20	50
Gunnar Martinsen	10	10
Beret Sundet	10	-
Total	140	110

Auditor fees

The following expenses for external auditor fees have been recognized in the accounts, incl VAT.

Amounts in NOK 1000	2019	2018
Statutory auditing	407	1 145
Other certification services	602	549
Other non-audit services	614	362
Total	1 623	2 056

Pension

The NFH Group is subject to compulsory occupational pension law and has a scheme that satisfies the requirement. The NFH Group has a defined contribution plan, which means that the NFH Group does not promise a future pension of a given size, but pays an annual contribution to the employees' collective pension savings. The NFH Group has no further obligation related to delivered work after the annual contribution has been paid. As of December 31, 2019, 87 employees were included in the pension scheme.

Note 19. General administrative expenses

<i>Amounts in NOK 1000</i>	2019	2018
Sales and marketing	879 117	837 929
IT operations	88 871	75 579
External services fees	70 677	76 640
Other administrative expenses	56 419	45 762
Total	1 095 085	1 035 911

Note 20. Other operating expenses

<i>Amounts in NOK 1000</i>	2019	2018
Credit information	38 864	35 483
Auditor	1 871	1 725
Rental of premises	70	2 304
Insurance	582	481
Machinery and fixtures	440	762
Other operating expenses	17 761	11 774
Total	59 588	52 528

Note 21. Earnings per Share

<i>Amounts in NOK 1000</i>	2019	2018
Number of shares beginning of period	186 752	186 689
Buy back of shares	-2 133	-
Allocation of shares	2 000	-
Allocation of bonus shares	76	63
Number of shares end of period	186 695	186 752
Average number of shares in the period	186 695	186 752
Profit on ordinary activities after tax	1 981 051	1 807 073
Earnings per share based on number of shares end of period	10.61	9.68
Earnings per share based on average number of shares in the period	10.61	9.68

The calculation of earnings per share does not take into account other changes in equity beyond profit after tax.

Note 22. Loans and deposits with credit institutions and central banks

<i>Amounts in NOK 1000</i>	2019	2018
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	2 162 665	1 770 267
Total loans and deposits with credit institutions and central banks	2 162 665	1 770 267

Specification of currencies

<i>Amounts in NOK 1000</i>	2019	2018
NOK	507 478	821 677
SEK	584 694	353 606
DKK	940 096	184 808
EUR	130 397	410 177
Total loans and deposits with credit institutions and central banks	2 162 665	1 770 267

Average interest rate	0.48 %	0.25 %
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Average interest rate is calculated as interest amount in percentage of average volume for the current period.

Note 23. Classification of financial instruments

<i>Amounts in NOK 1000</i>	2019		
	Fair value	Amortized cost	Total
Cash and deposits with the central bank	-	68 500	68 500
Loans and deposits with credit institutions	-	2 094 165	2 094 165
Loans to customers	-	40 560 502	40 560 502
Certificates and bonds	14 650 988	-	14 650 988
Shares and other securities	44 863	-	44 863
Financial derivatives	76 371	-	76 371
Total financial assets	14 772 222	42 723 167	57 495 389
Loans from credit institutions	-	52 750	52 750
Deposits from customers	-	40 118 369	40 118 369
Debt securities issued	-	6 537 863	6 537 863
Financial derivatives	29 621	-	29 621
Subordinated loan	-	822 688	822 688
Total financial liabilities	29 621	47 531 670	47 561 291

<i>Amounts in NOK 1000</i>	2018		
	Fair value	Amortized cost	Total
Cash and deposits with the central bank	-	67 959	67 959
Loans and deposits with credit institutions	-	1 702 308	1 702 308
Loans to customers	-	37 797 618	37 797 618
Certificates and bonds	10 602 597	-	10 602 597
Shares and other securities	36 691	-	36 691
Financial derivatives	12 773	-	12 773
Total financial assets	10 652 062	39 567 885	50 219 947
Deposits from customers	-	39 091 791	39 091 791
Debt securities issued	-	2 018 724	2 018 724
Financial derivatives	120 497	-	120 497
Subordinated loan	-	836 205	836 205
Total financial liabilities	120 497	41 946 721	42 067 218

Note 24. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

Level 1 Valuation based on quoted prices in an active market

Financial instruments in level 1 are determined based on quoted prices in active markets for identical financial instruments available on the balance sheet date.

Level 2 Valuation based on observable market data

Financial instruments in level 2 are determined based on inputs other than quoted prices, but where prices are observable either directly or indirectly. These include quoted prices in markets that are not active.

Level 3 Valuation based on observable market data

When valuation can not be determined in level 1 or 2, valuation methods based on non-observable market data are used.

Financial instruments at fair value

Amounts in NOK 1000	2019			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	14 650 988	-	14 650 988
Financial derivatives	-	76 371	-	76 371
Shares and other securities	-	-	44 863	44 863
Total financial assets at fair value	-	14 727 360	44 863	14 772 222
Financial derivatives	-	29 621	-	29 621
Total financial liabilities at fair value	-	29 621	-	29 621

Amounts in NOK 1000	2018			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	10 602 597	-	10 602 597
Financial derivatives	-	12 773	-	12 773
Shares and other securities	-	-	36 691	36 691
Total financial assets at fair value	-	10 615 371	36 691	10 652 062
Financial derivatives	-	120 497	-	120 497
Total financial liabilities at fair value	-	120 497	-	120 497

Change in instruments classified at level 3

Amounts in NOK 1000	2019		
	Shares and other securities	Financial assets available for sale	Total
Value 31.12.18	36 691	-	36 691
One time payout	-5 255	-	-5 255
Net change on financial instruments	13 427	-	13 427
Value 31.12.19	44 863	-	44 863

Amounts in NOK 1000	2018		
	Shares and other securities	Financial assets available for sale	Total
Value 31.12.17	443	32 922	33 365
Reclassification IFRS 9	32 922	-32 922	-
Net change on financial instruments	3 326	-	3 326
Value 31.12.18	36 691	-	36 691

Valuation method

Ownership in VN Norge AS

Ownership in VN Norge AS, formerly known as Visa Norge FLI, is considered to be a financial asset and is classified as Shares and other securities. The fair value of the asset is estimated at NOK 44.9 million as of December 31, 2019. The calculation is based on input from VN Norge AS.

Shares i Vipps AS

On August 12, 2014, Bank Norwegian AS was granted 280 shares in BankID Norge AS based on the bank's participation in the BankID collaboration. The shares were converted into shares in Vipps AS in 2019. The value of the shares is estimated at the price at the time of grant.

Note 25. Fair value of financial instruments at amortized cost

Financial instruments at amortized cost are valued at originally determined cash flows, adjusted for any impairment losses. Amortized cost will not always give values that match the market's assessment of the same instruments. This may be due to different perceptions of market conditions, risk and return requirements.

Loans and deposits with central banks and credit institutions and deposits from customers
Fair value is estimated to conform with amortized cost.

Loans to customers

Loans to customers are exposed to market competition. This means that the potential added value of the loan portfolio will not be maintained over time. Further, provisions for loan losses are provided for on an ongoing basis. The fair value of loans to customers is therefore considered to conform to the amortized cost.

Debt securities issued and subordinated loan

The fair value of debt securities issued and subordinated loan are based on observable market data where available.

Fair value of financial instruments at amortized cost

Amounts in NOK 1000	2019		2018	
	Book value	Fair value	Book value	Fair value
Debt securities issued	6 537 863	6 605 850	2 018 724	2 130 289
Subordinated loan	822 688	824 476	836 205	896 129
Total financial liabilities	7 360 551	7 430 326	2 854 930	3 026 418

Level 1 Valuation based on quoted prices in an active market

Financial instruments in level 1 are determined based on quoted prices in active markets for identical financial instruments available on the balance sheet date.

Level 2 Valuation based on observable market data

Financial instruments in level 2 are determined based on inputs other than quoted prices, but where prices are observable either directly or indirectly. These include quoted prices in markets that are not active.

Level 3 Valuation based on observable market data

When valuation can not be determined in level 1 or 2, valuation methods based on non-observable market data are used.

Amounts in NOK 1000	2019			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	6 537 863	-	6 537 863
Subordinated loan	-	822 688	-	822 688
Total financial liabilities	-	7 360 551	-	7 360 551

Amounts in NOK 1000	2018			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	2 018 724	-	2 018 724
Subordinated loan	-	836 205	-	836 205
Total financial liabilities	-	2 854 930	-	2 854 930

Note 26. Debt securities issued and subordinated loan

Amounts in NOK 1000

	2019	2018
Debt securities issued, carrying value (amortized cost)	6 537 863	2 018 724
Subordinated loans, carrying value (amortized cost)	822 688	836 205
Total debt securities issued and subordinated loans	7 360 551	2 854 930

ISIN	Nominal value outstanding	Currency	Interest	Reference rate + margin	Maturity*	Carrying value
Debt securities issued (senior unsecured bonds)						
NO0010790850	130 000	NOK	Floating	NIBOR + 75bp	07.04.2020	130 306
NO0010810534	356 000	SEK	Floating	STIBOR + 108bp	20.11.2020	336 182
NO0010811110	285 000	NOK	Floating	NIBOR + 108bp	24.11.2020	285 750
NO0010837206	335 000	SEK	Floating	STIBOR + 120bp	22.02.2021	316 415
NO0010848583	192 000	SEK	Floating	STIBOR + 140bp	29.09.2021	178 736
NO0010848591	1 000 000	NOK	Floating	NIBOR + 150bp	29.03.2022	999 657
NO0010863582	400 000	SEK	Floating	STIBOR + 140bp	16.09.2022	377 551
NO0010863574	400 000	NOK	Floating	NIBOR + 140bp	16.09.2022	400 270
NO0010871148	800 000	NOK	Floating	NIBOR + 195bp	12.12.2022	800 822
NO0010871130	1 000 000	SEK	Floating	STIBOR + 190bp	12.12.2022	944 249
NO0010871155	1 200 000	NOK	Floating	NIBOR + 215bp	12.12.2023	1 201 350
NO0010871296	600 000	SEK	Floating	STIBOR + 200bp	12.12.2023	566 575
Total debt securities issued	6 698 000					6 537 863
Subordinated loan						
NO0010774326	100 000	NOK	Floating	NIBOR + 300bp	21.09.2021	99 958
NO0010797988	200 000	NOK	Floating	NIBOR + 375bp	16.06.2022	199 907
NO0010833130	550 000	SEK	Floating	STIBOR + 375bp	02.10.2023	522 823
Total subordinated loans	850 000					822 688
Total	7 548 000					7 360 551

* For subordinated loans maturity reflects the first possible call date.

Cash flows from funding	Balance	Issued new debt	Repayment of debt	Interest expense	Paid interest	Amortization	Balance
Amounts in NOK 1000	31.12.18			2019	2019		31.12.19
Debt securities issued	2 018 724	5 834 015	-1 281 602	70 531	-61 409	-42 396	6 537 863
Subordinated loan	836 205	-	-	34 525	-29 195	-18 848	822 688

Note 27. Taxes

Amounts in NOK 1000	2019	2018
Deferred tax asset/deferred tax		
Basis for deferred tax asset/deferred tax in the balance sheet	15 285	-140 718
Deferred tax asset/deferred tax	3 821	-35 179
Deferred tax effect of IFRS 9 implementation that comes to taxation in 2019	-	18 189
Deferred tax asset/deferred tax in the accounts	3 821	-16 990
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	2 630 459	2 393 431
Permanent differences	14 465	-45 294
Basis for the tax charge for the year	2 644 924	2 348 137
Change in differences included in the basis for deferred tax/tax asset	-156 002	84 416
Change in deferred tax / tax asset	1 651	-
Basis for tax payable in the profit and loss	2 490 572	2 432 553
Taxable income (basis for tax payable in the balance sheet)	2 490 572	2 432 553
Distribution of tax charge		
Tax payable (25% of taxable income)	625 745	608 138
Excess tax provision previous year	5 323	-5 054
Total tax payable	631 068	603 085
Tax effect of tax losses carried forward not recognized in the balance sheet	-	1 390
Change in deferred tax/tax asset	18 340	-23 070
Tax charge	649 408	581 405
Reconciliation of tax charge		
Profit before tax	2 637 014	2 348 137
Estimated tax expense (25%)	659 254	598 358
Tax charge in profit and loss account	650 228	592 930
Difference	-9 025	-5 428
The difference consists of:		
25% of permanent differences	-2 399	-11 324
Interest charged directly to equity	11 424	9 525
Excess tax provision previous year	-	-5 054
Tax effect of tax losses carried forward not recognized in the balance sheet	-	1 424
Explained difference	9 025	-5 428
Tax payable in the balance sheet		
Tax payable in the tax charge	625 745	603 085
Tax effect of expenses recognized directly in equity	-	-
Tax payable	625 745	603 085

Note 28. Intangible assets

<i>Amounts in NOK 1000</i>	IT/ Software	IP-rights	Connection fee	Agent commissions	Lease agreements	Total
Accumulated acquisition cost 31.12.18	99 964	-	17 337	106 556	-	223 857
Additions	16 381	374 740	-	42 764	9 787	443 672
Disposals	-8 421	-	-	-36 849	-	-45 270
Acquisition cost 31.12.19	107 923	374 740	17 337	112 471	9 787	622 258
Accumulated depreciations 31.12.19	58 071	-	-	50 085	3 262	111 418
Net accumulated and reversed amortizations 31.12.19	-	-	-	-	-	-
Acc. Deprecia., amortizations and rev. amortizations 31.12.19	58 071	-	-	50 085	3 262	111 418
Book value 31.12.19	49 852	374 740	17 337	62 386	6 524	510 840
Annual depreciations	20 432	-	-	42 809	3 262	66 503
Annual amortizations	646	-	-	-	-	646
Annual reversed amortizations	-	-	-	-	-	-
Expected useful life	5 years	Not	Not	3 years	3 years	
Depreciation method	Linear	amortizable	amortizable	Linear	Linear	

<i>Amounts in NOK 1000</i>	IT/ Software	IP-rights	Connection fee	Agent commissions	Lease agreements	Total
Accumulated acquisition cost 31.12.17	108 359	-	17 337	80 159	-	205 855
Additions	15 861	-	-	51 992	-	67 853
Disposals	-24 256	-	-	-25 596	-	-49 852
Acquisition cost 31.12.18	99 964	-	17 337	106 556	-	223 857
Accumulated depreciations 31.12.18	46 061	-	-	44 125	-	90 186
Net accumulated and reversed amortizations 31.12.18	-	-	-	-	-	-
Acc. Deprecia., amortizations and rev. amortizations 31.12.18	46 061	-	-	44 125	-	90 186
Book value 31.12.18	53 903	-	17 337	62 431	-	133 671
Annual depreciations	19 605	-	-	38 770	-	58 374
Annual amortizations	-	-	-	1 231	-	1 231
Annual reversed amortizations	-	-	-	-	-	-
Expected useful life	5 years	Not	Not	3 years		
Depreciation method	Linear	amortizable	amortizable	Linear		

IT/Software consists of software rights and proprietary developments. The connection fee provides access to the common infrastructure for payment services in Norway. The infrastructure ensures that banks are able to offer payment services which allow customers to settle transactions among themselves, independently of connections to banks.

Note 29. Fixed assets

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.18	-	1 859	1 874	3 733
Additions	-	-	643	643
Disposals	-	-1	-	-1
Acquisition cost 31.12.19	-	1 858	2 517	4 375
Accumulated depreciations 31.12.19	-	1 857	1 698	3 555
Net accumulated and reversed amortizations 31.12.19	-	-	-	-
Acc. depreciations, amortizations and rev. Amorti. 31.12.19	-	1 857	1 698	3 555
Book value 31.12.19	-	1	818	819
Annual depreciations	-	2	542	544
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	
<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.17	-	1 859	1 762	3 621
Additions	-	-	112	112
Disposals	-	-	-	-
Acquisition cost 31.12.18	-	1 859	1 874	3 733
Accumulated depreciations 31.12.18	-	1 858	1 156	3 014
Net accumulated and reversed amortizations 31.12.18	-	-	-	-
Acc. depreciations, amortizations and rev. Amorti. 31.12.18	-	1 858	1 156	3 014
Book value 31.12.18	-	1	718	719
Annual depreciations	-	24	369	393
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	

Note 30. Lease agreements

The bank has signed a lease for Snarøyveien 36, Fornebu. The agreement expires October 31, 2021, with the possibility of a two-year extension. Annual rent amounts to NOK 2.5 million.

IFRS 16 Non-cancellable operating leases

The group leases the office location at Fornebu, datalines and small inventories like coffemaschines and printers under non-cancellable operating leases expiring within two to eight years. The groups incremental borrowing rate is estimated to 2.76%. These leases have varying terms and renewal rights.

Non-cancellable operating leases

	2019	2018
Commitments for minimum lease payments in relations to non-cancellable operating leases are payable as follows:		
Within one year	1 564	1 608
Later than one year but not later than five years	8 222	6 019
Later than five years	-	-
Non-cancellable operating leases	9 786	7 627

A short time lease agreement regarding an apartment in Malaga is NOK 77 thousand per year and is considered immaterial.

Note 31. Other receivables

<i>Amounts in NOK 1000</i>	2019	2018
Distribution commissions	32 418	40 656
Prepaid expenses	6 206	7 577
Other receivables	24 211	15 155
Total receivables	62 835	63 388

Note 32. Other liabilities

<i>Amounts in NOK 1000</i>	2019	2018
Payables to suppliers	3 783	4 399
Value added tax	8 425	6 997
Social security tax	3 557	3 131
Tax withholdings	3 175	3 035
Unsettled items related to certificates and bonds	189 072	1 643
Other liabilities	17 901	13 228
Total other liabilities	225 912	32 434

Note 33. Accrued expenses

<i>Amounts in NOK 1000</i>	2019	2018
Accrued not due expenses	157 994	166 244
Bonus	17 375	15 161
Holiday pay	6 598	5 550
Board remuneration	822	1 111
Accrued fees	118	689
Total accrued expenses	182 907	188 755

Note 34. Tier 1 capital

In 2016 the bank issued a Tier 1 capital instrument. The instrument has a nominal value of NOK 210.0 million. The instrument is perpetual and the bank may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date. Interest rates payable is 3 month NIBOR + 5.25%.

The bank issued an additional Tier 1 capital instrument in 2017. The instrument has a nominal value of NOK 300.0 million. The instrument is perpetual and the bank may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date. Interest rates payable is 3 month NIBOR + 5.25%.

The bank issued an additional Tier 1 capital instrument in 2018. The instrument has a nominal value of NOK 125.0 million. The instrument is perpetual and the bank may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date. Interest rates payable is 3 month NIBOR + 5.40%.

The terms of the Tier 1 capital meet the requirements of EU CRR regulations and are included in the bank's core capital for capital adequacy purposes. As a result, the bank has a unilateral right not to repay interest or principal to investors. This means that the Tier 1 capital does not satisfy the conditions for financial liabilities in IAS 32 Financial Instruments - presentation and is therefore presented in the bank's equity as Tier 1 capital. This means further that interest rates linked to the Tier 1 capital is not presented as an Interest expense, but as a reduction in Retained earnings and other reserves. The interest tax advantage is presented as a reduction of Tax charge in the profit and loss.

Note 35. Related parties

Bank Norwegian AS and Norwegian Air Shuttle ASA have since October 2007 had an agreement regarding the bank's use of the brand name Norwegian, IP-rights and co-operation regarding the loyalty program and credit cards. Based on the bank's expansion into Sweden, Denmark and Finland, new agreements have been renegotiated. All accrued rights remain. The agreements were renegotiated in the second quarter 2018 and is valid for ten years.

In 2019 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 403 million, comprising of portfolio related costs of NOK 345.7 million and sales and agent commissions of NOK 57.3 million. The portfolio related costs include license fee for use of brand name, IP-rights and other customer portfolio costs, such as cashpoints. Comparable figures for 2018 was NOK 352.4 million, comprising of NOK 285.1 million and NOK 67.3 million.

Norwegian Finans Holding ASA (org.nr. 991 281 924) owns 100 % av Bank Norwegian AS (org.nr. 991 455 671).

Note 36. Changes in accounting for loans to customers

Interest on loans to customers which are transferred to debt collection were previously recognized based on interest received/paid. The requirements in IFRS state that interest must be calculated using the effective interest rate on gross or net loans to customers, depending on stage classification. The re-calculation of net interest income will also have an equivalent effect on provision for loan losses and gross loans to customers. Due to the offsetting nature of these revisions, the financial impact on net profit and equity is estimated to be insignificant. The underlying credit quality in the loan portfolio is unchanged. Comparable figures are restated. The impact on comparable figures are shown in the tables below.

Profit and loss account (extract)

	2018	2018
Amounts in NOK 1000		(Revised)
Net interest income	4 406 326	4 702 884
Total income	4 652 273	4 948 831
Provision for loan losses	1 027 631	1 324 189
Profit before tax	2 388 478	2 388 478

	2018	2018
Amounts in NOK 1000		(Revised)
Gross loans to customers	39 473 053	39 769 611
Loan loss allowance	1 675 435	1 971 993
Net loans to customers	37 797 618	37 797 618

The revisions in provision for loan losses are mainly attributed to changes in stage 3 classification. Changes in stage 1 and 2 are considered immaterial and therefore a breakdown by stage classification is not presented separately.

Note 37. Subsequent events

The outbreak of the coronavirus has had a major negative impact on the Norwegian and international economy and has led to significant movements in the financial markets. As a result of increased market unrest, growing number of corona incidents in Norway, and abroad, the NFH Group established a crisis team on March 12, 2020, where various follow-up measures related to liquidity, operations, and communication in relation to customers, partners, the media and employees were discussed and specific measures were decided.

The NFH Group has assessed and adapted operations and financial plans based on the outlook for the Nordic and international economy, and the NFH Group has implemented contingency plans to ensure full operation and customer service regardless of location and societal restrictions in the public space. Recent market developments indicate an increase in unemployment. An economic downturn as a result of the coronavirus will reduce economic activity and private consumption, which can be expected to result in lower credit demand. Lower activity and loan growth are expected to reduce net interest income, net commission income and activity-driven operating costs at the same time as increased credit losses. The market unrest with observed spread outflow may result in increased unrealized losses in the liquidity portfolio, while currency fluctuations may affect the value of assets in foreign currency. Lower loan growth will, in isolation, reduce the risk weighted assets for capital adequacy and thus have positive effect on capital adequacy. The reduction in the countercyclical capital buffer by the Nordic authorities reduces the regulatory requirement for common equity tier 1 ratio from 17.47% to 16.25%.

Quarterly figures

Profit and loss account

	NFH Group				
Amounts in NOK 1000	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Interest income, amortized cost	1 488 734	1 457 649	1 420 283	1 381 830	1 299 634
Other interest income	46 524	37 800	38 192	39 763	32 504
Interest expenses	173 586	165 155	160 332	151 017	145 500
Net interest income	1 361 672	1 330 294	1 298 143	1 270 576	1 186 638
Commission and bank services income	135 391	134 232	119 880	150 940	111 047
Commission and bank services expenses	57 862	70 004	63 777	59 060	62 683
Net change in value on securities and currency	9 465	25 201	-1 830	-784	-5 938
Net other operating income	86 994	89 429	54 274	91 096	42 426
Total income	1 448 665	1 419 723	1 352 417	1 361 672	1 229 064
Personnel expenses	28 496	28 061	19 902	25 834	25 414
General administrative expenses	282 970	263 087	266 183	282 845	258 299
Ordinary depreciation	18 079	16 833	16 701	16 079	15 633
Other operating expenses	15 573	16 269	14 563	13 182	13 388
Total operating expenses excluding loan losses	345 118	324 251	317 350	337 940	312 733
Provision for loan losses	432 803	413 511	401 717	379 328	297 878
Profit on ordinary activities before tax	670 745	681 961	633 350	644 404	618 453
Tax charge	166 882	168 024	155 999	158 503	146 119
Profit on ordinary activities after tax	503 863	513 937	477 351	485 900	472 334

Comprehensive income

	NFH Group				
Amounts in NOK 1000	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Profit on ordinary activities after tax	503 863	513 937	477 351	485 900	472 334
Comprehensive income for the period	503 863	513 937	477 351	485 900	472 334

Balance sheet

	NFH Group				
Amounts in NOK 1000	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18
Assets					
Cash and deposits with the central bank	68 500	68 285	68 091	67 953	67 959
Loans and deposits with credit institutions	2 094 165	1 626 704	2 214 049	2 334 791	1 702 308
Loans to customers	40 560 502	40 067 806	38 712 907	37 902 312	37 797 618
Certificates and bonds	14 650 988	11 339 732	9 962 991	10 268 259	10 602 597
Financial derivatives	76 371	19 284	31 274	85 161	12 773
Shares and other securities	44 863	42 529	40 246	41 806	36 691
Assets held for sale	510 840	508 638	512 030	139 227	133 670
Intangible assets	3 502	19 673	18 838	18 121	18 021
Deferred tax asset	819	953	1 102	795	719
Fixed assets	62 835	56 133	61 108	85 849	63 388
Other Receivables	58 073 384	53 749 736	51 622 635	50 944 273	50 435 746
Total assets					
Liabilities and equity	52 750	-	73 100	56 000	-
Loans from credit institutions	40 118 369	39 185 189	38 177 954	37 654 242	39 091 791
Deposits from customers	6 537 863	3 472 923	3 316 800	3 342 401	2 018 724
Debt securities issued	29 621	37 563	4 913	9 569	120 497
Financial derivatives	625 745	618 010	449 151	527 062	603 085
Tax payable	3 821	-	-	-	-
Other liabilities	225 912	400 310	107 560	314 320	32 434
Accrued expenses	182 907	240 195	204 759	207 146	188 755
Subordinated loan	822 688	812 230	807 889	813 771	836 205
Total liabilities	48 599 677	44 766 421	43 142 127	42 924 510	42 891 492
Share capital	186 695	186 695	186 695	186 752	186 752
Share premium	972 295	972 295	972 295	976 938	976 938
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Retained earnings and other reserves	7 679 717	7 189 324	6 686 519	6 221 073	5 745 564
Total equity	9 473 707	8 983 314	8 480 509	8 019 763	7 544 254
Total liabilities and equity	58 073 384	53 749 736	51 622 635	50 944 273	50 435 746

Profit and loss account

Amounts in NOK 1000		Norwegian Finans Holding ASA	
	Note	2019	2018
Interest income, effective interest method		1 086	215
Interest expenses		2 114	137
Net interest income		-1 028	78
Commission and bank services expenses		512	803
Other income		-	247 500
Net other operating income		-512	246 697
Total income		-1 539	246 775
Personnel expenses		1 518	1 445
Other operating expenses		4 447	2 784
Total operating expenses		5 964	4 228
Profit before tax		-7 503	242 547
Tax charge	4	-1 651	58 369
Profit after tax		-5 852	184 177

Comprehensive income

Amounts in NOK 1000	2019	2018
Profit on ordinary activities after tax	-5 852	184 177
Comprehensive income for the period	-5 852	184 177

Balance sheet

Amounts in NOK 1000		Norwegian Finans Holding ASA	
	Note	31.12.19	31.12.18
Assets			
Loans and deposits with credit institutions		1 117	203 109
Ownership interests in group companies		1 190 240	1 150 000
Deferred tax asset	4	2 682	1 032
Receivables		338 311	3
Total assets		1 532 350	1 354 143
Liabilities and equity			
Tax payable		-	-
Other liabilities		190 374	100
Dividends		-	-
Accrued expenses		1 142	1 457
Total liabilities		191 516	1 557
Share capital		186 695	186 752
Share premium		972 295	976 938
Retained earnings and other reserves		181 844	188 896
Total equity		1 340 834	1 352 586
Total liabilities and equity		1 532 350	1 354 143

Bærum, March 25, 2020
The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebakk
CEO

Cash flow statement

Norwegian Finans Holding ASA

<i>Amounts in NOK 1000</i>	2019	2018
Profit / loss before tax	-7 503	242 547
Change in other accruals	-338 309	5 955
Change in short-term liabilities	189 959	-5 607
Income taxes paid	-	-52 398
Net cash flow from operating activities	-155 853	190 496
Net investment in group companies	-40 240	-
Net cash flows from investment activities	-40 240	-
Allocation of bonus shares	5 301	5 819
Buy back of shares	-161 200	-
Issuing of shares	150 000	-
Net cash flow from financing activities	-5 899	5 819
Net cash flow for the period	-201 992	196 315
Cash and cash equivalents at the start of the period	203 109	6 794
Cash and cash equivalents at the end of the period	1 117	203 109

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Retained earnings and other reserves	Total equity
Balance 31.12.18	186 752	976 938	188 896	1 352 586
This period's profit	-	-	-5 852	-5 852
Comprehensive income for the period	-	-	-5 852	-5 852
Buy back of shares	-2 133	-157 867	-	-160 000
Allocation of shares	2 000	148 000	-	150 000
Allocation of bonus shares	76	5 224	-	5 301
Fees	-	-	-1 201	-1 201
Balance 31.12.19	186 695	972 295	181 844	1 340 834
Balance 31.12.17	186 689	971 182	4 734	1 162 605
This period's profit	-	-	184 177	184 177
Comprehensive income for the period	-	-	184 177	184 177
Allocation of bonus shares	63	5 756	-	5 819
Share issue expenses	-	-	-15	-15
Balance 31.12.18	186 751	976 938	188 896	1 352 586

Notes for Norwegian Finans Holding ASA

Note 1. General accounting principles

Norwegian Finans Holding ASA is the parent company of the Norwegian Finans Holding Group.

The financial statements for 2018 have been prepared in accordance with the International Financial Reporting Standards (Forskriften om forenklet IFRS), as adopted by the European Union, and some additions from the Financial Reporting Act of 1998.

Deferred tax and deferred tax assets

Deferred tax / deferred tax assets are recognized in accordance with IAS 12. Deferred tax / deferred tax assets are calculated at the nominal rate based on the temporary differences that exist between the accounting and tax values at the end of the accounting period. Tax-increasing and tax-reducing temporary differences are offset and recorded in the balance sheet. Deferred tax assets are capitalized to the extent that it is probable that the benefit will be realized at a future date.

Tax expense

In the income statement, both the change in deferred tax and the tax payable for the period are included in the item tax expense.

Payable tax

Tax payable for the current and prior periods, insofar as it is not paid at the reporting date, is recognized as a liability. Tax payable is tax calculated on the taxable profit for the year. The current tax rate used to calculate tax payable is 22% in Norwegian Finans Holding ASA.

Note 2. Capital adequacy

Norwegian Finans Holding ASA uses the standardized approach for credit risk and the standardized approach for operational risk to calculate capital adequacy in accordance with current capital adequacy regulations - Basel II.

Total capital

Amounts in NOK 1000	2019	2018
Share capital	186 695	186 752
Share premium	972 295	976 938
Other reserves	181 844	188 896
Deferred tax assets, intangible assets and additional valuation adjustment	-2 682	-1 032
Common equity tier 1	1 338 151	1 351 554
Additional tier 1 capital	-	-
Tier 1 capital	1 338 151	1 351 554
Tier 2 capital	-	-
Total capital	1 338 151	1 351 554

Calculation basis

Institutions	223	40 622
Corporate	338 311	-
Equity positions	1 190 240	1 150 000
Other assets	-	3
Total credit risk	1 528 774	1 190 625
Operational risk	-	-
Market risk	-	-
Total calculation basis	1 528 774	1 190 625
Common equity tier 1 capital %	87.5 %	113.5 %
Tier 1 capital %	87.5 %	113.5 %
Total capital %	87.5 %	113.5 %

Note 3. Related parties

In the second quarter 2019 Bank Norwegian AS provided Norwegian Finans Holding ASA with a loan of NOK 187.5 million in relation to the acquisition of IP rights in Lilienthal Finance Ltd. and for general expenses. Norwegian Finans Holding ASA provided Lilienthal Finance Ltd. with a loan of NOK 334.5 million in relation to the acquisition of IP rights in the same quarter.

Note 4. Taxes

<i>Amounts in NOK 1000</i>	2019	2018
Deferred tax asset / deferred tax		
Loss and remuneration to be carried forward	-12 178	-4 691
Basis for deferred tax asset / deferred tax in the balance sheet	-12 178	-4 691
Deferred tax asset / deferred tax	-2 682	-1 032
Deferred tax asset / deferred tax in the accounts	-2 682	-1 032
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	-7 503	242 547
Permanent differences	-	-
Basis for the tax charge for the year	-7 503	242 547
Change in losses and remuneration to be carried forward	1 651	-23 320
Share issue expenses	-	-
Basis for tax payable in the profit and loss	-7 503	219 227
Taxable income (basis for tax payable in the balance sheet)	-7 503	219 227
Distribution of tax charge		
Total Tax payable (22% of the basis for tax payable in the income statement)	-	52 398
Change in deferred tax / tax asset	-1 651	5 830
Change in deferred tax / tax asset as a result of changed tax rate	-	141
Tax charge	-1 651	58 369
Reconciliation of tax charge		
Profit before tax	-7 503	242 547
Estimated tax expense (22%)	-1 651	58 211
Tax charge in profit and loss account	-1 651	58 369
Difference	-	-158
The difference consists of:		
Change in deferred tax / tax asset as a result of changed tax rate	-	47
Other differences	-	-205
Explained difference	-	-158

Note 5. Salaries and other personnel expenses

Norwegian Finans Holding ASA has no employees. Bonus to key executives are earned according to circular 11/2011 from The Financial Supervisory Authority of Norway, "Godtgjørelsesordninger i finansinstitusjoner" (Compensation arrangements at banks) as such key executives receive the entire bonus in shares with a lock-in period of three years. See note 20 in the group accounts for further information.

Fees paid out to the Board of Directors

<i>Amounts in NOK 1000</i>	2019	2018
Bjørn Østbø	300	-
John Høsteland	313	125
Bjørn H. Kise	50	250
Anita Marie Hjerkin Aarnæs	325	250
Christine Rødsæther	163	88
Gunn Isabel Westerlund Ingemundsen	125	-
Rolv-Erik Spilling	300	-
Brede Huser	-	225
Total	1 575	938

Fees paid out to the Election Committee

<i>Amounts in NOK 1000</i>	2019	2018
Knut Gillesen	50	25
Gunnar Martinsen	5	5
Alf Nielsen	10	25
Beret Sundet	5	-
Total	70	55

Auditor fees

The following expenses for external auditor fees have been recognized in the accounts, incl VAT.

<i>Amounts in NOK 1000</i>	2019	2018
Statutory auditing	54	56
Other certification services	69	76
Other non-audit services	68	-
Total	192	132

Note 6. Ownership interests in subsidiaries

Norwegian Finans Holding ASA owns 100% of the shares in Lilienthal Finance Ltd. The carrying amount amounts to NOK 40.2 million.
Norwegian Finans Holding ASA owns 100% of the shares in Bank Norwegian AS. The carrying amount amounts to NOK 1 150.4 million.



To the General Meeting of Norwegian Finans Holding ASA

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Norwegian Finans Holding ASA, which comprise:

- The financial statements of the parent company Norwegian Finans Holding ASA (the Company), which comprise the balance sheet as at 31 December 2019, profit and loss account, comprehensive income, changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Finans Holding ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2019, profit and loss account, comprehensive income, change in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The business activities are largely unchanged compared to last year. *Impairment of loans to customers* contains the same characteristics and risks as last year and continue to be an important focus area in our audit. Due to changes in accounting principles of interest rates, we have also focused on *Accuracy of interest rate calculations for loans to customers*.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p><i>Impairment of loans to customers</i></p> <p>Loans to customers represents a considerable part of total assets. The assessment of impairment losses is a model based framework which includes elements of management judgement. The framework is complex and includes a considerable volume of data and judgmental parameters.</p> <p>We focused on this area due to the significance of the impairment considerations for the value of loans in the financial statements, and the fact that the use of judgement has a potential to affect the profit for the period. Furthermore, there is an inherent risk of errors because of the complexity and quantity of data involved in the modelling.</p> <p>IFRS 9 requires the impairment model to reflect expected credit losses. The framework is complex and includes a considerable volume of data and judgmental parameters. We have focused on:</p> <ul style="list-style-type: none"> • classification of the various credit portfolios by risk and asset type; • identification of loans presenting a significant increase in credit risk, • how loans are sorted into stages; • parameters such as the probability of default (PD), loss given default (LGD) and macroeconomic scenarios. 	<p>Our work in the area of the impairment of loans focused on assessing and testing the design and effectiveness of the controls to ensure the quality of the assumptions and models. We also performed tests of details by calculating the provisions based on the models.</p> <p>As for the internal control environment, we obtained a detailed understanding of the processes and tested the controls associated with:</p> <ul style="list-style-type: none"> • the calculation and methodologies used; • whether model changes were reviewed and tested before implementation; • whether the models were in accordance with the framework and was working as intended; • the reliability and appropriateness of the data used in the models; <p>Our testing of internal controls did not indicate material errors in the modelling or material discrepancies from IFRS 9.</p> <p>We tested whether loans were properly classified by stages and if loans had significant increases in credit risk.</p> <p>We have also tested the model framework and considered the relevance and reasonableness of important assumptions used in the model. Furthermore, we have had meetings with the management where we have challenged assessments related to assumptions and estimates used in the model. The accounts show that the provision rate measured as total loan loss allowance in percentage of gross lending has increased compared to last year. We compared the level of loan loss allowance</p>

The bank's business is concentrated on consumer loans and credit cards to private customers. The models take into account the specific characteristics of each of its products and is designed to estimate loan-loss impairment provisions for each product.

against others comparable banks and found that the levels were within a reasonable range.

For important IT-systems supporting financial reporting, the audit team performed detailed testing of relevant reports and application controls. We also tested controls over application management and segregation of duties where that was relevant for our work. Our work gave us sufficient evidence to enable us to rely on the operation of the bank's systems for IT and payment processing deemed relevant for our audit.

Any differences encountered as part of our testing was deemed without material significance.

Note 5.1b, note 4, note 5 and note 6 is relevant for the description of the bank's models and processes to estimate IFRS 9 loan-loss impairment provisions. We read the notes and found them to be adequate and to give a balanced overview of the models, parameters and judgmental assumptions used.

Accuracy of interest rate calculations for loans to customers

The bank has significant interest income from loans to customers. Income recognition of interest income under IFRS 9 are calculated differently, depending on the stage classification of the loan. In our audit we have focused on the accuracy of data in interest calculation and interest calculation of loans to customers in each of the three stages, including whether interest is calculated by gross loan balance for loans in stage 1 and stage 2 and of net loan balance for loans in stage 3.

The framework is complex to transpose to practical calculations and the calculations will therefore be complex. Even minor deviations in formula may lead to significant errors in the financial statements.

In our audit of interest income on loans to customers, we have obtained an understanding of how the bank's systems and formulas are built up to calculate interest income in line with the regulations.

When auditing interest income for loans to customers transferred to debt collection, we assessed and tested the accuracy of data being used in the models. We also assessed and tested that the formula used for interest income calculation was set up correctly where interest income is calculated based on gross loan balance for stage 1 and stage 2 and net loan balance for stage 3. Differences encountered as part of our testing was deemed without material significance.

The company's note 5.1b, note 15 and note 36 to the accounts are relevant to the description of the company's interest income calculation. We read the notes and found them to be adequate and to give a balanced overview of the interest income calculation.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements



(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 March 2020
PricewaterhouseCoopers AS

Anne Lene Stensholdt
State Authorised Public Accountant

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

