Annual Report

2018

Bank Norwegian AS

Letter from the CEO

2018 was a good year for Bank Norwegian. Economic development in our markets continued to be positive as unemployment and interest rate levels remained low. Demand for our products has been high, which resulted in strong profitable growth for the bank. Significant milestones were reached during the year: Total assets exceeded 50 billion kroner as the number of customer contracts surpassed 1.5 million and unique customers reached 1.3 million.

The financial sector across Europe was challenged by new regulatory reforms and technology development as the Payment Service Directive 2 (PSD2) and the General Data Protection Regulation (GDPR) were implemented. PSD2 set out to create an open banking structure for the customer and enable more transparent and competitive services, but the transformation has not happened as fast as expected since important technical standards are not yet in place. However, the industry has never been more focused on utilizing data to facilitate excellent customer journeys, making technology an integral part of the industry agenda. Because of the technology shift and open banking regulation, new competitors enter the financial sector. Obtaining and keeping the customers' trust through transparent products and meaningful relationships will be a key success factor in this rapidly changing environment. Therefore, we stick to simple straight forward products with clear value propositions that meet customer needs in a convenient way.

Bank Norwegian reported the best results in our 11-year history during 2018 as interest income surpassed 5.0 billion kroner and net profit grew 12 percent to 1.8 billion kroner. The bank has never been more robust with a CET 1 ratio of 19.4 percent on a consolidated basis and is well positioned for the future. We increased our market share in all markets, reflecting our ability to grow with balanced risk-based pricing.

Our focus is on profitable sustainable growth and we constantly measure activity across markets and segments to balance the optimal risk, price and acquisition cost.

Bank Norwegian will remain the leading digital bank for personal loans, credit cards and savings. We continue to pursue our current strategy of adding relevant services and benefits from third party providers to our customers. In response to the ever-growing importance of Big Data and analytics to the financial industry, Bank Norwegian has further developed its analytics capabilities. Our proprietary algorithms combined with comprehensive credit data accumulated over 11 years facilitate a substantial competitive advantage. Our customers have high awareness and usage of our products, which is reflected in record high uptake and logins to our digital platforms during the year.

In 2019, we will continue to build our competitive strength within advanced analytics combined with attractive customer journeys and strive to be the most relevant bank for our customers. Geographically, the current scope is the Nordic countries and we have a strong focus on continuous development of our business in the region. During the year we will continue our preparation for a potential expansion into relevant European markets.

Tine Wollebekk

CEO

Annual Report 2018 Bank Norwegian AS

OPERATIONS, GOALS AND STRATEGY

Bank Norwegian AS is a wholly owned subsidiary of Norwegian Finans Holding ASA. The ownership of Norwegian Finans Holding ASA is divided between institutional and private investors in Norway and abroad, of which Norwegian Air Shuttle ASA is the largest owner with a stake of 16.4% at the end of 2018. 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.

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 2018 the bank had a customer base of 1,507,600 customers, which can be broken down into 1,111,000 credit card customers, 190,600 instalment loan customers and 206,000 deposit customers.

ECONOMIC DEVELOPMENT

Profit and loss account for the fourth quarter 2018

The bank's comprehensive income amounted to NOK 470.9 million compared with NOK 434.7 million in the third quarter. Return on equity was 29.0%, compared with 28.7% in the third quarter. The return on assets was 3.7%, compared with 3.6% in the third quarter. Return on equity and return on assets adjusted for the sale of non-performing loans in Finland amounted to 31.4% and 4.1%, respectively.

Net interest income amounted to NOK 1,173.7 million, an increase of NOK 52.5 million from the third quarter. The increase is mainly explained by loan growth and lower interest expenses due to a deposit rate reduction in Finland. The net interest margin was 9.4%, compared with 9.1% in the third quarter.

Net other operating income amounted to NOK 42.8 million compared with NOK 69.2 million in the third quarter. Net commission income decreased NOK 9.2 million to NOK 48.8 million mainly due to high seasonal activity in the third quarter. Net loss on securities and currency amounted to NOK 5.9 million, compared with a net gain of NOK 11.1 million in the third quarter. Negative change in value on fixed income securities exceeded gains on currency in the fourth quarter.

Total operating expenses were unchanged in the fourth quarter, amounting to NOK 311.1 million. Personnel expenses increased NOK 1.7 million due to new hires. Administrative expenses decreased NOK 2.1 million, reflecting lower marketing spending and IT costs. Depreciation increased NOK 0.8 million. Other operating expenses decreased NOK 0.9 million.

Provisions for loan losses were NOK 284.8 million, a decrease of NOK 14.4 million from the third quarter. Provisions equalled 2.9% of average gross loans, compared with 3.1% in the third quarter.

Provisions in the fourth quarter includes charges attributed to the sale of non-performing loans in Finland, comprising of a NOK 42.9 million net charge-off and a NOK 8.5 million repayment of collection expenses. The net charge-off directly related to the NPL sale is NOK 19.7 million.

Provision levels in Norway, Denmark and Finland fell. Provisions in Sweden increased due to calendar cut-off effects.

The tax charge totalled NOK 149.7 million in the fourth quarter, an increase of NOK 4.9 million. The increase is mainly explained by annual tax calculations in December.

Profit and loss account for 2018

The bank's comprehensive income for 2018 was NOK 1,800.5 million, an increase of NOK 192.8 million compared with 2017. The return on equity was 30.5% and the return on assets was 3.8%. The profit growth is explained by customer and loan growth. The bank recruited approximately 275,000 new customers in 2018 and had a gross loan growth of NOK 5,853.3 million, corresponding to NOK 7,375.1 million adjusted for sale of a portfolio of non-performing loans.

The accounting of agent commissions to Norwegian Air Shuttle and payment protection insurance on loans and credit cards was reclassified in the fourth quarter in accordance with IAS 38, IFRS 9 and IFRS 15. Comparable figures have been restated. The changes are described in the notes.

Net interest income

Net interest income was NOK 4,406.2 million, an increase of NOK 750.3 million in 2018. The increase was driven by loan growth. The net interest margin was 9.3%, compared with 9.7% in 2017.

Net other operating income

Net other operating income was NOK 246.7 million, an increase of NOK 50.0 million from 2017. Net commission and bank services income increased NOK 44.6 million, totalling NOK 233.9 million due to increased credit card activity. The net change in value on securities and currency was NOK 12.8 million, an increase of NOK 5.4 million. Gains on currency exceeded negative change in value on fixed income securities in 2018. Value-adjusted return on the securities portfolio was 0.4%, compared with 1.0% in 2017.

Operating expenses

Total operating expenses totalled NOK 1,231.9 million, an increase of NOK 178.2 million from 2017. Personnel expenses increased NOK 12.3 million due to increased number of employees. General administrative expenses increased NOK 152.6 million, mainly due to increased sales and marketing expenses. Depreciation increased NOK 6.9 million and other operating expenses increased NOK 6.3 million.

Provision for loan losses

The bank's provision for loan losses was NOK 1,027.6 million, compared with NOK 672.4 million in 2017. Provisions equalled 2.8% of average gross loans, compared with 2.3% in 2017. The increase is mainly explained by a rise from a low base in Sweden and Norway following the sale of loan portfolios in 2017 and more seasoned portfolios in Denmark and Finland. Provisions also include charges attributed to the sale of non-performing loans in Finland, comprising of a NOK 42.9 million net charge-off and a NOK 8.5 million repayment of collection expenses. The net charge-off directly related to the NPL sale is NOK 19.7 million.

Gross delinquent loans were NOK 3,935 million, compared with NOK 2,615 million at the end of 2017. Gross delinquent loans accounted for 10.0% of gross loans, compared with 7.8% at the end of 2017. The increase in delinquent loans is a result of recent expansion in new markets and is moderated by the sale of the NPL portfolio in Finland. Gross non-performing loans totalled 7.6% of gross loans, compared with 5.7% at the end of 2017. Non-performing loan levels are developing as expected.

Balance sheet, liquidity and capital

The bank's total assets were NOK 50,232 million at the end of the year, an increase of NOK 7,243 million for the full year. Net loans to customers increased NOK 5,318 million and totalled NOK 37,798 million at year end. Net loans to customers are distributed into NOK 18,513 million, NOK 8,542 million, NOK 6,661 million and NOK 4,082 million in Norway, Finland, Sweden and Denmark, respectively. Instalment loans increased NOK 3,184 million, while credit card loans increased NOK 2,670 million. Customer deposits increased NOK 5.410 million and totalled NOK 39,092 million at year end. Customer deposits are distributed into NOK 19,745 million, NOK 8,854 million, NOK 6,573 million and NOK 3,920 million in Norway, Finland, Sweden and Denmark, respectively. The deposit-to-loan ratio was 99% at the end of the year.

The holdings of certificates and bonds increased NOK 1,743 million and totalled NOK 10,603 million at the end of 2018. Other liquid assets totalled NOK 1,567 million at the end of 2018. The liquidity reserves increased NOK 1,990 million and totalled NOK 12,170 million, equivalent 24.2% 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 decreased NOK 224 million and totalled NOK 2,019 million at year end. The bank has during the year issued SEK 400 million in senior debt securities with up to three years maturity.

The bank issued NOK 125 million in tier 1 capital and SEK 550 million in subordinated loan in the fourth quarter.

Total equity was NOK 7,342 million for the bank at year end. The total capital ratio at the end of 2018 was 23.1%, the tier 1 capital ratio was 20.7% and the common equity tier 1 ratio was 18.9% for the bank.

FINANCIAL RISK FACTORS

Credit risk

The board of directors of Bank Norwegian has adopted credit policy guidelines to ensure good credit evaluation processes and contribute to ensuring that the return on equity target is met. The bank's guidelines are reviewed at least annually by the board of directors.

The bank offers only credit to the retail customer market, and all credit decisions are made by means of automated decision support systems. Credit is granted based on a qualitative and quantitative analysis with a positive conclusion of the customer's willingness and ability to pay. The analysis of the willingness to pay identifies the characteristics of the customer that predict future payment conduct, while the analysis of the customer's capacity to service loans is a quantitative evaluation of the customer's ability to repay his obligations, given the customer's current and anticipated future economic situation. The role of the case officer is subsequently to verify whether the conditions for the conditional grant is present. Customers are regularly risk assessed based on behavioural score, if sufficient track records exists. For new customers and customers in new(er) markets, application score is used in addition to any clear negative observations, such as default on loan agreement. Customer's application score is used in the bank's risk-based product pricing. The bank follows up credit quality through, for example, ongoing reporting and credit committee meetings. The board has set limits for the maximum exposure per customer based on the type of commitment.

Liquidity risk

The board of directors of Bank Norwegian has adopted guidelines for management of the bank's liquidity position to ensure that the bank maintains a solid liquidity. The guidelines are reviewed at least annually by the board of directors. The guidelines set risk limits for liquidity management and define a reporting scheme. The bank manages its liquidity position by means of summaries illustrating cash flows in the short term and by means of liquidity due date summaries. Regular liquidity stress tests are performed.

The liquidity risk is evaluated as low at the time of this report. A large portion of the bank's assets consists of marketable securities, including substantial holdings of certificates issued by the Norwegian government.

The asset side is financed by core deposits from the retail market, senior debt securities and subordinated capital.

Interest rate risk

The board of directors of Bank Norwegian has defined guidelines that set limits for the maximum interest rate risk. The guidelines are reviewed at least annually by the board of directors. The bank's investment portfolio is invested with a short term to maturity. The bank offers exclusively products with administratively set interest rate terms. Fixed interest terms are not offered. The interest rate commitment term for the bank's financial instruments coincides thus with the term for the products. Any exposure exceeding the interest rate limits shall be mitigated by using hedging instruments. A scheme has been established for ongoing monitoring and reporting of the interest rate risk to the board of directors.

Market risk

The board of directors of Bank Norwegian has defined guidelines for the bank's investments in certificates and bonds in addition to guidelines for handling foreign currency risk in connection with the bank's cross border operations. The guidelines are reviewed at least annually by the board of directors. Guidelines have been established for regular monitoring and reporting to the board of directors.

The interest rate risk limits for the investment portfolio are determined based on stress tests for negative fluctuations in the interest rate level and changes in credit spreads. The guidelines also set limits based on credit risk weights and maximum exposure for each counterpart in accordance with their credit rating and maturity. The bank's investment portfolio is managed by Storebrand Kapitalforvaltning. The asset management is regulated by a mandate agreement.

Exposure to foreign currency risk is hedged.

Operational risk

The board of directors of Bank Norwegian has established operational risk guidelines, which are reviewed at least annually by the board of directors. The bank offers simple and standardized products to the retail market, which contribute to limiting the operational risk.

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.

The bank's operating concept is based largely on purchasing services from external suppliers. The agreements contain quality standard provisions and they are followed up on an ongoing basis by the bank in accordance with the outsourcing guidelines.

To ensure efficient, high quality operations, the bank is continuously seeking to automate critical processes.

Contingency plans have been established and insurance agreements have been entered into, that safeguard the bank against major loss incidents.

Business and strategic risk

The bank bases its operations to a great extent on cooperation with and the trademark of the airline Norwegian. Norwegian's good reputation has contributed to strong customer growth, but on the other hand, the bank may be vulnerable in the event of a decline in Norwegian's reputation.

There will be factors of uncertainty associated with lower customer acquisition and volumes, reduced interest rate margins, inadequate cost-effectiveness and inappropriate technological choices. A decline in the economy may result in weaker growth, higher losses and weaker earnings, and at the same time can make raising capital difficult. On the other hand a downturn in the economy will result in a lower level of interest rates which, in turn is positive for the bank's earnings. Expansion into new markets involves greater uncertainty, while diversification spreads risk. Business risk demands that the board of directors and management have good planning processes and are able to adapt to reduce losses.

PERSONNEL AND THE ENVIRONMENT

The bank's employees have yet again delivered good results. At December 31, 2018 the bank had 78 employees, corresponding to 75 full time equivalent employees, compared with 72 employees and 69.5 full time equivalent employees at December 31, 2017.

The bank's board of directors and management aim to promote equal status between men and women. The bank 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 bank's 78 employees, there are 43 men and 35 women. Of the 14 managers with personnel responsibility, five are women.

The bank 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 bank has established good pension and personnel insurance schemes, and offers a programme for employees to counteract ergonomic injuries.

Absence due to illness was 5.1%. The working environment is regarded as good. The bank 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 bank's operations do not pollute the external environment.

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

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

Specific guidelines regarding corporate social responsibility have been established that govern the entire group. The guidelines are described in the annual report of Norwegian Finans Holding ASA.

CORPORATE GOVERNANCE

The board of directors supports the Norwegian Code of Practice for Corporate Governance. The principles of corporate governance are described in the annual report of Norwegian Finans Holding ASA.

EVENTS AFTER THE DATE OF THE BALANCE SHEET

Regulations on requirements for financial institutions' lending practices for consumer loans were laid down by the Ministry of Finance on February 12, 2019, pursuant to the Act of April 10, 2015 No. 17 on Financial Undertakings and the Finance Group § 1-7. The bank adapted the guidelines in the regulations in the autumn of 2017. In the opinion of the board, the regulations will not entail any significant changes in the bank's accounts.

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

OUTLOOK

The outlook for the Nordic economies where the bank operates continues to be favorable with solid growth and low unemployment.

Interest rate levels in the countries where the bank is represented are expected to rise gradually, albeit from a low level. The bank is still expected to benefit from low interest rate levels through low funding costs.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality, even though the Nordic market for unsecured credit is very competitive. The competitive environment could lead to higher customer acquisition cost, margin pressure or lower growth.

The bank has a broad Nordic platform and loan volumes are growing faster outside of Norway. As such, the bank has a diversified risk in relation to the individual markets.

A high deposit to loans ratio and good access to the securities market are expected to maintain the bank's strong liquidity position. The bank lowered deposit rates in Finland effective October 1, 2018, lowering funding costs and at the same time offering competitive deposit rates. The deposit insurance amount was reduced from NOK 2 million to EUR 100 thousand outside of Norway as of January 1, 2019. The depositor's adoption to the new deposit insurance level has been gradual, as non-insured deposits have slowly declined.

The bank is positioning itself to meet the anticipated MREL (Minimum Requirements for own funds and Eligible Liabilities) requirements by increasing its efforts in the senior unsecured bond market with the aim to grow the share of outstanding unsecured senior debt.

The investment portfolio has provided a satisfactory return. The portfolio's low risk mandate will remain.

The credit quality of the loan portfolios in all markets are expected to exhibit a stable development going forward. Proprietary credit scorecards based on own data are in place in all markets.

The bank strengthened its capital position further in the beginning of the fourth quarter by issuing NOK 125 million in additional tier 1 capital and SEK 550 million in additional tier 2 capital.

Common equity tier 1 was 18.9% at the reporting date exceeding the minimum common equity tier 1 ratio requirement of 15.9% which include announced increases in counter-cyclical buffers during 2019. The Financial Supervisory Authority of Norway has also required a 3% additional capital management buffer as a precondition to pay cash dividends or buy back shares.

The bank plans to distribute capital in excess of applicable capital requirements in the form of share buy backs and cash dividends.

The current capital base and internal generation of capital are considered more than sufficient to ensure the bank's growth ambitions.

The bank is exploring geographical expansion opportunities in Europe through the investment in Lilienthal Finance Ltd. which is seeking to obtain a banking licence in Ireland.

The board of directors has accordingly a positive view of the bank's ongoing operations and confirms that Bank Norwegian AS's annual accounts have been presented under the assumption of continued operations.

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

The net profit for 2018 for Bank Norwegian AS amounted to NOK 1,800.5 million. The board of directors proposes that the net profit is added to retained earnings.

Bærum, February 25, 2019
Board of directors of Bank Norwegian AS

John Høsteland Chairman of the Board	Bjørn Østbø Board Member	Lars Ola Kjos Board Member
Christine Rødsæther Board Member	Gunn Ingemundsen Board Member	Anders Gullestad Board Member

Tine Wollebekk
CEO

Profit and loss account

Amounts in NOK 1000	Note	Bank Norwegian AS 2018	2017
Interest income, amortised cost		4,908,500	4,063,081
Other interest income		104,303	95,122
Interest expenses		606,554	502,211
Net interest income	18	**4,406,248**	**3,655,992**
Commission and bank services income	19	463,551	363,109
Commission and bank services expenses	19	229,652	173,841
Net change in value on securities and currency	23	12,818	7,458
Other income		32	-
Net other operating income		**246,750**	**196,726**
Total income		**4,652,998**	**3,852,718**
Personnel expenses	20	86,281	73,953
General administrative expenses	10	1,035,911	883,265
Ordinary depreciation	28, 29	59,998	53,062
Other operating expenses	11	49,744	43,472
Total operating expenses		**1,231,935**	**1,053,753**
Provision for loan losses	6	1,027,631	672,388
Profit on ordinary activities before tax		**2,393,431**	**2,126,577**
Tax charge	27	592,930	526,995
Profit on ordinary activities after tax	5	**1,800,501**	**1,599,582**
Earnings per share (kroner)	39	9.82	8.80
Diluted earning per share (kroner)	39	9.82	8.80

Comprehensive income

Amounts in NOK 1000	Bank Norwegian AS 2018	2017
Profit on ordinary activities after tax	**1,800,501**	**1,599,582**
Change in fair value for assets held for sale	-	8,176
Tax	-	-61
Other comprehensive income	**-**	**8,115**
Comprehensive income for the period	**1,800,501**	**1,607,697**

Balance sheet

Amounts in NOK 1000	Note	Bank Norwegian AS 31.12.18	Bank Norwegian AS 31.12.17
Assets			
Cash and deposits with the central bank	9, 14 ,15, 16, 24	67,959	65,976
Loans and deposits with credit institutions	9, 14 ,15, 16, 24	1,499,199	1,338,852
Loans to customers	2, 3, 4, 6, 7, 8, 14, 15, 16, 21, 24	37,797,618	32,479,570
Certificates and bonds	14, 15, 16, 21, 22	10,602,597	8,859,834
Financial derivatives	14, 15, 16, 21, 22	12,773	1,935
Shares and other securities	21, 22	36,691	443
Assets held for sale	21, 22, 26	-	32,922
Intangible assets	28	133,670	131,521
Deferred tax asset	27	16,990	11,157
Fixed assets	29	719	1,000
Receivables	30	63,385	65,241
Total assets	5	**50,231,603**	**42,988,451**
Liabilities and equity			
Deposits from customers	14, 15, 16, 21, 24	39,091,791	33,682,275
Debt securities issued	14, 15, 16, 21, 24, 25	2,018,724	2,242,423
Financial derivatives	14, 15, 16, 21, 22	120,497	52,246
Tax payable	27	603,085	525,886
Other liabilities	31	32,333	158,689
Accrued expenses	32	187,298	149,045
Subordinated loan	14, 15, 21, 24, 25	836,205	474,614
Total liabilities		**42,889,934**	**37,285,179**
Share capital		183,315	183,315
Share premium		966,646	966,646
Tier 1 capital	34	635,000	635,000
Retained earnings and other reserves		5,556,708	3,918,312
Total equity	33	**7,341,668**	**5,703,272**
Total liabilities and equity	5	**50,231,603**	**42,988,451**

Bærum, 25. februar 2019
Styret i Bank Norwegian AS

John Høsteland
styreleder

Bjørn Østbø
styremedlem

Lars Ola Kjos
styremedlem

Christine Rødsæther
styremedlem

Gunn Ingemundsen
styremedlem

Anders Gullestad
styremedlem

Tine Wollebekk
administrerende direktør

Cash flow statement

		Bank Norwegian AS	
Amounts in NOK 1000	Note	**2018**	**2017**
Profit / loss before tax		1,800,501	1,607,697
Unrealized gain or losses on currency		92,674	47,565
Depreciations and amortizations	28, 29	59,998	44,477
Provision for loan losses	4	1,027,631	672,388
Change in loans to customers	3, 7, 8, 14, 15, 16, 24	-6,291,111	-8,602,144
Change in deposits from customers	14, 15, 16, 21, 24	5,409,516	9,258,502
Change in certificates and bonds	14, 15, 21, 22	-1,742,763	-4,395,632
Change in receivables, deferred tax asset and financial derivatives	14, 16, 21, 22, 27, 30	-15,401	-19,502
Change in shares and other securities and assets held for sale, before tax	21, 22, 26	3,326	8,176
Change in tax payable, accrued expenses and other liabilities	14, 16, 21, 22, 27, 31, 32	57,348	337,047
Net cash flow from operating activities		**401,720**	**-1,041,425**
Proceeds from sale of tangible assets		32	-
Payment for acquisition of intangible assets	28	-67,853	-55,381
Payment for acquisition of tangible assets	29	-112	-1,050
Net cash flow from investment activities		**-67,933**	**-56,431**
Paid-in share capital and share premium		-	500,000
Issued debt securities	14, 15, 21, 24, 25	388,040	1,299,320
Repayment of debt securities	14, 15, 21, 24, 25	-611,739	-880,870
Issued subordinated loan	14, 15, 21, 24, 25	533,555	199,699
Repayment of subordinated loan	14, 15, 21, 24, 25	-171,964	-
Paid group contribution	27	-188,100	-
Issued Tier 1 capital	34	125,000	299,250
Repayment of Tier 1 Capital	34	-125,000	-
Paid interest Tier 1 capital	34	-28,575	-21,858
Net cash flow from financing activities		**-78,783**	**1,395,541**
Net cash flow for the period		255,004	297,685
Cash and cash equivalents at the start of the period		1,404,828	1,154,708
Currency effect on cash and cash equivalents		-92,674	-47,565
Cash and cash equivalents at the end of the period		**1,567,158**	**1,404,828**

Changes in equity

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
					Bank Norwegian AS
Balance 31.12.17	**183,315**	**966,646**	**635,000**	**3,918,312**	**5,703,272**
Change in write-downs under IFRS 9	-	-	-	54,569	54,569
Balance 1.1.2018	**183,315**	**966,646**	**635,000**	**3,972,881**	**5,757,841**
This period's profit	-	-	-	1,800,501	1,800,501
Items that may be reclassified to profit and loss, after tax	-	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-**	**1,800,501**	**1,800,501**
Paid interest Tier 1 capital	-	-	-	-28,575	-28,575
Issued Tier 1 capital	-	-	125,000	-	125,000
Repayment of Tier 1 capital	-	-	-125,000	-	-125,000
Change in write-downs under IFRS 9	-	-	-	-	-
Other changes	-	-	-	-188,100	-188,100
Balance 31.12.18	**183,315**	**966,646**	**635,000**	**5,556,708**	**7,341,668**

Amounts in NOK 1000					
Balance 31.12.16	**176,800**	**473,160**	**335,000**	**2,333,223**	**3,318,183**
This period's profit	-	-	-	1,599,582	1,599,582
Items that may be reclassified to profit and loss, after tax	-	-	-	8,115	8,115
Comprehensive income for the period	**-**	**-**	**-**	**1,607,697**	**1,607,697**
Paid interest Tier 1 capital	-	-	-	-21,858	-21,858
Capital increase	-	-	-	-	-
Share issue expenses	6,515	493,485	-	-	500,000
Issued Tier 1 capital	-	-	300,000	-750	299,250
Balance 31.12.17	**183,315**	**966,646**	**635,000**	**3,918,313**	**5,703,272**

Notes

Note 1. General accounting principles

1. Corporate Information

Bank Norwegian AS (the bank) is a wholly owned subsidiary of Norwegian Finans Holding ASA. Norwegian Finans Holding ASA is a Norwegian public limited company listed on the Oslo Stock Exchange (Oslo Børs) under the ticker NOFI. The bank offers banking services including consumer loans, credit cards, and deposits to retail customers in the Nordic market. The bank operates in Sweden, Denmark and Finland through cross-border activities. The bank is located at Snarøyveien 36, Fornebu, Norway.

2. Basis of preparation of financial statements

The financial statements for 2018 have been prepared in accordance with the regulations "Forskriften om forenklet anvendelse av internasjonale regnskapsstandarder", from January 21, 2008. The regulation is a simplified version of IFRS, authorized in §3-9 in Lov om årsregnskap from 1999.

3. Changes in accounting principles

Financial instruments

IFRS 9 Financial Instruments has replaced IAS 39 Financial Instruments from January 1, 2018. IFRS 9 introduced changes to the rules of the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transition provisions of IFRS 9, the bank elected not to restate comparative figures. The standard is applied retrospectively. The financial instruments for 2018 are recognized in the Annual Report for 2018 in line with IFRS 9. The comparative figures in 2017 are recognized in line with IAS 39 so both accounting principles are included in this report.

Payment protection insurance

The bank has previously recognized payment protection insurance on loans and credit cards by gross amount. The bank has, in the fourth quarter of 2018, made an assessment that the bank is an agent in line with IFRS 15 and has therefore changed the accounting principle from gross to net amount. The change in principle had no effect on the profit after tax. Comparative figures and corresponding note (note 19) have been revised accordingly.

Agent commissions to Norwegian Air Shuttle (NAS)

The accounting of agent commissions to NAS was in the fourth quarter reclassified in accordance with IAS 38 Intangible Assets and IAS 39. Agent commissions were reclassified from *Receivables to Loans to customers* and *Intangible assets*, with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Ordinary depreciation and Interest income*. The reclassifications did not have any effect on the profit after tax. Comparative figures and corresponding notes (notes 3, 5, 6, 9, 13, 14, 17, 20, 23, 27, 29, 32) have been revised accordingly.

IAS 39 Financial Instruments

Effective for annual reporting periods starting January 1, 2018 or later, IFRS 9 has replaced IAS 39. IFRS 9 introduced changes to the rules of the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transition provisions of IFRS 9, the bank elected not to restate comparative figure.

On initial recognition, financial assets are classified in one of the following categories, depending on the type of instrument and the purpose of the asset;

- At fair value through profit and loss,
- Loans and receivables and
- Assets held for sale

Financial liabilities are on initial recognition classified in one of the following categories:

- Financial liabilities at fair value through profit and loss
- Financial liabilities at amortized cost

Financial assets and liabilities at fair value through profit and loss

Financial assets at fair value through profit or loss consist of assets and liabilities that are to be measured at fair value through profit or loss and assets that are determined to be recognized at fair value with changes in value over profit or loss

Certificates and bonds are classified in this category, as it is managed and evaluated on the basis of fair value in accordance with the bank's guidelines for investments in certificates and bonds. Financial derivatives are recognized as assets if their value is positive and as liabilities if their value is negative. Changes in value of financial instruments at fair value through profit and loss are recognized in the income statement in *Net gain in value on securities and currency*. Interest on certificates and bonds is recognized at fair value through profit and loss and presented in the income statement in *Interest income.*

Loans and receivables

Loans and receivables are financial assets which are not derivatives, and which have fixed or contractual payments that are not traded in an active market. This category includes *Cash and deposits with central banks*, *Loans and deposits with credit institutions*, and *Loans to customer*.

Loans and receivables are recognized at fair value plus transaction costs. In subsequent periods loans and receivables are measured at amortized cost in accordance with IAS 39. Amortized cost is defined as acquisition cost reduced by repayments on the principal amount, plus accumulated effective interest rate, and reduced by accumulated paid interest, subtracted any impairment amount or loss exposure. The effective interest rate is the rate which exactly discounts estimated future payments or receipts over the term of the financial instrument.

An impairment loss is recognized when there is objective evidence that a loan or group of loans has been impaired. The bank has prepared its own guidelines for write-downs on loans. The calculating of the losses on individual loans is based in the existence of objective evidence that the value of the loan has decreased. Objective evidence that the value of a loan has fallen includes observable data made known to the bank regarding the following loss incidents:

1. Debtor suffering significant financial difficulties.
2. Non-payment or other type of significant breach of contract.
3. Granted postponement or new credit for the payment of an instalment, agreed to changes in the interest rate or other contractual terms as a result of the debtor's financial problems.
4. It is considered probable that the debtor will enter into debt settlement proceedings or other financial restructuring, or that bankruptcy proceedings will be opened for the debtor's estate.
5. Write-downs on groups of loans are performed if there is objective evidence that there is a decrease in the value of groups of loans with the same risk characteristics. When evaluating the write-down of groups of loans, the loans shall be divided into groups with approximately the same risk characteristics with regard to the debtor's ability to pay on the due date. A decrease in value is calculated on the basis of the borrower's income, liquidity, financial strength and financial structure, as well as securities furnished for the commitments.

Write-downs for losses cover losses in the commitment portfolio that have occurred. The evaluations of what commitments are regarded as doubtful are based on the conditions that exist on the date of the balance sheet. The loan portfolio is assessed on a monthly basis and an evaluation of individual and group write-downs is made in this connection. A critical evaluation is made in connection with the recognition of any decrease in the value of the loan portfolio. Write-downs due to a decrease in value are based on a risk classification in accordance with the established guidelines stipulated in the bank's credit guidelines. Write-downs represent the difference between the book value and the present value of the estimated future cash flow. The current effective interest rate is used when calculating the present value.

Assets held for sale

Assets held for sale are non-derivative financial assets which the bank has chosen to place in this category or which have not been classified in any other category.

Assets held for sale are initially recognized at fair value including transaction costs. In subsequent periods the assets are measured at fair value. Gains or losses are recognized in other comprehensive income, with the exception of impairment losses, which are recognized in the income statement. When an asset held for sale is sold or impaired the accumulated fair value adjustments recognized in other comprehensive income are reclassified to profit and loss and are presented in the income statement in *Net change in value on securities and currency*. The same presentation applies to dividends from equity securities classified as available for sale.

At each balance sheet date the bank assesses whether there is objective evidence of impairment of individual assets or groups of financial assets. For equity securities classified as available for sale, a significant or prolonged decline in fair value below the cost of the asset is considered an indicator that the securities are impaired. If there is any such objective evidence of impairment of assets held for sale, the cumulative loss, measured as the difference between cost and fair value, reduced by any recognized impairment loss, is deducted from other comprehensive income and recognized in the income statement.

Financial liabilities at amortized cost

Financial liabilities at amortized cost are initially recognized at fair value less transaction costs, plus accrued interest. In subsequent periods financial liabilities are measured at amortized cost using the effective interest rate. The difference between the loan amount (net of transaction costs but including accrued interest) and the redemption value is recognized over the term of the loan as interest expense and is included in the income statement in *Interest expense*.

From IAS 39 to IFRS 9

The rules for classification and measurement of financial assets under IFRS 9 are more principle-based than the rules under IAS 39. Under IFRS 9, financial assets are assessed based on the entity's business model and the asset's cash flows. The bank has assessed the balance sheet with regards to classification and measurement of financial assets. The bank has reclassified *Assets available for sale* to *Shares and other securities*. The classification and measurement of the bank's financial liabilities have not been affected by the transition to IFRS 9.

IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of credit losses. The bank has made calculations of losses under IFRS 9 based on a base, upper and lower scenario. The calculations at January 1, 2018 showed a reduction of write-downs of NOK 55 million after tax compared to write-downs under IAS 39. The decrease in write-downs has been booked as a change in equity as per January 1, 2018 and increased *Loans to customers.*

In connection with the introduction of IFRS 9, an amendment to IAS 1, par. 82 (a) was made and applies to accounting periods after January 1, 2018. According to this change, interest income calculated using the effective interest rate method (financial assets measured at amortized cost or at fair value through comprehensive income) shall be presented separately in the income statement. The bank has classified *Cash and deposits with the central bank*, *Loans and deposits with credit institutions* and *Loans to customers* at amortized cost. Interest income calculated using the effective interest method is presented separately in the income statement. Comparative figures and corresponding note (note 18) have been revised accordingly.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15 was published by the IASB in May, 2014, and established a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. Contracts with customers that are accounted for in accordance with the IFRS 9. IFRS 15 was endorsed by the EU in September 2016 and came into force January 1, 2018. The standard has not had a significant impact on the bank.

4. Future changes in accounting policies

Certain new accounting standards have been published that are not mandatory for December 31, 2018 reporting periods. The assessment of the impact of these new standards and interpretations is set out below.

IFRS 16 – Leases
In January 2016, the IASB issued the new standard IFRS 16 Leases. IFRS 16 was endorsed by the EU in October 2017 and came into force January 1, 2019. The new standard has large implications for lessees, as all leases, with the exception of short-term leases and small asset leases, are recognized in the balance sheet as a right-of-use asset with a corresponding liability. At initial recognition, the lease liability and the right-of-use asset are measured at the present value of future lease payments. Lease payments shall be recognized as interest expenses and amortizations. The bank has primarily lease of premises and some furniture and fixture that are recognized in the balance sheet from January 1, 2019. The lease amount that the bank recognized was NOK 7.3 million, calculations can be seen in note 35.

IFRS 17 - Insurance contracts
IFRS 17 Insurance contracts will replace IFRS 4 Insurance contracts and establish principles for recognition, measurement, presentation and disclosure of insurance contracts. The standard has been approved by the IASB and is effective from January 2021. The standard has not yet been endorsed by the EU. The objective of the new standard is to eliminate inconsistent accounting practices for insurance contracts. IASB is currently reviewing changes in IFRS 17 to assess whether credit cards should be included in the scope or not. The bank has chosen to recognize credit cards according to IFRS 9 and is awaiting the conclusion on whether credit cards are included in the scope of IFRS 17 or not.

5. General accounting policies

Recognition in the income statement and in other comprehensive income
Interest income consists mainly of interest from consumer loans and credit cards. Interest income is calculated using the effective interest rate method (financial assets measured at amortized cost or at fair value through comprehensive income).

Interest expenses consist mainly of interest expense from deposits from customers and are recognized using the effective interest rate method.

Commission and bank services income and expenses consists mainly of fees and expenses related to payment services and insurance services and are recognized using the effective interest rate method.

The bank recognizes the net insurance payments in line with IFRS 15. The bank is considered to be an agent because the bank`s obligation is to arrange for the provision of insurance services by another party.

Financial Instruments
Financial instruments will be recognized in the balance sheet on the date the bank will become party to the instrument's contractual terms. Financial assets are derecognized when the bank's rights to receive cash flows from the asset cease. Financial liabilities are derecognized from the date the rights to the contractual terms are fulfilled, expired or cancelled.

Financial assets
Classification and measurement of financial assets

Under IFRS 9, financial assets are to be classified into three categories of measurement:

- Fair value with value changes over profit (FVPL)
- Fair value with value changes over extended earnings (FVOCI)
- Amortized cost (AC)

Measurement category is determined by initial recognition of the financial instrument. For financial assets, a distinction is made between debt instruments and equity instruments.

Financial assets

According to IFRS 9, financial debt instruments are defined as all financial assets that are not derivatives or equity instruments. Financial assets with cash flows that are only interest and principal payments, and held to receive contractual cash flows, are initially measured at amortized cost.

The bank`s financial assets are composed of *Cash and deposits with central banks*, *Loans and deposits with credit institutions*, *Loans to customers*, *Certificates and bond*, *Financial derivatives*, *Shares and other securities* and *Assets held for sale.*

Cash and deposits with central banks and *Loans and deposits with credit institutions* are classified at amortized cost under both IAS 39 and IFRS 9.

Loans to customers consists of loans to retail customers and are held to receive contractual cash flows. Loans are debt instruments recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, which represents the gross carrying amount reduced by allowance for credit losses. Loans to customers are measured at amortized cost under both IAS 39 and IFRS 9.

Certificates and bonds constitute the bank's liquidity portfolio. The portfolio is held to secure the bank's liquidity needs. Certificates and bonds are classified as financial assets measured at fair value through profit and loss under both IAS 39 and IFRS 9.

Financial derivatives are classified at fair value through profit and loss under both IAS 39 and IFRS 9.

Shares and other securities consists of the bank`s ownership share in VN Norge AS formerly known as Visa Norge FLI which was reclassified from fair value through other comprehensive income under IAS 39 to fair value through profit and loss under IFRS 9. In addition, *Shares and other securities* consists of the bank's ownership share in BankID Norge AS which is measured at fair value through profit and loss. *Assets held for sale* was reclassified to Shares and other securities in accordance with IFRS 9.

Financial liabilities
Financial liabilities are measured at amortized cost corresponding to the rules in IAS 39. The exception is financial derivatives measured at fair value.

Financial liabilities, consisting mainly of deposits from customers and securities issued, are recognized on initial recognition at fair value reduced by any transaction costs on establishment. In subsequent periods, the liabilities are measured at amortized cost in accordance with the effective interest method.

Expected credit losses

IFRS 9 includes an "expected credit loss model" whereas IAS 39 is an "incurred loss model". Loan impairments are recognized at the balance sheet date based on available information about the past, present and estimates for the future. Loan impairments under IFRS 9 are thus made before there is an" objective evidence" of impairment.

IFRS 9 loan impairments are made in 3 stages:

- Stage 1: "12-month expected loss"
- Stage 2: "Significant increase in the credit risk compared with initial recognition"
- Stage 3: "Defaulted"

The bank segments the portfolio into groups of loans with shared risk characteristics and calculates the expected credit loss (ECL) for each segment. The expected credit loss (ECL) is calculated as a product of a defined set of parameters adjusted to the characteristics of each segment, see more information in the related note 2. The formula used is: $ECL = PD * EAD * LGD$

Where
PD: Probability of default in a given time span
EAD: Exposure at default
LGD: Loss given default

Movement between stages:

Loans are classified into stage 1, 2 or 3 at the time of reporting. Impairment levels differs between the three stages.

Intangible assets
Intangible assets are recognized in the balance sheet to the extent that it is probable that financial benefits will accrue to the bank in the future and these expenses can be measured reliably. Intangible assets are recognized in the balance sheet at historical cost reduced by accumulated depreciation and value impairment losses. Purchased software is recognized in the balance sheet at historical cost plus any expenses to make the software ready to use. When it is probable that economic benefits will cover the development expenses at the date of the balance sheet, the identifiable expenses for propriety software that is controlled by the bank will be recognized in the balance sheet as intangible assets. Direct expenses include expenses to consultants who are directly involved in development of the software, materials and a share of the relevant overhead expenses. Expenses associated with the maintenance of software and IT systems are recognized in the profit and loss account on an ongoing basis.

Software expenses recognized in the balance sheet are depreciated over the expected economic life of the asset. Intangible assets are derecognized on disposal or when no further future economic benefits are expected from using or disposing of the asset. Agent provision is recognized in the balance sheet, written off and tested for impairment when the provision is related to sold credit cards that are not yet activated. Activated card is classified as loans to customers and recognized according to the effective interest rate method.

At each financial reporting, a consideration is made as to whether there are indications of a reduction in the value of the intangible assets. In case of impairment the asset's recoverable amount is measured. The recoverable amount is the higher of the net sales value and utility value. If the recoverable amount for the relevant asset is lower than the book value, the asset will be written down so that the asset is valued at the recoverable amount. Such write-downs are reversed when there is no longer any basis for the write-down. The bank conducts an impairment test on intangible assets quarterly.

Ordinary depreciation based on acquisition cost is calculated linearly over the expected economic life of the assets. The following depreciation rates are used:

IT/software:	5 years
Agent commissions:	3 years
Connection fee:	Not amortizable

The connection fee for Finans Norge has been capitalized at cost. It provides access to the common infrastructure for payment processing systems in Norway. The infrastructure ensures that bank`s are able to offer payment services which allow customers to settle transactions among themselves, independently of connections to banks.

Fixed assets
Fixed assets are valued at historical cost reduced by accumulated ordinary depreciation and any write-downs. Enhancements or improvements are added to the cost price of the fixed asset and depreciated in step with the fixed asset. The evaluation of write-down requirements follows the same principles as described in the section for intangible assets.

Ordinary depreciation based on cost price is calculated linearly over the operating asset's estimated economic life. The following depreciation rates are used:

Office machines:	5 years
Computer equipment:	3 years
Fixtures and fittings:	5 years

Other receivables
Other receivables are recognized in the balance sheet at amortized cost. Prepaid commission costs are recognized in the balance sheet and accrued over the expected term of the loan. If the loan conditions are ended before the expected term, the remaining commission that has not been recognized as a cost will be recognized in its entirety at the date of the repayment of the loan. The expected term of a loan is normally 36 months.

Debt and other liabilities
Debt securities issued, and Subordinated loans are stated at amortized cost. Debt and other liabilities are recognized at amortized cost.

Tax
Tax expense during the year is accrued on the basis of estimated tax expense for the financial year. A tax rate of 25% of the bank's operating profit is expected. The tax expense consists of tax payable and changes in deferred tax.

Tax payable is tax calculated on the year's taxable profit. Deferred tax is calculated and recognized in accordance with IAS 12. Deferred tax is calculated using the current tax rate. Deferred tax is calculated as an asset or liability on temporary differences, which is the difference between the accounting and tax value of assets and liabilities. A deferred tax asset is calculated and recognized on tax losses carried forward, to the extent that future taxable income is expected to make it possible to utilize the tax asset. Interest on *Tier 1 Capital* is deductible with regards to tax and is presented in change of equity.

Cash flow statement
The cash flow statement is prepared using the indirect method and is structured on the basis of the operations. The statement reflects the key elements of the bank's liquidity management with special emphasis on the cash flows for lending and deposit activities. Cash and cash equivalents consist of cash and deposits with central banks as well as loans and advances to credit institutions.

Currency
The Bank uses NOK as its presentation currency. Balance sheet items in foreign currency are converted to NOK using the currency exchange rate at the balance sheet date. Items in foreign currency included in the income statement are converted to NOK using the average exchange rate.

Estimates and judgements
The estimation of valuation items and discretionary valuations is based on the bank`s historical experience and likely expectations of future events. In this context, it should be noted that the introduction of IFRS 9 will lead to further discretionary assessments. The key assumptions for impairment of loans are described in the section for Loans and receivables.

Note 2. IFRS 9

Note 2.1. Model characteristics

All models under IFRS 9 were implemented in parallell with existing models to ensure adequate implementation quality running internally for the past 18 months. All models are back-tested, calibrated, and validated on a monthly basis, aligning the results with the expected and observed levels of probability of default (PD), loss given default (LGD), early repayment and Loan loss allowance (LLA) -levels. The historic levels of LLA and loan loss provitions (LLP) are also triangulated in towards the new Expected credit loss (ECL) -models and their outcomes.

The models are forward looking PD estimates. This entails separate models on LGD before and after a default has occured. The bank is utilizing models for exposure at default (EAD). Triggers are utilized for classifying accounts into Stage 1, 2 or 3. All classification is according to the IFRS 9 guidelines; where Stage 1 is current, Stage 2 has a worsening of credit quality and Stage 3 is in default at 90 days past due. The triggers measure a degradation of credit quality by comparing the PD at origination against the PD calculated at the time of reporting, as well as observation of a forbearance flag, 30 days past due, cross product default or a history of delinquency over the past three months. The bank has developed explicit models for expected life-time on all unsecured loans per country, measured against the contractual life-time and current down payment schedule. The chosen methodology for each model is based on the respective maturity of the portfolio as well as the access to data in that particular market. The models are validated according to best practice for each model type, that includes both an out of time and an out of sample validation during the build-phase.

The PD-models apply an adjustment factor based on macro-simulations built especially for each product and each country, based on the NIGEM methodology from the UK. Through thousands of simulations, a base, upper and lower scenario for expected credit losses are established. The final model outcome is weighted through the management's assessment of the probable macro future.

In addition to the initial set-up of the IFRS 9 models, the bank has established a robust framework for the daily operations, maintenance and development.

The definition of default is a loan that is more than 90 days in arrears in relation to the agreed payment schedule and where the amount overdue exceeds the materiality threshold of EUR 100 or the equivalent in the respective local currencies.

Note 2.2. Change in balance sheet items

Change in balance sheet items	IAS 39		IFRS 9	
Financial assets	Category	Book value 31.12.17	Category	Book value 1.1.18
Cash and deposits with sentral banks	Amortized cost	65.976	Amortized cost	65.976
Loans and deposits with credit institutions	Amortized cost	1.338.852	Amortized cost	1.338.852
Loans to customers	Amortized cost	32.451.553	Amortized cost	32.524.311
Certificates and bonds	Fair value	8.859.834	Fair value	8.859.834
Financial derivatives	Fair value	1.935	Fair value	1.935
Shares and other securities	Fair value	443	Fair value	33.365
Assets available for sale*	Fair value**	32.922	Fair value	-

* Has been reclassified to Shares and other securites under IFRS 9.
** Fair value through other comprehensive income.

The tables below show the reclassification of balance sheet items and the new model for expected credit loss.

Loans to customers	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	32.451.553	-	-	-
Change in expected credit loss	-	-	72.758	-
Balance 1.1.18	-	-	-	32.524.311

ECL	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	1.140.152	-	-	-
Change in expected credit loss	-	-	-72.758	-
Balance 1.1.18	-	-	-	1.067.394

Shares and other securities	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	443	-	-	-
Reclassification	-	32.922	-	-
Balance 1.1.18	-	-	-	33.365

Assets available for sale	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	32.922	-	-	-
Reclassification	-	-32.922	-	-
Balance 1.1.18	-	-	-	-

Note 2.3. Economical variables used to measure expected credit loss

The bank has chosen to disclose the three most important modeling variables in each individual country. The variables differ between countries. The following macro-economic variables are used in the models: real interest rate in absolute terms, 3-month interbank rate, unemployment level in thousands, hourly pay in NOK, aggregated monthly consumption for the entire population measured in millions in local currency, and unemployment rate in percentage of the total labor force. The data is modeled accross 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 has been used across all portfolios per 31.12.18:
- Base scenario for expected credit loss: 40%
- Upper scenario for expected credit loss: 30%
- Lower scenario for expected credit loss: 30%

		Base Scenario		Optimistic Scenario		Pessimistic Scenario	
		12 months	**5 years**	**12 months**	**5 years**	**12 months**	**5 years**
Norway							
	3-month interbank rate	1,75 %	3,32 %	1,50 %	3,07 %	2,41 %	3,80 %
	Hourly pay in NOK	415	471	421	493	412	459
	Real interest rate	0,09 %	0,14 %	-0,31 %	-0,26 %	1,48 %	0,97 %
Sweden							
	3-month interbank rate	0,38 %	2,82 %	0,12 %	1,73 %	0,78 %	4,34 %
	Consumption in millions	177.143	193.058	179.254	197.699	174.324	184.867
	Unemployment level in thousands	350	372	308	327	384	414
Denmark							
	3-month interbank rate	0,46 %	2,52 %	1,23 %	2,88 %	0,11 %	2,18 %
	Consumption in millions	79.400	86.233	81.910	93.929	76.747	79.377
	Unemployment percentage	5,21 %	5,17 %	4,32 %	4,81 %	6,26 %	5,50 %
Finland							
	3-month interbank rate	0,34 %	2,27 %	0,78 %	2,40 %	-0,08 %	1,79 %
	Consumption in millions	9.458	9.995	9.707	10.601	9.217	9.436
	Unemployment percentage	7,60 %	7,29 %	5,07 %	6,65 %	10,14 %	7,82 %

Note 2.4. 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 twelve months. The tables below show the different trigger levels that need to be in place for a commitment to be classified in Stage 2 due to a significant increase in credit risk. A significant increase in credit risk is assessed on the basis of several criteria, including late payment beyond 30 days after maturity. The most important factor for the assessment is a comparison between the original probability of default and the probability of default at the reporting date. Each product has its own threshold values when one considers an increase to be significant. Products with absolute low application PDs therefore lead to high trigger requirements, as they are relative and come from a low level.

Norway	Original PD	Instalment loans	Original PD	Credit card loans
	<=5%	700 %	<=2%	900 %
	>5%, 10%]	30 %	>2%	0 %
	>10%	20 %		

Sweden	Original PD	Instalment loans	Original PD	Credit card loans
	<=20%	30 %	<=2%	900 %
	>20%	10 %	>2%, 5%]	40 %
			>5%	0 %

Denmark	Original PD	Instalment loans	Original PD	Credit card loans
	<=20%	300 %	<=50%	80 %
	>20%, 40%]	100 %	>50%	0 %
	>40%	20 %		

Finland	Original PD	Instalment loans	Original PD	Credit card loans
	<=20%	200 %	<=30%	200 %
	>20%, 40%]	100 %	>30%	30 %
	>40%	40 %		

Note 2.5 Macro Scenario Sensitivity on ECL

Norway*	Reported under IFRS 9	Base Scenario	Optimistic Scenario	Pessimistic Scenario
Credit Card	117.556	118.070	115.072	119.355
Instalment loans	437.047	437.676	433.555	439.699
Sweden				
Credit Card	111.587	111.477	109.421	113.901
Instalment loans	317.900	317.587	310.211	326.008
Denmark				
Credit Card	97.027	97.021	96.848	97.214
Instalment loans	360.957	360.899	359.868	362.124
Finland				
Credit Card	46.955	46.885	45.822	48.183
Instalment loans	186.405	186.348	184.185	188.702

* The final ECL is a macro-weighted ECL, based on 40% - 30% - 30% weighting given to the Base – Optimistic – 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 one.

Note 3. Loans to customers by product groups

Amounts in NOK 1000	Gross loans	Loan loss allowance Stage 1	Stage 2	Stage 3	**Total**
Instalment loans Norway	12.451.095	43.004	33.819	360.224	12.014.048
Credit card loans Norway	6.616.005	7.403	6.976	103.177	6.498.449
Instalment loans Sweden	4.434.434	40.138	95.024	182.738	4.116.534
Credit card loans Sweden	2.655.652	10.404	38.406	62.777	2.544.065
Instalment loans Denmark	3.721.497	55.944	31.997	273.016	3.360.540
Credit card loans Denmark	818.767	12.394	13.430	71.203	721.740
Instalment loans Finland	6.998.627	52.307	84.485	49.613	6.812.221
Credit card loans Finland	1.776.976	13.360	30.627	2.968	1.730.021
Total	**39.473.053**	**234.954**	**334.764**	**1.105.718**	**37.797.618**
Provision coverage ratio per stage		**0,60 %**	**0,85 %**	**2,80%[1]**	

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

Note 4. Change in loan loss allowance

Reporting principles on the use of exchange rates used in the first quarter reporting deviate from the latter quarters and yearly figures with an exclusive effect on the opening balances as of 1.1.2018.

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1.

Migration out of one stage is calculated at opening date January 1, 2018, while migration into one stage is calculated at the closing date December 31, 2018.

Total

Loan loss allowance

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan loss allowance as at 1.1.18	211.870	220.155	616.736	1.048.761
Transfers between Stage 1 and Stage 2	-36.290	171.471	-	135.181
Transfers between Stage 1 and Stage 3	-14.066	-	302.927	288.861
Transfers between Stage 2 and Stage 1	8.783	-45.362	-	-36.579
Transfers between Stage 2 and Stage 3	-	-51.858	217.556	165.698
Transfers between Stage 3 and Stage 2	-	5.646	-29.878	-24.232
Transfers between Stage 3 and Stage 1	351	-	-16.033	-15.682
New financial assets issued or purchased	96.337	81.196	78.019	255.552
Financial assets derecognized in the period, including down payments	-33.626	-50.114	-144.154	-227.894
Modification of contractual cash flows from non-discounted financial assets	1.596	3.629	80.544	85.770
Loan loss allowance as at 31.12.18	**234.954**	**334.764**	**1.105.718**	**1.675.435**

Gross loans to customers

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans to customers as at 1.1.18	26.416.478	4.531.717	2.614.553	33.562.748
Transfers between Stage 1 and Stage 2	-2.963.401	3.234.322	-	270.921
Transfers between Stage 1 and Stage 3	-1.044.599	-	1.158.781	114.182
Transfers between Stage 2 and Stage 1	1.069.714	-1.181.493	-	-111.779
Transfers between Stage 2 and Stage 3	-	-855.243	856.202	959
Transfers between Stage 3 and Stage 2	-	94.046	-146.270	-52.224
Transfers between Stage 3 and Stage 1	32.206	-	-89.542	-57.336
New financial assets issued or purchased	7.994.190	1.371.334	326.920	9.692.444
Financial assets derecognized in the period	-3.773.718	-958.527	-764.900	-5.497.144
Modification of contractual cash flows from non-discounted financial assets	1.664.471	-93.922	-20.266	1.550.282
Gross loans to customers as at 31.12.18	**29.395.341**	**6.142.234**	**3.935.478**	**39.473.053**

Instalment loans total

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	180.531	150.691	494.217	825.439
Transfers :				
Transfers between Stage 1 and Stage 2	-34.030	134.942	-	100.912
Transfers between Stage 1 and Stage 3	-13.463	-	253.739	240.276
Transfers between Stage 2 and Stage 1	6.614	-21.226	-	-14.612
Transfers between Stage 2 and Stage 3	-	-41.725	167.793	126.068
Transfers between Stage 3 and Stage 2	-	3.220	-22.343	-19.124
Transfers between Stage 3 and Stage 1	296	-	-11.182	-10.886
New financial assets issued or purchased	75.201	57.736	65.116	198.053
Financial assets derecognized in the period, including down payments	-32.731	-42.754	-134.895	-210.381
Modification of contractual cash flows from non-discounted financial assets	8.975	4.442	53.148	66.565
Loan loss allowance as at 31.12.18	**191.393**	**245.324**	**865.592**	**1.302.310**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	19.127.819	3.223.356	2.063.909	24.415.084
Transfers between Stage 1 and Stage 2	-2.440.996	2.519.987	-	78.991
Transfers between Stage 1 and Stage 3	-858.055	-	925.309	67.254
Transfers between Stage 2 and Stage 1	608.536	-633.581	-	-25.044
Transfers between Stage 2 and Stage 3	-	-658.090	654.285	-3.804
Transfers between Stage 3 and Stage 2	-	85.749	-113.146	-27.398
Transfers between Stage 3 and Stage 1	28.909	-	-50.970	-22.061
New financial assets issued or purchased	6.282.444	941.230	260.961	7.484.635
Financial assets derecognized in the period	-3.645.292	-812.901	-667.693	-5.125.885
Modification of contractual cash flows from non-discounted financial assets	853.024	-74.129	-15.012	763.883
Gross loans to customers as at 31.12.18	**19.956.388**	**4.591.622**	**3.057.644**	**27.605.653**

Credit card loans total

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	31.338	69.464	122.519	223.322
Transfers between Stage 1 and Stage 2	-2.260	36.529	-	34.269
Transfers between Stage 1 and Stage 3	-604	-	49.189	48.585
Transfers between Stage 2 and Stage 1	2.169	-24.135	-	-21.967
Transfers between Stage 2 and Stage 3	-	-10.133	49.763	39.630
Transfers between Stage 3 and Stage 2	-	2.426	-7.534	-5.108
Transfers between Stage 3 and Stage 1	55	-	-4.851	-4.796
New financial assets issued or purchased	21.136	23.460	12.903	57.499
Financial assets derecognized in the period, including down payments	-895	-7.360	-9.259	-17.513
Modification of contractual cash flows from non-discounted financial assets	-7.379	-813	27.396	19.205
Loan loss allowance as at 31.12.18	**43.561**	**89.439**	**240.126**	**373.126**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	7.288.659	1.308.361	550.644	9.147.664
Transfers between Stage 1 and Stage 2	-522.405	714.335	-	191.930
Transfers between Stage 1 and Stage 3	-186.544	-	233.472	46.928
Transfers between Stage 2 and Stage 1	461.178	-547.913	-	-86.735
Transfers between Stage 2 and Stage 3	-	-197.153	201.917	4.764
Transfers between Stage 3 and Stage 2	-	8.298	-33.124	-24.826
Transfers between Stage 3 and Stage 1	3.298	-	-38.572	-35.275
New financial assets issued or purchased	1.711.746	430.104	65.959	2.207.809
Financial assets derecognized in the period	-128.426	-145.626	-97.207	-371.259
Modification of contractual cash flows from non-discounted financial assets	811.447	-19.794	-5.253	786.400
Gross loans to customers as at 31.12.18	**9.438.953**	**1.550.612**	**877.835**	**11.867.400**

Instalment loans Norway

Loan loss allowance

Amounts in NOK 1000	**Stage 1** 12 months expected credit loss	**Stage 2** Lifetime expected credit loss	**Stage 3** Lifetime expected credit loss	**Total**
Loan loss allowance as at 1.1.18	43.909	31.966	199.148	275.022
Transfers between Stage 1 and Stage 2	-3.610	16.964	-	13.354
Transfers between Stage 1 and Stage 3	-2.053	-	71.469	69.415
Transfers between Stage 2 and Stage 1	1.548	-5.348	-	-3.800
Transfers between Stage 2 and Stage 3	-	-14.690	78.033	63.343
Transfers between Stage 3 and Stage 2	-	750	-11.222	-10.472
Transfers between Stage 3 and Stage 1	124	-	-8.056	-7.932
New financial assets issued or purchased	12.360	9.047	12.384	33.792
Financial assets derecognized in the period, including down payments	-8.943	-4.925	-17.072	-30.940
Modification of contractual cash flows from non-discounted financial assets	-330	56	35.540	35.266
Loan loss allowance as at 31.12.18	**43.004**	**33.819**	**360.224**	**437.047**

Gross loans to customers

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans to customers as at 1.1.18	9.456.580	1.262.159	963.985	11.682.724
Transfers between Stage 1 and Stage 2	-691.514	699.524	-	8.010
Transfers between Stage 1 and Stage 3	-370.986	-	389.155	18.170
Transfers between Stage 2 and Stage 1	309.849	-326.797	-	-16.948
Transfers between Stage 2 and Stage 3	-	-360.336	357.440	-2.896
Transfers between Stage 3 and Stage 2	-	46.749	-63.596	-16.847
Transfers between Stage 3 and Stage 1	24.326	-	-41.206	-16.880
New financial assets issued or purchased	2.542.182	295.001	79.841	2.917.024
Financial assets derecognized in the period, including down payments	-1.969.611	-234.360	-101.199	-2.305.170
Modification of contractual cash flows from non-discounted financial assets	212.841	-25.045	-3.887	183.909
Gross loans to customers as at 31.12.18	**9.513.667**	**1.356.895**	**1.580.533**	**12.451.095**

Credit card loans Norway

Loan loss allowance

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loan loss allowance as at 1.1.18	6.290	5.844	46.371	58.506
Transfers between Stage 1 and Stage 2	-281	3.112	-	2.831
Transfers between Stage 1 and Stage 3	-158	-	18.594	18.436
Transfers between Stage 2 and Stage 1	375	-3.406	-	-3.031
Transfers between Stage 2 and Stage 3	-	-1.370	19.219	17.850
Transfers between Stage 3 and Stage 2	-	57	-2.147	-2.090
Transfers between Stage 3 and Stage 1	28	-	-4.750	-4.722
New financial assets issued or purchased	1.385	3.202	4.611	9.197
Financial assets derecognized in the period, including down payments	-131	-183	-750	-1.064
Modification of contractual cash flows from non-discounted financial assets	-105	-280	22.029	21.644
Loan loss allowance as at 31.12.18	**7.403**	**6.976**	**103.177**	**117.556**

Gross loans to customers

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans to customers as at 1.1.18	4.578.369	486.537	263.105	5.328.011
Transfers between Stage 1 and Stage 2	-206.726	277.640	-	70.914
Transfers between Stage 1 and Stage 3	-114.609	-	143.756	29.147
Transfers between Stage 2 and Stage 1	227.263	-285.467	-	-58.204
Transfers between Stage 2 and Stage 3	-	-109.137	112.231	3.093
Transfers between Stage 3 and Stage 2	-	4.419	-15.407	-10.988
Transfers between Stage 3 and Stage 1	3.298	-	-37.166	-33.868
New financial assets issued or purchased	727.400	227.714	37.385	992.498
Financial assets derecognized in the period, including down payments	-66.592	-14.717	-5.282	-86.591
Modification of contractual cash flows from non-discounted financial assets	390.985	-6.969	-2.023	381.993
Gross loans to customers as at 31.12.18	**5.539.387**	**580.018**	**496.599**	**6.616.005**

Instalment loans Sweden

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	54.769	45.724	67.586	168.078
Transfers between Stage 1 and Stage 2	-23.000	50.638	-	27.638
Transfers between Stage 1 and Stage 3	-4.320	-	42.942	38.622
Transfers between Stage 2 and Stage 1	1.172	-2.258	-	-1.086
Transfers between Stage 2 and Stage 3	-	-13.033	47.787	34.755
Transfers between Stage 3 and Stage 2	-	1.927	-6.801	-4.875
Transfers between Stage 3 and Stage 1	54	-	-781	-727
New financial assets issued or purchased	21.139	16.875	16.872	54.886
Financial assets derecognized in the period, including down payments	-11.482	-5.527	-3.996	-21.005
Modification of contractual cash flows from non-discounted financial assets	1.806	677	19.130	21.613
Loan loss allowance as at 31.12.18	**40.138**	**95.024**	**182.738**	**317.900**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	2.655.623	950.841	332.555	3.939.020
Transfers between Stage 1 and Stage 2	-1.077.348	1.048.902	-	-28.446
Transfers between Stage 1 and Stage 3	-195.648	-	205.625	9.977
Transfers between Stage 2 and Stage 1	50.017	-50.822	-	-805
Transfers between Stage 2 and Stage 3	-	-208.322	206.682	-1.640
Transfers between Stage 3 and Stage 2	-	34.124	-41.000	-6.876
Transfers between Stage 3 and Stage 1	2.409	-	-3.873	-1.465
New financial assets issued or purchased	911.250	297.928	90.450	1.299.629
Financial assets derecognized in the period, including down payments	-566.913	-122.602	-15.451	-704.966
Modification of contractual cash flows from non-discounted financial assets	-16.067	-45.580	-8.347	-69.993
Gross loans to customers as at 31.12.18	**1.763.323**	**1.904.470**	**766.641**	**4.434.434**

Credit card loans Sweden

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	8.823	26.754	18.148	53.725
Transfers between Stage 1 and Stage 2	-624	19.237	-	18.613
Transfers between Stage 1 and Stage 3	-139	-	14.902	14.763
Transfers between Stage 2 and Stage 1	280	-7.358	-	-7.078
Transfers between Stage 2 and Stage 3	-	-5.489	19.735	14.246
Transfers between Stage 3 and Stage 2	-	281	-1.704	-1.423
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	2.963	7.117	6.157	16.236
Financial assets derecognized in the period, including down payments	-212	-808	-320	-1.339
Modification of contractual cash flows from non-discounted financial assets	-686	-1.328	5.859	3.845
Loan loss allowance as at 31.12.18	**10.404**	**38.406**	**62.777**	**111.587**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	1.597.963	292.850	68.464	1.959.277
Transfers between Stage 1 and Stage 2	-160.218	205.791	-	45.572
Transfers between Stage 1 and Stage 3	-39.403	-	50.967	11.564
Transfers between Stage 2 and Stage 1	63.624	-82.239	-	-18.615
Transfers between Stage 2 and Stage 3	-	-60.906	61.385	478
Transfers between Stage 3 and Stage 2	-	2.280	-7.665	-5.385
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	465.211	73.477	22.417	561.105
Financial assets derecognized in the period, including down payments	-35.645	-6.512	520	-41.637
Modification of contractual cash flows from non-discounted financial assets	159.035	-13.613	-2.130	143.293
Gross loans to customers as at 31.12.18	**2.050.566**	**411.127**	**193.959**	**2.655.652**

Instalment loans Denmark

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	48.801	22.017	119.160	189.977
Transfers between Stage 1 and Stage 2	-2.851	18.529	-	15.678
Transfers between Stage 1 and Stage 3	-6.019	-	105.720	99.702
Transfers between Stage 2 and Stage 1	692	-3.078	-	-2.385
Transfers between Stage 2 and Stage 3	-	-12.843	36.303	23.460
Transfers between Stage 3 and Stage 2	-	486	-4.172	-3.686
Transfers between Stage 3 and Stage 1	103	-	-1.786	-1.683
New financial assets issued or purchased	19.810	9.987	25.587	55.384
Financial assets derecognized in the period, including down payments	-4.753	-2.143	-6.253	-13.149
Modification of contractual cash flows from non-discounted financial assets	161	-957	-1.543	-2.340
Loan loss allowance as at 31.12.18	**55.944**	**31.997**	**273.016**	**360.957**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	2.364.132	130.709	224.225	2.719.066
Transfers between Stage 1 and Stage 2	-100.072	113.792	-	13.720
Transfers between Stage 1 and Stage 3	-171.070	-	191.836	20.766
Transfers between Stage 2 and Stage 1	22.127	-23.018	-	-891
Transfers between Stage 2 and Stage 3	-	-66.571	66.767	196
Transfers between Stage 3 and Stage 2	-	4.274	-7.908	-3.634
Transfers between Stage 3 and Stage 1	1.028	-	-3.414	-2.387
New financial assets issued or purchased	834.555	53.673	48.274	936.503
Financial assets derecognized in the period, including down payments	-206.868	-13.798	-11.270	-231.936
Modification of contractual cash flows from non-discounted financial assets	278.617	-5.743	-2.780	270.094
Gross loans to customers as at 31.12.18	**3.022.448**	**193.319**	**505.730**	**3.721.497**

Credit card loans Denmark

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	9.164	14.714	50.153	74.032
Transfers between Stage 1 and Stage 2	-289	3.759	-	3.470
Transfers between Stage 1 and Stage 3	-277	-	14.717	14.441
Transfers between Stage 2 and Stage 1	152	-5.774	-	-5.622
Transfers between Stage 2 and Stage 3	-	-3.049	9.338	6.290
Transfers between Stage 3 and Stage 2	-	2.043	-3.587	-1.544
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	9.773	1.627	1.653	13.054
Financial assets derecognized in the period, including down payments	-149	-369	-554	-1.071
Modification of contractual cash flows from non-discounted financial assets	-5.981	478	-519	-6.023
Loan loss allowance as at 31.12.18	**12.394**	**13.430**	**71.203**	**97.027**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	449.904	52.766	123.643	626.314
Transfers :				
Transfers between Stage 1 and Stage 2	-31.601	33.891	-	2.289
Transfers between Stage 1 and Stage 3	-29.908	-	34.724	4.816
Transfers between Stage 2 and Stage 1	18.472	-11.376	-	7.096
Transfers between Stage 2 and Stage 3	-	-21.443	22.235	792
Transfers between Stage 3 and Stage 2	-	1.598	-8.839	-7.241
Transfers between Stage 3 and Stage 1	-	-	-	-
				-
New financial assets issued or purchased	110.981	6.686	4.169	121.837
Financial assets derecognized in the period, including down payments	-2.318	-854	54	-3.119
Modification of contractual cash flows from non-discounted financial assets	75.026	-7.979	-1.063	65.984
Gross loans to customers as at 31.12.18	**590.555**	**53.288**	**174.923**	**818.767**

Instalment loans Finland

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	33.054	50.984	108.323	192.361
Transfers between Stage 1 and Stage 2	-4.569	48.811	-	44.242
Transfers between Stage 1 and Stage 3	-1.071	-	33.608	32.537
Transfers between Stage 2 and Stage 1	3.201	-10.542	-	-7.341
Transfers between Stage 2 and Stage 3	-	-1.159	5.670	4.510
Transfers between Stage 3 and Stage 2	-	58	-149	-91
Transfers between Stage 3 and Stage 1	15	-	-560	-544
New financial assets issued or purchased	21.892	21.827	10.273	53.992
Financial assets derecognized in the period, including down payments	-7.554	-30.159	-107.574	-145.287
Modification of contractual cash flows from non-discounted financial assets	7.338	4.667	21	12.026
Loan loss allowance as at 31.12.18	**52.307**	**84.485**	**49.613**	**186.405**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	4.651.484	879.647	543.143	6.074.274
Transfers between Stage 1 and Stage 2	-572.062	657.769	-	85.706
Transfers between Stage 1 and Stage 3	-120.352	-	138.693	18.341
Transfers between Stage 2 and Stage 1	226.544	-232.943	-	-6.399
Transfers between Stage 2 and Stage 3	-	-22.862	23.397	535
Transfers between Stage 3 and Stage 2	-	602	-642	-40
Transfers between Stage 3 and Stage 1	1.146	-	-2.477	-1.330
New financial assets issued or purchased	1.994.456	294.628	42.396	2.331.480
Financial assets derecognized in the period, including down payments	-901.899	-442.141	-539.772	-1.883.813
Modification of contractual cash flows from non-discounted financial assets	377.633	2.239	0	379.873
Gross loans to customers as at 31.12.18	**5.656.949**	**1.136.939**	**204.739**	**6.998.627**

Credit card loans Finland

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	7.061	22.152	7.846	37.060
Transfers between Stage 1 and Stage 2	-1.066	10.421	-	9.356
Transfers between Stage 1 and Stage 3	-30	-	975	945
Transfers between Stage 2 and Stage 1	1.361	-7.597	-	-6.236
Transfers between Stage 2 and Stage 3	-	-225	1.470	1.245
Transfers between Stage 3 and Stage 2	-	46	-96	-51
Transfers between Stage 3 and Stage 1	27	-	-101	-74
New financial assets issued or purchased	7.016	11.514	482	19.011
Financial assets derecognized in the period, including down payments	-403	-6.000	-7.635	-14.039
Modification of contractual cash flows from non-discounted financial assets	-607	317	28	-261
Loan loss allowance as at 31.12.18	**13.360**	**30.627**	**2.968**	**46.955**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	662.423	476.207	95.432	1.234.062
Transfers between Stage 1 and Stage 2	-123.859	197.014	-	73.155
Transfers between Stage 1 and Stage 3	-2.623	-	4.024	1.401
Transfers between Stage 2 and Stage 1	151.819	-168.830	-	-17.011
Transfers between Stage 2 and Stage 3	-	-5.666	6.067	400
Transfers between Stage 3 and Stage 2	-	1	-1.213	-1.212
Transfers between Stage 3 and Stage 1	-	-	-1.407	-1.407
New financial assets issued or purchased	408.105	122.226	1.988	532.319
Financial assets derecognized in the period, including down payments	-23.870	-123.542	-92.500	-239.912
Modification of contractual cash flows from non-discounted financial assets	186.450	8.768	-38	195.180
Gross loans to customers as at 31.12.18	**1.258.444**	**506.179**	**12.353**	**1.776.976**

Note 5. Segments

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

Profit and loss account 2018

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	2.096.833	730.216	488.218	1.090.982	4.406.248
Net other operating income	144.893	75.673	29.682	-3.498	246.750
Total income	**2.241.726**	**805.889**	**517.900**	**1.087.483**	**4.652.998**
Total operating expenses	537.585	277.024	163.053	254.273	1.231.935
Provision for loan losses	237.235	195.956	190.128	404.312	1.027.631
Profit on ordinary activities before tax	**1.466.907**	**332.908**	**164.719**	**428.898**	**2.393.431**
Tax charge	363.951	82.632	40.708	105.638	592.930
Profit on ordinary activities after tax	**1.102.955**	**250.276**	**124.010**	**323.259**	**1.800.501**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
Comprehensive income for the period	**1.102.955**	**250.276**	**124.010**	**323.259**	**1.800.501**

Balance 31.12.18

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	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	12.433.985
Total assets	**25.027.926**	**9.026.722**	**5.365.003**	**10.811.952**	**50.231.603**
					-
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	11.139.811
Total liabilities and equity	**25.027.926**	**9.026.722**	**5.365.003**	**10.811.952**	**50.231.603**

Profit and loss account 2017

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	1.939.946	658.170	320.032	737.843	3.655.992
Net other operating income	128.393	60.055	3.864	4.414	196.726
Total income	**2.068.339**	**718.226**	**323.897**	**742.257**	**3.852.718**
Total operating expenses	500.699	243.773	136.033	173.247	1.053.753
Provision for loan losses	192.354	147.436	151.982	180.617	672.388
Profit on ordinary activities before tax	**1.375.286**	**327.017**	**35.882**	**388.393**	**2.126.577**
Tax charge	336.358	84.575	7.532	98.531	526.995
Profit on ordinary activities after tax	**1.038.928**	**242.442**	**28.350**	**289.862**	**1.599.582**
Other comprehensive income	**8.115**	**-**	**-**	**-**	**8.115**
Comprehensive income for the period	**1.047.043**	**242.442**	**28.350**	**289.862**	**1.607.697**

Balance 31.12.17

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	16.574.970	5.727.114	3.124.432	7.053.053	32.479.570
Other assets	6.449.479	1.928.894	923.628	1.206.880	10.508.881
Total assets	**23.024.450**	**7.656.008**	**4.048.060**	**8.259.934**	**42.988.451**
Deposits from customers	17.909.435	5.875.474	3.313.982	6.583.384	33.682.275
Other liabilities and equity	5.115.014	1.780.534	734.078	1.676.550	9.306.176
Total liabilities and equity	**23.024.450**	**7.656.008**	**4.048.060**	**8.259.934**	**42.988.451**

Note 6. Loan losses and guarantees

The bank has no guarantees as of December 31, 2018.

Amounts in NOK 1000	2018	2017
Realized losses in the period	33.426	16.325
Individual write-downs on loans including gains/losses from sale of NPL portfolios*	-	172.838
Write-downs - lifetime expected credit loss (stage 3)	816.569	-
Net individual write-downs on loans	**849.995**	**189.163**
The period's change in write-downs on groups of loans	-	547.897
Write-downs - 12 months expected credit loss (stage 1)	27.630	-
Write-downs - lifetime expected credit loss (stage 2)	98.632	-
Adjustments for sold NPL portfolios	-42.918	68.719
Collection expenses related to sold NPL portfolios	-8.456	-4.048
Provision for loan losses	**1.027.631**	**672.388**

*NPL portfolios: Non-performing loan portfolios

In the fourth quarter, the bank sold a portfolio of non-performing loans of NOK 1,522 million in Finland. Net costs of NOK 42.9 million and collection expenses of NOK 8.5 million can be attributed to the sale. Net losses directly related to the portfolio sales are NOK 19.7 million. Collection expenses are fees to public authorities in connection with commitments that are to legal debt collection.

Note 7. Gross loans to customers by geographical region

Amounts in NOK 1000	2018	2017
Østlandet	10.044.527	8.905.323
Vestlandet	4.772.664	4.265.918
Nord-Norge	1.981.321	1.820.883
Trøndelag	1.391.400	1.237.676
Sørlandet	818.461	749.306
Not classified	58.726	59.785
Total Norway	**19.067.100**	**17.038.890**
Svealand	3.457.190	2.863.260
Götaland	2.968.416	2.429.467
Norrland	664.286	567.585
Not classified	194	38.614
Total Sweden	**7.090.086**	**5.898.925**
Hovedstaden	1.668.901	1.227.797
Sjælland	941.055	699.903
Syddanmark	847.495	625.437
Midtjylland	740.551	546.088
Nordjylland	337.782	243.884
Not classified	4.481	2.428
Total Denmark	**4.540.264**	**3.345.537**
Södra Finland	6.051.868	5.011.778
Mellersta Finland	1.011.881	561.740
Västra Finland	969.323	788.531
Norra Finland	375.925	320.244
Östra Finland	317.574	566.822
Not classified	49.032	59.237
Total Finland	**8.775.603**	**7.308.352**
Gross loans to customers	**39.473.053**	**33.591.704**

Note 8. Risk classes

Amounts in NOK 1000	Probability of default	Gross loans 2018	Gross loans 2017	Undrawn credit limits 2018	Undrawn credit limits 2017
A	0 - 0,9 %	6.508.855	4.949.419	34.431.275	27.285.408
B	1 - 2,9 %	14.557.417	12.926.237	1.992.439	1.505.465
C	3 - 4,9 %	4.355.243	4.133.181	309.805	253.357
D	5 - 8,9 %	3.024.679	2.958.003	182.344	179.464
E	9 - 14,9 %	2.083.205	1.871.989	88.110	64.709
F	15 - 19,9 %	731.215	636.706	17.830	12.518
G	20 - 29,9 %	1.199.002	983.850	13.921	8.159
H	30 - 39,9 %	444.296	457.056	19.738	13.634
I	40 - 54,9 %	480.508	423.108	4.760	3.541
J	55 - 100,0 %	374.058	321.649	1.990	1.391
S	23,0 %	723.272	559.270	-	-
T	27,0 %	467.541	290.399	-	-
U	74,0 %	547.855	443.842	-	-
V	100,0 %	3.742.401	2.360.545	-	-
W	100,0 %	232.908	261.255	-	-
Total classified		39.472.455	33.576.509	37.062.211	29.327.646
Not classified	70,8 %	598	15.196	1.773	19.542
Total		**39.473.053**	**33.591.705**	**37.063.984**	**29.347.189**

Risk is classified as follows: A = lowest risk, W = highest risk

Risk class S consists of engagements during treatment with debt collection companies, where the customer is less than 90 days past originally agreed payment plan. If the customer is on track on engagement, but has at least one other product where payment is more than 90 days past payment plan the engagement is classified in risk class T. Risk class U consists of engagements in warning, but less than 90 days past payment plan, while risk class V consists of engagements more than 90 days past payment plan. Risk class W consists of written-down engagements, and is engagements individually written down. The other risk classes, including risk class A - J, is included in the calculation for write-downs on groups of engagements.

"Not classified" consists of Norwegian engagements relating to sales financing. In a potential chance of classification of these engagements there are no indications implying that the distribution of risk classes will significantly deviate from what is observed in the classified engagements. The risks associated with customers are classified based on their application and behavioral score. This risk classification is an integrated part of the bank's credit approval process and is used in the bank's risk-based product pricing.

The bank only offers credit to the retail customer market, and all credit decisions are made by means of automated decision support systems. Credit is granted based on a qualitative and quantitative analysis of the customer's willingness and ability to pay. The analysis of the willingness to pay identifies the characteristics of the customer which predict future payment conduct, while the analysis of the customer's capacity to service loans are a quantitative evaluation of the customer's ability to repay his obligations, given the customer's current and anticipated future economic situation.

Amounts in NOK 1000	2017
Credit cards	9.176.007
Instalment loans	24.415.697
Gross loans to customers	**33.591.704**
Individual write-downs on loans	-708.475
Write-downs on groups of loans	-431.676
Net loans to customers	**32.451.553**

Amounts in NOK 1000	2017
Gross defaulted loans	2.615.145
Individual write-downs on loans	-708.475
Write-downs on groups of loans	-431.676
Net loans to customers	**1.474.994**

	2017					
Amounts in NOK 1000	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Retail market	516.367	1.945.574	721.530	367.033	1.772.078	5.322.583
Total	516.367	1.945.574	721.530	367.033	1.772.078	5.322.583

Comparable figures for the transition from IAS 39 to IFRS9 is incorporated in an updated split between Individual and Groupwise Loan Loss Allowance (LLA) for the year end 2017 following the incurred loss model. The change is based on classifying the LLA for exposures in more than 90 days past due into the Individual category, that were previously in the Groupwise category, more in line with the new Stage 3 of 90 days past due. There are no changes to the total LLA levels.

Note 9. Loans and deposits with credit institutions and central banks

Amounts in NOK 1000	2018	2017
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	1.567.158	1.404.828
Loans and deposits with credit institutions and central banks	**1.567.158**	**1.404.828**

Specification of currencies

Amounts in NOK 1000	2018	2017
NOK	618.568	620.507
SEK	353.606	444.840
DKK	184.808	197.700
EUR	410.177	141.782
Loans and deposits with credit institutions and central banks	**1.567.158**	**1.404.828**
Average interest rate	0,25 %	0,22 %

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

Note 10. General administrative expenses

Amounts in NOK 1000	2018	2017
Sales and marketing	837.929	707.762
IT operations	75.579	81.940
External services fees	76.640	51.995
Other administrative expenses	45.762	41.568
Total	**1.035.911**	**883.265**

Note 11. Other operating expenses

Amounts in NOK 1000	2018	2017
Credit information	35.483	28.190
Auditor	1.725	2.234
Rental of premises	2.304	2.309
Insurance	481	517
Machinery and fixtures	762	528
Other operating expenses	8.990	9.694
Total	**49.744**	**43.472**

Note 12. Risk management

The Board of Directors in Bank Norwegian has adopted a business strategy and guidelines for the management and control of key risks. The business strategy and guidelines for management and control of risks establish that the bank will mainly secure earnings through unsecured loan exposures in the retail segment. Other financial risks should be limited within internally established risk limits. Risk limits are defined in relation to the bank's current available buffer capital and risk-bearing capacity.

To ensure responsible management and risk control, the bank relies on the following elements:
- Responsibilities and organization
- Guidelines and procedures for managing and controlling risk
- Strategic and capital planning
- Reporting and monitoring
- Contingency plans

Note 13. Credit risk

Credit risk is the risk that the bank will not be repaid what it is entitled to in terms of principal and interest because the borrower does not have the will and/or ability to pay.

The bank's credit strategy is defined in the bank's credit policy as determined by the Board of Directors. The bank's credit strategy limits are drawn up to appropriately and effectively measure and capture changes in current risk exposure through the expected loss and the need for buffer capital.

The bank's credit policy is based on an automated set of rules where the applicant receives an automatic rejection or conditional approval at the time of application. Credit approvals are based on a qualitative and quantitative analysis with a positive conclusion about the client's future willingness and ability to pay. The analysis of the willingness to pay will identify characteristics of a customer that predict future payment behavior, while the analysis of ability to pay is a quantitative assessment of the customer's ability to repay their obligations given the customer's current and future economic situation. The credit officer's role is subsequently to verify whether the conditions for the conditional grant are present.

Note 14. 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 bank has an unused overdraft facility of NOK 100 million.

The Liquidity Coverage Ratio (LCR) is defined as the bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. At 31.12.18 the liquidity reserve (LCR) on total level for the bank was 210% (compared to 204% per 31.12.17). The bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. At 31.12.18 the LCR was 236% in Norwegian kroner (compared to 269% per 31.12.2017), 194% in Swedish kroner (compared to 144% per 31.12.2017), 158% Danish kroner (compared to 144% per 31.12.2017) and 228% in Euro (compared to 148% per 31.12.2017). The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 31.12.18, except for Norwegian kroner where the legal requirement is 50%.

Remaining time to maturity for main items

	2018						
Amounts in NOK 1000	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	Total
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	-	12.209	172.768	637.739	-	-	822.716
Total liabilities	**39.091.791**	**52.685**	**228.155**	**1.010.045**	**2.685.138**	**-**	**43.067.814**
Cash and deposits with the central bank	67.959	-	-	-	-	-	67.959
Loans and deposits with credit institutions	1.499.199	-	-	-	-	-	1.499.199
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	251.455	-	-	-	-	-	251.455
Total assets	**13.189.399**	**798.426**	**2.673.463**	**3.625.697**	**7.857.330**	**22.087.287**	**50.231.603**

	2017						
Amounts in NOK 1000	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	Total
Subordinated loan	-	-	-	180.421	353.981	-	534.402
Deposits from customers	33.682.275	-	-	-	-	-	33.682.275
Debt securities issued	-	-	227.356	113.623	1.956.814	-	2.297.793
Financial derivatives	-	21.979	20.648	9.619	-	-	52.246
Non interest-bearing liabilities	-	149.482	139.613	544.524	-	-	833.619
Total liabilities	**33.682.275**	**171.461**	**387.617**	**848.187**	**2.310.795**	**-**	**37.400.335**
Cash and deposits with the central bank	65.976	-	-	-	-	-	65.976
Loans and deposits with credit institutions	1.338.852	-	-	-	-	-	1.338.852
Loans to customers	8.889.005	11.922	6.761	110.523	3.352.840	20.108.520	32.479.570
Certificates and bonds	-	237.835	2.027.705	2.966.145	3.628.149	-	8.859.834
Financial derivatives	-	-	220	1.715	-	-	1.935
Assets without remaining time to maturity	242.283	-	-	-	-	-	242.283
Total assets	**10.536.116**	**249.757**	**2.034.687**	**3.078.383**	**6.980.988**	**20.108.520**	**42.988.451**

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

Note 15. Interest rate risk

The Board of Directors in Bank Norwegian has defined guidelines for the maximum interest rate risk limits. The bank's investment portfolio is invested with a short duration. The bank offers exclusively products with administratively set interest rate terms. Fixed interest terms are not offered. The interest rate commitment term for the bank's financial instruments coincides thus with the term for the products. Any exposure exceeding the interest rate limits shall be secured by hedging instruments. A scheme has been established for the ongoing monitoring and reporting of the interest rate risk to the Board of Directors.

Time until an agreed/probable change in interest terms

	2018						
Amounts in NOK 1000	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	Without any term	Total
Cash and deposits with the central bank	67.959	-	-	-	-	-	67.959
Loans and deposits with credit institutions	1.499.199	-	-	-	-	-	1.499.199
Loans to customers	-	37.797.618	-	-	-	-	37.797.618
Certificates and bonds	2.378.607	5.131.846	3.092.144	-	-	-	10.602.597
Financial derivatives	-	-	-	-	-	12.773	12.773
Non interest-bearing assets	-	-	-	-	-	251.455	251.455
Total assets	**3.945.766**	**42.929.464**	**3.092.144**	**-**	**-**	**264.229**	**50.231.603**
Subordinated loan	-	836.205	-	-	-	-	836.205
Deposits from customers	-	39.091.791	-	-	-	-	39.091.791
Debt securities issued	-	2.018.724	-	-	-	-	2.018.724
Financial derivatives	-	-	-	-	-	120.497	120.497
Non interest-bearing liabilities	-	-	-	-	-	822.716	822.716
Total liabilities	**-**	**41.946.721**	**-**	**-**	**-**	**943.214**	**42.889.934**

	2017						
Amounts in NOK 1000	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	Without any term	Total
Cash and deposits with the central bank	65.976	-	-	-	-	-	65.976
Loans and deposits with credit institutions	1.338.852	-	-	-	-	-	1.338.852
Loans to customers	-	32.479.570	-	-	-	-	32.479.570
Certificates and bonds	1.427.382	4.536.303	2.896.150	-	-	-	8.859.834
Financial derivatives	-	-	-	-	-	1.935	1.935
Non interest-bearing assets	-	-	-	-	-	242.283	242.283
Total assets	**2.832.210**	**37.015.873**	**2.896.150**	**-**	**-**	**244.219**	**42.988.451**
Subordinated loan	-	474.614	-	-	-	-	474.614
Deposits from customers	-	33.682.275	-	-	-	-	33.682.275
Debt securities issued	-	2.242.423	-	-	-	-	2.242.423
Financial derivatives	-	-	-	-	-	52.246	52.246
Non interest-bearing liabilities	-	-	-	-	-	833.620	833.620
Total liabilities	**-**	**36.399.313**	**-**	**-**	**-**	**885.866**	**37.285.179**

Market risk related to interest rate instruments

Interest rate risk arises as a result of interest-bearing assets and liabilities having different interest resetting dates. The Board of Directors has defined guidelines that set limits for the maximum level of interest rate risk. The table below shows the impact on the instruments' fair value based on a 1%-point parallel shift in the yield curve.

	Interest rate risk, 1 % change	
Amounts in NOK 1000	2018	2017
Cash and deposits with the central bank	-169	-164
Loans and deposits with credit institutions	-3.729	-3.127
Loans to customers	-94.014	-80.980
Certificates and bonds	-26.977	-21.786
Financial derivatives	-32	-5
Total assets	**-124.920**	**-106.063**
Deposits from customers	97.233	83.979
Debt securities issued	5.021	5.591
Financial derivatives	300	130
Subordinated loan	2.080	1.183
Total liabilities	**104.633**	**90.884**
Tier 1 capital	1.579	1.583
Total equity	**1.579**	**1.583**
Total interest rate risk, before tax*	**-18.707**	**-13.596**

* A negative sign indicates a negative impact of an interest rate increase.

Note 16. Currency risk

The bank's currency risk consists of net exposures in SEK, DKK and EUR, i.e. the difference between assets and liabilities in the individual local currency. Currency risk is hedged by the use of currency forwards. In addition there is a limited currency exposure to certain foreign suppliers.

	2018		
Amounts in NOK 1000	SEK	DKK	EUR
Cash and deposits with the central bank	353.606	184.808	410.177
Loans to customers	6.608.234	4.072.580	8.507.558
Other assets	1.956.000	1.056.172	1.834.935
Total assets	**8.917.840**	**5.313.559**	**10.752.670**
Deposits from customers	6.573.122	3.920.335	8.853.867
Other liabilities	1.405.193	145	9.184
Total liabilities	**7.978.315**	**3.920.479**	**8.863.051**
Net currency forwards	979.801	1.385.488	1.840.436
Net currency position	**-40.276**	**7.592**	**49.184**

Market risk related to currency positions

	2018		
Amounts in NOK 1000	SEK	DKK	EUR
Profit impact of 1% change	9.395	13.931	18.707

	2017		
Amounts in NOK 1000	SEK	DKK	EUR
Cash and deposits with the central bank	450.271	193.455	147.495
Loans to customers	5.680.695	3.118.014	7.032.036
Other assets	1.426.097	706.315	1.039.775
Total assets	**7.557.063**	**4.017.783**	**8.219.306**
Deposits from customers	5.875.474	3.313.982	6.583.384
Other liabilities	503.033	143.800	6.735
Total liabilities	**6.378.507**	**3.457.782**	**6.590.119**
Net currency forwards	1.224.510	548.547	1.613.809
Net currency position	**-45.954**	**11.455**	**15.378**

Market risk related to currency positions

	2017		
Amounts in NOK 1000	SEK	DKK	EUR
Profit impact of 1% change	11.786	5.600	16.292

The bank enters into hedging transactions to manage the market risk on balance sheet items in foreign currency. The hedging transactions utilized are currency forwards. A currency forward is an agreement to purchase or sell currency at a specified date in the future at a fixed price set at the purchase date.

	2018		2017	
Amounts in NOK 1000	Nominal value	Fair value	Nominal value	Fair value
Currency forwards SEK	1.363.089	-26.486	1.208.324	7.616
Currency forwards DKK	956.362	-25.107	691.829	9.598
Currency forwards EUR	1.790.409	-56.132	1.431.149	33.051
Total	**4.109.859**	**-107.724**	**3.331.302**	**50.264**

The table presents the financial derivatives' nominal values in addition to positive and negative fair values. Positive fair value is recognized as an asset in the balance sheet, while negative fair value is recognized as debt. Nominal values are the basis for calculating potential cash flows and gains/losses on the agreements. The values are affected by exchange rates and interest rate differences between currencies. Hedge accounting is not used.

Note 17. Operational risk

The bank shall have an appropriate, efficient and effective operation, with consistently high quality. The bank shall monitor and manage operational risk in an active and prudent manner. The bank offers a limited number of standard products to the retail market which contributes to limit the risk.

In addition to a comprehensive annual review of significant operational risks and control measures, management makes continuous assessments of operational risk incidents and undertake mitigating measures when necessary. There are regular reporting of operational loss incidents and deviations to management and the Board of Directors.

The bank's operations are largely based on the purchase of services from external providers. The supplier agreements contain clauses on quality standards and are continuously monitored according to guidelines on outsourcing.

Note 18. Net interest income

Amounts in NOK 1000	2018	2017
Interest income from cash and deposits at central banks	389	304
Interest income from loans to credit institutions	3.705	2.660
Interest income from consumer loans	3.631.860	3.102.438
Interest income from overdraft accounts	-	79
Interest income from credit cards	1.270.474	953.029
Interest income from sales financing	2.072	4.571
Interest income, amortized cost	**4.908.500**	**4.063.081**
Interest and other income from certificates and bonds	100.717	91.939
Other interest and other interest related income	3.586	3.183
Interest income, other	**104.303**	**95.122**
Total interest income	**5.012.803**	**4.158.203**
Interest expense from deposits from credit institutions	1.434	135
Interest expense from deposits from customers	523.598	433.959
Interest expense on debt securities issued	30.404	34.346
Interest expense on subordinated loan	24.134	15.530
Other interest and other interest related expenses	26.985	18.241
Total interest expense	**606.554**	**502.211**
Net interest income	**4.406.248**	**3.655.992**

Note 19. Net other operating income

Amounts in NOK 1000	2018	2017
Payment services	345.095	264.887
Insurance services	64.858	50.633
Other fees and commission and bank services income	53.598	47.589
Total commission and bank services income	**463.551**	**363.109**
Payment services	147.595	110.223
Insurance services	55.689	41.369
Other fees and commission and bank services expense	26.368	22.249
Total commission and bank services expenses	**229.652**	**173.841**

Note 20. Salaries and other personnel expenses

Specification of personnel expenses

Amounts in NOK 1000	2018	2017
Salaries	68.101	57.955
Social security tax	13.031	11.348
Pension premiums	2.885	2.382
Social benefits	2.264	2.268
Total	**86.281**	**73.953**

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, 2018, wages and remuneration
At 31.12.18 the bank had 78 employees, corresponding to 75.2 man-labour years.

Wages and remuneration to key employees

	2018				
Amounts in NOK 1000	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration					
Tine Wollebekk	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**

	2017				
Amounts in NOK 1000	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration					
Tine Wollebekk	1.867	-	70	147	2.084
Pål Svenkerud	3.126	1.088	70	214	4.498
Fredrik Mundal	1.453	142	70	129	1.793
Tore Andresen	2.041	774	70	151	3.036
Merete Gillund	2.005	800	70	128	3.004
Nils Sælen	1.092	119	67	45	1.324
Tore Widding	1.805	688	70	137	2.700
Total	**13.390**	**3.611**	**487**	**951**	**18.439**

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.

The bonus accrual for 2018, including social security tax and financial activity tax, which is the basis for the payment of bonus in 2019, amounts to NOK 15.2 million.

Fees paid out to the Board of Directors

Amounts in NOK 1000	2018	2017
Bjørn H. Kise	250	250
Frode Foss	125	250
Kristin Farstad	-	50
John Høsteland	125	125
Christine Rødsæther	88	-
Lars Ola Kjos	250	250
Esma Candic	-	10
Willy Rudman	-	10
Ninett R. Olsen	50	30
Henrik Hermansen	-	5
Total	**888**	**980**

Fees paid out to the Control Committee

Amounts in NOK 1000	2018	2017
Knut Gillesen	-	16
Sigmund Håland	-	13
Jarl Borgvin Dørre	-	13
Total	**-**	**41**

Fees paid out to the Election Committee

Amounts in NOK 1000	2018	2017
Alf Nielsen	25	-
Gunnar Martinsen	5	-
Knut Gillesen	25	-
Total	**55**	**-**

Fees paid out to the Supervisory Board

Amounts in NOK 1000	2018	2017
Alf Nielsen	-	25
Sven Nicolai E. Eppeland	-	5
Christian F. Stray	-	5
Tord Strømme Meling	-	5
Betty Tandberg	-	5
Gunnar Martinsen	-	5
Thomas Berntsen	-	5
Truls Persen	-	5
Dag Håvard H. Hanssen	-	5
Bjørn Olaf Svindal	-	5
Kristin Møllerplass	-	5
Anders Gullestad	-	5
Håkon Rådmannsøy Hovde	-	5
Andreas Pedersen	-	5
Roger Stange Nilsen	-	5
Total	**-**	**95**

Auditor fees

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

Amounts in NOK 1000	2018	2017
Statutory auditing	1.090	1.012
Other certification services	473	53
Tax advisory services	-	-
Other non-audit services	362	1.169
Total	**1.925**	**2.234**

Pensions

The bank is subject to the Norwegian Mandatory Occupational Pensions Act and has established an arrangement which meets the requirements of this Act. The bank has a defined contribution scheme. This scheme entails that the bank does not guarantee a future pension of a specific amount. Instead, the bank pays an annual contribution to the employees' collective pension savings plan. The bank does not have any further obligation related to work performed after the annual contribution has been paid. At December 31, 2018, 80 employees were covered by the pension scheme.

Note 21. Classification of financial instruments

2018	IFRS 9				
	Financial instruments at fair value				
Amounts in NOK 1000	Financial instruments classified as FVTPL	Financial instruments classified as FVTPL	Financial instruments held for sale	Financial instruments valued at amortized cost	Total
Cash and deposits with the central bank	-	-	-	67.959	67.959
Loans and deposits with credit institutions	-	-	-	1.499.199	1.499.199
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
Assets held for sale	-	-	-	-	-
Total financial assets	**10.602.597**	**49.464**	**-**	**39.364.776**	**50.016.838**
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**

2017	IAS 39					
	Financial instruments at fair value					
Amounts in NOK 1000	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments held for sale	Financial instruments valued at amortized cost	Financial instruments held to maturity	Total
Cash and deposits with the central bank	-	-	-	65.976	-	65.976
Loans and deposits with credit institutions	-	-	-	1.338.852	-	1.338.852
Loans to customers	-	-	-	32.479.570	-	32.479.570
Certificates and bonds	8.859.834	-	-	-	-	8.859.834
Shares and other securities	-	443	-	-	-	443
Financial derivatives	-	1.935	-	-	-	1.935
Assets held for sale	-	-	32.922	-	-	32.922
Total financial assets	**8.859.834**	**2.379**	**32.922**	**33.884.398**	**-**	**42.779.532**
Deposits from customers	-	-	-	33.682.275	-	33.682.275
Debt securities issued	-	-	-	2.242.423	-	2.242.423
Financial derivatives	-	52.246	-	-	-	52.246
Subordinated loan	-	-	-	474.614	-	474.614
Total financial liabilities	**-**	**52.246**	**-**	**36.399.313**	**-**	**36.451.559**

Note 22. 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

	2018			
Amounts in NOK 1000	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**

	2017			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	8.859.834	-	8.859.834
Financial derivatives	-	1.935	-	1.935
Shares and other securities	-	-	443	443
Financial assets held for sale	-	-	32.922	32.922
Total financial assets at fair value	**-**	**8.861.770**	**33.365**	**8.895.135**
Financial derivatives	-	52.246	-	52.246
Total financial liabilities at fair value	**-**	**52.246**	**-**	**52.246**

Change in instruments classified at level 3

	2018		
Amounts in NOK 1000	Shares and other securities	Financial assets held 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**

	2017		
Amounts in NOK 1000	Shares and other securities	Financial assets held for sale	Total
Value 31.12.16	443	24.745	25.188
Net change on financial instruments	-	8.176	8.176
Value 31.12.17	**443**	**32.922**	**33.365**

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 36.2 million as of December 31, 2018. The calculation is based on input from VN Norge AS.

Shares in BankID Norge AS
Bank Norwegian AS was awarded 280 shares in BankID Norge AS based on the bank's share in the participation in BankID Association August 12, 2014. Value of shares are estimated at the going rate at the time granted.

Note 23. Net change in value on securities and currency

Amounts in NOK 1000	2018	2017
Net change on certificates and bonds	-51.315	-17.251
Net change on FX-forwards	41.273	-140.821
Net currency effects	19.534	165.530
Net change on shares and other securities with variable yield	3.326	-
Net change in value on securities and currency	**12.818**	**7.458**

Note 24. 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

	2018		2017	
Amounts in NOK 1000	Book value	Fair value	Book value	Fair value
Cash and deposits with the central bank	67.959	67.959	65.976	65.976
Loans and deposits with credit institutions	1.499.199	1.499.199	1.338.852	1.338.852
Loans to customers	37.797.618	37.797.618	32.479.570	32.479.570
Total financial assets	**39.364.776**	**39.364.776**	**33.884.398**	**33.884.398**
Deposits from customers	39.091.791	39.091.791	33.682.275	33.682.275
Debt securities issued	2.018.724	2.130.289	2.242.423	2.301.855
Subordinated loan	836.205	896.129	474.614	478.360
Total financial liabilities	**41.946.721**	**42.118.209**	**36.399.313**	**36.462.490**

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.

	2018			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Cash and deposits with the central bank	67.959	-	-	67.959
Loans and deposits with credit institutions	1.499.199	-	-	1.499.199
Loans to customers	-	-	37.797.618	37.797.618
Total financial assets	**1.567.158**	**-**	**37.797.618**	**39.364.776**
Deposits from customers	39.091.791	-	-	39.091.791
Debt securities issued	2.018.724	-	-	2.018.724
Subordinated loan	836.205	-	-	836.205
Total financial liabilities	**41.946.721**	**-**	**-**	**41.946.721**

	2017			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Cash and deposits with the central bank	65.976	-	-	65.976
Loans and deposits with credit institutions	1.338.852	-	-	1.338.852
Loans to customers	-	-	32.479.570	32.479.570
Total financial assets	**1.404.828**	**-**	**32.479.570**	**33.884.398**
Deposits from customers	33.682.275	-	-	33.682.275
Debt securities issued	2.242.423	-	-	2.242.423
Subordinated loan	474.614	-	-	474.614
Total financial liabilities	**36.399.313**	**-**	**-**	**36.399.313**

Change in instruments classified at level 3

	2018	
Amounts in NOK 1000	Loans to customers	Total
Value 31.12.17	32.479.570	32.479.570
Reclassification IFRS 9	72.758	72.758
Additions	5.245.290	5.245.290
Value 31.12.18	**37.797.618**	**37.797.618**

Note 25. Debt securities issued and subordinated loan

Debt securities issued

Amounts in NOK 1000	2018	2017
Bonds, nominal value	2.016.090	2.239.800
Value adjustments and currency effects	-1.207	-1.580
Accrued interest	3.841	4.203
Total debt securities issued	**2.018.724**	**2.242.423**

Change in debt securities issued

Amounts in NOK 1000	Balance 31.12.18	Issued	Overdue/ redeemed	Other changes	Balance 31.12.17
Bonds, nominal value	2.016.090	388.040	-597.000	-14.750	2.239.800
Value adjustments and currency effects	-1.207	-	-	373	-1.580
Accrued interest	3.841	-	-	-362	4.203
Total debt securities issued	**2.018.724**	**388.040**	**-597.000**	**-14.739**	**2.242.423**

Amounts in NOK 1000	Balance 31.12.17	Issued	Overdue/ redeemed	Other changes	Balance 31.12.16
Bonds, nominal value	2.239.800	1.299.320	-880.000	480	1.820.000
Value adjustments and currency effects	-1.580	-	-	-1.839	259
Accrued interest	4.203	-	-	489	3.714
Total debt securities issued	**2.242.423**	**1.299.320**	**-880.000**	**-870**	**1.823.973**

Change in subordinated loan

Amounts in NOK 1000	Balance 31.12.18	Issued	Overdue/ redeemed	Other changes	Balance 31.12.17
Subordinated loan, nominal value	833.555	533.555	-175.000	-	475.000
Value adjustments	-2.230	-	-	-1.018	-1.212
Accrued interest	4.881	-	-	4.055	826
Total subordinated loan	**836.206**	**533.555**	**-175.000**	**3.037**	**474.614**

Amounts in NOK 1000	Balance 31.12.17	Issued	Overdue/ redeemed	Other changes	Balance 31.12.16
Subordinated loan, nominal value	475.000	200.000	-	-	275.000
Value adjustments	-1.212	-	-	-631	-581
Accrued interest	826	-	-	330	496
Total subordinated loan	**474.614**	**200.000**	**-**	**-301**	**274.915**

Cash flows from funding

Amounts in NOK 1000	Balance 31.12.17	Issued new debt	Early repayment of debt	Ordinary repayment of debt	Interest expense 2018	Paid interest 2018	Amortization*	Balance 31.12.18
Debt securities issued	2.242.423	388.040	-340.000	-257.000	29.379	-29.741	-14.377	2.018.724
Subordinated loan	474.614	533.555	-175.000	-	23.222	-19.167	-1.018	836.206

* With regards to premiums, discounts and transaction costs.

Note 26. Financial assets held for sale

The bank is a member of VN Norge AS, formerly know as Visa Norge FLI ("Visa Norge"), being a shareholder of Visa Europe Ltd. On 2 November 2015, an agreement between Visa Europe Ltd. and Visa Inc. was announced where Visa Inc. acquires all shares in Visa Europe Ltd. This transaction consists of a cash consideration, convertible preference shares and a deferred cash consideration paid three years after completion of the transaction. The process was finalized in June 2016 and the bank has in this connection received its share of the cash consideration based on the bank's stake in Visa Norge. In 2018, the bank has reclassified *Assets available for sale* in accordance with IFRS 9 and changes in fair value are recognized through profit or loss.

Note 27. Taxes

Amounts in NOK 1000	2018	2017
Deferred tax asset/deferred tax		
Basis for deferred tax asset/deferred tax in the balance sheet	-140.718	-44.639
Deferred tax asset/deferred tax	-35.179	-11.157
Deferred tax effect of IFRS 9 implementation that comes to taxation in 2019	18.189	-
Deferred tax asset/deferred tax in the accounts	**-16.990**	**-11.157**
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	2.393.431	2.126.577
Permanent differences	-45.294	-18.598
Basis for the tax charge for the year	2.348.137	2.107.980
Change in differences included in the basis for deferred tax/tax asset	84.416	29.543
Share issue expenses	-	-
Basis for tax payable in the profit and loss	2.432.553	2.137.523
Taxable income (basis for tax payable in the balance sheet)	**2.432.553**	**2.137.523**
Distribution of tax charge		
Tax payable (25% of taxable income)	608.138	534.381
Tax payable on items recognized in equity	9.525	
Excess tax provision previous year	-5.054	-
Total tax payable	612.610	534.381
Tax effect of tax losses carried forward not recognized in the balance sheet	1.424	-
Change in deferred tax/tax asset	-21.104	-7.386
Tax charge	**592.930**	**526.995**
Reconciliation of tax charge		
Profit before tax	2.393.431	2.126.577
Estimated tax expense (25%)	598.358	531.644
Tax charge in profit and loss account	592.930	526.995
Difference	**-5.428**	**-4.649**
The difference consists of:		
25% of permanent differences	-11.324	-4.649
Tax payable on items recognized in equity	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	**-5.428**	**-4.649**
Tax payable in the balance sheet		
Tax payable in the tax charge	603.085	534.381
Tax effect of expenses recognized directly in equity	-	-8.495
Tax payable	**603.085**	**525.886**

Note 28. Intangible assets

Amounts in NOK 1000	IT/ Software	Trademark	Connection fee	Agent commissions	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. depreciations, amortizations and rev. amortizations 31.12.18	46.061	-	-	44.125	90.186
Book value 31.12.18	**53.903**	**-**	**17.337**	**62.431**	**133.670**
Annual depreciations	19.605	-	-	38.770	58.374
Annual amortizations	-	-	-	1.231	1.231
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortizable	Linear	

Amounts in NOK 1000	IT/ Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.16	82.838	-	17.337	76.530	176.705
Additions	29.734	-	-	25.647	55.381
Disposals	-4.213	-	-	-22.018	-26.230
Acquisition cost 31.12.17	108.359	-	17.337	80.159	205.856
Accumulated depreciations 31.12.17	50.712	-	-	39.676	90.388
Net accumulated and reversed amortizations 31.12.17	-	-	-	789	789
Acc. depreciations, amortizations and rev. amortizations 31.12.17	50.712	-	-	40.465	91.177
Reclassification	-	-	-	16.843	16.843
Book value 31.12.17	**57.647**	**-**	**17.337**	**56.537**	**131.521**
Annual depreciations	15.561	-	-	37.387	52.948
Annual amortizations	-	-	-	789	789
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	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. The accounting of agent commissions to NAS was in the fourth quarter reclassified in accordance with IAS 38 Intangible Assets (IAS 38) and IFRS 9. Agent commissions were reclassified from *Other Receivables* to *Loans to customers* and *Intangible assets*, with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Interest income* and *Depreciation and impairment of fixed and intangible assets*. The reclassifications did not have any effect on the profit after tax. Comparative figures and corresponding notes have been revised accordingly.

Note 29. Fixed assets

Amounts in NOK 1000	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	-	1.857	1.157	3.014
Net accumulated and reversed amortizations 31.12.18	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.18	-	1.857	1.157	3.014
Book value 31.12.18	**-**	**2**	**717**	**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	

Amounts in NOK 1000	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.16	-	1.859	712	2.571
Additions	-	-	1.050	1.050
Disposals	-	-	-	-
Acquisition cost 31.12.17	-	1.859	1.762	3.621
Accumulated depreciations 31.12.17	-	1.834	787	2.621
Net accumulated and reversed amortizations 31.12.17	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.17	-	1.834	787	2.621
Book value 31.12.17	**-**	**25**	**975**	**1.000**
Annual depreciations	-	39	75	114
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	

Note 30. Other receivables

Amounts in NOK 1000	2018	2017
Distribution commissions	40.656	48.007
Prepaid expenses	7.577	4.800
Net collateral issued/received*	-	-
Other receivables	15.152	12.434
Total receivables	**63.385**	**65.241**

* Net collateral issued/received has been reclassified to *Loans and deposits with credit institutions*

Note 31. Other liabilities

Amounts in NOK 1000	2018	2017
Payables to suppliers	4.399	6.545
Value added tax	6.997	8.412
Social security tax	3.131	2.467
Tax withholdings	3.035	2.335
Unsettled items related to certificates and bonds	1.643	138.135
Other liabilities	13.128	794
Total other liabilities	**32.333**	**158.689**

Note 32. Accrued expenses

Amounts in NOK 1000	2018	2017
Accrued not due expenses	164.787	131.160
Bonus	15.161	12.131
Holiday pay	5.550	4.566
Board remuneration	1.111	1.146
Accrued fees	689	41
Total accrued expenses	**187.298**	**149.045**

Note 33. Capital adequacy

Amounts in NOK 1000	2018	2017
Total capital		
Share capital	183.315	183.315
+ Share premium	966.646	966.646
+ Other reserves	5.556.708	3.918.312
- Deferred tax assets, intangible assets and additional valuation adjustment	161.433	151.625
Common equity Tier 1	**6.545.235**	**4.916.647**
+ Additional Tier 1 capital	635.000	635.000
Tier 1 capital	**7.180.235**	**5.551.647**
+ Tier 2 capital	836.205	474.614
Total capital	**8.016.441**	**6.026.261**
Calculation basis		
Credit risk		
Covered bonds	273.532	232.981
+ Institutions	947.444	923.155
+ Loans to customers	25.396.605	22.493.425
+ Defaulted loans and other commitments	4.048.997	2.589.841
Operational risk	4.013.050	2.608.215
Total calculation basis	**34.679.628**	**28.847.618**
Common equity Tier 1 %	**18,9 %**	**17,0 %**
Tier 1 capital %	**20,7 %**	**19,2 %**
Total capital %	**23,1 %**	**20,9 %**

Note 34. Tier 1 capital

The bank issued a Tier 1 capital instrument in 2013. 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 + 4.10%. This Tier 1 capital instrument was repayed in full in 2018.

In 2016 the bank issued an additional 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. Similarly, the interest tax advantage is presented as an increase in Retained earnings and other reserves and not as a reduction of Tax charge in the profit and loss.

Note 35. Lease agreements

The bank has signed a temporary lease agreement regarding Snarøyveien 36, Fornebu. The temporary lease agreement expires October 31, 2019. A lease agreement for the same address has been established with Norwegian Property, which expires in October 2021 with an option to extend the lease agreement for two additional years. The annual rent totals 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

Commitments for minimum lease payments in relations to non-cancellable operating leases are payable as follows:	**2018**
Within one year	1.608
Later than one year but not later than five years	6.019
Later than five years	-
Non-cancellable operating leases	7.627

Reconciliation of the operating expense to the implementationeffect of IFRS 16

	2018
Operating lease commitments disclosed at December 31, 2018	7.627
Discounted using the groups incremental borrowing rate of 2.76%	357
Short time leases*	-
Lease liability recognised as at January 1, 2019	7.270

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

Note 36. 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 2018 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 352.4 million, comprising of portfolio related costs of NOK 285.1 million and sales and agent commissions of NOK 67.3 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 2017 was NOK 275.7 million, comprising of NOK 218.8 million and NOK 56.9 million.

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

Note 37. Provisions and legal claims

Ikano Bank AB (publ), Norway Branch, Komplett Bank ASA and Monobank ASA sued Bank Norwegian claiming that the use of their brand names as search words in internet search engines, was in conflict with good business practice as stated in the Norwegian Marketing Act section 25. The court found that the use was not in conflict with good business practice. The case has been appealed to Borgarting Court of appeals (Borgarting Lagmannsrett).

Note 38. Subsequent events

Regulations on requirements for financial institutions' lending practices for consumer loans were laid down by the Ministry of Finance on February 12, 2019, pursuant to the Act of April 10, 2015 No. 17 on Financial Undertakings and the Finance Group § 1-7. The bank adapted to the guidelines in the regulations in the autumn of 2017. In the opinion of the board, the regulations will not entail any significant changes in the bank's accounts. The Board of Directors is not aware of other events after the date of the balance sheet that may be of material significance to the annual accounts.

Note 39. Earnings per Share

Earnings Per Share

Amounts in NOK 1000	2018	2017
Number of shares beginning of period	183.315	176.800
Number of issued shares in the period	-	6.516
Number of shares end of period	183.315	183.316
Average number of shares in the period	183.315	181.690
Profit on ordinary activities after tax	1.800.501	1.599.582
Earnings per share based on number of shares end of period	9,82	8,73
Earnings per share based on average number of shares in the period	9,82	8,80

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

Quarterly figures

Profit and loss account

Amounts in NOK 1000	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
					Bank Norwegian AS
Interest income, amortized cost	1.286.557	1.261.386	1.217.938	1.142.618	1.123.953
Other interest income	32.504	23.730	23.863	24.206	24.272
Interest expenses	145.363	163.924	154.602	142.666	137.510
Net interest income	**1.173.698**	**1.121.192**	**1.087.199**	**1.024.159**	**1.010.716**
Commission and bank services income	111.047	117.974	128.700	105.830	109.079
Commission and bank services expenses	62.259	59.978	55.514	51.900	51.627
Net change in value on securities and currency	-5.938	11.144	21.089	-13.476	-3.355
Other income	-	32	-	-	-
Net other operating income	**42.850**	**69.171**	**94.274**	**40.454**	**54.098**
Total income	**1.216.548**	**1.190.364**	**1.181.473**	**1.064.613**	**1.064.814**
Personnel expenses	24.856	23.126	17.016	21.283	20.203
General administrative expenses	258.299	260.439	257.341	259.833	238.566
Ordinary depreciation	15.633	14.789	14.972	14.605	14.356
Other operating expenses	12.277	13.212	12.393	11.863	11.650
Total operating expenses excluding loan losses	**311.065**	**311.566**	**301.722**	**307.583**	**284.775**
Provision for loan losses	284.813	299.209	234.707	208.903	199.109
Profit on ordinary activities before tax	**620.670**	**579.589**	**645.045**	**548.127**	**580.929**
Tax charge	149.749	144.888	161.261	137.032	140.476
Profit on ordinary activities after tax	**470.922**	**434.700**	**483.784**	**411.096**	**440.453**

Comprehensive income

Amounts in NOK 1000	Q4 2018	Q3 2018	Q2 2018	Q1 2018	Q4 2017
					Bank Norwegian AS
Profit on ordinary activities after tax	**470.922**	**434.700**	**483.784**	**411.096**	**440.453**
Change in fair value of asset available for sale	-	-	-	-	3.081
Tax	-	-	-	-	-23
Other comprehensive income	**-**	**-**	**-**	**-**	**3.058**
Comprehensive income for the period	**470.922**	**434.700**	**483.784**	**411.096**	**443.511**

Balance sheet

Amounts in NOK 1000	31.12.18	30.9.18	30.6.18	31.3.18	31.12.17
					Bank Norwegian AS
Assets					
Cash and deposits with the central bank	67.959	65.957	65.975	65.982	65.976
Loans and deposits with credit institutions	1.499.199	1.580.922	2.072.249	1.833.281	1.338.852
Loans to customers	37.797.618	36.751.296	35.464.011	33.842.506	32.479.570
Certificates and bonds	10.602.597	10.812.673	9.389.792	9.292.364	8.859.834
Financial derivatives	12.773	48.072	43.768	49.364	1.935
Shares and other securities	36.691	38.637	37.476	33.104	443
Assets held for sale	-	-	-	-	32.922
Intangible assets	133.670	135.335	132.879	133.514	131.521
Deferred tax asset	16.990	11.157	11.157	11.157	11.157
Fixed assets	719	821	810	904	1.000
Other Receivables	63.385	88.215	74.894	96.012	65.241
Total assets	**50.231.603**	**49.533.086**	**47.293.012**	**45.358.189**	**42.988.451**
Liabilities and equity					
Loans from credit institutions	-	32.300	85.450	99.200	-
Deposits from customers	39.091.791	39.359.001	37.705.983	35.789.003	33.682.275
Debt securities issued	2.018.724	1.812.167	1.808.003	1.934.592	2.242.423
Financial derivatives	120.497	1.056	2.494	11.264	52.246
Tax payable	603.085	633.584	491.148	391.742	525.886
Other liabilities	32.333	141.331	91.290	342.294	158.689
Accrued expenses	187.298	201.394	183.749	153.462	149.045
Subordinated loan	836.205	474.637	474.622	474.677	474.614
Total liabilities	**42.889.934**	**42.655.470**	**40.842.739**	**39.196.234**	**37.285.179**
Share capital	183.315	183.315	183.315	183.315	183.315
Share premium	966.646	966.646	966.646	966.646	966.646
Tier 1 capital	635.000	635.000	635.000	635.000	635.000
Retained earnings and other reserves	5.556.708	5.092.655	4.665.313	4.376.995	3.918.312
Total equity	**7.341.668**	**6.877.615**	**6.450.273**	**6.161.955**	**5.703.272**
Total liabilities and equity	**50.231.603**	**49.533.086**	**47.293.012**	**45.358.189**	**42.988.451**