

## Annual Report

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# 2020

Norwegian Finans Holding Group

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# Financial highlights

## Profit and loss account

	NFH Group	
<i>Amounts in NOK 1000</i>	2020	2019
<b>Net interest income</b>	<b>5 413 054</b>	<b>5 260 685</b>
<b>Net other operating income</b>	<b>229 644</b>	<b>321 792</b>
<b>Total income</b>	<b>5 642 698</b>	<b>5 582 477</b>
<b>Total operating expenses</b>	<b>1 313 162</b>	<b>1 324 659</b>
Provision for loan losses	1 830 948	1 627 359
<b>Profit before tax</b>	<b>2 498 588</b>	<b>2 630 459</b>
Tax charge	611 613	649 408
<b>Profit after tax</b>	<b>1 886 975</b>	<b>1 981 051</b>

## Balance sheet

	NFH Group	
<i>Amounts in NOK 1000</i>	31.12.20	31.12.19
Total assets	63 192 011	58 073 384
Loans to customers	37 943 688	40 560 502
Liquid assets	24 364 666	16 813 654
Deposits from customers	42 677 703	40 118 369
Debt securities issued	6 034 387	6 537 863
Subordinated loans	877 820	822 688
Tier 1 capital	635 000	635 000
Total equity	11 328 161	9 473 707

## Key figures and alternative performance measures

	NFH Group	
	2020	2019
Return on equity (ROE) <sup>1, 3</sup>	18.9 %	24.6 %
Return on assets (ROA) <sup>1</sup>	3.1 %	3.8 %
Earnings per share (EPS) <sup>4</sup>	9.90	10.37
Dividend per share (DPS)	6.00	-
Common equity tier 1 (CET 1)	22.0 %	21.2 %
Leverage ratio	14.5 %	14.5 %
Liquidity coverage ratio (LCR)	569 %	450 %
Net interest margin (NIM) <sup>1</sup>	8.8 %	10.0 %
Cost/income ratio <sup>1</sup>	0.23	0.24
Loan loss provisions to average loans <sup>1</sup>	4.1 %	3.9 %
Stage 3 loans to loans <sup>1, 2</sup>	23.7 %	17.3 %
Stage 3 loan loss allowance to Stage 3 loans <sup>1, 2</sup>	40.9 %	35.9 %
Loan loss allowance to loans <sup>1</sup>	11.5 %	8.1 %

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

<sup>2)</sup> The APMs "Non-performing loans to loans" and "Loan loss allowance to non-performing loans", which had been in use since reporting under IAS 39, was in Q2 2020 replaced by the new APMs "Stage 3 loans to loans" and "Loan loss allowance coverage ratio stage 3" due to established market practice and reduced relevance after the implementation of IFRS9.

<sup>3)</sup> Definition for ROE was updated in Q3 2020 based on established market practice. Previous periods are recalculated.

<sup>4)</sup> Definition for EPS was updated in Q3 2020 based on established market practice. EPS is calculated based on profit after tax excluding interest on additional Tier 1 capital. Previous periods are recalculated.

## Letter from the CEO



**Tine  
Wollebakk**  
CEO

■ Last year, when writing the 2019 CEO letter, I commented upon the COVID-19 outbreak and that Bank Norwegian was well positioned for any eventual economic downturn due to our solid capital position and cost-efficient operating model. This statement has been fully validated throughout the year; we have delivered profitable results and increased our financial strength, including planned dividend pay-out to our shareholders of NOK 6 per share.

For us in Bank Norwegian, there are two things that comes to mind when looking back at 2020;

First and foremost, I am impressed and proud of the Bank's employees and the strength and persistence they have showed during these tough times. This has been paramount to help the Bank steer through the pandemic crisis and support our customers in their financing needs. Secondly Bank Norwegian continued to gain market share in the Nordic markets where we operate. I see this as a sign that the customers continue to value our products and services. During the year, the number of customers increased to ~1.75 million and our net profit ended at a solid NOK 1.9 billion, fairly in line with 2019 despite COVID-19 effects both on income and loan losses. Our financially strong position has increased further during 2020 and our loss absorption capacity has never been better. This gives me

comfort that we are well positioned for the future and demonstrates that our first line of defense is solid. It also provides surplus capital for our growth ambitions and any eventual further waves of the pandemic, while still allowing us to deliver on our dividend policy.

Customer protection is on top of our agenda and the Bank devotes significant effort toward this endeavor. During 2020 we have further strengthened our organization, increasing our ability to safeguard the consumer and ensuring swift implementation of new legislation and guidelines as they become available. A well-regulated sector is desirable for all stakeholders, creating a level playing field that enables sustainable growth. One of the most discussed topics regarding industry development over the last years has been implementation of PSD2. Despite the potential transformative effects on the Banking sector, the directive has not yet made the anticipated impact, however the potential remains significant and we expect it to play a role in the future banking landscape.

We continue to improve our asset quality and reduce the risk in the portfolio. There is an ongoing shift where both the share of lower-risk loans originated and their relative part of the loan portfolio is increasing with lower associated default rates. The customers that have been granted a loan by the end of 2020 in

## I am excited to initiate this next chapter in Bank Norwegian's history

general have a lower risk profile than the average customer one year earlier. Consequently, the inflow rate in Stage 3 assets has declined during 2020. In addition to proving our business model, the COVID-19 pandemic has also showed that the customers behave rationally in times of stress, as can be seen in the accelerating trend of improved customer payment behavior during the year.

As financial markets continue to evolve, offering greater choice of financial products than ever, customers increasingly turn to companies offering class-leading specialized products at competitive terms over general relationships with traditional full-service banks. Deep specialization offers competitive benefits through improved products, a higher level and pace of innovation and an ability to adopt rapidly when market conditions change. Building on the strength of our position as a successful Nordic Champion on our current business model, Bank Norwegian has decided to pursue future growth through expansion of our focused product portfolio into new European markets. We are targeting to enter one or two European countries during the second half of 2021.

The expansion will leverage on the experience and know-how gained from our earlier cost-efficient expansion in the Nordics.

We will continue to focus on attractive growth in our Nordic home market through continuous product and distribution improvements, addressing new customers as well as our substantial customer base, with relevant own- and third party products delivered through excellent digital customer journeys. Both the European expansion as well as further growth opportunities in the Nordic are expected to contribute positively to the Bank's future performance.

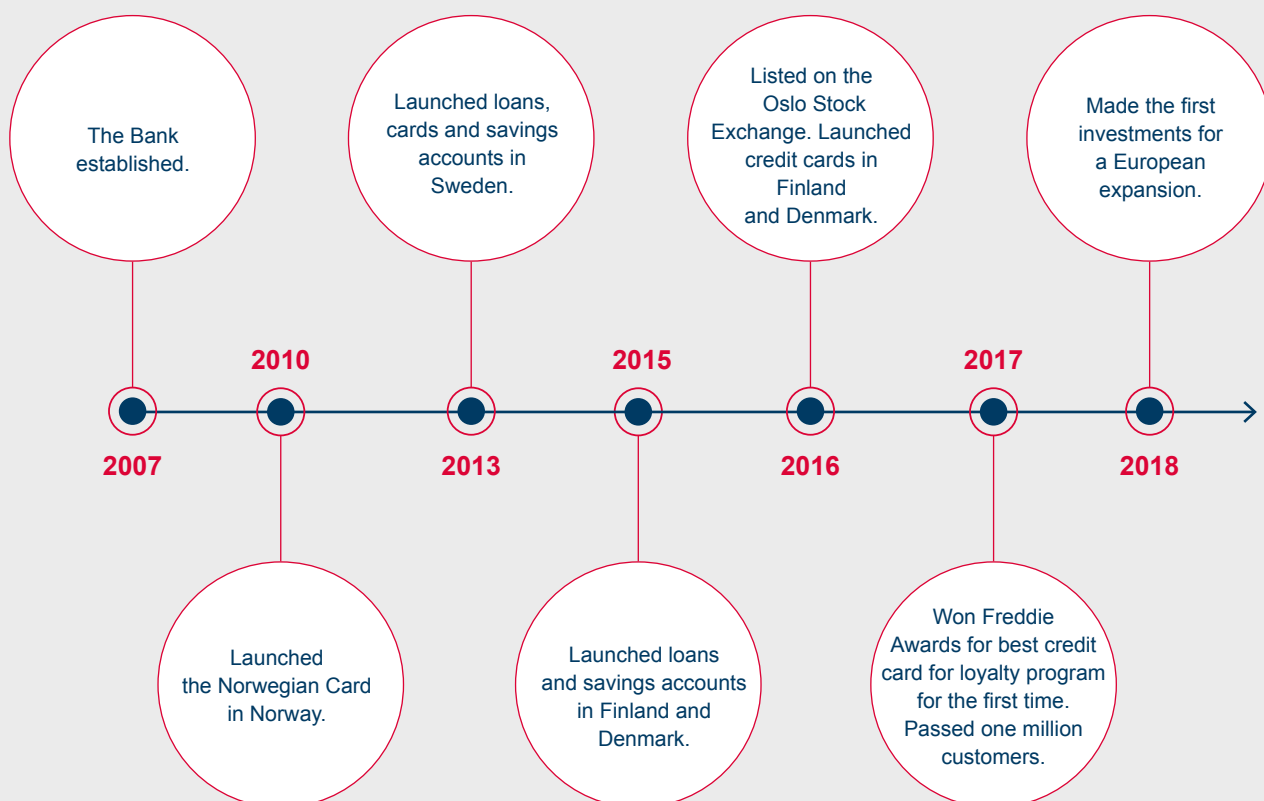
I am excited to initiate this next chapter in Bank Norwegian's history. Despite the uncertain times ahead related to the pandemic, I am confident that our unique model, deep analytical capabilities and strong capital position will allow us to compete successfully in attractive European markets.

Fornebu, March 16, 2021

Tine Wollebekk



## Bank Norwegian – our story



## Important events 2020

### 12. March

■ Established crisis staff to deal with the consequences of COVID-19 for the Bank.

### 13. March

■ The Ministry of Finance decided to reduce the countercyclical capital buffer requirement for Banks from 2.5 to 1 per cent. The Swedish and Danish authorities also decided on reductions from 2,5 to 0 % and 1,0 to 0 %, respectively.

### 25. April

■ Won for the third time since 2017 the Freddie Awards for best credit card for loyalty programs in Europe and Africa.

### 29. April

■ Klaus-Anders Nysteen elected new chairman of the Bank and NFH.

### 2. July

■ Launched contactless micro card, and payment with Google Pay, Garmin Pay and Fitbit Pay.



### 1. October

■ Klara-Lise Aasen joined the Bank as Chief Financial Officer.

### 3. December

■ Launched Shopping Basket Insurance in Norway. Subsequently rolled out in all markets.



## Strategy – our future

■ Bank Norwegian was founded in 2007 and rapidly gained significant market share in the Norwegian consumer finance market with its attractive and innovative consumer finance products. This was achieved through offering competitive products using risk-based pricing via a fully digital solution, with no physical branches, resulting in high competitiveness, convenience and availability compared to existing analogue solutions provided by traditional banks. Following a period of rapid growth, the Bank successfully expanded its operations through passporting to Sweden in 2013 and later to Denmark and Finland in 2015.

Bank Norwegian has benefited from the partnership with Norwegian Air Shuttle and the ability to leverage the airline's market position, brand recognition and Reward incentives in existing and new markets, driving usage of the card. Bank Norwegian has over the years successfully been able to generate a stand-alone brand within the unsecured lending market and there are today limited interdependencies besides the credit card related Reward program.

Today, we are an established standalone digital bank that successfully has taken the position as the Nordic champion within consumer finance. Our vision is to become a leading European bank within consumer finance, offering our focused product portfolio with highly competitive terms through smooth and digital customer journeys to European customers. Our strategy consists of 5 pillars in addition to our close cooperation with Norwegian Air Shuttle;

### 1. We use leading digital solutions to improve customer experience

Our customers highly value our digital solutions and the primary channel for communication with existing customers is the Bank Norwegian mobile app. This ensures efficient, easy and convenient interaction. Within the app, our customers can find useful features such as visualization of spending patterns and a suite of effective self-service solutions for routine matters that increases customer flexibility and saves time. In addition, we offer personal service to enhance the customer experience and for situations that require a personalized service in the customer's native language. The result of our efforts is clearly visible in the customers' satisfaction levels, as reflected in our high Net Promoter Score (NPS).

Our strategy is to not encourage or create a demand for credit products. Bank Norwegian primarily utilizes targeted digital marketing to address potential new customers that proactively express an interest in the products we offer. Our products are offered through a fully online platform that ensures both rapid onboarding and an attractive customer experience. For instance, customer journeys for onboarding and KYC are automated to a large extent through using electronic identification and automatic collection of all publicly available data.



## **2. We deliver transparent products, combined with attractive customer terms that drive customer value**

Bank Norwegian's strategy is to provide simple and straight forward products in a convenient and transparent manner to meet the customer's needs for credit and savings products through instalment loans, credit cards and deposit accounts.

Deposits are a fundamental part of our business model since it offers a stable and reliable source of funding. Our deposit pricing is generally higher than the rates offered by traditional banks while still offering the same basic flexibility. For our instalment loans, we utilize risk-based pricing. This allows us to be more precise in our pricing of the product and hence offer competitive rates tailored to each customer's individual risk profile. Our award-winning credit card is based on simplicity and value and has no annual fees. It combines attractive features such as transparent and comprehensible terms with an included selection of insurance products, while its services are competitively priced. Each credit card customer's credit limit is set individually, based on the customer's risk profile.

## **3. We ensure scalability and profitable growth through lean and agile operations**

Bank Norwegian is defined by our low-cost culture and tight cost control. In addition, decision-making processes are optimized through a combination of a centralized operating model and a flat organizational structure where most of our employees are located at our headquarters. This is further enhanced by a collaborative work environment where employees with deep expertise interact across departments. Internally, we seek to constantly optimize and automate our processes to increase efficiency and minimize errors. This principle is also reflected in all our customer interaction where we rely on cost-efficient self-service solutions that

provides flexibility and is time saving.

The result is significant scalability and operating leverage since higher application volumes, increased number of customers or added geographies does not translate into a corresponding cost inflation.

Data is the foundation for our business. Everything we do from advertising to customer journeys and risk-based pricing is based on analysis. We devote significant resources to this field and roughly one third of all employees work within IT development and analytics. Integrated in-house development of systems and models are key to our agile business model where priorities are continuously adjusted to reflect the current needs of the organization and the competitive environment.

## **4. We secure effective and efficient risk management through strong analytical capabilities and underwriting expertise**

Bank Norwegian uses an advanced and fully automated process for risk selection combined with manual risk approval for all credit applications. We use advanced decision models with individual scorecards in each geography that leverage internal data regarding customer behavior to predict credit worthiness and provide automated credit decisions. This is complemented by our employees' significant internal underwriting expertise as all loans are manually reviewed prior to being paid out.

The analytics underpinning our advanced credit models is based on customer behavior acquired through originations, transactions, loan servicing, and collections since inception of the Bank. Deep data insight from our ~1.75 million customers combined with the agility provided by in-house analytics expertise and internal development is considered a key competitive advantage.

**5. We will continue our profitable growth in existing and new geographies**

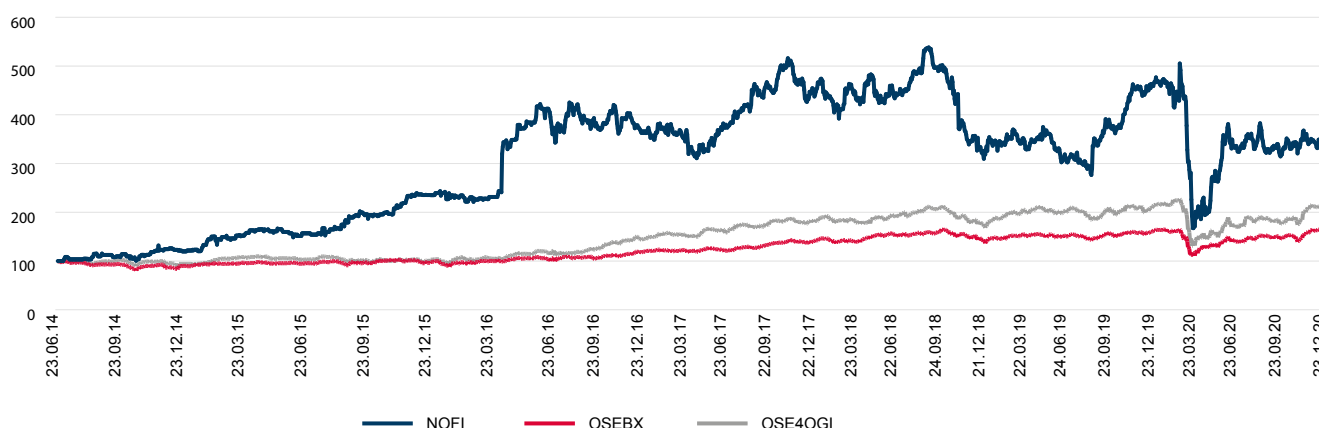
Bank Norwegian's growth strategy is centered around two distinct growth dimensions.

Firstly, we will continue to build on our solid foundation as the Nordic Champion within consumer finance with our focused product portfolio and continue to sustainably expand our successful customer centric business model in our core Nordic markets. This will be achieved through continuous improvements to our own and third-party services and products, addressing untapped potential through selected expansion of our distribution network.

In parallel, Bank Norwegian will seek to expand to attractive countries in Europe that fit our business model. Key criteria include a market for unsecured credit of sufficient size with attractive margins, digital adoption regarding KYC and credit risk scoring processes combined with a benign recovery environment. Our unique scalable business model will be key to successfully deliver on the European growth agenda. The expansion will draw on Bank Norwegian's industry leading cost-efficiency and truly digital model, re-using processes and our extensive experience from our successful expansion in the Nordic countries.

## About the share

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



### Facts about the share

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

The share capital in NOFI is NOK 186,904,268 divided into 186,904,268 shares, each with a nominal value of NOK 1. All outstanding shares have equal votes. At the end of 2020, the share was included in the OSEBX Oslo Børs main index, OSE All-share index, OSEFX Mutual Fund index, OBX Financials index, OSEBX Mid Cap index, OSEBX STB index, and OSEBXG Index.

### Sales and trading

In 2020, a total of 127 million shares were traded with a total trading volume of approximately NOK 7.9 billion. Approximately 499,000 shares were traded on average per trading day, with a total average trading volume of approximately NOK 31 million.

The highest trading price through 2020 was NOK 102.8. The lowest trading price was NOK 32.2. The highest closing price was 102.8 and the lowest closing price

NOK 34.0. At the end of the year, the closing price ended at NOK 73.15 against 95.3 at the beginning of the year. During the year, the share price fell by 23.2%.

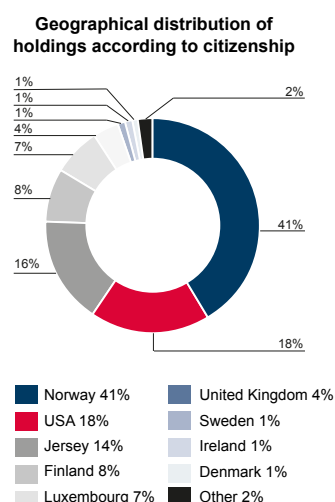
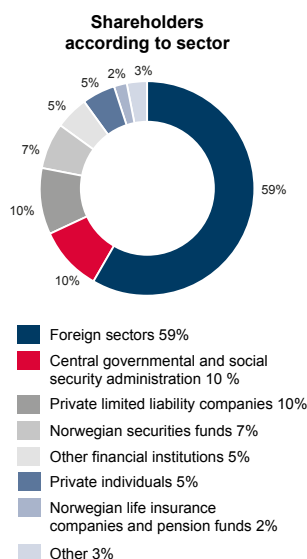
On 31 December 2020, NOFI had a total of 4,212 owners (3,355 in 2019). The largest announced ownership constellation is Nordic Capital Fund IX and Sampo Plc through the company Cidron Linhua Ltd., with a total of 22.7% ownership, an increase of 6.3% in 2020. The second largest owner is Folketrygdfondet with 9.9% registered ownership in end of the year. In total, the 10 largest owners own 54.2% of the Bank's share capital at the end of the year.

### General meetings

One Ordinary General Meeting was held in 2020.

### Dividends and buybacks

In 2020, the Bank satisfied all applicable requirements for distributing dividends or making repurchases and has decided that dividends will be paid for 2020. This is the Bank's first payment to shareholders at the level of the adopted dividend policy, and the second distribution to shareholders since the Bank's start in 2007.



The Bank's adopted dividend policy is to pay out excess capital to shareholders, beyond the necessary capital to cover current and future capital requirements, taking into account expected growth. Norwegian Finans Holding has a goal of paying a 30-60% dividend on profit after tax.

The existing capital base and internal generation of capital are considered to be more than sufficient to ensure satisfactory buffers for absorbing losses, the group's growth ambitions, as well as maintaining an attractive dividend distribution.

For the financial year 2020, a dividend of 60% corresponding to NOK 6 per share has been approved.

At the end of 2020, the Bank has an own holding of 57,078 shares.

### Investor policy and analysts following the NOFI share

It is important to create and maintain trust in the investor market. Norwegian Finans Holding ASA strives to provide correct, relevant and timely information about the group's development and results to the market. All shareholders shall be treated equally. Information to the market is mainly disseminated through quarterly investor presentations,

stock exchange notices and press releases, financial reports and websites on the internet. Presentations are held regularly to national and international partners, rating companies, lenders and investors.

At the end of 2020, there are a total of ten brokerage houses that have coverage on the NOFI share. These are ABG Sundal Collier, Arctic Securities, Carnegie, Danske Bank Markets, DNB Markets, Nordea Markets, Pareto Securities, SEB Markets, SpareBank 1 Markets and Kepler Cheuvreux (SwedBank).

Contact information for all analysts can be found at <https://www.banknorwegian.no/OmOss/InvestorRelations>.

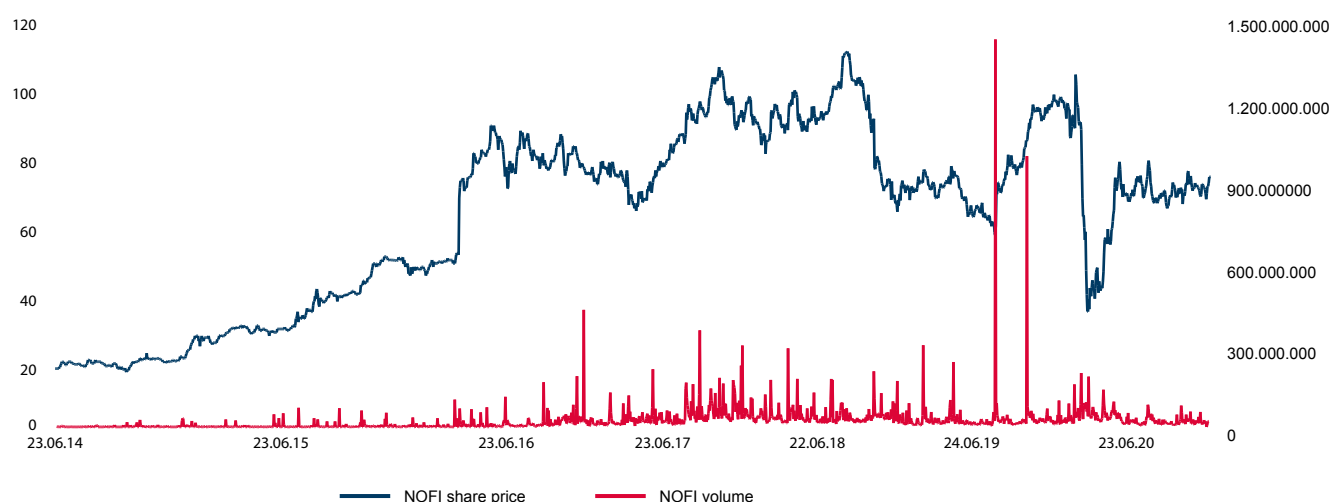
### Key figures:

Market value:	NOK 13.7 billion
Effective rate of 2020:	Minus 23.2 percent
Dividend /repurchase FY 2020	NOK 6 per share

### Information addresses

Norwegian Finans Holding and Bank Norwegian distribute information to the market via the Internet at the address <https://www.banknorwegian.no/OmOss/InvestorRelations> og [www.newsweb.no](http://www.newsweb.no).

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



## Financial calendar

### 2020 Financial year

17.02.2021	Quarterly Report 4Q 2020
17.03.2021	Annual Report 2020

### 2021 Financial year

18.03.2021	Capital Markets Day
27.04.2021	Ordinary General Meeting
28.04.2021	Quarterly Report 1Q 2021
14.07.2021	Quarterly Report 2Q 2021
27.10.2021	Quarterly Report 3Q 2021

## 20 largest shareholders

Shareholder			Number of shares	% stake
1	CIDRON XINGU LTD		30 646 498	16.40%
2	Folketrygdfondet		18 485 852	9.89%
3	BNP Paribas Securities Services	NOMINEE	11 826 105	6.33%
4	Goldman Sachs & Co. LLC	NOMINEE	10 344 692	5.53%
5	Banque Degroof Petercam Lux. SASA	NOMINEE	8 329 417	4.46%
6	Brumm AS		5 273 482	2.82%
7	State Street Bank and Trust Company	NOMINEE	4 970 402	2.66%
8	Stenshagen Invest AS		4 551 416	2.44%
9	State Street Bank and Trust Company	NOMINEE	3 441 539	1.84%
10	Mp Pensjon Pk		3 436 438	1.84%
11	Northern Trust United Kingdom	NOMINEE	3 312 292	1.77%
12	Green 91 AS		2 964 900	1.59%
13	JPMorgan Chase Bank, N:A., London	NOMINEE	2 621 641	1.40%
14	State of Wisconsin Investment Board		2 288 732	1.22%
15	Verdipapirfondet Alfred Berg Gambak		2 004 022	1.07%
16	Torstein Ingvald Tvenge		2 000 000	1.07%
17	Nye Km Aviatrix Invest AS		1 793 472	0.96%
18	JPMorgan Chase Bank, N:A., London	NOMINEE	1 683 146	0.90%
19	KLP AksjeNorge indeks		1 548 572	0.83%
20	Directmarketing Invest as		1 500 000	0.80%
<b>Top 20</b>			<b>123 022 619</b>	<b>65.82%</b>
<b>Total</b>			<b>186 904 268</b>	



Photo: Gettyimages

## Our customers

■ The strong growth Bank Norwegian has had in recent years leveled off in 2020. Gross customer growth during the year was 43,000. It is mainly fewer new card customers that are the reason for this development.

# 43,000

Gross customer growth during the year

The COVID-19 related restrictions have drastically changed the consumption pattern throughout the Nordic region. Customers used the card for a total of NOK 53 billion in 2020, divided into 104 million transactions. The card, which is usually a popular means of payment for our customers when they are abroad, was last year mostly used to buy

groceries. Most groceries were traded in the period April to June. A total of 2.37 billion Norwegian kroner was spent, while in the same period in 2019, 1.97 billion was spent.

The card is an everyday card that is used for large variety of purchases. On average, 99.5 percent of card use is repaid the following month. Customers' rational and good payment discipline has continued through 2020 and the COVID-19 crisis.

The Bank gained 50,400 new loan customers in 2020. A large part of the



# ≈90%

## Average customer satisfaction 2020

growth is in the other Nordic countries, while the Bank continues to gain market share in Norway. A customer survey conducted by the Bank in 2019 among current and former customers in Norway showed that a large proportion of loan customers take out loans to bundle other debt obligations or solve short-term loan needs. Half of the loans are repaid after two years, and on average all the loans are repaid within 3.5 years. The customer experience is important, and customers who come back to us after the loan has been repaid form an important part of the new sales.

During the COVID-19 crisis, we have seen a high level of payment discipline and willingness to pay among our customers, and we have had lower

defaults and fewer cases that have been sent for collection. We try to accommodate our customers who have ended up in a difficult situation as far as possible, and we have implemented several measures to help them.

In April 2020, the Bank started sending surveys by SMS to customers who have been in contact with customer service. The feedback in the survey is very positive, and throughout the year there has been customer satisfaction of almost 90 percent. The same survey also measures NPS (Net promoter score), where customers are asked how likely it is that they will recommend Bank Norwegian to others. The Bank also gets a high NPS score with an average of 55, on a scale from -100 to +100.



# Our products

## The Bank Norwegian Credit Card



■ Bank Norwegian card is award-winning and one of the market's most advantageous cards. In addition to giving CashPoints on purchases, the card has a number of other benefits such as no annual fee, no cash withdrawal fee abroad, including travel and cancellation as well as grocery insurance. Due to the limited opportunities for travel during the pandemic we launched Cashback as an alternative to CashPoints at the beginning of 2021. The card is set up for mobile and watch payment and gives the customer the opportunity to order a free contactless micro card as a supplement.

## Savings account



■ The savings account of Bank Norwegian offers competitive and predictable terms on deposited funds. The account is free to set up and has no withdrawal restrictions or hidden costs. The account is created and operated digitally.

## Loans



■ Bank Norwegian offers unsecured loans and refinancing loans at competitive and transparent prices. The loan product is fully digital, and customers can use simple and automated services and solutions during the customer relationship.

## Insurance



■ Together with selected partners, Bank Norwegian offers simple and competitive insurance products. In 2020, the Bank has increased its focus and strengthened its expertise in the insurance area. Among other things, it has helped to improve several of our existing insurance products, such as the payment insurance we offer. In addition to reducing the price to the customer, we have added new and improved existing coverage so that the product becomes more relevant.

## Innovative customer solutions

■ Bank Norwegian is a fully digital and flexible bank for retail customers that has challenged the established banks since its inception in 2007 by offering simple and standardized deposit and lending products online. The Bank's investment in new technology, automated solutions and mobile apps provides efficient operations, low costs, great scalability and high flexibility.

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

In 2020, the service has been further developed to improve operational reliability and customer friendliness. During the year, customers logged in 28.7 million times.

Through the COVID-19 crisis, the Bank has had a strong focus on developing new and improving existing services in order to take care of customers with any payment challenges in the best possible way.

**Bank Norwegian is a fully digital and flexible bank for retail customers that has challenged the established banks since its inception in 2007 by offering simple and standardized deposit and lending products online.**



## Our employees

**95**  
full-time  
equivalents

■ Bank Norwegian is an attractive and exciting workplace with high competence in all parts of the organization. We have employees from all over the Nordic region where our products are offered, and our employees have a diverse background from more than 14 different countries.

At the end of 2020, the Bank had 95 full-time equivalents, divided into 95 permanent employees and 5 temporary staff. The number of full-time equivalents increased by 9.5 in 2020. All employees work at the head office in Fornebu. The Bank also has 15 self-employed

consultants who mainly work for the Bank.

A key factor in developing specialists at all levels of the organization is communication and knowledge sharing across departments. This gives us dedicated specialists with broad expertise.

Competence development is a focus area, and the Bank aims to further develop our employees through internal and external courses. Regular e-learning courses are held, and employees are encouraged to seek further development in relevant areas.

# 48%

of employees  
are female

Bank Norwegian is an inclusive workplace with a good working environment. The Bank has established guidelines and routines for safeguarding employees' health, safety and the environment, as well as preventing discrimination. There was low sickness absence in 2020 of 2.2%. The Bank has a working environment committee and a safety representative.

COVID-19 has impacted 2020 heavily and put society and companies to the test. Our employees have shown particularly good adaptability and were in a short time in full operation from the home office with digital solutions.

### **The bank's efforts on the UN's Sustainable Development Goals**

We have a high level of awareness of the Bank's social responsibility, where sustainability goal number 5 "Gender equality" is important for the Bank. We have a high proportion of women in management positions and focus on balanced and diverse recruitment.

The Bank has guidelines to ensure that there is no discrimination on the basis of gender, ethnicity, age, functional ability or sexual orientation. The Bank has a satisfactory gender distribution, with 48% women out of a total of 100 employees and 41% of the Bank's managers being women. Women make up 42.9% of the Board of Norwegian Finans Holding ASA and 42.9% of the Board of Bank Norwegian AS.

All the Bank's employees have an annual review of the Bank's Code of Conduct and a seminar for compliance and ethics.

Some of the customer service are performed from Benalmadena in Spain through Webhelp. In southern Spain, there is a good supply of qualified employees from all Nordic countries, so that our customers are served by employees in their own language. There is close collaboration between the Bank and Webhelp, where competence sharing and regular courses help to ensure good follow-up and quality.

### **Key figures: Our employees**

- 100 employees – 95 FTEs and 5 temps
- 95 FTEs
- 48 women and 52 men
- 22 managers, out of which 9 are women
- 9 employees has been with the Bank since the inception in 2007
- 2.2% sickness absence

# Sustainability

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## Sustainability and corporate social responsibility

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

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

We operate cross border activities, offering our products throughout the Nordic countries from our head office in Norway. In 2020, we paid a total of NOK 649 million in direct taxes and fees in Norway.

During the last couple of years, we have dedicated a large amount of resources to elevating our Risk Management Framework to a European Banking Authority (EBA) standard. The Risk Management Framework and associated risk strategies were approved by the Board on 27 November 2020. Other policies, including the Sustainability Policy and Conduct Risk Policy, were considered by the Board in the first quarter of 2020.

In 2020, the Bank conducted several working meetings to identify and assess the risks to which the Bank is exposed in

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

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

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

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

Paid

**649**

million NOK in  
direct taxes and  
fees in Norway

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

Please see the Bank's Sustainability Report 2020 for more information.

## Responsible lending

■ Bank Norwegian plays an important role in society by offering both deposits and loans. Access to credit is a societal benefit that can become a financial challenge for some individuals. The Bank acknowledges its responsibility in marketing, approval of applications and collection process. Responsible credit practices are a prerequisite for the Bank's profitable growth.

Bank Norwegian has a framework for marketing of credit. A main principle in marketing is that it should be aimed at customers who have themselves identified a need for our products. The customer has the best insight into his or her own financial situation. It is the Bank's task to maintain a responsible credit practice where we provide all relevant information to customers so that they can make informed decisions and choose the right product for their needs.

All our customers must be able to service loans that are paid out. The Bank's application process for loan applications is largely automatic and is assessed according to the Bank's self-developed models. For all loan applications, an

automated risk assessment and liquidity calculation is performed. Following the automated process, all loan applications are subject to a manual assessment and control, before any approval.

A large majority of loan applications received by the Bank are rejected and less than 15 per cent of loan applications are paid out. Applicants who do not have service capacity, due to large debts or too low income, will be rejected. We do not offer loans to customers who have a payment remark. At the end of 2020, Bank Norwegian had 1.2 million credit cards and just over 200,000 loan customers in the Nordic region. Our customer database allows us to make high quality individual credit assessments and develop our own risk models that are a good tool for exercising responsible credit practice. The Bank follows the regulations for granting loans in the countries in which we offer our products. For Norwegian loan customers, we have adapted our credit practices in accordance with the regulations on requirements for banks' lending practices for consumer loans, including credit cards.

Less than  
**15%**  
of loan applications  
are paid out



## Privacy of customers, applicants and employees

■ Bank Norwegian focuses on data protection and safeguarding privacy for our customers, applicants and employees. The Bank works continuously with privacy to ensure that all our routines and processes take place in accordance with the privacy regulations.

The Bank focuses on transparency in how we process personal data. For customers and applicants, the Bank has published a privacy policy that is easily accessible to everyone on the Bank's website. It describes how we process personal data, which personal data is processed, the processing basis etc. A similar overview has been made for the Bank's employees, which describes the Bank's handling of the employees' personal data.

The Bank has established general guidelines, routines for processing personal data, mechanisms for incident handling, audits and training. The Bank has routines for incident control and incident reporting. The Bank undergoes internal control on a regular basis concerning compliance with the personal data regulations. The board has adopted guidelines and policies for information security and processing of personal data, which are revised annually.

All employees, temporary employees, consultants and others who work for the Bank must complete e-learning courses related to privacy to ensure that everyone has a general good understanding of data privacy.

## Financial crime

**The bank constantly seeks to detect and prevent fraud, money laundering, tax evasion, terrorist financing and corruption**

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

Due to the increasing digitalisation of society, confidential personal codes and passwords are commonplace. Since these are used to confirm the users' identity for financial services and other

tasks in society are commonplace and must not be shared. There are several examples of individual's digital IDs used for fraudulent purposes, resulting in financial harm.

In addition to automated digital monitoring of the customer base, employees undergo regular mandatory training in detecting money laundering and terrorist financing. We have an internal department addressing financial crime, with expertise in detecting money laundering, terrorist financing and corruption. The Bank works with professional environments to prevent this type of criminal act at all times.

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

In order to take care of the Bank's customers in the best possible way, the Bank has a separate department for

detecting crime of various kinds. The Bank collects information about the customer from many types of registers and lists, for an assessment against information the Bank already possesses. There are strict requirements for identification, in order to establish a customer relationship in the Bank, and the Bank has an ongoing follow-up throughout the customer relationship.

## New regulatory framework for the Bank

■ Bank Norwegian is a responsible social actor and our business is conducted in accordance with applicable laws and regulations in the countries we offer our products.

The regulatory requirements for the Bank have also been affected by COVID-19, and several new requirements were introduced to remedy the economic effects of the epidemic on households.

On 13 March 2020, the Ministry of Finance decided to follow the Norwegian Central Bank's advice to reduce the countercyclical capital buffer requirement for banks from 2.5 to 1 per cent. The requirement was reduced to counteract the fact that a reduced supply of loans to households would intensify the decline as a result of the outbreak of the COVID-19. The countercyclical capital buffer requirement was kept unchanged in a decision by the Ministry of Finance on 18 June.

In a statement on 23 March, the Ministry of Finance emphasized that banks may, in accordance with the Consumer Loans Regulations, grant a temporary grace period of up to six months due

to circumstances that occur during the loan's term and which temporarily impair the customer's ability to pay. It was emphasized in a separate press release by the financial supervisory authority that banks must ensure that the customer's interests are safeguarded and that the customer is given supplementary information about costs and conditions that follow from any changes in the payment plan.

Many of our customers who were affected by the crisis and applied for a deferral of installments and interest were granted deferral, in line with the current procedure. The Bank grants three payment deferrals per year and was not dependent on relaxing this principle. All customers were informed of the consequences of the postponement of the loan costs.

On 9 December, the Ministry of Finance adopted a new lending regulation, which merged the regulations for mortgages and consumer loans into a common lending regulation. The financial supervisory authorities proposed a number of tightening measures to impose on the Banks' lending practices in the consultation memorandum on new

**Bank Norwegian is a responsible social actor and our business is conducted in accordance with applicable laws and regulations in the countries we offer our products**

regulations, but was not heard by the government, which decided to continue the requirements for consumer loans. The new lending regulations will apply for four years until 31 December 2024 but will be evaluated in the autumn of 2022.

In Finland, the interest rate cap was temporarily reduced from 20 to 10 per cent for new unsecured repayment loans from 1 July to 31 December, and the new law was justified by the pandemic. In addition, there was a ban on increasing loan costs and direct marketing of unsecured credit. On December 30, the President approved a new law in which the ban on marketing and a temporary interest and cost ceiling of 10 percent for new repayment loans was extended to apply until September

30, 2021. The new interest rate ceiling does not apply to credit cards or existing loans. The Bank adapted to the new rules prior to the entry into force.

Denmark introduced an interest rate cap for annual costs of 35 per cent on 1 July. A ban was also introduced on marketing unsecured credit at a cost of more than 25 per cent, and borrowers could not pay more than 100 per cent of the total loan amount in costs. It was also forbidden to market credit in media that also have advertising for gambling, which has led to major challenges for the external marketing to the financial industry since gambling advertising is legal in Denmark. All these requirements implemented by the Bank before the law was implemented.

## Sustainable operations and human rights



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

■ Bank Norwegian strives to contribute to a sustainable development and aims to minimise the Bank's negative impact on the environment. Our objective is to take account of the environmental impact in all of our business operations. The Bank is fully digital, has no physical branches, and only offers services online and via the Bank's mobile app. The Bank's procedures and processes are largely automated with electronic documentation and communication, which reduces paper consumption and transport. The Bank's goal is to bill as many customers as possible electronically, and we encourage all customers to select electronic billing solutions. The Bank also encourages all shareholders to choose to receive notices of general meetings and other relevant information electronically. The Bank does not send out marketing materials by post.

The Bank's offices are located in an energy efficient building which has a Breeam-In-Use certificate. The Bank's offices are easily accessible by public transport and bicycle, and also offer charging points for electric cars. Garbage is recycled and the Bank ensures IT hardware is disposed of in an eco-friendly manner.

We calculated our CO<sub>2</sub> emissions for 2020 using Myclimate and have donated a matching amount to climate protection projects. The calculation shows that the employees' transport to and from work is the greatest contributor to the Bank's emissions.

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

with these principles as well. Guided by these principles, we have integrated sustainability into our operations.

Bank Norwegian strives to support the UN Sustainable Development Goals (SDGs). As part of our annual risk assessment, the Bank conducts a number of workshops on sustainability to define the SDGs on which our operations

have a positive and negative impact. We will comply with and strive to influence the SDGs in our market area in order to achieve a more sustainable future.

Bank Norwegian supports Concern Worldwide.

Please see the Bank's Sustainability Report 2020 for more information.

## Responsible investments

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

There are specific activities, companies and industries that Bank Norwegian does not invest in. Bank Norwegian

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

See the Bank's Sustainability Report 2020 for more information.

## Management and results

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## Presentation of management

The management of Bank Norwegian has accumulated broad experience and industry expertise



**Tine Gottlob Wollebakk**  
*Chief Executive Officer*

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

### Education

Master of science in business administration, Copenhagen Business School.

### Other ongoing principal assignments

Board member of MøllerGruppen AS/Aars since 2011.



**Klara-Lise Aasen**  
*Chief Financial Officer*

Ms. Aasen (1974) has been employed as CFO in Bank Norwegian since October 2020 and has more than 15 years of financial services experience. Prior to joining Bank Norwegian Aasen held position as Executive Vice President and Head of Group Financial Management in DNB from (2017-2020) and executive management positions in Nordea from 2006-2017, the latest four years as Global Head of Group Credit Risk and Financial Reporting Control and the previous four years as CFO for Nordea Bank Norway. Prior to joining financial services she worked in external audit, latest as Manager in EY (Ernst&Young). Previous board member in Nordea Life Holding, Nordea Pensionfund, DNB Northern Europe and DNB Lifeinsurance.

### Education

Stateauthorised Public Accountant (Master of Audit), Norwegian School of Economics, Bergen, Norway.

### Other ongoing principal assignments

None.



**Tore Andresen**  
*Chief Operating Officer*

Mr. Andresen (1965) has been employed as COO in Bank Norwegian since 2009 and has more than 30 years of financial service experience. Prior to joining Bank Norwegian, Mr. Andresen worked as Managing Director at Aktiv Kapital Norge (2007-2008) and Managing Director at Lindorff Decision (2001-2006). Mr. Andresen has also experience of board assignments, hereunder as board member of Lindorff Match AS (2005-2006), board member of Aktiv Kapital Danmark AS (2007-2008) and chairman of the board of Aktiv Kapitaladministrasjon AS (2007-2008).

### Education

Associate degree in business administration, Norwegian School of Economics.

### Other ongoing principal assignments

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



**Karstein Holen**  
*Chief Information Officer*

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

**Education**

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

**Other ongoing principal assignments**

None.



**Fredrik Mundal**  
*Chief Marketing Officer*

Mr. Mundal (1976) has been employed as CMO of Bank Norwegian since end of 2016. He has been with the Bank since 2007 in previous positions as Head of Customer Service and Product Manager of Credit Cards and as Head of Credit. He has 15 years of financial services experience. Prior to joining Bank Norwegian, Mr. Mundal was employed at SEB Kort Credit Department (2003-2007).

**Education**

Bachelor in Business Administration and IT, University of Agder.

**Other ongoing principal assignments**

None.



**Peer Timo Andersen-Ulven**  
*Chief Credit Risk Officer*

Mr. Andersen-Ulven (1970) has been employed as CRO of Bank Norwegian since January 2018 and was engaged as the Bank's Program Manager for IFRS 9 implementation since October 2017. He has 24 years of financial services experience. Prior to joining Bank Norwegian, Mr. Andersen-Ulven was a Partner at Financial Risk Management at KPMG (2016-2017). Earlier assignments include Program Manager for IRB-A at Santander Consumer Finance (2007-2015), Consultant at Capgemini (2004-2007) and Capital Adequacy modeling for Fairprice (2000-2004).

**Education**

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

**Other ongoing principal assignments**

None.





**Frode Bergland Bjørnstad**  
Chief Legal & Compliance  
Officer

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

#### **Education**

Cand Jur (master of Law)  
University of Bergen.

#### **Other ongoing principal assignments**

Board member of Lilienthal Finance Ltd. and Norsk Forening for Jus and EDB.



**Kai-Harry Hansen**  
Head of Risk Management

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

#### **Education**

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

#### **Other ongoing principal assignments**

None.



**Merete Eikeseth Gillund**  
Head of New Markets

Mrs Eikeseth Gillund has been employed as Head of New Markets since 2020. Previously, she was the Chief Information Officer of the bank from 2008 to 2020. Mrs Eikeseth Gillund has 20 years of experience working with IT within banking/finance, both technical and administrative, within credit cards (issuing and acquiring) and retail banking. Prior to joining Bank Norwegian, Mrs. Eikeseth Gillund was employed as Department Manager at SEB Kort AB (2004-2008). Earlier assignments include Senior Consultant positions in Exense ASA (2003-2004), Scope AS (2001-2003) and Database Consult (1996-2001). Born in 1969.

#### **Education**

Master of science in information technology, University of Stavanger.

#### **Other ongoing principal assignments**

None.

# Presentation of the Board of Directors



**Klaus-Anders Nysteen**  
Chairman of the Board NFH and BN

Klaus-Anders Nysteen (1966) has been chairman of the Board since April 2020.

Klaus-Anders Nysteen has been CEO of Hoist Finance since March 2018. He has previously worked in, among others, Nordic Capital, Lindorff Group, Entra Eiendom AS and Statoil Fuel & Retail ASA and as CEO at Storebrand Bank ASA. He has extensive experience from a number of board positions, among others in Webstep ASA and Asset Buyout Partner AS.

#### Education

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

#### Other ongoing principal assignments

Member of the board of Asset Buyout Partner AS.

**Number of NFH and BN board meetings\* in 2020**  
9/9 and 11/11.



**John E. Høsteland**  
Board member BN

John E. Høsteland (1947) has been member of the Board since 2007.

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

#### Education

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

#### Other ongoing principal assignments

Chairman of the board of Høst Verdien i Avfall AS. Member of the board of Tekas AS and First Fondene AS.

**Number of BN board meetings\* in 2020**  
16/16.



**Christine Rødsæther**  
Board member NFH and BN

Christine Rødsæther (1964) has been member of the Board since 2017.

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

#### Education

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

#### Other ongoing principal assignments

Member of the board of Odfjell SE.

**Number of NFH and BN board meetings\* in 2020**  
14/14 and 16/16.



**Lars Ola Kjos**  
Board member BN

Lars Ola Kjos (1978) has been member of the Board since 2013.

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

#### Education

Bachelor of Science in business administration finance, University of Denver.

#### Other ongoing principal assignments

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

**Number of BN board meetings\* in 2020**  
15/16.

\*Number of Board meetings since appointment



### **Charlotte Ager**

*Board member BN (elected by the employees)*

Charlotte Ager (1987) has been member of the Board since August 2020.

Charlotte Ager has been employed at Bank Norwegian since March 2019. She is an analyst in the department for Disputes and Economic Crime. She is also part of the Banks AML-team. Previously she has been employed at the National Board of Appeal in Denmark.

#### **Education**

Master of Law from University of Copenhagen.

#### **Other ongoing principal assignments**

None.

#### **Number of BN board meeting\* in 2020**

6/6.



### **Anita M Hjerkin Aarnæs**

*Board member NFH*

Anita Marie Hjerkin Aarnæs (1950) has been member of the Board since 2007.

Anita Hjerkin Aarnæs is an experienced manager with broad international know-how, a comprehensive track record in business development, strategic planning and operational performance cross industries. Her current position is Managing Partner Scandinavia at The Board Practice. Prior to this she served as the HR Director at DNO ASA, as Partner-in Charge at Heidrick & Struggles and TripleA Consulting AS and as management consultant at PA Consulting Group for 20 years.

#### **Education**

Master of Public Administration, Harvard University.

#### **Other ongoing principal assignments**

Chairman of the board of TripleA Consulting AS. Member of the nomination committee at DNO ASA.

#### **Number of NFH board meetings\* in 2020**

14/14.



### **Izabella Kibsgaard-Petersen**

*Board member NFH and BN*

Izabella Kibsgaard-Petersen (1978) has been member of the Board since April 2020.

Izabella Kibsgaard-Petersen has more than 15 years of experience in compliance, risk management and internal audit. She currently works as SVP Director of compliance at Veidekke ASA. In recent years, Izabella Kibsgaard-Petersen has worked with a comprehensive approach to business management and how functions such as compliance, risk management and internal auditing can contribute to good governance and control for value creation. She previously held positions at the Garantiinstituttet for eksportkredit, Abbott / AbbVie and KPMG.

#### **Education**

Law degree from the University of Oslo and certified international auditor from BI Norwegian Business School.

#### **Other ongoing principal assignments**

None.

#### **Number of NFH and BN board meetings\* in 2020**

9/9 and 11/11.

\*Number of Board meetings since appointment



**Kjetil Garstad**  
*Board member NFH*

Kjetil Garstad (1976) has been member of the Board since 2019.

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

#### **Education**

Master of Science in business administration, Norwegian School of Economics.

#### **Other ongoing principal assignments**

Member of the board of Gaming Innovation Group, Protector Forsikring and Øgreid AS. Deputy board member of B2Holding ASA.

**Number of NFH board meetings\* in 2020**  
14/14.



**Knut Arne Alsaker**  
*Board member NFH*

Knut Arne Alsaker (1973) has been member of the Board since 2019.

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

#### **Education**

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

#### **Other ongoing principal assignments**

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

**Number of NFH board meetings\* in 2020**  
12/14.



**Hans Larsson**  
*Board member NFH and BN*

Hans Larsson (1961) has been member of the Board since April 2020.

Hans Larsson is CEO of Linderyd Advisory AB since 2014. He previously held the position as Deputy CEO and Head of Staff at Lindorff A/S, Norway, 2014-15. Prior to this he was a member of the Group Executive Committee of Skandinaviska Enskilda Banken AB (SEB) in Sweden between 2006 and 2013 as Head of Group Staff, Business Development and M&A and prior to that Head of Capital Markets and Client Relationship Management within SEB. He has extensive experience of operative and international board assignments within the SEB Group.

#### **Education**

Bachelor of Science in Administration and Economics from the University of Uppsala and Advanced Management Program from INSEAD.

#### **Other ongoing principal assignments**

Chairman of the board of Intrum Justitia AB, Nordnet AB, Nordnet Bank AB and Swedish Export Credit Corporation.

**Number of NFH and BN board meetings\* in 2020:** 7/9 og 10/11.

\*Number of Board meetings since appointment

## The work of the Board of Directors in 2020

■ The table lists the most important matters that the Board of the Norwegian Finans Holding Group worked on in 2020. See the more detailed overview in Section 9 of the chapter concerning Corporate Governance.

	JAN	FEB	MARCH	APRIL	MAY	JUNE	JULY	AUG	SEP	OCT	NOV	DEC
Information about the business												
Strategy												
Annual report 2019												
Risk and Audit Committee												
Remuneration Committee												
Evaluation of the CEO and Board												
The rules of procedure for the Board												
Other rules of procedure												
Interim reports												
ICAAP/ILAAP												
Pillar 3 report												
Corporate governance												
Dividend policy												
Policies												
Risk management policies												
Strategy seminar												
External auditor												
Operational risk, internal control and compliance reports												
Annual plan												
Updates from subcommittees												
Budget and capital plan												
Annual report – internal auditor												
Liquidity and funding												
Recovery plan												
ESG												

# Corporate governance

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

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

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

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



## THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

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

### 1. Implementation and reporting on corporate governance

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

*No deviations from the Code.*

### 2. Business

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

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

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

*No deviations from the Code.*

### 3. Equity and dividends

The Board continuously monitors the Company's capital situation in relation to objectives, strategy and risk profile. The Bank displays a strong capital adequacy with a common equity Tier 1 ratio of 22.4%, a Tier 1 capital ratio of 23.9% and a total capital ratio 26.0% as of 31 December 2020. The Group has a common equity Tier 1 ratio of 22.0%, a Tier 1 capital ratio of 23.6% and a total capital ratio of 25.7%. The Bank's significant growth and profitability give it a great deal of flexibility in terms of controlling the capital situation.

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

The general meeting has authorised the Board to increase the share capital to



enable issuance of shares as non-cash consideration under incentive schemes and to increase the share capital for acquisitions which are consistent with the Company's objectives or necessary to strengthen the Company's equity. The general meeting has also authorised the Board to buy back shares. The Board authorisations remain valid until the ordinary general meeting in 2021.

*No deviations from the Code.*

#### **4. Equal treatment of shareholders and transactions with close associates**

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

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

Nordic Capital Fund IX and Sampo plc are the Company's largest shareholders

with an ownership stake of 22,7 & as of 31 December 2020, An 6.3% increase in 2020.

Since October 2007, Bank Norwegian AS and Norwegian Air Shuttle ASA have had an agreement governing the Bank's use of the Norwegian brand, intellectual property rights, and collaboration on loyalty programmes and credit cards. Following the establishment of Banking operations in Sweden, Denmark and Finland, new agreements have been negotiated.

*No deviations from the Code.*

#### **5. Shares and negotiability**

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

*No deviations from the Code.*

#### **6. General meetings**

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

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

The voting is stated in the notice. It is permitted to vote on each item that

shall be dealt with, including voting for individual candidates. Shareholders who are unable to attend a general meeting are permitted to vote by electronic means or cast their votes in advance in writing or by proxy form. The minutes of general meetings are available on the company's website.

*No deviations from the Code.*

### **7. Nomination Committee**

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

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

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

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

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

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

*No deviations from the Code.*

### **8. Board of Directors: composition and independence**

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

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

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

The independence of board members is assessed in connection with their election. The Board is considered independent. The Board of Directors of Bank Norwegian AS held 16 meetings and the Board of Directors of Norwegian Finans Holding ASA held 14 meetings in 2020.

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

*No deviations from the Code.*

## 9. The work of the Board of Directors

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

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

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

### *Risk Committee*

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

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

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

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

### *Audit Committee*

The Audit Committee consists of three members and appoints the chairman of the committee from the committee members. The leader is appointed annually. At least one of the committee members must be independent of the business and have relevant accounting or auditing expertise. The Audit Committee shall collectively have the competence that, based on the company's organization and activities, is necessary to carry out its tasks.

The Audit Committee is a subcommittee of the Board of NFH and shall function as a preparatory and advisory board for the board, with a focus on internal control related to financial reporting. The purpose is to achieve thorough preparation and efficient utilization of the Board's expertise and time.

### *Remuneration Committee*

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

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

*No deviations from the Code.*

## 10. Risk Management and Internal Control

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

This goal shall be achieved through:

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

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

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

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

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

### *Roles and responsibilities*

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

The CEO shall ensure that the Board-approved objectives, guidelines and authorisations for the Bank's risk management and internal control are complied with and shall ensure the effective management and control of risk. Heads of departments that report to the CEO are responsible for the control, reporting and monitoring of self-imposed and statutory requirements.

The Credit Risk Department is responsible for monitoring the Bank's adopted Credit Risk Policy and Model Risk Management Framework, and shall ensure regular reporting and monitoring.

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

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

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

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

*Policies, guidelines and procedures for managing and controlling risk*

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

The Bank has established policies for capital management, credit risk, liquidity and funding risk, operational risk and internal control, sustainability, outsourcing, remuneration, conduct risk, information security, new product approval (NPAP), anti-money laundering (AML/CTF), GDPR, conflicts of interest, and dividend. These policies and associated procedures and routines

provide guidelines for the Bank's efforts to identify and monitor various risks.

*Strategic planning and capital planning*

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

*Reporting and monitoring*

compared to its risk appetite. The key risk indicators are followed up and reported according to a "traffic light approach" for each risk indicator.

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

The risk appetite related to profitability and capital will be reported to the Board of Directors on a monthly basis. Other indicators impacting profits and capital will be available through daily and weekly reports to the CFO and the executive management. The Head of the Risk Management Function is responsible for independent reporting to the Board at least every quarter.

*Recovery- and contingency plans*

The Bank has established a board-approved Recovery Plan, Crisis- and Disaster Recovery Plan (CDRP), in addition to various contingency plans for ensuring sufficient capital and liquidity in the event that internal and/or external factors have a negative impact on the Bank's solvency or liquidity.

*No deviations from the Code.*

### 11. Remuneration of the Board of Directors

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

*No deviations from the Code.*

### 12. Remuneration of executive personnel

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

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

scheme complies with the provisions of the Norwegian Regulations relating to Remuneration Schemes in Financial Institutions, etc.

*No deviations from the Code.*

### 13. Information and communication

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

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

The Board has established guidelines for the company's contact with shareholders other than through general meetings.

*No deviations from the Code.*

### 14. Take-overs

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

The Board of Directors of Norwegian Finans Holding ASA handles any takeover bids in accordance with the principle of equal treatment of shareholders. The Board also seeks to ensure that shareholders are given the

best possible information in all situations which affect their interests.

*No deviations from the Code.*

### **15. Auditor**

The auditor presents the annual audit plan to the Board. The auditor participates in risk and audit committee meetings at which the financial reports are discussed. Each year, the auditor

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

*No deviations from the Code.*



## Director's Report 2020 – NFH Group

### OPERATIONS, GOALS AND STRATEGY

Norwegian Finans Holding ASA (NFH) owns 100% of the shares in Bank Norwegian AS and Lilienthal Finance Ltd. The company does not engage in any other operations. 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 personal 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.

Norwegian Finans Holding ASA holds the rights to the Bank Norwegian brand for banking services and access to customers across Europe.

Bank Norwegian is a digital bank that offers simple and competitive products to the 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.

COVID-19 and the resulting partial shutdown of Nordic societies quartering March 2020 led to a sharp drop in economic activity, which was countered by decisive government measures to soften the impact on the economies. The NFH Group initially experienced

a fall in credit card purchase volumes and lower demand for instalment loans due to lower private consumption in the beginning of the second quarter. NFH Group experienced a positive development due to the opening of societies and increase in spending in connection with summer holidays; this positive development continued throughout the third quarter showing an uptake in private consumption through higher credit card purchase volumes and increased instalment loan sales. The fourth quarter was in turn affected by the second wave of COVID-19, with decline in economic activity resulting in somewhat lower credit card purchase volumes primarily outside each home markets, and slightly reduced instalment loan volumes through continued positive customer payment behavior combined with somewhat reduced new sales.

At the end of 2020 the NFH Group had a customer base of 1 751 500 customers, which can be broken down into 1 264 300 credit card customers, 206 800 instalment loan customers and 280 400 deposit customers.

The NFH ASA's and the daughter company Bank Norwegian AS's financial statements are accounted for according to the Norwegian annual accounts regulation for banks, credit companies and finance companies. This means that IFRS rules apply with exceptions and simplifications regulated through the annual accounts regulations which in turn means that the Board of Directors' proposal for group contribution and dividends is recognized as debt on the balance sheet date. While as the NFH

Group's is accounted for according to full IFRS, such distribution of net result will not be accounted before the actual decision is made by the annual general meeting in April 2021, hence these capital dispositions are eliminated in the Group accounts at year end 2020.

## **ECONOMIC DEVELOPMENT**

### **Profit and loss account for 2020**

The NFH Group's comprehensive income for 2020 was NOK 1 887 million, compared with NOK 1 981 million in 2019. The decrease in profit is mainly due to higher provision for loan losses related to the uncertain outlook of COVID-19, lower net commission income due to lower credit card activity which were partly offset by increased interest income derived from exchange rate effects. The return on equity was 18.9% and the return on assets was 3.1%.

### **Net interest income**

Net interest income was NOK 5 413 million, an increase of NOK 152.4 million from 2019 through increased interest income partly offset by higher interest expenses. The interest income increase is mainly explained by the positive impact from the diversified Nordic business model through exchange rate effects and increased liquid assets, partly offset by negative credit card loan growth, primarily in Norway. The increase in interest expense is mainly due to full year effect of senior debt issuances in December 2019 partly offset by lower interest on customer deposits from deposit interest rate reductions. The net interest margin was 8.8%, compared with 10.0% in 2019. The decrease is mainly explained by a higher share of liquid assets where liquidity reserves increased from 29.0% to 38.6% from the end of 2019 to the end of 2020.

### **Net other operating income**

Net other operating income was NOK 229.6 million, a decrease of NOK 92.1

million from 2019. Net commission and bank services income went down NOK 72.8 million, totalling NOK 217.0 million due to lower credit card usage related to the pandemic. Income from shares and other securities amounted to NOK 24.0 million and consist of a dividend received from VN Norge AS. The net change in value on securities and currency was NOK -11.4 million, compared to NOK 32.1 million in 2019. Negative change in value on fixed income securities exceeded gains on currency and positive change in value of shares in 2020. Value-adjusted return on the securities portfolio was 0.7%, compared with 0.8% in 2019.

### **Operating expenses**

Total operating expenses totalled NOK 1 313 million, a reduction of NOK 11.5 million from 2019. Personnel expenses went up NOK 20.5 million due to increased number of employees. General administrative expenses decreased NOK 51.5 million, mainly due to lower digital marketing spending. Depreciation increased NOK 20.5 million mainly as depreciation of the pre-paid rights to the Norwegian brand for banking services and access to customers across Europe started-up in May 2020. Other operating expenses was reduced NOK 1.1 million.

### **Provision for loan losses**

The NFH Group's provision for loan losses was NOK 1 831 million, compared with NOK 1 627 million in 2019. The increased loan loss provision is mainly related to the uncertain macro-outlook of COVID-19. Due to the uncertain outlook of COVID-19, the NFH Group made a discretionary additional provision for loan losses of NOK 230.0 million in the first quarter. In the second quarter this additional provision was absorbed in amended ECL models, while the optimistic scenario in the macro-model was removed resulting in a one-off increase in the loan loss provision of NOK 55.5

million. During the fourth quarter the lifetime PD models in all countries on all products was redeveloped and new delivery of monthly macro information was included, in addition to improved triggering model of stage placement. As a result, the combination of base, optimistic and pessimistic scenario was included when updated PD lifetime models, updated the macro assumptions utilized in the ECL models and changed probability weighting was implemented. Due to more frequent update, the macro assumptions include updated effects of COVID-19 at year end and management override as made in earlier quarters on previous models and macro assumptions, was assessed not necessary to reflect the best estimate of expected credit loss at year end. Provisions equalled 4.1% of average gross loans, compared with 3.9% in 2019.

Stage 3 loans were NOK 10 146 million, compared with NOK 7 637 million in 2019. Stage 3 loans accounted for 23.7% of gross loans, compared with 17.3% in 2019. Stage 3 loans are developing as expected. While the relative share of stage 3 is increasing due to lower loan growth, the growth rate into stage 3 has declined.

#### **Balance sheet, liquidity and capital**

The NFH Group's total assets were NOK 63 192 million at the end of the year, a growth of NOK 5 119 million for the full year.

Gross loans to customers decreased NOK 1 278 million compared with an increase of NOK 4 386 million in 2019 and totalled NOK 42 878 million at year end. Currency adjusted gross loan growth was NOK -3 110 million compared to NOK 4 739 million in 2019. Broken down by product, instalment loans increased NOK 781.8 million, with a currency adjusted loan growth of NOK -576.9 million, compared to currency adjusted growth of NOK 2 675 in 2019.

Credit card loans was reduced NOK 2 059 million, with a currency adjusted loan growth of NOK -2 533 million, compared to NOK 2 064 in 2019, of which NOK -1 897 million was in Norway. The negative currency adjusted loan growth in instalment loans is mainly due to lower new sales in Norway combined with good payment behaviour increasing run off in all countries, while the negative growth in credit cards is mainly due to lower customer spending related to COVID-19. Gross loans to customers are distributed into NOK 16 874 million, NOK 12 218 million, NOK 8 176 million and NOK 5 610 million in Norway, Finland, Sweden and Denmark, respectively.

Customer deposits grew by NOK 2 559 million and totalled NOK 42 678 million at year end. Currency adjusted growth was NOK 997.9 million. The increase was mainly in Norway and Denmark. Several deposit interest rate reductions have been implemented for both countries in the second half of 2020, with an additional reduction announced in the fourth quarter which will take effect in the first quarter of 2021. Also after year-end, reductions have been announced with effect from February for Denmark and April for Norwegian deposits. Customer deposits are distributed into NOK 20 179 million, NOK 10 121 million, NOK 6 484 million and NOK 5 894 million in Norway, Denmark, Finland and Sweden, respectively. The deposit-to-loan ratio was almost 100% at the end of the year.

The NFH Group participated in F-loan auctions offered by Norges Bank in the first quarter, and was allotted F-loans of NOK 400 million of 3 months maturity at the prevailing rate in the auction of March 13, 2020 and NOK 1 000 million of 12 months maturity at the prevailing rate plus 30bp in the auction at March 19, 2020. The 3-month F-loan of NOK 400 million was repaid at maturity in the second quarter.

The holdings of certificates and bonds increased NOK 6 869 million and totalled NOK 21 520 million at the end of 2020. Other liquid assets totalled NOK 2 844 million at the end of 2020. The liquidity reserves increased NOK 7 551 million and ended at NOK 24 365 million, equivalent of 38.6% of total assets and up from 29.0% at the end of 2019. The liquidity position has been strong throughout the year. The securities portfolio is liquid with solid counterparties and a high share of government certificates, local government bonds and covered bonds.

Debt securities issued was reduced by NOK 503.5 million and totalled NOK 6 034 million at year end.

Total equity was NOK 11 328 million for the NFH Group at year end. The total capital ratio at the end of 2020 was 25.7% for the NFH Group and 26.0% for the Bank. The core capital ratio at the same point in time was 23.6% for the NFH Group and 23.9% for the Bank. The common equity tier 1 ratio was 22.0% for the NFH Group and 22.4% for the Bank at year end.

## RISK MANAGEMENT

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

The NFH Group has established a board approved Risk Management Framework with its own policies for all significant risks with associated risk appetite, key risk indicators (KRI) and tolerance levels. As outlined in the Risk Management Framework and in the business strategy, the NFH Group shall primarily generate earnings through exposure to unsecured lending in the retail segment. Other financial risks are limited by the defined risk limits. The

risk limits are determined in relation to the NFH Group's buffer capital and risk-bearing capacity.

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

## Credit risk

The greatest financial risk exposure in Bank Norwegian is credit risk in its lending portfolio. Credit risk is defined as the risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations.

The Board of Directors sets long-term targets for the risk profile through the Risk Management Framework and associated risk appetite. The Risk Management Framework shall form a holistic and balanced view of the risk in the business, while the Bank's Credit Risk Policy and Capital Management Policy defines maximum limits for credit exposure. Limits have been set for annual loan growth (in % of gross loans), probability of default (PD), stage 3 loans to loans, and Coverage Ratio.

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

Bank Norwegian's internal models for risk classification of customers are subject to continual improvement and testing. The risk classification systems are used for decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

The NFH Group's credit guidelines

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

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

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

### **Liquidity and funding risk**

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

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

the Board and executive management team.

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

Going forward, the share of market financing will increase as a result of current MREL requirements and NFH Group's strategy to increase the NFH Group's diversification and reduce the need for deposits as a source of funding.

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

### **Market risk**

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

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

Interest rate risk arises as a result of the balance sheet items having different remaining interest rate commitment terms. The Board of Directors has adopted limits for the total interest rate

risk, both in the accounting and economic perspective. Economic interest rate risk is an expression of actual interest rate risk, while accounting interest rate risk includes those items that are recognized at fair value in the balance sheet.

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

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

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

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

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

### **Operational risk**

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

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

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

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

Given the risk inherent in using Information and communications technology, this area is subject to continuous monitoring. ICT-related Key Risk Indicators (KRIs) are closely monitored and included in the NFH



Group's risk reporting to the Board and executive management team. The Internal Audit also carries out independent reviews and tests of the NFH Group's security in the area.

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

### **Compliance risk**

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

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

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

### **Conduct risk**

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

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

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

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

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

## **PERSONNEL AND THE ENVIRONMENT**

The NFH Group's employees have yet again delivered good results. At December 31, 2020 the NFH Group had 95 employees and 5 temporary employees, corresponding to 95.0 full time equivalent employees, compared with 85 employees, 2 temporary employees and 85.5 full time equivalent employees at December 31, 2019. There are no other employees in Norwegian Finans Holding ASA than the CEO.

The NFH Group's Board of Directors and management aim to promote equal status between men and women. The NFH Group has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning salaries, promotions, recruitment, and others. Of the NFH Group's 95 employees, there are 49 men and 46 women. Of the 22 managers with personnel responsibility, nine are women.

The NFH Group has a bonus scheme for all permanent employees in accordance with current guidelines. The



bonuses earned are based on the return on equity achieved. The NFH Group has established good pension and personnel insurance schemes, and offers a programme for employees to counteract ergonomic injuries.

Absence due to illness was 2.2%. The working environment is regarded as good. The NFH Group has established a Workers Environment and Liaison Committee. There have not been any work related accidents or injuries during the year. In the opinion of the Board of Directors, the NFH Group's operations do not pollute the external environment.

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

### **SUSTAINABILITY REPORT**

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

### **CORPORATE GOVERNANCE**

The Board of Directors supports the Norwegian Code of Practice for Corporate Governance. The principles of corporate governance are described later in the annual report. Norwegian Finans Holding ASA's shares are listed on the Oslo Stock Exchange with the ticker code NOFI and are freely negotiable. There are no statutory

restrictions on ownership, trade or voting for shares in the company.

### **EVENTS AFTER THE DATE OF THE BALANCE SHEET**

The Board of Directors is aware of the following events after the date of the balance sheet that may be of material significance to the annual accounts.

The situation with the Norwegian airline's restructuring program is being closely monitored. It is our expectation that the company will reach a solution during the spring in which a restructured new airline continues to support the continuation of the Reward program between Norwegian Air Shuttle ASA and the Bank. Otherwise, the Bank will be able to establish new benefits for customers to maintain the attractiveness and profitability of the card program, including a potential extension of the temporary cashback solution launched in February.

On March 4, 2021, Nordax Bank AB (publ) ("Nordax") announced its intention to launch a voluntary offer for the shares in the Norwegian Finans Holding ASA. The proposed offer price was NOK 95 per share in cash, representing a 16.5% premium to the undisturbed closing price on March 3, 2021. The Board of Directors of NFH responded March 9, 2021 to Nordax that the indicated offer price significantly undervalues the Company and its prospects and that the minimum acceptance level of 50.1% of the shares of the company is undesirable both from a regulatory and governance perspective. Taking all relevant considerations into account, the proposal by Nordax is not viewed by the Board of Directors to be in the best interest of the shareholders of the Company and does therefore not form a basis for commencement of a process. The Board of Directors will evaluate any further proposals made by Nordax or any proposal made by any other party in the best interest of shareholders.

## OUTLOOK

The start of 2021 was highly affected by an increased pandemic growth rate after the holiday season. Partial lockdowns and stricter social restrictions were announced with the ambition to combat the rapid global increase of COVID-19 virus infections referred to as “wave two”, which cumulated during the last weeks of 2020. Massive vaccination programs were initiated at the end of December and early January in most countries, including the Nordics, with an aim to cover the majority of the adult population prior to summer. The exceptionally rapid development of vaccines has been an extraordinary accomplishment and is expected to accelerate growth during 2021. The economic activity during the first half of 2021 is still expected to be subdued and there is still uncertainty related to the pace of recovery. The Nordic countries have decided to prolong the governments’ supportive actions for the economies through the first half of 2021 to reduce the negative impact for businesses and individuals. Unemployment rates are still at elevated levels, but lower than previously anticipated and the outlook is somewhat better, partly due to government support schemes.

The financial markets continued to develop positively during the last part of 2020 and at the start of 2021. The turmoil surrounding the presidential election and inauguration in the USA seems to have a smaller impact on key metrics at the start of the year 2021 compared to late 2020. In addition, President Joe Biden has initiated several initiatives to accelerate growth and lower unemployment while seeking to improve international relations. In the Nordics, real estate prices have continued to increase and credit spreads continued to contract to lower levels, approaching pre-COVID-19 levels in most instances with some instances of even lower levels at the start of 2021.

The Norwegian Krone appreciated at the end of 2020 compared to all relevant currencies, affecting both our interest income and loan- and deposit volumes negatively in the fourth quarter. The market indicates a further strengthening of the Norwegian Krone into 2021, supported by higher oil prices and positive risk sentiment.

The NFH Group continues to show a healthy financial position with high profitability, very strong capitalization and high levels of liquid assets. This sets the foundation for resilience and ability to withstand any further adverse effects as result of COVID-19. Throughout 2020, credit underwriting and ordinary operations have been maintained. This is expected to continue also into 2021. Deposit rate reductions in Norway during 2020 have reduced deposit volume levels and further decline is expected as the effects are phased in, with the latest reductions coming into effect from April 1. In Denmark the deposit interest rate reduction to zero with an ambition of stemming the large inflow of deposits was communicated on August 13 for large deposits, and at the end of December for all deposits. In Finland, the temporary interest rate cap on unsecured loans was prolonged until end of September 2021.

During the pandemic, customers have in general behaved rationally, resulting in fewer customers being late with their payments in all four countries. The NFH Group experienced low and declining levels of loans sent to debt collection, particularly through the second half of 2020. This trend has continued into 2021.

The consumer lending market have experienced a significantly lower growth or experienced a decline in all countries NFH Group operates since the start of 2020. Key reasons for this is improved customer liquidity as interest expenses

on e.g. mortgages have declined in parallel with reduced spending and less travel due to restrictions related to the pandemic. This has affected the entire market negatively through increased down payments and lower new loan volumes. NFH Group has experienced the same development, yet with a stable or increasing market share in all markets despite the volume decline. This proves our resilient business model also through turbulent times when the whole consumer finance market is affected.

The NFH Group will issue senior bonds as MREL eligible capital during Q1 2021, according to our identified regulatory needs. Issuance of senior non-preferred bonds will commence later in the year, following updated rating information. As a result of the positive response from Norwegian FSA early January 2021 on our application to change the group structure through a parent-subsidiary merger, the issuances of MREL eligible debt will be made from Bank Norwegian. The completion of the merger will, subject to relevant approvals, be carried out during first half of 2021.

The European expansion plan is on

track and progressing according to our ambition to launch in the fourth quarter. Our current market position, strong financials and our growth strategy continue to make the NFH Group well positioned to leverage our leading position also in the future. As a result of the NFH Group's solid capital position, a dividend is proposed to the Annual General Meeting (AGM) in April, of NOK 6 per share, of which NOK 5 to be paid in cash in May and the remaining NOK 1 per share to be paid after September 30, 2021. The total dividend amounts to 29.6% of total net result attributable to shareholders of the combined years 2019 and 2020. This is considered compliant with the Norwegian FSA and the Ministry of Finance guidelines regarding cautious dividend pay-out policy of max 30% of the combined net profit for the two years.

#### **PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR**

It is proposed that Norwegian Finans Holding ASA will receive NOK 1 451 million in group contributions from Bank Norwegian AS. The Board of Directors propose for the Annual General Meeting a dividend of NOK 6 per share, total NOK 1 121,1 million, and NOK 0.3 million is added to retained earnings.

Bærum, March 16, 2021

The Board of Directors of Norwegian Finans Holding ASA

Klaus-Anders Nysteen  
Chairman of the Board

Anita Aarnæs  
Board member

Christine Rødsæther  
Board member

Hans Larsson  
Board member

Knut Arne Alsaker  
Board member

Kjetil Garstad  
Board member

Izabella Kibsgaard-Petersen  
Board member

Tine Wollebakk  
CEO

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## Profit and loss account

Amounts in NOK 1000		NFH Group	
	Note	2020	2019
Interest income, effective interest method		5 881 446	5 748 496
Other interest income		233 880	162 279
Interest expenses		702 272	650 090
<b>Net interest income</b>	15	<b>5 413 054</b>	<b>5 260 685</b>
Commission and bank services income	16	412 016	540 443
Commission and bank services expenses	16	195 043	250 703
Income from shares and other securities	35	24 029	-
Net change in value on securities and currency	17	-11 359	32 053
<b>Net other operating income</b>		<b>229 644</b>	<b>321 792</b>
<b>Total income</b>		<b>5 642 698</b>	<b>5 582 477</b>
Personnel expenses	18	122 832	102 293
General administrative expenses	19	1 043 582	1 095 085
Depreciation and impairment of fixed and intangible assets	28, 29, 30	88 214	67 693
Other operating expenses	20	58 533	59 588
<b>Total operating expenses</b>		<b>1 313 162</b>	<b>1 324 659</b>
Provision for loan losses	5, 6	1 830 948	1 627 359
<b>Profit before tax</b>		<b>2 498 588</b>	<b>2 630 459</b>
Tax charge	27	611 613	649 408
<b>Profit after tax</b>	2	<b>1 886 975</b>	<b>1 981 051</b>
Proportion attributable to shareholders		1 848 395	1 935 354
Proportion attributable to additional Tier 1 capital holders		38 580	45 697
<b>Profit after tax</b>		<b>1 886 975</b>	<b>1 981 051</b>
Earnings per share	21	9.90	10.37

## Comprehensive income

Amounts in NOK 1000		NFH Group	
		2020	2019
<b>Profit on ordinary activities after tax</b>		<b>1 886 975</b>	<b>1 981 051</b>
<b>Comprehensive income for the period</b>		<b>1 886 975</b>	<b>1 981 051</b>

# Balance sheet

		NFH Group	
Amounts in NOK 1000	Note	31.12.20	31.12.19
<b>Assets</b>			
Cash and deposits with the central bank	11, 12, 22, 23	69 451	68 500
Loans and deposits with credit institutions	11, 12, 22, 23	2 774 788	2 094 165
Loans to customers	2, 3, 5, 7, 8, 11, 12, 23	37 943 688	40 560 502
Certificates and bonds	11, 12, 23, 24	21 520 427	14 650 988
Financial derivatives	11, 12, 23, 24	341 309	76 371
Shares and other securities	23, 24	50 692	44 863
Intangible assets	28	448 701	504 315
Deferred tax asset	27	4 107	3 502
Fixed assets	29, 30	4 883	7 343
Receivables	31	33 965	62 835
<b>Total assets</b>		<b>63 192 011</b>	<b>58 073 384</b>
<b>Liabilities and equity</b>			
Loans from credit institutions	11, 23	1 313 710	52 750
Deposits from customers	2, 12, 23	42 677 703	40 118 369
Debt securities issued	11, 12, 23, 25, 26	6 034 387	6 537 863
Financial derivatives	11, 12, 23, 24	64 862	29 621
Tax payable	27	557 675	625 745
Deferred tax	27	58 234	3 821
Other liabilities	30, 32	42 999	225 912
Accrued expenses	33	236 463	182 907
Subordinated loans	11, 12, 23, 25, 26	877 820	822 688
<b>Total liabilities</b>		<b>51 863 850</b>	<b>48 599 677</b>
Share capital		186 847	186 695
Share premium		978 201	972 295
Tier 1 capital	34	635 000	635 000
Retained earnings		9 528 112	7 679 717
<b>Total equity</b>		<b>11 328 161</b>	<b>9 473 707</b>
<b>Total liabilities and equity</b>		<b>63 192 011</b>	<b>58 073 384</b>

Bærum, March 16, 2021  
The Board of Directors of Norwegian Finans Holding ASA

Klaus-Anders Nysteen  
Chairman of the Board

Anita Aarnæs  
Board member

Christine Rødsæther  
Board member

Hans Larsson  
Board member

Knut Arne Alsaker  
Board member

Kjetil Garstad  
Board member

Izabella Kibsgaard-Petersen  
Board member

Tine Wollebekk  
CEO

# Cash flow statement

Amounts in NOK 1000	Note	2020	NFH Group 2019
Profit / loss before tax		2 498 588	2 630 459
Unrealized gain or losses on currency		-199 445	-105 965
Depreciation and impairment of fixed and intangible assets	28, 29, 30	88 214	67 693
Provision for loan losses	5, 6	1 830 948	1 627 359
Change in loans to customers	2, 3, 5, 7, 8, 11, 12, 23	2 774 201	-4 390 047
Change in deposits from customers	2, 12, 23	576 153	1 026 578
Change in certificates and bonds	11, 12, 23, 24	-6 456 584	-4 048 391
Change in receivables and financial derivatives	11, 12, 23, 24	-236 061	-63 045
Change in shares and other securities	23, 24	-5 830	-8 172
Change in loans from credit institutions	23	260 960	52 750
Change in derivatives, accrued expenses and other liabilities	32, 33	-94 124	96 754
Income taxes paid	27	-625 879	-608 408
<b>Net cash flow from operating activities</b>		<b>411 142</b>	<b>-3 722 434</b>
Payment for acquisition of intangible assets	28	-28 423	-393 592
Payment for acquisition of tangible assets	29	-1 714	-643
<b>Net cash flow from investment activities</b>		<b>-30 136</b>	<b>-394 235</b>
Buy back of shares		-	-161 200
Allocation of shares		-	150 000
Allocation of bonus shares		6 058	5 301
Issued debt securities	11, 23, 25, 26	-	5 834 015
Repayment of debt securities	11, 23, 25, 26	-789 580	-1 281 602
Investments in subsidiaries		-	-40 240
Paid interest tier 1 capital	34	-38 580	-45 697
Change in loans from central banks	23	1 000 000	-
<b>Net cash flow from financing activities</b>		<b>177 897</b>	<b>4 460 576</b>
Net cash flow for the period		558 903	343 908
Cash and cash equivalents at the start of the period		2 162 665	1 770 267
Currency effect on cash and cash equivalents		122 671	48 490
<b>Cash and cash equivalents at the end of the period</b>		<b>2 844 239</b>	<b>2 162 665</b>

## Off which:

Cash and deposits with the central bank	69 451	68 500
Loans and deposits with credit institutions	2 774 788	2 094 165



# Changes in equity

NFH Group

Amounts in NOK 1000

	Share capital	Share premium	Tier 1 capital	Retained earnings	Total equity
<b>Balance 31.12.19</b>	<b>186 695</b>	<b>972 295</b>	<b>635 000</b>	<b>7 679 717</b>	<b>9 473 707</b>
This period's profit	-	-	-	1 886 975	1 886 975
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1 886 975</b>	<b>1 886 975</b>
Paid interest tier 1 capital				-38 580	-38 580
Allocation of bonus shares	153	5 906	-	-	6 058
<b>Balance 31.12.20</b>	<b>186 847</b>	<b>978 201</b>	<b>635 000</b>	<b>9 528 112</b>	<b>11 328 161</b>

Amounts in NOK 1000

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

# Notes

## Note 1. Accounting principles

### 1. COMPANY INFORMATION

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

### 2. BASIS FOR PREPARATION OF THE ACCOUNTS

The consolidated financial statements for 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS) approved by the EU. Amounts in the note information are stated in NOK thousand unless otherwise stated.

### 3. FUTURE CHANGES IN ACCOUNTING

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

### 4. GENERAL ACCOUNTING PRINCIPLES

#### 4.1. Financial instruments

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

#### 4.1a. Financial liabilities

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

#### 4.1b. Financial assets

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

- Fair value with value changes over profit
- Amortized cost

The Bank has no fair value with value changes over other comprehensive income.

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

### Financial assets measured at fair value

*Certificates and bonds* constitute the Bank's liquidity portfolio. The portfolio is held to secure the Bank's liquidity needs and is classified as assets held for trading and measured at fair value through profit or loss. Upon initial recognition of assets in this category asset are measured at fair value. In subsequent periods, it is measured at fair value, where any changes in value are recognized against net changes in value and gains/losses on currency. Interest income on certificates and bonds is presented in the income statement under interest income and other income. The interest income is measured according to actual received or paid interest on the portfolio, while the fair value accounted for under *Other income* relates to the actual market value of the instrument at the time of assessment.

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

#### *Level 1: Valuation based on quoted prices in active markets*

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

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

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

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

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

*Shares and other securities* comprise the Bank's ownership interest in VN Norge AS and Vipps AS and are measured at fair value.

### Financial assets measured at amortized cost

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

#### *Loans to and receivables from customers*

Loans to and receivables from customers, which essentially consist of loans to private individuals and credit card receivables, are measured at amortized cost. At initial recognition, amortized cost is the fair value of the asset (normally acquisition cost), plus the addition of transaction expenses that are directly attributable to the acquisition or issuance of the financial asset. Amortized cost in subsequent periods is the measurement at initial recognition, with the addition of accumulated effective interest, less the cash flows received, with the addition or deduction for changes in the present value of expected contractual cash flows and less the recognized losses.

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

The Bank derecognizes a loan from the balance sheet when the rights to the cash flows expire, normally as a result of the customer paying interest and repayments, but also through the sale of the loans to third parties. The Bank also derecognizes a loan (charge-off), with corresponding provision for loss of balance when the Bank has no reasonable expectation of recovering the loan. Charge-off is being calculated at each month-end reviewing the engagements with an LGD above 70, which is then fully written off to zero.

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

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

Regarding loans in Stage 2 or Stage 3, the Bank makes provisions for expected losses over the remainder of the assets expected lifetime. The Bank has defined lifetime expectancy as the expected time horizon of when a customer is expected to have made full payment of interests and repayments. The Bank is measuring a change in the lifetime risk of default since initial recognition to determine whether an asset has had a significant increase in credit risk. The Bank considers a commitment to be defaulted, and moved into Stage 3, when the loan is more than 90 days past due, in the event of death or cases where fraud is suspected.

### Model Characteristics

The Bank uses a loan loss model to compute provisions and the model includes default probability (PD), discount rate, exposure at default (EAD) and loss given default (LGD). The models are validated and redeveloped according to annual plan to improve the quality of the models. The Bank uses various indicators to assess whether an asset has had a significant increase in the risk of default. Such information is based on the actual behavior of the customers, and the Bank has established several rules that the Bank has identified as triggers for a significant increase in credit risk. In addition to assessment of various sensitivity in change of macro, estimate of effect of sales prices for the portfolio is included in the model calculations. Sensitivity analysis are performed and outcome of the most relevant are included in note 4.

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

Stage 1: "12-month expected loss"

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

Stage 3: "Default"

The triggers measure change in credit quality by comparing PD at origination with PD at the time of reporting, observation of a "forbearance" flag, 30 dayspast due, default on other products and history of default within the last three months. The Bank has developed lifetime expectancy models for all unsecured loans per country, as measured against the repayment agreement and the current repayment pattern. The selected methodology for each model is based on the respective maturity of the portfolio as well as access to data in the respective markets.

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

PD-models use an adjustment factor based on macroeconomic simulations for each product and country, based on Moody's methodology. Through thousands of simulations, the Bank calculates an expected, an upper and a lower scenario for expected losses, where the model weights reflect the management's assessment of probable macro picture.

Definition of default is a commitment that is over 90 days past due according to the agreed payment plan and the minimum amount due is of a size equivalent to € 100 in the respective local currency.

The Bank segments the portfolio into groups of loans with common risk characteristics and calculates expected credit losses (ECL) for each segment. This means differentiating between risk classes within each product, credit card and instalment loans, for each country separated. The expected credit loss (ECL) is calculated as a product of a defined set of parameters adapted to the characteristics of each segment.

The formula used is:  $ECL = PD * EAD * LGD$ .

#### Movement between stages

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

## 4.2. Intangible assets

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

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

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

On the balance sheet date, the accounts are reviewed to determine whether there are indications of impairment of the intangible assets. In the event of any indicators of impairment, the recoverable amount of the asset is measured according to value generated by the relevant Cash Generating Unit (CGU). The recoverable amount is the higher of its fair value less costs of disposal and its value in use. If it is shown that the recoverable amount for the asset in question is lower than the carrying amount, an impairment loss is carried out so that the asset is assessed at the recoverable amount. Such impairment is reversed when the basis for impairment is no longer present.

Brokerage commissions for agents are capitalized, depreciated, and tested for impairment when the commission is related to sold credit cards that have not yet been activated. Brokerage commissions on approved cards are classified as loans to customers and are accounted for over a 36 month time horizon as an approximation using the effective interest method. Due to low amount overall, it is assessed that this is not giving any material accrual error of the brokerage commission.

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

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

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

IP-rights consist of three intangible assets, goodwill, IP-rights, and prepaid expenses in connection with the IP-rights. Goodwill and IP-rights are non-amortizable.

### 4.3. Fixed assets

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

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

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

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

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

### 4.4. Leases

The standard applies to all leases. At initial recognition the Bank measured the lease obligation and the right-to-use asset at present value of future lease agreements. Rent payments is accounted for as interest expenses and amortization. The Bank mainly leases the premises of the headquarter as well as fixtures and other smaller equipment that were recognized in the balance sheet by the adoption of IFRS 16.

The Group's lease agreements for buildings contains a right to extension that can be exercised during the last period of the agreement. When entering into such agreements, the Group assesses whether the right to an extension will be exercised reflecting this in the calculation of the value of the asset.

The Group uses its incremental borrowing rate as discount rate in the calculation of the value of the leased assets.

The Bank has decided to use the following principle choices in the standard:

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

### 4.5. Other receivables

Other receivables are capitalized at amortized cost. Prepaid commission costs are capitalized and accrued over the expected term. Expected maturity is normally 36 months.

### 4.6. Tax

#### 4.6a. Deferred tax and deferred tax assets

Deferred tax/deferred tax assets are recognized in accordance with IAS 12. Deferred tax/deferred tax assets

are calculated at the nominal rate based on the temporary differences that exist between the accounting and tax values at the end of the accounting period. The current tax rate used to calculate deferred tax/deferred tax assets in the Bank is 25% and the tax rate in NFH ASA is 22%. Deferred tax assets are capitalized to the extent that it is probable that the benefit will be realized at a future date.

#### **4.6b. Tax expense**

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

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

#### **4.6c. Payable tax**

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

#### **4.7. Pension**

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

#### **4.8. Currency**

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

#### **4.9. Insurance services**

The Group offers different types of insurances connected with our main products.

##### **4.9a. Travel insurance and Shopping Basket insurance**

These insurances are included in the credit card and free of charge for the customer. The expense related to these insurances are recognized monthly.

##### **4.9b. Other insurances**

Dental care insurance, full-year travel insurance, ID-theft insurance, loan- and payment insurance and rental car insurance are other insurances we offer where the customer pays a monthly fee charged from their credit card. The Bank receives a commission from the insurance provider. As the customer is charged the insurance premium, we record a liability and related commission expense to the insurance provider deducted for the agreed commission fee which is recognized as commission income.

#### **5.10. Cash flow statement**

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



## IMPORTANT ACCOUNTING ESTIMATES, JUDGEMENTS, AND ASSUMPTIONS

### 4.11. Estimates

When preparing the financial statements, management makes estimates, judgment and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income, and expenses. The estimation of valuation items and discretionary valuations is based on the NFH Group's historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date.

#### 4.11a. Estimated expected credit loss (ECL)

ECL is calculated using credit risk models for PD and LGD, updated with most recent macro-information. In addition, a selection of scenarios covering a base, one optimistic and one pessimistic scenario is chosen, giving probability weighting of the outcome. More information is given in Note 4 on the key components, chosen combination of scenarios and the main macro elements affecting the ECL calculation. In addition, it is assessed if the estimated model calculations represent the best estimate, covering information not potentially included in the model assumptions, macro, or other factors.

#### 4.11b. Impairment of goodwill and intangible assets

Impairment test of intangible assets are conducted according to IAS 36. Intangible assets with indefinite useful lives are subject for a yearly impairment test, while intangible assets with definite useful life are impairment tested when any indicators of impairment are present.

In the NFH Group there are intangible assets related to license rights for the European expansion and these are considered as one cash generating unit (CGU), and are tested for impairment on a yearly basis. Budgets are used to the basis and estimation of future cash flows and the terminal value. In the calculation of net present value an estimate for a pre-tax discount rate is used based on key assumptions by management at the time valuation.

For all other intangible assets, management will assess if there are any indicators of impairment at year end. If any indicators of impairment, a valuation of the CGU's recoverable amount is conducted. Recoverable amounts of cash-generating units are determined by calculating the value in use. Recoverable amount is compared to the carrying amount of the asset and the asset is impaired if the carrying amount exceeds its recoverable amount.

## Note 2. Segments

The profit and loss and balance sheet presentation for segments are based on internal financial reporting as followed up and assessed by the Group's management. Other contains eliminations for group contributions.

### Profit and loss account 2020

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	2 179 333	902 084	738 166	1 597 163	-3 692	5 413 054
Net other operating income	97 657	52 330	11 355	68 972	-671	229 644
<b>Total income</b>	<b>2 276 989</b>	<b>954 415</b>	<b>749 521</b>	<b>1 666 135</b>	<b>-4 363</b>	<b>5 642 698</b>
Total operating expenses	555 879	260 923	185 288	275 843	35 228	1 313 162
Provision for loan losses	553 713	406 430	323 905	546 900	-	1 830 948
<b>Profit before tax</b>	<b>1 167 398</b>	<b>287 062</b>	<b>240 328</b>	<b>843 392</b>	<b>-39 592</b>	<b>2 498 588</b>
Tax charge	136 694	33 883	28 336	99 688	313 011	611 613
<b>Profit after tax</b>	<b>1 030 703</b>	<b>253 179</b>	<b>211 992</b>	<b>743 704</b>	<b>-352 603</b>	<b>1 886 975</b>
<b>Comprehensive income for the period</b>	<b>1 030 703</b>	<b>253 179</b>	<b>211 992</b>	<b>743 704</b>	<b>-352 603</b>	<b>1 886 975</b>

### Balance sheet 31.12.20

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	15 264 965	6 920 949	4 776 260	10 981 515	-	37 943 688
Other assets	13 001 851	3 461 202	5 951 959	2 678 364	154 948	25 248 323
<b>Total assets</b>	<b>28 266 816</b>	<b>10 382 150</b>	<b>10 728 219</b>	<b>13 659 879</b>	<b>154 948</b>	<b>63 192 011</b>
Deposits from customers	20 179 276	5 893 512	10 121 224	6 483 691	-	42 677 703
Other liabilities and equity	8 087 540	4 488 639	606 995	7 176 187	154 947	20 514 309
<b>Total liabilities and equity</b>	<b>28 266 816</b>	<b>10 382 150</b>	<b>10 728 219</b>	<b>13 659 879</b>	<b>154 947</b>	<b>63 192 011</b>

### Profit and loss account 2019

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

### Balance sheet 31.12.19

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

### Note 3. Capital adequacy and Liquidity Coverage Ratio

Norwegian Finans Holding Group uses the standardized approach for credit risk and the standardized approach for operational risk to calculate capital adequacy in accordance with current capital adequacy regulations - Basel II. In December the Group has changed the timing of the annual update of the operational risk calculation from January in the following year to December in the current year, so that at 31 December 2020, the exposure amount includes the average of the financial years 2018-2020.

<b>Total capital</b>		
<i>Amounts in NOK 1000</i>		
	<b>2020</b>	<b>2019</b>
Share capital	186 847	186 695
Share premium	978 201	972 295
Other reserves	9 528 112	7 679 717
Retained earnings not included in common equity tier 1, accrued dividend	-1 121 083	-
Deferred tax assets, intangible assets and additional valuation adjustment	-477 919	-529 143
<b>Common equity tier 1</b>	<b>9 094 158</b>	<b>8 309 564</b>
Additional tier 1 capital	635 000	635 000
<b>Tier 1 capital</b>	<b>9 729 158</b>	<b>8 944 564</b>
Tier 2 capital	877 820	822 688
<b>Total capital</b>	<b>10 606 978</b>	<b>9 767 252</b>
<b>Risk-weighted assets</b>		
Covered bonds	939 778	336 787
Regional governments or local authorities	1 269 097	87 123
Institutions	563 273	1 161 242
Loans to customers	23 960 025	26 750 970
Defaulted loans	5 996 989	4 892 542
Equity positions	50 642	44 818
Other assets	376 681	139 948
<b>Total credit risk</b>	<b>33 156 485</b>	<b>33 413 430</b>
<b>Operational risk</b>	<b>8 087 003</b>	<b>5 728 063</b>
<b>Market risk</b>	<b>2 788</b>	<b>1 575</b>
<b>Total risk-weighted assets</b>	<b>41 246 275</b>	<b>39 143 067</b>
<b>Common equity tier 1 %</b>	<b>22.0 %</b>	<b>21.2 %</b>
<b>Tier 1 capital %</b>	<b>23.6 %</b>	<b>22.9 %</b>
<b>Total capital %</b>	<b>25.7 %</b>	<b>25.0 %</b>

#### Liquidity Coverage Ratio

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. The Bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. The legal requirement for liquidity reserve at total level and for significant currencies is 100% except for Norwegian kroner where the legal requirement is 50%.

	<b>2020</b>	<b>2019</b>
Norwegian Finans Holding Group	569 %	450 %
NOK	389 %	321 %
SEK	530 %	396 %
DKK	467 %	649 %
EUR	169 %	167 %

## Note 4. Expected credit loss

The expected credit loss (ECL) is calculated in accordance with IFRS 9. The main drivers behind the ECL estimate is estimation of LGD and identification of significant increase in credit risk, and probability of default (PD).

The PD is an estimate of the likelihood of default over a given time horizon and is a point in time estimate. The estimation is based on statistical models assessing probability of default based on past, present and forward-looking information on variables that have high correlation with observed default.

Loss Given Default (LGD) is the estimated loss on an engagement on default. It is based on the difference between the contractual cash flows due and the expected cash flows.

Exposure at Default (EAD) is the predicted amount of exposure calculated on the engagement at a future default date, which the Bank is exposed to when a debtor defaults on a loan. EAD is a dynamic number that changes as a borrower repays the loan and interest or draws on the credit limits of a card. The Bank utilizes an EAD model for pre-defaulted Credit Cards that estimates the Credit Conversion Factor based on lifetime of the card, exposure history and usage on the card, average arrears amount and months since last activity.

In average a lifetime of a credit card is estimated to be 36 months, while the unsecured loans have an estimated repayment model. This can vary slightly between periods, but is assessed as the best overall estimate for each product, in each country. For credit card, the lifetime of the plastic card is three years, which is the latest period a new assessment of the credit is made by the Bank. Hence, this is considered the longest duration before updated assessment of the credit risk, as a real credit assessment is made at least at this interval before renewing the credit and issuance of a new card.

All loan engagements are placed in one of the three stages according to IFRS; Stage 1 is used for engagements considered not impaired and uses a 12-month ECL calculation. Stage 2 has a significant increase in credit risk since its origination, according to the triggers disclosed below, and uses the lifetime approach to ECL calculation. Stage 3 is defaulted with the 90 days past due definition and calculates the ECL based on the lifetime approach.

The main drivers behind the LGD-estimates are the payer-rates of the defaulted clients, the recovery rate/speed and time in default, the size of the exposure, demographics of the obligor and historical pricing of sold accounts as well as varying degrees of regulatory opportunities in the countries. All uncertain factors are monitored and calibrated regularly. In addition to the trigger model described below, an engagement can be cured from Stage 2 and Stage 3 over to Stage 1, with an improved payment behaviour, such as repayment of previous defaulted invoices and accumulated interest. Migration from Stage 2 to Stage 1 is when the criteria for Significant Increase in Credit Risk is no longer met. With such behaviour, a customer will be considered cured. According to current methodology, a cured engagement from Stage 3 is held in probation in Stage 2 for three months before potentially moving to Stage 1. This is applied even if the engagement is considered healthy Stage 1 behaviour. This has been a conservative method to secure that a consistent payment behaviour is documented for at least three months before migrating from Stage 2 to Stage 1.

Throughout 2020, the payment behaviour for our customers in all countries has been good and improved from 2019, despite the COVID-19 situation. This is visible in the lower number of late payers, no-payers and reduced inflow to debt collection seen through 2020. This is also evident for our customers being granted a payment relief during 2020 according to our standard customer services routines. Payment relief is only given to healthy customers for 1, 2 or 3 months in total over a twelve-month period, based on application and previous healthy payment history. The level was somewhat increased in April and May, but in the second half of 2020 these payment relief applications being granted were back to normal levels pre-COVID-19. There is no indication that this has led to any worse behaviour for that group or in the total portfolio.

### Significant increase in credit risk

A significant increase in credit risk is assessed on several criteria such as default of another product, previous default, forbearance, as well as late payment beyond 30 days after invoice due date. The most important factor for the assessment of a significant increase in credit risk, accounting for nearly 70% of the triggering to Stage 2, is a comparison between the lifetime probability of default (PD) at origination and the lifetime PD at the reporting date, as this signifies an increased risk based on all factors in the behaviour models including the macro impact.

During the fourth quarter of 2020, the Bank has redeveloped the lifetime PD models for all products and countries to better align with the new macro deliveries and the new trigger models. The total changes of the models gave immaterial overall effect on the ECL for the year, while the sensitivity will be related to changes in the macro deliverables going forward, which affect both the LGD and PD estimates.

The largest change due to introducing the new trigger model is distribution between Stage 2 and Stage 1 customers. The customers with no clear significant credit risk according to the trigger model, as described below, is more correctly placed in Stage 1. The result is fewer customers in Stage 2, while increased coverage ratio in both Stage 1 and Stage 2 due to movement of customers. E.g. Stage 2 customers are fewer in number and volume, but with a significant increase of credit risk with an average higher PD and LGD on the remaining portfolio. The moved customers from Stage 2 to Stage 1 brings with the higher PD and LGD into the Stage 1 portfolio and hence also increases the coverage ratio in Stage 1. The net effect is a reduced ECL on Stage 2 in nominal amounts and increased coverage in Stage 1, with net immaterial effect. To counter previous deficiencies in a step-model, the Bank is introducing a continuous trigger model to capture any significant increase across the entire range of annualized PDs.

The trigger-model below utilizes an assessment of the forward-looking lifetime of the exposure, considering the probability of early repayment and the lifetime PDs on the exposure. Both the lifetime PD at the reporting date and the lifetime PD at origination are annualized according to the estimated remaining lifetime. Accounts that satisfy the inequality below are regarded as having significant increase in credit risk.

The Trigger Coefficient is evaluated by comparing the bad rates of accounts of certain ranges of PD at origination and PD increase with the bad rate of a "benchmark group" consisting of accounts in the same portfolio for the first time having days past due between 1 to 30 days. For each portfolio, a smaller Trigger Coefficient indicates that its accounts are to be regarded as more easily having a significant increase in credit risk. The higher Trigger Coefficient in e.g. Denmark is in line with the relative higher PD at Origination of the portfolio.

## Note 4. Expected credit loss (continued)

The product-specific Trigger Coefficient (TC): Annualised lifetime PD at the reporting date > TC + (1 - TC) \* Annualised lifetime PD at origination.

	Trigger Coefficient	
	Instalment loans	Credit card loans
Norway	0.12	0.14
Sweden	0.12	0.08
Denmark	0.26	0.34
Finland	0.17	0.13

To exemplify the use of the Trigger Coefficient on an exposure that does get triggered, and one that does not, we present the following:

Product	Annualised lifetime PD at origination	Annualised lifetime PD at the reporting date	Trigger Coefficient	Calculation	Stage
Norway Unsecured Loan	0.10	0.25	0.12	$0.25 > 0.12 + (1 - 0.12) * 0.10 = 0.208$	Stage 2
Denmark Credit Card	0.30	0.40	0.34	$0.40 < 0.34 + (1 - 0.34) * 0.30 = 0.538$	Stage 1

## Economic variables used to measure ECL

The IFRS 9 accounting standard for impairment of financial assets requires calculation of expected loss defined as a probability-weighted product of probability of default, loss given default, and exposure at default, across scenarios. The following scenarios are considered in the model: A baseline scenario that captures the most likely economic future, a scenario that presents adverse economic conditions, and another scenario that presents favorable economic conditions.

The three scenarios are constructed in accordance with target severity for each of the scenarios. While the baseline scenario is by design in the middle of possible future economic outcomes, the alternative scenarios capture alternative economic conditions that are equally distanced from the baseline in terms of their severity. After their construction, the three scenarios are each assigned probability weights based on their severity and on how well they approximate (simulated) possible future economic developments.

The process for the Bank is to remain both objective and quantitative in the approach to constantly evaluate the drivers behind each scenario against the potential reality of the economy, as perceived by the management, then to choose the Optimistic and Pessimistic scenarios that border on the extreme in both directions. For the period, the Optimistic 10th percentile and Pessimistic 75th percentile is chosen in addition to the baseline. This means that the Bank sees only a 10% probability of the economy performing better than the Optimistic scenario. In these scenarios' businesses open much faster than expected, consumer confidence rises sharply, air travel and spending recover faster than expected. In the Pessimistic scenario, there is a 25% probability that the economy will perform even worse than that. In these scenarios new infections and deaths increase above the early projections of 2021, hotels and air travel remain down longer than expected, commodity prices remain low with lingering concerns about the pandemic. This scenario also implicates that infections abate in late 2021.

All three scenarios are affected by COVID-19, where the recovery speed and timespan are the uncertain factors. The composition of the three scenarios is based on the best assessment of relevance for the period: choosing the most extreme pessimistic scenario is seen as highly unlikely as this is considered a stress scenario not based on our best estimate of the situation. If the most extreme pessimistic scenario had been chosen in connection with base and optimistic, the outcome would have led to NOK 121 million higher loan loss provision for the year 2020.

The scenario variables impact the 12-month PD, the Lifetime PD and the LGD, both pre-default and post-default. At the extremely unlikely scenario of the 96th percentile the calculated unweighted ECL isolated to that scenario would be nearly 700 million NOK higher than the Base-scenario. This scenario is characterized by a lengthy recession, sharp drops in the oil price and persistent political and economic tension between the US and China contributing to the overall weakness in the global economy. This is a scenario with a long-lasting crisis with only a probability of 4% that the economy is even worse off.

## Note 4. Expected credit loss (continued)

The bank has chosen to disclose the three most important modelling variables in each individual country. The model is based on data and scenarios from Moody's Analytics Global Macroeconomic Outlook. The baseline and the alternative scenarios are updated monthly.

Key assumptions used for the Base case scenario are:

- 1) No further wave of COVID-19 that causes countries to implement widespread shutdowns again.
- 2) An aggressive fiscal and monetary policy response.
- 3) Oil prices remain low but gradually recover as oil demand strengthens.

Key risks used for the Base case scenario are:

- 1) Further waves of COVID-19 cause several countries to shut down nonessential business again on a large scale.
- 2) Governments have limited space to enact further fiscal stimulus.

	Base scenario		Optimistic scenario		Pessimistic scenario	
	12 months	5 years	12 months	5 years	12 months	5 years
<b>Norway</b>						
Future 1 month oil price (USD per bbl)	54.2	67.9	59.6	74.4	46.9	65.2
Nominal Private consumption (bil. USD)	204.4	269.5	212.6	275.8	183.9	260.1
Real GDP (bil. 2012 USD)	578.7	629.7	585.8	638.0	566.7	621.6
<b>Sweden</b>						
Disposable income (ths. 2019 SEK)	238.2	257.1	239.9	263.2	237.4	252.6
GDP PPP (bil. USD)	630.8	735.9	658.6	779.1	585.9	697.5
Money supply M3 (bil. SEK)	4 267.5	5 267.1	4 334.1	5 635.7	4 216.0	5 027.8
<b>Denmark</b>						
GDP PPP (bil. USD)	425.4	556.1	452.4	572.8	390.4	544.4
Industrial production index (2015 = 100)	111.5	123.2	115.7	126.7	107.4	119.7
Unemployment rate (%)	5.9	5.4	5.4	5.4	6.5	5.4
<b>Finland</b>						
GDP PPP (bil. USD)	320.9	371.5	339.2	388.0	296.6	358.4
Producer price index (2015 = 100)	100.7	108.3	102.4	109.6	99.8	107.1
Unemployment rate (%)	10.0	8.0	9.4	8.0	10.6	8.2

## Macro scenario sensitivity on ECL

		Final	Base	Optimistic	Pessimistic
		ECL	scenario	scenario	scenario
<b>Norway</b>					
Credit card		432 484	430 555	420 889	443 430
Instalment loans		1 176 727	1 170 277	1 140 612	1 211 210
<b>Sweden</b>					
Credit card		303 531	303 431	292 822	312 186
Instalment loans		951 480	951 387	918 622	977 846
<b>Denmark</b>					
Credit card		102 158	100 486	97 209	107 567
Instalment loans		731 884	724 500	709 417	756 256
<b>Finland</b>					
Credit card		187 061	186 272	181 528	192 173
Instalment loans		1 049 329	1 046 277	1 026 771	1 070 019

The following weights have been used across all portfolios per 31.12.2020: 32.5% - 30% - 37.5% for Base, Optimistic and Pessimistic scenario for expected credit loss.

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

### Loans to customers by product groups

#### 31.12.20

Amounts in NOK 1000						Loan loss allowance			Total
		Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	
Norway	Instalment loans	7 329 966	882 867	3 062 106	11 274 938	47 469	51 317	1 077 942	10 098 211
	Credit card loans	4 381 127	304 772	913 338	5 599 237	27 199	23 940	381 345	5 166 754
Sweden	Instalment loans	2 962 324	446 295	1 851 721	5 260 340	48 005	56 956	846 519	4 308 860
	Credit card loans	2 093 625	302 973	519 021	2 915 620	22 235	30 218	251 079	2 612 089
Denmark	Instalment loans	3 416 011	138 711	1 164 081	4 718 803	62 827	23 649	645 408	3 986 919
	Credit card loans	674 074	23 054	194 371	891 499	14 179	3 211	84 768	789 341
Finland	Instalment loans	6 865 633	793 532	2 123 998	9 783 164	170 791	131 481	747 056	8 733 835
	Credit card loans	1 727 252	389 833	317 656	2 434 741	19 934	51 942	115 186	2 247 680
<b>Total</b>		<b>29 450 012</b>	<b>3 282 038</b>	<b>10 146 292</b>	<b>42 878 342</b>	<b>412 638</b>	<b>372 713</b>	<b>4 149 303</b>	<b>37 943 688</b>
<b>Loan loss allowance coverage ratio per stage</b>						<b>1.40 %</b>	<b>11.36 %</b>	<b>40.89 %</b>	
<b>Net loans</b>									<b>37 943 688</b>

The coverage ratios have increased for all stages. More explanation on Stages 1 and 2 are found in Note 4. For Stage 3, the increased coverage reflects an aging Stage 3 portfolio, with increased level of old engagement and reduced inflow of newer engagement. By nature, older engagements in Stage 3 have a higher LGD than freshly defaulted exposures, which is the main driver of the coverage ratio increase from 35.9% to 40.9% in one year.

#### 31.12.19

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

### Change in loan loss allowance and gross loans

Migration out of one stage is calculated at previous closing date 1.1.20, while migration into one stage is calculated at the closing date 31.12.20.

#### Total Loans

##### Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Loan loss allowance as at 1.1.20</b>	<b>365 055</b>	<b>486 167</b>	<b>2 744 186</b>	<b>3 595 408</b>
Transfers:				
Transfers from stage 1 to stage 2	-25 831	181 041	-	155 210
Transfers from stage 1 to stage 3	-23 045	-	432 959	409 914
Transfers from stage 2 to stage 1	72 503	-170 930	-	-98 427
Transfers from stage 2 to stage 3	-	-181 336	602 286	420 950
Transfers from stage 3 to stage 2	-	16 482	-80 782	-64 300
Transfers from stage 3 to stage 1	4 462	-	-70 803	-66 341
New financial assets issued	60 298	45 179	50 983	156 461
Financial assets derecognized in the period	-55 059	-45 240	-106 078	-206 378
Changes due to modifications that did not result in derecognition	14 254	41 351	1 209 900	1 265 506
Charge-off	-	-	-633 348	-633 348
<b>Loan loss allowance as at 31.12.20</b>	<b>412 638</b>	<b>372 713</b>	<b>4 149 303</b>	<b>4 934 654</b>

##### Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 1.1.20</b>	<b>29 984 932</b>	<b>6 534 249</b>	<b>7 636 728</b>	<b>44 155 910</b>
Transfers :				
Transfers from stage 1 to stage 2	-1 387 201	1 555 412	-	168 211
Transfers from stage 1 to stage 3	-992 369	-	1 218 312	225 943
Transfers from stage 2 to stage 1	2 672 696	-2 978 212	-	-305 516
Transfers from stage 2 to stage 3	-	-1 563 692	1 844 409	280 717
Transfers from stage 3 to stage 2	-	177 884	-262 697	-84 813
Transfers from stage 3 to stage 1	110 619	-	-219 156	-108 537
New financial assets issued	4 756 445	357 820	144 666	5 258 931
Financial assets derecognized in the period	-3 965 948	-775 571	-327 572	-5 069 091
Changes due to modifications that did not result in derecognition	-1 729 162	-25 853	933 608	-821 407
Charge-off	-	-	-822 005	-822 005
<b>Gross loans to customers as at 31.12.20</b>	<b>29 450 012</b>	<b>3 282 038</b>	<b>10 146 292</b>	<b>42 878 342</b>



## Instalment loans total

### Loan loss allowance

<i>Amounts in NOK 1000</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loan loss allowance as at 1.1.20</b>	293 117	363 233	2 186 929	2 843 280
Transfers :				
Transfers from stage 1 to stage 2	-22 583	134 029	-	111 446
Transfers from stage 1 to stage 3	-21 310	-	357 345	336 035
Transfers from stage 2 to stage 1	54 086	-116 147	-	-62 061
Transfers from stage 2 to stage 3	-	-152 274	464 639	312 365
Transfers from stage 3 to stage 2	-	14 041	-62 329	-48 288
Transfers from stage 3 to stage 1	4 158	-	-53 485	-49 327
New financial assets issued	52 654	30 543	39 133	122 330
Financial assets derecognized in the period	-52 043	-35 793	-82 716	-170 552
Changes due to modifications that did not result in derecognition	21 013	25 771	915 317	962 101
Charge-off	-	-	-447 909	-447 909
<b>Loan loss allowance as at 31.12.20</b>	<b>329 092</b>	<b>263 402</b>	<b>3 316 925</b>	<b>3 909 419</b>

### Gross loans to customers

<i>Amounts in NOK 1000</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross loans to customers as at 1.1.20</b>	19 566 119	4 596 694	6 089 588	30 252 401
Transfers :				
Transfers from stage 1 to stage 2	-1 044 578	1 090 907	-	46 329
Transfers from stage 1 to stage 3	-839 624	-	1 002 574	162 950
Transfers from stage 2 to stage 1	1 874 467	-1 965 322	-	-90 855
Transfers from stage 2 to stage 3	-	-1 234 305	1 450 461	216 155
Transfers from stage 3 to stage 2	-	157 195	-203 986	-46 791
Transfers from stage 3 to stage 1	102 099	-	-163 327	-61 228
New financial assets issued	4 308 299	253 786	110 356	4 672 441
Financial assets derecognized in the period	-3 534 708	-623 161	-250 980	-4 408 849
Changes due to modifications that did not result in derecognition	141 860	-14 389	744 339	871 810
Charge-off	-	-	-577 121	-577 121
<b>Gross loans to customers as at 31.12.20</b>	<b>20 573 933</b>	<b>2 261 406</b>	<b>8 201 905</b>	<b>31 037 244</b>

## Credit card total

### Loan loss allowance

<i>Amounts in NOK 1000</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Loan loss allowance as at 1.1.20</b>	71 938	122 933	557 257	752 128
Transfers :				
Transfers from stage 1 to stage 2	-3 248	47 013	-	43 764
Transfers from stage 1 to stage 3	-1 735	-	75 614	73 879
Transfers from stage 2 to stage 1	18 417	-54 783	-	-36 366
Transfers from stage 2 to stage 3	-	-29 062	137 646	108 585
Transfers from stage 3 to stage 2	-	2 441	-18 453	-16 012
Transfers from stage 3 to stage 1	304	-	-17 318	-17 014
New financial assets issued	7 644	14 636	11 851	34 131
Financial assets derecognized in the period	-3 016	-9 447	-23 362	-35 825
Changes due to modifications that did not result in derecognition	-6 758	15 580	294 583	303 405
Charge-off	-	-	-185 440	-185 440
<b>Loan loss allowance as at 31.12.20</b>	<b>83 546</b>	<b>109 311</b>	<b>832 378</b>	<b>1 025 235</b>

### Gross loans to customers

<i>Amounts in NOK 1000</i>	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Gross loans to customers as at 1.1.20</b>	10 418 813	1 937 555	1 547 140	13 903 509
Transfers :				
Transfers from stage 1 to stage 2	-342 623	464 505	-	121 881
Transfers from stage 1 to stage 3	-152 745	-	215 737	62 993
Transfers from stage 2 to stage 1	798 229	-1 012 889	-	-214 660
Transfers from stage 2 to stage 3	-	-329 386	393 948	64 561
Transfers from stage 3 to stage 2	-	20 689	-58 712	-38 022
Transfers from stage 3 to stage 1	8 519	-	-55 829	-47 309
New financial assets issued	448 146	104 034	34 310	586 489
Financial assets derecognized in the period	-431 239	-152 410	-76 592	-660 242
Changes due to modifications that did not result in derecognition	-1 871 021	-11 465	189 268	-1 693 218
Charge-off	-	-	-244 884	-244 884
<b>Gross loans to customers as at 31.12.20</b>	<b>8 876 079</b>	<b>1 020 632</b>	<b>1 944 387</b>	<b>11 841 098</b>

## Note 6. Provision for loan losses

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Realized losses in the period due to final write-offs	74 903	46 813
Realized losses in the period due to charge-offs*	209 683	436 891
Loan loss provisions - lifetime expected credit loss (stage 3)	1 658 194	922 091
Loan loss provisions - lifetime expected credit loss (stage 2)	-143 024	99 639
Loan loss provisions - 12 months expected credit loss (stage 1)	31 192	121 926
<b>Provision for loan losses</b>	<b>1 830 948</b>	<b>1 627 359</b>

\*Charge-off means that the entire loan is written down and removed from gross loans while maintaining the claim against the customer. The total legal claim of the charged-off accounts is TNOK 1 827 175 as of 31.12.2020 and TNOK 662 927 as of 31.12.2019.

## Note 7. Gross loans to customers by geographical region

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
<b>Østlandet</b>	<b>8 767 025</b>	<b>10 480 804</b>
Vestlandet	4 251 030	4 975 175
Nord-Norge	1 685 994	2 010 017
Trøndelag	1 231 332	1 455 798
Sørlandet	752 850	843 243
Not classified	171 811	371 666
<b>Total Norway</b>	<b>16 860 042</b>	<b>20 136 704</b>
<b>Svealand</b>	<b>3 812 182</b>	<b>3 627 702</b>
Götaland	3 432 123	3 192 125
Norrland	729 813	700 422
Not classified	210 825	120 400
<b>Total Sweden</b>	<b>8 184 944</b>	<b>7 640 649</b>
<b>Hovedstaden</b>	<b>1 952 696</b>	<b>1 957 314</b>
Sjælland	1 168 599	1 111 651
Syddanmark	976 998	1 006 011
Midtjylland	995 213	887 574
Nordjylland	470 984	409 228
Not classified	49 910	77 103
<b>Total Denmark</b>	<b>5 614 400</b>	<b>5 448 880</b>
<b>Södra Finland</b>	<b>8 315 788</b>	<b>7 510 873</b>
Mellersta Finland	1 439 916	1 274 001
Västra Finland	1 383 024	1 215 607
Norra Finland	536 387	457 719
Östra Finland	439 392	384 845
Not classified	104 450	86 632
<b>Total Finland</b>	<b>12 218 956</b>	<b>10 929 676</b>
<b>Gross loans to customers</b>	<b>42 878 342</b>	<b>44 155 910</b>

## Note 8. Risk classes

Amounts in NOK 1000	12 month Probability of default	Stage 1	Stage 2	Stage 3	Gross loans*		Undrawn credit limits	
					31.12.20	31.12.19	31.12.20	31.12.19
A	0 – 1 %	6 148 995	30 267	-	6 179 263	6 851 773	48 008 525	42 938 545
B	1 – 3 %	9 014 022	132 084	-	9 146 106	10 371 775	728 160	1 955 651
C	3 – 5 %	4 762 865	75 467	-	4 838 332	4 405 790	173 971	253 409
D	5 – 9 %	4 005 487	135 807	-	4 141 294	4 066 599	122 376	261 556
E	9 – 15 %	2 773 560	290 077	-	3 063 638	3 615 128	43 466	163 107
F	15 – 20 %	1 032 869	268 943	-	1 301 812	1 373 658	9 857	16 446
G	20 – 30 %	1 182 641	526 520	-	1 709 161	1 495 696	8 742	14 185
H	30 – 40 %	366 678	446 864	-	813 542	614 004	1 609	2 039
I	40 – 55 %	141 151	506 270	-	647 421	422 106	704	1 205
J	55 – 100 %	21 745	869 737	-	891 482	355 278	196	223
Previous categorized delayed, not impaired	-	-	-	-	-	2 947 373	-	-
Defaulted loans	-	-	-	10 146 292	10 146 292	7 636 728	-	-
<b>Total</b>		<b>29 450 013</b>	<b>3 282 038</b>	<b>10 146 292</b>	<b>42 878 342</b>	<b>44 155 910</b>	<b>49 097 604</b>	<b>45 606 367</b>

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

\*Disclosure of risk class information has been simplified to reflect a more transparent grouping of loans. All non-impaired loans are classified A to J. Comparable periods are restated.

## Note 9. Risk Management

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

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

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

## Note 10. Credit risk

The greatest financial risk exposure in Bank Norwegian is credit risk in its lending portfolio. Credit risk is defined as the risk of loss due to customers or counterparties being unable or unwilling to meet their financial obligations.

The Board of Directors of Bank Norwegian sets long-term targets for the risk profile through the Risk Management Framework and associated risk appetite. The Risk Management Framework shall form a holistic and balanced view of the risk in the business, while the Bank's Credit Risk Policy and Capital Management Policy defines maximum limits for credit exposure. Limits have been set for annual loan growth (in % of gross loans), probability of default (PD), defaulted loans (stage 3) as a proportion of total loans, and Coverage Ratio.

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

Bank Norwegian's internal models for risk classification of customers are subject to continual improvement and testing. The risk classification systems are used for decision support, monitoring and reporting. The risk parameters used in the classification systems are an integrated part of the credit process and ongoing risk monitoring, including the follow-up of credit strategies.

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

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

## Note 11. Liquidity risk

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

### Remaining time to maturity for main items

Amounts in NOK 1000	2020						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	
Loans from credit institutions	52 750	-	-	1 260 960	-	-	1 313 710
Subordinated loan	-	-	-	102 103	841 567	-	943 670
Deposits from customers	42 677 703	-	-	-	-	-	42 677 703
Debt securities issued	-	-	350 109	200 709	5 698 883	-	6 249 701
Financial derivatives	-	20 679	36 789	7 394	-	-	64 862
Non interest-bearing liabilities	-	16 997	213 125	665 249	-	-	895 370
<b>Total liabilities</b>	<b>42 730 453</b>	<b>37 676</b>	<b>600 022</b>	<b>2 236 415</b>	<b>6 540 449</b>	<b>-</b>	<b>52 145 015</b>
Cash and deposits with the central bank	69 451	-	-	-	-	-	69 451
Loans and deposits with credit institutions	2 774 788	-	-	-	-	-	2 774 788
Loans to customers	10 932 127	129 816	26 149	3 475 777	1 856 683	21 523 136	37 943 688
Certificates and bonds	-	382 800	3 897 055	6 275 693	10 964 879	-	21 520 427
Financial derivatives	-	97 973	71 953	171 383	-	-	341 309
Assets without remaining time to maturity	547 945	-	-	-	-	-	547 945
<b>Total assets</b>	<b>14 324 310</b>	<b>610 589</b>	<b>3 995 157</b>	<b>9 922 854</b>	<b>12 821 562</b>	<b>21 523 136</b>	<b>63 197 608</b>

Amounts in NOK 1000	2019						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	
Loans from credit institutions	52 750	-	-	-	-	-	52 750
Subordinated loan	-	-	-	-	928 992	-	928 992
Deposits from customers	40 118 369	-	-	-	-	-	40 118 369
Debt securities issued	-	-	-	761 976	6 297 124	-	7 059 099
Financial derivatives	-	25 219	1 359	3 043	-	-	29 621
Non interest-bearing liabilities	2 679	199 587	166 538	669 582	-	-	1 038 386
<b>Total liabilities</b>	<b>40 173 798</b>	<b>224 805</b>	<b>167 897</b>	<b>1 434 601</b>	<b>7 226 116</b>	<b>-</b>	<b>49 227 217</b>
Cash and deposits with the central bank	68 500	-	-	-	-	-	68 500
Loans and deposits with credit institutions	2 094 165	-	-	-	-	-	2 094 165
Loans to customers	12 905 622	58 780	13 874	4 051 989	1 525 551	22 004 687	40 560 502
Certificates and bonds	-	824 523	3 847 901	4 102 466	5 876 098	-	14 650 988
Financial derivatives	-	4 989	8 156	63 226	-	-	76 371
Assets without remaining time to maturity	620 178	-	-	-	-	-	620 178
<b>Total assets</b>	<b>15 688 466</b>	<b>888 292</b>	<b>3 869 931</b>	<b>8 217 681</b>	<b>7 401 649</b>	<b>22 004 687</b>	<b>58 070 705</b>

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

## Note 12. Market risk related to interest rate risk

Interest rate risk arises because interest bearing assets and liabilities have different remaining fixed rate terms.

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

The Bank's investment portfolio is mainly invested with short interest rates. The Bank only offers products with administratively set interest rates and no fixed interest rates are offered. The interest rate fixing in the Bank's financial instruments and products is largely coincident in the economic perspective, where the administrative interest rate risk has been taken into account, i.e. the effect of the fact that in practice there will be a lapse between a change in markets interest rates and the Bank having adjusted the terms and conditions for deposits and loans at floating rates of interest. Any exposure beyond the interest rate risk limits shall be hedged with hedging instruments. Interest rate risk is closely followed by both first and second line and the exposure are regularly reported to the Board and executive management team.

The table below shows the effect on profit after tax based on a one percentage point parallel shift in the yield curve.

### Interest rate risk, 1% change

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Cash and deposits with the central bank	-1	-1
Loans and deposits with credit institutions	-57	-43
Loans to customers	-32 814	-34 812
Certificates and bonds	-36 072	-27 864
Financial derivatives	-	-
<b>Total assets</b>	<b>-68 944</b>	<b>-62 721</b>
Deposits from customers	53 311	49 736
Debt securities issued	9 154	9 564
Financial derivatives	27	-
Subordinated loan	1 613	500
<b>Total liabilities</b>	<b>64 106</b>	<b>59 800</b>
Tier 1 capital	1 052	825
<b>Total equity</b>	<b>1 052</b>	<b>825</b>
<b>Total interest rate risk, effect on profit after tax*</b>	<b>-3 787</b>	<b>-2 096</b>

\*Negative figures indicates that the Bank loses on an increase in interest rates.

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

### Yield curve risk

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
0 - 1 month	-986	-680
1 - 3 months	11 217	14 638
3 - 6 months	-6 930	-6 191
6 - 12 months	-7 088	-9 356
1-3 years	-	-508
3-5 years	-	-
> 5 years	-	-
<b>Total interest rate risk, effect on profit after tax</b>	<b>-3 787</b>	<b>-2 096</b>

## Note 13. Market risk related to currency exposure

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

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

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

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

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
<b>Currency</b>		
SEK	35 856	-37 388
DKK	18 926	109 888
EUR	16 727	-114 547
<b>Total</b>	<b>71 509</b>	<b>-42 047</b>
Effect on after-tax profit/loss of a 3 percent change in FX-rates	1 609	-946

## Note 14. Operational risk

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

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

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

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

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

## Note 15. Net interest income

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Interest income from cash and deposits with the central bank	206	781
Interest income from loans to and deposits with credit institutions	-1 192	7 403
Interest income from instalment loans	4 154 887	4 114 730
Interest income from other loans	432	-
Interest income from credit card loans	1 726 892	1 624 932
Interest income from sales financing	221	650
<b>Interest income, effective interest method</b>	<b>5 881 447</b>	<b>5 748 496</b>
Interest and other income from certificates and bonds	226 167	155 937
Other interest and other interest related income	7 713	6 343
<b>Other interest income</b>	<b>233 880</b>	<b>162 279</b>
<b>Total interest income</b>	<b>6 115 326</b>	<b>5 910 775</b>
Interest expense from deposits from credit institutions	19 001	-
Interest expense from deposits from customers	425 177	478 037
Interest expense on debt securities issued	157 684	70 531
Interest expense on subordinated loan	36 008	34 665
Other interest and other interest related expenses	64 402	66 857
<b>Interest expenses</b>	<b>702 272</b>	<b>650 090</b>
<b>Net interest income</b>	<b>5 413 054</b>	<b>5 260 685</b>

## Note 16. Net commission and bank services income

<i>Amounts in NOK 1000</i>	2020	2019
Payment services	294 430	416 056
Insurance services	71 073	70 440
Other fees and commission and bank services income	46 513	53 947
<b>Total commission and bank services income</b>	<b>412 016</b>	<b>540 443</b>
Payment services	98 040	160 458
Insurance services	71 522	67 516
Other fees and commission and bank services expense	25 481	22 729
<b>Total commission and bank services expenses</b>	<b>195 043</b>	<b>250 703</b>

## Note 17. Net change in value on securities and currency

<i>Amounts in NOK 1000</i>	2020	2019
Net change on certificates and bonds	-111 296	-74 558
Net change on FX-forwards	100 018	143 008
Net currency effects	-5 911	-49 509
Net change on shares and other securities	5 830	13 112
<b>Net change in value on securities and currency</b>	<b>-11 359</b>	<b>32 053</b>

\*The contract amount was NOK 10 394 million in 2020 and NOK 14 636 million in 2019.

## Note 18. Salaries and other personnel expenses

### Specification of personnel expenses

<i>Amounts in NOK 1000</i>	2020	2019
Salaries	97 805	79 903
Social security tax	16 848	15 666
Pension premiums	5 836	4 374
Social benefits	2 343	2 350
<b>Total</b>	<b>122 832</b>	<b>102 293</b>

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

### Number of employees as at December 31, 2020, wages and remuneration

At 31.12.20 the Group had 100 employees, corresponding to 95 man-labour years.

### Wages and remuneration to key employees

<i>Amounts in NOK 1000</i>	2020					
	No. of shares	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
<b>Combined wages, pension liabilities and other remuneration</b>						
Tine Wollebakk, CEO	88 281	3 753	1 529	124	114	5 520
Pål Svenkerud, CFO (1.1-30.9)	996 103	1 886	857	124	92	2 959
Fredrik Mundal, CMO	52 412	1 838	680	124	65	2 708
Tore Andresen, COO	1 103 185	2 530	867	124	82	3 604
Merete Gillund, CIO (1.1-29.2), New markets (1.11-31.12)	479 282	1 254	-	52	31	1 336
Peer Timo Andersen-Ulven, CRO	25 607	2 027	739	124	74	2 964
Frode Bergland Bjørnstad, CCO	10 941	1 523	197	124	10	1 854
Karstein Holen, CIO (1.3-31.12)	1 600	1 409	-	104	44	1 557
Klara-Lise Aasen, CFO (1.10-31.12)	2 000	775	-	31	2	808
<b>Total</b>	<b>2 759 411</b>	<b>16 995</b>	<b>4 869</b>	<b>932</b>	<b>514</b>	<b>23 310</b>

<i>Amounts in NOK 1000</i>	2019					
	No. of shares	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
<b>Combined wages, pension liabilities and other remuneration</b>						
Tine Wollebakk, CEO	54 207	3 468	1 488	123	253	5 332
Pål Svenkerud, CFO	965 296	2 365	1 018	123	208	3 713
Fredrik Mundal, CMO	27 971	1 698	724	123	126	2 671
Tore Andresen, COO	1 072 019	2 187	926	123	173	3 409
Merete Gillund, CIO	479 282	2 143	769	123	172	3 208
Peer Timo Andersen-Ulven, CRO	7 307	1 886	356	123	146	2 510
<b>Total</b>	<b>2 606 082</b>	<b>13 746</b>	<b>5 280</b>	<b>738</b>	<b>1 078</b>	<b>20 843</b>

Key personnel are defined as members of the management group.



## Note 18. Salaries and other personnel expenses (continued)

### 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 to key personnel are earned according to circular 02/2020 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 were applied from 2019.

Provision for bonus for 2020, including employer's contribution and financial tax, which forms the basis for payment of bonus in 2021, amounts to NOK 21.3 million.

### Fees paid out to the Board of Directors

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Bjørn Østbø	500	600
John Høsteland	500	625
Bjørn H. Kise	100	50
Anita Marie Hjerkin Aarnæs	250	325
Christine Rødsæther	250	325
Gunn Isabel Westerlund Ingemundsen	250	250
Lars Ola Kjos	250	325
Rolv-Erik Spilling	125	300
Ninett R. Olsen	-	15
Anders Gullestad	50	50
Kjetil Garstad	250	-
Knut Arne Alsaker	175	-
<b>Total</b>	<b>2 700</b>	<b>2 865</b>

### Fees paid out to the Election Committee

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Knut Gillesen	65	100
Alf Nielsen	20	20
Gunnar Martinsen	-	10
Beret Sundet	20	10
Bjørn H. Kise	20	-
<b>Total</b>	<b>125</b>	<b>140</b>

### Fees paid out to the Risk and Audit Committee

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Knut Arne Alsaker	60	-
Gunn Isabel Westerlund Ingemundsen	50	-
John Høsteland	40	-
Bjørn Østbø	30	-
Rolv-Erik Spilling	10	-
<b>Total</b>	<b>190</b>	<b>-</b>

### Auditor fees

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

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Statutory auditing	1 193	407
Other certification services	1 121	602
Other non-audit services	1 123	614
<b>Total</b>	<b>3 437</b>	<b>1 623</b>

Deloitte was appointed as the Group's auditor in 2020 and the table above for 2020 presents auditor fees from both new and previous auditor.

### Pension

The NFH Group is subject to compulsory occupational pension law and has a scheme that satisfies the requirement. The NFH Group has a defined contribution plan, which means that the NFH Group does not promise a future pension of a given size, but pays an annual contribution to the employees' collective pension savings. The NFH Group has no further obligation related to delivered work after the annual contribution has been paid. As of December 31, 2020, 96 employees were included in the pension scheme.

## Note 19. General administrative expenses

<i>Amounts in NOK 1000</i>	2020	2019
Sales and marketing	778 294	879 117
IT operations	92 867	88 871
External services fees	117 798	70 677
Other administrative expenses	54 623	56 419
<b>Total</b>	<b>1 043 582</b>	<b>1 095 085</b>

## Note 20. Other operating expenses

<i>Amounts in NOK 1000</i>	2020	2019
Credit information	36 985	38 864
Auditor	2 396	1 871
Cleaning and maintenance of premises	336	70
Insurance	595	582
Machinery and fixtures	542	440
Other operating expenses	17 679	17 761
<b>Total</b>	<b>58 533</b>	<b>59 588</b>

## Note 21. Earnings per Share

<i>Amounts in NOK 1000</i>	2020	2019
Number of shares beginning of period	186 695	186 752
Buy back of shares	-	-2 133
Allocation of shares	-	2 000
Allocation of bonus shares	153	76
Number of shares end of period	186 848	186 695
Average number of shares in the period	186 771	186 711
Profit on ordinary activities after tax	1 848 395	1 935 354
Earnings per share based on number of shares end of period	9.90	10.37
Earnings per share based on average number of shares in the period	9.90	10.37

\*Definition for EPS was updated in the third quarter 2020 based on established market practice. EPS is calculated based on profit after tax excluding interest on additional Tier 1 capital. Previous periods are recalculated.

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

<i>Amounts in NOK 1000</i>	2020	2019
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	2 844 239	2 162 665
<b>Total loans and deposits with credit institutions and central banks</b>	<b>2 844 239</b>	<b>2 162 665</b>

### Specification of currencies

<i>Amounts in NOK 1000</i>	2020	2019
NOK	581 642	507 478
SEK	649 292	584 694
DKK	1 461 685	940 096
EUR	151 620	130 397
<b>Total loans and deposits with credit institutions and central banks</b>	<b>2 844 239</b>	<b>2 162 665</b>

Average interest rate	0.10 %	0.48 %
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Average interest rate is calculated as interest amount in percentage of average volume for the current period.

## Note 23. Classification of financial instruments

	2020		
	Fair value through profit or loss	Amortized cost	Total
<i>Amounts in NOK 1000</i>			
Cash and deposits with the central bank	-	69 451	69 451
Loans and deposits with credit institutions	-	2 774 788	2 774 788
Loans to customers	-	37 943 688	37 943 688
Certificates and bonds	21 520 427	-	21 520 427
Shares and other securities	50 692	-	50 692
Financial derivatives	341 309	-	341 309
<b>Total financial assets</b>	<b>21 912 429</b>	<b>40 787 927</b>	<b>62 700 356</b>
Loans from credit institutions*	-	1 313 710	1 313 710
Deposits from customers	-	42 677 703	42 677 703
Debt securities issued	-	6 034 387	6 034 387
Financial derivatives	64 862	-	64 862
Subordinated loan	-	877 820	877 820
<b>Total financial liabilities</b>	<b>64 862</b>	<b>50 903 619</b>	<b>50 968 481</b>

\*NOK 1 000 million is loans from Norges Bank.

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

## Note 24. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

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

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

### Level 2 Valuation based on observable market data

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

### Level 3 Valuation based on observable market data

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

#### Financial instruments at fair value

Amounts in NOK 1000	2020			
	Level 1	Level 2	Level 3	Total
Certificates and bonds*	-	21 520 427	-	21 520 427
Financial derivatives	-	341 309	-	341 309
Shares and other securities	-	-	50 692	50 692
<b>Total financial assets at fair value</b>	-	<b>21 861 736</b>	<b>50 692</b>	<b>21 912 429</b>
Financial derivatives	-	64 862	-	64 862
<b>Total financial liabilities at fair value</b>	-	<b>64 862</b>	-	<b>64 862</b>

\*Of which NOK 1 000 million is collateral for loans in Norges Bank.

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

#### Change in instruments classified at level 3

Amounts in NOK 1000	2020		
	Shares and other securities	Financial assets available	Total
Value 31.12.19	44 863	-	44 863
Net change on financial instruments	5 830	-	5 830
<b>Value 31.12.20</b>	<b>50 692</b>	-	<b>50 692</b>

Amounts in NOK 1000	2019		
	Shares and other securities	Financial assets available	Total
Value 31.12.18	36 691	-	36 691
Reclassification IFRS 9	-5 255	-	-5 255
Net change on financial instruments	13 427	-	13 427
<b>Value 31.12.19</b>	<b>44 863</b>	-	<b>44 863</b>

#### 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 50.2 million as of December 31, 2020. The calculation is based on input from VN Norge AS.

##### Shares i Vipps AS

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

## Note 25. Fair value of financial instruments at amortized cost

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

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

### *Loans to customers*

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

### *Debt securities issued and subordinated loan*

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

### Fair value of financial instruments at amortized cost

Amounts in NOK 1000	2020		2019	
	Book value	Fair value	Book value	Fair value
Debt securities issued	6 034 387	5 957 929	6 537 863	6 605 850
Subordinated loan	877 820	830 961	822 688	824 476
<b>Total financial liabilities</b>	<b>6 912 207</b>	<b>6 788 889</b>	<b>7 360 551</b>	<b>7 430 326</b>

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

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

### Level 2 Valuation based on observable market data

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

### Level 3 Valuation based on observable market data

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

Amounts in NOK 1000	2020			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	6 034 387	-	6 034 387
Subordinated loan	-	877 820	-	877 820
<b>Total financial liabilities</b>	<b>-</b>	<b>6 912 207</b>	<b>-</b>	<b>6 912 207</b>

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

## Note 26. Debt securities issued and subordinated loan

Amounts in NOK 1000

	2020	2019
Debt securities issued, carrying value (amortized cost)	6 034 387	6 537 863
Subordinated loans, carrying value (amortized cost)	877 820	822 688
<b>Total debt securities issued and subordinated loans</b>	<b>6 912 207</b>	<b>7 360 551</b>

ISIN	Nominal value outstanding	Currency	Interest	Reference rate + margin	Maturity*	Carrying value
<b>Debt securities issued (senior unsecured bonds)</b>						
NO0010837206	335 000	SEK	Floating	STIBOR + 120bp	22.02.2021	349 954
NO0010848583	192 000	SEK	Floating	STIBOR + 140bp	29.09.2021	198 745
NO0010848591	1 000 000	NOK	Floating	NIBOR + 150bp	29.03.2022	999 879
NO0010863582	400 000	SEK	Floating	STIBOR + 140bp	16.09.2022	417 394
NO0010863574	400 000	NOK	Floating	NIBOR + 140bp	16.09.2022	400 124
NO0010871148	800 000	NOK	Floating	NIBOR + 195bp	12.12.2022	799 839
NO0010871130	1 000 000	SEK	Floating	STIBOR + 190bp	12.12.2022	1 043 033
NO0010871155	1 200 000	NOK	Floating	NIBOR + 215bp	12.12.2023	1 199 682
NO0010871296	600 000	SEK	Floating	STIBOR + 200bp	12.12.2023	625 738
<b>Total debt securities issued</b>	<b>5 927 000</b>					<b>6 034 387</b>
<b>Subordinated loan</b>						
NO0010774326	100 000	NOK	Floating	NIBOR + 300bp	21.09.2021	99 965
NO0010797988	200 000	NOK	Floating	NIBOR + 375bp	16.06.2022	199 863
NO0010833130	550 000	SEK	Floating	STIBOR + 375bp	02.10.2023	577 993
<b>Total subordinated loans</b>	<b>850 000</b>					<b>877 820</b>
<b>Total</b>	<b>6 777 000</b>					<b>6 912 207</b>

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

Cash flows from funding	Balance 31.12.19	Issued new debt	Repayment of debt	Interest expense 2020	Paid interest 2020	Amortization and other changes	Balance 31.12.20
Amounts in NOK 1000							
Debt securities issued	6 537 863	-	-764 573	157 681	-152 895	256 311	6 034 387
Subordinated loan	822 688	-	-	36 008	-30 285	49 408	877 820

## Note 27. Taxes

Amounts in NOK 1000	2020	2019
<b>Deferred tax asset/deferred tax</b>		
Basis for deferred tax asset/deferred tax in the balance sheet	200 092	-3 449
Of which is deferred tax	58 234	3 821
Of which is deferred tax asset	4 107	3 502
<b>Deferred tax asset/deferred tax in the accounts</b>	<b>54 127</b>	<b>321</b>
<b>Basis for tax charge, changes in deferred tax and tax payable</b>		
Profit before tax	2 498 588	2 630 459
Permanent differences	-66 892	14 465
Basis for the tax charge for the year	2 431 696	2 644 924
Change in differences included in the basis for deferred tax/tax asset	-217 650	-156 002
Change in deferred tax / tax asset	-12 178	1 651
Basis for tax payable in the profit and loss	2 201 867	2 490 572
<b>Taxable income (basis for tax payable in the balance sheet)</b>	<b>2 201 867</b>	<b>2 490 572</b>
<b>Distribution of tax charge</b>		
Tax payable (25% / 22% of taxable income)	557 675	625 745
Excess tax provision previous year	-	5 323
Total tax payable	557 675	631 068
Change in deferred tax/tax asset	53 807	18 340
<b>Tax charge</b>	<b>611 613</b>	<b>649 408</b>
<b>Reconciliation of tax charge</b>		
Profit before tax	2 498 588	2 637 014
Estimated tax expense (25%)	624 647	659 254
Tax charge in profit and loss account	611 613	650 228
<b>Difference</b>	<b>-13 034</b>	<b>-9 025</b>
The difference consists of:		
25% of permanent differences	-7 078	-2 399
Interest charged directly to equity	-9 645	11 424
Other differences due to different tax rate	3 689	-
<b>Explained difference</b>	<b>-13 034</b>	<b>9 025</b>
<b>Tax payable in the balance sheet</b>		
Tax payable in the tax charge	557 675	625 745
<b>Tax payable</b>	<b>557 675</b>	<b>625 745</b>



## Note 28. Intangible assets

<i>Amounts in NOK 1000</i>	IT/ Software	IP-rights*	Connection fee	Brokerage commissions	Total
Accumulated acquisition cost 31.12.19	140 548	374 740	17 337	155 664	688 290
Additions	16 935	-	-	11 488	28 423
Disposals	-55 920	-	-	-	-55 920
Acquisition cost 31.12.20	101 563	374 740	17 337	167 152	660 792
Accumulated depreciations 31.12.20	54 606	24 600	-	132 884	212 091
Net accumulated and reversed amortizations 31.12.20	-	-	-	-	-
Acc. Deprecia., amortizations and rev. amortizations 31.12.20	54 606	24 600	-	132 884	212 091
<b>Book value 31.12.20</b>	<b>46 957</b>	<b>350 140</b>	<b>17 337</b>	<b>34 268</b>	<b>448 701</b>
Annual depreciations	19 832	24 600	-	39 607	84 040
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortizable	Linear	

\*The carrying amount of intangible assets with indefinite useful lives amounts to NOK 190.2 million and are not amortizable.

<i>Amounts in NOK 1000</i>	IT/ Software	IP-rights	Connection fee	Brokerage commissions	Total
Accumulated acquisition cost 31.12.18	124 221	-	17 337	112 900	254 458
Additions	16 381	374 740	-	42 764	433 885
Disposals	-53	-	-	-	-53
Acquisition cost 31.12.19	140 548	374 740	17 337	155 664	688 290
Accumulated depreciations 31.12.19	90 694	-	-	93 280	183 974
Net accumulated and reversed amortizations 31.12.19	-	-	-	-	-
Acc. Deprecia., amortizations and rev. amortizations 31.12.19	58 071	-	-	50 085	108 156
<b>Book value 31.12.19</b>	<b>49 852</b>	<b>374 740</b>	<b>17 337</b>	<b>62 386</b>	<b>504 315</b>
Annual depreciations	20 432	-	-	42 809	63 241
Annual amortizations	646	-	-	-	646
Expected useful life	5 years	Not	Not	3 years	
Depreciation method	Linear	amortizable	amortizable	Linear	

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

Intellectual property rights consist of three intangible assets. Goodwill from the acquisition of Lilienthal Finance Ltd of NOK 40.2 million, IP-rights of NOK 150 million related to a perpetual irrevocable right to use the brand name "Norwegian" in Europe (ex. Nordics), and a five year license fee of NOK 184.5 million for the right to use the brand name. Goodwill and the perpetual IP-right have indefinite useful lives and are not amortizable according to IAS 38. The prepaid license fee are amortized over the license period of 5 years starting May 2020. The accumulated amortization as of 31.12.2020 is NOK 24.6 million.

The cash generating unit (CGU) consists IP-rights and allocated goodwill. The CGU has been impairment tested by calculating the value in use by discounting expected future cash flows. A 5-year budget for the European expansion into two new countries has been used as projection of cash flows. As basis for the yearly cash flows a growth in gross carrying amount in loans to customers has been estimated. The calculation includes, additional costs in the form of increased MREL capital requirements and the need for funding related to the expansion. A pre-tax discount rate has been used reflecting the Group's cost of capital. At year end no impairment has been deemed necessary.

## Note 29. Fixed assets

<i>Amounts in NOK 1000</i>	Fixtures and fittings	Hardware	Right-of-use assets	Total
Accumulated acquisition cost 31.12.19	1 858	2 517	9 787	14 161
Additions	-	1 714	314	2 028
Disposals	-1 404	-1 544	-	-2 948
Acquisition cost 31.12.20	453	2 687	10 101	13 241
Accumulated depreciations 31.12.20	453	938	6 967	8 358
Net accumulated and reversed amortizations 31.12.20	-	-	-	-
Acc. depreciations, amortizations and rev. Amorti. 31.12.20	453	938	6 967	8 358
<b>Book value 31.12.20</b>	<b>-</b>	<b>1 749</b>	<b>3 134</b>	<b>4 883</b>
Annual depreciations	-	784	3 391	4 174
Expected useful life	5 years	3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	
<i>Amounts in NOK 1000</i>	Fixtures and fittings	Hardware	Right-of-use assets	Total
Accumulated acquisition cost 31.12.18	1 859	1 874	-	3 733
Additions	-	643	9 787	10 430
Disposals	-1	-	-	-1
Acquisition cost 31.12.19	1 858	2 517	9 787	14 161
Accumulated depreciations 31.12.19	1 857	1 698	3 262	6 817
Net accumulated and reversed amortizations 31.12.19	-	-	-	-
Acc. depreciations, amortizations and rev. Amorti. 31.12.19	1 857	1 698	3 262	6 817
<b>Book value 31.12.19</b>	<b>1</b>	<b>818</b>	<b>6 524</b>	<b>7 343</b>
Annual depreciations	2	542	3 262	3 807
Expected useful life	5 years	3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

## Note 30. Lease agreements

The NFH Group's leased assets include the office at Snarøyveien 36, Fornebu, datalines and other equipment. Upon initial implementation an option for a two-year extension of the lease was reflected in the calculation of the value of the asset. The office agreement expires October 31, 2021, and the option of another extension has not been utilized, hence no revaluation of the asset has been made. Annual rent of office space amounts to NOK 2.9 million. The Group's right-of-use assets are categorized and presented in the table below:

### Right-of-use assets

<i>Amounts in NOK 1000</i>	Buildings	Datalines	Equipment and fixtures	Total
Accumulated acquisition cost 31.12.19	7 389	1 619	779	9 787
Adjustments	185	-	-	185
Additions	130	-	-	130
<b>Acquisition cost 31.12.20</b>	<b>7 704</b>	<b>1 619</b>	<b>779</b>	<b>10 101</b>
Depreciation	2 930	540	235	3 705
Accumulated depreciations 31.12.20	5 417	1 079	471	6 967
<b>Book value 31.12.20</b>	<b>2 287</b>	<b>540</b>	<b>308</b>	<b>3 134</b>
Expected useful life	3 years	3 years	3-4 years	
Depreciation method	Linear	Linear	Linear	
<i>Amounts in NOK 1000</i>	Buildings	Datalines	Equipment and fixtures	Total
Upon initial adoption 01.01.19	7 389	1 619	779	9 787
<b>Acquisition cost 31.12.19</b>	<b>7 389</b>	<b>1 619</b>	<b>779</b>	<b>9 787</b>
Depreciation	2 487	540	235	3 262
Accumulated depreciations 31.12.19	2 487	540	235	3 262
<b>Book value 31.12.19</b>	<b>4 902</b>	<b>1 079</b>	<b>543</b>	<b>6 524</b>
Expected useful life	3 years	3 years	3-4 years	
Depreciation method	Linear	Linear	Linear	

## Note 30. Lease agreements (continued)

### Lease liabilities

The NFH Group's leases are non-cancellable operating leases expiring within one to two years. The 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:

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Within one year	3 026	1 564
Later than one year but not later than five years	405	8 222
Later than five years	-	-
<b>Non-cancellable operating leases</b>	<b>3 431</b>	<b>9 786</b>

A short term lease agreement regarding an apartment in Malaga was NOK 34.7 thousand in 2020 and is considered immaterial. The lease agreement was cancelled in the second quarter of 2020.

#### Changes in lease liabilities

<i>Amounts in NOK 1000</i>	<b>Total</b>
Lease liabilities as at 31.12.19	6 602
New/changed lease liabilities recognised during the period	130
Payment of principal	-4 120
Payment of interest	186
<b>Lease liabilities as at 31.12.20</b>	<b>2 798</b>

<i>Amounts in NOK 1000</i>	<b>Total</b>
Upon initial adoption 01.01.19	9 787
New/changed lease liabilities recognised during the period	185
Payment of principal	-3 645
Payment of interest	275
<b>Lease liability as at 31.12.19</b>	<b>6 602</b>

## Note 31. Other receivables

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Distribution commissions	17 979	32 418
Prepaid expenses	3 097	6 206
Other receivables	12 889	24 211
<b>Total receivables</b>	<b>33 965</b>	<b>62 835</b>

## Note 32. Other liabilities

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Payables to suppliers	8 614	3 783
Value added tax	7 150	8 425
Social security tax	3 159	3 557
Tax withholdings	4 024	3 175
Unsettled items related to certificates and bonds	1 200	189 072
Other liabilities	18 852	17 901
<b>Total other liabilities</b>	<b>42 999</b>	<b>225 912</b>

## Note 33. Accrued expenses

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Accrued not due expenses*	205 920	157 994
Bonus	21 288	17 375
Holiday pay	7 728	6 598
Board remuneration	1 472	822
Accrued fees	55	118
<b>Total accrued expenses</b>	<b>236 463</b>	<b>182 907</b>

\*Accrued expenses are provisions for incurred costs at year end, with outstanding payments and applies to deliveries from various third parties, provisions for insurance costs and other accruals.

## Note 34. Additional Tier 1 Capital

Amounts in NOK 1000 ISIN	Nominal value outstanding	Currency	Interest	Reference rate + margin	Maturity *	Carrying value
<b>Additional Tier 1 Capital</b>						
NO0010774318	210 000	NOK	Floating	NIBOR + 525bp	21.09.2021	210 000
NO0010797319	300 000	NOK	Floating	NIBOR + 525bp	14.06.2022	300 000
NO0010833320	125 000	NOK	Floating	NIBOR + 540bp	02.10.2023	125 000
<b>Total Additional Tier 1 Capital</b>	<b>635 000</b>					<b>635 000</b>

\* Reflects the first possible call date. 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.

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

## Note 35. Related parties and other investments

Bank Norwegian AS has since 2007 had an agreement with Norwegian Air Shuttle ASA regarding the use of the brand name Norwegian, IP-rights and cooperation regarding the loyalty program Norwegian Reward. The agreement was renegotiated in the second quarter 2018 and is valid for ten years. In 2020 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 386.8 million, comprising of portfolio related costs of NOK 337.5 million and sales and agent commissions of NOK 49.3 million. The portfolio related costs include license fee for use of brand name, IP-rights, and other customer portfolio costs, such as cashpoints.

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

Bank Norwegian AS owns 2.38% of VN Norge AS and in December 2020 the bank received a dividend payment of NOK 24 million.

## Note 36. Subsequent events

The Board of Directors is aware of the following events after the date of the balance sheet that may be of material significance to the annual accounts.

The situation with the Norwegian airline's restructuring program is being closely monitored. It is our expectation that the company will reach a solution during the spring in which a restructured new airline continues to support the continuation of the Reward program between Norwegian Air Shuttle ASA and the Bank. Otherwise, the Bank will be able to establish new benefits for customers to maintain the attractiveness and profitability of the card program, including a potential extension of the temporary cashback solution launched in February.

On March 4, 2021, Nordax Bank AB (publ) ("Nordax") announced its intention to launch a voluntary offer for the shares in the Norwegian Finans Holding ASA. The proposed offer price was NOK 95 per share in cash, representing a 16.5% premium to the undisturbed closing price on March 3, 2021. The Board of Directors of NFH responded March 9, 2021 to Nordax that the indicated offer price significantly undervalues the Company and its prospects and that the minimum acceptance level of 50.1% of the shares of the company is undesirable both from a regulatory and governance perspective. Taking all relevant considerations into account, the proposal by Nordax is not viewed by the Board of Directors to be in the best interest of the shareholders of the Company and does therefore not form a basis for commencement of a process. The Board of Directors will evaluate any further proposals made by Nordax or any proposal made by any other party in the best interest of shareholders.

## Quarterly figures

# Profit and loss account

	NFH Group				
Amounts in NOK 1000	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income, amortized cost	1 416 244	1 447 485	1 503 855	1 513 862	1 488 734
Other interest income	53 944	51 103	61 764	67 068	46 524
Interest expenses	158 935	177 518	179 319	186 500	173 586
<b>Net interest income</b>	<b>1 311 252</b>	<b>1 321 070</b>	<b>1 386 301</b>	<b>1 394 430</b>	<b>1 361 672</b>
Commission and bank services income	73 716	79 379	66 364	192 558	135 391
Commission and bank services expenses	52 439	42 839	48 138	51 627	57 862
Income from shares and other securities	24 029	-	-	-	-
Net change in value on securities and currency	-56 420	9 212	104 964	-69 114	9 465
<b>Net other operating income</b>	<b>-11 114</b>	<b>45 751</b>	<b>123 190</b>	<b>71 817</b>	<b>86 994</b>
<b>Total income</b>	<b>1 300 139</b>	<b>1 366 822</b>	<b>1 509 491</b>	<b>1 466 247</b>	<b>1 448 665</b>
Personnel expenses	35 905	32 040	23 719	31 168	28 496
General administrative expenses	257 849	263 320	227 532	294 882	282 970
Ordinary depreciation	23 965	25 031	22 518	16 700	18 079
Other operating expenses	13 120	14 641	14 972	15 801	15 573
<b>Total operating expenses excluding loan losses</b>	<b>330 839</b>	<b>335 031</b>	<b>288 741</b>	<b>358 550</b>	<b>345 118</b>
Provision for loan losses	397 662	365 623	447 027	620 636	432 803
<b>Profit on ordinary activities before tax</b>	<b>571 638</b>	<b>666 168</b>	<b>773 723</b>	<b>487 060</b>	<b>670 745</b>
Tax charge	135 404	165 545	191 635	119 028	166 882
<b>Profit on ordinary activities after tax</b>	<b>436 234</b>	<b>500 622</b>	<b>582 087</b>	<b>368 032</b>	<b>503 863</b>

# Comprehensive income

	NFH Group				
Amounts in NOK 1000	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
<b>Profit on ordinary activities after tax</b>	<b>436 234</b>	<b>500 622</b>	<b>582 087</b>	<b>368 032</b>	<b>503 863</b>
<b>Comprehensive income for the period</b>	<b>436 234</b>	<b>500 622</b>	<b>582 087</b>	<b>368 032</b>	<b>503 863</b>

# Balance sheet

	NFH Group				
Amounts in NOK 1000	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19
<b>Assets</b>					
Cash and deposits with the central bank	69 451	69 511	69 623	69 905	68 500
Loans and deposits with credit institutions	2 774 788	2 462 788	3 361 585	3 014 698	2 094 165
Loans to customers	37 943 688	39 962 311	40 101 034	42 378 471	40 560 502
Certificates and bonds	21 520 427	21 054 167	16 790 787	13 764 305	14 650 988
Financial derivatives	341 309	205 245	161 158	59 020	76 371
Shares and other securities	50 692	51 491	51 124	46 017	44 863
Intangible assets	448 701	470 235	490 433	506 426	510 840
Deferred tax asset	4 107	7 702	5 849	4 179	3 502
Fixed assets	4 883	1 184	1 082	1 153	819
Receivables	33 965	79 322	92 057	110 908	62 835
<b>Total assets</b>	<b>63 192 011</b>	<b>64 363 956</b>	<b>61 124 733</b>	<b>59 955 081</b>	<b>58 073 384</b>
<b>Liabilities and equity</b>					
Loans from credit institutions	1 313 710	1 033 695	1 000 781	1 400 000	52 750
Deposits from customers	42 677 703	43 880 046	41 090 855	39 561 112	40 118 369
Debt securities issued	6 034 387	6 649 351	6 679 216	6 813 624	6 537 863
Financial derivatives	64 862	112 604	200 428	657 621	29 621
Tax payable	557 675	498 291	634 825	441 519	625 745
Deferred tax	58 234	3 821	3 821	3 821	3 821
Other liabilities	42 999	193 813	55 452	193 945	225 912
Accrued expenses	236 463	217 251	175 744	177 062	182 907
Subordinated loan	877 820	876 049	876 143	876 073	822 688
<b>Total liabilities</b>	<b>51 863 850</b>	<b>53 464 921</b>	<b>50 717 265</b>	<b>50 124 777</b>	<b>48 599 677</b>
Share capital	186 847	186 847	186 695	186 695	186 695
Share premium	978 201	978 201	972 295	972 295	972 295
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Paid, not registered capital	-	-	6 058	-	-
Retained earnings and other reserves	9 528 112	9 098 987	8 607 419	8 036 314	7 679 717
<b>Total equity</b>	<b>11 328 161</b>	<b>10 899 035</b>	<b>10 407 467</b>	<b>9 830 304</b>	<b>9 473 707</b>
<b>Total liabilities and equity</b>	<b>63 192 011</b>	<b>64 363 956</b>	<b>61 124 733</b>	<b>59 955 081</b>	<b>58 073 384</b>

## Profit and loss account

Norwegian Finans Holding ASA

Amounts in NOK 1000	Note	2020	2019
Interest income, effective interest method		-	1 086
Interest expenses		3 692	2 114
<b>Net interest income</b>		<b>-3 692</b>	<b>-1 028</b>
Commission and bank services expenses		679	512
Other income	6	1 451 000	-
<b>Net other operating income</b>		<b>1 450 321</b>	<b>-512</b>
<b>Total income</b>		<b>1 446 629</b>	<b>-1 539</b>
Personnel expenses		3 175	1 518
General administrative expenses		4 683	-
Other operating expenses		1 066	4 447
<b>Total operating expenses</b>		<b>8 923</b>	<b>5 964</b>
<b>Profit before tax</b>		<b>1 437 705</b>	<b>-7 503</b>
Tax charge	4	316 296	-1 651
<b>Profit after tax</b>		<b>1 121 410</b>	<b>-5 852</b>

## Comprehensive income

Amounts in NOK 1000	2020	2019
<b>Profit on ordinary activities after tax</b>	<b>1 121 410</b>	<b>-5 852</b>
<b>Comprehensive income for the period</b>	<b>1 121 410</b>	<b>-5 852</b>

## Balance sheet

Norwegian Finans Holding ASA

Amounts in NOK 1000	Note	31.12.20	31.12.19
<b>Assets</b>			
Loans and deposits with credit institutions		2 248	1 117
Ownership interests in group companies	6	1 190 240	1 190 240
Deferred tax asset	4	3	2 682
Receivables	3, 7	1 793 350	338 311
<b>Total assets</b>		<b>2 985 840</b>	<b>1 532 350</b>
<b>Liabilities and equity</b>			
Tax payable	4	313 616	-
Other liabilities	3, 7	1 322 681	190 374
Accrued expenses		2 325	1 142
<b>Total liabilities</b>		<b>1 638 622</b>	<b>191 516</b>
Share capital		186 847	186 695
Share premium		978 201	972 295
Retained earnings and other reserves		182 170	181 844
<b>Total equity</b>		<b>1 347 219</b>	<b>1 340 834</b>
<b>Total liabilities and equity</b>		<b>2 985 840</b>	<b>1 532 350</b>

Bærum, March 16, 2021  
The Board of Directors of Norwegian Finans Holding ASA

Klaus-Anders Nysteen  
Chairman of the Board

Anita Aarnæs  
Board member

Christine Rødsæther  
Board member

Hans Larsson  
Board member

Knut Arne Alsaker  
Board member

Kjetil Garstad  
Board member

Izabella Kibsgaard-Petersen  
Board member

Tine Wollebakk  
CEO

# Cash flow statement

Amounts in NOK 1000	Norwegian Finans Holding ASA	
	2020	2019
Profit / loss before tax	1 437 705	-7 503
Change in other accruals	-1 455 039	-338 309
Change in short-term liabilities	1 447 106	189 959
Adjustment group contribution income	-1 451 000	-
Change in receivables from received group contribution	1 451 000	-
Adjustment for dividends	-1 121 083	-
Change in taxes from received group contribution	-313 616	-
<b>Net cash flow from operating activities</b>	<b>-4 927</b>	<b>-155 853</b>
Net investment in group companies	-	-40 240
<b>Net cash flows from investment activities</b>	<b>-</b>	<b>-40 240</b>
Allocation of bonus shares	6 058	5 301
Buy back of shares	-	-161 200
Issuing of shares	-	150 000
<b>Net cash flow from financing activities</b>	<b>6 058</b>	<b>-5 899</b>
Net cash flow for the period	1 131	-201 992
Cash and cash equivalents at the start of the period	1 117	203 109
<b>Cash and cash equivalents at the end of the period</b>	<b>2 248</b>	<b>1 117</b>

# Changes in equity

Amounts in NOK 1000	Share capital	Share premium	Retained earnings	Total equity
<b>Balance 31.12.19</b>	<b>186 695</b>	<b>972 295</b>	<b>181 844</b>	<b>1 340 834</b>
This period's profit	-	-	1 121 410	1 121 410
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>1 121 410</b>	<b>1 121 410</b>
Allocation of shares	153	5 906	-	6 058
Adjustment for dividends	-	-	-1 121 083	-1 121 083
<b>Balance 31.12.20</b>	<b>186 847</b>	<b>978 201</b>	<b>182 170</b>	<b>1 347 219</b>
<b>Balance 31.12.18</b>	<b>186 752</b>	<b>976 938</b>	<b>188 896</b>	<b>1 352 586</b>
Resultat for perioden	-	-	-5 852	-5 852
<b>Totalresultat for perioden</b>	<b>-</b>	<b>-</b>	<b>-5 852</b>	<b>-5 852</b>
Tilbakjøp av aksjer	-2 133	-157 867	-	-160 000
Allokering av aksjer	2 000	148 000	-	150 000
Allokering av bonusaksjer	76	5 224	-	5 301
Avgifter	-	-	-1 201	-1 201
<b>Balance 31.12.19</b>	<b>186 695</b>	<b>972 295</b>	<b>181 844</b>	<b>1 340 834</b>



# Notes for Norwegian Finans Holding ASA

## Note 1. General accounting principles

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

The financial statements for 2020 have been prepared in accordance with annual accounts regulation for banks, credit companies and finance companies, and in accordance with the International Financial Reporting Standards (IFRS), as adopted by the European Union, with certain exceptions and simplifications according to the annual accounts regulations. Amounts in the note information are stated in NOK thousand unless otherwise stated.

### Deferred tax and deferred tax assets

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

### Tax expense

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

### Payable tax

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

## Note 2. Capital adequacy

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

### Total capital

Amounts in NOK 1000	2020	2019
Share capital	186 847	186 695
Share premium	978 201	972 295
Other reserves	182 170	181 844
Deferred tax assets, intangible assets and additional valuation adjustment	-3	-2 682
<b>Common equity tier 1</b>	<b>1 347 215</b>	<b>1 338 151</b>
Additional tier 1 capital	-	-
<b>Tier 1 capital</b>	<b>1 347 215</b>	<b>1 338 151</b>
Tier 2 capital	-	-
<b>Total capital</b>	<b>1 347 215</b>	<b>1 338 151</b>

### Risk-weighted assets

Institutions	725 950	223
Corporate	341 792	338 311
Equity positions	1 190 240	1 190 240
Other assets	558	-
<b>Total credit risk</b>	<b>2 258 539</b>	<b>1 528 774</b>
<b>Operational risk</b>	-	-
<b>Market risk</b>	-	-
<b>Total risk-weighted assets</b>	<b>2 258 539</b>	<b>1 528 774</b>

<b>Common equity tier 1 capital %</b>	<b>59.6 %</b>	<b>87.5 %</b>
<b>Tier 1 capital %</b>	<b>59.6 %</b>	<b>87.5 %</b>
<b>Total capital %</b>	<b>59.6 %</b>	<b>87.5 %</b>

## Note 3. Related parties

In the second quarter 2019 Bank Norwegian AS provided Norwegian Finans Holding ASA with a loan of NOK 187.5 million in relation to the acquisition of IP rights in Lilienthal Finance Ltd. with interest. Norwegian Finans Holding ASA also has other intercompany liabilities to Bank Norwegian AS to cover general expenses.

Norwegian Finans Holding ASA provided Lilienthal Finance Ltd. with a loan of NOK 334.5 million in relation to the acquisition of IP rights in the same quarter without interest. This consists of NOK 150 million for payment of IP-rights and NOK 184.5 million as prepaid expenses of license fee.

## Note 4. Taxes

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
<b>Deferred tax asset / deferred tax</b>		
Loss and remuneration to be carried forward	-	-12 178
Basis for deferred tax asset / deferred tax in the balance sheet	-	-12 178
Deferred tax asset / deferred tax	-3	-2 682
<b>Deferred tax asset / deferred tax in the accounts</b>	<b>-3</b>	<b>-2 682</b>
<b>Basis for tax charge, changes in deferred tax and tax payable</b>		
Profit before tax	1 437 705	-7 503
Permanent differences	2	-
Basis for the tax charge for the year	1 437 707	-7 503
Change in losses and remuneration to be carried forward	-12 178	1 651
Basis for tax payable in the profit and loss	1 425 529	-7 503
<b>Taxable income (basis for tax payable in the balance sheet)</b>	<b>1 425 529</b>	<b>-7 503</b>
<b>Distribution of tax charge</b>		
Total Tax payable (22 % of the basis for tax payable in the income statement)	313 616	-
Change in deferred tax / tax asset	2 679	-1 651
<b>Tax charge</b>	<b>316 296</b>	<b>-1 651</b>
<b>Reconciliation of tax charge</b>		
Profit before tax	1 437 705	-7 503
Estimated tax expense (22 %)	316 296	-1 651
Tax charge in profit and loss account	316 296	-1 651
<b>Difference</b>	<b>-</b>	<b>-</b>

## Note 5. Salaries and other personnel expenses

Norwegian Finans Holding ASA has no employees. Bonus to key executives are earned according to circular 02/2020 from The Financial Supervisory Authority of Norway, "Godtgjørelsesordninger i finansinstitusjoner" (Compensation arrangements at banks) as such key executives receive the entire bonus in shares with a lock-in period of three years. See note 18 in the group accounts for further information.

### Fees paid out to the Board of Directors

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Bjørn Østbø	500	300
John Høsteland	-	313
Bjørn H. Kise	100	50
Anita Marie Hjerkin Aarnæs	250	325
Christine Rødsæther	125	163
Gunn Isabel Westerlund Ingemundsen	125	125
Rolv-Erik Spilling	125	300
Kjetil Garstad	250	-
Knut Arne Alsaker	175	-
<b>Total</b>	<b>1 650</b>	<b>1 575</b>

### Fees paid out to the Election Committee

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Knut Gillesen	33	50
Gunnar Martinsen	-	5
Alf Nielsen	10	10
Beret Sundet	10	5
Bjørn H. Kise	10	-
<b>Total</b>	<b>63</b>	<b>70</b>

### Fees paid out to the Risk and Audit Committee

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Knut Arne Alsaker	60	-
Gunn Isabel Westerlund Ingemundsen	50	-
John Høsteland	40	-
Bjørn Østbø	30	-
Rolv-Erik Spilling	10	-
<b>Total</b>	<b>190</b>	<b>-</b>

## Note 5. Salaries and other personnel expenses (continued)

### Auditor fees

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

<i>Amounts in NOK 1000</i>	<b>2020</b>	<b>2019</b>
Statutory auditing	56	54
Other certification services	54	69
Other non-audit services	78	68
<b>Total</b>	<b>188</b>	<b>192</b>

## Note 6. Ownership interests in subsidiaries

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

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

## Note 7. Receivables and other liabilities

Receivables includes a proposed group contribution from Bank Norwegian AS of NOK 1 451 million.

Other liabilities includes a proposed dividend of NOK 1 121 million.

# Statement

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## **pursuant to section 5-5 of the Securities Trading Act**

We hereby confirm that the annual accounts for the Group and the company for 2020 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group and the company taken as a whole.

The Directors' report gives a true and fair view of the development and performance of the business and the position of the Group and the company, as well as a description of the principal risks and uncertainties facing the Group.

Bærum, March 16, 2021

The Board of Directors of Norwegian Finans Holding ASA

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Klaus-Anders Nysteen  
Chairman of the Board

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Anita Aarnæs  
Board Member

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Knut Arne Alsaker  
Board Member

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Christine Rødsæther  
Board Member

---

Kjetil Garstad  
Board Member

---

Izabella Kibsgaard-Petersen  
Board Member

---

Hans Larsson  
Board Member

---

Trine Wollebekk  
CEO



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To the General Meeting of Norwegian Finans Holding ASA

## INDEPENDENT AUDITOR'S REPORT

### Report on the Audit of the Financial Statements

#### *Opinion*

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

- The financial statements of the parent company Norwegian Finans Holding ASA (the Company), which comprise the balance sheet as at 31 December 2020, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Norwegian Finans Holding ASA and its subsidiaries (the Group), which comprise the balance sheet as at 31 December 2020, the income statement, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Regulations on annual accounts for banks, credit and financing companies.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### *Basis for Opinion*

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

#### *Key Audit Matters*

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

*IT Systems and Internal Controls relevant for Financial Reporting*

Key audit matter	How the matter was addressed in the audit
<p>The IT systems within the bank are key in the accounting and reporting of completed transactions, in obtaining the basis for key estimates and calculations, and in obtaining relevant information to be disclosed.</p> <p>The IT systems are standardized, and the management and operation of the systems are to a great extent outsourced to external service providers. For more information regarding, development, operation and management of the bank's IT systems see note 14 in the Financial Statements.</p> <p>Proper management and control of these IT systems both at the bank and their service providers are of high importance in order to ensure precise, complete and reliable financial reporting, and this area is therefore a key audit matter.</p>	<p>The bank has established a general governance model and control activities on its IT systems. We have obtained an understanding of the bank's IT governance model relevant for financial reporting.</p> <p>We assessed and tested the design of selected control activities relevant for financial reporting, including selected controls related to IT operations, change management and information security. For a sample of these control activities, we tested their operating effectiveness in the reporting period.</p> <p>We reviewed and tested the design of selected automated controls in the bank's IT systems regarding selected calculations and access controls and for a selection of the controls we tested if they had operated effectively in the period.</p> <p>We engaged our internal IT experts in the work related to understanding the governance model on IT systems and in assessing and testing the internal control activities related to IT systems.</p>

*Loss allowance on loans to customers*

Key audit matter	How the matter was addressed in the audit
<p>The bank has unsecured loans to customers in Norway, Sweden and Denmark, and reference is made to note 1,2,4,5,6 and 10 for disclosures on credit risk and loss allowance on loans to customers.</p> <p>The bank has considered the expected credit loss (ECL) on loans to customers. The estimate involves considerable judgement.</p> <p>The judgement relates to use of forward-looking information regarding the probability of default and loss given default, including judgements as to how expected credit loss is impacted affected by uncertainties regarding the economic development after the Covid-19 outbreak.</p>	<p>The bank has established control activities related to the estimation of loss allowance on loans to customers. We have obtained an understanding of the process and the relevant key controls.</p> <p>We have assessed and tested the design of selected control activities concerning the estimation of expected credit loss for the following:</p> <ul style="list-style-type: none"> <li>• completeness and accuracy of input used in the estimates</li> <li>• that model changes are validated and approved prior to deployment</li> <li>• that relevant methods and assumptions are validated</li> <li>• that the final expected credit loss estimate is reviewed and assessed</li> </ul> <p>For a sample of these control activities, we tested if they operated effectively during the period.</p>

*Loss allowance on loans to customers, cont.*

Key audit matter	How the matter was addressed in the audit
<p>The bank has developed internal models to estimate ECL. The ECL framework consists of four components:</p> <ul style="list-style-type: none"> <li>• PD (probability of default)</li> <li>• EAD (exposure at default)</li> <li>• LGD (loss given default)</li> <li>• Discounting rate</li> </ul> <p>The assumptions and assessments used in these estimates are decisive for the size of the loss allowance and is therefore a key audit matter in the audit.</p>	<p>We have assessed and tested the design of the bank's model risk governance framework for the ECL models, and assessed the appropriateness of inputs, methods and assumptions towards the requirements in IFRS 9, including the bank's methodology for identification of significant increase in credit risk.</p> <p>We have performed audit procedures to address the loss allowance as of year-end and the changes throughout the year. We have obtained and assessed the bank's justification for the ECL and challenged the Management on the assumptions and assessments on which the overall estimates are based, including the expected impacts of Covid-19.</p> <p>We have assessed whether the disclosures on loss allowance on loans to customers include relevant and significant information in accordance with the requirements under IFRS 7.</p>

*Other information*

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

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

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

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

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

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements of the Company in accordance with Regulations on annual accounts for banks, credit and financing companies, and for the preparation and true and fair view of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements of the Company use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations. The consolidated financial statements of the Group use the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.



***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

**Report on Other Legal and Regulatory Requirements*****Opinion on the Board of Directors' report***

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

***Opinion on Registration and Documentation***

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2021  
Deloitte AS

**Eivind Skaug**

State Authorised Public Accountant (Norway)

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

