banknorwegian

Annual Report

2018

Norwegian Finans Holding Group

Contents

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

Financial highlights

Profit and loss account

Amounts in NOK 1000	Norwegian Finans Holding Group 2018	2017
Net interest income	**4.406.326**	**3.656.037**
Commission and bank services income	463.551	363.109
Commission and bank services expenses	230.454	174.202
Net change in value on securities and currency	12.818	7.458
Other income	32	-
Net other operating income	**245.947**	**196.365**
Total income	**4.652.273**	**3.852.401**
Personnel expenses	87.726	74.957
General administrative expenses	1.035.911	883.265
Depreciation and impairment of fixed and intangible assets	59.998	53.062
Other operating expenses	52.528	45.484
Total operating expenses excluding loan losses	**1.236.163**	**1.056.768**
Provision for loan losses	1.027.631	672.388
Profit on ordinary activities before tax	**2.388.478**	**2.123.245**
Tax charge	591.867	526.194
Profit on ordinary activities after tax	**1.796.611**	**1.597.050**
Other comprehensive income	-	8.115
Comprehensive income for the period	**1.796.611**	**1.605.165**

Balance sheet

Amounts in NOK 1000	Norwegian Finans Holding Group 31.12.18	31.12.17
Total assets	50.435.746	42.999.992
Loans to customers	37.797.618	32.479.570
Liquid assets	12.372.865	10.271.457
Deposits from customers	39.091.791	33.682.275
Debt securities issued	2.018.724	2.242.423
Subordinated loans	836.205	474.614
Tier 1 capital	635.000	635.000
Total equity	7.544.254	5.713.621

Key figures and alternative performance measures

	Norwegian Finans Holding Group 2018	2017
Return on equity (ROE)[1]	29,9 %	38,3 %
Return on assets (ROA)[1]	3,8 %	4,2 %
Earnings per share (EPS)	9,62	8,60
Common equity tier 1 (CET 1)	19,4 %	17,1 %
Leverage ratio	13,7 %	12,2 %
Liquidity coverage ratio (LCR)	213 %	204 %
Net interest margin (NIM)[1]	9,3 %	9,7 %
Cost/income ratio[1]	0,27	0,27
Non-performing loans to loans[1]	7,6 %	5,7 %
Loan loss provisions to average loans[1]	2,8 %	2,3 %
Loan loss allowance to loans[1]	4,2 %	3,0 %
Loan loss allowance to non-performing loans[1]	55,5 %	56,8 %

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

Letter from the CEO

Tine Wollebekk
CEO

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

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

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

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

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

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

Bank Norwegian – our story

2007
The bank established.

2010
Began issuing own Norwegian Card.

2013
Launched loans, cards and savings accounts in Sweden.

2015
Launched loans and savings accounts in Finland and Denmark.

2016
Listed on the Oslo Stock Exchange. Launched credit cards in Finland and Denmark.

2017
Won Freddie Awards for best credit card for loyalty programme. Passed one million customers.

Important events 2018

14 March

■ Bjørn Østbø elected new Chairman of the Board of Norwegian Finans Holding.

26 April

■ Second place in Freddie Awards for best credit card for loyalty programme.

20 June

■ New agreement with Norwegian for commercial cooperation in the Nordic countries for the next ten years.

28 June

■ Launch of new app with new design and enhanced features.

13 August

■ Folketrygdfondet becomes the second largest owner in Norwegian Finans Holding.

23 November

■ Launch of Mine kjøp (My purchases) in the app.

29-30 November

■ Court case concerning bidding on competitors' brand in Google and other search engines. Asker og Bærum District Court found in favour of Bank Norwegian and was of the opinion that the bank was not in breach of Section 25 of the Norwegian Marketing Control Act relating to good business practice.

7 December

■ Entered agreement granting the right to purchase a minimum of 40 percent of Irish company Lilienthal Finance Limited to develop banking activities based on Bank Norwegian's business model in Europe.

About the share

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

Facts about the share

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

The share capital in NOFI is NOK 186,751,856, divided among 186,751,856 shares, each with a nominal value of NOK 1. All outstanding shares have equal voting rights. At the end of 2018 the share was added to Oslo Stock Exchange Benchmark Index (OSEBX), OSEAX All-share Index, OSEFX Mutual Fund index, OSEMX Mid Cap Index and OSE40GI Financial Sector index.

Sales and trading

A total of 119,669,884 shares were traded in 2018, with a total trading volume of approximately BNOK 10.5. Each trading day, an average of approximately 480,600 shares were traded with a total average trading volume of approximately NOK 42 million.

The highest trading price during 2018 was NOK 109.8. The lowest trading price was NOK 63.0. The highest closing price was NOK 109.5 and the lowest closing price was NOK 63.0. At year end, the closing price was NOK 67.0 compared with NOK 92.0 at the start of the year. The share price fell by 27.2 percent during the year.

On 31 December 2018 NOFI had a total of 4,489 owners (4,141 in 2017). The largest owner, Norwegian Air Shuttle ASA, owns 16.4 percent of the company. The ten largest owners together owned 48.98 percent of the bank's share capital at year end.

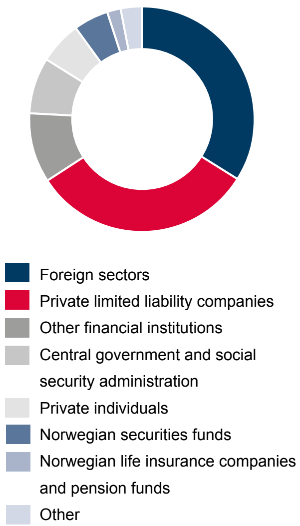
General meetings held

One ordinary general meeting and three extraordinary general meetings were held in 2018. One extraordinary general meeting was held to replace a board member. The remaining extraordinary general meetings were held at the request of a shareholder with more than 5 percent of the outstanding share capital. The request was first put forward for a vote concerning the listing of the NOFI share in a secondary market place and then for the assessment of re-domiciling the company out of Norway with a final deadline of 9 months into the future. Both proposals were rejected by the general meeting.

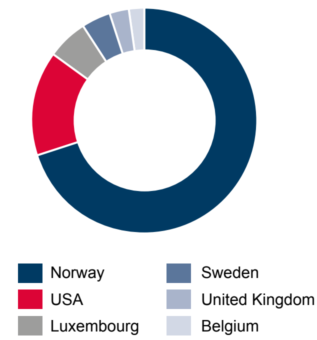
Dividends and buybacks

Given the company's good and stable earnings, NOFI gave notice in 2018 of its intentions to pay quarterly dividends to its shareholders. In 2018, NOFI had dialogue

Shareholders according to sector



Geographical distribution of holdings according to citizenship



and an application process with the Financial Supervisory Authority of Norway concerning authorisation to pay dividends or conduct share buybacks in the market. In October 2018, the Financial Supervisory Authority of Norway presented proposed amendments to the Financial Institutions Act that sought to remove ambiguities in the regulatory framework and that restrict the ability of financial institutions to pay dividends based on interim balance sheets, i.e. half-yearly and quarterly accounts. NOFI has been granted approval to buyback shares in 2019 based on submitted and revised annual accounts. The condition for this is that the company has a 3 percent management buffer in addition to applicable capital requirements before the buybacks can be initiated. In addition, known future increases in countercyclical buffer capital in all relevant countries must be covered. The requirement similarly applies to any payment of dividends. The bank's dividend policy is to pay out excess capital to shareholders that is surplus to capital necessary for coverage of current and future capital requirements, taking into consideration expected growth. Norwegian Finans Holding aims to distribute a 40 percent dividend from and including the 2019 financial year.

Investor policy and analysts following the NOFI share

It is important to create and maintain trust in the investor market. Norwegian Finans Holding ASA's endeavours to provide correct, relevant and timely information about the Group's development and results to the market. All shareholders must be treated equally. Information to the market is primarily communicated through quarterly investor presentations, stock exchange and press releases, accounting reports and our website. Regular presentations are held for national and international collaborative partners, rating companies, lenders and investors.

At the end of 2018, a total of eight brokerage houses covered the NOFI share. These were ABG Sundal Collier, Arctic Securities, Carnegie, Danske Bank Markets, DNB Markets, Pareto Securities, SEB Markets and SpareBank 1 Markets. Of the eight brokerage houses, seven recommend to buy the NOFI share and one had a neutral recommendation. Contact info for all of the analysts is available at https://www.banknorwegian.no/OmOss/InvestorRelations.

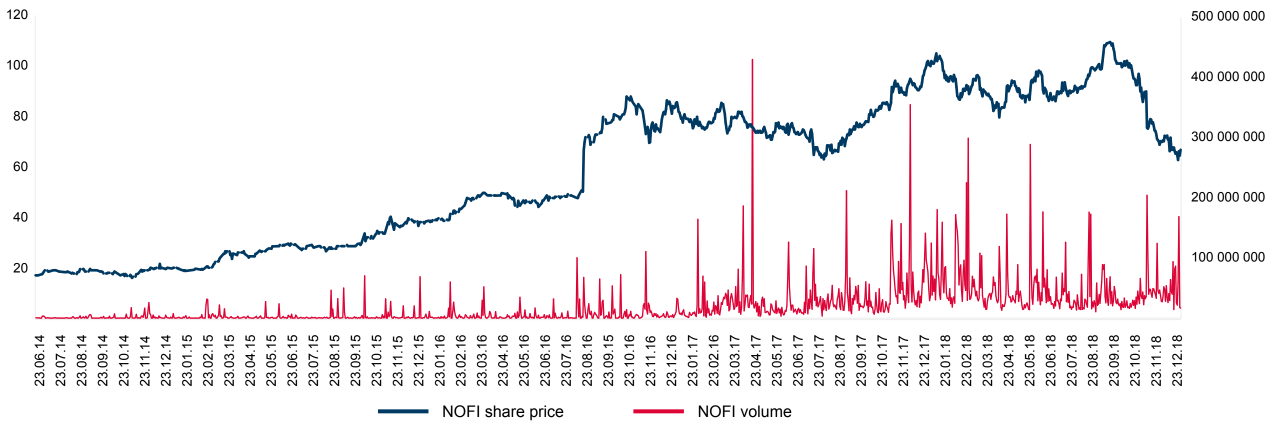
Key figures:

Market value:	NOK 12.5 billion
Effective rate of return in 2018:	Minus 27.2%
Dividends/buybacks:	Planned buybacks - NOK 160 million in 2019

Information addresses

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

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



Financial calendar

2018 Financial year	
26 February 2019	Quarterly Report 4Q 2018
29 March 2019	Annual Report 2018

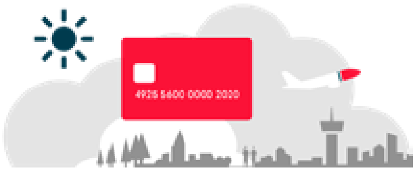
2019 Financial year	
2 May 2019	Ordinary General Meeting
3 May 2019	Quarterly Report 1Q 2019
14 August 2019	Quarterly Report 2Q 2019
30 October 2019	Quarterly Report 3Q 2019

20 largest owners

	Shareholder		**Number of shares**	**% stake**
1	Norwegian Air Shuttle ASA		30,623,739	16.40%
2	Folketrygdfondet		15,809.072	8.47%
3	Goldman Sachs & Co. LLC	Nominee account	15,439,971	8.27%
4	Brumm AS		6,739,432	3.61%
5	Green 91 AS		6,313,434	3.38%
6	Stenshagen Invest AS		4,551,416	2.44%
7	Banque Degroof Petercam	Nominee account	3,120,999	1.67%
8	Swedbank Robur Småbolagsfond Norden		3,100,000	1.66%
9	Mp Pension Pk		2,909,268	1.56%
10	Banque Degroof Petercam	Nominee account	2,872,989	1.54%
11	GKB INnvest AS		2,626,835	1.41%
12	Km Aviatrix Invest AS		2,590,635	1.39%
13	JPMorgan Chase Bank, N:A:, London	Nominee account	2,393,630	1.28%
14	The Bank of New York Mellon	Nominee account	2,341,489	1.25%
15	State Street Bank and Trust Company	Nominee account	2,226,748	1.19%
16	Torstein Tvenge		2,200,000	1.18%
17	Verdipapirfondet Pareto Investment		1,977,823	1.06%
18	J.P. Morgan Bank Luxembourg S.A.	Nominee account	1,840,129	0.99%
19	Nye Sneisungen AS		1,700,000	0.91%
20	KLP AksjeNorge INndeks		1,651,914	0.88%
	20 Largest		**113,029,523**	**60.52%**
	Total		**186,751,856**	

Our products

The Norwegian Card



The Norwegian Card is an award-winning credit card and one of the market's most favourable cards that provides CashPoints when goods are purchased. CashPoints is the airline Norwegian's own currency and can be used when purchasing airline tickets with Norwegian. The card has no annual fee, no cash withdrawal fees when abroad, and includes travel and cancellation insurance when the flight is paid for by card.

Consumer loans

Bank Norwegian offers consumer loans and refinancing loans of up to NOK 600,000. We have competitive and transparent prices. The application process, from registration to submission of documentation and identification, is fully digital.

Savings account

A savings account with Bank Norwegian gives customers some of the best market terms on deposited funds. It costs nothing to open a savings account with Bank Norwegian and there are no withdrawal limits or hidden costs. The account is opened digitally.

Insurance

Together with selected partners, Bank Norwegian offers competitive insurance products. In 2018 the bank launched attractive and relevant products such as WebSafe, full-year travel insurance and dental insurance.

Innovative customer solutions

Bank Norwegian is a fully digital and flexible bank that has challenged traditional banks since its establishment in 2007 by offering simple and standardized online deposit and lending products. The bank is commitment to new technology, with a high degree of automatization and self-service provided through digital solutions such as our own app. This is the foundation of our efficient operations that offers low costs, good scalability and a high level of flexibility.

The app, which was launched in 2016, has become an increasingly more important communication channel. The app was further developed in 2018 to make it even more customer friendly.

Improvements include new design, better performance and new features. Examples include invoice scanning and "Mine kjøp" (My Purchases) which give credit card customers a better overview of their card usage. Through pre-selected groupings, customers can use "Mine kjøp" to easily obtain an overview of card usage for a selected time period. Moving forward, the focus will continue to be on offering new digital and relevant solutions.

Bank Norwegian is a fully digital and flexible bank that has challenged traditional banks since its establishment in 2007 by offering simple and standardized online deposit and lending products.

54%
increase 2018

Increase in logins
via app

49,212
average per day

Daily logins
June-December 2018


Photo: iStock/Getty Images

Our customers

753
new customers each day

The strong growth that Bank Norwegian has experienced in recent years continued in 2018. The customer base increased by 275,000, which on average gives 753 new customers every day. All products contribute, but the Norwegian Card is responsible for the highest growth in terms of customers. 215,000 people acquired the card in 2018 alone.

Average card usage per customer, adjusted for seasonable variations, was stable during the year. Our customers performed 100 million transactions with a total value of BNOK 55. On average, each active customer used the card 16 times per month.

The card has become an everyday card that is used for most purchases. On average, 99 percent of the monthly outstanding balance is repaid the following month. The customers use the card sensibly and have good payment discipline.

The bank gained 79,060 new loan customers in 2018. A large part of the growth originated from the other Nordic countries, while the bank continues to acquire market share in Norway.

1.5

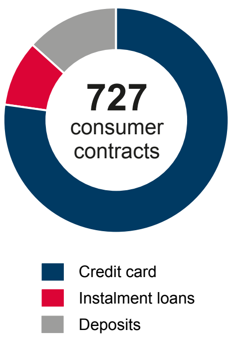
million consumer contracts

A large portion of our customers acquire loans to meet short-term needs. Half of the loans are repaid after two years, and on average, loans are repaid within 3.5 years. Customer experience is important and returning customers represent a significant portion of new sales.

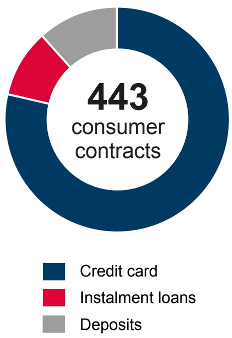
In addition to core products, we launched new and relevant third party insurance products in 2018. At the end of the year, the bank had 129,000 active insurance policies, divided among seven insurance products.

In 2018, the bank further developed the app to improve digital interaction with customers. The bank had 4.9 million logins in the 4th quarter of 2018, compared to 1.9 million logins in the same quarter 2017. During the year, the app became the most important channel for customer communication. In January 2018, 39 percent of customer logins took place via the app. 12 months later, this number was 64 percent.

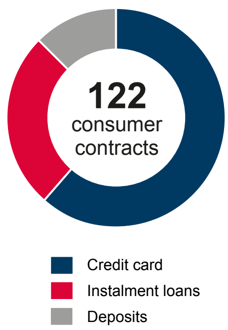
Norway 2018
(amounts in 1000)



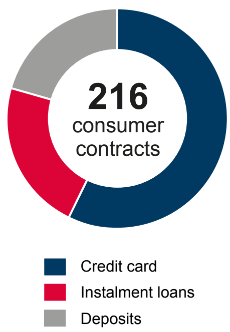
Sweden 2018
(amounts in 1000)



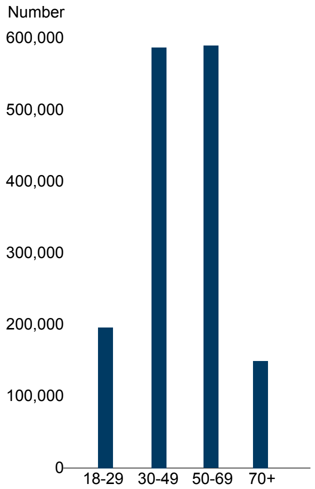
Denmark 2018
(amounts in 1000)



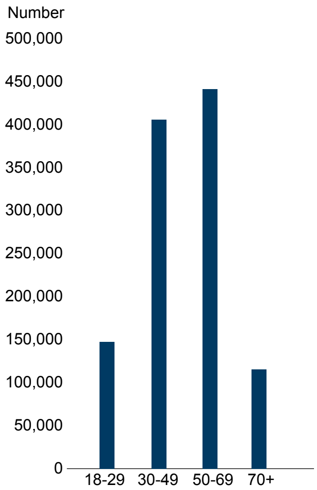
Finland 2018
(amounts in 1000)



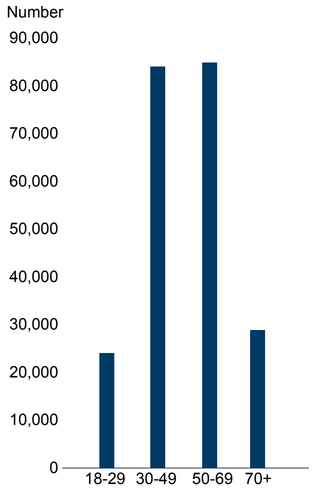
Age distribution of our customers in all countries combined



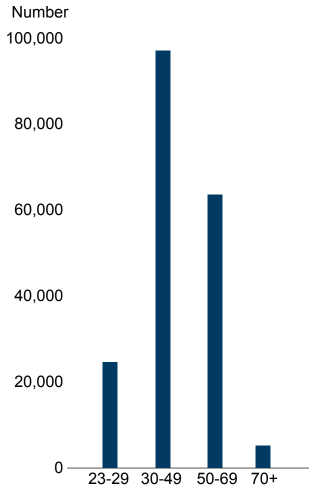
Age distribution - credit cards



Age distribution - deposits



Age Distribution - instalment loans



Our employees

75.2
number of FTEs

Bank Norwegian is an attractive and exciting workplace with a high level of expertise in all parts of the organization. We have employees from all of the Nordic countries where we offer our products and our employees have diverse backgrounds, with more than 15 different nationalities represented.

At the end of 2018, the bank had 75.2 full-time equivalents (FTEs), divided among 77 permanent employees and one temporary employee. The number of FTEs increased by 5.7 in 2018. All employees work at the head office in Fornebu.

Some of the customer service tasks are performed from Benalmadena in Spain through Webhelp. There is good access to qualified employees from all of the Nordic countries in the south of Spain, which means that our customers are served by dedicated staff in their local languages.

The bank places emphasis on the professional development of employees, and a key to success is communication across departments. This results in dedicated specialists with broad expertise.

45%

of employees are women

Bank Norwegian is an inclusive workplace with a good working environment. The bank has established guidelines and routines for safeguarding employee health, safety and environment, and for preventing discrimination. There is a low turnover of key employees and absence due to illness was 5.1 percent in 2018. Preventitive measures at individual level is facilitated for employees who require it. The bank has a working environment committee and a safety representative.

All employees must undergo an annual review of the bank's ethical guidelines and a high level of awareness of the bank's corporate social responsibility is required. In addition, we conduct an annual compliance and ethics seminar for all employees.

The bank also has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning pay, promotions and recruitment. The bank has a satisfying gender distribution, with 35 women out of a total of 78 employees. 35,7 percent of the executives at the bank are female. Women make up 50 percent of the Board of Norwegian Finans Holding ASA and 33.3 percent of the Board of Bank Norwegian AS.

Key figures: Our employees

- 78 Employees - 77 permanent and 1 temp
- 75.2 FTEs
- 35 women and 43 men
- 14 managers, five of whom are women
- 11 employees have been with the bank since it was established in 2007

Responsibility

Bank Norwegian has prepared special guide-lines for corporate social responsibility. These were adopted in 2017 and have been integrated into the our day-to-day operations. Responsible lending, safeguarding customers' privacy, preventing financial crime and looking after our employees are prioritized areas that entail long-term commitments and form the basis of our social responsibility.

Guidelines for Corporate Social Responsibility

Bank Norwegian plays an important role in society by offering deposit and lending services in the Nordic market. For us, corporate social responsibility is about combining profitability with responsible operations. As part of responsible operations, our business shall be carried out in accordance with all applicable laws and regulations and a high ethical standard.

The bank's business activities require a long-term perspective and a high level of trust from customers and society in general. This trust requires Bank Norwegian to have transparent business principles and to communicate openly with customers, employees, owners, government authorities and other stakeholders.

Bank Norwegian has prepared special guidelines for corporate social responsibility. These were adopted by the Board on 13 February 2017 and have been integrated into the bank's day-to-day operations. The bank's headquarters is in Bærum, but a large part of the bank's operations are spread out in the other Nordic countries. In 2018, the bank paid a total of NOK 825 million in direct taxes and charges in Norway.

The bank's guidelines for corporate social responsibility are part of the day-to-day operations

Access to regulated credit products is beneficial to society. At the same time, access to credit can contribute to exacerbating the financial challenges of certain individuals. It is important for the bank to have a high level of awareness surrounding lending and marketing. Responsible lending is important for protecting individuals, at the same time it is crucial for the bank's profitability.

The bank has a clear framework regarding how unsecured debt shall be marketed. A key principle is that our marketing must be directed at customers who have themselves identified a need for credit. Search engines are therefore an important marketing channel as it connects with customers who are searching for the bank's products.

The bank aims to create value for society and simultaneously lay the foundations for further profitable growth. The core of our social responsibility is how these assets are generated. The bank focuses on responsible lending, safeguarding customer privacy, preventing financial crime and caring for our employees. These four prioritized areas are long-term commitments and form the basis of the bank's social responsibility.

Responsible lending practice, customer privacy and financial crime are described in the following section, while our employees are described earlier in the annual report. New regulatory requirements for the bank, sustainability, responsible investments and human rights are also key areas for the bank, as described in the following section.

Responsible lending

Less than

15%

of loan applications result in disburse-ment of funds

Good credit practices are important. Meanwhile, customers know their own financial situation better than anyone. It is crucial to provide relevant information to all loan applicants in order for them to be able to make informed decisions.

The bank's application process for loan applicants is handled digitally through several models. Checks are made in relation to late payment notices and internal rules. Information that can be verified or retrieved from external registers will be obtained for all applications. A scorecard developed on own data evaluates the probability of default and a budget assessment is made regarding the customers' ability to service the loan. The loan applications that meet the requirements are then assessed by an experienced credit employee.

Just under 15 percent of loan applications end up with payment. Bank Norwegian has over 1.3 million credit card and loan customers in the Nordic region. Our customer database allows us to make individual credit assessments and develop our own risk models that form the basis for our responsible lending practice.

The bank adapted guidelines from the Financial Supervisory of Norway for adequate credit assessments in autumn 2017. Furthermore, it is expected that the debt registers in Norway will be in operation during the 2nd quarter of 2019. The debt registers will enable all banks to verify customer information relating to unsecured debt and provide more accurate information about the customers' financial situation. Customers who previously were granted loans by not providing a full overview of their financial situation, will now be rejected. We believe that this will benefit both borrowers and lenders.

Customer privacy

The bank has internal controls with overarching guidelines, routines for processing, mechanisms for incident manage-ment, audits and training

Bank Norwegian focuses on protecting customer data and safeguarding privacy. In 2018, the bank revised and adapted its routines to comply with the EU's new data protection requirements. During the year, the bank ensured that all routines and processes are in accordance with the updated General Data Protection Regulation (GDPR) that was enforced in the spring of 2018. Transparency is important, and customers must be able to obtain information about how to gain access to all data they own and have the right to access under the new rules.

The bank has internal controls comprising guidelines, routines for processing, mechanisms for incident management, audits and training. The Board has adopted guidelines and policies for information security and the processing of personal data. These are revised on an annual basis. All routines for ensuring adequate handling of personal data and data protection in the event of changes are revised and updated when necessary. To ensure that there is necessary expertise and quality in all parts of our operations, all employees must complete multiple

GDPR e-learning courses. At year end, these courses were conducted for all employees, temporary employees, consultants and others who work for the bank. The bank has routines for non-conformity checks and non-conformity reporting.

Financial crime

The bank continuously works to prevent card and loan fraud, as well as money laundering, tax evasion, terrorist financing and corruption. This is performed using systems and expertise we have developed ourselves, as well as acquiring expertise from partners.

We also focus on detecting other types of fraud, for example, 'first party fraud'.

Society is becoming increasingly more digitalised and it is common knowledge that personal codes and passwords must be protected. However, we have seen that some people share these without being fully aware of the consequences. A person's digital ID can therefore be misused, causing financial harm.

In addition to electronic monitoring of customers, the employees have regular compulsory training in detecting money laundering and terrorist financing. The bank has a separate department for financial crime, with expertise to detect money laundering, terrorist financing and corruption. The department is also in contact with other external entities to prevent these types of criminal acts.

The bank has continuous focus on developing routines and frameworks, improving expertise, being up-to-date with the ongoing "fraud situation", contributing to clarifying and reducing the scope of this and obtaining the right knowledge for improving employee expertise.

We are continually working to prevent fraud, money laundering, tax evasion, terrorist financing and corruption

New regulatory framework for the bank

Bank Norwegian is a responsible corporate citizen and our business is run in compliance with the applicable laws and regulations in the countries in which we offer our products.

In February this year, the Government passed new regulations covering the banks' lending practices for consumer loans, including credit cards. The bank has to comply with the new requirements by 15 May 2019. Regulations are better suited to ensuring uniform practices than the previous guidelines. The regulations contain many elements from the existing guidelines already adopted by the bank.

In January 2019, Norwegian Finans Holding was granted approval from the Financial Supervisory Authority of Norway to repurchase own shares. At the same time, a management buffer

Regulations are better suited to ensuring uniform practices than the previous guidelines

of 3 percent was added to the capital requirement.

In the Financial Supervisory Authority of Norway’s consultation paper relating to proposed provisions in the Act concerning the Norwegian Banks’ Guarantee Fund, which was sent out for consultation in June last year, the Authority wrote that banks with a business model associated with higher risk will have to make considerably higher contributions than previously.

The FSA believes that the increased contributions to the deposit guarantee fund will be an expense for the banks that to some degree must be expected to be transferred to the customers in the form of increased costs for banking services, or possibly through a reduction in deposit rates.

Changes were also adopted for the deposit amount for Norwegian banks that are deemed to be cross-border operations in the Act concerning the Norwegian Banks’ Guarantee Fund. From 1 January 2019, the limit for the deposit guarantee for our customers who have deposits with the bank outside Norway was changed from NOK 2 million to EUR 100,000. This is the same limit for deposit guarantees that applies to banks in the EU.

A sustainable business

The bank is fully digital

■ Bank Norwegian shall contribute to sustainable development of the environment and aim to limit negative impact as much as possible. Our objective is to take the environment into consideration in all parts of our business. The bank is fully digital and only offers products online and via the app. The bank's procedures and processes are largely automated with electronic documentation and communication that reduce paper consumption and transportation. The bank aims for electronic invoicing for as many customers as possible and encourage all customers to select electronic invoicing solutions.

Responsible investments and human rights

THE GLOBAL COMPACT
WE SUPPORT

We support UN and EU conventions on human rights and human dignity

■ Bank Norwegian supports UN and EU conventions on human rights and human dignity. The bank shall make responsible investments that safeguard the considerations of human rights, social issues and the external environment. The bank's investment policy states that the bank's liquid assets shall be invested in securities issued by governments, municipalities and financial institutions. The bank does not invest in stocks. The bank does not support businesses operating in violation of the UN and EU conventions on human rights or other social conditions, nor those whose actions have a detrimental effect on the external environment.

Management and Results

Presentation of management

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

Tine Gottlob Wollebekk
Chief Executive Officer

Tine Wollebekk (1962) has been employed as CEO in Bank Norwegian since June 2017, and has 31 years of financial services experience. Prior to joining Bank Norwegian Mrs. Wollebekk worked as Senior Vice President and Global Head of Financial Services at Telenor (2012-2016), Country Manager at SEB Norge (2007-2010), CEO of SEB Kort Norge (1999-2010) and CMO and other management positions at Diners Club Nordic and SEB Kort (1989-1999). Mrs Wollebekk was previously a board member at Andvord Tybring-Gjedde ASA (2004-2007), Goodtech ASA (2011-2013), Gjensidige ASA (2014-2017) and Telenor Kapitalforvaltning AS (2014-2017).

Education:
Master of Science in Business Administration, Copenhagen Business School.

Other on-going principal assignments:
Board member of Ekornes ASA since 2017 and MøllerGruppen AS/Aars AS since 2011.

Pål Svenkerud
Chief Financial Officer

Pål Svenkerud (1962) has been employed as CFO of Bank Norwegian since its inception in 2007, and has 31 years of financial services experience. Prior to joining Bank Norwegian, Mr. Svenkerud worked as CFO at Teller AS (2005-2007). Earlier assignments include management positions in Storebrand (1994-2005), including as Chief Risk Officer (CRO) and CFO at Storebrand Bank, and analyst positions at Procorp ASA (1993-1994) and U.S. Bancorp (1988-1992).

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

Other on-going principal assignments:
Chairman of the Board of Emerald Invest AS.

Tore Andresen
Chief Operating Officer

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

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

Merete Eikeseth Gillund
Chief Information Officer

Merete Eikeseth Gillund (1969) has been employed as CIO at Bank Norwegian since 2008, and has 20 years of experience working with IT within banking and finance, both technical and administrative, within credit cards and retail banking. Prior to joining Bank Norwegian, Mrs. Eikeseth Gillund was employed as Department Manager at SEB Kort AB (2004-2008) and had Senior Consultant positions in Exense ASA (2003-2004), Scope AS (2001-2003) and Database Consult (1996-2001).

Education:
Master of Science in Information Technology, University of Stavanger.

Fredrik Mundal
Chief Marketing Officer

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

Education:
Bachelor in Business Administration and IT, University of Agder.

Peer Timo Andersen-Ulven
Chief Risk Officer

Peer Timo Andersen-Ulven (1970) has been employed as CRO of Bank Norwegian since 2018 and was engaged as the bank's Program Manager for IFRS 9 implementation from October 2017. Mr Andersen-Ulven has 22 years of financial services experience. Prior to joining Bank Norwegian, Mr. Andersen-Ulven was a Partner for Financial Risk Management at KPMG (2016-2017), Program Manager for IRB-A at Santander Consumer Finance (2007-2015), Consultant at Capgemini (2004-2007) and worked with capital adequacy modelling for Fairprice (2000-2004).

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

Presentation of the Board of Directors

Bjørn Østbø
Chairman of the Board (NOFI), Board Member (BN)

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

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

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

Other on-going principal assignments:
Deputy chairman of the Board at Folketrygdfondet, University of Bergen, SIVA SF, Helse Bergen HF and Bergen Kommunale Pensjonskasse.

Number of NOFI and BN board meetings in 2018:
12/15 and 10/13.

John E. Høsteland
Chairman of the Board (BN), Board Member (NOFI)

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

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

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

Other on-going principal assignments:
Self-employed owner of JH Consult, board member at Aberdeen Eiendomsfond Norden/ Baltikum ASA, Höegh Capital Partners AS, Guardian Corporate AS and First Fondene AS.

Number of NOFI and BN board meetings in 2018:
14/15 and 13/13.

Christine Rødsæther
Board Member (NOFI and BN)

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

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

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

Other on-going principal assignments:
Board member of Odfjell SE and Tide ASA. Member of the Government's counsel for maritime development (MARUT).

Number of NOFI and BN board meetings in 2018:
14/15 and 13/13.

Lars Ola Kjos
Board Member (BN)

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

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

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

Other on-going principal assignments:
Chairman of the Board of 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 2018:
13/13.

Anders Gullestad
Board Member (elected by the employees) (BN)

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

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

Education:
Master of Science in Business, Nord University Business School.

Number of BN board meetings in 2018:
8/13.

Rolv-Erik Spilling
Board Member (NOFI)

Rolf-Erik Spilling (1967) has been a board member since 2017.

Mr. Spilling has over 20 years' experience from the telecom and internet industry in the Nordic region and Asia. He is the co-founder of Gture, a digitalisation consulting company. From 2000 to 2015 he held various executive roles at Telenor ASA. Prior to Telenor, he held various technical and commercial roles at Alcatel.

Education:
Master of Science in Mathematics, Norwegian University of Science and Technology (NTNU).

Other on-going principal assignments:
Chairman of the Board of The Future Group ASA, Tise AS, and Netscenario Holding AS. Board member of Telenor Broadcast Holding AS and Canal Digital AS.

Number of NOFI board meetings in 2018:
10/15.

Anita M Hjerkinn Aarnæs
Board Member (NOFI)

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

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

Education:
Master of Public Administration, Harvard University.

Other on-going principal assignments:
Member of the Nomination Committee at DNO ASA.

Number of NOFI board meetings in 2018:
15/15.

Gunn Ingemundsen
Board Member (NOFI and BN)

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

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

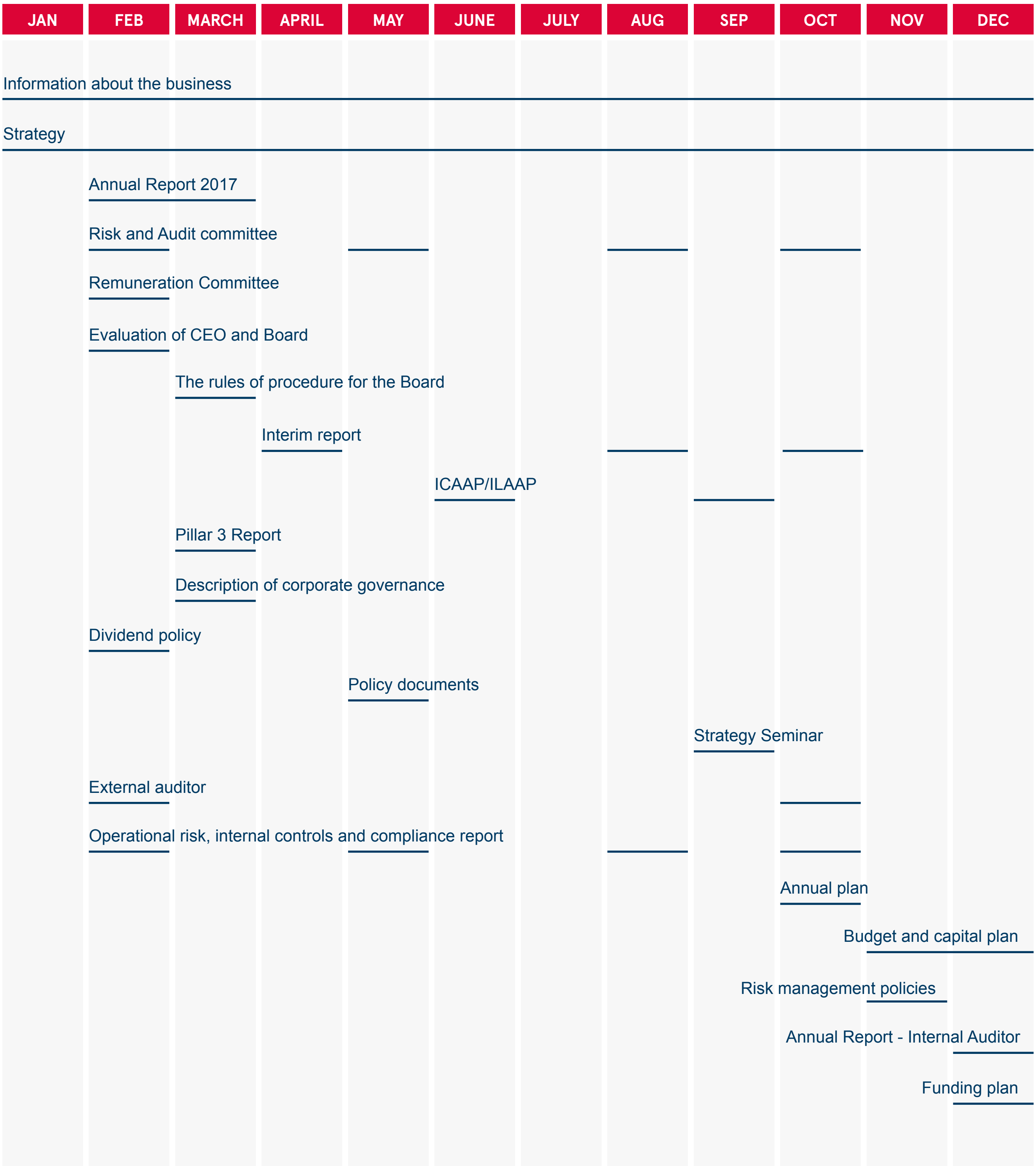
Education:
MSc in Shipping, Trade and Finance, Cass Business School (former City University) and BSc (hons) in Business Administration, University of Bath.

Other on-going principal assignments:
Board Member of Telenor Banka, Serbia

Number of NOFI and BN board meetings in 2018:
9/15 and 8/13.

The work of the Board of Directors in 2018

■ The table lists the most important matters that the Board of the Norwegian Finans Holding Group worked on in 2018. See the more detailed overview in Section 9 of the chapter concerning Corporate Governance.



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 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 Code is available at www.nues.no.

3. Deviations from the Code are commented on in the 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. Description of 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. Activities

The bank's activities are described in the Articles of Association, which are available on the company's website. 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 airline Norwegian, 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 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 corporate social responsibility are available in the bank's report on responsibility in a separate chapter of the annual report.

No deviations from the Code.

3. Share capital and dividends

The Board continuously monitors the company's capital situation in relation to goals, strategy and risk profile. The bank displays a strong capital adequacy with a common equity Tier 1 ratio of 18.9 percent, a Tier 1 capital ratio of 20.7 percent and a total capital ratio 23.1 percent as of 31 December 2018. The Group has a common equity Tier 1 ratio of 19.4 percent, a Tier 1 capital ratio of 21.3 percent and a total capital ratio of 23.7 percent. The bank's significant growth and profitability give it a great deal of flexibility in terms of controlling the capital situation.

Norwegian Finans Holding ASA aims to create shareholder value through a combination of share price growth and dividend yield. The Board has adopted a dividend policy which targets a longterm dividend payout ratio of at least 40% 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 2019.

No deviations from the Code.

4. Equal treatment of shareholders and related-party transactions
The company has one share class and all shares have equal voting rights. Existing shareholders are given pre-emption rights in the event of share capital increases. If the Board proposes to the general meeting that the pre-emption rights of existing shareholders shall not apply, such a deviation must be grounded on the common interests of the company and the shareholders. 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.

Norwegian Air Shuttle ASA is the company's largest shareholder with an ownership stake of 16.4 percent as of 31 December 2018. Since October 2007, Bank Norwegian AS and Norwegian Air Shuttle ASA have had an agreement governing the bank's use of the Norwegian brand, intellectual property rights, and collaboration on loyalty programmes and credit cards. Following the establishment of banking operations in Sweden, Denmark and Finland, new agreements have been negotiated. Existing acquired rights have been transferred. The agreements are due for renegotiation by 31 December 2020.

No deviations from the Code.

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

No deviations from the Code.

6. General meeting
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, Chief Financial Officer and the company's auditor participate at general meetings. 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. The Nominating Committee
Under the Articles of Association, the bank is required to have a Nominating 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 Nominating Committee, and the remuneration of the same. The general meeting stipulates guidelines for the Nominating Committee.

The Nominating Committee has contact with the Chairman of the Board in the work of proposing candidates to serve on the Board.

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

The members of the Nominating 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 Nominating Committee.

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

No deviations from the Code.

8. Board 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 six members, three of whom are women.

The Board of Directors of Bank Norwegian AS consists of six members, two of whom are women and one of whom is a representative elected by the employees. No senior executives are members of the Board.

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 13 meetings and the Board of Directors of Norwegian Finans Holding ASA held 15 meetings in 2018.

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

No deviations from the Code.

9. The work of the Board of Directors

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

The company has adopted guidelines

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

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

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

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

The Risk and Audit Committee is tasked with ensuring that the Group is audited effectively by an independent external auditor, satisfactorily fulfils its financial reporting obligations under applicable laws and regulations, and that internal control and risk management systems function effectively.

Remuneration Committee
The bank's Remuneration Committee consists of three members and appoints its chairman from among its independent members. The committee chairman is appointed annually.

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

No deviations from the Code.

10. Risk management and internal control
The bank's risk management shall ensure the achievement of the bank's strategic objectives while also ensuring financial stability.

This goal shall be achieved through:

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

The Board has adopted policies for financial risk, credit risk and internal control. As outlined in these policies and in the business strategy, the bank shall primarily generate earnings through exposure to unsecured lending in the retail segment. Other financial risks, such as market risk, interest rate risk, currency risk and counterparty risk, 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.
- Guidelines and procedures for managing and controlling risk.
- Strategic planning and capital planning.

• Reporting and monitoring.
• Contingency plans.

The bank has prepared specific guidelines relating to the external environment and these considerations are safeguarded through the bank's business model.

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, 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 risk control function shall ensure that all significant risks are identified, measured and reported by the relevant units. The credit risk department is responsible for monitoring the bank's adopted credit policy and procedures, and shall ensure regular reporting and monitoring. The treasury department is responsible for ensuring compliance with the guidelines for financial and operational risk management adopted by the Board and shall ensure regular reporting and monitoring.

The compliance function reports to the head of the risk control function and is responsible for independent control, monitoring and reporting of compliance with self-imposed and statutory requirements.

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.

Guidelines and procedures for managing and controlling risk
The Board has established guidelines for the management and control of financial risk, credit risk and operational risk. The guidelines define objectives, guidelines for risk management, risk tolerance and limits, monitoring systems, reporting, and contingency plans.

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
The risk control function is responsible for ongoing and periodic risk reporting, and for ensuring that all risk factors are within the approved risk limits. Risk factors are reported to the CEO on a daily, weekly and monthly basis, and to the Board of Directors on a monthly basis.

Contingency plans
The Group has established Board-approved 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 Nominating 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 senior executives

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 pay 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.

No deviations from the Code.

14. Takeover

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 Board meetings at which the annual accounts 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 2018 – NFH Group

OPERATIONS, GOALS AND STRATEGY

Norwegian Finans Holding ASA owns 100% of the shares in Bank Norwegian AS. The company does not engage in any other operations. The ownership of Norwegian Finans Holding ASA is divided between institutional and private investors in Norway and abroad, and Norwegian Air Shuttle ASA is the largest owner with a stake of 16.4% as of the end of 2018. Norwegian Finans Holding ASA is listed on the Oslo Stock Exchange with the ticker code NOFI.

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

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

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

FINANCIAL DEVELOPMENT

Profit and loss for the fourth quarter 2018

The Group's comprehensive income amounted to NOK 469.1 million compared with NOK 434.1 million in the third quarter. Return on equity was 28.0%, compared with 27.8% in the third quarter. The return on assets was 3.7%, compared with 3.5% in the third quarter. Return on equity and return on assets adjusted for the sale of delinquent loans in Finland amounted to 30.3% and 4.0%, respectively.

Net interest income amounted to NOK 1,173.6 million, an increase of NOK 52.2 million from the third quarter. The principal reasons for the increase were loan growth and lower interest expenses due to a deposit rate reduction in Finland. The net interest margin was 9.3%, compared with 9.1% in the third quarter

Net other operating income amounted to NOK 42.4 million, compared with NOK 69.1 million in the third quarter. Net commission income decreased NOK 9.5 million to NOK 48.4 million, primarily due to high seasonal activity in the third quarter. Net loss on securities and currency amounted to NOK 5.9 million, compared with a net gain of NOK 11.1 million in the third quarter. Losses on securities exceeded gains on currency in the fourth quarter.

Total operating expenses were unchanged in the fourth quarter, amounting to NOK 312.7 million. Personnel expenses increased NOK 2.0 million due to new hires. Administrative expenses decreased NOK 2.1 million, reflecting lower marketing spending and IT costs. Depreciation increased NOK 0.8 million. Other operating expenses decreased NOK 0.4 million.

Write-downs on loans were NOK 284.8 million, a decrease of NOK 14.4 million from the third quarter. Write-downs equalled 2.9% of average gross loans, compared with 3.1% in the third quarter.

Write-downs in the fourth quarter include expenses attributed to the sale of delinquent loans in Finland, including net expenses of NOK 42.9 million and government charges of NOK 8.5 million. The net loss directly related to the portfolio sale was NOK 19.7 million.

Write-down levels in Norway, Denmark and Finland fell. Write-downs in Sweden increased due to calendar cut-off effects.

The tax expense amounted to NOK 149.3 million in the fourth quarter, an increase of NOK 4.6 million. The increase was primarily due to the annual tax calculation in December.

Profit and loss account for 2018

The Group's comprehensive income for 2018 was NOK 1,796.6 million, an increase of NOK 191.4 million compared with 2017. The return on equity was 29.9% and the return on assets was 3.8%. The increase in profit was due to higher customer and loan growth. The bank gained approximately 275,000 new customers in 2018 and had gross loan growth of NOK 5,853.3 million, corresponding to NOK 7,376.9 million adjusted for the sale of delinquent loans.

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

Net interest income

Net interest income was NOK 4,406.3 million, an increase of NOK 750.3 million in 2018. The increase was driven by growth in lending. The net interest margin was 9.3%, compared with 9.7% in 2017.

Net other operating income

Net other operating income was NOK 245.9 million, an increase of NOK 49.6 million from 2017. Net commissions increased by NOK 44.2 million to NOK 233.1 million due to increased credit card use. The net change in value on securities and currency totalled NOK 12.8 million, an increase of NOK 5.4 million. Currency gains exceeded losses on securities in 2018. Value-adjusted return on the securities portfolio was 0.4%, compared with 1.0% in 2017.

Operating expenses

Total operating expenses amounted to NOK 1,236.2 million, an increase of NOK 179.4 million from 2017. Personnel expenses increased by NOK 12.8 million due to an increased number of employees Administrative expenses increased by NOK 152.6 million which was primarily due to increased sales and marketing expenses. Depreciation increased by NOK 6.9 million and other operating expenses increased by NOK 7.0 million.

Write-downs on loans

The Group’s write-downs on loans amounted to NOK 1,027.6 million, compared with NOK 672.4 million in 2017. Write-downs equalled 2.8% of average gross loans, compared with 2.3% in 2017. The increase was primarily due to an increase from a lower level of write-downs in Sweden and Norway following the sale of loan portfolios in 2017 and more mature portfolios in Denmark and Finland. Write-downs also include costs that can be attributed to the sale of delinquent loans in Finland, including net expenses of NOK 42.9 million and government charges of NOK 8.5 million. The net loss directly related to the portfolio sale was NOK 19.7 million.

Gross delinquent loans were NOK 3,935 million, compared with NOK 2,615 million at the end of 2017. Relative to gross loans, gross delinquent loans represented 10.0%, compared with 7.8% at the end of 2017. The increase in delinquent loans must be seen in relation to the expansion of the business into new markets, moderated by sales of delinquent loans in Finland. Gross non-performing loans totalled 7.6% of gross loans, compared with 5.7% at the end of 2017. The development of non-performing loans was in accordance with expectations.

Balance sheet, liquidity and capital
The Group's total assets were NOK 50,436 million at the end of the year, an increase of NOK 7,436 million for the year. Net loans to customers increased by NOK 5,318 million and totalled NOK 37,798 million at year end. Net loans to customers are distributed into NOK 18,513 million, NOK 8,542 million, NOK 6,661 million and NOK 4,082 million in Norway, Finland, Sweden and Denmark, respectively. Instalment loans increased by NOK 3,184 million, while credit card loans increased by NOK 2,670 million. Customer deposits increased by NOK 5,410 million and totalled NOK 39,092 million at year end. Deposits are divided into NOK 19,745 million, NOK 8,854 million, NOK 6,573 million and NOK 3,920 million in Norway, Finland, Sweden and Denmark, respectively. The deposit-to-loan ratio was 99% at the end of the year.

The holdings of certificates and bonds increased by NOK 1,743 million and totalled NOK 10,603 million at the end of 2018. Other liquid assets totalled NOK 1,770 million at the end of 2018. The liquidity reserves increased by NOK 2,186 million and totalled NOK 12,373 million, equivalent to 24.5% of total assets. The liquidity position was strong throughout the year. The securities portfolio is liquid, with solid counterparties and a high percentage of government certificates.

Debt on securities issued decreased by NOK 224 million and totalled NOK 2,019 million at year end. During the year, the Group issued SEK 400 million in senior debt securities with up to three years' maturity.

The Group issued NOK 125 million in subordinated bonds and NOK 550 million in subordinated loans in the 4th quarter.

Total equity was NOK 7,544 million for the Group at year end. The total capital ratio at the end of 2018 was 23.7% for the Group and 23.1% for the bank. The Tier 1 capital ratio at the same point in time was 21.3% for the Group and 20.7% for the bank. The core Tier 1 capital ratio was 19.4% for the Group and 18.9% for the bank.

FINANCIAL RISK FACTORS

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

The Group only offers credit to the retail customer market, and all credit decisions are made by means of automated decision support systems. Credit is granted based on a qualitative and quantitative analysis with a positive conclusion regarding the customer's willingness 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. Customers are regularly risk assessed based on behavioural score if sufficient track records exists. For new customers, and customers in new(er) markets, the application score is applied as well as any clearly negative observations such as, for example, substantial breach of the agreement. This risk classification is used in the bank's risk-based product pricing. The bank follows up credit quality through, for example, ongoing reporting and credit committee meetings. The Board has set limits for the maximum exposure per customer based on the type of commitment.

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

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

The asset side is financed by deposits from the retail market, bond loans and subordinated capital.

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

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

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

Exposure in foreign currency is hedged.

Operational risk
The Board of Directors of Bank Norwegian has established operational risk guidelines, which are reviewed at least annually by the Board. The bank offers simple and standardised products to the retail market, which contributes to limiting the operational risk.

In addition to an annual review of significant operational risks and control measures, management performs a continuous evaluation of the operational risk situation, and risk-reducing measures are implemented as necessary.

The 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 bank in accordance with the outsourcing guidelines.

To ensure efficient, high quality operations we are continuously seeking to automate critical processes.

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

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

There will be uncertainty associated with lower customer acquisition and volumes, reduced interest rate margins, inadequate cost-effectiveness and inappropriate technological choices. A decline in the economy may result in weaker growth, higher losses and weaker earnings, and there may also be problems with raising capital. On the other hand, a downturn in the economy will result in lower interest rates which in itself is positive for the bank's earnings. Expansion into new markets involves greater uncertainty, while diversification spreads risk. Business risk requires that the Board and management have good planning processes and are able to adapt to reduce losses.

PERSONNEL AND THE ENVIRONMENT
The bank's employees have yet again delivered good results this year. As of 31 December 2018, the Group had 78 employees, corresponding to 75 FTEs, compared with 72 employees and 69.5 FTEs as of 31 December 2017. Norwegian Finans Holding ASA has no employees other than the CEO.

The Group's Board and management endeavour to promote equal status between men and women. The Group has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning pay, promotions, recruitment etc. Of the bank's 78 employees, 43 are men and 35 are women. Of the 14 managers with personnel responsibility, five are women.

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

Absence due to illness was 5.1%. The working environment is regarded as good. The Group has established a working environment committee. There were no work-related accidents or injuries during the year. In the opinion of the Board, the Group's operations do not pollute the external environment.

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

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

Specific guidelines regarding corporate social responsibility have been established that govern the entire group. The guidelines are described further in the annual report.

CORPORATE GOVERNANCE

The Board supports the "Norwegian Code of Practice for Corporate Governance" (NUES). The principles of corporate governance in the Group are described further in the annual report. Norwegian Finans Holding ASA'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.

EVENTS AFTER THE BALANCE SHEET DATE

The Regulations relating to lending practices of financial institutions for consumer loans were issued by the Ministry of Finance on 12 February 2019 in accordance with Section 1-7 of Act no. 17 of 10 April 2015 relating to financial institutions and financial groups. The Group adapted to the guidelines in the regulations in autumn 2017. In the view of the Board, the rules will not entail significant changes to the Group's accounts.

The Board is not aware of other events that have occurred since the balance sheet date that may be of material importance to the annual accounts.

OUTLOOK

The economic trends in the Nordic markets where the Group operates remain positive, with solid growth and low unemployment.

The interest rates in the countries where the Group is represented are expected to gradually increase, albeit from a low level. The Group is expected to benefit from the low interest rates through low financing costs.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality, despite the Nordic market for unsecured credit being characterised by strong competition. Increased competition may lead to higher customer acquisition costs, pressure on margins or lower growth.

The Group has a broad Nordic platform and loan volumes are growing faster outside of Norway. The Group therefore has diversified risk in relation to each market.

A high deposit-to-loan ratio and good access to securities financing mean that the Group's strong liquidity situation is expected to be maintained. The Group reduced the deposit rate in Finland from 1 October 2018, something that reduces financing costs while also offering competitive deposit rates The deposit guarantee amount was reduced from NOK 2 million to EUR 100,000 outside of Norway as of 1 January 2019. The depositor's adaption to the new deposit guarantee level has been gradual as deposits that exceed the deposit guarantee amount have fallen slowly.

The Group is positioning itself to comply with the expected MREL (minimum requirement for own funds and eligible liabilities) by increasing efforts in the bond market with a view to increasing the proportion of outstanding unsecured senior debt.

The investment portfolio has provided a satisfactory return. The portfolio's low risk profile will be continued.

The development in the credit quality

of the loan portfolios in all markets is expected to be stable going forward. Own developed credit scorecards based on own data have been implemented in all markets.

The core tier 1 capital ratio was 19.4% as of the reporting date and exceeds the minimum core tier 1 capital requirement of 15.9% that includes notified increases in the countercyclical capital buffer during 2019. The Financial Supervisory Authority of Norway also demanded a 3% management buffer as a prerequisite for being able to pay cash dividends or buy back own shares.

The Group plans to distribute capital that is surplus to current capital requirements in the form of share buybacks and cash dividends.

The existing capital base and internal generation of capital are considered more than sufficient for ensuring the Group's growth ambitions.

The Group is exploring options for geographical expansion in Europe through the investment in Lilienthal Finance Ltd. which has applied for a banking licence in Ireland.

Based on this, the Board has a positive view of the Group’s ongoing operations and confirms that Norwegian Finans Holding ASA’s annual accounts have been prepared under the going concern assumption.

PROPOSED ALLOCATION OF THE PROFIT FOR THE YEAR

Norwegian Finans Holding ASA’s profit for 2018 was NOK 184.2 million. The Board proposes that the profit for the year is transferred to other reserves.

Bærum, 25 February 2019
Board of Directors of Norwegian Finans Holding ASA

Bjørn Østbø Chairman of the Board	**John Høsteland** Board Member	**Anita Aarnæs** Board Member	**Christine Rødsæther** Board Member
Gunn Ingemundsen Board Member	**Rolv-Erik Spilling** Board Member		**Tine Wollebekk** Chief Executive Officer

Contents – Accounts

Norwegian Finans Holding Group

Norwegian Finans Holding ASA

Profit and loss account

Amounts in NOK 1000	Note	Norwegian Finans Holding Group 2018	2017
Interest income, amortised cost		4,908,715	4,063,126
Other interest income		104,303	95,122
Interest expenses		606,692	502,211
Net interest income	18	**4,406,326**	**3,656,037**
Commission and bank services income	19	463,551	363,109
Commission and bank services expenses	19	230,454	174,202
Net change in value on securities and currency	23	12,818	7,458
Other income		32	-
Net other operating income		**245,947**	**196,365**
Total income		**4,652,273**	**3,852,401**
Personnel expenses	20	87,726	74,957
General administrative expenses	10	1,035,911	883,265
Ordinary depreciation	28, 29	59,998	53,062
Other operating expenses	11	52,528	45,484
Total operating expenses excluding loan losses		**1,236,163**	**1,056,768**
Provision for loan losses	6	1,027,631	672,388
Profit on ordinary activities before tax		**2,388,478**	**2,123,245**
Tax charge	27	591,867	526,194
Profit on ordinary activities after tax	5	**1,796,611**	**1,597,050**
Earnings per share (kroner)	39	9.62	8.60
Diluted earning per share (kroner)	39	9.62	8.60

Comprehensive income

Amounts in NOK 1000	Norwegian Finans Holding Group 2018	2017
Profit on ordinary activities after tax	**1,796,611**	**1,597,050**
Change in fair value for assets held for sale	-	8,176
Tax	-	-61
Other comprehensive income	**-**	**8,115**
Comprehensive income for the period	**1,796,611**	**1,605,165**

Balance sheet

Amounts in NOK 1000	Note	Norwegian Finans Holding Group 31.12.18	31.12.17
Assets			
Cash and deposits with the central bank	9, 14 ,15, 16, 24	67,959	65,976
Loans and deposits with credit institutions	9, 14 ,15, 16, 24	1,702,308	1,345,647
Loans to customers	2, 3, 4, 6, 7, 8, 14, 15, 16, 21, 24	37,797,618	32,479,570
Certificates and bonds	14, 15, 16, 21, 22	10,602,597	8,859,834
Financial derivatives	14, 15, 16, 21, 22	12,773	1,935
Shares and other securities	21, 22	36,691	443
Assets held for sale	21, 22, 26	-	32,922
Intangible assets	28	133,670	131,521
Deferred tax asset	27	18,021	15,904
Fixed assets	29	719	1,000
Receivables	30	63,388	65,241
Total assets	5	**50,435,746**	**42,999,992**
Liabilities and equity			
Deposits from customers	14, 15, 16, 21, 24	39,091,791	33,682,275
Debt securities issued	14, 15, 16, 21, 24, 25	2,018,724	2,242,423
Financial derivatives	14, 15, 16, 21, 22	120,497	52,246
Tax payable	27	603,085	525,886
Other liabilities	31	32,434	158,711
Accrued expenses	32	188,755	150,216
Subordinated loan	14, 15, 21, 24, 25	836,205	474,614
Total liabilities		**42,891,492**	**37,286,371**
Share capital		186,752	186,689
Share premium		976,938	971,182
Tier 1 capital	34	635,000	635,000
Retained earnings and other reserves		5,745,564	3,920,750
Total equity	33	**7,544,254**	**5,713,621**
Total liabilities and equity	5	**50,435,746**	**42,999,992**

Bærum, 25. February 2019
Board of directors, Norwegian Finans Holding ASA

Bjørn Østbø
Chairman

John Høsteland
Board Member

Anita Aarnæs
Board Member

Christine Rødsæther
Board Member

Gunn Ingemundsen
Board Member

Rolv-Erik Spilling
Board Member

Tine Wollebekk
CEO

Cash flow statement

		Norwegian Finans Holding Group	
Amounts in NOK 1000	Note	**2018**	**2017**
Profit / loss before tax		1,796,611	1,605,165
Unrealized gain or losses on currency		92,674	47,565
Depreciations and amortizations	28, 29	59,998	44,477
Provision for loan losses	4	1,027,631	672,388
Change in loans to customers	3, 7, 8, 14, 15, 16, 24	-6,291,113	-8,602,143
Change in deposits from customers	14, 15, 16, 21, 24	5,409,516	9,258,502
Change in certificates and bonds	14, 15, 21, 22	-1,742,763	-4,395,632
Change in receivables, deferred tax asset and financial derivatives	14, 16, 21, 22, 27, 30	-9,478	-20,304
Change in shares and other securities and assets held for sale, before tax	21, 22, 26	3,326	8,176
Change in tax payable, accrued expenses and other liabilities	14, 16, 21, 22, 27, 31, 32	57,713	342,744
Net cash flow from operating activities		**404,116**	**-1,039,060**
Proceeds from sale of tangible assets		32	-
Payment for acquisition of intangible assets	28	-67,853	-55,381
Payment for acquisition of tangible assets	29	-112	-1,050
Net cash flow from investment activities		**-67,933**	**-56,431**
Paid-in share capital and share premium		5,819	495,786
Issued debt securities	14, 15, 21, 24, 25	388,040	1,299,320
Repayment of debt securities	14, 15, 21, 24, 25	-611,739	-880,870
Issued subordinated loan	14, 15, 21, 24, 25	533,555	199,699
Repayment of subordinated loan	14, 15, 21, 24, 25	-171,964	-
Issued Tier 1 capital	34	125,000	299,250
Repayment of Tier 1 Capital	34	-125,000	-
Paid interest Tier 1 capital	34	-28,575	-21,858
Net cash flow from financing activities		**115,136**	**1,391,328**
Net cash flow for the period		451,319	295,837
Cash and cash equivalents at the start of the period		1,411,622	1,163,351
Currency effect on cash and cash equivalents		-92,674	-47,565
Cash and cash equivalents at the end of the period		**1,770,267**	**1,411,622**

Changes in equity

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
				Norwegian Finans Holding Group	
Balance 31.12.17	**186,689**	**971,182**	**635,000**	**3,920,750**	**5,713,621**
Change in write-downs under IFRS 9	-	-	-	54,569	54,569
Balance 1.1.2018	**186,689**	**971,182**	**635,000**	**3,975,319**	**5,768,190**
This period's profit	-	-	-	1,796,611	1,796,611
Items that may be reclassified to profit and loss, after tax	-	-	-	-	-
Comprehensive income for the period	**-**	**-**	**-**	**1,796,611**	**1,796,611**
Paid interest Tier 1 capital	-	-	-	-28,575	-28,575
Issued Tier 1 capital	-	-	125,000	-	125,000
Repayment of Tier 1 capital	-	-	-125,000	-	-125,000
Capital increase	63	5,756	-	-	5,819
Other changes	-	-	-	2,209	2,209
Balance 31.12.18	**186,752**	**976,938**	**635,000**	**5,745,564**	**7,544,254**

Amounts in NOK 1000					
Balance 31.12.16	**180,105**	**481,980**	**335,000**	**2,338,191**	**3,335,276**
This period's profit	-	-	-	1,597,050	1,597,050
Items that may be reclassified to profit and loss, after tax	-	-	-	8,115	8,115
Comprehensive income for the period	**-**	**-**	**-**	**1,605,165**	**1,605,165**
Paid interest Tier 1 capital	-	-	-	-21,858	-21,858
Capital increase	6,585	498,098	-	-	504,682
Share issue expenses	-	-8,895	-	-	-8,895
Issued Tier 1 capital	-	-	300,000	-750	299,250
Balance 31.12.17	**186,690**	**971,182**	**635,000**	**3,920,749**	**5,713,621**

Notes

Note 1. General accounting principles

1. Corporate 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 (the Group). The Group offers banking services including 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 group is located at Snarøyveien 36, Fornebu. The operations in Sweden, Denmark and Finland are established through cross-border activities in Bank Norwegian AS.

2. Basis of preparation of financial statements

The consolidated financial statements for 2018 have been prepared in accordance with International Financial Reporting Standards (IFRS), which are international accounting standards published by the IASB and approved by EU.

3. Changes in accounting principles

Financial instruments

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

Payment protection insurance

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

Agent commissions to Norwegian Air Shuttle (NAS)

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

IAS 39 Financial Instruments

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

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

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

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

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

Financial assets and liabilities at fair value through profit and loss

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

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

Loans and receivables

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

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

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

1. Debtor suffering significant financial difficulties.
2. Non-payment or other type of significant breach of contract.
3. Granted postponement or new credit for the payment of an instalment, agreed to changes in the interest rate or other contractual terms as a result of the debtor's financial problems.
4. It is considered probable that the debtor will enter into debt settlement proceedings or other financial restructuring, or that bankruptcy proceedings will be opened for the debtor's estate.

Write-downs on groups of loans are performed if there is objective evidence that there is a decrease in the value of groups of loans with the same risk characteristics. When evaluating the write-down of groups of loans, the loans shall be divided into groups with approximately the same risk characteristics with regard to the debtor's ability to pay on the due date. A decrease in value is calculated on the basis of the borrower's income, liquidity, financial strength and financial structure, as well as securities furnished for the commitments.

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

Assets held for sale

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

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

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

Financial liabilities at amortized cost

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

From IAS 39 to IFRS 9

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

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

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

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 was published by the IASB in May 2014 and established a new five-step model that applies to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. Contracts with customers that are accounted for in accordance with the IFRS 9. IFRS 15 was endorsed by the EU in September 2016 and came into force January 1, 2018. The new rules have no significant effect on the Group's accounts.

4. Future changes in accounting policies

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

IFRS 16 – Leases

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

IFRS 17 - Insurance contracts

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

5. General accounting policies

Recognition in the income statement and in other comprehensive income

Interest income consists mainly of interest from consumer loans and credit cards. Interest income is calculated using the effective interest rate method (financial assets measured at amortized cost or at fair value through comprehensive income). *Interest expenses* consist mainly of interest expense from deposits from customers and are recognized using the effective interest rate method. *Commission and Group services income and expenses* consists mainly of fees and expenses related to payment services and insurance services and are recognized using the effective interest rate method. The Group recognizes the net insurance payments in line with IFRS 15. The Group is considered to be an agent because the Group`s obligation is to arrange for the provision of insurance services by another party.

Financial Instruments

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

Financial assets
Classification and measurement of financial assets

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

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

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

Financial assets

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

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

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

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

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

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

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

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

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

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

IFRS 9 loan impairments are made in 3 stages:

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

The Group segments the portfolio into groups of loans with shared risk characteristics and calculates the expected credit loss (ECL) for each segment. The expected credit loss (ECL) is calculated as a product of a defined set of parameters adjusted to the characteristics of each segment, see more information in the related note 2.

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

Where
PD: Probability of default in a given time span
EAD: Exposure at default
LGD: Loss given default
Movement between stages:
Loans are classified into stage 1, 2 or 3 at the time of reporting. Impairment levels differs between the three stages.

Intangible assets

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

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

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

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

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

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

Fixed assets

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

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

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

Other receivables

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

Debt and other liabilities

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

Tax

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

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

Cash flow statement

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

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

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

Note 2. IFRS 9

Note 2.1. Model characteristics

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

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

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

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

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

Note 2.2. Change in balance sheet items

Change in balance sheet items	IAS 39		IFRS 9	
Financial assets	Category	Book value 31.12.17	Category	Book value 1.1.18
Cash and deposits with sentral banks	Amortized cost	65,976	Amortized cost	65,976
Loans and deposits with credit institutions	Amortized cost	1,345,647	Amortized cost	1,345,647
Loans to customers	Amortized cost	32,451,553	Amortized cost	32,524,311
Certificates and bonds	Fair value	8,859,834	Fair value	8,859,834
Financial derivatives	Fair value	1,935	Fair value	1,935
Shares and other securities	Fair value	443	Fair value	33,365
Assets available for sale*	Fair value**	32,922	Fair value	-

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

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

Loans to customers	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	32,451,553	-	-	-
Change in expected credit loss	-	-	72,758	-
Balance 1.1.18	-	-	-	32,524,311

ECL	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	1,140,152	-	-	-
Change in expected credit loss	-	-	-72,758	-
Balance 1.1.18	-	-	-	1,067,394

Shares and other securities	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	443	-	-	-
Reclassification	-	32,922	-	-
Balance 1.1.18	-	-	-	33,365

Assets available for sale	IAS 39	Reclass-ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	32,922	-	-	-
Reclassification	-	-32,922	-	-
Balance 1.1.18	-	-	-	-

Note 2.3. Economical variables used to measure expected credit loss

The NFH Group has chosen to disclose the three most important modeling variables in each individual country. The variables differ between countries. The following macro-economic variables are used in the models: real interest rate in absolute terms, 3-month interbank rate, unemployment level in thousands, hourly pay in NOK, aggregated monthly consumption for the entire population measured in millions in local currency, and unemployment rate in percentage of the total labor force. The data is modeled accross three scenarios: a base, an upper and a lower case for expected credit loss. The model is based on the NIGEM-model developed by UK's Institute of Economic and Social Research.

The following weights has been used across all portfolios per 31.12.18:
- Base scenario for expected credit loss: 40%
- Upper scenario for expected credit loss: 30%
- Lower scenario for expected credit loss: 30%

		Base Scenario		Optimistic Scenario		Pessimistic Scenario	
		12 months	**5 years**	**12 months**	**5 years**	**12 months**	**5 years**
Norway							
	3-month interbank rate	1.75 %	3.32 %	1.50 %	3.07 %	2.41 %	3.80 %
	Hourly pay in NOK	415	471	421	493	412	459
	Real interest rate	0.09 %	0.14 %	-0.31 %	-0.26 %	1.48 %	0.97 %
Sweden							
	3-month interbank rate	0.38 %	2.82 %	0.12 %	1.73 %	0.78 %	4.34 %
	Consumption in millions	177,143	193,058	179,254	197,699	174,324	184,867
	Unemployment level in thousands	350	372	308	327	384	414
Denmark							
	3-month interbank rate	0.46 %	2.52 %	1.23 %	2.88 %	0.11 %	2.18 %
	Consumption in millions	79,400	86,233	81,910	93,929	76,747	79,377
	Unemployment percentage	5.21 %	5.17 %	4.32 %	4.81 %	6.26 %	5.50 %
Finland							
	3-month interbank rate	0.34 %	2.27 %	0.78 %	2.40 %	-0.08 %	1.79 %
	Consumption in millions	9,458	9,995	9,707	10,601	9,217	9,436
	Unemployment percentage	7.60 %	7.29 %	5.07 %	6.65 %	10.14 %	7.82 %

Note 2.4. Significant increase in credit risk

Probability of default (PD) is an experience-based probability that a commitment is in breach for more than 90 days in the next twelve months. The tables below show the different trigger levels that need to be in place for a commitment to be classified in Stage 2 due to a significant increase in credit risk. A significant increase in credit risk is assessed on the basis of several criteria, including late payment beyond 30 days after maturity. The most important factor for the assessment is a comparison between the original probability of default and the probability of default at the reporting date. Each product has its own threshold values when one considers an increase to be significant. Products with absolute low application PDs therefore lead to high trigger requirements, as they are relative and come from a low level.

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

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

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

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

Note 2.5 Macro Scenario Sensitivity on ECL

Norway*	Reported under IFRS 9	Base Scenario	Optimistic Scenario	Pessimistic Scenario
Credit Card	117,556	118,070	115,072	119,355
Instalment loans	437,047	437,676	433,555	439,699
Sweden				
Credit Card	111,587	111,477	109,421	113,901
Instalment loans	317,900	317,587	310,211	326,008
Denmark				
Credit Card	97,027	97,021	96,848	97,214
Instalment loans	360,957	360,899	359,868	362,124
Finland				
Credit Card	46,955	46,885	45,822	48,183
Instalment loans	186,405	186,348	184,185	188,702

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

Note 3. Loans to customers by product groups

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

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

Note 4. Change in loan loss allowance

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

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

Migration out of one stage is calculated at opening date 1.1.18, while migration into one stage is calculated at the closing date 31.12.18.

Total

Loan loss allowance

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

Gross loans to customers

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

Instalment loans total

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	180,531	150,691	494,217	825,439
Transfers :				
Transfers between Stage 1 and Stage 2	-34,030	134,942	-	100,912
Transfers between Stage 1 and Stage 3	-13,463	-	253,739	240,276
Transfers between Stage 2 and Stage 1	6,614	-21,226	-	-14,612
Transfers between Stage 2 and Stage 3	-	-41,725	167,793	126,068
Transfers between Stage 3 and Stage 2	-	3,220	-22,343	-19,124
Transfers between Stage 3 and Stage 1	296	-	-11,182	-10,886
New financial assets issued or purchased	75,201	57,736	65,116	198,053
Financial assets derecognized in the period, including down payments	-32,731	-42,754	-134,895	-210,381
Modification of contractual cash flows from non-discounted financial assets	8,975	4,442	53,148	66,565
Loan loss allowance as at 31.12.18	**191,393**	**245,324**	**865,592**	**1,302,310**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	19,127,819	3,223,356	2,063,909	24,415,084
Transfers between Stage 1 and Stage 2	-2,440,996	2,519,987	-	78,991
Transfers between Stage 1 and Stage 3	-858,055	-	925,309	67,254
Transfers between Stage 2 and Stage 1	608,536	-633,581	-	-25,044
Transfers between Stage 2 and Stage 3	-	-658,090	654,285	-3,804
Transfers between Stage 3 and Stage 2	-	85,749	-113,146	-27,398
Transfers between Stage 3 and Stage 1	28,909	-	-50,970	-22,061
New financial assets issued or purchased	6,282,444	941,230	260,961	7,484,635
Financial assets derecognized in the period	-3,645,292	-812,901	-667,693	-5,125,885
Modification of contractual cash flows from non-discounted financial assets	853,024	-74,129	-15,012	763,883
Gross loans to customers as at 31.12.18	**19,956,388**	**4,591,622**	**3,057,644**	**27,605,653**

Credit card loans total

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	31,338	69,464	122,519	223,322
Transfers between Stage 1 and Stage 2	-2,260	36,529	-	34,269
Transfers between Stage 1 and Stage 3	-604	-	49,189	48,585
Transfers between Stage 2 and Stage 1	2,169	-24,135	-	-21,967
Transfers between Stage 2 and Stage 3	-	-10,133	49,763	39,630
Transfers between Stage 3 and Stage 2	-	2,426	-7,534	-5,108
Transfers between Stage 3 and Stage 1	55	-	-4,851	-4,796
New financial assets issued or purchased	21,136	23,460	12,903	57,499
Financial assets derecognized in the period, including down payments	-895	-7,360	-9,259	-17,513
Modification of contractual cash flows from non-discounted financial assets	-7,379	-813	27,396	19,205
Loan loss allowance as at 31.12.18	**43,561**	**89,439**	**240,126**	**373,126**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	7,288,659	1,308,361	550,644	9,147,664
Transfers between Stage 1 and Stage 2	-522,405	714,335	-	191,930
Transfers between Stage 1 and Stage 3	-186,544	-	233,472	46,928
Transfers between Stage 2 and Stage 1	461,178	-547,913	-	-86,735
Transfers between Stage 2 and Stage 3	-	-197,153	201,917	4,764
Transfers between Stage 3 and Stage 2	-	8,298	-33,124	-24,826
Transfers between Stage 3 and Stage 1	3,298	-	-38,572	-35,275
New financial assets issued or purchased	1,711,746	430,104	65,959	2,207,809
Financial assets derecognized in the period	-128,426	-145,626	-97,207	-371,259
Modification of contractual cash flows from non-discounted financial assets	811,447	-19,794	-5,253	786,400
Gross loans to customers as at 31.12.18	**9,438,953**	**1,550,612**	**877,835**	**11,867,400**

Instalment loans Norway

Loan loss allowance

Amounts in NOK 1000	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Loan loss allowance as at 1.1.18	43,909	31,966	199,148	275,022
Transfers between Stage 1 and Stage 2	-3,610	16,964	-	13,354
Transfers between Stage 1 and Stage 3	-2,053	-	71,469	69,415
Transfers between Stage 2 and Stage 1	1,548	-5,348	-	-3,800
Transfers between Stage 2 and Stage 3	-	-14,690	78,033	63,343
Transfers between Stage 3 and Stage 2	-	750	-11,222	-10,472
Transfers between Stage 3 and Stage 1	124	-	-8,056	-7,932
New financial assets issued or purchased	12,360	9,047	12,384	33,792
Financial assets derecognized in the period, including down payments	-8,943	-4,925	-17,072	-30,940
Modification of contractual cash flows from non-discounted financial assets	-330	56	35,540	35,266
Loan loss allowance as at 31.12.18	**43,004**	**33,819**	**360,224**	**437,047**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	9,456,580	1,262,159	963,985	11,682,724
Transfers between Stage 1 and Stage 2	-691,514	699,524	-	8,010
Transfers between Stage 1 and Stage 3	-370,986	-	389,155	18,170
Transfers between Stage 2 and Stage 1	309,849	-326,797	-	-16,948
Transfers between Stage 2 and Stage 3	-	-360,336	357,440	-2,896
Transfers between Stage 3 and Stage 2	-	46,749	-63,596	-16,847
Transfers between Stage 3 and Stage 1	24,326	-	-41,206	-16,880
New financial assets issued or purchased	2,542,182	295,001	79,841	2,917,024
Financial assets derecognized in the period, including down payments	-1,969,611	-234,360	-101,199	-2,305,170
Modification of contractual cash flows from non-discounted financial assets	212,841	-25,045	-3,887	183,909
Gross loans to customers as at 31.12.18	**9,513,667**	**1,356,895**	**1,580,533**	**12,451,095**

Credit card loans Norway

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	6,290	5,844	46,371	58,506
Transfers between Stage 1 and Stage 2	-281	3,112	-	2,831
Transfers between Stage 1 and Stage 3	-158	-	18,594	18,436
Transfers between Stage 2 and Stage 1	375	-3,406	-	-3,031
Transfers between Stage 2 and Stage 3	-	-1,370	19,219	17,850
Transfers between Stage 3 and Stage 2	-	57	-2,147	-2,090
Transfers between Stage 3 and Stage 1	28	-	-4,750	-4,722
New financial assets issued or purchased	1,385	3,202	4,611	9,197
Financial assets derecognized in the period, including down payments	-131	-183	-750	-1,064
Modification of contractual cash flows from non-discounted financial assets	-105	-280	22,029	21,644
Loan loss allowance as at 31.12.18	**7,403**	**6,976**	**103,177**	**117,556**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	4,578,369	486,537	263,105	5,328,011
Transfers between Stage 1 and Stage 2	-206,726	277,640	-	70,914
Transfers between Stage 1 and Stage 3	-114,609	-	143,756	29,147
Transfers between Stage 2 and Stage 1	227,263	-285,467	-	-58,204
Transfers between Stage 2 and Stage 3	-	-109,137	112,231	3,093
Transfers between Stage 3 and Stage 2	-	4,419	-15,407	-10,988
Transfers between Stage 3 and Stage 1	3,298	-	-37,166	-33,868
New financial assets issued or purchased	727,400	227,714	37,385	992,498
Financial assets derecognized in the period, including down payments	-66,592	-14,717	-5,282	-86,591
Modification of contractual cash flows from non-discounted financial assets	390,985	-6,969	-2,023	381,993
Gross loans to customers as at 31.12.18	**5,539,387**	**580,018**	**496,599**	**6,616,005**

Instalment loans Sweden

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	54,769	45,724	67,586	168,078
Transfers between Stage 1 and Stage 2	-23,000	50,638	-	27,638
Transfers between Stage 1 and Stage 3	-4,320	-	42,942	38,622
Transfers between Stage 2 and Stage 1	1,172	-2,258	-	-1,086
Transfers between Stage 2 and Stage 3	-	-13,033	47,787	34,755
Transfers between Stage 3 and Stage 2	-	1,927	-6,801	-4,875
Transfers between Stage 3 and Stage 1	54	-	-781	-727
New financial assets issued or purchased	21,139	16,875	16,872	54,886
Financial assets derecognized in the period, including down payments	-11,482	-5,527	-3,996	-21,005
Modification of contractual cash flows from non-discounted financial assets	1,806	677	19,130	21,613
Loan loss allowance as at 31.12.18	**40,138**	**95,024**	**182,738**	**317,900**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	2,655,623	950,841	332,555	3,939,020
Transfers between Stage 1 and Stage 2	-1,077,348	1,048,902	-	-28,446
Transfers between Stage 1 and Stage 3	-195,648	-	205,625	9,977
Transfers between Stage 2 and Stage 1	50,017	-50,822	-	-805
Transfers between Stage 2 and Stage 3	-	-208,322	206,682	-1,640
Transfers between Stage 3 and Stage 2	-	34,124	-41,000	-6,876
Transfers between Stage 3 and Stage 1	2,409	-	-3,873	-1,465
New financial assets issued or purchased	911,250	297,928	90,450	1,299,629
Financial assets derecognized in the period, including down payments	-566,913	-122,602	-15,451	-704,966
Modification of contractual cash flows from non-discounted financial assets	-16,067	-45,580	-8,347	-69,993
Gross loans to customers as at 31.12.18	**1,763,323**	**1,904,470**	**766,641**	**4,434,434**

Credit card loans Sweden

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	8,823	26,754	18,148	53,725
Transfers between Stage 1 and Stage 2	-624	19,237	-	18,613
Transfers between Stage 1 and Stage 3	-139	-	14,902	14,763
Transfers between Stage 2 and Stage 1	280	-7,358	-	-7,078
Transfers between Stage 2 and Stage 3	-	-5,489	19,735	14,246
Transfers between Stage 3 and Stage 2	-	281	-1,704	-1,423
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	2,963	7,117	6,157	16,236
Financial assets derecognized in the period, including down payments	-212	-808	-320	-1,339
Modification of contractual cash flows from non-discounted financial assets	-686	-1,328	5,859	3,845
Loan loss allowance as at 31.12.18	**10,404**	**38,406**	**62,777**	**111,587**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	1,597,963	292,850	68,464	1,959,277
Transfers between Stage 1 and Stage 2	-160,218	205,791	-	45,572
Transfers between Stage 1 and Stage 3	-39,403	-	50,967	11,564
Transfers between Stage 2 and Stage 1	63,624	-82,239	-	-18,615
Transfers between Stage 2 and Stage 3	-	-60,906	61,385	478
Transfers between Stage 3 and Stage 2	-	2,280	-7,665	-5,385
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	465,211	73,477	22,417	561,105
Financial assets derecognized in the period, including down payments	-35,645	-6,512	520	-41,637
Modification of contractual cash flows from non-discounted financial assets	159,035	-13,613	-2,130	143,293
Gross loans to customers as at 31.12.18	**2,050,566**	**411,127**	**193,959**	**2,655,652**

Instalment loans Denmark

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	48,801	22,017	119,160	189,977
Transfers between Stage 1 and Stage 2	-2,851	18,529	-	15,678
Transfers between Stage 1 and Stage 3	-6,019	-	105,720	99,702
Transfers between Stage 2 and Stage 1	692	-3,078	-	-2,385
Transfers between Stage 2 and Stage 3	-	-12,843	36,303	23,460
Transfers between Stage 3 and Stage 2	-	486	-4,172	-3,686
Transfers between Stage 3 and Stage 1	103	-	-1,786	-1,683
New financial assets issued or purchased	19,810	9,987	25,587	55,384
Financial assets derecognized in the period, including down payments	-4,753	-2,143	-6,253	-13,149
Modification of contractual cash flows from non-discounted financial assets	161	-957	-1,543	-2,340
Loan loss allowance as at 31.12.18	**55,944**	**31,997**	**273,016**	**360,957**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	2,364,132	130,709	224,225	2,719,066
Transfers between Stage 1 and Stage 2	-100,072	113,792	-	13,720
Transfers between Stage 1 and Stage 3	-171,070	-	191,836	20,766
Transfers between Stage 2 and Stage 1	22,127	-23,018	-	-891
Transfers between Stage 2 and Stage 3	-	-66,571	66,767	196
Transfers between Stage 3 and Stage 2	-	4,274	-7,908	-3,634
Transfers between Stage 3 and Stage 1	1,028	-	-3,414	-2,387
New financial assets issued or purchased	834,555	53,673	48,274	936,503
Financial assets derecognized in the period, including down payments	-206,868	-13,798	-11,270	-231,936
Modification of contractual cash flows from non-discounted financial assets	278,617	-5,743	-2,780	270,094
Gross loans to customers as at 31.12.18	**3,022,448**	**193,319**	**505,730**	**3,721,497**

Credit card loans Denmark

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	9,164	14,714	50,153	74,032
Transfers between Stage 1 and Stage 2	-289	3,759	-	3,470
Transfers between Stage 1 and Stage 3	-277	-	14,717	14,441
Transfers between Stage 2 and Stage 1	152	-5,774	-	-5,622
Transfers between Stage 2 and Stage 3	-	-3,049	9,338	6,290
Transfers between Stage 3 and Stage 2	-	2,043	-3,587	-1,544
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	9,773	1,627	1,653	13,054
Financial assets derecognized in the period, including down payments	-149	-369	-554	-1,071
Modification of contractual cash flows from non-discounted financial assets	-5,981	478	-519	-6,023
Loan loss allowance as at 31.12.18	**12,394**	**13,430**	**71,203**	**97,027**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	449,904	52,766	123,643	626,314
Transfers :				
Transfers between Stage 1 and Stage 2	-31,601	33,891	-	2,289
Transfers between Stage 1 and Stage 3	-29,908	-	34,724	4,816
Transfers between Stage 2 and Stage 1	18,472	-11,376	-	7,096
Transfers between Stage 2 and Stage 3	-	-21,443	22,235	792
Transfers between Stage 3 and Stage 2	-	1,598	-8,839	-7,241
Transfers between Stage 3 and Stage 1	-	-	-	-
				-
New financial assets issued or purchased	110,981	6,686	4,169	121,837
Financial assets derecognized in the period, including down payments	-2,318	-854	54	-3,119
Modification of contractual cash flows from non-discounted financial assets	75,026	-7,979	-1,063	65,984
Gross loans to customers as at 31.12.18	**590,555**	**53,288**	**174,923**	**818,767**

Instalment loans Finland

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	33,054	50,984	108,323	192,361
Transfers between Stage 1 and Stage 2	-4,569	48,811	-	44,242
Transfers between Stage 1 and Stage 3	-1,071	-	33,608	32,537
Transfers between Stage 2 and Stage 1	3,201	-10,542	-	-7,341
Transfers between Stage 2 and Stage 3	-	-1,159	5,670	4,510
Transfers between Stage 3 and Stage 2	-	58	-149	-91
Transfers between Stage 3 and Stage 1	15	-	-560	-544
New financial assets issued or purchased	21,892	21,827	10,273	53,992
Financial assets derecognized in the period, including down payments	-7,554	-30,159	-107,574	-145,287
Modification of contractual cash flows from non-discounted financial assets	7,338	4,667	21	12,026
Loan loss allowance as at 31.12.18	**52,307**	**84,485**	**49,613**	**186,405**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	4,651,484	879,647	543,143	6,074,274
Transfers between Stage 1 and Stage 2	-572,062	657,769	-	85,706
Transfers between Stage 1 and Stage 3	-120,352	-	138,693	18,341
Transfers between Stage 2 and Stage 1	226,544	-232,943	-	-6,399
Transfers between Stage 2 and Stage 3	-	-22,862	23,397	535
Transfers between Stage 3 and Stage 2	-	602	-642	-40
Transfers between Stage 3 and Stage 1	1,146	-	-2,477	-1,330
New financial assets issued or purchased	1,994,456	294,628	42,396	2,331,480
Financial assets derecognized in the period, including down payments	-901,899	-442,141	-539,772	-1,883,813
Modification of contractual cash flows from non-discounted financial assets	377,633	2,239	0	379,873
Gross loans to customers as at 31.12.18	**5,656,949**	**1,136,939**	**204,739**	**6,998,627**

Credit card loans Finland

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	7,061	22,152	7,846	37,060
Transfers between Stage 1 and Stage 2	-1,066	10,421	-	9,356
Transfers between Stage 1 and Stage 3	-30	-	975	945
Transfers between Stage 2 and Stage 1	1,361	-7,597	-	-6,236
Transfers between Stage 2 and Stage 3	-	-225	1,470	1,245
Transfers between Stage 3 and Stage 2	-	46	-96	-51
Transfers between Stage 3 and Stage 1	27	-	-101	-74
New financial assets issued or purchased	7,016	11,514	482	19,011
Financial assets derecognized in the period, including down payments	-403	-6,000	-7,635	-14,039
Modification of contractual cash flows from non-discounted financial assets	-607	317	28	-261
Loan loss allowance as at 31.12.18	**13,360**	**30,627**	**2,968**	**46,955**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 1.1.18	662,423	476,207	95,432	1,234,062
Transfers between Stage 1 and Stage 2	-123,859	197,014	-	73,155
Transfers between Stage 1 and Stage 3	-2,623	-	4,024	1,401
Transfers between Stage 2 and Stage 1	151,819	-168,830	-	-17,011
Transfers between Stage 2 and Stage 3	-	-5,666	6,067	400
Transfers between Stage 3 and Stage 2	-	1	-1,213	-1,212
Transfers between Stage 3 and Stage 1	-	-	-1,407	-1,407
New financial assets issued or purchased	408,105	122,226	1,988	532,319
Financial assets derecognized in the period, including down payments	-23,870	-123,542	-92,500	-239,912
Modification of contractual cash flows from non-discounted financial assets	186,450	8,768	-38	195,180
Gross loans to customers as at 31.12.18	**1,258,444**	**506,179**	**12,353**	**1,776,976**

Note 5. Segments

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

Profit and loss account 2018

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	2,096,833	730,216	488,218	1,090,982	78	4,406,326
Net other operating income	144,893	75,673	29,682	-3,498	-803	245,947
Total income	**2,241,726**	**805,889**	**517,900**	**1,087,483**	**-725**	**4,652,273**
Total operating expenses	537,585	277,024	163,053	254,273	4,228	1,236,163
Provision for loan losses	237,235	195,956	190,128	404,312	-	1,027,631
Profit on ordinary activities before tax	**1,466,907**	**332,908**	**164,719**	**428,898**	**-4,953**	**2,388,478**
Tax charge	363,951	82,632	40,708	105,638	-1,063	591,867
Profit on ordinary activities after tax	**1,102,955**	**250,276**	**124,010**	**323,259**	**-3,891**	**1,796,611**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**-**
Comprehensive income for the period	**1,102,955**	**250,276**	**124,010**	**323,259**	**-3,891**	**1,796,611**

Balance 31.12.18

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

Profit and loss account 2017

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	1,939,946	658,170	320,032	737,843	45	3,656,037
Net other operating income	128,393	60,055	3,864	4,414	-362	196,365
Total income	**2,068,339**	**718,226**	**323,897**	**742,257**	**-317**	**3,852,401**
Total operating expenses	500,699	243,773	136,033	173,247	3,016	1,056,768
Provision for loan losses	192,354	147,436	151,982	180,617	-	672,388
Profit on ordinary activities before tax	**1,375,286**	**327,017**	**35,882**	**388,393**	**-3,333**	**2,123,245**
Tax charge	336,358	84,575	7,532	98,531	-801	526,194
Profit on ordinary activities after tax	**1,038,928**	**242,442**	**28,350**	**289,862**	**-2,532**	**1,597,050**
Other comprehensive income	**8,115**	**-**	**-**	**-**	**-**	**8,115**
Comprehensive income for the period	**1,047,043**	**242,442**	**28,350**	**289,862**	**-2,532**	**1,605,165**

Balance 31.12.17

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	16,574,970	5,727,114	3,124,432	7,053,053	-	32,479,570
Other assets	6,449,479	1,928,894	923,628	1,206,880	11,541	10,520,422
Total assets	**23,024,450**	**7,656,008**	**4,048,060**	**8,259,934**	**11,541**	**42,999,992**
Deposits from customers	17,909,435	5,875,474	3,313,982	6,583,384	-	33,682,275
Other liabilities and equity	5,115,014	1,780,534	734,078	1,676,550	11,541	9,317,717
Total liabilities and equity	**23,024,450**	**7,656,008**	**4,048,060**	**8,259,934**	**11,541**	**42,999,992**

Note 6. Loan losses and guarantees

The NFH Group has no guarantees as of December 31, 2018.

Amounts in NOK 1000	2018	2017
Realized losses in the period	33,426	16,325
Individual write-downs on loans including gains/losses from sale of NPL portfolios*	-	172,838
Write-downs - lifetime expected credit loss (stage 3)	816,569	-
Net individual write-downs on loans	**849,995**	**189,163**
The period's change in write-downs on groups of loans	-	547,897
Write-downs - 12 months expected credit loss (stage 1)	27,630	-
Write-downs - lifetime expected credit loss (stage 2)	98,632	-
Adjustments for sold NPL portfolios	-42,918	68,719
Collection expenses related to sold NPL portfolios	-8,456	-4,048
Provision for loan losses	**1,027,631**	**672,388**

*NPL portfolios: Non-performing loan portfolios

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

Note 7. Gross loans to customers by geographical region

Amounts in NOK 1000	2018	2017
Østlandet	10,044,527	8,905,323
Vestlandet	4,772,664	4,265,918
Nord-Norge	1,981,321	1,820,883
Trøndelag	1,391,400	1,237,676
Sørlandet	818,461	749,306
Not classified	58,726	59,785
Total Norway	**19,067,100**	**17,038,890**
Svealand	3,457,190	2,863,260
Götaland	2,968,416	2,429,467
Norrland	664,286	567,585
Not classified	194	38,614
Total Sweden	**7,090,086**	**5,898,925**
Hovedstaden	1,668,901	1,227,797
Sjælland	941,055	699,903
Syddanmark	847,495	625,437
Midtjylland	740,551	546,088
Nordjylland	337,782	243,884
Not classified	4,481	2,428
Total Denmark	**4,540,264**	**3,345,537**
Södra Finland	6,051,868	5,011,778
Mellersta Finland	1,011,881	561,740
Västra Finland	969,323	788,531
Norra Finland	375,925	320,244
Östra Finland	317,574	566,822
Not classified	49,032	59,237
Total Finland	**8,775,603**	**7,308,352**
Gross loans to customers	**39,473,053**	**33,591,704**

Note 8. Risk classes

Amounts in NOK 1000	Probability of default	Gross loans 2018	Gross loans 2017	Undrawn credit limits 2018	Undrawn credit limits 2017
A	0 - 0,9 %	6,508,855	4,949,419	34,431,275	27,285,408
B	1 - 2,9 %	14,557,417	12,926,237	1,992,439	1,505,465
C	3 - 4,9 %	4,355,243	4,133,181	309,805	253,357
D	5 - 8,9 %	3,024,679	2,958,003	182,344	179,464
E	9 - 14,9 %	2,083,205	1,871,989	88,110	64,709
F	15 - 19,9 %	731,215	636,706	17,830	12,518
G	20 - 29,9 %	1,199,002	983,850	13,921	8,159
H	30 - 39,9 %	444,296	457,056	19,738	13,634
I	40 - 54,9 %	480,508	423,108	4,760	3,541
J	55 - 100,0 %	374,058	321,649	1,990	1,391
S	23.0 %	723,272	559,270	-	-
T	27.0 %	467,541	290,399	-	-
U	74.0 %	547,855	443,842	-	-
V	100.0 %	3,742,401	2,360,545	-	-
W	100.0 %	232,908	261,255	-	-
Total classified		39,472,455	33,576,509	37,062,211	29,327,646
Not classified	70.8 %	598	15,196	1,773	19,542
Total		**39,473,053**	**33,591,705**	**37,063,984**	**29,347,189**

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

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

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

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

Amounts in NOK 1000	2017
Credit cards	9,176,007
Instalment loans	24,415,697
Gross loans to customers	**33,591,704**
Individual write-downs on loans	-708,475
Write-downs on groups of loans	-431,676
Net loans to customers	**32,451,553**

Amounts in NOK 1000	2017
Gross defaulted loans	2,615,145
Individual write-downs on loans	-708,475
Write-downs on groups of loans	-431,676
Net loans to customers	**1,474,994**

	2017					
Amounts in NOK 1000	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Retail market	516,367	1,945,574	721,530	367,033	1,772,078	5,322,583
Total	516,367	1,945,574	721,530	367,033	1,772,078	5,322,583

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

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

Amounts in NOK 1000	2018	2017
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	1,770,267	1,411,622
Loans and deposits with credit institutions and central banks	**1,770,267**	**1,411,622**

Specification of currencies

Amounts in NOK 1000	2018	2017
NOK	821,677	627,300
SEK	353,606	444,840
DKK	184,808	197,700
EUR	410,177	141,782
Loans and deposits with credit institutions and central banks	**1,770,267**	**1,411,622**
Average interest rate	0.25 %	0.22 %

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

Note 10. General administrative expenses

Amounts in NOK 1000	2018	2017
Sales and marketing	837,929	707,762
IT operations	75,579	81,940
External services fees	76,640	51,995
Other administrative expenses	45,762	41,568
Total	**1,035,911**	**883,265**

Note 11. Other operating expenses

Amounts in NOK 1000	2018	2017
Credit information	35,483	28,190
Auditor	1,725	2,364
Rental of premises	2,304	2,309
Insurance	481	517
Machinery and fixtures	762	528
Other operating expenses	11,774	11,576
Total	**52,528**	**45,484**

Note 12. Risk management

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

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

Note 13. Credit risk

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

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

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

Note 14. Liquidity risk

The liquidity risk is the risk that the NFH Group 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 NFH Group'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 NFH Group manages its liquidity position by short-term cash flow forecasts and liquidity due date summaries. The NFH Group has an unused overdraft facility of NOK 100 million.

The Liquidity Coverage Ratio (LCR) is defined as the NFH Group's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. At 31.12.18 the liquidity reserve (LCR) on total level for the NFH Group was 213% (compared to 204% per 31.12.17). The NFH Group has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. At 31.12.18 the LCR was 246% in Norwegian kroner (compared to 269% per 31.12.17), 194% in Swedish kroner (compared to 144% per 31.12.17), 158% Danish kroner (compared to 144% per 31.12.17) and 228% in Euro (compared to 148% per 31.12.17). The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 31.12.18, except for Norwegian kroner where the legal requirement is 50%.

Remaining time to maturity for main items

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

	2017						
Amounts in NOK 1000	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Subordinated loan	-	-	-	180,421	353,981	-	534,402
Deposits from customers	33,682,275	-	-	-	-	-	33,682,275
Debt securities issued	-	-	227,356	113,623	1,956,814	-	2,297,793
Financial derivatives	-	21,979	20,648	9,619	-	-	52,246
Non interest-bearing liabilities	-	149,482	140,783	544,546	-	-	834,812
Total liabilities	**33,682,275**	**171,461**	**388,788**	**848,209**	**2,310,795**	**-**	**37,401,528**
Cash and deposits with the central bank	65,976	-	-	-	-	-	65,976
Loans and deposits with credit institutions	1,345,647	-	-	-	-	-	1,345,647
Loans to customers	8,889,005	11,922	6,761	110,523	3,352,840	20,108,520	32,479,570
Certificates and bonds	-	237,835	2,027,705	2,966,145	3,628,149	-	8,859,834
Financial derivatives	-	-	220	1,715	-	-	1,935
Assets without remaining time to maturity	247,030	-	-	-	-	-	247,030
Total assets	**10,547,657**	**249,757**	**2,034,687**	**3,078,383**	**6,980,988**	**20,108,520**	**42,999,992**

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

Note 15. Interest rate risk

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

Time until an agreed/probable change in interest terms

	2018						
Amounts in NOK 1000	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Without any term	Total
Cash and deposits with the central bank	67,959	-	-	-	-	-	67,959
Loans and deposits with credit institutions	1,702,308	-	-	-	-	-	1,702,308
Loans to customers	-	37,797,618	-	-	-	-	37,797,618
Certificates and bonds	2,378,607	5,131,846	3,092,144	-	-	-	10,602,597
Financial derivatives	-	-	-	-	-	12,773	12,773
Non interest-bearing assets	-	-	-	-	-	252,490	252,490
Total assets	**4,148,875**	**42,929,464**	**3,092,144**	**-**	**-**	**265,263**	**50,435,746**
Subordinated loan	-	836,205	-	-	-	-	836,205
Deposits from customers	-	39,091,791	-	-	-	-	39,091,791
Debt securities issued	-	2,018,724	-	-	-	-	2,018,724
Financial derivatives	-	-	-	-	-	120,497	120,497
Non interest-bearing liabilities	-	-	-	-	-	824,274	824,274
Total liabilities	**-**	**41,946,721**	**-**	**-**	**-**	**944,771**	**42,891,492**

	2017						
Amounts in NOK 1000	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Without any term	Total
Cash and deposits with the central bank	65,976	-	-	-	-	-	65,976
Loans and deposits with credit institutions	1,345,647	-	-	-	-	-	1,345,647
Loans to customers	-	32,479,570	-	-	-	-	32,479,570
Certificates and bonds	1,427,382	4,536,303	2,896,150	-	-	-	8,859,834
Financial derivatives	-	-	-	-	-	1,935	1,935
Non interest-bearing assets	-	-	-	-	-	247,030	247,030
Total assets	**2,839,004**	**37,015,873**	**2,896,150**	**-**	**-**	**248,965**	**42,999,992**
Subordinated loan	-	474,614	-	-	-	-	474,614
Deposits from customers	-	33,682,275	-	-	-	-	33,682,275
Debt securities issued	-	2,242,423	-	-	-	-	2,242,423
Financial derivatives	-	-	-	-	-	52,246	52,246
Non interest-bearing liabilities	-	-	-	-	-	834,812	834,812
Total liabilities	**-**	**36,399,313**	**-**	**-**	**-**	**887,058**	**37,286,371**

Market risk related to interest rate instruments

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

	Interest rate risk, 1 % change	
Amounts in NOK 1000	2018	2017
Cash and deposits with the central bank	-169	-164
Loans and deposits with credit institutions	-4,234	-3,144
Loans to customers	-94,014	-80,980
Certificates and bonds	-26,977	-21,786
Financial derivatives	-32	-5
Total assets	**-125,425**	**-106,080**
Deposits from customers	97,233	83,979
Debt securities issued	5,021	5,591
Financial derivatives	300	130
Subordinated loan	2,080	1,183
Total liabilities	**104,633**	**90,884**
Tier 1 capital	1,579	1,583
Total equity	**1,579**	**1,583**
Total interest rate risk, before tax*	**-19,212**	**-13,613**

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

Note 16. Currency risk

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

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

Market risk related to currency positions

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

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

Market risk related to currency positions

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

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

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

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

Note 17. Operational risk

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

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

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

Note 18. Net interest income

Amounts in NOK 1000	2018	2017
Interest income from cash and deposits at central banks	389	304
Interest income from loans to credit institutions	3,920	2,705
Interest income from consumer loans	3,631,860	3,102,438
Interest income from overdraft accounts	-	79
Interest income from credit cards	1,270,474	953,029
Interest income from sales financing	2,072	4,571
Interest income, amortized cost	**4,908,715**	**4,063,126**
Interest and other income from certificates and bonds	100,717	91,939
Other interest and other interest related income	3,586	3,183
Interest income, other	**104,303**	**95,122**
Total interest income	**5,013,018**	**4,158,247**
Interest expense from deposits from credit institutions	1,434	135
Interest expense from deposits from customers	523,598	433,959
Interest expense on debt securities issued	30,404	34,346
Interest expense on subordinated loan	24,134	15,530
Other interest and other interest related expenses	27,122	18,241
Total interest expense	**606,692**	**502,211**
Net interest income	**4,406,326**	**3,656,037**

Note 19. Net other operating income

Amounts in NOK 1000	2018	2017
Payment services	345,095	264,887
Insurance services	64,858	50,633
Other fees and commission and bank services income	53,598	47,589
Total commission and bank services income	**463,551**	**363,109**
Payment services	147,595	110,223
Insurance services	55,689	41,731
Other fees and commission and bank services expense	27,171	22,249
Total commission and bank services expenses	**230,455**	**174,203**

Note 20. Salaries and other personnel expenses

Specification of personnel expenses

Amounts in NOK 1000	2018	2017
Salaries	69.546	58.958
Social security tax	13.031	11.348
Pension premiums	2.885	2.382
Social benefits	2.264	2.268
Total	**87.726**	**74.957**

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

Number of employees as at December 31, 2018, wages and remuneration

At 31.12.2018 the NFH Group had 78 employees, corresponding to 75.2 man-labour years.

Wages and remuneration to key employees

	2018				
Amounts in NOK 1000	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration					
Tine Wollebekk	3.263	1.274	72	253	4.863
Pål Svenkerud	2.377	894	72	203	3.545
Fredrik Mundal	1.630	725	72	126	2.553
Tore Andresen	2.098	813	72	165	3.149
Merete Gillund	1.984	876	72	158	3.091
Peer Timo Andersen-Ulven	1.800	-	72	149	2.021
Nils Sælen	692	-	23	55	770
Tore Widding	271	-	-	-	271
Total	**14.116**	**4.582**	**458**	**1.108**	**20.263**

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

Key personnel are defined as members of the management group.

Bonus

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

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

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

Fees paid out to the Board of Directors

Amounts in NOK 1000	2018	2017
Bjørn H. Kise	500	500
Frode Foss	125	250
Anita Marie Hjerkinn Aarnæs	250	250
Kristin Farstad	-	100
John Høsteland	250	250
Christine Rødsæther	175	-
Brede Huser	225	250
Lars Ola Kjos	250	250
Maria Borch Helsengreen	-	200
Esma Candic	-	10
Willy Rudman	-	10
Ninett R. Olsen	50	30
Henrik Hermansen	-	5
Total	**1.825**	**2.105**

Fees paid out to the Control Committee

Amounts in NOK 1000	2018	2017
Knut Gillesen	-	33
Sigmund Håland	-	25
Jarl Borgvin Dørre	-	25
Total	**-**	**83**

Fees paid out to the Election Committee

Amounts in NOK 1000	2018	2017
Alf Nielsen	50	-
Gunnar Martinsen	10	-
Knut Gillesen	50	-
Total	**110**	**-**

Fees paid out to the Supervisory Board

Amounts in NOK 1000	2018	2017
Alf Nielsen	-	50
Sven Nicolai E. Eppeland	-	10
Christian F. Stray	-	10
Tord Strømme Meling	-	10
Betty Tandberg	-	10
Gunnar Martinsen	-	10
Thomas Berntsen	-	10
Truls Persen	-	10
Dag Håvard H. Hanssen	-	10
Bjørn Olaf Svindal	-	10
Kristin Møllerplass	-	10
Anders Gullestad	-	10
Håkon Rådmannsøy Hovde	-	10
Andreas Pedersen	-	10
Roger Stange Nilsen	-	10
Total	**-**	**190**

Auditor fees

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

Amounts in NOK 1000	2018	2017
Statutory auditing	1,145	1,106
Other certification services	549	70
Tax advisory services	-	-
Other non-audit services	362	1,188
Total	**2,056**	**2,363**

Pensions

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

Note 21. Classification of financial instruments

2018	IFRS 9				
	Financial instruments at fair value				
Amounts in NOK 1000	Financial instruments classified as FVTPL		Financial instruments held for sale	Financial instruments valued at amortized cost	Total
Cash and deposits with the central bank	-	-	-	67,959	67,959
Loans and deposits with credit institutions	-	-	-	1,702,308	1,702,308
Loans to customers	-	-	-	37,797,618	37,797,618
Certificates and bonds	10,602,597	-	-	-	10,602,597
Shares and other securities	-	36,691	-	-	36,691
Financial derivatives	-	12,773	-	-	12,773
Assets held for sale	-	-	-	-	-
Total financial assets	**10,602,597**	**49,464**	**-**	**39,567,885**	**50,219,947**
Deposits from customers	-	-	-	39,091,791	39,091,791
Debt securities issued	-	-	-	2,018,724	2,018,724
Financial derivatives	-	120,497	-	-	120,497
Subordinated loan	-	-	-	836,205	836,205
Total financial liabilities	**-**	**120,497**	**-**	**41,946,721**	**42,067,218**

2017	IAS 39					
	Financial instruments at fair value					
Amounts in NOK 1000	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments held for sale	Financial instruments valued at amortized cost	Financial instruments held to maturity	Total
Cash and deposits with the central bank	-	-	-	65,976	-	65,976
Loans and deposits with credit institutions	-	-	-	1,345,647	-	1,345,647
Loans to customers	-	-	-	32,479,570	-	32,479,570
Certificates and bonds	8,859,834	-	-	-	-	8,859,834
Shares and other securities	-	443	-	-	-	443
Financial derivatives	-	1,935	-	-	-	1,935
Assets held for sale	-	-	32,922	-	-	32,922
Total financial assets	**8,859,834**	**2,379**	**32,922**	**33,891,192**	**-**	**42,786,327**
Deposits from customers	-	-	-	33,682,275	-	33,682,275
Debt securities issued	-	-	-	2,242,423	-	2,242,423
Financial derivatives	-	52,246	-	-	-	52,246
Subordinated loan	-	-	-	474,614	-	474,614
Total financial liabilities	**-**	**52,246**	**-**	**36,399,313**	**-**	**36,451,559**

Note 22. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

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

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

Level 3 Valuation based on observable market data
When valuation can not be determined in level 1 or 2, valuation methods based on non-observable market data are used.

Financial instruments at fair value

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

	2017			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	8,859,834	-	8,859,834
Financial derivatives	-	1,935	-	1,935
Shares and other securities	-	-	443	443
Financial assets held for sale	-	-	32,922	32,922
Total financial assets at fair value	**-**	**8,861,770**	**33,365**	**8,895,135**
Financial derivatives	-	52,246	-	52,246
Total financial liabilities at fair value	**-**	**52,246**	**-**	**52,246**

Change in instruments classified at level 3

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

	2017		
Amounts in NOK 1000	Shares and other securities	Financial assets held for sale	Total
Value 31.12.16	443	24,745	25,188
Net change on financial instruments	-	8,176	8,176
Value 31.12.17	**443**	**32,922**	**33,365**

Valuation method

Ownership in VN Norge AS

Ownership in VN Norge AS, formerly known as Visa Norge FLI, is considered to be a financial asset and is classified as Shares and other securities. The fair value of the asset is estimated at NOK 36.2 million as of December 31, 2018. The calculation is based on input from VN Norge AS.

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

Note 23. Net change in value on securities and currency

Amounts in NOK 1000	2018	2017
Net change on certificates and bonds	-51,315	-17,251
Net change on FX-forwards	41,273	-140,821
Net currency effects	19,534	165,530
Net change on shares and other securities with variable yield	3,326	-
Net change in value on securities and currency	**12,818**	**7,458**

Note 24. Fair value of financial instruments at amortized cost

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

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

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

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

Fair value of financial instruments at amortized cost

	2018		2017	
Amounts in NOK 1000	Book value	Fair value	Book value	Fair value
Cash and deposits with the central bank	67,959	67,959	65,976	65,976
Loans and deposits with credit institutions	1,702,308	1,702,308	1,345,647	1,345,647
Loans to customers	37,797,618	37,797,618	32,479,570	32,479,570
Total financial assets	**39,567,885**	**39,567,885**	**33,891,192**	**33,891,192**
Deposits from customers	39,091,791	39,091,791	33,682,275	33,682,275
Debt securities issued	2,018,724	2,130,289	2,242,423	2,301,855
Subordinated loan	836,205	896,129	474,614	478,360
Total financial liabilities	**41,946,721**	**42,118,209**	**36,399,313**	**36,462,490**

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

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

Level 3 Valuation based on observable market data
When valuation can not be determined in level 1 or 2, valuation methods based on non-observable market data are used.

	2018			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Cash and deposits with the central bank	67,959	-	-	67,959
Loans and deposits with credit institutions	1,702,308	-	-	1,702,308
Loans to customers	-	-	37,797,618	37,797,618
Total financial assets	**1,770,267**	**-**	**37,797,618**	**39,567,885**
Deposits from customers	39,091,791	-	-	39,091,791
Debt securities issued	2,018,724	-	-	2,018,724
Subordinated loan	836,205	-	-	836,205
Total financial liabilities	**41,946,721**	**-**	**-**	**41,946,721**

	2017			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Cash and deposits with the central bank	65,976	-	-	65,976
Loans and deposits with credit institutions	1,345,647	-	-	1,345,647
Loans to customers	-	-	32,479,570	32,479,570
Total financial assets	**1,411,622**	**-**	**32,479,570**	**33,891,192**
Deposits from customers	33,682,275	-	-	33,682,275
Debt securities issued	2,242,423	-	-	2,242,423
Subordinated loan	474,614	-	-	474,614
Total financial liabilities	**36,399,313**	**-**	**-**	**36,399,313**

Change in instruments classified at level 3

	2018	
Amounts in NOK 1000	Loans to customers	Total
Value 31.12.17	32,479,570	32,479,570
Reclassification IFRS 9	72,758	72,758
Additions	5,245,290	5,245,290
Value 31.12.18	**37,797,618**	**37,797,618**

Note 25. Debt securities issued and subordinated loan

Debt securities issued

Amounts in NOK 1000	2018	2017
Bonds, nominal value	2,016,090	2,239,800
Value adjustments and currency effects	-1,207	-1,580
Accrued interest	3,841	4,203
Total debt securities issued	**2,018,724**	**2,242,423**

Change in debt securities issued

Amounts in NOK 1000	Balance 31.12.18	Issued	Overdue/ redeemed	Other changes	Balance 31.12.17
Bonds, nominal value	2,016,090	388,040	-597,000	-14,750	2,239,800
Value adjustments and currency effects	-1,207	-	-	373	-1,580
Accrued interest	3,841	-	-	-362	4,203
Total debt securities issued	**2,018,724**	**388,040**	**-597,000**	**-14,739**	**2,242,423**

Amounts in NOK 1000	Balance 31.12.17	Issued	Overdue/ redeemed	Other changes	Balance 31.12.16
Bonds, nominal value	2,239,800	1,299,320	-880,000	480	1,820,000
Value adjustments and currency effects	-1,580	-	-	-1,839	259
Accrued interest	4,203	-	-	489	3,714
Total debt securities issued	**2,242,423**	**1,299,320**	**-880,000**	**-870**	**1,823,973**

Change in subordinated loan

Amounts in NOK 1000	Balance 31.12.18	Issued	Overdue/ redeemed	Other changes	Balance 31.12.17
Subordinated loan, nominal value	833,555	533,555	-175,000	-	475,000
Value adjustments	-2,230	-	-	-1,018	-1,212
Accrued interest	4,881	-	-	4,055	826
Total subordinated loan	**836,206**	**533,555**	**-175,000**	**3,037**	**474,614**

Amounts in NOK 1000	Balance 31.12.17	Issued	Overdue/ redeemed	Other changes	Balance 31.12.16
Subordinated loan, nominal value	475,000	200,000	-	-	275,000
Value adjustments	-1,212	-	-	-631	-581
Accrued interest	826	-	-	330	496
Total subordinated loan	**474,614**	**200,000**	**-**	**-301**	**274,915**

Cash flows from funding *Amounts in NOK 1000*	Balance 31.12.17	Issued new debt	Early repayment of debt	Ordinary repayment of debt	Interest expense 2018	Paid interest 2018	Amortization*	Balance 31.12.18
Debt securities issued	2,242,423	388,040	-340,000	-257,000	29,379	-29,741	-14,377	2,018,724
Subordinated loan	474,614	533,555	-175,000	-	23,222	-19,167	-1,018	836,206

* With regards to premiums, discounts and transaction costs.

Note 26. Financial assets held for sale

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

Note 27. Taxes

Amounts in NOK 1000	2018	2017
Deferred tax asset/deferred tax		
Basis for deferred tax asset/deferred tax in the balance sheet	-145,392	-63,614
Deferred tax asset/deferred tax	-36,211	-15,904
Deferred tax effect of IFRS 9 implementation that comes to taxation in 2019	18,189	-
Deferred tax asset/deferred tax in the accounts	**-18,021**	**-15,904**
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	2,388,478	2,123,245
Permanent differences	-45,015	-18,598
Basis for the tax charge for the year	2,343,463	2,104,647
Change in differences included in the basis for deferred tax/tax asset	89,090	29,543
Change in losses and remuneration to be carried forward	-	12,228
Share issue expenses	-	-8,895
Basis for tax payable in the profit and loss	2,432,553	2,137,523
Taxable income (basis for tax payable in the balance sheet)	**2,432,553**	**2,137,523**
Distribution of tax charge		
Tax payable (25% of taxable income)	608,138	534,381
Tax payable on items recognized in equity	9,525	-
Excess tax provision previous year	-5,054	
Total tax payable	612,610	534,381
Tax effect of tax losses carried forward not recognized in the balance sheet	1,390	-
Change in deferred tax/tax asset	-22,179	-8,186
Change in deferred tax / tax asset as a result of changed tax rate	47	-
Tax charge	**591,867**	**526,195**
Reconciliation of tax charge		
Profit before tax	2,388,478	2,123,245
Estimated tax expense (25%)	597,120	530,811
Tax charge in profit and loss account	591,867	526,195
Difference	**-5,252**	**-4,616**
The difference consists of:		
25% of permanent differences	-11,254	-4,616
Change in deferred tax / tax asset as a result of changed tax rate	47	-
Tax payable on items recognized in equity	9,525	-
Effect of other tax rate (23%)	93	-
Excess tax provision previous year	-5,054	-
Tax effect of tax losses carried forward not recognized in the balance sheet	1,390	
Explained difference	**-5,252**	**-4,616**
Tax payable in the balance sheet		
Tax payable in the tax charge	603,085	534,381
Tax effect of expenses recognized directly in equity	-	-8,495
Tax payable	**603,085**	**525,886**

Note 28. Intangible assets

Amounts in NOK 1000	IT/ Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.17	108,359	-	17,337	80,159	205,855
Additions	15,861	-	-	51,992	67,853
Disposals	-24,256	-	-	-25,596	-49,852
Acquisition cost 31.12.18	99,964	-	17,337	106,556	223,857
					-
Accumulated depreciations 31.12.18	46,061	-	-	44,125	90,186
Net accumulated and reversed amortizations 31.12.18	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.18	46,061	-	-	44,125	90,186
Book value 31.12.18	**53,903**	**-**	**17,337**	**62,431**	**133,670**
Annual depreciations	19,605	-	-	38,770	58,374
Annual amortizations	-	-	-	1,231	1,231
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortizable	Linear	

Amounts in NOK 1000	IT/ Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.16	82,838	-	17,337	76,530	176,705
Additions	29,734	-	-	25,647	55,381
Disposals	-4,213	-	-	-22,018	-26,230
Acquisition cost 31.12.17	108,359	-	17,337	80,159	205,856
Accumulated depreciations 31.12.17	50,712	-	-	39,676	90,388
Net accumulated and reversed amortizations 31.12.17	-	-	-	789	789
Acc. depreciations, amortizations and rev. amortizations 31.12.17	50,712	-	-	40,465	91,177
Reclassification	-	-	-	16,843	16,843
Book value 31.12.17	**57,647**	**-**	**17,337**	**56,537**	**131,521**
Annual depreciations	15,561	-	-	37,387	52,948
Annual amortizations	-	-	-	789	789
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortizable	Linear	

IT/Software consists of software rights and proprietary developments. The connection fee provides access to the common infrastructure for payment services in Norway. The infrastructure ensures that banks are able to offer payment services which allow customers to settle transactions among themselves, independently of connections to banks. The accounting of agent commissions to NAS was in the fourth quarter reclassified in accordance with IAS 38 Intangible Assets (IAS 38) and IFRS 9. Agent commissions were reclassified from *Other Receivables* to *Loans to customers* and *Intangible assets*, with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Interest income* and *Depreciation and impairment of fixed and intangible assets*. The reclassifications did not have any effect on the profit after tax. Comparative figures and corresponding notes have been revised accordingly.

Note 29. Fixed assets

Amounts in NOK 1000	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.17	-	1,859	1,762	3,621
Additions	-	-	112	112
Disposals	-	-	-	-
Acquisition cost 31.12.18	-	1,859	1,874	3,733
Accumulated depreciations 31.12.18	-	1,857	1,157	3,014
Net accumulated and reversed amortizations 31.12.18	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.18	-	1,857	1,157	3,014
Book value 31.12.18	**-**	**2**	**717**	**719**
Annual depreciations	-	24	369	393
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	

Amounts in NOK 1000	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.16	-	1,859	712	2,571
Additions	-	-	1,050	1,050
Disposals	-	-	-	-
Acquisition cost 31.12.17	-	1,859	1,762	3,621
Accumulated depreciations 31.12.17	-	1,834	787	2,621
Net accumulated and reversed amortizations 31.12.17	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.17	-	1,834	787	2,621
Book value 31.12.17	**-**	**25**	**975**	**1,000**
Annual depreciations	-	39	75	114
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	

Note 30. Other receivables

Amounts in NOK 1000	2018	2017
Distribution commissions	40.656	48.007
Prepaid expenses	7.577	4.800
Net collateral issued/received*	-	-
Other receivables	15.155	12.434
Total receivables	**63.388**	**65.241**

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

Note 31. Other liabilities

Amounts in NOK 1000	2018	2017
Payables to suppliers	4.399	6.545
Value added tax	6.997	8.412
Social security tax	3.131	2.467
Tax withholdings	3.035	2.335
Unsettled items related to certificates and bonds	1.643	138.135
Other liabilities	13.228	816
Total other liabilities	**32.434**	**158.711**

Note 32. Accrued expenses

Amounts in NOK 1000	2018	2017
Accrued not due expenses	166.244	132.331
Bonus	15.161	12.131
Holiday pay	5.550	4.566
Board remuneration	1.111	1.146
Accrued fees	689	41
Total accrued expenses	**188.755**	**150.216**

Note 33. Capital adequacy

Amounts in NOK 1000	2018	2017
Total capital		
Share capital	186.752	186.689
+ Share premium	976.938	971.182
+ Other reserves	5.745.564	3.920.750
- Deferred tax assets, intangible assets and additional valuation adjustment	162.464	156.372
Common equity Tier 1	**6.746.789**	**4.922.249**
+ Additional Tier 1 capital	635.000	635.000
Tier 1 capital	**7.381.789**	**5.557.249**
+ Tier 2 capital	836.205	474.614
Total capital	**8.217.995**	**6.031.863**
Calculation basis		
Credit risk		
Covered bonds	273.532	232.981
+ Institutions	988.065	924.514
+ Loans to customers	25.396.605	22.493.425
+ Defaulted loans and other commitments	4.049.000	2.589.841
Operational risk	4.012.591	2.608.276
Total calculation basis	**34.719.794**	**28.849.038**
Common equity Tier 1 %	**19,4 %**	**17,1 %**
Tier 1 capital %	**21,3 %**	**19,3 %**
Total capital %	**23,7 %**	**20,9 %**

Note 34. Tier 1 capital

The NFH Group issued a Tier 1 capital instrument in 2013. The instrument has a nominal value of NOK 125.0 million. The instrument is perpetual and the NFH Group may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date. Interest rates payable is 3 month NIBOR + 4.10%. This Tier 1 capital instrument was repayed in full in 2018.

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

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

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

The terms of the Tier 1 capital meet the requirements of EU CRR regulations and are included in the NFH Group 's core capital for capital adequacy purposes. As a result, the NFH Group 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 NFH Group's equity as Tier 1 capital. This means further that interest rates linked to the Tier 1 capital is not presented as an Interest expense, but as a reduction in Retained earnings and other reserves. Similarly, the interest tax advantage is presented as an increase in Retained earnings and other reserves and not as a reduction of Tax charge in the profit and loss.

Note 35. Lease agreements

The NFH Group has signed a temporary lease agreement regarding Snarøyveien 36, Fornebu. The temporary lease agreement expires October 31, 2019. A lease agreement for the same address has been established with Norwegian Property, which expires in October 2021 with an option to extend the lease agreement for two additional years. The annual rent totals NOK 2.5 million.

IFRS 16 Non-cancellable operating leases

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

Non-cancellable operating leases

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

Reconciliation of the operating expense to the implementationeffect of IFRS 16

	2018
Operating lease commitments disclosed at December 31, 2018	7,627
Discounted using the groups incremental borrowing rate of 2.76%	357
Short time leases*	-
Lease liability recognised as at January 1, 2019	7,270

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

Note 36. Related parties

Bank Norwegian AS and Norwegian Air Shuttle ASA have since October 2007 had an agreement regarding the NFH Group’s use of the brand name Norwegian, IP-rights and co-operation regarding the loyalty program and credit cards. Based on the NFH Group’s expansion into Sweden, Denmark and Finland, new agreements have been renegotiated. All accrued rights remain. The agreements were renegotiated in the second quarter 2018 and is valid for ten years. In 2018 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 352.4 million, comprising of portfolio related costs of NOK 285.1 million and sales and agent commissions of NOK 67.3 million. The portfolio related costs include license fee for use of brand name, IP-rights and other customer portfolio costs, such as cashpoints. Comparable figures for 2017 was NOK 275.7 million, comprising of NOK 218.8 million and NOK 56.9 million.

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

Note 37. Provisions and legal claims

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

Note 38. Subsequent events

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

Note 39. Earnings per Share

Earnings Per Share

Amounts in NOK 1000	2018	2017
Number of shares beginning of period	186,689	180,104
Number of issued shares in the period	63	6,585
Number of shares end of period	186,752	186,689
Average number of shares in the period	186,719	181,690
Profit on ordinary activities after tax	1,796,611	1,597,050
Earnings per share based on number of shares end of period	9.62	8.55
Earnings per share based on average number of shares in the period	9.62	8.60

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

Quarterly figures

Profit and loss account

				Norwegian Finans Holding Group	
Amounts in NOK 1000	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**
Interest income, amortized cost	1,286,569	1,261,585	1,217,941	1,142,620	1,123,955
Other interest income	32,504	23,730	23,863	24,206	24,272
Interest expenses	145,500	163,924	154,602	142,666	137,510
Net interest income	**1,173,573**	**1,121,392**	**1,087,201**	**1,024,161**	**1,010,717**
Commission and bank services income	111,047	117,974	128,700	105,830	109,079
Commission and bank services expenses	62,683	60,061	55,728	51,983	51,690
Net change in value on securities and currency	-5,938	11,144	21,089	-13,476	-3,355
Other income	-	32	-	-	-
Net other operating income	**42,426**	**69,088**	**94,061**	**40,371**	**54,034**
Total income	**1,215,999**	**1,190,480**	**1,181,262**	**1,064,532**	**1,064,752**
Personnel expenses	25,414	23,454	17,373	21,485	20,501
General administrative expenses	258,299	260,439	257,341	259,833	238,566
Ordinary depreciation	15,633	14,789	14,972	14,605	14,356
Other operating expenses	13,388	13,791	13,082	12,268	12,053
Total operating expenses excluding loan losses	**312,733**	**312,472**	**302,767**	**308,191**	**285,475**
Provision for loan losses	284,813	299,209	234,707	208,903	199,109
Profit on ordinary activities before tax	**618,453**	**578,799**	**643,788**	**547,439**	**580,169**
Tax charge	149,346	144,727	160,967	136,827	140,383
Profit on ordinary activities after tax	**469,106**	**434,072**	**482,822**	**410,611**	**439,786**

Comprehensive income

				Norwegian Finans Holding Group	
Amounts in NOK 1000	**Q4 2018**	**Q3 2018**	**Q2 2018**	**Q1 2018**	**Q4 2017**
Profit on ordinary activities after tax	**469,106**	**434,072**	**482,822**	**410,611**	**439,786**
Change in fair value of asset available for sale	-	-	-	-	3,081
Tax	-	-	-	-	-23
Other comprehensive income	**-**	**-**	**-**	**-**	**3,058**
Comprehensive income for the period	**469,106**	**434,072**	**482,822**	**410,611**	**442,844**

Balance sheet

				Norwegian Finans Holding Group	
Amounts in NOK 1000	**31.12.18**	**30.9.18**	**30.6.18**	**31.3.18**	**31.12.17**
Assets					
Cash and deposits with the central bank	67,959	65,957	65,975	65,982	65,976
Loans and deposits with credit institutions	1,702,308	1,837,699	2,323,345	1,838,548	1,345,647
Loans to customers	37,797,618	36,751,296	35,464,011	33,842,506	32,479,570
Certificates and bonds	10,602,597	10,812,673	9,389,792	9,292,364	8,859,834
Financial derivatives	12,773	48,072	43,768	49,364	1,935
Shares and other securities	36,691	38,637	37,476	33,104	443
Assets held for sale	-	-	-	-	32,922
Intangible assets	133,670	135,335	132,879	133,514	131,521
Deferred tax asset	18,021	11,157	11,157	18,333	15,904
Fixed assets	719	821	810	904	1,000
Other Receivables	63,388	88,568	81,410	97,049	65,241
Total assets	**50,435,746**	**49,790,216**	**47,550,624**	**45,371,669**	**42,999,992**
Liabilities and equity					
Loans from credit institutions	-	32,300	85,450	99,200	-
Deposits from customers	39,091,791	39,359,001	37,705,983	35,789,003	33,682,275
Debt securities issued	2,018,724	1,812,167	1,808,003	1,934,592	2,242,423
Financial derivatives	120,497	1,056	2,494	11,264	52,246
Tax payable	603,085	685,353	543,078	391,742	525,886
Other liabilities	32,434	141,377	91,355	342,312	158,711
Accrued expenses	188,755	202,293	184,321	154,835	150,216
Subordinated loan	836,205	474,637	474,622	474,677	474,614
Total liabilities	**42,891,492**	**42,708,185**	**40,895,306**	**39,197,625**	**37,286,371**
Share capital	186,752	186,752	186,689	186,689	186,689
Share premium	976,938	976,938	971,182	971,182	971,182
Paid in capital	-	-	5,819	-	-
Tier 1 capital	635,000	635,000	635,000	635,000	635,000
Retained earnings and other reserves	5,745,564	5,283,342	4,856,628	4,381,173	3,920,750
Total equity	**7,544,254**	**7,082,032**	**6,655,318**	**6,174,044**	**5,713,621**
Total liabilities and equity	**50,435,746**	**49,790,216**	**47,550,624**	**45,371,669**	**42,999,992**

Profit and loss account

Amounts in NOK 1000	Note	Norwegian Finans Holding ASA 2018	2017
Interest income		215	45
Interest expenses		137	-
Net interest income		**78**	**45**
Commission and bank services income		-	-
Commission and bank services expenses		803	362
Net change in value on securities and currency		-	-
Other income		247,500	-
Net other operating income		**246,697**	**-362**
Total income		**246,775**	**-317**
Personnel expenses	2	1,445	1,004
General administrative expenses		-	-
Ordinary depreciation		-	-
Other operating expenses		2,784	2,012
Total operating expenses excluding loan losses		**4,228**	**3,016**
Provision for loan losses		-	-
Profit on ordinary activities before tax		**242,547**	**-3,333**
Tax charge	3	58,369	-833
Profit on ordinary activities after tax		**184,177**	**-2,500**

Comprehensive income

Amounts in NOK 1000	Norwegian Finans Holding ASA 2018	2017
Profit on ordinary activities after tax	**184,177**	**-2,500**
Comprehensive income for the period	**184,177**	**-2,500**

Balance sheet

Amounts in NOK 1000	Note	Norwegian Finans Holding ASA 31.12.18	31.12.17
Assets			
Loans and deposits with credit institutions		203,109	6,794
Ownership interests in group companies	4	1,150,000	1,150,000
Deferred tax asset	3	1,032	7,003
Receivables		3	-
Total assets		**1,354,143**	**1,163,797**
Liabilities and equity			
Other liabilities		100	22
Accrued expenses		1,457	1,171
Total liabilities		**1,557**	**1,193**
Share capital		186,752	186,689
Share premium		976,938	971,182
Retained earnings and other reserves		188,896	4,734
Total equity	5	**1,352,586**	**1,162,605**
Total liabilities and equity		**1,354,143**	**1,163,797**

Bærum, February 25, 2019
Board of Directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the Board

John Høsteland
Board Member

Anita Aarnæs
Board Member

Christine Rødsæther
Board Member

Gunn Ingemundsen
Board Member

Rolv-Erik Spilling
Board Member

Tine Wollebekk
CEO

Cash flow statment

Amounts in NOK 1000	Norwegian Finans Holding ASA 2018	2017
Profit / loss before tax	184.177	-2.500
Change in other accruals	5.969	3.107
Change in short-term liabilities	365	-466
Net cash flow from operating activities	**190.511**	**141**
Net investment in group companies	-	-500.000
Net cash flows from investment activities	**-**	**-500.000**
Paid-in equity	5.804	498.011
Net cash flow from financing activities	**5.804**	**498.011**
Net cash flow for the period	196.315	-1.849
Cash and cash equivalents at the start of the period	6.794	8.643
Cash and cash equivalents at the end of the period	**203.109**	**6.794**

Changes in equity

Norwegian Finans Holding ASA

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.17	**186.689**	**971.182**	**-**	**4.734**	**1.162.605**
This period's profit	-	-	-	184.177	184.177
Comprehensive income for the period	**-**	**-**	**-**	**184.177**	**184.177**
Capital increase	63	5.756			5.819
Other changes	-	-	-	-15	-15
Share issue expenses	-	-	-	-	-
Balance 31.12.18	**186.752**	**976.938**	**-**	**188.896**	**1.352.586**
Balance 31.12.16	**180.105**	**481.980**	**-**	**5.008**	**667.093**
This period's profit	-	-	-	-2.500	-2.500
Comprehensive income for the period	**-**	**-**	**-**	**-2.500**	**-2.500**
Capital increase	6.585	498.098	-	-	504.683
Share issue expenses	-	-8.895	-	2.224	-6.671
Balance 31.12.17	**186.691**	**971.182**	**-**	**4.732**	**1.162.605**

Notes for Norwegian Finans Holding ASA

Note 1. General accounting principles

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

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

The tax expense is accrued over the year based on the estimated tax expense for the year. The tax expense is estimated at 23% of the companys operating profit, and consists of current tax (payable tax) and changes in deferred tax.

Payable tax is tax calculated on the taxable profit for the year. Deferred tax is calculated and recognised in accordance with IAS 12. Deferred tax is calculated based on the applicable tax rate. A deferred tax asset or liability is calculated on temporary differences, defined as the difference between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset on tax losses is calculated and recognised to the extent that it is probable that future taxable profits will make it possible to use the tax asset.

IASB has published the final version of IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments – Recognition and Measurement*. IFRS 9 introduces changes to the rules for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The standard is effective for annual reporting periods beginning on1.1.2018 or later. Earlier application is permitted. The standard must be applied retrospectively, except for hedge accounting. Restatement of comparative figures is not required.

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

Note 2. Salaries and other personnel expenses

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

Fees paid out to the Board of Directors

Amounts in NOK 1000	**2018**	**2017**
Bjørn H. Kise	250	250
Anita Marie Hjerkinn Aarnæs	250	250
Brede Huser	225	250
Maria Borch Helsengreen	-	200
John Høsteland	125	125
Kristin Farstad	-	50
Christine Rødsæther	88	-
Total	**938**	**1,125**

Fees paid out to the Election Committee

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

Fees paid out to the Control Committee

Amounts in NOK 1000	**2018**	**2017**
Knut Gillesen	-	17
Sigmund Håland	-	13
Jarl Borgvin Dørre	-	13
Total	**-**	**42**

Fees paid out to the Supervisory Board

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

Auditor fees

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

Amounts in NOK 1000	**2018**	**2017**
Statutory auditing	56	94
Other certification services	76	17
Tax advisory services	-	-
Other non-audit services	-	19
Total	**132**	**130**

Note 3. Taxes

Amounts in NOK 1000	2018	2017
Deferred tax asset / deferred tax		
Loss and remuneration to be carried forward	-4.691	-28.011
Basis for deferred tax asset / deferred tax in the balance sheet	-4.691	-15.783
Deferred tax asset / deferred tax	-1.032	-7.003
Deferred tax asset / deferred tax in the accounts	**-1.032**	**-7.003**
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	242.547	-3.333
Permanent differences	-	-
Basis for the tax charge for the year	242.547	-3.333
Change in losses and remuneration to be carried forward	-23.320	12.228
Share issue expenses	-	-8.895
Basis for tax payable in the profit and loss	219.227	-
Taxable income (basis for tax payable in the balance sheet)	**219.227**	**-**
Distribution of tax charge		
Total Tax payable (23% / 24% of the basis for tax payable in the income statement)	52.398	-
Change in deferred tax / tax asset	5.830	-833
Change in deferred tax / tax asset as a result of changed tax rate	141	-
Tax charge	**58.369**	**-833**
Reconciliation of tax charge		
Profit before tax	242.547	-3.333
Estimated tax expense (23%)	58.211	-833
Tax charge in profit and loss account	58.369	-833
Difference	**-158**	**-**
The difference consists of:		
23% of permanent differences	-	-
Change in deferred tax / tax asset as a result of changed tax rate	47	-
Other differences	-205	-
Explained difference	**-158**	**-**

Note 4. Ownership interests in group companies

Shares held by Norwegian Finans Holding ASA are 100% of shares in Bank Norwegian AS. These are recognized in the company accounts at cost, and eliminated in the group accounts.

Note 5. Capital adequacy

Amounts in NOK 1000	31.12.18	31.12.17
Total capital		
Share capital	186.752	186.689
+ Share premium	976.938	971.182
+ Other reserves	188.896	4.734
- Deferred tax assets, intangible assets and additional valuation adjustment	1.032	7.003
Common equity Tier 1	**1.351.554**	**1.155.602**
+ Additional Tier 1 capital	-	-
Tier 1 capital	**1.351.554**	**1.155.602**
+ Tier 2 capital	-	-
Total capital	**1.351.554**	**1.155.602**
Calculation basis		
Credit risk		
Covered bonds	-	-
+ Institutions	40.622	1.359
+ Loans to customers	-	-
+ Defaulted loans and other commitments	1.150.003	1.150.000
Operational risk	-	-
Total calculation basis	**1.190.625**	**1.151.359**
Common equity Tier 1 %	**113,5 %**	**100,4 %**
Tier 1 capital %	**113,5 %**	**100,4 %**
Total capital %	**113,5 %**	**100,4 %**

	SHAREHOLDER	# OF SHARES
1	NORWEGIAN AIR SHUTTLE ASA	30,623,739
2	FOLKETRYGDFONDET	15,809,072
3	GOLDMAN SACHS & CO. LLC	15,449,258
4	BRUMM AS	6,739,432
5	STENSHAGEN	4,551,416
7	EUROCLEAR BANK S.A./N.V.	3,760,218
8	NYE GKB INVEST AS	3,501,102
9	KM AVIATRIX INVEST AS	3,459,293
10	BANQUE DEGROOF PETERCAM LUX. SA	3,120,999
11	SWEDBANK ROBUR SMABOLAGSFOND	3,100,000
12	MP PENSJON PK	2,909,268
13	BANQUE DEGROOF PETERCAM LUX. SA	2,857,989
14	STATE STREET BANK AND TRUST COMP	2,548,539
15	JPMORGAN CHASE BANK, N.A., LONDON	2,393,630
16	NYE SNEISUNGEN AS	2,217,321
17	TORSTEIN INGVALD TVENGE	2,200,000
18	VERDIPAPIRFONDET PARETO INVESTMENT	1,977,823
19	KLP AKSJENORGE INDEKS	1,680,680
20	SWEDBANK ROBUR NORDENFON	1,670,000
	Top 20	**114,036,494**
	Total	**186,751,856**

Statement

pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual financial statements for the Group and the company for the period 1 January through 31 December 2018 to the best of our knowledge have been prepared in accordance with applicable accounting standards and give a true and fair view of the Group and the company's assets, liabilities, financial position and profit and loss as a whole.

To the best of our knowledge, the interim report gives a true and fair:

- overview of important events that occurred during the accounting period and their impact on the annual financial statements
- description of the principal risks and uncertainties facing the Group over the next accounting period
- description of major transactions with related parties.

Bærum, February 25, 2019
The Board of Directors in Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the Board

Anita Aarnæs
Board Member

John Høsteland
Board Member

Christine Rødsæther
Board Member

Rolv-Erik Spilling
Board Member

Gunn Ingemundsen
Board Member

Tine Wollebekk
CEO

pwc

To the Board of Directors of Norwegian Finans Holding ASA

Report on Review of balance sheet

Introduction

We have reviewed the accompanying consolidated balance sheet of Norwegian Finans Holding ASA as of 31 December 2018, the income statement, the statement of comprehensive income, the statement of changes in equity and the cash flow statement for the twelve-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this financial information in accordance with IAS 34 Interim Financial Reporting. Our responsibility is to express a conclusion on this financial information based on our review.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated financial information does not present fairly, in all material respects, the financial position of the entity as at date, and its financial performance and its cash flows for the twelve-month period then ended in accordance with IAS 34 Interim Financial Reporting.

Oslo, 25 February 2019
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant

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