Annual Report

2020

Bank Norwegian AS

Letter from the CEO

Tine Wollebekk
CEO

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

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

First and foremost, I am impressed and proud of the Bank's employees and the strength and persistence they have showed during these tough times. This has been paramount to help the Bank steer through the pandemic crisis and support our customers in their financing needs. Secondly Bank Norwegian continued to gain market share in the Nordic markets where we operate. I see this as a sign that the customers continue to value our products and services. During the year, the number of customers increased to ~1.75 million and our net profit ended at a solid NOK 1.9 billion, fairly in line with 2019 despite COVID-19 effects both on income and loan losses. Our financially strong position has increased further during 2020 and our loss absorption capacity has never been better. This gives me comfort that we are well positioned for the future and demonstrates that our first line of defense is solid. It also provides surplus capital for our growth ambitions and any eventual further waves of the pandemic, while still allowing us to deliver on our dividend policy.

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

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

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

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

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

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

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

Fornebu, March 16, 2021

Tine Wollebekk

Director's Report 2020 Bank Norwegian AS

OPERATIONS, GOALS AND STRATEGY

Bank Norwegian AS is a wholly owned subsidiary of Norwegian Finans Holding ASA. Norwegian Finans Holding ASA is listed on the Oslo Stock Exchange with the ticker code NOFI.

Bank Norwegian started its operations in November 2007 and offers instalment loans, credit cards and deposit accounts to personal customers distributed through the Internet in the Nordic market. Bank Norwegian offers, in cooperation with the airline Norwegian, a combined credit card and reward card. The Bank started operations in Sweden in May 2013. In December 2015 the Bank launched operations in Denmark and Finland.

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

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

COVID-19 and the resulting partial shutdown of Nordic societies quartering March 2020 led to a sharp drop in economic activity, which was countered by decisive government measures to soften the impact on the economies. The Bank initially experienced a fall in credit card purchase volumes and lower demand for instalment loans due to lower private consumption in the beginning of the second quarter. The Bank experienced a positive development due to the opening of societies and increase in spending in connection with summer holidays; this positive development continued throughout the third quarter showing an uptake in private consumption through higher credit card purchase volumes and increased instalment loan sales. The fourth quarter was in turn affected by the second wave of COVID-19, with decline in economic activity resulting in somewhat lower credit card purchase volumes primarily outside each home markets, and slightly reduced instalment loan volumes through continued positive customer payment behavior combined with somewhat reduced new sales.

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

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

ECONOMIC DEVELOPMENT

Profit and loss account for 2020

The Bank's comprehensive income for 2020 was NOK 2 240 million, compared with NOK 1 993 million in 2019. The increase is due to the tax effect of the group contribution. Profit before tax decreased NOK 106 million mainly due to higher provision for loan losses related to the uncertain outlook of COVID-19, lower net commission income due to lower credit card activity which were partly offset by increased interest income derived from exchange rate effects. The return on equity was 23.1% and the return on assets was 3.7%. Adjusting for the group contribution in the fourth quarter, the ROE was 19.6% and ROA was 3.1% for 2020.

Net interest income

Net interest income was NOK 5 417 million, an increase of NOK 155.0 million from 2019 through increased interest income partly offset by higher interest expenses. The interest income increase is mainly explained by the positive impact from the diversified Nordic business model through exchange rate effects and increased liquid assets, partly offset by negative credit card loan growth, primarily in Norway. The increase in interest expense is mainly due to full year effect of senior debt issuances in December 2019 partly offset by lower interest on customer deposits from deposit interest rate reductions. The net interest margin was 8.9%, compared with 10.0% in 2019. The decrease is mainly explained by a higher share of liquid assets where liquidity reserves increased from 29.0% to 38.6% from the end of 2019 to the end of 2020.

Net other operating income

Net other operating income was NOK 230.3 million, a decrease of NOK 92.0 million from 2019. Net commission and bank services income went down NOK 72.6 million, totalling NOK 217.7 million due to lower credit card usage related to the pandemic. Income from shares and other securities amounted to NOK 24.0 million and consist of a dividend received from VN Norge AS. The net change in value on securities and currency was NOK -11.4 million, compared to NOK 32.1 million in 2019. Negative change in value on fixed income securities exceeded gains on currency and positive change in value of shares in 2020. Value-adjusted return on the securities portfolio was 0.7%, compared with 0.8% in 2019.

Operating expenses

Total operating expenses totalled NOK 1 278 million, a reduction of NOK 34.2 million from 2019. Personnel expenses went up NOK 18.9 million due to increased number of employees. General administrative expenses decreased NOK 51.3 million, mainly due to lower digital marketing spending. Depreciation decreased NOK 4.1 million and other operating expenses increased NOK 2.3 million.

Provision for loan losses

The Bank's provision for loan losses was NOK 1 831 million, compared with NOK 1 627 million in 2019. The increased loan loss provision is mainly related to the uncertain macro-outlook of COVID-19. Due to the uncertain outlook of COVID-19, the Bank made a discretionary additional provision for loan losses of NOK 230.0 million in the first quarter. In the second quarter this additional provision was absorbed in amended ECL models, while the optimistic scenario in the macro-model was removed resulting in a one-off increase in the loan loss provision of NOK 55.5 million. During the fourth quarter the lifetime PD models in all countries on all products was redeveloped and new delivery of monthly macro information was included, in addition to improved triggering model of stage placement. As a result, the combination of base, optimistic and pessimistic scenario was included when updated PD lifetime models, updated the macro assumptions utilized in the ECL models and changed probability weighting was implemented. Due to more frequent update, the macro assumptions include updated effects of COVID-19 at year end and management override as made in earlier quarters on previous models and macro assumptions, was assessed not necessary to reflect the best estimate of expected credit loss at year end. Provisions equalled 4.1% of average gross loans, compared with 3.9% in 2019.

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

Balance sheet, liquidity and capital
The Bank's total assets were NOK 63 037 million at the end of the year, a growth of NOK 5 153 million for the full year.

Gross loans to customers decreased NOK 1 278 million compared with an increase of NOK 4 386 million in 2019 and totalled NOK 42 878 million at year end. Currency adjusted gross loan growth was NOK -3 110 million compared to NOK 4 739 million in 2019. Broken down by product, instalment loans increased NOK 781.8 million, with a currency adjusted loan growth of NOK -576.9 million, compared to currency adjusted growth of NOK 2 675 in 2019. Credit card loans was reduced NOK 2 059 million, with a currency adjusted loan growth of NOK -2 533 million, compared to NOK 2 064 in 2019, of which NOK -1 897 million was in Norway. The negative currency adjusted loan growth in instalment loans is mainly due to lower new sales in Norway combined with good payment behaviour increasing run off in all countries, while the negative growth in credit cards is mainly due to lower customer spending related to COVID-19. Gross loans to customers are distributed into NOK 16 874 million, NOK 12 218 million, NOK 8 176 million and NOK 5 610 million in Norway, Finland, Sweden and Denmark, respectively.

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

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

The holdings of certificates and bonds increased NOK 6 869 million and totalled NOK 21 520 million at the end of 2020. Other liquid assets totalled NOK 2 842 million at the end of 2020. The liquidity reserves increased NOK

7 550 million and ended at NOK 24 362 million, equivalent of 38.6% of total assets and up from 29.0% at the end of 2019. The liquidity position has been strong throughout the year. The securities portfolio is liquid with solid counterparties and a high share of government certificates, local government bonds and covered bonds.

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

Total equity was NOK 10 039 million for the Bank at year end. The total capital ratio at the end of 2020 was 26.0%, the core capital ratio was 23.9% and the common equity tier 1 ratio was 22.4% for the Bank at year end.

RISK MANAGEMENT

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

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

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

Credit risk

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERSONNEL AND THE ENVIRONMENT
The Bank's employees have yet again delivered good results. At December 31, 2020 the Bank had 95 employees and 5 temporary employees, corresponding to 95.0 full time equivalent employees, compared with 85 employees, 2 temporary employees and 85.5 full time equivalent employees at December 31, 2019.

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

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

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

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

SUSTAINABILITY REPORT

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

CORPORATE GOVERNANCE

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

EVENTS AFTER THE DATE OF THE BALANCE SHEET

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

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

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

OUTLOOK

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

The financial markets continued to develop positively during the last part of 2020 and at the start of 2021. The turmoil surrounding the presidential election and inauguration in the USA seems to have a smaller impact on key metrics at the start of the year 2021 compared to late 2020. In addition, President Joe Biden has initiated several initiatives to accelerate growth and lower unemployment while seeking to improve international relations. In the Nordics, real estate prices have continued to increase and credit spreads continued to contract to lower levels, approaching pre-COVID-19 levels in most instances with some instances of even lower levels at the start of 2021. The Norwegian Krone appreciated at the end of 2020 compared to all relevant currencies, affecting both our interest income and loan- and deposit volumes negatively in the fourth quarter. The market indicates a further strengthening of the Norwegian Krone into 2021, supported by higher oil prices and positive risk sentiment.

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

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

The consumer lending market have experienced a significantly lower growth or experienced a decline in all countries the Bank operates since the start of 2020. Key reasons for this is improved customer liquidity as interest expenses on e.g. mortgages have declined in parallel with reduced spending and less travel due to restrictions related to the pandemic. This has affected the entire market negatively through increased down payments and lower new loan volumes. The Bank has experienced the same development, yet with a stable or increasing market share in all markets despite the volume decline. This proves our resilient business model also through turbulent times when the whole consumer finance market is affected.

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

The European expansion plan is on track and progressing according to our ambition to launch in the fourth quarter. Our current market position, strong financials and our growth strategy continue to make the NFH Group well positioned to leverage our leading position also in the future. As a result of the NFH Group's solid capital position, a dividend is proposed to the Annual General Meeting (AGM) in April, of NOK 6 per share, of which NOK 5 to be paid in cash in May and the remaining NOK 1 per share to be paid after September 30, 2021. The total dividend amounts to 29.6% of total net result attributable to shareholders of the combined years 2019 and 2020. This is considered compliant with the Norwegian FSA and the Ministry of Finance guidelines regarding cautious dividend pay-out policy of max 30% of the combined net profit for the two years. To prepare for decision on payment of dividends, it is proposed that the Bank give a group contribution of NOK 1 451 million to its parent company Norwegian Finans Holding ASA.

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

The net profit for 2020 for Bank Norwegian AS amounted to NOK 2 240 million. The Board of Directors proposes for the Annual General Meeting that NOK 1 451 million is distributed as group contribution to Norwegian Finans Holding ASA, and the remaining profit NOK 789 million is added to retained earnings.

Bærum, March 16, 2021
Board of Directors of Bank Norwegian AS

Klaus-Anders Nysteen
Chairman of the Board

John E. Høsteland
Board member

Lars Ola Kjos
Board member

Christine Rødsæther
Board member

Izabella Kibsgaard-Petersen
Board member

Charlotte Ager
Board member

Hans Larsson
Board member

Tine Wollebekk
CEO

Financial highlights

Profit and loss account

Amounts in NOK 1000	Bank Norwegian AS 2020	2019
Net interest income	**5 416 746**	**5 261 712**
Net other operating income	**230 315**	**322 304**
Total income	**5 647 061**	**5 584 016**
Total operating expenses	**1 277 933**	**1 312 140**
Provision for loan losses	1 830 948	1 627 359
Profit before tax	**2 538 180**	**2 644 518**
Tax charge	298 601	651 879
Profit after tax	**2 239 579**	**1 992 639**

Balance sheet

Amounts in NOK 1000	Bank Norwegian AS 31.12.20	31.12.19
Total assets	63 037 064	57 883 722
Loans to customers	37 943 688	40 560 502
Liquid assets	24 362 418	16 812 537
Deposits from customers	42 677 703	40 118 369
Debt securities issued	6 034 387	6 537 863
Subordinated loans	877 820	822 688
Tier 1 capital	635 000	635 000
Total equity	10 038 608	9 288 609

Key figures and alternative performance measures

	Bank Norwegian AS 2020	2019
Return on equity (ROE)[1, 3, 5]	23.1 %	25.4 %
Return on assets (ROA)[1, 5]	3.7 %	3.8 %
Earnings per share (EPS)[4,5]	12.01	10.62
Common equity tier 1 (CET 1)	22.4 %	21.6 %
Leverage ratio	14.6 %	14.7 %
Liquidity coverage ratio (LCR)	569 %	449 %
Net interest margin (NIM)[1]	8.9 %	10.0 %
Cost/income ratio[1]	0.23	0.23
Loan loss provisions to average loans[1]	4.1 %	3.9 %
Stage 3 loans to loans[1, 2]	23.7 %	17.3 %
Stage 3 loan loss allowance to Stage 3 loans[1, 2]	40.9 %	35.9 %
Loan loss allowance to loans[1]	11.5 %	8.1 %

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

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

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

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

5) Adjusting for the group contribution accounted for according to Norwegian accounting regulations, the ROE was 19.6%, ROA 3.1% and EPS was 10.27 for 2020.

Profit and loss account

Amounts in NOK 1000	Note	Bank Norwegian AS 2020	2019
Interest income, effective interest method		5 885 136	5 749 523
Other interest income		233 880	162 279
Interest expenses		702 269	650 090
Net interest income	15	**5 416 746**	**5 261 712**
Commission and bank services income	16	412 016	540 443
Commission and bank services expenses	16	194 364	250 192
Income from shares and other securities	35	24 029	-
Net change in value on securities and currency	17	-11 367	32 053
Net other operating income		**230 315**	**322 304**
Total income		**5 647 061**	**5 584 016**
Personnel expenses	18	119 658	100 775
General administrative expenses	19	1 037 194	1 088 530
Depreciation and impairment of fixed and intangible assets	28, 29, 30	63 614	67 693
Other operating expenses	20	57 467	55 141
Total operating expenses		**1 277 933**	**1 312 140**
Provision for loan losses	5, 6	1 830 948	1 627 359
Profit before tax		**2 538 180**	**2 644 518**
Tax charge	27	298 601	651 879
Profit after tax	2	**2 239 579**	**1 992 639**
Proportion attributable to shareholders		2 200 998	1 946 941
Proportion attributable to additional Tier 1 capital holders		38 580	45 697
Profit after tax		**2 239 579**	**1 992 639**
Earnings per share	21	12.01	10.62

Comprehensive income

Amounts in NOK 1000	Bank Norwegian AS 2020	2019
Profit on ordinary activities after tax	**2 239 579**	**1 992 639**
Comprehensive income for the period	**2 239 579**	**1 992 639**

Balance sheet

Amounts in NOK 1000	Note	Bank Norwegian AS 31.12.20	31.12.19
Assets			
Cash and deposits with the central bank	11, 12, 22, 23	69 451	68 500
Loans and deposits with credit institutions	11, 12, 22, 23	2 772 540	2 093 048
Loans to customers	2, 3, 5, 7, 8, 11, 12, 23	37 943 688	40 560 502
Certificates and bonds	11, 12, 23, 24	21 520 427	14 650 988
Financial derivatives	11, 12, 23, 24	341 309	76 371
Shares and other securities	23, 24	50 692	44 863
Intangible assets	28	98 561	129 575
Fixed assets	29, 30	4 883	7 343
Receivables	31	235 512	252 531
Total assets		**63 037 064**	**57 883 722**
Liabilities and equity			
Loans from credit institutions	11, 23	1 313 710	52 750
Deposits from customers	2, 12, 23	42 677 703	40 118 369
Debt securities issued	11, 12, 23, 25, 26	6 034 387	6 537 863
Financial derivatives	11, 12, 23, 24	64 862	29 621
Tax payable	27	244 058	625 745
Deferred tax	27	58 234	3 821
Other liabilities	30, 32	1 493 831	225 239
Accrued expenses	33	233 853	179 017
Subordinated loans	11, 12, 23, 25, 26	877 820	822 688
Total liabilities		**52 998 456**	**48 595 113**
Share capital		183 315	183 315
Share premium		966 646	966 646
Tier 1 capital	34	635 000	635 000
Retained earnings		8 253 647	7 503 649
Total equity		**10 038 608**	**9 288 609**
Total liabilities and equity		**63 037 064**	**57 883 722**

Bærum, March 16, 2021
Board of Directors of Bank Norwegian AS

Klaus-Anders Nysteen
Chairman of the Board

John E. Høsteland
Board member

Lars Ola Kjos
Board member

Christine Rødsæther
Board member

Izabella Kibsgaard-Petersen
Board member

Charlotte Ager
Board member

Hans Larsson
Board member

Tine Wollebekk
CEO

Cash flow statement

Amounts in NOK 1000	Note	Bank Norwegian AS 2020	2019
Profit / loss before tax		2 538 180	2 644 518
Unrealized gain or losses on currency		-199 445	-105 965
Depreciation and impairment of fixed and intangible assets	28, 29, 30	63 614	67 693
Provision for loan losses	5, 6	1 830 948	1 627 359
Change in loans to customers	2, 3, 5, 7, 8, 11, 12, 23	2 774 201	-4 390 047
Change in deposits from customers	2, 12, 23	576 153	1 026 578
Change in certificates and bonds	11, 12, 23, 24	-6 456 584	-4 048 391
Change in receivables and financial derivatives	11, 12, 23, 24	-247 919	-252 744
Change in shares and other securities	23, 24	-5 830	-8 172
Change in loans from credit institutions	23	260 960	52 750
Change in derivatives, accrued expenses and other liabilities	32, 33	-92 331	93 748
Income taxes paid	27	-625 880	-608 408
Net cash flow from operating activities		**416 068**	**-3 901 081**
Payment for acquisition of intangible assets	28	-28 423	-59 092
Payment for acquisition of tangible assets	29	-1 714	-643
Net cash flow from investment activities		**-30 136**	**-59 735**
Issued debt securities	11, 23, 25, 26	-	5 834 015
Repayment of debt securities	11, 23, 25, 26	-789 580	-1 281 602
Paid interest tier 1 capital	34	-38 580	-45 697
Loans from central banks	23	1 000 000	-
Net cash flow from financing activities		**171 839**	**4 506 716**
Net cash flow for the period		557 771	545 900
Cash and cash equivalents at the start of the period		2 161 549	1 567 158
Currency effect on cash and cash equivalents		122 671	48 490
Cash and cash equivalents at the end of the period		**2 841 991**	**2 161 549**

Off which:

Cash and deposits with the central bank		**69 451**	**68 500**
Loans and deposits with credit institutions		**2 772 540**	**2 093 048**

Change in equity

Bank Norwegian AS

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings	Total equity
Balance 31.12.19	**183 315**	**966 646**	**635 000**	**7 503 649**	**9 288 609**
This period's profit	-	-	-	2 239 579	2 239 579
Comprehensive income for the period	**-**	**-**	**-**	**2 239 579**	**2 239 579**
Paid interest tier 1 capital	-	-	-	-38 580	-38 580
Group contribution	-	-	-	-1 451 000	-1 451 000
Balance 31.12.20	**183 315**	**966 646**	**635 000**	**8 253 647**	**10 038 608**

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings	Total equity
Balance 31.12.18	**183 315**	**966 646**	**635 000**	**5 556 708**	**7 341 668**
This period's profit	-	-	-	1 992 639	1 992 639
Comprehensive income for the period	**-**	**-**	**-**	**1 992 639**	**1 992 639**
Paid interest tier 1 capital	-	-	-	-45 697	-45 697
Balance 31.12.19	**183 315**	**966 646**	**635 000**	**7 503 649**	**9 288 609**

Notes

Note 1. Accounting principles

1. COMPANY INFORMATION

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

2. BASIS FOR PREPARATION OF THE ACCOUNTS

The financial statements for 2020 have been prepared in accordance with the regulations on annual accounts for banks, credit companies and finance companies, and follows the International Financial Reporting Standards (IFRS), with certain exceptions and simplifications regulated through the annual account regulations. Amounts are stated in NOK thousand unless otherwise stated.

3. FUTURE CHANGES IN ACCOUNTING

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

4. GENERAL ACCOUNTING PRINCIPLES

4.1. Financial instruments

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

4.1a. Financial liabilities

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

4.1b. Financial assets

According to IFRS 9, financial assets are classified into three measurement categories. The measurement category is determined on initial recognition of the financial instrument:
- Fair value with value changes over profit
- Amortized cost

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

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

FINANCIAL ASSETS MEASURED AT FAIR VALUE

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

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

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

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

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

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

Financial assets measured at amortized cost

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

Loans to and receivables from customers

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

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

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

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

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

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

Model Characteristics

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

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

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

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

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

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

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

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

Movement between stages

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

4.2. Intangible assets

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

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

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

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

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

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

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

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

4.3. Fixed assets

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

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

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

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

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

4.4. Leases

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

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

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

The Bank has decided to use the following principle choices in the standard:
• Exceptions for low value leases (Leases with present value less than TNOK 50)
• Exceptions for short-term leases (Short-term leases under 12 months)

4.5. Other receivables

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

4.6. Tax

4.6a. Deferred tax and deferred tax assets

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

4.6b. Tax expense

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

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

4.6c. Payable tax

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

4.7. Pension

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

4.8. Currency

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

4.9. Insurance services

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

4.9a. Travel insurance and Shopping Basket insurance

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

4.9b. Other insurances

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

4.10. Cash flow statement

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

IMPORTANT ACCOUNTING ESTIMATES, JUDGEMENTS, AND ASSUMPTIONS

4.11. Estimates

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

4.11a. Estimated expected credit loss (ECL)

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

4.11b. Impairment of intangible assets

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

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

Note 2. Segments

The profit and loss and balance sheet presentation for segments are based on internal financial reporting as followed up and assessed by the management.

Profit and loss account 2020

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	2 179 333	902 084	738 166	1 597 163	5 416 746
Net other operating income	97 657	52 330	11 355	68 972	230 315
Total income	**2 276 989**	**954 415**	**749 521**	**1 666 135**	**5 647 061**
Total operating expenses	555 879	260 923	185 288	275 843	1 277 933
Provision for loan losses	553 713	406 430	323 905	546 900	1 830 948
Profit before tax	**1 167 398**	**287 062**	**240 328**	**843 392**	**2 538 180**
Tax charge	136 694	33 883	28 336	99 688	298 601
Profit after tax	**1 030 703**	**253 179**	**211 992**	**743 704**	**2 239 579**
Comprehensive income for the period	**1 030 703**	**253 179**	**211 992**	**743 704**	**2 239 579**

Balance sheet 31.12.20

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	15 264 965	6 920 949	4 776 260	10 981 515	37 943 688
Other assets	13 001 851	3 461 202	5 951 959	2 678 364	25 093 375
Total assets	**28 266 816**	**10 382 150**	**10 728 219**	**13 659 879**	**63 037 064**
Deposits from customers	20 179 276	5 893 512	10 121 224	6 483 691	42 677 703
Other liabilities and equity	8 087 540	4 488 639	606 995	7 176 187	20 359 361
Total liabilities and equity	**28 266 816**	**10 382 150**	**10 728 219**	**13 659 879**	**63 037 064**

Profit and loss account 2019

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	2 389 911	863 804	651 865	1 356 133	5 261 712
Net other operating income	177 839	69 151	23 530	51 784	322 304
Total income	**2 567 750**	**932 955**	**675 394**	**1 407 917**	**5 584 016**
Total operating expenses	560 336	291 275	181 638	278 890	1 312 140
Provision for loan losses	696 095	221 951	200 618	508 696	1 627 359
Profit before tax	**1 311 319**	**419 729**	**293 138**	**620 331**	**2 644 518**
Tax charge	356 831	109 876	63 918	121 254	651 879
Profit after tax	**954 488**	**309 853**	**229 220**	**499 077**	**1 992 639**
Comprehensive income for the period	**954 488**	**309 853**	**229 220**	**499 077**	**1 992 639**

Balance sheet 31.12.19

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	18 844 355	6 802 103	4 724 885	10 189 159	40 560 502
Other assets	8 546 780	3 467 465	3 151 700	2 157 276	17 323 220
Total assets	**27 391 134**	**10 269 568**	**7 876 585**	**12 346 435**	**57 883 722**
Deposits from customers	19 417 635	5 946 156	7 316 699	7 437 880	40 118 369
Other liabilities and equity	7 973 500	4 323 412	559 886	4 908 555	17 765 353
Total liabilities and equity	**27 391 134**	**10 269 568**	**7 876 585**	**12 346 435**	**57 883 722**

Note 3. Capital adequacy and Liquidity Coverage Ratio

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

Total capital

Amounts in NOK 1000	**2020**	**2019**
Share capital	183 315	183 315
Share premium	966 646	966 646
Other reserves	8 253 647	7 503 649
Deferred tax assets, intangible assets and additional valuation adjustment	-123 673	-150 902
Common equity tier 1	**9 279 935**	**8 502 708**
Additional tier 1 capital	635 000	635 000
Tier 1 capital	**9 914 935**	**9 137 708**
Tier 2 capital	877 820	822 688
Total capital	**10 792 755**	**9 960 395**

Risk-weighted assets		
Covered bonds	939 778	336 787
Regional governments or local authorities	1 269 097	87 123
Institutions	764 928	1 350 762
Corporate	601	-
Loans to customers	23 960 025	26 750 970
Defaulted loans	5 996 989	4 892 542
Equity positions	50 642	44 818
Other assets	376 124	139 901
Total credit risk	**33 358 183**	**33 602 903**
Operational risk	**8 090 317**	**5 728 738**
Market risk	**2 788**	**1 575**
Total risk-weighted assets	**41 451 287**	**39 333 216**

Common equity tier 1 %	**22.4 %**	**21.6 %**
Tier 1 capital %	**23.9 %**	**23.2 %**
Total capital %	**26.0 %**	**25.3 %**

Liquid Coverage Ratio

The Liquidity Coverage Ratio (LCR) is defined as the Bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. The Bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. The legal requirement for liquidity reserve at total level and for significant currencies is 100% except for Norwegian kroner where the legal requirement is 50%.

	2020	**2019**
Bank Norwegian AS	569 %	449 %
NOK	388 %	321 %
SEK	530 %	396 %
DKK	467 %	649 %
EUR	169 %	167 %

Note 4. Expected credit loss

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

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

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

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

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

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

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

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

Significant increase in credit risk

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

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

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

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

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

Note 4. Expected credit loss (continued)

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

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

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

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

Economic variables used to measure ECL

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

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

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

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

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

Note 4. Expected credit loss (continued)

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

Key assumptions used for the Base case scenario are:
1) No further wave of COVID-19 that causes countries to implement widespread shutdowns again.
2) An aggressive fiscal and monetary policy response.
3) Oil prices remain low but gradually recover as oil demand strengthens.

Key risks used for the Base case scenario are:
1) Further waves of COVID-19 cause several countries to shut down nonessential business again on a large scale.
2) Governments have limited space to enact further fiscal stimulus.

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

Macro scenario sensitivity on ECL

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

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

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

Loans to customers by product groups

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

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

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

Change in loan loss allowance and gross loans

Migration out of one stage is calculated at previous closing date 01.01.20, while migration into one stage is calculated at the closing date 31.12.20.

Total Loans

Loan loss allowance

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

Gross loans to customers

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

Instalment loans total

Loan loss allowance

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

Gross loans to customers

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

Credit card total

Loan loss allowance

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

Gross loans to customers

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

Note 6. Provision for loan losses

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

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

Note 7. Gross loans to customers by geographical region

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

Note 8. Risk classes

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

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

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

Note 9. Risk Management

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

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

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

Note 10. Credit risk

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

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

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

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

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

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

Note 11. Liquidity risk

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

Remaining time to maturity for main items

	2020						
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
Loans from credit institutions	52 750	-	-	1 260 960	-	-	1 313 710
Subordinated loan	-	-	-	102 103	841 567	-	943 670
Deposits from customers	42 677 703	-	-	-	-	-	42 677 703
Debt securities issued	-	-	350 109	200 709	5 698 883	-	6 249 701
Financial derivatives	-	20 679	36 789	7 394	-	-	64 862
Non interest-bearing liabilities	-	16 839	210 511	1 802 625	-	-	2 029 975
Total liabilities	**42 730 453**	**37 519**	**597 409**	**3 373 791**	**6 540 449**	**-**	**53 279 620**
Cash and deposits with the central bank	69 451	-	-	-	-	-	69 451
Loans and deposits with credit institutions	2 772 540	-	-	-	-	-	2 772 540
Loans to customers	10 932 127	129 816	26 149	3 475 777	1 856 683	21 523 136	37 943 688
Certificates and bonds	-	382 800	3 897 055	6 275 693	10 964 879	-	21 520 427
Financial derivatives	-	97 973	71 953	171 383	-	-	341 309
Assets without remaining time to maturity	389 648	-	-	-	-	-	389 648
Total assets	**14 163 766**	**610 589**	**3 995 157**	**9 922 854**	**12 821 562**	**21 523 136**	**63 037 064**

	2019						
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
Loans from credit institutions	52 750	-	-	-	-	-	52 750
Subordinated loan	-	-	-	-	928 992	-	928 992
Deposits from customers	40 118 369	-	-	-	-	-	40 118 369
Debt securities issued	-	-	-	761 976	6 297 124	-	7 059 099
Financial derivatives	-	25 219	1 359	3 043	-	-	29 621
Non interest-bearing liabilities	-	198 917	162 644	672 262	-	-	1 033 822
Total liabilities	**40 171 119**	**224 136**	**164 003**	**1 437 280**	**7 226 116**	**-**	**49 222 653**
Cash and deposits with the central bank	68 500	-	-	-	-	-	68 500
Loans and deposits with credit institutions	2 093 048	-	-	-	-	-	2 093 048
Loans to customers	12 905 622	58 780	13 874	4 051 989	1 525 551	22 004 687	40 560 502
Certificates and bonds	-	824 523	3 847 901	4 102 466	5 876 098	-	14 650 988
Financial derivatives	-	4 989	8 156	63 226	-	-	76 371
Assets without remaining time to maturity	434 312	-	-	-	-	-	434 312
Total assets	**15 501 483**	**888 292**	**3 869 931**	**8 217 681**	**7 401 649**	**22 004 687**	**57 883 722**

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

Note 12. Market risk related to interest rate risk

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

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

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

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

Interest rate risk, 1% change

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

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

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

Yield curve risk

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

Note 13. Market risk related to currency exposure

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

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

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

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

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

Note 14. Operational risk

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

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

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

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

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

Note 15. Net interest income

Amounts in NOK 1000	**2020**	**2019**
Interest income from cash and deposits with the central bank	206	781
Interest income from loans to and deposits with credit institutions	2 497	8 430
Interest income from instalment loans	4 154 887	4 114 730
Interest income from overdraft accounts	432	-
Interest income from credit card loans	1 726 892	1 624 932
Interest income from sales financing	221	650
Interest income, effective interest method	**5 885 136**	**5 749 523**
Interest and other income from certificates and bonds	226 167	155 937
Other interest and other interest related income	7 713	6 343
Other interest income	**233 880**	**162 279**
Total interest income	**6 119 015**	**5 911 803**
Interest expense from deposits from credit institutions	19 001	-
Interest expense from deposits from customers	425 177	478 037
Interest expense on debt securities issued	157 681	70 531
Interest expense on subordinated loan	36 008	34 665
Other interest and other interest related expenses	64 402	66 857
Interest expenses	**702 269**	**650 090**
Net interest income	**5 416 746**	**5 261 712**

Note 16. Net commission and bank services income

Amounts in NOK 1000	2020	2019
Payment services	294 430	416 056
Insurance services	71 073	70 440
Other fees and commission and bank services income	46 513	53 947
Total commission and bank services income	**412 016**	**540 443**
Payment services	98 040	160 458
Insurance services	71 522	67 516
Other fees and commission and bank services expense	24 802	22 218
Total commission and bank services expenses	**194 364**	**250 192**

Note 17. Net change in value on securities and currency

Amounts in NOK 1000	2020	2019
Net change on certificates and bonds	-111 296	-74 558
Net change on FX-forwards*	100 018	143 008
Net currency effects	-5 919	-49 509
Net change on shares and other securities	5 830	13 112
Net change in value on securities and currency	**-11 367**	**32 053**

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

Note 18. Salaries and other personnel expenses

Specification of personnel expenses

Amounts in NOK 1000	2020	2019
Salaries	94 631	78 385
Social security tax	16 848	15 666
Pension premiums	5 836	4 374
Social benefits	2 343	2 350
Total	**119 658**	**100 775**

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

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

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

Wages and remuneration to key employees

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

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

Key personnel are defined as members of the management group.

Note 18. Salaries and other personnel expenses (continued)

Bonus

Bank Norwegian has a bonus scheme that includes all permanent employees in accordance with detailed guidelines. The bonuses earned are based on profit after tax and the return on equity achieved.

Bonus to key personnel are earned according to circular 02/2020 from The Financial Supervisory Authority of Norway, "Godtgjørelsesordninger i finansinstitusjoner m.v." (Compensation arrangements at banks). Key personnel receive the entire bonus in shares in Norwegian Finans Holding ASA with a right of disposal three years after the grant date. Other employees receive the bonus in cash. The terms of the current bonus scheme were applied from 2019.

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

Fees paid out to the Board of Directors

Amounts in NOK 1000	**2020**	**2019**
Bjørn Østbø	-	300
John Høsteland	500	313
Christine Rødsæther	125	163
Gunn Isabel Westerlund Ingemundsen	125	125
Lars Ola Kjos	250	325
Ninett R. Olsen	-	15
Anders Gullestad	50	50
Total	**1 050**	**1 290**

Fees paid out to the Election Committee

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

Auditor fees

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

Amounts in NOK 1000	**2020**	**2019**
Statutory auditing	1 138	353
Other certification services	1 066	532
Other non-audit services	1 045	546
Total	**3 249**	**1 431**

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

Pension

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

Note 19. General administrative expenses

Amounts in NOK 1000	2020	2019
Sales and marketing	778 294	879 117
IT operations	92 867	88 871
External services fees	111 410	70 677
Other administrative expenses	54 623	49 864
Total	**1 037 194**	**1 088 530**

Note 20. Other operating expenses

Amounts in NOK 1000	2020	2019
Credit information	36 985	38 864
Auditor	2 396	1 871
Cleaning and maintenance of premises	336	70
Insurance	595	582
Machinery and fixtures	542	440
Other operating expenses	16 614	13 314
Total	**57 467**	**55 141**

Note 21. Earnings per Share

Amounts in NOK 1000	2020	2019
Number of shares beginning of period	183 315	183 315
Number of issued shares in the period	-	-
Number of shares end of period	183 315	183 315
Average number of shares in the period	183 315	183 315
Profit on ordinary activities after tax excluding interest on additional Tier 1 capital	2 200 998	1 946 941
Earnings per share based on number of shares end of period*	12.01	10.62
Earnings per share based on average number of shares in the period	12.01	10.62

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

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

Amounts in NOK 1000	2020	2019
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	2 841 991	2 161 548
Total loans and deposits with credit institutions and central banks	**2 841 991**	**2 161 548**

Specification of currencies

Amounts in NOK 1000	2020	2019
NOK	579 394	506 362
SEK	649 292	584 694
DKK	1 461 685	940 096
EUR	151 620	130 397
Total loans and deposits with credit institutions and central banks	**2 841 991**	**2 161 548**
Average interest rate	0.10 %	0.48 %

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

Note 23. Classification of financial instruments

	2020		
Amounts in NOK 1000	Fair value through profit or loss	Amortized cost	Total
Cash and deposits with the central bank	-	69 451	69 451
Loans and deposits with credit institutions	-	2 772 540	2 772 540
Loans to customers	-	37 943 688	37 943 688
Certificates and bonds	21 520 427	-	21 520 427
Shares and other securities	50 692	-	50 692
Financial derivatives	341 309	-	341 309
Total financial assets	**21 912 429**	**40 785 679**	**62 698 108**
Loans from credit institutions*	-	1 313 710	1 313 710
Deposits from customers	-	42 677 703	42 677 703
Debt securities issued	-	6 034 387	6 034 387
Financial derivatives	64 862	-	64 862
Subordinated loan	-	877 820	877 820
Total financial liabilities	**64 862**	**50 903 619**	**50 968 481**

*NOK 1 000 million is loans from Norges Bank.

	2019		
Amounts in NOK 1000	Fair value through profit or loss	Amortized cost	Total
Cash and deposits with the central bank	-	68 500	68 500
Loans and deposits with credit institutions	-	2 093 048	2 093 048
Loans to customers	-	40 560 502	40 560 502
Certificates and bonds	14 650 988	-	14 650 988
Shares and other securities	44 863	-	44 863
Financial derivatives	76 371	-	76 371
Total financial assets	**14 772 222**	**42 722 050**	**57 494 273**
Loans from credit institutions	-	52 750	52 750
Deposits from customers	-	40 118 369	40 118 369
Debt securities issued	-	6 537 863	6 537 863
Financial derivatives	29 621	-	29 621
Subordinated loan	-	822 688	822 688
Total financial liabilities	**29 621**	**47 531 670**	**47 561 291**

Note 24. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

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

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

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

Financial instruments at fair value

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

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

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

Change in instruments classified at level 3

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

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

Valuation method
Ownership in VN Norge AS
Ownership in VN Norge AS, formerly known as Visa Norge FLI, is considered to be a financial asset and is classified as Shares and other securities. The fair value of the asset is estimated at NOK 50.2 million as of December 31, 2020. The calculation is based on input from VN Norge AS.

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

Note 25. Fair value of financial instruments at amortized cost

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

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

Loans to customers

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

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

Fair value of financial instruments at amortized cost

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

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.

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

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

Note 26. Debt securities issued and subordinated loan

Amounts in NOK 1000	**2020**	**2019**
Debt securities issued, carrying value (amortized cost)	6 034 387	6 537 863
Subordinated loans, carrying value (amortized cost)	877 820	822 688
Total debt securities issued and subordinated loans	**6 912 207**	**7 360 551**

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

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

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

Note 27. Taxes

Amounts in NOK 1000	**2020**	**2019**
Deferred tax asset/deferred tax		
Basis for deferred tax asset/deferred tax in the balance sheet	232 935	15 285
Deferred tax asset/deferred tax	58 234	3 821
Deferred tax asset/deferred tax in the accounts	**58 234**	**3 821**
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	2 538 180	2 644 518
Permanent differences	-66 894	14 465
Basis for the tax charge for the year	2 471 286	2 658 982
Change in differences included in the basis for deferred tax/tax asset	-217 650	-156 002
Basis for tax payable in the profit and loss	2 253 635	2 502 980
Group contribution, deductable*	-1 276 880	-
Taxable income (basis for tax payable in the balance sheet)	**976 755**	**2 502 980**
Distribution of tax charge		
Tax payable (25% of taxable income)	244 058	625 745
Excess tax provision previous year	-	5 323
Total tax payable	244 058	631 068
Change in deferred tax/tax asset	54 413	20 811
Tax charge	**298 601**	**651 879**
Reconciliation of tax charge		
Profit before tax	2 538 180	2 644 518
Estimated tax expense (25%)	634 545	661 129
Tax charge in profit and loss account	298 601	651 879
Difference	**-335 944**	**-9 250**
The difference consists of:		
25% of permanent differences	-7 078	-2 174
Interest charged directly to equity	-9 645	11 424
Tax consequence of distributed group contribution	-319 220	-
Explained difference	**-335 944**	**9 250**
Tax payable in the balance sheet		
Tax payable in the tax charge	244 058	625 745
Tax payable	**244 058**	**625 745**

*Group contribution given is NOK 1 451 million, where NOK 1 277 million is deductable.

Note 28. Intangible assets

Amounts in NOK 1000	IT/ Software	Connection fee	Brokerage commissions	Total
Accumulated acquisition cost 31.12.19	140 548	17 337	155 664	313 550
Additions	16 935	-	11 488	28 423
Disposals	-55 920	-	-	-55 920
Acquisition cost 31.12.20	101 563	17 337	167 152	286 052
Accumulated depreciations 31.12.20	54 606	-	132 884	187 491
Net accumulated and reversed amortizations 31.12.20	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.20	54 606	-	132 884	187 491
Book value 31.12.20	**46 957**	**17 337**	**34 268**	**98 561**
Annual depreciations	19 832	-	39 607	59 440
Expected useful life	5 years	Not	3 years	
Depreciation method	Linear	amortizable	Linear	

Amounts in NOK 1000	IT/ Software	Connection fee	Brokerage commissions	Total
Accumulated acquisition cost 31.12.18	124 221	17 337	112 900	254 458
Additions	16 381	-	42 764	59 145
Disposals	-53	-	-	-53
Acquisition cost 31.12.19	140 548	17 337	155 664	313 550
Accumulated depreciations 31.12.19	90 694	-	93 280	183 974
Net accumulated and reversed amortizations 31.12.19	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.19	58 071	-	50 085	108 156
				-
Book value 31.12.19	**49 852**	**17 337**	**62 386**	**129 575**
Annual depreciations	20 432	-	42 809	63 241
Annual amortizations	646	-	-	646
Expected useful life	5 years	Not	3 years	
Depreciation method	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 can offer payment services which allow customers to settle transactions among themselves, independently of connections to banks.

Note 29. Fixed assets

Amounts in NOK 1000	Fixtures and fittings	Hardware	Right-of-use assets	Total
Accumulated acquisition cost 31.12.19	1 858	2 517	9 787	14 161
Additions	-	1 714	314	2 028
Disposals	-1 404	-1 544	-	-2 948
Acquisition cost 31.12.20	453	2 687	10 101	13 241
Accumulated depreciations 31.12.20	453	938	6 967	8 358
Net accumulated and reversed amortizations 31.12.20	-	-	-	-
Acc. depreciations, amortizations and rev. Amorti. 31.12.20	453	938	6 967	8 358
Book value 31.12.20	**-**	**1 749**	**3 134**	**4 883**
Annual depreciations	-	784	3 391	4 174
Expected useful life	5 years	3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

Amounts in NOK 1000	Fixtures and fittings	Hardware	Right-of-use assets	Total
Accumulated acquisition cost 31.12.18	1 859	1 874	-	3 733
Additions	-	643	9 787	10 430
Disposals	-1	-	-	-1
Acquisition cost 31.12.19	1 858	2 517	9 787	14 161
Accumulated depreciations 31.12.19	1 857	1 698	3 262	6 817
Net accumulated and reversed amortizations 31.12.19	-	-	-	-
Acc. depreciations, amortizations and rev. Amorti. 31.12.19	1 857	1 698	3 262	6 817
Book value 31.12.19	**1**	**818**	**6 524**	**7 343**
Annual depreciations	2	542	3 262	3 807
Expected useful life	5 years	3 years	3-5 years	
Depreciation method	Linear	Linear	Linear	

Note 30. Lease agreements

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

Right-of-use assets

Amounts in NOK 1000	Buildings	Datalines	Equipment and fixtures	Total
Accumulated acquisition cost 31.12.19	7 389	1 619	779	9 787
Adjustments	185	-	-	185
Additions	130	-	-	130
Acquisition cost 31.12.20	**7 704**	**1 619**	**779**	**10 101**
Depreciation	2 930	540	235	3 705
Accumulated depreciations 31.12.20	5 417	1 079	471	6 967
Book value 31.12.20	**2 287**	**540**	**308**	**3 134**
Expected useful life	3 years	3 years	3-4 years	
Depreciation method	Linear	Linear	Linear	

Amounts in NOK 1000	Buildings	Datalines	Equipment and fixtures	Total
Upon initial adoption 01.01.19	7 389	1 619	779	9 787
Acquisition cost 31.12.19	**7 389**	**1 619**	**779**	**9 787**
Depreciation	2 487	540	235	3 262
Accumulated depreciations 31.12.19	2 487	540	235	3 262
Book value 31.12.19	**4 902**	**1 079**	**543**	**6 524**
Expected useful life	3 years	3 years	3-4 years	
Depreciation method	Linear	Linear	Linear	

Note 30. Lease agreements (continued)

Lease liabilites

The Bank's leases are non-cancellable operating leases expiring within one to two years. The incremental borrowing rate is estimated to 2.76%. These leases have varying terms and renewal rights.

Non-cancellable operating leases

Commitments for minimum lease payments in relations to non-cancellable operating leases are payable as follows:

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

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

Changes in lease liabilities

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

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

Note 31. Other receivables

Amounts in NOK 1000	**2020**	**2019**
Distribution commissions	17 979	32 418
Prepaid expenses	3 097	6 206
Other receivables	214 436	213 908
Total receivables	**235 512**	**252 531**

Note 32. Other liabilities

Amounts in NOK 1000	**2020**	**2019**
Payables to suppliers	8 456	3 113
Value added tax	7 147	8 422
Social security tax	3 159	3 557
Tax withholdings	4 024	3 175
Unsettled items related to certificates and bonds	1 200	189 072
Other liabilities	1 469 845	17 901
Total other liabilities	**1 493 831**	**225 239**

Note 33. Accrued expenses

Amounts in NOK 1000	**2020**	**2019**
Accrued not due expenses*	203 310	154 103
Bonus	21 288	17 375
Holiday pay	7 728	6 598
Board remuneration	1 472	822
Accrued fees	55	118
Total accrued expenses	**233 853**	**179 017**

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

Note 34. Additional Tier 1 Capital

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

* Reflects the first possible call date. The instrument is perpetual and the Bank may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date.

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

Note 35. Related parties and other investments

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

Bank Norwegian AS provided Norwegian Finans Holding ASA with a loan of NOK 187.5 million in relation to the acquisition of IP rights in Lilienthal Finance Ltd., with interest.

Norwegian Finans Holding ASA (org.nr. 991 281 924) owns 100% av Bank Norwegian AS (org.nr. 991 455 671).
Bank Norwegian AS owns 2.38% of VN Norge AS and in December 2020 the bank received a dividend payment of NOK 24 million.

Note 36. Subsequent events

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

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

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

Quarterly figures

Profit and loss account

					Bank Norwegian AS
Amounts in NOK 1000	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**
Interest income, amortized cost	1 417 166	1 448 408	1 504 778	1 514 784	1 489 634
Other interest income	53 944	51 103	61 764	67 068	46 524
Interest expenses	158 934	177 518	179 318	186 499	173 586
Net interest income	**1 312 175**	**1 321 994**	**1 387 224**	**1 395 353**	**1 362 571**
Commission and bank services income	73 716	79 379	66 364	192 558	135 391
Commission and bank services expenses	52 315	42 731	47 851	51 466	57 746
Income from shares and other securities	24 029	-	-	-	-
Net change in value on securities and currency	-56 428	9 213	104 963	-69 114	9 465
Net other operating income	**-10 998**	**45 860**	**123 475**	**71 978**	**87 110**
Total income	**1 301 178**	**1 367 854**	**1 510 699**	**1 467 330**	**1 449 681**
Personnel expenses	35 171	31 306	22 569	30 612	28 124
General administrative expenses	255 091	262 117	225 879	294 106	280 470
Ordinary depreciation	14 740	15 806	16 368	16 700	18 079
Other operating expenses	13 419	14 367	14 661	15 020	14 659
Total operating expenses excluding loan losses	**318 422**	**323 596**	**279 477**	**356 438**	**341 332**
Provision for loan losses	397 662	365 623	447 027	620 636	432 803
Profit on ordinary activities before tax	**585 094**	**678 635**	**784 195**	**490 256**	**675 546**
Tax charge	-181 808	167 398	193 306	119 705	167 701
Profit on ordinary activities after tax	**766 902**	**511 237**	**590 889**	**370 550**	**507 846**

Comprehensive income

					Bank Norwegian AS
Amounts in NOK 1000	**Q4 2020**	**Q3 2020**	**Q2 2020**	**Q1 2020**	**Q4 2019**
Profit on ordinary activities after tax	**766 902**	**511 237**	**590 889**	**370 550**	**507 846**
Comprehensive income for the period	**766 902**	**511 237**	**590 889**	**370 550**	**507 846**

Balansce sheet

					Bank Norwegian AS
Amounts in NOK 1000	**31.12.20**	**30.9.20**	**30.6.20**	**31.3.20**	**31.12.19**
Assets					
Cash and deposits with the central bank	69 451	69 511	69 623	69 905	68 500
Loans and deposits with credit institutions	2 772 540	2 459 961	3 357 436	3 013 538	2 093 048
Loans to customers	37 943 688	39 962 311	40 101 034	42 378 471	40 560 502
Certificates and bonds	21 520 427	21 054 167	16 790 787	13 764 305	14 650 988
Financial derivatives	341 309	205 245	161 158	59 020	76 371
Shares and other securities	50 692	51 491	51 124	46 017	44 863
Intangible assets	98 561	110 870	121 843	131 686	129 575
Fixed assets	4 883	1 184	1 082	1 153	7 343
Receivables	235 512	272 477	295 782	306 760	252 531
Total assets	**63 037 064**	**64 187 217**	**60 949 870**	**59 770 854**	**57 883 722**
Liabilities and equity					
Loans from credit institutions	1 313 710	1 033 695	1 000 781	1 400 000	52 750
Deposits from customers	42 677 703	43 880 046	41 090 855	39 561 112	40 118 369
Debt securities issued	6 034 387	6 649 351	6 679 216	6 813 624	6 537 863
Financial derivatives	64 862	112 604	200 428	657 621	29 621
Tax payable	244 058	498 291	634 825	441 519	625 745
Deferred tax	58 234	3 821	3 821	3 821	3 821
Other liabilities	1 493 831	187 753	61 509	195 410	225 239
Accrued expenses	233 853	215 793	174 660	173 950	179 017
Subordinated loan	877 820	876 049	876 143	876 073	822 688
Total liabilities	**52 998 456**	**53 457 403**	**50 722 238**	**50 123 129**	**48 595 113**
Share capital	183 315	183 315	183 315	183 315	183 315
Share premium	966 646	966 646	966 646	966 646	966 646
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Retained earnings and other reserves	8 253 647	8 944 854	8 442 672	7 862 764	7 503 649
Total equity	**10 038 608**	**10 729 814**	**10 227 632**	**9 647 725**	**9 288 609**
Total liabilities and equity	**63 037 064**	**64 187 217**	**60 949 870**	**59 770 854**	**57 883 722**

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To the General Meeting of Bank Norwegian AS

INDEPENDENT AUDITOR'S REPORT

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Bank Norwegian AS showing a comprehensive income of TNOK 2 239 579. The financial statements comprise the balance sheet as at 31 December 2020, the income statement, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the Regulations on annual accounts for banks, credit and financing companies.

Basis for Opinion

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

Key Audit Matters

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

IT Systems and Internal Controls relevant for Financial Reporting

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

Loss allowance on loans to customers

Key audit matter	How the matter was addressed in the audit
The bank has unsecured loans to customers in Norway, Sweden and Denmark, and reference is made to note 1,2,4,5,6 and 10 for disclosures on credit risk and loss allowance on loans to customers. The bank has considered the expected credit loss (ECL) on loans to customers. The estimate involves considerable judgement. The judgement relates to use of forward-looking information regarding the probability of default and loss given default, including judgements as to how expected credit loss is impacted affected by uncertainties regarding the economic development after the Covid-19 outbreak.	The bank has established control activities related to the estimation of loss allowance on loans to customers. We have obtained an understanding of the process and the relevant key controls. We have assessed and tested the design of selected control activities concerning the estimation of expected credit loss for the following: • completeness and accuracy of input used in the estimates • that model changes are validated and approved prior to deployment • that relevant methods and assumptions are validated • that the final expected credit loss estimate is reviewed and assessed For a sample of these control activities, we tested if they operated effectively during the period.

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Loss allowance on loans to customers, cont.

Key audit matter	How the matter was addressed in the audit
The bank has developed internal models to estimate ECL. The ECL framework consists of four components: • PD (probability of default) • EAD (exposure at default) • LGD (loss given default) • Discounting rate The assumptions and assessments used in these estimates are decisive for the size of the loss allowance and is therefore a key audit matter in the audit.	We have assessed and tested the design of the bank's model risk governance framework for the ECL models, and assessed the appropriateness of inputs, methods and assumptions towards the requirements in IFRS 9, including the bank's methodology for identification of significant increase in credit risk. We have performed audit procedures to address the loss allowance as of year-end and the changes throughout the year. We have obtained and assessed the bank's justification for the ECL and challenged the Management on the assumptions and assessments on which the overall estimates are based, including the expected impacts of Covid-19. We have assessed whether the disclosures on loss allowance on loans to customers include relevant and significant information in accordance with the requirements under IFRS 7.

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

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

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

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

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always

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detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

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

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements *(ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has

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fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 16 March 2021
Deloitte AS

Eivind Skaug
State Authorised Public Accountant (Norway)

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

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