banknorwegian

Report for the first quarter 2021

Bank Norwegian ASA

Q1

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Financial highlights

Profit and loss account

	Bank Norwegian ASA		
Amounts in NOK 1000	**Q1 2021**	**Q1 2020**	**2020**
Interest income	1 355 473	1 581 852	6 119 015
Interest expenses	115 327	186 499	702 269
Net interest income	**1 240 146**	**1 395 353**	**5 416 746**
Net other operating income	**13 329**	**71 978**	**230 315**
Total income	**1 253 475**	**1 467 330**	**5 647 061**
Total operating expenses	**324 027**	**356 438**	**1 277 933**
Provision for loan losses	389 933	620 636	1 830 948
Profit before tax	**539 515**	**490 256**	**2 538 180**
Profit after tax	**406 912**	**370 550**	**2 239 579**

Balance sheet

	Bank Norwegian ASA		
Amounts in NOK 1000	**31.3.21**	**31.3.20**	**31.12.20**
Total assets	59 311 827	59 770 854	63 037 064
Loans to customers	35 749 207	42 378 471	37 943 688
Liquid assets	22 769 932	16 847 748	24 362 418
Deposits from customers	39 509 888	39 561 112	42 677 703
Debt securities issued	6 107 413	6 813 624	6 034 387
Subordinated loans	840 454	876 073	877 820
Tier 1 capital	635 000	635 000	635 000
Total equity	10 440 010	9 647 725	10 038 608

Key figures and alternative performance measures

	Bank Norwegian ASA		
	Q1 2021	**Q1 2020**	**2020**
Return on equity (ROE) [1,3,5]	16.6 %	16.2 %	23.1 %
Return on assets (ROA) [1,5]	2.6 %	2.5 %	3.7 %
Earnings per share (EPS) [4,5]	2.14	1.96	12.01
Common equity tier 1 (CET 1)	23.7 %	19.8 %	22.4 %
Leverage ratio	15.8 %	14.1 %	14.6 %
Liquidity coverage ratio (LCR)	366 %	233 %	569 %
Net interest margin (NIM) [1]	8.2 %	9.6 %	8.9 %
Cost/income ratio [1]	0.26	0.24	0.23
Loan loss provisions to average loans [1]	3.7 %	5.5 %	4.1 %
Stage 3 loans to loans [1,2]	26.2 %	19.8 %	23.7 %
Stage 3 loan loss allowance to stage 3 loans [1,2]	40.0 %	37.7 %	40.9 %
Loan loss allowance to loans [1]	12.1 %	9.9 %	11.5 %

[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 has 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 in the fourth quarter, the ROE was 19.6% ROA 3.1% and EPS was 10.27 for 2020.

Letter from the CEO

One year ago, I wrote that the first quarter of 2020 had proved to be more turbulent than could have been predicted. The same can certainly be said about the first quarter of 2021, now with more than one year of COVID-19 behind us. The Nordic region has in general handled the pandemic well. Solid state finances have allowed support packages to businesses and extensive unemployment benefits covering liquidity shortfalls for individuals. Reduced interest levels, lower consumer spending in general, combined with reduced travel activity has provided increased liquidity for consumers. Demand for our unsecured lending and credit card products has as a consequence been reduced.

During the first quarter, governments around the world increased the already strict measures to combat the third wave of COVID-19. While there is a consensus that the first half of 2021 will be challenging, there is a positive sentiment regarding the second half of 2021 as vaccination programs are ramped up and consumers have a pent-up demand for travel and consumption. New consumer behavior adopted during the last year may become a new normal and the digital competence has developed fast in most part of the society. These are all positive drivers for Bank Norwegian going forward.

The lower loan growth levels at the end of last year continues in the first quarter of 2021. Loan demand is weak, particularly in Norway, and a stronger Norwegian Krone lead to reduced balances outside Norway at the end of the quarter. Reduced consumer activity has caused a temporary reduction in demand for unsecured lending, affecting interest income levels negatively. After a couple of months of low credit card activity in the start of the quarter, we note a positive development with increased activity on credit cards during March, particularly in domestic usage, while international usage will remain low until travel restrictions ease up.

Bank Norwegian has during the quarter held its first Capital Markets Day where the bank's business model and strategy was presented. I am excited to have had the opportunity to present our ambitions, growth strategies and to communicate our long-term financial targets.

During the quarter, Bank Norwegian has focused on supporting our customers in all parts of our business. Our unique and fully digital operating model combined with our strong market position and growth strategy, will provide long-term profitable growth and high earnings. We have a strong foundation with a resilient balance sheet and a strong capital position, I believe Nordic growth and income levels will improve during second half of 2021, supported by our European expansion, which is well on track to launch in the fourth quarter.

Bærum, April 27, 2021

Tine Wollebekk
CEO

Report for the first quarter 2021

The start of 2021 was highly affected by an increased pandemic growth rate after the holiday season and with ambition to combat the third wave of COVID-19, the society has suffered from partial lockdowns and strict social restrictions throughout the first quarter. The shutdown has in turn resulted in further reduced economic activity in the quarter, resulting in even lower volumes of credit card purchases, particular in the first two months while some improvements are visible in the usage during March. The strengthening of the Norwegian Krone at end of March affect volumes in our operations outside Norway and is, together with reduced demand, the main reason for reduced instalment loan volumes.

To prepare for the planned reversed parent daughter merger between Norwegian Finans Holding ASA and Bank Norwegian AS, the Bank was converted to public limited liability company, ASA, registered in April 2021. The conversion enables future shares to be issued at Oslo Stock Exchange according to the public limited liability act when the merger is expected to be completed before end of June 2021.

At the end of the first quarter 2021 the Bank had a customer base of 1 742 000 customers, which can be broken down into 1 254 000 credit card customers, 204 200 instalment loan customers and 283 800 deposit customers.

Profit and loss for the first quarter 2021

The Bank's net profit in the quarter amounted to NOK 406.9 million compared with NOK 766.9 million in the fourth quarter and improved 9.8% from NOK 370.6 million in the same quarter last year. The decrease from the previous quarter is mainly caused by lower tax charge from giving group contribution in the fourth quarter, in addition to lower interest income due to reduced activity level and FX effects, and VISA dividend received last quarter, partly offset by seasonal provision income from kick-back in the current quarter. Compared to the same quarter last year, the main reason for the increase of net profit is lower loan loss provisions compared to the management override last year.

Return on equity was 16.6%, compared with 30.3% in the fourth quarter and the return on assets was 2.6%, compared with 4.8% in the fourth quarter. Adjusting for the group contribution in the fourth quarter, the ROE was 17.1% and ROA was 2.8%.

Net interest income amounted to NOK 1 240 million, a decrease of NOK 72.0 million from the fourth quarter. Half of the decrease relates to FX effect due to a strengthening of NOK. The remaining reduced net interest income compared to the previous quarter relates mainly to lower new sales of instalment loans, particular in January and February. The reduced deposit interest rates communicated early in 2021 will give full effect from the second quarter. The net interest margin was 8.2%, unchanged from the fourth quarter.

Net other operating income amounted to NOK 13.3 million compared with NOK -11.0 million in the fourth quarter. Net commission income increased NOK 20.3 million to NOK 41.7 million mainly due to seasonal kick back from VISA accounted for in March, while low credit card activity level, particular international usage due to COVID-19, still gives subdued net commission income in the start of 2021. Net loss on securities and currency amounted to NOK 28.4 million, compared with a net loss of NOK 56.4 million in the fourth quarter. This is mainly due to net negative change in value of securities of NOK 22.5 million in the Finnish, Swedish and Norwegian portfolios and lower net loss on currency of NOK 4.2 million in the first quarter.

Total operating expenses amounted to NOK 324.0 million, an increase of NOK 5.6 million compared to the fourth quarter. Personnel expenses decreased NOK 1.9 million due to accrual effects. Administrative expenses increased NOK 5.5 million, mainly due to lower digital marketing spending in the fourth quarter. Depreciation was increased by NOK 2.9 million. Other operating expenses decreased NOK 1.0 million.

Provisions for loan losses were NOK 389.9 million, a decrease of NOK 7.7 million in the first quarter compared to the previous quarter. Included in the loan loss provision in the quarter is also the implementation effect regarding new definition of default from January 2021, of NOK 22 million. The loan loss provision at the end of the first quarter is based on the latest updated macro assumptions utilized in the ECL-models as well as continued adoption of the probability weighting of the scenarios introduced in the fourth quarter. The macro assumptions include updated effects of COVID-19 at quarter end. Provision equalled 3.7% of average gross loans, compared with 3.6% in the fourth quarter.

Stage 3 loans were NOK 10 634 million, compared with NOK 10 146 million at the end of the fourth quarter. Stage 3 loans accounted for 26.2% of gross loans, compared with 23.7% as of December 31, 2020. The Stage 3 ratio has increased mainly due to further negative loan growth in the quarter and FX effects with strengthened NOK. Actions have been taken to reduce the Stage 3 ratio of gross loans. Examples include sales of two credit card debt collection portfolios in Sweden and Denmark, with an immaterial positive result which will be accounted for in April and reduce Stage 3 accordingly at next reporting of second quarter figures.

The implementation of a new definition of default gave a one-off migration implementation effect of increased Stage 3 volumes of approximately NOK 200 million as of January 1, 2021. The main change relates to more customers being classified in Stage 3 compared to the previous default definition, as future deviating payment discipline will impact the migration to Stage 3 at an earlier stage in the credit cycle, as well as a higher degree of "stickiness" before considering the exposure as performing again. The Bank has initiated actions and activities to encourage a better payment discipline to mitigate potential migration, with current positive results. The underlying Stage 3 develop as expected, also including the new definition of default and the seasoning of our portfolio. Stage 3 volume will, because of the new definition, also consist of volumes where the claim towards the customer not necessarily has entered debt collection yet, due to local regulation. The Stage 3 volumes will have more exposures with lower LGD due to improved credit quality in the portfolio flowing into Stage 3, and the coverage ratio has thus decreased from 40.9% to 40.0% at end of the quarter. The overall coverage ratio ends at 12.1%, up from 11.5%, and is considered a prudent total level of allowance.

Balance sheet as of March 31, 2021

Total assets were down NOK 3 725 million in the quarter and amounted to NOK 59 312 million. The reduction is mainly related to FX effects due to strengthening of NOK at end of the quarter.

Gross loans to customers decreased NOK 2 223 million compared with a decrease of NOK 1 968 million in the previous quarter and totaled NOK 40 656 million. Currency adjusted gross loan growth was NOK -892.8 million compared with NOK -847.3 million in the previous quarter. Broken down by product the currency adjusted loan growth for instalment loans was NOK -245.8 million compared with NOK -333.7 million in the previous quarter, and for credit cards NOK -647.1 million compared with NOK -513.7 million in the previous quarter. The negative growth in both instalment loans and credit cards is mainly from Norway and FX effects affecting the other countries, as well as development in credit cards still being on low levels related to lower customer spending due to COVID-19. Instalment loans amounted to NOK 29 791 million and credit card loans amounted to NOK 10 865 million.

Customer deposits were reduced by NOK 3 168 million compared with a decrease of NOK 1 202 million in the fourth quarter and were NOK 39 510 million at the end of the first quarter. Currency adjusted growth was NOK -2 003 million compared with NOK -172.6 million in the previous quarter. The decrease was mainly in Norway, which was down NOK 2 853 million from the previous quarter, slightly down in Sweden, and partly offset by growth in Finland and Denmark.

In the first quarter the Bank issued two MREL eligible senior preferred bonds of NOK 700 million and SEK 300 million. Further issuance of MREL capital will commence after the merger between the Bank and NFH ASA is completed according to linear phase-in plan.

Liquid assets decreased NOK 1 592 million and amounted to NOK 22 770 million, equivalent to 38.4% of total assets.

Loans from credit institutions decreased NOK 1 013 million in the quarter, including the down payment of a 12-month F-loan from Norges Bank at maturity in March.

Total equity amounted to NOK 10 440 million, compared with NOK 10 039 million as of December 31, 2020. The total capital ratio was 27.4%, the core capital ratio was 25.3% and the common equity tier 1 ratio was 23.7%.

The financial statements as of March 31, 2021 have been subject to an auditor review of interim financial statements.

Events in the quarter

The Bank held its first Capital Markets Day on March 18, where the Bank's business model and strategy, ambitions and growth strategies were presented, along with the Bank's long-term financial targets towards 2023.

Regulatory update

A new lending regulation that applies to Bank Norwegian's consumer loans entered into force in Norway on January 1, 2021. The Norwegian Financial Supervisory Authorities have also updated their guidelines/circular. Most of the requirements from the previous consumer loans regulation are continued with no significant changes.

The Norwegian Ministry of Finance launched a public consultation at the end of 2020 concerning ESG (Environmental, Social and Governance). The bill entails an implementation of the EU regulation on sustainability-related disclosures in the financial sector and the regulation on the establishment of a framework to facilitate sustainable investment (taxonomy). The Bank is analyzing the consequences of the regulations and specifically how the rules will be implemented in Norwegian law.

The new Market Abuse Regulation (MAR) entered into effect in Norway March 1, 2021. The rules contain prohibitions of insider dealing, unlawful disclosure of inside information and market manipulation, and measures for the authorities to prevent and detect breaches of such clauses. The Bank has implemented the relevant requirements.

At the end of March, the Norwegian Ministry of Finance announced that the amendments to the Capital Requirements Regulation for Banks (CRR2), which will apply in the EU from June 28, 2021, will not enter into force in the EEA Agreement at the same time. The Ministry of Finance will return to when the rules will be included in the EEA agreement and put into effect in Norway. CRR2 is part of the implementation of the EU "bank-package" in Norway. The "bank-package" consists of three parts – the Capital Requirements Regulations (CRR2), Capital Requirements Directive (CRD5) and Bank Recovery and Resolution Directive (BRRD2).

Subsequent events

Bank Norwegian is a party in a court case regarding search engine advertising using competitor's brand names. The plaintiff banks want to forbid Bank Norwegian from using trademarked names as key/search words, claiming that this is a breach of good business conduct.

In 2018 Bank Norwegian won the case in the district court. The plaintiff banks appealed to the appeals court. The hearing was planned for March 2020, but postponed for

March 2021, due to COVID-19. On Friday 16 April 2021 the Court of Appeal (Borgarting Lagmannsrett) made their decision expressing that Bank Norwegian's practice is not in conflict with good business conduct. The appeal court supported Bank Norwegian’s view that the Bank's advertising practice is a part of healthy and fair competition and that Bank Norwegian’s ads implied no risk for confusion.

The decision will be final if the plaintiffs do not appeal within one month. If the plaintiff’s banks appeal to the Supreme Court, the Supreme Court's Appeals Selection Committee will decide whether a case shall proceed to the Supreme Court.

The Bank has entered into two agreements for sale of credit cards debt collection portfolios in April. In Sweden and Denmark, the Bank has entered into agreements with Intrum Group and Lowell Group for sale of outstanding customer claims of approximately SEK 650 million and DKK 350 million, respectively. The transactions will be finalized and settled in early and medio April 2021 and are both expected to give a small positive earnings in the second quarter.

Outlook

Going into 2021, even more invasive restrictions have been introduced to limit the spread of mutated viruses in the third wave of the pandemic, while having a strong focus on the vaccination programs. Over the coming quarters, the vaccinations are likely to increase the possibility to regain normal activities again and creating a new normal with economic growth, expectedly after the summer holiday. The Nordic economies have proven to be resilient and well prepared to endure the uncertain economic times caused by the effects of COVID-19.

However, there is still uncertainty of how rapid the rebound will be and how negative the effect will be in the short time horizon. Particularly the next quarter is expected to be subdued with high unemployment, low growth and continued restrictions to fight the pandemic. The lower demand for instalment loans is a result of more consumer liquidity due to reduced interest levels and increased savings, combined with reduced spending and additional down payments to reduce debt. Reduced credit card volumes are mainly a result of travel restrictions, which is expected to continue for as long as the restrictions remain. There are positive signs on credit card usage in March coming from low levels in the first two months. However, the combination of low demand and balances is expected to give reduced interest income in the next quarter, compared to normal quarters. This will be off-set somewhat by lower interest expense from reduced deposit interest levels, mainly in Norway and Denmark, with the latest reduction taking effect from April 2021. In the longer term, there are expectations that the economic growth will return, sooner in areas that have obtained high vaccination penetration and group immunity.

The continued high unemployment into the second quarter and continued uncertain macro environment, will most likely affect the loan loss provision levels also in the coming quarter, with expected improvements in the third and fourth quarter, along with re-opening of the societies and reduced unemployment numbers. With our gradually shifted risk profile to more volumes in the lower risk categories over the last couple of years, we expect this to give reduced loan loss provisions in the longer time horizon and provide a stable profitable risk adjusted loan yield over time.

The equity and debt markets have developed strongly in 2021. The interest rate levels are historically low, even though the observed long-term interest rates have increased significantly, especially on the back of strengthening macro expectations. In the debt markets we are currently experiencing spread levels below pre COVID-19 levels, and very high liquidity which leaves the Bank with attractive funding markets.

Our deposit volumes continue to reduce towards having a more balanced deposit to loan ratio. MREL capital will be obtained according to the linear phase-in plan, and issuance of senior non-preferred bonds is expected to be made in the second half of 2021 at the latest, following the completion of the announced merger to simplify the structure. The merger is up for approval in the AGM today and is expected to commence according to plan, pending on the final decision.

The Bank's resilient financial position with high profitability, strong capitalization and high levels of liquid assets make the Bank well equipped to withstand the anticipated adverse effects of COVID-19 also going forward. With strong capital levels we will continue with the plans on executing the European expansion with expected launch in the fourth quarter, as well as maintaining and improving market shares in the Nordics.

Bærum, April 27, 2021
The Board of Directors of Bank Norwegian ASA

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

Profit and loss account

Amounts in NOK 1000	Note	Bank Norwegian ASA Q1 2021	Q1 2020	2020
Interest income, effective interest method		1 301 374	1 514 784	5 885 136
Other interest income		54 099	67 068	233 880
Interest expenses		115 327	186 499	702 269
Net interest income	8	**1 240 146**	**1 395 353**	**5 416 746**
Commission and bank services income	9	85 058	192 558	412 016
Commission and bank services expenses	9	43 321	51 466	194 364
Income from shares and other securities		-	-	24 029
Net change in value on securities and currency	10	-28 408	-69 114	-11 367
Net other operating income		**13 329**	**71 978**	**230 315**
Total income	2	**1 253 475**	**1 467 330**	**5 647 061**
Personnel expenses		33 321	30 612	119 658
General administrative expenses	11	260 630	294 106	1 037 194
Depreciation and impairment of fixed and intangible assets		17 663	16 700	63 614
Other operating expenses		12 413	15 020	57 467
Total operating expenses		**324 027**	**356 438**	**1 277 933**
Provision for loan losses	6	389 933	620 636	1 830 948
Profit before tax		**539 515**	**490 256**	**2 538 180**
Tax charge		132 603	119 705	298 601
Profit after tax	2	**406 912**	**370 550**	**2 239 579**
Proportion attributable to shareholders		397 813	359 116	2 200 998
Proportion attributable to additional Tier 1 capital holders		9 100	11 435	38 580
Profit after tax		**406 912**	**370 550**	**2 239 579**
Earnings per share		2.14	1.96	12.01

Comprehensive income

Amounts in NOK 1000	Bank Norwegian ASA Q1 2021	Q1 2020	2020
Profit on ordinary activities after tax	**406 912**	**370 550**	**2 239 579**
Comprehensive income for the period	**406 912**	**370 550**	**2 239 579**

Balance sheet

Amounts in NOK 1000	Note	Bank Norwegian ASA 31.3.21	31.3.20	31.12.20
Assets				
Cash and deposits with the central bank		69 945	69 905	69 451
Loans and deposits with credit institutions		1 694 182	3 013 538	2 772 540
Loans to customers	2, 5, 7	35 749 207	42 378 471	37 943 688
Certificates and bonds	13	21 005 806	13 764 305	21 520 427
Financial derivatives	13	387 965	59 020	341 309
Shares and other securities	13	49 040	46 017	50 692
Intangible assets		86 890	125 978	98 561
Fixed assets		4 855	6 861	4 882
Receivables		263 938	306 760	235 512
Total assets	2	**59 311 827**	**59 770 854**	**63 037 064**
Liabilities and equity				
Loans from credit institutions	13	300 667	1 400 000	1 313 710
Deposits from customers	2	39 509 888	39 561 112	42 677 703
Debt securities issued	12, 13	6 107 413	6 813 624	6 034 387
Financial derivatives	13	162 758	657 621	64 862
Tax payable		132 472	441 519	244 058
Deferred tax		58 234	3 821	58 234
Other liabilities		1 481 201	195 410	1 493 831
Accrued expenses		278 730	173 950	233 853
Subordinated loans	12, 13	840 454	876 073	877 820
Total liabilities		**48 871 817**	**50 123 129**	**52 998 456**
Share capital		186 904	183 315	183 315
Share premium		966 646	966 646	966 646
Tier 1 capital		635 000	635 000	635 000
Retained earnings		8 651 460	7 862 764	8 253 647
Total equity	3	**10 440 010**	**9 647 725**	**10 038 608**
Total liabilities and equity	2	**59 311 827**	**59 770 854**	**63 037 064**

Bærum, April 27, 2021
The Board of Directors of Bank Norwegian ASA

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	Bank Norwegian ASA Q1 2021	Q1 2020	2020
Profit / loss before tax	539 515	490 256	2 538 180
Unrealized gain or losses on currency	171 677	75 489	-199 445
Depreciation and impairment of fixed and intangible assets	17 662	16 700	63 614
Provision for loan losses	389 933	620 636	1 830 948
Change in loans to customers	659 219	-2 431 571	2 774 201
Change in deposits from customers	-2 017 097	-557 257	576 153
Change in certificates and bonds	225 599	886 684	-6 456 584
Change in receivables and financial derivatives	-28 335	-36 877	-247 919
Change in shares and other securities	1 652	-1 154	-5 830
Change in derivatives, accrued expenses and other liabilities	73 365	593 104	-92 331
Change in loans from credit institutions	-13 043	-52 750	260 960
Change in debt securities issued and subordinated loans	-35 294	329 145	-
Income taxes paid	-244 189	-303 932	-625 880
Net cash flow from operating activities	**-259 336**	**-371 525**	**416 068**
Payment for acquisition of intangible assets	-4 847	-12 121	-28 423
Payment for acquisition of tangible assets	-1 116	-500	-1 714
Net cash flow from investment activities	**-5 963**	**-12 621**	**-30 136**
Paid-in share capital and share premium	3 590	-	-
Issued debt securities	998 910	-	-
Repayment of debt securities	-768 072	-	-789 580
Paid interest tier 1 capital	-9 100	-11 435	-38 580
Loans from central banks	-1 000 000	1 400 000	1 000 000
Net cash flow from financing activities	**-774 671**	**1 388 565**	**171 839**
Net cash flow for the period	-1 039 971	1 004 419	557 771
Cash and cash equivalents at the start of the period	2 841 991	2 161 549	2 161 549
Currency effect on cash and cash equivalents	-37 893	-82 524	122 671
Cash and cash equivalents at the end of the period	**1 764 127**	**3 083 443**	**2 841 991**
Off which:			
Cash and deposits with the central bank	**69 945**	**69 905**	**69 451**
Loans and deposits with credit institutions	**1 694 182**	**3 013 538**	**2 772 540**

Changes in equity

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings	Total equity
Balance 31.12.20	**183 315**	**966 646**	**635 000**	**8 253 647**	**10 038 608**
This period's profit	-	-	-	406 912	406 912
Comprehensive income for the period	**-**	**-**	**-**	**406 912**	**406 912**
Paid interest tier 1 capital	-	-	-	-9 100	-9 100
Capital increase	3 590	-	-	-	3 590
Balance 31.3.21	**186 904**	**966 646**	**635 000**	**8 651 460**	**10 440 010**

Amounts in NOK 1000					
Balance 31.12.19	**183 315**	**966 646**	**635 000**	**7 503 649**	**9 288 610**
This period's profit	-	-	-	370 550	370 550
Comprehensive income for the period	**-**	**-**	**-**	**370 550**	**370 550**
Paid interest tier 1 capital	-	-	-	-11 435	-11 435
Balance 31.3.20	**183 315**	**966 646**	**635 000**	**7 862 765**	**9 647 725**

Notes

Note 1. General accounting principles

The quarterly financial statements for the bank have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the bank, can be found in Note 1 Accounting principles in the annual report of 2020.

Note 2. Segments

The profit and loss and balance sheet presentation for segments are based on internal financial reporting as it is reported to management.

Profit and loss account YTD 2021 *Amounts in NOK 1000*	**Norway**	**Sweden**	**Denmark**	**Finland**	**COVID-19 provision**	**Total**
Net interest income	502 527	205 472	169 176	362 970	-	1 240 146
Net other operating income	34 734	-17 906	-15 113	11 614	-	13 329
Total income	**537 261**	**187 566**	**154 064**	**374 584**	**-**	**1 253 475**
Total operating expenses	153 622	61 527	41 613	67 265	-	324 027
Provision for loan losses	65 522	93 045	70 309	161 057	-	389 933
Profit before tax	**318 118**	**32 994**	**42 141**	**146 262**	**-**	**539 515**
Tax charge	77 255	8 248	10 535	36 565	-	132 603
Profit after tax	**240 863**	**24 746**	**31 606**	**109 696**	**-**	**406 912**
Comprehensive income for the period	**240 863**	**24 746**	**31 606**	**109 696**	**-**	**406 912**

Balance sheet 31.3.21 *Amounts in NOK 1000*	**Norway**	**Sweden**	**Denmark**	**Finland**	**COVID-19 provision**	**Total**
Loans to customers	14 414 000	6 467 751	4 530 455	10 337 002	-	35 749 207
Other assets	11 668 261	3 199 050	6 204 474	2 490 835	-	23 562 619
Total assets	**26 082 261**	**9 666 801**	**10 734 929**	**12 827 836**	**-**	**59 311 827**
					-	
Deposits from customers	17 326 356	5 459 879	10 015 696	6 707 957	-	39 509 888
Other liabilities and equity	8 755 905	4 206 922	719 232	6 119 879	-	19 801 938
Total liabilities and equity	**26 082 261**	**9 666 801**	**10 734 929**	**12 827 836**	**-**	**59 311 827**

Profit and loss account YTD 2020 *Amounts in NOK 1000*	**Norway**	**Sweden**	**Denmark**	**Finland**	**COVID-19 provision**	**Total**
Net interest income	591 815	222 825	185 077	395 636	-	1 395 353
Net other operating income	-21 272	42 360	27 632	23 257	-	71 978
Total income	**570 543**	**265 185**	**212 709**	**418 893**	**-**	**1 467 330**
Total operating expenses	154 256	73 524	50 359	78 300	-	356 438
Provision for loan losses	137 413	76 767	83 229	93 227	230 000	620 636
Profit before tax	**278 875**	**114 894**	**79 121**	**247 367**	**-230 000**	**490 256**
Tax charge	66 860	28 723	19 780	61 842	-57 500	119 705
Profit after tax	**212 015**	**86 170**	**59 341**	**185 525**	**-172 500**	**370 550**
Comprehensive income for the period	**212 015**	**86 170**	**59 341**	**185 525**	**-172 500**	**370 550**

Balance sheet 31.3.20 *Amounts in NOK 1000*	**Norway**	**Sweden**	**Denmark**	**Finland**	**COVID-19 provision**	**Total**
Loans to customers	17 589 871	7 144 101	5 670 192	12 204 306	-230 000	42 378 471
Other assets	8 145 090	3 736 220	3 135 159	2 375 914	-	17 392 383
Total assets	**25 734 961**	**10 880 321**	**8 805 351**	**14 580 221**	**-230 000**	**59 770 854**
Deposits from customers	18 230 142	6 167 576	8 249 326	6 914 068	-	39 561 112
Other liabilities and equity	7 504 819	4 712 745	556 025	7 666 153	-230 000	20 209 742
Total liabilities and equity	**25 734 961**	**10 880 321**	**8 805 351**	**14 580 221**	**-230 000**	**59 770 854**

Note 3. Capital adequacy and Liquidity Coverage Ratio

Bank Norwegian ASA uses the standardized approach for credit risk and the standardized approach for operational risk to calculate capital adequacy in accordance with current capital adequacy regulations - Basel II. In December 2020 the Bank 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 included the average of the financial years 2018-2020.

The Bank adopted the EBA guidelines related to new definition of default as of January 1, 2021, as embedded in the CRR/CRD-IV regulations. The implementation has introduced a new and more consistent method for counting delinquency related to “days-past-due” by more than 90 days, including two different thresholds; a relative threshold related to a 1% of the outstanding claim and an absolute threshold based on local regulation, which are lower limits of NOK 1 000, SEK 1 000, DKK 750 and EUR 100. The bank has also implemented “unlikeliness-to-pay” triggers to Stage 3 according to the new definition of default. Additionally, for capital adequacy calculation purposes, cured Stage 3 engagements are included for a probation period as if they still were defaulted Stage 3 customers in the RWA with higher risk weight, for 3 months after cured status. At March 31, 2021 these probation engagements’ net loans amounted to NOK 117 million.

Total capital

Amounts in NOK 1000	**31.3.21**	**31.3.20**	**31.12.20**
Share capital	186 904	183 315	183 315
Share premium	966 646	966 646	966 646
Other reserves	8 651 460	7 862 764	8 253 647
Retained earnings not included in common equity tier 1, accrued group contribution	-264 000	-350 500	-
Deferred tax assets, intangible assets and additional valuation adjustment	-108 495	-146 213	-123 673
Common equity tier 1	**9 432 514**	**8 516 011**	**9 279 935**
Additional tier 1 capital	635 000	635 000	635 000
Tier 1 capital	**10 067 514**	**9 151 011**	**9 914 935**
Tier 2 capital	840 454	876 073	877 820
Total capital	**10 907 968**	**10 027 084**	**10 792 755**
Risk-weighted assets			
Covered bonds	1 107 939	544 448	939 778
Regional governments or local authorities	1 092 929	157 609	1 269 097
Institutions	554 883	1 621 883	764 928
Corporate	574	-	601
Loans to customers	21 938 724	27 429 773	23 960 025
Defaulted loans	6 497 575	5 805 440	5 996 989
Equity positions	48 991	45 971	50 642
Other assets	449 292	170 573	376 124
Total credit risk	**31 690 908**	**35 775 697**	**33 358 183**
Operational risk	**8 090 317**	**7 193 145**	**8 090 317**
Market risk	**2 937**	**21 962**	**2 788**
Total risk-weighted assets	**39 784 161**	**42 990 804**	**41 451 287**
Common equity tier 1 %	**23.7 %**	**19.8 %**	**22.4 %**
Tier 1 capital %	**25.3 %**	**21.3 %**	**23.9 %**
Total capital %	**27.4 %**	**23.3 %**	**26.0 %**

Liquidity Coverage Ratio

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

	31.3.21	**31.3.20**	**31.12.20**
Bank Norwegian ASA	366 %	233 %	569 %
NOK	284 %	131 %	388 %
SEK	716 %	436 %	530 %
DKK	466 %	635 %	467 %
EUR	160 %	172 %	169 %

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.

The average 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 behavior, 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 behavior, a customer will be considered cured. The bank will maintain an exposure in Stage 3 for a probation of three months after becoming performing again, for capital purposes only.

The payment behavior for our customers in all countries has been good and improvements continue into 2021, despite the COVID-19 situation. This is visible in the lower number of late payers, no-payers and reduced inflow to debt collection. This is also evident for our customers being granted a payment relief during the pandemic 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 behavior for that group or in the total portfolio.

Significant increase in credit risk (SICR)

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 over 90% 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 behavior models including the macro impact.

From the first quarter of 2021, the Bank has implemented the new default definition to the entire portfolio. Consequently, both the PD models and the corresponding trigger models have been examined and re-evaluated. The immediate effects are a larger trigging from Stage 1 to Stage 2, as well as from Stage 2 to Stage 3, in addition to a higher “stickiness” of remaining in Stage 3. The latter is due to stricter criteria for becoming performing again. With the increased level of migration to higher stages, the average LGD in each stage will be reduced, all other factors being equal, as the borderline worst exposures migrate to a higher stage, leaving a pool of lower risk exposures behind in the previous stage and averaging down the risk in the new stage. The effect is an isolated reduction in ECL coverage ratio per stage. As expected with the introduction of the new default definition, the exposure in Stage 3 is now at a higher level.

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	0.06	0.11
Sweden	0.08	0.06
Denmark	0.20	0.17
Finland	0.11	0.09

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	0.20	0.06	0.20 > 0.06 + (1 – 0.06) * 0.10 = 0.154	Stage 2
Denmark Credit Card	0.30	0.40	0.20	0.40 < 0.20 + (1 – 0.20) * 0.30 = 0.440	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 early 2022.

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 117 million higher loan loss provision for Q1 2021.

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 NOK 631 million 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) Aggressive fiscal and monetary policy response.
3) Oil prices gradually rise 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)	63.8	68.5	69.2	75.0	56.6	65.8
	Nominal Private consumption (bil. USD)	196.5	272.2	204.3	279.2	176.6	264.1
	Real GDP (bil. 2012 USD)	592.1	642.6	599.5	651.4	580.1	634.3
Sweden							
	Disposable income (ths. 2019 SEK)	289.2	294.5	290.2	300.0	286.7	290.2
	GDP PPP (bil. USD)	422.3	511.4	443.1	538.1	383.0	489.4
	Money supply M3 (bil. SEK)	2 875.5	3 172.2	2 936.6	3 337.8	2 859.9	3 121.8
Denmark							
	GDP PPP (bil. USD)	422.3	511.4	443.1	538.1	383.0	489.4
	Industrial production index (2015 = 100)	90.3	98.7	91.6	100.2	88.3	97.3
	Unemployment rate (%)	4.1	3.7	4.0	3.5	4.5	3.7
Finland							
	GDP PPP (bil. USD)	422.3	511.4	443.1	538.1	383.0	489.4
	Producer price index (2015 = 100)	115.1	124.2	118.9	128.1	113.9	123.3
	Unemployment rate (%)	4.1	3.7	4.0	3.5	4.5	3.7

Macro scenario sensitivity on ECL

		Final ECL	Base scenario	Optimistic scenario	Pessimistic scenario
Norway					
	Credit card	419 468	417 648	408 470	429 844
	Instalment loans	1 200 167	1 193 638	1 164 896	1 234 042
Sweden					
	Credit card	279 462	279 186	270 237	287 082
	Instalment loans	901 336	900 601	870 764	926 431
Denmark					
	Credit card	91 149	90 485	88 094	94 167
	Instalment loans	706 074	702 368	687 735	723 958
Finland					
	Credit card	187 135	186 064	183 090	191 298
	Instalment loans	1 121 721	1 116 568	1 102 247	1 141 767

The following weights have been used across all portfolios per 31.3.2021: 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

31.3.21						Loan loss allowance			Loans to
Amounts in NOK 1000		Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	customers
Norway	Instalment loans	6 775 777	850 301	3 300 105	10 926 184	25 871	47 523	1 126 771	9 726 018
	Credit card loans	3 904 167	265 437	937 848	5 107 451	22 040	20 455	376 974	4 687 982
Sweden	Instalment loans	2 837 127	346 781	1 827 645	5 011 553	34 832	44 503	822 001	4 110 217
	Credit card loans	1 929 609	197 002	510 385	2 636 996	15 735	15 358	248 370	2 357 534
Denmark	Instalment loans	3 181 562	149 157	1 129 795	4 460 514	52 203	26 804	627 067	3 754 439
	Credit card loans	656 859	28 322	181 984	867 164	8 071	3 365	79 713	776 016
Finland	Instalment loans	6 090 961	906 649	2 395 081	9 392 692	144 127	134 310	843 284	8 270 970
	Credit card loans	1 564 411	337 554	351 201	2 253 166	17 320	40 739	129 075	2 066 032
Total		**26 940 474**	**3 081 202**	**10 634 044**	**40 655 720**	**320 200**	**333 057**	**4 253 255**	**35 749 207**
Loan loss allowance coverage ratio per stage						**1.19 %**	**10.81 %**	**40.00 %**	
Net loans									**35 749 207**

31.3.20					Loan loss allowance			Loans to
Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	customers
Instalment loans Norway	7 105 838	2 472 169	2 841 096	12 419 104	73 226	98 657	878 672	11 368 549
Credit card loans Norway	4 939 685	773 615	898 625	6 611 925	37 611	46 879	306 113	6 221 322
Instalment loans Sweden	2 184 857	1 298 193	1 654 891	5 137 941	57 507	75 716	675 494	4 329 224
Credit card loans Sweden	2 087 540	514 594	451 911	3 054 045	11 298	29 207	198 663	2 814 876
Instalment loans Denmark	3 846 017	307 722	1 260 075	5 413 814	54 094	44 645	712 112	4 602 963
Credit card loans Denmark	889 601	64 816	271 079	1 225 496	13 824	11 680	132 764	1 067 229
Instalment loans Finland	7 337 691	1 360 661	1 701 416	10 399 768	118 780	181 123	531 240	9 568 625
Credit card loans Finland	1 939 681	580 286	233 382	2 753 350	12 037	33 654	71 977	2 635 681
Total	**30 330 911**	**7 372 056**	**9 312 476**	**47 015 444**	**378 377**	**521 560**	**3 507 036**	**42 608 471**
Loan loss allowance coverage ratio per stage					**1.25 %**	**7.07 %**	**37.66 %**	
COVID-19 management override								230 000
Net loans including COVID-19 management override								**42 378 471**

Change in loan loss allowance and gross loans

Migration out of a stage is calculated at previous closing date 31.12.20, while migration into a stage is calculated at the closing date 31.3.21.

Total Loans

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.12.20	412 638	372 713	4 149 303	4 934 654
Transfers :				
Transfers from stage 1 to stage 2	-63 626	179 248	-	115 622
Transfers from stage 1 to stage 3	-13 783	-	86 088	72 305
Transfers from stage 2 to stage 1	23 909	-76 660	-	-52 751
Transfers from stage 2 to stage 3	-	-138 296	236 533	98 237
Transfers from stage 3 to stage 2	-	1 945	-11 071	-9 126
Transfers from stage 3 to stage 1	571	-	-11 140	-10 569
New financial assets issued	12 768	6 140	965	19 874
Financial assets derecognized in the period	-12 209	-7 802	-35 958	-55 969
Changes due to modifications that did not result in derecognition	-40 068	-4 231	68 594	24 296
Charge-off	-	-	-230 059	-230 059
Loan loss allowance as at 31.3.21	**320 200**	**333 057**	**4 253 255**	**4 906 513**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.12.20	29 450 012	3 282 038	10 146 292	42 878 342
Transfers :				
Transfers from stage 1 to stage 2	-1 679 835	1 660 880	-	-18 955
Transfers from stage 1 to stage 3	-291 663	-	282 671	-8 992
Transfers from stage 2 to stage 1	814 342	-939 320	-	-124 978
Transfers from stage 2 to stage 3	-	-820 498	802 540	-17 958
Transfers from stage 3 to stage 2	-	17 559	-33 001	-15 442
Transfers from stage 3 to stage 1	15 333	-	-37 150	-21 817
New financial assets issued	1 259 389	53 612	3 149	1 316 149
Financial assets derecognized in the period	-1 059 214	-102 272	-106 881	-1 268 367
Changes due to modifications that did not result in derecognition	-1 567 889	-70 797	-123 626	-1 762 312
Charge-off	-	-	-299 950	-299 950
Gross loans to customers as at 31.3.21	**26 940 474**	**3 081 202**	**10 634 044**	**40 655 720**

Instalment loans total

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.12.20	329 092	263 402	3 316 925	3 909 419
Transfers :				
Transfers from stage 1 to stage 2	-52 396	144 904	-	92 508
Transfers from stage 1 to stage 3	-12 649	-	80 024	67 375
Transfers from stage 2 to stage 1	15 563	-45 007	-	-29 444
Transfers from stage 2 to stage 3	-	-114 473	193 060	78 586
Transfers from stage 3 to stage 2	-	1 477	-6 397	-4 920
Transfers from stage 3 to stage 1	494	-	-7 573	-7 079
New financial assets issued	11 695	5 110	965	17 770
Financial assets derecognized in the period	-11 012	-6 375	-30 452	-47 839
Changes due to modifications that did not result in derecognition	-23 753	4 104	53 752	34 102
Charge-off	-	-	-181 180	-181 180
Loan loss allowance as at 31.3.21	**257 034**	**253 141**	**3 419 123**	**3 929 298**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.12.20	20 573 933	2 261 406	8 201 905	31 037 244
Transfers :				
Transfers from stage 1 to stage 2	-1 303 320	1 264 593	-	-38 727
Transfers from stage 1 to stage 3	-270 029	-	262 322	-7 707
Transfers from stage 2 to stage 1	489 607	-538 114	-	-48 507
Transfers from stage 2 to stage 3	-	-667 377	654 681	-12 696
Transfers from stage 3 to stage 2	-	13 727	-19 173	-5 447
Transfers from stage 3 to stage 1	13 700	-	-24 743	-11 042
New financial assets issued	1 214 017	46 358	3 149	1 263 524
Financial assets derecognized in the period	-948 312	-84 377	-90 567	-1 123 256
Changes due to modifications that did not result in derecognition	-884 169	-43 327	-100 603	-1 028 099
Charge-off	-	-	-234 346	-234 346
Gross loans to customers as at 31.3.21	**18 885 428**	**2 252 888**	**8 652 627**	**29 790 942**

Credit card total

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.12.20	83 546	109 311	832 378	1 025 235
Transfers :				
Transfers from stage 1 to stage 2	-11 230	34 345	-	23 115
Transfers from stage 1 to stage 3	-1 134	-	6 064	4 930
Transfers from stage 2 to stage 1	8 346	-31 653	-	-23 307
Transfers from stage 2 to stage 3	-	-23 823	43 473	19 650
Transfers from stage 3 to stage 2	-	468	-4 674	-4 206
Transfers from stage 3 to stage 1	77	-	-3 567	-3 489
New financial assets issued	1 073	1 031	-	2 104
Financial assets derecognized in the period	-1 198	-1 427	-5 506	-8 131
Changes due to modifications that did not result in derecognition	-16 313	-8 335	14 843	-9 806
Charge-off	-	-	-48 879	-48 879
Loan loss allowance as at 31.3.21	**63 167**	**79 916**	**834 132**	**977 215**

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.12.20	8 876 079	1 020 632	1 944 387	11 841 098
Transfers :				
Transfers from stage 1 to stage 2	-376 516	396 288	-	19 772
Transfers from stage 1 to stage 3	-21 634	-	20 349	-1 285
Transfers from stage 2 to stage 1	324 735	-401 206	-	-76 472
Transfers from stage 2 to stage 3	-	-153 121	147 858	-5 262
Transfers from stage 3 to stage 2	-	3 832	-13 828	-9 995
Transfers from stage 3 to stage 1	1 633	-	-12 408	-10 775
New financial assets issued	45 371	7 254	-	52 625
Financial assets derecognized in the period	-110 902	-17 895	-16 314	-145 111
Changes due to modifications that did not result in derecognition	-683 720	-27 469	-23 023	-734 213
Charge-off	-	-	-65 604	-65 604
Gross loans to customers as at 31.3.21	**8 055 046**	**828 314**	**1 981 417**	**10 864 778**

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

With the alignment of the default definition with the new Default Definition (DoD) according to the EBA-guidelines, as of 01.01.2021, the bank experienced a one-off migration of about 2000 accounts from Stage 2 into Stage 3 with a GCA of NOK 222 million and an ECL-increase of NOK 22 million. Future deviating payment discipline will impact the migration to Stage 3 at an earlier stage in the credit cycle, while the bank has initiated actions and activities towards potential “lazy payers” to encourage a better payment discipline to mitigate a potential migration, with current positive results. The DoD has stricter requirements for migration out of Stage 3, leading to a higher degree of “stickiness” in Stage 3 before considering the exposure performing again. The bank has recalibrated all trigger-models for Stage 2 to align with the new DoD.

Note 6. Provision for loan losses

Amounts in NOK 1000	Q1 2021	Q1 2020	2020
Realized losses in the period due to final write-offs	20 797	16 663	74 903
Realized losses in the period due to charge-offs*	69 891	-	209 683
Loan loss provisions - lifetime expected credit loss (stage 3)	400 630	409 051	1 658 194
Loan loss provisions - lifetime expected credit loss (stage 2)	-25 552	-13 308	-143 024
Loan loss provisions - 12 months expected credit loss (stage 1)	-75 833	-21 769	31 192
Loan loss provisions - COVID-19 management override	-	230 000	-
Provision for loan losses	**389 933**	**620 636**	**1 830 948**

*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 2 098 768 as of 31.3.2021.

Note 7. Risk classes

	Probability of				Gross loans*		Undrawn credit limits	
Amounts in NOK 1000	**default**	**Stage 1**	**Stage 2**	**Stage 3**	**31.3.21**	**31.3.20**	**31.3.21**	**31.3.20**
A	0 – 1 %	6 681 243	35 288	-	6 716 531	5 528 573	46 565 605	47 640 668
B	1 – 3 %	8 783 261	78 541	-	8 861 802	9 589 425	760 664	2 057 630
C	3 – 5 %	4 042 220	38 928	-	4 081 148	5 311 522	148 454	249 226
D	5 – 9 %	3 303 716	128 989	-	3 432 705	5 382 609	82 639	243 044
E	9 – 15 %	2 251 336	363 623	-	2 614 959	4 214 400	27 673	122 356
F	15 – 20 %	785 775	277 740	-	1 063 516	1 447 132	5 021	12 105
G	20 – 30 %	831 575	516 326	-	1 347 901	1 571 760	2 592	14 139
H	30 – 40 %	198 497	456 202	-	654 699	650 437	734	2 304
I	40 – 55 %	53 608	471 028	-	524 635	459 308	258	988
J	55 – 100 %	9 266	714 513	-	723 780	353 475	77	491
Previous categorized delayed, not impaired		-	-	-	-	3 194 328	-	-
Defaulted loans		-	-	10 634 044	10 634 044	9 312 476	-	-
Total		**26 940 497**	**3 081 179**	**10 634 044**	**40 655 720**	**47 015 444**	**47 593 718**	**50 342 953**

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 8. Net interest income

Amounts in NOK 1000	Q1 2021	Q1 2020	2020
Interest income from cash and deposits with the central bank	-	248	206
Interest income from loans to and deposits with credit institutions	-643	3 410	2 497
Interest income from instalment loans	919 823	1 061 448	4 154 887
Interest income from other loans	-	-	432
Interest income from credit card loans	382 164	449 600	1 726 892
Interest income from sales financing	30	78	221
Interest income, effective interest method	**1 301 374**	**1 514 784**	**5 885 136**
Interest and other income from certificates and bonds	53 474	65 255	226 167
Other interest and other interest related income	625	1 813	7 713
Other interest income	**54 099**	**67 068**	**233 880**
Interest expense from deposits from the central bank	1 849	-	19 001
Interest expense from deposits from customers	57 618	112 080	425 177
Interest expense on debt securities issued	31 527	48 485	157 681
Interest expense on subordinated loan	8 207	9 123	36 008
Other interest and other interest related expenses	16 126	16 811	64 402
Interest expenses	**115 327**	**186 499**	**702 269**
Net interest income	**1 240 146**	**1 395 353**	**5 416 746**

Note 9. Net commission and bank services income

Amounts in NOK 1000	Q1 2021	Q1 2020	2020
Payment services	65 626	149 343	294 430
Insurance services	10 080	30 098	71 073
Other fees and commission and bank services income	9 352	13 117	46 513
Total commission and bank services income	**85 058**	**192 558**	**412 016**
Payment services	18 184	28 494	98 040
Insurance services	20 180	17 998	71 522
Other fees and commission and bank services expense	4 957	4 974	24 802
Total commission and bank services expenses	**43 321**	**51 466**	**194 364**

Note 10. Net change in value on securities and currency

Amounts in NOK 1000	Q1 2021	Q1 2020	2020
Net change on certificates and bonds	-22 542	-109 543	-111 296
Net change on FX-forwards*	118 560	-617 370	100 018
Net currency effects	-122 774	656 645	-5 919
Net change on shares and other securities	-1 652	1 154	5 830
Net change in value on securities and currency	**-28 408**	**-69 114**	**-11 367**

*The contract amount was NOK 11 212 million 31.3.21.

Note 11. General administrative expenses

Amounts in NOK 1000	Q1 2021	Q1 2020	2020
Sales and marketing	192 150	230 075	778 294
IT operations	22 232	23 605	92 867
External services costs	26 165	20 545	111 410
Other administrative expenses	20 084	19 882	54 623
Total general administrative expenses	**260 630**	**294 106**	**1 037 194**

Note 12. Debt securities issued and subordinated loan

Amounts in NOK 1000	31.3.21	31.3.20	31.12.20
Debt securities issued, carrying value (amortized cost)	6 107 413	6 813 624	6 034 387
Subordinated loans, carrying value (amortized cost)	840 454	876 073	877 820
Total debt securities issued and subordinated loans	**6 947 867**	**7 689 696**	**6 912 207**

ISIN	Nominal value outstanding	Currency	Interest	Reference rate + margin	Maturity*	Carrying value
Debt securities issued (senior unsecured bonds)						
NO0010848583	152 000	SEK	Floating	STIBOR + 140bp	29.09.2021	146 976
NO0010848591	619 000	NOK	Floating	NIBOR + 150bp	29.03.2022	615 222
NO0010863582	400 000	SEK	Floating	STIBOR + 140bp	16.09.2022	390 561
NO0010863574	400 000	NOK	Floating	NIBOR + 140bp	16.09.2022	400 163
NO0010871148	800 000	NOK	Floating	NIBOR + 195bp	12.12.2022	800 118
NO0010871130	1 000 000	SEK	Floating	STIBOR + 190bp	12.12.2022	976 170
NO0010871155	1 200 000	NOK	Floating	NIBOR + 215bp	12.12.2023	1 200 062
NO0010871296	600 000	SEK	Floating	STIBOR + 200bp	12.12.2023	585 603
NO0010952823	700 000	NOK	Floating	NIBOR + 145bp	18.03.2025	699 790
NO0010952831	300 000	SEK	Floating	STIBOR + 140bp	18.03.2025	292 749
Total debt securities issued	**6 171 000**					**6 107 413**
Subordinated loans						
NO0010774326	100 000	NOK	Floating	NIBOR + 300bp	21.09.2021	99 962
NO0010797988	200 000	NOK	Floating	NIBOR + 375bp	16.06.2022	199 887
NO0010833130	550 000	SEK	Floating	STIBOR + 375bp	02.10.2023	540 604
Total subordinated loans	**850 000**					**840 454**
Total	**7 021 000**					**6 947 867**

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

Note 13. Financial instruments

Financial instruments at fair value

Amounts in NOK 1000	31.3.21 Level 1	Level 2	Level 3	Total
Certificates and bonds	-	21 005 806	-	21 005 806
Financial derivatives	-	387 965	-	387 965
Shares and other securities	-	-	49 040	49 040
Total financial assets at fair value	**-**	**21 393 771**	**49 040**	**21 442 811**
Financial derivatives	-	162 758	-	162 758
Total financial liabilities at fair value	**-**	**162 758**	**-**	**162 758**

Amounts in NOK 1000	31.3.20 Level 1	Level 2	Level 3	Total
Certificates and bonds	-	13 764 305	-	13 764 305
Financial derivatives	-	59 020	-	59 020
Shares and other securities	-	-	46 017	46 017
Total financial assets at fair value	**-**	**13 823 324**	**46 017**	**13 869 341**
Financial derivatives	-	657 621	-	657 621
Total financial liabilities at fair value	**-**	**657 621**	**-**	**657 621**

Change in instruments classified at level 3

	31.3.21		31.3.20	
Amounts in NOK 1000	Shares and other securities	Total	Shares and other securities	Total
Value 01.01	50 692	50 692	44 863	44 863
Net gain / loss on financial instruments	-1 652	-1 652	1 154	1 154
Value 31.3	**49 040**	**49 040**	**46 017**	**46 017**

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, due to different perceptions of market conditions, risk and return requirements.

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

	31.3.21		31.3.20	
Amounts in NOK 1000	Book value	Fair value	Book value	Fair value
Loans from credit institutions*	300 667	300 667	1 400 000	1 400 000
Debt securities issued	6 107 413	6 203 073	6 813 624	6 539 122
Subordinated loan	840 454	841 500	876 073	793 681
Total financial liabilities	**7 248 534**	**7 044 573**	**7 689 696**	**7 332 803**

Amounts in NOK 1000	31.3.21 Level 1	Level 2	Level 3	Total
Loans from credit institutions	300 667	-	-	300 667
Debt securities issued	-	6 107 413	-	6 107 413
Subordinated loan	-	840 454	-	840 454
Total financial liabilities	**300 667**	**6 947 867**	**-**	**7 248 534**

Amounts in NOK 1000	31.3.20 Level 1	Level 2	Level 3	Total
Loans from credit institutions*	1 400 000	-	-	1 400 000
Debt securities issued	-	6 813 624	-	6 813 624
Subordinated loan	-	876 073	-	876 073
Total financial liabilities	**1 400 000**	**7 689 696**	**-**	**9 089 696**

* Of which NOK 1 400 million in loans from Norges Bank at 31.3.20

Level 1: Valuation based on quoted prices in an active market.
Level 2: Valuation based on observable market data, other than quoted prices.
Level 3: Valuation based on observable market data when valuation can not be determined in level 1 or 2.

Note 14. Related parties and other investments

Norwegian Finans Holding ASA owns 100% of Bank Norwegian ASA. Bank Norwegian ASA 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 the first quarter 2021 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 97 million, comprising of portfolio related costs of NOK 82.3 million and sales and agent commissions of NOK 14.3 million. The portfolio related costs include license fee for use of brand name, IP-rights and other customer portfolio costs, such as cashpoints.

Quarterly figures

Profit and loss account

Amounts in NOK 1000	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
					Bank Norwegian ASA
Interest income, effective interest method	1 301 374	1 417 166	1 448 408	1 504 778	1 514 784
Other interest income	54 099	53 944	51 103	61 764	67 068
Interest expenses	115 327	158 934	177 518	179 318	186 499
Net interest income	**1 240 146**	**1 312 175**	**1 321 994**	**1 387 224**	**1 395 353**
Commission and bank services income	85 058	73 716	79 379	66 364	192 558
Commission and bank services expenses	43 321	52 315	42 731	47 851	51 466
Income from shares and other securities	-	24 029	-	-	-
Net change in value on securities and currency	-28 408	-56 428	9 213	104 963	-69 114
Net other operating income	**13 329**	**-10 998**	**45 860**	**123 475**	**71 978**
Total income	**1 253 475**	**1 301 178**	**1 367 854**	**1 510 699**	**1 467 330**
Personnel expenses	33 321	35 171	31 306	22 569	30 612
General administrative expenses	260 630	255 091	262 117	225 879	294 106
Depreciation and impairment of fixed and intangible assets	17 663	14 740	15 806	16 368	16 700
Other operating expenses	12 413	13 419	14 367	14 661	15 020
Total operating expenses	**324 027**	**318 422**	**323 596**	**279 477**	**356 438**
Provision for loan losses	389 933	397 662	365 623	447 027	620 636
Profit before tax	**539 515**	**585 094**	**678 635**	**784 195**	**490 256**
Tax charge	132 603	-181 808	167 398	193 306	119 705
Profit after tax	**406 912**	**766 902**	**511 237**	**590 889**	**370 550**

Comprehensive income

Amounts in NOK 1000	Q1 2021	Q4 2020	Q3 2020	Q2 2020	Q1 2020
Profit on ordinary activities after tax	**406 912**	**766 902**	**511 237**	**590 889**	**370 550**
Comprehensive income for the period	**406 912**	**766 902**	**511 237**	**590 889**	**370 550**

Balance sheet

Amounts in NOK 1000	31.3.21	31.12.20	30.9.20	30.6.20	31.3.20
					Bank Norwegian ASA
Assets					
Cash and deposits with the central bank	69 945	69 451	69 511	69 623	69 905
Loans and deposits with credit institutions	1 694 182	2 772 540	2 459 961	3 357 436	3 013 538
Loans to customers	35 749 207	37 943 688	39 962 311	40 101 034	42 378 471
Certificates and bonds	21 005 806	21 520 427	21 054 167	16 790 787	13 764 305
Financial derivatives	387 965	341 309	205 245	161 158	59 020
Shares and other securities	49 040	50 692	51 491	51 124	46 017
Intangible assets	86 890	101 695	110 870	121 843	131 686
Fixed assets	4 855	1 749	1 184	1 082	1 153
Receivables	263 938	235 512	272 477	295 782	306 760
Total assets	**59 311 827**	**63 037 064**	**64 187 217**	**60 949 870**	**59 770 854**
Liabilities and equity					
Loans from credit institutions	300 667	1 313 710	1 033 695	1 000 781	1 400 000
Deposits from customers	39 509 888	42 677 703	43 880 046	41 090 855	39 561 112
Debt securities issued	6 107 413	6 034 387	6 649 351	6 679 216	6 813 624
Financial derivatives	162 758	64 862	112 604	200 428	657 621
Tax payable	132 472	244 058	498 291	634 825	441 519
Deferred tax	58 234	58 234	3 821	3 821	3 821
Other liabilities	1 481 201	1 493 831	187 753	61 509	195 410
Accrued expenses	278 730	233 853	215 793	174 660	173 950
Subordinated loan	840 454	877 820	876 049	876 143	876 073
Total liabilities	**48 871 817**	**52 998 456**	**53 457 403**	**50 722 238**	**50 123 129**
Share capital	186 904	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	8 651 460	8 253 647	8 944 854	8 442 672	7 862 764
Total equity	**10 440 010**	**10 038 608**	**10 729 814**	**10 227 632**	**9 647 725**
Total liabilities and equity	**59 311 827**	**63 037 064**	**64 187 217**	**60 949 870**	**59 770 854**