

# **Annual Report 2017**

**Norwegian Finans Holding ASA**

# Annual Report 2017 Norwegian Finans Holding ASA

## OPERATIONS, GOALS AND STRATEGY

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

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

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

At the end of 2017 the NFH Group had a customer base of 1,233,000 customers, which can be broken down into 896,300 credit card customers, 170,400 loan customers and 166,300 deposit customers.

## ECONOMIC DEVELOPMENT

### Profit and loss account for 4th quarter 2017

The NFH Group's comprehensive income was NOK 442.8 million, an improvement of NOK 8.9 million compared with the 3rd quarter. The annual return on equity for the 4th quarter was 36.2%, while the annual return on assets was 4.2%.

Net interest income totalled NOK 1,014.9 million, an increase of NOK 77.2 million in the 4th quarter. The increase is explained by loan growth. The net interest margin was 9.7%, compared with 9.5% in the 3rd quarter.

Net other operating income totalled NOK 54.0 million, compared with NOK 49.9 million in the 3rd quarter. Net commission and bank services income increased by NOK 8.2 million to NOK 57.4 million in the quarter due to increased credit card use. Net change in value on securities and currency was NOK -3.4 million, compared with NOK 0.7 million in the 3rd quarter. Net loss on value of securities was NOK 13.9 million and net gain on currency was NOK 10.5 million.

Total operating expenses were NOK 289.6 million in the 4th quarter, an increase of NOK 19.9 million. Personnel expenses increased by NOK 1.8 million and general administrative expenses increased by NOK 15.6 million. The increase in general administrative expenses is mainly explained by increased sales and marketing expenses. Depreciation increased by NOK 1.4 million and other operating expenses increased by NOK 1.0 million.

The NFH Group's provision for loan losses totalled NOK 199.1 million, an increase of NOK 58.2 million from the 3rd quarter. The increase is mainly due to provisions in the 3rd quarter included gains from sale of non-performing loan portfolio of NOK 50.0 million. Write-downs as a percentage of average gross loans equalled 2.4% in the 4th quarter, compared with 1.9% in the 3rd quarter. The increase is mainly due to gains from the sale of loan portfolio in the 3rd quarter.

The tax charge totalled NOK 140.4 million in the 4th quarter, a decrease of NOK 4.0 million. The decrease is mainly explained by annual tax calculations in December.

### Profit and loss account for 2017

The NFH Group's comprehensive income for 2017 was NOK 1,605.2 million, an increase of NOK 681.2 million compared with 2016. The return on equity was 38.3% and the return on assets was 4.2%. The profit growth is explained by customer and loan growth and gains from sale of loan portfolios. The bank recruited approximately 290,000 new customers in 2017 and had a gross loan growth of NOK 8,226 million, corresponding to NOK 9,490 million adjusted for sale of loan portfolios.

The accounting of agent commissions was in the 1st quarter reclassified in accordance with IAS 38 and IAS 39. Comparable figures have been revised. The changes are explained in the notes.

### Net interest income

Net interest income was NOK 3,670.5 million, an increase of NOK 1,217.0 million in 2017. The net interest margin was 9.8%, compared with 10.2% in 2016. The decrease is due to a higher liquidity ratio.

### **Net other operating income**

Net other operating income was NOK 196.4 million, a decrease of NOK 5.1 million from 2016. Net commission and bank services income increased by NOK 61.7 million, totalling NOK 188.9 million in 2017 due to increased credit card use. The net change in value on securities and currency decreased by NOK 66.6 million, totalling NOK 7.5 million. The decrease is mainly due to 2016 included gains from the sale of Visa Europe of NOK 57.2 million. Value-adjusted return on the securities portfolio was 1.0%, compared with 1.5% in 2016.

### **Operating expenses**

Total operating expenses totalled NOK 1,071.2 million, an increase of NOK 142.4 million from 2016. Personnel expenses increased by NOK 9.0 million due to increased number of employees and implementation of financial activity tax. General administrative expenses increased by NOK 132.8 million, mainly due to increased sales and marketing expenses, especially increased activity for credit card customers. Depreciation increased by NOK 2.0 million and other operating expenses increased by NOK 1.4 million.

### **Write-downs on loans**

The NFH Group's provision for loan losses was NOK 672.4 million, compared with NOK 468.3 million in 2016. Provisions for loan losses in 2017 includes gains from sale of loan portfolios in Sweden and Norway. The NFH Group sold non-performing loan portfolios in 2nd and 3rd quarter in Sweden and Norway with gains totalling SEK 43.2 million and NOK 50.0 million. Write-downs equalled 2.3% of average gross loans, compared with 2.4% in 2016. The decrease is mainly due to gains from the sale of loan portfolios and a lower level of write-downs in Sweden and Norway following the sale of loan portfolios.

Delinquent loans were NOK 2,615 million, compared with NOK 1,654 million at the end of 2016. Relative to gross loans, gross delinquency were 7.8%, compared with 6.5% at the end of 2016. Non-performing loans totalled 5.7% of gross loans, compared with 4.2% at the end of 2016. The increase in delinquent loans must be seen in relation with building business in new markets.

At year end, individual write-downs on loans totalled NOK 126.8 million, and write-downs on groups of loans totalled NOK 1,013.3 million.

The NFH Group's credit quality shows a stable development. The NFH Group's credit practice and credit models are undergoing continuous improvements.

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

The NFH Group's total assets were NOK 43,000 million at the end of the year, an increase of NOK 12,598 million for the full year. Net loans to customers increased by NOK 7,918 million and totalled NOK 32,452 million at year end. Net loans to customers are distributed into NOK 16,562 million, NOK 7,049 million, NOK 5,719 million and NOK 3,122 million in Norway, Finland, Sweden and Denmark, respectively. Instalment loans increased by NOK 5,362 million, while credit card loans increased by NOK 2,867 million. Customer deposits increased by NOK 9,259 million and totalled NOK 33,682 million at year end. Customer deposits are distributed into NOK 17,909 million, NOK 6,583 million, NOK 5,876 million and NOK 3,314 million in Norway, Finland, Sweden and Denmark, respectively. The deposit-to-loan ratio was 100% at the end of the year.

The holdings of certificates and bonds increased by NOK 4,396 million and totalled NOK 8,860 million at the end of 2017. Other liquid assets totalled NOK 1,327 million at the end of 2017. The liquidity reserves increased by NOK 4,559 million and totalled NOK 10,187 million, equivalent 23.7% of total assets. The liquidity position has been strong throughout the year. The securities portfolio is liquid with solid counterparties and a high percentage of government certificates.

Debt securities issued increased by NOK 418 million and totalled NOK 2,242 million at year end. The NFH Group has during the year issued NOK 800 million and SEK 500 million in senior debt securities with up to three years maturity.

The NFH Group has issued NOK 300 million in Tier 1 capital and NOK 200 million in subordinated loan in the 2nd quarter. In the 1st quarter the NFH Group completed a private placement totalling NOK 500 million due to increased Pilar-2 requirements.

Total equity was NOK 5,714 million for the NFH Group at year end. The total capital ratio at the end of 2017 was 20.9% for the NFH Group and 20.9% for the bank. The Tier 1 capital ratio at the same point in time was 19.3% for the NFH Group and 19.2% for the bank. The common equity Tier 1 ratio was 17.1% for the NFH Group and 17.0% for the bank.

## **FINANCIAL RISK FACTORS**

### **Credit risk**

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

The bank offers only credit to the retail customer market, and all credit decisions are made by means of automated decision support systems. Credit is granted based on a qualitative and quantitative analysis with a positive conclusion of the customer's willingness and ability to pay. The analysis of the willingness to pay identifies the characteristics of the customer that predict

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

### **Liquidity risk**

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

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

The asset side is financed by core deposits from the retail market, senior debt securities and subordinated capital. To reduce the liquidity risk, an upper limit to deposit per customer has been set to achieve the best deposit terms.

### **Interest rate risk**

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

### **Market risk**

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

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

Exposure to foreign currency risk is hedged.

### **Operational risk**

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

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

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

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

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

### **Business and strategic risk**

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

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

## **PERSONNEL AND THE ENVIRONMENT**

The bank's employees have yet again delivered good results. At 31.12.17 the bank had 72 employees, corresponding to 69.5 man-labour years, compared with 69 employees and 62.0 man-labour years at 31.12.16. There are no other employees in Norwegian Finans Holding ASA than the CEO.

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 72 employees, there are 38 men and 34 women. Of the 14 managers with personnel responsibility, five are women.

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

Absence due to illness was 4.7%. 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 NFH Group is located at Snarøyveien 36, Fornebu. The NFH Group has established a customer call centre in Malaga, based on outsourcing, to service Nordic customers.

## **REPORT ON CORPORATE SOCIAL RESPONSIBILITY**

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

## **CORPORATE GOVERNANCE**

The board of directors supports the Norwegian Code of Practice for Corporate Governance. The principles of corporate governance is described later in the annual report.

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

The Chairman of the Board of Bank Norwegian AS and Norwegian Finans Holding ASA, Bjørn H. Kise, announced on 15 February 2018 that he will resign from both positions. The Election Committee in Norwegian Finans Holding ASA has proposed that the General Meeting elects Bjørn Østbø as Chairman of the Board of Directors of Norwegian Finans Holding ASA for the period until the Annual General Meeting in 2020.

The Election Committee in Bank Norwegian AS has proposed that the General Meeting elects current Board Member John Høsteland as Chairman of the Board of Bank Norwegian AS and that Bjørn Østbø is elected as a member of the Board of Directors of Bank Norwegian AS.

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

## **OUTLOOK**

The economic trends in the Nordic markets where the bank operates are positive. The Norwegian economy shows increasing growth and falling unemployment rate. The Swedish economy is showing a high economic growth. The Danish and Finnish economies show moderate growth and improved labour market.

The interest rate levels in countries where the NFH Group is represented are expected to remain low. The NFH Group is expected to gain advantage of the interest rate level through low funding costs.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality. The Nordic market for unsecured credit is impacted by increased competition. Increased competition may lead to higher customer acquisition cost, margin pressure and lower growth.

The NFH Group has a broad Nordic platform and loan volumes are growing faster outside of Norway. The implemented and expected regulations from Norwegian authorities are therefore anticipated to have a limited impact on the NFH Group's total development in the future. Increase in instalment loan run-off in line with a growing portfolio may, however, affect future loan growth in Norway.

A high deposit to loans ratio and good access to the securities market are expected to maintain the bank's strong liquidity position.

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

The credit quality of the loan portfolio in Norway shows a stable development and the levels of write-downs are expected to remain stable going forward. After the sale of non-performing loan portfolios in Norway and Sweden, the delinquency is expected to gradually increase to a normalized level. The Danish and Finnish loan portfolios show a stable development. There are still expectations of relatively high write-downs in Denmark for a period going forward.

The bank has during the last year worked on the implementation of the accounting standard IFRS 9. IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of losses. The bank has made partial calculations of losses under IFRS 9 based on a base scenario. The calculations at 31.12.17 show an immaterial change in write-downs on loans compared with the write-downs on loans under IAS 39. The bank does not expect to utilize the transitional rules.

Common equity Tier 1 ratio was 17.1% at the reporting date and exceeds the current minimum common equity Tier 1 ratio requirement of 15.5% with a wide margin. The NFH Group aims to maintain a good margin to the minimum capital adequacy requirements going forward.

The current capital base and internal generation of capital are considered sufficient to ensure the NFH Group's growth ambitions, while maintaining the objective of dividend payments in 2018.

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

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

The net gain for 2017 for Norwegian Finans Holding ASA amounted to NOK -2,5 million. The board of directors proposes that the net gain is added to retained earnings.

Bærum, 27 February 2018  
Board of Directors of Norwegian Finans Holding ASA

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Bjørn H. Kise  
Chairman of the Board

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Anita Aarnæs  
Board Member

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John Høsteland  
Board Member

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Christine Rødsæther  
Board Member

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Tine Wollebekk  
CEO

## Profit and loss account

		Norwegian Finans Holding Group	
Amounts in NOK 1000	Note	2017	2016
Interest income		4,172,683	2,791,102
Interest expenses		502,211	337,640
<b>Net interest income</b>	17	<b>3,670,472</b>	<b>2,453,461</b>
Commission and bank services income	18	399,998	246,613
Commission and bank services expenses	18	211,091	119,415
Net change in value on securities and currency	22	7,458	74,064
Other income		-	170
<b>Net other operating income</b>		<b>196,365</b>	<b>201,432</b>
<b>Total income</b>		<b>3,866,837</b>	<b>2,654,893</b>
Personnel expenses	19	74,957	66,004
General administrative expenses	9	906,286	773,487
Ordinary depreciation	27, 28	44,477	42,427
Other operating expenses	10	45,484	46,911
<b>Total operating expenses</b>		<b>1,071,204</b>	<b>928,828</b>
Provision for loan losses	4	672,388	468,257
<b>Profit on ordinary activities before tax</b>		<b>2,123,245</b>	<b>1,257,808</b>
Tax charge	26	526,194	298,371
<b>Profit on ordinary activities after tax</b>		<b>1,597,050</b>	<b>959,437</b>
Earnings per share (kroner)		8.60	5.50
Diluted earning per share (kroner)		8.60	5.50

## Comprehensive income

		Norwegian Finans Holding Group	
Amounts in NOK 1000		2017	2016
<b>Profit on ordinary activities after tax</b>		<b>1,597,050</b>	<b>959,437</b>
Change in fair value for assets held for sale		8,176	-35,700
Tax		-61	268
<b>Other comprehensive income that may subsequently be reclassified to profit and loss after tax</b>		<b>8,115</b>	<b>-35,433</b>
<b>Comprehensive income for the period</b>		<b>1,605,165</b>	<b>924,005</b>

## Balance sheet

		Norwegian Finans Holding Group	
Amounts in NOK 1000	Note	31.12.17	31.12.16
<b>Assets</b>			
Cash and deposits with the central bank	8, 13, 14, 15, 23	65,976	59,992
Loans and deposits with credit institutions	8, 13, 14, 15, 23	1,260,947	1,103,359
Loans to customers	5, 6, 7, 13, 14, 15, 23	32,451,553	24,533,983
Certificates and bonds	13, 14, 20, 21	8,859,834	4,464,203
Financial derivatives	13, 14, 15, 20, 21	1,935	-
Shares and other securities	20, 21	443	443
Assets held for sale	20, 21, 25	32,922	24,745
Intangible assets	27	114,678	107,826
Deferred tax asset	26	15,904	7,717
Fixed assets	28	1,000	65
Receivables	29	194,800	99,919
<b>Total assets</b>		<b>42,999,992</b>	<b>30,402,252</b>
<b>Liabilities and equity</b>			
Deposits from customers	13, 14, 15, 20, 23	33,682,275	24,423,773
Debt securities issued	13, 14, 20, 23, 24	2,242,423	1,823,973
Financial derivatives	13, 14, 15, 20, 21	52,246	6,780
Tax payable	26	525,886	297,468
Other liabilities	30	158,711	140,764
Accrued expenses	31	150,216	99,302
Subordinated loan	13, 14, 20, 23, 24	474,614	274,915
<b>Total liabilities</b>		<b>37,286,371</b>	<b>27,066,976</b>
Share capital		186,689	180,105
Share premium		971,182	481,980
Tier 1 capital	33	635,000	335,000
Retained earnings and other reserves		3,920,750	2,338,191
<b>Total equity</b>	32	<b>5,713,621</b>	<b>3,335,276</b>
<b>Total liabilities and equity</b>		<b>42,999,992</b>	<b>30,402,252</b>

Bærum, 27 February 2018  
Board of Directors of Norwegian Finans Holding ASA

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Bjørn H. Kise  
Chairman of the Board

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Anita Aarnæs  
Board Member

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John Høsteland  
Board Member

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Christine Rødsæther  
Board Member

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Tine Wollebekk  
CEO



## Cash flow statement

		Norwegian Finans Holding Group	
Amounts in NOK 1000	Note	2017	2016
Profit / loss before tax		1,605,165	924,005
Unrealized gain or losses on currency		47,565	72,541
Depreciations and amortizations	27, 28	44,477	14,092
Net gain from sale of fixed assets		-	-170
Provision for loan losses	4	672,388	468,257
Change in loans to customers	5, 6, 7, 13, 14, 15, 23	-8,602,143	-11,062,706
Change in deposits from customers	13, 14, 15, 20, 23	9,258,502	11,057,183
Change in certificates and bonds	13, 14, 20, 21	-4,395,632	-1,495,673
Change in assets held for sale, before tax	20, 21, 25	8,176	-21,959
Change in receivables, deferred tax asset and financial derivatives	13, 15, 20, 21, 26, 29	-105,003	-95,284
Change in tax payable, accrued expenses and other liabilities	13, 15, 20, 21, 26, 30, 31	342,744	218,523
<b>Net cash flow from operating activities</b>		<b>-1,123,760</b>	<b>78,808</b>
Proceeds from settlement of assets held for sale	20, 21, 25	-	57,659
Payment for acquisition of intangible assets	27	-55,381	-22,094
Payment for acquisition of tangible assets	28	-1,050	-
Proceeds from sale of fixed assets	28	-	450
<b>Net cash flow from investment activities</b>		<b>-56,431</b>	<b>36,016</b>
Paid-in share capital and share premium	32	495,786	340,637
Issued debt securities	13, 14, 20, 23, 24	1,299,320	500,000
Repayment of debt securities	13, 14, 20, 23, 24	-880,870	-555,597
Issued subordinated loan	13, 14, 20, 23, 24	199,699	99,953
Issued Tier 1 capital	33	299,250	209,160
Paid interest Tier 1 capital	33	-21,858	-9,912
<b>Net cash flow from financing activities</b>		<b>1,391,327</b>	<b>579,085</b>
Currency effect on cash and cash equivalents		-47,565	-72,541
Net cash flow for the period		163,571	626,523
Cash and cash equivalents at the start of the period		1,163,351	536,828
<b>Cash and cash equivalents at the end of the period</b>		<b>1,326,922</b>	<b>1,163,351</b>

## Changes in equity

### Norwegian Finans Holding Group

Amounts in NOK 1000

	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
<b>Balance 31.12.16</b>	<b>180,104</b>	<b>481,980</b>	<b>335,000</b>	<b>2,338,193</b>	<b>3,335,276</b>
This period's profit	-	-	-	1,597,050	1,597,050
Items that may be reclassified to profit and loss, after tax	-	-	-	8,115	8,115
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,605,165</b>	<b>1,605,165</b>
Paid interest Tier 1 capital	-	-	-	-21,858	-21,858
Capital increase	6,585	498,098	-	-	504,683
Share issue expenses	-	-8,895	-	-	-8,895
Issued Tier 1 capital	-	-	300,000	-750	299,250
<b>Balance 31.12.17</b>	<b>186,689</b>	<b>971,182</b>	<b>635,000</b>	<b>3,920,750</b>	<b>5,713,621</b>

Amounts in NOK 1000

<b>Balance 31.12.15</b>	<b>173,195</b>	<b>150,402</b>	<b>125,000</b>	<b>1,422,685</b>	<b>1,871,282</b>
This period's profit	-	-	-	959,437	959,437
Items that may be reclassified to profit and loss, after tax	-	-	-	-35,433	-35,433
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>924,005</b>	<b>924,005</b>
Paid interest Tier 1 capital	-	-	-	-9,912	-9,912
Capital increase	6,909	340,178	-	-	347,087
Share issue expenses	-	-8,600	-	2,150	-6,450
Issued Tier 1 capital	-	-	210,000	-840	209,160
Other equity changes	-	-	-	105	105
<b>Balance 31.12.16</b>	<b>180,104</b>	<b>481,980</b>	<b>335,000</b>	<b>2,338,193</b>	<b>3,335,276</b>

## Notes for Norwegian Finans Holding Group

### Note 1. General accounting principles

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#### Information about the company

Norwegian Finans Holding ASA is a Norwegian public limited company listed on the Oslo Stock Exchange. The company is the parent company of the Norwegian Finans Holding Group. The group offers banking services in the form of consumer loans, credit cards and deposits to retail customers in the Nordic market, and has its headquarter at Snarøyveien 36, Fornebu. The group operates in Sweden, Denmark and Finland through cross-border activities.

#### Basis of preparation of financial statements

The financial statements for 2017 have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and some additions from the Financial Reporting Act of 1998.

#### Accounting standards which have been adopted, but not implemented in 2017

##### *IFRS 9 - Financial Instruments*

IASB has published the final version of IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments – Recognition and Measurement*. IFRS 9 introduces changes to the rules for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The standard is effective for annual reporting periods beginning on 1 January 2018 or later. Earlier application is permitted. The standard must be applied retrospectively, except for hedge accounting. Restatement of comparative figures is not required. The standard was approved by the EU in the 4th quarter of 2016.

The rules for classification and measurement of financial assets in IFRS 9 are more principle-based than the rules in IAS 39. Under IFRS 9, financial assets are assessed based on the entity's business model and the asset's cash flows. The bank has made an initial assessment of the balance sheet with regards to classification and measurement of financial assets. The bank has identified one financial instrument which will be subjected to reclassification under IFRS 9. The classification and measurement of the bank's financial liabilities are not affected by the transition to IFRS 9.

*Assets held for sale*, which consist of the bank's ownership interest in Visa Norge FLI, are under IAS 39 classified at fair value through other comprehensive income (with reclassification). This asset is held for sale, and will under IFRS 9 be classified at fair value through profit or loss and reclassified to *Shares and other securities*.

For further details concerning IFRS 9 see note 2.

##### *IFRS 15 - Revenue from Contracts with Customers*

IFRS 15 is a new standard for revenue and will replace all existing standards and interpretations for revenue. The standard will apply to revenue from all customer contracts and contains a model for recognition and measurement of sales of individual non-financial assets. Contracts with customers that are accounted for in accordance with IFRS 9 Financial Instruments are not included in the scope of IFRS 15. The standard is not expected to have a significant impact on the bank. The standard is effective for annual reporting periods beginning on 1 January 2018 or later. Earlier application is permitted.

##### *IFRS 16 - Leases*

The IASB issued IFRS 16 *Leases* in January 2016, which will replace IAS 17 *Leases*. IFRS 16 requires that the lessee recognise the assets and liabilities related to most leases in the same way as finance leases under IAS 17. Assets should be amortised over the lease term while liabilities are measured at amortised cost. For the lessor the changes compared with IAS 17 are minor. The bank is assessing the effects of the standard and has not yet quantified the effects of implementation. The standard is effective for annual periods beginning on 1 January 2019 or later. Earlier application is permitted provided that IFRS 15 Revenue from Contracts with Customers is also implemented.

#### Financial instruments

Financial assets and liabilities are recognised when the bank becomes a party to the contractual terms of the financial instrument. Regular purchases and sales of financial instruments are recognised at the settlement date. Financial assets are derecognised when the rights to receive cash flows from the asset expire or when these rights have been transferred and the bank has transferred substantially all risks and potential gains from the investment. Financial liabilities are derecognised when the rights under the terms of the contract have been fulfilled, cancelled or expired.

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

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

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

##### *Financial assets and liabilities at fair value through profit or loss*

Financial assets and liabilities at fair value through profit or loss may consist of assets which must be recognised or which it has been decided to recognise at fair value through profit or loss.

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

#### *Loans and receivables*

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

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

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

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

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

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

#### *Assets held for sale*

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

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

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

#### *Financial liabilities at amortised cost*

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

#### **Intangible assets**

Intangible assets are recognised on the balance sheet at historical cost less accumulated depreciation and value impairment losses. Purchased software is recognised on the balance sheet at historical cost plus any expenses to make the software ready to use. When it is probable that economic benefits will cover the development expenses as at the date of the balance sheet, the identifiable expenses for propriety software that is controlled by the bank will be recognised on the balance sheet as intangible assets. Direct expenses include expenses to employees who are directly involved in development of the software, materials and a share of the relevant overhead expenses. Expenses associated with the maintenance of software and IT systems are recognised in the profit and loss account on an ongoing basis. Software expenses recognised in the balance sheet are depreciated over the expected economic life of the asset.

At each financial reporting, a consideration is made as to whether there are indications of a fall in the value of intangible assets. In case of impairment the asset's recoverable amount is measured. The recoverable amount is the higher of the net sales value and utility value. In the event that it is proven that the recoverable amount for the relevant asset is lower than the book value, the asset will be written down so that the asset is valued at the recoverable amount. Such write-downs are reversed when there is no longer any basis for the write-down. The bank has in the fourth quarter conducted an impairment test on agent commissions and made a write-down of NOK 789 thousand.

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

IT/software:	20 %
Trademark:	20 %
Agent commissions:	33 %
Connection fee:	Not amortisable

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

#### *Agent commissions*

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

### **Tangible fixed assets**

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

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

Office machines:	25 %
Computer equipment:	33 %
Fixtures and fittings:	20 %
Motor vehicles:	20 %

### **Trade and other receivables**

Trade and other receivables are recognised at amortised cost, which approximates cost less impairment losses.

### **Debt and other liabilities**

Certificates, bonds and subordinated loans are stated at amortised cost. Trade and other payables are recognised at nominal value at the time of establishment and are not adjusted for changes in interest rates.

### **Accruals**

#### *Accrual of interest and fees*

Interest income and interest expense related to assets and liabilities measured at amortised cost are recognised as incurred using the effective interest method.

For net profit on financial instruments measured at fair value, changes in fair value are classified as income and presented in the income statement in *Net change in value on securities and currency*.

Premiums and discounts on certificates, bonds and subordinated loans classified as debt are amortised as interest expense over the term of the instrument.

### **Pensions**

The bank is subject to the Norwegian Mandatory Occupational Pensions Act and has established an arrangement which meets the requirements of this Act. The bank has a defined contribution scheme. This scheme entails that the bank does not guarantee a future pension of a specific amount, the bank pays instead an annual contribution to the employees' collective pension savings plan. The bank does not have any further obligation related to work performed after the annual contribution has been paid. At 31 December 2017, 68 employees were covered by the pension scheme.

### **Taxes**

The tax expense is accrued over the year based on the estimated tax expense for the year. The tax expense is estimated at 25% of the bank's operating profit, and consists of current tax (payable tax) and changes in deferred tax.

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

### **Cash flow statement**

The cash flow statement is prepared using the indirect method, and is structured on the basis of the operations. The statement reflects the key elements of the bank's liquidity management with special emphasis on the cash flows for lending and deposit activities. Cash and cash equivalents consist of cash and deposits with central banks as well as loans and advances to credit institutions with no notice period. The bank has an unused overdraft facility of NOK 100 million.

### **Translation of foreign currency transactions**

The bank has Norwegian kroner as its reporting currency. Balance sheet items in foreign currency are translated at the exchange rate at the balance sheet date. Income and expense items in SEK, DKK and EUR are translated to Norwegian kroner using the average exchange rate.

### **Estimates and judgements**

Estimates and judgements are evaluated continually. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are considered probable. The calculation of loan impairment losses involves judgements. The key assumptions for impairment of loans are described in the section for Loans and receivables.

## Note 2. IFRS 9

### Note 2.1. Change in accounting principles

The bank has completed an initial assessment with regards to classification and measurement of financial assets. One financial asset will be subjected to reclassification under IFRS 9. The bank has, as allowed by IFRS 9, elected not to recalculate comparable figures from previous accounting periods. Any differences will be incorporated as an increase or decrease of equity per 1.1.2018.

#### *Classifications:*

A combination of business model and contractual obligations will be used to classify financial assets and liabilities.

The measurement categories from IAS 39 will be replaced by the following measurement categories in IFRS 9:

- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at fair value through profit or loss
- Financial liabilities measured at amortised cost
- Financial liabilities measured at fair value through profit or loss

#### *Financial assets:*

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

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

*Loans to customers* consists exclusively of loans to retail customers and are held to receive contractual cash flows. *Loans to customers* are measured at amortised cost under both IAS 39 and IFRS 9.

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

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

*Shares and other securities* consists of the bank's ownership share in BankID Norge AS and is measured at fair value through profit or loss. There is no remeasurement under IFRS 9.

*Assets held for sale* consists of the bank's ownership share in Visa Norge FLI and will be reclassified from fair value through other comprehensive income under IAS 39 to fair value through profit or loss under IFRS 9.

#### *Financial liabilities:*

There is no remeasurement of financial liabilities.

#### *Expected credit losses:*

Compliant with IAS 39, the bank has utilized a loan-loss model based on incurred losses. With this kind of model, objective evidence that there is a fall in the value of groups of loans has to be evident on the reporting date to provision for a loss. The introduction of IFRS 9 gives a fundamental change to the concept of write-down, where losses will be provisioned on the day of origination.

The bank has during the last year worked on the implementation of the accounting standard IFRS 9. IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of losses. The bank has made partial calculations of losses under IFRS 9 based on a base scenario. The calculations at 31.12.17 show an immaterial change in write-downs on loans compared with the write-downs on loans under IAS 39. The bank does not expect to utilize the transitional rules.

All models under IFRS 9 are implemented in parallel with existing models to ensure adequate implementation quality.

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

The models apply an adjustment factor based on macro-simulations built especially for each product and each country, with a basis in NIGEM methodology. Through thousands of simulations there has been established a base, upper and lower scenario for expected credit losses where the model has weighted in Management's assessment of the probable macro future.

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

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

## Note 2.2. Economical variables used to measure expected credit loss

The bank has chosen to disclose the three most important modeling variables in each individual country. The following macro-economic variables are used in the models: real interest rate in absolute terms, 3-month interbank rate, unemployment level in thousands, Hourly pay in NOK, aggregated monthly consumption for the entire population measured in millions in local currency, and unemployment rate in percentage of the total labor force. The data is modeled across three scenarios: a base, an upper and a lower case for expected credit loss.

The following weights has been used across all portfolios per 1 January 2018:

- Base scenario for expected credit loss: 40%
- Upper scenario for expected credit loss: 30 %
- Lower scenario for expected credit loss: 30 %

The base scenario has been used when calculating new loss figures.

<b>Norway</b>			<b>2019</b>		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>
3-month interbank rate	Base		1.27 %		1.73 %		2.39 %		3.04 %		3.26 %
	Upper		1.92 %		2.25 %		2.85 %		3.65 %		3.74 %
	Lower		1.02 %		1.48 %		2.14 %		2.79 %		3.01 %
Hourly pay in NOK	Base	kr	412.28	kr	425.74	kr	439.66	kr	454.03	kr	468.98
	Upper	kr	398.92	kr	410.35	kr	421.91	kr	433.54	kr	445.29
	Lower	kr	427.57	kr	445.38	kr	464.01	kr	483.43	kr	503.65
Real interest rate	Base		-0.92 %		-0.57 %		-0.25 %		0.10 %		0.14 %
	Upper		0.46 %		0.34 %		0.57 %		1.20 %		0.97 %
	Lower		-1.32 %		-0.97 %		-0.65 %		-0.30 %		-0.26 %
<b>Sweden</b>			<b>2019</b>		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>
3-month interbank rate	Base		0.32 %		0.98 %		1.54 %		2.11 %		2.69 %
	Upper		0.61 %		1.55 %		2.40 %		3.24 %		4.10 %
	Lower		-0.04 %		0.37 %		0.75 %		1.11 %		1.49 %
Unemployment level in thousands	Base		361		365		373		383		389
	Upper		394		401		409		423		431
	Lower		320		322		327		332		345
Consumption in millions	Base		176,362		180,701		184,863		188,840		192,826
	Upper		171,073		173,481		175,973		178,601		182,005
	Lower		180,436		185,747		190,747		195,284		199,643
<b>Denmark</b>			<b>2019</b>		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>
3-month interbank rate	Base		0.45 %		0.97 %		1.48 %		2.00 %		2.50 %
	Upper		0.11 %		0.25 %		0.71 %		1.42 %		2.09 %
	Lower		1.17 %		1.77 %		2.33 %		2.69 %		3.03 %
Consumption in millions	Base		79,596		81,133		82,692		84,266		85,874
	Upper		74,760		74,380		73,892		73,620		73,936
	Lower		84,437		88,159		92,186		96,105		99,466
Unemployment percentage	Base		5.59 %		5.71 %		5.68 %		5.63 %		5.62 %
	Upper		6.54 %		6.73 %		6.81 %		6.75 %		6.36 %
	Lower		4.61 %		4.61 %		4.64 %		4.62 %		4.92 %
<b>Finland</b>			<b>2019</b>		<b>2020</b>		<b>2021</b>		<b>2022</b>		<b>2023</b>
3-month interbank rate	Base		0.41 %		0.94 %		1.47 %		2.01 %		2.49 %
	Upper		0.04 %		0.33 %		0.74 %		1.25 %		1.81 %
	Lower		1.02 %		1.65 %		2.24 %		2.76 %		3.08 %
Consumption in millions	Base		9,402		9,542		9,676		9,811		9,947
	Upper		8,852		8,767		8,675		8,617		8,612
	Lower		9,963		10,360		10,782		11,183		11,506
Unemployment percentage	Base		7.86 %		7.87 %		7.82 %		7.72 %		7.60 %
	Upper		10.42 %		10.44 %		10.57 %		10.71 %		9.75 %
	Lower		5.18 %		4.91 %		4.84 %		4.77 %		5.60 %

**Note 2.3. Significant increase in credit risk**

The trigger level for classifying an engagement to stage 2 due to a relative increase in PD based on behavioral score compared with original PD (based on application score), depends on the interval for the original PD, region and the type of product. Products with absolute low PDs therefore lead to high trigger requirements as they are relative and arrive from a low level.

<b>Norway</b>	Original PD	Instalment loans	Original PD	Credit card loans
	<=5%	700 %	<=2%	900 %
	>5%, 10%]	30 %	>2%	0 %
	>10%	20 %		
<b>Sweden</b>	Original PD	Instalment loans	Original PD	Credit card loans
	<=20%	30 %	<=2%	900 %
	>20%	10 %	>2%, 5%]	40 %
			>5%	0 %
<b>Denmark</b>	Original PD	Instalment loans	Original PD	Credit card loans
	<=20%	300 %	<=50%	80 %
	>20%, 40%]	100 %	>50%	0 %
	>40%	20 %		
<b>Finland</b>	Original PD	Instalment loans	Original PD	Credit card loans
	<=20%	200 %	<=30%	200 %
	>20%, 40%]	100 %	>30%	30 %
	>40%	40 %		



### Note 3. Segments

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

#### Profit and loss account 2017

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	1,947,738	662,788	320,989	738,913	45	3,670,472
Net other operating income	128,393	60,055	3,864	4,414	-362	196,365
<b>Total income</b>	<b>2,076,131</b>	<b>722,843</b>	<b>324,853</b>	<b>743,327</b>	<b>-317</b>	<b>3,866,837</b>
Total operating expenses	508,491	248,391	136,989	174,317	3,016	1,071,204
Provision for loan losses	192,354	147,436	151,982	180,617	-	672,388
<b>Profit on ordinary activities before tax</b>	<b>1,375,286</b>	<b>327,017</b>	<b>35,882</b>	<b>388,393</b>	<b>-3,333</b>	<b>2,123,245</b>
Tax charge	336,358	84,575	7,532	98,531	-801	526,194
<b>Profit on ordinary activities after tax</b>	<b>1,038,928</b>	<b>242,442</b>	<b>28,350</b>	<b>289,862</b>	<b>-2,532</b>	<b>1,597,050</b>
<b>Other comprehensive income that may subsequently be reclassified to profit and loss after tax</b>	<b>8,115</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>8,115</b>
<b>Comprehensive income for the period</b>	<b>1,047,043</b>	<b>242,442</b>	<b>28,350</b>	<b>289,862</b>	<b>-2,532</b>	<b>1,605,165</b>

#### Balance 31.12.17

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	16,561,731	5,718,448	3,121,962	7,049,412	-	32,451,553
Other assets	6,462,719	1,937,559	926,098	1,210,522	11,541	10,548,439
<b>Total assets</b>	<b>23,024,450</b>	<b>7,656,007</b>	<b>4,048,060</b>	<b>8,259,934</b>	<b>11,541</b>	<b>42,999,992</b>
Deposits from customers	17,909,435	5,875,474	3,313,982	6,583,384	-	33,682,275
Other liabilities and equity	5,115,048	1,780,534	734,078	1,676,550	11,541	9,317,751
<b>Total liabilities and equity</b>	<b>23,024,450</b>	<b>7,656,008</b>	<b>4,048,060</b>	<b>8,259,934</b>	<b>11,541</b>	<b>42,999,992</b>

#### Profit and loss account 2016

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	1,595,344	541,796	84,138	232,168	15	2,453,461
Net other operating income	169,526	20,439	2,614	9,175	-323	201,432
<b>Total income</b>	<b>1,764,871</b>	<b>562,235</b>	<b>86,752</b>	<b>241,343</b>	<b>-308</b>	<b>2,654,893</b>
Total operating expenses	454,939	239,906	124,101	103,007	6,875	928,828
Provision for loan losses	198,553	139,747	62,223	67,734	-	468,257
<b>Profit on ordinary activities before tax</b>	<b>1,111,379</b>	<b>182,581</b>	<b>-99,572</b>	<b>70,602</b>	<b>-7,183</b>	<b>1,257,808</b>
Tax charge	261,764	45,645	-24,893	17,651	-1,796	298,371
<b>Profit on ordinary activities after tax</b>	<b>849,615</b>	<b>136,936</b>	<b>-74,678</b>	<b>52,952</b>	<b>-5,387</b>	<b>959,437</b>
<b>Other comprehensive income that may subsequently be reclassified to profit and loss after tax</b>	<b>-35,433</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-35,433</b>
<b>Comprehensive income for the period</b>	<b>814,182</b>	<b>136,936</b>	<b>-74,678</b>	<b>52,952</b>	<b>-5,387</b>	<b>924,005</b>

#### Balance 31.12.16

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	14,243,563	5,237,858	1,568,794	3,483,768	-	24,533,983
Other assets	4,665,798	659,918	449,225	80,739	12,588	5,868,269
<b>Total assets</b>	<b>18,909,361</b>	<b>5,897,776</b>	<b>2,018,019</b>	<b>3,564,507</b>	<b>12,588</b>	<b>30,402,252</b>
Deposits from customers	14,696,396	5,560,880	1,938,210	2,228,287	-	24,423,773
Other liabilities and equity	4,212,965	336,896	79,809	1,336,221	12,588	5,978,479
<b>Total liabilities and equity</b>	<b>18,909,361</b>	<b>5,897,776</b>	<b>2,018,019</b>	<b>3,564,507</b>	<b>12,588</b>	<b>30,402,252</b>

#### Note 4. Loan losses and guarantees

The bank has no guarantees as of 31.12.2017.

<i>Amounts in NOK 1000</i>	2017	2016
Realized losses in the period	16,325	7,176
Individual write-downs on loans including gains/losses from sale of NPL portfolio	172,838	143,635
<b>Net individual write-downs on loans</b>	<b>189,163</b>	<b>150,811</b>
The period's change in write-downs on groups of loans	574,865	317,446
Adjustments for sold NPL portfolios	91,639	-
<b>Provision for loan losses</b>	<b>672,388</b>	<b>468,257</b>

#### Note 5. Loans to customers

<i>Amounts in NOK 1000</i>	2017	2016
Overdraft facilities and lines of credit	-	2,147
Credit cards	9,176,007	6,309,014
Instalment loans	24,415,697	19,054,145
<b>Gross loans to customers</b>	<b>33,591,704</b>	<b>25,365,307</b>
Individual write-downs on loans	-126,838	-201,116
Write-downs on groups of loans	-1,013,313	-630,208
<b>Net loans to customers</b>	<b>32,451,553</b>	<b>24,533,983</b>

#### Gross loans to customers by geographical regions

<i>Amounts in NOK 1000</i>	2017	2016
Akershus	2,275,307	1,902,542
Oslo	2,217,645	1,920,981
Hordaland	1,844,523	1,575,081
Rogaland	1,471,591	1,264,380
Østfold	1,049,798	924,670
Buskerud	926,473	809,134
Sør-Trøndelag	882,450	756,027
Nordland	849,312	741,603
Vestfold	802,016	715,268
Møre og Romsdal	736,414	633,056
Troms	631,545	541,868
Hedmark	576,889	520,471
Oppland	529,419	466,573
Telemark	514,713	454,156
Vest-Agder	435,170	360,625
Nord-Trøndelag	357,415	309,964
Finnmark	339,327	297,023
Aust-Agder	314,901	261,529
Sogn og Fjordane	220,432	196,711
Svalbard	3,725	2,739
Customer does not have a Norwegian address	59,824	41,029
<b>Total Norway</b>	<b>17,038,890</b>	<b>14,695,431</b>
Sweden	5,898,925	5,487,645
Denmark	3,345,537	1,635,512
Finland	7,308,352	3,546,719
<b>Gross loans to customers</b>	<b>33,591,704</b>	<b>25,365,307</b>

#### Changes in write-downs on loans

<i>Amounts in NOK 1000</i>	2017	2016
<b>Write-downs on loans to customers 01.01</b>	<b>-831,323</b>	<b>-395,012</b>
The period's change in individual write-downs on loans	74,442	-121,850
The period's change in write-downs on groups of loans	-474,910	-314,461
Adjustments for sold NPL portfolios	91,639	-
<b>Write-downs on loans to customers 31.12</b>	<b>-1,140,152</b>	<b>-831,323</b>

## Note 6. Risk classes

Amounts in NOK 1000	Probability of default	Gross loans		Undrawn credit limits	
		2017	2016	2017	2016
A	0 - 0,9 %	4,949,419	3,716,949	27,285,408	19,692,083
B	1 - 2,9 %	12,926,237	9,468,018	1,505,465	1,153,334
C	3 - 4,9 %	4,133,181	3,279,727	253,357	237,141
D	5 - 8,9 %	2,958,003	2,743,303	179,464	194,285
E	9 - 14,9 %	1,871,989	1,616,677	64,709	83,485
F	15 - 19,9 %	636,706	555,334	12,518	19,886
G	20 - 29,9 %	983,850	685,686	8,159	11,518
H	30 - 39,9 %	457,056	324,312	13,634	14,870
I	40 - 54,9 %	423,108	312,044	3,541	3,096
J	55 - 100,0 %	321,649	261,187	1,391	1,120
S	23.0 %	559,270	371,916	-	-
T	27.0 %	290,399	112,350	-	-
U	74.0 %	443,842	205,598	-	-
V	100.0 %	2,360,545	1,283,562	-	-
W	100.0 %	261,255	391,040	-	-
Total classified		33,576,509	25,327,702	29,327,646	21,410,817
Not classified	70.8 %	15,196	37,605	19,542	50,650
<b>Total</b>		<b>33,591,704</b>	<b>25,365,307</b>	<b>29,347,189</b>	<b>21,461,468</b>

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

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

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

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

## Note 7. Default and loss on loans

Amounts in NOK 1000	2017	2016
Gross defaulted loans	2,615,145	1,654,201
Individual write-downs on loans	-126,838	-201,116
Write-downs on groups of loans	-1,013,313	-630,208
<b>Net defaulted loans</b>	<b>1,474,994</b>	<b>822,878</b>

Defaulted loans which are performing	569,246	403,086
Defaulted loans comprise of loans which are more than 90 days overdue according to payment schedule.		

### Aging of defaulted, but not written-down loans

The table shows the overdrawn amount on loans by the number of past due days not caused by payment service delays. The entire loan is included when part of the debt is past due.

Amounts in NOK 1000	2017					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
Retail market	516,367	1,945,574	721,530	367,033	2,353,864	5,904,368
<b>Total</b>	<b>516,367</b>	<b>1,945,574</b>	<b>721,530</b>	<b>367,033</b>	<b>2,353,864</b>	<b>5,904,368</b>

Amounts in NOK 1000	2016					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
Retail market	445,913	1,214,820	564,275	218,282	1,263,835	3,707,125
<b>Total</b>	<b>445,913</b>	<b>1,214,820</b>	<b>564,275</b>	<b>218,282</b>	<b>1,263,835</b>	<b>3,707,125</b>

## Note 8. Loans and deposits with credit institutions and central banks

Amounts in NOK 1000	2017	2016
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	1,326,922	1,163,351
<b>Total loans and deposits with credit institutions and central banks</b>	<b>1,326,922</b>	<b>1,163,351</b>

### Specification of currencies

Amounts in NOK 1000	2017	2016
NOK	542,600	540,723
SEK	444,840	404,624
DKK	197,700	151,464
EUR	141,782	66,539
<b>Total</b>	<b>1,326,922</b>	<b>1,163,351</b>

Average interest rate	0.22 %	0.20 %
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Average interest rate is calculated as interest amount in percentage of average volume for the current period.

## Note 9. General administrative expenses

Amounts in NOK 1000	2017	2016
Sales and marketing	730,783	631,821
IT operations	81,940	73,257
External services fees	51,995	24,703
Other administrative expenses	41,568	43,706
<b>Total</b>	<b>906,286</b>	<b>773,487</b>

## Note 10. Other operating expenses

Amounts in NOK 1000	2017	2016
Credit information	28,190	29,045
Auditor	2,364	2,700
Rental of premises	2,309	2,168
Insurance	517	505
Machinery, fixtures and transport vehicles	528	410
Other operating expenses	11,576	12,082
<b>Total</b>	<b>45,484</b>	<b>46,911</b>

## Note 11. Risk management

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

To ensure responsible management and risk control, the bank relies on the following elements:

- Responsibilities and organization
- Guidelines and procedures for managing and controlling risk
- Strategic and capital planning
- Reporting and monitoring
- Contingency plans

## Note 12. Credit risk

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

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

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

### Note 13. Liquidity risk

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

The Liquidity Coverage Ratio (LCR) is defined as the bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. At 31.12.2017 the liquidity reserve (LCR) on total level for the bank was 204%. The bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. At 31.12.2017 the LCR was 269% in Norwegian kroner, 164% in Swedish kroner, 144% Danish kroner and 148% in Euro. The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 31.12.2017, except for Norwegian kroner where the legal requirement is 50%.

#### Remaining time to maturity for main items

Amounts in NOK 1000	2017						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	
Subordinated loan	-	-	-	180,421	353,981	-	534,402
Deposits from customers	33,682,275	-	-	-	-	-	33,682,275
Debt securities issued	-	-	227,356	113,623	1,956,814	-	2,297,793
Financial derivatives	-	21,979	20,648	9,619	-	-	52,246
Non interest-bearing liabilities	-	149,482	140,783	544,547	-	-	834,812
<b>Total liabilities</b>	<b>33,682,275</b>	<b>171,461</b>	<b>388,788</b>	<b>848,209</b>	<b>2,310,795</b>	<b>-</b>	<b>37,401,528</b>
Cash and deposits with the central bank	65,976	-	-	-	-	-	65,976
Loans and deposits with credit institutions	1,260,947	-	-	-	-	-	1,260,947
Loans to customers	8,881,337	11,912	6,755	110,427	3,349,948	20,091,174	32,451,553
Certificates and bonds	-	237,835	2,027,705	2,966,145	3,628,149	-	8,859,834
Financial derivatives	-	-	220	1,715	-	-	1,935
Assets without remaining time to maturity	359,746	-	-	-	-	-	359,746
<b>Total assets</b>	<b>10,568,006</b>	<b>249,747</b>	<b>2,034,681</b>	<b>3,078,288</b>	<b>6,978,096</b>	<b>20,091,174</b>	<b>42,999,992</b>

Amounts in NOK 1000	2016						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	
Subordinated loan	-	-	-	-	307,053	-	307,053
Deposits from customers	24,423,773	-	-	-	-	-	24,423,773
Debt securities issued	-	-	-	525,876	1,348,475	-	1,874,352
Financial derivatives	-	6,780	-	-	-	-	6,780
Non interest-bearing liabilities	-	120,090	87,137	330,307	-	-	537,535
<b>Total liabilities</b>	<b>24,423,773</b>	<b>126,870</b>	<b>87,137</b>	<b>856,184</b>	<b>1,655,528</b>	<b>-</b>	<b>27,149,492</b>
Cash and deposits with the central bank	59,992	-	-	-	-	-	59,992
Loans and deposits with credit institutions	1,103,359	-	-	-	-	-	1,103,359
Loans to customers	6,185,020	15,686	5,696	97,968	2,460,869	15,768,744	24,533,983
Certificates and bonds	-	70,364	394,291	1,586,537	2,413,011	-	4,464,203
Assets without remaining time to maturity	240,715	-	-	-	-	-	240,715
<b>Total assets</b>	<b>7,589,086</b>	<b>86,049</b>	<b>399,987</b>	<b>1,684,505</b>	<b>4,873,880</b>	<b>15,768,744</b>	<b>30,402,252</b>

Subordinated loan and debt securities issued includes interest forward in time.

## Note 14. Interest rate risk

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

### Time until an agreed/probable change in interest terms

Amounts in NOK 1000	2017						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	65,976	-	-	-	-	-	65,976
Loans and deposits with credit institutions	1,260,947	-	-	-	-	-	1,260,947
Loans to customers	-	32,451,553	-	-	-	-	32,451,553
Certificates and bonds	1,427,382	4,536,303	2,896,150	-	-	-	8,859,834
Financial derivatives	-	-	-	-	-	1,935	1,935
Non interest-bearing assets	-	-	-	-	-	359,746	359,746
<b>Total assets</b>	<b>2,754,304</b>	<b>36,987,856</b>	<b>2,896,150</b>	<b>-</b>	<b>-</b>	<b>361,682</b>	<b>42,999,992</b>
Subordinated loan	-	474,614	-	-	-	-	474,614
Deposits from customers	-	33,682,275	-	-	-	-	33,682,275
Debt securities issued	-	2,242,423	-	-	-	-	2,242,423
Financial derivatives	-	-	-	-	-	52,246	52,246
Non interest-bearing liabilities	-	-	-	-	-	834,812	834,812
<b>Total liabilities</b>	<b>-</b>	<b>36,399,313</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>887,058</b>	<b>37,286,371</b>

Amounts in NOK 1000	2016						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	59,992	-	-	-	-	-	59,992
Loans and deposits with credit institutions	1,103,359	-	-	-	-	-	1,103,359
Loans to customers	-	24,533,983	-	-	-	-	24,533,983
Certificates and bonds	675,596	2,294,529	1,494,078	-	-	-	4,464,203
Non interest-bearing assets	-	-	-	-	-	240,715	240,715
<b>Total assets</b>	<b>1,838,947</b>	<b>26,828,512</b>	<b>1,494,078</b>	<b>-</b>	<b>-</b>	<b>240,715</b>	<b>30,402,252</b>
Subordinated loan	-	274,915	-	-	-	-	274,915
Deposits from customers	-	24,423,773	-	-	-	-	24,423,773
Debt securities issued	-	1,823,973	-	-	-	-	1,823,973
Financial derivatives	-	-	-	-	-	6,780	6,780
Non interest-bearing liabilities	-	-	-	-	-	537,534	537,534
<b>Total liabilities</b>	<b>-</b>	<b>26,522,661</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>544,314</b>	<b>27,066,976</b>

### Market risk related to interest rate instruments

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

Amounts in NOK 1000	Interest rate risk, 1 % change	
	2017	2016
Cash and deposits with the central bank	-164	-149
Loans and deposits with credit institutions	-3,144	-2,743
Loans to customers	-80,910	-60,987
Certificates and bonds	-21,786	-12,539
Financial derivatives	-5	-
<b>Total assets</b>	<b>-106,010</b>	<b>-76,418</b>
Deposits from customers	83,979	60,713
Debt securities issued	5,591	4,534
Financial derivatives	130	17
Subordinated loan	1,183	683
<b>Total liabilities</b>	<b>90,884</b>	<b>65,948</b>
Tier 1 capital	1,583	833
<b>Total equity</b>	<b>1,583</b>	<b>833</b>
<b>Total interest rate risk, before tax*</b>	<b>-13,543</b>	<b>-9,638</b>

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

## Note 15. Currency risk

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

The table presents positions in foreign currency shown in Norwegian kroner. Net positions in a single currency may amount up to 15% of total capital. The aggregated currency position must be within 30% of total capital.

Amounts in NOK 1000	2017		
	SEK	DKK	EUR
Cash and deposits with the central bank	450,271	193,455	147,495
Loans to customers	5,680,695	3,118,014	7,032,036
Other assets	1,426,097	706,315	1,039,775
<b>Total assets</b>	<b>7,557,063</b>	<b>4,017,783</b>	<b>8,219,306</b>
Deposits from customers	5,875,474	3,313,982	6,583,384
Other liabilities	503,033	143,800	6,735
<b>Total liabilities</b>	<b>6,378,507</b>	<b>3,457,782</b>	<b>6,590,119</b>
Net currency forwards	1,224,510	548,547	1,613,809
<b>Net currency position</b>	<b>-45,954</b>	<b>11,455</b>	<b>15,378</b>

Amounts in NOK 1000	2016		
	SEK	DKK	EUR
Cash and deposits with the central bank	408,038	151,939	67,128
Loans to customers	5,190,333	1,568,127	3,466,829
Other assets	173,130	282,083	-
<b>Total assets</b>	<b>5,771,502</b>	<b>2,002,149</b>	<b>3,533,956</b>
Deposits from customers	5,560,873	1,938,210	2,228,287
Other liabilities	3,705	77,577	1,953
<b>Total liabilities</b>	<b>5,564,578</b>	<b>2,015,787</b>	<b>2,230,240</b>
Net currency forwards	223,532	-	1,303,884
<b>Net currency position</b>	<b>-16,608</b>	<b>-13,638</b>	<b>-167</b>

### Market risk related to currency positions

Amounts in NOK 1000	2017	2016
Profit impact of 1% change	33,677	14,970

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

Amounts in NOK 1000	2017		2016	
	Nominal value	Fair value	Nominal value	Fair value
Currency forwards SEK	1,208,324	7,616	217,883	-5,862
Currency forwards DKK	691,829	9,598	-	-
Currency forwards EUR	1,431,149	33,051	1,304,251	-918
<b>Total</b>	<b>3,331,302</b>	<b>50,264</b>	<b>1,522,134</b>	<b>-6,780</b>

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

## Note 16. Operational risk

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

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

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

**Note 17. Net interest income**

<i>Amounts in NOK 1000</i>	2017	2016
Interest income from cash and deposits at central banks	304	321
Interest income from loans to credit institutions	2,705	1,393
Interest income from consumer loans	3,102,438	2,095,457
Interest income from overdraft accounts	79	1,104
Interest income from credit cards	967,465	618,322
Interest income from sales financing	4,571	5,494
Interest and other income from certificates and bonds	91,939	63,885
Other interest and other interest related income	3,183	5,125
<b>Total interest income</b>	<b>4,172,683</b>	<b>2,791,102</b>
Interest expense from deposits from credit institutions	135	8
Interest expense from deposits from customers	433,959	283,006
Interest expense on debt securities issued	34,346	35,605
Interest expense on subordinated loan	15,530	7,790
Other interest and other interest related expenses	18,241	11,232
<b>Total interest expense</b>	<b>502,211</b>	<b>337,640</b>
<b>Net interest income</b>	<b>3,670,472</b>	<b>2,453,461</b>

**Note 18. Net other operating income**

<i>Amounts in NOK 1000</i>	2017	2016
Payment services	264,887	156,120
Insurance services	87,522	47,343
Other fees and commission and bank services income	47,589	43,149
<b>Total commission and bank services income</b>	<b>399,998</b>	<b>246,613</b>
Payment services	110,223	62,968
Insurance services	78,620	42,427
Other fees and commission and bank services expense	22,249	14,020
<b>Total commission and bank services expenses</b>	<b>211,092</b>	<b>119,415</b>



## Note 19. Salaries and other personnel expenses

### Specification of personnel expenses

Amounts in NOK 1000	2017	2016
Salaries	58,958	54,514
Social security tax	11,348	8,128
Pension premiums	2,382	2,006
Social benefits	2,268	1,356
<b>Total</b>	<b>74,957</b>	<b>66,004</b>

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

### Number of employees as at 31.12.2017, wages and remuneration

At 31.12.2017 the bank had 72 employees, corresponding to 69.5 man-labour years.

### Wages and remuneration to key employees

Amounts in NOK 1000	2017				
	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
<b>Combined wages, pension liabilities and other remuneration</b>					
Tine Wollebakk	1,867	-	70	147	2,084
Pål Svenkerud	3,126	1,088	70	214	4,498
Fredrik Mundal	1,453	142	70	129	1,793
Tore Andresen	2,041	774	70	151	3,036
Merete Gillund	2,005	800	70	128	3,004
Nils Sælen	1,092	119	67	45	1,324
Tore Widding	1,805	688	70	137	2,700
<b>Total</b>	<b>13,390</b>	<b>3,611</b>	<b>487</b>	<b>951</b>	<b>18,439</b>

Amounts in NOK 1000	2016				
	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
<b>Combined wages, pension liabilities and other remuneration</b>					
Erik Jensen	3,903	1,517	69	210	5,699
Pål Svenkerud	1,957	794	69	183	3,003
Michael Myran	823	131	69	14	1,037
Tore Andresen	1,836	720	69	148	2,774
Merete Gillund	1,623	644	69	130	2,466
Tore Widding	1,586	631	69	135	2,421
<b>Total</b>	<b>11,728</b>	<b>4,436</b>	<b>415</b>	<b>820</b>	<b>17,399</b>

Key personnel are defined as members of the management group.

### Bonus

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

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

The bonus accrual for 2017, including social security tax and financial activity tax, which is the basis for the payment of bonus in 2018, amounts to NOK 12.1 million.

**Fees paid out to the Board of Directors**

<i>Amounts in NOK 1000</i>	2017	2016
Bjørn H. Kise	500	500
Frode Foss	250	250
Anita Marie Hjerkin Aarnæs	250	250
John Høsteland	250	250
Lars Ola Kjos	250	250
Brede Huser	250	200
Maria Borch Hølsengreen	200	200
Kristin Farstad	100	250
Ninett R. Olsen	30	-
Esma Candic	10	50
Willy Rudman	10	-
Henrik Hermansen	5	-
Daniel Andreas Skjeldam	-	50
Karin Bing Orgland	-	50
<b>Total</b>	<b>2,105</b>	<b>2,300</b>

**Fees paid out to the Control Committee**

<i>Amounts in NOK 1000</i>	2017	2016
Knut Gillesen	33	130
Sigmund Håland	25	100
Jarl Borgvin Dørre	25	100
Cecilie Kvalheim	-	50
<b>Total</b>	<b>83</b>	<b>380</b>

**Fees paid out to the Supervisory Board**

<i>Amounts in NOK 1000</i>	2017	2016
Alf Nielsen	50	50
Sven Nicolai E. Eppeland	10	10
Christian F. Stray	10	10
Tord Strømme Meling	10	10
Betty Tandberg	10	10
Gunnar Martinsen	10	10
Thomas Berntsen	10	10
Truls Persen	10	10
Dag Håvard H. Hanssen	10	10
Bjørn Olaf Svindal	10	10
Kristin Møllerplass	10	10
Anders Gullestad	10	10
Håkon Rådmannsøy Hovde	10	10
Andreas Pedersen	10	-
Roger Stange Nilsen	10	10
Brede Huser	-	10
Sammy J.F. Mendez Caparros	-	10
<b>Total</b>	<b>190</b>	<b>200</b>

**Auditor fees**

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

<i>Amounts in NOK 1000</i>	2017	2016
Statutory auditing	1,106	975
Other certification services	70	44
Tax advisory services	-	-
Other non-audit services*	1,188	1,681
<b>Total</b>	<b>2,363</b>	<b>2,700</b>

\*Included in *other non-audit services* are NOK 921 thousand in expenses related to implementation of IFRS 9.

## Note 20. Classification of financial instruments

2017

	Financial instruments at fair value					Total
	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments held for sale	Financial instruments valued at amortized cost	Financial instruments held to maturity	
<i>Amounts in NOK 1000</i>						
Cash and deposits with the central bank	-	-	-	65,978	-	65,978
Loans and deposits with credit institutions	-	-	-	1,260,944	-	1,260,944
Loans to customers	-	-	-	32,451,553	-	32,451,553
Certificates and bonds	8,859,834	-	-	-	-	8,859,834
Shares and other securities	-	443	-	-	-	443
Financial derivatives	-	1,935	-	-	-	1,935
Assets held for sale	-	-	32,922	-	-	32,922
<b>Total financial assets</b>	<b>8,859,834</b>	<b>2,379</b>	<b>32,922</b>	<b>33,778,475</b>	<b>-</b>	<b>42,673,610</b>
Deposits from customers	-	-	-	33,682,275	-	33,682,275
Debt securities issued	-	-	-	2,242,423	-	2,242,423
Financial derivatives	-	52,246	-	-	-	52,246
Subordinated loan	-	-	-	474,614	-	474,614
<b>Total financial liabilities</b>	<b>-</b>	<b>52,246</b>	<b>-</b>	<b>36,399,313</b>	<b>-</b>	<b>36,451,559</b>

2016

	Financial instruments at fair value					Total
	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments held for sale	Financial instruments valued at amortized cost	Financial instruments held to maturity	
<i>Amounts in NOK 1000</i>						
Cash and deposits with the central bank	-	-	-	59,992	-	59,992
Loans and deposits with credit institutions	-	-	-	1,103,359	-	1,103,359
Loans to customers	-	-	-	24,533,983	-	24,533,983
Certificates and bonds	4,464,203	-	-	-	-	4,464,203
Shares and other securities	-	443	-	-	-	443
Assets held for sale	-	-	24,745	-	-	24,745
<b>Total financial assets</b>	<b>4,464,203</b>	<b>443</b>	<b>24,745</b>	<b>25,697,334</b>	<b>-</b>	<b>30,186,725</b>
Deposits from customers	-	-	-	24,423,773	-	24,423,773
Debt securities issued	-	-	-	1,823,973	-	1,823,973
Financial derivatives	-	6,780	-	-	-	6,780
Subordinated loan	-	-	-	274,915	-	274,915
<b>Total financial liabilities</b>	<b>-</b>	<b>6,780</b>	<b>-</b>	<b>26,522,661</b>	<b>-</b>	<b>26,529,441</b>

## Note 21. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

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

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

### Level 2 Valuation based on observable market data

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

### Level 3 Valuation based on observable market data

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

#### Financial instruments at fair value

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

Amounts in NOK 1000	2016			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	4,464,203	-	4,464,203
Financial derivatives	-	-	-	-
Shares and other securities	-	-	443	443
Financial assets held for sale	-	-	24,745	24,745
<b>Total financial assets at fair value</b>	-	<b>4,464,203</b>	<b>25,188</b>	<b>4,489,391</b>
Financial derivatives	-	6,780	-	6,780
<b>Total financial liabilities at fair value</b>	-	<b>6,780</b>	-	<b>6,780</b>

#### Change in instruments classified at level 3

Amounts in NOK 1000	2017		
	Shares and other securities	Financial assets held for sale	Total
Value 31.12.16	443	24,745	25,188
Additions	-	-	-
Disposals	-	-	-
Settlement	-	-	-
Net gain / loss on financial instruments	-	8,176	8,176
<b>Value 31.12.17</b>	<b>443</b>	<b>32,921</b>	<b>33,364</b>

Amounts in NOK 1000	2016		
	Shares and other securities	Financial assets held for sale	Total
Value 31.12.15	443	60,446	60,889
Additions	-	-	-
Disposals	-	-	-
Settlement	-	-57,659	-57,659
Net gain / loss on financial instruments	-	21,958	21,958
<b>Value 31.12.16</b>	<b>443</b>	<b>24,745</b>	<b>25,188</b>

#### Valuation method

##### Ownership in Visa Norge FLI

Ownership in Visa Norge FLI is considered to be a financial asset and is classified as financial assets held for sale. The fair value of the asset is estimated at NOK 32.9 million as of 31.12.2017. The calculation is based on input from the association, and contains significant estimations. See note 25 for further description of the asset and the value calculation.

##### Shares in BankID Norge AS

Bank Norwegian AS was at 12.8.2014 issued 280 shares in BankID Norge AS based on the bank's share of participation in the BankID association. Value of shares are estimated at the going rate at the time granted.

## Note 22. Net gain on financial instruments at fair value

Amounts in NOK 1000	2017	2016
Net gain on certificates and bonds	-17,251	112
Net gain on FX-forwards	-140,821	102,207
Net currency effects	165,530	-85,915
Net gains on shares and other securities with variable yield	-	57,659
<b>Total</b>	<b>7,458</b>	<b>74,064</b>

## Note 23. Fair value of financial instruments at amortized cost

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

*Loans and deposits with central banks and credit institutions and deposits from customers*

Fair value is estimated to conform with amortized cost.

*Loans to customers*

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

*Debt securities issued and subordinated loan*

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

### Fair value of financial instruments at amortized cost

Amounts in NOK 1000	2017		2016	
	Book value	Fair value	Book value	Fair value
Cash and deposits with the central bank	65,976	65,976	59,992	59,992
Loans and deposits with credit institutions	1,260,947	1,260,947	1,103,359	1,103,359
Loans to customers	32,451,553	32,451,553	24,533,983	24,533,983
<b>Total financial assets</b>	<b>33,778,475</b>	<b>33,778,475</b>	<b>25,697,334</b>	<b>25,697,334</b>
Deposits from customers	33,682,275	33,682,275	24,423,773	24,423,773
Debt securities issued	2,242,423	2,301,855	1,823,973	1,823,250
Subordinated loan	474,614	478,360	274,915	275,735
<b>Total financial liabilities</b>	<b>36,399,313</b>	<b>36,462,490</b>	<b>26,522,661</b>	<b>26,522,758</b>

## Note 24. Debt securities issued and subordinated loan

### Debt securities issued

Amounts in NOK 1000	2017	2016
Certificates, nominal value	-	-
Bonds, nominal value	2,239,800	1,820,000
Value adjustments and currency effects	-1,580	259
Accrued interest	4,203	3,714
<b>Total debt securities issued</b>	<b>2,242,423</b>	<b>1,823,973</b>

### Change in debt securities issued

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

Amounts in NOK 1000	Balance 31.12.16	Issued	Overdue / redeemed	Other changes	Balance 31.12.15
Certificates, nominal value	-	-	-200,000	-	200,000
Bonds, nominal value	1,820,000	500,000	-354,000	-	1,674,000
Value adjustments and currency effects	259	-	-	-718	977
Accrued interest	3,714	-	-	-880	4,594
<b>Total debt securities issued</b>	<b>1,823,973</b>	<b>500,000</b>	<b>-554,000</b>	<b>-1,597</b>	<b>1,879,571</b>

### Change in subordinated loan

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

Amounts in NOK 1000	Balance 31.12.16	Issued	Overdue / redeemed	Other changes	Balance 31.12.15
Subordinated loan, nominal value	275,000	100,000	-	-	175,000
Value adjustments	-581	-	-	-165	-416
Accrued interest	496	-	-	118	378
<b>Total subordinated loan</b>	<b>274,915</b>	<b>100,000</b>	<b>-</b>	<b>-47</b>	<b>174,962</b>

### Cash flows from funding

Amounts in NOK 1000	Balance 31.12.2016	Issued new debt	Early repayment of debt	Ordinary repayment of debt	Interest expense 2017	Paid interest 2017	Amortization*	Balance 31.12.2017
Debt securities issued	1,823,973	1,299,320	-280,000	-600,000	34,346	-33,856	-1,359	2,242,423
Subordinated loan	274,915	200,000	-	-	15,530	-15,200	-631	474,614

\*With regards to premiums, discounts and transaction costs.

## Note 25. Financial assets held for sale

The bank is a member of Visa Norge FLI ("Visa Norge"), being a shareholder of Visa Europe Ltd. On 2 November 2015, an agreement between Visa Europe Ltd. and Visa Inc. was announced where Visa Inc. acquires all shares in Visa Europe Ltd. This transaction consists of a cash consideration, convertible preference shares and a deferred cash consideration paid three years after completion of the transaction. The process was finalized in June 2016 and the bank has in this connection received its share of the cash consideration based on the bank's stake in Visa Norge. Cash received, MNOK 57.7, has been reclassified to the income statement. Further changes in the value to the preference shares and the deferred cash consideration are recognized in other comprehensive income.

## Note 26. Information on taxes

Amounts in NOK 1000	2017	2016
<b>Deferred tax asset / deferred tax</b>		
Basis for deferred tax asset / deferred tax in the balance sheet	-63,614	-15,097
Deferred tax asset / deferred tax	-15,904	-7,717
<b>Deferred tax asset / deferred tax in the accounts</b>	<b>-15,904</b>	<b>-7,717</b>
<b>Basis for tax charge, changes in deferred tax and tax payable</b>		
Profit before tax	2,123,245	1,257,808
Permanent differences	-18,598	-64,325
Basis for the tax charge for the year	2,104,647	1,193,483
Change in differences included in the basis for deferred tax / tax asset	29,543	-11,570
Change in losses and remuneration to be carried forward	12,228	9,619
Share issue expenses	-8,895	-8,618
Basis for tax payable in the profit and loss	2,137,523	1,182,913
<b>Taxable income (basis for tax payable in the balance sheet)</b>	<b>2,137,523</b>	<b>1,182,913</b>
<b>Distribution of tax charge</b>		
Tax payable (25% of taxable income)	534,381	295,728
Total tax payable	534,381	295,728
Change in deferred tax / tax asset	-8,186	2,642
<b>Tax charge</b>	<b>526,195</b>	<b>298,371</b>
<b>Reconciliation of tax charge</b>		
Profit before tax	2,123,245	1,257,808
Estimated tax expense (25%)	530,811	314,452
Tax charge in profit and loss account	526,195	298,371
<b>Difference</b>	<b>-4,616</b>	<b>-16,081</b>
The difference consists of:		
25% of permanent differences	-4,616	-16,081
<b>Explained difference</b>	<b>-4,616</b>	<b>-16,081</b>
<b>Tax payable in the balance sheet</b>		
Tax payable in the tax charge	534,381	295,728
Tax effect of expenses recognized directly in equity	-8,495	1,740
<b>Tax payable</b>	<b>525,886</b>	<b>297,468</b>

## Note 27. Intangible assets

<i>Amounts in NOK 1000</i>	IT / Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.16	82,838	-	17,337	76,530	176,705
Additions	29,734	-	-	25,647	55,381
Disposals	-4,213	-	-	-22,018	-26,230
Acquisition cost 31.12.17	108,359	-	17,337	80,159	205,856
Accumulated depreciations 31.12.17	50,712	-	-	39,676	90,388
Net accumulated and reversed amortizations 31.12.17	-	-	-	789	789
Acc. depreciations, amortizations and rev. amortizations 31.12.17	50,712	-	-	40,465	91,177
<b>Book value 31.12.17</b>	<b>57,647</b>	<b>-</b>	<b>17,337</b>	<b>39,694</b>	<b>114,678</b>
Annual depreciations	15,561	-	-	28,012	43,573
Annual amortizations	-	-	-	789	789
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortisable	Linear	
<i>Amounts in NOK 1000</i>	IT / Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.15	105,667	12,500	17,337	74,757	184,867
Additions	22,094	-	-	27,167	49,261
Disposals	-44,923	-12,500	-	-25,394	-57,423
Acquisition cost 31.12.16	82,838	-	17,337	76,530	176,705
Accumulated depreciations 31.12.16	35,151	-	-	33,729	68,880
Net accumulated and reversed amortizations 31.12.16	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.16	35,151	-	-	33,729	68,880
<b>Book value 31.12.16</b>	<b>47,686</b>	<b>-</b>	<b>17,337</b>	<b>42,801</b>	<b>107,826</b>
Annual depreciations	13,911	-	-	28,335	42,246
Annual amortizations	-	-	-	-	-
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortisable	Linear	

IT / Software consists of software rights and proprietary developments. The connection fee provides access to the common infrastructure for payment services in Norway. The infrastructure ensures that banks are able to offer payment services which allow customers to settle transactions among themselves, independently of connections to banks. The accounting of agent commissions was in the first quarter reclassified in accordance with IAS 38 *Intangible Assets* and IAS 39 *Financial Instruments - Recognition and Measurement*. Agent commissions were reclassified from *Receivables* to *Loans to customers* and *Intangible assets*, with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Interest income* and *Ordinary depreciation*. The reclassifications did not have any effect on the profit after tax. Comparative figures has been revised accordingly.

## Note 28. Tangible fixed assets

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

  

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.15	948	2,255	1,927	5,130
Additions	-	-	-	-
Disposals	-948	-396	-1,215	-2,559
Acquisition cost 31.12.16	-	1,859	712	2,571
Accumulated depreciations 31.12.16	-	1,794	712	2,506
Net accumulated and reversed amortizations 31.12.16	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.16	-	1,794	712	2,506
<b>Book value 31.12.16</b>	<b>-</b>	<b>65</b>	<b>-</b>	<b>65</b>
Annual depreciations	89	41	50	181
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	



**Note 29. Receivables**

<i>Amounts in NOK 1000</i>	2017	2016
Distribution commissions	92,866	82,373
Prepaid expenses	4,800	12,140
Net collateral issued/received	84,700	-
Other receivables	12,434	5,406
<b>Total</b>	<b>194,800</b>	<b>99,919</b>

**Note 30. Other liabilities**

<i>Amounts in NOK 1000</i>	2017	2016
Payables to suppliers	6,545	40,903
Value added tax	8,412	3,533
Social security tax	2,467	1,862
Tax withholdings	2,335	2,090
Unsettled items related to certificates and bonds	138,135	75,235
Other liabilities	816	17,140
<b>Total</b>	<b>158,711</b>	<b>140,764</b>

**Note 31. Accrued expenses**

<i>Amounts in NOK 1000</i>	2017	2016
Accrued not due expenses	132,331	83,426
Bonus	12,131	10,152
Holiday pay	4,566	4,328
Board remuneration	1,146	1,218
Accrued fees	41	177
<b>Total</b>	<b>150,215</b>	<b>99,302</b>

**Note 32. Capital adequacy**

<i>Amounts in NOK 1000</i>	2017	2016
<b>Total capital</b>		
Share capital	186,689	180,105
+ Share premium	971,182	481,980
+ Other reserves	3,920,750	2,338,191
- Deferred tax assets, intangible assets and additional valuation adjustment	139,529	115,543
<b>Common equity Tier 1</b>	<b>4,939,091</b>	<b>2,884,734</b>
+ Additional Tier 1 capital	635,000	335,000
<b>Tier 1 capital</b>	<b>5,574,091</b>	<b>3,219,734</b>
+ Tier 2 capital	474,614	274,915
<b>Total capital</b>	<b>6,048,706</b>	<b>3,494,649</b>
<b>Calculation basis</b>		
<b>Credit risk</b>		
Covered bonds	232,981	76,611
+ Institutions	907,574	668,408
+ Loans to customers	22,472,413	17,310,780
+ Defaulted loans and other commitments	2,719,400	1,578,115
<b>Operational risk</b>	2,608,276	1,630,220
<b>Total calculation basis</b>	<b>28,940,644</b>	<b>21,264,135</b>
<b>Common equity Tier 1 %</b>	<b>17.07 %</b>	<b>13.57 %</b>
<b>Tier 1 capital %</b>	<b>19.26 %</b>	<b>15.14 %</b>
<b>Total capital %</b>	<b>20.90 %</b>	<b>16.43 %</b>

### Note 33. Tier 1 capital

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

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

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

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

### Note 34. Lease agreements

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The bank is sharing premises with Norwegian Air Shuttle ASA. A temporary lease agreement has been signed for Snarøyveien 36, Fornebu. The temporary lease agreement expires at the end of 2018 / beginning of 2019. The bank expects to extend the lease agreement for a longer period, starting from the beginning of 2019. The annual rent totals NOK 2.1 million.

### Note 35. Related parties

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Bank Norwegian AS and Norwegian Air Shuttle ASA have since October 2007 had an agreement regarding the bank's use of the brand name Norwegian, IP-rights, and co-operation regarding the loyalty program and credit cards. Based on the bank's expansion into Sweden, Denmark and Finland, new agreements has been renegotiated. All accrued rights remain. The agreements will be renegotiated by 31.12.2020. Expensed amount is NOK 275.8 million in 2017 and NOK 191.1 million in 2016.

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

### Note 36. Provisions and legal claims

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In June 2017, the bank was reported by Santander Consumer Bank, Komplet Bank, Ikano Bank and Monobank to the Council dealing with unfair marketing practices ("Næringslivets Konkurransutvalg") for breaches of section 25 of the Marketing Act ("Markedsføringsloven § 25").

In November, the bank received a copy of the minutes of a meeting in the Council dealing with unfair marketing practices. Here it is stated that, according to the Council's view, the bank's marketing practice is in violation of section 25 of the Marketing Act, good business practice between business owners.

The bank has considered the Council's statement and disagrees with the decisions made by the Council. It is the bank's view that the interpretation of section 25 of the Marketing Act is too strict and that the practice, if it were to be complied with, restricts competition between competitors. The bank also disagrees with the fact that this exclusively concerns market law, but that the area of trademark law is also relevant, which was not considered by the Council.

On 19 February 2018, the bank received a draft subpoena from Komplet Bank, Monobank and Ikano Bank. The bank has been given seven days to comply with the requirements of the draft subpoena. The bank considers that there is no basis for a subpoena.

### Note 37. Subsequent events

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The Chairman of the Board of Bank Norwegian AS and Norwegian Finans Holding ASA, Bjørn H. Kise, announced on 15 February 2018 that he will resign from both positions. The Election Committee in Norwegian Finans Holding ASA has proposed that the General Meeting elects Bjørn Østbø as Chairman of the Board of Directors of Norwegian Finans Holding ASA for a period until the Annual General Meeting in 2020.

The Election Committee in Bank Norwegian AS has proposed that the General Meeting elects current board member John Høsteland as Chairman of the Board of Bank Norwegian AS and that Bjørn Østbø is elected as a member of the board of directors of Bank Norwegian AS.

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

## Quarterly figures

### Profit and loss account

Norwegian Finans Holding Group					
Amounts in NOK 1000	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	1,152,382	1,069,793	1,016,460	934,049	846,609
Interest expenses	137,510	132,140	124,215	108,347	93,686
<b>Net interest income</b>	<b>1,014,872</b>	<b>937,653</b>	<b>892,245</b>	<b>825,702</b>	<b>752,923</b>
Commission and bank services income	120,963	104,415	93,728	80,892	62,767
Commission and bank services expenses	63,574	55,250	50,118	42,149	40,805
Net change in value on securities and currency	-3,355	685	4,612	5,516	-4,562
Other income	-	-	-	-	-
<b>Net other operating income</b>	<b>54,034</b>	<b>49,850</b>	<b>48,222</b>	<b>44,258</b>	<b>17,400</b>
<b>Total income</b>	<b>1,068,906</b>	<b>987,503</b>	<b>940,467</b>	<b>869,960</b>	<b>770,323</b>
Personnel expenses	20,501	18,711	16,351	19,394	14,257
General administrative expenses	245,239	229,649	215,419	215,979	223,340
Ordinary depreciation	11,837	10,403	10,861	11,375	11,299
Other operating expenses	12,053	11,008	10,835	11,589	11,309
<b>Total operating expenses</b>	<b>289,630</b>	<b>269,771</b>	<b>253,466</b>	<b>258,336</b>	<b>260,205</b>
Provision for loan losses	199,109	140,862	155,193	177,224	144,663
<b>Profit on ordinary activities before tax</b>	<b>580,168</b>	<b>576,870</b>	<b>531,808</b>	<b>434,400</b>	<b>365,455</b>
Tax charge	140,383	144,424	132,779	108,609	75,283
<b>Profit on ordinary activities after tax</b>	<b>439,784</b>	<b>432,446</b>	<b>399,029</b>	<b>325,791</b>	<b>290,172</b>

### Comprehensive income

Norwegian Finans Holding Group					
Amounts in NOK 1000	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
<b>Profit on ordinary activities after tax</b>	<b>439,784</b>	<b>432,446</b>	<b>399,029</b>	<b>325,791</b>	<b>290,172</b>
Change in fair value for assets held for sale	3,081	1,466	937	2,691	250
Tax	-23	-11	-7	-20	-2
<b>Other comprehensive income that may be reclassified to profit and loss</b>	<b>3,058</b>	<b>1,455</b>	<b>930</b>	<b>2,671</b>	<b>248</b>
<b>Comprehensive income for the period</b>	<b>442,842</b>	<b>433,901</b>	<b>399,959</b>	<b>328,462</b>	<b>290,420</b>

### Balance sheet

Norwegian Finans Holding Group					
Amounts in NOK 1000	31.12.17	30.9.17	30.6.17	31.3.17	31.12.16
<b>Assets</b>					
Cash and deposits with the central bank	65,976	61,979	61,981	59,986	59,992
Loans and deposits with credit institutions	1,260,947	1,769,465	1,394,852	1,071,771	1,103,359
Loans to customers	32,451,553	30,135,429	28,868,053	27,152,968	24,533,983
Certificates and bonds	8,859,834	8,365,022	8,185,779	6,567,532	4,464,203
Financial derivatives	1,935	3,304	946	2,578	-
Shares and other securities	443	443	443	443	443
Assets held for sale	32,922	29,841	28,374	27,437	24,745
Intangible assets	114,678	115,579	117,965	113,698	107,826
Deferred tax asset	15,904	8,425	8,318	7,925	7,717
Fixed assets	1,000	1,071	1,094	54	65
Receivables	194,800	123,584	131,124	126,469	99,919
<b>Total assets</b>	<b>42,999,992</b>	<b>40,614,141</b>	<b>38,798,929</b>	<b>35,130,859</b>	<b>30,402,252</b>
<b>Liabilities and equity</b>					
Deposits from customers	33,682,275	31,988,426	30,922,923	28,249,846	24,423,773
Debt securities issued	2,242,423	2,040,270	2,040,622	1,798,667	1,823,973
Financial derivatives	52,246	11,265	3,999	-	6,780
Tax payable	525,886	382,070	239,822	310,971	297,468
Other liabilities	158,711	285,142	163,695	253,117	140,764
Accrued expenses	150,216	154,636	101,988	92,092	99,302
Subordinated loan	474,614	474,536	474,721	274,892	274,915
<b>Total liabilities</b>	<b>37,286,371</b>	<b>35,336,346</b>	<b>33,947,770</b>	<b>30,979,585</b>	<b>27,066,976</b>
Share capital	186,689	186,689	186,619	186,619	180,105
Share premium	971,182	971,182	966,570	966,825	481,980
Tier 1 capital	635,000	635,000	639,683	335,000	335,000
Retained earnings and other reserves	3,920,750	3,484,925	3,058,288	2,662,831	2,338,191
<b>Total equity</b>	<b>5,713,621</b>	<b>5,277,796</b>	<b>4,851,159</b>	<b>4,151,274</b>	<b>3,335,276</b>
<b>Total liabilities and equity</b>	<b>42,999,992</b>	<b>40,614,141</b>	<b>38,798,929</b>	<b>35,130,859</b>	<b>30,402,252</b>

## Profit and loss account

		Norwegian Finans Holding ASA	
Amounts in NOK 1000	Note	2017	2016
Interest income		45	15
Interest expenses		-	-
<b>Net interest income</b>		<b>45</b>	<b>15</b>
Commission and bank services income		-	-
Commission and bank services expenses		362	323
Net change in value on securities and currency		-	6,164
Other income		-	-
<b>Net other operating income</b>		<b>-362</b>	<b>5,841</b>
<b>Total income</b>		<b>-317</b>	<b>5,856</b>
Personnel expenses	2	1,004	2,099
General administrative expenses		-	-
Ordinary depreciation		-	-
Other operating expenses		2,012	4,775
<b>Total operating expenses</b>		<b>3,016</b>	<b>6,875</b>
Provision for loan losses		-	-
<b>Profit on ordinary activities before tax</b>		<b>-3,333</b>	<b>-1,019</b>
Tax charge	3	-833	-255
<b>Profit on ordinary activities after tax</b>		<b>-2,500</b>	<b>-764</b>

## Comprehensive income

		Norwegian Finans Holding ASA	
Amounts in NOK 1000		2017	2016
<b>Profit on ordinary activities after tax</b>		<b>-2,500</b>	<b>-764</b>
<b>Comprehensive income for the period</b>		<b>-2,500</b>	<b>-764</b>

## Balance sheet

		Norwegian Finans Holding ASA	
Amounts in NOK 1000		31.12.17	31.12.16
<b>Assets</b>			
Loans and deposits with credit institutions		6,794	8,643
Ownership interests in group companies	4	1,150,000	650,000
Deferred tax asset	3	7,003	3,946
Receivables		-	6,164
<b>Total assets</b>		<b>1,163,797</b>	<b>668,752</b>
<b>Liabilities and equity</b>			
Other liabilities		22	32
Accrued expenses		1,171	1,627
<b>Total liabilities</b>		<b>1,193</b>	<b>1,659</b>
Share capital		186,689	180,105
Share premium		971,182	481,980
Retained earnings and other reserves		4,734	5,008
<b>Total equity</b>	5	<b>1,162,605</b>	<b>667,093</b>
<b>Total liabilities and equity</b>		<b>1,163,797</b>	<b>668,752</b>

Bærum, 27 February 2018  
Board of Directors of Norwegian Finans Holding ASA

\_\_\_\_\_  
Bjørn H. Kise  
Chairman of the Board

\_\_\_\_\_  
Anita Aarnæs  
Board Member

\_\_\_\_\_  
John Høsteland  
Board Member

\_\_\_\_\_  
Christine Rødsæther  
Board Member

\_\_\_\_\_  
Tine Wollebekk  
CEO

## Cash flow statement

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA	
	2017	2016
Profit / loss before tax	-2,500	-764
Change in other accruals	3,107	-8,569
Change in short-term liabilities	-466	324
<b>Net cash flow from operating activities</b>	<b>141</b>	<b>-9,009</b>
Net investment in group companies	-500,000	-340,000
<b>Net cash flows from investment activities</b>	<b>-500,000</b>	<b>-340,000</b>
Paid-in equity	498,011	340,637
<b>Net cash flow from financing activities</b>	<b>498,011</b>	<b>340,637</b>
Net cash flow for the period	-1,849	-8,372
Cash and cash equivalents at the start of the period	8,643	17,014
<b>Cash and cash equivalents at the end of the period</b>	<b>6,794</b>	<b>8,643</b>

## Changes in equity

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA				
	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
<b>Balance 31.12.16</b>	<b>180,105</b>	<b>481,980</b>	-	<b>5,008</b>	<b>667,093</b>
This period's profit	-	-	-	-2,500	-2,500
<b>Comprehensive income for the period</b>	-	-	-	<b>-2,500</b>	<b>-2,500</b>
Capital increase	6,585	498,098	-	-	504,683
Share issue expenses	-	-8,895	-	2,224	-6,671
<b>Balance 31.12.17</b>	<b>186,689</b>	<b>971,182</b>	-	<b>4,734</b>	<b>1,162,605</b>
<b>Balance 31.12.15</b>	<b>173,195</b>	<b>150,402</b>	-	<b>3,623</b>	<b>327,220</b>
This period's profit	-	-	-	-764	-764
<b>Comprehensive income for the period</b>	-	-	-	<b>-764</b>	<b>-764</b>
Capital increase	6,909	340,178	-	-	347,087
Share issue expenses	-	-8,600	-	2,150	-6,450
<b>Balance 31.12.16</b>	<b>180,105</b>	<b>481,980</b>	-	<b>5,008</b>	<b>667,093</b>

## Notes for Norwegian Finans Holding ASA

### Note 1. General accounting principles

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

The financial statements for 2017 have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and some additions from the Financial Reporting Act of 1998.

Shares held by Norwegian Finans Holding ASA is 100 % of the shares in Bank Norwegian AS. The shares is recognised at cost, and eliminated in the group accounts.

Transactions with group companies is done on ordinary terms and principles.

The tax expense is accrued over the year based on the estimated tax expense for the year. The tax expense is estimated at 25% of the bank's operating profit, and consists of current tax (payable tax) and changes in deferred tax.

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

## Note 2. Salaries and other personnel expenses

Norwegian Finans Holding ASA has no employees. Bonus to key executives are earned according to circular 11/2011 from The Financial Supervisory Authority of Norway, "Godtgjørelsesordninger i finansinstitusjoner" (Compensation arrangements at banks) as such key executives receive the entire bonus in shares with a lock-in period of three years. See note 19 in the group accounts for further information.

### Fees paid out to the Board of Directors

<i>Amounts in NOK 1000</i>	2017	2016
Bjørn H. Kise	250	250
Anita Marie Hjerkin Aarnæs	250	250
Brede Huser	250	200
Maria Borch Helsingreen	200	200
John Høstelund	125	125
Kristin Farstad	50	125
Daniel Andreas Skjeldam	-	50
Karin Bing Orgland	-	50
<b>Total</b>	<b>1,125</b>	<b>1,250</b>

### Fees paid out to the Control Committee

<i>Amounts in NOK 1000</i>	2017	2016
Knut Gillesen	16	65
Sigmund Håland	13	50
Jarl Borgvin Dørre	13	50
Cecilie Kvalheim	-	25
<b>Total</b>	<b>41</b>	<b>190</b>

### Fees paid out to the Supervisory Board

<i>Amounts in NOK 1000</i>	2017	2016
Alf Nielsen	25	25
Sven Nicolai E. Eppeland	5	5
Christian F. Stray	5	5
Tord Strømme Meling	5	5
Betty Tandberg	5	5
Gunnar Martinsen	5	5
Thomas Berntsen	5	5
Truls Persen	5	5
Dag Håvard H. Hanssen	5	5
Bjørn Olaf Svindal	5	5
Kristin Møllerplass	5	5
Anders Gullestad	5	5
Håkon Rådmannsøy Hovde	5	5
Andreas S. Pedersen	5	-
Roger Stange Nilsen	5	5
Brede Huser	-	5
Sammy J.F. Mendez Caparros	-	5
<b>Total</b>	<b>95</b>	<b>100</b>

### Auditor fees

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

<i>Amounts in NOK 1000</i>	2017	2016
Statutory auditing	94	100
Other certification services	17	31
Tax advisory services	-	-
Other non-audit services	19	209
<b>Total</b>	<b>130</b>	<b>340</b>

### Note 3. Information on taxes

Amounts in NOK 1000	2017	2016
<b>Deferred tax asset / deferred tax</b>		
Loss and remuneration to be carried forward	-28,011	-15,783
Basis for deferred tax asset / deferred tax in the balance sheet	-28,011	-15,783
Deferred tax asset / deferred tax	-7,003	-3,946
<b>Deferred tax asset / deferred tax in the accounts</b>	<b>-7,003</b>	<b>-3,946</b>
<b>Basis for tax charge, changes in deferred tax and tax payable</b>		
Profit before tax	-3,333	-1,019
Basis for the tax charge for the year	-3,333	-1,019
Change in losses and remuneration to be carried forward	12,228	9,619
Share issue expenses	-8,895	-8,600
Basis for tax payable in the profit and loss	-	-
<b>Taxable income (basis for tax payable in the balance sheet)</b>	<b>-</b>	<b>-</b>
<b>Distribution of tax charge</b>		
Total tax payable	-	-
Change in deferred tax / tax asset	-833	-255
<b>Tax charge</b>	<b>-833</b>	<b>-255</b>
<b>Reconciliation of tax charge</b>		
Profit before tax	-3,333	-1,019
Estimated tax expense (25%)	-833	-255
Tax charge in profit and loss account	-833	-255
<b>Difference</b>	<b>-</b>	<b>-</b>

### Note 4. Ownership interests in group companies

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

### Note 5. Capital adequacy

Amounts in NOK 1000	31.12.17	31.12.16
<b>Total capital</b>		
Share capital	186,689	180,105
+ Share premium	971,182	481,980
+ Other reserves	4,734	5,008
- Deferred tax assets, intangible assets and additional valuation adjustment	7,003	3,946
<b>Common equity Tier 1</b>	<b>1,155,602</b>	<b>663,148</b>
+ Additional Tier 1 capital	-	-
<b>Tier 1 capital</b>	<b>1,155,602</b>	<b>663,148</b>
+ Tier 2 capital	-	-
<b>Total capital</b>	<b>1,155,602</b>	<b>663,148</b>
<b>Calculation basis</b>		
<b>Credit risk</b>		
Covered bonds	-	-
+ Institutions	1,359	1,729
+ Loans to customers	-	-
+ Defaulted loans and other commitments	1,150,000	656,164
<b>Operational risk</b>	<b>-</b>	<b>-</b>
<b>Total calculation basis</b>	<b>1,151,359</b>	<b>657,892</b>
<b>Common equity Tier 1 %</b>	<b>100.37 %</b>	<b>100.80 %</b>
<b>Tier 1 capital %</b>	<b>100.37 %</b>	<b>100.80 %</b>
<b>Total capital %</b>	<b>100.37 %</b>	<b>100.80 %</b>

	SHAREHOLDER		# OF SHARES
1	Norwegian Air Shuttle ASA		30,623,739
2	Goldman Sachs & Co.	Nominee	15,438,064
3	Danske Bank AS		8,766,544
4	Folketrygdfondet		7,663,741
5	Brumm AS		6,739,432
6	Green 91 AS		6,313,434
7	Stenshagen Invest AS		4,551,416
8	JP Morgan Chase Bank	Nominee	4,358,191
9	Banque Degroof Petercam	Nominee	4,098,316
10	Sneisungen AS		4,076,841
11	Swedbank Robur Småbølgsfond Norden		4,045,133
12	Banque Degroof Petercam	Nominee	3,425,999
13	KM Aviatrix Invest AS		2,790,635
14	GKB Invest AS		2,640,635
15	Tvenge Torstein Ingvald		2,500,000
16	MP Pensjon PK		2,440,995
17	Songa AS		2,083,120
18	JP Morgan Chase Bank	Nominee	1,879,788
19	Swedbank Robur Nordenfond		1,700,000
20	Verdipapirondet Pareto Nordic		1,617,000
	Top 20		<b>117,753,023</b>
	Total		<b>186,688,897</b>



## Corporate governance

Corporate governance at Norwegian Finans Holding ASA complies with Norwegian law and the Norwegian Code of Practice for Corporate Governance (NUES). The Board of Directors of Norwegian Finans Holding ASA evaluates annually compliance with the company's corporate governance principles, in relation to the Norwegian Accounting Act, Section 3-3b and the Norwegian Code of Practice for Corporate Governance. Any deviations from the Code are explained.

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

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

### THE NORWEGIAN CODE OF PRACTICE FOR CORPORATE GOVERNANCE

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

#### 1. Description of corporate governance

The Group's activities shall be governed on the basis of high ethical standards and account shall be taken of our stakeholders in the bank's ordinary course of business. The bank shall maintain responsible credit standards and ensure that we provide all relevant information to our customers so that they are able to make informed decisions. We only approve loan applications from customers that we believe have the willingness and ability to repay the loan according to the loan terms.

Bank Norwegian has established corporate social responsibility and ethical guidelines, which govern the activities of the bank.

#### 2. Activities

The bank's activities are described in the Articles of Association, which are available on the company's website. The bank may, subject to the applicable legislation, carry out all transactions and services which it is customary or natural for a bank to perform. Bank Norwegian offers banking services through the Internet to retail customers in the Nordic market.

The Board's annual and interim reports describe the company's goals and main strategies. The bank's strategy is based on leading digital solutions, synergies with the airline Norwegian, attractive terms to customers, cost-effective operations and effective risk selection.

#### 3. Share capital and dividends

The Board continuously monitors the company's capital situation in light of the defined goals, strategy and risk profile. The bank has a strong capital position with a common equity Tier 1 ratio of 17,0 per cent, a Tier 1 capital ratio of 19,2 per cent and a total capital ratio of 20,9 per cent at 31 December 2017. The Group has a common equity Tier 1 ratio of 17,1 per cent, a Tier 1 capital ratio of 19,3 per cent and a total capital ratio of 20,9 per cent. The bank's significant growth and profitability provides significant flexibility to manage the capital situation.

Norwegian Finans Holding ASA aims to create shareholder value through a combination of share price growth and dividend yield. The Board has adopted a dividend policy which targets a long-term dividend payout ratio of at least 40 per cent of earnings. The bank is planning to distribute excess capital above a target capitalisation level to the shareholders. Due to the stability of its underlying earnings, the bank intends to pay quarterly dividends. The payout ratio will depend partly on expected loan growth and earnings growth as well as regulatory capital requirements. Changes in the bank's operating conditions and prospects may affect its ability to pay dividends and the payout ratio.

The general shareholders' meeting has authorised the Board to increase the share capital to enable issuance of shares as non-cash consideration under incentive schemes and to increase the share capital for acquisitions which are consistent with the company's objects or necessary to strengthen the company's equity capital. The general shareholders' meeting has also authorised the Board to buy back shares. The Board authorisations remain valid until the Annual General Meeting in 2018.

#### **4. Equal treatment of shareholders and related-party transactions**

The company has one class of shares. When the share capital is increased existing shareholders are given priority. If the Board proposes to the general shareholders' meeting to disapply the pre-emption rights of existing shareholders such disapplication must be based on the company's and shareholders' common interests.

The company has adopted guidelines on conflicts of interest. The Board assesses potential conflicts of interest in all matters considered by the Board. The rules of procedure for the Board of Directors are reviewed annually.

Board members and senior executives are required to notify the Board of any significant interests in an agreement which the company intends to conclude.

The Board obtains external independent valuations of the market value of the company's shares when the share capital is increased in connection with the bank's share-based incentive scheme.

Norwegian Air Shuttle ASA is the company's largest shareholder with a stake of 16,4 per cent. Since October 2007 Bank Norwegian AS and Norwegian Air Shuttle ASA have had an agreement governing the bank's use of the Norwegian brand, intellectual property rights, and collaboration on loyalty programmes and credit cards. Following the establishment of banking operations in Sweden, Denmark and Finland, new agreements have been negotiated. Existing acquired rights have been transferred. The agreements are due for renegotiation by 31 December 2020.

#### **5. Free negotiability**

The company's shares are listed on the Oslo Stock Exchange and are freely negotiable. There are no statutory restrictions on trade.

#### **6. The general shareholders' meeting**

Notice of a general meeting of shareholders and of the appointment of the Nominating Committee must be available on the company's website no later than 21 days before a general shareholders' meeting. The deadline for registration is the last day before the meeting.

The Chairman of the Board, Chairman of the Nominating Committee, Chief Executive Officer, Chief Financial Officer and the company's auditor participate at general shareholders' meetings. Members of the Board of Directors may also participate.

The voting procedures are described in the notice of the meeting, including the procedure for representation by proxy. A general shareholders' meeting provides an opportunity to vote on each matter to be considered and each candidate for election to the company's governing bodies. Shareholders can attend a general shareholders' meeting and exercise their rights as shareholders by electronic means and cast their votes in advance in writing. The minutes of general shareholders' meetings are available on the company's website.

#### **7. The Nominating Committee**

Under the Articles of Association, the bank is required to have a Nominating Committee which shall make recommendations to the Annual General Meeting on the election of shareholder-elected Directors and Deputy Directors of the Board, the members and deputy members of the Nominating Committee, and the remuneration of the same.

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

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

No Directors or representatives of management are members of the Nominating Committee.

#### **8. Board composition and independence**

The company's Board of Directors shall consist of five to seven members, all of whom shall be elected by the general shareholders' meeting. The general shareholders' meeting shall appoint the Chairman of the Board from among the members of the Board. Directors are elected for two-year terms. In 2017 the Board of Directors of Norwegian Finans Holding ASA have consisted of five members, two of whom were women.

Board member, Brede Huser, resigned from the board of Norwegian Finance Holding on 17 December 2017. The Election Committee proposes that the general meeting on 14. Mars 2018 elects, Rolv-Erik Spilling, as a member of the Board of Directors of Norwegian Finans Holding ASA for a period until the Annual General Meeting in 2020.

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

The independence of Directors is assessed in connection with their election. The Board of Directors of Bank Norwegian AS held 10 meetings and the Board of Directors of Norwegian Finans Holding ASA held 10 meetings in 2017.

The Board of Directors of Norwegian Finans Holding ASA consists of the following Directors:

#### **Bjørn H. Kise (1950)**

Chairman of Norwegian Finans Holding ASA since 2007. LL.M. from the University of Oslo. Partner of the law firm Simonsen Vogt Wiig (formerly Advokatfirmaet Vogt Wiig AS) since 1983. Since 1997 Bjørn H. Kise has had the right to attend sittings of the Supreme Court of Norway. Bjørn H. Kise is Chairman of Norwegian Air Shuttle ASA and holds directorships in several large and medium-sized companies in Norway and abroad. Bjørn H. Kise announced 15 December 2018 that he will resign as Chairman of the Board of Directors in Norwegian Finans Holding ASA and Bank Norwegian AS.

The Election Committee has on 26 February 2018 proposed that the General Meeting elects Bjørn Østbø as Chairman of the Board of Directors of Norwegian Finans Holding ASA for a period until the Annual General Meeting in 2020.

#### **Anita Aarnæs (1950)**

Director since 2007. Masters degree from Harvard University. Anita Aarnæs has been HR Director of DNO, head of Heidrick & Struggles' Norwegian business (2010-2012) and head of Triple A Consulting (2003-2010), and has held several positions at PA Consulting over the period 1983-2003.

#### **John Høsteland (1947)**

Director since 2007. Ph.D. in Economics from the Norwegian University of Life Sciences in Ås. John Høsteland is self-employed through JH Consulting, offering consulting services aimed at corporate clients. He has previously been CEO of several companies, including Høegh Capital Management AS, Skogbrand Forsikring, First Securities ASA and Elcon Securities ASA. John Høsteland is a Director of Høegh Capital Partners ASA, Guardian Corporate AS and First Fondene AS.

#### **Christine Rødsæther**

Director since 2017. Christine Rødsæther has since 2002 been a partner in the law firm Simonsen Vogt Wiig AS and has extensive experience in banking and finance, contract law as well as shipping and offshore. She has previous experience from Wikborg, Rein & Co. and Andersen Legal ANS. Rødsæther has a Master of Law, University of the Pacific, Sacramento, California and Cand. Jur., University of Bergen. Rødsæther has extensive board experience from a number of listed companies.

## **9. The work of the Board**

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

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

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

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

The Board as a whole constitutes the bank's Remuneration Committee and appoints the chairman of the committee from among its independent members. The committee chairman is appointed annually.

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

## **10. Risk management and internal control**

The bank's risk management shall ensure the achievement of the bank's strategic objectives while also ensuring financial stability.

This goal shall be achieved through:

- A strong organisational culture marked by a high level of risk awareness.
- A good understanding of the risks that drive earnings.
- A striving for optimal capital utilisation within the framework of the adopted business strategy.

- Avoidance of unexpected individual events that can damage the bank's financial position.

The Board has adopted policies for financial risk, credit risk and internal control. As outlined in these policies and in the business strategy, the bank shall primarily generate earnings through exposure to unsecured lending in the retail segment. Other financial risks, such as market risk, interest rate risk, currency risk and counterparty risk, are limited by the defined risk limits. The risk limits are determined in relation to the bank's buffer capital and risk-bearing capacity.

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

- Roles and responsibilities.
- Guidelines and procedures for managing and controlling risk.
- Strategic planning and capital planning.
- Reporting and monitoring.
- Contingency plans.

### **Roles and responsibilities**

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

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

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

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

The internal audit function shall assist the Board and CEO in discharging their responsibilities for ensuring satisfactory internal control. It shall also assess the appropriateness and effectiveness of the bank's management and control processes.

### **Guidelines and procedures for managing and controlling risk**

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

### **Strategic planning and capital planning**

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

### **Reporting and monitoring**

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

### **Contingency plans**

The Group has established Board-approved contingency plans for ensuring sufficient capital and liquidity in the event that internal and/or external factors have a negative impact on the bank's solvency or liquidity.

## **11. Remuneration of Directors**

The remuneration of Directors is determined by the general shareholders' meeting based on the recommendation of the Nominating Committee. The remuneration of Directors is not performance-based or dependent on the company's share performance. None of the Directors have responsibilities for the company beyond their directorships. The remuneration of Directors is disclosed in the annual report.

## **12. Remuneration of senior executives**

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

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

## **13. Information and communication**

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

## **14. Takeover**

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

The Board of Directors of Norwegian Finans Holding ASA handles any takeover bids in accordance with the principle of equal treatment of shareholders. The Board also seeks to ensure that shareholders are given the best possible information in all situations which affect their interests.

## **15. Auditor**

The auditor presents the annual audit plan to the Board. The auditor participates in Board meetings at which the annual accounts are discussed. Each year, the auditor reviews the company's internal control system with the Board. The Board meets the auditor without the presence of management. Each year, the auditor confirms his or her independence in writing and gives an account of which other services other than the statutory audit have been provided to the company during the financial year.

# Corporate Social Responsibility

## Background

Bank Norwegian plays an important function in society by offering financing and saving products and services in addition to payment services in the Nordic retail market. Corporate social responsibility for Bank Norwegian is to reconcile profitability with responsible operations. An adoption of specific corporate responsibility guidelines integrates corporate responsibility into goals and strategies. As part of responsible operations, operations in Bank Norwegian shall be exercised in accordance with all applicable laws and regulations, and by a high ethical standard.

The bank's operations in the retail market requires a long-term perspective and a high level of trust. The trust of customers and society are based on a good reputation. To contribute to confidence, Bank Norwegian shall conduct a transparent business and communicate openly with customers, employees, shareholders and other stakeholders in line with the regulations for listed companies on the Oslo Stock Exchange.

## Corporate social responsibility guidelines

Bank Norwegian has prepared specific guidelines for corporate social responsibility adopted by the board on 13 February 2017. The considerations that underlie the guidelines are implemented in the bank's policies and guidelines, and are as such integrated into the bank's daily operations.

## Responsible credit practices

The bank shall maintain a responsible credit practice where we provide all relevant information to customers enabling them to make informed decisions. We grant only loan applications from customers we believe have the willingness and ability to repay the loan in accordance with the terms of the loan. We price our products based on relevant factors such as credit risk, costs, and competition and market conditions. We respond quickly to customer requests and correct if we have made mistakes. The bank has adopted a credit policy that ensures a responsible credit practice.

## Responsible investment and human rights, etc.

Bank Norwegian support UN and EU conventions on human rights and human dignity. The bank shall conduct responsible investment that safeguards human rights, social issues and the environment. The bank's investment policy states that the bank's liquid assets shall be invested in fixed income securities issued by governments, municipalities and financial institutions in the Nordic region. The bank does not invest in shares. Bank Norwegian does therefore not support businesses operating in violation of the UN and EU conventions on human rights or other social conditions, nor those who acts detrimental to the external environment.

## Labour rights and social conditions

Bank Norwegian shall be an attractive and inclusive workplace with a good psychosocial and physical environment. The bank has established policies and procedures within employment, health, safety and environment, whistleblowing, intimidation and violence, harassment and discrimination and ethics. The bank has established a Workers Environment and Liaison Committee. The bank is considered to have a good working environment with low employee turnover and low work absence.

## The external environment

The business operations aim to support environmental sustainability and minimize its negative impact on the environment. Bank Norwegian shall exercise environmental considerations in all aspects of the business. The bank offers its services exclusively over the internet and operates from one office with 69.5 man-labour years. The bank's procedures and processes are largely automated with electronic documentation and communication that reduces paper consumption and transportation. The bank has not prepared specific guidelines related to the external environment, although its interests are considered covered through the bank's business model.

## Ethics and fighting corruption

The bank shall be managed based on high ethical standards and fight money laundering, terrorist financing and corruption through conducting its business operations. An annual ethics seminar is a mandatory requirement for all employees. The bank has established ethics procedures that outlines guidelines for employee's behavior. Bank Norwegian has policies and dedicated resources for fighting matters such as money laundering, terrorism financing, crime financing, fraud, identity theft, extortion and bribery. The bank participates in various forums for international anti-money laundering and corruption such as the Sikkerhetsforum, Nordic Fraud Sharing Group and European Fraud Sharing Group in addition to attending external seminars.

# Statement

## pursuant to Section 5-5 of the Securities Trading Act

We hereby confirm that the annual financial statements for the Group and the company for the period 1 January through 31 December 2017 to the best of our knowledge have been prepared in accordance with applicable accounting standards, and give a true and fair view of the Group and the company's assets, liabilities, financial position and profit and loss as a whole.

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

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

Bærum, 27 February 2018

The Board of Directors of Norwegian Finans Holding ASA

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Bjørn H. Kise  
Chairman of the Board

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Anita Aarnæs  
Board Member

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John Høsteland  
Board Member

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Christine Rødsæther  
Board Member

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Tine Wollebekk  
CEO