

Report for the first quarter 2016

Norwegian Finans Holding ASA

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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 NFH 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 20%. Norwegian Finans Holding ASA is registered at NOTC with the ticker code BANK.

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, offering consumer loans and deposit accounts, while credit cards will be launched in June 2016.

The strategy is based on leading e-commerce solutions, synergies with the airline Norwegian, attractive terms for our customers, cost-effective operations and effective risk selection.

At the end of the first quarter 2016 the bank had a customer base of 676,600 customers, which can be broken down into 490,800 credit card customers, 96,600 loan customers and 89,200 deposit customers.

Based on the Group's strong growth in 2015 and first quarter 2016, in addition to forecasts for future developments, a private placement was completed in April and a subsequent equity issue will be carried out in June 2016. At the same time the Board decided to apply for a listing of the NFH share on the Oslo Stock Exchange.

In this regard, the Bank has adopted IFRS from January 1, 2016. Published financial accounts for 2015 have been restated in accordance with IFRS. The implementation of IFRS resulted in the bank's stake in Visa Norway FLI, following the sale of Visa Europe to Visa Inc., being recognized in the fourth quarter 2015. The expected proceeds of MNOK 60.4 were recognized as an asset held for sale in the restated IFRS accounts in the fourth quarter 2015. In describing the development in the first quarter the restated accounts for the fourth quarter 2015 are used as a benchmark.

Profit and loss for the first quarter of 2016

The NFH Group's comprehensive income amounted to MNOK 164.9 compared with MNOK 229.7 in the fourth quarter 2015. The decline was mainly due to recognized unrealized gain of MNOK 60.0 related to ownership in Visa Norway FLI. Annual return on

equity in the first quarter was 36.9%, while return on assets was 3.5%.

Net interest income amounted to MNOK 477.2, an increase of MNOK 62.2 from the fourth quarter. The net interest margin increased from 9.9% in the fourth quarter to 10.1%. The deposit insurance levy for 2016 is recognized in full in the first quarter.

Net other operating income amounted to MNOK 41.2 compared with MNOK 44.6 in the fourth quarter. Net commission income decreased MNOK 3.8 to MNOK 34.3. Net gain on securities and currency amounted to MNOK 6.9.

Total operating expenses amounted to MNOK 203.5 compared with MNOK 159.2 in the fourth quarter. Personnel expenses increased MNOK 1.2. Administrative expenses increased MNOK 41.0 due to increased marketing expenses, hereunder in connection with starting up operations in Denmark and Finland. Depreciation increased MNOK 0.5. Other operating expenses increased MNOK 1.7.

The bank's write-downs on loans were MNOK 95.0, an increase of MNOK 26.5 from the fourth quarter. Write-downs equalled 2.5% of average gross loans, compared with 2.1% in the fourth quarter. The increase is due to increased write-downs in Norway, Sweden and Finland. Gross delinquent loans were MNOK 981.5, compared with MNOK 819.1 at the end of 2015. Delinquent loans accounted for 5.9% of gross loans, compared with 5.8% at the end of the previous quarter. Gross non-performing loans accounted for 4.4% of gross loans, compared with 4.5% as of 31.12.2015.

Balance sheet as of March 31, 2016

Total assets increased MNOK 2.743 in the quarter and amounted to MNOK 20.347. Net loans to customers increased MNOK 2.393 and amounted to MNOK 16.202. Consumer loans amounted to MNOK 12.455 and credit card loans amounted to MNOK 4.218.

Customer deposits increased MNOK 2.561 in the first quarter and amounted to MNOK 15.928 at the end of the quarter.

Liquid assets increased MNOK 323 and amounted to MNOK 3,828, equivalent to 18.8% of total assets.

Total equity amounted to MNOK 2.024, compared with MNOK 1,860 as of 31.12.2015. The total capital ratio was 14.2%, the core capital ratio was 13.0% and the common equity tier 1 ratio was 12.2%.

There has been a limited review of the accounts as of 31.3.2016, and the full result is added to retained earnings.

Outlook for the remaining of the year

The economic trends differ in the Nordic markets where the bank operates. The Norwegian economy shows weaker growth and rising unemployment. The Swedish economy shows strong growth and falling unemployment. The Danish and Finnish economies show weak growth and stable unemployment. Increased unemployment may entail higher levels of loan losses.

The level of interest rates in the countries where the bank is represented is expected to remain low going forward. The bank is expected to benefit from the low levels of interest rates through low funding costs going forward.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality, but the results will be impacted by the launch of operations in Denmark and Finland. The operations in Denmark and Finland are expected to be profitable within a year.

The bank experiences increased competition in the Norwegian market for unsecured credit due to the

arrival of new competitors. Increased competition may lead to higher customer acquisition cost, margin pressure and lower growth. 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 and Sweden show a stable development and the level of write-downs is expected to remain stable going forward. Higher write-downs are expected initially in Denmark and Finland.

The bank has a sound capital situation. The current capital base and capital increases will ensure a sufficient capital base for the bank's growth ambitions.

Bærum, April 27, 2016
Board of directors in Norwegian Finans Holding ASA

Bjørn H. Kise
Chairman of the Board

Anita Aarnæs
Board Member

Maria Borch Helsengreen
Board Member

Kristin Farstad
Board Member

Brede G. Huser
Board Member

John Høsteland
Board Member

Erik Jensen
CEO

Profit and loss account

<i>Amounts in NOK 1000</i>	Note	Norwegian Finans Holding ASA		
		Q1 2016	Q1 2015	2015
Interest income		4	10	24
Interest expenses		-	-	-
Net interest income	17	4	10	24
Commission and bank services income		-	-	-
Commission and bank services expenses	18	18	77	315
Net change in value on securities and currency		-	-	-
Other income		-	-	-
Net other operating income		-18	-77	-315
Total income		-13	-67	-291
Personnel expenses		763	336	1.431
General administrative expenses		-	-	-
Ordinary depreciation		-	-	-
Other operating expenses	10	-	35	99
Total operating expenses		763	371	1.530
Provision for loan losses		-	-	-
Profit on ordinary activities before tax		-776	-438	-1.821
Tax charge	26	-194	-118	-368
Profit on ordinary activities after tax		-582	-320	-1.453

Comprehensive income

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Profit on ordinary activities after tax	-582	-320	-1.453
Comprehensive income for the period	-582	-320	-1.453

Profit and loss account

<i>Amounts in NOK 1000</i>	Note	Norwegian Finans Holding Group		
		Q1 2016	Q1 2015	2015
Interest income		559.231	379.103	1.710.433
Interest expenses		82.079	82.986	285.822
Net interest income	17	477.152	296.117	1.424.611
Commission and bank services income	18	55.602	39.066	192.647
Commission and bank services expenses	18	21.282	16.205	78.564
Net change in value on securities and currency	22	6.916	-2.356	-18.674
Other income		-	-	214
Net other operating income		41.237	20.504	95.624
Total income		518.388	316.621	1.520.235
Personnel expenses		17.751	14.533	58.172
General administrative expenses	9	173.170	103.013	477.694
Ordinary depreciation	27,28	3.727	5.789	15.477
Other operating expenses	10	8.863	4.203	22.236
Total operating expenses		203.511	127.538	573.580
Provision for loan losses	4	95.027	39.349	207.886
Profit on ordinary activities before tax		219.851	149.734	738.770
Tax charge	26	54.963	40.428	198.937
Profit on ordinary activities after tax		164.888	109.306	539.833

Comprehensive income

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Profit on ordinary activities after tax	164.888	109.306	539.833
Change in fair value for assets held for sale	-	-	60.446
Tax	-	-	-453
Other comprehensive income that may subsequently be reclassified to profit and loss	-	-	59.992
Comprehensive income for the period	164.888	109.306	599.825

Balance sheet

Amounts in NOK 1000	Note	Norwegian Finans Holding ASA			
		31.3.16	31.12.15	31.3.15	1.1.15
Assets					
Loans and deposits with credit institutions	8,13,14,20	16.997	17.014	13.168	13.342
Ownership interests in group companies	19	310.000	310.000	310.000	310.000
Deferred tax asset	26	1.735	1.541	1.291	1.172
Receivables and accrued income		4	-	73	-
Total assets		328.736	328.555	324.531	324.515
Liabilities and equity					
Other liabilities	30	6	-	-	-
Accrued expenses and unearned income received	31	2.092	1.335	1.651	1.315
Total liabilities		2.098	1.335	1.651	1.315
Share capital		173.195	173.195	173.000	173.000
Share premium reserve		150.402	150.402	145.123	145.123
Retained earnings and other reserves		3.041	3.623	4.756	5.076
Total equity	32	326.638	327.220	322.880	323.200
Total liabilities and equity		328.736	328.555	324.531	324.515

Amounts in NOK 1000	Note	Norwegian Finans Holding Group			
		31.3.16	31.12.15	31.3.15	1.1.15
Assets					
Cash and deposits with the central bank	8,13,14,15,20,23	58.971	58.987	59.029	58.998
Loans and deposits with credit institutions	8,13,14,15,20,23	437.324	477.841	321.454	299.705
Loans to customers	5,6,7,13,14,15,20,23	16.201.657	13.808.175	10.131.912	9.418.807
Certificates and bonds	13,14,20,21	3.331.623	2.968.530	2.987.766	3.462.993
Financial derivatives	20,21	6.683	-	-	-
Shares and other securities	20,21	443	443	443	443
Assets held for sale	20,25	60.446	60.446	-	-
Intangible assets	27	44.730	42.253	36.801	33.874
Deferred tax asset		8.404	8.210	1.444	1.326
Fixed assets	28	461	526	1.021	1.124
Receivables and accrued income	29	196.242	178.198	138.873	138.721
Total assets		20.346.982	17.603.609	13.678.743	13.415.991
Liabilities and equity					
Loans from credit institutions					
Deposits from customers	13,14,15,20,23	15.928.036	13.366.590	9.961.883	10.155.698
Debt securities issued	13,14,20,23,24	1.880.311	1.879.571	1.880.409	1.605.882
Financial derivatives	20,21	-	7.679	1.421	-
Tax payable	26	192.031	202.086	122.298	127.276
Other liabilities	30	58.931	36.374	23.665	21.755
Accrued expenses and unearned income received	31	88.975	76.258	146.244	70.569
Subordinated loan	13,14,20,23,24	174.971	174.962	174.955	174.967
Total liabilities		18.323.256	15.743.521	12.310.875	12.156.146
Share capital		173.195	173.195	173.000	173.000
Share premium reserve		150.402	150.402	145.123	145.123
Tier 1 capital	33	125.000	125.000	125.000	125.000
Retained earnings and other reserves		1.575.130	1.411.491	924.744	816.721
Total equity	32	2.023.726	1.860.088	1.367.867	1.259.845
Total liabilities and equity		20.346.982	17.603.609	13.678.743	13.415.991

Bærum, 27 April 2016
Board of Directors of Norwegian Finans Holding ASA

Bjørn H. Kise
Chairman of the Board

Anita Aarnæs
Board Member

Maria Borch Helsengreen
Board Member

Kristin Farstad
Board Member

Brede G. Huser
Board Member

John Høstelund
Board Member

Erik Jensen
CEO

Cash flow statement

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Profit / loss before tax	-582	-320	-1.453
Change in other accruals	-198	-191	-368
Change in short-term liabilities	763	336	20
Net cash flow from operating activities	-18	-175	-1.801
Paid-in equity	-	-	5.473
Net cash flow from financing activities	-	-	5.473
Net cash flow for the period	-18	-175	3.672
Cash and cash equivalents at the start of the period	17.014	13.342	13.342
Cash and cash equivalents at the end of the period	16.997	13.168	17.014

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Profit / loss before tax	164.888	109.306	599.825
Unrealized gain or losses on currency	-20.167	-7.712	-14.581
Depreciations and amortizations	3.727	5.789	15.477
Provision for loan losses	95.027	39.349	207.886
Change in loans	-2.488.508	-752.454	-4.597.254
Change in deposits from customers	2.561.446	-193.814	3.210.893
Change in securities	-363.093	475.228	494.464
Change in other accruals	-24.921	-253	-46.361
Change in short-term liabilities	17.538	74.028	102.803
Net cash flow from operating activities	-54.063	-250.534	-26.848
Net change in assets held for sale	-	-	-60.446
Payment for acquisition of intangible assets	-6.138	-8.613	201
Disposals of fixed assets	-	-	-23.459
Net cash flow from investment activities	-6.138	-8.613	-83.704
Paid-in equity	-	-	5.473
Change in debt securities issued	740	274.528	273.689
Change in subordinated loan	9	-12	-4
Payment to Tier 1 capital investors, after tax	-1.249	-1.300	-5.062
Net cash flow from financing activities	-500	273.216	274.096
Currency effect on cash and cash equivalents	20.167	7.712	14.581
Net cash flow for the period	-40.534	21.781	178.125
Cash and cash equivalents at the start of the period	536.828	358.703	358.703
Cash and cash equivalents at the end of the period	496.294	380.484	536.828

Changes in equity

Norwegian Finans Holding ASA

<i>Amounts in NOK 1000</i>	Share capital	Share premium reserve	Retained earnings and other reserves	Total equity
Balance 31.12.15	173.195	150.402	8.246	331.843
IFRS adjustments				
Received Group contribution	-	-	-4.623	-4.623
Balance 31.12.15	173.195	150.402	3.623	327.220
This period's profit	-	-	-582	-582
Comprehensive income for the period	-	-	-582	-582
Balance 31.3.16	173.195	150.402	3.041	326.638
Balance 31.12.14	173.000	145.123	5.076	323.200
Balance 1.1.15	173.000	145.123	5.076	323.200
This period's profit	-	-	-320	-320
Comprehensive income for the period	-	-	-320	-320
Balance 31.3.15	173.000	145.123	4.756	322.880

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Share capital	Share premium reserve	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.15	173.195	150.402	-	1.361.444	1.685.041
IFRS adjustments					
Tax effect of different tax rates used for the group contribution	-	-	-	-123	-123
Classification Tier 1 capital, IAS 32	-	-	125.000	-454	124.546
Assets held for sale, IAS 39	-	-	-	59.992	59.992
Amortized loans, IAS 39	-	-	-	-9.368	-9.368
Balance 31.12.15	173.195	150.402	125.000	1.411.491	1.860.088
This period's profit	-	-	-	164.888	164.888
Comprehensive income for the period	-	-	-	164.888	164.888
Unpaid interest Tier 1 capital	-	-	-	-1.666	-1.666
Tax	-	-	-	416	416
Balance 31.3.16	173.195	150.402	125.000	1.575.130	2.023.726
Balance 31.12.14	173.000	145.123	-	823.730	1.141.853
IFRS adjustments					
Classification Tier 1 capital, IAS 32	-	-	125.000	-446	124.554
Amortized loans, IAS 39	-	-	-	-6.562	-6.562
Balance 1.1.15	173.000	145.123	125.000	816.721	1.259.845
This period's profit	-	-	-	109.306	109.306
Comprehensive income for the period	-	-	-	109.306	109.306
Unpaid interest Tier 1 capital	-	-	-	-1.781	-1.781
Tax	-	-	-	498	498
Balance 31.3.15	173.000	145.123	125.000	924.744	1.367.867

Notes for Norwegian Finans Holding ASA

Note 1. General accounting principles

The interim report for the first quarter 2016 is prepared according to International Financial Reporting Standards as endorsed by the European Union, hereunder IAS 34 Interim Financial Reporting. The accounts up to 31.12.2015 have been prepared in accordance with the Financial Reporting Act, Regulations relating to Financial Reporting for Banks, Finance Companies and their Parent Companies, Regulations relating to the Treatment of Loans and Guarantees in the Accounts of Financial Institutions and the Generally Accepted Accounting Principles in Norway.

Comparable figures are prepared as if the group had implemented IFRS from 1.1.2015. Reconciliations of the Group's equity to the transition to IFRS are presented in the statement of changes in equity.

Approved accounting standards not implemented in the first quarter 2016

IFRS 9 Financial instruments

IASB has published the final version of IFRS 9 *Financial instruments*, which replace the existing IAS 39 *Financial Instruments - Recognition and Measurement*. IFRS 9 involves changes to the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted. The standard must be applied retrospectively, except for hedge accounting. The standard is not yet endorsed by the EU.

The Group will evaluate the consequences of the new standard and time for implementation. The Group does not expect significant impacts to the balance sheets or equity when implementing the new standard, with the exception of impacts from the standard's new provisions for loan losses. The new regulations may give higher provisions for loan losses, which will result in a lower equity. The Group will implement a more detailed consideration of these effects to be able to set the new level for provision for loan losses.

IFRS 15 Revenue from contracts with customers

IFRS 15 is a new standard on revenue recognition and replaces all existing standards and interpretations on revenue recognition. The standard will apply to revenue derived from all customer contracts and includes a model for recognition and measurement of the sale of certain non-financial assets. Contracts with customers accounted for in IFRS 9 *Financial instruments* are not included in the scope of IFRS 15. The standard is considered to not have a significant impact for the Group. The standard is effective for annual periods beginning on or after 1 January 2018, with earlier adoption permitted.

Consolidation

The consolidated accounts include the parent company Norwegian Finans Holding ASA and the subsidiary Bank Norwegian AS (100% ownership). The companies share offices at Oksenøyveien 3, Lysaker. The consolidated accounts have been prepared on the basis of uniform principles, with the subsidiaries following the same accounting principles as the parent company. Internal transactions, receivables and liabilities are eliminated.

Financial instruments

Financial instruments include mainly loans and securities with fixed and variable rates of return, such as certificates, bonds and other short-term interest rate instruments. The instruments are classified in accordance with IAS 39.

Financial instruments classified and recognized at fair value

Financial instruments traded in an active market

Financial instruments traded in an active market are valued at market prices at the time of initial recognition. For financial assets purchase price is used whereas sales price is used for financial liabilities. The instruments are subsequently valued at market values at the balance sheet date.

Financial instruments not traded in an active market

Financial instruments that are not traded in an active market are valued by valuation models based as far as possible on external observable data. Valuations use prices from recent market transactions between independent parties, references to other financial instruments with similar risk characteristics or discounted cash flows.

Financial instruments valued at fair value

Financial instruments valued at fair value include certificates and bonds in the investment portfolio and derivatives. Changes in value for financial instruments valued at fair value are presented under "net change in value on securities and currency".

Financial assets held for sale

Financial assets held for sale are measured at fair value at initial recognition, with subsequent changes in value presented in the other comprehensive income. At the time of realization of the asset the change in value will be included as a part of the net gain presented in the profit and loss. Financial assets will be presented in this category when they do not meet the criteria to be classified in any of the other categories.

Financial derivatives

Financial derivatives are recognized at fair value, and presented as assets when the value is positive and as liabilities when the value is negative.

Financial instruments classified and recognized at amortized cost

Amortized cost

Financial instruments not measured at fair value are recognized at amortized cost and valued using the effective interest rate method. Amortized cost for a financial asset is historical cost less direct costs and addition or deduction as a result of amortization using the effective interest rate method and any impairment losses. The internal rate calculated using the effective interest rate method is determined by discounting the contractual cash flows within the expected lifetime of the instrument.

Financial assets recognized at amortized cost

All the Group's loans are recognized at amortized cost. If there is objective evidence that the value of a loan or group of loans has fallen, a write-down will be made. The Group has prepared its own guidelines for write-downs on loans.

The criterion for calculating losses on individual loans is the existence of objective evidence that the value of a loan has fallen. Objective evidence that the value of a loan has fallen includes observable data made known to the Group regarding the following loss incidents:

1. Debtor suffering significant financial difficulties.
2. Non-payment or other type of significant breach of contract.
3. Granted postponement of payment or new credit for the payment of an instalment, agreed 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, 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 of 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 at 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 cast collateral for the loans.

Write-downs for losses cover losses in the loan portfolio that have occurred. The evaluations of which loans are regarded as doubtful are based on conditions existing at the balance sheet date. There are monthly monitoring of the loan portfolio with associated assessment of individual and group write-downs. A critical assessment is made in relation to any fall in the value of the loan portfolio. The basis for write-downs is risk classification in accordance with the established guidelines stipulated in the Bank's credit policies.

Write-downs are the difference between the book value and the present value of estimated future cash flows. In calculating the present value the current effective interest rate is used.

Financial liabilities recognized at amortized cost

Debt securities issued, comprising of bonds and certificates, and the subordinated loan, are valued at amortized cost. The instruments' interest expense are based on the effective interest rate method, and are included in the line *Interest expense*.

Financial instruments with equity characteristics

The Group has issued a perpetual subordinated bond with a unilateral right to not repay interest or principal to investors. Due to these conditions, the subordinated bond does not satisfy the terms of a financial liability and are recognized in the Group's equity as Tier 1 capital. Transaction costs and accrued interest are presented as a reduction in retained earnings while the gains from tax deductions for the interest payments are presented as an increase in retained earnings.

Intangible assets

Intangible assets are recognized on the balance sheet at historical cost less accumulated depreciation and value impairment losses. Purchased software is recognized on the balance sheet at historical cost plus any expenses to make the software ready to use. Identifiable expenses for propriety software, that is controlled by the Group, and when it is probable that economic benefits will cover the development expenses at the balance sheet date, are recognized in 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 maintenance of software and IT systems are recognized in the profit and loss account on an ongoing basis. Software expenses recognized in the balance sheet are depreciated over the expected economic life of the asset. The evaluation of write-down requirements follows the same principles as described under tangible fixed assets.

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

IT/software:	20 %
Trademark:	20 %
Connection fee:	10 %

Tangible fixed assets

Tangible fixed assets are recognized 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 along with the fixed asset.

Each time the accounts are reviewed, evaluations are made as to whether there are indications of a fall in the value of the fixed assets. In the event of a fall in value, the fixed asset's recoverable amount will be measured. The recoverable amount is the higher of the net sales value and utility value. If proven that the recoverable amount for the relevant fixed asset is lower than the book value, it will be written-down so that the fixed asset is recognized at its recoverable amount. Such write-downs are reversed when the basis for the write-down no longer exist.

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 %

Customer receivables and other receivables

Customer receivables and other receivables are recognized at amortized cost, equal to historical cost less impairment losses.

Debt and other liabilities

Debt securities issued and the subordinate loan are recognized at amortized cost. Accounts payable and other short-term liabilities are recorded in the balance sheet at nominal values at the time of origin 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 amortized cost are expensed as incurred using the effective interest rate method.

For net result of financial instruments measured at fair value will changes in fair value be classified as income.

Premiums / discounts of bonds, certificates and subordinated loan classified as debt are amortized as interest expense over the instruments' maturity.

Agent commission

Costs related to commissions to agents, are capitalized and expensed over the expected average maturity of three years.

Pensions

The Group is subject to the act of mandatory occupational pension scheme for their employees, and have a scheme that meets the requirements. The Group has a defined contribution scheme which entails that the Group does not guarantee a future pension of a specific amount, instead the Group pays an annual contribution to the employees' collective pension savings plan. The Group does not have any further obligation related to work performed after the annual contribution has been paid. At 31.3.2016 were 63 employees included in the pension scheme.

Bank's Guarantee Fund fee

IFRIC 21 *Levies* governs the accounting of obligations to pay a levy, and clarifies that the binding event to pay the fee is the activity that triggers the payment of the fee, as defined in legislation. IFRIC 21 further states that the obligation to pay the fee should be recognized at the time the binding event occurred.

The fee to the Norwegian Bank's Guarantee Fund is levied on the basis of average guaranteed deposits and average total calculation basis for previous periods. Banks that are members of the scheme on 1 January are obligated to pay the fee for the whole year. The opposite entry to the guarantee fund fee can not be recognized as an asset by other standards, and must therefore be expensed in full in the first quarter of each year.

Tax charge

The income tax expensed throughout the year is accrued based on the estimated income tax expense for the financial year. The income tax expense charge is expected to be 25% of the Group's operating profit. The tax expense consists of current tax (tax payable) and changes in deferred taxes.

Tax payable is the tax calculated on the taxable income. Deferred tax is calculated and recognized in accordance with IAS 12. Deferred taxes are calculated with the current tax rate. Deferred tax is calculated as an assets or liabilities based on temporary differences, which is the difference between the accounting related value and tax related value of assets and liabilities. A deferred tax asset on loss carryforwards is calculated and recognized to the extent that expected future taxable profit makes it possible to use the tax asset.

Cash flow statement

The cash flow statement is set up using the indirect method, and is based on operations and reflects the key elements of the Group's liquidity management with special emphasis on the cash flows for loans and deposit activities. Cash and cash equivalents consists of cash and deposits with central banks in addition to loans and deposits with credit institutions without notice of withdrawal. The Group has an unused overdraft facility of NOK 100 million.

Conversion of transactions in foreign currency

The Group's presentation currency is Norwegian kroner. Balance sheet items in foreign currency are translated at the exchange rate at the balance sheet date. Profit and loss items in SEK, DKK and EUR are translated to Norwegian kroner according to average exchange rates.

Note 2. Transition to IFRS

Norwegian Finans Holding ASA adopted IFRS from 1 January 2016. The financial statements are prepared in accordance with IFRS applicable per. 31.12.15 and approved by the EU.

The accounts have up to 31.12.2015 been prepared in accordance with the Financial Reporting Act, Regulations relating to Financial Reporting for Banks, Finance Companies and their Parent Companies, Regulations relating to the Treatment of Loans and Guarantees in the Accounts of Financial Institutions and the Generally Accepted Accounting Principles in Norway. The accounting principles are described in further detail in the annual report for 2015. Presented below are the effects of the transition to IFRS on the profit and loss and balance sheets, in addition to description of the change in company accounts.

Adoption of IFRS 1 *First-time Adoption of International Financial Reporting Standards*

IFRS 1 is applied in preparing the opening balance at 1.1.15. The accounting impact of changes in accounting principles are recorded directly against equity. For further specification of these effects see the *Changes in equity* statement. The Group has not applied any of the exemptions provided in IFRS 1 to restate the balance sheet and previous periods profit and loss.

The Group has in accordance with IFRS 1 not made retrospective restatement for:

- Financial assets and liabilities which according to previous accounting principles were not capitalized prior to 1.1.16.
- Estimates used under Norwegian generally accepted accounting principles per 1.1.15.

Effect of the IFRS transition on the Group's balance sheets

Presented below are balance sheets published according to previous accounting policies and restated balances in accordance with IFRS. Effects on the different items are described below.

<i>Amounts in NOK 1000</i>	IFRS 31.12.15	NGAAP 31.12.15	IFRS 31.3.15	NGAAP 31.3.15	IFRS 1.1.15	NGAAP 31.12.14
Assets						
Cash and deposits with the central bank	58.987	58.987	59.029	59.029	58.998	58.998
Loans and deposits with credit institutions	477.841	477.840	321.454	321.454	299.705	299.705
Loans to customers	13.808.175	13.759.350	10.131.912	10.113.490	9.418.807	9.401.001
Certificates and bonds	2.968.530	2.965.036	2.987.766	2.979.661	3.462.993	3.454.319
Shares and other securities	443	443	443	443	443	443
Assets held for sale	60.446	-	-	-	-	-
Intangible assets	42.253	42.253	36.801	36.801	33.874	33.874
Deferred tax asset	8.210	6.669	1.444	1.444	1.326	1.326
Fixed assets	526	526	1.021	1.021	1.124	1.124
Receivables and accrued income	178.198	235.672	138.873	180.247	138.721	174.191
Total assets	17.603.609	17.546.776	13.678.743	13.693.591	13.415.991	13.424.980
Liabilities and equity						
Loans from credit institutions	-	-	-	-	-	-
Deposits from customers	13.366.590	13.366.601	9.961.883	9.955.498	10.155.698	10.155.698
Debt securities issued	1.879.571	1.874.977	1.880.409	1.875.394	1.605.882	1.601.856
Financial derivatives	7.679	-	1.421	-	-	-
Tax payable	202.086	203.324	122.298	126.572	127.276	129.591
Other liabilities	36.374	36.374	23.665	22.641	21.755	21.755
Accrued expenses and unearned income received	76.258	81.624	146.244	159.517	70.569	75.446
Subordinated loan	174.962	298.834	174.955	298.795	174.967	298.782
Total liabilities	15.743.521	15.861.735	12.310.875	12.438.418	12.156.146	12.283.127
Share capital	173.195	173.195	173.000	173.000	173.000	173.000
Share premium reserve	150.402	150.402	145.123	145.123	145.123	145.123
Tier 1 capital	125.000	-	125.000	-	125.000	-
Retained earnings and other reserves	1.411.491	1.361.444	924.744	937.049	816.721	823.730
Total equity	1.860.088	1.685.041	1.367.867	1.255.173	1.259.845	1.141.853
Total liabilities and equity	17.603.609	17.546.776	13.678.743	13.693.591	13.415.991	13.424.980

In all periods, the issued perpetual subordinated bond, are classified as a liability under the line *Subordinated loan according to previous accounting principles*. Associated accrued interest payments are presented under accounting item *Accrued expenses and deferred income*. The perpetual subordinated bond does not meet the requirements of financial liabilities in accordance with IAS 32 *Financial Instruments - Presentation*, and therefore presented as Tier 1 capital. See note 33 for further details.

The Bank is a member of Visa Norway FLI ("Visa Norway"), 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. The transaction could not be capitalized under NGAAP. Expected payments are recognized as an asset held for sale in Q4 2015 under IFRS. The change in value is recognized in other comprehensive income. See note 25 for further details.

Included in the balance sheet at 31.12.15 is a provision for group contribution to Norwegian Finans Holding ASA. The provision is recorded under the item *Other liabilities* with a tax effect of *Tax payable*. Group contributions are equated with dividends, which in accordance with IAS 10 *Events after the reporting period* shall not be recognized as a liability. The provision for group contribution and corresponding tax effect are therefore reclassified to *Retained earnings* in the IFRS balance sheet.

In the balance sheets according to NGAAP, financial derivatives are presented under *Receivables and accrued income not received*. In balance sheets according to IFRS, the financial derivatives are presented as separate line items, depending on the fair value of derivatives. See note 15 for further details.

See the statement for *Changes in equity* for quantitative changes in equity.

Effect of IFRS transition on group accounts

Presented below are the profit and loss published according to previous accounting principles and restated profit and loss according to IFRS. Effects on the different items are described below.

<i>Amounts in NOK 1000</i>	IFRS Q1 2015	NGAAP Q1 2015	IFRS 2015	NGAAP 2015
Interest income	379.103	379.773	1.710.433	1.714.277
Interest expenses	82.986	78.158	285.822	292.742
Net interest income	296.117	301.615	1.424.611	1.421.534
Commission and bank services income	39.066	39.066	192.647	192.647
Commission and bank services expenses	16.205	16.205	78.564	78.564
Net change in value on securities and currency	-2.356	-2.356	-18.674	-18.674
Other income	-	-	214	214
Net other operating income	20.504	20.504	95.624	95.624
Total income	316.621	322.119	1.520.235	1.517.159
Personnel expenses	14.533	14.533	58.172	58.172
General administrative expenses	103.013	103.013	477.694	477.694
Ordinary depreciation	5.789	5.789	15.477	15.477
Other operating expenses	4.203	4.203	22.236	22.236
Total operating expenses	127.538	127.538	573.580	573.580
Provision for loan losses	39.349	39.349	207.886	207.886
Profit on ordinary activities before tax	149.734	155.232	738.770	735.693
Tax charge	40.428	41.913	198.813	197.979
Profit on ordinary activities after tax	109.306	113.319	539.956	537.714

The perpetual subordinated bond is according to previous accounting principles classified as a liability, but classified as Tier 1 capital according to IFRS. Interest expenses related to the bond were according to previous accounting principles presented as interest expense under the accounting line *Interest expense*, with a corresponding tax effect included in *Tax charge*. According to IFRS these items will involve changes to retained earnings, but no effect on earnings, see note 33 for further details.

The fee to Norwegian Banks' Guarantee Fund is according to Norwegian GAAP provided for at the beginning of the year, and expensed as incurred during the year. IFRIC 21 *Levies* clarifies that the obligation to pay a fee shall be recognized at the time of the binding event. The IFRS profit and loss for Q1 2015 has been restated to expense the fee in full in this accounting period. This results in a negative effect of accounting lines *Interest expenses* and *Tax charge* in the period.

The effect of transition to IFRS on Norwegian Finans Holding ASA's profit and loss and balance sheet

Norwegian Finans Holding ASA recorded in 2015 a profit of NOK 6.2 million in group contributions from Bank Norwegian AS. Group contributions are equated with dividends, which in accordance with IAS 10 *Events after the reporting period* shall not be recognized as a liability at the giver. Equally, the Group contribution cannot be recorded as income in the receiving company before it is approved. This has been adjusted for in the results for 2015. The Group contribution is also adjusted for in the balance sheet in the comparative figures statement per 1.1.2016.

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 Norwegians governance model and accounting principles. Norwegian Finans Holding ASA is defined as the other segment.

Profit and loss account Q1 2016		Denmark /				
<i>Amounts in NOK 1000</i>		Norway	Sweden	Finland	Other	Total
Net interest income		337.634	116.734	22.780	4	477.152
Net other operating income		35.949	7.354	-2.049	-18	41.237
Total income		373.583	124.088	20.731	-13	518.388
Total operating expenses		114.700	56.277	31.771	763	203.511
Provision for loan losses		46.003	29.750	19.274	-	95.027
Profit on ordinary activities before tax		212.880	38.061	-30.314	-776	219.851
Tax charge		53.220	9.515	-7.578	-194	54.963
Profit on ordinary activities after tax		159.660	28.546	-22.735	-582	164.888
Comprehensive income for the period		159.660	28.546	-22.735	-582	164.888

Balance sheet 31.3.16		Denmark /				
<i>Amounts in NOK 1000</i>		Norway	Sweden	Finland	Other	Total
Loans to customers		11.058.995	4.036.999	1.105.663	-	16.201.657
Other assets		3.427.854	558.672	140.063	18.736	4.145.325
Total assets		14.486.849	4.595.671	1.245.726	18.736	20.346.982
Deposits from customers		11.577.352	4.184.006	166.678	-	15.928.036
Other liabilities and equity		2.909.497	411.665	1.079.048	18.736	4.418.946
Total liabilities and equity		14.486.849	4.595.671	1.245.726	18.736	20.346.982

Profit and loss account Q1 2015		Denmark /				
<i>Amounts in NOK 1000</i>		Norway	Sweden	Finland	Other	Total
Net interest income		244.231	51.876	-	10	296.117
Net other operating income		15.841	4.740	-	-77	20.504
Total income		260.072	56.616	-	-67	316.621
Total operating expenses		88.608	38.559	-	371	127.538
Provision for loan losses		24.825	14.524	-	-	39.349
Profit on ordinary activities before tax		146.639	3.533	-	-438	149.734
Tax charge		38.987	1.560	-	-118	40.428
Profit on ordinary activities after tax		107.652	1.973	-	-320	109.306
Comprehensive income for the period		107.652	1.973	-	-320	109.306

Balance sheet 31.3.15		Denmark /				
<i>Amounts in NOK 1000</i>		Norway	Sweden	Finland	Other	Total
Loans to customers		8.136.423	1.995.489	-	-	10.131.912
Other assets		3.202.268	330.032	-	14.531	3.546.832
Total assets		11.337.270	2.325.521	-	14.531	13.678.743
Deposits from customers		8.028.947	1.932.936	-	-	9.961.883
Other liabilities and equity		3.309.744	392.585	-	14.531	3.716.860
Total liabilities and equity		11.337.270	2.325.521	-	14.531	13.678.743

Profit and loss account 2015		Denmark /				
<i>Amounts in NOK 1000</i>		Norway	Sweden	Finland	Other	Total
Net interest income		1.127.590	297.089	-92	24	1.424.611
Net other operating income		61.507	32.543	1.889	-315	95.624
Total income		1.189.097	329.632	1.797	-291	1.520.235
Total operating expenses		391.947	177.858	2.245	1.530	573.580
Provision for loan losses		125.148	80.553	2.185	-	207.886
Profit on ordinary activities before tax		672.002	71.221	-2.633	-1.821	738.770
Tax charge		180.184	19.694	-575	-368	198.937
Profit on ordinary activities after tax		491.818	51.527	-2.058	-1.453	539.833

Other comprehensive income that may be subsequently be reclassified to profit and loss		59.992	-	-	-	59.992
Comprehensive income for the period		551.810	51.527	-2.058	-1.453	599.825

Balance sheet 31.12.15		Denmark /				
<i>Amounts in NOK 1000</i>		Norway	Sweden	Finland	Other	Total
Loans to customers		10.082.216	3.633.441	92.517	-	13.808.175
Other assets		3.368.212	359.364	49.303	18.555	3.795.433
Total assets		13.450.428	3.992.805	141.820	18.555	17.603.609
Deposits from customers		10.188.370	3.128.000	50.220	-	13.366.590
Other liabilities and equity		3.262.057	864.805	91.601	18.555	4.237.018
Total liabilities and equity		13.450.427	3.992.805	141.821	18.555	17.603.609

Note 4. Loss on loans and guarantees

The Group has no guarantees as at 31.3.2016.

<i>Amounts in NOK 1000</i>	Q1 2016	Q1 2015	2015
Realized losses in the period	1.377	-	-
Collected on previous realized losses	-	-	-4.698
Individual write-downs	38.359	15.693	66.443
Net individual write-downs on loans	39.736	15.693	61.745
The period's change in write-downs on groups of loans	55.291	23.656	146.141
Write-downs on loans	95.027	39.349	207.886

Note 5. Loans to customers

<i>Amounts in NOK 1000</i>	Q1 2016	Q1 2015	2015
Overdraft facilities and lines of credit	13.248	18.483	15.918
Credit cards	4.154.497	2.787.059	3.847.048
Instalment loans	12.517.374	7.560.015	10.337.183
Gross loans	16.685.119	10.365.557	14.200.148
Individual write-downs on loans	-103.452	-28.678	-63.607
Write-downs on groups of loans	-380.010	-204.967	-328.367
Net loans to and receivables from customers	16.201.657	10.131.912	13.808.175

Loans by geographical regions

<i>Amounts in NOK 1000</i>	Gross loans		
	Q1 2016	Q1 2015	2015
Akershus	1.502.115	1.127.318	1.386.304
Oslo	1.512.129	1.117.469	1.379.901
Hordaland	1.222.519	908.442	1.125.194
Rogaland	951.789	668.094	861.363
Østfold	714.866	528.465	665.042
Buskerud	635.714	471.160	582.217
Sør-Trøndelag	567.291	433.431	523.711
Nordland	565.730	429.643	520.025
Vestfold	555.067	404.711	503.496
Møre og Romsdal	483.988	351.078	445.413
Troms	411.714	309.419	375.528
Hedmark	387.023	283.358	352.082
Oppland	350.305	248.003	327.122
Telemark	332.517	245.853	304.575
Vest-Agder	269.155	193.732	244.232
Nord-Trøndelag	237.658	176.703	220.637
Finnmark	226.977	154.256	208.753
Aust-Agder	190.982	135.182	173.585
Sogn og Fjordane	149.199	113.528	140.263
No registered geographical region	98.471	6.738	48.823
Total Norway	11.365.209	8.306.583	10.388.266
Sweden	4.192.874	2.058.974	3.717.906
Denmark	268.100	-	11.327
Finland	858.936	-	82.649
Gross loans in the balance sheet	16.685.119	10.365.557	14.200.148

Note 6. Risk classes

Amounts in NOK 1000	Gross loans			Undrawn credit limits		
	Q1 2016	Q1 2015	2015	Q1 2016	Q1 2015	2015
A	2.630.266	1.643.737	2.295.002	14.490.349	10.600.604	13.187.165
B	6.016.737	4.109.880	5.257.335	549.598	414.241	519.571
C	2.117.577	1.247.850	1.727.698	184.494	94.778	156.689
D	1.865.143	993.084	1.433.251	162.717	100.932	176.935
E	1.134.860	617.120	929.614	45.997	38.766	45.699
F	414.389	237.973	343.250	12.960	10.227	12.688
G	488.278	291.270	392.763	11.566	11.573	13.277
H	186.313	122.929	166.216	12.008	6.346	9.031
I	196.522	141.432	175.299	2.828	1.904	2.215
J	171.213	108.352	152.971	1.437	713	1.225
S	244.716	200.324	241.598	-	-	-
T	36.397	29.306	35.212	3.173	2.852	2.929
U	122.683	74.428	93.693	-	-	-
V	786.297	430.121	695.120	727	478	617
W	200.411	28.448	122.829	-	-	-
Total classified	16.611.801	10.276.254	14.061.851	15.477.855	11.283.412	14.128.041
Not classified	73.318	89.303	138.297	104.624	52.615	69.662
Total	16.685.119	10.365.557	14.200.148	15.582.479	11.336.027	14.197.703

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

Individual write-downs on loans are in their entirety related to risk class W.

"Not classified" consists of Norwegian engagements relating to sales financing and bank accounts with and without credit facilities. 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	Q1 2016	Q1 2015	2015
Gross defaulted loans	981.511	460.413	819.174
Individual write-downs on loans	-103.452	-28.678	-63.607
Write-downs on groups of loans	-380.010	-204.967	-328.367
Net defaulted loans	498.048	226.768	427.200

Defaulted loans which are performing	250.265	124.875	187.061
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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	Q1 2016					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
- Retail market	475.848	653.016	359.961	125.362	780.322	2.394.509
Total	475.848	653.016	359.961	125.362	780.322	2.394.509

Amounts in NOK 1000	Q1 2015					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
- Retail market	494.279	324.966	237.163	84.836	437.350	1.578.594
Total	494.279	324.966	237.163	84.836	437.350	1.578.594

Amounts in NOK 1000	2015					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
- Retail market	442.035	549.707	332.136	117.903	688.709	2.130.490
Total	442.035	549.707	332.136	117.903	688.709	2.130.490

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

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	16.997	13.168	17.014
Total loans and deposits with credit institutions and central banks	16.997	13.168	17.014

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	496.295	380.484	536.828
Total loans and deposits with credit institutions and central banks	496.295	380.484	536.828

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
DKK	40.706	-	18.771
EUR	78.333	-	23.771
NOK	259.816	172.560	270.198
SEK	117.441	207.924	224.088
Total	496.295	380.484	536.828

Loans and deposits with credit institutions and central banks are exclusively in NOK for Norwegian Finans Holding ASA.

Average interest rate Norwegian Finans Holding ASA	0,10 %	0,31 %	0,16 %
Average interest rate Norwegian Finans Holding Group	0,43 %	0,67 %	0,52 %

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

Note 9. General administrative expenses

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
External services fees and hired temporary staff for ordinary operations	5.986	2.954	15.742
IT operations	16.503	14.929	59.020
Sales and marketing	144.614	80.954	381.874
Other administrative expenses	6.067	4.176	21.058
Total	173.170	103.013	477.694

Note 10. Other operating expenses

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Auditor	-	35	99
Total	-	35	99

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Rental of premises	543	500	3.095
Machinery, fixtures and transport vehicles	136	115	738
Insurance	122	121	509
Auditor	235	229	883
Credit information	6.082	2.054	10.790
Other operating expenses	1.746	1.184	6.221
Total	8.863	4.203	22.236

Note 11. Risk management

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

The 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 payment will identify characteristics of a customer that predict future payment behavior, while analysis of ability to pay is a quantitative assessment of the customer's ability to repay its 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. See the Annual Report for further comments.

At 31.3.2016 the Liquidity Coverage Ratio (LCR) at total level for the Bank was 98%. The legal requirement for liquidity reserve (LCR) at total level is 70% at 31.3.2016. The Bank has significant positions in Norwegian and Swedish kroner. At 31.3.2016 the LCR in Norwegian kroner was 119% and in Swedish kroner 36%.

Remaining term to maturity for main items

<i>Amounts in NOK 1000</i>	Q1 2016						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	
Subordinated loan	-	-	-	-	-	174.971	174.971
Deposits from customers	15.928.036	-	-	-	-	-	15.928.036
Debt securities issued	-	-	173.675	201.667	1.504.969	-	1.880.311
Non interest-bearing liabilities	-	98.555	4.296	237.087	-	-	339.937
Total liabilities	15.928.036	98.555	177.971	438.754	1.504.969	174.971	18.323.256
Cash and deposits with the central bank	58.971	-	-	-	-	-	58.971
Loans and deposits with credit institutions	437.324	-	-	-	-	-	437.324
Loans to customers	4.186.367	9.169	4.052	60.590	1.612.156	10.329.323	16.201.657
Certificates and bonds	-	-	338.083	1.078.782	1.914.758	-	3.331.623
Financial derivatives	-	-	6.683	-	-	-	6.683
Assets without remaining term to maturity	310.725	-	-	-	-	-	310.725
Total assets	4.993.387	9.169	348.818	1.139.372	3.526.915	10.329.323	20.346.982

<i>Amounts in NOK 1000</i>	Q1 2015						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	
Subordinated loan	-	-	-	-	-	174.955	174.955
Deposits from customers	9.961.883	-	-	-	-	-	9.961.883
Debt securities issued	-	-	200.600	1.679.810	-	-	1.880.409
Financial derivatives	-	-	1.421	-	-	-	1.421
Non interest-bearing liabilities	-	143.820	1.852	146.535	-	-	292.207
Total liabilities	9.961.883	143.820	203.873	1.826.345	-	174.955	12.310.875
Cash and deposits with the central bank	59.029	-	-	-	-	-	59.029
Loans and deposits with credit institutions	321.454	-	-	-	-	-	321.454
Loans to customers	2.829.016	6.131	3.614	41.152	994.111	6.257.888	10.131.912
Certificates and bonds	-	-	566.140	618.643	1.802.982	-	2.987.766
Assets without remaining term to maturity	178.581	-	-	-	-	-	178.581
Total assets	3.388.081	6.131	569.754	659.795	2.797.093	6.257.888	13.678.743

<i>Amounts in NOK 1000</i>	2015						Total
	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	
Subordinated loan	-	-	-	-	-	174.962	174.962
Deposits from customers	13.366.590	-	-	-	-	-	13.366.590
Debt securities issued	-	-	-	374.379	1.505.191	-	1.879.571
Financial derivatives	-	-	7.679	-	-	-	7.679
Non interest-bearing liabilities	-	89.585	4.461	220.672	-	-	314.717
Total liabilities	13.366.590	89.585	12.140	595.051	1.505.191	174.962	15.743.520
Cash and deposits with the central bank	58.987	-	-	-	-	-	58.987
Loans and deposits with credit institutions	477.841	-	-	-	-	-	477.841
Loans to customers	3.863.546	8.042	4.352	50.689	1.292.151	8.589.395	13.808.175
Certificates and bonds	-	36.669	294.651	1.043.453	1.593.756	-	2.968.530
Assets without remaining term to maturity	290.076	-	-	-	-	-	290.076
Total assets	4.690.450	44.711	299.003	1.094.143	2.885.907	8.589.395	17.603.609

Note 14. Interest rate risk

The Board of Directors of Norwegian Finans Holding ASA 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

<i>Amounts in NOK 1000</i>	Q1 2016						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	58.971	-	-	-	-	-	58.971
Loans and deposits with credit institutions	437.324	-	-	-	-	-	437.324
Loans to customers	-	16.201.657	-	-	-	-	16.201.657
Certificates and bonds	451.509	1.811.961	1.068.152	-	-	-	3.331.623
Non interest-bearing assets	-	-	-	-	-	317.408	317.408
Total assets	947.804	18.013.618	1.068.152	-	-	317.408	20.346.982
Subordinated loan	-	174.971	-	-	-	-	174.971
Deposits from customers	-	15.928.036	-	-	-	-	15.928.036
Debt securities issued	-	1.880.311	-	-	-	-	1.880.311
Non interest-bearing liabilities	-	-	-	-	-	339.937	339.937
Total liabilities	-	17.983.319	-	-	-	339.937	18.323.256

<i>Amounts in NOK 1000</i>	Q1 2015						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	59.029	-	-	-	-	-	59.029
Loans and deposits with credit institutions	321.454	-	-	-	-	-	321.454
Loans to customers	-	10.131.912	-	-	-	-	10.131.912
Certificates and bonds	340.470	2.028.653	618.643	-	-	-	2.987.766
Non interest-bearing assets	-	-	-	-	-	178.581	178.581
Total assets	720.953	12.160.565	618.643	-	-	178.581	13.678.743
Subordinated loan	-	174.955	-	-	-	-	174.955
Deposits from customers	-	9.961.883	-	-	-	-	9.961.883
Debt securities issued	-	1.880.409	-	-	-	-	1.880.409
Non interest-bearing liabilities	-	-	-	-	-	293.628	293.628
Total liabilities	-	12.017.247	-	-	-	293.628	12.310.875

<i>Amounts in NOK 1000</i>	2015						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	58.987	-	-	-	-	-	58.987
Loans and deposits with credit institutions	477.841	-	-	-	-	-	477.841
Loans to customers	-	13.808.175	-	-	-	-	13.808.175
Certificates and bonds	378.393	1.673.826	916.310	-	-	-	2.968.530
Non interest-bearing assets	-	-	-	-	-	290.076	290.076
Total assets	915.221	15.482.001	916.310	-	-	290.076	17.603.609
Subordinated loan	-	174.962	-	-	-	-	174.962
Deposits from customers	-	13.366.590	-	-	-	-	13.366.590
Debt securities issued	-	1.879.571	-	-	-	-	1.879.571
Non interest-bearing liabilities	-	-	-	-	-	322.398	322.398
Total liabilities	-	15.421.123	-	-	-	322.398	15.743.521

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 of Bank Norwegian 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.

<i>Amounts in NOK 1000</i>	Interest rate risk, 1% change		
	Q1 2016	Q1 2015	2015
Cash and deposits with the central bank	-146	-146	-146
Loans and deposits with credit institutions	-1.086	-794	-1.185
Loans to customers	-40.227	-25.039	-34.236
Certificates and bonds	-9.932	-7.075	-8.738
Total assets	-51.391	-33.055	-44.305
Deposits from customers	39.547	24.619	33.141
Debt securities issued	4.669	4.647	4.660
Subordinated debt	434	432	434
Total liabilities	44.650	29.699	38.235
Tier 1 capital	310	309	310
Total equity	310	309	310
Total interest rate risk, before tax*	-6.430	-3.048	-5.760

* 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.

<i>Amounts in NOK 1000</i>	Q1 2016		
	EUR	DKK	SEK
Cash and deposits with the central bank	78.493	40.845	118.379
Loans to customers	829.818	259.632	4.054.268
Other assets	-	-	331.194
Total assets	908.310	300.478	4.503.841
Deposits from customers	127.400	39.278	4.183.984
Other liabilities	345	354	435
Total liabilities	127.745	39.632	4.184.419
Net currency position	780.565	260.846	319.422

<i>Amounts in NOK 1000</i>	Q1 2015		
	EUR	DKK	SEK
Cash and deposits with the central bank	-	-	207.924
Loans to customers	-	-	2.008.988
Other assets	-	-	32.811
Total assets	-	-	2.249.722
Deposits from customers	-	-	1.932.917
Other liabilities	-	-	-
Total liabilities	-	-	1.932.917
Net currency position	-	-	316.806

<i>Amounts in NOK 1000</i>	2015		
	EUR	DKK	SEK
Cash and deposits with the central bank	23.771	18.771	224.088
Loans to customers	81.487	11.025	3.616.778
Other assets	3	44	57.061
Total assets	105.260	29.840	3.897.927
Deposits from customers	30.273	19.947	3.127.995
Other liabilities	277	90	362
Total liabilities	30.549	20.037	3.128.357
Net currency position	74.711	9.803	769.570

Market risk related to currency positions

<i>Amounts in NOK 1000</i>	Q1 2016	Q1 2015	2015
Profit impact of 1% change	13.608	3.168	8.541

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.

<i>Amounts in NOK 1000</i>	Q1 2016		Q1 2015		2015	
	Nominal value	Fair value	Nominal value	Fair value	Nominal value	Fair value
Currency forwards	1.377.006	6.683	298.474	-1.421	819.066	-7.679
Total	1.377.006	6.683	298.474	-1.421	819.066	-7.679

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>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Interest income from cash and deposits at central banks	105	178	596
Interest income from loans to and deposits with credit institutions	451	440	1.732
Interest income from consumer loans	414.331	265.767	1.225.876
Interest income from overdraft accounts	517	610	2.445
Interest income from credit cards	131.386	93.797	419.657
Interest income from sales financing	1.559	915	5.640
Interest and other income from certificates and bonds	10.098	16.690	51.604
Other interest and other interest related income	785	705	2.883
Total interest income	559.231	379.103	1.710.433
Interest expense from deposits from customers	60.274	61.970	231.368
Interest expense on debt securities issued	8.937	10.383	38.544
Interest expense on subordinated loan	1.646	1.822	7.097
Other interest and other interest related expenses	11.224	8.812	8.812
Total interest expense	82.079	82.986	285.822
Net interest income	477.152	296.117	1.424.611

Interest income in Norwegian Finans Holding ASA comprise solely of interest from loans to credit institutions.

Note 18. Net other operating income

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Payment services	35.162	24.487	125.191
Insurance services	13.088	9.542	34.446
Other fees and commission and bank services income	7.351	5.037	33.010
Total commission and bank services income	55.602	39.066	192.647
Network costs	4.474	2.108	11.766
Payment services	4.398	4.796	26.730
Insurance services	9.509	6.993	31.436
Other fees and commission and bank services expense	2.901	2.308	8.632
Total commission and bank services expenses	21.282	16.205	78.564

Commission and bank service expenses in Norwegian Finans Holding ASA comprise solely of other fees and commission and bank service expense.

Note 19. 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. These shares are not included in the presentation of financial instruments in note 20.

Note 20. Classification of financial instruments

Norwegian Finans Holding Group Q1 2016	Financial instruments at fair value					Total
	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments valued at amortized cost	Financial instruments held for sale	Financial instruments held to maturity	
<i>Amounts in NOK 1000</i>						
Cash and deposits with the central bank	-	-	58.971	-	-	58.971
Loans and deposits with credit institutions	-	-	420.327	-	-	420.327
Loans to customers	-	-	16.201.657	-	-	16.201.657
Certificates and bonds	3.331.623	-	-	-	-	3.331.623
Financial derivatives	6.683	-	-	-	-	6.683
Shares and other securities	-	443	-	-	-	443
Assets held for sale	-	-	-	60.446	-	60.446
Total financial assets	3.338.306	443	16.680.955	60.446	-	20.080.150
Deposits from customers	-	-	15.928.036	-	-	15.928.036
Debt securities issued	-	-	1.880.311	-	-	1.880.311
Subordinated loan	-	-	174.971	-	-	174.971
Total financial liabilities	-	-	17.983.318	-	-	17.983.318

Q1 2015	Financial instruments at fair value					Total
	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments valued at amortized cost	Financial instruments held for sale	Financial instruments held to maturity	
<i>Amounts in NOK 1000</i>						
Cash and deposits with the central bank	-	-	59.029	-	-	59.029
Loans and deposits with credit institutions	-	-	321.454	-	-	321.454
Loans to customers	-	-	10.131.912	-	-	10.131.912
Certificates and bonds	2.987.766	-	-	-	-	2.987.766
Shares and other securities	-	443	-	-	-	443
Total financial assets	2.987.766	443	10.512.395	-	-	13.500.604
Deposits from customers	-	-	9.961.883	-	-	9.961.883
Debt securities issued	-	-	1.880.409	-	-	1.880.409
Financial derivatives	1.421	-	-	-	-	1.421
Subordinated loan	-	-	174.955	-	-	174.955
Total financial liabilities	1.421	-	12.017.247	-	-	12.018.668

2015	Financial instruments at fair value					Total
	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments valued at amortized cost	Financial instruments held for sale	Financial instruments held to maturity	
<i>Amounts in NOK 1000</i>						
Cash and deposits with the central bank	-	-	58.987	-	-	58.987
Loans and deposits with credit institutions	-	-	477.841	-	-	477.841
Loans to customers	-	-	13.808.175	-	-	13.808.175
Certificates and bonds	2.968.530	-	-	-	-	2.968.530
Shares and other securities	-	443	-	-	-	443
Assets held for sale	-	-	-	60.446	-	60.446
Total financial assets	2.968.530	443	14.345.003	60.446	-	17.374.422
Deposits from customers	-	-	13.366.590	-	-	13.366.590
Debt securities issued	-	-	1.879.571	-	-	1.879.571
Financial derivatives	7.679	-	-	-	-	7.679
Subordinated loan	-	-	174.962	-	-	174.962
Total financial liabilities	7.679	-	15.421.123	-	-	15.428.802

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 Q1 2016

<i>Amounts in NOK 1000</i>	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	3.331.623	-	3.331.623
Financial derivatives	-	6.683	-	6.683
Shares and other securities	-	-	443	443
Financial assets held for sale	-	-	60.446	60.446
Total financial assets at fair value	-	3.338.306	60.889	3.399.195

Financial instruments at fair value Q1 2015

<i>Amounts in NOK 1000</i>	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	2.987.766	-	2.987.766
Shares and other securities	-	-	443	443
Total financial assets at fair value	-	2.987.766	443	2.988.209
Financial derivatives	-	1.421	-	1.421
Total financial liabilities at fair value	-	1.421	-	1.421

Financial instruments at fair value 2015

<i>Amounts in NOK 1000</i>	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	2.968.530	-	2.968.530
Shares and other securities	-	-	443	443
Financial assets held for sale	-	-	60.446	60.446
Total financial assets at fair value	-	2.968.530	60.889	3.029.419
Financial derivatives	-	7.679	-	7.679
Total financial liabilities at fair value	-	7.679	-	7.679

Change in instruments classified at level 3 Q1 2016

<i>Amounts in NOK 1000</i>	Financial assets held for sale	Total
Value 1.1.16	60.446	60.446
Additions	-	-
Disposal	-	-
Net gain / loss on financial instruments	-	-
Value 31.3.16	60.446	60.446

Valuation method

Ownership in Visa Norge FLI

Ownership in Visa Norway 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 60.4 million. 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 were estimated at the going rate at the time granted.

Note 22. Net gain on financial instruments at fair value

<i>Amounts in NOK 1000</i>	Q1 2016	Q1 2015	2015
Net gain on certificates and bonds	8.111	-2.790	-25.109
Net gain on FX-forwards	52.601	-5.717	-70.269
Net currency effects	-53.796	6.150	76.704
Total	6.916	-2.356	-18.674

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.

<i>Amounts in NOK 1000</i>	Q1 2016		Q1 2015		2015	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and deposits with the central bank	58.971	58.971	59.029	59.029	58.987	58.987
Loans and deposits with credit institutions	437.324	437.324	321.454	321.454	477.841	477.841
Loans to customers	16.201.657	16.201.657	10.131.912	10.131.912	13.808.175	13.808.175
Total financial assets	16.697.952	16.697.952	10.512.395	10.512.395	14.345.003	14.345.003
Deposits from customers	15.928.036	15.928.036	9.961.883	9.961.883	13.366.590	13.366.590
Debt securities issued	1.880.311	1.862.699	1.880.409	2.081.764	1.879.571	1.862.522
Subordinated loan	174.971	171.938	174.955	175.000	174.962	179.165
Total financial liabilities	17.983.318	17.962.673	12.017.247	12.218.647	15.421.123	15.408.277

Note 24. Debt securities issued and subordinated loan

Debt securities issued

<i>Amounts in NOK 1000</i>	Q1 2016	Q1 2015	2015
Certificates, nominal value	200.000	200.000	200.000
Bonds, nominal value	1.674.000	1.674.000	1.674.000
Value adjustments	857	1.394	977
Accrued interest	5.454	5.016	4.594
Total debt securities issued	1.880.311	1.880.409	1.879.571

Change in debt securities issued

<i>Amounts in NOK 1000</i>	Balance 31.3.16	Issued	Overdue / redeemed	Other changes	Balance 31.12.15
Certificates, nominal value	200.000	-	-	-	200.000
Bonds, nominal value	1.674.000	-	-	-	1.674.000
Value adjustments	857	-	-	-120	977
Accrued interest	5.454	-	-	860	4.594
Total debt securities issued	1.880.311	-	-	740	1.879.571

<i>Amounts in NOK 1000</i>	Balance 31.3.15	Issued	Overdue / redeemed	Other changes	Balance 31.12.14
Certificates, nominal value	200.000	-	-	-	200.000
Bonds, nominal value	1.674.000	400.000	-126.000	-	1.400.000
Value adjustments	1.394	-	-	-625	2.018
Accrued interest	5.016	-	-	1.152	3.864
Total debt securities issued	1.880.409	400.000	-126.000	527	1.605.882

<i>Amounts in NOK 1000</i>	Balance 31.12.15	Issued	Overdue / redeemed	Other changes	Balance 31.12.14
Certificates, nominal value	200.000	-	-	-	200.000
Bonds, nominal value	1.674.000	400.000	-126.000	-	1.400.000
Value adjustments	977	-	-	-1.041	2.018
Accrued interest	4.594	-	-	730	3.864
Total debt securities issued	1.879.571	400.000	-126.000	-312	1.605.882

Change in subordinated loan

<i>Amounts in NOK 1000</i>	Balance 31.3.16	Issued	Overdue / redeemed	Other changes	Balance 31.12.15
Subordinated loan, nominal value	175.000	-	-	-	175.000
Value adjustments	-403	-	-	13	-416
Accrued interest	374	-	-	-4	378
Total subordinated loan	174.971	-	-	9	174.962

<i>Amounts in NOK 1000</i>	Balance 31.3.15	Issued	Overdue / redeemed	Other changes	Balance 31.12.14
Subordinated loan, nominal value	175.000	-	-	-	175.000
Value adjustments	-455	-	-	13	-468
Accrued interest	410	-	-	-26	435
Total subordinated loan	174.955	-	-	-12	174.967

<i>Amounts in NOK 1000</i>	Balance 31.12.15	Issued	Overdue / redeemed	Other changes	Balance 31.12.14
Subordinated loan, nominal value	175.000	-	-	-	175.000
Value adjustments	-416	-	-	53	-468
Accrued interest	378	-	-	-57	435
Total subordinated loan	174.962	-	-	-5	174.967

Note 25. Financial assets held for sale

The Bank is a member of Visa Norway FLI ("Visa Norway"), 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 of 11.5 billion euro, convertible preference shares estimated at 5.0 billion euros at the time of announced compensation, and a contingent cash consideration paid four years after completion of the transaction in the range 0 to 4.7 billion euros. Completion of the transaction is subject to approval by competition authorities in the EU and Jersey. Approval will take place in the second quarter of 2016.

In January 2016 the Bank received an information letter from Visa Norway outlining that they will allocate the proceeds to its members. Estimated revenue is uncertain and is based on several assumptions. Furthermore, the principle for allocation between members of Visa Norway is not finalized, but they indicate that members' voting rights may be used for estimation purposes.

Ownership in Visa Norway is considered to be a financial asset, and is classified as held for sale. According to IAS 39.46 such assets shall be recognized at fair value, as long as fair value can be measured reliably. Changes in value are included in other comprehensive income. When estimating the fair value, the Bank's voting share of 1.89% is used as a basis. Based on this the Bank estimates an unrealized change in value of a total of NOK 60.4 million, divided into NOK 44.4 million in cash, NOK 16.0 million in convertible shares and zero in contingent consideration.

Final tax treatment is, according to the information letter received from Visa Norway, not known, but it is estimated that the transaction will fall under the exemption method. This means that it will be taxed at 25% of 3% of income gains. Net profit as included in other comprehensive income in the first quarter of 2016 is NOK 60.0 million.

In April 2016 the Bank received new information about the distribution of the transaction consideration. It is stated that the total compensation will increase by 1.75 billion euro instead of an earn-out. Of this amount, 750 million euro will be a cash consideration while 1.0 billion euro plus 4% annual interest will be paid out three years later. The parties involved are working to close the transaction, but do not exclude that this process will continue up to the fourth quarter.

Note 26. Information on taxes

Norwegian Finans Holding ASA

Amounts in NOK 1000

Deferred taxes / tax assets in the accounts	Q1 2016	Q1 2015	2015
Net temporary differences	-	-	-
Loss and remuneration to be carried forward	-6.940	-4.781	-6.164
Basis for deferred tax / tax assets in the balance sheet	-6.940	-4.781	-6.164
Deferred tax assets / deferred tax	-1.735	-1.291	-1.541
Not recorded deferred tax assets	-	-	-
Deferred taxes / tax assets in the accounts	-1.735	-1.291	-1.541

Basis for tax charge, changes in deferred tax and tax payable

Profit before tax	-776	-438	-1.821
Change in permanent differences not included in the deferred taxes / tax assets basis	-	-	-
Permanent differences	-	-	-
Correction for temp. diff. on securities other than shares for the exemption method	-	-	-
Basis for the tax charge for the year	-776	-438	-1.821
Change in differences included in the basis for deferred tax / tax assets	776	438	1.821
Change in losses and remuneration to be carried forward	-	-	-
Foundation / issue expenses recognized directly in equity	-	-	-
Received group contribution directly accounted	-	-	-
Basis for tax payable in the profit and loss	-	-	-
Foundation / issue expenses recognized directly in equity	-	-	-
Received group contribution directly accounted	-	-	-
Group contributions payable	-	-	-
Taxable income (basis for tax payable in the balance sheet)	-	-	-

Distribution of tax charge

Tax payable	-	-	-
Too much or too little allocated in previous year	-	-	-
Total tax payable	-	-	-
Change in deferred tax / tax assets	-194	-118	-492
Change in deferred tax / tax assets due to change in tax rate	-	-	123
Tax charge	-194	-118	-368

Tax payable in the balance sheet

Tax payment in the tax charge	-	-	-
Tax effect of group contribution	-	-	-
Tax payable	-	-	-

Norwegian Finans Holding Group

Amounts in NOK 1000

Deferred tax / tax assets in the accounts	Q1 2016	Q1 2015	2015
Net temporary differences	-26.674	-567	-26.674
Loss and remuneration to be carried forward	-6.940	-4.781	-6.164
Basis for deferred tax / tax assets in the balance sheet	-33.614	-5.349	-32.838
Deferred tax assets / deferred tax	-8.404	-1.444	-8.210
Not recorded deferred tax assets	-	-	-
Deferred taxes / tax assets in the accounts	-8.404	-1.444	-8.210

Basis for tax charge, changes in deferred tax and tax payable

Profit before tax	219.851	149.734	738.770
Change in differences not included in the deferred taxes / deferred tax asset basis	-	-	-
Permanent differences	-	-	14.099
Correction for temp. diff. on securities other than shares for the exemption method	-	-	-18.503
Basis for the tax charge for the year	219.851	149.734	734.365
Change in differences included in the basis for deferred tax / tax assets	-	-	26.107
Change in losses and remuneration to be carried forward	-	-	-
Foundation / issue expenses recognized directly in equity	-	-	-
Received group contribution directly accounted	-	-	-
Basis for tax payable in the profit and loss	219.851	149.734	760.472
Foundation / issue expenses recognized directly in equity	-	-	-
Received group contribution directly accounted	-	-	-
Group contributions payable	-	-	-
Taxable income (basis for tax payable in the balance sheet)	219.851	149.734	760.472

Distribution of tax charge

Tax payable	55.157	40.546	205.327
Too much or too little allocated in previous year	-	-	-2
Total tax payable	55.157	40.546	205.325
Change in deferred tax / tax assets	-194	-118	-6.921
Change in deferred tax / tax assets due to change in tax rate	-	-	533
Tax charge	54.963	40.428	198.937

Tax payable in the balance sheet

Tax payment in the tax charge	55.157	40.546	205.325
Tax payable from previous year	138.530	84.541	-
Tax effect of recognition to equity	-1.655	-2.790	-3.239
Tax payable from previous year	192.031	122.298	202.086

Note 27. Intangible assets

<i>Amounts in NOK 1000</i>	IT/Software	Trademark	Connection fee	Total
Accumulated historical cost at 31.12.15	105.667	12.500	17.337	135.504
Additions	9.113	-	-	9.113
Disposals	-	-	-	-
Historical cost at 31.3.16	114.780	12.500	17.337	144.617
Accumulated depreciations at 31.3.16	69.453	12.500	14.961	96.913
Net accumulated and reversed amortizations at 31.3.16	2.974	-	-	2.974
Acc. depreciations, amortizations and rev. amortizations at 31.3.16	72.427	12.500	14.961	99.887
Book value at 31.3.16	42.353	-	2.376	44.730
Annual depreciations	3.290	-	372	3.661
Economic life	5 years	5 years	10 years	
Depreciation rates	Linear	Linear	Linear	
<i>Amounts in NOK 1000</i>	IT/Software	Trademark	Connection fee	Total
Accumulated historical cost at 31.12.14	82.240	12.500	17.337	112.077
Additions	8.613	-	-	8.613
Disposals	-	-	-	-
Historical cost at 31.3.15	90.853	12.500	17.337	120.690
Accumulated depreciations at 31.3.15	55.040	12.500	13.376	80.916
Net accumulated and reversed amortizations at 31.3.15	2.974	-	-	2.974
Acc. depreciations, amortizations and rev. amortizations at 31.3.15	58.014	12.500	13.376	83.890
Book value at 31.3.15	32.839	-	3.961	36.801
Annual depreciations	2.278	-	404	2.682
Annual amortizations	2.974	-	-	2.974
Economic life	5 years	5 years	10 years	
Depreciation rates	Linear	Linear	Linear	
<i>Amounts in NOK 1000</i>	IT/Software	Trademark	Connection fee	Total
Accumulated historical cost at 31.12.14	82.240	12.500	17.337	112.077
Additions	23.427	-	-	23.427
Disposals	-	-	-	-
Historical cost at 31.12.15	105.667	12.500	17.337	135.504
Accumulated depreciations at 31.12.15	63.189	12.500	14.589	90.278
Net accumulated and reversed amortizations at 31.12.15	2.974	-	-	2.974
Acc. depreciations, amortizations and rev. amortizations at 31.12.15	66.163	12.500	14.589	93.252
Book value at 31.12.15	39.504	-	2.748	42.253
Annual depreciations	10.489	-	1.617	12.106
Annual amortizations	2.974	-	-	2.974
Economic life	5 years	5 years	10 years	
Depreciation rates	Linear	Linear	Linear	

Intangible assets are related to the connection fee (Finans Norge) that gives access to the common areas for payment services with a book value of NOK 2.4 million as at 31.3.2016, and rights of use of software and propriety software with a book value of NOK 42.3 million as at 31.3.2016.

Note 28. Tangible fixed assets

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Upgrading of rented premises	Hardware	Total
Accumulated historical cost at 31.12.15	765	1.859	-	712	3.336
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Historical cost at 31.3.16	765	1.859	-	712	3.336
Accumulated depreciations at 31.3.16	434	1.763	-	678	2.875
Net accumulated and reversed amortizations at 31.3.16	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations at 31.3.16	434	1.763	-	678	2.875
Book value at 31.3.16	332	96	-	33	461
Annual depreciations	38	10	-	17	66
Economic life	5 years	5 years	5 years	3 years	
Depreciation rates	Linear	Linear	Linear	Linear	

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Upgrading of rented premises	Hardware	Total
Accumulated historical cost at 31.12.14	2.694	2.255	528	1.927	7.404
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Historical cost at 31.3.15	2.694	2.255	528	1.927	7.404
Accumulated depreciations at 31.3.15	1.930	2.117	528	1.808	6.383
Net accumulated and reversed amortizations at 31.3.15	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations at 31.3.15	1.930	2.117	528	1.808	6.383
Book value at 31.3.15	764	137	-	119	1.021
Annual depreciations	68	40	-	25	133
Economic life	5 years	5 years	5 years	3 years	
Depreciation rates	Linear	Linear	Linear	Linear	

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Upgrading of rented premises	Hardware	Total
Accumulated historical cost at 31.12.14	2.694	2.255	528	1.927	7.404
Additions	-	-	-	-	-
Disposals	-1.746	-	-528	-	-2.274
Historical cost at 31.12.15	948	2.255	-	1.927	5.130
Accumulated depreciations at 31.12.15	578	2.148	-	1.877	4.603
Net accumulated and reversed amortizations at 31.12.15	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations at 31.12.15	578	2.148	-	1.877	4.603
Book value at 31.12.15	370	106	-	50	526
Annual depreciations	262	41	-	94	397
Economic life	5 years	5 years	5 years	3 years	
Depreciation rates	Linear	Linear	Linear	Linear	

Note 29. Receivables and accrued income

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Other receivables	4	73	-
Total	4	73	-

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Distribution commissions	193.810	122.395	164.270
Other receivables	1.351	9.909	8.445
Prepaid expenses	1.081	6.569	5.484
Total	196.242	138.873	178.199

Note 30. Other liabilities

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Other liabilities	6	-	-
Total	6	-	-

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Payables to suppliers	29.116	14.915	26.735
Tax withholdings	1.179	1.044	1.765
Social security tax	1.156	1.023	1.484
Value added tax	2.690	611	4.101
Other liabilities	24.790	6.072	2.289
Total	58.931	23.665	36.374

Note 31. Accrued expenses and unearned income received

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	Q1 2016	Q1 2015	2015
Accrued fees	2.092	1.651	1.335
Total	2.092	1.651	1.335

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q1 2016	Q1 2015	2015
Accrued fees	3.697	2.892	1.694
Holiday pay	4.859	4.218	3.779
Social security tax	65.006	125.187	58.266
Board remuneration	246	207	827
Bonuses	15.167	13.740	11.691
Total	88.975	146.244	76.258

Note 32. Capital adequacy

The statutory capital adequacy requirement stipulates that the total capital shall be at least 8% of a specified calculation basis. The total capital consists of common equity tier 1, Tier 1 capital and Tier 2 capital.

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
2015	Q1 2015	Q1 2016	Amounts in NOK 1000	Q1 2016	Q1 2015	2015
173.195	173.000	173.195	Share capital	173.195	173.000	173.195
150.402	145.123	150.402	+ Share premium reserve	150.402	145.123	150.402
3.623	4.756	3.041	+ Other reserves	1.575.130	924.744	1.411.491
1.541	1.291	1.735	- Deferred tax assets and intangible assets	53.133	38.245	50.462
325.679	321.589	324.903	Common equity tier 1	1.845.593	1.204.623	1.684.625
-	-	-	+ Additional Tier 1 capital	125.000	125.000	125.000
325.679	321.589	324.903	Tier 1 capital	1.970.593	1.329.623	1.809.625
-	-	-	+ Tier 2 capital	174.971	174.955	174.962
325.679	321.589	324.903	Total capital	2.145.564	1.504.577	1.984.588
Calculation basis						
Credit risk						
-	-	-	From assets 10%	15.784	1.617	-
3.403	2.634	3.399	+ From assets 20%	468.819	443.092	419.428
-	-	-	+ From assets 75%	11.482.068	7.264.212	9.791.899
310.000	310.073	310.004	+ From assets 100%	1.156.508	586.632	991.924
-	-	-	+ Other off-balance sheet items	3.420	3.389	3.463
-	-	-	+ Operational risk	2.034.225	1.397.077	1.397.077
313.403	312.706	313.403	Total calculation basis	15.160.822	9.696.020	12.603.790
103,92 %	102,84 %	103,67 %	Common equity tier 1 %	12,17 %	12,42 %	13,37 %
103,92 %	102,84 %	103,67 %	Tier 1 capital %	13,00 %	13,71 %	14,36 %
103,92 %	102,84 %	103,67 %	Total capital %	14,15 %	15,52 %	15,75 %

Note 33. Tier 1 capital

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

The terms of Tier 1 capital meet the requirements of EU CRR regulations and is included in the Bank's core capital for capital adequacy purposes. As a result, the Bank has a unilateral right to not 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 on the line Total interest expense, but as a reduction in retained earnings. Similarly, is the advantage of interest tax-deductible presented as an increase in retained earnings and not as a reduction of tax expense in the profit and loss.

Note 34. Lease agreements

The Bank is sharing premises with Norwegian Air Shuttle. There is a lease agreement for Oksenøyveien 3 at Lysaker. The agreement expires 31.3.2018 (with extension option up to 31.3.2020), and the tenancy terminates without notice. The annual rent totals NOK 1.9 million.

Note 35. Related parties

Bank Norwegian 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. The agreement is later expanded to sales financing. In connection with the Bank's establishment in Sweden, the original agreement was replaced by new agreements as of 1.1.2013, with a duration of three years. The agreement is renegotiated and extended until 31.12.2020, and applies to Norway, Sweden, Denmark and Finland. All accrued rights remain. In addition to the co-operation agreement regarding use of brand name and IP-rights, agent agreements have been entered into relating to distribution of financial services regarding credit cards and sales financing of airline tickets. Expensed amount is NOK 123.8 million in 2015 and NOK 93.0 million in 2014.

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

Note 36. Subsequent events

See note 25 for a description of new information regarding the transaction between Visa Inc. and Visa Europe. Management is not aware of any other events after the balance sheet date that may have a significant influence on the accounts.

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Interest income	559.231	482.037	441.377	407.916	379.103
Interest expenses	82.079	67.054	66.045	69.736	82.986
Net interest income	477.152	414.983	375.332	338.180	296.117
Commission and bank services income	55.602	61.919	49.000	42.662	39.066
Commission and bank services expenses	21.282	23.833	18.981	19.544	16.205
Net change in value on securities and currency	6.916	6.233	-21.171	-1.381	-2.356
Other income	-	214	-	-	-
Net other operating income	41.237	44.534	8.849	21.737	20.504
Total income	518.388	459.517	384.180	359.917	316.621
Personnel expenses	17.751	16.600	15.523	11.517	14.533
General administrative expenses	173.170	132.215	127.315	115.150	103.013
Ordinary depreciation	3.727	3.271	3.194	3.224	5.789
Other operating expenses	8.863	7.145	6.401	4.487	4.203
Total operating expenses	203.511	159.230	152.433	134.378	127.538
Provision for loan losses	95.027	68.564	53.944	46.029	39.349
Profit on ordinary activities before tax	219.851	231.723	177.803	179.510	149.734
Tax charge	54.963	62.034	48.007	48.468	40.428
Profit on ordinary activities after tax	164.888	169.689	129.796	131.042	109.306

Comprehensive income

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Q1 2016	Q4 2015	Q3 2015	Q2 2015	Q1 2015
Profit on ordinary activities after tax	164.888	169.689	129.796	131.042	109.306
Change in fair value for assets held for sale	-	60.446	-	-	-
Tax	-	-453	-	-	-
Other comprehensive income that may subsequently be reclassified to the profit and loss	-	59.992	-	-	-
Comprehensive income for the period	164.888	229.681	129.796	131.042	109.306

Balance sheet

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	31.3.16	31.12.15	30.9.15	30.6.15	31.3.15
Assets					
Cash and deposits with the central bank	58.971	58.987	56.003	55.990	59.029
Loans and deposits with credit institutions	437.324	477.841	313.450	402.495	321.454
Loans to customers	16.201.657	13.808.175	12.346.568	11.031.778	10.131.912
Certificates and bonds	3.331.623	2.968.530	2.676.002	2.859.876	2.987.766
Financial derivatives	6.683	-	-	-	-
Shares and other securities	443	443	443	443	443
Assets held for sale	60.446	60.446	-	-	-
Intangible assets	44.730	42.253	40.560	39.678	36.801
Deferred tax asset	8.404	8.210	1.690	1.579	1.444
Fixed assets	461	526	816	918	1.021
Receivables and accrued income	196.242	178.198	161.668	142.347	138.873
Total assets	20.346.982	17.603.609	15.597.200	14.535.104	13.678.743
Liabilities and equity					
Loans from credit institutions	-	-	-	-	-
Deposits from customers	15.928.036	13.366.590	11.706.542	10.886.266	9.961.883
Debt securities issued	1.880.311	1.879.571	1.678.878	1.679.417	1.880.409
Financial derivatives	-	7.679	1.095	2.754	1.421
Tax payable	192.031	202.086	133.122	85.474	122.298
Other liabilities	58.931	36.374	34.664	27.164	23.665
Accrued expenses and unearned income received	88.975	76.258	236.337	175.990	146.244
Subordinated loan	174.971	174.962	174.943	174.946	174.955
Total liabilities	18.323.256	15.743.521	13.965.582	13.032.011	12.310.875
Share capital	173.195	173.195	173.195	173.195	173.000
Share premium reserve	150.402	150.402	150.402	150.402	145.123
Tier 1 capital	125.000	125.000	125.000	125.000	125.000
Retained earnings and other reserves	1.575.130	1.411.491	1.183.021	1.054.496	924.744
Total equity	2.023.726	1.860.088	1.631.618	1.503.092	1.367.867
Total liabilities and equity	20.346.982	17.603.609	15.597.200	14.535.104	13.678.743



To the Board of Directors of Norwegian Finans Holding ASA

Report on Review of Interim Financial Information

Introduction

We have reviewed the accompanying consolidated condensed balance sheet of Norwegian Finans Holding ASA as of 31 March 2016 and the related consolidated condensed statements of income, changes in equity and cash flows for the three-month period then ended. Management is responsible for the preparation and presentation of this condensed consolidated interim financial information in accordance with International Accounting Standard 34 "Interim Financial Reporting".. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with standards on auditing adopted by Den Norske Revisorforening, and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed consolidated interim financial information is not prepared, in all material respects, in accordance with International Accounting Standard 34 "Interim Financial Reporting".

Oslo, 27 April 2016
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant

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