

**Report for the  
4th quarter of 2018**  
Norwegian Finans Holding ASA

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**Q4**

## Letter from the CEO

The economic outlook for the Nordic region remains benign. GDP growth and employment levels are favorable while interest rates remain at low levels with a slow upward expectation mid to long term trend. The regulatory environment has been steady with few new initiatives. The Norwegian lending guidelines will be turned into law creating equal terms for domestic and foreign banks alike. Debt register implementation is on track in Norway and a voluntary debt register is being adopted by an increasing number of banks in Finland.

Competition remains high as incumbents gradually take a more active role in the market for unsecured lending and an increasing volume is distributed through agents, combined with increasing activity from foreign entities with lower capital requirements and with the emergence of fintechs. Bank Norwegian's robust growth and solid balance sheet highlights our competitive advantage from having proprietary scorecards and an integrated business model with financial information on a substantial customer base.

Bank Norwegian continuously refines and optimizes its core business to ensure competitiveness. In line with this ambition, Bank Norwegian entered into an agreement for the sale of Finnish non-performing loans during the quarter and simultaneously lowered the Finnish interest rate for deposits by 1.0 percentage point with substantial expense savings.

Many milestones were reached as the fourth quarter delivered record high net interest income, total assets exceeded BNOK 50 and the customer base surpassed 1.5 million. This reflects the Banks' ability to successfully grow with a balanced risk-based pricing in all four markets.

The bank is effectively engaging with customers through digital interfaces and adding new services to the platform. New functionality is quickly adapted, as illustrated by the release of "my personal finances" which has been used 270,000 times since introduction late in Q4. Focus on customer experience and relevant services will continue to be fundamental for the bank's development. Utilizing the Bank's significant customer base to drive growth in fee-based income from ancillary products is an attractive opportunity and PSD 2 implementation will increase the potential. While the industry transformation is still in an early stage, development is expected to pick up during 2019. Bank Norwegian is uniquely positioned to deliver on the customers' expectations and our scale and frequent customer interaction will allow us to successfully compete in an open banking environment.

Growth and shareholder value creation is high on the agenda. Bank Norwegian has entered into an agreement to acquire 40% of the Irish entity Lilienthal Finance Ltd., which will apply for an Irish banking license as a basis for expansion in cooperation with the airline Norwegian outside the Nordics.

Bærum, February 25, 2019

**Tine Wollebekk**  
CEO

## Report for the fourth quarter 2018

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

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

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

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

### Profit and loss for 2018

The NFH Group's comprehensive income amounted to NOK 1,796.6 million, compared with NOK 1,605.2 million in 2017, representing an increase of 12%. The profit growth is explained by customer and loan growth. Return on equity was 29.9% and the return on assets was 3.8%.

Net interest income totalled NOK 4,406.3 million, net other operating income amounted to NOK 245.9 million, while total operating expenses were NOK 1,236.2 million. Provisions for loan losses were NOK 1,027.6 million.

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

### Profit and loss for the fourth quarter 2018

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

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

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

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

Provisions for loan losses were NOK 284.8 million, a decrease of NOK 14.4 million from the third quarter. Provisions equalled 2.9% of average gross loans, compared with 3.1% in the third quarter.

Provisions in the fourth quarter includes charges attributed to the sale of non-performing loans in Finland, comprising of a NOK 42.9 million net charge-off and a NOK 8.5 million repayment of collection expenses. The net charge-off directly related to the NPL sale is NOK 19.7 million.

Provision levels in Norway, Denmark and Finland fell. Provisions in Sweden increased due to calendar cut-off effects.

Gross delinquent loans were NOK 3,935 million, compared with NOK 4,454 million at the end of the third quarter. The decrease is mainly attributed to the NPL sale in Finland. Delinquent loans accounted for 10.0% of gross loans, compared with 11.6% at the end of the third quarter. Gross non-performing loans accounted for 7.6% of gross loans, compared with 9.2% as of September 30, 2018. Non-performing loan levels are developing as expected.

### Balance sheet as of December 31, 2018

Total assets increased NOK 646 million in the quarter and amounted to NOK 50,436 million.

Net loans to customers increased NOK 1,046 million compared with NOK 1,287 million in the previous quarter and totaled NOK 37,798 million. The growth in net loans reflects the sale of non-performing loans in Finland amounting to NOK 1,522 million. Instalment loans amounted to NOK 27,599 million and credit card loans amounted to NOK 11,874 million.

Customer deposits decreased NOK 267 million compared with an increase of NOK 1,653 million in the third quarter and amounted to NOK 39,092 million at the end of the fourth quarter. The decrease is mainly explained by outflow following the deposit rate reduction in Finland.

Liquid assets decreased NOK 343 million and amounted to NOK 12,373 million, equivalent to 24.5% of total assets.

Total equity amounted to NOK 7,544 million, compared with NOK 7,082 million as of September 30, 2018. The total capital ratio was 23.7%, the core capital ratio was 21.3% and the common equity tier 1 ratio was 19.4%.

The financial statements as of December 31, 2018 are audited.

### Outlook

The outlook for the Nordic economies where the NFH Group operates continues to be favorable with solid growth and low unemployment.

Interest rate levels in the countries where the NFH Group is represented are expected to rise gradually, albeit from a low level. The NFH Group is still expected to benefit from low interest rate levels through low funding costs.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality, even though the Nordic market for unsecured credit is very competitive. The competitive environment could lead to higher customer acquisition cost, margin pressure or lower growth.

The NFH Group has a broad Nordic platform and loan volumes are growing faster outside of Norway. As such, the NFH Group has a diversified risk in relation to the individual markets.

A high deposit to loans ratio and good access to the securities market are expected to maintain the NFH Group's strong liquidity position. The NFH Group lowered deposit rates in Finland effective October 1, 2018, lowering funding costs and at the same time offering competitive deposit

rates. The deposit insurance amount was reduced from NOK 2 million to EUR 100 thousand outside of Norway as of January 1, 2019. The depositor's adoption to the new deposit insurance level has been gradual, as non-insured deposits have slowly declined.

The NFH Group is positioning itself to meet the anticipated MREL (Minimum Requirements for own funds and Eligible Liabilities) requirements by increasing its efforts in the senior unsecured bond market with the aim to grow the share of outstanding unsecured senior debt.

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

The credit quality of the loan portfolios in all markets are expected to exhibit a stable development going forward. Proprietary credit scorecards based on own data are in place in all markets.

The NFH Group strengthened its capital position further in the beginning of the fourth quarter by issuing NOK 125 million in additional tier 1 capital and SEK 550 million in additional tier 2 capital.

Common equity tier 1 was 19.4% at the reporting date exceeding the minimum common equity tier 1 ratio requirement of 15.9% which include announced increases in counter-cyclical buffers during 2019. The Financial Supervisory Authority of Norway has also required a 3% additional capital management buffer as a precondition to pay cash dividends or buy back shares.

The NFH Group plans to distribute capital in excess of applicable capital requirements in the form of share buy backs and cash dividends.

The current capital base and internal generation of capital are considered more than sufficient to ensure the NFH Group's growth ambitions.

The NFH Group is exploring geographical expansion opportunities in Europe through the investment in Lilienthal Finance Ltd. which is seeking to obtain a banking license in Ireland.

Bærum, 25. februar 2019

The Board of directors of Norwegian Finans Holding ASA

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Bjørn Østbø  
Chairman of the Board

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John Høsteland  
Board Member

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Anita Aarnæs  
Board Member

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Christine Rødsæther  
Board Member

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Gunn Ingemundsen  
Board Member

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Rolv-Erik Spilling  
Board Member

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Tine Wollebakk  
CEO

## Profit and loss account

Amounts in NOK 1000	Note	Norwegian Finans Holding Group			
		Q4 2018	Q4 2017	2018	2017
Interest income, amortized cost		1,286,569	1,123,955	4,908,715	4,063,126
Other interest income		32,504	24,272	104,303	95,122
Interest expenses		145,500	137,510	606,692	502,211
<b>Net interest income</b>	10	<b>1,173,573</b>	<b>1,010,717</b>	<b>4,406,326</b>	<b>3,656,037</b>
Commission and bank services income	11	111,047	109,079	463,551	363,109
Commission and bank services expenses	11	62,683	51,690	230,454	174,202
Net change in value on securities and currency	12	-5,938	-3,355	12,818	7,458
Other income		-	-	32	-
<b>Net other operating income</b>		<b>42,426</b>	<b>54,034</b>	<b>245,947</b>	<b>196,365</b>
<b>Total income</b>		<b>1,215,999</b>	<b>1,064,752</b>	<b>4,652,273</b>	<b>3,852,401</b>
Personnel expenses		25,414	20,501	87,726	74,957
General administrative expenses	13	258,299	238,566	1,035,911	883,265
Depreciation and impairment of fixed and intangible assets		15,633	14,356	59,998	53,062
Other operating expenses	14	13,388	12,053	52,528	45,484
<b>Total operating expenses before losses</b>		<b>312,733</b>	<b>285,475</b>	<b>1,236,163</b>	<b>1,056,768</b>
Provision for loan losses	5, 6	284,813	199,109	1,027,631	672,388
<b>Profit before tax</b>		<b>618,453</b>	<b>580,168</b>	<b>2,388,478</b>	<b>2,123,245</b>
Tax charge		149,346	140,383	591,867	526,194
<b>Profit after tax</b>	2	<b>469,106</b>	<b>439,785</b>	<b>1,796,611</b>	<b>1,597,050</b>
Earnings per share (NOK)		2.51	2.36	9.62	8.60
Diluted earning per share (NOK)		2.51	2.36	9.62	8.60

## Comprehensive income

Amounts in NOK 1000	Norwegian Finans Holding Group			
	Q4 2018	Q4 2017	2018	2017
<b>Profit on ordinary activities after tax</b>	<b>469,106</b>	<b>439,785</b>	<b>1,796,611</b>	<b>1,597,050</b>
Change in fair value for assets available for sale	-	3,081	-	8,176
Tax	-	-23	-	-61
<b>Other comprehensive income</b>	<b>-</b>	<b>3,058</b>	<b>-</b>	<b>8,115</b>
<b>Comprehensive income for the period</b>	<b>469,106</b>	<b>442,843</b>	<b>1,796,611</b>	<b>1,605,166</b>

## Balance sheet

### Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Note	31.12.18	31.12.17
<b>Assets</b>			
Cash and deposits with the central bank	9, 16	67,959	65,976
Loans and deposits with credit institutions	9, 16	1,702,308	1,345,647
Loans to customers	4, 7, 16	37,797,618	32,479,570
Certificates and bonds	15	10,602,597	8,859,834
Financial derivatives	15	12,773	1,935
Shares and other securities	15, 18	36,691	443
Assets available for sale	15, 18	-	32,922
Intangible assets		133,670	131,521
Deferred tax asset		18,021	15,904
Fixed assets		719	1,000
Other receivables	19	63,388	65,241
<b>Total assets</b>	<b>2</b>	<b>50,435,746</b>	<b>42,999,992</b>
<b>Liabilities and equity</b>			
Loans from credit institutions		-	-
Deposits from customers	16	39,091,791	33,682,275
Debt securities issued	16, 17	2,018,724	2,242,423
Financial derivatives	15	120,497	52,246
Tax payable		603,085	525,886
Other liabilities	20	32,434	158,711
Accrued expenses	21	188,755	150,216
Subordinated loans	16, 17	836,205	474,614
<b>Total liabilities</b>		<b>42,891,492</b>	<b>37,286,371</b>
Share capital		186,752	186,689
Share premium		976,938	971,182
Tier 1 capital		635,000	635,000
Retained earnings and other reserves		5,745,564	3,920,750
<b>Total equity</b>	<b>22, 2</b>	<b>7,544,254</b>	<b>5,713,621</b>
<b>Total liabilities and equity</b>	<b>2</b>	<b>50,435,746</b>	<b>42,999,992</b>

Bærum, 25. februar 2019

The Board of directors of Norwegian Finans Holding ASA

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Rolv-Erik Spilling  
Board Member

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Tine Wollebakk  
CEO



## Cash flow statement

### Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	2018	2017
Profit / loss after tax	1,796,611	1,605,165
Unrealized gains or losses on currency	92,674	47,565
Depreciations and amortizations	59,998	44,477
Provision for loan losses	1,027,631	672,388
Change in loans to customers	-6,291,113	-8,602,143
Change in deposits from customers	5,409,516	9,258,502
Change in certificates and bonds	-1,742,763	-4,395,632
Change in receivables, deferred tax asset and financial derivatives	-9,478	-20,304
Change in shares and other securities and assets held for sale	3,326	8,176
Change in tax payable, accrued expenses and other liabilities	57,713	342,744
<b>Net cash flow from operating activities</b>	<b>404,116</b>	<b>-1,039,060</b>
Proceeds from sale of tangible assets	32	-
Payment for acquisition of intangible assets	-67,853	-55,381
Payment for acquisition of tangible assets	-112	-1,050
<b>Net cash flow from investment activities</b>	<b>-67,933</b>	<b>-56,431</b>
Paid-in share capital and share premium	5,819	495,787
Issued debt securities	388,040	1,299,320
Repayment of debt securities	-611,739	-880,870
Issued subordinated loans	533,555	199,699
Repayment subordinated loans	-171,964	-
Issued tier 1 capital	125,000	299,250
Repayment tier 1 capital	-125,000	-
Paid interest tier 1 capital	-28,575	-21,858
<b>Net cash flow from financing activities</b>	<b>115,136</b>	<b>1,391,328</b>
Net cash flow for the period	451,318	295,837
Cash and cash equivalents at the start of the period	1,411,622	1,163,351
Currency effect on cash and cash equivalents	-92,674	-47,565
<b>Cash and cash equivalents at the end of the period</b>	<b>1,770,267</b>	<b>1,411,622</b>

## Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
<b>Balance 31.12.17</b>	<b>186,689</b>	<b>971,182</b>	<b>635,000</b>	<b>3,920,750</b>	<b>5,713,621</b>
Change in write-downs under IFRS 9	-	-	-	54,569	54,569
<b>Balance 1.1.18</b>	<b>186,689</b>	<b>971,182</b>	<b>635,000</b>	<b>3,975,319</b>	<b>5,768,190</b>
This period's profit	-	-	-	1,796,611	1,796,611
<b>Comprehensive income for the period</b>	<b>186,689</b>	<b>971,182</b>	<b>635,000</b>	<b>5,771,930</b>	<b>7,564,801</b>
Paid interest tier 1 capital	-	-	-	-28,575	-28,575
Capital increase	63	5,756	-	-	5,819
Issued tier 1 capital	-	-	125,000	-	125,000
Repayment of tier 1 capital	-	-	-125,000	-	-125,000
Other changes	-	-	-	2,209	2,209
<b>Balance 31.12.18</b>	<b>186,752</b>	<b>976,938</b>	<b>635,000</b>	<b>5,745,564</b>	<b>7,544,254</b>

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
<b>Balance 31.12.16</b>	<b>180,105</b>	<b>481,980</b>	<b>335,000</b>	<b>2,338,191</b>	<b>3,335,276</b>
This period's profit	-	-	-	1,597,050	1,597,050
Items that may be reclassified to profit and loss, after tax	-	-	-	8,115	8,115
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,605,165</b>	<b>1,605,165</b>
Paid interest tier 1 capital	-	-	-	-21,858	-21,858
Capital increase	6,584	498,098	-	-	504,682
Share issue expenses	-	-8,895	-	-	-8,895
Issued tier 1 capital	-	-	300,000	-750	299,250
<b>Balance 31.12.17</b>	<b>186,689</b>	<b>971,182</b>	<b>635,000</b>	<b>3,920,749</b>	<b>5,713,621</b>



## Notes

### Note 1. General accounting principles

The quarterly financial statements for the NFH Group have been prepared in accordance with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and as adopted by the European Union (EU). When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the NFH Group, can be found in note 1 General accounting principles and note 2 IFRS 9 in the annual

#### Accounting standards which have been implemented in 2018

##### IFRS 9 - Financial Instruments

*IFRS 9 Financial Instruments* (IFRS 9) has replaced *IAS 39 Financial Instruments – Recognition and Measurement* (IAS 39) from January 1, 2018. IFRS 9 introduced changes to the rules of the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. As permitted by the transition provisions of IFRS 9, the Group has elected not to restate comparative figures. The standard is applied retrospectively. For additional information on IFRS 9 adoption and the change in accounting principles, see note 3.1 Change in balance sheet items in this report and note 2

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

*Assets available for sale*, which consist of the NFH Group's ownership interest in VN Norge AS, formerly known as Visa Norge FLI, was under IAS 39 classified at fair value through other comprehensive income (with reclassification). Following the implementation of IFRS 9 the asset is classified at fair value through profit and loss. For further details, see note 3.

IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of credit losses. The NFH Group has made calculations of losses under IFRS 9 based on a base, upper and lower scenario. The calculations at December 31, 2017 show a reduction of write-downs of NOK 55 million after tax compared to write-downs under IAS 39. The decrease in write-downs has been booked as a change in equity as per January 1, 2018, and increased *Loans to customers*.

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

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

IFRS 15 established a five-step model that applies to revenue arising from contracts with customers. The new rules have no material impact on the Group's financial statements.

#### Changes in accounting principles

##### Agent commissions to Norwegian Air Shuttle (NAS)

The accounting of agent commissions to NAS was in the fourth quarter reclassified in accordance with IAS 38 Intangible Assets (IAS 38) and IFRS 9. Agent commissions were reclassified from *Other receivables* to *Loans to customers* and *Intangible assets*, with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Interest income* and *Depreciation and impairment of fixed and intangible assets*. The reclassifications did not have any effect on the profit after tax. Comparative figures and corresponding notes have been revised accordingly.

##### Payment protection insurance

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

#### Future changes in accounting policies

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

##### IFRS 16 - Leases

In January 2016, the IASB issued the new standard *IFRS 16 Leases* (IFRS 16). IFRS 16 was endorsed by the EU in October 2017 and came into force January 1, 2019. The new standard has large implications for lessees, as all leases, with the exception of short-term leases and small asset leases, are recognized in the balance sheet as a right-of-use asset with a corresponding liability. At initial recognition, the lease liability and the right-of-use asset are measured at the present value of future lease payments. Lease payments shall be recognized as interest expenses and amortizations. The NFH Group has primarily lease of premises and some furniture and fixture that are recognized in the balance sheet from January 1, 2019. The lease amount that the NFH Group recognized January 1, 2019 was NOK 7.3 million.

##### IFRS 17 - Insurance Contracts

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

Norwegian Finans Holding ASA received a group contribution of NOK 247.5 million from its subsidiary Bank Norwegian AS in the second quarter of 2018.

## Note 2. Segments

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

### Profit and loss account 2018

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

### Balance sheet 31.12.18

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

### Profit and loss account 2017

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

### Balance sheet 31.12.17

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

## Note 3. IFRS 9

### Note 3.1. Change in balance sheet items

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

\* Reclassified to *Shares and other securities* under IFRS 9.

\*\* Fair value through other comprehensive income.

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

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

<b>Estimated credit loss (ECL)</b>	IAS 39	Reclass- ification	New model for expected credit loss	IFRS 9
Balance 31.12.17	1,140,152	-	-	-
Change in expected credit loss	-	-	-72,758	-
Balance 1.1.18	-	-	-	1,067,394

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

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

### Note 3.2. Economical variables used to measure ECL

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

The following weights has been used across all portfolios per December 31, 2018:

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

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

### Note 3.3. Significant increase in credit risk

Probability of default (PD) is an experience-based probability that a commitment is in breach for more than 90 days in the next 12 months. The tables below show the different trigger levels that need to be in place for a commitment to be classified in Stage 2 due to a significant increase in credit risk. A significant increase in credit risk is assessed on the basis of several criteria, including late payment beyond 30 days after maturity. The most important factor for the assessment is a comparison between the original probability of default and the probability of default at the reporting date. Each product has its own threshold values when one considers an increase to be significant. Products with absolute low application PDs therefore lead to high trigger requirements, as they are relative and come from a low level.

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

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

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

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

### Note 3.4. Macro scenario sensitivity on ECL

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

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

## Note 4. Loans to customers by product groups

<i>Amounts in NOK 1000</i>	Gross loans	Loan loss allowance			Total
		Stage 1	Stage 2	Stage 3	
Instalment loans Norway	12,451,095	43,004	33,819	360,224	12,014,048
Credit card loans Norway	6,616,005	7,403	6,976	103,177	6,498,449
Instalment loans Sweden	4,434,434	40,138	95,024	182,738	4,116,534
Credit card loans Sweden	2,655,652	10,404	38,406	62,777	2,544,065
Instalment loans Denmark	3,721,497	55,944	31,997	273,016	3,360,540
Credit card loans Denmark	818,767	12,394	13,430	71,203	721,740
Instalment loans Finland	6,998,627	52,307	84,485	49,613	6,812,221
Credit card loans Finland	1,776,976	13,360	30,627	2,968	1,730,021
<b>Total</b>	<b>39,473,053</b>	<b>234,954</b>	<b>334,764</b>	<b>1,105,718</b>	<b>37,797,618</b>
<b>Provision coverage ratio per stage</b>		<b>0.60 %</b>	<b>0.85 %</b>	<b>2.80 %</b>	

## Note 5. Change in loan loss allowance

### Instalment loans Norway

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
<b>Loan loss allowance as at 30.9.18</b>	43,619	35,403	318,736	397,757
Transfers :				
Transfers between Stage 1 and Stage 2	-3,192	14,681	-	11,489
Transfers between Stage 1 and Stage 3	-155	-	313	158
Transfers between Stage 2 and Stage 1	1,732	-5,458	-	-3,726
Transfers between Stage 2 and Stage 3	-	-12,443	35,614	23,171
Transfers between Stage 3 and Stage 2	-	934	-10,165	-9,231
Transfers between Stage 3 and Stage 1	8	-	-485	-476
New financial assets issued or purchased	4,096	1,523	-	5,619
Financial assets derecognized in the period, including down payments	-2,364	-1,653	-6,161	-10,178
Modification of contractual cash flows from non-discounted financial assets	-740	831	22,372	22,463
<b>Loan loss allowance as at 31.12.18</b>	<b>43,004</b>	<b>33,819</b>	<b>360,224</b>	<b>437,047</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

### Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	9,589,801	1,348,166	1,406,856	12,344,823
Transfers :				
Transfers between Stage 1 and Stage 2	-603,214	601,600	-	-1,613
Transfers between Stage 1 and Stage 3	-27,733	-	28,032	299
Transfers between Stage 2 and Stage 1	332,084	-351,057	-	-18,973
Transfers between Stage 2 and Stage 3	-	-238,217	238,528	311
Transfers between Stage 3 and Stage 2	-	42,016	-53,385	-11,369
Transfers between Stage 3 and Stage 1	1,907	-	-3,607	-1,700
New financial assets issued or purchased	817,540	47,804	-	865,344
Financial assets derecognized in the period, including down payments	-531,462	-72,700	-34,343	-638,506
Modification of contractual cash flows from non-discounted financial assets	-65,257	-20,718	-1,547	-87,521
<b>Gross loans to customers as at 31.12.18</b>	<b>9,513,667</b>	<b>1,356,895</b>	<b>1,580,533</b>	<b>12,451,095</b>

## Credit card loans Norway

### Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<b>Loan loss allowance as at 30.9.18</b>	7,172	7,070	86,673	100,915
Transfers :				
Transfers between Stage 1 and Stage 2	-360	3,727	-	3,366
Transfers between Stage 1 and Stage 3	-26	-	175	150
Transfers between Stage 2 and Stage 1	320	-2,742	-	-2,422
Transfers between Stage 2 and Stage 3	-	-971	7,394	6,423
Transfers between Stage 3 and Stage 2	-	97	-2,623	-2,527
Transfers between Stage 3 and Stage 1	5	-	-754	-749
New financial assets issued or purchased	255	142	-	397
Financial assets derecognized in the period, including down payments	-40	-79	-445	-565
Modification of contractual cash flows from non-discounted financial assets	78	-268	12,757	12,567
<b>Loan loss allowance as at 31.12.18</b>	<b>7,403</b>	<b>6,976</b>	<b>103,177</b>	<b>117,556</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

### Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	5,272,139	574,516	429,620	6,276,276
Transfers :				
Transfers between Stage 1 and Stage 2	-281,851	320,946	-	39,095
Transfers between Stage 1 and Stage 3	-15,360	-	15,630	269
Transfers between Stage 2 and Stage 1	206,506	-237,760	-	-31,254
Transfers between Stage 2 and Stage 3	-	-82,135	82,236	100
Transfers between Stage 3 and Stage 2	-	9,148	-20,806	-11,658
Transfers between Stage 3 and Stage 1	1,254	-	-6,670	-5,416
New financial assets issued or purchased	108,387	10,670	-	119,057
Financial assets derecognized in the period, including down payments	-10,504	-4,718	-2,506	-17,728
Modification of contractual cash flows from non-discounted financial assets	258,816	-10,648	-904	247,263
<b>Gross loans to customers as at 31.12.18</b>	<b>5,539,387</b>	<b>580,018</b>	<b>496,599</b>	<b>6,616,005</b>



## Instalment loans Sweden

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
<b>Loan loss allowance as at 30.9.18</b>	41,087	75,787	140,260	257,134
Transfers :				
Transfers between Stage 1 and Stage 2	-11,085	25,949	-	14,864
Transfers between Stage 1 and Stage 3	-479	-	-	-479
Transfers between Stage 2 and Stage 1	3,486	-5,837	-	-2,351
Transfers between Stage 2 and Stage 3	-	-9,575	23,154	13,579
Transfers between Stage 3 and Stage 2	-	1,516	-3,567	-2,051
Transfers between Stage 3 and Stage 1	25	-	-150	-125
New financial assets issued or purchased	6,066	2,569	-	8,635
Financial assets derecognized in the period, including down payments	-2,661	-2,998	-1,678	-7,338
Modification of contractual cash flows from non-discounted financial assets	3,700	7,612	24,720	36,032
<b>Loan loss allowance as at 31.12.18</b>	<b>40,138</b>	<b>95,024</b>	<b>182,738</b>	<b>317,900</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

## Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	1,905,444	1,615,598	603,739	4,124,781
Transfers :				
Transfers between Stage 1 and Stage 2	-483,972	509,416	-	25,444
Transfers between Stage 1 and Stage 3	-21,506	-	23,852	2,346
Transfers between Stage 2 and Stage 1	145,930	-138,285	-	7,644
Transfers between Stage 2 and Stage 3	-	-131,846	142,430	10,584
Transfers between Stage 3 and Stage 2	-	24,254	-25,640	-1,386
Transfers between Stage 3 and Stage 1	1,005	-	-1,456	-451
New financial assets issued or purchased	271,231	50,051	-	321,281
Financial assets derecognized in the period, including down payments	-124,603	-66,638	-7,764	-199,005
Modification of contractual cash flows from non-discounted financial assets	69,795	41,920	31,480	143,196
<b>Gross loans to customers as at 31.12.18</b>	<b>1,763,323</b>	<b>1,904,470</b>	<b>766,641</b>	<b>4,434,434</b>

## Credit card loans Sweden

### Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<b>Loan loss allowance as at 30.9.18</b>	9,520	25,773	46,924	82,217
Transfers :				
Transfers between Stage 1 and Stage 2	-693	18,828	-	18,135
Transfers between Stage 1 and Stage 3	-17	-	-	-17
Transfers between Stage 2 and Stage 1	234	-4,583	-	-4,349
Transfers between Stage 2 and Stage 3	-	-3,021	8,906	5,885
Transfers between Stage 3 and Stage 2	-	423	-1,493	-1,070
Transfers between Stage 3 and Stage 1	-	-	-15	-15
New financial assets issued or purchased	661	45	-	706
Financial assets derecognized in the period, including down payments	-63	-230	-174	-468
Modification of contractual cash flows from non-discounted financial assets	762	1,171	8,628	10,561
<b>Loan loss allowance as at 31.12.18</b>	<b>10,404</b>	<b>38,406</b>	<b>62,777</b>	<b>111,587</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

### Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	1,818,646	280,090	148,944	2,247,679
Transfers :				
Transfers between Stage 1 and Stage 2	-174,356	205,398	-	31,042
Transfers between Stage 1 and Stage 3	-4,925	-	5,547	622
Transfers between Stage 2 and Stage 1	49,166	-53,256	-	-4,090
Transfers between Stage 2 and Stage 3	-	-34,970	37,591	2,621
Transfers between Stage 3 and Stage 2	-	3,847	-6,215	-2,368
Transfers between Stage 3 and Stage 1	0	-	-59	-59
New financial assets issued or purchased	82,697	2,839	-	85,536
Financial assets derecognized in the period, including down payments	-3,994	331	297	-3,366
Modification of contractual cash flows from non-discounted financial assets	283,333	6,848	7,855	298,035
<b>Gross loans to customers as at 31.12.18</b>	<b>2,050,566</b>	<b>411,127</b>	<b>193,959</b>	<b>2,655,652</b>

## Instalment loans Denmark

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
<b>Loan loss allowance as at 30.9.18</b>	55,224	32,280	215,462	302,966
Transfers :				
Transfers between Stage 1 and Stage 2	-3,562	20,055	-	16,494
Transfers between Stage 1 and Stage 3	-763	-	13,300	12,537
Transfers between Stage 2 and Stage 1	1,522	-7,119	-	-5,597
Transfers between Stage 2 and Stage 3	-	-14,892	40,214	25,321
Transfers between Stage 3 and Stage 2	-	835	-3,270	-2,435
Transfers between Stage 3 and Stage 1	26	-	-256	-229
New financial assets issued or purchased	4,425	1,010	-	5,436
Financial assets derecognized in the period, including down payments	-1,154	-941	-2,083	-4,177
Modification of contractual cash flows from non-discounted financial assets	225	768	9,649	10,642
<b>Loan loss allowance as at 31.12.18</b>	<b>55,944</b>	<b>31,997</b>	<b>273,016</b>	<b>360,957</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

## Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	2,816,061	197,191	400,711	3,413,963
Transfers :				
Transfers between Stage 1 and Stage 2	-107,147	115,004	-	7,857
Transfers between Stage 1 and Stage 3	-22,345	-	24,335	1,989
Transfers between Stage 2 and Stage 1	52,914	-54,111	-	-1,198
Transfers between Stage 2 and Stage 3	-	-69,387	73,436	4,049
Transfers between Stage 3 and Stage 2	-	4,558	-6,105	-1,547
Transfers between Stage 3 and Stage 1	241	-	-482	-240
New financial assets issued or purchased	192,656	6,329	-	198,985
Financial assets derecognized in the period, including down payments	-52,718	-6,090	-4,027	-62,835
Modification of contractual cash flows from non-discounted financial assets	142,788	-176	17,861	160,473
<b>Gross loans to customers as at 31.12.18</b>	<b>3,022,448</b>	<b>193,319</b>	<b>505,730</b>	<b>3,721,497</b>

## Credit card loans Denmark

### Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<b>Loan loss allowance as at 30.9.18</b>	12,891	12,287	62,798	87,976
Transfers :				
Transfers between Stage 1 and Stage 2	-230	2,476	-	2,246
Transfers between Stage 1 and Stage 3	-37	-	1,826	1,789
Transfers between Stage 2 and Stage 1	69	-1,170	-	-1,102
Transfers between Stage 2 and Stage 3	-	-1,778	5,351	3,573
Transfers between Stage 3 and Stage 2	-	942	-1,415	-473
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	6,088	178	-	6,266
Financial assets derecognized in the period, including down payments	-58	-143	-184	-385
Modification of contractual cash flows from non-discounted financial assets	-6,329	638	2,827	-2,864
<b>Loan loss allowance as at 31.12.18</b>	<b>12,394</b>	<b>13,430</b>	<b>71,203</b>	<b>97,027</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

### Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	524,010	50,858	154,468	729,335
Transfers :				
Transfers between Stage 1 and Stage 2	-24,551	28,009	-	3,458
Transfers between Stage 1 and Stage 3	-3,831	-	4,278	447
Transfers between Stage 2 and Stage 1	13,536	-14,069	-	-534
Transfers between Stage 2 and Stage 3	-	-11,933	12,735	802
Transfers between Stage 3 and Stage 2	-	1,823	-3,547	-1,724
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	16,592	596	-	17,189
Financial assets derecognized in the period, including down payments	262	-307	104	58
Modification of contractual cash flows from non-discounted financial assets	64,538	-1,689	6,886	69,735
<b>Gross loans to customers as at 31.12.18</b>	<b>590,555</b>	<b>53,288</b>	<b>174,923</b>	<b>818,767</b>

## Instalment loans Finland

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
<b>Loan loss allowance as at 30.9.18</b>	41,396	86,647	270,958	399,001
Transfers :				
Transfers between Stage 1 and Stage 2	-5,183	46,050	-	40,867
Transfers between Stage 1 and Stage 3	-143	-	987	844
Transfers between Stage 2 and Stage 1	6,077	-22,367	-	-16,290
Transfers between Stage 2 and Stage 3	-	-13,768	46,660	32,892
Transfers between Stage 3 and Stage 2	-	100	-308	-208
Transfers between Stage 3 and Stage 1	9	-	-296	-287
New financial assets issued or purchased	4,697	1,540	-	6,238
Financial assets derecognized in the period, including down payments	-1,621	-22,964	-268,498	-293,084
Modification of contractual cash flows from non-discounted financial assets	7,077	9,247	109	16,433
<b>Loan loss allowance as at 31.12.18</b>	<b>52,307</b>	<b>84,485</b>	<b>49,613</b>	<b>186,405</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

## Gross loans to customers

	Stage 1	Stage 2	Stage 3	Total
<i>Amounts in NOK 1000</i>				
<b>Gross loans to customers as at 30.9.18</b>	5,308,334	1,157,804	1,117,662	7,583,801
Transfers :				
Transfers between Stage 1 and Stage 2	-609,456	662,705	-	53,250
Transfers between Stage 1 and Stage 3	-3,761	-	4,072	310
Transfers between Stage 2 and Stage 1	386,282	-378,688	-	7,595
Transfers between Stage 2 and Stage 3	-	-178,634	192,556	13,922
Transfers between Stage 3 and Stage 2	-	1,219	-1,269	-51
Transfers between Stage 3 and Stage 1	836	-	-1,220	-384
New financial assets issued or purchased	455,304	28,318	-	483,623
Financial assets derecognized in the period, including down payments	-175,561	-175,230	-1,107,512	-1,458,303
Modification of contractual cash flows from non-discounted financial assets	294,970	19,444	450	314,864
<b>Gross loans to customers as at 31.12.18</b>	<b>5,656,949</b>	<b>1,136,939</b>	<b>204,739</b>	<b>6,998,627</b>

## Credit card loans Finland

### Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<b>Loan loss allowance as at 30.9.18</b>	17,366	45,992	46,409	109,768
Transfers :				
Transfers between Stage 1 and Stage 2	-1,727	9,686	-	7,960
Transfers between Stage 1 and Stage 3	-14	-	18	3
Transfers between Stage 2 and Stage 1	2,779	-16,616	-	-13,837
Transfers between Stage 2 and Stage 3	-	-1,221	2,875	1,654
Transfers between Stage 3 and Stage 2	-	23	-215	-192
Transfers between Stage 3 and Stage 1	4	-	-127	-123
New financial assets issued or purchased	1,414	1,319	-	2,733
Financial assets derecognized in the period, including down payments	-110	-4,331	-45,986	-50,426
Modification of contractual cash flows from non-discounted financial assets	-6,353	-4,226	-5	-10,584
<b>Loan loss allowance as at 31.12.18</b>	<b>13,360</b>	<b>30,627</b>	<b>2,968</b>	<b>46,955</b>
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method as described in note 2.1 of the Annual Report 2017.

Migration out of one stage is calculated at opening date 30.9.18, while migration into one stage is calculated at the closing date 31.12.18.

### Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
<b>Gross loans to customers as at 30.9.18</b>	906,594	634,565	192,461	1,733,620
Transfers :				
Transfers between Stage 1 and Stage 2	-119,134	150,121	-	30,987
Transfers between Stage 1 and Stage 3	-67	-	72	5
Transfers between Stage 2 and Stage 1	254,773	-251,141	-	3,633
Transfers between Stage 2 and Stage 3	-	-11,060	11,863	803
Transfers between Stage 3 and Stage 2	-	-	-888	-888
Transfers between Stage 3 and Stage 1	-	-	-525	-525
New financial assets issued or purchased	53,023	13,049	-	66,072
Financial assets derecognized in the period	-811	-48,251	-190,608	-239,671
Modification of contractual cash flows from non-discounted financial assets	164,067	18,895	-23	182,939
<b>Gross loans to customers as at 31.12.18</b>	<b>1,258,444</b>	<b>506,179</b>	<b>12,353</b>	<b>1,776,976</b>

## Note 6. Loan loss provisions and guarantees

The NFH Group has no guarantees as of 31.12.18.

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

\*NPL portfolios: Non-performing loan portfolios

## Note 7. Gross loans to customers by geographical region

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

## Note 8. Liquidity risk

The liquidity risk is the risk that the NFH Group is not capable of covering all its financial obligations as they fall due. The liquidity risk is evaluated as low at the time of this report, since a large portion of the NFH Group's assets consists of easily transferable securities. The asset side is financed by core deposits from the retail market, debt securities and subordinated capital. The NFH Group manages its liquidity position by short-term cash flow forecasts and liquidity due date summaries. The NFH Group has an unused overdraft facility of NOK 100 million.

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



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

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

### Specification of currencies

<i>Amounts in NOK 1000</i>	2018	2017
NOK	821,677	627,300
SEK	353,606	444,840
DKK	184,808	197,700
EUR	410,177	141,782
<b>Loans and deposits with credit institutions and central banks</b>	<b>1,770,267</b>	<b>1,411,622</b>

Average interest rate	0.25 %	0.22 %
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Average interest rate is calculated as interest amount in percentage of average volume for the current period.

## Note 10. Net interest income

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

## Note 11. Net other operating income

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

## Note 12. Net change in value on securities and currency

<i>Amounts in NOK 1000</i>	2018	2017
Net change on certificates and bonds	-51,315	-17,251
Net change on FX-forwards	41,273	-140,821
Net currency effects	19,534	165,530
Net change on shares and other securities	3,326	-
<b>Total change on financial instruments</b>	<b>12,818</b>	<b>7,458</b>

## Note 13. General administrative expenses

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

## Note 14. Other operating expenses

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

## Note 15. 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 non-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

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

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

### Change in instruments classified at level 3

<i>Amounts in NOK 1000</i>	2018		
	Shares and other securities	Financial assets available for sale	Total
Value 31.12.17	443	32,922	33,365
Reclassification IFRS 9	32,922	-32,922	-
Net gain / loss on financial instruments	3,326	-	3,326
<b>Value 31.12.18</b>	<b>36,691</b>	-	<b>36,691</b>

<i>Amounts in NOK 1000</i>	2017		Total
	Shares and other securities	Financial assets available for sale	
Value 31.12.16	443	24,745	25,188
Net gain / loss on financial instruments	-	8,176	8,176
<b>Value 31.12.17</b>	<b>443</b>	<b>32,922</b>	<b>33,365</b>

*Ownership in VN Norge AS*

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

*Shares in BankID Norge AS*

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

## Note 16. Fair value of financial instruments at amortized cost

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

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

Fair value is estimated to conform with amortized cost.

*Loans to customers*

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

*Debt securities issued and subordinated loan*

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

### Fair value of financial instruments at amortized cost

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

### 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.

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

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

### Change in instruments classified at level 3

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

## Note 17. Debt securities issued and subordinated loan

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

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

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

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

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

## Note 18. Financial Assets at fair value through profit and loss

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

## Note 19. Other Receivables

<i>Amounts in NOK 1000</i>		2018	2017
Distribution commissions		40,656	48,007
Prepaid expenses		7,577	4,800
Net collateral issued*		-	-
Other receivables		15,155	12,434
<b>Total receivables</b>		<b>63,388</b>	<b>65,241</b>

\* Net collateral has been reclassified to *Loans and deposits with credit institutions*.

## Note 20. Other liabilities

<i>Amounts in NOK 1000</i>		2018	2017
Payables to suppliers		4,399	6,545
Value added tax		6,997	8,412
Social security tax		3,131	2,467
Tax withholdings		3,035	2,335
Unsettled items related to certificates and bonds		1,643	138,135
Other liabilities		13,228	816
<b>Total other liabilities</b>		<b>32,434</b>	<b>158,711</b>

## Note 21. Accrued expenses

<i>Amounts in NOK 1000</i>	2018	2017
Accrued not due expenses	166,244	132,331
Bonus	15,161	12,131
Holiday pay	5,550	4,566
Board remuneration	1,111	1,146
Accrued fees	689	41
<b>Total accrued expenses</b>	<b>188,755</b>	<b>150,216</b>

## Note 22. Capital adequacy

<i>Amounts in NOK 1000</i>	2018	2017
<b>Total capital</b>		
Share capital	186,752	186,689
+ Share premium	976,938	971,182
+ Other reserves	5,745,564	3,920,750
- Deferred tax assets, intangible assets and additional valuation adjustment	162,464	156,372
<b>Common equity tier 1</b>	<b>6,746,789</b>	<b>4,922,249</b>
+ Additional tier 1 capital	635,000	635,000
<b>Tier 1 capital</b>	<b>7,381,789</b>	<b>5,557,249</b>
+ Tier 2 capital	836,205	474,614
<b>Total capital</b>	<b>8,217,995</b>	<b>6,031,863</b>

### Calculation basis

<b>Credit risk</b>		
Covered bonds	273,532	232,981
+ Institutions	988,065	924,514
+ Loans to customers	25,396,605	22,493,425
+ Defaulted loans and other commitments	4,049,000	2,589,841
<b>Operational risk</b>	<b>4,012,591</b>	<b>2,608,276</b>
<b>Total calculation basis</b>	<b>34,719,794</b>	<b>28,849,038</b>
<b>Common equity tier 1 %</b>	<b>19.43 %</b>	<b>17.06 %</b>
<b>Tier 1 capital %</b>	<b>21.26 %</b>	<b>19.26 %</b>
<b>Total capital %</b>	<b>23.67 %</b>	<b>20.91 %</b>

## Note 23. Lease agreements

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

## Note 24. Related parties

Bank Norwegian AS and Norwegian Air Shuttle ASA have since October 2007 had an agreement regarding the bank's use of the brand name Norwegian, IP-rights and co-operation regarding the loyalty program and credit cards. Based on the bank's expansion into Sweden, Denmark and Finland, new agreements have been renegotiated. All accrued rights remain. The agreements was renegotiated in the second quarter 2018 and is valid for ten years.

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

## Note 25. Subsequent events

Regulations on requirements for financial institutions' lending practices regarding consumer loans were laid down by the Ministry of Finance on February 12, 2019, pursuant to the Act of April 10, 2015 No. 17 on Financial Undertakings and the Finance Group § 1-7. The NFH Group adapted to the guidelines in the regulations in the autumn of 2017. In the opinion of the board, the regulations will not entail any significant changes in the NFH Group's accounts.

## Note 26. Provisions and legal claims

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

## Quarterly figures

### Profit and loss account

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

### Comprehensive income

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

### Balance sheet

	Norwegian Finans Holding Group				
<i>Amounts in NOK 1000</i>	31.12.18	30.9.18	30.6.18	31.3.18	31.12.17
<b>Assets</b>					
Cash and deposits with the central bank	67,959	65,957	65,975	65,982	65,976
Loans and deposits with credit institutions	1,702,308	1,837,699	2,323,345	1,838,548	1,345,647
Loans to customers	37,797,618	36,751,296	35,464,011	33,842,506	32,479,570
Certificates and bonds	10,602,597	10,812,673	9,389,792	9,292,364	8,859,834
Financial derivatives	12,773	48,072	43,768	49,364	1,935
Shares and other securities	36,691	38,637	37,476	33,104	443
Assets available for sale	-	-	-	-	32,922
Intangible assets	133,670	135,335	132,879	133,514	131,521
Deferred tax asset	18,021	11,157	11,157	18,333	15,904
Fixed assets	719	821	810	904	1,000
Other receivables	63,388	88,568	81,410	97,049	65,241
<b>Total assets</b>	<b>50,435,746</b>	<b>49,790,216</b>	<b>47,550,624</b>	<b>45,371,669</b>	<b>42,999,992</b>
<b>Liabilities and equity</b>					
Loans from credit institutions	-	32,300	85,450	99,200	-
Deposits from customers	39,091,791	39,359,001	37,705,983	35,789,003	33,682,275
Debt securities issued	2,018,724	1,812,167	1,808,003	1,934,592	2,242,423
Financial derivatives	120,497	1,056	2,494	11,264	52,246
Tax payable	603,085	685,353	543,078	391,742	525,886
Other liabilities	32,434	141,377	91,355	342,312	158,711
Accrued expenses	188,755	202,293	184,321	154,835	150,216
Subordinated loan	836,205	474,637	474,622	474,677	474,614
<b>Total liabilities</b>	<b>42,891,492</b>	<b>42,708,185</b>	<b>40,895,306</b>	<b>39,197,625</b>	<b>37,286,371</b>
Share capital	186,752	186,752	186,689	186,689	186,689
Share premium	976,938	976,938	971,182	971,182	971,182
Paid, not registered capital	-	-	5,819	-	-
Tier 1 capital	635,000	635,000	635,000	635,000	635,000
Retained earnings and other reserves	5,745,564	5,283,342	4,856,628	4,381,173	3,920,750
<b>Total equity</b>	<b>7,544,254</b>	<b>7,082,032</b>	<b>6,655,318</b>	<b>6,174,044</b>	<b>5,713,621</b>
<b>Total liabilities and equity</b>	<b>50,435,746</b>	<b>49,790,216</b>	<b>47,550,624</b>	<b>45,371,669</b>	<b>42,999,992</b>



## Profit and loss account

Amounts in NOK 1000	Norwegian Finans Holding ASA			
	Q4 2018	Q4 2017	2018	2017
Interest income, amortised cost	12	2	215	45
Interest expenses	137	-	137	-
<b>Net interest income</b>	<b>-126</b>	<b>2</b>	<b>78</b>	<b>45</b>
Commission and bank services expenses	424	63	803	362
Other income	-	-	247,500	-
<b>Net other operating income</b>	<b>-424</b>	<b>-63</b>	<b>246,697</b>	<b>-362</b>
<b>Total income</b>	<b>-549</b>	<b>-62</b>	<b>246,775</b>	<b>-317</b>
Personnel expenses	558	298	1,445	1,004
Other operating expenses	1,111	402	2,784	2,012
<b>Total operating expenses before losses</b>	<b>1,669</b>	<b>700</b>	<b>4,228</b>	<b>3,016</b>
Provision for loan losses	-	-	-	-
<b>Profit before tax</b>	<b>-2,218</b>	<b>-762</b>	<b>242,547</b>	<b>-3,333</b>
Tax charge	-403	-125	58,369	-833
<b>Profit after tax</b>	<b>-1,815</b>	<b>-636</b>	<b>184,177</b>	<b>-2,500</b>

## Comprehensive income

Amounts in NOK 1000	Norwegian Finans			
	Q4 2018	Q4 2017	2018	2017
<b>Profit on ordinary activities after tax</b>	<b>-1,815</b>	<b>-636</b>	<b>184,177</b>	<b>-2,500</b>
<b>Comprehensive income for the period</b>	<b>-1,815</b>	<b>-636</b>	<b>184,177</b>	<b>-2,500</b>

## Balance sheet

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

Bærum, February 25, 2018  
The board of directors of Norwegian Finans Holding ASA

\_\_\_\_\_  
Bjørn Østbø  
Chairman of the Board

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

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

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

\_\_\_\_\_  
Gunn Ingemundsen  
Board Member

\_\_\_\_\_  
Rolv-Erik Spilling  
Board Member

\_\_\_\_\_  
Tine Wollebakk  
CEO

## Cash flow statement

Amounts in NOK 1000	Norwegian Finans Holding ASA	
	2018	2017
Profit / loss before tax	184,177	-2,500
Change in other accruals	5,969	3,107
Change in short-term liabilities	365	-466
<b>Net cash flow from operating activities</b>	<b>190,511</b>	<b>141</b>
Net investment in group companies	-	-500,000
<b>Net cash flows from investment activities</b>	<b>-</b>	<b>-500,000</b>
Paid, not registered capital	-	-
Paid-in share capital and share premium	5,804	498,011
<b>Net cash flow from financing activities</b>	<b>5,804</b>	<b>498,011</b>
Net cash flow for the period	196,315	-1,849
Cash and cash equivalents at the start of the period	6,794	8,643
<b>Cash and cash equivalents at the end of the period</b>	<b>203,109</b>	<b>6,794</b>

## Changes in equity

Amounts in NOK 1000	Norwegian Finans Holding ASA			
	Share capital	Share premium	Retained earnings and other reserves	Total equity
<b>Balance 31.12.17</b>	<b>186,689</b>	<b>971,182</b>	<b>4,734</b>	<b>1,162,605</b>
This period's profit	-	-	184,177	184,177
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>184,177</b>	<b>184,177</b>
Capital increase	63	5,756	-	5,819
Other Changes	-	-	-15	-15
<b>Balance 31.12.18</b>	<b>186,752</b>	<b>976,938</b>	<b>188,896</b>	<b>1,352,586</b>
<b>Balance 31.12.16</b>	<b>180,105</b>	<b>481,980</b>	<b>5,008</b>	<b>667,093</b>
This period's profit	-	-	-2,500	-2,500
<b>Comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>-2,500</b>	<b>-2,500</b>
Capital increase	6,585	498,098	-	504,683
Share issue expenses	-	-8,895	2,224	-6,671
<b>Balance 31.12.17</b>	<b>186,689</b>	<b>971,182</b>	<b>4,733</b>	<b>1,162,605</b>

## Notes for Norwegian Finans Holding ASA

### Note 1. General accounting principles

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

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

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

## Note 2. Capital adequacy

### Total capital

Amounts in NOK 1000

	2018	2017
Share capital	186,752	186,689
+ Share premium	976,938	971,182
+ Other reserves	188,896	4,734
- Deferred tax assets, intangible assets and additional valuation adjustment	1,032	7,003
<b>Common equity tier 1</b>	<b>1,351,554</b>	<b>1,155,602</b>
+ Additional tier 1 capital	-	-
<b>Tier 1 capital</b>	<b>1,351,554</b>	<b>1,155,602</b>
+ Tier 2 capital	-	-
<b>Total capital</b>	<b>1,351,554</b>	<b>1,155,602</b>

### Calculation basis

#### Credit risk

Covered bonds	-	-
+ Institutions	40,622	1,359
+ Loans to customers	-	-
+ Defaulted loans and other commitments	1,150,003	1,150,000
<b>Operational risk</b>	<b>-</b>	<b>-</b>
<b>Total calculation basis</b>	<b>1,190,625</b>	<b>1,151,359</b>

<b>Common equity tier 1 %</b>	<b>113.52 %</b>	<b>100.37 %</b>
<b>Tier 1 capital %</b>	<b>113.52 %</b>	<b>100.37 %</b>
<b>Total capital %</b>	<b>113.52 %</b>	<b>100.37 %</b>