



**Report for the
fourth quarter 2019**
Norwegian Finans Holding ASA

Q4

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Financial highlights

Profit and loss account

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group			
	Q4 2019	Q4 2018	2019	2018
Interest income	1 535 258	1 332 138	5 910 775	5 309 576
Interest expenses	173 586	145 500	650 090	606 692
Net interest income	1 361 672	1 186 638	5 260 685	4 702 884
Net other operating income	86 994	42 426	321 792	245 947
Total income	1 448 665	1 229 064	5 582 477	4 948 831
Total operating expenses	345 118	312 733	1 324 659	1 236 163
Provision for loan losses	432 803	297 878	1 627 359	1 324 189
Profit before tax	670 745	618 453	2 630 459	2 388 478
Comprehensive income for the period	503 863	472 334	1 981 051	1 807 073

Balance sheet

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group	
	31.12.19	31.12.18
Total assets	58 070 705	50 435 746
Loans to customers	40 560 502	37 797 618
Liquid assets	16 813 654	12 372 865
Deposits from customers	40 118 369	39 091 791
Debt securities issued	6 537 863	2 018 724
Subordinated loans	822 688	836 205
Tier 1 capital	635 000	635 000
Total equity	9 473 707	7 544 254

Key figures and alternative performance measures

	Norwegian Finans Holding Group			
	Q4 2019	Q4 2018	2019	2018
Return on equity (ROE) ^{1 2}	23.5 %	28.2 %	25.2 %	30.1 %
Return on assets (ROA) ^{1 2}	3.6 %	3.7 %	3.8 %	3.8 %
Earnings per share (EPS) ²	2.70	2.53	10.61	9.68
Common equity tier 1 (CET 1)	19.7 %	19.4 %	19.7 %	19.4 %
Leverage ratio	13.6 %	13.7 %	13.6 %	13.7 %
Liquidity coverage ratio (LCR) ²	450 %	213 %	450 %	213 %
Net interest margin (NIM) ^{1 2}	9.7 %	9.3 %	10.0 %	9.9 %
Cost/income ratio ^{1 2}	0.24	0.25	0.24	0.25
Non-performing loans to loans ^{1 2}	13.1 %	7.8 %	13.1 %	7.8 %
Loan loss provisions to average loans ^{1 2}	3.9 %	3.0 %	3.9 %	3.6 %
Loan loss allowance to loans ^{1 2}	8.1 %	5.0 %	8.1 %	5.0 %
Loan loss allowance to non-performing loans ^{1 2}	62.1 %	63.8 %	62.1 %	63.8 %

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

²⁾ Figures for Q4 2018 are restated

Letter from the CEO

Q4 marked another good quarter for the bank and Bank Norwegian's core business continued to develop well throughout the footprint. The strong performance was backed by the favorable macro situation in the Nordic countries as the low interest rate levels continued while unemployment was stable. The number of customers increased to 1.7 million.

In December the bank received its MREL requirements (Minimum requirement for own funds and eligible liabilities). Following a successful bond issue, the Bank complies with the MREL requirements as of June 30, 2020 and further into the phase-in period towards 2022. As a result, Bank Norwegian is on track to deliver its first ever dividend.

Regulatory focus is on top of the agenda in the sector and it is essential to ensure that innovation and compliance go hand in hand. Traditional banks and fintechs alike deploy extensive resources to guarantee compliance with AML and KYC regulations as well as responsible lending. Clear regulation with the customers' best interest in focus is beneficial for everyone and a well-regulated financial sector is key to support long term sustainability.

The effect of the Norwegian debt register implementation is now visible and has been positive, leading to increased transparency for the banks and increased customer protection that effectively avoid granting credit to individuals with excessive debt levels.

Bank Norwegian will continue to focus on sustainable profitable growth and responsible lending in our existing footprint. Our advanced analytics capabilities underpin our risk-based pricing and ability to attract customers at low cost in highly competitive markets, making us well-positioned for continued expansion. In addition to a continued strong focus on our Nordic market, we will explore the strength of our services and capabilities in new markets. Our investment in a European footprint will benefit from our analytical expertise and fully digital business model.

Bærum, February 19, 2020

Tine Wollebekk
CEO

Report for the fourth quarter 2019

Norwegian Finans Holding ASA (NFH) owns 100% of the shares in Bank Norwegian AS and Lillienthal Finance Ltd. 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. 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.

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

Bank Norwegian is a digital bank that offers simple and competitive products to the 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 2019 the NFH Group had a customer base of 1 716 500 customers, which can be broken down into 1 255 700 credit card customers, 208 100 instalment loan customers and 252 700 deposit customers.

Profit and loss as for 2019

The NFH Group's comprehensive income amounted to NOK 1 981 million, compared with NOK 1 807 million for the same period in 2018. The profit growth is explained by customer and loan growth. Return on equity was 25.2% and the return on assets was 3.8%.

Net interest income totaled NOK 5 261 million, net other operating income amounted to NOK 321.8 million, while total operating expenses were NOK 1 325 million. Provisions for loan losses were NOK 1 627 million.

A revised method for accounting for loans to customers transferred to debt collection and an amendment to IAS 12 - income taxes, was implemented in the fourth quarter. Comparable figures have been restated. The changes are described in the notes.

Profit and loss for the fourth quarter 2019

The NFH Group's comprehensive income amounted to NOK 503.9 million compared with NOK 513.9 million in the third quarter. Return on equity was 23.5%, compared with 25.4% in the third quarter. The return on assets was 3.6%, compared with 3.9% in the third quarter.

Net interest income amounted to NOK 1 362 million, an increase of NOK 31.4 million from the third quarter. The increase is mainly explained by loan growth. The net interest margin was 9.7%, compared with 10.0% in the third quarter. The fourth quarter margin is impacted by lower asset utilization due to senior debt issuances related to MREL requirement and resulting increased liquid assets.

Net other operating income amounted to NOK 87.0 million compared with NOK 89.4 million in the third quarter. Net commission income increased NOK 13.3 million to NOK 77.5 million mainly due to lower issuing services cost. Net gain on securities and currency amounted to NOK 9.5 million, compared with a net gain of NOK 25.2 million in the third quarter. The decrease is due to lower currency gains in the fourth quarter.

Total operating expenses amounted to NOK 345.1 million, an increase of NOK 20.9 million in the fourth quarter. Personnel expenses increased NOK 0.4 million. Administrative expenses increased NOK 19.9 million, mainly due to higher marketing spending and increased external services costs, partly offset by lower IT-costs. Depreciation increased NOK 1.2 million. Other operating expenses decreased NOK 0.7 million.

Provisions for loan losses were NOK 432.8 million, an increase of NOK 19.3 million from the third quarter. Provisions equalled 3.9% of average gross loans, unchanged from the third quarter.

Gross delinquent loans were NOK 7 637 million, compared with NOK 6 651 million at the end of the third quarter. Gross non-performing loans accounted for 13.1% of gross loans, compared with 11.5% as of September 30, 2019. Non-performing loan levels are developing as expected.

Balance sheet as of December 31, 2019

Total assets increased NOK 4 321 million in the quarter and amounted to NOK 58 071 million.

Gross loans to customers increased NOK 972.5 million compared with NOK 1 780 million in the previous quarter and totaled NOK 44 156 million. Currency adjusted gross loan growth was NOK 874.7 million compared with NOK 1 404 million in the previous quarter. Instalment loans amounted to NOK 30 255 million and credit card loans amounted to NOK 13 901 million.

Customer deposits increased NOK 933.2 million compared with an increase of NOK 1 007 million in the third quarter and amounted to NOK 40 118 million at the end of the fourth quarter. Currency adjusted growth was NOK 865.5 million compared with NOK 686.7 million in the previous quarter.

The NFH Group received a requirement to hold total MREL capital equal to 37.135 % of adjusted risk weighted assets as of December 31, 2018, which leads to an absolute MREL requirement of NOK 4 675 million. The NFH Group is required to meet the absolute MREL requirement at

June 30, 2020. The MREL capital shall be issued by Norwegian Finans Holding ASA in senior non-preferred format with a phase-in period until December 31, 2022. In the fourth quarter the bank issued net NOK 1 980 million and SEK 1 113 million in MREL-qualifying senior debt securities.

Liquid assets increased NOK 3 779 million and amounted to NOK 16 814 million, equivalent to 29.0% of total assets.

Total equity amounted to NOK 9 474 million, compared with NOK 8 983 million as of September 30, 2019. The total capital ratio was 23.4%, the core capital ratio was 21.3% and the common equity tier 1 ratio was 19.7%.

The financial statements as of December 31, 2019 have been subject to an auditor review of interim financial statements.

Outlook

The outlook for the Nordic economies where the NFH Group operates continues to hold up with moderate growth and stable unemployment, even though global economic growth expectations have subsided.

Interest rate levels in the countries where the NFH Group is represented are expected to remain low. The NFH Group is expected to benefit from low interest rate levels through low funding costs.

The earnings growth is expected to continue through loan growth, stable margins, cost control and solid 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 effects from new regulations has dampened loan growth in Norway in the second half of 2019. 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. Given the issuance of MREL-qualifying debt in December 2019, the NFH Group is well positioned to meet MREL requirements effective as of June 30, 2020 and further into the phase-in period towards December 31, 2022. The NFH Group will continue its efforts for further funding diversification.

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

The credit quality of the loan portfolios in all markets are exhibiting a stable development. The implementation of proprietary credit application and behavior scorecards are yielding positive results. Credit models and systems are undergoing continuous development.

The Financial Supervisory Authority of Norway has decided that the NFH Group shall have a Pillar 2 capital requirement of 5.8% corresponding to a requirement of 17.5%, effective March 31, 2020. The NFH Group is also expected to keep a management buffer of 1.0%. These requirements imply a reduction of 0.4 percentage points from the current CET1 requirement of 18.9% including the 3.0% buffer required for distributing excess capital.

The NFH Group's dividend policy stipulates a payout ratio between 30% and 60% in cash dividends. In addition, repurchases of own shares can be used to allocate capital. The NFH Group proposes to commence cash dividend payments based on the accounts as of December 31, 2019 of NOK 3.18 per share and repurchase of own shares of up to NOK 150 million.

Common equity tier 1 was 19.7% at December 31, 2019. The current capital base and internal generation of capital are considered more than adequate to ensure the NFH Group's growth ambitions as well as maintaining an attractive dividend distribution.

The NFH Group is in the finishing stage of the exploratory phase to apply for an EU banking license in Ireland in order to give the NFH Group a more efficient access to expand the business concept with a fully digitalized bank in European markets. A decision to initiate a draft application process will be made as soon as the exploratory phase is concluded. The NFH Group has concurrently initiated preparations for expansion into European markets.

Proposed allocation of the net profit for the year

Norwegian Finans Holding ASA received NOK 965.0 million in group contributions from Bank Norwegian AS. The board of directors proposes that of NFH ASA's profit for 2019 of NOK 746.8 million, NOK 593.7 million is distributed as dividends, and NOK 153.1 million is added to retained earnings.

Bærum, February 19, 2020

The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Christine Rødsæther
Board member

Kjetil Garstad
Board member

Bjørn Kise
Board member

Gunn Ingemundsen
Board member

Anita Aarnæs
Board member

Knut Arne Alsaker
Board member

Tine Wollebakk
CEO

Profit and loss account

<i>Amounts in NOK 1000</i>	Note	Norwegian Finans Holding Group			
		Q4 2019	Q4 2018	2019	2018
Interest income, effective interest method		1 488 734	1 299 634	5 748 496	5 205 273
Other interest income		46 524	32 504	162 279	104 303
Interest expenses		173 586	145 500	650 090	606 692
Net interest income	8	1 361 672	1 186 638	5 260 685	4 702 884
Commission and bank services income	9	135 391	111 047	540 443	463 551
Commission and bank services expenses	9	57 862	62 683	250 703	230 454
Net change in value on securities and currency	10	9 465	-5 938	32 053	12 818
Other income		-	-	-	32
Net other operating income		86 994	42 426	321 792	245 947
Total income	2	1 448 665	1 229 064	5 582 477	4 948 831
Personnel expenses		28 496	25 414	102 293	87 726
General administrative expenses	11	282 970	258 299	1 095 085	1 035 911
Depreciation and impairment of fixed and intangible assets		18 079	15 633	67 693	59 998
Other operating expenses		15 573	13 388	59 588	52 528
Total operating expenses		345 118	312 733	1 324 659	1 236 163
Provision for loan losses	6	432 803	297 878	1 627 359	1 324 189
Profit before tax		670 745	618 453	2 630 459	2 388 478
Tax charge		166 882	146 119	649 408	581 405
Profit after tax	2	503 863	472 334	1 981 051	1 807 073
Earnings per share		2.70	2.53	10.61	9.68
Diluted earning per share		2.70	2.53	10.61	9.68

Comprehensive income

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group			
	Q4 2019	Q4 2018	2019	2018
Profit on ordinary activities after tax	503 863	472 334	1 981 051	1 807 073
Other comprehensive income	-	-	-	-
Comprehensive income for the period	503 863	472 334	1 981 051	1 807 073

Balance sheet

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Note	31.12.19	31.12.18
Assets			
Cash and deposits with the central bank		68 500	67 959
Loans and deposits with credit institutions		2 094 165	1 702 308
Loans to customers	2, 5, 7	40 560 502	37 797 618
Certificates and bonds	13	14 650 988	10 602 597
Financial derivatives	13	76 371	12 773
Shares and other securities	13	44 863	36 691
Intangible assets		510 840	133 670
Deferred tax asset		822	18 021
Fixed assets		819	719
Receivables		62 835	63 388
Total assets	2	58 070 705	50 435 746
Liabilities and equity			
Loans from credit institutions		52 750	-
Deposits from customers		40 118 369	39 091 791
Debt securities issued	12, 13	6 537 863	2 018 724
Financial derivatives	13	29 621	120 497
Tax payable		623 066	603 085
Deferred tax		3 821	-
Other liabilities		225 912	32 434
Accrued expenses		182 907	188 755
Subordinated loans	12, 13	822 688	836 205
Total liabilities		48 596 998	42 891 492
Share capital		186 695	186 752
Share premium		972 295	976 938
Tier 1 capital		635 000	635 000
Retained earnings and other reserves		7 679 717	5 745 564
Total equity	2, 3	9 473 707	7 544 254
Total liabilities and equity	2	58 070 705	50 435 746

Bærum, February 19, 2020
The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Bjørn Kise
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebekk
CEO

Cash flow statement

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	2019	2018
Profit / loss before tax	2 630 459	2 398 941
Unrealized gain or losses on currency	-105 965	92 674
Depreciation and impairment of fixed and intangible assets	67 693	59 998
Provision for loan losses	1 627 359	1 324 189
Change in loans to customers	-4 390 047	-6 587 671
Change in deposits from customers	1 026 578	5 409 516
Change in certificates and bonds	-4 048 391	-1 742 763
Change in shares and other securities	-8 172	3 326
Change in receivables and financial derivatives	-63 045	-9 478
Change in loans from credit institutions	52 750	-
Change in tax payable derivatives, accrued expenses and other liabilities	96 754	-12 028
Income taxes paid	-608 408	-522 126
Net cash flow from operating activities	-3 722 434	414 578
Proceeds from sale of tangible assets	-	32
Payment for acquisition of intangible assets	-393 592	-67 853
Payment for acquisition of tangible assets	-643	-112
Net cash flow from investment activities	-394 235	-67 933
Buyback of shares	-161 200	-
Allocation of shares	150 000	-
Allocation of bonus shares	5 301	5 819
Issued debt securities	5 834 015	388 040
Repayment of debt securities	-1 281 602	-611 739
Issued subordinated loans	-	533 555
Repayment subordinated loans	-	-171 964
Investments in group companies	-40 240	-
Issued tier 1 capital	-	125 000
Repayment of tier 1 capital	-	-125 000
Paid interest tier 1 capital	-45 697	-39 037
Net cash flow from financing activities	4 460 576	104 673
Net cash flow for the period	343 908	451 318
Cash and cash equivalents at the start of the period	1 770 267	1 411 622
Currency effect on cash and cash equivalents	48 490	-92 674
Cash and cash equivalents at the end of the period	2 162 665	1 770 267

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.18	186 752	976 938	635 000	5 745 564	7 544 254
This period's profit	-	-	-	1 981 051	1 981 051
Comprehensive income for the period	-	-	-	1 981 051	1 981 051
Paid interest tier 1 capital	-	-	-	-45 697	-45 697
Buyback of shares	-2 133	-157 867	-	-	-160 000
Allocation of shares	2 000	148 000	-	-	150 000
Allocation of bonus shares	76	5 224	-	-	5 301
Fees	-	-	-	-1 201	-1 201
Balance 31.12.19	186 695	972 295	635 000	7 679 717	9 473 707

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.17	186 689	971 182	635 000	3 920 750	5 713 621
This period's profit	-	-	-	1 807 073	1 807 073
Comprehensive income for the period	-	-	-	1 807 073	1 807 073
Paid interest tier 1 capital	-	-	-	-39 037	-39 037
Other changes	-	-	-	2 211	2 211
Change in write-downs under IFRS 9	-	-	-	54 567	54 567
Allocation of bonus shares	63	5 756	-	-	5 819
Balance 31.12.18	186 752	976 938	635 000	5 745 564	7 544 254

Notes

Note 1. General accounting principles

The quarterly financial statements for the Norwegian Finans Holding Group (NFH Group) have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the NFH Group, can be found in Note 1 Accounting principles in the annual report for 2018. Dividend and group contribution for the financial year, as proposed by the Board of Directors, is recognized in the financial statements of Norwegian Finans Holding ASA and Bank Norwegian AS as a liability as at December 31. See below for an overview of new standards including amendments effective from January 1, 2019 and Note 15 for changes in accounting for interest on loans to customers.

IFRS 16 - Leases

IFRS 16 Leases was effective from January 1, 2019, and replaced IAS 17 Leases. The NFH Group applied the standard as of January 1, 2019. IFRS 16 established significant new accounting requirements for lessees, while the requirements for lessors are more or less unchanged. For lessees, IFRS 16 eliminated the distinction between operating and finance leases as was required by IAS 17, and instead introduced a single lessee accounting model. When applying the new model, the NFH Group has recognised a liability to make lease payments (lease liability) and an asset representing the right to use the underlying asset during the lease term (right-of-use asset). In the income statement, depreciation of the right-of-use assets is recognised separately from interest on lease liabilities.

NFH Group has decided on the following policy choices and practical expedients:

- to apply the low value exception (primarily for office equipment)
- to not recognise non-lease components in the lease liability
- to apply the modified retrospective approach for transition to IFRS 16, meaning that the NFH Group have not restated the comparatives for 2018. Right-of-use assets and lease liabilities was measured at the same amount, taking into consideration prepayments, accruals and provisions recognised as of December 31, 2018.

The right-of-use asset is classified as part of the fixed assets in the balance sheet, while the lease liability is classified as other liabilities. The most significant part of the lease liabilities of NFH Group arises from leases related to head office at Fornebu as well as some IT equipment. The total lease liabilities and right-of-use assets on January 1, 2019 was estimated to NOK 7.3 million for the NFH Group.

Amendment to IAS 12 – Income Taxes

Due to an amendment of IAS 12 – Income Taxes, which was issued by the IASB in December 2017 as part of the Annual Improvements to IFRS Standards 2015-2017 Cycle, entities are required to recognize the income tax consequences of dividends in the profit or loss and not directly in equity, if the transactions that generated distributable profit are recognized in the profit or loss. The bank implemented this clarification as at January 1, 2019.

The distribution of interest included in the NFH groups equity accounted for as tier 1 capital is deductible for tax purposes, and the tax relief is recognized in the income statement when the interest is paid. Comparable figures have been restated.

This amendment has decreased tax expense in the income statement and increased net profit by NOK 11,4 million for 2019 and NOK 10,4 million for 2018. The amendment further effects note 2 - Segments and the quarterly figures.

Note 2. Segments

The profit and loss and balance sheet presentation for segments are based on internal financial reporting as it is reported to management. The figures are based on Bank Norwegian's governance model. Other contains eliminations for group contributions.

Profit and loss account 2019

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	2 389 911	863 804	651 865	1 356 133	-1 028	5 260 685
Net other operating income	177 839	69 151	23 530	51 784	-512	321 792
Total income	2 567 750	932 955	675 394	1 407 917	-1 539	5 582 477
Total operating expenses	560 336	291 275	181 638	278 890	12 519	1 324 659
Provision for loan losses	696 095	221 951	200 618	508 696	-	1 627 359
Profit before tax	1 311 319	419 729	293 138	620 331	-14 058	2 630 459
Tax charge	251 559	76 180	40 385	71 454	209 829	649 408
Profit after tax	1 059 760	343 548	252 753	548 877	-223 888	1 981 051
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	1 059 760	343 548	252 753	548 877	-223 888	1 981 051

Balance sheet 31.12.19

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	18 844 355	6 802 103	4 724 885	10 189 159	-	40 560 502
Other assets	8 546 780	3 467 465	3 151 700	2 157 276	186 983	17 510 203
Total assets	27 391 134	10 269 568	7 876 585	12 346 435	186 983	58 070 705
Deposits from customers	19 417 635	5 946 156	7 316 699	7 437 880	-	40 118 369
Other liabilities and equity	7 973 500	4 323 412	559 886	4 908 555	186 983	17 952 336
Total liabilities and equity	27 391 134	10 269 568	7 876 585	12 346 435	186 983	58 070 705

Profit and loss account 2018

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	2 281 471	783 310	545 662	1 092 362	78	4 702 884
Net other operating income	144 893	75 673	29 682	-3 498	-803	245 947
Total income	2 426 365	858 983	575 344	1 088 863	-725	4 948 831
Total operating expenses	537 585	277 024	163 053	254 273	4 228	1 236 163
Provision for loan losses	421 873	249 051	247 573	405 693	-	1 324 189
Profit before tax	1 466 907	332 908	164 719	428 898	-4 953	2 388 478
Tax charge	294 089	82 632	40 708	105 638	58 338	581 405
Profit after tax	1 172 818	250 276	124 010	323 259	-63 291	1 807 073
Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	1 172 818	250 276	124 010	323 259	-63 291	1 807 073

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
Total assets	25 027 926	9 026 722	5 365 003	10 811 952	204 143	50 435 746
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
Total liabilities and equity	25 027 926	9 026 722	5 365 003	10 811 952	204 143	50 435 746

Note 3. Capital adequacy and Liquidity Coverage Ratio

Norwegian Finans Holding Group uses the standardized approach for credit risk and the standardized approach for operational risk to calculate capital adequacy in accordance with current capital adequacy regulations - Basel II.

Total capital

Amounts in NOK 1000	2019	2018
Share capital	186 695	186 752
Share premium	972 295	976 938
Other reserves	7 086 028	5 745 564
Deferred tax assets, intangible assets and additional valuation adjustment	-526 464	-162 464
Common equity tier 1	7 718 554	6 746 789
Additional tier 1 capital	635 000	635 000
Tier 1 capital	8 353 554	7 381 789
Tier 2 capital	822 688	836 205
Total capital	9 176 242	8 217 995

Calculation basis

Covered bonds	336 787	273 532
Regional governments or local authorities	87 123	97 143
Institutions	1 161 242	890 923
Loans to customers	26 750 970	25 396 605
Defaulted loans	4 892 542	3 935 478
Equity positions	44 818	36 654
Other assets	139 948	76 867
Total credit risk	33 413 430	30 707 203
Operational risk	5 728 063	4 012 591
Market risk	1 575	-
Total calculation basis	39 143 067	34 719 794
Common equity tier 1 capital %	19.7 %	19.4 %
Tier 1 capital %	21.3 %	21.3 %
Total capital %	23.4 %	23.7 %

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is defined as the bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. The bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 31.12.19, except for Norwegian kroner where the legal requirement is 50%.

	2019	2018
Norwegian Finans Holding Group	450 %	213 %
NOK	321 %	246 %
SEK	396 %	194 %
DKK	649 %	158 %
EUR	167 %	228 %

Note 4. Expected credit loss

The NFH Group applies the expected credit loss (ECL) methodology subject to the IFRS 9 rules with three stages of impairment calculation. Stage 1 is not impaired and uses a 12-month ECL calculation. Stage 2 has a significant increase in credit risk since its origination, according to the triggers disclosed below, and uses the lifetime approach to ECL calculation. Stage 3 is impaired with the 90 days past due definition and calculates the ECL based on the lifetime approach.

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. A significant increase in credit risk is assessed on the basis of several criteria, including late payment beyond 30 days after invoice due date. The most important factor for the assessment is a comparison between the lifetime original probability of default and the lifetime probability of default at the reporting date. The trigger-model below utilizes an assessment of the forward looking lifetime of the exposure, taking into account the probability of early repayment and the lifetime probability of defaulting on the loan. Hence it is neither the contractual length of the loan, nor the normal 12-month PD that is reflected in the figures. It is an accumulation of monthly behavior default probabilities that for example for credit cards will be very low for high quality clients until it is activated. As such, a high trigger level is needed for an indication of a significant increase in credit risk when the lifetime PD is very low. Each product has its own threshold values when one considers an increase to be significant. An increase of more than 0% indicates that any increase above the lifetime PD at origination is a significant increase in credit risk.

	PD at origination	Instalment loans	PD at origination	Credit card loans
Norway	<=5%	700 %	<=2%	900 %
	>5%, 10%]	30 %	>2%	40 %
	>10%	20 %		
Sweden	<=10%	40 %	<=2%	900 %
	>10%, 20%]	30 %	>2%, 5%]	40 %
	>20%	20 %	>5%	0 %
Denmark	<=20%	300 %	<=50%	80 %
	>20%, 40%]	100 %	>50%	0 %
	>40%	20 %		
Finland	<=9%	900 %	<=30%	200 %
	>9%, 21%]	350 %	>30%	30 %
	>21%	50 %		

Economic variables used to measure ECL

The NFH Group has chosen to disclose the three most important modelling variables in each individual country. 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 have been used across all portfolios per 31.12.2019: 30% - 40% - 30% for optimistic, base and pessimistic scenario for expected credit loss.

	Base scenario		Optimistic scenario		Pessimistic scenario	
	12 months	5 years	12 months	5 years	12 months	5 years
Norway						
3-month interbank rate	2.00 %	2.92 %	1.75 %	2.67 %	2.68 %	3.57 %
Hourly pay in NOK	451	514	456	536	449	502
Real interest rate	-0.59 %	-0.22 %	-0.99 %	-0.62 %	0.31 %	0.64 %
Sweden						
3-month interbank rate	0.30 %	2.28 %	-0.20 %	0.99 %	0.98 %	4.08 %
Consumption in millions	182 864	198 932	184 107	201 966	180 247	192 690
Unemployment level in thousands	376	376	333	339	413	413
Denmark						
3-month interbank rate	0.75 %	2.91 %	1.36 %	3.26 %	0.13 %	2.59 %
Consumption in millions	81 753	88 301	84 132	94 747	79 394	82 807
Unemployment percentage	5.23 %	5.19 %	4.13 %	4.96 %	6.38 %	5.44 %
Finland						
3-month interbank rate	-0.28 %	1.08 %	0.43 %	1.25 %	-0.41 %	0.65 %
Consumption in millions	9 409	9 944	9 574	10 384	9 248	9 535
Unemployment percentage	6.62 %	6.21 %	4.93 %	5.64 %	8.61 %	6.77 %

Macro scenario sensitivity on ECL

	Final ECL	Base scenario	Optimistic scenario	Pessimistic scenario
Norway				
Credit card	351 742	351 745	351 609	351 873
Instalment loans	931 054	931 056	929 857	932 248
Sweden				
Credit card	191 315	191 315	191 285	191 345
Instalment loans	646 587	646 613	646 196	646 943
Denmark				
Credit card	113 929	113 930	113 663	114 194
Instalment loans	605 358	605 359	604 235	606 479
Finland				
Credit card	91 255	91 239	91 081	91 451
Instalment loans	649 284	649 251	649 587	649 025

The final ECL is a macro-weighted ECL based on 30% - 40% - 30% weighting given to the optimistic, base and pessimistic 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.

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

Loans to customers by product groups

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

Change in loan loss allowance

The loan loss allowance is calculated based on the expected credit loss using the 3-stage method as described in note 2.1 of the annual report 2018. Migration out of one stage is calculated at previous closing date 30.9.19, while migration into one stage is calculated at the closing date 31.12.19.

Total Loans

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 30.9.19	368 187	479 369	2 268 030	3 115 586
Transfers :				
Transfers from stage 1 to stage 2	-38 887	185 468	-	146 581
Transfers from stage 1 to stage 3	-3 311	-	33 984	30 673
Transfers from stage 2 to stage 1	23 027	-76 977	-	-53 951
Transfers from stage 2 to stage 3	-	-121 842	283 474	161 632
Transfers from stage 3 to stage 2	-	11 231	-59 987	-48 756
Transfers from stage 3 to stage 1	222	-	-5 627	-5 405
New financial assets issued	33 902	9 244	-	43 146
Financial assets derecognized in the period	-14 827	-12 122	-7 960	-34 909
Modification of contractual cash flows from non-discounted financial assets	-3 257	11 796	354 432	362 971
Charge-offs due to derecognition in the period	-	-	-122 160	-122 160
Loan loss allowance as at 31.12.19	365 055	486 167	2 744 186	3 595 408

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.9.19	30 033 960	6 497 951	6 651 481	43 183 392
Transfers :				
Transfers from stage 1 to stage 2	-2 237 381	2 374 348	-	136 967
Transfers from stage 1 to stage 3	-92 197	-	97 604	5 407
Transfers from stage 2 to stage 1	1 255 533	-1 388 669	-	-133 136
Transfers from stage 2 to stage 3	-	-927 349	972 119	44 771
Transfers from stage 3 to stage 2	-	128 908	-191 020	-62 112
Transfers from stage 3 to stage 1	9 098	-	-19 837	-10 739
New financial assets issued	1 697 862	106 540	-	1 804 402
Financial assets derecognized in the period	-1 000 406	-195 635	-70 450	-1 266 491
Modification of contractual cash flows from non-discounted financial assets	318 462	-61 844	495 600	752 218
Charge-offs due to derecognition in the period	-	-	-298 769	-298 769
Gross loans to customers as at 31.12.19	29 984 932	6 534 249	7 636 728	44 155 910

Instalment loans total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 30.9.19	296 773	361 826	1 775 794	2 434 394
Transfers :				
Transfers from stage 1 to stage 2	-33 371	136 579	-	103 207
Transfers from stage 1 to stage 3	-3 054	-	30 082	27 028
Transfers from stage 2 to stage 1	18 873	-49 202	-	-30 329
Transfers from stage 2 to stage 3	-	-102 745	224 227	121 481
Transfers from stage 3 to stage 2	-	9 469	-44 231	-34 762
Transfers from stage 3 to stage 1	208	-	-3 546	-3 338
New financial assets issued	23 429	6 054	-	29 484
Financial assets derecognized in the period	-14 132	-10 507	-9 132	-33 771
Modification of contractual cash flows from non-discounted financial assets	4 390	11 760	296 816	312 966
Charge-offs due to derecognition in the period	-	-	-83 081	-83 081
Loan loss allowance as at 31.12.19	293 117	363 233	2 186 929	2 843 280

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.9.19	19 900 556	4 659 790	5 246 049	29 806 395
Transfers :				
Transfers from stage 1 to stage 2	-1 558 100	1 570 854	-	12 754
Transfers from stage 1 to stage 3	-81 146	-	85 667	4 521
Transfers from stage 2 to stage 1	835 639	-875 688	-	-40 049
Transfers from stage 2 to stage 3	-	-725 380	759 316	33 936
Transfers from stage 3 to stage 2	-	105 934	-139 970	-34 036
Transfers from stage 3 to stage 1	7 661	-	-12 160	-4 499
New financial assets issued	1 484 212	73 271	-	1 557 483
Financial assets derecognized in the period	-933 039	-170 544	-61 757	-1 165 340
Modification of contractual cash flows from non-discounted financial assets	-89 664	-41 544	420 605	289 397
Charge-offs due to derecognition in the period	-	-	-208 162	-208 162
Gross loans to customers as at 31.12.19	19 566 119	4 596 694	6 089 588	30 252 401

Credit card total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 30.9.19	71 413	117 543	492 236	681 192
Transfers :				
Transfers from stage 1 to stage 2	-5 515	48 889	-	43 373
Transfers from stage 1 to stage 3	-257	-	3 902	3 645
Transfers from stage 2 to stage 1	4 154	-27 775	-	-23 621
Transfers from stage 2 to stage 3	-	-19 097	59 247	40 151
Transfers from stage 3 to stage 2	-	1 762	-15 757	-13 994
Transfers from stage 3 to stage 1	14	-	-2 081	-2 067
New financial assets issued	10 473	3 190	-	13 662
Financial assets derecognized in the period	-695	-1 615	1 172	-1 138
Modification of contractual cash flows from non-discounted financial assets	-7 648	36	57 616	50 005
Charge-offs due to derecognition in the period	-	-	-39 079	-39 079
Loan loss allowance as at 31.12.19	71 938	122 933	557 257	752 128

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.9.19	10 133 405	1 838 161	1 405 432	13 376 997
Transfers :				
Transfers from stage 1 to stage 2	-679 281	803 494	-	124 212
Transfers from stage 1 to stage 3	-11 051	-	11 937	886
Transfers from stage 2 to stage 1	419 895	-512 982	-	-93 087
Transfers from stage 2 to stage 3	-	-201 968	212 804	10 835
Transfers from stage 3 to stage 2	-	22 974	-51 050	-28 076
Transfers from stage 3 to stage 1	1 438	-	-7 678	-6 240
New financial assets issued	213 650	33 269	-	246 919
Financial assets derecognized in the period	-67 368	-25 092	-8 693	-101 152
Modification of contractual cash flows from non-discounted financial assets	408 127	-20 301	74 995	462 821
Charge-offs due to derecognition in the period	-	-	-90 607	-90 607
Gross loans to customers as at 31.12.19	10 418 813	1 937 555	1 547 140	13 903 509

Note 6. Provision for loan losses

<i>Amounts in NOK 1000</i>	2019	2018
Realized losses in the period due to final write-offs	46 813	33 426
Realized losses in the period due to charge-offs	436 891	-
Loan loss provisions - lifetime expected credit loss (stage 3)	922 091	1 121 528
Loan loss provisions - lifetime expected credit loss (stage 2)	99 639	89 805
Loan loss provisions - 12 months expected credit loss (stage 1)	121 926	28 057
Adjustments for sold NPL portfolios	-	42 918
Collection expenses related to sold NPL portfolios	-	8 456
Provision for loan losses	1 627 359	1 324 189

Note 7. Risk classes

<i>Amounts in NOK 1000</i>	Probability of default	Gross loans		Undrawn credit limits	
		2019	2018	2019	2018
A	0 – 1 %	6 851 773	6 508 855	42 938 545	38 031 582
B	1 – 3 %	10 364 645	14 550 011	1 955 651	2 095 667
C	3 – 5 %	4 405 790	4 355 243	253 409	327 242
D	5 – 9 %	4 066 599	3 024 680	261 556	192 421
E	9 – 15 %	3 615 128	2 083 212	163 107	91 990
F	15 – 20 %	1 373 658	731 222	16 446	18 571
G	20 – 30 %	1 495 696	1 199 003	14 185	14 875
H	30 – 40 %	614 004	444 297	2 039	22 675
I	40 – 55 %	422 106	480 509	1 205	4 995
J	55 – 100%	355 278	374 058	223	2 015
S		909 344	751 439	-	-
T		1 447 684	473 418	-	-
U		565 289	547 856	-	-
V		7 556 931	3 913 077	-	-
W		111 319	331 990	-	-
Total classified		44 155 245	39 768 870	45 606 367	40 802 033
Not classified		665	742	-	-
Total		44 155 910	39 769 611	45 606 367	40 802 033

Risk is grouped into PD bands from A to J, with A being the lowest risk. Further classifications are as follows: Risk class S consist of engagements under collections by an agency, where the customer is less than 90 days past due on the original payment plan. If the customer is on track with the engagement, but has at least one other product where the payment is more than 90 days past due on the original payment plan, then it is classified as T. Risk class U consist of engagements that are in warning, but less than 90 days past due on the original payment plan. Risk class V consist of engagements that are more than 90 days past due on the original payment plan. Risk class W consist of engagements that are written down.

Note 8. Net interest income

<i>Amounts in NOK 1000</i>	2019	2018
Interest income from cash and deposits with the central bank	781	389
Interest income from loans to and deposits with credit institutions	7 403	3 920
Interest income from instalment loans	4 114 730	3 847 441
Interest income from credit card loans	1 624 932	1 351 451
Interest income from sales financing	650	2 072
Interest income, effective interest method	5 748 496	5 205 273
Interest and other income from certificates and bonds	155 937	100 717
Other interest and other interest related income	6 343	3 586
Other interest income	162 279	104 303
Interest expense from deposits from credit institutions	-	1 434
Interest expense from deposits from customers	478 037	523 598
Interest expense on debt securities issued	70 531	30 404
Interest expense on subordinated loan	34 665	24 134
Other interest and other interest related expenses	66 857	27 122
Interest expenses	650 090	606 692
Net interest income	5 260 685	4 702 884

Note 9. Net commission and bank services income

<i>Amounts in NOK 1000</i>	2019	2018
Payment services	416 056	345 095
Insurance services	70 440	64 858
Other fees and commission and bank services income	53 947	53 598
Total commission and bank services income	540 443	463 551
Payment services	160 458	147 595
Insurance services	67 516	55 689
Other fees and commission and bank services expense	22 729	27 170
Total commission and bank services expenses	250 703	230 454

Note 10. Net change in value on securities and currency

<i>Amounts in NOK 1000</i>	2019	2018
Net change on certificates and bonds	-74 558	-51 315
Net change on FX-forwards	143 008	41 273
Net currency effects	-49 509	19 534
Net change on shares and other securities	13 112	3 326
Net change in value on securities and currency	32 053	12 818

Note 11. General administrative expenses

<i>Amounts in NOK 1000</i>	2019	2018
Sales and marketing	879 117	837 929
IT operations	88 871	75 579
External services costs	70 677	76 640
Other administrative expenses	56 419	45 762
Total general administrative expenses	1 095 085	1 035 911

Note 12. Debt securities issued and subordinated loan

<i>Amounts in NOK 1000</i>	2019	2018
Debt securities issued, carrying value (amortized cost)	6 537 863	2 018 724
Subordinated loans, carrying value (amortized cost)	822 688	836 205
Total debt securities issued and subordinated loans	7 360 551	2 854 930

ISIN	Nominal value outstanding	Currency	Interest	Reference rate + margin	Maturity*	Carrying value
Debt securities issued (senior unsecured bonds)						
NO0010790850	130 000	NOK	Floating	NIBOR + 75bp	07.04.2020	130 306
NO0010810534	356 000	SEK	Floating	STIBOR + 108bp	20.11.2020	336 182
NO0010811110	285 000	NOK	Floating	NIBOR + 108bp	24.11.2020	285 750
NO0010837206	335 000	SEK	Floating	STIBOR + 120bp	22.02.2021	316 415
NO0010848583	192 000	SEK	Floating	STIBOR + 140bp	29.09.2021	178 736
NO0010848591	1 000 000	NOK	Floating	NIBOR + 150bp	29.03.2022	999 657
NO0010863582	400 000	SEK	Floating	STIBOR + 140bp	16.09.2022	377 551
NO0010863574	400 000	NOK	Floating	NIBOR + 140bp	16.09.2022	400 270
NO0010871148	800 000	NOK	Floating	NIBOR + 195bp	12.12.2022	800 822
NO0010871130	1 000 000	SEK	Floating	STIBOR + 190bp	12.12.2022	944 249
NO0010871155	1 200 000	NOK	Floating	NIBOR + 215bp	12.12.2023	1 201 350
NO0010871296	600 000	SEK	Floating	STIBOR + 200bp	12.12.2023	566 575
Total debt securities issued	6 698 000					6 537 863
Subordinated loan						
NO0010774326	100 000	NOK	Floating	NIBOR + 300bp	21.09.2021	99 958
NO0010797988	200 000	NOK	Floating	NIBOR + 375bp	16.06.2022	199 907
NO0010833130	550 000	SEK	Floating	STIBOR + 375bp	02.10.2023	522 823
Total subordinated loans	850 000					822 688
Total	7 548 000					7 360 551

* For subordinated loans maturity reflects the first possible call date

Note 13. Financial instruments

Financial instruments at fair value

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

<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
Total financial assets at fair value	-	10 615 371	36 691	10 652 062
Financial derivatives	-	120 497	-	120 497
Total financial liabilities at fair value	-	120 497	-	120 497

Change in instruments classified at level 3

<i>Amounts in NOK 1000</i>	2019			2018		
	Shares and other securities	Financial assets available for sale	Total	Shares and other securities	Financial assets available for sale	Total
Value 31.12	36 691	-	36 691	443	32 922	33 365
One time payout	-5 255	-	-5 255	-	-	-
Reclassification IFRS 9	-	-	-	32 922	-32 922	-
Net gain / loss on financial instruments	13 427	-	13 427	3 326	-	3 326
Value 31.12	44 863	-	44 863	36 691	-	36 691

Fair value of financial instruments at amortized cost

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

Debt securities issued and subordinated loan

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

<i>Amounts in NOK 1000</i>	2019		2018	
	Book value	Fair value	Book value	Fair value
Debt securities issued	6 537 863	6 605 850	2 018 724	2 130 289
Subordinated loan	822 688	824 476	836 205	896 129
Total financial liabilities	7 360 551	7 430 326	2 854 930	3 026 418

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

<i>Amounts in NOK 1000</i>	2018			
	Level 1	Level 2	Level 3	Total
Debt securities issued	2 018 724	-	-	2 018 724
Subordinated loan	836 205	-	-	836 205
Total financial liabilities	2 854 930	-	-	2 854 930

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

Note 14. Related parties

Norwegian Finans Holding ASA owns 100% of Bank Norwegian AS. Bank Norwegian AS has since 2007 had an agreement with Norwegian Air Shuttle ASA regarding the use of the brand name Norwegian, IP-rights and cooperation regarding the loyalty program Norwegian Reward. The agreement was renegotiated in the second quarter 2018 and is valid for ten years. In the fourth quarter 2019 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 107.4 million, comprising of portfolio related costs of NOK 91.5 million and sales and agent commissions of NOK 15.9 million. The portfolio related costs include license fee for use of brand name, IP-rights and other customer portfolio costs, such as cashpoints.

Note 15. Changes in accounting for loans to customers

Interest on loans to customers which are transferred to debt collection were previously recognized based on interest received/paid. The requirements in IFRS state that interest must be calculated using the effective interest rate on gross or net loans to customers, depending on stage classification. The re-calculation of net interest income will also have an equivalent effect on provision for loan losses and gross loans to customers. Due to the offsetting nature of these revisions, the financial impact on net profit and equity is estimated to be insignificant. The underlying credit quality in the loan portfolio is unchanged. Comparable figures are restated. The impact on comparable figures are shown in the tables below. The re-calculation further affected some of the figures disclosed in note 2 – Segments, 5 – Loans to customers, 6 – Provision for loan losses, 7 – Risk classes, 8 – Net interest income, and quarterly figures.

Profit and loss account (extract)

<i>Amounts in NOK 1000</i>	Q3 YTD		2018	
	2019	(Revised)	2018	(Revised)
Net interest income	3 527 735	3 899 013	4 406 326	4 702 884
Total income	3 762 534	4 133 812	4 652 273	4 948 831
Provision for loan losses	823 278	1 194 556	1 027 631	1 324 189
Profit before tax	1 959 715	1 959 715	2 388 478	2 388 478

<i>Amounts in NOK 1000</i>	Q3 YTD		2018	
	2019	(Revised)	2018	(Revised)
Gross loans to customers	42 515 556	43 183 392	39 473 053	39 769 611
Loan loss allowance	2 447 750	3 115 586	1 675 435	1 971 993
Net loans to customers	40 067 806	40 067 806	37 797 618	37 797 618

The revisions in provision for loan losses are mainly attributed to changes in stage 3 classification. Changes in stage 1 and 2 are considered immaterial and therefore a breakdown by stage classification is not presented separately.

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group					
<i>Amounts in NOK 1000</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Interest income, amortized cost	1 488 734	1 457 649	1 420 283	1 381 830	1 299 634
Other interest income	46 524	37 800	38 192	39 763	32 504
Interest expenses	173 586	165 155	160 332	151 017	145 500
Net interest income	1 361 672	1 330 294	1 298 143	1 270 576	1 186 638
Commission and bank services income	135 391	134 232	119 880	150 940	111 047
Commission and bank services expenses	57 862	70 004	63 777	59 060	62 683
Net change in value on securities and currency	9 465	25 201	-1 830	-784	-5 938
Net other operating income	86 994	89 429	54 274	91 096	42 426
Total income	1 448 665	1 419 723	1 352 417	1 361 672	1 229 064
Personnel expenses	28 496	28 061	19 902	25 834	25 414
General administrative expenses	282 970	263 087	266 183	282 845	258 299
Depreciation and impairment of fixed and intangible assets	18 079	16 833	16 701	16 079	15 633
Other operating expenses	15 573	16 269	14 563	13 182	13 388
Total operating expenses	345 118	324 251	317 350	337 940	312 733
Provision for loan losses	432 803	413 511	401 717	379 328	297 878
Profit before tax	670 745	681 961	633 350	644 404	618 453
Tax charge	166 882	168 024	155 999	158 503	146 119
Profit after tax	503 863	513 937	477 351	485 900	472 334

Comprehensive income

Norwegian Finans Holding Group					
<i>Amounts in NOK 1000</i>	Q4 2019	Q3 2019	Q2 2019	Q1 2019	Q4 2018
Profit on ordinary activities after tax	503 863	513 937	477 351	485 900	472 334
Comprehensive income for the period	503 863	513 937	477 351	485 900	472 334

Balance sheet

Norwegian Finans Holding Group					
<i>Amounts in NOK 1000</i>	31.12.19	30.9.19	30.6.19	31.3.19	31.12.18
Assets					
Cash and deposits with the central bank	68 500	68 285	68 091	67 953	67 959
Loans and deposits with credit institutions	2 094 165	1 626 704	2 214 049	2 334 791	1 702 308
Loans to customers	40 560 502	40 067 806	38 712 907	37 902 312	37 797 618
Certificates and bonds	14 650 988	11 339 732	9 962 991	10 268 259	10 602 597
Financial derivatives	76 371	19 284	31 274	85 161	12 773
Shares and other securities	44 863	42 529	40 246	41 806	36 691
Intangible assets	510 840	508 638	512 030	139 227	133 670
Deferred tax asset	822	19 673	18 838	18 121	18 021
Fixed assets	819	953	1 102	795	719
Receivables	62 835	56 133	61 108	85 849	63 388
Total assets	58 070 705	53 749 736	51 622 635	50 944 273	50 435 746
Liabilities and equity					
Loans from credit institutions	52 750	-	73 100	56 000	-
Deposits from customers	40 118 369	39 185 189	38 177 954	37 654 242	39 091 791
Debt securities issued	6 537 863	3 472 923	3 316 800	3 342 401	2 018 724
Financial derivatives	29 621	37 563	4 913	9 569	120 497
Tax payable	623 066	618 010	449 151	527 062	603 085
Deferred tax	3 821	-	-	-	-
Other liabilities	225 912	400 310	107 560	314 320	32 434
Accrued expenses	182 907	240 195	204 759	207 146	188 755
Subordinated loan	822 688	812 230	807 889	813 771	836 205
Total liabilities	48 596 998	44 766 421	43 142 127	42 924 510	42 891 492
Share capital	186 695	186 695	186 695	186 752	186 752
Share premium	972 295	972 295	972 295	976 938	976 938
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Retained earnings and other reserves	7 679 717	7 189 324	6 686 519	6 221 073	5 745 564
Total equity	9 473 707	8 983 314	8 480 509	8 019 763	7 544 254
Total liabilities and equity	58 070 705	53 749 736	51 622 635	50 944 273	50 435 746

Norwegian Finans Holding ASA

Profit and loss account

Amounts in NOK 1000	Norwegian Finans Holding ASA			
	Q4 2019	Q4 2018	2019	2018
Interest income, effective interest method	6	12	1 086	215
Interest expenses	906	137	2 114	137
Net interest income	-900	-126	-1 028	78
Commission and bank services expenses	116	424	512	803
Other income	965 000	-	965 000	247 500
Net other operating income	964 884	-424	964 488	246 697
Total income	963 984	-549	963 461	246 775
Personnel expenses	372	558	1 518	1 445
Other operating expenses	915	1 111	4 447	2 784
Total operating expenses	1 287	1 669	5 964	4 228
Profit before tax	962 697	-2 218	957 497	242 547
Tax charge	211 793	-403	210 649	58 369
Profit after tax	750 904	-1 815	746 848	184 177

Comprehensive income

Amounts in NOK 1000	Q4 2019	Q4 2018	2019	2018
Profit on ordinary activities after tax	750 904	-1 815	746 848	184 177
Comprehensive income for the period	750 904	-1 815	746 848	184 177

Balance sheet

Amounts in NOK 1000	Norwegian Finans Holding ASA	
	31.12.19	31.12.18
Assets		
Loans and deposits with credit institutions	1 117	203 109
Ownership interests in group companies	1 190 240	1 150 000
Deferred tax asset	3	1 032
Receivables	1 303 311	3
Total assets	2 494 670	1 354 143
Liabilities and equity		
Tax payable	209 621	-
Other liabilities	190 374	100
Dividends	593 689	-
Accrued expenses	1 142	1 457
Total liabilities	994 826	1 557
Share capital	186 695	186 752
Share premium	972 295	976 938
Retained earnings and other reserves	340 854	188 896
Total equity	1 499 844	1 352 586
Total liabilities and equity	2 494 670	1 354 143

Bærum, February 19, 2020
The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Bjørn Kise
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebakk
CEO

Cash flow statement

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA	
	2019	2018
Profit / loss before tax	957 497	242 547
Change in other accruals	-1 303 309	5 955
Change in short-term liabilities	993 269	-5 607
Adjustment group contribution income	-965 000	-
Change in receivables from received group contribution	965 000	-
Adjustment for dividends	-593 689	-
Change in taxes from received group contribution	-209 621	-
Income taxes paid	-	-52 398
Net cash flow from operating activities	-155 853	190 496
Net investment in group companies	-40 240	-
Net cash flows from investment activities	-40 240	-
Allocation of bonus shares	5 301	5 819
Buy back of shares	-161 200	-
Issuing of shares	150 000	-
Net cash flow from financing activities	-5 899	5 819
Net cash flow for the period	-201 992	196 315
Cash and cash equivalents at the start of the period	203 109	6 794
Cash and cash equivalents at the end of the period	1 117	203 109

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Retained earnings and	Total equity
			other reserves	
Balance 31.12.18	186 752	976 938	188 896	1 352 586
This period's profit	-	-	746 848	746 848
Comprehensive income for the period	-	-	746 848	746 848
Buy back of shares	-2 133	-157 867	-	-160 000
Allocation of shares	2 000	148 000	-	150 000
Allocation of bonus shares	76	5 224	-	5 301
Adjustment for dividends	-	-	-593 689	-593 689
Fees	-	-	-1 201	-1 201
Balance 31.12.19	186 695	972 295	340 854	1 499 844
Balance 31.12.17	186 689	971 182	4 734	1 162 605
This period's profit	-	-	184 177	184 177
Comprehensive income for the period	-	-	184 177	184 177
Allocation of bonus shares	63	5 756	-	5 819
Share issue expenses	-	-	-15	-15
Balance 31.12.18	186 751	976 938	188 896	1 352 586

Notes for Norwegian Finans Holding ASA

Note 1. General accounting principles

The quarterly financial statements for Norwegian Finans Holding ASA have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied, can be found in Note 1 Accounting principles in the annual report for 2018.

Norwegian Finans Holding ASA owns 100 % of the shares in Bank Norwegian AS and Lilienthal Finance Ltd. The shares are recognized at cost, and eliminated in the group accounts.

Note 2. Capital adequacy

Norwegian Finans Holding ASA uses the standardized approach for credit risk and the standardized approach for operational risk to calculate capital adequacy in accordance with current capital adequacy regulations - Basel II.

Total capital	2019	2018
<i>Amounts in NOK 1000</i>		
Share capital	186 695	186 752
Share premium	972 295	976 938
Other reserves	340 854	188 896
Deferred tax assets, intangible assets and additional valuation adjustment	-3	-1 032
Common equity tier 1	1 499 841	1 351 554
Additional tier 1 capital	-	-
Tier 1 capital	1 499 841	1 351 554
Tier 2 capital	-	-
Total capital	1 499 841	1 351 554
Calculation basis		
Institutions	482 723	40 622
Corporate	338 311	-
Equity positions	1 190 240	1 150 000
Other assets	-	3
Total credit risk	2 011 274	1 190 625
Operational risk	-	-
Market risk	-	-
Total calculation basis	2 011 274	1 190 625
Common equity tier 1 capital %	74.6 %	113.5 %
Tier 1 capital %	74.6 %	113.5 %
Total capital %	74.6 %	113.5 %

Note 3. Related parties

In the second quarter 2019 Bank Norwegian AS provided Norwegian Finans Holding ASA with a loan of NOK 187.5 million in relation to the acquisition of IP rights in Lilienthal Finance Ltd. and for general expenses. Norwegian Finans Holding ASA provided Lilienthal Finance Ltd. with a loan of NOK 334.5 million in relation to the acquisition of IP rights in the same quarter.