banknorwegian

Norwegian Finans Holding Group

2018

Pillar 3

Contents

1. CAPITAL ADEQUACY RULES 3

1.1 Prevailing capital adequacy rules 3

1.2 Basel III (CRD IV) – new regulations 4

2. CONSOLIDATION 5

3. TOTAL CAPITAL AND CAPITAL REQUIREMENTS 5

3.1 Total capital 5

3.2 Calculation basis and capital requirement 6

3.3 Leverage ratio 7

4. RISK MANAGEMENT AND CONTROL 8

4.1 Purpose 8

4.2 Risk groups 8

4.3 Elements in the bank's risk management 8

5. ICAAP (Internal Capital Adequacy Assessment Process) 10

5.1 Process for assessment of risk exposure and capital requirement 10

5.2 Capital requirement – Pillar 2 11

5.3 Financial Supervisory Authority of Norway's assessment 11

6. CREDIT RISK 11

6.1 Management and control 12

6.2 Definition of default and loss in value and method for calculating write-downs 12

6.3 Loan portfolio information 13

6.4 Use of official rating for the purpose of capital adequacy 14

6.5 Capital requirement 14

7. MARKET RISK 15

7.1 Management and control 15

7.2 Capital requirement 15

8. Interest rate risk 15

8.1 Management and control 15

8.2 Capital requirement 16

9. OPERATIONAL RISK 16

9.1 Management and control 16

9.2 Capital requirement 16

10. LIQUIDITY RISK 16

10.1 Management and control 17
10.2 Capital requirement 17
11. BUSINESS AND STRATEGIC RISK 17
11.1 Capital requirement 17
12. APPENDICES 18

1. CAPITAL ADEQUACY RULES

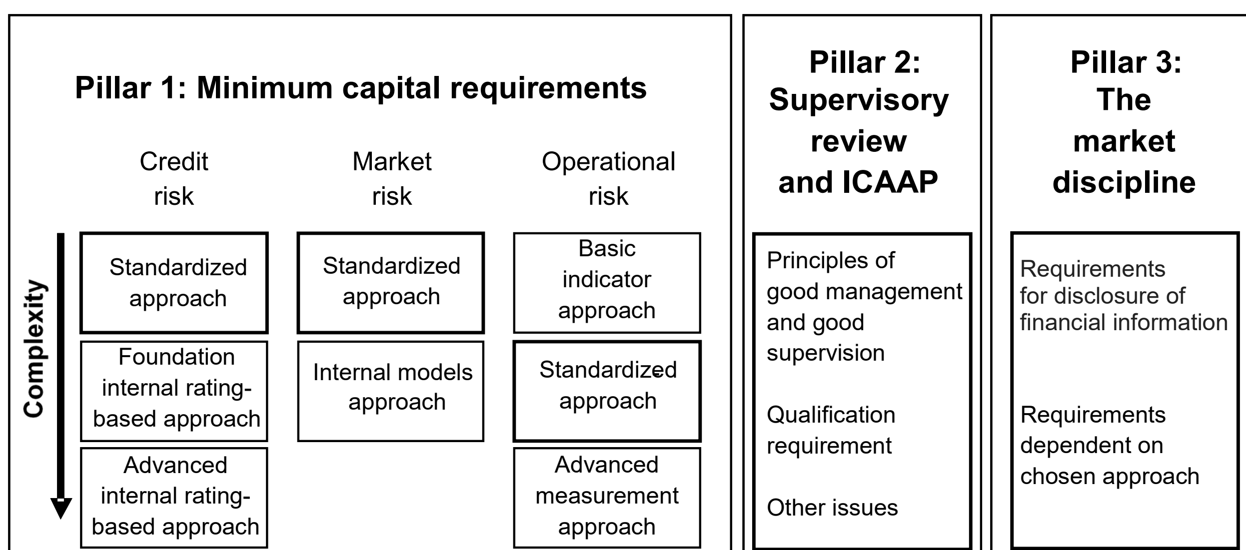
1.1 Prevailing capital adequacy rules

The EU directive for capital adequacy was introduced in Norway as of January 1, 2007. The regulations (Basel II) are based on a standard for capital adequacy calculations from Bank for International Settlements (BIS). The purpose of the capital adequacy regulations is to strengthen the stability of the financial market by:

- More risk-sensitive capital requirements
- Better risk management and control
- Closer supervision
- More information to the market

The capital adequacy regulations are based on three pillars:
Pillar 1: Minimum capital requirements
Pillar 2: Assessment of capital requirement and supervisory review
Pillar 3: Disclosure of information by the institutions

The figure below illustrates the contents of the capital adequacy regulations.



Pillar 1 – Minimum capital requirements

The regulations entail a capital requirement of 8% and, in addition to capital requirement for credit risk, there is an explicit capital requirement for market risk and operational risk. Banks can choose between different methods for calculating the capital requirement; the standardized approach and internal rating-based approaches. Using the standardized approach, the capital requirement is based on official credit ratings, while with internal measuring methods the capital requirement is based on the bank's internal risk assessments. Bank Norwegian bases its calculation of capital requirement on the standardized approach for credit risk and the standardized approach for operational risk. The bank changed from the basic indicator approach to the standardized approach for calculating the capital requirement for operational risk in the 3rd quarter of 2016. The bank

has no trading portfolio or exposure requiring the bank to include a capital requirement for market risk.

Pillar 2 – Assessment of capital requirement and supervisory review

Pillar 2 is based on two main principles. Banks must have an internal capital assessment process for assessing the total capital requirement in relation to risk profile, and a strategy for maintaining their capital level. The total capital requirement shall cover risks which have not been taken into consideration when calculating the minimum requirement according to Pillar 1. The supervisory authorities will examine and evaluate banks' internal assessment of capital requirement and strategies. In addition, the supervisory authorities will monitor and ensure adherence to the capital requirements imposed by the authorities. The supervisory authority can establish individual capital requirements, require reduction in the risk level or require improved management and control if it is not satisfied with the outcome of this process.

Pillar 3 – Disclosure of information

The purpose of Pillar 3 is to supplement the minimum requirements in Pillar 1 and the supervisory review in Pillar 2. Pillar 3 shall contribute to increased market discipline by requiring disclosure of information that enables the market, including analysts and investors, to assess the institution's risk profile and capitalization, and management and control. The information requirements require that all institutions must disclose information on their organizational structure and procedures for risk control and management. In addition, there are requirements to disclose the capital level and structure, and risk exposure, where the latter is dependent on the calculation methods chosen by banks in Pillar 1.

The purpose of this document is to give a description of risk and capital management in Bank Norwegian and to meet the requirements to disclose financial information according to the capital adequacy regulation section IX (Pillar 3).

1.2 Basel III (CRD IV) – new regulations

The Basel Committee's standards for capital and liquidity management ("Basel III") apply to credit institutions and securities firms in the EEA through the EU's capital adequacy directive ("CRD IV").

As implemented in Norway, these new capital and liquidity standards entails a common equity tier 1 ratio, tier 1 capital ratio and total capital ratio of a minimum of 12.0%, 13.5% and 15.5%, respectively. Included in this requirement is a countercyclical capital buffer that will vary between 0 – 2.5% and is entity specific. The buffer is an average of the rates that apply in each country where the entity has loan commitments, weighted with the proportion of the capital requirement that is attributable to loan commitments in the individual countries. The Norwegian and Swedish countercyclical capital buffer requirement increased to 2.0% during 2017 and has been kept unchanged during 2018.

Other regulations imposed by the CRD IV regulations are a requirement of leverage ratio, liquidity coverage ratio (LCR) and net stable funding ratio (NSFR). LCR measures the size of the entity's liquid assets to the net cash outflow over a 30-day stress period. NSFR measures the amount of stable funding relative to the amount of required stable funding over a 1-year period. The LCR requirement is a minimum of 100 percent from

December 31, 2017 at total level and by significant currencies, except for Norwegian kroner where the requirement is 50 percent. There are no absolute requirements regarding NSFR.

2. CONSOLIDATION

Bank Norwegian AS is a wholly-owned subsidiary of Norwegian Finans Holding ASA. Norwegian Finans Holding does not engage in any other operations. The same consolidation method is used for accounting and capital adequacy purposes.

Norwegian Finans Holding ASA, Bank Norwegian AS and Norwegian Finans Holding Group shall at all times maintain a appropriate capital adequacy.

There are no legal restrictions to swiftly transfer capital or repayment of liabilities between the parent company and subsidiary.

3. TOTAL CAPITAL AND CAPITAL REQUIREMENTS

3.1 Total capital

The table below presents information on total capital, including common equity tier 1, tier 1 capital and supplementary capital, and relevant additions, deductions and limitations at December 31, 2018 for the group, the holding company and the bank.

			31.12.2018
Amounts in NOK 1000	Norwegian Finans Holding ASA	Bank Norwegian AS	Norwegian Finans Holding Group
Total capital			
Share capital	186 752	183 315	186 752
+ Share premium reserve	976 938	966 646	976 938
+ Other reserves	188 896	5 556 708	5 745 564
- Deferred tax assets and intangible assets	1 032	161 433	162 464
Common equity Tier 1	**1 351 554**	**6 545 235**	**6 746 789**
+ Additional Tier 1 capital	-	635 000	635 000
Tier 1 capital	**1 351 554**	**7 180 235**	**7 381 789**
+ Tier 2 capital	-	836 205	836 205
Total capital	**1 351 554**	**8 016 441**	**8 217 995**
Common equity Tier 1 %	**113,52 %**	**18,87 %**	**19,43 %**
Tier 1 capital %	**113,52 %**	**20,70 %**	**21,26 %**
Total capital %	**113,52 %**	**23,12 %**	**23,67 %**

Subordinated loans
On September 21, 2016 the bank issued a subordinated loan with a nominal value of 100 MNOK. The loan's maturity date is September 21, 2026. Upon prior approval from the Financial Supervisory Authority of Norway, the bank can use the right to early redeem the loan at par, the first time on September 21, 2021, and quarterly thereafter. The agreement includes a regulatory or fiscal redemption right at par. The interest is 3 months NIBOR + 3.00 percentage points. The interest rate at December 31, 2018 is 4.27 %, with the first interest adjustment on March 21, 2019.

On June 16, 2017 the bank issued a subordinated loan with a nominal value of 200 MNOK. The loan's maturity date is June 16, 2027. Upon prior approval from the Financial Supervisory Authority of Norway, the bank can use the right to early redeem the loan at par, the first time on June 16, 2022, and quarterly thereafter. The agreement includes a regulatory or fiscal redemption right at par. The interest is 3 months NIBOR + 3.75 percentage points. The interest rate at December 31, 2018 is 5.04%, with the first interest adjustment on March 16, 2019.

On October 2, 2018 the bank issued a subordinated loan with a nominal value of 550 MSEK. The loan's maturity date is October 2, 2028. Upon prior approval from the Financial Supervisory Authority of Norway, the bank can use the right to early redeem the loan at par, the first time on Ocotber 2, 2023, and quarterly thereafter. The agreement includes a regulatory or fiscal redemption right at par. The interest is 3 months STIBOR + 3.75 percentage points. The interest rate at December 31, 2018 is 3.292%, with the first interest adjustment on January 2, 2019.

Perpetual subordinated loan
On September 21, 2016 the bank issued a tier 1 capital instrument with a nominal value of 210 MNOK. Upon prior approval from the Financial Supervisory Authority of Norway, the bank can use the right to early redeem the loan at par, the first time on September 21, 2021, and quarterly thereafter. The agreement includes a regulatory or fiscal redemption right at par. The interest is 3 months NIBOR + 5.25 percentage points. The interest rate at December 31, 2018 is 6.52%, with the first interest adjustment on March 21, 2019.

On June 14, 2017 the bank issued a tier 1 capital instrument with a nominal value of 300 MNOK. Upon prior approval from the Financial Supervisory Authority of Norway, the bank can use the right to early redeem the loan at par, the first time on June 14, 2022, and quarterly thereafter. The agreement includes a regulatory or fiscal redemption right at par. The interest is 3 months NIBOR + 5.25 percentage points. The interest rate at December 31, 2018 is 6.55%, with the first interest adjustment on March 14, 2019.

On October 2, 2018 the bank issued a tier 1 capital instrument with a nominal value of 125 MNOK. Upon prior approval from the Financial Supervisory Authority of Norway, the bank can use the right to early redeem the loan at par, the first time on October 2, 2023 and quarterly thereafter. The agreement includes a regulatory or fiscal redemption right at par. The interest is 3 months NIBOR + 5.40 percentage points. The interest rate at December 31, 2018 is 6,50%, with the first interest adjustment on January 2, 2019.

3.2 Calculation basis and capital requirement

The group uses the standardized approach for calculating credit risk, and the standardized approach for calculating operational risk.

Calculation basis and capital requirement			31.12.2018
Amounts in NOK 1000	Norwegian Finans Holding ASA	Bank Norwegian AS	Norwegian Finans Holding Group
Calculation basis			
Credit risk			
Covered bonds	-	273 532	273 532
+ Institutions	40 622	947 444	988 065
+ Loans to customers	-	25 396 605	25 396 605
+ Defaulted loans and other commitments	1 150 000	4 048 997	4 049 000
+ Operational risk	-	4 013 050	4 012 591
Total calculation basis	**1 190 622**	**34 679 628**	**34 719 794**
Capital requirement			
Credit risk			
Covered bonds	-	21 883	21 883
+ Institutions	3 250	75 795	79 045
+ Loans to customers	-	2 031 728	2 031 728
+ Defaulted loans and other commitments	92 000	323 920	323 920
+ Operational risk	-	321 044	321 007
Capital requirement at 8 %	**95 250**	**2 774 370**	**2 777 584**
Capital requirement at 11.3 %	**142 875**	**3 916 879**	**3 921 416**
Minimum common equity tier 1 capital requirement at 4.5%	53 578	1 560 583	1 562 391
Capital conservation buffer at 2.5%	29 766	866 991	867 995
Systemic risk buffer at 3.0%	35 719	1 040 389	1 041 594
Counter-cyclical buffer at 1.3%	23 812	448 916	449 436

The group has operations in Norway, Sweden, Denmark and Finland. At December 31, 2018, the countercyclical capital buffer was 2.0% for Norwegian and Swedish loan commitments and 0% for Danish and Finnish loan commitments. At December 31, 2018 the entity-specific countercyclical capital buffer was 1.3% for the group and the bank, and 2.0% for the holding company.

3.3 Leverage ratio

The table below presents the leverage ratio at December 31, 2018 for the group, the holding company and the bank.

Leverage ratio			31.12.2018
Amounts in NOK 1000	Norwegian Finans Holding ASA	Bank Norwegian AS	Norwegian Finans Holding Group
Tier 1 Capital	**1 351 554**	**7 180 235**	**7 381 789**
Off-balance sheet items	-	3 706 398	3 706 398
+ On-balance sheet items	1 352 077	49 908 857	50 110 937
Total commitment	**1 352 077**	**53 615 256**	**53 817 336**
Leverage ratio	**99,96 %**	**13,39 %**	**13,72 %**

4. RISK MANAGEMENT AND CONTROL

4.1 Purpose

The risk and capital management in Bank Norwegian shall contribute to achieving the bank's strategic aims, and at the same time secure a solid financial stability. This will be achieved through:

- A strong organizational culture marked by a high awareness of risk management.
- A good understanding of the risks that drive earnings.
- Striving for optimal capital utilisation within the framework of the adopted business strategy.
- An avoidance of unexpected individual operational events that could substantially damage the group's financial position.

The board of directors has established a business strategy and guidelines for management and control of important risks. The business strategy and guidelines for risk management and control establish that the bank, primarily, will generate earnings by credit exposure in unsecured loan commitments in the retail customer segment. Other financial risks will be limited within internal established risk limits. The risk limits are determined in relation to the bank's current buffer capital and risk-bearing capacity.

4.2 Risk groups

- Credit risk: Losses resulting from customers' inability or unwillingness to meet their obligations.
- Market risk: Losses resulting from changes in interest rate levels, foreign currency and securities.
- Interest rate risk: Losses resulting from changes in the underlying interest rates, and are related to differences in the fixed interest rate on the bank's financial instruments and products.
- Liquidity risk: That the bank is not able to meet all its financial obligations as they fall due without greater implications to the profit.
- Operational risk: Losses as a result of failing or incorrect internal procedures, actions carried out by employees and technology, or as a result of external operational events, and legal risk.
- Business and strategic risk: Lack of profitability or fluctuations in profit as a result of loss of revenue, reduced cost efficiency, again as a result of market or regulatory conditions, and wrong choice of direction.

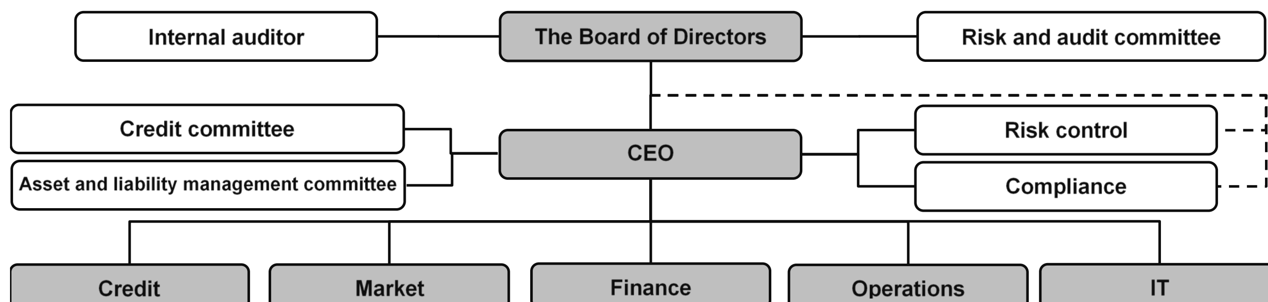
4.3 Elements in the bank's risk management

To ensure appropriate risk management and control, the bank is based on the following elements:

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

4.3.1 Responsibility and organization

Illustration of governing bodies in the Norwegian Finans Holding Group.



The board of directors oversees and shall ensure that the bank has an appropriate system for managing and controlling risk. The board of directors shall ensure that the group has a capital adequacy that is proportionate to the regulatory requirements and risk exposure. The board of directors defines overall goals, policies and authorizations for the bank's risk management and control activities.

The CEO shall ensure that the objectives, guidelines and authorizations approved by the board of directors for the bank's risk management and control are complied with, and shall ensure an effective management and control of risk.

The risk control function shall ensure that all significant risks are identified, measured and reported by the relevant departments. The finance department is responsible for the risk control function. The manager of the risk control function reports to the CEO. The finance department and the credit department are responsible for ensuring that the operational monitoring and controling of risk is according to approved targets and guidelines, and shall arrange for ongoing reporting and monitoring.

The compliance function reports to the CEO, and is responsible for independent control, reporting and ensuring that the bank adheres to self-imposed and statutory requirements.

The asset and liability management committee is an advisory body to the CEO and shall ensure compliance of the CEO's responsibility for management and control of financial risk. The asset and liability management committee shall supervise the activities within funding, liquidity management and management of balance sheet products. Furthermore, the asset and liability management committee ensures independent control of reporting.

The credit committee is an advisory body for the CEO for credit decisions, the development of credit policy guidelines, and for the execution of the bank's credit policy guidelines and procedures.

4.3.2 Guidelines and procedures for managing and controlling risk

The board of directors has established guidelines for managing and controlling financial risk, credit risk and operational risk. The guidelines set targets, policies for risk management, risk tolerance and risk limits, control system, reporting and contingency plans. In addition to the guidelines, there are instructions, authorizations and procedure manuals within the respective guidelines.

4.3.3 Strategic planning and capital planning

The board of directors approves strategic plans that are subject to ongoing review. A central element in the strategic development process is the bank's and the group's capital planning. The capital planning shall ensure solid capitalization of the bank beyond the legal minimum requirements and present the expected capital requirements and plan for the raising of capital over a three year period. The plan shall also present the required need for debt financing in the period. The capital plan sets out the group's capital adequacy targets. Determining the capital adequacy targets takes several factors into consideration, such as regulatory requirements, the bank's balance sheet management, earnings and earnings retention, credit standards and credit quality, risk diversification, ownership and access to capital. The bank projects the expected development in capital adequacy and buffer capital on a monthly basis with a three year projection horizon, giving the administration and the board of directors a strong tool for managing and controlling risk.

4.3.4 Reporting and monitoring

Reporting and monitoring are key elements in the group's risk management and control. The risk control function is assigned to the finance and credit departments, who are responsible for ongoing and periodical reporting of the development in the bank's risk position, and ensuring that all risk positions are within the approved risk limits. Risk positions are reported to the CEO on a daily, weekly and monthly basis, and to the board of directors on a monthly basis.

4.3.5 Contingency plans

The bank has established board-approved contingency plans to ensure an appropriate capital adequacy and liquidity position in the event that internal and or external factors affect the bank's solvency or liquidity in a strong adverse direction.

5. ICAAP (Internal Capital Adequacy Assessment Process)

5.1 Process for assessment of risk exposure and capital requirement

The bank works actively with capital planning. On an annual basis, a capital plan is prepared which outlines the need for issuing debt securities and subordinated capital over a three year period. The capital plan is subject to ongoing revision by the bank's asset and liability management committee which holds monthly meetings. The capital situation is discussed by the board of directors monthly. The bank's forecasting model is updated monthly with a three year projection horizon. Monthly and ad hoc simulations provide the necessary forecasting information enabling management to be in advance with developing initiatives.

The ICAAP document is based on the capital plan approved by the board of directors. Further sensitivity tests, scenario calculations and stress tests are carried out to asses the risk and requirement of capital adequacy.

The bank's ICAAP document is treated by the board of directors as an integral part of the bank's strategy process, and is updated with risk measurements to capture any developments after the board of directors's approval of strategy and budget. The ICAAP document is reviewed by the internal auditor and the audit report is submitted to the board of directors for the completion the ICAAP document.

The capital adequacy targets and capital planning are based on the bank's overall strategy and risk management policies, as approved by the board of directors annually. Capital adequacy are reported quarterly to the Norwegian Financial Supervisory Authority and monthly to the board of directors.

5.2 Capital requirement – Pillar 2

Economic capital requirement describes the bank's need for capital to cover the bank's actual risk. The table below presents the split of economic and regulatory capital between the different risk groups based on the risk exposure at December 31, 2018.

Capital requirement - Pillar 2

Amounts in NOK 1000	**31.12.2018**
Credit risk	3 463 626
Operational risk	453 253
Minimum capital requirement - Pillar 1 - at 11.3%	**3 916 879**
Market risk	37 422
Business risk and strategic risk	16 942
Economic capital requirement - Pillar 2 - at 11.3%	**3 971 243**
Common equity Tier 1	6 545 235
Capital buffer/(capital requirements)	**2 573 993**

5.3 Financial Supervisory Authority of Norway's assessment

Financial Supervisory Authority of Norway's assesses the bank's capital requirements and supervisory review based on the bank's reporting, local supervision and own analyzes (SREP). This assessment determines whether there are risk elements in the bank which the Financial Supervisory Authority of Norway considers insufficiently covered by the Pillar 1 requirements, and forms the basis for determining a Pillar 2 requirement. The bank is a part of group 3, which means that the Financial Supervisory Authority of Norway will conduct a SREP every three years. In 2017, the Financial Supervisory Authority of Norway set a Pillar 2 requirement of 4.2% for the bank.

6. CREDIT RISK

Credit risk is the risk that the bank is not being repaid what it is entitled to in the form of interest and instalments because the borrower does not have the will and/or ability to repay.

The bank's business objective is primarily to receive customer deposits and to offer credits the retail market. Credit risk is therefore a source of revenue and a strategic risk for the bank. Bank Norwegian offers only unsecured loans, and credit risk constitute the main component of the bank's total risk.

6.1 Management and control

The bank’s board of directors has prepared a credit policy that functions as the bank’s overall guideline for granting of credit. The paragraphs below describe some of the elements of the bank’s credit policy in more detail.

The bank’s credit strategy is defined in the bank’s credit policy and is establihed by the board of directors and updated at least annually. The group’s credit strategic limits are composed in such a way that it measures and picks up changes in the ongoing risk exposure in an expedient and efficient way, including anticipating losses and the need for buffer capital.

The bank’s credit authorization regulations are established by the board of directors, and updated at least annually. The board of directors delegates authorization to the CEO, within specified limits, for the operational responsibility of decisions in credit cases. The CEO can redelegate authorizations to others. Credit authorizations are personal and are assigned, among other things, from a risk perspective.

The bank’s credit guidelines are based on an automated decision support system where the applicant receives an automatic refusal or a conditional approval at the time of application. Credits are granted based on a qualitative and quantitative analysis with a positive conclusion on the customer's future willingness and ability to pay. The analysis of willingness to pay identifies the characteristics of the customer that predict future payment conduct, while the analysis of the customer’s ability to repay is a a quantitative evaluation of the customer’s ability to repay his obligations, given the customer’s current and anticipated future economic situation. The case officer’s role is to afterwards check if the conditions for the conditional approval are present. The customers are regularly risk assessed based on a behaviour score, if sufficient history is available. For new customers, and customers in new(er) markets, the application score is used in addition to any clearly negative observations, such as default on loan agreement. This risk classification is used in the bank’s risk-based product pricing. The bank follows up credit quality through, for example, ongoing reporting and credit committee meetings. The board of directors has set limits for the maximum exposure per customer based on the type of commitment.

6.2 Definition of default and loss in value and method for calculating write-downs

As of January 1, 2018, the bank uses IFRS 9 for calculation of all loan loss allowance and loan loss provisioning numbers. IFRS 9 requires that all calculations of write-downs and allowances on loans are conducted based on factors with potential to influence expected loan losses (ECL) going forward. The bank has developed advanced models to as best as possible predict current credit quality of the current loan portfolios, and implicitly ECL.

All models under IFRS 9 were implemented in parallell with existing models to ensure adequate implementation quality running internally for the past 18 months. All models are back-tested, calibrated, and validated on a monthly basis, aligning the results with the expected and observed levels of probability of default (PD), loss given default (LGD), early repayment and Loan loss allowance (LLA) -levels. The historic levels of LLA and loan loss provitions (LLP) are also triangulated in towards the new Expected credit loss (ECL) -models and their outcomes.

The models are forward looking PD estimates. This entails separate models on LGD before and after a default has occured. The bank is utilizing models for exposure at default (EAD). Triggers are utilized for classifying accounts into Stage 1, 2 or 3. All classification is according to the IFRS 9 guidelines; where Stage 1 is current, Stage 2 has a worsening of credit quality and Stage 3 is in default at 90 days past due. The triggers measure a degradation of credit quality by comparing the PD at origination against the PD calculated at the time of reporting, as well as observation of a forbearance flag, 30 days past due, cross product default or a history of delinquency over the past three months. The bank has developed explicit models for expected life-time on all unsecured loans per country, measured against the contractual life-time and current down payment schedule. The chosen methodology for each model is based on the respective maturity of the portfolio as well as the access to data in that particular market. The models are validated according to best practice for each model type, that includes both an out of time and an out of sample validation during the build-phase.

The PD-models apply an adjustment factor based on macro-simulations built especially for each product and each country, based on the NIGEM methodology from the UK. Through thousands of simulations, a base, upper and lower scenario for expected credit losses are established. The final model outcome is weighted through the management's assessment of the probable macro future.

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

6.3 Loan portfolio information

6.3.1 Gross loans and loan loss allowance by customers and geography

					31.12.2018
		Loan loss allowance			
Amounts in NOK 1000	Gross loans	Stage 1	Stage 2	Stage 3	**Total**
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
Total	**39 473 053**	**234 954**	**334 764**	**1 105 718**	**37 797 618**
Provision coverage ratio per stage		**0,60 %**	**0,85 %**	**2,80 %**	

6.3.2 Changes in loan loss allowance in the period

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 1.1.18	211 870	220 155	616 736	1 048 761
Transfers :				
Transfers between Stage 1 and Stage 2	-36 290	171 471	-	135 181
Transfers between Stage 1 and Stage 3	-14 066	-	302 927	288 861
Transfers between Stage 2 and Stage 1	8 783	-45 362	-	-36 579
Transfers between Stage 2 and Stage 3	-	-51 858	217 556	165 698
Transfers between Stage 3 and Stage 2	-	5 646	-29 878	-24 232
Transfers between Stage 3 and Stage 1	351	-	-16 033	-15 682
New financial assets issued or purchased	96 337	81 196	78 019	255 552
Financial assets derecognized in the period, including down payments	-33 626	-50 114	-144 154	-227 894
Modification of contractual cash flows from non-discounted financial assets	1 596	3 629	80 544	85 770
Loan loss allowance as at 31.12.18	**234 954**	**334 764**	**1 105 718**	**1 675 435**
Loan loss provisions and guarantees	-	-	-	-

6.3.3 Total commitments by geography

			31.12.2017
Amounts in NOK 1000	Gross loans	Undrawn credit limits	Total commitments
Norway	19 067 100	22 621 592	41 688 692
Sweden	7 090 086	8 343 701	15 433 788
Denmark	4 540 264	2 434 324	6 974 589
Finland	8 775 603	3 664 366	12 439 969
Total	**39 473 053**	**37 063 984**	**76 537 037**

6.3.4 Total commitments by remaining maturity

							31.12.2018
Amounts in NOK 1000	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Without any term	Total
Net loans	23 505	9 149	125 600	4 181 292	22 087 287	11 370 785	37 797 618
Undrawn credit limits	-	-	-	-	-	37 063 984	37 063 984
Write-downs on groups of loans	-	-	-	-	-	1 675 435	1 675 435
Total	**23 505**	**9 149**	**125 600**	**4 181 292**	**22 087 287**	**50 110 204**	**76 537 037**

6.4 Use of official rating for the purpose of capital adequacy

By using the standardized approach, capital requirements may be dependent upon the counterpart's official rating. Official rating will not be relevant for the bank's loan customers, but may be applicable for issuers of securities for the bank's liquidity placements. In such instances will either Standard & Poor's, Moody's and/or Fitch be relevant.

6.5 Capital requirement

Given the bank's product spectre with many small loans in the retail market, broad geographical distribution, good procedures for granting and collecting on loans, strong creditor protection, a solid write-down practice, in addition to a low and stable level of credit losses, the bank's credit risk is considered to be at a level that is more than adequately covered in Pillar 1.

7. MARKET RISK

The bank's market risk exposure relates to the investment portfolio and foreign exchange exposure in connection with cross-border operations. The bank's board of directors has prepared guidelines that shall ensure appropriate risk management consistent with the bank's balance sheet management strategy and relevant legal requirements.

7.1 Management and control

Market risk is regulated in the bank's risk management policies. The guidelines are reviewed at least annually by the board of directors.

Losses due to changes in the interest rate levels are restricted through limitations to duration. The bank's investment portfolio is invested with a short term to maturity. Loss in value due to changes in the credit risk weighting is limited with a limit for maximum term to maturity by instrument and for the loan portfolio. The guidelines also set limits based on credit risk weights, credit rating and maximum exposure for each counterparty. Guidelines have also been established for monitoring and reporting. The bank's investment portfolio is managed by Storebrand Kapitalforvaltning and is regulated by mandate agreements. The market risk is monitored continuously by the finance department and is reported monthly to the asset and liability management committee and to the board of directors.

Exposure to foreign currency is hedged. Limits have been established for maximum foreign currency hedging deviation.

7.2 Capital requirement

The bank has no trading portfolio or exposure requiring the bank to include a capital requirement for market risk under Pillar 1. In order to take into account market risk in the investment portfolio, capital is set aside in accordance with Pillar 2 based on calculations according to the standardized approach for market risk. A position risk is calculated equivalent to 3.125% of the investment portfolio and a 11.3% capital reserve.

8. Interest rate risk

The board of directors has defined guidelines that set limits for the maximum interest rate risk. The guidelines are reviewed at least annually by the board of directors.

8.1 Management and control

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

8.2 Capital requirement

It is considered that there is no need for further capital reserves for interest risk under Pillar 2, as financial losses resulting from interest rate changes are considered covered by the capital reserve for market risk.

9. OPERATIONAL RISK

The board of directors has specified, through its guidelines for internal control, that the operational risk of its business operations shall be low. The bank shall have an appropriate, effective and efficient operation, with consistent high quality. The bank will monitor and manage the operational risk in an active and responsible manner. The bank offers a limited selection of standardized products to the retail market, which contribute to limit the risk.

9.1 Management and control

In addition to an annual review of significant operational risks and control measures, the management performs a continuous evaluation of the operational risk situation, and risk-reducing measures are implemented as necessary. There are regular reporting of operational loss events and internal control deviations to management and the board of directors. Loss history shows very low losses.

The bank's operation concept is largely based on purchasing services from external suppliers. The agreements contain clauses on quality standards and they are monitored continosly by the bank in accordance with the outsourcing guidelines.

To ensure efficient and high quality operations, the bank continuously seek to automate processes. Continous efforts are made to further improve production capacity and quality.

Contingency plans have been established and insurance agreements have been entered into, that defend the bank against large operational loss events. The bank offers a limited and simple selection of standardized products in the retail market, and which contribute to limit the risk.

9.2 Capital requirement

It is considered that that there is no need for additional capital reserve for operational risk as the risk is considered to be more than adequately covered in Pillar 1 and historical data shows very low operational losses.

10. LIQUIDITY RISK

The bank's liquidity policy describes how the bank shall maintain a solid liquidity position. The bank shall maintain a minimum holding of liquid assets, and ensure stable access to varied and cost-effective funding, appropriate for the bank's asset-mix.

10.1 Management and control

The board of directors of Bank Norwegian has adopted guidelines for managing the bank's liquidity situation to ensure that the bank maintains a solid liquidity position. The guidelines are reviewed at least annually by the board of directors. The guidelines set risk limits for liquidity management and define a reporting scheme. The bank manages its liquidity position by means of summaries illustrating cash flows in the short term and by means of liquidity due date summaries. The board of directors appproves a funding plan for the following year in connection with the budget and capital planning. The funding plan shows anticipated funding gap, known maturities, and a plan for obtaining financing to ensure maintenance of the liquidity requirements.

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

10.2 Capital requirement

The liquidity risk is evaluated as low at the time of this report. A large portion of the bank's assets consists of marketable securities, including substantial holdings of certificates issued by the Norwegian government and deposits in the Central Bank of Norway. The bank offers competitive deposit terms to ensure stable customer deposits. The bank has issued debt securities with a varied maturity structure. Based on today's balance sheet structure, product portfolio and liquidity management arrangement, there is no need for a separate Pillar 2 capital reserve.

11. BUSINESS AND STRATEGIC RISK

Risk factors may be uncertainty associated with lower customer acquisition and volumes, reduced interest rate margins, inadequate cost-effectiveness and inappropriate technological choices. A decline in the economy may result in weaker growth, higher losses and weaker earnings and, at the same time can make raising of capital difficult. Expansion into new markets entails increased uncertainty. Business risk demands that the board of directors and management have good planning processes and adaptability to reduce losses.

11.1 Capital requirement

The basis for calculating business and strategic risk is an estimated annual fluctuation in profit after tax of 150 MNOK. A capital reserve of 11.3% is made in Pillar 2.

12. APPENDICES

Appendix 1

Reconciliation to financial accounts

NOK in thousands	Total capital in financial accounts	31.12.2018 Total capital for capital adequacy purposes
Share capital	186 752	186 689
Share premium reserve	976 938	971 182
Retained earnings and other reserves	5 745 564	3 920 750
Deferred tax assets	-18 021	-18 021
Intangible assets	-133 670	-133 670
Additional valuation adjustment		-10 773
Common equity Tier 1	**6 757 562**	**4 916 156**
Additional Tier 1 capital	635 000	635 000
Tier 1 capital	**7 392 562**	**5 551 156**
Tier 2 capital	474 614	474 614
Total capital	**7 867 176**	**6 025 770**

Appendix 2

Disclosure of main features of regulatory capital instruments

1	Issuer	Bank Norwegian AS	Bank Norwegian AS	Bank Norwegian AS	Bank Norwegian AS	Bank Norwegian AS
2	Unique identifier (e.g. CUSIP, ISIN, or Bloomberg identifier for private placement)	NO0010774318	NO0010797319	NO0010833320	NO0010774326	NO0010797988
3	Governing law for the instrument	Norway	Norway	Norway	Norway	Norway
	Regulatory treatment					
4	Transitional CRR rules	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital
5	Post-transitional CRR rules	Additional Tier 1 capital	Additional Tier 1 capital	Additional Tier 1 capital	Tier 2 capital	Tier 2 capital
6	Eligible at company / group / company and group level	Company and group level	Company and group level	Company and group level	Company and group level	Company and group level
7	Instrument type (types to be specified for each jurisdiction)	Perpetual subordinated loan	Perpetual subordinated loan	Perpetual subordinated loan	Subordinated loan	Subordinated loan
8	Amount recognized in regulatory capital (in NOK million as at December 31, 2017)	MNOK 210	MNOK 300	MNOK 125	MNOK 100	MNOK 200
9	Nominal amount of instrument	NOK 210,000,000	NOK 300,000,000	NOK 125,000,000	NOK 100,000,000	NOK 200,000,000
9a	Issue price	At par	At par	At par	At par	At par
9b	Redemption price	At par	At par	At par	At par	At par
10	Accounting classification	Equity	Equity	Equity	Subordinated loan - amortized cost	Subordinated loan - amortized cost
11	Original date of issuance	September 21, 2016	June 14, 2017	October 2, 2018	September 21, 2016	June 16, 2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	No maturity date	No maturity date	No maturity date	September 21, 2026	June 16, 2027
14	Issuer call subject to prior supervisory approval	Yes	Yes	Yes	Yes	Yes
15	Optional call date, contingent call dates and redemption amount	September 21, 2021. At par. In addition regulatory and fiscal call.	June 14, 2022. At par. In addition regulatory and fiscal call.	October 2, 2023. At par. In addition regulatory and fiscal call.	September 21, 2021. At par. In addition regulatory and fiscal call.	June 16, 2022. At par. In addition regulatory and fiscal call.
16	Subsequent call dates, if applicable	Quarterly at each interest payment date. December 21, March 21, June 21 and September 21 each year.	Quarterly at each interest payment date. September 14, December 14, March 14 and June 14 each year.	Quarterly at each interest payment date. October 2, January 2, April 2 og July 2 each year.	Quarterly at each interest payment date. December 21, March 21, June 21 and September 21 each year.	Quarterly at each interest payment date. September 16, December 16, March 16 and June 16 each year.
	Coupons/dividends					
17	Fixed or floating dividend/coupon	Floating	Floating	Floating	Floating	Floating
18	Coupon rate and any related index	3 month NIBOR + 5,25 %	3 month NIBOR + 5,25 %	3 month NIBOR + 5,40 %	3 month NIBOR + 3,00 %	3 month NIBOR + 3,75 %
19	Existence of a dividend stopper	No	No	No	No	No
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21	Existence of a step up or other incentive to redeem	No	No	No	No	No
22	Non-cumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
	Convertible or non-convertible					
23	Convertible or non-convertible	Convertible	Convertible	Convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	- In severe cases of insolvency or if necessary to avoid liquidation. - Financial Supervisory Authority of Norway or other competent public authority may instruct conversion.	- In severe cases of insolvency or if necessary to avoid liquidation. - Financial Supervisory Authority of Norway or other competent public authority may instruct conversion.	- In severe cases of insolvency or if necessary to avoid liquidation. - Financial Supervisory Authority of Norway or other competent public authority may instruct conversion.	N/A	N/A
25	If convertible, fully or partially	N/A	N/A	N/A	N/A	N/A
26	If convertible, conversion rate	N/A	N/A	N/A	N/A	N/A
27	If convertible, mandatory or optional conversion	N/A	N/A	N/A	N/A	N/A
28	If convertible, specify instrument type convertible into	N/A	N/A	N/A	N/A	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	N/A	N/A	N/A	N/A
30	Write-down features	Yes	Yes	Yes	Yes	Yes
31	If write-down, write-down trigger (s)	- Common equity tier 1 ratio falls below 5.125 percent at issuers company level or group level. - In severe cases of insolvency or if necessary to avoid liquidation. - Financial Supervisory Authority of Norway or other competent public authority may instruct write-down.	- Common equity tier 1 ratio falls below 5.125 percent at issuers company level or group level. - In severe cases of insolvency or if necessary to avoid liquidation. - Financial Supervisory Authority of Norway or other competent public authority may instruct write-down.	- Common equity tier 1 ratio falls below 5.125 percent at issuers company level or group level. - In severe cases of insolvency or if necessary to avoid liquidation. - Financial Supervisory Authority of Norway or other competent public authority may instruct write-down.	The loan shall be written down in accordance with relevant current regulation, "Finansforetaksloven" § 21-6. "Beregningsforskriften" § 16 no. 4.	The loan shall be written down in accordance with relevant current regulation, "Finansforetaksloven" § 21-6. "Beregningsforskriften" § 16 no. 4.
32	If write-down, full or partial	Full and partial	Full and partial	Full and partial	Full and partial	Full and partial
33	If write-down, permanent or temporary	Permanent or temporary	Permanent or temporary	Permanent or temporary	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	- Can be written up by assigning a portion of the accumulated profit. Any interest shall be calculated on the written down amount. - Total write-up and interest should not exceed the profit after tax multiplied with additional tier 1 capital's share of the tier 1 capital. - Overall write-up and interest relating to additional tier 1 capital shall in combination with other allocations be within maximum allocation amount in accordance with CRR / CRD IV regulations § 6.	- Can be written up by assigning a portion of the accumulated profit. Any interest shall be calculated on the written down amount. - Total write-up and interest should not exceed the profit after tax multiplied with additional tier 1 capital's share of the tier 1 capital. - Overall write-up and interest relating to additional tier 1 capital shall in combination with other allocations be within maximum allocation amount in accordance with CRR / CRD IV regulations § 6.	- Can be written up by assigning a portion of the accumulated profit. Any interest shall be calculated on the written down amount. - Total write-up and interest should not exceed the profit after tax multiplied with additional tier 1 capital's share of the tier 1 capital. - Overall write-up and interest relating to additional tier 1 capital shall in combination with other allocations be within maximum allocation amount in accordance with CRR / CRD IV regulations § 6.	N/A	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Subordinated loan.	Subordinated loan.	Subordinated loan.	Senior bonds and certificates.	Senior bonds and certificates.
36	Non-compliant transitioned features	No	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A	N/A

Appendix 3

Own funds disclosure

		(A) 31.12.2018 NOK in thousand	(B) regulation (EU) no 575/2013 article reference	(C) amounts subject to pre-regulation (EU) no 575/2013 treatment or prescribed residual amount of regulation (EU) no 575/2013
Common Equity Tier 1 (CET1) capital: instruments and reserves				
1	Capital instruments and the related share premium accounts	1 163 690	26 (1), 27, 28 and 29	
2	Retained earnings	3 920 750	26 (1) (c)	
3	Accumulated other comprehensive income (and other reserves)	28 203	26 (1) (d) and (e)	
3a	Funds for general banking risk	-	26 (1) (f)	
4	Amount of qualifying items referred to in article 484 (3) and the related share premium accounts subject to phase out from CET1	-		
5	Minority interests (amount allowed in consolidated CET1)	-	84	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	1 796 611	26 (2)	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**6 909 254**	**Sum of rows 1 to 5a**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amounts)	-10 773	34 and 105	
8	Intangible assets (net of related tax liability) (negative amount)	-151 692	36 (1) (b) and 37	
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	-	36 (1) (c) and 38	
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (1) (a)	
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40 and 159	
13	Any increase in equity that results from securitized assets (negative amount)	-	32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b) and (c)	
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e) and 41	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f) and 42	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	36 (1) (g) and 44	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2), 79, 469 (1) (a), 472 (10) and 478 (1)	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3) and 79	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250 %, where the institution opts for the deduction alternative	-	36 (1) (k)	
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i) and 89 to 91	
20c	of which: securitization positions (negative amount)	-	36 (1) (k) (ii), 243 (1) (b), 244 (1) (b) and 258	
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii) and 379 (3)	
21	Deferred tax assets arising from temporary differences (amount above 10 % threshold, net of related tax liability where the conditions in article 38 (3) are met) (negative amount)	-	36 (1) (c), 38 and 48 (1) (a)	
22	Amount exceeding the 15 % threshold (negative amount)	-	48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i) and 48 (1) (b)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary differences	-	36 (1) (c), 38 and 48 (1) (a)	
25a	Losses for the current financial year (negative amount)	-	36 (1) (a)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	Sum 26a and 26b	
26a	Regulatory adjustments relating to unrealized gains and losses pursuant to articles 467 and 468	-		
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre-CRR	-		
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	-	36 (1) (j)	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**-162 464**	**Sum of rows 7 to 20a, 21, 22, 25a, 25b, 26 and 27**	
29	**Common Equity Tier 1 (CET1) capital**	**6 746 789**	**Row 6 plus row 28**	
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	51 and 52	
31	of which: classified as equity under applicable accounting standards	-		
32	of which: classified as liabilities under applicable accounting standards	-		
33	Amount of qualifying items referred to in article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3) and (5)	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	635 000	85 and 86	
35	of which: instruments issued by subsidiaries subject to phase out	-		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**635 000**	**Sum of rows 30, 33 and 34**	
Additional Tier 1 (AT1) capital: regulatory adjustments				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a) and 57	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b) and 58	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60 and 79	
40	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	56 (d), 59 and 79	
41	Empty set in the EU	-	Sum of rows 41a, 41b and 41c	
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) no 575/2013	-	469 (1) (b) and 472 (10) (a)	
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) no 575/2013	-		
41c	Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-		
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)	
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	**Sum of rows 37 to 41 and row 42**	
44	**Additional Tier 1 (AT1) capital**	**635 000**	**Row 36 plus row 43.**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**7 381 789**	**Sum of row 29 and row 44**	
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	-	62 and 63	
47	Amount of qualifying items referred to in article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4) and (5)	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	836 205	87 and 88	
49	of which: instruments issued by subsidiaries subject to phase out	-		
50	Credit risk adjustments	-	62 (c) and (d)	
51	**Tier 2 (T2) capital before regulatory adjustments**	**836 205**	**Sum of rows 46 to 48 and row 50**	
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a) and 67	

53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b) and 68	
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70 and 79	
54a	Of which new holdings not subject to transitional arrangements	-		
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-		
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	66 (d), 69 and 79	
56	Regulatory adjustments applied to Tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no 575/2013 (i.e. CRR residual amounts)	-	Sum of rows 56a, 56b and 56c	
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) no 575/2013	-	469 (1) (b) and 472 (10) (a)	
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) no 575/2013	-		
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre-CRR	-	468	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**Sum of rows 52 to 56**	
58	**Tier 2 (T2) capital**	**836 205**	**Row 51 plus row 57**	
59	**Total capital (TC = T1 + T2)**	**8 217 995**	**Sum of row 45 and row 58**	
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) no 575/2013 (i.e. CRR residual amounts)	-	472 (10) (b)	
60	**Total risk weighted assets**	**34 719 794**		
Capital ratios and buffers				
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**19,4 %**	**92 (2) (a)**	
62	**Tier 1 (as a percentage of total risk exposure amount)**	**21,3 %**	**92 (2) (b)**	
63	**Total capital (as a percentage of total risk exposure amount)**	**23,7 %**	**92 (2) (c)**	
64	**Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)**	**11,3 %**	**CRD 128, 129, 130, 131 and 133**	
65	**of which: capital conservation buffer requirement**	**2,5 %**		
66	**of which: countercyclical buffer requirement**	**1,3 %**		
67	**of which: systemic risk buffer requirement**	**3,0 %**		
67a	**of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer**	**0,0 %**	**CRD 131**	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**14,9 %**	**CRD 128**	
69	**[non relevant in EU regulation]**			
70	**[non relevant in EU regulation]**			
71	**[non relevant in EU regulation]**			
Amounts below the thresholds for deduction (before risk weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 66 (c), 69 and 70	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10 % threshold and net of eligible short positions)	-	36 (1) (i), 45 and 48	
74	Empty set in the EU			
75	Deferred tax assets arising from temporary differences (amount below 10 % threshold, net of related tax liability where the conditions in article 38 (3) are met)	-	36 (1) (c), 38 and 48	
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62	
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	-	62	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	62	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				
80	Current cap on CET1 instruments subject to phase out arrangements	-	484 (3) and 486 (2) and (5)	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3) and 486 (2) and (5)	
82	Current cap on AT1 instruments subject to phase out arrangements	-	484 (4) and 486 (3) and (5)	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4) and 486 (3) and (5)	
84	Current cap on T2 instruments subject to phase out arrangements	-	484 (5) and 486 (4) and (5)	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5) and 486 (4) and (5)	

Appendix 4

Disclosure of information in relation to the compliance of institutions for a countercyclical capital buffer

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Row		General credit exposures		Trading book exposures		Securitisation exposures		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		10	20	30	40	50	60	70	80	90	100	110	120
10	Norway	19 167						1 533			1 533	0,47	2,00 %
10	Sweden	7 140						571			571	0,18	2,00 %
10	Denmark	4 738						379			379	0,12	0,00 %
10	Finland	9 601						768			768	0,24	0,00 %
20	**Total**	**40 646**						**3 252**			**3 252**	**1,00**	**1,29 %**

Amount of institution-specific countercyclical capital buffer

Row		Column
		10
10	Total risk exposure amount	34 719 794
20	Institution specific countercyclical buffer rate	1,29 %
30	Institution specific countercyclical buffer requirement	449 436