



**Report for the
first quarter 2020**
Norwegian Finans Holding ASA

Q1

Table of contents

Letter from the CEO	3
Report for the first quarter 2020.....	4
Profit and loss account.....	6
Balance sheet	7
Cash flow statement	8
Changes in equity.....	9
Notes	
Note 1 General accounting principles	10
Note 2 Segments	11
Note 3 Capital adequacy and Liquidity Coverage Ratio	12
Note 4 Expected credit loss	13
Note 5 Loans to customers by product groups	14
Note 6 Provision for loan losses	16
Note 7 Risk classes.....	16
Note 8 Net interest income.....	16
Note 9 Net commission and bank services income	17
Note 10 Net change in value on securities and currency	17
Note 11 General administrative expenses.....	17
Note 12 Debt securities issued and subordinated loan	17
Note 13 Financial instruments	18
Note 14 Related parties	18
Quarterly figures.....	19
Norwegian Finans Holding ASA.....	20
Notes	
Note 1 General accounting principles	21
Note 2 Capital adequacy.....	22
Note 3 Related parties	22

Financial highlights

Profit and loss account

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	YTD 2020	YTD 2019	2019
Interest income	1 580 930	1 421 593	5 910 775
Interest expenses	186 500	151 017	650 090
Net interest income	1 394 430	1 270 576	5 260 685
Net other operating income	71 817	91 096	321 792
Total income	1 466 247	1 361 672	5 582 477
Total operating expenses	358 550	337 940	1 324 659
Provision for loan losses	620 636	379 328	1 627 359
Profit before tax	487 060	644 404	2 630 459
Comprehensive income for the period	368 032	485 900	1 981 051

Balance sheet

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	31.3.20	31.3.19	31.12.19
Total assets	59 955 081	50 944 273	58 073 384
Loans to customers	42 378 471	37 902 312	40 560 502
Liquid assets	16 848 908	12 671 003	16 813 654
Deposits from customers	39 561 112	37 654 242	40 118 369
Debt securities issued	6 813 624	3 342 401	6 537 863
Subordinated loans	876 073	813 771	822 688
Tier 1 capital	635 000	635 000	635 000
Total equity	9 830 304	8 019 763	9 473 707

Key figures and alternative performance measures

	Norwegian Finans Holding Group		
	YTD 2020	YTD 2019	2019
Return on equity (ROE) ¹²	16.2 %	27.2 %	25.2 %
Return on assets (ROA) ¹²	2.5 %	3.9 %	3.8 %
Earnings per share (EPS)	1.97	2.60	10.61
Common equity tier 1 (CET 1)	19.6 %	19.5 %	21.2 %
Leverage ratio	14.1 %	14.4 %	14.5 %
Liquidity coverage ratio (LCR)	234 %	221 %	450 %
Net interest margin (NIM) ¹	9.5 %	10.3 %	10.0 %
Cost/income ratio ¹	0.24	0.25	0.24
Delinquent loans to loans ¹	19.8 %	12.3 %	17.3 %
Non-performing loans to loans ¹	15.1 %	9.1 %	13.1 %
Loan loss provisions to average loans ¹²	5.5 %	3.8 %	3.9 %
Loan loss allowance to loans ¹²	9.9 %	5.7 %	8.1 %
Loan loss allowance to non-performing loans ¹²	65.1 %	62.6 %	62.1 %

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

²⁾ Adjusted for discretionary additional provision for loan losses of NOK 230 million in the first quarter, the return on equity was 23.9% and return on assets was 3.7%. The loan loss provisions to average loans was 3.5% loan loss allowance to loans was 9.4% and the loan loss allowance to non-performing loans was 61.9%.

Letter from the CEO

The first quarter of 2020 has proved to be more turbulent than could have been predicted. The quarter started off as expected, our focus was further growth in the Nordic home markets, and preparation for European expansion.

By March everything changed, and our focus shifted as our main concern became to care for our customers and employees. Things have moved rapidly as COVID-19 has also spread across our Nordic markets. All countries have imposed guidelines for social distancing and practiced some form of lock-down. It is not possible to predict the outcome of this crisis or for how long we will have extraordinary measures. It is however clear that the effects in the short-term will be significant and it will take time to revert back to normal. This will have an impact on our customers, and we seek to provide assistance to affected individuals. The Nordic region has however a good starting position due to solid state finances with balanced budgets, low government debt levels and extensive unemployment benefits covering liquidity shortfalls.

As a consequence of the pandemic, the bank has introduced tools for remote working for its employees, with only a minimal staff in the office at any time. Thanks to significant effort from our employees, the bank has been fully operational during the entire pandemic, offering our products and servicing our customers at normal capacity. We have experienced increased customer requests and have put in place several measures to help our customers in a difficult situation.

While it is too early to conclude the consequences of the pandemic for Bank Norwegian, there are so far few effects on our customers' payment behavior. In line with our prudent approach to losses and the requirement to be forward looking according to IFRS 9, we have taken an additional provision of MNOK 230 in Q1 for COVID-19 related effects in 2020.

Bank Norwegian will be resilient in a downturn scenario due to our high and stable margins and lean cost structure, resulting in a significant ability to generate earnings. Our financial capacity will also allow us to actively participate in any eventual opportunities that may surface as a consequence of the crisis.

Our international expansion project into new markets has progressed. However, local activities have been put on hold due to the current situation. The work to obtain an EU banking license is ongoing where we currently are in the final stages of the exploratory phase with the Central Bank of Ireland.

Bærum, April 29, 2020

Tine Wollebekk
CEO

Report for the first quarter 2020

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. 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.

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 first quarter 2020 the NFH Group had a customer base of 1 747 500 customers, which can be broken down into 1 276 300 credit card customers, 210 100 instalment loan customers and 261 100 deposit customers.

Profit and loss for the first quarter 2020

The NFH Group's comprehensive income amounted to NOK 368.0 million compared with NOK 503.9 million in the fourth quarter. The decrease is mainly caused by a discretionary additional provision for loan losses of NOK 230.0 million related to COVID-19 in the first quarter. The additional provision is based on IFRS 9 forward looking requirements, as there is limited evidence in observed customer behavior that indicate a significant increase in credit risk (SICR).

Return on equity was 16.2%, compared with 23.5% in the fourth quarter and the return on assets was 2.5%, compared with 3.6% in the fourth quarter. Adjusting for the additional provision, the return on equity was 23.9% and the return on assets was 3.7%.

Net interest income amounted to NOK 1 394 million, an increase of NOK 32.8 million from the fourth quarter. The change is mainly explained by increased interest income through loan growth and currency appreciation, and increased interest expense due to full effect of issuances of senior debt in December partly offset by lower interest on customer deposits from reduced deposits and reduction in the deposit rate in Denmark. The net interest margin was 9.5%, compared with 9.7% in the fourth quarter.

Net other operating income amounted to NOK 71.8 million compared with NOK 87.0 million in the fourth quarter. Net commission income increased NOK 63.4 million to

NOK 140.9 million mainly due to credit card network and insurance incentives in the first quarter and lower payment services cost, partly offset by lower credit card activity in March. Net loss on securities and currency amounted to NOK 69.1 million, compared with a net gain of NOK 9.5 million in the fourth quarter. The decrease is mainly due to higher loss on securities of NOK 109.5 million, partly offset by higher currency gains in the first quarter of NOK 39.3 million.

Total operating expenses amounted to NOK 358.6 million, an increase of NOK 13.4 million in the first quarter. Personnel expenses increased NOK 2.7 million. Administrative expenses increased NOK 11.9 million, mainly due to higher currency impacted marketing costs and costs related to offering of wearable credit cards. Depreciation decreased NOK 1.4 million. Other operating expenses increased NOK 0.2 million.

Provisions for loan losses were NOK 620.6 million, an increase of NOK 187.8 million from the fourth quarter. The increase is mainly due to a discretionary additional provision for loan losses of NOK 230.0 million related to COVID-19 in the first quarter. Provisions equalled 5.5% of average gross loans, compared with 3.9% in the fourth quarter, and equalled 3.5% adjusted for the additional provision.

Gross delinquent loans were NOK 9 312 million, compared with NOK 7 637 million at the end of the fourth quarter. Delinquent loans accounted for 19.8% of gross loans, compared with 17.3% as of December 2019. Gross non-performing loans accounted for 15.1% of gross loans, compared with 13.1% as of December 31, 2019. Delinquent and non-performing loan migration is significantly impacted by currency appreciation as the underlying trends are developing as expected.

Balance sheet as of March 31, 2020

Total assets increased NOK 1 882 million in the quarter and amounted to NOK 59 955 million.

Gross loans to customers increased NOK 2 860 million compared with NOK 972.5 million in the previous quarter and totaled NOK 47 015 million. Currency adjusted gross loan growth was NOK -733.3 million compared with NOK 874.7 million in the previous quarter. Broken down by product the currency adjusted loan growth for instalment loans was NOK 375.4 million compared with NOK 400.9 million in the previous quarter, and for credit cards NOK -1 109 million compared with NOK 473.8 million in the previous quarter. The negative growth in credit cards is mainly due to lower spending related to COVID-19. Instalment loans amounted to NOK 33 371 million and credit card loans amounted to NOK 13 645 million.

Customer deposits decreased NOK 557.3 million compared with an increase of NOK 933.2 million in the fourth quarter and amounted to NOK 39 561 million at the end of the first quarter. Currency adjusted growth was NOK -3 301 million compared with NOK 865.5 million in the previous quarter.

The decrease is in line with the targeted development in deposit coverage.

The NFH Group has participated in F-loan auctions offered by Norges Bank. The bank was allotted F-loans of NOK 400 million of 3 months maturity at the prevailing rate in the auction of March 13, 2020 and NOK 1 000 million of 12 months maturity at the prevailing rate plus 30bp in the auction at March 19, 2020.

Liquid assets increased NOK 35.3 million and amounted to NOK 16 849 million, equivalent to 28.1% of total assets.

Financial derivatives debt increased NOK 628.0 in the quarter and amounted to NOK 657.6 million. Financial derivatives comprise of currency swaps and forwards and the increase relates mainly to currency appreciation in the second half of March.

Total equity amounted to NOK 9 830 million, compared with NOK 9 474 million as of December 31, 2019. The total capital ratio was 23.2%, the core capital ratio was 21.1% and the common equity tier 1 ratio was 19.6%.

The financial statements as of March 31, 2020 have been subject to an auditor review of interim financial statements.

Outlook

COVID-19 and the resulting partial shutdown of Nordic societies has led to a sharp drop in economic activity, which has been countered by decisive government measures to soften the impact on the economies. The reduction in mortgage interest rates and payment holidays have also provided debt service relief for families.

The Nordic economies are resilient and well prepared to endure the uncertain economic times ahead.

It is still too early to predict how the highly uncertain effects of COVID-19 will affect the NFH Group. As of the reporting date, there is limited evidence in observed customer behavior that indicate a significant increase in credit risk (SICR). However, the drop-off in economic activity has led to a sharp increase in unemployment, which is expected to culminate in higher credit losses.

Depending on the duration and severity of the economic downturn, the resulting fall in private consumption is expected to result in lower credit card purchase volumes and demand for instalment loans. Loan volumes may also fall as consumers prioritize to reduce indebtedness.

Although uncertain, the pending temporary interest rate cap legislation in Finland is also expected to reduce loan volumes.

The NFH Group has maintained normal operations and underwriting of credit throughout the crisis and will continue to support its customers.

The volatile financial markets have resulted in increased unrealized losses in the liquidity portfolio. The widening credit spreads in the first quarter have recently come in, partially recovering the unrealized losses. It is anticipated that currency fluctuations will continue to affect financial results.

Deposit volumes are expected to be maintained due to attractive terms and a well diversified deposit base.

The NFH Group's resilient financial position with high profitability, strong capitalization and high levels of liquid assets make the NFH Group well equipped to withstand the anticipated adverse effects of COVID-19.

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 whether to initiate a draft application process will be made as soon as the exploratory phase is concluded.

Due to COVID-19, the NFH Group has temporarily paused preparations for expansion into European markets. Commencement of activities will depend on the fallout of COVID-19.

Bærum, April 29, 2020

The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Christine Rødsæther
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Anita Aarnæs
Board member

Knut Arne Alsaker
Board member

Tine Wollebekk
CEO

Profit and loss account

<i>Amounts in NOK 1000</i>	Note	Norwegian Finans Holding Group		
		YTD 2020	YTD 2019	2019
Interest income, effective interest method		1 513 862	1 381 830	5 748 496
Other interest income		67 068	39 763	162 279
Interest expenses		186 500	151 017	650 090
Net interest income	8	1 394 430	1 270 576	5 260 685
Commission and bank services income	9	192 558	150 940	540 443
Commission and bank services expenses	9	51 627	59 060	250 703
Net change in value on securities and currency	10	-69 114	-784	32 053
Net other operating income		71 817	91 096	321 792
Total income	2	1 466 247	1 361 672	5 582 477
Personnel expenses		31 168	25 834	102 293
General administrative expenses	11	294 882	282 845	1 095 085
Depreciation and impairment of fixed and intangible assets		16 700	16 079	67 693
Other operating expenses		15 801	13 182	59 588
Total operating expenses		358 550	337 940	1 324 659
Provision for loan losses	6	620 636	379 328	1 627 359
Profit before tax		487 060	644 404	2 630 459
Tax charge		119 028	158 503	649 408
Profit after tax	2	368 032	485 900	1 981 051
Earnings per share		1.97	2.60	10.61
Diluted earning per share		1.97	2.60	10.61

Comprehensive income

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	YTD 2020	YTD 2019	2019
Profit on ordinary activities after tax	368 032	485 900	1 981 051
Comprehensive income for the period	368 032	485 900	1 981 051

Balance sheet

Amounts in NOK 1000	Note	Norwegian Finans Holding Group		
		31.3.20	31.3.19	31.12.19
Assets				
Cash and deposits with the central bank		69 905	67 953	68 500
Loans and deposits with credit institutions		3 014 698	2 334 791	2 094 165
Loans to customers	2, 5, 7	42 378 471	37 902 312	40 560 502
Certificates and bonds	13	13 764 305	10 268 259	14 650 988
Financial derivatives	13	59 020	85 161	76 371
Shares and other securities	13	46 017	41 806	44 863
Intangible assets		506 426	139 227	510 840
Deferred tax asset		4 179	18 121	3 502
Fixed assets		1 153	795	819
Receivables		110 908	85 849	62 835
Total assets	2	59 955 081	50 944 273	58 073 384
Liabilities and equity				
Loans from credit institutions	13	1 400 000	56 000	52 750
Deposits from customers		39 561 112	37 654 242	40 118 369
Debt securities issued	12, 13	6 813 624	3 342 401	6 537 863
Financial derivatives	13	657 621	9 569	29 621
Tax payable		441 519	527 062	625 745
Deferred tax		3 821	-	3 821
Other liabilities		193 945	314 320	225 912
Accrued expenses		177 062	207 146	182 907
Subordinated loans	12, 13	876 073	813 771	822 688
Total liabilities		50 124 777	42 924 510	48 599 677
Share capital		186 695	186 752	186 695
Share premium		972 295	976 938	972 295
Tier 1 capital		635 000	635 000	635 000
Retained earnings and other reserves		8 036 314	6 221 073	7 679 717
Total equity	2, 3	9 830 304	8 019 763	9 473 707
Total liabilities and equity	2	59 955 081	50 944 273	58 073 384

Bærum, April 29, 2020

The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebakk
CEO

Cash flow statement

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	YTD 2020	YTD 2019	2019
Profit / loss before tax	487 060	644 404	2 630 459
Unrealized gain or losses on currency	75 489	4 816	-105 965
Depreciation and impairment of fixed and intangible assets	16 700	16 079	67 693
Provision for loan losses	620 636	269 101	1 627 359
Change in loans to customers	-2 431 571	-342 618	-4 390 047
Change in deposits from customers	-557 257	-1 437 550	1 026 578
Change in certificates and bonds	886 684	334 339	-4 048 391
Change in shares and other securities	-1 154	-5 115	-8 172
Change in receivables and financial derivatives	-30 722	-94 949	-63 045
Change in loans from credit institutions	-52 750	56 000	52 750
Change in debt securities issued and subordinated loans	329 145	41 751	-
Change in tax payable derivatives, accrued expenses and other liabilities	590 188	113 326	96 754
Income taxes paid	-303 932	-234 626	-608 408
Net cash flow from operating activities	-371 482	-635 041	-3 722 434
Payment for acquisition of intangible assets	-12 121	-14 209	-393 592
Payment for acquisition of tangible assets	-500	-178	-643
Net cash flow from investment activities	-12 621	-14 387	-394 235
Buy back of shares	-	-	-161 200
Allocation of shares	-	-	150 000
Allocation of bonus shares	-	-	5 301
Issued debt securities	-	1 510 048	5 834 015
Repayment of debt securities	-	-167 055	-1 281 602
Investments in group companies	-	-	-40 240
Paid interest tier 1 capital	-11 435	-10 384	-45 697
Change in loans from central banks	1 400 000	-	-
Net cash flow from financing activities	1 388 565	1 332 609	4 460 576
Net cash flow for the period	1 004 462	683 181	343 908
Cash and cash equivalents at the start of the period	2 162 665	1 770 267	1 770 267
Currency effect on cash and cash equivalents	-82 524	-50 705	48 490
Cash and cash equivalents at the end of the period	3 084 604	2 402 744	2 162 665

Off which:

Cash and deposits with the central bank	69 905	67 953	68 500
Loans and deposits with credit institutions	3 014 698	2 334 791	2 094 165

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.19	186 695	972 295	635 000	7 679 717	9 473 708
This period's profit	-	-	-	368 032	368 032
Comprehensive income for the period	-	-	-	368 032	368 032
Paid interest tier 1 capital	-	-	-	-11 435	-11 435
Balance 31.3.20	186 695	972 295	635 000	8 036 314	9 830 304

<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	5 745 565	7 544 255
This period's profit	-	-	-	485 900	485 900
Comprehensive income for the period	-	-	-	485 900	485 900
Paid interest tier 1 capital	-	-	-	-10 392	-10 392
Balance 31.3.19	186 752	976 938	635 000	6 221 073	8 019 763

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 2019. Figures for 2019 has been revised due to changes in accounting principles, for further information see note 1 and 36 in the annual report of 2019.

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 YTD 2020

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	COVID-19 provision	Other	Total
Net interest income	591 815	222 825	185 077	395 636	-	-923	1 394 430
Net other operating income	-21 272	42 360	27 632	23 257	-	-161	71 817
Total income	570 543	265 185	212 709	418 893	-	-1 084	1 466 247
Total operating expenses	154 256	73 524	50 359	78 300	-	2 112	358 550
Provision for loan losses	137 413	76 767	83 229	93 227	230 000	-	620 636
Profit before tax	278 875	114 894	79 121	247 367	-230 000	-3 196	487 060
Tax charge	66 860	28 723	19 780	61 842	-57 500	-677	119 028
Profit after tax	212 015	86 170	59 341	185 525	-172 500	-2 519	368 032

Other comprehensive income

Comprehensive income for the period	212 015	86 170	59 341	185 525	-172 500	-2 519	368 032
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Balance sheet 31.3.20

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	COVID-19 provision	Other	Total
Loans to customers	17 589 871	7 144 101	5 670 192	12 204 306	-230 000	-	42 378 471
Other assets	8 145 090	3 736 220	3 135 159	2 375 914	-	184 227	17 576 610
Total assets	25 734 961	10 880 321	8 805 351	14 580 221	-230 000	184 227	59 955 081
Deposits from customers	18 230 142	6 167 576	8 249 326	6 914 068	-	-	39 561 112
Other liabilities and equity	7 504 819	4 712 745	556 025	7 666 153	-230 000	184 227	20 393 969
Total liabilities and equity	25 734 961	10 880 321	8 805 351	14 580 221	-230 000	184 227	59 955 081

Profit and loss account YTD 2019

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	588 847	213 395	155 572	311 850	912	1 270 576
Net other operating income	52 648	21 499	7 601	9 499	-151	91 096
Total income	641 495	234 894	163 173	321 349	761	1 361 672
Total operating expenses	146 802	76 125	43 621	70 177	1 215	337 940
Provision for loan losses	207 575	40 411	58 613	72 729	-	379 328
Profit before tax	287 117	118 358	60 938	178 443	-453	644 404
Tax charge	69 176	29 582	15 235	44 611	-100	158 504
Profit after tax	217 941	88 776	45 704	133 833	-354	485 900

Other comprehensive income

Comprehensive income for the period	217 941	88 776	45 704	133 833	-354	485 900
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Balance sheet 31.3.19

<i>Amounts in NOK 1000</i>	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	18 697 428	6 320 637	4 107 593	8 776 653	-	37 902 312
Other assets	6 064 144	2 858 357	1 668 435	2 246 782	204 243	13 041 961
Total assets	24 761 572	9 178 994	5 776 028	11 023 435	204 243	50 944 273
Deposits from customers	20 061 523	5 712 333	4 233 720	7 646 666	-	37 654 242
Other liabilities and equity	4 700 049	3 466 662	1 542 308	3 376 769	204 243	13 290 031
Total liabilities and equity	24 761 572	9 178 994	5 776 028	11 023 435	204 243	50 944 273

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	YTD 2020	YTD 2019	2019
Share capital	186 695	186 752	186 695
Share premium	972 295	976 938	972 295
Other reserves	8 036 314	6 221 073	7 679 717
Retained earnings not included in common equity tier 1, accrued dividend	-269 750	-	-
Deferred tax assets, intangible assets and additional valuation adjustment	-525 132	-167 753	-529 143
Common equity tier 1	8 400 422	7 217 010	8 309 564
Additional tier 1 capital	635 000	635 000	635 000
Tier 1 capital	9 035 422	7 852 010	8 944 564
Tier 2 capital	876 073	813 771	822 688
Total capital	9 911 495	8 665 781	9 767 252

Calculation basis

Covered bonds	544 448	420 951	336 787
Regional governments or local authorities	157 609	17 667	87 123
Institutions	1 425 815	998 464	1 161 242
Loans to customers	27 429 773	24 972 125	26 750 970
Defaulted loans	5 805 440	4 606 145	4 892 542
Equity positions	45 971	41 764	44 818
Other assets	171 021	171 719	139 948
Total credit risk	35 580 077	31 228 836	33 413 430
Operational risk	7 191 855	5 579 784	5 728 063
Market risk	21 962	295 206	1 575
Total calculation basis	42 793 894	37 103 826	39 143 067

Common equity tier 1 %	19.6 %	19.5 %	21.2 %
Tier 1 capital %	21.1 %	21.2 %	22.9 %
Total capital %	23.2 %	23.4 %	25.0 %

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 31.3.20, except for Norwegian kroner where the legal requirement is 50%.

	YTD 2020	YTD 2019	2019
Norwegian Finans Holding Group	234 %	221 %	450 %
NOK	132 %	237 %	321 %
SEK	436 %	208 %	396 %
DKK	635 %	203 %	649 %
EUR	172 %	200 %	167 %

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. In the first quarter the bank has increased the allowance with a COVID-19 management override of NOK 230 million, for further details see note 5.

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 customers 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 optimistic and a pessimistic 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 31.3.2020: 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	1.96 %	2.65 %	1.71 %	2.40 %	2.66 %	3.30 %
Hourly pay in NOK	452	516	458	538	450	503
Real interest rate	-0.60 %	-0.49 %	-1.00 %	-0.89 %	0.16 %	0.36 %
Sweden						
3-month interbank rate	0.33 %	2.50 %	-0.22 %	1.15 %	1.08 %	4.37 %
Consumption in millions	187 514	203 396	188 677	206 164	185 009	197 621
Unemployment level in thousands	390	375	345	335	428	412
Denmark						
3-month interbank rate	0.80 %	3.01 %	1.32 %	3.35 %	0.24 %	2.69 %
Consumption in millions	82 161	88 707	84 402	94 810	79 990	83 571
Unemployment percentage	5.21 %	5.20 %	4.22 %	4.97 %	6.25 %	5.44 %
Finland						
3-month interbank rate	-0.36 %	0.44 %	0.20 %	0.61 %	-0.55 %	0.01 %
Consumption in millions	9 465	9 970	9 613	10 377	9 322	9 588
Unemployment percentage	6.56 %	6.09 %	5.11 %	5.52 %	8.21 %	6.65 %

Macro scenario sensitivity on ECL

	Final ECL	Base scenario	Optimistic scenario	Pessimistic scenario
Norway				
Credit card	390 604	390 608	390 485	390 716
Instalment loans	1 050 555	1 050 446	1 049 410	1 051 844
Sweden				
Credit card	239 169	239 169	239 136	239 201
Instalment loans	808 717	808 706	808 479	808 969
Denmark				
Credit card	158 267	158 268	158 005	158 526
Instalment loans	810 851	810 876	809 562	812 107
Finland				
Credit card	117 668	117 678	117 550	117 774
Instalment loans	831 143	831 274	831 837	830 276

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			Loans to customers
					Stage 1	Stage 2	Stage 3	
Instalment loans Norway	7 105 838	2 472 169	2 841 096	12 419 104	73 226	98 657	878 672	11 368 549
Credit card loans Norway	4 939 685	773 615	898 625	6 611 925	37 611	46 879	306 113	6 221 322
Instalment loans Sweden	2 184 857	1 298 193	1 654 891	5 137 941	57 507	75 716	675 494	4 329 224
Credit card loans Sweden	2 087 540	514 594	451 911	3 054 045	11 298	29 207	198 663	2 814 876
Instalment loans Denmark	3 846 017	307 722	1 260 075	5 413 814	54 094	44 645	712 112	4 602 963
Credit card loans Denmark	889 601	64 816	271 079	1 225 496	13 824	11 680	132 764	1 067 229
Instalment loans Finland	7 337 691	1 360 661	1 701 416	10 399 768	118 780	181 123	531 240	9 568 625
Credit card loans Finland	1 939 681	580 286	233 382	2 753 350	12 037	33 654	71 977	2 635 681
Total	30 330 911	7 372 056	9 312 476	47 015 444	378 377	521 560	3 507 036	42 608 471
Loan loss allowance coverage ratio per stage					1.25 %	7.07 %	37.66 %	
COVID-19 management override								230 000
Net loans including COVID-19 management override								42 378 471

Loan loss allowance in stage 1, 2 and 3 has been calculated by the bank's ECL model. Net loans are reduced by an additional COVID-19 management override and totals NOK 42 378 million as presented in the balance sheet. The change in loan loss allowance and migration in gross loans presented in the migration tables below are calculated by the bank's ECL model and does not include the COVID-19 management override.

The potential default and loss-effects of COVID-19 are not yet evident in the model output for calculating ECL. All macro-data are lagging with respect to the crisis at hand versus input as of 31.3.20. Triggering into stage 2 as of the same date is currently too early to indicate. The models are therefore presented using the existing structure, scenario weight and SICR trigger-thresholds. To counter this uncertainty, the bank has conducted several sensitivity analyses to quantify the potential effects on ECL.

A portion of the exposures in stage 1 are towards customers with employment in sectors exposed to lower activity from the COVID-19 pandemic. Employment instability, burden of single-parent families, low calculated liquidity at the time of application in addition to rigid personal cost structures such as home rental payment etc are all evaluated as factors for both increased PD and a potential for triggering to stage 2. Government interventions, encompassing support to SMEs, income protection measures and interest rate reductions on mortgages are expected to have an ameliorative effect.

The initial reaction would be an overall increase in PD in stage 1. The second order effect would be an increase in triggering to stage 2 from stage 1, with a larger potential for defaulting at day 90. The tertiary effect would be a decrease in the recovery level in stage 3 reflected in an increase in LGD. The bank has evaluated these three major phases in the COVID-19 period with a stipulated forward-looking add-on effect on ECL at NOK 230 million, with an approximately equal effect on each factor and stage.

Change in loan loss allowance and gross loans

Migration out of a stage is calculated at previous closing date 31.12.19, while migration into a stage is calculated at the closing date 31.3.20.

Total Loans

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.12.19	365 055	486 167	2 744 186	3 595 408
Transfers :				
Transfers from stage 1 to stage 2	-43 740	193 442	-	149 703
Transfers from stage 1 to stage 3	-3 288	-	40 301	37 013
Transfers from stage 2 to stage 1	22 661	-78 125	-	-55 464
Transfers from stage 2 to stage 3	-	-125 156	315 822	190 667
Transfers from stage 3 to stage 2	-	13 199	-61 156	-47 958
Transfers from stage 3 to stage 1	233	-	-5 650	-5 416
New financial assets issued	30 982	8 447	-	39 429
Financial assets derecognized in the period	-14 306	-12 033	-39 057	-65 396
Modification of contractual cash flows from non-discounted financial assets	20 778	35 620	512 589	568 987
Loan loss allowance as at 31.3.20	378 377	521 560	3 507 036	4 406 973

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.12.19	29 984 932	6 534 249	7 636 728	44 155 910
Transfers :				
Transfers from stage 1 to stage 2	-2 533 904	2 798 663	-	264 758
Transfers from stage 1 to stage 3	-90 467	-	107 899	17 432
Transfers from stage 2 to stage 1	1 262 077	-1 322 675	-	-60 598
Transfers from stage 2 to stage 3	-	-922 485	1 047 952	125 467
Transfers from stage 3 to stage 2	-	151 431	-193 802	-42 372
Transfers from stage 3 to stage 1	9 412	-	-20 155	-10 743
New financial assets issued	1 684 963	102 740	-	1 787 703
Financial assets derecognized in the period	-975 876	-183 560	-65 011	-1 224 447
Modification of contractual cash flows from non-discounted financial assets	989 774	213 694	798 865	2 002 333
Gross loans to customers as at 31.3.20	30 330 911	7 372 056	9 312 476	47 015 444

Instalment loans total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.12.19	293 117	363 233	2 186 929	2 843 280
Transfers :				
Transfers from stage 1 to stage 2	-38 625	149 037	-	110 411
Transfers from stage 1 to stage 3	-3 006	-	35 903	32 897
Transfers from stage 2 to stage 1	17 780	-45 583	-	-27 803
Transfers from stage 2 to stage 3	-	-105 455	253 322	147 867
Transfers from stage 3 to stage 2	-	11 258	-44 975	-33 717
Transfers from stage 3 to stage 1	216	-	-3 487	-3 271
New financial assets issued	22 609	5 115	-	27 724
Financial assets derecognized in the period	-13 473	-10 035	-31 862	-55 371
Modification of contractual cash flows from non-discounted financial assets	24 988	32 571	401 688	459 247
Loan loss allowance as at 31.3.20	303 607	400 141	2 797 518	3 501 266

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.12.19	19 566 119	4 596 694	6 089 588	30 252 401
Transfers :				
Transfers from stage 1 to stage 2	-1 954 639	2 085 130	-	130 492
Transfers from stage 1 to stage 3	-80 344	-	95 802	15 458
Transfers from stage 2 to stage 1	729 205	-713 992	-	15 214
Transfers from stage 2 to stage 3	-	-725 862	826 789	100 927
Transfers from stage 3 to stage 2	-	124 264	-141 036	-16 772
Transfers from stage 3 to stage 1	7 864	-	-12 121	-4 257
New financial assets issued	1 518 991	66 307	-	1 585 297
Financial assets derecognized in the period	-874 380	-152 288	-57 371	-1 084 039
Modification of contractual cash flows from non-discounted financial assets	1 561 588	158 492	655 826	2 375 906
Gross loans to customers as at 31.3.20	20 474 404	5 438 745	7 457 479	33 370 628

Credit card total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.12.19	71 938	122 933	557 257	752 128
Transfers :				
Transfers from stage 1 to stage 2	-5 114	44 406	-	39 291
Transfers from stage 1 to stage 3	-282	-	4 398	4 116
Transfers from stage 2 to stage 1	4 881	-32 542	-	-27 661
Transfers from stage 2 to stage 3	-	-19 701	62 501	42 800
Transfers from stage 3 to stage 2	-	1 941	-16 182	-14 241
Transfers from stage 3 to stage 1	17	-	-2 163	-2 146
New financial assets issued	8 373	3 332	-	11 705
Financial assets derecognized in the period	-832	-1 998	-7 195	-10 025
Modification of contractual cash flows from non-discounted financial assets	-4 210	3 049	110 901	109 740
Loan loss allowance as at 31.3.20	74 770	121 420	709 518	905 707

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.12.19	10 418 813	1 937 555	1 547 140	13 903 509
Transfers :				
Transfers from stage 1 to stage 2	-579 265	713 532	-	134 267
Transfers from stage 1 to stage 3	-10 123	-	12 097	1 974
Transfers from stage 2 to stage 1	532 872	-608 683	-	-75 812
Transfers from stage 2 to stage 3	-	-196 623	221 163	24 540
Transfers from stage 3 to stage 2	-	27 167	-52 767	-25 600
Transfers from stage 3 to stage 1	1 548	-	-8 034	-6 486
New financial assets issued	165 972	36 433	-	202 405
Financial assets derecognized in the period	-101 496	-31 272	-7 640	-140 408
Modification of contractual cash flows from non-discounted financial assets	-571 813	55 201	143 039	-373 573
Gross loans to customers as at 31.3.20	9 856 508	1 933 311	1 854 997	13 644 816

Note 6. Provision for loan losses

<i>Amounts in NOK 1000</i>	YTD 2020	YTD 2019	2019
Realized losses in the period due to final write-offs	16 663	9 405	46 813
Realized losses in the period due to charge-offs	-	-	436 891
Loan loss provisions - lifetime expected credit loss (stage 3)	409 051	403 619	922 091
Loan loss provisions - lifetime expected credit loss (stage 2)	-13 308	-33 453	99 639
Loan loss provisions - 12 months expected credit loss (stage 1)	-21 769	-242	121 926
Loan loss provisions - COVID-19 management override	230 000	-	-
Provision for loan losses	620 636	379 329	1 627 359

Note 7. Risk classes

<i>Amounts in NOK 1000</i>	Probability of default	Gross loans		Undrawn credit limits	
		YTD 2020	YTD 2019	YTD 2020	YTD 2019
A	0 – 1 %	5 528 573	6 365 454	47 640 668	39 774 360
B	1 – 3 %	9 589 425	13 928 428	2 057 630	1 873 499
C	3 – 5 %	5 311 522	4 357 604	249 226	321 659
D	5 – 9 %	5 382 609	3 070 634	243 044	202 083
E	9 – 15 %	4 214 400	2 036 723	122 356	95 870
F	15 – 20 %	1 447 132	693 796	12 105	19 672
G	20 – 30 %	1 571 760	1 107 356	14 139	17 437
H	30 – 40 %	650 437	400 827	2 304	25 951
I	40 – 55 %	459 308	458 204	988	4 945
J	55 – 100%	353 475	363 266	491	2 497
Engagements under collections by an agency, where the customer is less than 90 days past due		846 885	869 379	-	-
On track with engagement, at least one other product where payment is more than 90 days past due		1 819 881	497 577	-	-
Engagements that are in warning, but less than 90 days past due		549 379	533 281	-	-
Engagements that are more than 90 days past due		9 177 293	5 183 780	-	-
Engagements that are written down		112 690	337 079	-	-
Total classified		47 014 769	40 203 389	50 342 953	42 337 973
Not classified		675	905	-	-
Total		47 015 444	40 204 293	50 342 953	42 337 973

Risk is grouped into PD bands from A to J, with A being the lowest risk.

Note 8. Net interest income

<i>Amounts in NOK 1000</i>	YTD 2020	YTD 2019	2019
Interest income from cash and deposits with the central bank	248	128	781
Interest income from loans to and deposits with credit institutions	2 487	2 010	7 403
Interest income from instalment loans	1 061 449	1 000 008	4 114 730
Interest income from credit card loans	449 600	379 499	1 624 932
Interest income from sales financing	78	185	650
Interest income, effective interest method	1 513 862	1 381 830	5 748 496
Interest and other income from certificates and bonds	65 255	38 784	155 937
Other interest and other interest related income	1 813	979	6 343
Other interest income	67 068	39 763	162 279
Interest expense from deposits from customers	112 080	117 375	478 037
Interest expense on debt securities issued	48 485	8 495	70 531
Interest expense on subordinated loan	9 123	8 272	34 665
Other interest and other interest related expenses	16 812	16 875	66 857
Interest expenses	186 500	151 017	650 090
Net interest income	1 394 430	1 270 576	5 260 685

Note 9. Net commission and bank services income

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Payment services	149 343	103 334	416 056
Insurance services	30 098	33 833	70 440
Other fees and commission and bank services income	13 117	13 773	53 947
Total commission and bank services income	192 558	150 940	540 443
Payment services	28 494	37 599	160 458
Insurance services	17 998	16 047	67 516
Other fees and commission and bank services expense	5 135	5 414	22 729
Total commission and bank services expenses	51 627	59 060	250 703

Note 10. Net change in value on securities and currency

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Net change on certificates and bonds	-109 543	-20 492	-74 558
Net change on FX-forwards	-617 370	192 930	143 008
Net currency effects	656 645	-178 337	-49 509
Net change on shares and other securities	1 154	5 115	13 112
Net change in value on securities and currency	-69 114	-784	32 053

Note 11. General administrative expenses

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Sales and marketing	230 075	232 513	879 117
IT operations	23 605	21 271	88 871
External services costs	20 545	16 192	70 677
Other administrative expenses	20 658	12 870	56 419
Total general administrative expenses	294 882	282 845	1 095 085

Note 12. Debt securities issued and subordinated loan

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Debt securities issued, carrying value (amortized cost)	6 813 624	3 342 401	6 537 863
Subordinated loans, carrying value (amortized cost)	876 073	813 771	822 688
Total debt securities issued and subordinated loans	7 689 696	4 156 172	7 360 551

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	130 798
NO0010810534	356 000	SEK	Floating	STIBOR + 108bp	20.11.2020	370 600
NO0010811110	285 000	NOK	Floating	NIBOR + 108bp	24.11.2020	285 744
NO0010837206	335 000	SEK	Floating	STIBOR + 120bp	22.02.2021	349 103
NO0010848583	192 000	SEK	Floating	STIBOR + 140bp	29.09.2021	197 257
NO0010848591	1 000 000	NOK	Floating	NIBOR + 150bp	29.03.2022	999 687
NO0010863582	400 000	SEK	Floating	STIBOR + 140bp	16.09.2022	416 154
NO0010863574	400 000	NOK	Floating	NIBOR + 140bp	16.09.2022	400 312
NO0010871148	800 000	NOK	Floating	NIBOR + 195bp	12.12.2022	800 095
NO0010871130	1 000 000	SEK	Floating	STIBOR + 190bp	12.12.2022	1 039 771
NO0010871155	1 200 000	NOK	Floating	NIBOR + 215bp	12.12.2023	1 200 238
NO0010871296	600 000	SEK	Floating	STIBOR + 200bp	12.12.2023	623 862
Total debt securities issued	6 698 000					6 813 624
Subordinated loan						
NO0010774326	100 000	NOK	Floating	NIBOR + 300bp	21.09.2021	99 951
NO0010797988	200 000	NOK	Floating	NIBOR + 375bp	16.06.2022	199 758
NO0010833130	550 000	SEK	Floating	STIBOR + 375bp	02.10.2023	576 364
Total subordinated loans	850 000					876 073
Total	7 548 000					7 689 696

* 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>	YTD 2020			
	Level 1	Level 2	Level 3	Total
Certificates and bonds*	-	13 764 305	-	13 764 305
Financial derivatives	-	59 020	-	59 020
Shares and other securities	-	-	46 017	46 017
Total financial assets at fair value	-	13 823 324	46 017	13 869 341
Financial derivatives	-	657 621	-	657 621
Loans from credit institutions**	1 400 000	-	-	1 400 000
Total financial liabilities at fair value	-	657 621	-	657 621

*Of which NOK 1 400 million is collateral for loans in Norges Bank

**NOK 1 400 million is loans from Norges Bank

<i>Amounts in NOK 1000</i>	YTD 2019			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	10 268 259	-	10 268 259
Financial derivatives	-	85 161	-	85 161
Shares and other securities	-	-	41 806	41 806
Total financial assets at fair value	-	10 353 420	41 806	10 395 226
Financial derivatives	-	9 569	-	9 569
Total financial liabilities at fair value	-	9 569	-	9 569

Change in instruments classified at level 3

<i>Amounts in NOK 1000</i>	YTD 2020		YTD 2019	
	Shares and other securities	Total	Shares and other securities	Total
Value 31.12	44 863	44 863	36 691	36 691
Net gain / loss on financial instruments	1 154	1 154	5 115	5 115
Value 31.3	46 017	46 017	41 806	41 806

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>	YTD 2020		YTD 2019	
	Book value	Fair value	Book value	Fair value
Debt securities issued	6 813 624	6 539 122	3 342 401	3 339 470
Subordinated loan	876 073	793 681	813 771	806 395
Total financial liabilities	7 689 696	7 332 803	4 156 172	4 145 865

<i>Amounts in NOK 1000</i>	YTD 2020			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	6 813 624	-	6 813 624
Subordinated loan	-	876 073	-	876 073
Total financial liabilities	7 689 696	7 689 696	-	7 689 696

<i>Amounts in NOK 1000</i>	YTD 2019			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	3 342 401	-	3 342 401
Subordinated loan	-	813 771	-	813 771
Total financial liabilities	4 156 172	4 156 172	-	4 156 172

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 first quarter 2020 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 107.7 million, comprising of portfolio related costs of NOK 94.5 million and sales and agent commissions of NOK 13.2 million. The portfolio related costs include license fee for use of brand name, IP-rights and other customer portfolio costs, such as cashpoints.

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group					
<i>Amounts in NOK 1000</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Interest income, effective interest method	1 513 862	1 488 734	1 457 649	1 420 283	1 381 830
Other interest income	67 068	46 524	37 800	38 192	39 763
Interest expenses	186 500	173 586	165 155	160 332	151 017
Net interest income	1 394 430	1 361 672	1 330 294	1 298 143	1 270 576
Commission and bank services income	192 558	135 391	134 232	119 880	150 940
Commission and bank services expenses	51 627	57 862	70 004	63 777	59 060
Net change in value on securities and currency	-69 114	9 465	25 201	-1 830	-784
Net other operating income	71 817	86 994	89 429	54 274	91 096
Total income	1 466 247	1 448 665	1 419 723	1 352 417	1 361 672
Personnel expenses	31 168	28 496	28 061	19 902	25 834
General administrative expenses	294 882	282 970	263 087	266 183	282 845
Depreciation and impairment of fixed and intangible assets	16 700	18 079	16 833	16 701	16 079
Other operating expenses	15 801	15 573	16 269	14 563	13 182
Total operating expenses	358 550	345 118	324 251	317 350	337 940
Provision for loan losses	620 636	432 803	413 511	401 717	379 328
Profit before tax	487 060	670 745	681 961	633 350	644 404
Tax charge	119 028	166 882	168 024	155 999	158 503
Profit after tax	368 032	503 863	513 937	477 351	485 900

Comprehensive income

Norwegian Finans Holding Group					
<i>Amounts in NOK 1000</i>	Q1 2020	Q4 2019	Q3 2019	Q2 2019	Q1 2019
Profit on ordinary activities after tax	368 032	503 863	513 937	477 351	485 900
Comprehensive income for the period	368 032	503 863	513 937	477 351	485 900

Balance sheet

Norwegian Finans Holding Group					
<i>Amounts in NOK 1000</i>	31.3.20	31.12.19	30.9.19	30.6.19	31.3.19
Assets					
Cash and deposits with the central bank	69 905	68 500	68 285	68 091	67 953
Loans and deposits with credit institutions	3 014 698	2 094 165	1 626 704	2 214 049	2 334 791
Loans to customers	42 378 471	40 560 502	40 067 806	38 712 907	37 902 312
Certificates and bonds	13 764 305	14 650 988	11 339 732	9 962 991	10 268 259
Financial derivatives	59 020	76 371	19 284	31 274	85 161
Shares and other securities	46 017	44 863	42 529	40 246	41 806
Intangible assets	506 426	510 840	508 638	512 030	139 227
Deferred tax asset	4 179	3 502	19 673	18 838	18 121
Fixed assets	1 153	819	953	1 102	795
Receivables	110 908	62 835	56 133	61 108	85 849
Total assets	59 955 081	58 073 384	53 749 736	51 622 635	50 944 273
Liabilities and equity					
Loans from credit institutions	1 400 000	52 750	-	73 100	56 000
Deposits from customers	39 561 112	40 118 369	39 185 189	38 177 954	37 654 242
Debt securities issued	6 813 624	6 537 863	3 472 923	3 316 800	3 342 401
Financial derivatives	657 621	29 621	37 563	4 913	9 569
Tax payable	441 519	625 745	618 010	449 151	527 062
Deferred tax	3 821	3 821	-	-	-
Other liabilities	193 945	225 912	400 310	107 560	314 320
Accrued expenses	177 062	182 907	240 195	204 759	207 146
Subordinated loan	876 073	822 688	812 230	807 889	813 771
Total liabilities	50 124 777	48 599 677	44 766 421	43 142 127	42 924 510
Share capital	186 695	186 695	186 695	186 695	186 752
Share premium	972 295	972 295	972 295	972 295	976 938
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Retained earnings and other reserves	8 036 314	7 679 717	7 189 324	6 686 519	6 221 073
Total equity	9 830 304	9 473 707	8 983 314	8 480 509	8 019 763
Total liabilities and equity	59 955 081	58 073 384	53 749 736	51 622 635	50 944 273

Norwegian Finans Holding ASA

Profit and loss account

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	YTD 2020	YTD 2019	2019
Interest income, effective interest method	-	912	1 086
Interest expenses	923	-	2 114
Net interest income	-923	912	-1 028
Commission and bank services expenses	161	151	512
Net other operating income	-161	-151	-512
Total income	-1 084	761	-1 539
Personnel expenses	556	414	1 518
General administrative expenses	500	-	-
Other operating expenses	780	801	4 447
Total operating expenses	1 836	1 215	5 964
Profit before tax	-2 920	-454	-7 503
Tax charge	-642	-100	-1 651
Profit after tax	-2 278	-354	-5 852

Comprehensive income

<i>Amounts in NOK 1000</i>	YTD 2020	YTD 2019	2019
Profit on ordinary activities after tax	-2 278	-354	-5 852
Comprehensive income for the period	-2 278	-354	-5 852

Balance sheet

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	31.3.20	31.3.19	31.12.19
Assets			
Loans and deposits with credit institutions	1 160	202 283	1 117
Ownership interests in group companies	1 190 240	1 150 000	1 190 240
Deferred tax asset	3 325	1 131	2 682
Receivables	341 066	829	338 311
Total assets	1 535 791	1 354 243	1 532 350
Liabilities and equity			
Other liabilities	194 794	81	190 374
Accrued expenses	2 441	1 930	1 142
Total liabilities	197 235	2 011	191 516
Share capital	186 695	186 752	186 695
Share premium	972 295	976 938	972 295
Retained earnings and other reserves	179 566	188 542	181 844
Total equity	1 338 556	1 352 232	1 340 834
Total liabilities and equity	1 535 791	1 354 243	1 532 350

Bærum, April 29, 2020

The Board of directors of Norwegian Finans Holding ASA

Bjørn Østbø
Chairman of the board

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Gunn Ingemundsen
Board member

Tine Wollebek
CEO

Cash flow statement

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	YTD 2020	YTD 2019	2019
Profit / loss before tax	-2 920	-354	-7 503
Change in other accruals	-2 756	-927	-338 309
Change in short-term liabilities	5 719	454	189 959
Net cash flow from operating activities	42	-827	-155 852
Net investment in group companies	-	-	-40 240
Net cash flows from investment activities	-	-	-40 240
Allocation of bonus shares	-	-	5 301
Buy back of shares	-	-	-161 200
Issuing of shares	-	-	150 000
Net cash flow from financing activities	-	-	-5 899
Net cash flow for the period	43	-827	-201 992
Cash and cash equivalents at the start of the period	1 117	203 109	203 109
Cash and cash equivalents at the end of the period	1 160	202 283	1 117

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Retained	Total equity
			earnings and other reserves	
Balance 31.12.19	186 695	972 295	181 844	1 340 834
This period's profit	-	-	-2 278	-2 278
Comprehensive income for the period	-	-	-2 278	-2 278
Balance 31.3.20	186 695	972 295	179 566	1 338 556
Balance 31.12.18	186 751	976 938	188 896	1 352 586
This period's profit	-	-	-354	-354
Comprehensive income for the period	-	-	-354	-354
Balance 31.3.20	186 750	976 938	188 542	1 352 232

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 2019.

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	YTD 2020	YTD 2019	2019
<i>Amounts in NOK 1000</i>			
Share capital	186 695	186 752	186 695
Share premium	972 295	976 938	972 295
Other reserves	179 566	188 542	181 844
Deferred tax assets, intangible assets and additional valuation adjustment	-3 325	-1 131	-2 682
Common equity tier 1	1 335 231	1 351 101	1 338 151
Tier 1 capital	1 335 231	1 351 101	1 338 151
Total capital	1 335 231	1 351 101	1 338 151
Calculation basis			
Institutions	232	40 457	223
Corporate	340 659	-	338 311
Equity positions	1 190 240	1 150 000	1 190 240
Other assets	407	829	-
Total credit risk	1 531 538	1 191 285	1 528 774
Operational risk	-	-	-
Market risk	-	-	-
Total calculation basis	1 531 538	1 191 285	1 528 774
Common equity tier 1 %	87.2 %	113.4 %	87.5 %
Tier 1 capital %	87.2 %	113.4 %	87.5 %
Total capital %	87.2 %	113.4 %	87.5 %

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.