Annual Report 2017

Bank Norwegian AS

Annual Report 2017 Bank Norwegian AS

OPERATIONS, GOALS AND STRATEGY

Bank Norwegian AS is a wholly owned subsidiary of Norwegian Finans Holding ASA. The ownership of Norwegian Finans Holding ASA is divided between institutional and private investors in Norway and abroad, of which Norwegian Air Shuttle ASA is the largest owner with a stake of 16,4%. 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 consumer loans, credit cards and deposit accounts to retail customers distributed through the Internet in the Nordic market. Bank Norwegian offers, in cooperation with the airline Norwegian, a combined credit card and reward card. The bank started operations in Sweden in May 2013. In December 2015 the bank launched operations in Denmark and Finland, where it initially offered consumer loans and deposit accounts. Credit cards were launched in June 2016.

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

At the end of 2017 the bank had a customer base of 1,233,000 customers, which can be broken down into 896,300 credit card customers, 170,400 loan customers and 166,300 deposit customers.

ECONOMIC DEVELOPMENT

Profit and loss account for 4th quarter 2017

The bank's comprehensive income was NOK 443.5 million, an improvement of NOK 8.9 million compared with the 3rd quarter. The annual return on equity for the 4th quarter was 36.4%, while the annual return on assets was 4.2%.

Net interest income totalled NOK 1,014.9 million, an increase of NOK 77.2 million in the 4th quarter. The increase is explained by loan growth.The net interest margin was 9.7%, compared with 9.5% in the 3rd quarter.

Net other operating income totalled NOK 54.1 million, compared with NOK 50.0 million in the 3rd quarter. Net commission and bank services income increased by NOK 8.2 million to NOK 57.5 million in the quarter quarter due to increased credit card use. Net change in value on securities and currency was NOK -3.4 million, compared with NOK 0.7 million in the 3rd quarter. Net loss on value of securities was NOK 13.9 million and net gain on currency was NOK 10.5 million.

Total operating expenses were NOK 288.9 million in the 4th quarter, an increase of NOK 19.9 million. Personnel expenses increased by NOK 1.8 million and general administrative expenses increased by NOK 15.6 million. The increase in general administrative expenses is mainly explained by increased sales and marketing expenses. Depreciation increased by NOK 1.4 million and other operating expenses increased by NOK 1.1 million.

The bank's provision for loan losses totalled NOK 199.1 million, an increase of NOK 58.2 million from the 3rd quarter. The increase is mainly due to provisions in the 3rd quarter included gains from sale of non-performing loan portfolio of NOK 50.0 million. Write-downs as a percentage of average gross loans equalled 2.4% in the 4th quarter, compared with 1.9% in the 3rd quarter. The increase is mainly due to gains from the sale of loan portfolio in the 3rd quarter.

The tax charge totalled NOK 140.5 million in the 4th quarter, a decrease of NOK 4.1 million. The decrease is mainly explained by annual tax calculations in December.

Profit and loss account for 2017

The bank's comprehensive income for 2017 was NOK 1,607.7 million, an increase of NOK 678.3 million compared with 2016. The return on equity was 38.9% and the return on assets was 4.3%. The profit growth is explained by customer and loan growth and gains from sale of loan portfolios.The bank recruited approximately 290,000 new customers in 2017 and had a gross loan growth of NOK 8,226 million, corresponding to NOK 9,490 million adjusted for sale of loan portfolios.

The accounting of agent commissions was in the 1st quarter reclassified in accordance with IAS 38 and IAS 39. Comparable figures have been revised. The changes are explained in the notes.

Net interest income

Net interest income was NOK 3,670.4 million, an increase of NOK 1,217.0 million in 2017. The net interest margin was 9.8%, compared with 10.2% in 2016. The decrease is due to a higher liqidity ratio.

Net other operating income
Net other operating income was NOK 196.7 million, a decrease of NOK 5.0 million from 2016. Net commission and bank services income increased by NOK 61.7 million, totalling NOK 189.3 million in 2017 due to increased credit card use. The net change in value on securities and currency decreased by NOK 66.6 million, totalling NOK 7.5 million. The decrease is mainly due to 2016 included gains from the sale of Visa Europe of NOK 57.2 million. Value-adjusted return on the securities portfolio was 1.0%, compared with 1.5% in 2016.

Operating expenses
Total operating expenses totalled NOK 1,068.2 million, an increase of NOK 146.2 million from 2016. Personnel expenses increased by NOK 10.0 million due to increased number of employees and implementation of financial activity tax. General administrative expenses increased by NOK 132.8 million, mainly due to increased sales and marketing expenses, especially increased activity for credit card customers.Depreciation increased by NOK 2.0 million and other operating expenses increased by NOK 1.4 million.

Write-downs on loans
The bank's provision for loan losses was NOK 672.4 million, compared with NOK 468.3 million in 2016. Provisions for loan losses in 2017 includes gains from sale of loan portfolios in Sweden and Norway. The bank sold non-performing loan portfolios in 2nd and 3rd quarter in Sweden and Norway with gains totalling SEK 43.2 million and NOK 50.0 million. Write-downs equalled 2.3% of average gross loans, compared with 2.4% in 2016. The decrease is mainly due to gains from the sale of loan portfolios and a lower level of write-downs in Sweden and Norway following the sale of loan portfolios.

Delinquent loans were NOK 2,615 million, compared with NOK 1,654 million at the end of 2016. Relative to gross loans, gross delinquency were 7.8%, compared with 6.5% at the end of 2016. Non-performing loans totalled 5.7% of gross loans, compared with 4.2% at the end of 2016. The increase in delinquent loans must be seen in relation with building business in new markets.

At year end, individual write-downs on loans totalled NOK 126.8 million, and write-downs on groups of loans totalled NOK 1,013.3 million.

The bank's credit quality shows a stable development. The bank's credit practice and credit models are undergoing continuous improvements.

Balance sheet, liquidity and capital
The bank's total assets were NOK 42,988 million at the end of the year, an increase of NOK 12,599 million for the full year. Net loans to customers increased by NOK 7,918 million and totalled NOK 32,452 million at year end. Net loans to customers are distributed into NOK 16,562 million, NOK 7,049 million, NOK 5,719 million and NOK 3,122 million in Norway, Finland, Sweden and Denmark, respectively. Installment loans increased by NOK 5,362 million, while credit card loans increased by NOK 2,867 million. Customer deposits increased by NOK 9,259 million and totalled NOK 33,682 million at year end. Customer deposits are distributed into NOK 17,909 million, NOK 6,583 million, NOK 5,876 million and NOK 3,314 million in Norway, Finland, Sweden and Denmark, respectively. The deposit-to-loan ratio was 100% at the end of the year.

The holdings of certificates and bonds increased by NOK 4,396 million and totalled NOK 8,860 million at the end of 2017. Other liquid assets totalled NOK 1,320 million at the end of 2017. The liquidity reserves increased by NOK 4,561 million and totalled NOK 10,180 million, equivalent 23.7% of total assets. The liquidity position has been strong throughout the year. The securities portfolio is liquid with solid counterparties and a high percentage of government certificates.

Debt securities issued increased by NOK 418 million and totalled NOK 2,242 million at year end. The bank has during the year issued NOK 800 million and SEK 500 million in senior debt securities with up to three years maturity.

The bank has issued NOK 300 million in Tier 1 capital and NOK 200 million in subordinated loan in the 2nd quarter. In the 1st quarter the bank completed a private placement totalling NOK 500 million due to increased Pilar-2 requirements.

Total equity was NOK 5,701 million for the bank at year end. The total capital ratio at the end of 2017 was 20.9%, the Tier 1 capital ratio was 19.2% and the common equity Tier 1 ratio was 17.0% for the bank.

FINANCIAL RISK FACTORS

Credit risk
The board of directors of Bank Norwegian has adopted credit policy guidelines to ensure good credit evaluation processes and contribute to ensuring that the return on equity target is met. The bank's guidelines are reviewed at least annually by the board of directors.

The bank offers only credit to the retail customer market, and all credit decisions are made by means of automated decision support systems. Credit is granted based on a qualitative and quantitative analysis with a positive conclusion of the customer's willingness and ability to pay. The analysis of the willingness to pay identifies the characteristics of the customer that predict future payment conduct, while the analysis of the customer's capacity to service loans is a quantitative evaluation of the customer's ability to repay his obligations, given the customer's current and anticipated future economic situation. The role of the case officer is subsequently to verify whether the conditions for the conditional grant is present. Customers are regularly risk assessed based on behavioural score, if sufficient track records exists. For new customers and customers in new(er) markets, application score is used in addition to any clear negative observations, such as default on loan agreement. Customer's application score 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 has set limits for the maximum exposure per customer based on the type of commitment.

Liquidity risk

The board of directors of Bank Norwegian has adopted guidelines for management of the bank's liquidity position to ensure that the bank maintains a solid liquidity. 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. Regular liquidity stress tests are performed.

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.

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.

Interest rate risk

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

Market risk

The board of directors of Bank Norwegian has defined guidelines for the bank's investments in certificates and bonds in addition to guidelines for handling foreign currency risk in connection with the bank's cross border operations. The guidelines are reviewed at least annually by the board of directors. Guidelines have been established for regular monitoring and reporting to the board of directors.

The interest rate risk limits for the investment portfolio are determined based on stress tests for negative fluctuations in the interest rate level and changes in credit spreads. The guidelines also set limits based on credit risk weights and maximum exposure for each counterpart in accordance with their credit rating and maturity. The bank's investment portfolio is managed by Storebrand Kapitalforvaltning. The asset management is regulated by a mandate agreement.

Exposure to foreign currency risk is hedged.

Operational risk

The board of directors of Bank Norwegian has established operational risk guidelines, which are reviewed at least annually by the board of directors. The bank offers simple and standardized products to the retail market, which contribute to limiting the operational risk.

In addition to an annual review of significant operational risks and control measures, management performs a continuous evaluation of the operational risk situation, and risk-reducing measures are implemented as necessary.

The bank's operating concept is based largely on purchasing services from external suppliers. The agreements contain quality standard provisions and they are followed up on an ongoing basis by the bank in accordance with the outsourcing guidelines.

To ensure efficient, high quality operations, the bank is continuously seeking to automate critical processes.

Contingency plans have been established and insurance agreements have been entered into, that safeguard the bank against major loss incidents.

Business and strategic risk

The bank bases its operations to a great extent on cooperation with and the trademark of the airline Norwegian. Norwegian's good reputation has contributed to strong customer growth, but on the other hand, the bank may be vulnerable in the event of a decline in Norwegian's reputation.

There will be factors of 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 capital difficult. On the other hand a downturn in the economy will result in a lower level of interest rates which, in turn is positive for the bank's earnings. Expansion into new markets involves greater uncertainty, while diversification spreads risk. Business risk demands that the board of directors and management have good planning processes and are able to adapt to reduce losses.

PERSONNEL AND THE ENVIRONMENT

The bank's employees have yet again delivered good results. At 31.12.17 the bank had 72 employees, corresponding to 69.5 man-labour years, compared with 69 employees and 62.0 man-labour years at 31.12.16. There are no other employees in Norwegian Finans Holding ASA than the CEO.

The bank's board of directors and management aim to promote equal status between men and women. The bank has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning salaries, promotions, recruitment, and others. Of the bank's 72 employees, there are 38 men and 34 women. Of the 14 managers with personnel responsibility, five are women.

The bank has a bonus scheme for all permanent employees in accordance with current guidelines. The bonuses earned are based on the return on equity achieved. The bank has established good pension and personnel insurance schemes, and offers a programme for employees to counteract ergonomic injuries.

Absence due to illness was 4.7%. The working environment is regarded as good. The bank has established a Workers Environment and Liaison Committee. There have not been any work related accidents or injuries during the year. In the opinion of the board of directors, the bank's operations do not pollute the external environment.

The bank is located at Snarøyveien 36, Fornebu. The bank has established a customer call centre in Malaga, based on outsourcing, to service Nordic customers.

REPORT ON CORPORATE SOCIAL RESPONSIBILITY

Specific guidelines regarding corporate social responsibility have been established that govern the entire group. The guidelines are described in the annual report of Norwegian Finans Holding ASA.

CORPORATE GOVERNANCE

The board of directors supports the Norwegian Code of Practice for Corporate Governance. The principles of corporate governance is described in the annual report of Norwegian Finans Holding ASA.

EVENTS AFTER THE DATE OF THE BALANCE SHEET

The Chairman of the Board of Bank Norwegian AS and Norwegian Finans Holding ASA, Bjørn H. Kise, announced on 15 February 2018 that he will resign from both positions. The Election Committee in Norwegian Finans Holding ASA has proposed that the General Meeting elects Bjørn Østbø as Chairman of the Board of Directors of Norwegian Finans Holding ASA for a period until the Annual General Meeting in 2020.

The Election Committee in Bank Norwegian AS has proposed that the General Meeting elects current Board Member John Høsteland as Chairman of the Board of Bank Norwegian AS and that Bjørn Østbø is elected as a member of the Board of Directors of Bank Norwegian AS.

The Board of Directors is not aware of other events after the date of the balance sheet that may be of material significance to the annual accounts.

OUTLOOK

The economic trends in the Nordic markets where the bank operates are positive. The Norwegian economy shows increasing growth and falling unemployment rate. The Swedish economy is showing a high economic growth. The Danish and Finnish economies show moderate growth and improved labour market.

The interest rate levels in countries where the bank is represented are expected to remain low. The bank is expected to gain advantage of the interest rate level through low funding costs.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality. The Nordic market for unsecured credit is impacted by increased competition. Increased competition may lead to higher customer acquisition cost, margin pressure and lower growth.

The bank has a broad Nordic platform and loan volumes are growing faster outside of Norway. The implemented and expected regulations from Norwegian authorities are therefore anticipated to have a limited impact on the bank's total development in the future. Increase in installment loan run-off in line with a growing portfolio may, however, affect future loan growth in Norway.

A high deposit to loans ratio and good access to the securities market are expected to maintain the bank's strong liquidity position.

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

The credit quality of the loan portfolio in Norway shows a stable development and the levels of write-downs are expected to remain stable going forward. After the sale of non-performing loan portfolios in Norway and Sweden, the delinquency is expected to gradually increase to a normalized level. The Danish and Finnish loan portfolios show a stable development. There are still expectations of relatively high write-downs in Denmark for a period going forward.

The bank has during the last year worked on the implementation of the accounting standard IFRS 9. IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of losses. The bank has made partial calculations of losses under IFRS 9 based on a base scenario. The calculations at 31.12.17 show an immaterial change in write-downs on loans compared with the write-downs on loans under IAS 39. The bank does not expect to utilize the transitional rules.

Common equity Tier 1 ratio was 17.0% at the reporting date and exceeds the current minimum common equity Tier 1 ratio requirement of 15.5% with a wide margin. The bank aims to maintain a good margin to the minimum capital adequacy requirements going forward.

The current capital base and internal generation of capital are considered sufficient to ensure the bank's growth ambitions, while maintaining the objective of dividend payments in 2018.

The board of directors has accordingly a positive view of the bank's ongoing operations and confirms that Bank Norwegian AS's annual accounts have been presented under the assumption of continued operations.

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

The net gain for 2017 for Bank Norwegian AS amounted to NOK 1,607.7 million. The board of directors proposes that the net gain is added to retained earnings. Bank Norwegian AS complies with IFRS and the accounting for group contributions can not be included until the approval by the General Meeting. The board of directors will to the General Meeting propose a group contribution to Norwegian Finans Holding ASA of NOK 28.0 million (before tax).

Bærum, 27 February 2018
Board of Directors of Bank Norwegian AS

Bjørn H. Kise Chairman of the Board	John Høsteland Board Member	Lars Ola Kjos Board Member
Christine Rødsæther Board Member	Ninett Ruud Olsen Board Member	Tine Wollebekk CEO

Profit and loss account

Amounts in NOK 1000	Note	2017	2016
Interest income		4,172,638	2,791,087
Interest expenses		502,211	337,640
Net interest income	17	**3,670,428**	**2,453,446**
Commission and bank services income	18	399,998	246,613
Commission and bank services expenses	18	210,730	119,092
Net change in value on securities and currency	22	7,458	74,064
Other income		-	170
Net other operating income		**196,726**	**201,754**
Total income		**3,867,154**	**2,655,201**
Personnel expenses	19	73,953	63,905
General administrative expenses	9	906,286	773,487
Ordinary depreciation	27, 28	44,477	42,427
Other operating expenses	10	43,472	42,135
Total operating expenses		**1,068,188**	**921,954**
Provision for loan losses	4	672,388	468,257
Profit on ordinary activities before tax		**2,126,577**	**1,264,990**
Tax charge	26	526,995	300,166
Profit on ordinary activities after tax		**1,599,582**	**964,824**
Earnings per share (kroner)		8.80	5.54
Diluted earning per share (kroner)		8.80	5.54

Comprehensive income

Amounts in NOK 1000	2017	2016
Profit on ordinary activities after tax	**1,599,582**	**964,824**
Change in fair value for assets held for sale	8,176	-35,700
Tax	-61	268
Other comprehensive income that may subsequently be reclassified to profit and loss after tax	**8,115**	**-35,433**
Comprehensive income for the period	**1,607,697**	**929,392**

Balance sheet

Amounts in NOK 1000	Note	31.12.17	31.12.16
Assets			
Cash and deposits with the central bank	8, 13, 14, 15, 23	65,976	59,992
Loans and deposits with credit institutions	8, 13, 14, 15, 23	1,254,152	1,094,717
Loans to customers	5, 6, 7, 13, 14, 15, 23	32,451,553	24,533,983
Certificates and bonds	13, 14, 20, 21	8,859,834	4,464,203
Financial derivatives	13, 14, 15, 20, 21	1,935	-
Shares and other securities	20, 21	443	443
Assets held for sale	20, 21, 25	32,922	24,745
Intangible assets	27	114,678	107,826
Deferred tax asset	26	11,157	3,771
Fixed assets	28	1,000	65
Receivables	29	194,800	99,919
Total assets		**42,988,451**	**30,389,664**
Liabilities and equity			
Deposits from customers	13, 14, 15, 20, 23	33,682,275	24,423,773
Debt securities issued	13, 14, 20, 23, 24	2,242,423	1,823,973
Financial derivatives	13, 14, 15, 20, 21	52,246	6,780
Tax payable	26	525,886	297,468
Other liabilities	30	158,689	146,896
Accrued expenses	31	149,045	97,675
Subordinated loan	13, 14, 20, 23, 24	474,614	274,915
Total liabilities		**37,285,179**	**27,071,480**
Share capital		183,315	176,800
Share premium		966,646	473,160
Tier 1 capital	33	635,000	335,000
Retained earnings and other reserves		3,918,312	2,333,223
Total equity	32	**5,703,272**	**3,318,183**
Total liabilities and equity		**42,988,451**	**30,389,664**

Bærum, 27 February 2018
Board of Directors of Bank Norwegian AS

Bjørn H. Kise Chairman of the Board	John Høsteland Board Member	Lars Ola Kjos Board Member
Christine Rødsæther Board Member	Ninett Ruud Olsen Board Member	Tine Wollebekk CEO

Cash flow statement

Amounts in NOK 1000	Note	2017	2016
Profit / loss before tax		1,607,697	929,392
Unrealized gain or losses on currency		47,565	72,541
Depreciations and amortizations	27, 28	44,477	14,092
Net gain from sale of fixed assets		-	-170
Provision for loan losses	4	672,388	468,257
Change in loans to customers	5, 6, 7, 13, 14, 15, 23	-8,602,144	-11,062,706
Change in deposits from customers	13, 14, 15, 20, 23	9,258,502	11,057,183
Change in certificates and bonds	13, 14, 20, 21	-4,395,632	-1,495,673
Change in assets held for sale, before tax	20, 21, 25	8,176	-21,959
Change in receivables, deferred tax asset and financial derivatives	13, 15, 20, 21, 26, 29	-104,202	-92,984
Change in tax payable, accrued expenses and other liabilities	13, 15, 20, 21, 26, 30, 31	337,047	224,362
Net cash flow from operating activities		**-1,126,125**	**92,334**
Proceeds from settlement of assets held for sale	20, 21, 25	-	57,659
Payment for acquisition of intangible assets	27	-55,381	-22,094
Payment for acquisition of tangible assets	28	-1,050	-
Proceeds from sale of fixed assets	28	-	450
Net cash flow from investment activities		**-56,431**	**36,016**
Paid-in share capital and share premium	32	500,000	339,982
Issued debt securities	13, 14, 20, 23, 24	1,299,320	500,000
Repayment of debt securities	13, 14, 20, 23, 24	-880,870	-555,597
Issued subordinated loan	13, 14, 20, 23, 24	199,699	99,953
Paid group contribution	26	-	-4,500
Issued Tier 1 capital	33	299,250	209,160
Paid interest Tier 1 capital	33	-21,858	-9,912
Net cash flow from financing activities		**1,395,541**	**579,085**
Currency effect on cash and cash equivalents		-47,565	-72,541
Net cash flow for the period		165,420	634,895
Cash and cash equivalents at the start of the period		1,154,708	519,814
Cash and cash equivalents at the end of the period		**1,320,128**	**1,154,708**

Changes in equity

Amounts in NOK 1000	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.16	**176,800**	**473,160**	**335,000**	**2,333,223**	**3,318,183**
This period's profit	-	-	-	1,599,582	1,599,582
Items that may be reclassified to profit and loss, after tax	-	-	-	8,115	8,115
Comprehensive income for the period	**-**	**-**	**-**	**1,607,697**	**1,607,697**
Paid interest Tier 1 capital	-	-	-	-21,858	-21,858
Capital increase	6,515	493,485	-	-	500,000
Issued Tier 1 capital	-	-	300,000	-750	299,250
Balance 31.12.17	**183,315**	**966,646**	**635,000**	**3,918,312**	**5,703,272**

Amounts in NOK 1000					
Balance 31.12.15	**170,000**	**139,978**	**125,000**	**1,419,083**	**1,854,062**
This period's profit	-	-	-	964,824	964,824
Items that may be reclassified to profit and loss, after tax	-	-	-	-35,433	-35,433
Comprehensive income for the period	-	-	-	**929,392**	**929,392**
Paid interest Tier 1 capital	-	-	-	-9,912	-9,912
Paid group contribution	-	-	-	-4,500	-4,500
Capital increase	6,800	333,200	-	-	340,000
Share issue expenses	-	-18	-	-	-18
Issued Tier 1 capital	-	-	210,000	-840	209,160
Balance 31.12.16	**176,800**	**473,160**	**335,000**	**2,333,223**	**3,318,183**

Notes for Bank Norwegian AS

Note 1. General accounting principles

Information about the company

Bank Norwegian AS is a wholly owned subsidiary of Norwegian Finans Holding ASA. The bank offers banking services in the form of consumer loans, credit cards and deposits to retail customers in the Nordic market, and is headquartered at Snarøyveien 36, Fornebu. The bank operates in Sweden, Denmark and Finland through cross-border activities.

Basis of preparation of financial statements

The financial statements for 2017 have been prepared in accordance with the International Financial Reporting Standards, as adopted by the European Union, and some additions from the Financial Reporting Act of 1998.

Accounting standards which have been adopted, but not implemented in 2017

IFRS 9 - Financial Instruments
IASB has published the final version of IFRS 9 *Financial Instruments*, which will replace IAS 39 *Financial Instruments – Recognition and Measurement*. IFRS 9 introduces changes to the rules for the classification and measurement of financial instruments, impairment of financial assets and hedge accounting. The standard is effective for annual reporting periods beginning on 1 January 2018 or later. Earlier application is permitted. The standard must be applied retrospectively, except for hedge accounting. Restatement of comparative figures is not required. The standard was approved by the EU in the 4th quarter of 2016.

The rules for classification and measurement of financial assets in IFRS 9 are more principle-based than the rules in IAS 39. Under IFRS 9, financial assets are assessed based on the entity's business model and the asset's cash flows. The bank has made an initial assessment of the balance sheet with regards to classification and measurement of financial assets. The bank has identified one financial instrument which will be subjected to reclassification under IFRS 9. The classification and measurement of the bank's financial liabilities are not affected by the transition to IFRS 9.

Assets held for sale, which consist of the bank's ownership interest in Visa Norge FLI, are under IAS 39 classified at fair value through other comprehensive income (with reclassification). This asset is held for sale, and will under IFRS 9 be classified at fair value through profit or loss and reclassified to *Shares and other securities*.

For further details concerning IFRS 9 see note 2.

IFRS 15 - Revenue from Contracts with Customers
IFRS 15 is a new standard for revenue and will replace all existing standards and interpretations for revenue. The standard will apply to revenue from all customer contracts and contains a model for recognition and measurement of sales of individual non-financial assets. Contracts with customers that are accounted for in accordance with IFRS 9 Financial Instruments are not included in the scope of IFRS 15. The standard is not expected to have a significant impact on the bank. The standard is effective for annual reporting periods beginning on 1 January 2018 or later. Earlier application is permitted.

IFRS 16 - Leases
The IASB issued IFRS 16 *Leases* in January 2016, which will replace IAS 17 *Leases*. IFRS 16 requires that the lessee recognise the assets and liabilities related to most leases in the same way as finance leases under IAS 17. Assets should be amortised over the lease term while liabilities are measured at amortised cost. For the lessor the changes compared with IAS 17 are minor. The bank is assessing the effects of the standard and has not yet quantified the effects of implementation. The standard is effective for annual periods beginning on 1 January 2019 or later. Earlier application is permitted provided that IFRS 15 Revenue from Contracts with Customers is also implemented.

Financial instruments

Financial assets and liabilities are recognised when the bank becomes a party to the contractual terms of the financial instrument. Regular purchases and sales of financial instruments are recognised at the settlement date. Financial assets are derecognised when the rights to receive cash flows from the asset expire or when these rights have been transferred and the bank has transferred substantially all risks and potential gains from the investment. Financial liabilities are derecognised when the rights under the terms of the contract have been fulfilled, cancelled or expired.

On initial recognition, financial assets are classified in one of the following categories, depending on the type of instrument and the purpose of the asset:
- At fair value through profit or loss
- Loans and receivables
- Assets held for sale

Financial liabilities are on initial recognition classified in one of the following categories:
- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial assets and liabilities at fair value through profit or loss
Financial assets and liabilities at fair value through profit or loss may consist of assets which must be recognised or which it has been decided to recognise at fair value through profit or loss.

The portfolio of certificates and bonds is classified in this category, as it is managed and evaluated on the basis of fair value in accordance with the bank's guidelines for investments in certificates and bonds. Financial derivatives are recognised as assets if their value is positive and as liabilities if their value is negative. Changes in value of financial instruments at fair value through profit or loss are recognised in the income statement in *Net gain in value on securities and currency*. Interest on certificates and bonds is recognised at fair value through profit or loss and presented in the income statement in *Interest income*.

Loans and receivables
Loans and receivables are financial assets which are not derivatives and which have fixed or contractual payments that are not traded in an active market. This category includes *cash and deposits with central banks*, *loans and deposits with credit institutions*, and *loans to customers*.

Loans and receivables are recognised at fair value plus transaction costs. In subsequent periods loans and receivables are measured at amortised cost in accordance with IAS 39. Amortised cost is defined as aquisition cost less repayments on the principal amount, pluss accumulated effective interest rate, less accumulated paid interest, subtracted any impairment amount or loss exposure. The effective interest rate is the rate which exactly discounts estimated future payments or receipts over the term of the financial instrument.

An impairment loss is recognised when there is objective evidence that a loan or group of loans has been impaired. The bank has prepared its own guidelines for write-downs on loans. The criterion for calculating the losses on individual loans is the existence of objective evidence that the value of the loan has fallen. Objective evidence that the value of a loan has fallen includes observable data made known to the bank regarding the following loss incidents:
1. Debtor suffering significant financial difficulties.
2. Non-payment or other type of significant breach of contract.
3. Granted postponement or new credit for the payment of an instalment, agreed to changes in the interest rate or other contractual terms as a result of the debtor's financial problems.
4. It is considered probable that the debtor will enter into debt settlement proceedings or other financial restructuring, or that bankruptcy proceedings will be opened for the debtor's estate.

Write-downs on groups of loans are performed if there is objective evidence that there is a fall in the value of groups of loans with the same risk characteristics. When evaluating the write-down of groups of loans, the loans shall be divided into groups with approximately the same risk characteristics with regard to the debtor's ability to pay on the due date. A fall in value is calculated on the basis of the borrower's income, liquidity, financial strength and financial structure, as well as securities furnished for the commitments.

Write-downs for losses cover losses in the commitment portfolio that have occurred. The evaluations of what commitments are regarded as doubtful are based on the conditions that exist on the date of the balance sheet. The loan portfolio is assessed on a monthly basis and an evaluation of individual and group write-downs is made in this connection. A critical evaluation is made in connection with the recognition of any fall in the value of the loan portfolio. Write-downs due to a fall in value are based on a risk classification in accordance with the established guidelines stipulated in the bank's credit guidelines. Write-downs represent the difference between the book value and the present value of the estimated future cash flow. The current effective interest rate is used when calculating the present value.

Assets held for sale
Assets held for sale are non-derivative financial assets which the bank has chosen to place in this category or which have not been classified in any other category.

Assets held for sale are initially recognised at fair value including transaction costs. In subsequent periods the assets are measured at fair value. Gains or losses are recognised in other comprehensive income, with the exception of impairment losses, which are recognised in the income statement. When an asset held for sale is sold or impaired the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss and are presented in the income statement in *Net change in value on securities and currency*. The same presentation applies to dividends from equity securities classified as available for sale.

At each balance sheet date the bank assesses whether there is objective evidence of impairment of individual assets or groups of financial assets. For equity securities classified as available for sale, a significant or prolonged decline in fair value below the cost of the asset is considered an indicator that the securities are impaired. If there is any such objective evidence of impairment of assets held for sale, the cumulative loss, measured as the difference between cost and fair value, less any recognised impairment loss, is deducted from other comprehensive income and recognised in the income statement.

Financial liabilities at amortised cost
Financial liabilities at amortised cost are initially recognised at fair value less transaction costs, plus accrued interest. In subsequent periods financial liabilities are measured at amortised cost using the effective interest rate. The difference between the loan amount (net of transaction costs but including accrued interest) and the redemption value is recognised over the term of the loan as interest expense and is included in the income statement in *Interest expense*.

Intangible assets

Intangible assets are recognised on the balance sheet at historical cost less accumulated depreciation and value impairment losses. Purchased software is recognised on the balance sheet at historical cost plus any expenses to make the software ready to use. When it is probable that economic benefits will cover the development expenses as at the date of the balance sheet, the identifiable expenses for propriety software that is controlled by the bank will be recognised on the balance sheet as intangible assets. Direct expenses include expenses to employees who are directly involved in development of the software, materials and a share of the relevant overhead expenses. Expenses associated with the maintenance of software and IT systems are recognised in the profit and loss account on an ongoing basis. Software expenses recognised in the balance sheet are depreciated over the expected economic life of the asset.

At each financial reporting, a consideration is made as to whether there are indications of a fall in the value of intangible assets. In case of impairment the asset's recoverable amount is measured. The recoverable amount is the higher of the net sales value and utility value. In the event that it is proven that the recoverable amount for the relevant asset is lower than the book value, the asset will be written down so that the asset is valued at the recoverable amount. Such write-downs are reversed when there is no longer any basis for the write-down. The bank has in the fourth quarter conducted an impairment test on agent commissions and made a write-down of NOK 789 thousand.

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

IT/software:	20 %
Trademark:	20 %
Agent commissions:	33 %
Connection fee:	Not amortisable

The connection fee for Finans Norge has been capitalised at cost. It provides access to the common infrastructure for payment processing systems in Norway. The infrastructure ensures that banks are able to offer payment services which allow customers to settle transactions among themselves, independently of connections to banks.

Agent commissions
The accounting of agent commissions was in the first quarter reclassified in accordance with IAS 38 *Intangible Assets* and IAS 39 *Financial Instruments - Recognition and Measurement*. Agent commissions were reclassified from *Receivables* to *Loans to customers* and *Intangible assets*, with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Interest income* and *Ordinary depreciation*. The reclassifications did not have any effect on the profit after tax. Comparative figures and corresponding notes (3, 5, 6, 9, 13, 14, 17, 20, 23, 27, 29, 32) has been revised accordingly.

Tangible fixed assets

Tangible fixed assets are valued at historical cost less accumulated ordinary depreciation and any write-downs. Enhancements or improvements are added to the cost price of the fixed asset and depreciated in step with the fixed asset. The evaluation of write-down requirements follows the same principles as described in the section for intangible assets.

Ordinary depreciation based on cost price is calculated linearly over the operating asset's estimated economic life. The following depreciation rates are used:

Office machines:	25 %
Computer equipment:	33 %
Fixtures and fittings:	20 %
Motor vehicles:	20 %

Trade and other receivables

Trade and other receivables are recognised at amortised cost, which approximates cost less impairment losses.

Debt and other liabilities

Certificates, bonds and subordinated loans are stated at amortised cost. Trade and other payables are recognised at nominal value at the time of establishment and are not adjusted for changes in interest rates.

Accruals

Accrual of interest and fees
Interest income and interest expense related to assets and liabilities measured at amortised cost are recognised as incurred using the effective interest method.

For net profit on financial instruments measured at fair value, changes in fair value are classified as income and presented in the income statement in *Net change in value on securities and currency* .

Premiums and discounts on certificates, bonds and subordinated loans classified as debt are amortised as interest expense over the term of the instrument.

Pensions

The bank is subject to the Norwegian Mandatory Occupational Pensions Act and has established an arrangement which meets the requirements of this Act. The bank has a defined contribution scheme. This scheme entails that the bank does not guarantee a future pension of a specific amount, the bank pays instead an annual contribution to the employees' collective pension savings plan. The bank does not have any further obligation related to work performed after the annual contribution has been paid. At 31 December 2017, 68 employees were covered by the pension scheme.

Taxes

The tax expense is accrued over the year based on the estimated tax expense for the year. The tax expense is estimated at 25% of the bank's operating profit, and consists of current tax (payable tax) and changes in deferred tax.

Payable tax is tax calculated on the taxable profit for the year. Deferred tax is calculated and recognised in accordance with IAS 12. Deferred tax is calculated based on the applicable tax rate. A deferred tax asset or liability is calculated on temporary differences, defined as the difference between the carrying amounts and tax bases of assets and liabilities. A deferred tax asset on tax losses is calculated and recognised to the extent that it is probable that future taxable profits will make it possible to use the tax asset.

Cash flow statement

The cash flow statement is prepared using the indirect method, and is structured on the basis of the operations. The statement reflects the key elements of the bank's liquidity management with special emphasis on the cash flows for lending and deposit activities. Cash and cash equivalents consist of cash and deposits with central banks as well as loans and advances to credit institutions with no notice period. The bank has an unused overdraft facility of NOK 100 million.

Translation of foreign currency transactions

The bank has Norwegian kroner as its reporting currency. Balance sheet items in foreign currency are translated at the exchange rate at the balance sheet date. Income and expense items in SEK, DKK and EUR are translated to Norwegian kroner using the average exchange rate.

Estimates and judgements

Estimates and judgements are evaluated continually. Estimates and judgements are based on historical experience and other factors, including expectations of future events that are considered probable. The calculation of loan impairment losses involves judgements. The key assumptions for impairment of loans are described in the section for Loans and receivables.

Note 2. IFRS 9

Note 2.1. Change in accounting principles

The bank has completed an initial assessment with regards to classification and measurement of financial assets. One financial asset will be subjected to reclassification under IFRS 9. The bank has, as allowed by IFRS 9, elected not to recalculate comparable figures from previous accounting periods. Any differences will be incorporated as an increase or decrease of equity per 1.1.2018.

Classifications:
A combination of business model and contractual obligations will be used to classify financial assets and liabilities.
The measurement categories from IAS 39 will be replaced by the following measurement catergories in IFRS 9:

- Financial assets measured at fair value through other comprehensive income
- Financial assets measured at fair value through profit or loss
- Financial liabilities measured at amortised cost
- Financial liabilities measured at fair value through profit or loss

Financial assets:
The bank's financial assets are composed of *Cash and deposits with central banks* , *Loans and deposits with credit institutions* , *Loans to customers* , *Certificates and bond* , *Financial derivatives* , *Shares and other securities* and *Assets held for sale.*

Cash and deposits with central banks and *Loans and deposits with credit institutions* are classified at amorised cost under both IAS 39 and IFRS 9.

Loans to customers consists exclusively of loans to retail customers and are held to receive contractual cash flows. *Loans to customers* are measured at amortised cost under both IAS 39 and IFRS 9.

Certificates and bonds constitute the bank's liquidity portfolio. The portfolio is held to secure the bank's liquity needs. Certificates and Bonds are classified as financial assets measured at fair value through profit or loss under both IAS 39 and IFRS 9.

Financial derivatives are classified at fair value through profit or loss under both IAS 39 and IFRS 9.

Shares and other securities consists of the banks ownership share in BankID Norge AS and is measured at fair value through profit or loss. There is no remeasurement under IFRS 9.

Assets held for sale consists of the banks ownership share in Visa Norge FLI and will be reclassified from fair value through other comprehensive income under IAS 39 to fair value through profit or loss under IFRS 9.

Financial liabilities:
There is no remeasurement of financial liabilities.

Expected credit losses:
Compliant with IAS 39, the bank has utilized a loan-loss model based on incurred losses. With these kind of model, objective evidence that there is a fall in the value of groups of loans has to be evident on the reporting date to provision for a loss. The introduction of IFRS 9 gives a fundamental change to the concept of write-down, where losses will be provisioned on the day of origination.

The bank has during the last year worked on the implementation of the accounting standard IFRS 9. IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of losses. The bank has made partial calculations of losses under IFRS 9 based on a base scenario. The calculations at 31.12.17 show an immaterial change in write-downs on loans compared with the write-downs on loans under IAS 39. The bank does not expect to utilize the transitional rules.

All models under IFRS 9 are implemented in parallell with existing models to ensure adequate implementation quality.

The models are forward looking probability of default estimates (PD). This entails separate models on loss given default before and after a default has occured (LGD). 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. 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 models applicate an adjustment factor based on macro-simulations built especially for each product and each country, with a basis in NIGEM methodic. Through thousands of simulations there has been established a base, upper and lower scenario for expected credit losses where the model has weighted in Management's assessment of the probable macro future.

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

The definition of default is a loan that is more than 90 days in arrears in relation to the agreed payment schedule and where the amount overdue amounts to at least EUR 100 or the equivalent in the respective local currencies.

Note 2.2. Economical variables used to measure expected credit loss

The bank has chosen to disclose the three most important modeling variables in each individual country. The following macro-economic variables are used in the models: real interest rate in absolute terms, 3-month interbank rate, unemployment level in thousands, Hourely pay in NOK, aggregated monthly consumption for the entire population measured in millions in local currency, and unemployment rate in percentage of the total labor force. The data is modeled accross three scenarios: a base, an upper and a lower case for expected credit loss.

The following weights has been used across all portfolios per 1 January 2018:
- Base scenario for expected credit loss: 40%
- Upper scenario for expected credit loss: 30 %
- Lower scenario for expected credit loss: 30 %

The base scenario has been used when calculating new loss figures.

Norway		**2019**	**2020**	**2021**	**2022**	**2023**
3-month interbank rate	Base	1.27 %	1.73 %	2.39 %	3.04 %	3.26 %
	Upper	1.92 %	2.25 %	2.85 %	3.65 %	3.74 %
	Lower	1.02 %	1.48 %	2.14 %	2.79 %	3.01 %
Hourly pay in NOK	Base	kr 412.28	kr 425.74	kr 439.66	kr 454.03	kr 468.98
	Upper	kr 398.92	kr 410.35	kr 421.91	kr 433.54	kr 445.29
	Lower	kr 427.57	kr 445.38	kr 464.01	kr 483.43	kr 503.65
Real interest rate	Base	-0.92 %	-0.57 %	-0.25 %	0.10 %	0.14 %
	Upper	0.46 %	0.34 %	0.57 %	1.20 %	0.97 %
	Lower	-1.32 %	-0.97 %	-0.65 %	-0.30 %	-0.26 %

Sweden		**2019**	**2020**	**2021**	**2022**	**2023**
3-month interbank rate	Base	0.32 %	0.98 %	1.54 %	2.11 %	2.69 %
	Upper	0.61 %	1.55 %	2.40 %	3.24 %	4.10 %
	Lower	-0.04 %	0.37 %	0.75 %	1.11 %	1.49 %
Unemployment level in thousands	Base	361	365	373	383	389
	Upper	394	401	409	423	431
	Lower	320	322	327	332	345
Consumption in millions	Base	176,362	180,701	184,863	188,840	192,826
	Upper	171,073	173,481	175,973	178,601	182,005
	Lower	180,436	185,747	190,747	195,284	199,643

Denmark		**2019**	**2020**	**2021**	**2022**	**2023**
3-month interbank rate	Base	0.45 %	0.97 %	1.48 %	2.00 %	2.50 %
	Upper	0.11 %	0.25 %	0.71 %	1.42 %	2.09 %
	Lower	1.17 %	1.77 %	2.33 %	2.69 %	3.03 %
Consumption in millions	Base	79,596	81,133	82,692	84,266	85,874
	Upper	74,760	74,380	73,892	73,620	73,936
	Lower	84,437	88,159	92,186	96,105	99,466
Unemployment percentage	Base	5.59 %	5.71 %	5.68 %	5.63 %	5.62 %
	Upper	6.54 %	6.73 %	6.81 %	6.75 %	6.36 %
	Lower	4.61 %	4.61 %	4.64 %	4.62 %	4.92 %

Finland		**2019**	**2020**	**2021**	**2022**	**2023**
3-month interbank rate	Base	0.41 %	0.94 %	1.47 %	2.01 %	2.49 %
	Upper	0.04 %	0.33 %	0.74 %	1.25 %	1.81 %
	Lower	1.02 %	1.65 %	2.24 %	2.76 %	3.08 %
Consumption in millions	Base	9,402	9,542	9,676	9,811	9,947
	Upper	8,852	8,767	8,675	8,617	8,612
	Lower	9,963	10,360	10,782	11,183	11,506
Unemployment percentage	Base	7.86 %	7.87 %	7.82 %	7.72 %	7.60 %
	Upper	10.42 %	10.44 %	10.57 %	10.71 %	9.75 %
	Lower	5.18 %	4.91 %	4.84 %	4.77 %	5.60 %

Note 2.3. Significant increase in credit risk

The trigger level for classifying an engagement to stage 2 due to a relative increase in PD based on behavioral score compared with original PD (based on application score), depends on the interval for the original PD, region and the type of product. Products with absolute low PDs therefore lead to high trigger requirements as they are relative and arrive from a low level.

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

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

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

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

Note 3. Segments

Profit and loss and balance sheet presentation for segments are based on internal financial reporting as it is reported to group management. The figures are based on Bank Norwegian's governance model and accounting principles.

Profit and loss account 2017

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	1,947,738	662,788	320,989	738,913	3,670,428
Net other operating income	128,393	60,055	3,864	4,414	196,726
Total income	**2,076,131**	**722,843**	**324,853**	**743,327**	**3,867,154**
Total operating expenses	508,491	248,391	136,989	174,317	1,068,188
Provision for loan losses	192,354	147,436	151,982	180,617	672,388
Profit on ordinary activities before tax	**1,375,286**	**327,017**	**35,882**	**388,393**	**2,126,577**
Tax charge	336,358	84,575	7,532	98,531	526,995
Profit on ordinary activities after tax	**1,038,928**	**242,442**	**28,350**	**289,862**	**1,599,582**
Other comprehensive income that may subsequently be reclassified to profit and loss after tax	**8,115**	**-**	**-**	**-**	**8,115**
Comprehensive income for the period	**1,047,043**	**242,442**	**28,350**	**289,862**	**1,607,697**

Balance 31.12.17

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	16,561,731	5,718,448	3,121,962	7,049,412	32,451,553
Other assets	6,462,719	1,937,559	926,098	1,210,522	10,536,898
Total assets	**23,024,450**	**7,656,007**	**4,048,060**	**8,259,934**	**42,988,451**
Deposits from customers	17,909,435	5,875,474	3,313,982	6,583,384	33,682,275
Other liabilities and equity	5,115,048	1,780,534	734,078	1,676,550	9,306,210
Total liabilities and equity	**23,024,484**	**7,656,008**	**4,048,060**	**8,259,934**	**42,988,451**

Profit and loss account 2016

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	1,595,344	541,796	84,138	232,168	2,453,446
Net other operating income	169,526	20,439	2,614	9,175	201,754
Total income	**1,764,871**	**562,235**	**86,752**	**241,343**	**2,655,201**
Total operating expenses	454,939	239,906	124,101	103,007	921,954
Provision for loan losses	198,553	139,747	62,223	67,734	468,257
Profit on ordinary activities before tax	**1,111,379**	**182,581**	**-99,572**	**70,602**	**1,264,990**
Tax charge	261,764	45,645	-24,893	17,651	300,166
Profit on ordinary activities after tax	**849,615**	**136,936**	**-74,678**	**52,952**	**964,824**
Other comprehensive income that may subsequently be reclassified to profit and loss after tax	**-35,433**	**-**	**-**	**-**	**-35,433**
Comprehensive income for the period	**814,182**	**136,936**	**-74,678**	**52,952**	**929,392**

Balance 31.12.16

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	14,243,563	5,237,858	1,568,794	3,483,768	24,533,983
Other assets	4,665,798	659,918	449,225	80,739	5,855,680
Total assets	**18,909,361**	**5,897,776**	**2,018,019**	**3,564,507**	**30,389,664**
Deposits from customers	14,696,396	5,560,880	1,938,210	2,228,287	24,423,773
Other liabilities and equity	4,212,965	336,896	79,809	1,336,221	5,965,890
Total liabilities and equity	**18,909,361**	**5,897,776**	**2,018,019**	**3,564,507**	**30,389,664**

Note 4. Loan losses and guarantees

The bank has no guarantees as of 31.12.2017.

Amounts in NOK 1000	2017	2016
Realized losses in the period	16,325	7,176
Individual write-downs on loans including gains/losses from sale of NPL portfolio	172,838	143,635
Net individual write-downs on loans	**189,163**	**150,811**
The period's change in write-downs on groups of loans	547,897	317,446
Adjustments for sold NPL portfolios	64,671	-
Write-downs on loans	**672,388**	**468,257**

Note 5. Loans to customers

Amounts in NOK 1000	2017	2016
Overdraft facilities and lines of credit	-	2,147
Credit cards	9,176,007	6,309,014
Instalment loans	24,415,697	19,054,145
Gross loans to customers	**33,591,704**	**25,365,307**
Individual write-downs on loans	-126,838	-201,116
Write-downs on groups of loans	-1,013,313	-630,208
Net loans to customers	**32,451,553**	**24,533,983**

Gross loans to customers by geographical regions

Amounts in NOK 1000	2017	2016
Akershus	2,275,307	1,902,542
Oslo	2,217,645	1,920,981
Hordaland	1,844,523	1,575,081
Rogaland	1,471,591	1,264,380
Østfold	1,049,798	924,670
Buskerud	926,473	809,134
Sør-Trøndelag	882,450	756,027
Nordland	849,312	741,603
Vestfold	802,016	715,268
Møre og Romsdal	736,414	633,056
Troms	631,545	541,868
Hedmark	576,889	520,471
Oppland	529,419	466,573
Telemark	514,713	454,156
Vest-Agder	435,170	360,625
Nord-Trøndelag	357,415	309,964
Finnmark	339,327	297,023
Aust-Agder	314,901	261,529
Sogn og Fjordane	220,432	196,711
Svalbard	3,725	2,739
Customer does not have a Norwegian address	59,824	41,029
Total Norway	**17,038,890**	**14,695,431**
Sweden	5,898,925	5,487,645
Denmark	3,345,537	1,635,512
Finland	7,308,352	3,546,719
Gross loans to customers	**33,591,704**	**25,365,307**

Changes in write-downs on loans

Amounts in NOK 1000	2017	2016
Write-downs on loans to customers 01.01	**-831,323**	**-395,012**
The period's change in individual write-downs on loans	74,442	-121,850
The period's change in write-downs on groups of loans	-474,910	-314,461
Adjustments for sold NPL portfolios	91,639	-
Write-downs on loans to customers 31.12	**-1,140,152**	**-831,323**

Note 6. Risk classes

Amounts in NOK 1000	Probability of default	Gross loans 2017	Gross loans 2016	Undrawn credit limits 2017	Undrawn credit limits 2016
A	0 - 0,9 %	4,949,419	3,716,949	27,285,408	19,692,083
B	1 - 2,9 %	12,926,237	9,468,018	1,505,465	1,153,334
C	3 - 4,9 %	4,133,181	3,279,727	253,357	237,141
D	5 - 8,9 %	2,958,003	2,743,303	179,464	194,285
E	9 - 14,9 %	1,871,989	1,616,677	64,709	83,485
F	15 - 19,9 %	636,706	555,334	12,518	19,886
G	20 - 29,9 %	983,850	685,686	8,159	11,518
H	30 - 39,9 %	457,056	324,312	13,634	14,870
I	40 - 54,9 %	423,108	312,044	3,541	3,096
J	55 - 100,0 %	321,649	261,187	1,391	1,120
S	23.0 %	559,270	371,916	-	-
T	27.0 %	290,399	112,350	-	-
U	74.0 %	443,842	205,598	-	-
V	100.0 %	2,360,545	1,283,562	-	-
W	100.0 %	261,255	391,040	-	-
Total classified		33,576,509	25,327,702	29,327,646	21,410,817
Not classified	70.8 %	15,196	37,605	19,542	50,650
Total		**33,591,704**	**25,365,307**	**29,347,189**	**21,461,468**

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

Risk class S consists of engagements during treatment with debt collection companies, where the customer is less than 90 days past originally agreed payment plan. If the customer is on track on engagement, but has at least one other product where payment is more than 90 days past payment plan the engagement is classified in risk class T. Risk class U consists of engagements in warning, but less than 90 days past payment plan, while risk class V consists of engagements more than 90 days past payment plan. Risk class W consists of written-down engagements, and is engagements individually written down. The other risk classes, including risk class A - J, is included in the calculation for write-downs on groups of engagements.

"Not classified" consists of Norwegian engagements relating to sales financing. In a potential chance of classification of these engagements there are no indications implying that the distribution of risk classes will significantly deviate from what is observed in the classified engagements. The risks associated with customers are classified based on their application and behavioral score. This risk classification is an integrated part of the bank's credit approval process and is used in the bank's risk-based product pricing.

The bank only offers credit to the retail customer market, and all credit decisions are made by means of automated decision support systems. Credit is granted based on a qualitative and quantitative analysis of the customer's willingness and ability to pay. The analysis of the willingness to pay identifies the characteristics of the customer which predict future payment conduct, while the analysis of the customer's capacity to service loans are a quantitative evaluation of the customer's ability to repay his obligations, given the customer's current and anticipated future economic situation.

Note 7. Default and loss on loans

Amounts in NOK 1000	2017	2016
Gross defaulted loans	2,615,145	1,654,201
Individual write-downs on loans	-126,838	-201,116
Write-downs on groups of loans	-1,013,313	-630,208
Net defaulted loans	**1,474,994**	**822,878**
Defaulted loans which are performing	569,246	403,086

Defaulted loans comprise of loans which are more than 90 days overdue according to payment schedule.

Aging of defaulted, but not written-down loans

The table shows the overdrawn amount on loans by the number of past due days not caused by payment service delays. The entire loan is included when part of the debt is past due.

	2017					
Amounts in NOK 1000	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Retail market	516,367	1,945,574	721,530	367,033	2,353,864	5,904,368
Total	**516,367**	**1,945,574**	**721,530**	**367,033**	**2,353,864**	**5,904,368**

	2016					
Amounts in NOK 1000	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	Total
Retail market	445,913	1,214,820	564,275	218,282	1,263,835	3,707,125
Total	**445,913**	**1,214,820**	**564,275**	**218,282**	**1,263,835**	**3,707,125**

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

Amounts in NOK 1000	2017	2016
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	1,320,128	1,154,708
Total loans and deposits with credit institutions and central banks	**1,320,128**	**1,154,708**

Specification of currencies

Amounts in NOK 1000	2017	2016
NOK	535,807	532,080
SEK	444,840	404,624
DKK	197,700	151,464
EUR	141,782	66,539
Total	**1,320,128**	**1,154,708**
Average interest rate	0.22 %	0.20 %

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

Note 9. General administrative expenses

Amounts in NOK 1000	2017	2016
Sales and marketing	730,783	631,821
IT operations	81,940	73,257
External services fees	51,995	24,703
Other administrative expenses	41,568	43,706
Total	**906,286**	**773,487**

Note 10. Other operating expenses

Amounts in NOK 1000	2017	2016
Credit information	28,190	29,045
Auditor	2,234	1,395
Rental of premises	2,309	2,168
Insurance	517	505
Machinery, fixtures and transport vehicles	528	410
Other operating expenses	9,694	8,612
Total	**43,472**	**42,135**

Note 11. Risk management

The board of directors in Bank Norwegian has adopted a business strategy and guidelines for the management and control of key risks. The business strategy and guidelines for management and control of risks establish that the bank will mainly secure earnings through unsecured loan exposures in the retail segment. Other financial risks should be limited within internally established risk limits. Risk limits are defined in relation to the bank's current available buffer capital and risk-bearing capacity.

To ensure responsible management and risk control, the bank relies on the following elements:

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

Note 12. Credit risk

Credit risk is the risk that the bank will not be repaid what it is entitled to in terms of principal and interest because the borrower does not have the will and/or ability to pay.

The bank's credit strategy is defined in the bank's credit policy as determined by the board of directors. The bank's credit strategy limits are drawn up to appropriately and effectively measure and capture changes in current risk exposure through the expected loss and the need for buffer capital.

The bank's credit policy is based on an automated set of rules where the applicant receives an automatic rejection or conditional approval at the time of application. Credit approvals are based on a qualitative and quantitative analysis with a positive conclusion about the client's future willingness and ability to pay. The analysis of the willingness to pay will identify characteristics of a customer that predict future payment behavior, while the analysis of ability to pay is a quantitative assessment of the customer's ability to repay their obligations given the customer's current and future economic situation. The credit officer's role is subsequently to verify whether the conditions for the conditional grant are present.

Note 13. Liquidity risk

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

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. At 31.12.2017 the liquidity reserve (LCR) on total level for the bank was 204%. The bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. At 31.12.2017 the LCR was 269% in Norwegian kroner, 164% in Swedish kroner, 144% Danish kroner and 148% in Euro. The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 31.12.2017, except for Norwegian kroner where the legal requirement is 50%.

Remaining time to maturity for main items

	2017						
Amounts in NOK 1000	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Subordinated loan	-	-	-	180,421	353,981	-	534,402
Deposits from customers	33,682,275	-	-	-	-	-	33,682,275
Debt securities issued	-	-	227,356	113,623	1,956,814	-	2,297,793
Financial derivatives	-	21,979	20,648	9,619	-	-	52,246
Non interest-bearing liabilities	-	149,482	139,613	544,525	-	-	833,620
Total liabilities	**33,682,275**	**171,461**	**387,617**	**848,187**	**2,310,795**	**-**	**37,400,335**
Cash and deposits with the central bank	65,976	-	-	-	-	-	65,976
Loans and deposits with credit institutions	1,254,152	-	-	-	-	-	1,254,152
Loans to customers	8,881,337	11,912	6,755	110,427	3,349,948	20,091,174	32,451,553
Certificates and bonds	-	237,835	2,027,705	2,966,145	3,628,149	-	8,859,834
Financial derivatives	-	-	220	1,715	-	-	1,935
Assets without remaining term to maturity	355,000	-	-	-	-	-	355,000
Total assets	**10,556,465**	**249,747**	**2,034,681**	**3,078,288**	**6,978,096**	**20,091,174**	**42,988,451**

	2016						
Amounts in NOK 1000	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Subordinated loan	-	-	-	-	307,053	-	307,053
Deposits from customers	24,423,773	-	-	-	-	-	24,423,773
Debt securities issued	-	-	-	525,876	1,348,475	-	1,874,352
Financial derivatives	-	6,780	-	-	-	-	6,780
Non interest-bearing liabilities	-	120,090	85,509	336,440	-	-	542,039
Total liabilities	**24,533,983**	**126,870**	**85,509**	**862,316**	**1,655,528**	**-**	**27,153,997**
Cash and deposits with the central bank	59,992	-	-	-	-	-	59,992
Loans and deposits with credit institutions	1,094,717	-	-	-	-	-	1,094,717
Loans to customers	6,185,020	15,686	5,696	97,968	2,460,869	15,768,744	24,533,983
Certificates and bonds	-	70,364	394,291	1,586,537	2,413,011	-	4,464,203
Assets without remaining time to maturity	236,769	-	-	-	-	-	236,769
Total assets	**7,576,498**	**86,049**	**399,987**	**1,684,505**	**4,873,880**	**15,768,744**	**30,389,664**

Subordinated loan and debt securities issued includes interest forward in time.

Note 14. Interest rate risk

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

Time until an agreed/probable change in interest terms

	2017						
Amounts in NOK 1000	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Without any term	Total
Cash and deposits with the central bank	65,976	-	-	-	-	-	65,976
Loans and deposits with credit institutions	1,254,152	-	-	-	-	-	1,254,152
Loans to customers	-	32,451,553	-	-	-	-	32,451,553
Certificates and bonds	1,427,382	4,536,303	2,896,150	-	-	-	8,859,834
Financial derivatives	-	-	-	-	-	1,935	1,935
Non interest-bearing assets	-	-	-	-	-	355,000	355,000
Total assets	**2,747,510**	**36,987,856**	**2,896,150**	**-**	**-**	**356,936**	**42,988,451**
Subordinated loan	-	474,614	-	-	-	-	474,614
Deposits from customers	-	33,682,275	-	-	-	-	33,682,275
Debt securities issued	-	2,242,423	-	-	-	-	2,242,423
Financial derivatives	-	-	-	-	-	52,246	52,246
Non interest-bearing liabilities	-	-	-	-	-	833,620	833,620
Total liabilities	**-**	**36,399,313**	**-**	**-**	**-**	**885,866**	**37,285,179**

	2016						
Amounts in NOK 1000	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 year	From 1 year up to 5 years	Over 5 years	Without any term	Total
Cash and deposits with the central bank	59,992	-	-	-	-	-	59,992
Loans and deposits with credit institutions	1,094,717	-	-	-	-	-	1,094,717
Loans to customers	-	24,533,983	-	-	-	-	24,533,983
Certificates and bonds	675,596	2,294,529	1,494,078	-	-	-	4,464,203
Non interest-bearing assets	-	-	-	-	-	236,769	236,769
Total assets	**1,830,304**	**26,828,512**	**1,494,078**	**-**	**-**	**236,769**	**30,389,664**
Subordinated loan	-	274,915	-	-	-	-	274,915
Deposits from customers	-	24,423,773	-	-	-	-	24,423,773
Debt securities issued	-	1,823,973	-	-	-	-	1,823,973
Financial derivatives	-	-	-	-	-	6,780	6,780
Non interest-bearing liabilities	-	-	-	-	-	542,039	542,039
Total liabilities	**-**	**26,522,661**	**-**	**-**	**-**	**548,819**	**27,071,480**

Market risk related to interest rate instruments

Interest rate risk arises as a result of interest-bearing assets and liabilities having different interest resetting dates. The board of directors has defined guidelines that set limits for the maximum level of interest rate risk. The table below shows the impact on the instruments' fair value based on a 1%-point parallel shift in the yield curve.

	Interest rate risk, 1 % change	
Amounts in NOK 1000	2017	2016
Cash and deposits with the central bank	-164	-149
Loans and deposits with credit institutions	-3,127	-2,721
Loans to customers	-80,910	-60,987
Certificates and bonds	-21,786	-12,539
Financial derivatives	-5	-
Total assets	**-105,993**	**-76,397**
Deposits from customers	83,979	60,713
Debt securities issued	5,591	4,534
Financial derivatives	130	17
Subordinated loan	1,183	683
Total liabilities	**90,884**	**65,948**
Tier 1 capital	1,583	833
Total equity	**1,583**	**833**
Total interest rate risk, before tax*	**-13,526**	**-9,616**

* A negative sign indicates a negative impact of an interest rate increase.

Note 15. Currency risk

The bank's currency risk consists of net exposures in SEK, DKK and EUR, i.e. the difference between assets and liabilities in the individual local currency. Currency risk is hedged by the use of currency forwards. In addition there is a limited currency exposure to certain foreign suppliers.

The table presents positions in foreign currency shown in Norwegian kroner. Net positions in a single currency may amount up to 15% of total capital. The aggregated currency position must be within 30% of total capital.

		2017	
Amounts in NOK 1000	SEK	DKK	EUR
Cash and deposits with the central bank	450,271	193,455	147,495
Loans to customers	5,680,695	3,118,014	7,032,036
Other assets	1,426,097	706,315	1,039,775
Total assets	**7,557,063**	**4,017,783**	**8,219,306**
Deposits from customers	5,875,474	3,313,982	6,583,384
Other liabilities	503,033	143,800	6,735
Total liabilities	**6,378,507**	**3,457,782**	**6,590,119**
Net currency forwards	1,224,510	548,547	1,613,809
Net currency position	**-45,954**	**11,455**	**15,378**

		2016	
Amounts in NOK 1000	SEK	DKK	EUR
Cash and deposits with the central bank	408,038	151,939	67,128
Loans to customers	5,190,333	1,568,127	3,466,829
Other assets	173,130	282,083	-
Total assets	**5,771,502**	**2,002,149**	**3,533,956**
Deposits from customers	5,560,873	1,938,210	2,228,287
Other liabilities	3,705	77,577	1,953
Total liabilities	**5,564,578**	**2,015,787**	**2,230,240**
Net currency forwards	223,532	-	1,303,884
Net currency position	**-16,608**	**-13,638**	**-167**

Market risk related to currency positions

Amounts in NOK 1000	2017	2016
Profit impact of 1% change	33,677	14,970

The bank enters into hedging transactions to manage the market risk on balance sheet items in foreign currency. The hedging transactions utilized are currency forwards. A currency forward is an agreement to purchase or sell currency at a specified date in the future at a fixed price set at the purchase date.

	2017		2016	
Amounts in NOK 1000	Nominal value	Fair value	Nominal value	Fair value
Currency forwards SEK	1,208,324	7,616	217,883	-5,862
Currency forwards DKK	691,829	9,598	-	-
Currency forwards EUR	1,431,149	33,051	1,304,251	-918
Total	**3,331,302**	**50,264**	**1,522,134**	**-6,780**

The table presents the financial derivatives' nominal values in addition to positive and negative fair values. Positive fair value is recognized as an asset in the balance sheet, while negative fair value is recognized as debt. Nominal values are the basis for calculating potential cash flows and gains/losses on the agreements. The values are affected by exchange rates and interest rate differences between currencies. Hedge accounting is not used.

Note 16. Operational risk

The bank shall have an appropriate, efficient and effective operation, with consistently high quality. The bank shall monitor and manage operational risk in an active and prudent manner. The bank offers a limited number of standard products to the retail market which contributes to limit the risk.

In addition to a comprehensive annual review of significant operational risks and control measures, management makes continuous assessments of operational risk incidents and undertake mitigating measures when necessary. There are regular reporting of operational loss incidents and deviations to management and the board of directors.

The bank's operations are largely based on the purchase of services from external providers. The supplier agreements contain clauses on quality standards and are continuously monitored according to guidelines on outsourcing.

Note 17. Net interest income

Amounts in NOK 1000	2017	2016
Interest income from cash and deposits at central banks	304	321
Interest income from loans to credit institutions	2,660	1,379
Interest income from consumer loans	3,102,438	2,095,457
Interest income from overdraft accounts	79	1,104
Interest income from credit cards	967,465	618,322
Interest income from sales financing	4,571	5,494
Interest and other income from certificates and bonds	91,939	63,885
Other interest and other interest related income	3,183	5,125
Total interest income	**4,172,638**	**2,791,087**
Interest expense from deposits from credit institutions	135	8
Interest expense from deposits from customers	433,959	283,006
Interest expense on debt securities issued	34,346	35,605
Interest expense on subordinated loan	15,530	7,790
Other interest and other interest related expenses	18,241	11,232
Total interest expense	**502,211**	**337,640**
Net interest income	**3,670,428**	**2,453,446**

Note 18. Net other operating income

Amounts in NOK 1000	2017	2016
Payment services	264,887	170,128
Insurance services	87,522	47,343
Other fees and commission and bank services income	47,589	29,142
Total commission and bank services income	**399,998**	**246,613**
Payment services	110,223	62,968
Insurance services	78,620	42,427
Other fees and commission and bank services expense	21,887	13,698
Total commission and bank services expenses	**210,730**	**119,092**

Note 19. Salaries and other personnel expenses

Specification of personnel expenses

Amounts in NOK 1000	2017	2016
Salaries	57,955	52,415
Social security tax	11,348	8,128
Pension premiums	2,382	2,006
Social benefits	2,268	1,356
Total	**73,953**	**63,905**

There are no obligations in connection with termination or change of employment/appointments for the CEO or the board of directors. There are no loans to employees.

Number of employees as at 31.12.2017, wages and remuneration

At 31.12.2017 the bank had 72 employees, corresponding to 69.5 man-labour years.

Wages and remuneration to key employees

	2017				
Amounts in NOK 1000	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration					
Tine Wollebekk	1,867	-	70	147	2,084
Pål Svenkerud	3,126	1,088	70	214	4,498
Fredrik Mundal	1,453	142	70	129	1,793
Tore Andresen	2,041	774	70	151	3,036
Merete Gillund	2,005	800	70	128	3,004
Nils Sælen	1,092	119	67	45	1,324
Tore Widding	1,805	688	70	137	2,700
Total	**13,390**	**3,611**	**487**	**951**	**18,439**

	2016				
Amounts in NOK 1000	Wages	Bonus	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration					
Erik Jensen	3,903	1,517	69	210	5,699
Pål Svenkerud	1,957	794	69	183	3,003
Michael Myran	823	131	69	14	1,037
Tore Andresen	1,836	720	69	148	2,774
Merete Gillund	1,623	644	69	130	2,466
Tore Widding	1,586	631	69	135	2,421
Total	**11,728**	**4,436**	**415**	**820**	**17,399**

Key personnel are defined as members of the management group.

Bonus

Bank Norwegian has a bonus scheme that includes all permanent employees in accordance with detailed guidelines. The bonuses earned are based on profit after tax and the return on equity achieved. Bonus payments distributed to employees are limited to a maximum of 2.25 % of the profit after tax. The amount includes social security tax and financial activity tax.

Bonus to key personnel are earned according to circular 11/2011 from The Financial Supervisory Authority of Norway, “Godtgjørelsesordninger i finansinstitusjoner m.v.” (Compensation arrangements at banks). Key personnel receive the entire bonus in shares in Norwegian Finans Holding ASA with a right of disposal three years after the grant date. Other employees receive the bonus in cash. The terms of the current bonus scheme applies for the period 2016 to 2018.

The bonus accrual for 2017, including social security tax and financial activity tax, which is the basis for the payment of bonus in 2018, amounts to NOK 12.1 million.

Fees paid out to the Board of Directors

Amounts in NOK 1000	2017	2016
Bjørn H. Kise	250	250
Frode Foss	250	250
Lars Ola Kjos	250	250
John Høsteland	125	125
Kristin Farstad	50	125
Ninett R. Olsen	30	-
Esma Candic	10	50
Willy Rudman	10	-
Henrik Hermansen	5	-
Total	**980**	**1,050**

Fees paid out to the Control Committee

Amounts in NOK 1000	2017	2016
Knut Gillesen	16	65
Sigmund Håland	13	50
Jarl Borgvin Dørre	13	50
Cecilie Kvalheim	-	25
Total	**41**	**190**

Fees paid out to the Supervisory Board

Amounts in NOK 1000	2017	2016
Alf Nielsen	25	25
Sven Nicolai E. Eppeland	5	5
Christian F. Stray	5	5
Tord Strømme Meling	5	5
Betty Tandberg	5	5
Gunnar Martinsen	5	5
Thomas Berntsen	5	5
Truls Persen	5	5
Dag Håvard H. Hanssen	5	5
Bjørn Olaf Svindal	5	5
Kristin Møllerplass	5	5
Anders Gullestad	5	5
Håkon Rådmannsøy Hovde	5	5
Andreas Pedersen	5	-
Roger Stange Nilsen	5	5
Brede Huser	-	5
Sammy J.F. Mendez Caparros	-	5
Total	**95**	**100**

Auditor fees

The following expenses for external auditor fees have been recognized in the accounts, incl VAT.

Amounts in NOK 1000	2017	2016
Statutory auditing	1,012	875
Other certification services	53	13
Tax advisory services	-	-
Other non-audit services*	1,169	507
Total	**2,234**	**1,395**

*Included in *other non-audit services* are NOK 921 thousand in expenses related to implementation of IFRS 9.

Note 20. Classification of financial instruments

2017	Financial instruments at fair value					
Amounts in NOK 1000	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments held for sale	Financial instruments valued at amortized cost	Financial instruments held to maturity	Total
Cash and deposits with the central bank	-	-	-	65,978	-	65,978
Loans and deposits with credit institutions	-	-	-	1,254,152	-	1,254,152
Loans to customers	-	-	-	32,451,550	-	32,451,550
Certificates and bonds	8,859,834	-	-	-	-	8,859,834
Shares and other securities	-	443	-	-	-	443
Financial derivatives	-	1,935	-	-	-	1,935
Assets held for sale	-	-	32,922	-	-	32,922
Total financial assets	**8,859,834**	**2,379**	**32,922**	**33,771,681**	**-**	**42,666,815**
Deposits from customers	-	-	-	33,682,275	-	33,682,275
Debt securities issued	-	-	-	2,242,423	-	2,242,423
Financial derivatives	-	52,246	-	-	-	52,246
Subordinated loan	-	-	-	474,614	-	474,614
Total financial liabilities	**-**	**52,246**	**-**	**36,399,313**	**-**	**36,451,559**

2016	Financial instruments at fair value					
Amounts in NOK 1000	Available for sale in accordance with IAS 39	Recognized at fair value	Financial instruments held for sale	Financial instruments valued at amortized cost	Financial instruments held to maturity	Total
Cash and deposits with the central bank	-	-	-	59,992	-	59,992
Loans and deposits with credit institutions	-	-	-	1,094,717	-	1,094,717
Loans to customers	-	-	-	24,533,983	-	24,533,983
Certificates and bonds	4,464,203	-	-	-	-	4,464,203
Shares and other securities	-	443	-	-	-	443
Assets held for sale	-	-	24,745	-	-	24,745
Total financial assets	**4,464,203**	**443**	**24,745**	**25,688,692**	**-**	**30,178,083**
Deposits from customers	-	-	-	24,423,773	-	24,423,773
Debt securities issued	-	-	-	1,823,973	-	1,823,973
Financial derivatives	-	6,780	-	-	-	6,780
Subordinated loan	-	-	-	274,915	-	274,915
Total financial liabilities	**-**	**6,780**	**-**	**26,522,661**	**-**	**26,529,441**

Note 21. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

Level 1 Valuation based on quoted prices in an active market
Financial instruments in level 1 are determined based on quoted prices in active markets for identical financial instruments available on the balance sheet date.

Level 2 Valuation based on observable market data
Financial instruments in level 2 are determined based on inputs other than quoted prices, but where prices are observable either directly or indirectly. These include quoted prices in markets that are not active.

Level 3 Valuation based on observable market data
When valuation can not be determined in level 1 or 2, valuation methods based on non-observable market data are used.

Financial instruments at fair value

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

	2016			
Amounts in NOK 1000	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	4,464,203	-	4,464,203
Financial derivatives	-	-	-	-
Shares and other securities	-	-	443	443
Financial assets held for sale	-	-	24,745	24,745
Total financial assets at fair value	**-**	**4,464,203**	**25,188**	**4,489,391**
Financial derivatives	-	6,780	-	6,780
Total financial liabilities at fair value	**-**	**6,780**	**-**	**6,780**

Change in instruments classified at level 3

	2017		
Amounts in NOK 1000	Shares and other securities	Financial assets held for sale	Total
Value 31.12.16	443	24,745	25,188
Additions	-	-	-
Disposals	-	-	-
Settlement	-	-	-
Net gain / loss on financial instruments	-	8,176	8,176
Value 31.12.17	**443**	**32,921**	**33,364**

	2016		
Amounts in NOK 1000	Shares and other securities	Financial assets held for sale	Total
Value 31.12.15	443	60,446	60,889
Additions	-	-	-
Disposals	-	-	-
Settlement	-	-57,659	-57,659
Net gain / loss on financial instruments	-	21,958	21,958
Value 31.12.16	**443**	**24,745**	**25,188**

Valuation method
Ownership in Visa Norge FLI
Ownership in Visa Norge FLI is considered to be a financial asset and is classified as financial assets held for sale. The fair value of the asset is estimated at NOK 32.9 million as of 31.12.2017. The calculation is based on input from the association, and contains significant estimations. See note 25 for further description of the asset and the value calculation.

Shares in BankID Norge AS
Bank Norwegian AS was at 12.8.2014 issued 280 shares in BankID Norge AS based on the bank's share of participation in the BankID association. Value of shares are estimated at the going rate at the time granted.

Note 22. Net gain on financial instruments at fair value

Amounts in NOK 1000	2017	2016
Net gain on certificates and bonds	-17,251	112
Net gain on FX-forwards	-140,821	102,207
Net currency effects	165,530	-85,915
Net gains on shares and other securities with variable yield	-	57,659
Total	**7,458**	**74,064**

Note 23. Fair value of financial instruments at amortized cost

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

Loans and deposits with central banks and credit institutions and deposits from customers
Fair value is estimated to conform with amortized cost.

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

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

Fair value of financial instruments at amortized cost

	2017		2016	
Amounts in NOK 1000	Book value	Fair value	Book value	Fair value
Cash and deposits with the central bank	65,976	65,976	59,992	59,992
Loans and deposits with credit institutions	1,254,152	1,254,152	1,094,717	1,094,717
Loans to customers	32,451,553	32,451,553	24,533,983	24,533,983
Total financial assets	**33,771,681**	**33,771,681**	**25,688,692**	**25,688,692**
Deposits from customers	33,682,275	33,682,275	24,423,773	24,423,773
Debt securities issued	2,242,423	2,301,855	1,823,973	1,823,250
Subordinated loan	474,614	478,360	274,915	275,735
Total financial liabilities	**36,399,313**	**36,462,490**	**26,522,661**	**26,522,758**

Note 24. Debt securities issued and subordinated loan

Debt securities issued

Amounts in NOK 1000	2017	2016
Certificates, nominal value	-	-
Bonds, nominal value	2,239,800	1,820,000
Value adjustments and currency effects	-1,580	259
Accrued interest	4,203	3,714
Total debt securities issued	**2,242,423**	**1,823,973**

Change in debt securities issued

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

Amounts in NOK 1000	Balance 31.12.16	Issued	Overdue / redeemed	Other changes	Balance 31.12.15
Certificates, nominal value	-	-	-200,000	-	200,000
Bonds, nominal value	1,820,000	500,000	-354,000	-	1,674,000
Value adjustments and currency effects	259	-	-	-718	977
Accrued interest	3,714	-	-	-880	4,594
Total debt securities issued	**1,823,973**	**500,000**	**-554,000**	**-1,597**	**1,879,571**

Change in subordinated loan

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

Amounts in NOK 1000	Balance 31.12.16	Issued	Overdue / redeemed	Other changes	Balance 31.12.15
Subordinated loan, nominal value	275,000	100,000	-	-	175,000
Value adjustments	-581	-	-	-165	-416
Accrued interest	496	-	-	118	378
Total subordinated loan	**274,915**	**100,000**	**-**	**-47**	**174,962**

Cash flows from funding *Amounts in NOK 1000*	Balance 31.12.2016	Issued new debt	Early repayment of debt	Ordinary repayment of debt	Interest expense 2017	Paid interest 2017	Amortization*	Balance 31.12.2017
Debt securities issued	1,823,973	1,299,320	-280,000	-600,000	34,346	-33,856	-1,359	2,242,423
Subordinated loan	274,915	200,000	-	-	15,530	-15,200	-631	474,614

*With regards to premiums, discounts and transaction costs.

Note 25. Financial assets held for sale

The bank is a member of Visa Norge FLI ("Visa Norge"), being a shareholder of Visa Europe Ltd. On 2 November 2015, an agreement between Visa Europe Ltd. and Visa Inc. was announced where Visa Inc. acquires all shares in Visa Europe Ltd. This transaction consists of a cash consideration, convertible preference shares and a deferred cash consideration paid three years after completion of the transaction. The process was finalized in June 2016 and the bank has in this connection received its share of the cash consideration based on the bank's stake in Visa Norge. Cash received, MNOK 57.7, has been reclassified to the income statement. Further changes in the value to the preference shares and the deferred cash consideration are recognized in other comprehensive income.

Note 26. Information on taxes

Amounts in NOK 1000	2017	2016
Deferred tax asset / deferred tax		
Basis for deferred tax asset / deferred tax in the balance sheet	-44,639	-15,097
Deferred tax asset / deferred tax	-11,157	-3,771
Deferred tax asset / deferred tax in the accounts	**-11,157**	**-3,771**
Basis for tax charge, changes in deferred tax and tax payable		
Profit before tax	2,126,577	1,264,990
Permanent differences	-18,598	-64,325
Basis for the tax charge for the year	2,107,980	1,200,665
Change in differences included in the basis for deferred tax / tax asset	29,543	-11,570
Share issue expenses	-	-18
Basis for tax payable in the profit and loss	2,137,522	1,189,077
Taxable income (basis for tax payable in the balance sheet)	**2,137,522**	**1,189,077**
Distribution of tax charge		
Tax payable (25% of taxable income)	534,381	297,269
Total tax payable	534,381	297,269
Change in deferred tax / tax asset	-7,386	2,897
Tax charge	**526,995**	**300,166**
Reconciliation of tax charge		
Profit before tax	2,126,577	1,264,990
Estimated tax expense (25%)	531,644	316,248
Tax charge in profit and loss account	526,995	300,166
Difference	**-4,649**	**-16,081**
The difference consists of:		
25% of permanent differences	-4,649	-16,081
Explained difference	**-4,649**	**-16,081**
Tax payable in the balance sheet		
Tax payable in the tax charge	534,381	297,269
Tax effect of expenses recognized directly in equity	-8,495	199
Tax payable	**525,886**	**297,468**

Note 27. Intangible assets

Amounts in NOK 1000	IT / Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.16	82,838	-	17,337	76,530	176,705
Additions	29,734	-	-	25,647	55,381
Disposals	-4,213	-	-	-22,018	-26,230
Acquisition cost 31.12.17	108,359	-	17,337	80,159	205,856
Accumulated depreciations 31.12.17	50,712	-	-	39,676	90,388
Net accumulated and reversed amortizations 31.12.17	-	-	-	789	789
Acc. depreciations, amortizations and rev. amortizations 31.12.17	50,712	-	-	40,465	91,177
Book value 31.12.17	**57,647**	**-**	**17,337**	**39,694**	**114,678**
Annual depreciations	15,561	-	-	28,012	43,573
Annual amortizations	-	-	-	789	789
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortisable	Linear	

Amounts in NOK 1000	IT / Software	Trademark	Connection fee	Agent commissions	Total
Accumulated acquisition cost 31.12.15	105,667	12,500	17,337	74,757	210,261
Additions	22,094	-	-	27,167	49,261
Disposals	-44,923	-12,500	-	-25,394	-82,817
Acquisition cost 31.12.16	82,838	-	17,337	76,530	176,705
Accumulated depreciations 31.12.16	35,151	-	-	33,729	68,880
Net accumulated and reversed amortizations 31.12.16	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.16	35,151	-	-	33,729	68,880
Book value 31.12.16	**47,686**	**-**	**17,337**	**42,801**	**107,826**
Annual depreciations	13,911	-	-	28,335	42,246
Annual amortizations	-	-	-	-	-
Annual reversed amortizations	-	-	-	-	-
Expected useful life	5 years	5 years	Not	3 years	
Depreciation method	Linear	Linear	amortisable	Linear	

IT / Software consists of software rights and proprietary developments. The connection fee provides access to the common infrastructure for payment services in Norway. The infrastructure ensures that banks are able to offer payment services which allow customers to settle transactions among themselves, independently of connections to banks. The accounting of agent commissions was in the first quarter reclassified in accordance with IAS 38 *Intangible Assets* and IAS 39 *Financial Instruments - Recognition and Measurement* . Agent commissions were reclassified from *Receivables* to *Loans to customers* and *Intangible assets* , with reclassification of associated expenses in the profit and loss accounts from *General administrative expenses* to *Interest income* and *Ordinary depreciation* . The reclassifications did not have any effect on the profit after tax. Comparative figures has been revised accordingly.

Note 28. Tangible fixed assets

Amounts in NOK 1000	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.16	-	1,859	712	2,571
Additions	-	-	1,050	1,050
Disposals	-	-	-	-
Acquisition cost 31.12.17	-	1,859	1,762	3,621
Accumulated depreciations 31.12.17	-	1,834	787	2,621
Net accumulated and reversed amortizations 31.12.17	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.17	-	1,834	787	2,621
Book value 31.12.17	**-**	**25**	**975**	**1,000**
Annual depreciations	-	39	75	114
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	

Amounts in NOK 1000	Office machines and motor vehicles	Fixtures and fittings	Hardware	Total
Accumulated acquisition cost 31.12.15	948	2,255	1,927	5,130
Additions	-	-	-	-
Disposals	-948	-396	-1,215	-2,559
Acquisition cost 31.12.16	-	1,859	712	2,571
Accumulated depreciations 31.12.16	-	1,794	712	2,506
Net accumulated and reversed amortizations 31.12.16	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations 31.12.16	-	1,794	712	2,506
Book value 31.12.16	**-**	**65**	**-**	**65**
Annual depreciations	89	41	50	181
Annual amortizations	-	-	-	-
Annual reversed amortizations	-	-	-	-
Expected useful life	5 years	5 years	3 years	
Depreciation method	Linear	Linear	Linear	

Note 29. Receivables

Amounts in NOK 1000	2017	2016
Distribution commissions	92,866	82,373
Prepaid expenses	4,800	12,140
Net collateral issued/received	84,700	-
Other receivables	12,434	5,406
Total	**194,800**	**99,919**

Note 30. Other liabilities

Amounts in NOK 1000	2017	2016
Payables to suppliers	6,545	40,903
Value added tax	8,412	3,533
Social security tax	2,467	1,862
Tax withholdings	2,335	2,090
Unsettled items related to certificates and bonds	138,135	75,235
Other liabilities	794	23,273
Total	**158,689**	**146,896**

Note 31. Accrued expenses

Amounts in NOK 1000	2017	2016
Accrued not due expenses	131,160	81,799
Bonus	12,131	10,152
Holiday pay	4,566	4,328
Board remuneration	1,146	1,218
Accrued fees	41	177
Total	**149,045**	**97,675**

Note 32. Capital adequacy

Amounts in NOK 1000	2017	2016
Total capital		
Share capital	183,315	176,800
+ Share premium	966,646	473,160
+ Other reserves	3,918,312	2,333,223
- Deferred tax assets, intangible assets and additional valuation adjustment	134,783	111,597
Common equity Tier 1	**4,933,489**	**2,871,586**
+ Additional Tier 1 capital	635,000	335,000
Tier 1 capital	**5,568,489**	**3,206,586**
+ Tier 2 capital	474,614	274,915
Total capital	**6,043,104**	**3,481,501**
Calculation basis		
Credit risk		
Covered bonds	232,981	76,611
+ Institutions	906,215	666,680
+ Loans to customers	22,472,413	17,310,780
+ Defaulted loans and other commitments	2,719,400	1,578,115
Operational risk	2,608,215	1,629,986
Total calculation basis	**28,939,225**	**21,262,172**
Common equity Tier 1 %	**17.05 %**	**13.51 %**
Tier 1 capital %	**19.24 %**	**15.08 %**
Total capital %	**20.88 %**	**16.37 %**

Note 33. Tier 1 capital

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

In 2016 the bank issued an additional Tier 1 capital instrument. The instrument has a nominal value of NOK 210.0 million. The instrument is perpetual and the bank may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date. Interest rates payable is 3 month NIBOR + 5.25%.

The bank issued an additional Tier 1 capital instrument in 2017. The instrument has a nominal value of NOK 300.0 million. The instrument is perpetual and the bank may redeem the capital for the first time five years after issuance, and thereafter at each interest payment date. Interest rates payable is 3 month NIBOR + 5.25%.

The terms of the Tier 1 capital meet the requirements of EU CRR regulations and are included in the bank 's core capital for capital adequacy purposes. As a result, the bank has a unilateral right not to repay interest or principal to investors. This means that the Tier 1 capital does not satisfy the conditions for financial liabilities in IAS 32 *Financial instruments - presentation* and is therefore presented in the bank's equity as Tier 1 capital. This means further that interest rates linked to the Tier 1 capital is not presented as an *Interest expense*, but as a reduction in *Retained earnings and other reserves*. Similarly, the interest tax advantage is presented as an increase in *Retained earnings and other reserves* and not as a reduction of *Tax charge* in the profit and loss.

Note 34. Lease agreements

The bank is sharing premises with Norwegian Air Shuttle ASA. A temporary lease agreement has been signed for Snarøyveien 36, Fornebu. The temporary lease agreement expires at the end of 2018 / beginning of 2019. The bank expects to extend the lease agreement for a longer period, starting from the beginning of 2019. The annual rent totals NOK 2.1 million.

Note 35. Related parties

Bank Norwegian AS and Norwegian Air Shuttle ASA have since October 2007 had an agreement regarding the bank's use of the brand name Norwegian, IP-rights, and co-operation regarding the loyalty program and credit cards. Based on the bank's expansion into Sweden, Denmark and Finland, new agreements has been renegotiated. All accrued rights remain. The agreements will be renegotiated by 31.12.2020. Expensed amount is NOK 275.8 million in 2017 and NOK 191.1 million in 2016.

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

Note 36. Provisions and legal claims

In June 2017, the bank was reported by Santander Consumer Bank, Komplett Bank, Ikano Bank and Monobank to the Council dealing with unfair marketing practices (“Næringslivets Konkurranseutvalg”) for breaches of section 25 of the Marketing Act (“Markedsføringsloven § 25”).

In November, the bank received a copy of the minutes of a meeting in the Council dealing with unfair marketing practices. Here it is stated that, according to the Council's view, the bank's marketing practice is in violation of section 25 of the Marketing Act, good business practice between business owners.

The bank has considered the Council's statement and disagrees with the decisions made by the Council. It is the bank’s view that the interpretation of section 25 of the Marketing Act is too strict and that the practice, if it were to be complied with, restricts competition between competitors. The bank also disagrees with the fact that this exclusively concerns market law, but that the area of trademark law is also relevant, which was not considered by the Council.

On 19 February 2018, the bank received a draft subpoena from Komplett Bank, Monobank and Ikano Bank. The bank has been given seven days to comply with the requirements of the draft subpoena. The bank considers that there is no basis for a subpoena.

Note 37. Subsequent events

The Chairman of the Board of Bank Norwegian AS and Norwegian Finans Holding ASA, Bjørn H. Kise, announced on 15 February 2018 that he will resign from both positions. The Election Committee in Norwegian Finans Holding ASA has proposed that the General Meeting elects Bjørn Østbø as Chairman of the Board of Directors of Norwegian Finans Holding ASA for a period until the Annual General Meeting in 2020.

The Election Committee in Bank Norwegian AS has proposed that the General Meeting elects current board member John Høsteland as Chairman of the Board of Bank Norwegian AS and that Bjørn Østbø is elected as a member of the board of directors of Bank Norwegian AS.

The board of directors is not aware of other events after the date of the balance sheet that may be of material significance to the annual accounts.

Quarterly figures

Profit and loss account

Amounts in NOK 1000	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Interest income	1,152,380	1,069,791	1,016,459	934,008	846,609
Interest expenses	137,510	132,140	124,215	108,347	93,686
Net interest income	**1,014,870**	**937,651**	**892,245**	**825,661**	**752,923**
Commission and bank services income	120,963	104,415	93,728	80,892	62,767
Commission and bank services expenses	63,511	55,140	50,034	42,045	40,805
Net change in value on securities and currency	-3,355	685	4,612	5,516	-4,562
Other income	-	-	-	-	-
Net other operating income	**54,098**	**49,960**	**48,305**	**44,363**	**17,400**
Total income	**1,068,968**	**987,612**	**940,550**	**870,024**	**770,323**
Personnel expenses	20,203	18,413	16,260	19,077	14,257
General administrative expenses	245,239	229,649	215,419	215,979	223,340
Ordinary depreciation	11,837	10,403	10,861	11,375	11,299
Other operating expenses	11,650	10,587	10,130	11,106	11,309
Total operating expenses	**288,930**	**269,052**	**252,670**	**257,536**	**260,205**
Provision for loan losses	199,109	140,862	155,193	177,224	144,663
Profit on ordinary activities before tax	**580,929**	**577,698**	**532,686**	**435,264**	**365,455**
Tax charge	140,476	144,531	133,172	108,816	75,283
Profit on ordinary activities after tax	**440,453**	**433,167**	**399,514**	**326,448**	**290,172**

Comprehensive income

Amounts in NOK 1000	Q4 2017	Q3 2017	Q2 2017	Q1 2017	Q4 2016
Profit on ordinary activities after tax	**440,453**	**433,167**	**399,514**	**326,448**	**290,172**
Change in fair value for assets held for sale	3,081	1,466	937	2,691	250
Tax	-23	-11	-7	-20	-2
Other comprehensive income that may be reclassified to profit and loss	**3,058**	**1,455**	**930**	**2,671**	**248**
Comprehensive income for the period	**443,511**	**434,622**	**400,444**	**329,119**	**290,420**

Balance sheet

Amounts in NOK 1000	31.12.17	30.9.17	30.6.17	31.3.17	31.12.16
Assets					
Cash and deposits with the central bank	65,976	61,979	61,981	59,986	59,992
Loans and deposits with credit institutions	1,254,152	1,762,645	1,392,570	1,067,327	1,094,717
Loans to customers	32,451,553	30,135,429	28,868,053	27,152,968	24,533,983
Certificates and bonds	8,859,834	8,365,022	8,185,779	6,567,532	4,464,203
Financial derivatives	1,935	3,304	946	2,578	-
Shares and other securities	443	443	443	443	443
Assets held for sale	32,922	29,841	28,374	27,437	24,745
Intangible assets	114,678	115,579	117,965	113,698	107,826
Deferred tax asset	11,157	3,771	3,771	3,771	3,771
Fixed assets	1,000	1,071	1,094	54	65
Receivables	194,800	123,161	130,322	125,287	99,919
Total assets	**42,988,451**	**40,602,245**	**38,791,298**	**35,121,081**	**30,389,664**
Liabilities and equity					
Deposits from customers	33,682,275	31,988,426	30,922,923	28,249,846	24,423,773
Debt securities issued	2,242,423	2,040,270	2,040,622	1,798,667	1,823,973
Financial derivatives	52,246	11,265	3,999	-	6,780
Tax payable	525,886	382,070	239,822	310,971	297,468
Other liabilities	158,689	285,135	168,377	253,079	146,896
Accrued expenses	149,045	153,763	101,413	90,147	97,675
Subordinated loan	474,614	474,536	474,721	274,892	274,915
Total liabilities	**37,285,179**	**35,335,466**	**33,951,877**	**30,977,603**	**27,071,480**
Share capital	183,315	183,315	183,315	183,315	176,800
Share premium	966,646	966,646	966,646	966,646	473,160
Tier 1 capital	635,000	635,000	635,000	335,000	335,000
Retained earnings and other reserves	3,918,312	3,481,818	3,054,461	2,658,518	2,333,223
Total equity	**5,703,272**	**5,266,778**	**4,839,421**	**4,143,479**	**3,318,183**
Total liabilities and equity	**42,988,451**	**40,602,245**	**38,791,298**	**35,121,081**	**30,389,664**