

Report for the third quarter 2018

Bank Norwegian AS

Letter from the CEO

Economic outlook for the Nordic region and key factors for the bank's development remain favorable. GDP growth and employment levels are favorable while interest rates remain at low levels with a slight upward trend. All four markets where Bank Norwegian operate experience a regulatory focus on the financial industry, although there are no substantial new initiatives this quarter.

The third quarter reflects a satisfactory underlying performance based on increased net interest income and strong cost control. The development in performance is satisfying when adjusting for non-recurring items in the previous quarter and a correction in the ECL models for Finland. The latter reflects the complexity of building expert models for loan portfolios in newly entered markets and does not indicate a shift in portfolio quality.

We recruited 71,000 new customers in the quarter and the strong trend of increased engagement continues as App usage increased by 25%. The mobile channel is now by far the most used channel of communication with our customers and the ambition is to develop an increasingly personalized customer experience.

The Nordic market for personal loans and savings is attractive and continues to attract competition from incumbent financial institutions, smaller niche banks and fintech entrants. Bank Norwegian's robust profitability and solid balance sheet, combined with lean operations provides a favorable competitive position. Continuously refining our core business to offer the most innovative and competitive services with an optimal risk-based pricing will still be the priority going forward.

Attractive customer journeys, a high degree of personalization and trust will be key to the success for providers of financial services as PSD2 regulations are being implemented. Bank Norwegian is uniquely positioned to deliver on the customers' expectations and our scale and frequent customer interaction will allow us to successfully compete for the customers' attention in an open banking environment.

Bærum, October 29, 2018

Tine Wollebekk

CEO

Bank Norwegian AS Report for the third quarter 2018

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% at the end of the third quarter 2018. Norwegian Finans Holding ASA is listed on the Oslo Stock Exchange with the ticker code NOFI.

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

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

At the end of the third quarter 2018 the bank had a customer base of 1,463,800 customers, which can be broken down into 1,070,800 credit card customers, 195,100 instalment loan customers and 197,900 deposit customers.

Profit and loss as of September 30, 2018

The bank's comprehensive income amounted to MNOK 1,329.6 as of September 30, 2018, compared with MNOK 1,164.2 for the same period in 2017. Net interest income totalled MNOK 3,246.3, net other operating income amounted to MNOK 203.9, while total operating expenses were MNOK 934.6. Provisions for loan losses were MNOK 742.8.

Profit and loss for the third quarter 2018

The bank's comprehensive income amounted to MNOK 434.7 compared with MNOK 483.8 in the second quarter 2018. Annual return on equity was 28.7%, compared with 33.8% in the second quarter. The return on assets was 3.6%, compared with 4.2% in the second quarter.

Net interest income amounted to MNOK 1,125.9, an increase of MNOK 34.1 from the second quarter. The increase is mainly explained by loan growth. The net interest margin was 9.2%, compared with 9.4% in the second quarter.

Net other operating income amounted to MNOK 69.2 compared with MNOK 94.3 in the second quarter. Net commission income decreased MNOK 15.2 to MNOK 58.0 mainly due to network and insurance incentives in the second quarter. Net gain on securities and currency amounted to MNOK 11.1, compared with a net gain of MNOK 21.1 in the second quarter. Gains on currency and shares exceeded negative change in value on fixed income securities in both the second and third quarter.

Total operating expenses amounted to MNOK 316.3 compared with MNOK 306.3 in the second quarter. Personnel expenses increased MNOK 6.1 mainly due to seasonal accrual effect in the second quarter. Administrative expenses increased by MNOK 3.3 mainly due to increased sales provision expenses. Depreciation decreased MNOK 0.2. Other operating expenses increased MNOK 0.8.

The bank's provisions for loan losses were MNOK 299.2, an increase of MNOK 64.5 from the second quarter. Provisions in the third quarter equalled 3.1% of average gross loans, compared with 2.6% in the second quarter. The increased provisions are mainly due to normalized provisioning in Sweden after a reversal of provisions in the second quarter. In addition, following the discretionary provision in Finland in the second quarter, the bank is allowing for a similar provision level in the third quarter to account for an expected credit loss model correction. Provision levels in Norway were stable, while provisions in Denmark fell.

Gross delinquent loans were MNOK 4,454, compared with MNOK 3,785 at the end of the second quarter. Delinquent loans accounted for 11.6% of gross loans, compared with 10.3% at the end of the second quarter. Gross non-performing loans accounted for 9.2% of gross loans, compared with 8.1% as of 30.6.2018. The level of non-performing loans is developing as expected considering the unseasoned portfolios in Denmark and Finland, and the portfolios in Norway and Sweden are increasing from a low base following the sale of non-performing loan portfolios in 2017.

Balance sheet as of September 30, 2018

Total assets increased MNOK 2,240 in the quarter and amounted to MNOK 49,533.

Net loans to customers increased MNOK 1,282 compared with MNOK 1,621 in the previous quarter and totalled MNOK 36,717. Instalment loan growth was stable, whereas credit card loan growth fell due to cut-off effects. Instalment loans amounted to MNOK 27,459 and credit card loans amounted to MNOK 10,995.

Customer deposits increased MNOK 1,653 compared with MNOK 1,917 in the second quarter and amounted to MNOK 39,359 at the end of the third quarter.

Liquid assets increased MNOK 932 and amounted to MNOK 12,460, equivalent to 25.2% of total assets.

Total equity amounted to MNOK 6,878, compared with MNOK 6,450 as of 30.6.2018. The total capital ratio was 21.0%, the core capital ratio was 19.6% and the common equity tier 1 ratio was 17.8%.

There has been a limited review of the accounts as of 30.9.2018, and the full result is added to retained earnings.

Outlook for the remaining of the year

The positive economic trends in the Nordic markets where the bank operates continues. The Norwegian economy continues to show positive signals. The labor market in

Sweden is still strong and housing market is stabilizing. The Danish and Finnish economies show moderate growth and an improved labor market.

The interest rate levels in the countries where the bank is represented are anticipated to remain low, although higher interest rates are expected going forward. The bank is still expected to benefit from 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, even though the Nordic market for unsecured credit is impacted by increased competition. Increased competition is expected to lead to higher customer acquisition cost, margin pressure or lower growth. Increased run-off in line with a growing portfolio is also expected to affect future loan growth.

The bank has a broad Nordic platform and loan volumes are growing faster outside of Norway. The bank has therefore a diversified risk in relation to the individual markets.

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

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

The credit quality of the loan portfolios in all markets are expected to exhibit a stable development going forward.

The correction to the expected credit loss model in Finland, with the associated higher provision in the third quarter, has brought allowance levels in line with expected credit losses. A normalized provision level is expected for Finland going forward.

The bank strengthened its capital position further in the beginning of the fourth quarter by issuing MNOK 125 in additional tier 1 capital and MSEK 550 in tier 2 capital.

Common equity tier 1 ratio was 17.8% 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.

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

Subsequent events

The bank has entered into an agreement with Axactor to transfer a portfolio of non-performing loans in Finland with an outstanding balance of approximately MEUR 160. The transaction is estimated to close November 30, 2018 and is expected to have an immaterial earnings impact. The transaction will yield cost savings and eliminates uncertainty regarding the recovery of outstanding claims.

Bærum, October 29, 2018
Board of directors of Bank Norwegian AS

John Høsteland
Chairman of the Board

Bjørn Østbø
Board Member

Lars Ola Kjos
Board Member

Christine Rødsæther
Board Member

Gunn Ingemundsen
Board Member

Anders Gullestad
Board Member

Tine Wollebekk
CEO

Profit and loss account

<i>Amounts in NOK 1000</i>	Note	Q3 2018	Q3 2017	YTD 2018	YTD 2017	2017
Interest income, amortised cost		1,266,106	1,044,460	3,635,648	2,949,409	4,077,517
Other interest income		23,730	25,331	71,799	70,849	95,122
Interest expenses		163,924	132,140	461,192	364,701	502,211
Net interest income	10	1,125,912	937,651	3,246,256	2,655,557	3,670,428
Commission and bank services income	11	134,278	104,415	397,476	279,035	399,998
Commission and bank services expenses	11	76,282	55,140	212,364	147,219	210,730
Net change in value on securities and currency	12	11,144	685	18,756	10,812	7,458
Other income		32	-	32	170	-
Net other operating income		69,171	49,960	203,900	142,629	196,726
Total income		1,195,084	987,612	3,450,156	2,798,186	3,867,154
Personnel expenses		23,126	18,413	61,425	53,750	73,953
General administrative expenses	13	268,036	229,649	799,700	661,047	906,286
Ordinary depreciation		11,912	10,403	35,984	32,640	44,477
Other operating expenses	14	13,212	10,587	37,467	31,822	43,472
Total operating expenses before losses		316,286	269,052	934,577	779,258	1,068,188
Provision for loan losses	3, 5, 6	299,209	140,862	742,818	473,280	672,388
Profit before tax		579,589	577,698	1,772,761	1,545,648	2,126,577
Tax charge		144,888	144,531	443,181	386,519	526,995
Profit after tax		434,700	433,167	1,329,580	1,159,129	1,599,582
Earnings per share (kroner)		2.37	2.36	7.25	6.44	8.80
Diluted earning per share (kroner)		2.37	2.36	7.25	6.44	8.80

Comprehensive income

<i>Amounts in NOK 1000</i>	Q3 2018	Q3 2017	YTD 2018	YTD 2017	2017
Profit on ordinary activities after tax	434,700	433,167	1,329,580	1,159,129	1,599,582
Change in fair value for assets available for sale	-	1,466	-	5,095	8,176
Tax	-	-11	-	-38	-61
Other comprehensive income	-	1,455	-	5,057	8,115
Comprehensive income for the period	434,700	434,622	1,329,580	1,164,186	1,607,697

Balance sheet

<i>Amounts in NOK 1000</i>	Note	30.9.18	30.9.17	31.12.17
Assets				
Cash and deposits with the central bank	9, 16	65,957	61,979	65,976
Loans and deposits with credit institutions	9, 16	1,580,922	1,762,645	1,254,152
Loans to customers	4, 7, 16	36,716,545	30,135,429	32,451,553
Certificates and bonds	15	10,812,673	8,365,022	8,859,834
Financial derivatives	15	48,072	3,304	1,935
Shares and other securities	15, 18	38,637	443	443
Assets available for sale	15, 18	-	29,841	32,922
Intangible assets		114,174	115,579	114,678
Deferred tax asset		11,157	3,771	11,157
Fixed assets		821	1,071	1,000
Receivables	19	144,128	123,161	194,800
Total assets		49,533,086	40,602,245	42,988,451
Liabilities and equity				
Loans from credit institutions		32,300	-	-
Deposits from customers	16	39,359,001	31,988,426	33,682,275
Debt securities issued	16, 17	1,812,167	2,040,270	2,242,423
Financial derivatives	15	1,056	11,265	52,246
Tax payable		633,584	382,070	525,886
Other liabilities	20	141,331	285,135	158,689
Accrued expenses	21	201,394	153,763	149,045
Subordinated loan	16, 17	474,637	474,536	474,614
Total liabilities		42,655,470	35,335,466	37,285,179
Share capital		183,315	183,315	183,315
Share premium		966,646	966,646	966,646
Tier 1 capital		635,000	635,000	635,000
Retained earnings and other reserves		5,092,655	3,481,818	3,918,312
Total equity	22	6,877,615	5,266,778	5,703,272
Total liabilities and equity		49,533,086	40,602,245	42,988,451

Bærum, October 29, 2018
Board of directors of Bank Norwegian AS

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Chairman of the Board

Bjørn Østbø
Board Member

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Board Member

Tine Wollebekk
CEO

Cash flow statement

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Profit / loss after tax	1,329,580	1,164,186	1,607,697
Unrealized gain or losses on currency	110,618	388,238	47,565
Depreciations and amortizations	35,984	32,640	44,477
Provision for loan losses	742,818	473,280	672,388
Change in loans to customers	-4,953,242	-6,103,417	-8,602,144
Change in deposits from customers	5,676,726	7,564,653	9,258,502
Change in certificates and bonds	-1,952,839	-3,900,819	-4,395,632
Change in assets available for sale, before tax	-	5,095	8,176
Change in receivables, deferred tax asset and financial derivatives	4,536	-26,546	-104,202
Change in loans from credit institutions	32,300	-	-
Change in shares and other securities	-5,273	-	-
Change in tax payable, accrued expenses and other liabilities	91,499	283,414	337,047
Net cash flow from operating activities	1,112,707	-119,275	-1,126,125
Proceeds from sale of tangible assets	32	-	-
Payment for acquisition of intangible assets	-35,317	-21,849	-55,381
Payment for acquisition of tangible assets	-	-1,050	-1,050
Net cash flow from investment activities	-35,285	-22,899	-56,431
Paid-in share capital and share premium	-	500,000	500,000
Issued debt securities	-	500,000	1,299,320
Repayment of debt securities	-430,248	-283,703	-880,870
Issued subordinated loan	-	199,621	199,699
Issued Tier 1 capital	-	299,250	299,250
Paid interest Tier 1 capital	-21,705	-14,841	-21,858
Paid group contribution, after tax	-188,100	-	-
Net cash flow from financing activities	-640,054	1,200,328	1,395,541
Currency effect on cash and cash equivalents	-110,618	-388,238	-47,565
Net cash flow for the period	326,750	669,916	165,420
Cash and cash equivalents at the start of the period	1,320,128	1,154,708	1,154,708
Cash and cash equivalents at the end of the period	1,646,878	1,824,624	1,320,128

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.17	183,315	966,646	635,000	3,918,312	5,703,272
This period's profit	-	-	-	1,329,580	1,329,580
Comprehensive income for the period	-	-	-	1,329,580	1,329,580
Paid interest Tier 1 capital	-	-	-	-21,705	-21,705
Paid group contribution after tax	-	-	-	-188,100	-188,100
Change in write-downs under IFRS 9	-	-	-	54,568	54,568
Balance 30.9.18	183,315	966,646	635,000	5,092,655	6,877,615

<i>Amounts in NOK 1000</i>	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	-	-	-	1,159,129	1,159,129
Items that may be reclassified to profit and loss, after tax	-	-	-	5,057	5,057
Comprehensive income for the period	-	-	-	1,164,186	1,164,186
Paid interest Tier 1 capital	-	-	-	-14,841	-14,841
Capital increase	6,515	493,485	-	-	500,000
Issued Tier 1 capital	-	-	300,000	-750	299,250
Balance 30.9.17	183,315	966,646	635,000	3,481,818	5,266,778

Notes

Note 1. General accounting principles

The interim report for the third quarter 2018 is prepared according to International Financial Reporting Standards as adopted by the European Union, hereunder *IAS 34 Interim Financial Reporting*. The interim report for the third quarter 2018 is prepared according to the Norwegian Ministry of Finance's regulations on annual accounts, Section 1-6, on the use of IFRS.

Accounting standards which have been implemented in 2018

IFRS 9 - Financial Instruments

IASB has published the final version of IFRS 9 *Financial Instruments*, which replaced IAS 39 *Financial Instruments – Recognition and Measurement*. IFRS 9 introduced 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 1.1.2018 or later. Earlier application is permitted. The standard must be applied retrospectively, except for hedge accounting. Restatement of comparative figures is not required.

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

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

IFRS 9 requires write-downs on loans to be calculated using different assumptions about future development of credit losses. The bank has made calculations of losses under IFRS 9 based on a base, upper and lower scenario. The calculations at 31.12.17 show an after-tax reduction of write-downs of NOK 55 million after tax compared to write-downs under IAS 39. The decreased in write-downs has been booked as a change in equity as per 1.1.2018, and increases *Loans to customers*.

In connection with the introduction of IFRS 9, an amendment to *IAS 1, par. 82 (a)* was made that applies to accounting periods beginning on or after 1.1.2018. According to this change, interest income calculated using the effective interest rate method (financial assets measured at amortized cost or at fair value through comprehensive income) shall be presented separately in the income statement. The bank has classified *Cash and deposits with the central bank*, *Loans and deposits with credit institutions* and *Loans to customers* at amortized cost. Interest income calculated using the effective interest method is presented separately in the income statement. Comparative figures are presented accordingly.

IFRS 15 - Revenue from Contracts with Customers

The bank has applied IFRS 15 *Revenues from contracts with customers* with effect from 1.1.2018. The implementation has not led to significant changes in the Bank's accounting policies.

The bank paid a group contribution of NOK 247.5 million to its parent company Norwegian Finans Holding ASA in the second quarter.

Note 2. Segments

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

Profit and loss account YTD 2018

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	1,560,679	550,088	358,349	777,140	3,246,256
Net other operating income	125,845	60,469	19,819	-2,233	203,900
Total income	1,686,524	610,557	378,168	774,907	3,450,156
Total operating expenses before losses	406,785	210,809	123,772	193,211	934,577
Provision for loan losses	178,724	124,546	142,812	296,736	742,818
Profit before tax	1,101,015	275,201	111,584	284,961	1,772,761
Tax charge	275,255	68,800	27,853	71,274	443,181
Profit after tax	825,761	206,401	83,731	213,687	1,329,580

Other comprehensive income

Comprehensive income for the period	825,761	206,401	83,731	213,687	1,329,580
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Balance sheet 30.9.18

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	18,122,426	6,033,109	3,752,357	8,808,652	36,716,545
Other assets	7,326,344	2,317,171	1,170,351	2,002,675	12,816,541
Total assets	25,448,770	8,350,280	4,922,708	10,811,327	49,533,086
Deposits from customers	19,538,116	6,391,483	3,714,871	9,714,531	39,359,001
Other liabilities and equity	5,910,654	1,958,797	1,207,837	1,096,797	10,174,085
Total liabilities and equity	25,448,770	8,350,280	4,922,708	10,811,327	49,533,086

Profit and loss account YTD 2017

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Net interest income	1,443,668	486,005	220,577	505,307	2,655,557
Net other operating income	96,810	39,813	753	5,252	142,629
Total income	1,540,478	525,818	221,331	510,559	2,798,186
Total operating expenses before losses	375,431	177,982	102,993	122,853	779,258
Provision for loan losses	136,802	103,391	104,059	129,028	473,280
Profit before tax	1,028,246	244,445	14,279	258,679	1,545,648
Tax charge	257,173	61,111	3,571	64,664	386,519
Profit after tax	771,073	183,334	10,708	194,015	1,159,129

Other comprehensive income

Comprehensive income for the period	776,130	183,334	10,708	194,015	1,164,186
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Balance sheet 30.9.17

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Total
Loans to customers	16,030,958	5,289,494	2,667,703	6,147,274	30,135,429
Other assets	7,503,612	1,387,289	805,827	770,088	10,466,816
Total assets	23,534,570	6,676,783	3,473,530	6,917,362	40,602,245
Deposits from customers	17,763,796	5,554,010	3,252,669	5,417,952	31,988,426
Other liabilities and equity	5,770,774	1,122,773	220,861	1,499,411	8,613,818
Total liabilities and equity	23,534,570	6,676,783	3,473,530	6,917,362	40,602,245

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 before losses	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 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 after tax	1,038,928	242,442	28,350	289,862	1,599,582

Other comprehensive income

Comprehensive income for the period	1,047,043	242,442	28,350	289,862	1,607,697
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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	17,909,401	5,875,474	3,313,982	6,583,384	33,682,241
Other liabilities and equity	5,115,048	1,780,534	734,078	1,676,550	9,306,210
Total liabilities and equity	23,024,450	7,656,008	4,048,060	8,259,934	42,988,451

Note 3. IFRS 9

Note 3.1. Change in balance sheet items

Change in balance sheet items	IAS 39		IFRS 9	
	Category	Book value 31.12.17	Category	Book value 1.1.18
Financial assets				
Cash and deposits with sentral banks	Amortised cost	65,976	Amortised cost	65,976
Loans and deposits with credit institutions	Amortised cost	1,254,152	Amortised cost	1,254,152
Loans to customers	Amortised cost	32,451,553	Amortised cost	32,524,311
Certificates and bonds	Fair value	8,859,834	Fair value	8,859,834
Financial derivatives	Fair value	1,935	Fair value	1,935
Shares and other securities	Fair value	443	Fair value	33,365
Assets available for sale*	Fair value**	32,922	Fair value	-

* Has been reclassified to *Shares and other securities* under IFRS 9.

** Fair value through other comprehensive income.

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

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

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

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

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

Note 3.2. 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 variables differ between countries. The following macro-economic variables are used in the models: real interest rate in absolute terms, 3-month interbank rate, unemployment level in thousands, hourly pay in NOK, aggregated monthly consumption for the entire population measured in millions in local currency, and unemployment rate in percentage of the total labor force. The data is modeled across three scenarios: a base, an upper and a lower case for expected credit loss. The model is based on the NiGEM-model developed by UK's Institute of Economic and Social Research.

The following weights has been used across all portfolios per 30.9.18:

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

Norway		2019	2020	2021	2022	2023
<i>3-month interbank rate</i>	Base	1.80 %	2.26 %	2.69 %	3.28 %	3.32 %
	Upper	1.55 %	2.01 %	2.44 %	3.03 %	3.07 %
	Lower	2.45 %	2.78 %	3.15 %	3.61 %	3.80 %
<i>Hourly pay in NOK</i>	Base	415	427	441	455	470
	Upper	422	439	457	475	495
	Lower	411	422	434	445	458
<i>Real interest rate</i>	Base	-0.15 %	-0.17 %	0.01 %	0.27 %	0.14 %
	Upper	-0.55 %	-0.57 %	-0.39 %	-0.13 %	-0.26 %
	Lower	1.23 %	0.73 %	0.82 %	1.38 %	0.97 %

Sweden		2019	2020	2021	2022	2023
<i>3-month interbank rate</i>	Base	0.38 %	0.94 %	1.62 %	2.23 %	2.82 %
	Upper	0.12 %	0.44 %	0.93 %	1.33 %	1.73 %
	Lower	0.78 %	1.62 %	2.58 %	3.46 %	4.34 %
<i>Unemployment level in thousands</i>	Base	349	353	354	365	371
	Upper	307	310	307	313	327
	Lower	383	389	391	405	413
<i>Consumption in millions</i>	Base	176,606	180,546	184,704	188,678	192,661
	Upper	179,134	183,994	188,947	193,441	197,760
	Lower	173,327	175,373	177,893	180,550	183,990

Denmark		2019	2020	2021	2022	2023
<i>3-month interbank rate</i>	Base	0.45 %	0.97 %	1.48 %	2.00 %	2.50 %
	Upper	1.23 %	1.58 %	1.96 %	2.42 %	2.87 %
	Lower	0.11 %	0.35 %	0.99 %	1.62 %	2.17 %
<i>Consumption in millions</i>	Base	79,551	81,101	82,734	84,308	85,917
	Upper	82,548	85,931	88,909	91,546	94,136
	Lower	76,399	76,274	76,852	77,667	78,575
<i>Unemployment percentage</i>	Base	5.26 %	5.38 %	5.34 %	5.30 %	5.29 %
	Upper	4.37 %	4.29 %	4.52 %	4.66 %	4.93 %
	Lower	6.31 %	6.53 %	6.01 %	5.82 %	5.62 %

Finland		2019	2020	2021	2022	2023
<i>3-month interbank rate</i>	Base	0.34 %	0.87 %	1.34 %	1.80 %	2.27 %
	Upper	0.78 %	1.17 %	1.56 %	1.96 %	2.40 %
	Lower	-0.08 %	0.28 %	0.77 %	1.27 %	1.79 %
<i>Consumption in millions</i>	Base	9,498	9,641	9,764	9,892	10,028
	Upper	9,804	10,070	10,284	10,491	10,698
	Lower	9,203	9,232	9,276	9,338	9,413
<i>Unemployment percentage</i>	Base	7.65 %	7.51 %	7.42 %	7.38 %	7.34 %
	Upper	5.12 %	5.82 %	6.23 %	6.35 %	6.70 %
	Lower	10.18 %	9.49 %	8.50 %	8.29 %	7.87 %

Note 3.3. Significant increase in credit risk

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

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

Note 4. Loans to customers by product groups

<i>Amounts in NOK 1000</i>	Gross loans	Loan loss allowance			Total
		Stage 1	Stage 2	Stage 3	
Instalment loans Norway	12,344,823	43,619	35,403	318,736	11,947,065
Credit card loans Norway	6,276,276	7,172	7,070	86,673	6,175,361
Instalment loans Sweden	4,124,781	41,087	75,787	140,260	3,867,647
Credit card loans Sweden	2,247,679	9,520	25,773	46,924	2,165,462
Instalment loans Denmark	3,413,963	55,224	32,280	215,462	3,110,997
Credit card loans Denmark	729,335	12,891	12,287	62,798	641,360
Instalment loans Finland	7,583,801	41,396	86,647	270,958	7,184,800
Credit card loans Finland	1,733,620	17,366	45,992	46,409	1,623,852
Total	38,454,279	228,274	321,239	1,188,221	36,716,545
Provision coverage ratio per stage	100.00 %	0.59 %	0.84 %	3.09 %	95.48 %

Note 5. Change in loan loss allowance

Instalment loans Norway

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
Loan loss allowance as at 30.6.18	44,208	33,180	275,253	352,641
Transfers :				
Transfers between Stage 1 and Stage 2	-3,146	15,413	-	12,266
Transfers between Stage 1 and Stage 3	-99	-	158	59
Transfers between Stage 2 and Stage 1	1,840	-5,512	-	-3,673
Transfers between Stage 2 and Stage 3	-	-10,881	32,346	21,465
Transfers between Stage 3 and Stage 2	-	842	-8,271	-7,429
Transfers between Stage 3 and Stage 1	12	-	-726	-714
New financial assets issued or purchased	3,636	1,830	-	5,466
Financial assets derecognized in the period, including down payments	-2,127	-1,172	-5,107	-8,406
Modification of contractual cash flows from non-discounted financial assets	-704	1,704	25,081	26,081
Loan loss allowance as at 30.9.18	43,619	35,403	318,736	397,757
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	9,611,670	1,312,304	1,267,997	12,191,971
Transfers :				
Transfers between Stage 1 and Stage 2	-594,343	598,064	-	3,722
Transfers between Stage 1 and Stage 3	-16,016	-	16,213	197
Transfers between Stage 2 and Stage 1	349,274	-368,972	-	-19,698
Transfers between Stage 2 and Stage 3	-	-203,359	203,590	231
Transfers between Stage 3 and Stage 2	-	36,356	-45,700	-9,344
Transfers between Stage 3 and Stage 1	2,634	-	-5,165	-2,531
New financial assets issued or purchased	729,982	46,377	-	776,360
Financial assets derecognized in the period, including down payments	-476,399	-54,678	-28,546	-559,623
Modification of contractual cash flows from non-discounted financial assets	-17,002	-17,926	-1,533	-36,461
Gross loans to customers as at 30.9.18	9,589,801	1,348,166	1,406,856	12,344,823

Credit card loans Norway

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Loan loss allowance as at 30.6.18	7,002	6,441	72,265	85,709
Transfers :				
Transfers between Stage 1 and Stage 2	-371	3,949	-	3,578
Transfers between Stage 1 and Stage 3	-14	-	148	134
Transfers between Stage 2 and Stage 1	302	-2,474	-	-2,171
Transfers between Stage 2 and Stage 3	-	-865	5,770	4,905
Transfers between Stage 3 and Stage 2	-	110	-2,838	-2,728
Transfers between Stage 3 and Stage 1	5	-	-672	-667
New financial assets issued or purchased	363	225	-	588
Financial assets derecognized in the period, including down payments	-33	-59	-335	-427
Modification of contractual cash flows from non-discounted financial assets	-83	-257	12,334	11,994
Loan loss allowance as at 30.9.18	7,172	7,070	86,673	100,915
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	5,193,340	523,091	384,467	6,100,898
Transfers :				
Transfers between Stage 1 and Stage 2	-284,889	324,948	-	40,059
Transfers between Stage 1 and Stage 3	-10,049	-	10,222	173
Transfers between Stage 2 and Stage 1	190,983	-217,422	-	-26,440
Transfers between Stage 2 and Stage 3	-	-67,959	68,069	111
Transfers between Stage 3 and Stage 2	-	10,428	-23,341	-12,912
Transfers between Stage 3 and Stage 1	1,121	-	-6,218	-5,097
New financial assets issued or purchased	139,901	13,543	-	153,444
Financial assets derecognized in the period, including down payments	-18,300	-4,014	-2,724	-25,038
Modification of contractual cash flows from non-discounted financial assets	60,032	-8,099	-855	51,077
Gross loans to customers as at 30.9.18	5,272,139	574,516	429,620	6,276,276

Instalment loans Sweden

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
Loan loss allowance as at 30.6.18	45,377	61,695	109,289	216,361
Transfers :				
Transfers between Stage 1 and Stage 2	-11,258	23,560	-	12,302
Transfers between Stage 1 and Stage 3	-415	-	-	-415
Transfers between Stage 2 and Stage 1	2,126	-3,704	-	-1,578
Transfers between Stage 2 and Stage 3	-	-8,994	21,505	12,512
Transfers between Stage 3 and Stage 2	-	1,508	-4,343	-2,835
Transfers between Stage 3 and Stage 1	10	-	-34	-24
New financial assets issued or purchased	6,656	1,103	-	7,759
Financial assets derecognized in the period, including down payments	-2,723	-1,838	-1,049	-5,610
Modification of contractual cash flows from non-discounted financial assets	1,315	2,457	14,891	18,663
Loan loss allowance as at 30.9.18	41,087	75,787	140,260	257,134
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	2,120,307	1,326,908	485,972	3,933,187
Transfers :				
Transfers between Stage 1 and Stage 2	-497,344	502,812	-	5,468
Transfers between Stage 1 and Stage 3	-18,110	-	19,185	1,074
Transfers between Stage 2 and Stage 1	92,543	-89,972	-	2,571
Transfers between Stage 2 and Stage 3	-	-123,460	127,409	3,949
Transfers between Stage 3 and Stage 2	-	24,871	-28,009	-3,138
Transfers between Stage 3 and Stage 1	417	-	-453	-37
New financial assets issued or purchased	314,519	21,984	-	336,503
Financial assets derecognized in the period, including down payments	-127,616	-40,708	-4,214	-172,538
Modification of contractual cash flows from non-discounted financial assets	20,730	-6,837	3,850	17,743
Gross loans to customers as at 30.9.18	1,905,444	1,615,598	603,739	4,124,781

Credit card loans Sweden

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Loan loss allowance as at 30.6.18	9,134	21,131	35,763	66,028
Transfers :				
Transfers between Stage 1 and Stage 2	-425	10,120	-	9,695
Transfers between Stage 1 and Stage 3	-15	-	-	-15
Transfers between Stage 2 and Stage 1	191	-3,570	-	-3,379
Transfers between Stage 2 and Stage 3	-	-2,657	7,546	4,890
Transfers between Stage 3 and Stage 2	-	304	-1,123	-819
Transfers between Stage 3 and Stage 1	0	-	-48	-48
New financial assets issued or purchased	630	42	-	672
Financial assets derecognized in the period, including down payments	-60	-148	-115	-323
Modification of contractual cash flows from non-discounted financial assets	65	550	4,902	5,516
Loan loss allowance as at 30.9.18	9,520	25,773	46,924	82,217
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	1,701,646	237,119	115,780	2,054,545
Transfers :				
Transfers between Stage 1 and Stage 2	-105,643	116,698	-	11,055
Transfers between Stage 1 and Stage 3	-4,613	-	4,935	322
Transfers between Stage 2 and Stage 1	39,172	-44,000	-	-4,829
Transfers between Stage 2 and Stage 3	-	-31,621	32,406	785
Transfers between Stage 3 and Stage 2	-	2,781	-4,877	-2,095
Transfers between Stage 3 and Stage 1	18	-	-225	-207
New financial assets issued or purchased	79,818	2,489	-	82,308
Financial assets derecognized in the period, including down payments	-8,826	-1,202	-17	-10,045
Modification of contractual cash flows from non-discounted financial assets	117,074	-2,175	941	115,840
Gross loans to customers as at 30.9.18	1,818,646	280,090	148,944	2,247,679

Instalment loans Denmark

Loan loss allowance	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
<i>Amounts in NOK 1000</i>				
Loan loss allowance as at 30.6.18	57,345	24,846	182,255	264,446
Transfers :				
Transfers between Stage 1 and Stage 2	-4,123	22,315	-	18,192
Transfers between Stage 1 and Stage 3	-793	-	11,888	11,095
Transfers between Stage 2 and Stage 1	1,515	-5,558	-	-4,043
Transfers between Stage 2 and Stage 3	-	-10,696	27,894	17,198
Transfers between Stage 3 and Stage 2	-	563	-2,931	-2,367
Transfers between Stage 3 and Stage 1	18	-	-347	-328
New financial assets issued or purchased	5,028	1,197	-	6,226
Financial assets derecognized in the period, including down payments	-1,443	-430	-1,656	-3,530
Modification of contractual cash flows from non-discounted financial assets	-2,324	42	-1,642	-3,923
Loan loss allowance as at 30.9.18	55,224	32,280	215,462	302,966
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	2,709,406	154,707	340,177	3,204,290
Transfers :				
Transfers between Stage 1 and Stage 2	-125,775	129,248	-	3,474
Transfers between Stage 1 and Stage 3	-21,099	-	21,768	670
Transfers between Stage 2 and Stage 1	40,222	-41,906	-	-1,685
Transfers between Stage 2 and Stage 3	-	-50,769	50,918	149
Transfers between Stage 3 and Stage 2	-	4,168	-5,714	-1,546
Transfers between Stage 3 and Stage 1	166	-	-623	-457
New financial assets issued or purchased	212,728	7,384	-	220,112
Financial assets derecognized in the period, including down payments	-61,203	-2,392	-2,769	-66,363
Modification of contractual cash flows from non-discounted financial assets	61,615	-3,249	-3,047	55,320
Gross loans to customers as at 30.9.18	2,816,061	197,191	400,711	3,413,963

Credit card loans Denmark

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Loan loss allowance as at 30.6.18	13,067	11,179	58,751	82,996
Transfers :				
Transfers between Stage 1 and Stage 2	-259	2,934	-	2,675
Transfers between Stage 1 and Stage 3	-45	-	1,557	1,512
Transfers between Stage 2 and Stage 1	72	-1,103	-	-1,031
Transfers between Stage 2 and Stage 3	-	-1,907	4,961	3,054
Transfers between Stage 3 and Stage 2	-	993	-1,783	-790
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	6,546	178	-	6,724
Financial assets derecognized in the period, including down payments	-80	-131	-136	-347
Modification of contractual cash flows from non-discounted financial assets	-6,410	145	-552	-6,818
Loan loss allowance as at 30.9.18	12,891	12,287	62,798	87,976
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	475,350	47,171	145,161	667,682
Transfers :				
Transfers between Stage 1 and Stage 2	-25,472	27,682	-	2,210
Transfers between Stage 1 and Stage 3	-3,503	-	3,766	263
Transfers between Stage 2 and Stage 1	12,239	-12,891	-	-652
Transfers between Stage 2 and Stage 3	-	-11,231	11,366	136
Transfers between Stage 3 and Stage 2	-	2,465	-4,397	-1,932
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	14,696	549	-	15,245
Financial assets derecognized in the period	-579	-82	-127	-787
Modification of contractual cash flows from non-discounted financial assets	51,278	-2,805	-1,302	47,172
Gross loans to customers as at 30.9.18	524,010	50,858	154,468	729,335

Analysis of the ECL-levels for both the Finnish portfolios unveiled an underprovisioning for the first six months of 2018 due to a model flaw. A correction of the model in the third quarter reflects the aggregated ECL-levels for the year, as a one-off adjustment. The underlying credit quality of the portfolio has not changed, in line with expectations, where the overall level of ECL is now on par with both model expectations, comparable to the bank's other portfolios, as well as with the local experience with loss recovery.

Instalment loans Finland

Loan loss allowance	Stage 1	Stage 2	Stage 3	
	12 months	Lifetime	Lifetime	
	expected	expected	expected	
<i>Amounts in NOK 1000</i>	credit loss	credit loss	credit loss	Total
Loan loss allowance as at 30.6.18	35,155	64,284	181,010	280,449
Transfers :				
Transfers between Stage 1 and Stage 2	-5,082	40,989	-	35,907
Transfers between Stage 1 and Stage 3	-83	-	450	367
Transfers between Stage 2 and Stage 1	2,779	-10,461	-	-7,681
Transfers between Stage 2 and Stage 3	-	-21,317	63,777	42,460
Transfers between Stage 3 and Stage 2	-	2,654	-4,733	-2,079
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	4,425	1,796	-	6,220
Financial assets derecognized in the period, including down payments	-1,199	-950	-694	-2,843
Modification of contractual cash flows from non-discounted financial assets	5,400	9,652	31,148	46,201
Loan loss allowance as at 30.9.18	41,396	86,647	270,958	399,001
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	5,174,900	1,083,534	889,059	7,147,493
Transfers :				
Transfers between Stage 1 and Stage 2	-562,473	576,035	-	13,562
Transfers between Stage 1 and Stage 3	-1,804	-	1,856	52
Transfers between Stage 2 and Stage 1	243,553	-251,688	-	-8,135
Transfers between Stage 2 and Stage 3	-	-259,704	262,858	3,154
Transfers between Stage 3 and Stage 2	-	19,552	-25,180	-5,628
Transfers between Stage 3 and Stage 1	-	-	-	-
New financial assets issued or purchased	520,920	24,786	-	545,706
Financial assets derecognized in the period, including down payments	-169,596	-19,141	-3,903	-192,640
Modification of contractual cash flows from non-discounted financial assets	102,835	-15,571	-7,027	80,237
Gross loans to customers as at 30.9.18	5,308,334	1,157,804	1,117,662	7,583,801

Credit card loans Finland

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1 12 months expected credit loss	Stage 2 Lifetime expected credit loss	Stage 3 Lifetime expected credit loss	Total
Loan loss allowance as at 30.6.18	8,272	24,342	13,064	45,678
Transfers :				
Transfers between Stage 1 and Stage 2	-1,212	12,110	-	10,898
Transfers between Stage 1 and Stage 3	-5	-	79	75
Transfers between Stage 2 and Stage 1	1,116	-3,696	-	-2,580
Transfers between Stage 2 and Stage 3	-	-1,800	10,540	8,740
Transfers between Stage 3 and Stage 2	-	94	-414	-321
Transfers between Stage 3 and Stage 1	10	-	-61	-51
Financial assets issued or purchased	2,738	739	-	3,477
Financial assets derecognized in the period, including down payments	-27	-85	-7	-120
Modification of contractual cash flows from non-discounted financial assets	6,474	14,289	23,208	43,972
Loan loss allowance as at 30.9.18	17,366	45,992	46,409	109,768
Loan loss provisions and guarantees	-	-	-	-

The loan loss allowance is calculated based on the expected credit loss (ECL) using the 3-stage method described in note 2.1 of the Annual Report 2017. Migration out of one stage is calculated at opening date 30.6.18, while migration into one stage is calculated at the closing date 30.9.18.

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 30.6.18	846,275	583,779	156,006	1,586,060
Transfers :				
Transfers between Stage 1 and Stage 2	-135,096	160,496	-	25,401
Transfers between Stage 1 and Stage 3	-328	-	327	-1
Transfers between Stage 2 and Stage 1	61,620	-63,970	-	-2,350
Transfers between Stage 2 and Stage 3	-	-43,386	43,440	54
Transfers between Stage 3 and Stage 2	-	3,207	-4,937	-1,731
Transfers between Stage 3 and Stage 1	271	-	-824	-553
New financial assets issued or purchased	55,420	6,152	-	61,571
Financial assets derecognized in the period, including down payments	-552	-874	211	-1,215
Modification of contractual cash flows from non-discounted financial assets	78,983	-10,838	-1,760	66,384
Gross loans to customers as at 30.9.18	906,594	634,565	192,461	1,733,620

Note 6. Loan loss provisions and guarantees

The bank has no guarantees as of 30.9.18.

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Realized losses in the period	25,320	10,253	16,325
Individual write-downs on loans including gains/losses from sale of NPL portfolios	-	119,474	172,838
Write-downs - lifetime expected credit loss (stage 3)	595,497	-	-
Net individual write-downs on loans	620,817	129,727	189,163
The period's change in write-downs on groups of loans including gains/losses from sale of NPL portfolios	-	343,552	483,226
Write-downs - 12 months expected credit loss (stage 1)	29,649	-	-
Write-downs - lifetime expected credit loss (stage 2)	92,352	-	-
Write-downs on loans	742,818	473,280	672,388

Note 7. Gross loans to customers by geographical region

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Østlandet	9,781,110	8,606,984	8,905,323
Vestlandet	4,647,386	4,122,822	4,265,918
Nord-Norge	1,958,590	1,756,373	1,820,883
Trøndelag	1,355,291	1,192,720	1,237,676
Sørlandet	803,851	718,246	749,306
Not classified	74,872	56,846	59,785
Total Norway	18,621,098	16,453,990	17,038,890
Svealand	3,074,553	2,635,553	2,863,260
Götaland	2,626,378	2,239,559	2,429,467
Norrland	585,570	522,302	567,585
Not classified	85,960	25,427	38,614
Total Sweden	6,372,461	5,422,842	5,898,925
Hovedstaden	1,520,168	1,049,148	1,227,797
Sjælland	858,645	593,521	699,903
Syddanmark	773,582	531,418	625,437
Midtjylland	680,968	457,482	546,088
Nordjylland	306,092	203,322	243,884
Not classified	3,843	1,410	2,428
Total Denmark	4,143,298	2,836,302	3,345,537
Södra Finland	6,386,800	4,354,018	5,011,778
Mellersta Finland	1,101,387	741,683	561,740
Västra Finland	1,026,252	685,839	788,531
Norra Finland	399,492	280,669	320,244
Östra Finland	343,008	247,797	566,822
Not classified	60,482	36,592	59,237
Total Finland	9,317,421	6,346,598	7,308,352
Gross loans to customers	38,454,279	31,059,732	33,591,704

Note 8. 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 30.9.18 the liquidity reserve (LCR) on total level for the bank was 221% (compared to 187% per 30.9.17). The bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. At 30.9.18 the LCR was 349% in Norwegian kroner (compared to 215% per 30.9.2017), 164% in Swedish kroner (compared to 148% per 30.9.2017), 158% Danish kroner (compared to 170% per 30.9.2017) and 156% in Euro (compared to 88% per 30.9.2017). The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 30.9.18, except for Norwegian kroner where the legal requirement is 50%.

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

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Loans and deposits with credit institutions and central banks without agreed maturity or notice period	1,646,879	1,824,624	1,320,128
Loans and deposits with credit institutions and central banks	1,646,879	1,824,624	1,320,128

<i>Specification of currencies</i>			
<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
NOK	514,208	770,855	535,807
SEK	524,512	600,107	444,840
DKK	287,516	108,548	197,700
EUR	320,643	345,114	141,782
Loans and deposits with credit institutions and central banks	1,646,879	1,824,624	1,320,128

Average interest rate	0.21 %	0.23 %	0.22 %
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Average interest rate is calculated as interest amount in percentage of average volume for the current period.

Note 10. Net interest income

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Interest income from cash and deposits with the central bank	257	228	304
Interest income from loans to and deposits with credit institutions	2,350	1,990	2,660
Interest income from instalment loans	2,694,511	2,253,321	3,102,438
Interest income from overdraft accounts	-	79	79
Interest income from credit card loans	936,774	690,066	967,465
Interest income from sales financing	1,757	3,725	4,571
Interest income, amortised cost	3,635,648	2,949,409	4,077,517
Interest and other income from certificates and bonds	69,135	68,296	91,939
Other interest and other interest related income	2,665	2,553	3,183
Other interest income	71,799	70,849	95,122
Interest expense from deposits from credit institutions	719	48	135
Interest expense from deposits from customers	402,938	314,427	433,959
Interest expense on debt securities issued	22,732	25,955	34,346
Interest expense on subordinated loan	15,003	10,674	15,530
Other interest and other interest related expenses	19,800	13,597	18,241
Interest expenses	461,192	364,701	502,211
Net interest income	3,246,256	2,655,557	3,670,428

Note 11. Net other operating income

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Payment services	260,056	180,491	264,887
Insurance services	97,755	56,048	87,522
Other fees and commission and bank services income	39,665	42,496	47,589
Total commission and bank services income	397,476	279,035	399,998
Payment services	106,791	77,527	110,223
Insurance services	85,279	53,947	78,620
Other fees and commission and bank services expense	20,295	15,745	21,887
Total commission and bank services expenses	212,364	147,219	210,730

Note 12. Net gains on financial instruments

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Net gains on certificates and bonds	-27,241	-3,364	-17,251
Net gains on FX-forwards	240,326	34,928	-140,821
Net currency effects	-199,601	-20,753	165,530
Net gains on shares and other securities	5,273	-	-
Total net gains on financial instruments	18,756	10,812	7,458

Note 13. General administrative expenses

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Sales and marketing	650,925	528,995	730,783
IT operations	57,645	65,346	81,940
External services fees	59,107	36,672	51,995
Other administrative expenses	32,023	30,033	41,568
Total general administrative expenses	799,700	661,047	906,286

Note 14. Other operating expenses

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Credit information	26,313	20,609	28,190
Auditor	1,489	1,306	2,234
Rental of premises	1,734	1,736	2,309
Insurance	396	389	517
Machinery, fixtures and transport vehicles	527	287	528
Other operating expenses	7,010	7,495	9,694
Total other operating expenses	37,467	31,822	43,472

Note 15. Financial instruments at fair value

Financial instruments at fair value is measured at different levels.

Level 1 Valuation based on quoted prices in an active market

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

Level 2 Valuation based on observable market data

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

Level 3 Valuation based on non-observable market data

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

Financial instruments at fair value

<i>Amounts in NOK 1000</i>	YTD 2018			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	10,812,673	-	10,812,673
Financial derivatives	-	48,072	-	48,072
Shares and other securities	-	-	38,637	38,637
Total financial assets at fair value	-	10,860,745	38,637	10,899,382
Financial derivatives	-	1,056	-	1,056
Total financial liabilities at fair value	-	1,056	-	1,056

<i>Amounts in NOK 1000</i>	YTD 2017			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	8,365,022	-	8,365,022
Financial derivatives	-	3,304	-	3,304
Shares and other securities	-	-	443	443
Financial assets available for sale	-	-	29,841	29,841
Total financial assets at fair value	-	8,368,325	30,284	8,398,609
Financial derivatives	-	11,265	-	11,265
Total financial liabilities at fair value	-	11,265	-	11,265

<i>Amounts in NOK 1000</i>	2017			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	8,859,834	-	8,859,834
Financial derivatives	-	1,935	-	1,935
Shares and other securities	-	-	443	443
Financial assets available for sale	-	-	32,922	32,922
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

Change in instruments classified at level 3

<i>Amounts in NOK 1000</i>	YTD 2018		
	Shares and other securities	Financial assets available for sale	Total
Value 31.12.17	443	32,922	33,365
Additions	-	-	-
Disposals	-	-	-
Settlement	-	-	-
Reclassification IFRS 9	32,922	-32,922	-
Net gain / loss on financial instruments	5,273	-	5,273
Value 30.9.18	38,637	-	38,637

<i>Amounts in NOK 1000</i>	YTD 2017		
	Shares and other securities	Financial assets available for sale	Total
Value 31.12.16	443	24,745	25,188
Additions	-	-	-
Disposals	-	-	-
Settlement	-	-	-
Reclassification IFRS 9	-	-	-
Net gain / loss on financial instruments	-	5,095	5,095
Value 30.9.17	443	29,840	30,283

Valuation method

Ownership in VN Norge AS

Ownership in VN Norge AS, formerly known as Visa Norge FLI is considered to be a financial asset and is classified as *Share and other securities*. The fair value of the asset is estimated at NOK 38.2 million as of 30.9.18. The calculation is based on input from VN Norge AS.

Shares in BankID Norge AS

Bank Norwegian AS was at 12.8.14 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 16. Fair value of financial instruments at amortized cost

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

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

Fair value is estimated to conform with amortized cost.

Loans to customers

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

Debt securities issued and subordinated loan

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

Fair value of financial instruments at amortized cost

<i>Amounts in NOK 1000</i>	YTD 2018		YTD 2017		2017	
	Book value	Fair value	Book value	Fair value	Book value	Fair value
Cash and deposits with the central bank	65,957	65,957	61,979	61,979	65,976	65,976
Loans and deposits with credit institutions	1,580,922	1,580,922	1,762,645	1,762,645	1,254,152	1,254,152
Loans to customers	36,716,545	36,716,545	30,135,429	30,135,429	32,451,553	32,451,553
Total financial assets	38,363,424	38,363,424	31,960,053	31,960,053	33,771,681	33,771,681
Deposits from customers	39,359,001	39,359,001	31,988,426	31,988,426	33,682,275	33,682,275
Debt securities issued	1,812,167	1,809,555	2,040,270	2,042,374	2,242,423	2,301,855
Subordinated loan	474,637	476,086	474,536	477,240	474,614	478,360
Total financial liabilities	41,645,805	41,644,642	34,503,233	34,508,040	36,399,313	36,462,490

Note 17. Debt securities issued and subordinated loan

Debt securities issued

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Bonds, nominal value	1,809,150	2,036,000	2,239,800
Value adjustments and currency effects	-673	-145	-1,580
Accrued interest	3,690	4,416	4,203
Total debt securities issued	1,812,167	2,040,270	2,242,423

Change in debt securities issued

<i>Amounts in NOK 1000</i>	Balance 30.9.18	Issued	Overdue / redeemed	Other changes and currency effects	Balance 31.12.17
Bonds, nominal value	1,809,150	-	-390,000	-40,650	2,239,800
Value adjustments and currency effects	-673	-	-	907	-1,580
Accrued interest	3,690	-	-	-513	4,203
Total debt securities issued	1,812,167	-	-390,000	-40,256	2,242,423

<i>Amounts in NOK 1000</i>	Balance 30.9.17	Issued	Overdue / redeemed	Other changes and currency effects	Balance 31.12.16
Bonds, nominal value	2,036,000	500,000	-284,000	-	1,820,000
Value adjustments and currency effects	-145	-	-	-405	259
Accrued interest	4,416	-	-	702	3,714
Total debt securities issued	2,040,270	500,000	-284,000	297	1,823,973

Change in subordinated loan

<i>Amounts in NOK 1000</i>	Balance 30.9.18	Issued	Overdue / redeemed	Other changes and currency effects	Balance 31.12.17
Subordinated loan, nominal value	475,000	-	-	-	475,000
Value adjustments	-1,100	-	-	113	-1,212
Accrued interest	737	-	-	-89	826
Total subordinated loan	474,637	-	-	23	474,614

<i>Amounts in NOK 1000</i>	Balance 30.9.17	Issued	Overdue / redeemed	Other changes and currency effects	Balance 31.12.16
Subordinated loan, nominal value	475,000	200,000	-	-	275,000
Value adjustments	-1,249	-	-	-668	-581
Accrued interest	785	-	-	289	496
Total subordinated loan	474,536	200,000	-	-379	274,915

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

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

Note 19. Receivables

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Distribution commissions	120,035	93,473	92,866
Prepaid expenses	15,876	15,601	4,800
Net collateral issued*	-	-	84,700
Other receivables	8,217	14,086	12,434
Total receivables	144,128	123,161	194,800

* The bank has not issued any collateral as at 30.9.18. The bank has received NOK 32.3 million in collateral from DNB which is classified as *Loans from credit institutions*.

Note 20. Other liabilities

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Payables to suppliers	4,410	21,413	6,545
Value added tax	14,105	3,987	8,412
Social security tax	1,664	1,445	2,467
Tax withholdings	1,702	1,504	2,335
Unsettled items related to certificates and bonds	117,530	169,381	138,135
Other liabilities	1,921	87,404	794
Total other liabilities	141,331	285,135	158,689

Note 21. Accrued expenses

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Accrued not due expenses	184,734	140,501	131,160
Bonus	11,550	9,039	12,131
Holiday pay	3,968	3,311	4,566
Board remuneration	872	558	1,146
Accrued fees	270	354	41
Total accrued expenses	201,394	153,763	149,045

Note 22. Capital adequacy

<i>Amounts in NOK 1000</i>	YTD 2018	YTD 2017	2017
Total capital			
Share capital	183,315	183,315	183,315
+ Share premium	966,646	966,646	966,646
+ Other reserves	5,092,655	3,481,818	3,918,312
- Deferred tax assets, intangible assets and additional valuation adjustment	136,231	119,351	134,783
Common equity Tier 1	6,106,384	4,512,428	4,933,489
+ Additional Tier 1 capital	635,000	635,000	635,000
Tier 1 capital	6,741,384	5,147,428	5,568,489
+ Tier 2 capital	474,637	474,536	474,614
Total capital	7,216,021	5,621,964	6,043,104
Calculation basis			
Credit risk			
Covered bonds	257,707	193,538	232,981
+ Institutions	1,171,025	1,072,350	906,215
+ Loans to customers	24,196,563	21,172,380	22,472,413
+ Defaulted loans and other commitments	4,686,032	2,063,443	2,719,400
Operational risk	4,020,267	2,608,215	2,608,215
Total calculation basis	34,331,595	27,109,926	28,939,225
Common equity Tier 1 %	17.79 %	16.64 %	17.05 %
Tier 1 capital %	19.64 %	18.99 %	19.24 %
Total capital %	21.02 %	20.74 %	20.88 %

Note 23. 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 October 28, 2019. A lease agreement for the same address has been established with Akastor and Norwegian Property, which expires in October 2021 with an option to extend the lease agreement for two additional years. The annual rent totals NOK 2.5 million.

Note 24. Related parties

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

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

Note 25. Subsequent events

Bank Norwegian has entered into an agreement with Axactor to transfer a portfolio of non-performing loans in Finland with an outstanding balance of approximately EUR 160 million. The transaction is estimated to close November 30, 2018 and is expected to have an immaterial earnings impact. The transaction will yield cost savings and eliminates uncertainty regarding the recovery of outstanding claims

Quarterly figures

Profit and loss account

<i>Amounts in NOK 1000</i>	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Interest income, amortised cost	1,266,106	1,222,545	1,146,998	1,128,108	1,044,460
Other interest income	23,730	23,863	24,206	24,272	25,331
Interest expenses	163,924	154,602	142,666	137,510	132,140
Net interest income	1,125,912	1,091,805	1,028,538	1,014,870	937,651
Commission and bank services income	134,278	143,359	119,839	120,963	104,415
Commission and bank services expenses	76,282	70,174	65,909	63,511	55,140
Net change in value on securities and currency	11,144	21,089	-13,476	-3,355	685
Other income	32	-	-	-	-
Net other operating income	69,171	94,274	40,454	54,098	49,960
Total income	1,195,084	1,186,080	1,068,992	1,068,968	987,612
Personnel expenses	23,126	17,016	21,283	20,203	18,413
General administrative expenses	268,036	264,770	266,894	245,239	229,649
Ordinary depreciation	11,912	12,150	11,922	11,837	10,403
Other operating expenses	13,212	12,393	11,863	11,650	10,587
Total operating expenses before losses	316,286	306,328	311,963	288,930	269,052
Provision for loan losses	299,209	234,707	208,903	199,109	140,862
Profit before tax	579,589	645,045	548,127	580,929	577,698
Tax charge	144,888	161,261	137,032	140,476	144,531
Profit after tax	434,700	483,784	411,096	440,453	433,167

Comprehensive income

<i>Amounts in NOK 1000</i>	Q3 2018	Q2 2018	Q1 2018	Q4 2017	Q3 2017
Profit on ordinary activities after tax	434,700	483,784	411,096	440,453	433,167
Change in fair value for assets available for sale	-	-	-	3,081	1,466
Tax	-	-	-	-23	-11
Other comprehensive income	-	-	-	3,058	1,455
Comprehensive income for the period	434,700	483,784	411,096	443,511	434,622

Balance sheet

<i>Amounts in NOK 1000</i>	30.9.18	30.6.18	31.3.18	31.12.17	30.9.17
Assets					
Cash and deposits with the central bank	65,957	65,975	65,982	65,976	61,979
Loans and deposits with credit institutions	1,580,922	2,072,249	1,833,281	1,254,152	1,762,645
Loans to customers	36,716,545	35,434,748	33,813,701	32,451,553	30,135,429
Certificates and bonds	10,812,673	9,389,792	9,292,364	8,859,834	8,365,022
Financial derivatives	48,072	43,768	49,364	1,935	3,304
Shares and other securities	38,637	37,476	33,104	443	443
Assets available for sale	-	-	-	32,922	29,841
Intangible assets	114,174	114,923	115,836	114,678	115,579
Deferred tax asset	11,157	11,157	11,157	11,157	3,771
Fixed assets	821	810	904	1,000	1,071
Receivables	144,128	122,114	142,496	194,800	123,161
Total assets	49,533,086	47,293,012	45,358,189	42,988,451	40,602,245
Liabilities and equity					
Loans from credit institutions	32,300	85,450	99,200	-	-
Deposits from customers	39,359,001	37,705,983	35,789,003	33,682,275	31,988,426
Debt securities issued	1,812,167	1,808,003	1,934,592	2,242,423	2,040,270
Financial derivatives	1,056	2,494	11,264	52,246	11,265
Tax payable	633,584	491,148	391,742	525,886	382,070
Other liabilities	141,331	91,290	342,294	158,689	285,135
Accrued expenses	201,394	183,749	153,462	149,045	153,763
Subordinated loan	474,637	474,622	474,677	474,614	474,536
Total liabilities	42,655,470	40,842,739	39,196,234	37,285,179	35,335,466
Share capital	183,315	183,315	183,315	183,315	183,315
Share premium	966,646	966,646	966,646	966,646	966,646
Tier 1 capital	635,000	635,000	635,000	635,000	635,000
Retained earnings and other reserves	5,092,655	4,665,313	4,376,995	3,918,312	3,481,818
Total equity	6,877,615	6,450,273	6,161,955	5,703,272	5,266,778
Total liabilities and equity	49,533,086	47,293,012	45,358,189	42,988,451	40,602,245