

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

Q2

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Financial highlights

Profit and loss account

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	Q2 2020	Q2 2019	2019
Interest income	1 565 620	1 458 475	5 910 775
Interest expenses	179 319	160 332	650 090
Net interest income	1 386 301	1 298 143	5 260 685
Net other operating income	123 190	54 274	321 792
Total income	1 509 491	1 352 417	5 582 477
Total operating expenses	288 741	317 350	1 324 659
Provision for loan losses	447 027	401 717	1 627 359
Profit before tax	773 723	633 350	2 630 459
Comprehensive income for the period	582 087	477 351	1 981 051

Balance sheet

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	30.6.20	30.6.19	31.12.19
Total assets	61 124 733	51 622 635	58 073 384
Loans to customers	40 101 034	38 712 907	40 560 502
Liquid assets	20 221 995	12 245 131	16 813 654
Deposits from customers	41 090 855	38 177 954	40 118 369
Debt securities issued	6 679 216	3 316 800	6 537 863
Subordinated loans	876 143	807 889	822 688
Tier 1 capital	635 000	635 000	635 000
Total equity	10 407 468	8 480 509	9 473 707

Key figures and alternative performance measures

	Norwegian Finans Holding Group		
	Q2 2020	Q2 2019	2019
Return on equity (ROE) ¹	24.5 %	25.1 %	25.2 %
Return on assets (ROA) ¹	3.9 %	3.7 %	3.8 %
Earnings per share (EPS)	3.12	2.56	10.61
Common equity tier 1 (CET 1)	20.7 %	19.5 %	21.2 %
Leverage ratio	14.3 %	14.6 %	14.5 %
Liquidity coverage ratio (LCR)	385 %	214 %	450 %
Net interest margin (NIM) ¹	9.3 %	10.2 %	10.0 %
Cost/income ratio ¹	0.19	0.23	0.24
Loan loss provisions to average loans ¹	3.9 %	3.9 %	3.9 %
Stage 3 loans to loans ^{1 2}	21.3 %	14.1 %	17.3 %
Loan loss allowance coverage ratio stage 3 ^{1 2}	40.0 %	37.4 %	35.9 %
Loan loss allowance coverage ratio to loans ¹	10.3 %	6.5 %	8.1 %

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

² The APMs "Non-performing loans to loans" and "Loan loss allowance to non-performing loans", which has been in use since reporting under IAS 39, has in Q2 2020 been replaced by the new APMs "Stage 3 loans to loans" and "Loan loss allowance coverage ratio stage 3" due to established market practice and reduced relevance after the implementation of IFRS9

Letter from the CEO

Although the ongoing COVID-19 and related economic impact remain focus areas, sentiment has improved during the quarter. We at Bank Norwegian experience that the positive development from the end of the second quarter has continued in the beginning of the third quarter. While the high level of uncertainty related to the pandemic remains, the current sentiment is more positive than feared in April.

Second quarter results turned out strong with a net interest income increase of 7% compared to the same quarter last year and profit after tax of NOK 582.1 million, a 22% increase from the same quarter last year. Combined effects of appreciation of securities, strict cost control and normalized provisions contribute to the strong result. All markets see a positive development in payment behavior. Development in delinquent loans and credits transferred to debt collections was record low in June. Despite the improved economic backdrop the bank has adopted a cautious view to the Nordic market going forward and removed the positive scenario from our macro model resulting in extraordinary provisioning for this quarter. Strong fundamentals for the bank and cost control provide stability and ensure we can make the right decisions also in demanding times.

The focus during the second quarter has been on customer follow-up and major core business improvements to ensure our leading position as a digital bank. New automated features to help our customers to even more seamless self-service were introduced, as well as new contactless payment alternatives that provide improved convenience.

Our focus and marketing efforts have shifted from the beginning to the end of the quarter. Initially, all efforts were concentrated on ensuring support for our customers and stability in earnings for the bank. As visibility improved toward the end of the quarter, focus expanded to include growth and activity levels were again scaled up.

Pending more visibility on the consequences of the COVID-19, our European expansion was put on hold in March. The process will be re-initiated once a sufficient level of comfort is obtained regarding the economic development for individual countries to prioritize our efforts. The bank has nonetheless chosen to continue our development in areas like SEPA payments and universal electronic ID solutions in anticipation of a future expansion and to improve core products in the Nordic region.

The exploratory phase with CBI was concluded during the quarter. At this point in time, CBI pointed out several areas of attention that mirrors the bank's own agenda on the near-term focus and development. As such, this does not pose any definite conclusion on the way forward and the bank will review its options based on the further development in the Nordics and Europe. We believe that our competitive advantage first and foremost lie with our financial strength, cost efficient organization and digital platform throughout the value chain.

The second quarter and beginning of the third quarter provides good confirmation regarding the bank's resilience and ability to continue its attractive journey of profitable growth.

Bærum, August 12, 2020

Tine Wollebekk
CEO

Report for the second quarter 2020

COVID-19 and the resulting partial shutdown of Nordic societies in the spring led to a sharp drop in economic activity, which was countered by decisive government measures to soften the impact on the economies. The reduction in mortgage interest rates and payment holidays provided debt service relief for households. The NFH Group initially experienced a fall in credit card purchase volumes and lower demand for instalment loans due to lower private consumption. The NFH Group experienced a positive development in the later part of the second quarter which has continued into the beginning of the third quarter.

At the end of the second quarter 2020 the NFH Group had a customer base of 1 746 500 customers, which can be broken down into 1 272 200 credit card customers, 207 100 instalment loan customers and 267 200 deposit customers.

Profit and loss as of June 30, 2020

The NFH Group's comprehensive income amounted to NOK 950.1 million, compared with NOK 963.3 million for the same period in 2019.

Net interest income totaled NOK 2 781 million, net other operating income amounted to NOK 195.0 million, while total operating expenses were NOK 647.3 million. Provisions for loan losses were NOK 1 068 million.

Profit and loss for the second quarter 2020

The NFH Group's comprehensive income amounted to NOK 582.1 million compared with NOK 368.0 million in the first quarter. The increase is mainly caused by lower provision for loan loss as the first quarter included the discretionary additional provision for loan losses of NOK 230.0 million related to COVID-19. In addition, the increase is caused by gains on securities compared to loss in the first quarter, and lower digital marketing costs, partly offset by decrease in commission income.

Return on equity was 24.5%, compared with 16.2% in the first quarter and the return on assets was 3.9%, compared with 2.5% in the first quarter. Adjusting for the additional provision in the first quarter, the return on equity was 23.9% and the return on assets was 3.7%.

Net interest income amounted to NOK 1 386 million, a decrease of NOK 8.1 million from the first quarter. The decrease is mainly explained by lower interest income as interest income in the first quarter increased from currency appreciation, and through lower credit card balance. The net interest margin was 9.3%, compared with 9.5% in the first quarter.

Net other operating income amounted to NOK 123.2 million compared with NOK 71.8 million in the first quarter. Net commission income decreased NOK 122.7 million to NOK 18.2 million mainly due to credit card network and insurance incentives in the first quarter and lower credit card activity in the second quarter. Net gain on securities and currency amounted to NOK 105.0 million, compared with a net loss of NOK 69.1 million in the first quarter. The increase

is mainly due to gain on securities of NOK 45.0 million, compared to loss of NOK 109.5 million in the first quarter, and higher currency gains in the second quarter of NOK 54.9 million.

Total operating expenses amounted to NOK 288.7 million, a decrease of NOK 69.8 million in the second quarter. Personnel expenses decreased NOK 7.4 million due to accrual effects. Administrative expenses decreased NOK 67.4 million, due to lower digital marketing spending. Depreciation increased NOK 5.8 million, mainly as depreciation of the pre-paid rights to the Norwegian brand for banking services and access to customers across Europe started-up during the quarter. Other operating expenses decreased NOK 0.8 million.

Provisions for loan losses were NOK 447.0 million. During the second quarter the NFH Group has amended the ECL-models to be able to better calculate the expected effects of COVID-19. The calculated effects in the second quarter have absorbed the additional discretionary provision of NOK 230.0 million in the first quarter. Due to the uncertain outlook the NFH Group has further decided to extraordinarily alter the macro-model. The positive scenario has been removed in the macro-model in the second quarter resulting in a one-off increase in the loan loss provision of NOK 55.5 million. Including this, the provision equalled 3.9% of average gross loans, compared with 5.5% in the first quarter, and 3.5% adjusted for the additional provision.

Stage 3 loans were NOK 9 506 million, compared with NOK 9 312 million at the end of the first quarter. Stage 3 loans accounted for 21.3% of gross loans, compared with 19.8% as of March 31, 2020. Stage 3 loans to loans are developing as expected and while the relative share of stage 3 is increasing due to the overall lower loan growth, the stage 3 growth has declined.

Balance sheet as of June 30, 2020

Total assets increased NOK 1 170 million in the quarter and amounted to NOK 61 125 million.

Gross loans to customers decreased NOK 2 292 million compared with an increase NOK 2 860 million in the previous quarter and totaled NOK 44 723 million. Currency adjusted gross loan growth was NOK -1 276 million compared with NOK -733.3 million in the previous quarter. Broken down by product the currency adjusted loan growth for instalment loans was NOK -653.0 million compared with NOK 375.4 million in the previous quarter, and for credit cards NOK -623.0 million compared with NOK -1 109 million in the previous quarter. The negative growth in instalment loans and credit card is mainly due to lower new sales and lower spending related to COVID-19. Instalment loans amounted to NOK 31 878 million and credit card loans amounted to NOK 12 821 million.

Customer deposits increased NOK 1 530 million compared with a decrease of NOK 557.3 million in the first quarter and

amounted to NOK 41 091 million at the end of the second quarter. Currency adjusted growth was NOK 2 362 million compared with NOK -3 301 million in the previous quarter. The increase is mainly in Norway and Denmark.

Liquid assets increased NOK 3 373 million and amounted to NOK 20 222 million, equivalent to 33.1% of total assets.

Loans to credit institutions decreased NOK 399 million in the quarter after repaying a 3-month F-loan from Norges Bank at maturity.

Financial derivatives debt decreased NOK 457.2 in the quarter and amounted to NOK 200.4 million. Financial derivatives comprise of currency swaps and forwards and the decrease relates mainly to currency depreciation in the second quarter.

Total equity amounted to NOK 10 407 million, compared with NOK 9 830 million as of March 31, 2020. The total capital ratio was 24.3%, the core capital ratio was 22.2% and the common equity tier 1 ratio was 20.7%.

The financial statements as of June 30, 2020 have been subject to an auditor review of interim financial statements.

Outlook

The Nordic economies have proven resilient and the governments proactive in their handling of the pandemic and the subsequent consequences. There is still high level of uncertainty related to the future development of the pandemic. The NFH Group's resilient financial position with high profitability, strong capitalization and high levels of liquid assets make the NFH Group well equipped to withstand the anticipated adverse effects of COVID-19.

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

New legislations have been implemented as of July 1, 2020 in both Finland and Denmark. In Finland the temporary legislation regarding interest rate cap and advertising limitations was implemented and the legislation is expected to reduce instalment loan growth in Finland. In Denmark new legislations regulating effective interest rate, total cost on loans and advertising were implemented and are expected to have a limited impact on interest income and may reduce loan growth.

The financial markets have stabilized and developed strongly during the second quarter and into the third quarter. The volatility in the foreign exchange rates that we experienced in the previous quarter has been lower in the second quarter and into the third quarter. The widening credit spreads in the first quarter have continued to tighten. The debt funding market for financial institutions proved strong into the summer months and appears to continue the positive trend.

The EU's Bank Recovery and Resolution Directive (BRRD) has been effective in Norway since January 1, 2019. On December 20, 2019, the minimum requirement for own funds and eligible liabilities (MREL) was determined for the NFH Group. The MREL requirement applied from June 30, 2020. Preferred senior debt issued before January 1, 2020, with more than one year's remaining maturity, qualifies as MREL-eligible debt until the end of the phase-in period, initially ending December 31, 2022. Due to the demanding market conditions caused by the COVID-19, Finanstilsynet announced on May 26, 2020 that the phase-in period was to be extended to January 1, 2024. As of June 30, 2020, the bank was compliant with the MREL requirement and is currently in the process of finalizing all necessary preparations to issue MREL-eligible debt.

Deposit volumes have developed positively due to attractive terms. The NFH Group has announced three deposit interest rate reductions in the third quarter in Norway and Denmark, all with upcoming implementations aiming to reduce the deposit growth.

In March, the European expansion was put on hold pending the development of the COVID-19 and will be re-initiated when the economic development for individual countries following the development in COVID-19 are more visible. The NFH Group has nonetheless chosen to continue development in key areas for the future European roll-out.

The NFH Group's exploratory phase to apply for an EU banking license in Ireland was concluded in the quarter. Based on the feedback from CBI, the Board will evaluate the next steps in the process considering the feedback from CBI and not at least the consequences of the COVID-19.

While the uncertainty is still high there are signs of recovery in the Nordic markets and the NFH Group is well positioned to strengthen its leading position further.

Bærum, August 12, 2020
The Board of directors of Norwegian Finans Holding ASA

Klaus-Anders Nysteen
Chairman of the board

Hans Larsson
Board member

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Izabella Kibsgaard-Petersen
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Tine Wollebekk
CEO

Profit and loss account

Amounts in NOK 1000	Note	Norwegian Finans Holding Group				
		Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Interest income, effective interest method		1 503 855	1 420 417	3 017 718	2 802 112	5 748 496
Other interest income		61 764	38 058	128 832	77 955	162 279
Interest expenses		179 319	160 332	365 819	311 349	650 090
Net interest income	8	1 386 301	1 298 143	2 780 731	2 568 719	5 260 685
Commission and bank services income	9	66 364	119 880	258 922	270 821	540 443
Commission and bank services expenses	9	48 138	63 777	99 765	122 837	250 703
Net change in value on securities and currency	10	104 964	-1 830	35 849	-2 614	32 053
Net other operating income		123 190	54 274	195 007	145 370	321 792
Total income	2	1 509 491	1 352 417	2 975 737	2 714 089	5 582 477
Personnel expenses		23 719	19 902	54 887	45 736	102 293
General administrative expenses	11	227 532	266 183	522 414	549 028	1 095 085
Depreciation and impairment of fixed and intangible assets		22 518	16 701	39 218	32 781	67 693
Other operating expenses		14 972	14 563	30 772	27 745	59 588
Total operating expenses		288 741	317 350	647 291	655 290	1 324 659
Provision for loan losses	6	447 027	401 717	1 067 664	781 045	1 627 359
Profit before tax		773 723	633 350	1 260 783	1 277 753	2 630 459
Tax charge		191 635	155 999	310 664	314 502	649 408
Profit after tax	2	582 087	477 351	950 119	963 251	1 981 051
Earnings per share		3.12	2.56	5.09	5.13	10.61
Diluted earning per share		3.12	2.56	5.09	5.13	10.61

Comprehensive income

Amounts in NOK 1000	Norwegian Finans Holding Group				
	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Profit on ordinary activities after tax	582 087	477 351	950 119	963 251	1 981 051
Comprehensive income for the period	582 087	477 351	950 119	963 251	1 981 051

Balance sheet

		Norwegian Finans Holding Group		
Amounts in NOK 1000	Note	30.6.20	30.6.19	31.12.19
Assets				
Cash and deposits with the central bank		69 623	68 091	68 500
Loans and deposits with credit institutions		3 361 585	2 214 049	2 094 165
Loans to customers	2, 5, 7	40 101 034	38 712 907	40 560 502
Certificates and bonds	13	16 790 787	9 962 991	14 650 988
Financial derivatives	13	161 158	31 274	76 371
Shares and other securities	13	51 124	40 246	44 863
Intangible assets		490 433	512 030	510 840
Deferred tax asset		5 849	18 838	3 502
Fixed assets		1 082	1 102	819
Receivables		92 057	61 108	62 835
Total assets	2	61 124 733	51 622 635	58 073 384
Liabilities and equity				
Loans from credit institutions	13	1 000 781	73 100	52 750
Deposits from customers		41 090 855	38 177 954	40 118 369
Debt securities issued	12, 13	6 679 216	3 316 800	6 537 863
Financial derivatives	13	200 428	4 913	29 621
Tax payable		634 825	449 151	625 745
Deferred tax		3 821	-	3 821
Other liabilities		55 452	107 560	225 912
Accrued expenses		175 744	204 759	182 907
Subordinated loans	12, 13	876 143	807 889	822 688
Total liabilities		50 717 265	43 142 127	48 599 677
Share capital		186 695	186 695	186 695
Share premium		972 295	972 295	972 295
Tier 1 capital		635 000	635 000	635 000
Paid, not registered capital		6 058	-	-
Retained earnings and other reserves		8 607 419	6 686 519	7 679 717
Total equity	2, 3	10 407 468	8 480 509	9 473 707
Total liabilities and equity	2	61 124 733	51 622 635	58 073 384

Bærum, August 12, 2020

The Board of directors of Norwegian Finans Holding ASA

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Chairman of the board

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Board member

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Board member

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Board member

Izabella Kibsgaard-Petersen
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Tine Wollebekk
CEO

Cash flow statement

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group		
	YTD 2020	YTD 2019	2019
Profit / loss before tax	1 260 783	1 277 753	2 630 459
Unrealized gain or losses on currency	118 683	37 307	-105 965
Depreciation and impairment of fixed and intangible assets	39 218	32 781	67 693
Provision for loan losses	1 067 664	551 334	1 627 359
Change in loans to customers	-606 730	-1 499 765	-4 390 047
Change in deposits from customers	972 486	-913 837	1 026 578
Change in certificates and bonds	-2 139 798	639 606	-4 048 391
Change in shares and other securities	-6 261	-3 555	-8 172
Change in receivables and financial derivatives	-114 010	-17 038	-63 045
Change in loans from credit institutions	-51 969	73 100	52 750
Change in debt securities issued and subordinated loans	151 537	-37 299	-
Change in derivatives, accrued expenses and other liabilities	-6 816	-24 454	96 754
Income taxes paid	-303 932	-469 253	-608 408
Net cash flow from operating activities	380 854	-353 320	-3 722 434
Payment for acquisition of intangible assets	-18 449	-369 361	-393 592
Payment for acquisition of tangible assets	-641	-627	-643
Net cash flow from investment activities	-19 089	-369 988	-394 235
Buy back of shares	-	-161 200	-161 200
Allocation of shares	-	150 000	150 000
Allocation of bonus shares	-	5 301	5 301
Issued debt securities	-	1 510 048	5 834 015
Repayment of debt securities	-130 000	-160 383	-1 281 602
Paid, not registered capital	6 058	-	-
Investments in group companies	-	-40 240	-40 240
Paid interest tier 1 capital	-22 417	-21 096	-45 697
Change in loans from central banks	1 000 000	-	-
Net cash flow from financing activities	853 641	1 282 430	4 460 576
Net cash flow for the period	1 215 406	559 122	343 908
Cash and cash equivalents at the start of the period	2 162 665	1 770 267	1 770 267
Currency effect on cash and cash equivalents	53 137	-47 249	48 490
Cash and cash equivalents at the end of the period	3 431 208	2 282 140	2 162 665
Off which:			
Cash and deposits with the central bank	69 623	68 091	68 500
Loans and deposits with credit institutions	3 361 585	2 214 049	2 094 165

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Paid, not registered capital	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.19	186 695	972 295	-	635 000	7 679 717	9 473 708
This period's profit	-	-	-	-	950 119	950 119
Comprehensive income for the period	-	-	-	-	950 119	950 119
Paid interest tier 1 capital	-	-	-	-	-22 417	-22 417
Capital increase	-	-	6 058	-	-	6 058
Balance 30.6.20	186 695	972 295	6 058	635 000	8 607 419	10 407 468

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Paid, not registered capital	Tier 1 capital	Retained earnings and other reserves	Total equity
Balance 31.12.18	186 752	976 938	-	635 000	5 745 564	7 544 254
This period's profit	-	-	-	-	963 251	963 251
Comprehensive income for the period	-	-	-	-	963 251	963 251
Paid interest tier 1 capital	-	-	-	-	-21 096	-21 096
Buy back of shares	-2 133	-157 867	-	-	-	-160 000
Allocation of shares	2 000	148 000	-	-	-	150 000
Allocation of bonus shares	76	5 224	-	-	-	5 301
Fees	-	-	-	-	-1 201	-1 201
Balance 30.6.19	186 695	972 295	-	635 000	6 686 519	8 480 509

Notes

Note 1. General accounting principles

The quarterly financial statements for the Norwegian Finans Holding Group (NFH Group) have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied by the NFH Group, can be found in Note 1 Accounting principles in the annual report of 2019. Figures for 2019 have been revised due to changes in accounting principles, for further information see note 1 and 36 in the annual report of 2019.

Note 2. Segments

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

Profit and loss account YTD 2020

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	1 145 806	455 079	377 147	804 545	-1 846	2 780 731
Net other operating income	60 453	41 569	12 383	81 048	-446	195 007
Total income	1 206 260	496 648	389 529	885 592	-2 293	2 975 737
Total operating expenses	275 656	132 245	88 146	139 869	11 376	647 291
Provision for loan losses	368 775	168 397	170 608	359 883	-	1 067 664
Profit before tax	561 829	196 006	130 776	385 840	-13 668	1 260 783
Tax charge	134 853	48 956	32 709	96 493	-2 348	310 664
Profit after tax	426 976	147 051	98 067	289 346	-11 320	950 119

Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	426 976	147 051	98 067	289 346	-11 320	950 119

Balance sheet 30.6.20

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	16 610 989	6 825 882	5 253 526	11 410 637	-	40 101 034
Other assets	10 153 751	4 002 798	4 257 393	2 434 893	174 863	21 023 699
Total assets	26 764 740	10 828 680	9 510 919	13 845 531	174 863	61 124 733
Deposits from customers	19 620 784	6 027 030	9 039 555	6 403 487	-	41 090 855
Other liabilities and equity	7 143 957	4 801 650	471 364	7 442 043	174 863	20 033 878
Total liabilities and equity	26 764 740	10 828 680	9 510 919	13 845 531	174 863	61 124 733

Profit and loss account YTD 2019

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Net interest income	1 185 384	427 948	314 025	640 585	778	2 568 719
Net other operating income	90 009	34 066	15 798	5 819	-321	145 370
Total income	1 275 392	462 013	329 823	646 404	457	2 714 089
Total operating expenses	279 024	148 421	84 613	138 125	5 108	655 290
Provision for loan losses	409 428	82 077	116 410	173 129	-	781 045
Profit before tax	586 940	231 515	128 799	335 150	-4 651	1 277 753
Tax charge	141 462	57 871	32 199	83 787	-817	314 502
Profit after tax	445 478	173 644	96 600	251 363	-3 834	963 251

Other comprehensive income	-	-	-	-	-	-
Comprehensive income for the period	445 478	173 644	96 600	251 363	-3 834	963 251

Balance sheet 30.6.19

Amounts in NOK 1000	Norway	Sweden	Denmark	Finland	Other	Total
Loans to customers	18 796 876	6 340 642	4 297 473	9 277 916	-	38 712 907
Other assets	7 106 627	2 064 205	1 403 077	2 139 989	195 830	12 909 728
Total assets	25 903 504	8 404 847	5 700 550	11 417 904	195 830	51 622 635
Deposits from customers	20 001 934	5 629 607	4 950 900	7 595 513	-	38 177 954
Other liabilities and equity	5 901 570	2 775 240	749 650	3 822 392	195 830	13 444 682
Total liabilities and equity	25 903 504	8 404 847	5 700 550	11 417 904	195 830	51 622 635

Note 3. Capital adequacy and Liquidity Coverage Ratio

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

Total capital	30.6.20	30.6.19	2019
<i>Amounts in NOK 1000</i>			
Share capital	186 847	186 695	186 695
Share premium	978 201	972 295	972 295
Other reserves	8 607 419	6 686 519	7 679 717
Retained earnings not included in common equity tier 1, accrued dividend	-572 000	-	-
Deferred tax assets, intangible assets and additional valuation adjustment	-513 486	-540 907	-529 143
Common equity tier 1	8 686 981	7 304 601	8 309 564
Additional tier 1 capital	635 000	635 000	635 000
Tier 1 capital	9 321 981	7 939 601	8 944 564
Tier 2 capital	876 143	807 889	822 688
Total capital	10 198 124	8 747 491	9 767 252
Calculation basis			
Covered bonds	600 133	341 724	336 787
Regional governments or local authorities	291 955	85 137	87 123
Institutions	1 754 609	949 429	1 161 242
Corporate	24 000	-	-
Loans to customers	25 777 217	25 034 017	26 750 970
Defaulted loans	5 707 411	5 334 217	4 892 542
Equity positions	51 073	40 206	44 818
Other assets	254 136	93 452	139 948
Total credit risk	34 460 534	31 878 182	33 413 430
Operational risk	7 191 855	5 579 784	5 728 063
Market risk	374 322	669	1 575
Total calculation basis	42 026 711	37 458 635	39 143 067
Common equity tier 1 %	20.7 %	19.5 %	21.2 %
Tier 1 capital %	22.2 %	21.2 %	22.9 %
Total capital %	24.3 %	23.4 %	25.0 %

Liquidity Coverage Ratio

The Liquidity Coverage Ratio (LCR) is defined as the bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. The bank has significant positions in Norwegian, Swedish and Danish kroner in addition to Euro. The legal requirement for liquidity reserve at total level and for significant currencies is 100% at 30.6.20, except for Norwegian kroner where the legal requirement is 50%.

	30.6.20	30.6.19	2019
Norwegian Finans Holding Group	385 %	214 %	450 %
NOK	279 %	327 %	321 %
SEK	525 %	106 %	396 %
DKK	459 %	170 %	649 %
EUR	180 %	186 %	167 %

Note 4. Expected credit loss

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

Significant increase in credit risk (SICR)

Probability of default (PD) is an experience-based probability that a commitment is in breach for more than 90 days in the next 12 months. A significant increase in credit risk is assessed on the basis of several criteria, including late payment beyond 30 days after invoice due date. The most important factor for the assessment is a comparison between the lifetime original probability of default and the lifetime probability of default at the reporting date. The trigger-model below utilizes an assessment of the forward looking lifetime of the exposure, taking into account the probability of early repayment and the lifetime probability of defaulting on the loan. Hence it is neither the contractual length of the loan, nor the normal 12-month PD that is reflected in the figures. It is an accumulation of monthly behaviour default probabilities that for example for credit cards will be very low for high quality clients until it is activated. As such, a high trigger level is needed for an indication of a significant increase in credit risk when the lifetime PD is very low. Each product has its own threshold values when one considers an increase to be significant. An increase of more than 0% indicates that any increase above the lifetime PD at origination is a significant increase in credit risk.

	Instalment loans		Credit card loans	
	Lifetime PD at origination	SICR	Lifetime PD at origination	SICR
Norway	<=5%	700 %	<=2%	900 %
	>5%, 10%]	30 %	>2%	40 %
	>10%	20 %		
Sweden	<=10%	40 %	<=2%	900 %
	>10%, 20%]	30 %	>2%, 5%]	40 %
	>20%	20 %	>5%	0 %
Denmark	<=6%	1300 %	<=1.4%	1400 %
	>6%, 14%]	500 %	>1.4%, 5.5%]	1200 %
	>14%	100 %	>5.5%	150 %
Finland	<=9%	900 %	<=3%	1000 %
	>9%, 21%]	350 %	>3%, 9%]	600 %
	>21%	50 %	>9%	100 %

Economic variables used to measure ECL

The NFH group has chosen to disclose the three most important modelling variables in each individual country. The data is modelled across three scenarios: a base, an optimistic and a pessimistic case for expected credit loss. The model is based on the NiGEM-model developed by UK's Institute of Economic and Social Research.

	Base scenario		Optimistic scenario		Pessimistic scenario		
	12 months	5 years	12 months	5 years	12 months	5 years	
Norway	3-month interbank rate	0.40 %	1.37 %	0.40 %	1.66 %	0.40 %	1.19 %
	Hourly pay in NOK	446	508	449	527	443	492
	Real interest rate	-3.58 %	-1.34 %	-3.58 %	-1.06 %	-3.58 %	-1.53 %
Sweden	3-month interbank rate	-0.13 %	0.68 %	-0.13 %	0.91 %	-0.13 %	0.56 %
	GDP in million SEK	396 957	432 017	404 879	455 276	393 068	418 653
	Real interest rate	-1.64 %	-1.88 %	-1.64 %	-1.65 %	-1.64 %	-2.00 %
Denmark	3-month interbank rate	-0.12 %	0.75 %	-0.12 %	1.03 %	-0.12 %	0.59 %
	Consumption in millions	80 409	87 112	82 003	92 491	78 698	82 723
	Unemployment percentage	5.35 %	5.23 %	5.22 %	5.05 %	5.97 %	5.47 %
Finland	3-month interbank rate	-0.30 %	0.44 %	-0.11 %	0.61 %	-0.35 %	0.01 %
	Consumption in millions	8 979	9 536	9 172	9 799	8 744	9 293
	Unemployment percentage	8.10 %	6.41 %	7.60 %	6.20 %	9.77 %	6.97 %

Macro scenario sensitivity on ECL

	Final ECL	Base scenario	Optimistic scenario	Pessimistic scenario
Norway	Credit card	449 612	404 908	471 189
	Instalment loans	1 066 559	942 966	1 127 133
Sweden	Credit card	257 827	257 572	257 839
	Instalment loans	849 007	846 092	849 743
Denmark	Credit card	108 191	107 771	108 492
	Instalment loans	741 451	740 374	742 150
Finland	Credit card	172 306	159 401	184 837
	Instalment loans	977 179	906 927	1 047 011

The following weights have been used across all portfolios per 30.6.2020: 70% - 0% - 30% for base, optimistic and pessimistic scenario for expected credit loss. The choice to deviate from the normal 40% - 30% - 30% probability weighting is based on a low expectation for the optimistic scenario.

The estimated effects of COVID-19 as of end of the first quarter of MNOK 230 are now incorporated into the model estimates. The more adverse macro data now being used increases the levels of lifetime PD on stages one and two, increasing ECL by about MNOK 32. New development of more dynamic LGD models, also incorporating macro-factors, increases the LGD levels for all stages by about MNOK 205. The weighting associated with the more pessimistic outlook increases the ECL by about MNOK 55.

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

Loans to customers by product groups

Amounts in NOK 1000					Loan loss allowance			Loans to customers
	Stage 1	Stage 2	Stage 3	Gross loans	Stage 1	Stage 2	Stage 3	
Instalment loans Norway	7 168 393	1 788 553	2 888 121	11 845 066	50 312	66 899	949 348	10 778 507
Credit card loans Norway	4 738 786	598 522	920 785	6 258 094	32 369	34 026	383 217	5 808 482
Instalment loans Sweden	2 177 089	1 153 781	1 705 450	5 036 321	51 101	60 576	737 330	4 187 314
Credit card loans Sweden	1 996 303	431 067	469 024	2 896 395	11 225	28 683	217 919	2 638 568
Instalment loans Denmark	3 597 480	248 069	1 189 464	5 035 013	47 003	36 439	658 010	4 293 562
Credit card loans Denmark	768 155	88 854	211 145	1 068 154	8 517	8 260	91 413	959 964
Instalment loans Finland	6 778 153	1 329 999	1 853 757	9 961 909	126 942	186 633	663 604	8 984 729
Credit card loans Finland	1 751 842	578 224	268 148	2 598 214	16 150	58 514	97 643	2 425 908
Total	28 976 202	6 217 070	9 505 895	44 699 166	343 618	480 030	3 798 484	40 077 034
Loan loss allowance coverage ratio per stage					1.19 %	7.72 %	39.96 %	
Other loans								24 000
Net loans								40 101 034

Change in loan loss allowance and gross loans

Migration out of a stage is calculated at previous closing date 31.3.20, while migration into a stage is calculated at the closing date 30.6.20.

Total Loans

Loan loss allowance

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.3.20	378 377	521 560	3 507 036	4 406 973
Transfers :				
Transfers from stage 1 to stage 2	-36 101	161 853	-	125 751
Transfers from stage 1 to stage 3	-2 734	-	25 011	22 277
Transfers from stage 2 to stage 1	31 283	-103 978	-	-72 695
Transfers from stage 2 to stage 3	-	-120 406	270 452	150 046
Transfers from stage 3 to stage 2	-	14 986	-76 971	-61 986
Transfers from stage 3 to stage 1	306	-	-7 302	-6 996
New financial assets issued	14 589	5 091	-	19 681
Financial assets derecognized in the period	-12 954	-11 019	-27 303	-51 275
Modification of contractual cash flows from non-discounted financial assets	-29 149	11 943	454 364	437 158
Charge-off	-	-	-346 803	-346 803
Loan loss allowance as at 30.6.20	343 618	480 030	3 798 484	4 622 132

Gross loans to customers

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.3.20	30 330 911	7 372 056	9 312 476	47 015 444
Transfers :				
Transfers from stage 1 to stage 2	-1 919 454	1 923 738	-	4 285
Transfers from stage 1 to stage 3	-66 360	-	67 457	1 097
Transfers from stage 2 to stage 1	1 902 174	-2 091 070	-	-188 896
Transfers from stage 2 to stage 3	-	-844 784	860 082	15 298
Transfers from stage 3 to stage 2	-	179 765	-244 765	-65 000
Transfers from stage 3 to stage 1	9 780	-	-22 048	-12 269
New financial assets issued	907 003	41 009	-	948 012
Financial assets derecognized in the period	-928 409	-203 919	-83 904	-1 216 232
Modification of contractual cash flows from non-discounted financial assets	-1 259 444	-159 727	56 553	-1 362 618
Charge-off	-	-	-439 954	-439 954
Gross loans to customers as at 30.6.20	28 976 202	6 217 070	9 505 895	44 699 166

Instalment loans total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.3.20	303 607	400 141	2 797 518	3 501 266
Transfers :				
Transfers from stage 1 to stage 2	-29 716	111 081	-	81 365
Transfers from stage 1 to stage 3	-2 489	-	22 247	19 758
Transfers from stage 2 to stage 1	23 931	-66 646	-	-42 714
Transfers from stage 2 to stage 3	-	-101 742	212 302	110 560
Transfers from stage 3 to stage 2	-	12 398	-58 675	-46 276
Transfers from stage 3 to stage 1	283	-	-5 081	-4 797
New financial assets issued	12 650	2 924	-	15 574
Financial assets derecognized in the period	-12 186	-8 814	-23 299	-44 299
Modification of contractual cash flows from non-discounted financial assets	-20 723	1 203	313 404	293 884
Charge-off	-	-	-250 124	-250 124
Loan loss allowance as at 30.6.20	275 358	350 546	3 008 293	3 634 196

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.3.20	20 474 404	5 438 745	7 457 479	33 370 628
Transfers :				
Transfers from stage 1 to stage 2	-1 234 755	1 208 009	-	-26 747
Transfers from stage 1 to stage 3	-58 935	-	59 798	863
Transfers from stage 2 to stage 1	1 297 058	-1 359 670	-	-62 612
Transfers from stage 2 to stage 3	-	-666 031	676 187	10 156
Transfers from stage 3 to stage 2	-	150 751	-186 157	-35 405
Transfers from stage 3 to stage 1	8 279	-	-14 147	-5 868
New financial assets issued	851 086	26 442	-	877 529
Financial assets derecognized in the period	-834 886	-169 697	-70 690	-1 075 273
Modification of contractual cash flows from non-discounted financial assets	-781 136	-108 149	32 003	-857 282
Charge-off	-	-	-317 680	-317 680
Gross loans to customers as at 30.6.20	19 721 115	4 520 402	7 636 793	31 878 309

Credit card total

Loan loss allowance

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Loan loss allowance as at 31.3.20	74 770	121 420	709 518	905 707
Transfers :				
Transfers from stage 1 to stage 2	-6 386	50 772	-	44 386
Transfers from stage 1 to stage 3	-245	-	2 764	2 519
Transfers from stage 2 to stage 1	7 352	-37 332	-	-29 980
Transfers from stage 2 to stage 3	-	-18 664	58 150	39 486
Transfers from stage 3 to stage 2	-	2 587	-18 297	-15 709
Transfers from stage 3 to stage 1	23	-	-2 221	-2 198
New financial assets issued	1 940	2 167	-	4 107
Financial assets derecognized in the period	-768	-2 090	-4 004	-6 861
Modification of contractual cash flows from non-discounted financial assets	-8 426	10 624	140 961	143 159
Charge-off	-	-	-96 679	-96 679
Loan loss allowance as at 30.6.20	68 260	129 484	790 192	987 936

Gross loans to customers

<i>Amounts in NOK 1000</i>	Stage 1	Stage 2	Stage 3	Total
Gross loans to customers as at 31.3.20	9 856 508	1 933 311	1 854 997	13 644 816
Transfers :				
Transfers from stage 1 to stage 2	-684 698	715 730	-	31 031
Transfers from stage 1 to stage 3	-7 425	-	7 659	234
Transfers from stage 2 to stage 1	605 116	-731 400	-	-126 285
Transfers from stage 2 to stage 3	-	-178 753	183 896	5 142
Transfers from stage 3 to stage 2	-	29 014	-58 609	-29 595
Transfers from stage 3 to stage 1	1 501	-	-7 902	-6 401
New financial assets issued	55 917	14 567	-	70 484
Financial assets derecognized in the period	-93 523	-34 222	-13 215	-140 960
Modification of contractual cash flows from non-discounted financial assets	-478 308	-51 578	24 550	-505 336
Charge-off	-	-	-122 274	-122 274
Gross loans to customers as at 30.6.20	9 255 087	1 696 668	1 869 103	12 820 857

Note 6. Provision for loan losses

<i>Amounts in NOK 1000</i>	YTD 2020	YTD 2019	2019
Realized losses in the period due to final write-offs	36 565	20 527	46 813
Realized losses in the period due to charge-offs	93 151	-	436 891
Loan loss provisions - lifetime expected credit loss (stage 3)	1 034 520	781 373	922 091
Loan loss provisions - lifetime expected credit loss (stage 2)	-47 234	-19 102	99 639
Loan loss provisions - 12 months expected credit loss (stage 1)	-49 340	-1 752	121 926
Provision for loan losses	1 067 664	781 045	1 627 359

Note 7. Risk classes

<i>Amounts in NOK 1000</i>	Probability of default	Gross loans		Undrawn credit limits	
		30.6.20	30.6.19	30.6.20	30.6.19
A	0 – 1 %	6 523 231	6 186 531	48 449 104	40 920 625
B	1 – 3 %	9 206 941	9 120 362	996 698	1 868 361
C	3 – 5 %	4 852 241	4 207 205	214 002	282 025
D	5 – 9 %	4 297 902	4 306 011	141 724	261 346
E	9 – 15 %	3 204 300	3 931 390	48 120	185 061
F	15 – 20 %	1 278 979	1 473 774	10 348	18 953
G	20 – 30 %	1 430 127	1 025 769	9 640	14 614
H	30 – 40 %	619 701	447 061	2 060	1 752
I	40 – 55 %	410 122	385 961	1 003	830
J	55 – 100%	411 244	356 223	201	221
Engagements under collections by an agency, where the customer is less than 90 days past due		876 780	886 984	-	-
On track with engagement, at least one other product where payment is more than 90 days past due		1 703 348	2 102 316	-	-
Engagements that are in warning, but less than 90 days past due		375 145	527 584	-	-
Engagements that are more than 90 days past due		9 426 228	6 101 545	-	-
Engagements that are written down		82 806	344 163	-	-
Total classified		44 699 097	41 402 878	49 872 901	43 553 789
Not classified		70	665	-	-
Total		44 699 166	41 403 543	49 872 901	43 553 789

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

Note 8. Net interest income

<i>Amounts in NOK 1000</i>	YTD 2020	YTD 2019	2019
Interest income from cash and deposits with the central bank	266	300	781
Interest income from loans to and deposits with credit institutions	1 520	3 265	7 403
Interest income from instalment loans	2 123 367	2 021 425	4 114 730
Interest income from other loans	214	-	-
Interest income from credit card loans	892 211	776 752	1 624 932
Interest income from sales financing	141	370	650
Interest income, effective interest method	3 017 718	2 802 112	5 748 496
Interest and other income from certificates and bonds	124 888	75 298	155 937
Other interest and other interest related income	3 944	2 657	6 343
Other interest income	128 832	77 955	162 279
Interest expense from deposits from the central bank	1 033	-	-
Interest expense from deposits from customers	220 081	235 086	478 037
Interest expense on debt securities issued	91 756	25 582	70 531
Interest expense on subordinated loan	19 107	16 922	34 665
Other interest and other interest related expenses	33 843	33 759	66 857
Interest expenses	365 819	311 349	650 090
Net interest income	2 780 731	2 568 719	5 260 685

Note 9. Net commission and bank services income

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Payment services	192 200	197 681	416 056
Insurance services	41 145	45 802	70 440
Other fees and commission and bank services income	25 577	27 337	53 947
Total commission and bank services income	258 922	270 821	540 443
Payment services	50 800	79 163	160 458
Insurance services	36 107	32 432	67 516
Other fees and commission and bank services expense	12 857	11 242	22 729
Total commission and bank services expenses	99 765	122 837	250 703

Note 10. Net change in value on securities and currency

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Net change on certificates and bonds	-64 575	-39 141	-74 558
Net change on FX-forwards	-114 982	207 510	143 008
Net currency effects	209 146	-179 479	-49 509
Net change on shares and other securities	6 261	8 495	13 112
Net change in value on securities and currency	35 849	-2 614	32 053

Note 11. General administrative expenses

Amounts in NOK 1000	YTD 2020	YTD 2019	2019
Sales and marketing	402 534	448 399	879 117
IT operations	45 795	43 210	88 871
External services costs	44 399	33 075	70 677
Other administrative expenses	29 686	24 344	56 419
Total general administrative expenses	522 414	549 028	1 095 085

Note 12. Debt securities issued and subordinated loan

Amounts in NOK 1000	30.6.20	30.6.19	2019
Debt securities issued, carrying value (amortized cost)	6 679 216	3 316 800	6 537 863
Subordinated loans, carrying value (amortized cost)	876 143	807 889	822 688
Total debt securities issued and subordinated loans	7 555 359	4 124 689	7 360 551

ISIN	Nominal value outstanding	Currency	Interest	Reference rate + margin	Maturity*	Carrying value
Debt securities issued (senior unsecured bonds)						
NO0010810534	356 000	SEK	Floating	STIBOR + 108bp	20.11.2020	370 486
NO0010811110	285 000	NOK	Floating	NIBOR + 108bp	24.11.2020	285 350
NO0010837206	335 000	SEK	Floating	STIBOR + 120bp	22.02.2021	348 976
NO0010848583	192 000	SEK	Floating	STIBOR + 140bp	29.09.2021	197 410
NO0010848591	1 000 000	NOK	Floating	NIBOR + 150bp	29.03.2022	999 719
NO0010863582	400 000	SEK	Floating	STIBOR + 140bp	16.09.2022	415 845
NO0010863574	400 000	NOK	Floating	NIBOR + 140bp	16.09.2022	400 054
NO0010871148	800 000	NOK	Floating	NIBOR + 195bp	12.12.2022	799 606
NO0010871130	1 000 000	SEK	Floating	STIBOR + 190bp	12.12.2022	1 038 871
NO0010871155	1 200 000	NOK	Floating	NIBOR + 215bp	12.12.2023	1 199 444
NO0010871296	600 000	SEK	Floating	STIBOR + 200bp	12.12.2023	623 454
Total debt securities issued	6 568 000					6 679 216
Subordinated loan						
NO0010774326	100 000	NOK	Floating	NIBOR + 300bp	21.09.2021	99 935
NO0010797988	200 000	NOK	Floating	NIBOR + 375bp	16.06.2022	199 801
NO0010833130	550 000	SEK	Floating	STIBOR + 375bp	02.10.2023	576 408
Total subordinated loans	850 000					876 143
Total	7 418 000					7 555 359

* For subordinated loans maturity reflects the first possible call date

Note 13. Financial instruments

Financial instruments at fair value

Amounts in NOK 1000	30.6.20			
	Level 1	Level 2	Level 3	Total
Certificates and bonds*	-	16 790 787	-	16 790 787
Financial derivatives	-	161 158	-	161 158
Shares and other securities	-	-	51 124	51 124
Total financial assets at fair value	-	16 951 945	51 124	17 003 069
Financial derivatives	-	200 428	-	200 428
Loans from credit institutions**	1 000 781	-	-	1 000 781
Total financial liabilities at fair value	1 000 781	200 428	-	1 201 209

*Of which NOK 1 000 million is collateral for loans in Norges Bank

**NOK 1 000 million is loans from Norges Bank

Amounts in NOK 1000	30.6.19			
	Level 1	Level 2	Level 3	Total
Certificates and bonds	-	9 962 991	-	9 962 991
Financial derivatives	-	31 274	-	31 274
Shares and other securities	-	-	40 246	40 246
Total financial assets at fair value	-	9 994 265	40 246	10 034 511
Financial derivatives	-	4 913	-	4 913
Total financial liabilities at fair value	-	4 913	-	4 913

Change in instruments classified at level 3

Amounts in NOK 1000	30.6.20		30.6.19	
	Shares and other securities	Total	Shares and other securities	Total
Value 31.12	44 863	44 863	36 691	36 691
Net gain / loss on financial instruments	6 261	6 261	3 555	3 555
Value 30.6	51 124	51 124	40 246	40 246

Fair value of financial instruments at amortized cost

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

Debt securities issued and subordinated loan

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

Amounts in NOK 1000	30.6.20		30.6.19	
	Book value	Fair value	Book value	Fair value
Debt securities issued	6 679 216	6 444 176	3 316 800	3 339 470
Subordinated loan	876 143	818 468	807 889	806 395
Total financial liabilities	7 555 359	7 262 644	4 124 689	4 145 865

Amounts in NOK 1000	30.6.20			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	6 679 216	-	6 679 216
Subordinated loan	-	876 143	-	876 143
Total financial liabilities	-	7 555 359	-	7 555 359

Amounts in NOK 1000	30.6.19			
	Level 1	Level 2	Level 3	Total
Debt securities issued	-	3 316 800	-	3 316 800
Subordinated loan	-	807 889	-	807 889
Total financial liabilities	-	4 124 689	-	4 124 689

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

Note 14. Related parties

Norwegian Finans Holding ASA owns 100% of Bank Norwegian AS. Bank Norwegian AS has since 2007 had an agreement with Norwegian Air Shuttle ASA regarding the use of the brand name Norwegian, IP-rights and cooperation regarding the loyalty program Norwegian Reward. The agreement was renegotiated in the second quarter 2018 and is valid for ten years. In the second quarter 2020 the total expensed amount related to Norwegian Air Shuttle ASA was NOK 104.8 million, comprising of portfolio related costs of NOK 92.9 million and sales and agent commissions of NOK 11.8 million. The portfolio related costs include license fee for use of brand name, IP-rights and other customer portfolio costs, such as cashpoints.

Quarterly figures

Profit and loss account

Amounts in NOK 1000	Norwegian Finans Holding Group				
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Interest income, effective interest method	1 503 855	1 513 862	1 488 734	1 457 649	1 420 283
Other interest income	61 764	67 068	46 524	37 800	38 192
Interest expenses	179 319	186 500	173 586	165 155	160 332
Net interest income	1 386 301	1 394 430	1 361 672	1 330 294	1 298 143
Commission and bank services income	66 364	192 558	135 391	134 232	119 880
Commission and bank services expenses	48 138	51 627	57 862	70 004	63 777
Net change in value on securities and currency	104 964	-69 114	9 465	25 201	-1 830
Net other operating income	123 190	71 817	86 994	89 429	54 274
Total income	1 509 491	1 466 247	1 448 665	1 419 723	1 352 417
Personnel expenses	23 719	31 168	28 496	28 061	19 902
General administrative expenses	227 532	294 882	282 970	263 087	266 183
Depreciation and impairment of fixed and intangible assets	22 518	16 700	18 079	16 833	16 701
Other operating expenses	14 972	15 801	15 573	16 269	14 563
Total operating expenses	288 741	358 550	345 118	324 251	317 350
Provision for loan losses	447 027	620 636	432 803	413 511	401 717
Profit before tax	773 723	487 060	670 745	681 961	633 350
Tax charge	191 635	119 028	166 882	168 024	155 999
Profit after tax	582 087	368 032	503 863	513 937	477 351

Comprehensive income

Amounts in NOK 1000	Norwegian Finans Holding Group				
	Q2 2020	Q1 2020	Q4 2019	Q3 2019	Q2 2019
Profit on ordinary activities after tax	582 087	368 032	503 863	513 937	477 351
Comprehensive income for the period	582 087	368 032	503 863	513 937	477 351

Balance sheet

Amounts in NOK 1000	Norwegian Finans Holding Group				
	30.6.20	31.3.20	31.12.19	30.9.19	30.6.19
Assets					
Cash and deposits with the central bank	69 623	69 905	68 500	68 285	68 091
Loans and deposits with credit institutions	3 361 585	3 014 698	2 094 165	1 626 704	2 214 049
Loans to customers	40 101 034	42 378 471	40 560 502	40 067 806	38 712 907
Certificates and bonds	16 790 787	13 764 305	14 650 988	11 339 732	9 962 991
Financial derivatives	161 158	59 020	76 371	19 284	31 274
Shares and other securities	51 124	46 017	44 863	42 529	40 246
Intangible assets	490 433	506 426	510 840	508 638	512 030
Deferred tax asset	5 849	4 179	3 502	19 673	18 838
Fixed assets	1 082	1 153	819	953	1 102
Receivables	92 057	110 908	62 835	56 133	61 108
Total assets	61 124 733	59 955 081	58 073 384	53 749 736	51 622 635
Liabilities and equity					
Loans from credit institutions	1 000 781	1 400 000	52 750	-	73 100
Deposits from customers	41 090 855	39 561 112	40 118 369	39 185 189	38 177 954
Debt securities issued	6 679 216	6 813 624	6 537 863	3 472 923	3 316 800
Financial derivatives	200 428	657 621	29 621	37 563	4 913
Tax payable	634 825	441 519	625 745	618 010	449 151
Deferred tax	3 821	3 821	3 821	-	-
Other liabilities	55 452	193 945	225 912	400 310	107 560
Accrued expenses	175 744	177 062	182 907	240 195	204 759
Subordinated loan	876 143	876 073	822 688	812 230	807 889
Total liabilities	50 717 265	50 124 777	48 599 677	44 766 421	43 142 127
Share capital	186 695	186 695	186 695	186 695	186 695
Share premium	972 295	972 295	972 295	972 295	972 295
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Paid, not registered capital	6 058	-	-	-	-
Retained earnings and other reserves	8 607 419	8 036 314	7 679 717	7 189 324	6 686 519
Total equity	10 407 468	9 830 304	9 473 707	8 983 314	8 480 509
Total liabilities and equity	61 124 733	59 955 081	58 073 384	53 749 736	51 622 635

Norwegian Finans Holding ASA

Profit and loss account

Amounts in NOK 1000	Norwegian Finans Holding ASA				
	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Interest income, effective interest method	-	168	-	1 080	1 086
Interest expenses	923	302	1 846	302	2 114
Net interest income	-923	-134	-1 846	778	-1 028
Commission and bank services expenses	287	170	447	321	512
Net other operating income	-287	-170	-447	-321	-512
Total income	-1 210	-304	-2 294	457	-1 539
Personnel expenses	1 150	359	1 706	773	1 518
General administrative expenses	1 137	-	1 637	-	-
Other operating expenses	311	1 360	1 092	2 161	4 447
Total operating expenses	2 598	1 719	4 435	2 934	5 964
Profit before tax	-3 808	-2 023	-6 728	-2 477	-7 503
Tax charge	-838	-445	-1 480	-546	-1 651
Profit after tax	-2 970	-1 578	-5 248	-1 931	-5 852

Comprehensive income

Amounts in NOK 1000	Q2 2020	Q2 2019	YTD 2020	YTD 2019	2019
Profit on ordinary activities after tax	-2 970	-1 578	-5 248	-1 931	-5 852
Comprehensive income for the period	-2 970	-1 578	-5 248	-1 931	-5 852

Balance sheet

Amounts in NOK 1000	Norwegian Finans Holding ASA		
	30.6.20	30.6.19	31.12.19
Assets			
Loans and deposits with credit institutions	4 596	6 370	1 117
Ownership interests in group companies	1 190 240	1 190 240	1 190 240
Deferred tax asset	4 163	1 577	2 682
Receivables	348 716	335 174	338 311
Total assets	1 547 714	1 533 361	1 532 350
Liabilities and equity			
Other liabilities	205 224	188 183	190 374
Accrued expenses	846	423	1 142
Total liabilities	206 070	188 606	191 516
Share capital	186 695	186 695	186 695
Share premium	972 295	972 295	972 295
Paid, not registered capital	6 058	-	-
Retained earnings and other reserves	176 596	185 764	181 844
Total equity	1 341 644	1 344 754	1 340 834
Total liabilities and equity	1 547 714	1 533 361	1 532 350

Bærum, August 12, 2020
The Board of directors of Norwegian Finans Holding ASA

Klaus-Anders Nysteen
Chairman of the board

Hans Larsson
Board member

Anita Aarnæs
Board member

Christine Rødsæther
Board member

Izabella Kibsgaard-Petersen
Board member

Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Tine Wollbekk
CEO

Cash flow statement

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA		
	YTD 2020	YTD 2019	2019
Profit / loss before tax	-6 728	-2 477	-7 503
Change in other accruals	-10 405	-335 172	-338 309
Change in short-term liabilities	14 554	187 049	189 959
Net cash flow from operating activities	-2 579	-150 600	-155 852
Net investment in group companies	-	-40 240	-40 240
Net cash flows from investment activities	-	-40 240	-40 240
Paid in capital	6 058	-	-
Allocation of bonus shares	-	5 301	5 301
Buy back of shares	-	-161 200	-161 200
Issuing of shares	-	150 000	150 000
Net cash flow from financing activities	6 058	-5 899	-5 899
Net cash flow for the period	3 479	-196 739	-201 992
Cash and cash equivalents at the start of the period	1 117	203 109	203 109
Cash and cash equivalents at the end of the period	4 596	6 370	1 117

Changes in equity

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Retained		Total equity
			Paid, not registered capital	earnings and other reserves	
Balance 31.12.19	186 695	972 295	-	181 844	1 340 834
This period's profit	-	-	-	-5 248	-5 248
Items that may be reclassified to profit and loss, after tax	-	-	-	-	-
Comprehensive income for the period	-	-	-	-5 248	-5 248
Capital increase	-	-	6 058	-	6 058
Balance 30.6.20	186 695	972 295	6 058	176 596	1 341 644
Balance 31.12.18	186 752	976 938	-	188 896	1 352 586
This period's profit	-	-	-	-1 931	-1 931
Comprehensive income for the period	-	-	-	-1 931	-1 931
Buy back of shares	-2 133	-157 867	-	-	-160 000
Allocation of shares	2 000	148 000	-	-	150 000
Allocation of bonus shares	76	5 224	-	-	5 301
Fees	-	-	-	-1 201	-1 201
Balance 30.6.19	186 694	972 295	-	185 764	1 344 754

Notes for Norwegian Finans Holding ASA

Note 1. General accounting principles

The quarterly financial statements for Norwegian Finans Holding ASA have been prepared in accordance with IAS 34 Interim Financial Reporting as issued by the International Accounting Standards Board and as adopted by the European Union. When preparing the consolidated financial statements, management makes estimates, judgments and assumptions that affect the application of the accounting principles and the carrying amount of assets, liabilities, income and expenses. Estimates and assumptions are subject to continual evaluation and are based on historical experience and other factors, including expectations of future events that are believed to be probable on the balance sheet date. A description of the accounting policies, significant estimates and areas where judgment is applied, can be found in Note 1 Accounting principles in the annual report for 2019.

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

Note 2. Capital adequacy

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

Total capital	30.6.20	30.6.19	2019
<i>Amounts in NOK 1000</i>			
Share capital	186 847	186 695	186 695
Share premium	978 201	972 295	972 295
Other reserves	176 596	185 764	181 844
Deferred tax assets, intangible assets and additional valuation adjustment	-4 163	-1 577	-2 682
Common equity tier 1	1 337 482	1 343 178	1 338 151
Tier 1 capital	1 337 482	1 343 178	1 338 151
Total capital	1 337 482	1 343 178	1 338 151
Calculation basis			
Institutions	919	1 274	223
Corporate	341 160	334 500	338 311
Equity positions	1 190 240	1 190 240	1 190 240
Other assets	7 556	674	-
Total credit risk	1 539 875	1 526 688	1 528 774
Operational risk	-	-	-
Market risk	-	-	-
Total calculation basis	1 539 875	1 526 688	1 528 774
Common equity tier 1 %	86.9 %	88.0 %	87.5 %
Tier 1 capital %	86.9 %	88.0 %	87.5 %
Total capital %	86.9 %	88.0 %	87.5 %

Note 3. Related parties

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

Erklæring

i henhold til verdipapirhandellovens paragraf 5-6

Vi bekrefter at konsernets og selskapets halvårsregnskap for perioden 01. januar til 30. juni 2020 etter vår beste overbevisning er utarbeidet i samsvar med IAS 34 Delårs rapportering, som er godkjent av EU, og at opplysningene i regnskapet gir et rettviseende bilde av konsernets og selskapets eiendeler, gjeld, finansielle stilling og resultat som helhet.

Halvårsberetningen gir etter vår beste overbevisning en rettviseende:

- oversikt over viktige begivenheter i regnskapsperioden og deres innflytelse på årsregnskapet
- beskrivelse av de mest sentrale risiko- og usikkerhetsfaktorer virksomheten står over i neste regnskapsperiode
- beskrivelse av nærstående vesentlige transaksjoner.

Bærum, August 12, 2020

The Board of directors of Norwegian Finans Holding ASA

Klaus-Anders Nysteen
Chairman of the board

Hans Larsson
Board member

Anita Aarnæs
Board member

Christine Rødsæther
Board member

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Knut Arne Alsaker
Board member

Kjetil Garstad
Board member

Tine Wollebekk
CEO



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