

Annual Report 2015

Norwegian Finans Holding ASA

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OPERATIONS, GOALS AND STRATEGY

Norwegian Finans Holding ASA (NFH) owns 100 % of the shares in Bank Norwegian AS. The company does not engage in any other operations. The ownership of NFH 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 20 %. The company has been capitalised with NOK 310 million and had at the end of 2015 total assets of NOK 17,547 million. Norwegian Finans Holding ASA is registered at NOTC with the ticker code BANK.

Bank Norwegian started its operations in November 2007 and offers consumer loans, credit cards and deposit accounts to retail customers distributed through the Internet in the Nordic market. The bank 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 offers consumer loans and deposit accounts.

The strategy is based on leading e-commerce solutions, synergies with the airline Norwegian, attractive terms for our customers, cost-effective operations and effective risk selection.

At the end of 2015 the bank had a customer base of 607,700 customers, which can be broken down into 446,400 credit card customers, 80,000 loan customers and 81,300 deposit customers.

ECONOMIC DEVELOPMENT

Profit and loss account for 4th quarter 2015

The NFH Group's profit after tax was NOK 167.7 million, an improvement of NOK 39.9 million compared with the 3rd quarter. The Swedish operations showed a profit after tax of NOK 24.5 million in the quarter. The annual return on equity for the 4th quarter was 41.9 %, while the annual return on assets was 4.0 %. The increase in loans in the 4th quarter was NOK 1,447 million. The increase was positively impacted by exchange rate changes.

Net interest income totalled NOK 412.1 million, an increase of NOK 39.4 million in the 4th quarter. The net interest margin was 9.9 %, compared with 9.8 % in the 3rd quarter.

Net other operating income totalled NOK 44.5 million, compared with NOK 8.8 million in the 3rd quarter. Net commission and bank services income increased NOK 8.1 million to NOK 38.1 million in the quarter. Net change in value on securities and currency was NOK 6.2 million, compared with NOK -21.2 million in the 3rd quarter. Net gain on value of securities was NOK 2.0 million and net gain on currency was NOK 4.2 million.

Total operating expenses were NOK 159.2 million in the 4th quarter, an increase of NOK 6.8 million. Personnel expenses increased by NOK 1.1 million and general administrative expenses increased NOK 4.9 million. The increase in general administrative expenses is mainly explained by increased sales and marketing expenses. Depreciation increased NOK 0.1 million and other operating expenses increased NOK 0.7 million.

The bank's write-downs on loans totalled NOK 68.6 million, an increase of NOK 14.6 million from the 3rd quarter. The change is explained by increased write-downs on groups of loans in Sweden, Denmark and Finland. Write-downs as a percentage of average gross loans equalled 2.1 % in the 4th quarter, compared with 1.8 % in the 3rd quarter.

Profit and loss account for 2015

The NFH Group's profit after tax for 2015 was NOK 537.7 million, an increase of NOK 191.9 million or 56 % compared with 2014. The Swedish operations showed a profit after tax of NOK 54.3 million. The return on equity was 38.6 % and the return on assets was 3.6 %. The improvement in profit is mainly explained by customer and loan growth. The bank recruited approximately 160,000 new customers in 2015 and a loan growth of NOK 4,358 million.

Net interest income

Net interest income was NOK 1,421.5 million, an increase of NOK 451.6 million in 2015. The net interest margin was 9.6 %, compared with 8.5 % in 2014. The increase in net interest margin is due to improved asset utilization and lower interest expense.

Net other operating income

Net other operating income was NOK 95.6 million, an increase of NOK 26.7 million from 2014. Net commission and bank services income increased by NOK 42.2 million, totalling NOK 114.1 million in 2015. The increase is explained by higher credit card activity. The net change in value on securities and currency totalled NOK -18.7 million, compared with NOK -3.4 million in the previous year. The change in value mainly comprise of

unrealized securities losses due to higher credit spreads in bonds. Value-adjusted return on the securities portfolio was 0.8 %, compared with 2.0 % in the previous year.

Operating expenses

Total operating expenses totalled NOK 573.6 million, an increase of NOK 152.7 million from 2014. Personnel expenses increased with NOK 6.2 million or 12 %. General administrative expenses increased NOK 134.2 million. The increase in administrative expenses is mainly attributed to higher sales and marketing expenses. Depreciation increased NOK 5.0 million and other operating expenses increased NOK 7.3 million.

Write-downs on loans

The bank's write-downs on loans were NOK 207.9 million, compared with NOK 142.6 million in 2014. Write-downs equalled 1.8 % of average gross loans, compared with 1.7 % in the previous year.

Delinquent loans were NOK 754.3 million, compared with NOK 392.0 million at the end of 2014. Relative to gross loans, delinquency increased from 4.1 % in 2014 to 5.4 % at the end of 2015. Non-performing loans totalled 4.0 % of gross loans, compared with 2.8 % at the end of 2014. The increase in delinquency must be seen in relation to the sale of non-performing loans in the 4th quarter 2014.

At year end, individual write-downs on loans totalled NOK 63.7 million, and write-downs on groups of loans totalled NOK 328.4 million.

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

Balance sheet, liquidity and capital

The NFH Group's total assets were NOK 17,547 million at the end of the year, an increase of NOK 4,122 million for the full year. Net loans to customers increased by NOK 4,358 million and totalled NOK 13,759 million at year end, of which net loans to customers in Sweden totalled NOK 3,616 million. Net loans to customers in Denmark and Finland totalled NOK 11 million and NOK 81 million respectively. Installment loans increased by NOK 3,262 million, while credit card loans increased by NOK 1,246 million. Customer deposits increased by NOK 3,211 million and totalled NOK 13,367 million at year end, whereof customer deposits from Swedish customers totalled NOK 3,128 million. The deposit-to-loan ratio was 97 %.

The holdings of certificates and bonds decreased by NOK 489 million and totalled NOK 2,965 million at the end of 2015. Other liquid assets totalled NOK 537 million at the end of 2015.

The bank has during the year issued net NOK 273 million in senior debt securities with up to three years maturity. Debt securities issued totalled NOK 1,875 million at year end.

The liquidity position has been strong throughout the year. The securities portfolio is liquid with solid counterparties and a high percentage of government certificates.

Total equity was NOK 1,685 million for the NFH Group at year end. The total capital ratio at the end of 2015 was 15.4 % for the group and 15.3 % for the bank. The core capital ratio at the same point in time was 14.0 % for the group and 13.9 % for the bank. The common equity tier 1 ratio was 13.0 % for the group and 12.9 % for the bank.

FINANCIAL RISK FACTORS

Credit risk

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

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

Customer's application score is used in the bank's risk-based product pricing.

Customers are regularly risk assessed based on behavioural score, if sufficient track records exists. For new customers and customers in new markets, application score is used in addition to any clear negative observations, such as default on loan agreement.

The bank follows up credit quality through, for example, ongoing reporting and credit committee meetings. The board has set limits for the maximum exposure per customer based on the type of commitment.

Liquidity risk

The board of directors of Bank Norwegian has adopted guidelines for management of the bank's liquidity position to ensure that the bank maintains solid liquidity. The guidelines are reviewed at least annually by the board of directors. The guidelines set risk limits for liquidity management and define a reporting scheme. The bank manages its liquidity position by means of summaries illustrating cash flows in the short term and by means of liquidity due date summaries. Regular liquidity stress tests are performed.

The liquidity risk is evaluated as low at the time of this report. A large portion of the bank's assets consists of marketable securities, including substantial holdings of certificates issued by the Norwegian government.

The asset side is financed by core deposits from the retail market, senior debt securities and subordinated capital. To reduce the liquidity risk, a maximum deposit limit per customer of NOK 2 million has been set to achieve the best deposit terms.

Interest rate risk

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

Market risk

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

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

Exposure to foreign currency risk is hedged.

Operational risk

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

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

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

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

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

Business and strategic risk

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

There will be factors of uncertainty associated with lower customer acquisition and volumes, reduced interest rate margins, inadequate cost-effectiveness and inappropriate technological choices. A decline in the economy may

result in weaker growth, higher losses and weaker earnings, and at the same time can make raising capital difficult. On the other hand a downturn in the economy will result in a lower level of interest rates which, in turn is positive for the bank's earnings. Business risk demands that the board of directors and management have good planning processes and are able to adapt to reduce losses.

PERSONNEL AND THE ENVIRONMENT

The bank's employees have yet again delivered good results. At 31.12.15 the bank had 64 employees, corresponding to 59.5 man-labour years, compared with 59 employees and 55 man-labour years in 2014.

The bank's board of directors and management aim to promote equal status between men and women. The bank has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning salaries, promotions, recruitment, and others. Of the bank's 64 employees, there are 36 men and 28 women. Of the 11 managers with personnel responsibility, two are women.

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

Absence due to illness was 2 %. The working environment is regarded as good. The bank has established a Workers Environment and Liaison Committee. There have not been any work related accidents or injuries during the year. In the opinion of the board of directors, the bank's operations do not pollute the external environment.

The bank is located at Oksenøyveien 3, Lysaker. The bank has established a customer call centre in Malaga, based on outsourcing, to service Nordic customers.

CORPORATE SOCIAL RESPONSIBILITY

Specific guidelines regarding corporate social responsibility have not been established.

EVENTS AFTER THE DATE OF THE BALANCE SHEET

Visa Inc. and Visa Europe have entered into an agreement that Visa Inc. will purchase all shares in Visa Europe. Through membership in Visa Norge, as a shareholder of Visa Europe, the bank will receive proceeds from the transaction. The proceeds comprise of a cash payment, convertible preference shares and a contingent cash consideration payable no earlier than four years after completion of the transaction. The shares are assigned Visa Norge and may be assigned to members no earlier than after four years. It is expected that the transaction is completed in the 2nd quarter 2016.

The bank's total share of the proceeds is not finalized, but is estimated at NOK 110 million. Based on the bank's current accounting policies, only the cash consideration will be recorded as income at the time of the transaction in 2016. The cash consideration is estimated to NOK 60 million.

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

OUTLOOK

The economic trends differ in the Nordic markets where the bank operates. The Norwegian economy shows weaker growth and rising unemployment. The Swedish economy shows strong growth and falling unemployment. The Danish and Finnish economies show weak growth and stable unemployment. Increased unemployment may entail higher levels of loan losses. The level of interest rates in the countries where the bank is represented is expected to remain low going forward. The bank is expected to benefit from the low levels of interest rates through low funding costs in the coming years.

The earnings growth is expected to continue through strong loan growth, stable margins, cost control and good credit quality, but the results will be impacted by the launch of operations in Denmark and Finland. The operations in Denmark and Finland are expected to be profitable within two years.

The bank experiences increased competition in the Norwegian market for unsecured credit due to the arrival of new competitors. Increased competition may lead to higher customer acquisition cost, margin pressure and lower growth.

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

The return on the investment portfolio fell due to higher credit spreads in the bonds market. The level of return is expected to remain steady going forward. The portfolio's low risk mandate will remain.

The credit quality of the loan portfolio in Norway and Sweden show a stable development and the level of write-downs is expected to remain stable going forward. Higher write-downs are expected initially in Denmark and Finland.

The bank has a sound capital situation. The current capital base and internal generation of capital are considered sufficient to ensure the bank's growth ambitions.

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

PROPOSED ALLOCATION OF THE NET PROFIT FOR THE YEAR

Norwegian Finans Holding ASA received NOK 6.2 million in group contributions from Bank Norwegian AS. The board of directors proposes that NFH ASA's net gain for 2015 of NOK 3.2 million is added to other reserves.

Bærum, 18 February 2016
Board of Directors of Norwegian Finans Holding ASA

Bjørn H. Kise
Chairman of the Board

Anita Aarnæs
Board Member

Maria Borch Helsengreen
Board Member

Kristin Farstad
Board Member

Brede G. Huser
Board Member

John Høsteland
Board Member

Erik Jensen
CEO

Profit and loss account

Norwegian Finans Holding ASA			Norwegian Finans Holding Group		
2014	2015	Amounts in NOK 1000	Note	2015	2014
124	24	Interest income	2	1,714,277	1,279,849
-	-	Interest expenses		292,742	309,930
124	24	Net interest income		1,421,534	969,918
-	-	Commission and bank services income	3	192,647	127,903
261	315	Commission and bank services expenses		78,564	56,045
-	-	Net change in value on securities and currency		-18,674	-3,401
-	6,164	Other income		214	443
-261	5,849	Net other operating income		95,624	68,900
-137	5,873	Total income		1,517,159	1,038,819
1,282	1,431	Personnel expenses	4	58,172	51,966
21	-	General administrative expenses	5	477,694	343,475
-	-	Ordinary depreciation	6	15,477	10,514
94	99	Other operating expenses	7	22,236	14,930
1,397	1,530	Total operating expenses		573,580	420,884
-	-	Provision for loan losses	2	207,886	142,570
-1,534	4,343	Profit on ordinary activities before tax		735,693	475,364
-414	1,172	Tax charge	8	197,979	129,585
-1,120	3,170	Profit on ordinary activities after tax		537,714	345,779

Balance sheet

Norwegian Finans Holding ASA		Norwegian Finans Holding Group			
31.12.14	31.12.15	Amounts in NOK 1000	Note	31.12.15	31.12.14
Assets					
-	-	Cash and deposits with the central bank	9	58,987	58,998
13,342	17,014	Loans and deposits with credit institutions	9	477,840	299,705
-	-	Loans to customers	2,9	13,759,350	9,401,001
-	-	Certificates and bonds	9,10	2,965,036	3,454,319
310,000	310,000	Ownership interests in group companies		-	-
-	-	Shares and other securities	11	443	443
-	-	Other intangible assets	6	42,253	33,874
1,172	-	Deferred tax asset	8	6,669	1,326
-	-	Fixed assets	6	526	1,124
-	6,164	Receivables and accrued income	12	235,672	174,191
324,515	333,178	Total assets		17,546,776	13,424,980
Liabilities and equity					
-	-	Deposits from customers	9	13,366,601	10,155,698
-	-	Debt securities issued	13	1,874,977	1,601,856
-	-	Tax payable	8	203,324	129,591
-	-	Other liabilities	14	36,374	21,755
1,315	1,335	Accrued expenses and unearned income received	15	81,624	75,446
-	-	Subordinated loan	16	298,834	298,782
1,315	1,335	Total liabilities		15,861,735	12,283,127
173,000	173,195	Share capital	16	173,195	173,000
145,123	150,402	Share premium reserve	16	150,402	145,123
5,076	8,246	Retained earnings and other reserves	16	1,361,444	823,730
323,200	331,843	Total equity		1,685,041	1,141,853
324,515	333,178	Total liabilities and equity		17,546,776	13,424,980

Bærum, 18 February 2016
Board of Directors of Norwegian Finans Holding ASA

Bjørn H. Kise
Chairman of the Board

Anita Aarnæs
Board Member

Maria Borch Høsteland
Board Member

Kristin Farstad
Board Member

Brede G. Huser
Board Member

John Høsteland
Board Member

Erik Jensen
CEO

Cash flow statement
Norwegian Finans Holding ASA

Norwegian Finans Holding Group

2014	2015	Amounts in NOK 1000	2015	2014
		Cash flows from operating activities		
-1,534	4,343	Profit / loss before tax	735,693	475,364
-	-	Taxes paid	-129,589	-93,436
-	-	Ordinary depreciations	15,477	10,514
-	-	Change in loans	-4,358,349	-3,037,294
-	-	Change in deposits from customers	3,210,903	3,563,517
-	-	Change in securities	489,283	-1,760,205
-	-6,164	Change in other accruals	-61,481	-77,067
-14	20	Change in short-term liabilities	20,798	23,231
-1,548	-1,801	Net cash flow from operating activities	-77,265	-895,375
		Cash flows from investment activities		
-	-	Payment for acquisition of tangible fixed assets	-	-92
-	-	Disposals tangible fixed assets	201	-
-	-	Payment for acquisition of intangible assets	-23,459	-13,264
-	-	Net cash flow from investment activities	-23,259	-13,356
		Cash flow from financing activities		
-	-	Debt securities issued	273,121	1,102,094
-	-	Cash flow from financing activities	-	-443
-	-	Subordinated debt	53	53
5,584	5,473	Gross payments of subordinated debt	5,473	5,584
5,584	5,473	Net cash flow from financing activities	278,647	1,107,287
4,036	3,672	Net cash flow for the period	178,124	198,556
9,306	13,342	Cash and cash equivalents at the start of the period	358,703	160,147
13,342	17,014	Cash and cash equivalents at the end of the period	536,827	358,703

Notes for Norwegian Finans Holding ASA

Note 1. General accounting principles

The annual accounts have been prepared in accordance with the Financial Reporting Act, Regulations relating to Financial Reporting for Banks, Finance Companies and their Parent Companies, Regulations relating to the Treatment of Loans and Guarantees in the Accounts of Financial Institutions and the Generally Accepted Accounting Principles in Norway.

1. Financial instruments

Financial instruments include primarily loans and securities with fixed and variable rates of return, such as certificates, bonds and other short-term interest rate instruments.

1.1. Loans and guarantees

The bank's loans are calculated initially at fair value on the balance sheet. Subsequent calculation of the loans is based on their amortised expense by means of the effective interest rate method and direct expenses are included in the amortised expenses. If there is objective evidence that the value of a loan or group of loans has fallen then they shall be written down. The bank has prepared its own guidelines for write-downs on loans.

The criterion for calculating the losses on individual loans is the existence of objective evidence that the value of the loan has fallen. Objective evidence that the value of a loan has fallen includes observable data made known to the bank regarding the following loss incidents:

1. Debtor suffering significant financial difficulties.
2. Non-payment or other type of significant breach of contract.
3. Granted postponement or new credit for the payment of an instalment, agreed to changes in the interest rate or other contractual terms as a result of the debtor's financial problems.
4. It is considered probable that the debtor will enter into debt settlement proceedings or other financial restructuring, or that bankruptcy proceedings will be opened for the debtor's estate.

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

Write-downs for losses cover losses in the commitment portfolio that have occurred. The evaluations of what commitments are regarded as doubtful are based on the conditions that exist on the date of the balance sheet. The loan portfolio is followed up monthly and an evaluation of individual and group write-downs is made in this connection. A critical evaluation is made in connection with the recognition of any fall in the value of the loan portfolio. Write-downs due to a fall in value shall be based on risk classification in accordance with the established guidelines stipulated in the bank's credit guidelines.

Write-downs represent the difference between the book value and the present value of the estimated future cash flows. The current effective interest rate is used when calculating the present value. Securities are valued at their expected sales price less the selling expenses.

1.2. Securities

Current assets are valued at the lesser value of historical cost and market value. Portfolio valuation is used for groups of current assets, the purpose of the composition of the portfolio is to reduce risk through diversification. All the bank's interest-bearing securities are defined as current assets.

1.3. Financial derivatives

Currency forwards are recorded and measured at fair value.

2. Intangible assets

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

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

IT/software:	20 %
Trademark:	20 %
Connection fee:	10 %

3. Tangible fixed assets

Tangible fixed assets are valued at historical cost less accumulated ordinary depreciation and any write-downs. Enhancements or improvements are added to the cost price of the fixed asset and depreciated in step with the fixed asset.

Each time the accounts are published, a decision is made as to whether there are indications of a fall in the value of fixed assets. If a fall in value is deemed not to be temporary, the fixed asset's recoverable amount will be measured. The recoverable amount is the higher of the net sales value and utility value. In the event that it is proven that the recoverable amount for the relevant fixed asset is lower than the book value, a write-down will be done so that the fixed asset is valued at the recoverable amount. Such write-downs are reversed when there is no longer any basis for the write-down.

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

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

4. Customer receivables and other receivables

Customer receivables and other receivables are recognised in the accounts at historical cost less value impairment losses.

5. Debt and other liabilities

Debt securities issued are recognised in the accounts at amortised cost in accordance with the principles of IFRS. Other debt and liabilities are recognised in the accounts at cost.

6. Accruals

Revenues are recognised in the profit and loss account when they are earned. Expenses are matched with revenues, so that the expenses are recognised in the same accounting period as the associated revenues. Expenses related to revenues earned in subsequent periods are recognised on the balance sheet and accrued in accordance with the revenues. Expenses that are incurred during future periods related to revenues that have been earned are recognised during the same period as revenues. Expenses that are not related to future revenues are recognised as expenses when they are identified.

6.1. Accrual of interest and fees

Interest and commissions are recognised in the profit and loss account as they are earned as revenue or accrued as expenses. Interest income and expenses are recognised in the profit and loss account at the amortised cost in accordance with the effective interest method.

6.2. Agent commission

Cost related to commissions to agents, are recognised and amortized over the expected average maturity of three years.

6.3. Pensions

The bank are obliged to have an occupational pension scheme for their employees, and have a scheme that meets the requirements. The bank has a defined contribution scheme. This scheme entails that the bank does not guarantee a future pension of a specific amount, the bank pays instead an annual contribution to the employees' collective pension savings plan. Therefore the bank does not have any further obligation related to work performed after the annual contribution has been paid. There are thus no provisions for accrued pension liabilities in such schemes. At 31.12.2015 61 employees were included in the pension scheme.

6.4. Tax charge

Taxes are charged as an expense when they are incurred, i.e. the tax charge related to the financial result before taxes. Adjustments are made for temporary and permanent differences before the basis for the tax payable is calculated. Deferred tax and deferred tax assets are calculated based on temporary differences between the financial and tax-related values at the end of the financial year. The nominal tax rate is used for this calculation. Tax-increasing and tax-reducing differences within the same time interval are set off against each other. The tax charge consists of tax payable (tax on taxable income for the year), change in the net deferred tax and too little/much tax payable allocated in previous years.

6.5. Deferred tax

Deferred tax asset is recognised in the balance sheet to the extent it is expected to offset future taxable profit.

7. Cash flow statement

The cash flow statement is based on the operations and reflects the key elements of the bank's liquidity management with special emphasis on the cash flows for lending and deposit activities. Cash and cash equivalents consists of bank deposits. The bank has a unused overdraft facility of NOK 50 million.

8. Concentration risk

Concentration risk on the investment portfolio and customer portfolio is managed by limiting the size of individual commitment.

9. Conversion of transactions in foreign currency

The bank's functional currency is Norwegian kroner (NOK). Balance sheet items in foreign currency are translated according to exchange rates prevailing on the balance sheet date. Profit and loss items in SEK, DKK and EUR are translated to Norwegian kroner according to average exchange rates.

10. Consolidation

The consolidated accounts include the parent company Norwegian Finans Holding ASA and the daughter company Bank Norwegian AS (100 % owner-ship). The companies share offices at Oksenøyveien 3, Lysaker. The consolidated accounts have been prepared on the basis of uniform principles, since the subsidiaries follow the same accounting policies as the parent company. Internal transactions, receivables and liabilities are eliminated.

Note 2. Loans and guarantees

Bank Norwegian AS and Norwegian Finans Holding ASA have no guarantees as at 31.12.2015.

Loans to and receivables from customers

<i>Amounts in NOK 1000</i>	31.12.15	31.12.14
Overdraft facilities and lines of credit	17,475	20,067
Credit cards	3,914,733	2,650,470
Installment loans	10,219,116	6,914,552
Gross lending	14,151,324	9,585,089
- individual write-downs on loans	63,607	1,862
- write-downs on groups of loans	328,367	182,226
Net loans to and receivables from customers	13,759,350	9,401,001

Loans and guarantees by customers group

<i>Amounts in NOK 1000</i>	Gross lending		Potential exposure of gross credit facilities		Maximum exposure	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
Retail customers	14,151,324	9,585,089	30,135,534	22,091,161	30,135,534	22,091,161
Total	14,151,324	9,585,089	30,135,534	22,091,161	30,135,534	22,091,161

Potential exposure of gross credit facilities equals gross lending plus undrawn credit limits as at 31.12.2015.

Loans and guarantees by geographical region

<i>Amounts in NOK 1000</i>	Gross lending	
	31.12.15	31.12.14
Akershus	1,386,304	1,039,009
Oslo	1,379,901	1,061,679
Hordaland	1,125,194	866,422
Rogaland	861,363	633,664
Østfold	665,042	497,256
Buskerud	582,217	450,836
Sør-Trøndelag	523,711	398,448
Nordland	520,025	403,313
Vestfold	503,496	382,999
Møre og Romsdal	445,413	328,078
Troms	375,528	293,431
Hedmark	352,082	264,198
Oppland	327,122	233,953
Telemark	304,575	229,392
Vest-Agder	244,232	182,976
Nord-Trøndelag	220,637	164,892
Finnmark	208,753	143,654
Aust-Agder	173,585	125,791
Sogn og Fjordane	140,263	108,918
Total Norway	10,339,443	7,808,909
Sverige	3,717,906	1,776,180
Danmark	11,327	-
Finland	82,649	-
Total	14,151,324	9,585,089

Losses on loans and guarantees

Risk classes <i>Amounts in NOK 1000</i>	Gross lending		Individual write-downs on loans/guarantees		Undrawn credit limits	
	31.12.15	31.12.14	31.12.15	31.12.14	31.12.15	31.12.14
A	2,295,002	1,412,567			14,926,358	11,632,876
B	5,257,335	3,509,950			567,154	434,958
C	1,727,698	1,135,789			174,446	93,643
D	1,433,251	909,224			189,708	72,883
E	929,614	638,781			52,760	34,597
F	343,250	356,823			14,754	11,054
G	392,763	379,658			15,129	9,840
H	166,216	168,493			10,967	7,518
I	175,299	296,939			2,820	2,164
J	152,971	84,380			1,559	798
S	241,598	163,290			-	-
T	35,212	27,454			-	-
U	93,693	42,699			-	-
V	695,120	390,130			-	-
W	122,829	3,710	63,607	1,862	-	-
Total classified	14,061,851	9,519,887	63,607	1,862	15,955,655	12,300,331
Not classified	89,473	65,202	-	-	28,554	205,741
Total	14,151,324	9,585,089	63,607	1,862	15,984,209	12,506,072

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

"Not classified" consists of Norwegian engagements relating to sales financing and bank accounts with and without credit facilities. In the chance of a classification of these engagements there are no indications implying that the distribution of risk classes will significantly deviate from what is observed in the classified engagements. The risks associated with customers are classified based on their application and behavioural score. This risk classification is an integrated part of the bank's credit approval process and is used in the bank's risk-based product pricing.

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

Default and loss on loans

Defaulted loans

<i>Amounts in NOK 1000</i>	31.12.15	31.12.14
Gross defaulted loans	817,949	393,840
- Individual write-downs on loans	63,607	1,862
- Write-downs on groups of loans	328,367	182,226
Net defaulted loans	425,975	209,752

Defaulted loans which are performing	187,061	123,240
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Write-downs on loans for the period

<i>Amounts in NOK 1000</i>	2015	2014
Change in group write-downs for the period	146,141	83,277
Write-offs for which provisions were made earlier	66,443	59,294
Write-offs for which provisions were not made earlier	-	-
Included in earlier write-offs	-4,698	-
Write-downs on loans for the period	207,886	142,570

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

Aging of defaulted, but not written-down loans

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

<i>Amounts in NOK 1000</i>	31.12.15					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
- Retail market	399,865	401,040	315,846	112,133	695,120	1,924,004
Total	399,865	401,040	315,846	112,133	695,120	1,924,004

<i>Amounts in NOK 1000</i>	31.12.14					Total
	5 - 15 days	16 - 30 days	31 - 60 days	61 - 90 days	Over 90 days	
- Retail market	286,065	463,377	257,588	77,752	390,130	1,474,912
Total	286,065	463,377	257,588	77,752	390,130	1,474,912

Specification of interest income

<i>Amounts in NOK 1000</i>	2015					Total
	Norway	Sweden	Denmark	Finland		
Loans to and receivables from credit institutions	2,325	2	-	-		2,328
Bonds and certificates	51,558	45	-	-		51,603
Loans to and receivables from customers						
– Installment loans	969,703	259,585	47	385		1,229,720
– Overdraft facilities and lines of credit	361,982	65,760	-	-		427,742
Other interest income	2,754	129	-	-		2,883
Total	1,388,323	325,522	47	385		1,714,277

<i>Amounts in NOK 1000</i>	2014					Total
	Norway	Sweden	Denmark	Finland		
Loans to and receivables from credit institutions	3,114	539	-	-		3,653
Bonds and certificates	52,664	10,105	-	-		62,769
Loans to and receivables from customers						
– Installment loans	778,331	114,448	-	-		892,779
– Overdraft facilities and lines of credit	300,333	17,874	-	-		318,208
Other interest income	2,417	22	-	-		2,439
Total	1,136,860	142,988	-	-		1,279,849

Average interest rate calculated as interest amount in percentage of average volume on bonds and certificates was 1.73 % in 2015 and 2.21 % in 2014.

Note 3. Commission and bank services income specification

Norwegian Finans Holding ASA		Norwegian Finans Holding Group	
2014	2015	2015	2014
-	-	85,032	57,182
-	-	34,446	28,279
-	-	73,168	42,441
-	-	192,647	127,903

Note 4. Information on employees and employee representatives

Specification of personnel expenses

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
2014	2015	Amounts in NOK 1000	2015	2014
1,121	1,263	Wages	47,940	42,951
161	168	Social security tax	6,973	6,200
-	-	Pension premiums	1,773	1,454
-	-	Social benefits	1,486	1,362
1,282	1,431	Total wages etc.	58,172	51,966

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

Number of employees as at 31.12.2015, wages and remuneration

At 31.12.2015 the bank had 64 employees, corresponding to 59.5 man-labour years.

Wages and remuneration to key employees

Amounts in NOK 1000	2015			
	Wages	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration:				
CEO	2,618	66	1,188	3,872
Financial Manager	1,867	66	788	2,721
Marketing Manager	1,463	66	676	2,205
Operations Manager	1,649	66	789	2,504
IT Manager	1,446	66	680	2,191
Risk Manager	1,633	66	494	2,194
Total	10,677	395	4,616	15,687

Amounts in NOK 1000	2014			
	Wages	Pension premiums	Other remuneration	Total remuneration
Combined wages, pension liabilities and other remuneration:				
CEO	2,499	65	1,153	3,716
Financial Manager	1,657	65	831	2,552
Marketing Manager	1,375	65	642	2,082
Operations Manager	1,608	65	753	2,425
IT Manager	1,292	65	635	1,992
Risk Manager	1,292	65	643	1,999
Total	9,723	387	4,657	14,766

Key personnel are defined as members of the management group.

Bonus

Bank Norwegian has a bonus scheme that includes all permanent employees in accordance with detailed guidelines. The bonuses earned are based on profit after tax and the return on equity achieved. Bonus payments distributed to employees are limited to a maximum of 4.0 % of the profit after tax. The amount includes social security tax.

Bonus to key executives are earned according to circular 11/2011 from The Financial Supervisory Authority of Norway, "Godtgjørelsesordninger i finansinstitusjoner" (Compensation arrangements at banks) as such key executives receive the entire bonus in shares with a lock-in period of three years. Other employees receive the bonus in cash. The terms of the current bonus scheme applies for the period 2013 to 2015.

The bonus accrual for 2015, including social security tax, is the base for the bonus that will be paid to employees in 2016 amount to NOK 11.7 million.

Fees to governing bodies

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
2014	2015	Amounts in NOK 1000	2015	2014
865	865	Board of Directors	1,601	1,559
178	203	Control Committee	405	355
90	110	Supervisory Board	220	180
1,133	1,178	Total	2,226	2,094

Auditor fees

The following expenses for external auditor fees have been recognised in the accounts.

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
2014	2015	Amounts in NOK 1000	2015	2014
75	87	Statutory auditing	842	760
19	13	Tax consultancy	61	56
-	-	Other certification services	-	51
94	99	Total	902	867

Note 5. General administrative expenses specification

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
2014	2015	Amounts in NOK 1000	2015	2014
21	-	External services fees and hired temporary staff for ordinary operations	15,742	14,125
-	-	IT operations	59,020	44,366
-	-	Sales and marketing	381,874	267,741
-	-	Other administrative expenses	21,058	17,243
21	-	Total	477,694	343,475

Note 6. Intangible assets and tangible fixed assets

Intangible assets

Amounts in NOK 1000	IT/Software	Trademark	Connection fee	Total
Accumulated historical cost at 31.12.14	82,240	12,500	17,337	112,077
Additions	23,427	-	-	23,427
Disposals	-	-	-	-
Historical cost at 31.12.15	105,667	12,500	17,337	135,504
Accumulated depreciations at 31.12.15	63,189	12,500	14,589	90,278
Net accumulated and reversed amortizations at 31.12.15	2,974	-	-	2,974
Acc. depreciations, amortizations and rev. amortizations at 31.12.15	66,163	12,500	14,589	93,252
Book value at 31.12.15	39,504	-	2,748	42,253
Annual depreciations	10,489	-	1,617	12,106
Annual amortizations	2,974	-	-	2,974
Amounts in NOK 1000	IT/Software	Trademark	Connection fee	Total
Accumulated historical cost at 31.12.13	68,976	12,500	17,337	98,813
Additions	13,232	-	-	13,232
Disposals	-	-	-	-
Historical cost at 31.12.14	82,208	12,500	17,337	112,045
Accumulated depreciations at 31.12.14	52,700	12,500	12,972	78,172
Net accumulated and reversed amortizations at 31.12.14	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations at 31.12.14	52,700	12,500	12,972	78,172
Book value at 31.12.14	29,509	-	4,365	33,874
Annual depreciations	8,189	-	1,817	10,006
Annual amortizations	-	-	-	-
Economic life	5 years	5 years	10 years	
Depreciation rates	Linear	Linear	Linear	

Intangible assets are related to the connection fee (Finans Norge) that gives access to the common areas for payment services with a book value of NOK 2.7 million as at 31.12.2015, and rights of use of software and propriety software with a book value of NOK 39.5 million as at 31.12.2015.

Tangible fixed assets

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Upgrading of rented premises	Hardware	Total
Accumulated historical cost at 31.12.14	2,648	2,255	528	1,927	7,358
Additions	-	-	-	-	-
Disposals	-1,746	-	-528	-	-2,274
Historical cost at 31.12.15	902	2,255	-	1,927	5,084
Accumulated depreciations at 31.12.15	532	2,148	-	1,877	4,558
Net accumulated and reversed amortizations at 31.12.15	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations at 31.12.15	532	2,148	-	1,877	4,558
Book value at 31.12.15	370	106	-	50	526
Annual depreciations	262	41	-	94	397
Annual amortizations	-	-	-	-	-

<i>Amounts in NOK 1000</i>	Office machines and motor vehicles	Fixtures and fittings	Upgrading of rented premises	Hardware	Total
Accumulated historical cost at 31.12.13	2,648	2,163	528	1,927	7,265
Additions	-	92	-	-	92
Disposals	-	-	-	-	-
Historical cost at 31.12.14	2,648	2,255	528	1,927	7,357
Accumulated depreciations at 31.12.14	1,815	2,107	528	1,784	6,233
Net accumulated and reversed amortizations at 31.12.14	-	-	-	-	-
Acc. depreciations, amortizations and rev. amortizations at 31.12.14	1,815	2,107	528	1,784	6,233
Book value at 31.12.14	833	148	-	143	1,124
Annual depreciations	273	40	-	195	507
Annual amortizations	-	-	-	-	-
Economic life	5 years	5 years	5 years	3 years	
Depreciation rates	Linear	Linear	Linear	Linear	

Note 7. Other operating expenses specification

Norwegian Finans Holding ASA		Norwegian Finans Holding Group	
2014	2015	2015	2014
-	-	3,095	1,866
-	-	738	503
-	-	509	518
94	99	883	779
-	-	10,790	7,925
-	-	6,221	3,339
94	99	22,236	14,930

Note 8. Information on taxes

Norwegian Finans Holding ASA		Norwegian Finans Holding Group	
<i>Amounts in NOK 1000</i>			
31.12.14	31.12.15	31.12.15	31.12.14
		Deferred taxes / tax assets in the accounts	
-	-	-26,674	-567
-4,343	-	-	-4,343
-4,343	-	-26,674	-4,910
-1,172	-	-6,669	-1,326
-	-	-	-
-1,172	-	-6,669	-1,326
Basis for tax charge, change in deferred tax and tax payable			
-1,534	4,343	735,693	475,364
-	-	14,099	4,493
-	-	-18,503	-
-1,534	4,343	731,289	479,857
-	-	26,107	-1,424
1,534	-4,343	-4,343	1,534
-	-	753,053	479,967
Distribution of tax charge			
-	-	203,324	129,591
-	-	-2	24
-	-	203,322	129,615
-414	1,172	-5,876	-30
-	-	533	-
-414	1,172	197,979	129,585
Tax payable in the balance sheet			
-	-	203,324	129,591
-	-	203,324	129,591

Note 9. Liquidity situation and funding

Information on terms of balance sheet items.

Remaining term to maturity for main items

<i>Amounts in NOK 1000</i>	31.12.15						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	-	-	-	-	-	58,987	58,987
Loans and deposits with credit institutions	-	-	-	-	-	477,840	477,840
Net loans to and receivables from customers	8,008	4,337	50,528	1,287,649	8,558,801	3,850,028	13,759,350
Bonds and certificates	36,669	294,651	1,043,427	1,590,289	-	-	2,965,036
Assets without any remaining term to maturity	-	-	-	-	-	285,563	285,563
Total assets	44,677	298,988	1,093,955	2,877,938	8,558,801	4,672,418	17,546,776
Subordinated debt	-	-	-	-	298,834	-	298,834
Deposits from and debt to customers	-	-	-	-	-	13,366,601	13,366,601
Debt securities issued	-	-	374,003	1,500,974	-	-	1,874,977
Non interest-bearing liabilities	36,374	81,624	203,324	-	-	-	321,323
Equity	-	-	-	-	-	1,685,041	1,685,041
Total liabilities and equity	36,374	81,624	577,327	1,500,974	298,834	15,051,642	17,546,776

<i>Amounts in NOK 1000</i>	31.12.14						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	-	-	-	-	-	58,998	58,998
Loans and deposits with credit institutions	-	-	-	-	-	299,705	299,705
Net loans to and receivables from customers	8,117	3,099	91,009	953,561	5,815,259	2,529,956	9,401,001
Bonds and certificates	-	268,710	2,381,161	804,448	-	-	3,454,319
Assets without any remaining term to maturity	-	-	-	-	-	210,957	210,957
Total assets	8,117	271,810	2,472,170	1,758,008	5,815,259	3,099,616	13,424,980
Subordinated debt	-	-	-	-	298,782	-	298,782
Deposits from and debt to customers	-	-	-	-	-	10,155,698	10,155,698
Debt securities issued	-	-	199,992	1,401,864	-	-	1,601,856
Non interest-bearing liabilities	21,755	75,446	129,591	-	-	-	226,792
Equity	-	-	-	-	-	1,141,853	1,141,853
Total liabilities and equity	21,755	75,446	329,583	1,401,864	298,782	11,297,551	13,424,980

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 consist of readily 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 means of summaries illustrating cash flows in the short term and by means of liquidity due date summaries. See the Directors' Report for further comments.

At 31.12.2015 the Liquidity Coverage Ratio (LCR) at total level for the bank was 114%. The legal requirement for liquidity reserve (LCR) at total level is 70% at 31.12.2015. The bank has significant currencies in Norwegian and Swedish kroner. At 31.12.2015 the LCR in Norwegian kroner was 143% and in Swedish kroner 12%.

Restricted funds related to employee tax is NOK 1.8 million.

Time until an agreed/probable change in interest terms

Amounts in NOK 1000	31.12.15						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	58,987	-	-	-	-	-	58,987
Loans and deposits with credit institutions	477,840	-	-	-	-	-	477,840
Net loans to and receivables from customers	-	13,759,350	-	-	-	-	13,759,350
Bonds and certificates	377,249	1,671,477	916,310	-	-	-	2,965,036
Assets without any remaining term to maturity	-	-	-	-	-	285,563	285,563
Total assets	914,076	15,430,827	916,310	-	-	285,563	17,546,776
Subordinated debt	-	298,834	-	-	-	-	298,834
Deposits from and debt to customers	-	13,366,601	-	-	-	-	13,366,601
Debt securities issued	-	1,874,977	-	-	-	-	1,874,977
Non interest-bearing liabilities	-	-	-	-	-	321,323	321,323
Equity	-	-	-	-	-	1,685,041	1,685,041
Total liabilities and equity	-	15,540,412	-	-	-	2,006,364	17,546,776

Amounts in NOK 1000	31.12.14						Total
	Up to 1 month	From 1 month up to 3 months	From 3 month up to 1 years	From 1 year up to 5 years	Over 5 years	Without any term	
Cash and deposits with the central bank	58,998	-	-	-	-	-	58,998
Loans and deposits with credit institutions	299,705	-	-	-	-	-	299,705
Net loans to and receivables from customers	-	9,401,001	-	-	-	-	9,401,001
Bonds and certificates	-	2,183,156	977,786	293,377	-	-	3,454,319
Assets without any remaining term to maturity	-	-	-	-	-	210,957	210,957
Total assets	358,703	11,584,157	977,786	293,377	-	210,957	13,424,980
Subordinated debt	-	298,782	-	-	-	-	298,782
Deposits from and debt to customers	-	10,155,698	-	-	-	-	10,155,698
Debt securities issued	-	1,601,856	-	-	-	-	1,601,856
Non interest-bearing liabilities	-	-	-	-	-	226,792	226,792
Equity	-	-	-	-	-	1,141,853	1,141,853
Total liabilities and equity	-	12,056,335	-	-	-	1,368,645	13,424,980

Interest rate risk

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

Foreign currency risk

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

Average interest rate

Average interest rate on deposits in was 2.09% in 2015 and 2.97% in 2014.

Market risk related to interest rate instruments

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

Amounts in NOK 1000	Interest rate risk, 1 %	
	31.12.15	31.12.14
Cash and deposits with the central bank	-146	-146
Loans and deposits with credit institutions	-1,143	-707
Loans to customers	-34,115	-23,203
Certificates and bonds	-8,727	-9,052
Total assets	-44,131	-33,108
Deposits from customers	33,141	25,066
Debt securities issued	4,649	3,954
Subordinated debt	741	737
Total liabilities	38,531	29,757
Total interest rate risk, before tax*	-5,600	-3,351

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

Financial derivatives

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

<i>Amounts in NOK 1000</i>	31.12.15			31.12.14		
	Nominal values	Positive market value	Negative market value	Nominal values	Positive market value	Negative market value
Currency forwards	819,066	-	-7,680	-	-	-
Total	819,066	-	-7,680	-	-	-

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

Currency

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

<i>Amounts in NOK 1000</i>	31.12.15		
	EUR	DKK	SEK
Cash and deposits with the central bank	23,771	18,771	224,088
Loans to customers	81,487	11,025	3,616,778
Other assets	3	44	57,061
Total assets	105,260	29,840	3,897,927
Deposits from customers	30,273	19,947	3,127,995
Other liabilities	277	90	362
Total liabilities	30,549	20,037	3,128,357
Net currency position	74,711	9,803	769,570

<i>Amounts in NOK 1000</i>	31.12.14		
	EUR	DKK	SEK
Cash and deposits with the central bank	-	-	134,157
Loans to customers	-	-	1,809,206
Other assets	-	-	385,121
Total assets	-	-	2,328,484
Deposits from customers	-	-	2,323,391
Other liabilities	-	-	1,197
Total liabilities	-	-	2,324,588
Net currency position			3,896

Note 10. Certificates and bonds

Certificates and bonds break down as follows

Amounts in NOK 1000	31.12.15		Total
	Norway	Sweden	
Bonds	1,717,406	-	1,717,406
Certificates	1,210,961	36,669	1,247,631
Total	2,928,367	36,669	2,965,036

Amounts in NOK 1000	31.12.14		Total
	Norway	Sweden	
Bonds	2,144,026	268,356	2,412,382
Certificates	950,774	91,163	1,041,937
Total	3,094,801	359,518	3,454,319

Aforementioned securities portfolio breaks down as follows

Amounts in NOK 1000	31.12.15			
	Nominal value	Historical cost price	Book value	Fair value
Risk weight 0%	1,345,741	1,345,523	1,345,738	1,345,738
Risk weight 10%	-	-	-	-
Risk weight 20%	1,622,789	1,638,017	1,619,299	1,619,299
Risk weight 100%	-	-	-	-
Total	2,968,530	2,983,540	2,965,036	2,965,036
Non-listed certificates and bonds	153,297	153,967	153,087	153,087
Listed certificates and bonds	2,815,233	2,829,573	2,811,949	2,811,949
Total	2,968,530	2,983,540	2,965,036	2,965,036
Banks	1,523,114	1,538,063	1,519,782	1,519,782
Other financial institutions	99,675	99,954	99,517	99,517
Government	1,345,741	1,345,523	1,345,738	1,345,738
Total bonds	2,968,530	2,983,540	2,965,036	2,965,036

Amounts in NOK 1000	31.12.14			
	Nominal value	Historical cost price	Book value	Fair value
Risk weight 0%	1,225,060	1,222,989	1,221,631	1,221,631
Risk weight 10%	169,552	170,883	170,156	170,156
Risk weight 20%	2,041,316	2,064,988	2,062,533	2,062,533
Risk weight 100%	-	-	-	-
Total	3,435,928	3,458,860	3,454,319	3,454,319
Non-listed certificates and bonds	129,000	128,977	129,096	129,096
Listed certificates and bonds	3,306,928	3,329,883	3,325,223	3,325,223
Total	3,435,928	3,458,860	3,454,319	3,454,319
Banks	1,896,388	1,921,996	1,918,126	1,918,126
Credit institutions	169,552	170,883	170,156	170,156
Corporations	-	-	-	-
Other financial institutions	130,993	131,285	131,412	131,412
Government	1,238,995	1,234,696	1,234,626	1,234,626
Total bonds	3,435,928	3,458,860	3,454,319	3,454,319

Change in stocks shows the annual additions or disposal adjusted for revaluations/write-downs.

Fair value of government certificates are stated based on quoted prices. Fair value of other certificates and bonds are based on other observable assumptions.

Note 11. Shares

The bank was 12.08.2014 issued 280 shares in BankID Norge AS based on the bank's share of participation in the BankID association.

Note 12. Receivables and accrued income specification

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
31.12.14	31.12.15	Amounts in NOK 1000	31.12.15	31.12.14
-	-	Distribution commissions	164,270	108,202
-	6,164	Other receivables	765	777
-	-	Earned, not yet received income	65,153	57,522
-	-	Prepaid expenses	5,484	7,689
-	6,164	Total	235,672	174,191

Note 13. Debt securities issued

Amounts in NOK 1000	31.12.15	31.12.14
Floating rate note bond 2013/2016	174,033	300,228
Floating rate note bond 2013/2018	301,619	302,314
Floating rate note bond 2014/2017	399,867	399,767
Floating rate note certificate 2014/2015	-	199,992
Floating rate note bond 2014/2019	399,651	399,556
Floating rate note bond 2015/2018	399,837	-
Floating rate note certificate 2015/2016	199,970	-
Total	1,874,977	1,601,856

Average interest rate calculated as interest amount in percentage of average volume is 2.59 % in 2014 and 2.22 % in 2015.

Note 14. Other liabilities specification

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
31.12.14	31.12.15	Amounts in NOK 1000	31.12.15	31.12.14
-	-	Payables to suppliers	26,735	17,326
-	-	Tax withholdings	1,765	1,538
-	-	Social security tax	1,484	-
-	-	Value added tax	4,101	652
-	-	Other liabilities	2,289	2,238
-	-	Total	36,374	21,755

Note 15. Accrued expenses and unearned income received specification

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
31.12.14	31.12.15	Amounts in NOK 1000	31.12.15	31.12.14
-	-	Holiday pay	3,779	3,265
-	-	Social security tax	-	1,267
-	-	Accrued, but not due expenses	63,633	57,582
1,315	1,335	Accrued fees	2,521	2,470
-	-	Bonuses	11,691	10,862
1,315	1,335	Total	81,624	75,446

Note 16. Subordinated capital

Equity specification

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
31.12.14	31.12.15	Amounts in NOK 1000	31.12.15	31.12.14
Paid-in equity				
173,000	173,195	Share capital	173,195	173,000
145,123	150,402	Share premium	150,402	145,123
Retained earnings				
5,076	8,246	Retained earnings and other reserves	1,361,444	823,730
323,200	331,843	Total equity	1,685,041	1,141,853

The share capital comprise of NOK 173.2 million shares of NOK 1.00. Bank Norwegian AS' annual accounts are included in the group accounts of Norwegian Finans Holding ASA. The bank's reports are available at www.banknorwegian.no.

Equity and shareholders

The tables below illustrate the changes in equity:

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding ASA			
	Share capital	Share premium	Other reserves	Total
Balance sheet as at 1.1.14	172,594	139,945	6,196	318,735
Capital increase	406	5,178	-	5,584
Profit/loss for the year	-	-	-1,120	-1,120
Balance sheet as at 31.12.14	173,000	145,123	5,076	323,200
Capital increase	195	5,279	-	5,473
Profit/loss for the year	-	-	3,170	3,170
Balance sheet as at 31.12.15	173,195	150,402	8,246	331,843

<i>Amounts in NOK 1000</i>	Norwegian Finans Holding Group			
	Share capital	Share premium	Other reserves	Total
Balance sheet as at 1.1.14	172,594	139,945	477,951	790,490
Capital increase	406	5,178	-	5,584
Profit/loss for the year	-	-	345,779	345,779
Balance sheet as at 31.12.14	173,000	145,123	823,730	1,141,853
Capital increase	195	5,279	-	5,473
Profit/loss for the year	-	-	537,714	537,714
Balance sheet as at 31.12.15	173,195	150,402	1,361,444	1,685,041

The 20 largest shareholders as at 31.12.2015 are:

Shareholder	Holdings	Percentage
NORWEGIAN AIR SHUTTLE ASA	34,638,941	20.00 %
GOLDMAN SACHS & CO	14,999,999	8.66 % Nominee
LAGUAN AS	12,871,013	7.43 %
BORAK AS	8,580,454	4.95 %
STENSHAGEN INVEST AS	6,775,379	3.91 %
SPENCER TRADING INC	6,238,450	3.60 %
MP PENSJON PK	5,853,800	3.38 %
SOCIETE GENERALE SS PARIS	5,000,000	2.89 % Nominee
SWEDBANK ROBUR NORDENFOND	5,000,000	2.89 %
SWEDBANK ROBUR SMABOLAGSFOND	5,000,000	2.89 %
PROTECTOR FORSIKRING	4,510,000	2.60 %
SNEISUNGEN AS	3,720,333	2.15 %
TORSTEIN TVENGE	3,500,000	2.02 %
VERDIPAPIRFONDET HANDELSBANKEN NORGE	3,300,000	1.91 %
SONGA AS	2,000,000	1.15 %
VEVLEN GÅRD AS	1,761,621	1.02 %
DIRECTMARKETING INVEST	1,500,000	0.87 %
LITHINON AS	1,250,000	0.72 %
ERIK JENSEN	1,129,277	0.65 %
PÅL SVENKERUD	1,105,381	0.64 %

Capital adequacy

The statutory capital adequacy requirement stipulates that the total capital shall be at least 8% of a specified calculation basis. The total capital consists of common equity tier 1, Tier 1 capital and Tier 2 capital.

Norwegian Finans Holding ASA			Norwegian Finans Holding Group	
31.12.14	31.12.15	Amounts in NOK 1000	31.12.15	31.12.14
173,000	173,195	Share capital	173,195	173,000
145,123	150,402	+ Share premium reserve	150,402	145,123
5,076	8,246	+ Other reserves	1,361,444	823,730
1,172	-	- Deferred tax assets and intangible assets	48,921	35,199
322,028	331,843	Common equity tier 1	1,636,119	1,106,654
-	-	+ Additional Tier 1 capital	124,250	124,250
322,028	331,843	Tier 1 capital	1,760,369	1,230,904
-	-	+ Tier 2 capital	174,584	174,532
322,028	331,843	Total capital	1,934,954	1,405,436
Calculation basis				
Credit risk				
-	-	From assets 10%	-	17,016
2,668	3,403	+ From assets 20%	419,428	472,448
-	-	+ From assets 75%	10,064,904	6,903,704
310,000	316,164	+ From assets 100%	988,952	567,736
-	-	+ From assets 150%	-	-
-	-	+ Other off-balance sheet items	3,463	3,423
-	-	- Provisions for losses that cannot be included	328,367	182,226
-	-	+ Operational risk	1,397,163	960,303
312,668	319,567	Total calculation basis	12,545,542	8,742,403
102.99 %	103.84 %	Common equity tier 1 %	13.04 %	12.66 %
102.99 %	103.84 %	Tier 1 capital %	14.03 %	14.08 %
102.99 %	103.84 %	Total capital %	15.42 %	16.08 %

Subordinated debt

Amounts in NOK 1000	Rentesats	31.12.15	31.12.14
Floating rate note subordinated bond loan 2013/2023	3 mnd NIBOR + 2,65 %	174,584	174,532
Floating rate note perpetual subordinated bond 2013	3 mnd NIBOR + 4,10 %	124,250	124,250
Total		298,834	298,782

Note 17. Lease agreements

The bank is sharing premises with Norwegian Air Shuttle. There is a lease agreement for Oksenøyveien 3 at Lysaker. The agreement expires 31.03.2018 (with extension option up to 31.03.2020), and the tenancy terminates without notice. The annual rent totals NOK 1.9 million.

Note 18. Related parties

Bank Norwegian 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 credit cards, the loyalty program and sales financing. In connection with the bank's establishment in Sweden, the original agreement was replaced by new agreements as of 01.01.2013. The agreements have a duration of three years. The agreement is under negotiations and new agreement will be signed by 30.06.2016. All accrued rights remain. In addition to the co-operation agreement regarding use of brand name and IP-rights, agent agreements have been entered into relating to distribution of financial services regarding credit cards and sales financing of airline tickets. Expensed amount is NOK 123.8 million in 2015 and NOK 93.0 million in 2014.

Norwegian Finans Holding ASA (org. number 991 281 924) owns 100% of Bank Norwegian AS (org. number 991 455 671). At 31.12.2015 the bank has NOK 6.2 million in liabilities to Norwegian Finans Holding ASA.

Note 19. Other income

Norwegian Finans Holding ASA has in 2015 recorded as income NOK 6.2 million in group contributions from Bank Norwegian AS.



To the Annual Shareholders' Meeting of Norwegian Finans Holding ASA

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Norwegian Finans Holding ASA, which comprise the financial statements of the parent company, showing a profit of NOK 3 170 thousand, and the financial statements of the group, showing a profit of NOK 537 714 thousand. The financial statements of the parent company and the financial statements of the group comprise the balance sheet as at 31 December 2015, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of these financial statements in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of the parent company and the group Norwegian Finans Holding ASA as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements, the going concern assumption and the proposal for the allocation of the profit is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 18 February 2016

PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.

CONTROL COMMITTEE'S STATEMENT

To the board of representatives in Norwegian Finans Holding ASA

The control committee has supervised Norwegian Finans Holding ASA in accordance with the rules and regulations set by the board of representatives.

The control committee has in connection with the reporting for the fiscal year 2014 reviewed the annual report, the financial statements and auditor's report for Norwegian Finans Holding ASA.

The control committee finds that the board's assessment of Norwegian Finans Holding ASA's financial standing is adequate and recommends that the profit and loss account and balance sheet is adopted as the company's accounts for the fiscal year 2015.

Bærum, March 10, 2016

Knut Gillesen

Jarl Borgvin Dørre

Sigmund Håland

BOARD OF REPRESENTATIVES' STATEMENT

To the general meeting of shareholders of Bank Norwegian AS and Norwegian Finans Holding ASA.

The board of representatives has reviewed the financial statements, the annual report, the control committee's statement and the auditor's report for Bank Norwegian AS and Norwegian Finans Holding ASA for 2015.

The board of representatives has no remarks to the financial statements, the annual report, the proposed allocation of the result for the year, and recommends that the annual report is presented to the general meeting for approval.

Bærum, March 31, 2016

Tord Meling

Alf Nielsen

Dag Håvard Haug Hansen