BRABANK

Interim report 2nd quarter 2019

Merger complete, focus on operational performance

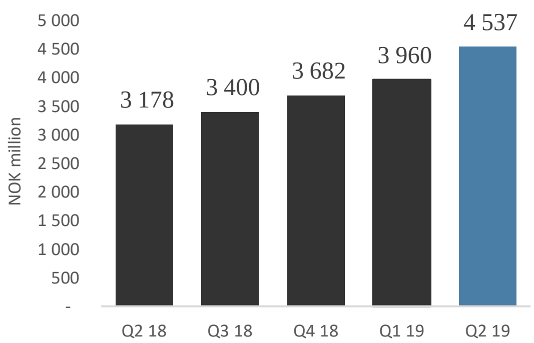
- **Significant milestones reached during H1 2019**
    - Merger completed
    - Rebranding to BRAbank and IT integration on track
    - Successful launch of consumer finance offerings in Sweden
    - Equity injection of NOK 37 million completed in July
- **Financial results affected by significant one-offs**
    - Write-downs NOK 30 million
    - Merger costs NOK 9 million
- **Operations**
    - Norway: Being compliant is top priority
    - Finland: Solid market and improved risk selection
    - Sweden: Positive start up and well received in the market
    - Credit card: Successful market campaign
    - Strengthened focus on operational performance
- **Growth opportunity restrained by capital situation**

CEO comment

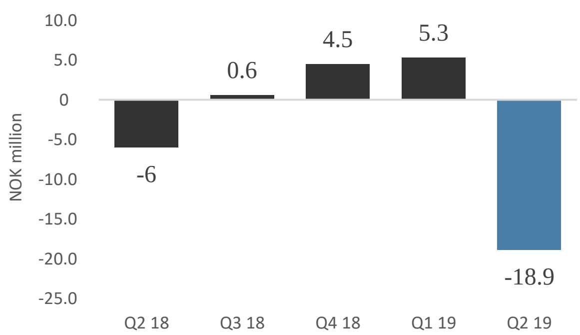
"Significant milestones were achieved in the first half of 2019. The merger was formally completed, we launched a new bank and entered Sweden successfully. However, the financial result is affected by some significant one-off expenses which will limit our growth opportunities. Going forward we will focus on improving operational efficiency and improving credit quality. After the merger, we are a highly competent and motivated team and I am sure we will succeed in our efforts, says Bent Gjendem, CEO of BRAbank ASA

Financial development

Net loans and advances to customers



Net profit after tax



About BRAbank ASA

BRAbank ASA is a digital bank focused on consumer finance in the Nordics. The Bank is cloud based with strong focus on customer experience and fintech solutions.

Headquarter is in Bergen, Norway, the bank started its operation in November 2015. BRAbank aim to differentiates on availability and to dominate on customer experience in its market segment. With 24/7 availability, efficient loan processes combined with simple and easy to use products BRAbank has experienced strong growth.

The main products are deposits, unsecured lending to qualified private individuals in Norway, Finland and Sweden, and credit cards in Norway and Sweden.

The screening process for loans is based on an automated evaluation system. The bank also offers attractive deposit rates on its savings accounts. Deposits up to NOK 2 million are guaranteed by the Norwegian Banks' Guarantee fund of which BRAbank is a member.

BRAbank is an independent bank with approximately 1 300 shareholders and was listed on the Oslo Stock Exchange's Merkur Market on 16th February 2017. The ticker symbol is BRA-ME.

Operational and Financial review

The second quarter of the year was eventful and significant milestones were reached. The merger between former Monobank and BRAbank was successfully completed and a solid foundation for profitable growth going forward has been established.

In Norway, highest priority has been to adapt to the new consumer loans by-law from effect in May. This effort is ongoing and BRAbank will continue to develop the credit process in accordance with the new regulations.

Under the new Norwegian regulation, fewer applicants qualify for loan. In addition, the implementation of the new debt register has limited short-term market growth for consumer loans in Norway. Longer term, BRAbank believes that the debt register will have a positive impact on market development and reduce risk and loan losses.

In Finland, BRAbank's new scorecard was successfully implemented. A reduction in future loan defaults for loans distributed after implementation is expected. In addition, BRAbank has improved risk-adjusted margins which together with the scoring system is expected to improve risk and margins.

Overall market conditions in Finland remains positive. Cost of customer acquisition in Finland is favourable compared to the Norwegian market and the set up with Raisin provide low funding costs for Euro denominated consumer loans.

BRAbank's consumer finance offering has been well received in the Swedish market after the launch in March. The established debt register and generally rich access to credit bureau data reduces the risk and BRAbank will continue a soft start-up with few agents while learning from customer data and adjusting credit models accordingly.

The Swedish market is approximately twice the size of Finland and Norway and BRAbank will continue to expand its market activities to ensure a positive development.

The credit quality has developed in line with expectations. A growing database allows for further fine-tuning of the credit process and profitability calculations. Profitability and return on equity are measured on individual loans. This enables BRAbank to secure credit quality and loan pricing to optimize profitability in a highly competitive environment.

BRAbank continues to improve its credit card platform and has now issued close to 10 000 cards. In addition to the Widerøe and BRA branded credit card, the platform is now linked to Google Pay, Apple Pay. It is also possible to use BRAbank's Norwegian credit card through Fitbit and Garmin sports watches.

Going forward, BRAbank will strive to grow in existing markets and focus on further improving operations and efficiency. The ongoing technical integration between former Monobank and BRAbank is expected to be completed in the second half of 2019 and efficient credit systems will be developed further in accordance with regulations.

The credit card portfolio will continue to be expanded through innovative solutions and strategic partnership agreements, and by developing BRAbank's financing activities with commercial partners.

Profit and loss

Profit and loss for the quarter does not include "old" BRAbank Q2 2019 financial results.

The transition to IFRS 9 makes a considerable impact on loan losses, including historical loan losses. IFRS 9 is a "expected credit loss" model whereby loan losses are taken earlier in the life of the loan. The underlying credit risk in the portfolio is unaffected by the transition. Historical figures are restated in accordance with IFRS.

Net interest income for the second quarter of 2019 was NOK 88.0 million, an increase of 27.0 percent compared to the second quarter of last year (NOK 69.3 million). The growth was driven by increased lending volume.

Net interest income for the first half year was NOK 168.3 million, an increase of 31.5 per cent compared to the first six months of 2018 (NOK 128.1 million)

Total income was NOK 92.1 million in the second quarter, up from NOK 75.5 million in Q2 2018.

Operating costs amounted to NOK 72.1 million (NOK 36.7 million), driven by costs related to the merger between Monobank and BRAbank. The main driver for the increased costs was an extraordinary write down of NOK 30 million related to BRAbank's old IT systems in addition to other restructuring costs. Start-up costs related to the launch of consumer finance offering in Sweden also contributed to the increased costs.

As a result, cost/income ratio ended at 78.3 per cent in the quarter. BRAbank is expecting that the cost/income ratio will come down to a more normalised level going forward. In the second half of 2019, the ratio will be affected by restructuring cost.

Operating profit before impairment provisions was NOK 15.2 million compared to a profit of NOK 37.7 million for the second quarter of 2018, explained by restructuring costs related to the merger. Operating profit was also negatively affected by loss from trading activities and currency of NOK 4.9 million compared to a loss of NOK 1.2 million in the comparable quarter last year.

Write-down on loans were NOK 40.4 million in the quarter compared to NOK 45.7 million in the second quarter 2018. The loan loss ratio[1] was 3.6 percent in the quarter compared to 5.8 percent in the same quarter last year.

[1] Loan loss ratio: Quarterly loan losses / average gross loans in the quarter.

The Norwegian portfolio will be moderated by the forward flow agreement with the debt collection company Axactor.

The result was a deficit of NOK 25.2 million before taxes in the period, while the after-tax results ended at a deficit of NOK 18.9 million.

Balance sheet

Total assets amounted to NOK 6 084 million as of 30 June 2019 up from NOK 5 131 million at the end of the first quarter 2019. The bank's net loan balance was NOK 4 537 million (NOK 3 960 million) including unspecified loss provisions and prepaid agency commissions. Of gross loans outstanding at 30 June, NOK 1 775 million was extended to Finnish customers representing 39 percent of total net loans.

Deposits from customers were NOK 5 153 million (NOK 4 414 million). BRAbank's bank deposits and liquid securities amounted to NOK 1 377 million. Within policy guidelines, the bank seeks to optimize interest income through diversified placement of liquidity within eligible investment instruments.

Total equity was NOK 794.4 million and CET1 ratio was 18.1 percent. Assuming debt securities were placed entirely in zero weighted instruments the CET1 ratio would increase by 0.2-0.3%. Including the NOK 37 million equity issue completed in early July 2019, the CET1 ratio would increase by about 0.7%. Minimum weighted CET1 is 17.5 per cent.

For further information about regulatory capital ratios, see note 3.

Events after the balance date

After the quarter, BRAbank successfully completed a private placement with gross proceeds amounting to approximately NOK 37.2 million. Following the transaction on July 9, BRAbank's total capital ratio ended at 21.4 per cent. The capital requirement for the bank is 21.0 percent respectively.

Risk, uncertainties and additional factors impacting BRAbank ASA

BRAbank is subject to a range of risks and uncertainties which may affect its business operations, financial condition and results of operations. The description of principal risks and uncertainties in the Financial statements and Board of Directors' Report

2018 gives a fair description of principal risks and uncertainties that may affect BRAbank in the coming period. The bank is not aware of any significant new risks or uncertainties or significant changes to those risks or uncertainties.

Outlook

BRAbank is aiming to redefine retail banking with a sharp focus on efficient operations and customer experience. BRAbank seeks continued loan growth through geographical expansion, credit card growth fuelled by innovative solutions and strategic partnership.

In the quarter, the merger between Monobank and BRAbank was concluded and the bank changed its name to BRAbank.

Going forward, a successful integration of the banks and harnessing the synergies are central and the integration is expected to be concluded in 2019. Total integration costs are expected in the range of NOK 40-50 million.

Following the circular received from the Financial Supervisory Authority of Norway in May, it's a top priority for the management to be fully compliant with all regulations. BRAbank is working to make all systems compliant.

BRAbank had as of Q2 2019 less accessible capital than anticipated. In addition to higher costs, this limits short term growth opportunities. BRAbank will pursue a balanced growth strategy. However, timing and level of growth will depend on balance sheet development and market condition. The previous target for net loans of NOK 5bn in 2019 are consequently removed.

The combined bank financial targets are under review and will be communicated in due course.

The bank will focus on strengthened operational performance through cost and balance sheet optimization.

Financial statement (unaudited)

Historical figures are restated in accordance with IFRS

Statement of comprehensive income*

In NOK thousands	Note	Q2 2019	Q2 2018	YTD 2019	YTD 2018	2018
Interest income	15	106 199	84 647	204 051	158 361	341 010
Interest expenses	15	18 194	15 356	35 706	30 307	67 970
Net interest income		**88 005**	**69 291**	**168 345**	**128 054**	**273 041**
Income commissions and fees	15	7 172	6 255	14 848	12 740	25 970
Expenses commissions and fees		3 043	0	3 534	0	0
Total income		**92 134**	**75 546**	**179 660**	**140 794**	**299 011**
Income/loss from trading activities		-4 869	-1 182	-7 973	954	4 136
Staff costs		20 820	12 675	32 233	20 468	42 423
Other administrative expenses		27 614	21 105	45 566	44 816	77 936
- of which marketing expenses		*6 999*	*12 018*	*13 318*	*26 616*	*41 393*
Depreciation and amortisation	14, 16	36 078	2 931	41 672	5 640	13 280
Gain from purchase on favourable terms		-12 414	-	-12 414	-	-
Total operating costs		**72 098**	**36 711**	**107 057**	**70 924**	**133 640**
Profit/(loss) before impairment losses		**15 167**	**37 653**	**64 631**	**70 824**	**169 507**
Impairment releases/(losses)	3	-40 374	-45 705	-82 755	-93 485	-185 330
Operating profit/(loss) before tax		**-25 207**	**-8 052**	**-18 124**	**-22 661**	**-15 823**
Tax charge	10	6 302	2 013	4 531	5 665	3 956
Profit/Loss for the year		**-18 905**	**-6 039**	**-13 593**	**-16 996**	**-11 867**

Comprehensive income

In NOK thousands					
Profit after tax	-18 905	-6 039	-13 593	-16 996	-11 867
Other comprehensive income					
Comprehensive income for the period	**-18 905**	**-6 039**	**-13 593**	**-16 996**	**-11 867**

* Historic figures are restated to IFRS

Statement of financial position

NOK million	Note	30.06.2019	30.06.2018	31.12.2018
Assets				
Loans and advances to banks	9, 6, 5	134 450	49 906	108 790
Loans and advances to customers	9, 6, 5	4 874 920	3 405 391	3 963 302
Provision for impairment losses	9, 6, 5, 3	338 017	227 579	280 946
Net loans and advances to customers		**4 536 903**	**3 177 811**	**3 682 356**
Debt securities	12, 9, 6, 5	1 242 618	686 825	851 879
Deferred tax asset	10, 6, 5	64 558	38 993	39 585
Other intangible assets	6, 5	73 868	55 669	67 064
Property, plant and equipment	14, 16, 6, 5	14 858	10 450	15 936
Financial derivatives	9, 6, 5	0	0	6 644
Prepayments accrued income and other assets	14, 16, 6, 5	16 532	6 054	9 092
- of which accrued commission to agents		0	0	0
Total assets		**6 083 787**	**4 025 707**	**4 781 347**
Equity and liabilities				
Liabilities				
Deposits by customers	9, 6, 5	5 153 296	3 433 627	4 125 245
Provisions, acrruals and other liabilities	16, 6, 5	82 867	46 900	53 922
Financial derivatives	9, 6, 5	6	2 670	0
Subordinated loan	13, 9, 6, 5	49 370	49 242	49 328
Tax payable	10, 6, 5	3 892	2 848	3 892
Total liabilities		**5 289 431**	**3 535 287**	**4 232 386**
Equity				
Share capital	17, 18, 11	447 393	249 196	274 023
Surplus capital		304 034	192 427	222 454
Tier 1 capital		49 454	49 326	49 412
Retained Earnings		-6 525	-529	3 073
Not registered capital		0	0	0
Other paid in capital (options)		0	0	0
Total equity		**794 355**	**490 420**	**548 961**
Total equity and liabilities		**6 083 787**	**4 025 707**	**4 781 347**

Geir Stormorken
Chairman of the Board

Jan Greve-Isdahl

Tore Hopen

Guro Røberg

Kristin M. Krohn Devold

Mette Henriksen

Tore Amundsen
Employee representative

Bent Gjendem
CEO

Statement of cash flows

In NOK thousand	**30.06.2019**	**30.06.2018**	**2018**
Cash flows from operating activities			
Operating profit/(loss) before tax	-25 207	-8 052	-15 823
Adjustment for change in provision for impairment losses	20 551	43 829	144 708
Adjustment for unrealised changes in fair value of financial instruments	3 414	1 587	4 158
Depreciation and amortisation	5 229	2 458	11 196
Impairment of intangble assets	29 896	0	0
Net interest income	-88 005	-69 291	-273 041
Gain from a bargain purchase	-12 414		
Changes in loans and advances to customers	-195 534	-362 779	-1 479 096
Changes in deposits by customers	192 053	375 988	1 472 865
Changes in financial derivates	1 838	-1 819	-5 270
Changes in debt securities	-29 585	-63 324	-100 253
Changes in other operating assets and liabilities	30 244	7 911	7 057
Net cash flows from operating activities	-67 521	-73 492	-233 500
Interest recieved	106 423	85 299	341 012
Interest paid	-17 598	-14 633	-64 555
Cash flows from investing activities			
Purchase of property, plant and equipment	-406	-233	-2008
Investment in intangible assets	-4 223	-10 622	-37 489
Payment for acquisition/merger, net of cash acquired	11 304	0	0
Net cash flows from investing activities	6 675	-10 854	-39 497
Cash flows from financing activities			
Issue of ordinary shares	0	4	56 773
Paid interest tier 1 capital	-1 077	-1 002	-4 027
Paid interest subordinated loans	-818	-856	-3 416
Net cash flows from financing activities	-1 896	-1 854	49 330
Net increase/(decrease) in cash and cash equivalents	26 083	-15 534	52 790
Cash and cash equivalents at period start	108 366	65 439	56 000
Cash and cash equivalents at period end	**134 450**	**49 906**	**108 790**
Cash and cash equivalents consists of:	0	0	0
Loans and advances from banks	134 450	49 906	108 790

Statement of changes in equity

In NOK thousands	Share capital	Surplus capital	Other paid-in capital (options)	Hybrid Capital	Retained earnings	Total
Equity at 31.12.2018	274 023	286 621	0	0	48 527	**609 171**
IFRS-adjustments	0	0	0	0	0	**0**
Classification of hybrid capital	0	0	0	49 412	0	**49 412**
Interest paid on hybrid capital	0	0	0	0	-3 020	**-3 020**
Changes in provision for impairment losses under IFRS 9	0	-64 168	0	0	-42 434	**-106 602**
Equity at 31.12.2018	**274 023**	**222 454**	**0**	**49 412**	**3 073**	**548 961**
Profit/(loss) for the period	0	0	0	0	-13 593	-13 593
Option programme	0	0	0	0	0	0
Shares issued net of fees and tax	173 370	81 580	0	0	5 572	260 523
*Tier 1 capital	0	0	0	42	0	42
Paid interest on Tier 1 capital	0	0	0	0	-2 103	-2 103
Tax effect interest Tier 1 capital	0	0	0	0	526	526
Equity at 30.06.2019	**447 393**	**304 034**	**0**	**49 454**	**-6 525**	**794 355**

In NOK thousands	Share capital	Surplus capital	Other paid-in capital (options)	Hybrid Capital	Retained earnings	Total
Equity at 31.12.2017	248 318	255 169	384	0	17 960	**521 831**
IFRS-adjustments	0	0	0	0	0	**0**
Classification of hybrid capital	0	0	0	49 243	0	**49 243**
Interest paid on hybrid capital	0	0	0	0	0	**0**
Changes in provision for impairment losses under IFRS 9	0	-64 168	0	0	0	**-64 168**
Equity at 01.01.2018	**248 318**	**191 001**	**384**	**49 243**	**17 960**	**506 906**
Profit/(loss) for the period	0	0	0	0	-16 996	-16 996
Option programme	0	0	0	0	0	0
Shares issued net of fees and tax	878	1 426	-384	0	0	1 920
*Tier 1 capital	0	0	0	83	0	83
Paid interest on Tier 1 capital	0	0	0	0	-1 992	-1 992
Tax effect interest Tier 1 capital	0	0	0	0	498	498
Equity at 30.06.2018	**249 196**	**192 427**	**0**	**49 326**	**-529**	**490 420**

Notes to the financial statements

Notes - Changes in accounting principles

Note 1 General Accounting principles

BRAbank ASA, formerly Monobank ASA, was converted from a private limited company to a public limited company on 6 November 2015. The banking business was opened on 19 November 2015. Februar 8 209, Monobank and BRAbank agreed to merge and the merger was completed the 28 June 2019.

The interim accounts for 2nd quarter 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the EU, including IAS 34 Interim reporting. Until 31 December 2018 the accounts were prepared in accordance with the Act on financial statements etc., Regulations on annual accounts etc. for banks, financial institutions and their parent company, Regulations on accounting treatment of loan commitments and guarantees in financial institutions and Generally Accepted Accounting Principles in Norway.

Comparative figures have been prepared as if the group had implemented IFRS from 1 January 2018. Reconciliation of the company's equity at the conversion to IFRS is shown in the statement of changes in equity.

See note 2.

Financial instruments

Classification and measurement of financial assets

Under IFRS 9 classification to proper measuring category shall take place based on both the characteristics of the contractual cash flows and the business model for the management of the financial assets.

BRABank has two business models for financial assets, of which one is characterized by the assets being held to receive contractual cash flows and other by the assets being measured and followed up internally based on fair value.

Loans to and receivables from customers and credit institutions are held to recover contractual cash flows, other financial assets are measured and followed up internally based on fair value. Financial assets with cash flows that merely represent interest and repayments on principal and are included in a business model where the objective is recovering of contractual cash flows, are measured at amortized cost. The remaining financial assets are measured at fair value through profit and loss.

Loans to and receivables from credit institutions

Loans to and receivables from credit institutions comprise in all material aspects time-limited and regular deposits in credit institutions. These receivables have cash flows that are only payment of interest and installments and therefore are valued at amortized cost.

Loans to and receivables from customers

Loans to and receivables from customers comprise in all material aspects loans to customers and receivables from credit cards. It is the bank's assessment that contractual cash flows from loans to (loans for consumer goods) and receivables from customers merely represent repayment of principal and interest on the outstanding principal at all times. Therefore loan commitments are valued at amortized cost.

Amortized cost at the date of establishment includes the principal of the loan commitments, fees charged to the borrower and transaction fees such as commissions to brokerage agents.

Interest income is recognised using the effective interest method. The effective interest rate is the rate that discounts the loan's cash flows over the expected term of the loan at the loan's amortized cost at the establishment date.

Certificates, bonds and other interest bearing securities

These are measured and followed up internally at fair value and are therefore measured at fair value in the balance sheet with value changes over profit or loss.

Financial derivatives

Financial derivatives do not have cash flows that are only interest and installments and are therefore measured at fair value in the balance sheet with value changes over profit or loss. So far the bank has not chosen to apply hedge accounting.

Classification and measurement of financial liabilities

Financial derivatives

Financial derivatives that are liabilities are measured at fair value in the balance sheet with value changes over profit or loss. So far the bank has not chosen to apply hedge accounting.

Financial guarantees

The bank has not issued financial guarantee contracts per date.

Other financial liabilities

So far the bank has not chosen to measure financial liabilities voluntarily at fair value through profit or loss. The bank therefore measures other financial liabilities at amortized cost.

Financial instruments with characteristics as equity

The company has issued a perpetuity fund bond with a unilateral right not to repay interest or principal to the investors. As a consequence of these terms the fund bond does not meet the requirements to financial liability and is included in the company's equity as hybrid capital. Transaction expenses and unpaid interest are presented as a reduction of retained earnings.

Calculation of impairment of financial assets measured at amortized cost

The principles in IFRS 9 related to impairment for loss on financial assets are based on allowances being made for expected credit loss (ECL). Expected losses normally arise before there is an objective evidence of a loss event. The impairment rules for assets measured at amortized cost are correspondingly used on loan commitments, unused credit limits and financial guarantee liabilities. The rules have practical impact for the bank when it comes to loss allowance for unused limit on credit card.

Description of the framework for impairment.

The bank has prepared a model for calculation of impairment in accordance with the requirements in IFRS 9. The model calculates expected losses based on PD-LGD-EAD method, where the expected loss is calculated as PD x LGD x EAD discounted by originally effective interest rate. PD is the probability of default, LGD is loss given default and EAD is exposure at default.

The bank separates between receivables that have or do not have incurred losses at the initial recognition in the balance sheet.

Receivables that do not have incurred losses at the initial recognition in the balance sheet

Calculation of expected credit loss is based on a model consisting of three stages among which all engagements are classified. The period of time for which expected credit loss shall be calculated depends on which stage the engagement is allocated to.

1. **Classification**

By initial recognition the bank allocates 12 months ECL for the engagement (stage 1), called 12M ECL. In stage 1 the interest income on gross loan commitments is calculated using the effective interest method. If the engagement is assessed to have a significant increase of credit risk, defined as probability of default, since initial recognition, allowance shall be made for the expected loss for the remaining term of the total engagement, called Lifetime ECL (stage 2). In stage 2 the interest income is calculated in the same way as in stage 1. Lifetime ECL is correspondingly calculated for engagements where loss has incurred (actual default) (stage 3). In stage 3 the interest income is calculated based on the net size of the loan commitment, i.e. after allowance for losses, using the effective interest method.

New loan commitments and credits are allocated to stage 1, unless the loan commitments have been purchased or originally have high credit risk, then the instrument is recognised in stage 3. At each reporting date an assessment shall be made whether there has been a significant increase in credit risk (SICR) since the engagement was granted. Engagements that meet the criteria for SICR are moved to stage 2. Engagements where loss has incurred are allocated to stage 3.

ECL is calculated by weighting several scenarios to calculate an estimate based on adequate expectations. The company has chosen to use three scenarios, one base, one positive and one negative.

The bank uses the PD-LGD-EAD method for all products and markets. The table below shows underlying models used to establish PD, LGD and EAD respectively for the portfolio of loan commitmentss for consumer goods.

	Norway	Sweden	Finland
PD	Scorecard developed on internal data	Scorecard from external credit supplier	Scorecard developed on internal data
LGD	Based on selling price in forward flow contract entered into. Based on indicative prices from buyer of default loan commitments for loan commitments that are not covered by the forward flow contract and for default that incur after the expiry of the forward flow contract entered into.	Based on indicative prices from buyer of default loan commitments	Based on indicative prices from buyer of default loan commitments
EAD	The repayment plan of the account and the probability of early redemption	The repayment plan of the account and the probability of early redemption	The repayment plan of the account and the probability of early redemption

As shown in the table above the ECL-model divides the total portfolio into 4 different portfolios:

- loan commitments for consumer goods in Norway
- loan commitments for consumer goods in Sweden
- loan commitments for consumer goods in Finland
- credit cards

The PD-model estimates the probability for default by assessing the statistical relationship between the default and the customer's financial position, payment record and demographic data.

The bank has no internal models for credit cards due to short history. These portfolios, however, are limited in size. The bank intends to build internal models as soon as the data basis is sufficient. Discretionary rates have been determined for PD, LGD and EAD respectively for this portfolio based on the model results for the portfolio of loan commitments for consumer goods.

2. Default definition

The definition of default is a loan that is more than 90 days in arrears in relation to the agreed payment schedule and where the amount overdue exceeds the materiality threshold of NOK 500 or the equivalent in the respective local currencies.

3. Migration between the three stages of the model

All non-performing engagements are allocated to stage 3 of the model. Engagements that have had a significant increase in credit risk since initial recognition are allocated to stage 2. The remaining engagements are included in stage 1.

Significant increase in credit risk

The migration from stage 1 to stage 2 are managed by the definition of significant increase in credit risk. This set of rules consists of two elements: The PD-test and a back-stop.

The PD-test includes two criteria that both have to be met in order for an engagement to be assessed to have had a significant increase in credit risk. An engagement is assumed to have had a significant increase in credit risk if PD at the reporting date is 2.5 times higher than anticipated PD calculated at the recognition date. Further on, the increase in PD has to exceed one percentage point if the increase is to be considered significant.

If an engagement is due by over 30 days, it shall be moved to stage 2 independent of whether it has passed the PD-test.

Migration to lower stage

An engagement that has migrated to stage 2 can migrate back to stage 1 provided it does not any longer meet any of the criteria described above.

There is no explicit quarantine period before an engagement can migrate from stage 2 to stage 1. Non-performing engagements will migrate to stage 1 or 2 when they are no longer marked non-performing, unless purchased or originally recognised at high credit risk.

4. Macro scenarios

For establishment of the connection between macroeconomic assumptions and the model parameters of the ECL-model (PD, LGD and EAD), the bank has ascertained that existing historical basis is not sufficient to model sufficiently reliable statistic connections. Therefore the bank has chosen an approach which to a large extent is based on expert reviews. Based on a total assessment of the most important macro variables an adjustment factor is determined for PD, LGD and EAD over the prognosis period.

Receivables where loss has incurred at initial recognition in the balance sheet

So far the bank has not purchased receivables with incurred losses as part of its normal operations. Receivables with incurred losses have been purchased through the acquisition of BRABank ASA and only to a little extent established through renegotiations of existing loan commitments. The bank reports these receivables separately and treat them as receivables in stage 3 as long as the receivables remain in the balance sheet.

Governance

The bank has established a governance structure for the model that is used to calculate the allowance for losses with clearly defined responsibility for maintenance of model park and -methodology, quality and completeness of the data that form the basis for the calculations, and preparation of macro scenarios. Macro scenarios are treated quarterly by the existing credit committee.

Leases

As a part of the conversion to IFRS, the company has implemented IFRS 16 Leases. The company complies with IFRS 1.D9B(b)(ii) and has set the right to use asset equal to the leasing liability per 01.01.2018.

IFRS 16 implies that all leased assets are recognised in the balance sheet and depreciated, in the same way as owned assets. Recognition of the asset in the balance sheet implies a corresponding liability. The company leases office premises in Telegrafen in Bergen, but has no other leasing contracts. The company makes use of the exemptions for assets of low value and short-term contracts. As IFRS 16 does not have a material impact on the financial statements we have chosen to present the right to use asset on the same line as the underlying asset, i.e. property, plant and equipment. The leasing liability is presented in note 16 and is divided into short-term and long-term part.

Note 2 First-time adoption of IFRS

These financial statements, for the interim financial statements ending Jun 30 2019, are the first the Bank has prepared in accordance with IFRS. For periods up to and including the year ended 31 December 2018, the Bank prepared its financial statements in accordance with Norwegian generally accepted accounting principles (NGAAP).

Accordingly, the Bank has prepared financial statements that comply with IFRS applicable as at 30 June 2019, together with comparative period date for the year ended 31 December 2018, as described in the summary of significant accounting policies. In preparing the financial statements, the Bank's opening statement of financial position was prepared at 1 January 2018, the Bank's date of transition to IFRS. This note explains the principal adjustments made by the Bank in restating its NGAAP financial statements, including the statement of financial position as at 1 January 2018 and the financial statements for the year ended 31 December 2018.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain requirements under IFRS. The Bank has applied the following exemptions:

- IFRS 3 Business combinations has not been applied to either acquisitions of subsidiaries that are considered businesses under IFRS, or acquisitions of interests in associates and joint ventures that occured before 1 January 2018. Use of this exemption means that the NGAAP carrying amounts of assets and liabilities, that are required to be recognised under IFRS, is their deemed cost at the date of the acquisition. After the date of the acquisition, measurement is in accordance with IFRS. Assets and liabilities that do not qualify for recognition under IFRS are excluded from the opening IFRS statement of financial position. The Bank did not recognise or exclude any previously recognised amounts as a result of IFRS recognition requirements.

IFRS 1 also requires that the NGAAP carrying amount of goodwill must be used in the opening IFRS statement of financial position (apart from adjustments for goodwill impairment and recognition or derecognition of intangible assets). In accordance with IFRS 1, the Bank has tested goodwill for impairment at the date of transition to IFRS. No goodwill impairment was deemed necessary at 1 January 2018.

- Certain items of property, plant and equipment have been measured at fair value at the date of transition to IFRS. Refer to adjustment A below.

Estimates

The estimates at 1 January 2018 and at 31 December 2018 are consistent with those made for the same dates in accordance with NGAAP (after adjustments to reflect any differences in accounting policies) apart from the following items where application of NGAAP did not require estimation:

- Pensions and other postemployment benefits

- AFS financial assets - unquoted equity securities

The estimates used by the Bank to present these amounts in accordance with IFRS reflect conditions at 1 January 2018, the date of transition to IFRS and as at 31 December 2018.

Reconciliation of equity as at 1 January 2019 (date of transition to IFRS)

NOK in thousands		**1 January 2018**		
	Note	NGAAP	Adjustments	IFRS
Share capital		248 318		248 318
Surplus capital		255 169	-64 168	191 001
Tier 1 capital			49 200	49 200
Other paid-in capital (options)		384		384
Retained earnings		17 960		17 960
Total		521 831	-14 968	506 863

NOK in thousands		**31 December 2018**		
	Note	NGAAP	Adjustments	IFRS
Share capital		274 023		274 023
Surplus capital		286 621	-64 168	222 454
Tier 1 capital		0	49 412	49 412
Other paid-in capital (options)		0		
Retained earnings		48 527	-45 454	3 073
Total		609 171	-60 210	548 961

Reconciliation of Income Statement		**31 December 2018**		
NOK in thousands	Note	NGAAP	Adjustments	IFRS
Interest income from assets held at fair value		11 125		11 125
Interest income from assets held at amortised cost		392 518	-62 632	329 886
Interest expenses		71 996	-4 027	67 970
Net interest income		**331 646**	**-58 606**	**273 041**
Fees and commissions receivable		25 970		25 970
Fees and comissions payable		60 456	-60 456	0
Gain/(loss) from currency and securities		4 136		4 136
Staff costs		42 423		42 423
Other administrative expenses		80 361	-2 425	77 936
Depreciation and amortisaton		10 855	2 425	13 280
(Loss)/profit before impairment losses		**167 657**	**1 851**	**169 507**
Impairment releases/(losses)		-128 435	-56 896	-185 330
Operating (loss)/profit before tax				
Tax charge		-8 655	12 611	3 956
Profit/(loss) for the year		**30 567**		**-11 867**

Reconciliation of Other Comperehensive Income		**31 December 2018**		
NOK in thousands	Note	NGAAP	Adjustments	IFRS
Profit on ordinary activities after tax		30 567	-42 434	-11 867

Reconciliation of financial position		31 December 2018		
NOK in thousands	Note	NGAAP	Adjustments	IFRS
Assets				
Loans and deposits with credit institutions		108 790		108 790
Loans and advances to customers		3 844 229	119 073	3 963 302
Provision for impairment losses		138 493	142 453	280 946
Net loand and advances to customers		**3 705 736**	**-23 380**	**3 682 356**
Debt securities		851 879		851 879
		0		0
Deferred tax asset		2 791	36 794	39 585
Other intangible assets		67 064		67 064
Property, plant and equipment		2 681	13 254	15 936
Financial derivatives		6 644		6 644
Prepayments, accured income and other assets		130 341	-121 249	9 092
Total assets		**4 875 927**	**-94 581**	**4 781 347**
Liabilities				
Deposits by customers		4 125 245		4 125 245
Provisions, accruals and other liabilities		40 668	13 254	53 922
Subordinated loan		98 739	-49 412	49 328
Tax payable		2 105	1 787	3 892
Total liabilities		**4 266 756**	**-34 370**	**4 232 386**
Equity				
Share capital		274 023		274 023
Surplus capital		286 621	-64 168	222 454
Tier 1 capital		0	49 412	49 412
Retained earnings		48 527	-45 454	3 073
Total equity		**609 171**	**-60 210**	**548 961**
Total liabilities and equity		**4 875 927**	**-94 581**	**4 781 347**

Reconciliation of Cash Flow Statement		**31 December 2018**		
NOK in thousands	Note	NGAAP	Adjustments	IFRS
Cash flow from operating activites				
Operating profit/(loss) before tax		39 222	-55 045	-15 823
Adjustment for change in provision for impairment losses		87 812	56 896	144 708
Adjustment for unrealised changes in fair value of financial instruments		4 158		4 158
Adjustment share option programme		-		
Depreciation and amortisation		11 196		11 196
Impairment of intangble assets				
Net interest income			-273 041	-273 041
Gain from a bargain purchase				
Changes in loans and advances to customers		-1 441 360	-37 736	-1 479 096
Changes in deposits by customers		1 473 384		1 472 865
Changes in financial derivates		-5 270		-5 270
Changes in debt securities		-100 253		-100 253
Changes in other operating assets and liabilities		-33 375	40 432	7 057
Net cash flows from operating activities		**35 513**	**-269 013**	**-233 500**
Interest recieved			341 012	341 012
Interest paid			-64 555	-64 555
Cash flows from investing activities				
Purchase of property, plant and equipment		-2 008		-2 008
Investment in intangible assets		-37 489		-37 489
Payment for acquisition/merger, net of cash acquired		-		-
Net cash flows from investing activities		**-39 497**		**-39 497**
Cash flows from financing activities				
Issue of ordinary shares		56 773		56 773
Issued Tier 1 and Tier 2 capital				
Paid interest tier 1 capital			-4 027	-4 027
Paid interest subordinated loans			-3 416	-3 416
Net cash flows from financing activities		**56 773**	**-7 443**	**49 330**
Net increase/(decrease) in cash and cash equivalents		**52 790**		**52 790**
Cash and cash equivalents at period start		56 000		56 000
Cash and cash equivalents at period end		**108 790**		**108 790**

Note 3 IFRS 9

3.1 Gross loans, off-balance of expected credit loss

Gross loans, off-balance and loss allowance by product and country - 30.06.2019

Amounts in NOK 1000

			Gross Loans				Loss allowance			
	Gross book value	Off-balance sheet amount	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Consumer loans										
Norway	2 858 054	1	2 315 640	226 175	316 239	2 858 054	50 133	24 985	122 252	197 371
Sweden	193 056	-	192 727	329	-	193 056	406	6	-	412
Finland	1 775 701	33 209	1 493 762	94 012	187 927	1 775 701	55 218	15 525	68 067	138 810
Credit card loans										
Norway	37 355	258 495	34 981	-	2 374	37 355	788	-	392	1 180
Sweden	10 754	75 264	10 102	28	623	10 754	47	5	192	244
Total	**4 874 920**	**366 968**	**4 047 212**	**320 544**	**507 163**	**4 874 920**	**106 592**	**40 521**	**190 904**	**338 017**

Gross loans, off-balance and loss allowance by product and country - 30.06.2018

Amounts in NOK 1000

			Gross Loans				Loss allowance			
	Gross book value	Off-balance sheet amount	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total
Consumer loans										
	2 608 766	51 515	1 968 026	309 946	330 795	2 608 766	44 902	32 787	102 246	179 935
	796 625	45 518	703 160	44 256	49 208	796 625	23 314	7 214	17 116	47 645
Total	**3 405 391**	**97 033**	**2 671 186**	**354 202**	**380 003**	**3 405 391**	**68 216**	**40 001**	**119 362**	**227 579**

Gross loan and off-balance by risk class - 30.06.2019

Amounts in NOK 1000

Risk class	Probability of default	Gross book value	Off-balance sheet amount
A	0 - 1,2 %	193 838	192 206
B	1,2 - 2,5 %	228 745	92 761
C	2,5 - 3,8 %	541 571	31 789
D	3,8 - 5,2 %	599 922	15 399
E	5,2 - 6,9 %	554 416	8 236
F	6,94- 9,5 %	498 883	5 572
G	9,5 - 13,2 %	479 124	5 024
H	13,2- 18,4 %	442 433	4 584
I	18,4 - 28,1	425 726	4 277
J	28,1 - 90,9	404 656	3 256
K	90,9 - 100	505 607	3 865
Total		**4 874 920**	**366 968**

Risk classes is grouped by PD (probability of default) into groups A to K, with A being the group with lowest risk, and K being the group with the highest risk.

3.2 Changes in loan loss allowance and gross loans

Total incl. consumer loans and credit card loans - 01.01.2019 - 30.06.2019

Reconciliation of total expected credit loss

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Loss allowance as at 01.01.2019	83 920	43 570	153 456	280 946
Transfers				
- transfer from stage 1 to stage 2	-14 352	14 352	-	-
- transfer from stage 1 to stage 3	-2 814	-	2 814	-
- transfer from stage 2 to stage 3	-	-19 924	19 924	-
- transfer from stage 3 to stage 2	-	2 263	-2 263	-
- transfer from stage 2 to stage 1	22 257	-22 257	-	-
- transfer from stage 3 to stage 1	1 132	-	-1 132	-
New financial assets originated	47 184	1 194	265	48 642
Derecognised financial assets (repayments and write-offs)	-12 633	-17 800	-21 471	-51 904
Change in measurement*	-24 319	34 349	38 405	48 435
Currency effects	-1 320	-360	-1 338	-3 018
Change in model or risk parameters	-	-	-	-
Other adjustments**	7 537	5 135	2 244	14 915
Loss allowance as at 30.06.2019	**106 592**	**40 521**	**190 904**	**338 017**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

**balance aqquired through the merger

Reconciliation of gross loans

Amounts in NOK 1000	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross loans as at 01.01.2019	3 156 314	367 617	439 371	3 963 302
	-	-	-	-
Transfers	-	-	-	-
- transfer from stage 1 to stage 2	-359 835	359 835	-	-
- transfer from stage 1 to stage 3	-61 920	-	61 920	-
- transfer from stage 2 to stage 3	-	-124 147	124 147	-
- transfer from stage 3 to stage 2	-	12 384	-12 384	-
- transfer from stage 2 to stage 1	204 620	-204 620	-	-
- transfer from stage 3 to stage 1	8 577	-	-8 577	-
New financial assets originated	1 374 446	15 442	1 521	1 391 409
Derecognised financial assets (repayments and write-offs)	-430 464	-131 456	-83 314	-645 234
Partial repayments	-173 042	-2 072	-19 105	-194 219
Currency effects	-33 288	-2 250	-3 656	-39 195
Change in model or risk parameters	-	-	-	-
Other adjustments**	361 804	29 812	7 241	398 857
Gross loans as at 30.06.2019	**4 047 212**	**320 544**	**507 163**	**4 874 920**

**balance aqquired through the merger

Consumer loans in Norway

Reconciliation of expected credit loss for consumer loans in Norway

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2019	42 919	31 158	114 829	188 906
Transfers				
- transfer from stage 1 to stage 2	-8 089	8 089	-	-
- transfer from stage 1 to stage 3	-1 538	-	1 538	-
- transfer from stage 2 to stage 3	-	-6 428	6 428	-
- transfer from stage 3 to stage 2	-	1 514	-1 514	-
- transfer from stage 2 to stage 1	18 130	-18 130	-	-
- transfer from stage 3 to stage 1	944	-	-944	-
New financial assets originated	16 122	647	-	16 768
Derecognised financial assets (repayments and write-offs)	-6 689	-17 439	-19 919	-44 047
Change in measurement*	-18 897	20 444	19 784	21 331
Currency effects	-	-	-	-
Change in model or risk parameters	-	-	-	-
Other adjustments**	7 231	5 130	2 051	14 412
Loss allowance as at 30.06.2019	**50 133**	**24 985**	**122 252**	**197 371**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

**balance aqquired through the merger

Reconciliation of gross loans for consumer loans in Norway

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2019	2 054 434	289 175	328 750	2 672 358
Transfers				
- transfer from stage 1 to stage 2	-244 728	244 728	-	-
- transfer from stage 1 to stage 3	-41 059	-	41 059	-
- transfer from stage 2 to stage 3	-	-50 305	50 305	-
- transfer from stage 3 to stage 2	-	9 183	-9 183	-
- transfer from stage 2 to stage 1	175 506	-175 506	-	-
- transfer from stage 3 to stage 1	7 229	-	-7 229	-
New financial assets originated	586 609	9 968	-	596 577
Derecognised financial assets (repayments and write-offs)	-280 114	-129 074	-78 906	-488 094
Partial repayments	-122 043	-1 776	-15 175	-138 994
Currency effects	-	-	-	-
Change in model or risk parameters	-	-	-	-
Other adjustments**	179 806	29 783	6 617	216 207
Gross loans as at 30.06.2019	**2 315 640**	**226 175**	**316 239**	**2 858 054**

**balance aqquired through the merger

Consumer loans in Sweden

Reconciliation of expected credit loss for consumer loans in Sweden

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2019	-	-	-	-
Transfers				
- transfer from stage 1 to stage 2	-	-	-	-
- transfer from stage 1 to stage 3	-	-	-	-
- transfer from stage 2 to stage 3	-	-	-	-
- transfer from stage 3 to stage 2	-	-	-	-
- transfer from stage 2 to stage 1	-	-	-	-
- transfer from stage 3 to stage 1	-	-	-	-
New financial assets originated	148	6	-	155
Derecognised financial assets (repayments and write-offs)	-	-	-	-
Change in measurement*	-	-	-	-
Currency effects	-2	-0	-	-2
Change in model or risk parameters	-	-	-	-
Other adjustments**	259	-	-	259
Loss allowance as at 30.06.2019	**406**	**6**	**-**	**412**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

**balance aqquired through the merger

Reconciliation of gross loans for consumer loans in Sweden

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2019	-	-	-	-
Transfers				
- transfer from stage 1 to stage 2	-	-	-	-
- transfer from stage 1 to stage 3	-	-	-	-
- transfer from stage 2 to stage 3	-	-	-	-
- transfer from stage 3 to stage 2	-	-	-	-
- transfer from stage 2 to stage 1	-	-	-	-
- transfer from stage 3 to stage 1	-	-	-	-
New financial assets originated	21 074	333	-	21 407
Derecognised financial assets (repayments and write-offs)	-	-	-	-
Partial repayments	-	-	-	-
Currency effects	-243	-4	-	-246
Change in model or risk parameters	-	-	-	-
Other adjustments**	171 895	-	-	171 895
Gross loans as at 30.06.2019	**192 727**	**329**	**-**	**193 056**

**balance aqquired through the merger

Consumer loans in Finland

Reconciliation of expected credit loss for consumer loans in Finland

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2019	41 001	12 412	38 627	92 040
Transfers				
- transfer from stage 1 to stage 2	-6 263	6 263	-	-
- transfer from stage 1 to stage 3	-1 272	-	1 272	-
- transfer from stage 2 to stage 3	-	-13 496	13 496	-
- transfer from stage 3 to stage 2	-	748	-748	-
- transfer from stage 2 to stage 1	4 127	-4 127	-	-
- transfer from stage 3 to stage 1	180	-	-180	-
New financial assets originated	30 119	541	-	30 660
Derecognised financial assets (repayments and write-offs)	-5 940	-361	-1 552	-7 853
Change in measurement*	-5 415	13 905	18 490	26 980
Currency effects	-1 318	-360	-1 338	-3 016
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Loss allowance as at 30.06.2019	**55 218**	**15 525**	**68 067**	**138 810**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

Reconciliation of gross loans for consumer loans in Finland

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2019	1 101 881	78 442	110 621	1 290 944
Transfers				
- transfer from stage 1 to stage 2	-115 107	115 107	-	-
- transfer from stage 1 to stage 3	-20 113	-	20 113	-
- transfer from stage 2 to stage 3	-	-73 842	73 842	-
- transfer from stage 3 to stage 2	-	3 201	-3 201	-
- transfer from stage 2 to stage 1	29 114	-29 114	-	-
- transfer from stage 3 to stage 1	1 304	-	-1 304	-
New financial assets originated	730 569	5 141	-	735 710
Derecognised financial assets (repayments and write-offs)	-149 994	-2 382	-4 408	-156 784
Partial repayments	-50 846	-295	-4 080	-55 221
Currency effects	-33 046	-2 246	-3 656	-38 948
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Gross loans as at 30.06.2019	**1 493 762**	**94 012**	**187 927**	**1 775 701**

Credit card loans

Reconciliation of expected credit loss for credit card loans

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2019	-	-	-	-
Transfers				
- transfer from stage 1 to stage 2	-	-	-	-
- transfer from stage 1 to stage 3	-4	-	4	-
- transfer from stage 2 to stage 3	-	-	-	-
- transfer from stage 3 to stage 2	-	-	-	-
- transfer from stage 2 to stage 1	-	-	-	-
- transfer from stage 3 to stage 1	7	-	-7	-
New financial assets originated	795	-	265	1 059
Derecognised financial assets (repayments and write-offs)	-4	-	-	-4
Change in measurement*	-7	-	131	124
Currency effects	-	-	-	-
Change in model or risk parameters	-	-	-	-
Other adjustments**	47	5	192	244
Loss allowance as at 30.06.2019	**835**	**5**	**584**	**1 424**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

**balance aqquired through the merger

Reconciliation of gross loans for credit card loans

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2019	-	-	-	-
Transfers				
- transfer from stage 1 to stage 2	-	-	-	-
- transfer from stage 1 to stage 3	-749	-	749	-
- transfer from stage 2 to stage 3	-	-	-	-
- transfer from stage 3 to stage 2	-	-	-	-
- transfer from stage 2 to stage 1	-	-	-	-
- transfer from stage 3 to stage 1	44	-	-44	-
New financial assets originated	36 194	-	1 521	37 715
Derecognised financial assets (repayments and write-offs)	-356	-	-	-356
Partial repayments	-153	-	149	-4
Currency effects	-	-	-	-
Change in model or risk parameters	-	-	-	-
Other adjustments**	10 102	28	623	10 754
Gross loans as at 30.06.2019	**45 083**	**28**	**2 997**	**48 109**

**balance aqquired through the merger

Total incl. consumer loans and credit card loans - 01.01.2018 - 30.06.2018

Reconciliation of total expected credit loss

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2018	48 247	26 402	61 590	136 238
Transfers				
- transfer from stage 1 to stage 2	-15 641	15 641	-	-
- transfer from stage 1 to stage 3	-2 155	-	2 155	-
- transfer from stage 2 to stage 3	-	-23 930	23 930	-
- transfer from stage 3 to stage 2	-	1 583	-1 583	-
- transfer from stage 2 to stage 1	19 115	-19 115	-	-
- transfer from stage 3 to stage 1	1 199	-	-1 199	-
New financial assets originated	43 076	2 747	304	46 128
Derecognised financial assets (repayments and write-offs)	-7 296	-4 234	-6 126	-17 656
Change in measurement*	-17 673	41 143	40 686	64 155
Currency effects	-656	-236	-393	-1 286
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Loss allowance as at 30.06.2018	**68 216**	**40 001**	**119 362**	**227 579**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

Reconciliation of gross loans

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2018	2 019 954	249 682	214 051	2 483 686
Transfers				
- transfer from stage 1 to stage 2	-448 038	448 038	-	-
- transfer from stage 1 to stage 3	-50 830	-	50 830	-
- transfer from stage 2 to stage 3	-	-170 651	170 651	-
- transfer from stage 3 to stage 2	-	11 389	-11 389	-
- transfer from stage 2 to stage 1	179 907	-179 907	-	-
- transfer from stage 3 to stage 1	9 988	-	-9 988	-
New financial assets originated	1 346 705	36 708	1 041	1 384 454
Derecognised financial assets (repayments and write-offs)	-268 384	-38 244	-21 687	-328 315
Partial repayments	-98 285	-1 324	-12 368	-111 977
Currency effects	-19 832	-1 487	-1 138	-22 457
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Gross loans as at 30.06.2018	**2 671 186**	**354 202**	**380 003**	**3 405 391**

Consumer loans in Norway

Reconciliation of expected credit loss for consumer loans in Norway

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2018	37 611	24 170	59 057	120 839
Transfers				
- transfer from stage 1 to stage 2	-13 316	13 316	-	-
- transfer from stage 1 to stage 3	-1 637	-	1 637	-
- transfer from stage 2 to stage 3	-	-18 953	18 953	-
- transfer from stage 3 to stage 2	-	1 470	-1 470	-
- transfer from stage 2 to stage 1	17 896	-17 896	-	-
- transfer from stage 3 to stage 1	1 193	-	-1 193	-
New financial assets originated	25 216	2 234	304	27 754
Derecognised financial assets (repayments and write-offs)	-5 877	-4 038	-5 743	-15 658
Change in measurement*	-16 184	32 483	30 701	47 000
Currency effects	-	-	-	-
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Loss allowance as at 30.06.2018	**44 902**	**32 787**	**102 246**	**179 935**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

Reconciliation of gross loans for consumer loans in Norway

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2018	1 635 034	225 305	206 005	2 066 344
Transfers				
- transfer from stage 1 to stage 2	-386 156	386 156	-	-
- transfer from stage 1 to stage 3	-41 806	-	41 806	-
- transfer from stage 2 to stage 3	-	-135 819	135 819	-
- transfer from stage 3 to stage 2	-	11 044	-11 044	-
- transfer from stage 2 to stage 1	170 108	-170 108	-	-
- transfer from stage 3 to stage 1	9 866	-	-9 866	-
New financial assets originated	892 951	31 889	1 041	925 881
Derecognised financial assets (repayments and write-offs)	-229 329	-36 827	-20 553	-286 709
Partial repayments	-82 642	-1 694	-12 414	-96 750
Currency effects	-	-	-	-
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Gross loans as at 30.06.2018	**1 968 026**	**309 946**	**330 795**	**2 608 766**

Consumer loans in Finland

Reconciliation of expected credit loss for consumer loans in Finland

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Loss allowance as at 01.01.2018	10 635	2 232	2 532	15 399
Transfers				
- transfer from stage 1 to stage 2	-2 325	2 325	-	-
- transfer from stage 1 to stage 3	-518	-	518	-
- transfer from stage 2 to stage 3	-	-4 978	4 978	-
- transfer from stage 3 to stage 2	-	113	-113	-
- transfer from stage 2 to stage 1	1 219	-1 219	-	-
- transfer from stage 3 to stage 1	6	-	-6	-
New financial assets originated	17 860	513	-	18 374
Derecognised financial assets (repayments and write-offs)	-1 418	-196	-384	-1 998
Change in measurement*	-1 490	8 660	9 985	17 155
Currency effects	-656	-236	-393	-1 286
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Loss allowance as at 30.06.2018	**23 314**	**7 214**	**17 116**	**47 645**

*change in PD, LGD or EAD and 12 months vs lifetime horizon

Reconciliation of gross loans for consumer loans in Finland

Amounts in NOK 1000	Stage 1	Stage 2	Stage 3	Total
Gross loans as at 01.01.2018	384 920	24 376	8 046	417 342
Transfers				
- transfer from stage 1 to stage 2	-61 881	61 881	-	-
- transfer from stage 1 to stage 3	-9 023	-	9 023	-
- transfer from stage 2 to stage 3	-	-34 832	34 832	-
- transfer from stage 3 to stage 2	-	345	-345	-
- transfer from stage 2 to stage 1	9 799	-9 799	-	-
- transfer from stage 3 to stage 1	122	-	-122	-
New financial assets originated	453 755	4 819	-	458 573
Derecognised financial assets (repayments and write-offs)	-39 055	-1 417	-1 133	-41 606
Partial repayments	-15 643	370	46	-15 228
Currency effects	-19 832	-1 487	-1 138	-22 457
Change in model or risk parameters	-	-	-	-
Other adjustments	-	-	-	-
Gross loans as at 30.06.2018	**703 160**	**44 256**	**49 208**	**796 625**

Note 4 Financial risk management

Risk management:
The Board has adopted a policy for the business and risk management that describes the Bank's guidelines for the management of the business, internal controls, and risk management. In addition, the Board has adopted separate policy documents that cover credit risks, market risks, liquidity risks, and operational risks. Each of the policy documents describes guidelines, rules, and risk frameworks for the individual risk types.

The Board meets regularly, reporting from the administration about the Bank's risk exposure to the different risk types. Each of the policy documents are reviewed at least once annually by the Board. The Board has established an auditing and risk committee that prepares and gives advice to the Board related to risk management and internal control

Credit risk:
Credit risk is the Bank's most important risk and is the main source of the Bank's earnings. The relationship between risks and return in the Norwegian, Swedish and Finnish market for unsecured loans is favourable.

The Board has established risk limits and recovers regular information on exposure. The decision to authorize or reject a loan application is based on information in the loan application associated with income, debt, living conditions, number of children and civil status in addition to data from credit agencies. The Bank estimates the applicant’s expected earning ability and estimates the probability that the customer will default on the loan. In addition, rules are established associated with income, degree of indebtedness, age and the least earning level to qualify for a loan.

Note 5 Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its financial obligations as and when they fall due. Liquidity risk arises due to different maturities on assets and liabilities. Liquidity risk is considered low due to a large holdings of debt securities that are traded in an active and liquid marketplace.

Maturity analysis at 30.06.2019				**Amounts due within**			
	Less than 1				**More than 5**		
In NOK thousands	**month**	**1-2 months**	**3-12 months**	**1 - 5 years**	**years**	**No maturity**	**Total**
Loans and advances to banks	134 450						**134 450**
Loans and advances to customers	27 070	54 849	259 372	1 682 617	2 512 996		**4 536 903**
Debt securities	200 952	19 760	719 304	272 588	30 012	-	**1 242 618**
Other assets with maturity	1 367		5 133	163 316			**169 816**
Assets with no maturity							**-**
Total assets	**363 839**	**74 609**	**983 810**	**2 118 521**	**2 543 008**	**-**	**6 083 787**
Deposits by customers						5 153 296	**5 153 296**
Other debt with maturity		6	82 867	53 262			**136 135**
Right-of-use liability							**-**
Total liabilities	**-**	**6**	**82 867**	**53 262**	**-**	**5 153 296**	**5 289 431**

Maturity analysis at 30.06.2018				**Amounts due within**			
	Less than 1				**More than 5**		
In NOK thousands	**month**	**1-2 months**	**3-12 months**	**1 - 5 years**	**years**	**No maturity**	**Total**
Loans and advances to banks	49 906						**49 906**
Loans and advances to customers	15 305	31 319	150 646	967 535	2 013 006		**3 177 811**
Debt securities	29 168	76 852	500 690	71 403	8 712	-	**686 825**
Other assets with maturity	785	174	2 722	107 484			**111 166**
Assets with no maturity							**-**
Total assets	**95 164**	**108 346**	**654 059**	**1 146 421**	**2 021 718**	**-**	**4 025 707**
Deposits by customers						3 433 627	**3 433 627**
Other debt with maturity		2 670	46 900	52 090			**101 660**
Right-of-use liability							**-**
Total liabilities	**-**	**2 670**	**46 900**	**52 090**	**-**	**3 433 627**	**3 535 287**

Maturity analysis 31.12.2018				**Amounts due within**			
	Less than 1				**More than 5**		
In NOK thousands	**month**	**1-2 months**	**3-12 months**	**1 - 5 years**	**years**	**No maturity**	**Total**
Loans and advances to banks	108 790						**108 790**
Loans and advances to customers	21 310	43 220	206 132	1 267 979	2 143 715		**3 682 356**
Debt securities	27 971	240 808	514 161	60 197		8 742	**851 879**
Other assets with maturity			9 092	129 229			**138 321**
Assets with no maturity							**-**
Total assets	**158 071**	**284 028**	**729 385**	**1 457 405**	**2 143 715**	**8 742**	**4 781 347**
Deposits by customers						4 125 245	**4 125 245**
Other debt with maturity		-	53 922	53 219			**107 142**
Right-of-use liability							**-**
Total liabilities	**-**	**-**	**53 922**	**53 219**	**-**	**4 125 245**	**4 232 387**

For loans and advances to customers, the maturity analysis show remaining balance allocated to the different categories based on agreed maturity date without taking into account instalments.

Note 6 Interest rate risk

The Bank has no fixed interest rate assets or liabilities. Interest rate for the Bank risk arises when assets and liabilities reset at different dates. These mismatches may give rise to net interest income and economic value volatility as interest rates vary. The table below analyse the timing of probable change of interest rate:

Interest rate risk 30.06.2019

In NOK thousands	Less than 1 month	1-3 months	3-12 months	1 - 5 years	More than 5 years	No interest rate exposure	Total
Loans and advances to banks	134 450						**134 450**
Loans and advances to customers		4 536 903					**4 536 903**
Debt securities	313 879	347 750	532 989	48 000			**1 242 618**
Non-interest bearing assets						169 816	**169 816**
Total assets	**448 328**	**4 884 653**	**532 989**	**48 000**	**-**	**169 816**	**6 083 787**
Deposits by customers	2 023 866	3 129 430					**5 153 296**
Subordinated loan		49 370					**49 370**
Non-interest bearing debt						86 765	**86 765**
Total liabilities	**2 023 866**	**3 178 800**	**-**	**-**	**-**	**86 765**	**5 289 431**

Interest rate risk 30.06.2018

In NOK thousands	Less than 1 month	1-3 months	3-12 months	1 - 5 years	More than 5 years	No interest rate exposure	Total
Loans and advances to banks	49 906						**49 906**
Loans and advances to customers		3 177 811					**3 177 811**
Debt securities	108 740	355 485	213 600	9 000		-	**686 825**
Non-interest bearing assets						111 165	**111 166**
Total assets	**158 646**	**3 533 296**	**213 600**	**9 000**	**-**	**111 165**	**4 025 707**
Deposits by customers	445 306	2 988 321					**3 433 627**
Subordinated loan		49 242					**49 242**
Non-interest bearing debt						52 418	**52 418**
Total liabilities	**445 306**	**3 037 563**	**-**	**-**	**-**	**52 418**	**3 535 287**

Interest rate risk 31.12.2018

In NOK thousands	Less than 1 month	1-3 months	3-12 months	1 - 5 years	More than 5 years	No interest rate exposure	Total
Loans and advances to banks	108 790						**108 790**
Loans and advances to customers		3 682 356					**3 682 356**
Debt securities	107 947	374 265	369 667				**851 879**
Non-interest bearing assets						138 321	**138 321**
Total assets	**216 737**	**4 056 621**	**369 667**	**-**	**-**	**138 321**	**4 781 347**
Deposits by customers	909 474	3 215 771					**4 125 245**
Subordinated loan		49 328					**49 328**
Non-interest bearing debt						57 814	**57 814**
Total liabilities	**909 474**	**3 265 099**	**-**	**-**	**-**	**57 814**	**4 232 386**

Sensitivity analysis

The sensitivity analysis below analyse the effect of a 1% point increase in interest rate on interest-bearing assets and interest-bearing liabilities as of 30 June 2019 . A reduced interest rate will have the same effect with opposite sign.

Effect of 1% increase in interest rate	30.06.2019	30.06.2018	31.12.2018
Loans and advances to banks	168	62	10
Loans and advances to customers	5 671	3 972	3 903
Derivatives 1	280	575	1 069
Debt securities	4 466	1 931	2 524
Total interest rate risk assets	**10 585**	**6 541**	**7 506**
Deposits by customers	-5 066	-5 066	-5 269
Derivatives 2	-147	-776	-1 109
Subordinated loan	-123	-123	-59
Total interest rate risk liabilities	**-5 336**	**-5 965**	**-6 437**
Total interest rate risk	**5 249**	**576**	**1 070**

In the event of an increase of interest rate on funding, the Bank has an opportunity to increase the interest rate charged to customers. However, depending on competition, this may have an effect on lending volume. As a result, the Bank will consider interest rate hedging.

Note 7 Market risk, Currency risk and Financial derivatives

The Board has defined policies for the Bank's investments in bonds and securities, in addition to policies for managing foreign currency risk related to the Bank's operations in Finland and Sweden.

The loan portfolio in Finland is exposed to fluctuations in EUR as all loans in Finland are issued in EUR. The Bank seeks to mitigate this risk by using NOK/EUR forward contracts.

The loan portfolio in Sweden is exposed to fluctuations in SEK as all loans in Sweden are issued in SEK.

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
The current balance of loans in EUR	1 775 701	796 625	1 255 737
The current balance of loans in SEK	193 056	-	

Book value of financial derivatives at

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
Forward contracts	-1 926	-380	-11 086
Deposits pledged / (held) as collateral	1 920	7 070	17 730
Net financial derivatives	**(6)**	**6 690**	**6 644**

Sensitivity

The Bank are primarily exposed to changes in NOK/EUR and NOK/SEK exchange rates. The sensitivity of profit or loss to changes in the exchange rates arises mainly from EUR-denominated financial instruments.

Impact on post tax profit

"The Board has established guidelines and a framework for the Bank's investments in bonds and financial instruments, as well as guidelines and framework for handling currency risk related to the Finnish and Swedish operation. The Bank seeks to fully hedge the currency risk on the balance sheet.

The loan portfolio in Finland and Sweden is exposed to fluctuations in EUR and SEK as all loans in Finland are issued in EUR and all loans in Sweden are issued in SEK. The Bank seeks to mitigate this risk by using NOK/EUR and NOK/SEK forward contracts. "

Note 8 Operational risk

The Board has established guidelines and frameworks for operational risk. These are subject to review and possible amendments at least once a year.

The Bank has a moderate tolerance for operational risk. The Bank offers simple and standardised products for the individual market. Critical processes are automated so that the effect of human error is reduced. The Bank's operating concept is based, to a large degree, on the purchasing of services from external suppliers, such as system operations, telecommunications, distribution, scorecards, and deposits. Agreements within the ICT-area is followed up continually in accordance with a policy for outsourcing. A risk framework is established for how large a financial loss the Bank accepts from events. Steps to reduce operational risk are implemented if it is profitable in a cost-benefit analysis.

The Bank uses operational events actively in improvement work. In 2019, there were no known significant operational disturbances or weaknesses identified in the Bank's operating processes.

Note 9 Classification of financial instruments

30.06.2019	FVPL	Amortized cost	Totalt
Loans and advances to banks		134 450	134 450
Loans and advances to customers		4 536 903	4 536 903
Debt securities	1 242 618		1 242 618
Financial derivatives			-
Sum financial assets	**1 242 618**	**4 671 353**	**5 913 970**
Deposits by customers		5 153 296	5 153 296
Financial derivatives		6	6
Subordinated loan		49 370	49 370
Sum finansielle forpliktelser	**-**	**5 202 672**	**5 202 672**

30.06.2018	FVPL	Amortized cost	Totalt
Loans and advances to banks		49 906	49 906
Loans and advances to customers		3 177 811	3 177 811
Debt securities	686 825		686 825
Financial derivatives			-
Sum financial assets	**686 825**	**3 227 717**	**3 914 542**
Deposits by customers		3 433 627	3 433 627
Financial derivatives		2 670	2 670
Subordinated loan		49 242	49 242
Sum finansielle forpliktelser	**-**	**3 485 539**	**3 485 539**

31.12.2018	FVPL	Amortized cost	Totalt
Loans and advances to banks		108 790	108 790
Loans and advances to customers		3 682 356	3 682 356
Debt securities	851 879		851 879
Financial derivatives	6 644		6 644
Sum financial assets	**858 523**	**3 791 147**	**4 649 670**
Deposits by customers		4 125 245	4 125 245
Financial derivatives		0	-
Subordinated loan		49 328	49 328
Sum finansielle forpliktelser	**-**	**4 174 572**	**4 174 572**

Fair value is based on quoted prices on Oslo Stock Exchange and Nordic ABM. Non-listed securities are valued based on quotes obtained by Nordea Markets as of 30 June 2019.

Note 10 Income tax

In NOK thousands	30.06.2019	30.06.2018	31.12.2018
Temporary differences			
Fixed assets	-35 302	-3 807	-5 682
Debt securities	-4 878	-13 794	-13 855
Tax effect on tax incentive programme ("Skattefunn")	3 033	2 791	3 650
IFRS 9 implementation	-142 453	-141 160	-142 453
Net temporary differences	-179 600	-155 972	-158 339
Tax loss carry forwards	-78 631	-	-
Basis for deferred tax/(deferred tax asset)	-258 231	-155 972	-158 339
(Deferred tax)/Deferred tax asset	64 558	38 993	39 585
Deferred tax asset not recognised			
Deferred tax asset in the balance sheet	**64 558**	**38 993**	**39 585**
Profit/(loss) before tax	-18 124	-22 661	-15 823
Permanent differences	-8 741	1 215	2 411
Costs related to share capital issue, recognised directly to equity	-22 758		-7 025
Change in tax loss carry forwards	78 631	-24 640	-24 640
Change in temporary differences			
Change in deferred tax related to merger	-58 448		
Change in temporary differences	29 439	57 478	60 645
Basis for tax payable	-0	11 392	15 567
Tax payable in the balance sheet	**-0**	**2 848**	**3 892**
Tax payable	-0	2 848	3 892
Change in deferred tax/deferred tax asset	-19 283	-9 012	-7 847
Change in deferred tax/deferred tax asset due to change in statutory tax rate		499	
Change in deferred tax related to merger	14 753		
Income tax charge in the income statement	**-4 531**	**-5 665**	**-3 956**
Reconciliation of income tax charge			
Profit/(loss) before tax	-18 124	-22 661	-15 823
Estimated tax payable/deferred tax	-4 531	-5 665	-3 956
25% of permanent differences	-1 942	304	603
Tax effect accrual of Tax incentive programme ("Skattefunn")	1 942	-802	-602
Deferred tax asset not recognised in prior years	-	499	
Change in deferred tax/deferred tax asset due to change in statutory tax rate	-		
Income tax charge in the income statement	**-4 531**	**-5 665**	**-3 955**

Tax payable for the financial year 2018 is due in Q4 2019

Note 11 Capital adequacy

In NOK thousands	30.06.2019	30.06.2018	31.12.2018
Share capital	447 393	249 196	274 023
Surplus capital	304 034	256 595	286 621
Retained earnings	-6 525	41 810	48 527
Not registered capital			
Phase-in effects of IFRS 9	87 705		
Other equity			
'- Deduction of deferred tax assets, other intangible assets and additional valuation adjustments	-94 769	-43 345	-67 916
Common equity Tier 1 capital	**737 838**	**504 256**	**541 255**
Additional Tier 1 capital instruments	50 000	50 000	50 000
Tier 1 capital	**787 838**	**554 256**	**591 255**
Subordinated loan capital	50 000	50 000	50 000
Tier 2 capital	**837 838**	**604 256**	**641 255**

Capital requirements	30.06.2019	30.06.2018	31.12.2018
Institutions	50 751	46 501	23 939
Loans to customers 75%	3 144 815	2 228 829	2 552 646
Defaulted loans 100%	299 397	259 354	313 130
Phase-in effects of IFRS 9	78 582		
Covered bonds	26 690	6 704	8 743
Other assets	76 290	115 898	135 813
Corporate	61 323	34 487	-
Regional governments or local authorities	14 041	50 363	4 506
Market risk			
Operational risk	320 676	196 783	316 914
CVA risk	6 728	1 089	239
Total risk-weighted volume and capital requirements	4 079 292	2 940 008	3 355 930

30.06.2019 are reported after IFRS standards and 30.06.2018 and 31.12.2018 are reported after NGAAP

Common equity Tier 1 capital ratio	18.1 %	17.2 %	16.1 %
Tier 1 capital ratio	19.3 %	18.9 %	17.6 %
Capital ratio	20.5 %	20.6 %	19.1 %
Minimum CET 1 capital ratio requirement	17.5 %	13.6 %	13.4 %

LCR (Liquidity Coverage Ratio) 1015 % and NSFR (Net Stable Funding Ratio) 180 % as of 30.6.2019

Note 11 Financial instruments

Financial instruments at fair value

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
Certificates and bonds - level 1	1 241 525	686 825	851 879
Financial derivatives - level 2			
Financial assets, shares SDC	1 093	-	-
Total financial instruments at fair value	**1 242 618**	**686 825**	**851 879**

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 cannot be determined in level 1 or 2.

Financial instruments at amortized costs:

Financial instruments at amortized cost are valued at originally determined cash flows, adjusted for any impairment losses.

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
Loans and advances to banks	134 450	49 906	108 790
Loans and advances to customers	4 536 903	3 177 811	3 682 356
Prepayments, accrued income and other assets	16 532	6 054	9 092
Total financial assets at amortized cost	**4 687 885**	**3 233 771**	**3 800 239**
Deposits by customers	5 153 296	3 433 627	4 125 245
Provisions, accruals and other liabilities	82 867	46 900	53 922
Subordinated loan	49 370	49 242	49 327
Total financial assets at amortized cost	**5 285 533**	**3 529 769**	**4 228 493**

Note 13 Subordinated loans

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
Subordinated loan NO0010804792, 3 mnd Nibor + 5%	49 370	49 242	49 328
Total financial assets at amortized cost	**49 370**	**49 242**	**49 328**

Note 14 Intangible assets and fixed assets

In NOK thousands	IT software	Office, furniture etc.	Total
Acquisition cost at 01.01.2019	85 186	17 669	102 855
Additions	45 716	986	46 702
Disposals	-29 896	-	-29 896
Acquisition cost at 30.06.2019	**101 006**	**18 656**	**119 662**
Accumulated depreciation and amortisation 01.01.2019	-17 425	-1 734	-19 159
Depreciation and amortisation in the period	-9 713	-2 063	-11 776
Impairment in the period			-
Accumulated depreciation and amortisation 30.06.2019	-27 138	-3 797	-30 935
Carrying amount 30.06.2019	**73 868**	**14 858**	**88 727**
Useful life	5 år	3 år	
Depreciation plan	Linear	Linear	

In NOK thousands	IT software	Office, furniture etc.	Total
Acquisition cost at 01.01.2018	47 697	2 407	50 104
Additions	20 327	9 182	29 509
Disposals	-	-	-
Acquisition cost at 30.06.2018	**68 024**	**11 589**	**79 613**
Accumulated depreciation and amortisation 01.01.2019	-7 202	-652	-7 854
Depreciation and amortisation in the period	-5 153	-487	-5 640
Impairment in the period			-
Accumulated depreciation and amortisation 31.12.2017	-12 355	-1 139	-13 494
Carrying amount 30.06.2018	**55 669**	**10 450**	**66 119**
Useful life	5 år	3 år	
Depreciation plan	Linear	Linear	

In NOK thousands	IT software	Office, furniture etc.	Total
Acquisition cost at 01.01.2018	47 697	2 407	50 104
Additions	37 489	15 262	52 751
Disposals	-	-	-
Acquisition cost at 31.12.2018	**85 186**	**17 669**	**102 855**
Accumulated depreciation and amortisation 01.01.2018	-5 922	-652	-6 574
Depreciation and amortisation in the period	-12 199	-1 082	-13 280
Impairment in the period			-
Accumulated depreciation and amortisation 31.12.2018	-18 121	-1 734	-19 855
Carrying amount 31.12.2018	**67 064**	**15 936**	**83 000**
Useful life	5 år	3 år	
Depreciation plan	Linear	Linear	

The IT software is related to the development of the IT system and platform used in the Bank's operations, including loan process and integration with loan agents in Norway, Finland and Sweden. A credit card platform and the associated app is developed therein. The Bank has been approved for a tax incentive scheme (Skattefunn) related to the development of the IT platform. For the fiscal year of 2018 intangible assets are reduced by NOK 2 954 thousand received from Skattefunn in 2018.

Note 15 Net interest income and fee income

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
Interest income from loans and advances to customers	197 321	153 821	329 884
Interest income from loans and advances to banks	119	66	160
Other interest income	6 766	4 608	10 968
Interest expense deposits by customers	-34 021	-28 768	-64 514
Interest expense subordinated debt	-1 635	-1 667	-3 416
Other interest expenses	-204	-7	-41
Net interest income	**168 345**	**128 054**	**273 041**
Insurance commission	1 226	1 757	3 104
Arrangement fees	6 378	6 615	12 570
Other fees	7 244	4 368	10 296
Fees and commission receivable	**14 848**	**12 740**	**25 970**
Commission fees distribution	3 043	-	-
Fees and commission payable	**3 043**	**-**	**-**

Note 16 leasing agreement

Non-cancellable operating contracts

In NOK thousands	**30.06.2019**	**30.06.2018**	**31.12.2018**
Balance at 01.01.2019	**13 254**	**8 874**	**8 378**
Change due to change in CPI	501	517	687
Additions	-	-	5 269
Depreciation	-1 820	-1 012	-1 080
Total non-cancellable operating contracts	**11 935**	**8 378**	**13 254**

The company only has premises for rent in Bergen.

Lease commitments	**30.06.2019**	**30.06.2018**	**31.12.2018**
One to five years	8 425	6 241	9 609
Within one year	3 697	2 201	3 645
Total commitments	**12 122**	**8 442**	**13 254**
Interest on lease liabilities	-195	-132	-200
Repayments of contract	1 828	1 081	1 345
Total cash outflow for leases	**1 633**	**948**	**1 144**
Change of commitment due to change in CPI	**-501**	**-517**	**-5 956**
Total change in commitment	**1 133**	**431**	**-4 812**

"Agreements exempt from recognition and measurement"

The company rents an apartment in Marbella that is considered exempt from recognition and measurement in accordance with IFRS 16. The amount is specified below.

	30.06.2019	**30.06.2018**	**31.12.2018**
Costs of exempted contracts	126	51	168

The incremental borrowing rate is 3% as of 01.01.2018

Note 17 Share capital

The Bank's 20 largest shareholders as of 30 june 2019	Roles	Number of shares	Ownership share
1 Braganza AB	Chairman of the Board	58 144 167	13.00 %
2 Carnegie Investment Bank AB		29 365 749	6.56 %
3 Jo Capital As	Board member	27 544 935	6.16 %
4 Skandinaviska Enskilda Banken AB		25 974 906	5.81 %
5 Raiffeisen Bank International AG		24 826 567	5.55 %
6 Songa Trading Inc		19 865 063	4.44 %
7 Hjellegjerde Invest AS		19 102 619	4.27 %
8 Thon Holding AS		14 278 281	3.19 %
9 Bara Eiendom AS		11 663 104	2.61 %
10 Netrom AS		11 279 477	2.52 %
11 7fjell Ventures AS		6 700 000	1.50 %
12 Sportsmagasinet AS		6 375 883	1.43 %
13 Sandsolo Holding AS		6 100 000	1.36 %
14 Citibank, N.A.		5 300 000	1.18 %
15 Ekrem AS		4 646 854	1.04 %
16 Mp Pensjon PK		4 412 092	0.99 %
17 Pb Banking AS		4 394 638	0.98 %
18 Swedbank AB		4 392 977	0.98 %
19 Sova Capital Limited		4 366 552	0.98 %
20 Mj Capital AS		4 189 013	0.94 %
Other shareholders		154 470 146	
Total		**447 393 023**	

Shares held by management, Board members and other related parties at 30 June 2019:

Braganza AB	Chairman of the Board	58 144 167
JO Capital AS	Board member	27 544 935
Jan Greve-Isdahl	Board member	2 400 500
Bent Hilding Gjendem		2 290 266
Tom Henning Rimestad		1 788 567
Martin Valland		1 600 519
Tore Amundsen	Board member	1 507 891
Henriette Vartdal		334 898
Hans Kristian Bognø Ljøen		314 894
Kristin Margrethe Krohn Devold	Board member	49 210
Bård Manuel Fladvad		24 391
Other related parties		28 000

Issued warrants:
There is a total of 22 750 000 issued warrants with the following subscription price:

A total of warrants 13 875 000, held by management, board members and share holders from former BRAbank due date is 23 May 2023:

1 March 2021: 2.94 pr share

1 March 2022: 3.09 per share
23 February 2023: 3.24 per share

A total of 8 875 000 warrants, held by management, board and employees, 1.5 per share with an increase of 5% per year. Due date is 23 May 2023.
1st increase: 1 September 2019

Warrants held by Management, Board of Directors and related parties:

Braganza AB	Chairman of the Board	8 340 854
Bent H. Gjendem	CEO	2 875 000
Tom Rimestad	COO	1 800 000
Martin Valland	CTO	1 800 000
Jan Greve-Isdahl	Board member	800 000
Hans Ljøen	CFO	500 000
Henriette Vartdal	CPO	100 000
Tore Amundsen	Board member	100 000
Total		**7 975 000**

Note 18 Events after the balance sheet date

After the quarter, BRAbank successfully completed a private placement with gross proceeds amounting to approximately NOK 37.2 million. Following the transaction on July 9, BRAbank's CET ratio was 18,9 per cent and total capital ratio stood at 21,4 per cent. The capital requirement for the Bank is 17,5 per cent and 21 percent respectively.

Declaration from the Board of Directors of BRAbank ASA and the CEO

Bergen, 20 August 2019

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2019 has been prepared in accordance with the current accounting standard, and gives a true and fair view of the (Company's and) group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Geir Stormorken Chairman of the Board	Jan Greve-Isdahl	Tore Hopen
Mette Henriksen	Guro Røberg	Kristin M. Krohn Devold
Tore Amundsen Employee representative	Bent Gjendem CEO	

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BRAbank ASA, Starvhusgaten 4, 5014 Bergen
55 96 10 00 • brabank.no