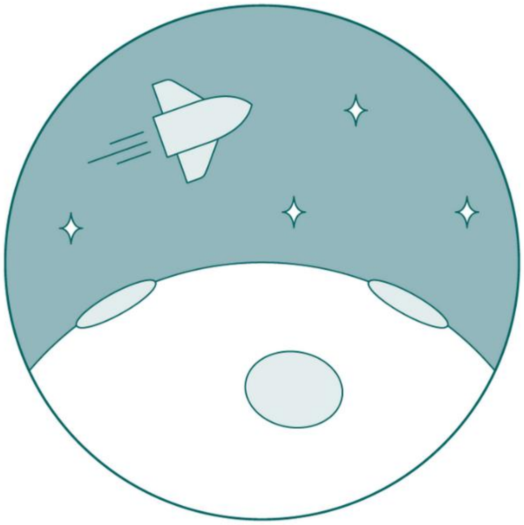
Interim report Q3 2018



About BRAbank ASA

BRAbank is a Norwegian consumer bank with business activities in Norway and Sweden. The bank operates on a banking license issued by The Norwegian Ministry of Finance on May 7, 2018. Late June, BRAbank opened for business in Norway. The bank's activities in Sweden are organised as a cross-border operation with all bank-related activities run from the office in Oslo.

BRAbank's ownership structure, IT solutions and competence amongst key employees are the main elements behind the ambition of becoming a "Travel and Retail Bank". A scalable IT-system, supplemented by user centric digital design, facilitates product and geographical expansion as well as high quality customer experiences.

Initially, BRAbank has established itself on the Norwegian market with a consumer loan, distributed through brokers, and a deposit account. Currently we are launching BRA Mastercard in Sweden, in cooperation with the the airline BRA. A deposit account and a consumer loan are the next products to be launched in Sweden.

The regulatory framework in our current markets, particularly in Norway, is undergoing changes. From the start of business, BRAbank's credit policy has been adapted to the existing guidelines from the Norwegian FSA, which we expect to be implemented in the form of regulations as of 1 January 2019.

BRAbank is a member of the Norwegian Banks' Guarantee Fund, which secures all deposits from Norwegian customers up to 2 MNOK and 100 TEUR from Swedish customers.

At the end of Q3 2018, the bank employees 10 full-time staff-members at the office at Skøyen, Oslo. The limited number of employees is made possible by extensive use of outsourcing partners in the areas of accounting, IT, marketing, credit vetting and customer service.

Braganza AB is the major shareholder in BRAbank ASA, holding 19,38% of the outstanding shares.

Highlights in the quarter

Q3 2018 marked the first full quarter of operation for BRAbank. BRAbank launched its Norwegian consumer loans and deposit products and continued the product development and roll-out in Q3 2018. It has added multiple brokers to strengthen the consumer loan product.

- Main focus in Q3 on securing a successful launch of consumer loans in Norway. Lending volumes was according to plan in the quarter
- Core banking platform in both Norway and Sweden near complete. Total investment higher than projected
- Despite delayed launch of consumer loans Sweden until Q1 2019, BRAbank still aims to deliver on its growth plan
- Marketing campaign of BRA Mastercard initiated in September and product launched in November
- BRAbank share listed at Merkur Market at Oslo Stock Exchange on August 29

Key figures	
(NOK million)	Q3 2018
Net loans	35.5
Net interest income	0.9
Operating costs	(13.1)
Profit (loss) b. tax	(13.1)

Operational statement

In its first quarter of operation the bank has focused on securing operational quality and efficiency related to the launch of consumer loans in Norway. Loan volumes during this period were according to plan, based on cooperation with four agents.

An analysis from Lindorff of customers booked during this period indicates that customers are of a credit quality equal to, or slightly better, than market average.

Development and testing of BRA Mastercard was intensified and a pre-marketing campaign was launched to raise awareness of the upcoming roll-out.

Six agents have been signed for distribution of consumer loans in Sweden. Preparations are ongoing for launch in Q1 2019.

Product launch plan		
	Norway	**Sweden**
Consumer loans	Q3 2018	Q1 2019
BRA Mastercard	-	Q4 2018
Checkout finance	2019	2019

Financial Review

BRAbank commenced banking operations late June, this year. At the same time the bank changed its main accounting principles from NGAAP to Simplified IFRS. The change leads to a more comprehensive quarterly report with respect to disclosure of accounting details – at the same level as an annual report.

Q3 2018 loan sales amounted to NOK 38 million, leaving a net loan book of NOK 35.5 million at end of quarter. Customer deposits amounted to NOK 8.6 million at end of quarter.

Liquid assets at end of quarter consisted of deposits with banks (NOK 30 million) and securities (NOK 180 million). Liquid assets corresponded to 68 % of total assets.

Net interest income amounted to NOK 0.9 million, while net commissions and fees amounted to NOK -0.2 million. Net yield on securities amounted to NOK 0.6 million. Operating costs amounted to NOK 13 million.

Loan impairment losses amounted to NOK 1.3 million. With no historical data to support expected credit losses (ECL) in the portfolio, initial benchmark ratios have been applied for probability of default (PD) and loss given default (LGD). The initial base PD was adjusted according to demographics, time-on-book and other (savings) account status, if any. The actual PD is re-assessed monthly, based on behaviour scoring of the customers. The initial LGD was fixed at 40 % at end of quarter for all loans.

Result after tax is a deficit of NOK 9.8 million. Total assets amounted to NOK 306 million. Total equity amounted to NOK 288 million. Total capital ratio, as well as CET1 ratio, was 179.6 %. The bank targets a CET1 ratio above 18.0 % and a total capital ratio of 21.5 %.

Outlook

BRAbank has, from the launch of the consumer loan in late June, adhered to the new guidelines for unsecured lending which is expected to be introduced as regulations soon. Going forward the bank will continue to follow a cautious distribution approach, and credit policy, which has proven successful thus far. The bank is gradually increasing the number of loan brokers in Norway, thereby strengthening the distribution power.

The launch of BRA Mastercard is being ramped up with increased visibility and several marketing initiatives. Direct marketing to members of loyalty programme “BRA Vänner” in addition to profiling and “call to action” on flygbra.se will be implemented in cooperation with BRA. In addition, extensive use of other digital marketing tools such as social media advertising and Google remarketing have been planned.

Launch of consumer loans in Sweden is next in line after a one-quarter delay and planned for Q1 2019. Based on the experience gained from the Norwegian market we will enter the Swedish market with stronger distribution power through our brokers from an early stage.

Financial Statements

Statement of profit and loss

(Amount in NOK '000)	Note	Q3 2018	Q3 2017	YTD 30.09.18	YTD 31.12.17
Interest income, effective interest method		932	-	937	3
Other interest income		0	-	0	-
Interest expenses, effective interest method		-20	-89	-36	-116
Other interest expense		-	-	-229	-
Net interest income	8	**912**	**-89**	**672**	**-113**
Commissions and fee income		4	-	4	-
Commissions and fees expense		-209	0	-240	-6
Net commissions and fees	8	**-206**	**0**	**-236**	**-6**
Net gains/losses (-) on financial instruments at fair value		590	-	564	-
Salary and other personnel expenses	15	-4 141	-892	-8 877	-3 404
General administrative expenses	9	-1 852	-35	-6 636	-1 670
Total salary and administrative expenses		**-5 993**	**-926**	**-15 513**	**-5 075**
Depreciation of assets	17	-2 849	-	-2 849	-
Other expenses	10	-4 246	-851	-8 286	-4 029
Total operating expenses excl. Impairment losses		**-13 088**	**-1 777**	**-26 648**	**-9 104**
Impairment losses	4	-1 340	-	-1 340	-
Profit before tax		**-13 132**	**-1 867**	**-26 989**	**-9 223**
Tax expenses	16	3 283	-	6 747	-
Profit for the period		**-9 849**	**-1 867**	**-20 242**	**-9 223**
Earnings per share (NOK)		-0,64	-18,67	-1,31	-92,23
Diluted earnings per share (NOK)	14	-0,58	-18,67	-1,18	-92,23

Statement of comprehensive income

Profit for the period		-9 849	-1 867	-20 242	-9 223
Other comprehensive income, net of tax		-	-	-	-
Comprehensive income for the period		**-9 849**	**-1 867**	**-20 242**	**-9 223**

Balance sheet

(NOK '000)	Note	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Assets					
Loans and deposits with credit institutions	3,6	40 705	1 617	5 845	61
Net loans to customers	4	35 495	-	-	-
Securities	3,19	181 705	-	-	-
Deferred tax asset	16	6 747	-	-	-
Intangible assets	17	38 149	-	-	-
Other receivables	7	3 214	24	3 990	-
Total assets		306 015	1 642	9 835	61
Equity and liabilities					
Deposits from customers	3	8 622	0	0	0
Other liabilities	7	8 835	6 150	1 897	400
Total liabilities		17 457	6 150	1 897	400
Share capital	14	100 434	100	199	100
Share premium reserve	14	217 782	0	17 401	0
Other paid-in equity	15	246	0	0	0
Retained earnings		-29 904	-4 608	-9 662	-439
Total equity		288 558	-4 508	7 938	-339
Total equity and liabilities		306 015	1 642	9 835	61

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Skøyen, Oslo, 13 November 2018

Board of Directors, BRAbank ASA

Statement of cash flows

(Amounts in NOK '000)	30.09.2018	30.09.2017	31.12.2017
Cash flow from operating activities			
Pre-tax operating profit	-20 242	-4 169	-9 223
Taxes	-	-	-
Ordinary depreciation	2 849	-	-
Change in loans	-36 829	-	-
Change in deposits from customers	8 601	-	-
Change in securities	-181 705	-	-
Change in accruals	2 569	726	-2 093
Net cash flow from operating activities	**-224 757**	**-3 444**	**-11 316**
Cash flow from investing activities			
Payment for acquisition of intangible assets	-40 998	-	-
Net cash flow used in investing activities	-40 998	-	-
Cash flows from financing activities			
Proceeds from short-term debt	-	5 000	-
Repayment of short-term debt	-	-	-400
Paid-in share capital and share premium	300 616	-	17 500
Net cash flow from financing activities	**300 616**	**5 000**	**17 100**
Net cash flow for the period	34 861	1 556	5 784
Cash and cash equivalents at the start of the period	5 845	61	61
Cash and cash equivalents at the end of the period	**40 706**	**1 617**	**5 845**

Statement of changes in equity

(Amounts in NOK '000)	Share capital	Share premium	Other paid-in equity	Other equity	Total equity
Equity as at 31.12.2016	**100**	-	-	**-439**	**-339**
Transition to simplified IFRS	-	-	-	-	-
Equity as at 1.1.2017	**100**	-	-	**-439**	**-339**
Share capital increase	99	17 401	-	-	17 500
Profit after tax	-	-	-	-9 223	-9 223
Equity as at 31.12.2017	**199**	**17 401**	-	**-9 662**	**7 938**
Share capital increase	66	12 434	-	-	12 500
Profit after tax	-	-	-	-12 818	-12 818
Equity as at 31.03.2018	**264**	**29 836**	-	**-22 480**	**7 620**
Share capital increase	100 170	187 946	-	-	288 116
Profit after tax	-	-	-	2 426	2 426
Equity as at 30.06.2018	**100 434**	**217 782**	-	**-20 055**	**298 161**
Changes in equity due to stock options program	-	-	246	-	246
Profit after tax	-	-	-	-9 849	-9 849
Equity as at 30.09.2018	**100 434**	**217 782**	**246**	**-29 904**	**288 558**

Notes

BRAbank commenced banking operations in late June this year. At the same time the bank adopted Simplified IFRS for all financial reporting, whereas GRS and NGAAP were applied prior to 1 July. This quarterly report being the first financial report of the bank, there are no transition items in the report, except for note 1, stating that equity at 1 January 2018 remains unchanged, compared to the 2017 annual report. Nevertheless, the change of financial reporting language requires additional comparison figures at 1 January 2017 to be included in the profit and loss statement, the balance sheet and explanatory notes. Another requirement when changing the accounting language between annual statements is that the interim report must contain explanatory accounting notes at the same level as an annual report. Hence, a full set of explanatory notes have been included as an appendix at the end of the report. All figures are prepared and presented in accordance with Simplified IFRS.

Note 1 - Equity transition statement, from NGAAP to IFRS

(Amounts in NOK '000)	**Share capital**	**Share premium**	**Uncovered loss**	**Total equity**
Equity NGAAP at 31.12.2016	100	0	-439	-339
IFRS adjustment	0	0	0	0
Equity IFRS at 01.01.2017	**100**	**0**	**-439**	**-339**
Equity NGAAP at 31.12.2017	199	17 401	-9 662	7 938
IFRS adjustment	0	0	0	0
Equity IFRS at 31.12.2017	**199**	**17 401**	**-9 662**	**7 938**

Note 2 - General accounting principles

1. Corporate information

At the end of Q3 2018, BRAbank ("the Bank") offers consumer loans and deposit accounts for individuals in Norway. The Bank will start up with credit cards in cooperation with Braathens Aviation AB during the fourth quarter of 2018 and, consumer loans and deposit accounts for private individuals in Sweden during the first quarter of 2019. The bank's head office is located in Drammensveien 151, 0277 Oslo, Norway. The shares are listed on Merkur Market/Oslo Stock Exchange.

2. Basis of preparation

The financial statements have been prepared in according with the Norwegian Ministry of Finance's regulation on annual accounts, Section 1-6 "Simplified International Financial Reporting" (simplified IFRS). These are the first financial statements prepared in

accordance with simplified IFRS. The accounts until 31 December 2017 were prepared in accordance with the Norwegian Accounting Act (NGAAP). Comparative figures have been prepared as if the Bank had implemented simplified IFRS from 1.1.2017.
There is no effect in the financial statement as a result of the transition from NGAAP to Simplified IFRS. The Bank has not applied any of the simplifications or exceptions under the regulation.

The financial statements have been prepared under the historical cost convention, except for certain financial assets measured at fair value.

3. Foreign currency

The presentation currency of the Bank is Norwegian kroner (NOK) which is also the functional currency. The Bank has a foreign branch whose functional currency is different from NOK.
Transactions in foreign currency are translated into their respective functional currency at the exchange rate at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are recognised in profit or loss.

The assets and liabilities of foreign operations are translated into NOK at the exchange rate at the reporting date. The income and expenses of foreign operations are translated into NOK at the average exchange rate for the year. When applying this criterion, the Bank considers whether there have been significant changes in the exchange rates in the reporting period, in view of their materiality to the financial statements taken as a whole, would make it necessary to use the exchange rate at the transaction dates instead.

4. Financial assets and liabilities

4.1. Initial recognition and measurement

Financial assets and liabilities are recognised in the balance sheet when the Bank becomes a party to the contractual provisions of the instrument. At initial recognition, the Bank measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss. Immediately after initial recognition, an expected credit loss allowance (ECL) is recognised for financial assets measured at amortised cost.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- if fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);

- in all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

4.2. Derecognition of financial assets and liabilities

The Bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred.

The Bank derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

4.3. Classification and subsequent measurement

Financial assets

The Bank classifies its financial assets in the following measurements categories:

- Amortised cost;
- Fair value through profit or loss (FVPL);

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding ("SPPI").

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

All other financial assets are measured at FVPL.

Business model assessment

The Bank assess the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realized.

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realized in a way that is different from the Bank's original expectations, the Bank does not change the classification of the remaining financial assets held in that business model. It rather incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether contractual cash flows are solely payments of principal and interest ("SPPI")

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition adjusted for accrued effective interest and principle repayments. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. nonrecourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Financial assets measured at amortised cost consist of loans due from credit institutions and loans due from customers.

Financial assets measured at FVPL consist of investments in shares and funds.

Financial liabilities

Financial liabilities are classified and subsequently measured at amortised cost. Financial liabilities comprise of deposits from customers and deposits from credit institutions.

4.4. Measurement methods and presentation

Financial assets and liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal payments, plus or minus the cumulative amortization using the effective interest method of any differences between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When the Bank revises the estimates of future cash flows, the carrying amount of the respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the financial asset is not credit-impaired) or to the amortised cost of the financial liability. When and financial asset become credit impaired the interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset.

Interest income and expense calculated using the effective interest method is presented within 'Interest income- effective interest method' and 'interest expense- effective interest income' in the statement of comprehensive income.

Interest income – effective interest method' consist of interest income on deposits with credit institutions and interest on loans to customers. 'Interest expense – effective interest method' consist of interest expense on deposits from credit institutions and interest expense from deposits from credit institutions.

Financial assets measured at FVPL

Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Bank establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, expected discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs. See note 19 for a description of fair value measurement.

Gains and losses on financial instruments at fair value comprise fair value gains and losses from shares and funds and presented within '"Net gains/losses on financial instruments at fair value".

4.5 Impairment on loans to customers

The Bank assess the expected credit losses ('ECL') on a forward-looking basis, associated with its debt instrument assets carried at amortised cost and with the exposure arising from loan commitments. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and

- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Expected credit loss measurement

The Bank applies a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition as summarized below:

Change in credit quality since initial recognition

Stage 1	**Stage 2**	**Stage 3**
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

- A financial instrument that is not credit-impaired on initial recognition is classified in ‘stage 1’ and has its credit risk continuously monitored by the Bank
- If a significant increase in credit risk (‘SICR’) since initial recognition is identified, the financial instrument is moved to ‘Stage 2’ but is not yet deemed to be credit-impaired. Please see below for a description of how the Bank determines when a significant increase in credit risk has occurred.
- If credit risk deteriorates further and the financial instrument is assessed to be credit-impaired, the financial instrument is moved to ‘Stage 3’. Please see below for a description of how the Bank defines credit-impaired and default.
- Financial instruments in Stage 1 have their ECL measured based on default events possible within the next 12 months. Instruments in Stage 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.

Measuring ECL – explanation of inputs, assumptions and estimation techniques

When assessing SICR the Bank uses both quantitative and qualitative factors. The triggers measure a degradation of credit quality by comparing the PD at origination against the PD calculated at the time of reporting, as well as observation of a forbearance flag, 30 days past due, cross product default or a history of delinquency over the past three months. The bank is utilizing explicit models for expected life-time on all unsecured loans, measured against the contractual life-time and current down payment schedule. The model is developed and managed by bank data central SDC A/S, Denmark and utilized by IFRS bank clients of SDC. The Bank is an IFRS bank client of SDC, and all customer data of the Bank are available for running the models.

IFRS9 requires that write-downs on loans should be calculated using different assumptions about future development of credit losses, under a base, upper and lower scenario. After three months of operations, the bank does not possess a sufficient amount of relevant historical data to support such analysis. Scenario analysis for calculation of write-downs will be introduced and disclosed in future reporting – indicatively, first time in Q3 of 2019.

Probability of default (PD) is an experience-based probability that a commitment is in breach for more than 90 days in the next twelve months. After 30 days on book, each loan is given an initial PD, based on statistical features of the customer – age, gender, geography, time-on-book, loan size and status of any other accounts the customer has with the Bank. The actual PD is re-assessed monthly, based on customer behaviour –, late payments/ reminders, advance payments. With no historical data to support expected PD of any given loan, initial benchmark ratios have been applied. Each loan is also given an expected loss given default – LGD. The initial LGD has been fixed at 40 % at end of quarter for all loans.

At first recognition, the loan is defined to be in stage 1. If a significant increase in credit risk should occur the loan will migrate to stage 2. A significant increase in credit risk is assessed by using several criteria, including late payment beyond 30 days after maturity. The most important factor for the assessment is a comparison between the original probability of default and the probability of default at the reporting date. Each product has its own threshold values when one considers an increase to be significant. Products with absolute low application PDs therefore lead to high trigger requirements, as they are relative and come from a low level. The Bank will disclose such triggers in future reporting – indicatively, first time in the Q3 2019 reporting. Exposures move back from stage 2 to stage 1 once they no longer meet the criteria for a significant increase in credit risk. This is subject to all payments being up to date and the customer evidencing ability and willingness to maintain future payments.

4.6 Modification of loans

The Bank sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, the Bank assesses whether or not the new terms are substantially different to the original terms. The Bank does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, that substantially affects the risk profile of the loan.
- Significant extension of the lean term when the borrower is not in financial difficulty.
- Significant change in interest rate.

If the terms are substantially different, the Bank derecognises the original financial asset and recognises a 'new' asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including the purpose of determining whether a significant increase in credit risk has occurred. However, the Bank also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by debtor being unable to make the originally agreed payments.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, and the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate.

4.7 Write-off policy

The Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) insolvency of the borrower and (ii) realization of the collateral where the Bank's recovery method is foreclosing on collateral is such that there is no reasonable expectation of recovery in full. The Bank may write-off financial assets that are still subject to enforcement activity. The outstanding contractual amounts of such assets written off during the period ended 30 September 2018 was TNOK 0. The Bank still seeks to recover amounts it is legally owed in full, but which have been partly written off due to no reasonable expectation of full recovery.

5. Offsetting financial instruments

Financial assets and financial liabilities are offset, and the net amount presented in the statement of financial position when, and only when, the Bank has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

6. Fees and commissions

Fees and commission income and expense that are an integral to the effective interest rate on a financial asset or financial liability are included in the effective interest rate.

Other fee and commissions income is recognised as the related services are performed. If a loan commitment is not expected to result in the draw-down of a loan, then the related loan commitment fee is recognised on a straight-line basis over the commitment period.

Other fee and commission expenses relate mainly to transaction and services fees, which are expensed as the service are received.

7. Taxes

The tax charge in the income statement includes both payable taxes for the period and changes in deferred tax. Deferred tax is calculated at relevant tax rates on the basis of the temporary differences which exist between accounting and tax values, and any carry forward losses for tax purposes at the year-end. Tax enhancing or tax reducing temporary differences, which are reversed or may be reversed in the same period, have been eliminated. The disclosure of deferred tax benefits on net tax reducing differences which have not been eliminated, and carry forward losses, is based on estimated future earnings. Deferred tax and tax benefits which may be shown in the balance sheet are presented net. Deferred tax is reflected at nominal value.

8. Intangible assets

Intangible assets consist of acquired and internally developed IT systems/software and rights. Acquired intangible assets are recognised at cost with the addition of expenses incurred to make the asset ready for use. Costs for internally developed software which are controlled by the Bank are recognised as intangible asset when the following criteria are met:

- Management intends to complete the software and use it
- There is an ability to use the software as it can be demonstrated how the software is contributing to probable future economic benefits and the expenditure attributable to the software during its development can be reliable measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use. The Bank amortises intangible assets with a limited useful life over three years, using the straight-line method.

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset’s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs of disposal and value in use. The assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

9. Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents include cash on hand and deposits with credit institutions with no agreed period of notice. This means that all cash and cash equivalents are immediately available. The statement of cash flows is prepared in accordance with the indirect method.

10. Pension benefit schemes

The Bank is subject to a compulsory occupational pension act and has a scheme that satisfies the legal requirements. The Bank has a defined contribution scheme that applies to all employees. Under the defined contribution plan the Bank pays contributions to an insurance company. After the contribution has been made the Bank has no further commitment to pay. The contribution is recognised as payroll expenses. Prepaid contributions are reflected as an asset (pension fund) to the degree the contribution can be refunded or will reduce future payments.

11.Share based payments

The Bank has a Employee Option Plan for the Bank's management team. The fair value of options granted under the Banks Employee Option Plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the Bank revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

12.Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

13.Critical accounting estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the Bank's accounting policies and the reported amounts of assets, liabilities, income and expense. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of expected credit loss allowance for financial asses measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses).

Note 3 - Financial instruments

Financial instruments at fair value

According to IFRS7 financial instruments at fair value should be measured at different levels:
Level 1
Financial instruments in level 1 are determined based on quoted prices in active markets for identical financial instruments available on the balance sheet date.

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

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

Securities	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Securities - Level 1	180 567	-	-	-
Total securities at fair value through profit and loss	**180 567**	**-**	**-**	**-**

Long-term equity shares	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Shares in SDC A/S, Denmark - Level 3	1 138	-	-	-
Total shares at fair value through profit and loss	**1 138**	**-**	**-**	**-**

Financial instruments at amortised cost

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

Financial assets at amortised cost	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Loans and deposits with credit institutions	40 705	1 617	5 845	61
Net loans to customers	35 495	-	-	-
Total financial assets at amortised cost	**76 200**	**1 617**	**5 845**	**61**
Deposits from customers	8 622	-	-	-
Total financial liabilities at amortised cost	**8 622**	**-**	**-**	**-**

Deposits from customers

Deposits from household customers are regular savings accounts, with variable interest and unrestricted access to withdrawal. Deposits up to NOK 2 million are guaranteed by "Norwegian Banks' Guarantee Fund". Besides equity, deposits from household customers is currently the most important funding source of the bank. The fee for participating in the deposit guarantee scheme was paid in Q3 2018 with an amount of NOK 229.000. The amount is accounted as interest costs.

	30.09.2018	30.09.2017	31.12.2017	01.01.2017
Deposit interest Q3 2018	1,75 %			
Number of deposit accounts EOP	26			
Total deposit amount in NOK	8 621 896			
Average deposit amount in NOK	331 611			

Note 4 - Loans to customers

Loans to customers at EOP consists solely of unsecured consumer lending to household customers.
Loan amount NOK 20.000 - NOK 500.000.
Maximum tenure is five years.
Pricing is risk based, with a minimum interest of 7.95 % and a maximum of 19.95 %.

Loans to customers	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Gross loans, unsecured consumer lending	36 829	-	-	-
Gross loans, credit cards	-	-	-	-
Gross lending	36 829	-	-	-
Impairment of loans	(1 334)	-	-	-
Net loans to customers	**35 495**	**-**	**-**	**-**

Gross loans and ECL per stage	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross carrying amount at 30.06.18	-	-	-	**-**
Originated	35 911	58	860	**36 829**
Gross carrying amount at 30.09.18	35 911	58	860	**36 829**
ECL as at 30.06.18	-	-	-	**-**
Originated	473	1	860	**1 334**
ECL as at 30.09.18	473	1	860	**1 334**
Net carrying amount	**35 438**	**57**	**-**	**35 495**
Provision coverage ratio	**1,3 %**	**1,6 %**	**100,0 %**	**3,6 %**

Loan ageing and provision coverage	18Q3	ECL	Provision coverage	Accounts
Not Due	30 813	394	1,3 %	287
Past due 0-30	5 098	79	1,5 %	47
Past due 31-60	48	1	1,7 %	1
Past due 61-90	10	0	1,4 %	2
Past due 90 +	-	-	0,0 %	-
Defaulted loans	860	860	100,0 %	2
Total loans	**36 829**	**1 334**	**3,6 %**	**339**

Geographical distribution of loans

Region/county	Loans, gross	ECL	Loans, net
Akershus	3 122	-67	3 055
Aust-Agder	377	-6	371
Buskerud	1 823	-34	1 789
Finnmark	440	-6	435
Hedmark	1 436	-24	1 412
Hordaland	1 900	-43	1 857
Møre og Romsdal	651	-8	643
Nordland	1 203	-23	1 179
Oppland	967	-16	951
Oslo	4 724	-95	4 629
Rogaland	2 104	-36	2 069
Sogn og fjordane	593	-8	585
Telemark	1 054	-18	1 036
Troms	379	-5	374
Vest-Agder	425	-9	417
Vestfold	1 503	-21	1 483
Østfold	2 991	-902	2 089
Other *)	11 136	-14	10 085
Total loans	**36 829**	**-1 334**	**35 495**

*) Demographic coding and risk class for new loans are added to database after end of month.

Note 5 – Capital adequacy

(Amounts in NOK '000)	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Share capital	100 434	-	-	-
Share premium	217 782	-	-	-
Other paid-in equity	246	-	-	-
Retained earnings	-29 904	-	-	-
Deferred tax asset	-6 747	-	-	-
Intangible assets	-38 149	-	-	-
Common equity Tier 1 capital	**243 662**	-	-	-
Additional Tier 1 capital	0	-	-	-
Tier 1 capital	**243 662**	-	-	-
Subordinated loans	0	-	-	-
Tier 2 capital	**243 662**	-	-	-

Capital requirements

(Amounts in NOK '000)	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Institutions	7 961	-	-	-
Equity	1 108	-	-	-
Collective investments undertakings (CIU)	79 324	-	-	-
Other items	46 358	-	-	-
Operational risk	926	-	-	-
Total risk-weighted assets	**135 677**	-	-	-
Core equity tier 1 capital ratio	179,6 %	-	-	-
Tier 1 capital ratio	179,6 %	-	-	-
Capital ratio	179,6 %	-	-	-

LCR (Liquidity Coverage Ratio) is 3567 %. The Net Stable Funding Ratio (NSFR) is 123 %.

Note 6 – Loans and deposits with credit institutions

(Amounts in NOK '000)	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Deposits with credit institutions	40 705	1 617	5 845	61
of which restricted funds constitute;				
Restricted tax withholding funds	276	171	256	-
Other restricted funds	10 620	-	-	-

Note 7 – Other receivables and other liabilities

(Amounts in NOK '000)	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Prepaid expenses	3 207	24	3 895	0
Other short-term receivables	7	0	95	0
Total other receivables	**3 214**	**24**	**3 990**	**0**

(Amounts in NOK '000)	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Debt to shareholders	0	5 400	0	400
Payables to suppliers	3 071	0	939	0
Holiday pay	655	171	332	0
Public taxes	1 769	289	419	0
Other accrued expenses	3 340	291	206	0
Total other liabilities	**8 834**	**6 151**	**1 897**	**400**

Note 8 – Interest and fees

(Amounts in NOK '000)	**Q3 2018**	**Q3 2017**	**YTD 30.09.18**	**YTD 31.12.17**
Interest income from loans to and deposits with credit institutions	0	-	0	3
Interest income from loans to customers	450	-	451	-
Loan arrangement fees and term fees	482	-	486	-
Interest income, effective interest method	**932**	**-**	**937**	**3**
Interest expense from deposits from customers	20	-	21	-
Short-term liquidity loans		89	15	116
Interest expense, effective interest method	**20**	**89**	**36**	**116**
Fee to Norwegian Banks' Guarantee Fund	-	-	229	-
Other interest expenses	**-**	**-**	**229**	**-**
Interest expenses	**20**	**89**	**265**	**116**
Net interest income	**912**	**-89**	**672**	**-113**
Fees	4	-	4	-
Total commission and fees	**4**	**-**	**4**	**-**
Loan broker commissions	162	-	162	-
Other expenses commissions and fees	47	0	78	6
Total expenses commissions and fees	**209**	**0**	**240**	**6**
Net commissions and fees	**-206**	**0**	**-236**	**-6**

Note 9 – General administrative expenses

(Amounts in NOK '000)	Q3 2018	Q3 2017	YTD 30.09.18	YTD 31.12.17
Sales and marketing	1 716	2	2 425	10
IT operations	-1 438	30	446	1 574
Rental of premises	242	0	609	79
Insurance	3	0	51	0
Office expenses	90	2	181	7
Other administrative expenses	1 239	0	2 925	0
Total general administrative expenses	**1 852**	**35**	**6 636**	**1 670**

Note 10 – Other expenses

(Amounts in NOK '000)	Q3 2018	Q3 2017	YTD 30.09.18	YTD 31.12.17
External services fees	3 771	779	7 347	3 681
Currency gain/loss (-) on currency transactions	98	-	48	-
Other operating expenses	189	51	456	284
Auditor	188	22	435	64
Total other operating expenses	**4 245**	**851**	**8 286**	**4 029**

Note 11 – Related parties

The bank has only one related party at the end of Q3 2018; Braathens Aviation AB ("BRA"). This airline company is fully owned by Braganza AB, which hold 19.38 % of the shares of BRAbank ASA. The nature of the relation with BRA is a cooperation agreement to issue co-branded loyalty/credit cards to the customers of the airline - planned to commence in Q4 of this year. No financial transaction has yet been made between the parties. Future transactions will be part of daily operations and at arms-length prices.

Note 12 – Contingent liabilities and subsequent events

There were no contingent liabilities at end of Q3.

Subsequent events

To attract more funding deposits, the bank increased the deposit interest rate of savings accounts from 1,75 % to 1,90 %, effective from October 8th. As a result, the deposit volume was almost tripled by the end of October.

Note 13 – Currency risk

30.09.2018			
(Amount in NOK '000)	**DKK**	**SEK**	**GBP**
Financial assets in foreign currency	1 138	-	-
Loans and deposits with credit institutions	-	951	-
Other debt in foreign currency		655	
Net	**1 138**	**1 607**	**-**

30.09.2017			
(Amount in NOK '000)	**DKK**	**SEK**	**GBP**
Financial assets in foreign currency	-	-	-
Loans and deposits with credit institutions	-	-	-
Other debt in foreign currency	-	-	-
Net	**-**	**-**	**-**

31.12.2017			
(Amount in NOK '000)	**DKK**	**SEK**	**GBP**
Financial assets in foreign currency	-	-	-
Loans and deposits with credit institutions	-	-	-
Other debt in foreign currency	-	-	75
Net	**-**	**-**	**75**

01.01.2017			
(Amount in NOK '000)	**DKK**	**SEK**	**GBP**
Financial assets in foreign currency	-	-	-
Loans and deposits with credit institutions	-	-	-
Other debt in foreign currency	-	-	-
Net	**-**	**-**	**-**

Note 14 – Capital and shareholders

Face value of the company shares is NOK 6,50. All shares have the same share class and voting rights. On 23-Feb-2018, 1,500,000 independent subscription rights [warrants] were issued to the existing shareholders of the company. The rights are freely tradable. Subscription can be exercised 1-Mar-2021, 1-Mar-2022 and 23-Feb-2023. The BoD can decide to accept exercise of subscription rights at other dates, but no later than 23-Feb-2023. Subscription price is set at NOK 23,50 + 5% step-up per year proceeding 23-Feb-2018.

In addition, please refer to Note 15 concerning the stock option incentive programme of the bank.

Changes in capital

Date	Type of change	Share capital increase (NOK)	Share capital (NOK)	Subscription price (NOK/share)	Face value (NOK/share)	Issued shares	Total shares
02.09.2016	Share issue	100 000	100 000	1,00	1,00	100 000	100 000
12.10.2018	Share issue	65 789	165 789	190,00	1,00	65 789	165 789
18.10.2017	Share issue	32 895	198 684	152,00	1,00	32 895	198 684
16.11.2017	Stock split	-	198 684	-	0,10	-	1 986 840
02.02.2018	Share issue	65 789	264 473	19,00	0,10	657 890	2 644 730
30.05.2018	Share issue	1 260 298	1 524 771	23,50	0,10	12 602 980	15 247 710
30.05.2018	Share issue	20 372	1 545 143	18,80	0,10	203 722	15 451 432
06.06.2018	Scrip issue	98 889 165	100 434 308	-	6,50	-	15 451 432

Top 20 shareholders

Investor	Country	Number of shares	Ownership	Warrants
Braganza AB	Sweden	2 994 533	19,38 %	901 714
Thon Holding AS	Norway	1 543 598	9,99 %	
Westindia AB	Sweden	1 543 598	9,99 %	
Netrom AS	Norway	1 219 403	7,89 %	
Goosacker Invest AB	Sweden	550 000	3,56 %	
Allba Holding	Sweden	500 000	3,24 %	
MP Pensjon AS	Norway	476 983	3,09 %	
PB Banking AS	Norway	475 096	3,07 %	257 390
Must Invest AS	Norway	425 531	2,75 %	
Wenaas Capital	Norway	425 531	2,75 %	
Varner Invest AS	Norway	425 531	2,75 %	
JCE Group	Sweden	425 531	2,75 %	
Hjellegjerde Invest AS	Norway	250 000	1,62 %	
OG Invest AS	Norway	215 000	1,39 %	
JJ Advokat AB	Sweden	212 765	1,38 %	
Provobis Invest AB	Sweden	212 500	1,38 %	
EMT Invest	Norway	193 670	1,25 %	
Halfdan Holme AS	Norway	189 125	1,22 %	
Mellem Nes Invest AS	Norway	170 212	1,10 %	
Steian Invest AS	Norway	162 293	1,05 %	67 912
Sum TOP 20		**12 610 900**	**81,62 %**	**1 227 016**
Other shareholders		2 840 532	18,38 %	272 984
Total		**15 451 432**	**100,00 %**	**1 500 000**
Of which:				
Held by management team and BoD of BRAbank:		**322 134**	**2,08 %**	**4,51 %**

Shares & options held by management or members of the BoD

Role	Name	# shares	# options
CEO	Morten Grusd	144 210	32 604
CRO	Kjersti Præsttun Ruben	10 000	21 170
CCrO	Jamal Hussain	5 320	18 085
COO	Karl-Richard Floer	20 000	27 170
CCO	Marius Hansen Brislöv	2 484	23 404
CFO	Sven Arnesen	55 000	27 567
BoD chair	Geir Stormorken	53 200	
BoD mbr	Kristin Krohn Devold	5 320	
BoD mbr	Tom Høiberg	26 600	
	Sum	**322 134**	**150 000**

Note 15 - Salary, remuneration, benefits and auditor fees

Staff costs (NOK '000)	Q3 2018	Q3 2017	YTD 30.09.18	YTD 30.9.17	FY 2017
Salaries	3 036	744	6 891	1 595	2 904
Management stock options	246	-	246	-	-
Other benefits	55	-	170	-	-
Employment tax	651	147	1 335	236	432
Defined contribution pensions	126	-	178	-	40
Other staff costs	22	-	45	1	13
Total salaries and other staff costs	**4 137**	**891**	**8 865**	**1 832**	**3 389**
Employees EOP			9	4	4
External employees EOP			1	-	-
Total employed			**10**	**4**	**4**
FTE EOP			10	4	4
Average FTE	9	3	8	4	2

Salary and benefits 30.9.18 YTD	Fixed salary	Value of stock options	Variable salary	Other remune-rations	Pension contri-bution	Total
Management team						
Chief Executive Officer	948	53	480		36	1 517
Chief Risk Officer	550	35			29	614
Chief Credit Risk Officer	430	30			23	483
Chief Operations Officer	726	45			36	807
Chief Commercial Officer *)	644	38		150		832
Chief Financial Officer	649	45			35	729
Sum	**3 948**	**246**	**480**	**150**	**159**	**4 983**

*) CCO lives in Sweden and is a Swedish tax payer. His salary is paid in SEK. Recalc rate NOK/SEK = 96

No remuneration or benefits have been allowed to members of the board of directors or any other trustee of the company. The variable salary of the CEO was a one-off bonus, directly tied to completion of the project of building a new bank. The bonus was paid out in July-18.

Defined contribution pension scheme

Until 31-May 2018 the company offered an Obligatory occupational pension scheme "OTP" to Norwegian employees. As of 1-June 2018 the scheme was upgraded to a defined contribution pension scheme including disability coverage. The following contribution levels apply:

Until 31-May 2018: 2 % of salaries between 1 G and 12 G (1 G equals NOK 96.883)
As of 1-June-2018: 6 % of salary between 0 G and 7.1 G
10 % of salary between 7.1 G and 12 G

The defined contribution pension applied to 8 employees in Norway at 30-Sep 2018

The company employs one FTE in Sweden. The defined pension contribution to this employee is 7,6 % of fixed annual salary. This pension agreement is effective from 1-Oct-2018.

Pension cost (NOK '000)	Q3 2018	Q3 2017	YTD 30.09.18	YTD 30.9.17	FY 2017
2 % OTP	-	-	47	-	40
Defined contribution pension	126	-	131	-	-
Total pension cost	**126**	**-**	**178**	**-**	**40**

Loans and guarantees to key personnel

No loans or guarantees have been granted to management, employees, representatives, related parties or their employees.

Management stock options scheme

In May 2018 the company established a three-year stock option programme for the management team. The purpose of the programme was to motivate and, hopefully, reward the management team for taking the risk to join a start-up business venture. The strike price of the options are based on the planned share issue price (NOK 23,50) as stated in the IPO and the Black and Scholes's option pricing model. The first possible exercise date in March-2019. Key parameters for pricing the options:

Stock price:	NOK 23,50
Annual step-up rate:	5 %
Exercising price:	NOK 24,70 in 2019, NOK 25,90 in 2020 and NOK 27,20 in 2021
Expected volatility:	40
Variance:	16 %
Risk-free interest rate:	1 %
Value of the option:	NOK 5,17
Number of options:	150.000, of which 1/3 of the options can be exercised each of the three years

The value of granted stock options is accounted as other paid-in equity. The company's variable salaries related to stock options releases the options in accordance with Chapter 15 of the Act on financial institutions and financial groups, with regulations and other applicable regulations for bank remuneration.

Auditor fees

(Amounts in NOK '000)	**Q3 2018**	**Q3 2017**	**YTD 30.09.18**	**YTD 31.12.17**
Audit	0	16	177	19
Other services	188	6	359	45
Total	**188**	**22**	**535**	**64**

* Associated law firm has provided advice in connection with management stock option programme

Note 17 – Intangible assets

(Amounts in NOK '000)	**30.09.2018**	**30.09.2017**	**31.12.2017**	**01.01.2017**
Cost price at 1-Jan	-	-	-	-
Additions	40 998	-	-	-
Disposals	-	-	-	-
Cost price at 30-Sep	**40 998**	**-**	**-**	**-**
Cumulative depreciations at 01-Jan	-	-	-	-
Write downs	-	-	-	-
Cumulative depreciation	-2 849	-	-	-
Cumulative depreciation at 30-Sep	**-2 849**	**-**	**-**	**-**
Book value 30.09.2018	**38 149**	**-**	**-**	**-**
Economic life	3 years			

Other intangible assets are depreciated on a straight-line basis over their lifetime. Intangible assets consist of IT systems and rights acquired and developed in-house. No impairments have been recognised for other intangible assets either in the previous or current period.

Note 18 – Risk management

The Board of Directors is responsible for the overall risk governance including overseeing a robust and effective system of risk management that ensures that the level of capital and liquidity held is adequate and in line with the bank's risk profile. The bank's risk appetite and control measures are underpinned by a policy framework covering all central risk areas and has been approved by the Board of Directors. The policy framework will be reviewed by the Board of Directors at least annually.

Credit Risk

Credit risk represents the most important risk to the bank and is central to the day to day activities. Credit risk is defined as the risk of loss due to a customer defaulting on their debt by failing to make the contractually obligated payments. The bank manages credit risk in line with the approved Credit Risk policy and guidelines of responsible lending. All loan applications are processed through an automated decision system comprising policy rules, checks of creditworthiness and affordability of the consumer. The credit risk profile of the bank's portfolio is subject to constant monitoring and is overseen by the bank's credit committee.

Liquidity Risk

Liquidity risk is defined as the risk that the bank is not able to meet its obligations as they fall due. The bank has employed a liquidity risk policy including both regulatory and internal liquidity limits to ensure financial obligations can be met at all times, even under stress conditions. To ensure a high level of liquidity, the bank maintains a stock of high quality liquid assets. A liquidity contingency plan has been established and liquidity is monitored daily with at least monthly reports to the Board of Directors. The bank's current liquidity is well within regulatory and internal limits.

Market Risk

Market risk includes interest rate risk, foreign exchange rate risk, credit spread risk and equity risk, and is defined as a change or loss in value of earnings or capital due to movements in market rates or prices. A market risk policy has been established and clearly defines limits of investments as well as requirements of regular monitoring and reporting.

The Bank does not have a trading book but is exposed to fluctuations in interest rates on its lending book as well as market risk in the assets held for liquidity purposes. Interest rate risk is very limited as the bank does not offer any fixed rate loans or deposits and the liquidity assets all have short durations. The bank's exposure to currency risk is limited to fluctuations in costs related to the core banking system (DKK).

Operational Risk

Operational risk, defined as losses from inadequate or failed internal processes, systems and people or from external events, is governed by the bank's operational risk policy. All processes are subject to continuous monitoring and control with risk reducing measures implemented as necessary.

Note 19 – Securities

Securities measured at fair value	30.09.2018	30.09.2017	31.12.2017	01.01.2017
Bond funds measured at fair value	180 567	-	-	-
Long-term equity shares at fair value	1 138	-	-	-
Total securities measured at fair value	**181 705**	**-**	**-**	**-**

Interest bearing certificates and bonds

The portfolio consists solely of shares in Bond Funds, managed by Norwegian Asset Managers. The portfolio is held for liquidity management purposes, and to satisfy CRD IV requirements regarding liquid assets and minimum Liquidity Coverage Ratio requirement.

Bond fund	ISIN	Issued bonds in fund	Currency	CRD IV Risk weight
DNB Global Treasury	NO0010756281	Government guaranteed bonds	NOK *)	0 %
DNB Likviditet 20 (IV)	NO0010337652	Credit institutions	NOK	20 %
Alfred Berg OMF Kort Inst.	NO0010655152	Preferential, asset-backed securities	NOK	10 %
Alfred Berg Nordisk Pengemarked Inst.	NO0010821226	Nordic governm, and private, min. rating BBB-/Baa3	NOK *)	100 %

*) Securities in other currencies than NOK are hedged to NOK, so that shares stand without currency risk for the shareholder

Securities measured at fair value	# shares	Cost price	Book value	Market value	Unrealised profit/loss	Accrued yield	Average interest
DNB Global Treasury	10 384	9 611	10 029	10 029	(150)	566	0,28 %
DNB Likviditet 20 (IV)	7 964	79 635	80 237	80 237	(40)	646	0,28 %
Alfred Berg OMF Kort Inst.	29 210	29 633	30 061	30 061	49)	479	0,21 %
Alfred Berg Nordisk Pengemarked Inst.	600 842	60 073	60 241	60 241	(113)	286	0,25 %
Total securities at fair value		**178 952**	**180 567**	**180 567**	**(353)**	**1 978**	**0,26 %**

Total composure and performance details of these actively managed bond funds can be found on the home page of the asset managers, DNB Asset Management AS and Alfred Berg Kapitalforvaltning AS.
Fund units are valued at the official NAV prices.

Equity instruments

Long-term equity shares at fair value	# shares	Cost price	Book value	Market value
Shares in SDC A/S, Denmark	2 334	1 141	1 138	1 138
Total shares		**1 141**	**1 138**	**1 138**
Total equity instruments at fair value		**1 141**	**1 138**	**1 138**

The price of the shares in SDC A/S, Denmark are re-valued annually, to reflect the asset value of SDC in the annual accounts. The shares are denoted in DKK, hence exposed to daily currency fluctuations.

Note 20 – Liquidity risk

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

The Liquidity Coverage Ratio (LCR) is defined as the bank's liquid assets relative to net liquidity output 30 days forward in time in any given stress situation. At 30.09.2018 the liquidity reserve (LCR) on total level for the bank was 3567 %. The Net Stable Funding Ratio was 123 %. The significant currency of the bank is NOK.

Remaining time to maturity for main items			**30.09.2018**				
(Amount in NOK '000)	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Loans and deposits with credit institutions	40 705	-	-	-	-	-	**40 705**
Loans to customers	19	-	-	200	30 662	4 614	**35 495**
Certificates and bonds	181 705	-	-	-	-	-	**181 705**
Assets without remaining term to maturity	48 110	-	-	-	-	-	**48 110**
Total assets	**270 539**	**-**	**-**	**200**	**30 662**	**4 614**	**306 015**
Deposits from customers	8 622	-	-	-	-	-	**8 622**
Non interest-bearing liabilities	4 108	3 540	408	778	-	-	**8 835**
Total liabilities	**12 730**	**3 540**	**408**	**978**	**30 662**	**4 614**	**17 457**

Remaining time to maturity for main items — 30.09.2017

(Amount in NOK '000)	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Loans and deposits with credit institutions	1 617	-	-	-	-	-	**1 617**
Loans to customers	-	-	-	-	-	-	**-**
Certificates and bonds	-	-	-	-	-	-	**-**
Assets without remaining term to maturity	24	-	-	-	-	-	**24**
Total assets	**1 642**	**-**	**-**	**-**	**-**	**-**	**1 642**
Deposits from customers	-	-	-	-	-	-	**-**
Non interest-bearing liabilities	5 236		709	205			**6 150**
Total liabilities	**5 236**	**-**	**709**	**205**	**-**	**-**	**6 150**

Remaining time to maturity for main items — 31.12.2017

(Amount in NOK '000)	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Loans and deposits with credit institutions	5 845	-	-	-	-	-	**5 845**
Loans to customers	-	-	-	-	-	-	**-**
Certificates and bonds	-	-	-	-	-	-	**-**
Assets without remaining term to maturity	3 990	-	-	-	-	-	**3 990**
Total assets	**9 835**	**-**	**-**	**-**	**-**	**-**	**9 835**
Deposits from customers	-	-	-	-	-	-	**-**
Non interest-bearing liabilities	206	960	375	355	-	-	**1 897**
Total liabilities	**206**	**960**	**375**	**355**	**-**	**-**	**1 897**

Remaining time to maturity for main items — 01.01.2017

(Amount in NOK '000)	Without any term	Up to 1 month	From 1 month up to 3 months	From 3 months up to 1 year	From 1 year up to 5 years	Over 5 years	Total
Loans and deposits with credit institutions	61	-	-	-	-	-	**61**
Loans to customers	-	-	-	-	-	-	**-**
Certificates and bonds	-	-	-	-	-	-	**-**
Assets without remaining term to maturity	-	-	-	-	-	-	**-**
Total assets	**61**	**-**	**-**	**-**	**-**	**-**	**61**
Deposits from customers	-	-	-	-	-	-	**-**
Non interest-bearing liabilities	-	-	-	400	-	-	**400**
Total liabilities	**-**	**-**	**-**	**400**	**-**	**-**	**400**