

Corporate Social
Responsibility Report

2018

Norwegian Finans Holding Group

Responsibility

Bank Norwegian has prepared special guidelines for corporate social responsibility. These were adopted in 2017 and have been integrated into the our day-to-day operations. Responsible lending, safeguarding customers' privacy, preventing financial crime and looking after our employees are prioritized areas that entail long-term commitments and form the basis of our corporate social responsibility.

Guidelines for Corporate Social Responsibility

■ Bank Norwegian plays an important role in society by offering deposit and lending services in the Nordic market. For us, corporate social responsibility is about combining profitability with responsible operations. As part of responsible operations, our business shall be carried out in accordance with all applicable laws and regulations and a high ethical standard.

The bank's business activities require a long-term perspective and a high level of trust from customers and society in general. This trust requires Bank Norwegian to have transparent business principles and to communicate openly with customers, employees, owners, government authorities and other stakeholders.

Bank Norwegian has prepared special guidelines for corporate social responsibility. These were adopted by the Board on 13 February 2017 and have been integrated into the bank's day-to-day operations. The bank's headquarters is in Bærum, but a large part of the bank's operations are spread out in the other Nordic countries. In 2018, the bank paid a total of NOK 825 million in direct taxes and charges in Norway.

Access to regulated credit products is beneficial to society. At the same time, access to credit can contribute to exacerbating the financial challenges of certain individuals. It is important for the bank to have a high level of awareness

surrounding lending and marketing. Responsible lending is important for protecting individuals, at the same time it is crucial for the bank's profitability.

The bank has a clear framework regarding how unsecured debt shall be marketed. A key principle is that our marketing must be directed at customers who have themselves identified a need for credit. Search engines are therefore an important marketing channel as it connects with customers who are searching for the bank's products.

The bank aims to create value for society and simultaneously lay the foundations for further profitable growth. The core of our corporate social responsibility is how these assets are generated. The bank focuses on responsible lending, safeguarding customer privacy, preventing financial crime and caring for our employees. These four prioritized areas are long-term commitments and form the basis of the bank's corporate social responsibility.

Responsible lending, customer privacy, financial crime and our employees are described in this report. New regulatory framework for the bank, sustainability, responsible investments and human rights are also key areas for the bank, as in the following pages.

The bank's guidelines for corporate social responsibility are part of the day-to-day operations

Responsible lending

■ Good credit practices are important. Meanwhile, customers know their own financial situation better than anyone. It is crucial to provide relevant information to all loan applicants in order for them to be able to make informed decisions.

The bank's application process for loan applicants is handled digitally through several models. Checks are made in relation to late payment notices and internal rules. Information that can be verified or retrieved from external registers will be obtained for all applications. A scorecard developed on own data evaluates the probability of default and a budget assessment is made regarding the customers' ability to service the loan. The loan applications that meet the requirements are then assessed by an experienced credit employee.

Just under 15 percent of loan applications end up with payment. Bank Norwegian has over 1.3 million credit card and loan customers in the

Nordic region. Our customer database allows us to make individual credit assessments and develop our own risk models that form the basis for our responsible lending practice.

The bank adapted guidelines from the Financial Supervisory of Norway for adequate credit assessments in autumn 2017. Furthermore, it is expected that the debt registers in Norway will be in operation during the 2nd quarter of 2019. The debt registers will enable all banks to verify customer information relating to unsecured debt and provide more accurate information about the customers' financial situation. Customers who previously were granted loans by not providing a full overview of their financial situation, will now be rejected. We believe that this will benefit both borrowers and lenders.

Less than

15%

of loan applications result in disbursement of funds

Customer privacy

■ Bank Norwegian focuses on protecting customer data and safeguarding privacy. In 2018, the bank revised and adapted its routines to comply with the EU's new data protection requirements. During the year, the bank ensured that all routines and processes are in accordance with the updated General Data Protection Regulation (GDPR) that was enforced in the spring of 2018. Transparency is important, and customers must be able to obtain information about how to gain access to all data they own and have the right to access under the new rules.

The bank has internal controls comprising guidelines, routines for processing, mechanisms for incident management, audits and training. The Board has adopted guidelines and policies for information security and the processing of personal data. These are revised on an annual basis. All routines for ensuring adequate handling of personal data and data protection in the event of changes are revised and updated when necessary. To ensure that there is necessary expertise and quality in all parts of our operations, all employees must complete multiple

The bank has internal controls with overarching guidelines, routines for processing, mechanisms for incident management, audits and training

GDPR e-learning courses. At year end, these courses were conducted for all employees, temporary employees, consultants and others who work for the

bank. The bank has routines for non-conformity checks and non-conformity reporting.

Financial crime

■ The bank continuously works to prevent card and loan fraud, as well as money laundering, tax evasion, terrorist financing and corruption. This is performed using systems and expertise we have developed ourselves, as well as acquiring expertise from partners.

We also focus on detecting other types of fraud, for example, 'first party fraud'.

Society is becoming increasingly more digitalised and it is common knowledge that personal codes and passwords must be protected. However, we have seen that some people share these without being fully aware of the consequences. A person's digital ID can therefore be misused, causing financial harm.

In addition to electronic monitoring of customers, the employees have regular compulsory training in detecting money laundering and terrorist financing. The bank has a separate department for financial crime, with expertise to detect money laundering, terrorist financing and corruption. The department is also in contact with other external entities to prevent these types of criminal acts.

The bank has continuous focus on developing routines and frameworks, improving expertise, being up-to-date with the ongoing "fraud situation", contributing to clarifying and reducing the scope of this and obtaining the right knowledge for improving employee expertise.

We are continually working to prevent fraud, money laundering, tax evasion, terrorist financing and corruption

Our employees

■ Bank Norwegian is an attractive and exciting workplace with a high level of expertise in all parts of the organization. We have employees from all of the Nordic countries where we offer our products and our employees have diverse backgrounds, with more than 15 different nationalities represented.

At the end of 2018, the bank had 75.2 full-time equivalents (FTEs), divided among 77 permanent employees and one temporary employee. The number of FTEs increased by 5.7 in 2018. All

employees work at the head office in Fornebu.

Some of the customer service tasks are performed from Benalmadena in Spain through Webhelp. There is good access to qualified employees from all of the Nordic countries in the south of Spain, which means that our customers are served by dedicated staff in their local languages.

The bank places emphasis on the professional development of employees,

75.2
number of FTEs



45%
of employees
are women

and a key to success is communication across departments. This results in dedicated specialists with broad expertise.

Bank Norwegian is an inclusive workplace with a good working environment. The bank has established guidelines and routines for safeguarding employee health, safety and environment, and for preventing discrimination. There is a low turnover of key employees and absence due to illness was 5.1 percent in 2018. Preventive measures at individual level is facilitated for employees who require it. The bank has a working environment committee and a safety representative.

All employees must undergo an annual

review of the bank's ethical guidelines and a high level of awareness of the bank's corporate social responsibility is required. In addition, we conduct an annual compliance and ethics seminar for all employees.

The bank also has guidelines to ensure that there is no discrimination due to gender, ethnic background or religion in cases concerning pay, promotions and recruitment. The bank has a satisfying gender distribution, with 35 women out of a total of 78 employees. 35,7 percent of the executives at the bank are female. Women make up 50 percent of the Board of Norwegian Finans Holding ASA and 33.3 percent of the Board of Bank Norwegian AS.

New regulatory framework for the bank

■ Bank Norwegian is a responsible corporate citizen and our business is run in compliance with the applicable laws and regulations in the countries in which we offer our products.

In February this year, the Government passed new regulations covering the banks' lending practices for consumer loans, including credit cards. The bank has to comply with the new requirements by 15 May 2019. Regulations are better suited to ensuring uniform practices than the previous guidelines. The regulations contain many elements from the existing guidelines already adopted by the bank.

In January 2019, Norwegian Finans Holding was granted approval from the Financial Supervisory Authority of Norway to repurchase own shares. At

the same time, a management buffer of 3 percent was added to the capital requirement.

In the Financial Supervisory Authority of Norway's consultation paper relating to proposed provisions in the Act concerning the Norwegian Banks' Guarantee Fund, which was sent out for consultation in June last year, the Authority wrote that banks with a business model associated with higher risk will have to make considerably higher contributions than previously.

The FSA believes that the increased contributions to the deposit guarantee fund will be an expense for the banks that to some degree must be expected to be transferred to the customers in the form of increased costs for banking services,

Regulations are better suited to ensuring uniform practices than the previous guidelines

or possibly through a reduction in deposit rates.

Changes were also adopted for the deposit amount for Norwegian banks that are deemed to be cross-border operations in the Act concerning the Norwegian Banks' Guarantee Fund. From 1 January

2019, the limit for the deposit guarantee for our customers who have deposits with the bank outside Norway was changed from NOK 2 million to EUR 100,000. This is the same limit for deposit guarantees that applies to banks in the EU.

A sustainable business

The bank is fully digital

■ Bank Norwegian shall contribute to sustainable development of the environment and aim to limit negative impact as much as possible. Our objective is to take the environment into consideration in all parts of our business. The bank is fully digital and only offers products online and via the app. The bank's procedures and processes are

largely automated with electronic documentation and communication that reduce paper consumption and transportation. The bank aims for electronic invoicing for as many customers as possible and encourage all customers to select electronic invoicing solutions.



We support UN and EU conventions on human rights and human dignity

Responsible investments and human rights

■ Bank Norwegian supports UN and EU conventions on human rights and human dignity. The bank shall make responsible investments that safeguard the considerations of human rights, social issues and the external environment. The bank's investment policy states that the bank's liquid assets shall be invested in securities issued by governments, municipalities and financial institutions.

The bank does not invest in stocks. The bank does not support businesses operating in violation of the UN and EU conventions on human rights or other social conditions, nor those whose actions have a detrimental effect on the external environment.

