

# ANNUAL REPORT 2018



## Ekspres Bank



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# Company Information

## **Ekspres Bank A/S**

Oldenburg Allé 3

DK- 2630 Taastrup

Phone: +45 70 23 58 00

[www.expressbank.dk](http://www.expressbank.dk)

## **Ownership**

The company is owned by  
BNP Paribas Personal Finance S.A.

Unicity

143 rue Anatole France

92300 Levallois-Perret

France

*BNP Paribas Personal Finance S.A.  
is a 100% subsidiary of the BNP  
Paribas Group.*

## **Board of Directors**

Marc de Korver (*Chairman*)

Jean François Simon

Anders Eirik Winter

Frederic Thorald

Gilles de Wailly

John Poulsen

Michael Ravbjerg Lundgaard (*Independent director*)

Marion Lorenzen (*Employee representative*)

Nicki Reinhold Byel (*Employee representative*)

Søren Illum (*Employee representative*)

Niels Egede Olsen (*Employee representative*)

## **Executive Board**

Christophe Jehan

CEO

## **Auditors**

Deloitte

# CEO Comments

First I would like to express a sincere thank you, to each of the 257 colleagues, who once again have done an amazing job in helping and meeting the needs of our customers, ending up in a normative progression of the financial results with an increase in our profit before tax of 10.6%.

Looking back on 2018, it has been a successful year, with an increase in the loan portfolio of 11.9%. I am particularly pleased to see our collective progression in Sweden, which is a market we recently entered and more generally a progression in market shares in the three countries we operate in.

The financial year 2018 could have been better sales-wise, but it could not have been better in terms of transformation and investments which are the pledge of our future. Starting off from a strategic review mid-2018 delivering the first investments late 2018 was quite of a performance. Among other great achievements, I am pleased to highlight the following evolutions of our business:

- All-time best level of digitalization in the bank
- Retail channel now present in all 3 countries
- Broker channel now operating in all 3 countries

Last but not least, 2018 was the year of our new “forward looking” IT architecture, starting off with Sweden. The initiative has been launched successfully, and will ensure that we during 2019 will finalize our shared IT infrastructure for all three countries. That way we strengthen our fundamentals by leaning on the same Nordic IT platform, a vector of simplification highly expected by our business partners.

Being partial is my mission, so I am especially pleased that neutral bodies talk even better about us, as Ekspres Bank, at the yearly event of FinansWatch in corporation with EY, was elected Bank of the year 2018 in the category of smaller banks, based on an aggregated assessment of our performance, a number of financial key figures, such as return on equity, growth on revenue and equity ratio, and the development in the previous years.

I am truly looking forward to 2019, where we will continue to serve our clients realizing all kind of projects – whether large or small in a responsible way.

Christophe Jehan  
Nordic CEO



# Statement by the Management

The Board of Directors and the Executive Board have today reviewed and approved the Annual Report of Ekspres Bank A/S for 2018. The Annual Report has been prepared in accordance with the Danish Financial Business Act.

In our opinion, the Annual Report gives a true and fair view of the bank's assets, liabilities and financial position at the 31 December 2018 as well as the result of operations for the period 1 January – 31 December 2018.

Moreover, in our opinion, the management's review gives a true and fair view of the development of the bank's activities and financial position and describes the most significant risks and uncertainties that may affect the company.

Copenhagen, the 10 April 2019.

## EXECUTIVE BOARD

Christophe Jehan  
*CEO*

## BOARD OF DIRECTORS

Marc de Korver  
*Chairman*

Frederic Thoral

Jean François Simon

Gilles de Wailly

Anders Erik Winter

Michael Ravbjerg Lundgaard

John Poulsen

Nicki Reinhold Byel

Marion Lorenzen

Niels Egede Olsen

Søren Illum

# Independent Auditor's Report

To the shareholder of Ekspres Bank A/S

## Opinion

We have audited the financial statements of Ekspres Bank A/S for the financial year 01.01.2018 to 31.12.2018, which comprise the financial highlights, income statement and comprehensive income, balance sheet, statement of changes in equity and notes, including accounting policies. The financial statements are prepared in accordance with the Danish Financial Business Act.

In our opinion, the financial statements give a true and fair view of the Company's financial position at 31.12.2018 and of its financial performance for the financial year 01.01.2018 to 31.12.2018 in accordance with the Danish Financial Business Act.

Our opinion is consistent with our audit book comments issued to the Audit Committee and the Board of Directors.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the Auditor's responsibilities for the audit of the financial statements section of this auditor's report. We are independent of the Company in accordance with the IESBA Code of Ethics for Professional Accountants and additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

To the best of our knowledge and belief, we have not provided any prohibited non-audit services as referred to in Article 5(1) of Regulation (EU) No 537/2014.

We were appointed auditors of Ekspres Bank A/S for the first time on 16.03.2016 for the financial year 2016. We have been reappointed annually by decision of the general meeting for a total contiguous engagement period of three years up to and including the financial year 2018.

## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements for the financial year 01.01.2018 to 31.12.2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Judgments and estimates with respect to valuation of loan receivables

Ekspres Bank A/S' loans amounted to DKK 10,654 million at 31 December 2018 (31 December 2017: DKK 9,517 million). From 1 January to 31 December 2018, loan impairment charges amounted to DKK 158 million (1 January to 31 December 2017: DKK 16 million).

Determining expected loan impairment is subject to significant uncertainty and to some degree based on management judgement. Due to the significance of such management judgement and the loan volumes of Ekspres Bank A/S, auditing loan impairment charges and provisions for guarantees is a key audit matter.

The principles for determining loan impairment charges are further described in the Summary of significant accounting policies, and Management has described the management of credit risks and the re-view for impairment in note 21.

The areas of loans involving the highest level of management judgement, thus requiring greater audit attention, are:

- Identification of credit-impaired exposures
- Parameters and management judgements in the calculation model used to determine expected losses in the 3 stages.

Based on our risk assessment, our audit comprised a review of the Bank's relevant procedures, testing of relevant controls and analyses of the credit quality of loans, including the amount of impairment charges.

Our audit procedures included, but were not limited to:

- Challenging the methodologies applied for the areas involving the highest level of management judgement by using our industry knowledge and experience.
- Challenging key assumptions in the calculation model applied with particular focus on objectivity and the data used.
- Challenging management judgments in the calculation model used with special focus on the management consistency and bias, including challenging documentation of adequacy of management judgement

# Independent Auditor's Report

## Management's responsibility for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Business Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in the preparation of the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

## Auditor's responsibility for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs and additional requirements applicable in Denmark, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in the preparation of the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditor's Report

## **Statement on management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Business Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Business Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 10 April 2019

## **Deloitte**

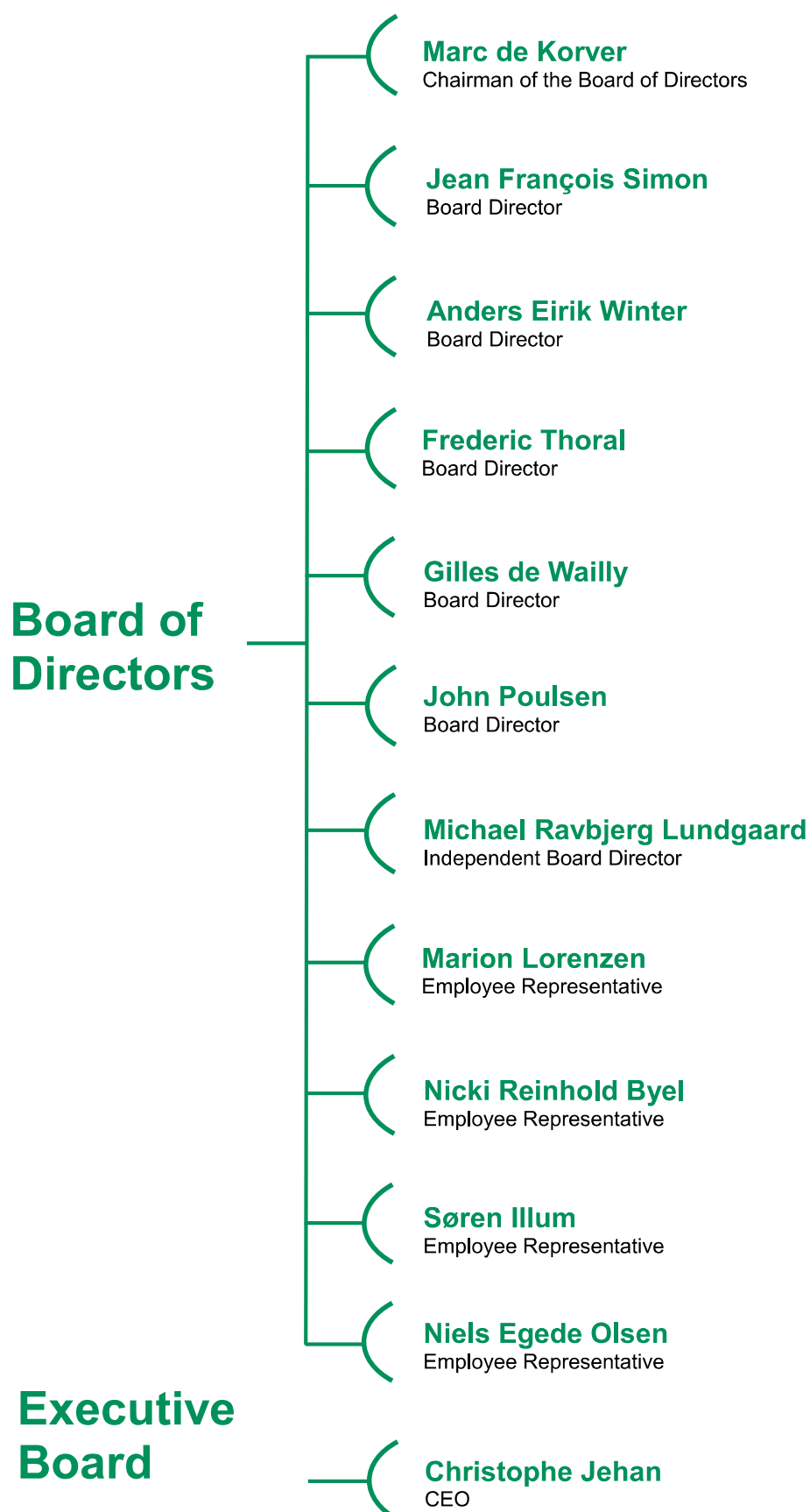
Statsautoriseret Revisionspartnerselskab  
Business Registration No 33 96 35 56

Jens Ringbæk  
*State-Authorised  
Public Accountant  
MNE no 27735*

Bjørn Philip Rosendal  
*State-Authorised  
Public Accountant  
MNE no 40039*



# Board of Directors



# Board of Directors



**Marc de Korver (Chairman of the Board)**  
 Head of Nordics & UK -BNP Paribas Personal Finance  
 Chairman of the Board – Ekspres Bank A/S  
 Chairman of the Board – Creation Consumer Finance Limited  
 Chairman of the Board – Creation Financial Service Limited



**Jean François Simon**  
 Head of Legal – BNP Paribas Personal Finance  
 Board Director – Ekspres Bank A/S  
 Member of the Supervisory Board – Magyar Cetelem Bank

**Eirik Winter**  
 Board Director - Ekspres Bank A/S  
 CEO - BNP Paribas Group, Nordic Region  
 Head of CIB Nordic Region  
 Member of the Global Banking EMEA Board and Management Team



**Frederic Thoral**  
 Head of HR – BNP Paribas Personal Finance  
 Board Director – Ekspres Bank A/S  
 Member of the Supervisory Board – Magyar Cetelem Bank  
 Board Director - UBCI Tunisia  
 Board Director - Neymo (Internal PF structure)

**Michael Ravbjerg Lundgaard**  
 Independent Board director - Ekspres Bank A/S  
 Member of the Audit Committee - Ekspres Bank A/S  
 Chief Audit Executive - DSB



**John Poulsen**  
 Board Director – Ekspres Bank A/S  
 Board Director - Finans & Leasing  
 Sector Chairman - Forbrugslån & Kreditkort

**Gilles de Wailly**  
 CIO – BNP Paribas Personal Finance  
 Board Director – Ekspres Bank A/S  
 Board Director – Alpha Credit  
 Chairman of the Board - United Partnership



# Employee Representatives



**Marion Lorenzen**  
 Board Director – Ekspres Bank A/S  
 Owner and head of Maitreya Invest ApS  
 Owner and head of – Maitreya Properties Ltd.  
 Owner and head of – Anytime

**Nicki Reinhold Byel**  
 Board Director – Ekspres Bank A/S



**Søren Illum**  
 Board Director – Ekspres Bank A/S  
 Owner and head of Sherrybodega.dk

**Niels Egede Olsen**  
 Board Director – Ekspres Bank A/S  
 Representative – Danish FSU in BNP PF Denmark  
 Representative – EWC for BNP Paribas Denmark  
 Owner and head of Neocortex Holding IVS  
 Owner and head of MW Willumsen IVS

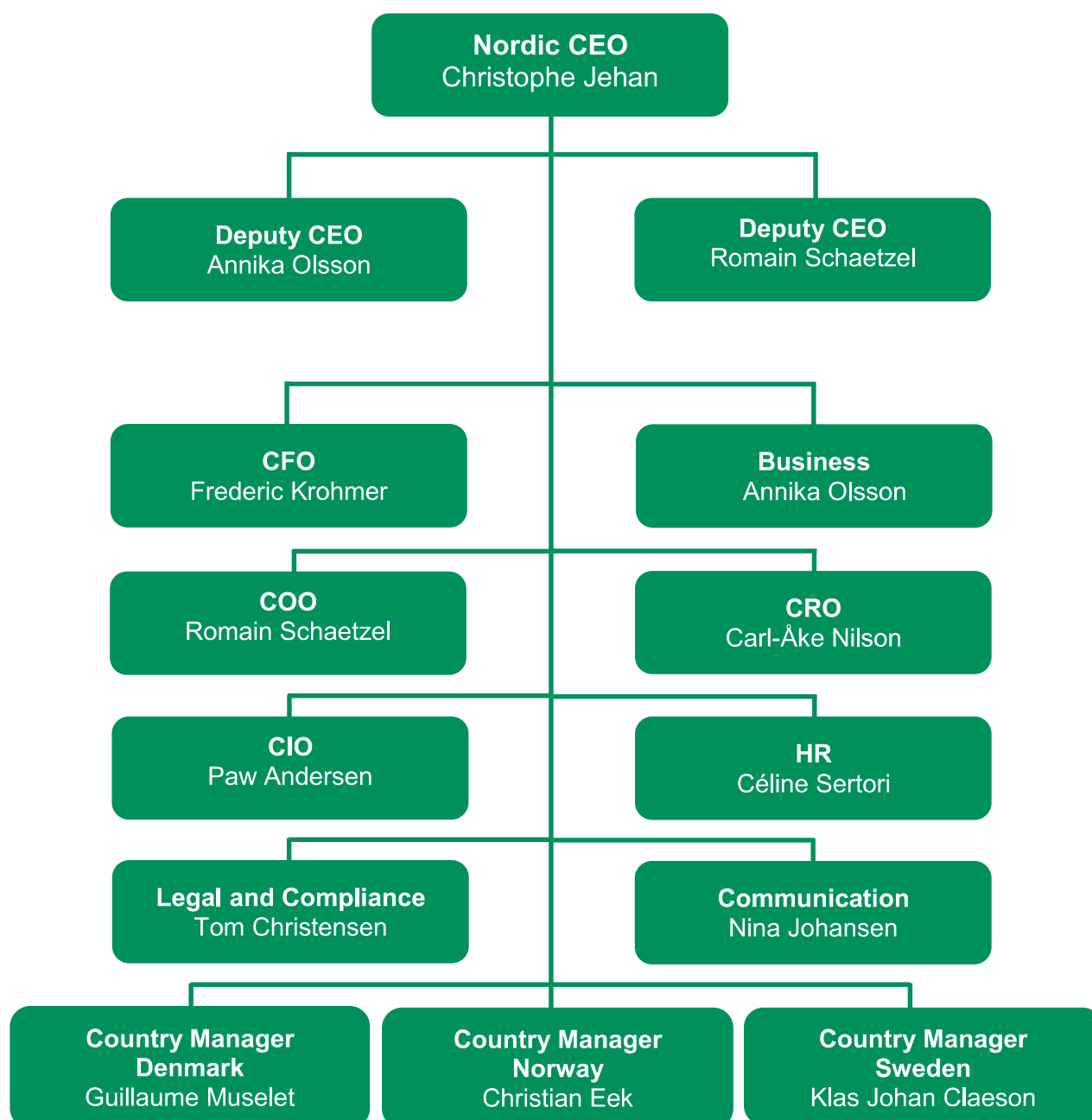


# Executive Board



**Christophe Jehan**  
 Nordic CEO – Ekspres Bank A/S

# Nordic organisation



# Our business

## Business introduction

Ekspres Bank is a Nordic digital consumer bank wishing to help as many people as possible realising their projects, being large or small, in a responsible way.

In 1987 we started out as a niche player in the Danish market - the result of a cooperation between Handelsbanken and Dansk Supermarked. We entered the Norwegian market in 2008. In May 2017 we acquired SevenDay AB to strengthen our position within Sweden and in the Nordics. In 2018 the activities in Sweden have been merged with the Nordic group.

We are a part of the BNP Paribas Personal Finance Group (BNPP PF), providing Nordic consumers access to innovative, flexible personal credit, project funding options, complemented by payment and saving solutions. Our company has evolved into being a modern bank providing financial services directly and indirectly via sales relationships with more than 2.300 partners.

Ekspres Bank offers a range of consumer finance products for private individuals to support them in their projects. The product portfolio includes loans, credit cards, debt consolidation, deposits, credit insurance and intermediation of accident insurance.

The close attachment to retail business is a part of our DNA, and we strive to develop digital best-in-class solutions to enhance the customer experience at partners' stores and web shops. Thanks to our skilled and dedicated employees, we run our business with a commitment to responsibility.

## Vision

**Being a Nordic digital consumer bank, we aspire to become the preferred long-term partner to our clients, listening to the demands of every single individual**

## Mission

**We want to help as many people as possible by realising their projects, whether large or small, in a responsible way**



Our head office is located in Taastrup. In Norway we are represented through our office in Oslo and in Sweden the office is located in Kista. In total, we:

- Employ 227 FTEs
- Manage >400.000 accounts in our customer portfolio
- Process >1.200.000 applications annually

## International support base

Ekspres Bank has an international support base by BNP Paribas - Personal Finance.

We benefit from the best of two worlds, enjoying the financial support from our parent company, a necessity for running a robust modern bank, while staying agile and adaptive to our costumers' and partners' demands.



# Our business

## High Customer Satisfaction

Rating level was 5.37 out of 6.0 in our customer satisfaction survey

## High Retailer Satisfaction

Rating level was 4.97 out of 6.0 in our retailer satisfaction survey



### Our CSR policy

Ekspres Bank does not have an explicit CSR policy. However, we align ourselves with some fundamental rules and principles to pursue the position as a more responsible and society oriented bank. We practice this by:

- Following a group charter on the protection of customer interest protection ensuring sufficient and transparent information and guidance to our existing and potential customers
- Collaborating with competitors via the sectoral association, "Finance and Leasing" on the tool "KreditStatus" to ensure responsible lending
- Practicing a non-biased employment culture in terms of gender, religion, race etc.

Ekspres Bank believes in the responsible financing of our customers' projects. Our commitment to responsibility derives from our parent company, BNP Paribas Personal Finance, and is the baseline for our entire business concept.

### Employee profile

52.9%

Female employees

47.1%

Male employees

> 40 years

48.6%

25 - 40 years

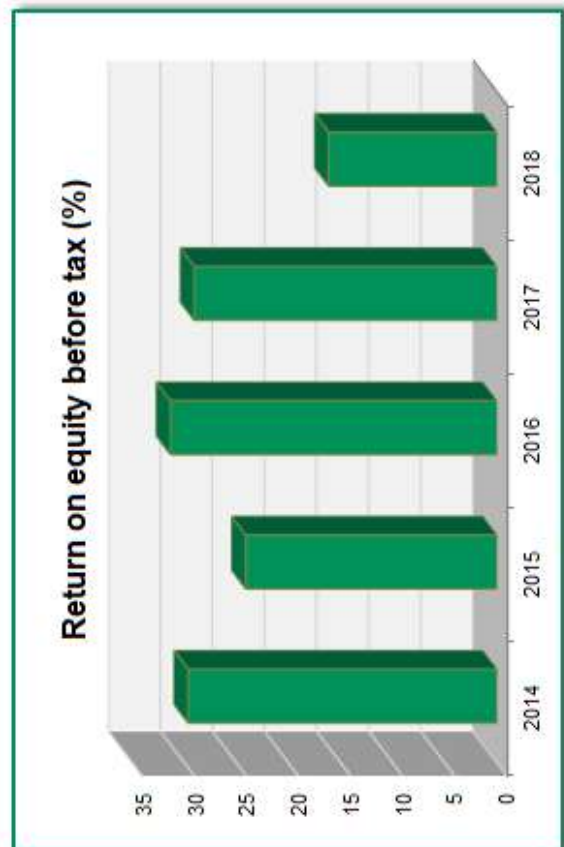
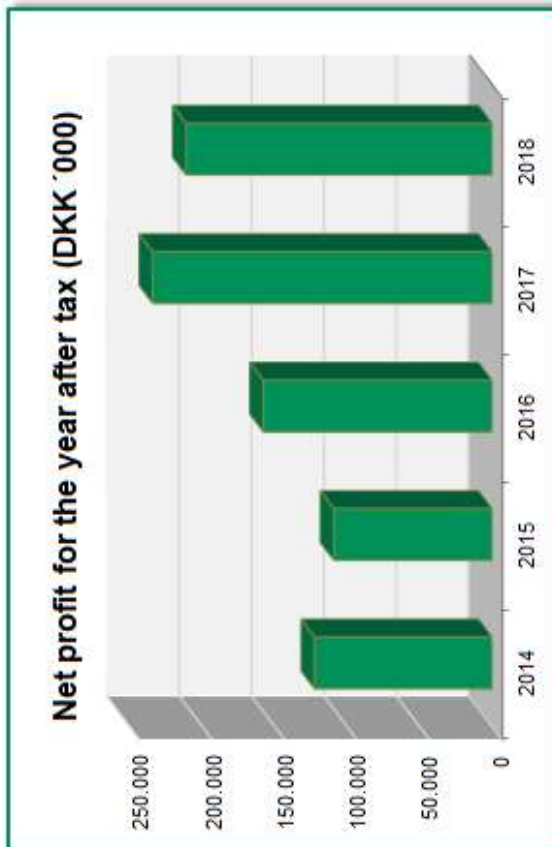
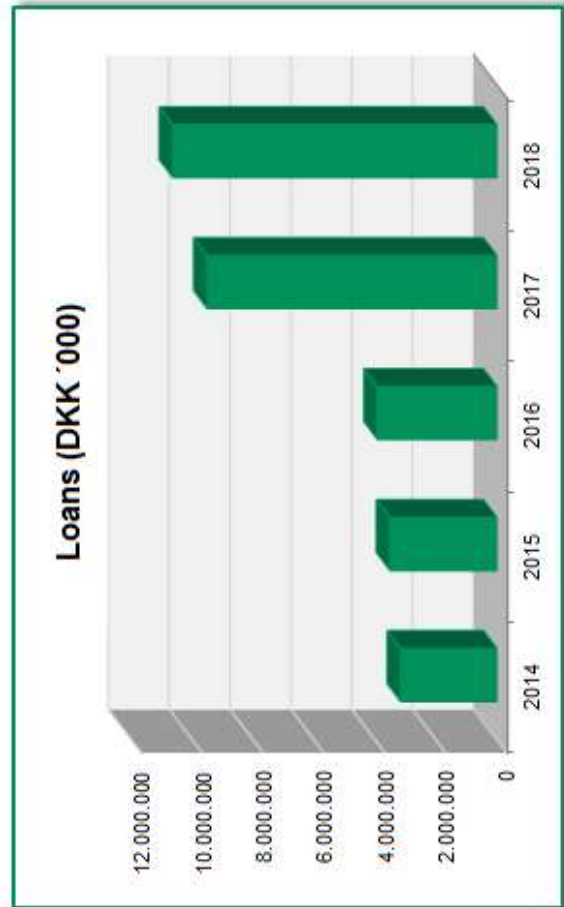
44.7%

< 25 years

6.6%



# Highlights of 2018

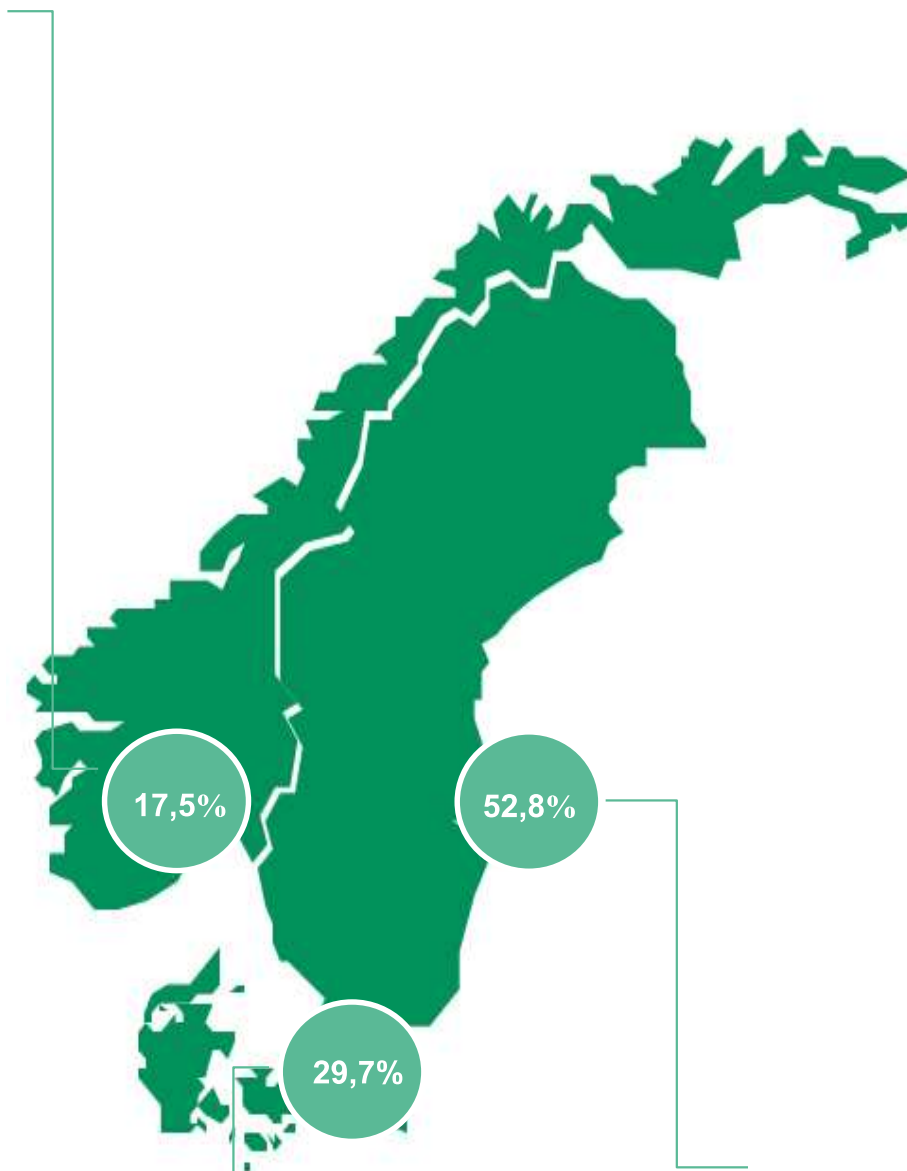


# Nordic overview

## Norway

Share of total outstanding balance

Acquisition channels being via retail partners, brokers and direct business



## Denmark

Share of total outstanding balance

Acquisition channels being via retail partners, brokers and direct business

## Sweden

Share of total outstanding balance

Acquisition channels being via brokers and direct business

# Risk factors

The bank's strategy is to offer a competitive full range of financial products and services, designed to meet the customers' needs, thus improving customer satisfaction and loyalty for a long-term business growth and profitability. The bank's core business consists of providing unsecured loans and credit facilities to customers. In order to support the business model a number of policies have been defined as part of the risk assessment process; policies considered to be in line with industry standards of the Nordic financial market.

## Financial risks and policies

The bank's exposure to a wide range of financial risks is managed at different levels in the company. The bank's financial risks include credit risk, market risk and liquidity risk, respectively:

### Credit risk

The bank's primary risk is the credit area. The maximum loan amount granted to private individuals is 500.000 in local currency in Denmark, Norway and Sweden. In order to mitigate risk resulting from the exposure within the credit area, the bank executes on a defined strategy of operating geographically and demographically diversified loan portfolio in the Nordic countries and furthermore the average loan size per debtor is limited.

The bank has well-documented policies and procedures for handling its segmented loan portfolio. This means that the bank performs a systematic monitoring of the loan portfolio at all stages. Furthermore, the bank performs an automated credit scoring of all new loans based on historical performance and the information received from its customers and from digital solutions with public authorities and registers with the customer's approval.

The bank applies an effective internal control system on all delinquent accounts. The bank continuously adjusts its credit scoring process and approval conditions in order to adapt to the underlying trends of the current economic climate.

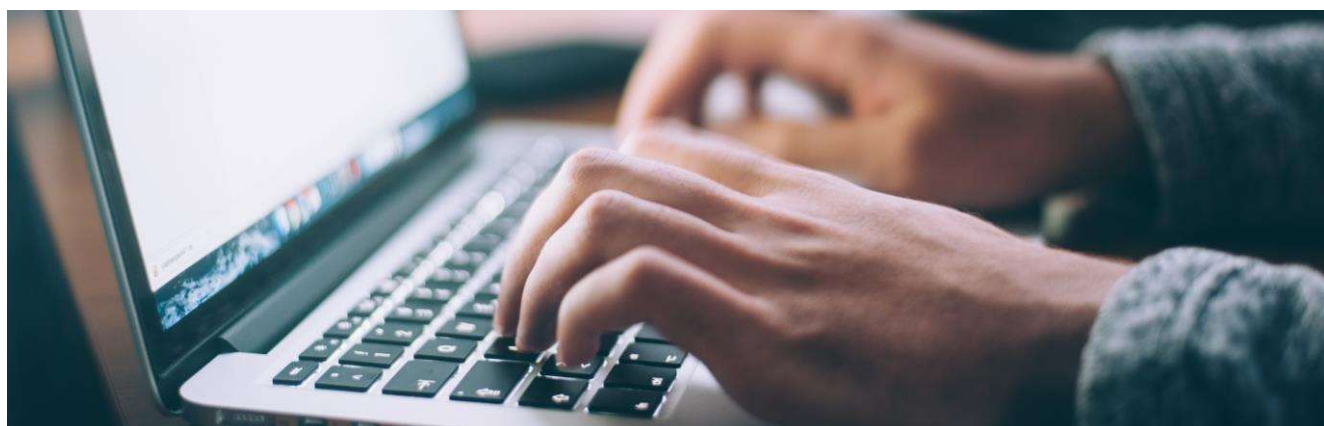
If a loan enters into arrears, it will go through a well-defined debt collection process performed by the bank's internal collection department and outsourcing partners.

Since July 2017 the late collection process for Denmark and Norway has been changed to be a forward flow sale process. This means that defaulted accounts are sold off to a Debt Collection Agency on a monthly basis as part of a global contract. The price of the affected accounts is based on an agreement involving the product type, the payment history and the current balance of the accounts.

In Sweden late collection are kept on the books and handled through a third party agreement with a debt collection agency. This insures that we have an efficient late collection process in all three countries with a 100% known outcome.

Impairment losses are applied systemically in accordance with an IFRS9 based model, where an assessment is made on the customers historically ability to repay, global economic evolution and stress factors. For portfolios where the Non-performing loans and distressed are held internally, these are individually impaired, and the recoverable amount are calculated based on individual assessments where customers ability to pay, or unwillingness to do so, has been evaluated given a collective statistical method.

At any time and in accordance with the existing credit policies, guidelines and procedures, reports on the portfolio segmentation of the bank are regularly prepared for local committees, with the participation of the bank's Management. Moreover, monthly reports are prepared for the Corporate Risk Department and a separate reporting is performed and presented during scheduled Board meetings.





# Risk factors

## Market risk

The bank's market risk is related to interest-rate risks and currency risks.

### Market risk; Interest-rate risk

Initially, the bank's interest-rate risk derives from the difference between interest terms and loan terms on the bank's loan portfolio in relation to funding. The bank's policy is to match the funding interest and loan interest in order to mitigate the interest-rate risk. Ekspres Bank attempts, as far as possible, to hedge its portfolio by means of derivative financial instruments.

### Market risk; Currency risk

With the aim of reducing exchange-rate risks to the lowest possible level, it is the bank's policy to obtain funding in the same currency as loans. Thus, the bank is exposed to no or very limited exchange-rate risks.

## Liquidity risk

Since the bank is only partly funded from the market through deposits and partly by the parent company, with whom Ekspres Bank has sufficient credit line agreements - for the full Nordic market - the liquidity risk is limited.

The bank's liquidity position is continuously monitored to ensure that the bank meets its payment obligations at all times.

If liquidity drops below the established limits of the excess liquidity coverage, the necessary actions will be initiated immediately in order to restore the agreed excess liquidity coverage ratio.

Necessary measures are prioritized as follows:

- Increase in current credit lines
- Establishment of more irrevocable money market lines

At least once a year, the Board of Directors reviews the bank's liquidity policy and performs all necessary adjustments on the recommendation of the Executive Board.

## Operational risk

Operational risk is the risk of loss due to inadequate or incomplete internal processes, human errors or actions, system faults and external events, including legal risks. Operational risk and, hence, potential losses can be minimized, but not eliminated, and the bank's operational risk must be minimized and closely monitored.

Ekspres Bank considers the following elements as operational incidents: Losses due to financial risks; risks related to the staff function and management; risks related to outsourcing arrangements with external suppliers and insufficient insurance coverage.

The bank's policy regarding operational risks details the risk profile with the aim of the bank's business model to the benefit of the business.

Operational incidents and losses are registered and reported monthly based on a materiality concept. The Board of Directors reviews this policy, at least once a year, performing the necessary adjustments on the recommendation of the Executive Board.

## IT security

Ekspres Bank operates on a high standard of IT security to ensure that the bank is reliable, trustworthy and respectable. Emergency plans for the IT area are to minimize losses in case of a lack of IT facilities or similar crisis. Therefore, Ekspres Bank has drawn up an emergency plan, making sure that the requirements for service providers comply with the executive order on outsourcing.

## In general

Procedures covering all the above risk areas have been specified. Ekspres Bank has estimated that the current number of employees is appropriate, and substantial financial resources are used to ensure that the staff and the bank's cooperative partners are fully trained and updated, on a continuous basis, in order to comply with applicable legislation and the bank's policies.



# Management commentary

## Financial review

In 2018, the bank continues to grow in a highly competitive market and delivers a solid result with a pre-tax profit of DKK 272m. This is in line with expectations and considered satisfactory compared with the pre-tax profit of DKK 303m the year before, given that the 2017 result includes a sale of written off debt for an amount of DKK 120m. Adjusted for one-offs from debt sales in 2017 and 2018 and the perimeter effect from Sweden, the normative profit before tax amounts to DKK 246,9m compared to DKK 223,2m in 2017, which is an increase of 10.6%.

The Swedish financing company SevenDay Finans AB, which was acquired in May 2017, has in 2018 been merged into the legal entity of Ekspres Bank A/S. As the merger is retroactively and is accounted for according to the uniting-of-interest method "sammenlægningsmetoden", then the comparative figures of 2017 have been modified to display the entity as if the activities had been merged back to the date of the acquisition. After the merger the Swedish activities continue in Sweden as a branch of Ekspres Bank A/S.

This year, also the full effect of this acquisition in Sweden is included in the financial figures, where the result of 2017 only included 7 months of result.

## Macroeconomic development

Relevant macroeconomic ratios have remained stable or improved during 2018. No drastic changes are expected and these ratios will be closely monitored during 2019.

## Loans and receivables

The outstanding loans amount to DKK 10.654m, compared with DKK 9.517m at the end of 2017, which corresponds to an increase of 11.9%. This increase of DKK 1.137m is fully driven by organic growth in mainly the Swedish and the Norwegian market.

## New loans

Globally the amount of new loans and credit facilities increased by 5% in 2018 compared with 2017. This increase can be mainly assigned to the Norwegian and Swedish market.

## Credit risk

Impairment losses recognized in 2018 amounted to DKK 158m against DKK 16m in 2017.

The 2017 impairment losses were positively impacted by a one off-debt sale of the litigation portfolio in Denmark and Norway in 2017, which contributed with a one-off income of DKK 120m.

Additionally, the 2018 impairment losses are also positively impacted by DKK 25m from a debt sale of the litigation portfolio in Sweden.

In addition, in 2018 the bank has changed the provisioning methodology from IAS39 to IFRS9. This resulted in a first time application impact of DKK 114m before tax. This effect is recognized as an equity adjustment.

This has also led to increase in the provision on healthy portfolio in 2018, as the loan portfolio are continuing to grow and new loans are provisioned much earlier, even the portfolio does not show any defaulting signals yet.

The net impairment ratio for 2018 is 1.4 % which is at the expected level for the bank.

## Results of operations

2018 result includes 12 months of activities in Sweden, whereas only 7 months were included in 2017 income due to the time of acquisition.

In 2018, the bank delivers a solid result at DKK 272m (before tax). This is a slight decrease compared with the end of 2017. The decrease although is mainly due to the one-off income related to debt sale in 2017, described in the previous section.

Adjusted for the debt sale of 2017 the bank net income progress by 10,7% YoY, mainly driven by the combined effects of the organic growth and the one off-effect of a debt sale in the Sweden market, partially offset by an increase in operating expenses related to the reinforcement of the structure of the bank.

Net interest and fees increase by 22.9% (DKK 145m) lead by outstanding loans growth of 11.9% and the full year effect of the income received on the Swedish portfolio.

The bank's operating expenses and depreciation charges increased by 13.7% and totaled DKK 357m against DKK 314m in 2017. This increase is mainly driven by an increase in other administrative expenses of DKK 12m, driven by decreased marketing costs (DKK 8m), increased IT costs (DKK 3,6m) and a staff costs increase of DKK 32m, linked to an increase in average FTE's of 34.

# Management commentary

## Balance sheet

During 2018, the bank's balance sheet increased by DKK 913m from DKK 11.357m to DKK 12.270m. The increase is driven by the organic growth in the loan portfolio.

## Equity and subordinated debt

Equity totaled DKK 1.898m against DKK 1.468m at the end of 2017.

The bank has strengthened its solvency position during the year, to cover for the organic growth and the increased solvency requirements, with a capital increase of DKK 120m in January and an additional tier 1 loan of NOK 250m both fully subscribed by the parent entity BNPP PF.

The equity is also impacted by an adjustment due to the first time impact of the IFRS9 implementation, giving a reduction in equity net tax of DKK 89m.

## Nordic organization

In 2018 the Bank has continued its transformation toward a full Nordic organization with the merger of the Swedish financing company SevenDay Finans AB into the legal entity of Ekspres Bank A/S.

## Capital adequacy ratio

The bank's capital base, less deductions, amounts to DKK 1.981m (including Tier1 and Tier2) and the capital adequacy ratio amounts to 21,2%, at the end of 2018.

The bank's solvency need was calculated to be DKK 973m, at the end of 2018, corresponding to 10.4% of the risk-weighted assets. Compared with the actual capital base of DKK 1.981m including T1 capital and the capital adequacy ratio of 21,2%, the excess solvency is DKK 1.011m (10,8%), which is sufficient to cover the Capital Conservation buffer, the Countercyclical Buffer and the internal buffer decided by the Board of Directors. The excess capital adequacy is considered to be sufficient, and will ensure the continuous operations of the business as well as the development of the bank.

No payment of dividend is planned based on the Annual Report for 2018 except for the interest on the Additional Tier 1 capital of DKK 0,5m.

## Changes in accounting principles

### IFRS 9

Due to changes in local regulation on provision methodology, deriving from the changes of IFRS 9, Ekspres Bank has constructed a new calculation methodology together with BNP Paribas Personal Finance, which is deemed suitable for fulfilling the IFRS 9 requirements.

This was implemented from 1st of January 2018, and the change from IAS39 to IFRS 9 methodology has required an additional provision for loss of DKK 114m before tax in Ekspres Bank. The effect is recognized as an equity adjustment.

The bank has chosen to implement the phasing of the first time application effect of IFRS9 in the solvency calculation.

### IFRS 16

Due to changes in local regulation on leasing, deriving from the changes of IFRS 16, the methodology for measuring and classification of lease contracts are changing. Full implementation of the new methodology will take place from 1st of January 2019, and the change from IAS17 to IFRS 16 methodology is not deemed to be significant for the bank.

### Gender under-representation

The Board of Directors elected by the general meeting of the bank account for only 1 female out of 11 board members, thus below the Board's present target. The Board of Directors will at an upcoming meeting decide on whether a new target should be set based on the current composition.

At high level management there is an under-representation of one gender but there is no under-representation of one gender in the bank's other managerial positions.

### CSR

Please refer to page 13 for description of our CSR policy.

# Management commentary

## Post balance sheet events

Ekspres Bank has signed an agreement in December 2018 regarding a debt sale of portfolio in litigation in Sweden. The debt sale was not executed until January 2019, but the effect were recognized in the income statement in 2018 as a positive impact of DKK 30m in the "Impairment losses". The effect has been recognized as a provision rate update.

No other events have occurred after the end of the financial year 2018, which could affect the assessment of the Annual Report.

## Outlook for 2019

In 2019, The Bank will further continue its transformation toward a Nordic organization which aims at better serving its Nordic partners and customers. The focus of the transformation process in 2019 will be on aligning the Nordic IT platform.

The bank is expecting a moderate growth in the Danish market and a continued strong growth in the Norwegian and Swedish market which should contribute to deliver a solid result in the year to come.

For 2019 the profit before tax is expected to be in the range of approximately DKK 250-280m, with the assumption that the expected impairments will be in the level of approximately DKK 170-200m. The forecast is subject to uncertainty and macroeconomic development.



# Supervisory diamond

The Danish FSA has created a monitoring tool called the “Supervisory diamond” consisting of five benchmarks on specific risk areas, stating limit values which the bank should basically observe.

The five benchmarks are as follows:

1. Sum of large exposures
2. Lending growth
3. Concentration of commercial property exposures
4. Funding ratio
5. Excess liquidity coverage

Ekspres Bank does only have limited deposit accounts, therefore, the benchmark as to the funding ratio will exceed the limit value fixed by the Danish FSA, if the calculation of the bank’s business model is not adjusted. Ekspres Bank calculates internal funding ratio using model, which includes committed and uncommitted credit lines. The table below shows the calculation of both funding ratios, in order to get a quick insight into the bank’s real value.

As of 31 December 2018, the bank was complying with the four other benchmarks set up by the Danish FSA.

SUPERVISORY DIAMOND	EKSPRES BANK	REQUIRED
1. benchmark -> Sum of large exposures < 175%	0%	< 175%
2. benchmark -> Lending growth < 20%	11,9%	< 20%
3. benchmark -> Concentration on commercial property exposures < 25%	0%	< 25%
4. benchmark -> Funding ratio < 1	1,69	< 1,00
4. benchmark -> Funding ratio < 1 *	0,65	< 1,00
5. benchmark -> Liquidity ratio > 100 pct.	4,11	> 1,00



**White lines = Ekspres Bank \***

**Green area = Limit values**

\* The funding ratio uses the internal model for the diamond

# Solvency

<b>(DKK '000)</b>	<b>2018</b>	<b>2017</b>
<i>Equity</i>	1.709.377	1.467.798
<i>Capitalised tax assets</i>	0	-2.733
<i>Intangible assets</i>	-290.851	-273.887
<i>IFRS9 phasing</i>	84.179	0
<i>Total core capital after deductions</i>	1.502.704	1.191.178
<i>Additional T1 loan capital</i>	188.358	0
<i>Total core capital after deductions</i>	1.691.062	1.191.178
<i>Subordinated loan capital after deductions</i>	290.000	290.000
<i>Total capital base after deductions</i>	1.981.062	1.481.178
<i>Total weighted items</i>	9.359.966	8.266.497
<i>Solvency ratio</i>	21,2	17,9

The Banks capital base, less deductions, amounts to DKK 1.981m, at the end of 2018. The Banks capital adequacy ratio amounts to 21.2% in the end of 2018.

The excess capital adequacy is considered to be sufficient, and will ensure the continuous operations of the business as well as the development of the bank.

# Financial highlights

<b>Key figures</b> (DKK '000)	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net interest and fee income	779.248	634.305	474.796	467.781	441.780
Market value adjustments	816	-3.182	5.611	-2.171	155
Staff costs and administrative expenses	350.878	310.228	204.760	183.588	175.816
Write-down of loans and receivables, etc.	158.013	15.628	87.039	128.900	91.477
Net profit for the year	211.310	234.386	158.001	109.257	122.602
Loans	10.654.044	9.517.088	3.924.427	3.517.291	3.165.708
Deposits	4.118.927	4.558.803	0	0	0
Equity	1.897.735	1.467.798	618.463	648.845	587.054
Total assets	12.270.471	11.357.809	4.234.971	3.768.924	3.285.535
<b>Ratios</b> (DKK '000)*	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Capital base	1.981.062	1.480.497	774.199	589.863	529.752
Solvency ratio	21,2	17,9	20,8	17,5	17,4
Core capital ratio	18,1	14,4	16,3	17,5	17,4
Return on equity before tax	16,2	29,1	31,3	24,1	29,7
Return on equity after tax	12,6	22,5	24,9	17,7	21,9
Income/cost ratio	1,5	1,9	1,7	1,5	1,6
Interest-rate risk	-3,6	-2,5	-5,2	-4,8	-1,4
Currency position	0,0	0,0	0,0	0,0	0,0
Currency risk	0,0	0,0	0,0	0,0	0,0
Loans relative to deposits	0,4	0,5	-	-	-
Gearing of loans, end of year	5,6	6,5	6,3	5,4	5,4
Annual growth in loans	11,9	142,5	11,6	11,1	1,9
Excess cover relative to statutory liquidity requirements**	411,3	142,4	127,6	183,7	211,3
Total amount of large exposures	0,0	0,0	0,0	0,0	0,0
Net impairment ratio	1,4	0,2	2,0	3,4	2,6
Return on assets	1,7	2,1	3,7	2,9	3,7

\* Calculated in accordance with the Danish FSA's definition of ratios.

\*\* The methodology for measuring the liquidity ratio has been changed from June 2018 according to the new guidance from FSA, from the previous §152 liquidity ratio to the new benchmark for LCR. The ratio for the previous years is based on the old method. Therefore the ratio for 2018 cannot be compared with the ratios for previous years.

# Income statement and comprehensive income

(DKK '000)	Note	2018	2017
<i>Interest income</i>	1	811.601	675.695
<i>Interest expenses</i>	2	143.879	141.000
<i>Net interest income</i>		667.722	534.695
<i>Fees and commission income</i>	3	167.756	151.832
<i>Fees and commission paid</i>		56.230	52.222
<i>Net interest and fee income</i>		779.248	634.305
<i>Market value adjustments</i>	4	816	-3.182
<i>Other operating income</i>	5	6.535	1.316
<i>Staff costs and administrative expenses</i>	6/7	350.878	310.228
<i>Amortisation, depreciation and impairment of intangible assets and property, plant and equipment</i>	10	5.774	3.521
<i>Impairment losses, loans and receivables, etc.</i>	11	158.013	15.628
<i>Profit before tax</i>		271.934	303.062
<i>Tax</i>	12	60.624	68.676
<i>Profit for the year</i>		211.310	234.386
<i>Other comprehensive income after tax</i>		-640	-10.051
<i>Total comprehensive income</i>		210.670	224.335

## Recommended appropriation of profit

<i>Profit for the year</i>	211.310	234.386
<i>Profit retained from previous years</i>	644.189	508.463
<i>Exchange-rate adjustment</i>	-640	-10.051
<i>Total amount to be appropriated</i>	854.859	732.798
<i>Proposed dividend</i>	0	0
<i>Additional T1 capital interest</i>	482	0
<i>Transferred to equity</i>	854.377	732.798
<i>Total amount appropriated</i>	854.859	732.798

# Balance sheet

(DKK '000)	Note	2018	2017
<b>Assets</b>			
<i>Cash in hand and demand deposits with central banks</i>		12	3
<i>Receivables from credit institutions and central banks</i>	13	370.343	460.364
<i>Loans and other receivables at amortised cost</i>	14	10.654.044	9.517.088
<i>Bonds as fair value</i>		0	132.677
<i>Investment securities</i>		4.367	3.403
<i>Goodwill</i>	8	251.944	259.184
<i>Other intangible assets</i>	9	38.907	14.703
<i>Property, plant and equipment</i>	10	3.569	4.103
<i>Current tax assets</i>		0	4.760
<i>Deferred tax assets</i>	15	0	12.460
<i>Other assets</i>	16	675.887	728.885
<i>Prepayments</i>		271.398	220.179
<b>Total assets</b>		<b>12.270.471</b>	<b>11.357.809</b>



# Balance sheet

(DKK '000)	Note	2018	2017
<b>Liabilities</b>			
<b>Amounts due</b>			
Due to credit institutions and central banks	17	5.702.136	4.788.615
Deposits from customers	19	4.118.927	4.558.803
Current tax liabilities		10.780	0
Other liabilities	18	119.801	132.793
Deferred income		122.249	119.800
<b>Total amounts due</b>		<b>10.073.893</b>	<b>9.600.011</b>
<b>Provisions for liabilities</b>			
Provisions for deferred tax	15	8.843	0
<b>Total provisions for liabilities</b>		<b>8.843</b>	<b>0</b>
<b>Subordinated debt</b>			
Subordinated loans	20	290.000	290.000
<b>Equity</b>			
Share capital		239.500	221.162
Share premium		615.500	513.838
Retained earnings or loss brought forward		854.377	732.798
Additional T1 equity	20	188.358	0
<b>Total equity</b>		<b>1.897.735</b>	<b>1.467.798</b>
<b>Total liabilities and equity</b>		<b>12.270.471</b>	<b>11.357.809</b>

## Other notes

Credit risk	21	Contingent liabilities	26
Interest-rate risk	22	Related parties	27
Cash flow risk	23	Audit committee	28
Foreign exchange risk	24	Principles for intra-group trading	29
Securities lending	25	Affiliated companies	30

# Statement of changes in equity

(DKK '000)	Share capital	Share premium	Retained earnings	Proposed dividends	Total	Additional Tier 1 capital	Total
Equity, beginning of 2017	110.000	0	508.463	0	618.463	0	618.463
Capital increase	111.162	513.838	0	0	625.000	0	625.000
Profit for the year	0	0	234.386	0	234.386	0	234.386
Other comprehensive income							
Translation of units outside Denmark	0	0	-10.051	0	-10.051	0	-10.051
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-10.051</b>	<b>0</b>	<b>-10.051</b>	<b>0</b>	<b>-10.051</b>
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>224.335</b>	<b>0</b>	<b>224.335</b>	<b>0</b>	<b>224.335</b>
Transactions with the owners							
Dividends distributed	0	0	0	0	0	0	0
Proposed dividends	0	0	0	0	0	0	0
<b>Equity, end of 2017</b>	<b>221.162</b>	<b>513.838</b>	<b>732.798</b>	<b>0</b>	<b>1.467.798</b>	<b>0</b>	<b>1.467.798</b>

(DKK '000)	Share capital	Share premium	Retained earnings	Proposed dividends	Total	Additional Tier 1 capital	Total
Equity, beginning of 2018	221.162	513.838	732.798	0	1.467.798	0	1.467.798
Capital increase	18.338	101.662	0	0	120.000	0	120.000
Correction Of Previous Years Results	0	0	-88.609	0	-88.609	0	-88.609
Profit for the year	0	0	211.310	0	211.310	0	211.310
Other comprehensive income							
Translation of units outside Denmark	0	0	-640	0	-640	0	-640
<b>Total other comprehensive income</b>	<b>0</b>	<b>0</b>	<b>-640</b>	<b>0</b>	<b>-640</b>	<b>0</b>	<b>-640</b>
<b>Total comprehensive income for the year</b>	<b>0</b>	<b>0</b>	<b>210.670</b>	<b>0</b>	<b>210.670</b>	<b>0</b>	<b>210.670</b>
Additional T1 capital							
Additional T1 capital increase	0	0	0	0	0	188.358	188.358
Additional T1 capital interest	0	0	-482	0	-482	0	-482
Transactions with the owners							
Dividends distributed	0	0	0	0	0	0	0
Proposed dividends	0	0	0	0	0	0	0
<b>Equity, end of 2018</b>	<b>239.500</b>	<b>615.500</b>	<b>854.377</b>	<b>0</b>	<b>1.709.377</b>	<b>188.358</b>	<b>1.897.735</b>

The share capital amounts to DKK 239.500.000 distributed on shares of DKK 1.000 each or multiples thereof.

The share capital has been increased in January 2018 from an amount of DKK 221.162.000 into DKK 239.500.000.

# Notes to the financial statements

## Basis of preparation

The annual report has been prepared in accordance with the Danish Financial Business Act and the Executive Order on Financial Reports for Credit Institutions and Investment Companies, etc. ('the Executive Order').

## Merger

Changes have been made to the presentation of the Financial Statements following the merger in 2018 of the Swedish financing company SevenDay Finans AB into Ekspres Bank A/S. Consequently the result of the activities in Sweden are fully consolidated into the financial Statement instead of being presented as result in affiliated undertakings.

As the merger is retroactively and is accounted for according to the uniting-of-interest method "sammenlægningsmetoden", the comparative figures of 2017 have been modified to display the entity as if the activities had been merged back to the date of the acquisition.

## IFRS 9

Changes have been made to the Danish IFRS-aligned accounting regulations based on the new IFRS 9 accounting standard, applicable from January 1st 2018.

The IFRS 9 accounting standard changes to a significant degree the applicable rules for classification and measurement of financial instruments as well as the current provisioning rules. Under IFRS 9 standard, the previous IAS39 provisioning model, which was based on incurred losses, is replaced by a provisioning model based on expected losses. The new expectation-based provisioning model implies that a financial asset will, at the time of booking, be provisioned with an amount equivalent to the expected credit loss in 12 months (stage 1). In case of a significant increase in credit risk, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset (stage 2). In case Objective Indication of Impairment is registered, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset, but based on a higher probability of loss (stage 3).

Ekspres Bank has applied the IFRS 9 standard from 1st of January 2018. In terms of comparative figures, the IFRS 9 offers the option to avoid retroactive retreatment of the standard, which means the previous years are presented unchanged despite the new methodology in 2018.

## Classification and measurement

According to IFRS 9, classification and measurement of financial assets depend on the business model and the contractual characteristics of the instruments. On initial recognition, financial assets is measured at amortized cost, at fair value through shareholders' equity (on a separate line), or at fair value through profit or loss.

- **Financial assets at amortized cost**

Financial assets are classified at amortized cost if both of the following criteria are met: the business model objective is to hold the financial instrument in order to collect contractual cash flows (collection business model) and the cash flows consist solely of payments relating to principal and interest on the principal.

Disposal of portfolios close to the maturity date and for an amount close to the remaining contractual cash flows or due to a credit risk increase of the customer (debt sale of non-performing portfolio) is compatible with a "collection" business model. Sales imposed by regulatory constraints or to manage the concentration of credit risk (without increasing credit risk) are also compatible with this management model as long as they are infrequent or insignificant in value.

Upon initial recognition, these financial assets are recognized at fair value, including transaction costs directly attributable to the transaction and commissions related to the provision of loans. They are subsequently measured at amortized cost, including accrued interest and net of principal repayments and interest payments made during the period.

These financial assets are also initially subject to an impairment calculation for expected credit risk losses (see impairment note).

Interest is calculated using the effective interest rate method determined at the inception of the contract.

# Notes to the financial statements

## **Classification and measurement (continued)**

- **Financial asset at fair value through shareholders' equity**

Financial assets are classified in this category if the business model is achieved by both holding the financial assets in order to collect contractual cash flows and selling the assets and if the cash flows solely consist of payments relating to principal and interest on the principal.

Upon disposal, amounts previously recognized in shareholders' equity is transferred to profit or loss.

- **Financial assets at fair value through profit or loss**

All debt instruments not eligible for classification at amortized cost or at fair value through shareholders' equity is presented at fair value through profit or loss.

Investments in equity instruments such as shares is also classified as instruments at fair value through profit or loss,

## **Impairment**

Ekspres Banks credit risk impairment model is based on expected losses. This model applies to loans and debt instruments classified at amortized cost or equity market value, loan commitments and financial guarantee contracts that are not booked at fair value, as well as to trade receivables.

## **General impairment model**

Ekspres Bank identifies three "stages" each corresponding to a specific situation with respect to the evolution of the credit risk of the counterparty since the initial recognition of the asset.

- Expected credit losses at 12 months ("stage 1"): if, at closing date, the credit risk of the financial instrument has not increased significantly since its initial recognition, this instrument is subject to a provision for depreciation for an amount equal to expected credit losses at 12 months (resulting from risks of default in the next 12 months).
- Expected credit losses at maturity for non-impaired assets ("stage 2"): the provision for depreciation is measured for an amount equal to the expected credit losses over the full lifetime (at maturity) if the credit risk of the financial instrument has increased significantly since initial recognition without the financial asset being impaired.
- Expected credit losses at maturity for impaired financial assets ("stage 3"): when an asset is impaired, the provision for depreciation is measured for an amount equal to the expected credit losses at maturity.

This general model is applied to all instruments in the scope of the impairment of IFRS 9, except for impaired assets as soon as they are acquired or issued and instruments for which a simplified model is used (see below).

The expected credit loss approach under IFRS 9 is symmetrical, meaning that if some expected credit losses at maturity have been recognized in a previous closing period, and if there is no longer any indication of significant increase in credit risk for the financial instrument during the current closing period since its initial recognition, then the provision is calculated on the basis of expected credit losses at 12 months.

## **Impaired financial assets**

A financial asset is impaired and classified as "stage 3" when one or more events that have a negative impact on the future cash flows of that financial asset have occurred.

At the individual level, an objective indication of impairment includes any observable data relating to the following events:

- the existence of unpaid installment for at least 90 days:
- the knowledge or observation of significant financial difficulties of the customer indicating the existence of a credit risk, even if there is no unpaid installment,
- concessions granted to the terms and condition of the loans, which would not have been granted in the absence of financial difficulties of the customer

# Notes to the financial statements

## Simplified model

The simplified model consists of recognizing a provision for depreciation on the basis of a credit loss expected at maturity from the beginning and reassessed at closing date. Ekspres Bank applies this model to trade receivables with a maturity of less than 12 months.

## Significant increase in credit risk

Significant increase in the credit risk will be assessed on an individual basis or on a collective basis (by grouping the financial instruments according to common credit risk characteristics) by taking into consideration all reasonable and supportable information and comparing the default risk of the financial instrument at the closing date with the default risk on the date of its initial recognition.

Assessment of deterioration will be measured by comparing probability of default/ratings on the date of initial recognition and those existing at the reporting date.

Under the standard, there is also a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

In the specific business of consumer credit, the assessment of deterioration is also based on the existence of a payment incident that has been regularized but occurred during the last 12 months and measures of forbearance granted to a client during the last 36 months.

## Measurement of expected credit losses

Expected credit losses are a probability-weighted estimate of credit losses (ie. the present value of cash shortfalls) over the expected lifetime of the financial instrument.

- In practice, for exposures classified in stage 1 and stage 2, the expected credit losses are calculated as the product of the probability of default ("PD"), the loss given default ("LGD") and the Exposure at Default ("EAD") discounted at the effective interest rate of the exposure. They result from the risk of default in the next 12 months (stage 1) or the risk of default over the lifetime of the exposure (stage 2).  
In the specific business of consumer finance and given the characteristics of the portfolios, the method used by Ekspres Bank is based on probabilities of transition into the default stage and on discounted loss rates at default. Calculation of the parameters are made statistically by homogeneous population.
- For exposures classified in stage 3, the expected credit losses are calculated as the discounted value at the effective interest rate of the cash shortfall over the life of the instrument. Cash shortfall is the difference between the cash flows that are due by the customer in accordance with the contract and the cash flow that the bank is expects to receive.

The resulting impairment losses are recognized in the income statement under "Impairment losses on loans and receivables".

## Liquidity ratio

In the Financial Highlights and the Supervisory Diamond, the benchmark for measuring the Liquidity ratio as an indicator for excess coverage relative to statutory requirements has been changed from June 2018 according to the new guidance from FSA, from the previous §152 liquidity ratio to the new benchmark for LCR. The ratio for the previous years is based on the old method. Therefore the ratio for 2018 cannot be compared with the ratios for previous years.

Besides from the changes due to IFRS9 and the change in the liquidity ratio, the accounting policies are consistent with those of last year.



# Notes to the financial statements

## **Recognition and measurement**

Assets are recognized in the balance sheet when it is probable that future economic benefits will flow to the bank and the value of the assets can be measured reliably.

Liabilities are recognized in the balance sheet when it is probable that future economic benefits will flow out of the bank and the value of the liability can be measured reliably.

## **Significant accounting estimates**

The measurement of certain assets and liabilities requires the management to estimate the influence of future events on the value of these assets and liabilities.

The accounting estimates are based on assumptions which, according to management, are reasonable, but inherently uncertain. The estimates and assumptions are based on historical experience and a range of other factors considered reasonable given the prevailing circumstances. The actual outcome may differ from these estimates and assessments. Estimates and assumptions are reviewed regularly. Changes in estimates are recognized in the period in which the change is made and the future periods affected.

The estimates most critical to the financial reporting are the impairment charges for loans and goodwill measurement and are presented in the following sections.

## **Foreign currencies**

Foreign currency transactions are translated using the exchange rate at the transaction date. Receivables, liabilities and other monetary items are translated using the rate of exchange at the balance sheet date. Exchange rate differences between the transaction date and the settlement date or the balance sheet date, respectively, are recognized in the income statement as value adjustments.

Exchange rate differences arising at the balance sheet date in the foreign branches are taken directly to equity.

## **Interest income and expenses**

Income and expenses are accrued over the lifetime of the transactions and recognized in the income statement at the amounts relevant to the financial reporting period.

## **Fees**

Fees are normally recognized as income when received.

Establishment fees received and commissions paid for loans arranged are amortized over the term of the related loans based on the effective interest method.

Collection fees are taken to the income statement when entered in the customers' accounts, since debt collection procedures are performed internally in Ekspres Bank.

## **Staff costs and administrative expenses**

Wages, salaries and other types of remuneration are expensed in the income statement as earned. Compensated absence commitments are expensed as the actual number of holidays are earned and spent.

# Notes to the financial statements

## Derivatives

Derivatives are measured at fair value at the settlement date. Fair value adjustments of unsettled financial instruments are recognized from the trading date to the settlement date. The gross value is stated in "Other assets" and "Other liabilities" considering any netting agreements.

Fair value adjustments of derivatives which do not qualify for being treated as hedging instruments are recognized in the income statement.

Interest in connection with interest-rate swaps is recognized as "Interest income". Calculated fair value adjustments are recognized as value adjustments in the income statement.

## Loans and advances

After initial recognition, amounts due to the bank are measured at amortized cost less impairment losses (see section on financial assets at amortized cost).

## Investment securities

Investments securities are measured at fair value, with fair value changes recognized in the income statement under "Other operating income".

## Measurement of goodwill

Goodwill is tested for impairment annually as to whether there is an indications of impairment, by comparing the carrying amount of the unit with its recoverable amount. If the recoverable amount is less than the carrying amount, an irreversible impairment loss is recognized, and the goodwill is written down by the excess of the carrying amount of the unit over its recoverable amount. Recoverable amount is based on an estimate of the future cash flows to be generated by the unit, derived from the annual forecasts and discounted at a rate that reflects the return that investors would require from an investment in the business sector and region involved.

## Intangible assets

Licenses and software are recognized in the balance sheet at cost less straight-line amortization. Amortization is based on the estimated useful lives of the assets, however maximum five years.

Expenses for developing systems to achieve new or improved processes are recognized as an asset in the balance sheet, if the process is technically and commercially usable and sufficient resources exist to complete the development and future use of the intangible asset.

IT development costs are recognized in the balance sheet at cost, with the addition of production overheads, less straight-line amortization. Amortization is based on the estimated useful lives of the assets, however maximum eight years. Assets in progress are recognized in the balance sheet at cost.

An impairment test is performed for intangible assets if there is objective evidence of impairment. The impairment test is made for the activity or business area to which the intangible assets relate. Intangible assets are written down to the higher of the value in use and the net selling price for the activity or the business area to which the intangible assets relate, if it is lower than the carrying amount.

## Property, plant and equipment

Operating equipment is recognized in the balance sheet at cost less straight-line depreciation. Depreciation is based on the estimated useful lives of the assets, however maximum six years.

## Other assets

In addition to the positive market value of derivatives, this item comprises accrued interest income on loans and excess payment made to the Swedish tax authority.

# Notes to the financial statements

## **Prepayments / Deferred income**

Prepayments recognized under assets comprise accumulated expenses settled and distributed over the expected terms of the loans. This item also includes prepaid expenses.

Deferred income comprises income received in advance; establishment fees and trade commission.

## **Debt to credit institutions, central banks and deposits**

Financial liabilities are recognized on inception and measured at the proceeds received net of transaction costs incurred. Interest-bearing debt is subsequently measured at amortized cost using the effective interest-rate method. Other payables is subsequently measured at nominal unpaid debt.

## **Other liabilities**

Other liabilities include trade payables, other accrued expenses and interest payable.

## **Subordinated debt**

Subordinated debt comprises of Tier 2 capital instruments and guarantor capital which, in the case of liquidation or bankruptcy and pursuant to the loan conditions, cannot be settled until the claims of ordinary creditors have been met.

At initial recognition subordinated debt is measured at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, subordinated debt is measured at amortized cost.

## **Additional Tier 1 capital**

Additional tier 1 capital comprises of deeply subordinated capital instruments and guarantor capital which, in the case of extreme liquidity stress and loss of capital, will be converted into ordinary capital, and cannot be settled until the claims of ordinary creditors have been met.

At initial recognition subordinated debt is measured at fair value, equaling the payment received less directly attributable costs incurred. Subsequently, additional tier 1 capital is measured at amortized cost.

As the additional tier 1 capital qualifies as an equity instrument, the interest paid and accrued on the additional tier 1 capital is recognized in the financial statement as dividend.

## **Income taxes**

Current tax charges are recognized in the balance sheet as the estimated tax charge in respect of the expected taxable income for the year, adjusted for tax on prior years' taxable income and tax paid in advance.

## **Deferred tax**

Provisions for deferred tax are calculated at 22% of all temporary differences between carrying amounts and tax values, with the exception of temporary differences occurring at the time of acquisition of assets and liabilities neither affecting the results of operations nor the taxable income, and temporary differences on non-amortizable goodwill.

Deferred tax assets are measured at the value at which they are expected to be utilized, either through elimination against tax on future earnings or as a set-off against deferred tax liabilities.

## **Dividends**

Proposed dividends are recognized as a liability once approved by the annual general meeting of shareholders (date of declaration). Until the proposal is approved, dividends payable for the year are shown in equity.

# Notes to the financial statements

## **IFRS16 Leases**

Due to changes in local regulation on leasing, deriving from the changes of IFRS 16, the methodology for measuring and classification of lease contracts are changing. The standard IFRS16 on Leases published in January 2016 supersedes the IAS17 standard. The new definition of a lease contract implies, on one hand the identification of a lease asset and on the other, the control of the Right of Use (ROU) by the Lessor.

From a lessor point of view, the impact of the IFRS 16 is limited as the new standard substantially carries forward lessor accounting principles defined in IAS 17.

From a lessee point of view, the new standard stipulates the booking in lessee's balance sheet of all of the leasing contracts in the form of Right of Use of the leased asset booked under Tangibles and the leases (and related payments) as a Liability during the entire lease period. The ROU asset will be amortized and the leases payments in Liabilities will be capitalized during the entire lease period. At this point in time Ekspres Bank only acts as a lessee.

IFRS16 changes all lease contracts that according to previous standards IAS17 were defined as simple operational lease and which were not reported on the balance sheet.

IFRS16 is published by European Union on 31 October 2017 and is required from January 1st 2020.

During 2018, Ekspres Bank has been part of the BNPP Group project of IFRS16, and has identified all the lease contracts, which for the bank consists of premises lease and car leasing. Full implementation of the new methodology will take place from 1<sup>st</sup> of January 2019, and the change from IAS17 to IFRS 16 methodology is deemed as not significant for Ekspres Bank.

# Notes to the financial statements

(DKK '000) 2018 2017

## Financial highlights

Financial highlights are shown on page 22

### 1 Interest income

Loans and other receivables	810.471	675.430
Other interest income	1.130	265
<b>Total</b>	<b>811.601</b>	<b>675.695</b>

Ekspres Bank does not provide segment disclosures, as the bank exclusively operates in the Nordic within a uniform customer group with a range of different products in the same category.

Other interest income relates to refunds from tax authorities.

### 2 Interest expenses

Credit institutions and central banks	102.428	106.005
Reverse repo transactions with credit institutions and central banks	0	404
Deposits	31.151	22.487
Derivatives, total	2.859	5.574
Thereof concerning:		
Interest-rate agreements	2.859	5.574
Subordinated loans	7.441	6.530
<b>Total</b>	<b>143.879</b>	<b>141.000</b>

### 3 Fees and commission income

Payment service fees	26.165	27.960
Other fees and commission income	141.591	123.872
<b>Total</b>	<b>167.756</b>	<b>151.832</b>

### 4 Market value adjustments

Derivatives	816	-3.182
<b>Total</b>	<b>816</b>	<b>-3.182</b>



# Notes to the financial statements

(DKK '000)	2018	2017
<b>5 Other operating income</b>		
<i>Income from VISA shares</i>	983	626
<i>Other income</i>	5.552	690
<b>Total</b>	<b>6.535</b>	<b>1.316</b>

*Other operating income mainly relates to VAT refunds from prior years.*

## 6 Staff costs and administrative expenses

### Staff costs and administrative expenses

<i>Wages and salaries</i>	137.360	112.771
<i>Pension</i>	14.972	12.450
<i>Social security costs</i>	30.175	24.768
<b>Total</b>	<b>182.507</b>	<b>149.989</b>
<i>Other administrative expenses</i>	168.371	160.239
<b>Total staff costs and administrative expenses</b>	<b>350.878</b>	<b>310.228</b>

### Number of employees

<i>Average number of full-time employees during the financial year</i>	217	183
<i>Executive Board</i>	1	2
<i>Employees whose activities have a significant impact on the bank's risk profile</i>	9	10
<i>Board of Directors</i>	11	10

### Salary and remuneration paid to Executives Board and Board of Directors

<i>Executive Board</i>		
<i>Christophe Jehan, from March 2017</i>	3.256	2.713
<i>Thereof variable salary (partly estimated amount)</i>	458	380
<i>John Poulsen, until September 2017</i>	0	6.933
<i>Thereof variable salary</i>	0	1.012
<i>Employees whose activities have a significant impact on the bank's risk profile</i>	16.426	15.271
<i>Thereof variable salary (partly estimated amount)</i>	1.530	1.030
<i>Board of Directors</i>		
<i>Michael Ravbjerg Lundgaard</i>	109	145
<i>John Poulsen</i>	468	108
<b>Total</b>	<b>20.258</b>	<b>25.170</b>

*The salary and remuneration paid to executive board was last year influenced by change in Executive Board during the year and compensation pay to previous CEO.*

*Moreover, Ekspres Bank has no pension liabilities vis-à-vis current or former Board members.*

# Notes to the financial statements

(DKK '000)	2018	2017
<b>6 Staff costs and administrative expenses (continued)</b>		
<b>Loans to management</b>		
<i>Executive Board</i>	0	0
<i>Board of Directors</i>	831	682
<i>Security for loans, etc.</i>	0	0
<b>Total</b>	<b>831</b>	<b>682</b>
<b>7 Audit fees</b>		
<i>Total fee to the auditors appointed by the general assembly who perform statutory audit</i>	1.620	1.394
<i>Thereof concerning statutory audit</i>	1.438	1.146
<i>Thereof concerning fees for other assurance assistance</i>	68	219
<i>Thereof concerning tax advice</i>	10	10
<i>Thereof concerning other services</i>	105	19
<b>8 Goodwill</b>		
<i>Goodwill, beginning of year</i>	259.184	0
<i>Foreign exchange adjustment</i>	-7.240	-3.356
<i>Additions in the year</i>	0	262.540
<i>Disposals in the year</i>	0	0
<i>Transfers</i>	0	0
<b>Cost, end of year</b>	<b>251.944</b>	<b>259.184</b>
<i>Amortisation and impairment losses, beginning of year</i>	0	0
<i>Amortisation and impairment losses, end of year</i>	0	0
<b>Carrying amount, end of year</b>	<b>251.944</b>	<b>259.184</b>

# Notes to the financial statements

(DKK '000)	2018	2017
<b>9 Other intangible assets</b>		
<i>Cost, beginning of year</i>	135.923	76.004
<i>Additions at acquisition of activities</i>	0	50.767
<i>Foreign exchange adjustment</i>	-1.521	-850
<i>Additions in the year</i>	31.385	10.392
<i>Disposals in the year</i>	1.730	0
<i>Transfers</i>	-985	-390
<i>Cost, end of year</i>	163.071	135.923
<i>Amortisation and impairment losses, beginning of year</i>	121.219	69.473
<i>Amortisation and impairment losses at acquisition of activities</i>	0	49.736
<i>Foreign exchange adjustment</i>	-1.435	-850
<i>Amortisation for the year</i>	4.380	2.860
<i>Amortisation and impairment losses, end of year</i>	124.165	121.219
<i>Carrying amount, end of year</i>	38.907	14.703

## 10 Property, plant and equipment

<i>Cost, beginning of year</i>	14.818	4.152
<i>Additions at acquisition of activities</i>	0	8.901
<i>Foreign exchange adjustment</i>	-280	-2
<i>Additions in the year</i>	695	2.094
<i>Disposals in the year</i>	3.875	0
<i>Transfers</i>	306	-327
<i>Cost, end of year</i>	11.664	14.818
<i>Depreciation and impairment losses, beginning of year</i>	10.715	4.044
<i>Amortisation and impairment losses at acquisition of activities</i>	0	5.515
<i>Foreign exchange adjustment</i>	-181	-2
<i>Amortisation for the year</i>	1.416	1.158
<i>Reversal of amortisation charges and impairment losses</i>	-3.856	0
<i>Depreciation and impairment losses, end of year</i>	8.094	10.715
<i>Carrying amount, end of year</i>	3.569	4.103

# Notes to the financial statements

(DKK '000)	2018	2017
<b>11 Write-downs on loans and receivables</b>		
<i>Individual impairment losses during the year</i>	303,977	104,748
<i>Reversal of individual impairment losses recognised in previous years</i>	-155,565	-58,618
<i>Reversal of group impairment losses recognised in previous years</i>	-703	-4,128
<i>Final loss on debt previously written down</i>	41,445	79,267
<i>Loss on debt not previously written down</i>	0	62,294
<i>Amounts received, previously written-off debt</i>	-36,372	-169,147
<i>Other movements</i>	5,231	1,212
<b>Total</b>	<b>158,013</b>	<b>15,628</b>

## 12 Tax

<i>Estimated current tax for the year</i>	42,734	65,164
<i>Deferred tax</i>	18,384	3,908
<i>Adjustment of estimated tax in prior years</i>	-494	-395
<b>Total</b>	<b>60,624</b>	<b>68,677</b>

<i>Current tax rate</i>	22,0%	22,0%
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### Tax for the year comprises:

<i>Profit before tax and affiliated undertakings</i>	271,934	303,062
<i>Statutory income tax rate of 22%</i>	59,825	66,674
<i>Adjustment of prior years' income tax</i>	0	0
<i>Adjustment of prior years' deferred tax</i>	-493	-395
<i>Local Norwegian current tax</i>	129	103
<i>Effect of lower tax rates</i>	0	0
<i>Effect of different tax rates in other countries</i>	18	14
<i>Non-taxable income</i>	0	-54
<i>Non-deductible expenses</i>	1,269	2,341
<i>Tax liability additional T1 capital interest</i>	-106	0
<i>Foreign exchange adjustments</i>	-18	-6
<b>Total</b>	<b>60,624</b>	<b>68,677</b>
<i>Effective tax rate</i>	22,29%	22,66%

# Notes to the financial statements

(DKK '000)	2018	2017
<b>13 Receivables from credit institutions and central banks</b>		
<i>Receivables from credit institutions</i>	370.343	460.364
<i>Total</i>	370.343	460.364
<b>Distribution of terms by maturity</b>		
<b>Receivables from credit institutions and central banks</b>		
<i>Up to three months</i>	370.343	460.364
<i>Total</i>	370.343	460.364
<b>14 Loans and other receivables at amortised cost</b>		
<i>Up to three months</i>	2.098.654	570.887
<i>From three months to one year</i>	1.391.450	1.758.308
<i>From one year to five years</i>	3.258.866	6.755.510
<i>More than five years</i>	3.905.074	432.383
<i>Total</i>	10.654.044	9.517.088
<b>Loans, other receivables and guarantees broken down by sector (%)</b>		
<i>Private</i>	100	100
<i>Total</i>	100	100

# Notes to the financial statements

(DKK '000)	2018	2017
<b>15 Deferred tax</b>		
<i>Tangible assets</i>	-3.906	-2.336
<i>Tax loss carry forward</i>	0	2.733
<i>Other</i>	-4.937	12.063
<b>Total</b>	<b>-8.843</b>	<b>12.460</b>

## 16 Other assets

<i>Positive market value of derivative financial instruments</i>	1.371	355
<i>Interest and commission receivables</i>	27.702	23.587
<i>Other assets</i>	39.648	16.367
<i>Tax account</i>	607.166	688.574
<b>Total</b>	<b>675.887</b>	<b>728.883</b>

## 17 Due to credit institutions and central banks

<i>Overnight</i>	0	0
<i>Up to three months</i>	1.168.379	778.444
<i>From three months to one year</i>	1.615.787	1.262.604
<i>From one year to five years</i>	2.614.190	2.152.993
<i>More than five years</i>	303.779	594.575
<b>Total</b>	<b>5.702.136</b>	<b>4.788.616</b>

## 18 Other liabilities

<i>Negative market value of derivatives</i>	1.637	1.397
<i>Accrued interest</i>	21.688	16.660
<i>Other liabilities</i>	96.476	114.736
<b>Total</b>	<b>119.801</b>	<b>132.793</b>



# Notes to the financial statements

(DKK '000)	2018	2017
<b>19 Deposits from the public</b>		
<b>Deposits from the public broken down by maturity</b>		
Overnight	3.639.758	3.903.125
Up to three months	110.872	403.849
From three months to one year	211.277	163.819
From one year to five years	157.020	88.010
<b>Total</b>	<b>4.118.927</b>	<b>4.558.803</b>
<i>* All deposits are interest- bearing</i>		
<b>Deposit from the public broken down by interest-rate terms of contract</b>		
Deposits with fixed interest terms up to 36 months**	586.694	1.462.564
Deposits with transactions/ movements in the account	3.532.233	3.096.239
<b>Total</b>	<b>4.118.927</b>	<b>4.558.803</b>
<i>**This type is also withdrawable against a fee</i>		
<b>Deposits from the public broken down by sector</b>		
Households	4.089.706	4.433.295
Corporate	29.221	125.508
<b>Total</b>	<b>4.118.927</b>	<b>4.558.803</b>

# Notes to the financial statements

(DKK '000) 2018 2017

## 20 Subordinated debt

### Subordinated debt

<i>Loan - Nominal</i>	<i>Start date</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Currency</i>	<b>2018</b>	<b>2017</b>
Loan 1 - 165.000	27-06-2016	09-07-2026	CIBOR 3M +2,28%	DKK	165.000	165.000
Loan 2 - 125.000	29-05-2017	09-06-2027	CIBOR 3M +3,25%	DKK	125.000	125.000
<i>Total</i>					290.000	290.000

The subordinated loans are qualified as Tier 2 instruments pursuant CRR regulation.

In year 2018 the interest costs due to subordinated loans were in amount of 7,44 MDKK.

### Additional Tier 1 loan

<i>Loan - Nominal</i>	<i>Start date</i>	<i>Maturity date</i>	<i>Interest rate</i>	<i>Currency</i>	<b>2018</b>	<b>2017</b>
T1 Loan - 250.000	19-12-2018	perpetual	NIBOR 3M+liquidity cost+subordinated spread	NOK	250.000	0

The deeply subordinated loans are qualified as Tier 1 instrument and part of equity pursuant CRR regulation.

The additional Tier 1 capital will be written down if the common equity tier 1 (CET 1) ratio falls below 7% for Ekspres Bank.

In year 2018 the interest costs due to additional tier 1 loans were in amount of 0,48 MDKK.

# Notes to the financial statements

(DKK '000)	2018	2017
<b>21 Credit risk</b>		
<b>Loans and other receivables at fair value and amortised cost distributed on sectors</b>		
<i>Private</i>	10.654.044	9.517.088
<i>Total</i>	10.654.044	9.517.088
<b>Impairment of objectively impaired loans and receivables, individual</b>		
<i>Accumulated impairment losses, beginning of year</i>	265.423	376.364
<i>Effect of FTA adjustment IFRS9</i>	113.685	0
<i>Reclassification from loans</i>	0	87.876
<i>Changes in the year:</i>		
<i>Individual impairment losses in the year</i>	303.977	104.748
<i>Reversal of individual impairment losses recognised in prior years</i>	-155.565	-58.618
<i>Impairment provisions used and derecognised at disposal</i>	-146.410	-244.946
<i>Accumulated impairment losses, end of year</i>	381.109	265.423
<b>Collective impairment losses loans and receivables</b>		
<i>Accumulated impairment losses, beginning of year</i>	700	4.901
<i>Changes in the year:</i>		
<i>Reversal of collective impairment losses recognised in prior years</i>	-703	-4.128
<i>Other movements</i>	3	-73
<i>Accumulated impairment losses, end of year</i>	0	700

# Notes to the financial statements

(DKK '000)

2018

2017

## 21 Credit risk (continued)

### Loans and other receivables distributed in stages

	Stage 1	Stage 2	Stage 3	Total
<b>Private</b>	9.303.778	831.637	518.628	10.654.044
<b>Total</b>	9.303.778	831.637	518.628	10.654.044

### Credit risk

The bank's primary risk is the credit area. The maximum loan granted to private individuals is DKK 500.000 000 in local currency in Denmark, Norway and Sweden. Consequently, the bank has a geographically diversified loan portfolio in order to spread its risk exposure.

The bank has well-documented policies and processes for handling its segmented loan portfolio. This means that the bank performs a systematic monitoring of the loan portfolio at all stages. Furthermore, the bank performs a credit scoring of all new loans based on experience and information received from its customers. We use a dynamic documentation request depending on the customer scores and requested amounts in the applications.

If a loan falls into arrears, it will go through a well-defined debt collection process performed by the bank's collection department. The bank applies an effective internal control system on loans falling into arrears.

Impairment losses on loans are recognised at the time of booking, provisioned with an amount equivalent to the expected credit loss in 12 months (stage 1). In case of a significant deterioration of the credit risk, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset (stage 2). In case Objective Indication of Impairment is registered, the asset will be provisioned with an amount equivalent to the expected credit loss in the remaining lifetime of the asset, but based on a higher probability of loss (stage 3).

At any time and in accordance with the existing credit policies, guidelines and procedures, reports on the portfolio segmentation of the bank are regularly prepared for local committees, with the participation of the bank's Management. Moreover monthly reports are prepared for the Corporate Risk Department in France and a separate reporting is prepared for scheduled Board of Directors meetings.

# Notes to the financial statements

(DKK '000)

## 21 Credit risk (continued)

FSA categ.	IFRS 9 strata	Description categories	Stage 1	Stage 2	Stage 3	Total
	1	Performing Exposures- "Pure"	9.250.113			
	2	Never NPE but with Past-due exposures more than 12 months ago	41.847			
2a		<b>Total</b>	9.291.960			9.291.960
	3	Past-due exposures in the last 12 months and never Non Performing		430.337		
	4	PE with Forbearance		60.132		
	5	PE without past-due in the last 12 months and without Forbearance but has been flagged as NPE in the last 12 months	11.818			
	6	NPE, not Forbearance but with past-due in the last 12 months		9.495		
	7	NPE without arrears		142.190		
	8	Exposures 30 days delinquent never NPE		77.040		
	9	Exposures 30 days delinquent and previously NPE more than 12 months ago		7.553		
	10	Exposures 30 days delinquent and previously NPE in the last 12 months		19.663		
2b		<b>Total</b>	11.818	746.410		758.228
	11	Exposures more than 30 days delinquent but never NPE		57.014		
	12	Exposures more 30 days delinquent and previously NPE more than 12 months ago		1.859		
	13	Exposures more than 30 days delinquent and previously NPE in the previous 12 months		26.353		
	15	Exposures with restructuring			290.099	
2c		<b>Total</b>	-	85.227	290.099	375.326
1	17	Litigation			228.530	228.530
<b>Total</b>			9.303.778	831.637	518.628	10.654.044

# Notes to the financial statements

(DKK '000)

## 21 Credit risk (continued)

The internal rating of the Bank is a model developed by BNPP Paribas Personal Finance for usage by the entities of Personal Finance. It classifies the customers according to a combination of Arrears status, NPE (Non-Performing) indicator, FBE (Forbearance) indicator and Litigation process. This results in a set of different stratifications, which are the basis for provisioning. A bridge is made between these stratifications and the FSA grading categories thus:

- **Category 1 (Indicators of Impairment):**  
This category is linked to all clients who have an Indication of Impairment, eg. by being in default, undergoing a debt restructuring or deceased customer process. It thus covers all accounts which are proven highly vulnerable. No granting is made to these customers.
- **Category 2c (High risk):**  
This category is linked to clients who are right now in significant arrears, and thus at high risk of defaulting, but not yet defaulted. No granting is made to these customers.
- **Category 2b: (Medium risk):**  
This category is applied for customers where there has been historical arrears, or the client is presently in early arrears. No granting is made to the customers where the arrears are recent (< 6 months ago).
- **Category 2a: (Low risk):**  
This category is used for clients where there are no arrears, either present or recent, and the customer is otherwise in good standing with no Forbearance or Non-Performing indications. Granting can be made to these customers provided they fulfill the ordinary granting requirements.
- **Category 3: (No risk):**  
This category is grouped together with Category 2a.

This bridging ensures that there is a link between the provisioning applied in the accounting books of Ekspres Bank, and the reporting on the FSA grading.

This categorization is updated monthly for the complete portfolio.

## Changes in impairment Credit Risk

Impairment movements per stage	Stage 1	Stage 2	Stage 3	Total
Impairment at the beginning of the year				(266.122)
IFRS9 application	(83.070)	(97.067)	(199.670)	(113.685)
Derecognition including disposals	21.622	78.133	80.411	180.166
Transfer to Stage 1	(977)	6.922	-	5.945
Transfer to Stage 2	8.226	(185.480)	4.302	(172.953)
Transfer to Stage 3	345	73.449	(103.156)	(29.362)
Origination	(55.931)	(4.755)	(67)	(60.753)
Impairment provisions used	-	682	6.356	7.038
Change without transfer	12.644	17.249	52.083	81.977
Others	487	(16.155)	2.308	(13.360)
Impairment at the end of the year	(96.654)	(127.021)	(157.434)	(381.109)

Changes in stageflows etc. are measured as a sum of the quarterly movements.



# Notes to the financial statements

(DKK '000)

## 22 Interest-rate risk

### Derivative financial instruments

SWAPS	2018				2017	
	Nominal value	Net market value	Positive market value	Negative market value	Nominal value	Net market value
Interest-rate agreement	997.811	-267	1.371	-1.637	1.239.167	-1.043

According to the definition by the Danish Financial Supervisory Authority (DFSA) the bank's interest-rate risk amounts to -3,6% (2017: -2,5%) of the core capital less all deductions, cf. overview of financial highlights.

The bank's interest-rate risk derives from the difference between interest terms and loan terms on the bank's loan portfolio in relation to funding. The bank's policy is to match the funding interest and loan interest in order to mitigate the interest-rate risk. Ekspres Bank attempt, as far as possible, to hedge its portfolio by means of derivative financial instruments.

## 23 Cash flow risk

Since the bank is only partly funded from the market through deposits and partly by the parent company BNP Paribas with whom Ekspres Bank has sufficient contractually committed credit line agreements - for both the Danish, Swedish and Norwegian market - the liquidity risk is minimised.

The bank's liquidity position is continuously monitored to ensure that the bank meets its payment obligations at all times.

If liquidity drops below the established limits of the excess liquidity coverage, the necessary actions must be initiated immediately in order to restore the agreed excess liquidity coverage ratio.

Necessary measures are prioritised as follows:

- raise additional short-term funding in the money market
- obtain additional long-term funding from Danish or foreign lenders or through a bond loan
- establish long-term deposits
- reduce lending
- extend the own funds through a share issue or by obtaining additional Tier 1 or 2 capital
- divestment of activities/loan portfolios

The Board of Directors reviews the bank's liquidity policy and performs all necessary adjustments on the recommendation of the Executive Board.

# Notes to the financial statements

(DKK '000)

## 24 Foreign exchange risk

With the aim of reducing exchange rate risk to the widest possible extent, it is the bank's policy to obtain funding in the same currency as loans. Also the goodwill related to the activities in Sweden is hedged via funding in SEK. Thus, the bank has no or a very limited exchange rate risk.

## 25 Securities lending

	Nominal value	Market value
Bonds and other fixed income securities	330.778	345.357
<b>Total</b>	<b>330.778</b>	<b>345.357</b>

Securities are borrowed as a security lending transaction with BNP.

## 26 Contingent liabilities

	2018	2017
Unused credit and loan commitments	741.059	610.401
Other contingent liabilities	9.514	7.207
<b>Total</b>	<b>750.573</b>	<b>617.608</b>

Contingent liabilities are related to unused credit and loan commitments to customers who have not yet signed the loan agreement.

Other contingent liabilities include obligations such as rent of premises and other significant contracts.

# Notes to the financial statements

(DKK '000)

## 27 Related parties

### Controlling interest

#### Ultimate parent company

BNP Paribas  
16, Boulevard des Italiens  
75009 Paris  
France



**BNP PARIBAS**

#### Parent company

BNP Paribas Personal Finance S.A.  
Unicity  
143 rue Anatole France  
92300 Levallois-Perret  
France



**BNP PARIBAS**  
**Personal Finance**

The consolidated financial statements are available from BNP Paribas' website: [www.bnpparibas.com](http://www.bnpparibas.com)

## 28 Audit committee

### Members of the Audit Committee

Michael Ravbjerg Lundgaard  
John Poulsen

## 29 Principles for intra-group trading

Intra-group transactions and services are settled on an arm's length basis or on a cost-reimbursement basis.

<b>Transactions with related parties</b>	<b>2018</b>	<b>2017</b>
Loans from related parties	6.130.714	5.072.834
Loans to related parties	0	75.605
Interest costs	107.550	110.704
Insurance income	38.737	28.104
Reinvoiced external costs	7.892	5.046

No transactions have been conducted between Ekspres Bank and its ultimate parent, BNP Paribas or other subsidiaries of the BNP group in 2018, except for loans from (2018: MDKK 6.131, 2017: MDKK 5.073), loans to and receivables from (2018: 0 MDKK, 2017: MDKK 76), net interest (2018: MDKK 108, 2017: MDKK 111), insurance income (2018: MDKK 39, 2017: MDKK 28), reinvoiced external costs (2018: MDKK 8, 2017: MDKK 5) and the security lending mentioned in note 25.

# Notes to the financial statements

(DKK '000)

2018

## 30 Affiliated companies

### Name and location

Ekspress Bank NUF

Oslo, Norway

Share in %	100
Average number of employees	9
Revenue *	198.216
Profit before tax	9.135
Tax	2.190
Government grants received	0

\* For companies reporting under the Financial Business Act, revenue is defined as interest, fee and commission and other operating income.

Ekspress Bank NUF is 100% a branch of Ekspres Bank and consolidated within Ekspres Bank.

Express Bank Sverige Filial

Kista, Sweden

Share in %	100
Average number of employees	38
Revenue *	284.547
Profit before tax	126.166
Tax	28.353
Government grants received	0

\* For companies reporting under the Financial Business Act, revenue is defined as interest, fee and commission and other operating income.

SevenDay Finans AB was acquired May 31st 2017 and end of October 2018 transformed into a branch.

Express Bank Sverige Filial is 100% a branch of Ekspres Bank and consolidated within Ekspres Bank.