ANNUAL REPORT 2017

Ekspres Bank

Ekspres Bank A/S • Oldenburg Allé 3 • DK-2630 Taastrup • CVR No. 16 91 79 31

Contents

Company Information

Ekspres Bank A/S
Oldenburg Allé 3
DK- 2630 Taastrup
Phone: +45 70 23 58 00
www.ekspresbank.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
Gilles Zeitoun (*Chairman)*
Veronique Berthout
Pierre de Fontenay
Frederic Thoral
John Poulsen
Gilles de Wailly
Michael Ravbjerg Lundgaard *(Independent director)*
Marion Lorenzen *(Employee representative)*
Niels Egede Olsen *(Employee representative)*
Nicki Reinhold Byel *(Employee representative)*

Executive Board
Christophe Jehan
CEO

Auditors
Deloitte

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 2017. 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 2017 as well as the result of operations for the period 1 January – 31 December 2017.

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 20 April 2018.

EXECUTIVE BOARD

Christophe Jehan
CEO

BOARD OF DIRECTORS

Gilles Zeitoun
Chairman

Veronique Berthout

Frederic Thoral

Pierre de Fontenay

Michael Ravbjerg Lundgaard

Gilles de Wailly

John Poulsen

Niels Egede Olsen

Nicki Reinhold Byel

Marion Lorenzen

Independent Auditor's Report

To the Shareholders of Ekspres Bank A/S

Opinion

We have audited the financial statements of Ekspres Bank A/S for the financial year 01.01.2017 to 31.12.2017, pages 20-41, which comprise the solvency, 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 31.12.2017 and of its financial performance for the financial year 01.01.2017 to 31.12.2017 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 two years up to and including the financial year 2017.

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 1.1.2017 to 31-12-2017. 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.

<table>
<tr><th colspan="2">Judgments and estimates with respect to valuation of loan receivables</th></tr>
<tr><td>Ekspres Bank A/S' management exercises a significant degree of judgment when determining both when and how much to record as impairment losses. The management judgement includes consideration of factors such as:

• Assessment of whether loans are impaired
• Design of the impairment model
• The use of significant assumptions in variables such as historical default levels, cash flows etc.
• Complexity of relevant disclosures

At December 31, 2017, gross loans amounted to DKK 4,693m, with write down on loans etc. amounting to DKK 13m. Given the inherent uncertainty and subjectivity involved in assessing impairment losses, we consider this to be a key audit matter.

Refer to accounting principles regarding critical judgments and estimates on page 23 in the financial statement and related disclosures of credit risk in note 19.</td><td>Our work in relation to impairment losses focused on assessing and verifying the control environment as well as performing test of details.

Our audit procedures included, but were not limited to:

• Evaluation of the model, methodology, inputs and assumptions used in determining if loans are impaired
• Evaluation of the model, methodology, inputs and assumptions used in calculating the impairment losses for portfolios of loans with identified loss events.
• Assessment of the completeness and accuracy of the disclosures relating to loan loss provision to assess compliance with disclosure requirements.</td></tr>
</table>

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 scepticism 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's review

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, 20 April 2018

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

Gilles Zeitoun
Chairman of the Board of Directors

Pierre de Fontenay
Board Director

Veronique Berthout
Board Director

Frederic Thoral
Board Director

John Poulsen
Board Director

Gilles de Wailly
Board Director

Michael Ravbjerg Lundgaard
Independent Board Director

Marion Lorenzen
Employee Representative

Niels Egede Olsen
Employee Representative

Nicki Reinhold Byel
Employee Representative

Executive Board

Christophe Jehan
Nordic CEO

Board of Directors

Gilles Zeitoun (Chairman)
Chairman of the Board – Ekspres Bank A/S
Chairman of the Board – SevenDay Finans AB
Chairman of the Board – Creation Consumer Finance Limited
Chairman of the Board – Creation Financial Service Limited

Veronique Berthout
Board Director – Ekspres Bank A/S
Head of Sales SUN Region – BNP Paribas PF

Pierre de Fontenay
Board Director – Ekspres Bank A/S
Member of the Audit Committee – Ekspres Bank
Head of Nordic Region – BNP Paribas
Board Director – Alfred Berg Asset Management AB
Board Director – BNP Paribas Cardif Livsförsäkring AB

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

Frederic Thoral
Board Director – BNP Paribas Personal Finance EAD
Board Director – Ekspres Bank
Member of the Supervisory Board – Magyar Cetelem Bank
Board member – SevenDay Finans AB

John Poulsen
Board Director – Ekspres Bank A/S
Board Director – ACONTO CAPITAL AS
Chairman of the Board – Finans & Leasing
Sector Chairman at Forbrugslån & Kreditkort

Gilles de Wailly
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
Founder – Maitreya Properties Ltd.
Cofounder – Anytime Apartments Ltd.

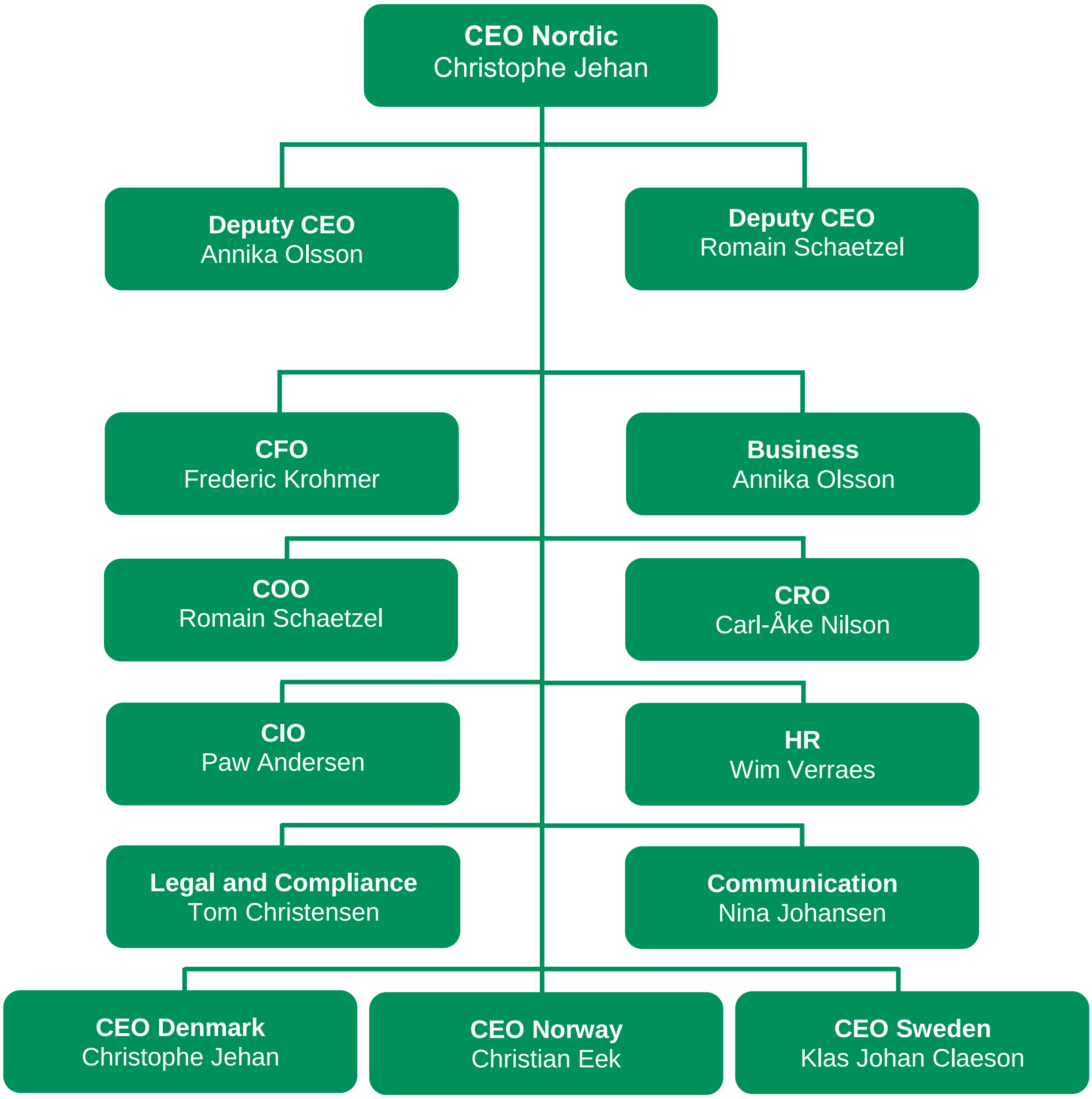
Nicki Reinhold Byel
Board Director – Ekspres Bank A/S

Niels Egede Olsen
Board Director – Ekspres Bank A/S
Union Representative – Finansforbundet Ekspres Bank
European Works Council Representative – BNP Paribas (Denmark)
Vice chairman of the executive committee of the Ekspres Bank union staff association
Director – Neocortex Holding IVS

Executive Board

Christophe Jehan
Nordic CEO – Ekspres Bank A/S
Board Director at ACONTO CAPITAL AS

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 also acquired SevenDay AB to strengthen our position within Sweden and to strengthen our position in the Nordics. Today we are a part of the BNP Paribas Personal Finance Group, 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 2.000 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, 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, and the Norwegian office is located in Oslo. In Sweden Ekspres Bank is represented in Kista through our subsidiary SevenDay Finans AB. In total, we:

- Employ 210 FTEs
- Manage >350.000 accounts in our customer portfolio
- Process >600.000 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 5,29 out if 6,0 in our customer satisfaction survey

High Retailer Satisfaction

Rating level was 5,20 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

53,3% Female employees

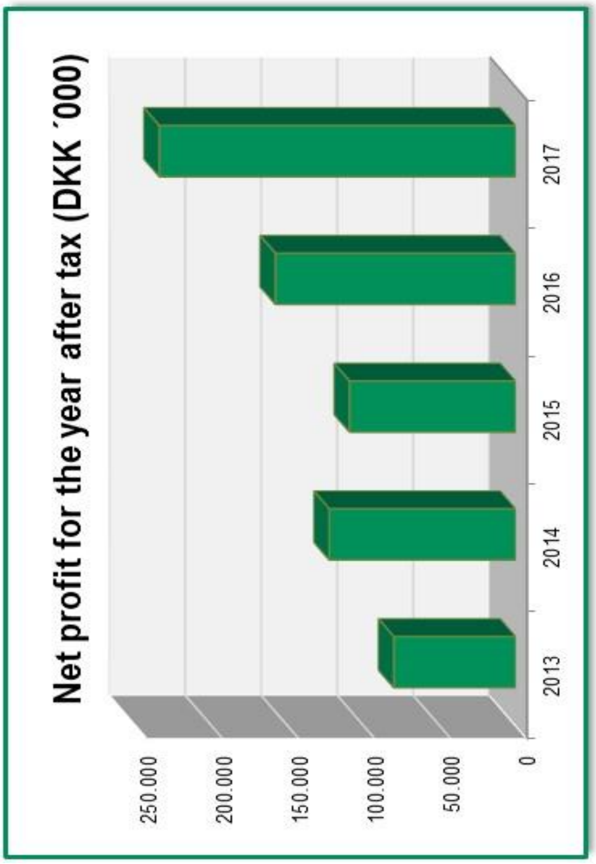
46,7% Male employees

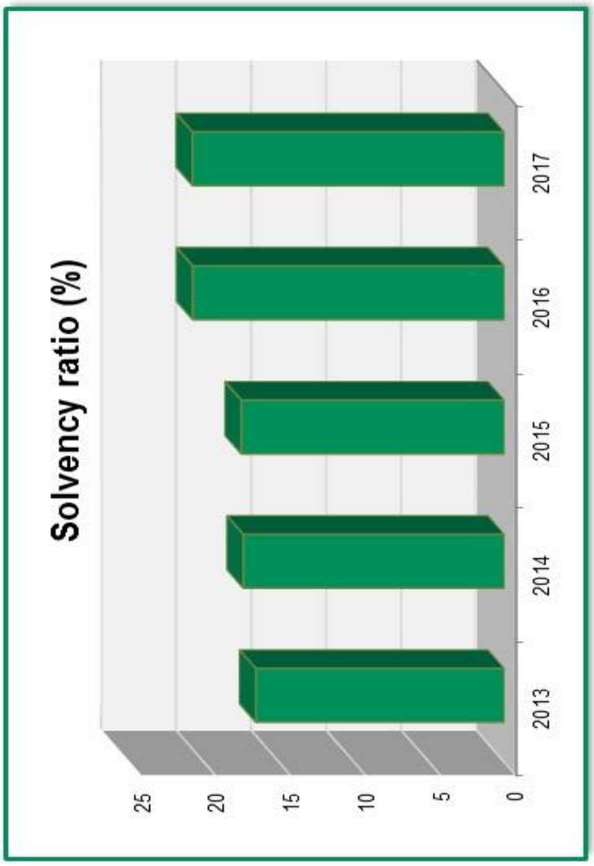
> 40 years **49%**

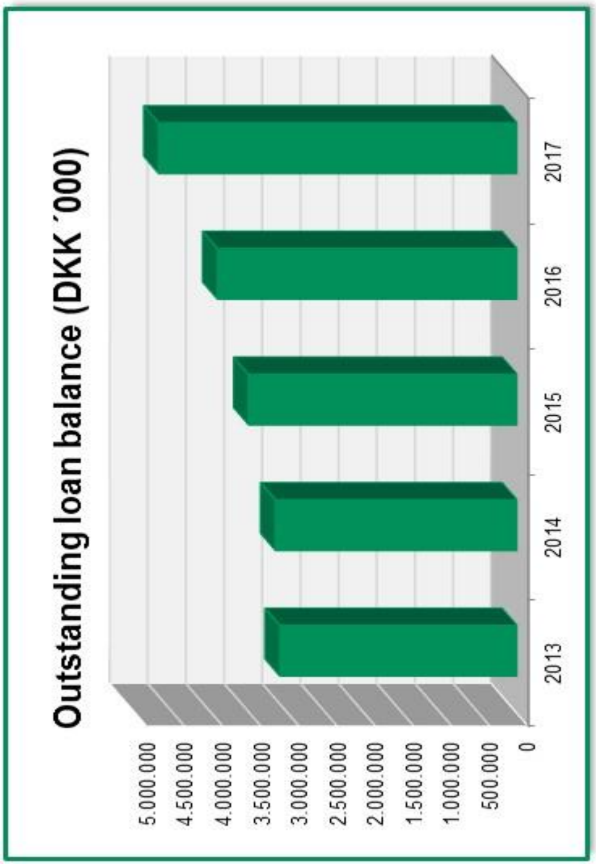
25 - 40 years **41%**

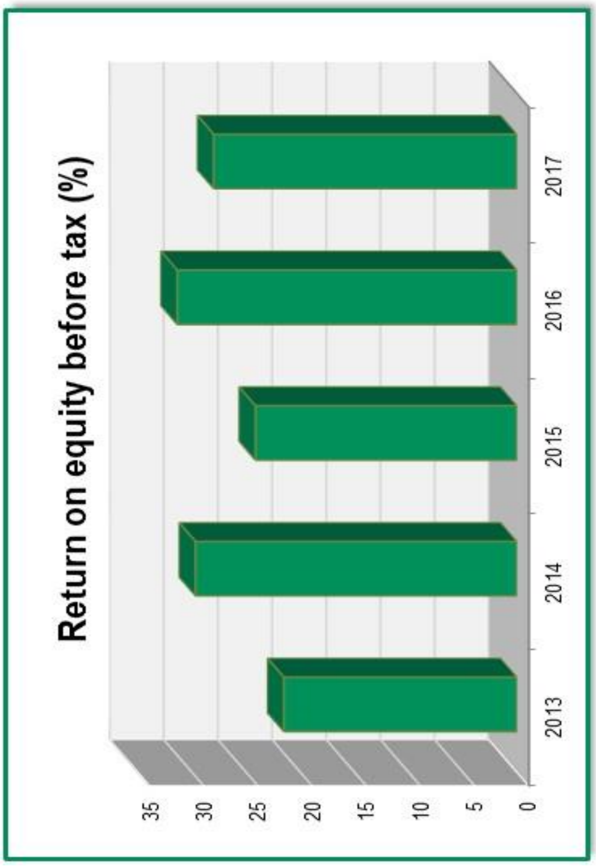
< 25 years **10%**

Highlights of 2017



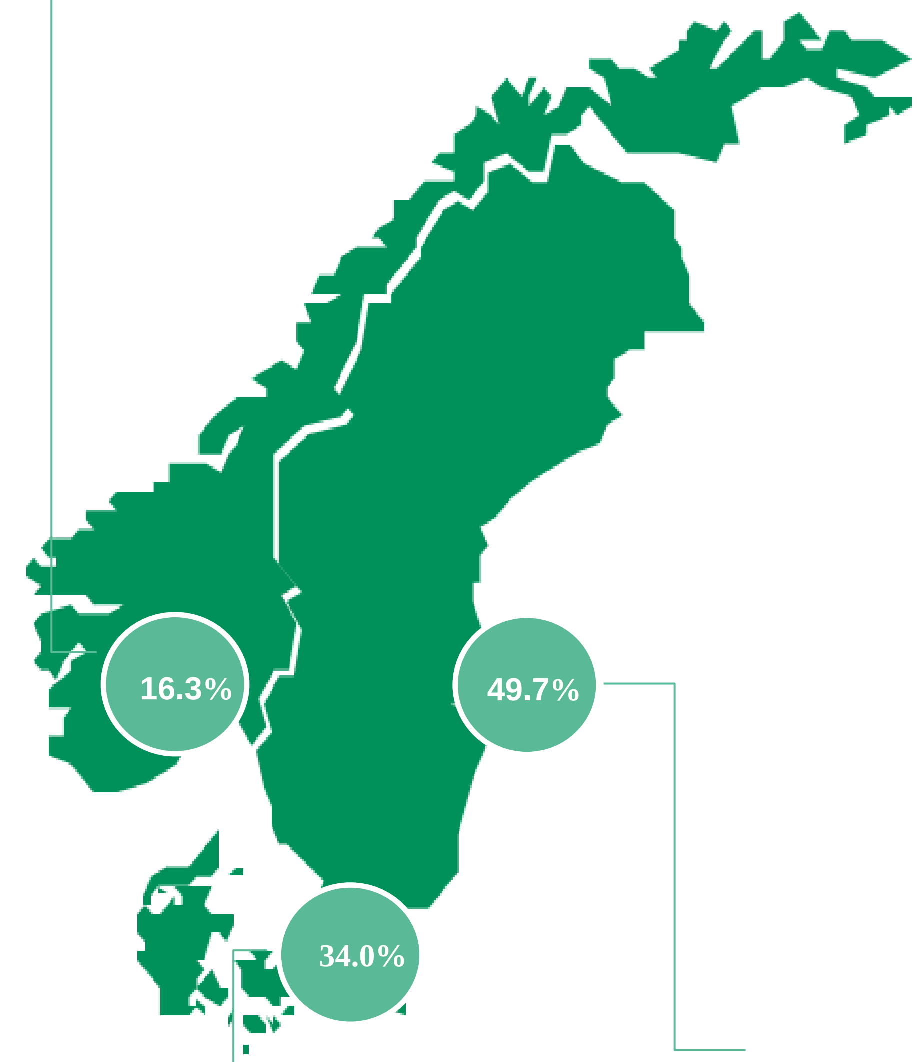






Nordic overview

Norway
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

Denmark
Share of total outstanding balance
Acquisition channels being via retail partners, brokers and direct business

Please note, that the outstanding balance, in the Financial Statement and in the Highlights, is only linked to the business of Denmark and Norway. The above overview is to support the figures given, with an overview of the full Nordic contribution.

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 DKK 500.000. 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.

Since July 2017 the late collection process 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.
This insures that we have an efficient late collection process with a 100% known outcome.

Impairment losses on loans are applied systemically when there is objective indication of impairment (OEI) i.e. an event or more events which may lead to losses due to customers' inability to pay or unwillingness to do so. Non-performing loans and distressed loans are individually impaired, and the recoverable amounts 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 exclusively funded by the parent company with whom Ekspres Bank has sufficient credit line agreements - for both the Danish market and the Norwegian 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 review

Financial review

In 2017, the bank continues to grow in a highly competitive market and delivers a solid result with a return on equity before tax of 28%.

The bank reported a pre-tax profit of DKK 292m, which is better than expected and considered satisfactory compared with the pre-tax profit of DKK 199m the year before given that the 2016 result is partially achieved by a number of non-recurring events.

Macroeconomic development

Relevant macroeconomic ratios have remained stable or improved during 2017. No drastic changes are expected and these ratios will be closely monitored during 2018.

Loans and receivables

The outstanding loans amount to DKK 4.694m, compared with DKK 3.924m at the end of 2016, which corresponds to an increase of 19,6%. This increase of DKK 769m is fully driven by organic growth in both the Danish and the Norwegian market.

New loans

Globally the amount of new loans and credit facilities increased by 34% in 2017 compared with 2016. This increase can be mainly assigned to the Norwegian market.

Credit risk

Impairment losses recognized in 2017 amounted to DKK 13m against DKK 87m in 2016. The 2017 impairment losses were positively impacted by a debt sale on both the Danish and Norwegian market, giving a one-off impact of 120 mDKK. In 2016 the impairment losses were positively impacted by a change in methodology applied on the calculation of group provisions resulting in a release of DKK 16,8m. The net impairment ratio for 2017 is 0,3%. Adjusted from non-recurring item, the net impairment ratio is 2,3% which is at the expected level for the bank.

Results of operations

In 2018, the bank delivers a solid result at DKK 292m (before tax) progressing by 47% compared with the end of 2016. The increase is mainly driven by the combined effects of the organic growth in both the Danish and Norwegian market, the one off effect of the debt sale and the result of business conducted in the Swedish market through the newly acquired company in Sweden SevenDay AB.

Net interest and fees increase by 12,1% (DKK 57m) lead by outstanding loans growth of 19,6% and lower interest expenses of DKK 18m (13,6%) driven by decreased group funding costs.
NB: The interest income in 2016 included a one-off amount of DKK 10,9m of interest received from the Danish tax authorities in connection with VAT (DKK 4,1m) and tax refunds (DKK 6,8m).

The bank's operating expenses and depreciation charges increased by 26,7% and totaled DKK 262m against DKK 207m in 2016. This increase is mainly driven by an increase in other administrative expenses of DKK 37m, driven by increased marketing costs (DKK 13m), increased IT costs (DKK 18m) and staff costs increase by DKK 17,8m, linked to an increase in average FTE's of 17.

NB: 2016 was also impacted by a VAT refund of DKK 14,2m (reflected under operating expenses).

Subordinated loan capital

In 2017 the bank increased the subordinated loan capital with DKK 125m, now amounting to DKK 290m at the end of 2017.

Balance sheet

During 2017, the bank's balance sheet increased by DKK 1.866m from DKK 4.235m to DKK 6.101m. The increase is mainly due to the new investment in the subsidiary SevenDay AB (DKK 882m) the development of the loan portfolio (DKK 770m) and the increase of receivable from credit institutions (DKK 185m).

Equity totaled DKK 1.468m against DKK 618m at the end of 2016. The bank has received a capital increase of DKK 625m in 2017 in connection with the acquisition of SevenDay AB in Sweden. No dividends were paid out in 2017, due to investments and consolidations during the year.

Acquisition of SevenDay Finans AB

At the end of May 2017 Ekspres Banks acquired the Swedish financing company SevenDay AB to strengthen its presence in the Nordics. The investment in SevenDay Finans AB amounts to DKK 623m with a related goodwill of DKK 259m. The investment has contributed to the annual result of 2017 with DKK 37m (7 months result).

Management review

Nordic organization

In 2017 the Bank has also initiated its transformation toward a full Nordic organization with the implementation of a new governance structure covering the three countries Denmark, Sweden and Norway.
The new governance is defined as a matrix organization with management responsibilities in each countries which are coordinated by a Nordic platform.

Capital adequacy ratio

The bank´s capital base, less deductions, amounts to DKK 962m (including Tier2) and the capital adequacy ratio amounts to 20,8%, at the end of 2017.

The bank´s solvency need was calculated to be DKK 502m, at the end of 2017, corresponding to 10,85% of the risk-weighted assets. Compared with the actual capital base of DKK 962m and the capital adequacy ratio of 20,8%, the excess solvency is DKK 460m (9,9%), which is sufficient to cover the Capital Conversion 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 2017.

Expected changes in accounting principles

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. Full implementation of the new methodology will take place from 1st of January 2018, and the change from IAS39 to IFRS 9 methodology will require an additional provision for loss of DKK 88m before tax. The effect will be recognized as an equity adjustment.

Gender under-representation

The Board of Directors elected by the general meeting of the bank account for 85% males and 15% females, 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 8 for description of our CSR policy.

Post balance sheet events

We refer to the outlook for 2018. No events have occurred after the end of the financial year, which could affect the assessment of the Annual Report.

Outlook for 2018

In 2018, The Bank will further continue its transformation toward a Nordic organization which aims at better serving its Nordic partners and customers.
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.

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.

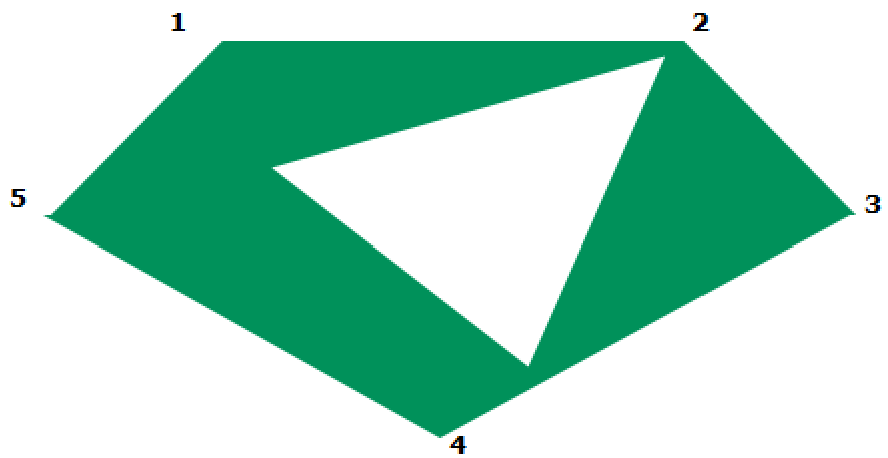
The five benchmarks are as follows:

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

Ekspres Bank does not have any current 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 2017, 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 < 125%	0%	< 125%
2. benchmark -> Lending growth < 20%	19,6%	< 20%
3. benchmark -> Concentration on commercial property exposures < 25%	0%	< 25%
4. benchmark -> Funding ratio < 1	2,67	< 1,00
*4. benchmark -> Funding ratio < 1 **	*0,73*	*< 1,00*
5. benchmark -> Excess liquidity coverage > 50 pct.	2,17	> 0,50



White lines = Ekspres Bank *

Green area = Limit values

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

Solvency

(DKK '000)	Note	2017	2016
Equity		1.467.798	618.463
Proposed dividends		0	0
Capitalised tax assets		-482	-2.733
Intangible assets		-270.816	-6.531
Total core capital after deductions		1.196.499	609.199
Subordinated loan capital after deductions		290.000	165.000
Investments, etc. > 10%		-524.412	0
Total capital base after deductions		962.087	774.199
Total weighted items		4.630.621	3.730.360
Solvency ratio		20,8	20,8

The Banks capital base, less deductions, amounts to DKK 962m, at the end of 2017, including a subordinated loan of DKK 290m. The Banks capital adequacy ratio amounts to 20,8% in the end of 2017.

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

Key figures ***(DKK '000)***	**2017**	**2016**	**2015**	**2014**	**2013**
Net interest and fee income	532.094	474.796	467.781	441.780	419.347
Market value adjustments	-3.182	5.611	-2.171	155	-1.150
Staff costs and administrative expenses	259.418	204.760	183.588	175.816	159.450
Write-down of loans and receivables, etc.	13.263	87.039	128.900	91.477	140.494
Net profit for the year	234.386	158.001	109.257	122.602	80.142
Loans	4.693.926	3.924.427	3.517.291	3.165.708	3.106.336
Equity	1.467.798	618.463	648.845	587.054	533.391
Total assets	6.100.659	4.234.971	3.768.924	3.285.535	3.227.084

Ratios ***(DKK '000)****	**2017**	**2016**	**2015**	**2014**	**2013**
*Capital base ** *	962.087	774.199	589.863	529.752	488.078
*Solvency ratio ** *	20,8	20,8	17,5	17,4	16,5
*Core capital ratio ** *	14,5	16,3	17,5	17,4	16,5
Return on equity before tax	28,0	31,3	24,1	29,7	21,5
Return on equity after tax	22,5	24,9	17,7	21,9	16,1
Income/cost ratio	2,1	1,7	1,5	1,6	1,3
Interest-rate risk	-3,3	-5,2	-4,8	-1,4	-1,6
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	-	-	-	-	-
Gearing of loans, end of year	3,2	6,3	5,4	5,4	5,8
Annual growth in loans	19,6	11,6	11,1	1,9	5,7
Excess cover relative to statutory liquidity requirements	217,3	127,6	183,7	211,3	185,0
Total amount of large exposures	0,0	0,0	0,0	0,0	0,0
Net impairment ratio	0,3	2,0	3,4	2,6	4,0
Return on assets	3,8	3,7	2,9	3,7	2,5

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

*** Capital base in 2014 is corrected to the new guidelines from the Danish FSA.*

Income statement and comprehensive income

(DKK '000)	Note	2017	2016
Interest income	1	558.705	3.931
Interest expenses	2	113.908	3.931
Net interest income		444.797	0
Fees and commission income	3	132.361	0
Fees and commission paid		45.064	0
Net interest and fee income		532.094	0
Market value adjustments	4	-3.182	9
Other operating income		1.213	-1.218
Staff costs and administrative expenses	5	259.418	-1.217
Amortisation, depreciation and impairment of intangible assets and property, plant and equipment	9/10	2.796	9
Impairment losses, loans and receivables, etc.	11	13.263	0
Result in affiliated undertakings		37.168	0
Profit before tax		291.816	-1
Tax	12	57.430	0
Profit for the year		234.386	-1
Other comprehensive income after tax		-10.051	6.616
Total comprehensive income		224.335	6.615
Reccommended appropriation of profit			
Profit for the year		234.386	158.001
Profit retained from previous years		508.463	498.845
Exchange-rate adjustment		-10.051	6.616
Total amount to be appropriated		732.798	663.463
Proposed dividends		0	155.000
Transferred to equity		732.798	508.463
Total amount appropriated		732.798	663.463

Balance sheet

(DKK '000)	Note	2017	2016
Assets			
Cash in hand and demand deposits with central banks		3	19
Receivables from credit institutions and central banks	13	370.018	185.429
Loans and other receivables at amortised cost	14	4.693.926	3.924.427
Investment securities		3.403	2.797
Investments in affiliated undertakings	7	622.989	0
Goodwill	8	259.184	0
Other intangible assets	9	11.632	6.531
Property, plant and equipment	10	626	108
Current tax assets		3.516	537
Deferred tax assets	15	4.912	8.621
Other assets	16	38.505	33.329
Prepayments		91.945	73.173
Total assets		6.100.659	4.234.971

Balance sheet

(DKK '000)	Note	2017	2016
Liablities and equity			
Amounts due			
Due to credit institutions and central banks	17	4.110.854	3.254.104
Other liabilities	18	112.253	91.682
Deferred income		119.754	105.722
Total amounts due		4.342.861	3.451.508
Subordinated debt			
Subordinated loans		290.000	165.000
Total subordinated debt		290.000	165.000
Equity			
Share capital		221.162	110.000
Share premium		513.838	0
Equity method reserve		37.168	0
Retained earnings or loss brought forward		695.630	508.463
Proposed dividends		0	0
Total equity		1.467.798	618.463
Total liabilities and equity		6.100.659	4.234.971

Other notes

Credit risk	19	*Contingent liabilities*	24
Interest-rate risk	20	*Related parties*	25
Cash flow risk	21	*Audit committee*	26
Foreign exchange risk	22	*Principles for intra-group trading*	27
Securities lending	23	*Associated companies*	28

Statement of changes in equity

(DKK '000)	Share capital	Share premium	Equity method reserve	Retained earnings	Proposed dividends	Total
Equity, beginning of 2016	110.000	0	0	498.845	40.000	648.845
Profit for the year	0	0	0	158.001	0	158.001
Other comprehensive income						
Translation of units outside Denmark	0	0	0	6.616	0	6.616
Total other comprehensive income	0	0	0	6.616	0	6.616
Total comprehensive income for the year	0	0	0	164.617	0	164.617
Transactions with the owners						
Dividends distributed	0	0	0	0	-195.000	-195.000
Proposed dividends	0	0	0	-155.000	155.000	0
Equity, end of 2016	110.000	0	0	508.463	0	618.463
Capital increase	111.162	513.838	0	0	0	625.000
Profit for the year	0	0	37.168	197.218	0	234.386
Other comprehensive income						
Translation of units outside Denmark	0	0	0	-10.051	0	-10.051
Total other comprehensive income	0	0	0	-10.051	0	-10.051
Total comprehensive income for the year	0	0	37.168	187.167	0	849.335
Transactions with the owners						
Dividends distributed	0	0	0	0	0	0
Proposed dividends	0	0	0	0	0	0
Equity, end of 2017	221.162	513.838	37.168	695.630	0	1.467.798

The share capital amounts to DKK 221.162.000 distributed on shares of DKK 1.000 each or multiples thereof.

The share capital has been increased in May 2017 from an amount of DKK 110.000.000 into DKK 221.162.000.

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’).
The accounting policies are consistent with those of last year.

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 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 Norwegian branch 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 amorized 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.

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.

Notes to the financial statements

Loans and advances
After initial recognition, amounts due to the bank are measured at amortized cost less impairment losses.

Impairment losses on loans are recognized regularly when there is objective evidence of impairment (OEI) i.e. an event or more events which may lead to losses due to customers' inability to pay or unwillingness to do so. It is primarily non-performing loans and distressed loans that are individually impaired, and the recoverable amounts are calculated based on individual assessments where customers' ability to pay or unwillingness to do so has been evaluated given a collective statistical method.
This assessment draws upon an internal rating system based on historical data, adjusted as necessary to reflect circumstances prevailing at the balance sheet date. This assessment also estimates the amount of the loss on the portfolios, taking account of trends in the economic cycle during the assessment period.
The resulting impairment losses are recognized in the income statement under "Impairment losses on loans and receivables".

Impairments of loans not in arrears are estimated collectively on the basis of a model developed by The Association of Local Banks. The model is adjusted to Ekspres Bank's loan portfolio.

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

Investments in affiliated undertakings
Investments in affiliated undertakings are measured using the equity method. The investment is initially recognized at cost and thereafter adjusted with the share of profit or loss and other comprehensive income of the affiliated undertaking. The result from affiliated undertakings is recognized in the income statement.
On acquisition of the affiliated undertaking, any excess of the cost of the investment over the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill.

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 three years.

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 three years.

Other assets
In addition to the positive market value of derivatives, this item comprises accrued interest income on loans.

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 and central banks
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.

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.

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 existing IAS39 provisioning model, which is 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 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).

The adjusted Danish accounting legislation is to be applied for accounting periods beginning on 1st of January 2018. Ekspres Bank will also be applying the IFRS 9 standard from 1st of January 2018.

A development work has been made together with the Central Finance team in BNP Paribas Personal Finance division and based on the data held locally by Ekspres Bank.

The Group Provisions currently made in accounting will be superseded and depreciated, which to some degree will decrease the impact of IFRS 9.

Notes to the financial statements

(DKK '000)	2017	2016

Financial highlights

Financial highlights are shown on page 21

1 Interest income

Loans and other receivables	555.837	506.031
Other interest income	2.868	10.947
Total	558.705	516.978

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	101.400	124.905
Reverse repo transactions with credit institutions and central banks	404	415
Derivatives, total	5.574	3.931
Thereof concerning:		
Interest-rate agreements	5.574	3.931
Subordinated loans	6.530	2.662
Total	113.908	131.913

3 Fees and commission income

Payment service fees	27.960	27.673
Other fees and commission income	104.401	101.820
Total	132.361	129.493

4 Market value adjustments

Derivatives	-3.182	5.602
Other liabilities	0	9
Total	-3.182	5.611

Notes to the financial statements

(DKK '000)	2017	2016

5 Staff costs and administrative expenses

Staff costs and administrative expenses		
Wages and salaries	102.382	89.153
Pension	10.812	8.977
Social security costs	21.546	18.827
Total	134.740	116.957
Other administrative expenses	124.678	87.803
Total staff costs and administrative expenses	259.418	204.760

Number of employees		
Average number of full-time employees during the financial year	157	140
Executive Board	2	1
Employees whose activities have a significant impact on the bank's risk profile	10	10
Board of Directors	10	8

Salary and remuneration paid to Executives Board and Board of Directors		
Executive Board		
Christophe Jehan, from March 2017	2.713	0
Thereof variable salary	380	0
John Poulsen, until September 2017	6.933	3.626
Thereof variable salary	1.012	459
Employees whose activities have a significant impact on the bank's risk profile	15.271	15.711
Thereof variable salary	1.030	2.155
Board of Directors		
Michael Ravbjerg Lundgaard	145	95
John Poulsen	108	0
Total	25.170	19.432

The salary and remuneration paid to executive board is 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)	2017	2016

5 Staff costs and administrative expenses (continued)

Loans to management

Executive Board	0	0
Board of Directors	682	583
Security for loans, etc.	0	0
Total	682	583

6 Audit fees

Total fee to the auditors appointed by the general assembly who perform statutory audit	1.072	785
Thereof concerning statutory audit	825	785
Thereof concerning fees for other assurance assistance	219	0
Thereof concerning tax advice	10	0
Thereof concerning other services	19	0

7 Investments in affiliated undertakings

Investments in affiliated undertakings, beginning of year	0	0
Additions in the year	594.297	0
Investments in affiliated undertakings, end of year	594.297	0
Amortisation and value adjustments, beginning of year	0	0
Foreign exchange adjustment	-8.476	0
Result of the year	37.168	0
Amortisation and value adjustments, end of year	28.692	0
Carrying amount, end of year	622.989	0

8 Goodwill

Goodwill, beginning of year	0	0
Foreign exchange adjustment	-3.356	0
Additions in the year	262.540	0
Disposals in the year	0	0
Cost, end of year	259.184	0
Amortisation and impairment losses, beginning of year	0	0
Amortisation and impairment losses, end of year	0	0
Carrying amount, end of year	259.184	0

Notes to the financial statements

(DKK '000)	2017	2016

9 Other intangible assets

Cost, beginning of year	76.004	69.969
Foreign exchange adjustment	-850	588
Additions in the year	7.692	5.447
Cost, end of year	82.846	76.004
Amortisation and impairment losses, beginning of year	69.473	66.851
Foreign exchange adjustment	-850	560
Amortisation for the year	2.591	2.062
Amortisation and impairment losses, end of year	71.214	69.473
Carrying amount, end of year	11.632	6.531

10 Property, plant and equipment

Cost, beginning of year	4.152	4.151
Foreign exchange adjustment	0	1
Additions in the year	717	0
Cost, end of year	4.869	4.152
Depreciation and impairment losses, beginning of year	4.044	3.975
Depreciation for the year	199	68
Depreciation and impairment losses, end of year	4.243	4.044
Carrying amount, end of year	626	108

11 Write-downs on loans and receivables

Individual impairment losses during the year	87.147	130.099
Reversal of individual impairment losses recognised in previous years	-39.652	-50.231
Reversal of group impairment losses recognised in previous years	-4.128	-20.052
Final loss on debt previously written down	79.267	27.971
Loss on debt not previously written down	57.112	5.582
Amounts received, previously written-off debt	-167.695	-4.339
Other movements	1.212	-1.990
Total	13.263	87.040

Notes to the financial statements

12 Tax

(DKK '000)	2017	2016
Estimated current tax for the year	53.282	40.467
Deferred tax	4.543	3.371
Adjustment of estimated tax in prior years	-395	-3.201
Total	57.430	40.637
Current tax rate	22,0%	22,0%
Tax for the year comprises:		
Profit before tax and affiliated undertakings	254.648	198.637
Statutory income tax rate of 22%	56.023	43.700
Adjustment of prior years' income tax	-395	-3.201
Adjustment of prior years' deferred tax	0	0
Local Norwegian current tax	103	51
Effect of lower tax rates	0	0
Effect of different tax rates in other countries	14	7
Non-taxable income	0	-80
Non-deductible expenses	1.685	160
Total	57.430	40.637
Effective tax rate	22,6%	20,5%

Notes to the financial statements

(DKK '000)	2017	2016

13 Receivables from credit institutions and central banks

Receivables from credit institutions	370.018	185.429
Total	370.018	185.429

Distribution of terms by maturity

Receivables from credit institutions and central banks

Up to three months	370.018	185.429
Total	370.018	185.429
Thereof reverse repo transactions	0	106.496

14 Loans and other receivables at amortised cost

Up to three months	562.125	497.993
From three months to one year	1.256.955	1.092.613
From one year to five years	2.283.845	1.945.470
More than five years	591.001	388.351
Total	4.693.926	3.924.427

Loans, other receivables and guarantees broken down by sector (%)

Private	100	100
Total	100	100

Notes to the financial statements

(DKK '000)	2017	2016

15 Deferred tax assets

Tangible assets	-2.336	-1.049
Tax loss carry forward	2.733	2.733
Other	4.515	6.936
Total	4.912	8.621

16 Other assets

Positive market value of derivative financial instruments	355	5.553
Interest and commission receivables	21.886	22.489
Other assets	16.264	5.287
Total	38.505	33.329

Distribution of terms by maturity

17 Due to credit institutions and central banks

Up to three months	743.825	139.024
From three months to one year	997.781	820.513
From one year to five years	2.152.993	1.999.080
More than five years	216.256	295.486
Total	4.110.854	3.254.104

18 Other liabilities

Negative market value of derivatives	1.397	3.320
Accrued interest	16.660	17.848
Other liabilities	94.196	70.513
Total	112.253	91.682

Notes to the financial statements

(DKK '000)	2017	2016

19 Credit risk

Loans and other receivables at fair value and amortised cost distributed on sectors		
Private	4.693.926	3.924.427
Total	4.693.926	3.924.427

Impairment of objectively impaired loans and receivables, individual		
Accumulated impairment losses, beginning of year	319.837	298.788
Changes in the year:		
Individual impairment losses in the year	87.147	130.099
Reversal of individual impairment losses recognised in prior years	-39.652	-50.231
Final loss on debt previously written down	-245.003	-58.819
Accumulated impairment losses, end of year	122.328	319.837

Loans with OEI recognised in the balance sheet recognised after impairment in the balance sheet at a carrying amount exceeding nil		
Value before impairment	282.735	524.032
Accumulated impairment losses, end of year	-122.328	-319.837
Value after impairment	160.407	204.195

Collective impairment losses loans and receivables		
Accumulated impairment losses, beginning of year	4.901	24.825
Changes in the year:		
Group impairment losses during the year	0	0
Reversal of collective impairment losses recognised in prior years	-4.128	-20.052
Other movements	-73	128
Accumulated impairment losses, end of year	700	4.901

Notes to the financial statements

(DKK '000)	2017	2016

19 Credit risk (continued)

Loans without OEI recognised after impairment in the balance sheet at a carrying amount exceeding nil		
Value before impairment	4.534.219	3.725.133
Accumulated impairment losses, end of year	-700	-4.901
Value after impairment	4.533.519	3.720.232

Credit risk

The bank's primary risk is the credit area. The maximum loan granted to private individuals is DKK 500.000. 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 regularly when there is objective indication of impairment (OEI) i.e. an event or more events which may lead to losses due to customers' inability to pay or unwillingness to do so. It is primarily non-performing loans and distressed loans that are individually impaired, and the recoverable amounts 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 in France and a separate reporting is prepared for scheduled Board of Directors meetings.

Notes to the financial statements

(DKK '000)

20 Interest-rate risk

Derivative financial instruments

SWAPS	2017				2016	
	Nominal value	*Net market value*	*Positive market value*	*Negative market value*	*Nominal value*	*Net market value*
Interest-rate agreement	1.239.167	-1.043	355	-1.397	2.462.802	2.233

According to the definition by the Danish Financial Supervisory Authority (DFSA) the bank's interest-rate risk amounts to -3,3% (2016: -5,2%) 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.

Notes to the financial statements

(DKK '000)

21 Cash flow risk

Since the bank is exclusively funded by the parent company BNP Paribas with whom Ekspres Bank has sufficient contractually committed credit line agreements - for both the Danish market and the 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 Tier 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.

22 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 investment in SevenDay is hedged via funding in SEK. Thus, the bank has no or a very limited exchange rate risk.

23 Securities lending

	Nominal value	Market value
Bonds and other fixed income securitues	180.000	196.420
Total	180.000	196.420

Securities are borrowed as a security lending transaction with BNP.

24 Contingent liabilities

	2017	**2016**
Unused credit and loan commitments	435.574	450.406
Other contingent liabilities	7.073	9.736
Total	442.646	460.142

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)

25 Related parties

Controlling interest

Ultimate parent company

BNP Paribas
16, Boulevard des Italiens
75009 Paris
France

Parent company

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

The consolidated financial statements are available from BNP Paribas' website: www.bnpparibas.com

26 Audit committee

Members of the Audit Committee

Michael Ravbjerg Lundgaard
Pierre de Fontenay

27 Principles for intra-group trading

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

Transactions with related parties	**2017**	**2016**
Loans from related parties	4.391.921	3.393.073
Loans to related parties	113.437	106.496
Interest income	2.868	0
Interest costs	106.669	126.615
Insurance income	19.466	16.253
Reinvoiced external costs	4.356	1.340

No transactions have been conducted between Ekspres Bank and its ultimate parent, BNP Paribas or other subsidiaries of the BNP group in 2017, except for loans from (2017: MDKK 4.392, 2016: MDKK 3.393), loans to (2017: 113 MDKK, 2016: MDKK 106), net interest (2017: MDKK 104, 2016: MDKK 127), insurance income (2017: MDKK 19, 2016: MDKK 16) and reinvoiced external costs (2017: MDKK 4, 2016: MDKK 1) and the security lending mentioned in note 23.

Notes to the financial statements

(DKK '000)		2017

28 Associated companies

Name and location

Ekspress Bank NUF		
Oslo, Norway	*Share in %*	100
	Average number of employees	5
	*Revenue **	137.768
	Profit before tax	2.483
	Tax	706
	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.

SevenDay Finans AB		
Kista, Sweden	*Share in %*	100
	Average number of employees	36
	*Revenue **	154.741
	Profit before tax	48.415
	Tax	11.247
	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 is a 100% subsidiary of Ekspres Bank.

The financial highlights above for SevenDay Finans AB represents the results since May 31st 2017.