

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**30 September 2020**

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**For the Quarter Ended 30 September 2020**

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# IBM Finans Norge AS

## Condensed Interim Statement of Profit or Loss and Other Comprehensive Income

For the Quarter Ended 30 September 2020

	Notes	Three months ended		Nine months ended		Year ended
		30 September 2020 NOK'000	30 September 2019 NOK'000	30 September 2020 NOK'000	30 September 2019 NOK'000	31 December 2019 NOK'000
		Unaudited		Unaudited		Audited
Finance income	2	12 198	7 761	26 536	35 014	43 949
Finance income calculated using the effective interest method	2	471	198	1 596	619	782
Finance cost	3	(3 407)	(4 800)	(10 636)	(17 014)	(21 565)
<b>Net finance income</b>		<b>9 262</b>	<b>3 159</b>	<b>17 496</b>	<b>18 619</b>	<b>23 166</b>
<b>Other income and expense</b>						
Other expense	4	(4 553)	(4 938)	(10 976)	(11 270)	(16 830)
<b>Net impairment losses on financial assets</b>		<b>1 996</b>	<b>77</b>	<b>(2 036)</b>	<b>(422)</b>	<b>(173)</b>
<b>Profit before income tax</b>		<b>6 705</b>	<b>(1702)</b>	<b>4 484</b>	<b>6 927</b>	<b>6 163</b>
Income tax expense	5	(1 475)	374	(987)	(1 524)	(1 276)
<b>Profit for the year</b>		<b>5 230</b>	<b>(1 328)</b>	<b>3 497</b>	<b>5 403</b>	<b>4 887</b>
<b>Other comprehensive income / (loss)</b>						
<i>Items that will not be reclassified subsequently to profit and loss:</i>						
Actuarial gain / (loss) on defined benefit scheme		-	(3)	-	(9)	(197)
Deferred tax in respect of defined benefit scheme		-	1	-	2	44
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b>-</b>	<b>(2)</b>	<b>-</b>	<b>(7)</b>	<b>(153)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>5 230</b>	<b>(1 330)</b>	<b>3 497</b>	<b>5 396</b>	<b>4 734</b>

The notes on pages 6 to 14 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Financial Position

As at 30 September 2020

		<b>30</b>	<b>30</b>	<b>31 December</b>
		<b>September</b>	<b>September</b>	<b>2019</b>
		<b>2020</b>	<b>2019</b>	<b>2019</b>
		<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>
	<b>Notes</b>	<b>Unaudited</b>	<b>Unaudited</b>	<b>Audited</b>
<b>Current assets</b>				
Cash and cash equivalents	12	1 521	5 155	444
Receivables from related parties	12	20 397	11 137	15 807
Finance receivables	6	1 094 966	220 128	374 617
Inventories		28	-	-
Prepayments and other current assets		119	143	98
		<b>1 117 031</b>	<b>236 563</b>	<b>390 966</b>
<b>Non-current assets</b>				
Receivables from related parties	12	19 662	2 583	29 084
Finance receivables	6	71 749	153 699	138 969
Property, plant and equipment	11	3 920	16 130	13 054
Deferred tax assets		617	-	784
		<b>95 948</b>	<b>172 412</b>	<b>181 891</b>
<b>Total assets</b>		<b>1 212 979</b>	<b>408 975</b>	<b>572 857</b>
<b>Current liabilities</b>				
Loans and borrowing	7,12	792 183	132 797	186 592
Payables to related parties	12,13	195 483	28 637	145 441
Tax payables		2 389	1 180	2 307
Trade and other payables	8	18 617	37 610	42 857
Deferred income		1 516	1 578	1 376
Other liabilities (employees)		1 976	445	1 612
		<b>1 012 164</b>	<b>202 247</b>	<b>380 185</b>
<b>Non-current liabilities</b>				
Deferred tax liability		-	77	-
Retirement benefit obligation		2 908	2 675	2 944
Loans and borrowings	7,12	78 925	87 830	74 243
		<b>81 833</b>	<b>90 582</b>	<b>77 187</b>
<b>Total liabilities</b>		<b>1 093 997</b>	<b>292 829</b>	<b>457 372</b>
<b>Net assets</b>		<b>118 982</b>	<b>116 146</b>	<b>115 485</b>
<b>Issued capital and reserves</b>				
Share capital		45 000	45 000	45 000
Retained profits		73 982	71 146	70 485
<b>Total equity</b>		<b>118 982</b>	<b>116 146</b>	<b>115 485</b>

The notes on pages 6 to 14 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Changes in Equity

As at 30 September 2020

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	Issued capital	Other paid-in capital	Retained earnings	Total equity
	NOK'000	NOK'000	NOK'000	NOK'000
<b>At 1 January 2020</b>	<b>45 000</b>	<b>80 712</b>	<b>(10 227)</b>	<b>115 485</b>
Profit for the period	-	-	3 497	3 497
Other comprehensive income	-	-	-	-
<b>At 30 September 2020 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>6 730</u></b>	<b><u>118 982</u></b>
<b>At 1 January 2019</b>	<b>45 000</b>	<b>80 712</b>	<b>(14 961)</b>	<b>110 751</b>
Profit for the period	-	-	5 403	5 403
Other comprehensive income	-	-	(7)	(7)
<b>At 30 September 2019 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(9 565)</u></b>	<b><u>116 147</u></b>
<b>At 1 January 2019</b>	<b>45 000</b>	<b>80 712</b>	<b>(14 961)</b>	<b>110 751</b>
Profit for the period	-	-	4 887	4 887
Other comprehensive income	-	-	(153)	(153)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>4 734</b>	<b>4 734</b>
<b>At 31 December 2019 (audited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(10 227)</u></b>	<b><u>115 485</u></b>

The notes on pages 6 to 14 form part of these financial statements.

IBM Finans Norge AS

Condensed Interim Statement of Cash Flows

For the Quarter Ended 30 September 2020

	Nine months ended		Year ended
	30 Sept 2020	30 Sept 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
	Unaudited		Audited
<b>Profit for the period</b>	<b>3 497</b>	<b>5 402</b>	<b>4 887</b>
<b>Adjustments for</b>			
Income tax	987	1 524	1 276
Depreciation	11 4 794	9 063	11 417
<b>Changes in operating assets and liabilities</b>			
Difference between pension charge and cash contribution	(37)	(13)	70
Income tax paid	(737)	(1 909)	(1 353)
Decrease / (Increase) in receivables from related parties	12 4 832	18 335	(12 838)
Decrease / (Increase) in finance receivables	6 (653 129)	600 556	460 797
Decrease/(Increase) in inventory	(28)	42	42
(Decrease) / Increase in payables to related parties	12 50 042	(100 123)	16 681
(Decrease) / Increase in trade and other payables	8 (24 239)	(26 058)	(20 812)
(Decrease) / Increase in other liabilities	505	(1 334)	(369)
Decrease / (Increase) in prepayments	(22)	2 130	2 176
<b>Net cash flow from operating activities</b>	<b>(613 535)</b>	<b>507 615</b>	<b>461 974</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	11 (21)	(245)	(245)
Proceeds from sale of property, plant and equipment	11 4 360	1 918	2 640
<b>Net cash flows from investing activities</b>	<b>4 339</b>	<b>1 673</b>	<b>2 395</b>
<b>Cash flow from financing activities</b>			
(Decrease) / Increase in borrowing	610 273	(505 172)	(464 964)
<b>Net cash flow from financing activities</b>	<b>610 273</b>	<b>(505 172)</b>	<b>(464 964)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1 077</b>	<b>4 116</b>	<b>(595)</b>
Cash and cash equivalents at beginning of year	444	1 039	1 039
<b>Cash and cash equivalents at end of the period</b>	<b>1 521</b>	<b>5 155</b>	<b>444</b>

The notes on pages 6 to 14 form part of these financial statements.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

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### 1. Statement of compliance, basis of preparation, and significant accounting policies

#### General information

IBM Finans Norge AS (the 'company') is a limited company incorporated in Norway. The company's immediate parent entity is IBM Global Financing Investments II B.V., a company incorporated in Netherland and the company's ultimate parent entity is International Business Machines Corporations ('IBM Corporation'), a company registered in the United States of America.

#### Basis of preparation

These condensed interim financial statements for the quarter ended 30 September 2020 have been prepared on a historical cost basis and in accordance with IAS 34 Interim financial reporting. The condensed interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with International Financial Reporting Standards ('IFRS') as adopted by the European Union ('EU'), and interpretations issued by the International Financial Reporting Interpretations Committee ('IFRIC').

In preparing these condensed interim financial statements, the required significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements for the year ended 31 December 2019, with the exception of changes in estimates that are required in determining the provision for income taxes.

The condensed interim financial statements have been prepared on a going concern basis.

#### Accounting policies

The accounting policies adopted are consistent with those of the previous financial year except as described below.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual profit or loss.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

### 2. Finance income

	Three months ended		Nine months ended		Year ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	31 December 2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Factoring income	535	2 060	4 090	16 760	19 156
Operating lease income	1 176	3 290	5 942	10 753	13 675
Capital lease income	9 759	2 107	14 975	6 106	9 037
Interest income calculated using the effective interest method	471	198	1 596	619	782
Other operating income	728	304	1 529	1 395	2 081
	<b>12 669</b>	<b>7 959</b>	<b>28 132</b>	<b>35 633</b>	<b>44 731</b>

For commercial financing, the interest for the extended period is fixed above Base rate. Base Rate is the one-month NIBOR rate published by Norges Bank on the first working day of a calendar month, the Base Rate will be changed to NIBOR appearing for the last working day of the previous calendar month. If at any time, NIBOR changes by 0.25% or more, the Base Rate will be changed by the same amount on the day of such change or the next following working day. In case of negative Base Rate, a minimum Base Rate of 0 % will be used. For client Financing, we operate with fixed interest rate.

### 3. Finance costs

	Three months ended		Nine months ended		Year ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	31 December 2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Costs of operating leases	1 573	3 156	6 535	9 943	12 805
Cost of capital leases	-	-	-	-	-
Pension cost	(13)	-	(38)	-	70
Interest expense	1 246	1 393	2 928	6 047	7 204
Costs of other operating income	601	251	1 211	1 024	1 486
	<b>3 407</b>	<b>4 800</b>	<b>10 636</b>	<b>17 014</b>	<b>21 565</b>

IBM Finans Norge AS has loans with IBM GF International Treasury Company Designated Activity Company (hereinafter referred to as "Treasury Center"). The interest for In House Bank account is NIBOR 1MND+0,15% and Customer financing term loans have fixed rate.



# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

### 4. Other expenses

	Three months ended		Nine months ended		Year ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	31 December 2020
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
Employee expenses	3 328	1 387	6 463	3 717	7 255
Other expenses	1 114	3 551	4 258	7 313	9 335
Audit services (excl. VAT) - Statutory audit	111	-	255	240	240
	<b>4 553</b>	<b>4 938</b>	<b>10 976</b>	<b>11 270</b>	<b>16 830</b>

### 5. Income tax expense

Income tax expense is recognised based on management's estimate of the weighted average annual income tax rate expected for the full financial year. The estimated average annual tax rate used for the year to 31 December 2020 is 22% (the estimated tax rate for the nine months ended 30 September 2019 was 22 %).

### 6. Finance receivables

	30 Sept 2020	30 Sept 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
Commercial financing receivables	64 070	93 450	203 252
Lease receivables	66 442	82 298	102 676
Customer loans	1 038 882	200 022	209 352
Less: Loss allowance	(2 679)	(1 943)	(1 694)
	<b>1 166 715</b>	<b>373 827</b>	<b>513 586</b>
Current	1 094 966	220 128	374 617
Non-current	71 749	153 699	138 969
	<b>1 166 715</b>	<b>373 827</b>	<b>513 586</b>

Finance lease receivables are for leases that relate principally to the company's equipment and are generally for terms ranging from two to seven years. Customer loans are provided by the company to clients to finance the purchase of IBM's software and services.

Finance lease and customer loan receivables include invoiced amounts not paid at the end of the year. The average contractual credit period on invoiced amounts is 0 to 30 days. Thereafter, interest is charged at market rates on the outstanding balance.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

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### 6. Finance receivables (continued)

Before entering into a finance lease arrangement, the company undertakes a credit assessment on the proposed transaction, either through the IBM Credit Team or, for certain transactions of a lower size, a credit scoring system based on external credit agency information, to assess the customer's credit quality and define credit limits by customer.

Credit limits for most customers are valid for no more than six months and are re-assessed if required to be extended. The balances on leases for hardware are usually secured over the leased equipment.

In determining the recoverability of finance receivables, the company considers any change in the credit quality of the receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and diverse. Accordingly, the directors believe that there is no further credit provision required in excess of the provision for impairment of trade receivables.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the company's net investment outstanding in respect of the leases.

The finance lease receivables are effectively collateralized by the leased assets as the right to the asset reverts to the company in case of the counterparty's default. Such finance lease receivables are secured by hardware assets.

### 7. Loans and borrowings

	30 September 2020 NOK'000	30 September 2019 NOK'000	31 December 2019 NOK'000
<i>Current</i>			
Loans due to related parties (note 12)	<u>729 183</u>	<u>132 797</u>	<u>186 592</u>
	<b><u>792 183</u></b>	<b><u>132 797</u></b>	<b><u>186 592</u></b>
<i>Non-current</i>			
Loans due to related parties (note 12)	<u>78 925</u>	<u>87 830</u>	<u>74 243</u>
	<b><u>78 925</u></b>	<b><u>87 830</u></b>	<b><u>74 243</u></b>

Interest bearing amounts owed to fellow subsidiary undertakings are charged at variable rates based on NIBOR.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

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### 8. Trade and other payables

	<b>30</b>	<b>30</b>	<b>31 December</b>
	<b>September</b>	<b>September</b>	<b>2019</b>
	<b>2020</b>	<b>2019</b>	<b>2019</b>
	<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>
Trade payables	11 233	36 310	27 572
Social security and other taxes	4 941	859	14 844
Other payables	2 443	441	441
	<u><b>18 617</b></u>	<u><b>37 610</b></u>	<u><b>42 857</b></u>

### 9. Contingencies

At 30 September 2020, the company had no contingent liability in respect of bank (31 December 2019: nil NOK) with joint liability of IBM group companies in Norway.

### 10. Events after balance sheet date

Late in 2019, news first emerged from China about the COVID-19 (Coronavirus). The situation at year end was that a limited number of cases of an unknown virus had been reported to the World Health Organisation. In the first few months of 2020, the virus spread globally. The Company considers this outbreak to be a non-adjusting post balance sheet event. The Company is currently unable to assess the full impact of COVID-19 virus on its future financial position and the results of operations, however, depending on future developments, it may have a negative impact on the Company.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

### 11. Property, plant and equipment

	Equipment NOK'000	Leased assets NOK'000	Total NOK'000
<b>Cost</b>			
As at 1 January 2019	154	51 464	51 618
Additions	-	245	245
Disposals	(6)	(6 910)	(6 916)
Other, reclassifications, transfers	(6)	(8 303)	(8 309)
As at 31 December 2019	142	36 496	36 638
Additions	-	21	21
Disposals	-	(6 374)	(6 374)
Other, reclassifications, transfers	(52)	(18 797)	(18 849)
As at 30 September 2020	90	11 346	11 436

#### Accumulated depreciation

As at 1 January 2019	(154)	(24 599)	(24 753)
Additions	-	(11 416)	(11 416)
Disposals	6	5 659	5 665
Other, reclassifications, transfers	6	6 914	6 920
As at 31 December 2019	(142)	(23 442)	(23 584)
Additions	-	(4 794)	(4 794)
Disposals	-	4 569	4 569
Other, reclassifications, transfers	52	16 241	16 293
As at 30 September 2020	(90)	(7 426)	(7 516)

#### Net book value

At 30 September 2020	-	3 920	3 920
At 30 September 2019	-	16 130	16 130
At 31 December 2019	-	13 054	13 054

### 12. Financial instruments

#### *Financial risk management*

The company is exposed to a variety of financial risks as a result of its operations that include the effects of changes in liquidity and interest rate risk, credit risk, market prices, and foreign exchange risk.

The condensed interim financial statements do not include all financial risk management information and disclosures required in the annual financial statements; they should be read in conjunction with the annual financial statements as at 31 December 2019. There have been no changes in the risk management department since year end or in any risk management policies.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

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### 12. Financial instruments (continued)

#### *Categories of financial instruments*

	30 September 2020 NOK'000	30 September 2019 NOK'000	31 December 2019 NOK'000
<b>Financial assets</b>			
<i>Loans and receivables</i>			
Cash and cash equivalents	1 521	5 155	444
Finance receivables	1 166 715	373 827	513 586
Receivables from related parties	40 059	13 720	44 891
	<u>1 208 295</u>	<u>392 702</u>	<u>558 921</u>
<b>Financial liabilities</b>			
<i>Amortised costs</i>			
Loans Borrowing	871 108	220 627	260 835
Payables to related parties	195 483	28 637	145 441
Trade and other liabilities	13 677	36 751	28 013
	<u>1 080 268</u>	<u>286 015</u>	<u>434 289</u>

#### *Fair value of financial instruments*

The fair values of financial assets and financial liabilities are determined as follows:

- Financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and
- Other financial assets and financial liabilities, excluding derivative financial instruments, are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

Management consider that the carrying amount of financial assets and financial liabilities in the condensed interim financial statements approximate their fair values. There are no financial assets and/or liabilities that were already recognised at fair value through profit and loss.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

### 13. Related party transactions

The following transactions were carried out with related parties, and were made on commercial terms and conditions:

Class of related party/ Transaction type	Three months ended		Nine months ended		Year ended
	30 September 2020	30 September 2019	30 September 2020	30 September 2019	31 December 2019
	NOK'000	NOK'000	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>					
Sales	392	917	3 686	4 414	6 782
Purchases	(78)	(105)	(391)	(334)	(776)
Other expenses	(4)	-	(9)	(4)	621
Interest paid	(1 246)	(1 393)	(2 928)	(6 047)	(7 204)
Interest received	459	194	1 501	600	751

Details of the amounts receivable from, payable to and borrowing from related parties are set out below:

Class of related party/ Transaction type	30 September 2020	30 September 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
<i>Other related undertakings</i>			
Receivables due from related parties	40 108	13 719	44 891
Loans due to related parties	871 108	220 627	260 835
Payable to related parties	195 483	28 637	145 441
Receivables due from related parties (PDA)	(49)	-	-

Interest on amounts owed by fellow subsidiary undertakings are charged at variable rates based on NIBOR. The amounts outstanding on these balances are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognised in the current or prior year for bad or doubtful debts in respect of the amounts owed by related parties.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 30 September 2020

### 14. Capital coverage

	30/09/20 NOK'000	30/09/19 NOK'000	31/12/19 NOK'000
100 % weighted: Finance receivables	216 463	199 345	230 973
76.2 % weighted: Finance receivables	14 804	-	-
50 % weighted: Finance receivables	457 274	42 052	91 463
20 % weighted: Finance receivables	7 187	55 213	31 497
Base for operational risk	64 966	59 443	64 966
<b>Base for 8% credit risk</b>	<b>760 694</b>	<b>356 053</b>	<b>418 899</b>
Responsible capital	115 485	110 750	115 485
Credit risk	55 658	23 729	28 315
Operational risk	5 197	4 756	5 197
<b>Coverage of responsible capital</b>	<b>54 630</b>	<b>82 265</b>	<b>81 973</b>
Buffer:			
Preservebuffer	19 017	8 901	10 472
Countercyclical capital buffer (1% from 1Q 2020)	7 607	7 121	10 472
Systemriskbuffer	22 821	10 682	12 568
	<b>49 445</b>	<b>26 704</b>	<b>33 512</b>
<b>Coverage less requirement after the buffer requirement</b>	<b>5 185</b>	<b>55 561</b>	<b>48 461</b>
- Pillar 2 requirement 2,6%	19 778	9 257	10 891
- Control buffer 1%	7 607	3 561	4 189
<b>Coverage after all requirements</b>	<b>(22 200)</b>	<b>42 743</b>	<b>33 381</b>

	Actual pr.30/9/2020	Requirement + Pillar 2	Incl. control buffer
Common Equity Tier 1 (Ren kjernekapital)	15.2 %	13.6 %	14.6 %
Core capital (Kjernekapital)	15.2 %	15.1 %	16.1 %
Responsible capital (Ansvarlig kapital)	15.2 %	17.1 %	18.1 %

Finanstilsynet has been notified about the undercoverage. IBM Finans has taken action in October 2020 to reduce its commitments.

The Company satisfies the requirements for capital coverage from 23 October 2020.