

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**31 March 2020**

**IBM Finans Norge AS**  
**Condensed Interim Financial Statements**  
**For the Quarter Ended 31 March 2020**

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# IBM Finans Norge AS

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

For the Quarter Ended 31 March 2020

	Notes	Three months ended		Year ended
		31 March 2020 NOK'000	31 March 2019 NOK'000	31 December 2019 NOK'000
		Unaudited		Audited
Finance income	2	7 387	15 090	43 949
Finance income calculated using the effective interest method	2	585	214	782
Finance cost	3	(3 820)	(6 630)	(21 565)
<b>Net finance income</b>		<b>4 152</b>	<b>8 674</b>	<b>23 166</b>
<b>Other expense and income</b>				
Other expense	4	(4 110)	(3 719)	(16 830)
<b>Net impairment losses on financial assets</b>		<b>1 165</b>	<b>(567)</b>	<b>(173)</b>
<b>Profit before income tax</b>		<b>1 207</b>	<b>4 388</b>	<b>6 163</b>
Income tax expense		(433)	(965)	(1 276)
<b>Profit for the year</b>		<b>774</b>	<b>3 423</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)	(197)
Deferred tax in respect of defined benefit scheme		-	1	44
<b>Other comprehensive income / (loss) for the period, net of income tax</b>		<b>-</b>	<b>(2)</b>	<b>(153)</b>
<b>Total comprehensive income / (loss) for the period</b>		<b>774</b>	<b>3 421</b>	<b>4 734</b>

The notes on pages 6 to 13 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Financial Position

As at 31 March 2020

		<b>31 March 2020</b>	<b>31 December 2019</b>	<b>31 March 2019</b>
		<b>NOK'000</b>	<b>NOK'000</b>	<b>NOK'000</b>
	<b>Notes</b>	<b>Unaudited</b>	<b>Audited</b>	<b>Unaudited</b>
<b>Current assets</b>				
Cash and cash equivalents	12	970	444	7 282
Receivables from related parties	12	15 535	15 807	10 201
Finance receivables	6	202 503	374 617	778 118
Inventories		-	-	42
Prepayments and other current assets		145	98	143
		<b>219 153</b>	<b>390 966</b>	<b>795 786</b>
<b>Non-current assets</b>				
Receivables from related parties	12	19 094	29 084	6 798
Finance receivables	6	76 610	138 969	118 577
Property, plant and equipment	11	10 226	13 054	22 886
Deferred tax assets		482	784	150
		<b>106 412</b>	<b>181 891</b>	<b>148 411</b>
<b>Total assets</b>		<b>325 565</b>	<b>572 857</b>	<b>944 197</b>
<b>Current liabilities</b>				
Loans and borrowings	7,12	135 942	186 592	687 353
Payables to related parties	12,13	33 709	145 441	37 976
Tax payables		2 347	2 307	1 759
Trade and other payables	8	6 712	42 857	46 849
Deferred income		1 069	1 376	1 933
Other liabilities (employees)		693	1 612	659
		<b>180 472</b>	<b>380 185</b>	<b>776 529</b>
<b>Non- current liabilities</b>				
Retirement benefit obligation		2 932	2 944	2 677
Loans and borrowings	7,12	25 902	74 243	50 820
		<b>28 834</b>	<b>77 187</b>	<b>53 497</b>
<b>Total liabilities</b>		<b>209 306</b>	<b>457 372</b>	<b>830 026</b>
<b>Net assets</b>		<b>116 259</b>	<b>115 485</b>	<b>114 171</b>
<b>Issued capital and reserves</b>				
Share capital		45 000	45 000	45 000
Retained profits		71 259	70 485	69 171
<b>Total equity</b>		<b>116 259</b>	<b>115 485</b>	<b>114 171</b>

The notes on pages 6 to 13 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Changes in Equity

As at 31 March 2020

	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	-	-	774	774
Other comprehensive income	-	-	-	-
<b>At 31 March 2020 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(9 453)</u></b>	<b><u>116 259</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	-	-	3 423	3 423
Other comprehensive income	-	-	(2)	(2)
<b>At 31 March 2019 (unaudited)</b>	<b><u>45 000</u></b>	<b><u>80 712</u></b>	<b><u>(11 540)</u></b>	<b><u>114 171</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 13 form part of these financial statements.

# IBM Finans Norge AS

## Condensed Interim Statement of Cash Flows

For the Quarter Ended 31 March 2020

	Notes	Three months ended		Year ended
		31 March 2020	31 March 2019	31 December 2019
		NOK'000	NOK'000	NOK'000
		Unaudited		Audited
<b>Profit for the period</b>		<b>774</b>	<b>3 423</b>	<b>4 887</b>
<b>Adjustments for</b>				
Income tax		433	965	1 276
Depreciation	11	2 037	3 315	11 417
<b>Changes in operating assets and liabilities</b>				
Difference between pension charge and cash contribution		(13)	(4)	70
Income tax paid		(90)	(1 000)	(1 353)
Decrease / (Increase) in receivables from related parties	12	10 263	15 056	(12 838)
Decrease / (Increase) in finance receivables	6	234 473	77 688	460 797
Decrease / (Increase) in inventory		-	-	42
Decrease / (Increase) in payables to related parties	12	(111 732)	(90 784)	16 681
(Decrease) / Increase in trade and other payables	8	(36 145)	(16 820)	(20 812)
Increase / (Decrease) in other liabilities		(1 226)	(765)	(369)
Decrease / (Increase) in prepayments		(48)	2 129	2 176
<b>Net cash flow from operating activities</b>		<b>98 726</b>	<b>(6 797)</b>	<b>461 974</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	11	-	(159)	(245)
Proceeds from sale of property, plant and equipment	11	790	825	2 640
<b>Cash flows from investing activities</b>		<b>790</b>	<b>666</b>	<b>2 395</b>
<b>Cash flow from financing activities</b>				
(Decrease) / Increase in borrowing		(98 990)	12 374	(464 964)
<b>Net cash flow from financing activities</b>		<b>(98 990)</b>	<b>12 374</b>	<b>(464 964)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>526</b>	<b>6 243</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>	12	<b>970</b>	<b>7 282</b>	<b>444</b>

The notes on pages 6 to 13 form part of these financial statements.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 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 three months ended 31 March 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 31 March 2020

### 2. Finance income

	Three months ended		Year ended
	31 March 2020	31 March 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
Factoring income	1 965	8 498	19 156
Operating lease income	2 480	3 848	13 675
Capital lease income	2 462	1 911	9 037
Interest income calculated using the effective interest method	585	214	782
Other operating income	480	833	2 081
	<u>7 972</u>	<u>15 304</u>	<u>44 731</u>

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		Year ended
	31 March 2020	31 March 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
Costs of operating leases	2 327	3 575	12 805
Pension cost	(13)	-	70
Interest expense	1 051	2 468	7 204
Costs of other operating income	455	587	1 486
	<u>3 820</u>	<u>6 630</u>	<u>21 565</u>

IBM Finans Norge AS has loans with IBM GF International Treasury Company Designated Activity Company (hereinafter referred to as "Treasury Center"). The interest is according to this contract NIBOR 1MND+0,15%.

### 4. Other expenses

	Three months ended		Year ended
	31 March 2020	31 March 2019	31 December 2019
	NOK'000	NOK'000	NOK'000
Employee expenses	1 182	1 345	7 255
Other expenses	2 784	2 205	9 335
Audit services (excl. VAT) - Statutory audit	144	169	240
	<u>4 110</u>	<u>3 719</u>	<u>16 830</u>



# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2020

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### 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 three months ended 31 March 2020 was 22%).

### 6. Finance receivables

	31 March 2020 NOK'000	31 March 2019 NOK'000	31 December 2019 NOK'000
Factored receivables	49 773	653 288	203 252
Finance lease receivables	81 332	72 904	102 676
Customer loans	148 691	172 591	209 352
Less: provision for impairment of receivables	(683)	(2 088)	(1 694)
	<u>279 113</u>	<u>896 695</u>	<u>513 586</u>
Current	202 503	778 118	374 617
Non-current	76 610	118 577	138 969
	<u>279 113</u>	<u>896 695</u>	<u>513 586</u>

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.

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.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 2020

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### 6. Finance receivables (continued)

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

	31 March 2020 NOK'000	31 December 2019 NOK'000	31 March 2019 NOK'000
Loans due to related parties (note 12)	<u>161 844</u>	<u>260 835</u>	<u>738 173</u>

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

### 8. Trade and other payables

	31 March 2020 NOK'000	31 December 2019 NOK'000	31 March 2019 NOK'000
Trade payables	4 443	27 572	43 879
Social security and other taxes	2 269	14 844	1 917
Other payables	-	441	1 053
	<u>6 712</u>	<u>42 857</u>	<u>46 849</u>

### 9. Contingencies

In 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

There were no material events after balance sheet date.

# IBM Finans Norge AS

## Notes to the Condensed Interim Financial Statements

For the Quarter Ended 31 March 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	-	-	-
Disposals	-	(2 880)	(2 880)
Other, reclassifications, transfers	(40)	(2 203)	(2 243)
As at 31 March 2020	102	31 413	31 515
<b>Accumulated depreciation</b>			
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	-	(2 037)	(2 037)
Disposals	-	2 483	2 483
Other, reclassifications, transfers	40	1 809	1 849
As at 31 March 2020	(102)	(21 187)	(21 289)
<b>Net book value</b>			
At 31 March 2020	-	10 226	10 226
At 31 March 2019	-	22 886	22 886
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 31 March 2020

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### 12. Financial instruments (continued)

#### *Categories of financial instruments*

	31 March 2020	31 December 2019	31 March 2019
	NOK'000	NOK'000	NOK'000
<b>Financial assets</b>			
<i>Amortised costs</i>			
Cash and cash equivalents	970	444	7 282
Finance receivables	279 113	513 586	896 695
Receivables from related parties	34 629	44 891	16 999
	<u>314 712</u>	<u>558 921</u>	<u>920 976</u>
<b>Financial liabilities</b>			
<i>Amortised costs</i>			
Loans and Borrowings	161 844	260 835	738 173
Payables to related parties	33 709	145 441	37 976
Trade and other payables	4 443	28 013	-
	<u>199 996</u>	<u>434 289</u>	<u>776 149</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 31 March 2020

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### 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		Year ended
		31 March 2020	31 March 2019	31 December 2019
		NOK'000	NOK'000	NOK'000
Other related undertakings	Sales	1 863	1 961	6 782
	Purchases	(193)	(106)	(776)
	Other expenses	890	-	621
	Interest paid	(1 050)	(2 468)	(7 204)
	Interest received	551	205	751

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

Class of related party	Transaction type	31 March 2020	31 December 2019	31 March 2019
		NOK'000	NOK'000	NOK'000
Other related undertakings	Receivables from related parties	34 629	44 891	16 999
	Loans due to related parties	161 844	260 835	738 173
	Payable to related parties	33 709	145 441	37 976

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 31 March 2020

### 14. Capital coverage

	31/03/20	31/03/19	31/12/19
	NOK'000	NOK'000	NOK'000
100 % weighted: Finance receivables	159 763	219 459	230 973
50 % weighted: Finance receivables	22 398	293 979	91 463
20 % weighted: Finance receivables	11 183	40 762	31 497
Base for operational risk	64 966	59 443	64 966
<b>Base for 8% credit risk</b>	<b>258 310</b>	<b>613 643</b>	<b>418 899</b>
Responsible capital	115 485	110 750	115 485
Credit risk	15 468	44 336	28 315
Operational risk	5 197	4 755	5 197
<b>Coverage of responsible capital</b>	<b>94 820</b>	<b>61 659</b>	<b>81 973</b>
Buffer:			
Preservebuffer	6 458	15 341	10 472
Countercyclical capital buffer	6 458	12 273	10 472
Systemriskbuffer	7 749	18 409	12 568
	<b>20 665</b>	<b>46 023</b>	<b>33 512</b>
<b>Coverage less requirement after the buffer requirement</b>	<b>74 155</b>	<b>15 636</b>	<b>48 461</b>
- Pilar 2 requirement (2.6 %)	6 716	2 455	10 891
- Control buffer (1 %)	1 283	12 273	4 189
<b>Coverage after all requirements</b>	<b>66 156</b>	<b>908</b>	<b>33 381</b>

	Actual pr.31/3/2020	Requirement + Pilar 2	Incl. control buffer
Common Equity Tier 1 (Ren kjernekapital)	44.7 %	15.1 %	16.10%
Core capital (Kjernekapital)	44.7 %	16.6 %	17.60%
Responsible capital (Ansvarlig kapital)	44.7 %	18.6 %	19.60%