

Norwegian Finans Holding ASA

First quarter 2018 results presentation

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May 4, 2018

Agenda

Performance and events

First quarter 2018 results

Summary

First quarter 2018 highlights

Strong loan and customer growth

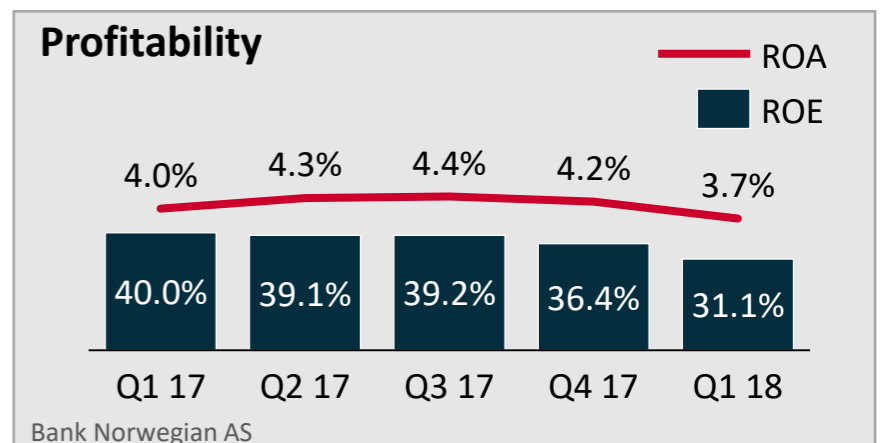
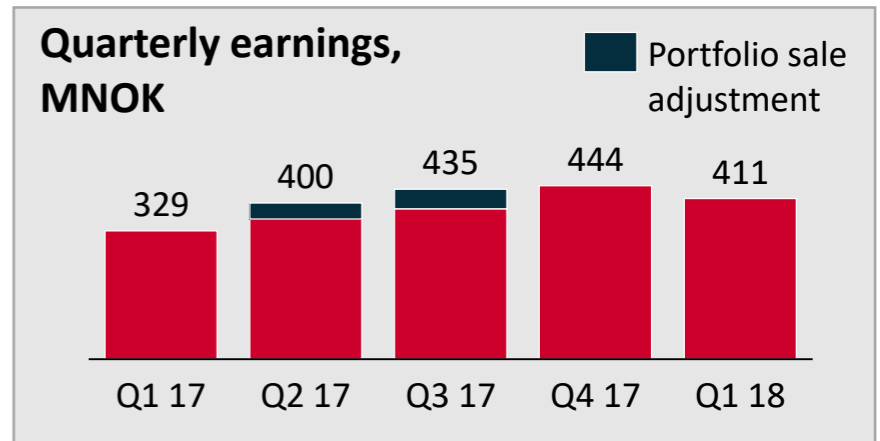
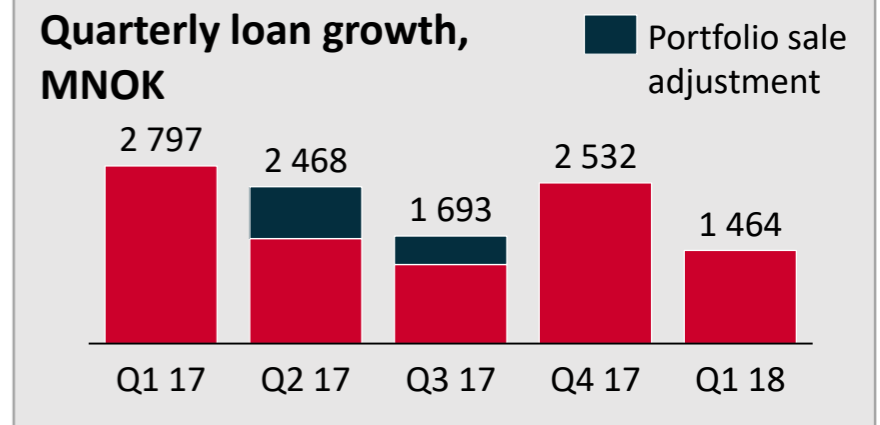
- Increased loan growth adjusted for currency impact
- 83,000 new customers

Profitability remains high

- Strong underlying earnings growth
- Earnings impacted by seasonal and non-recurring items
- Stable margins and cost effectiveness
- Stable provisions

Resilient balance sheet

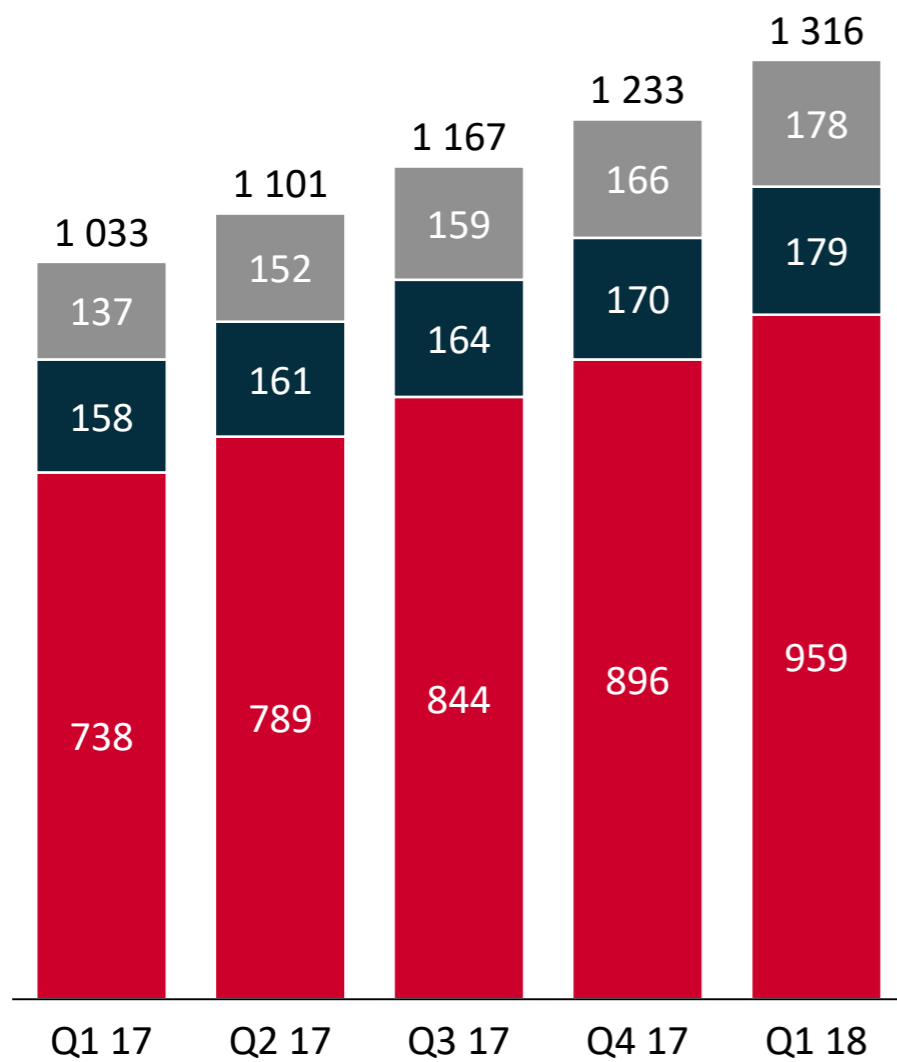
- Surplus capital position accommodates continued loan growth and initiation of dividend program
- Transition to IFRS 9 accretive to equity



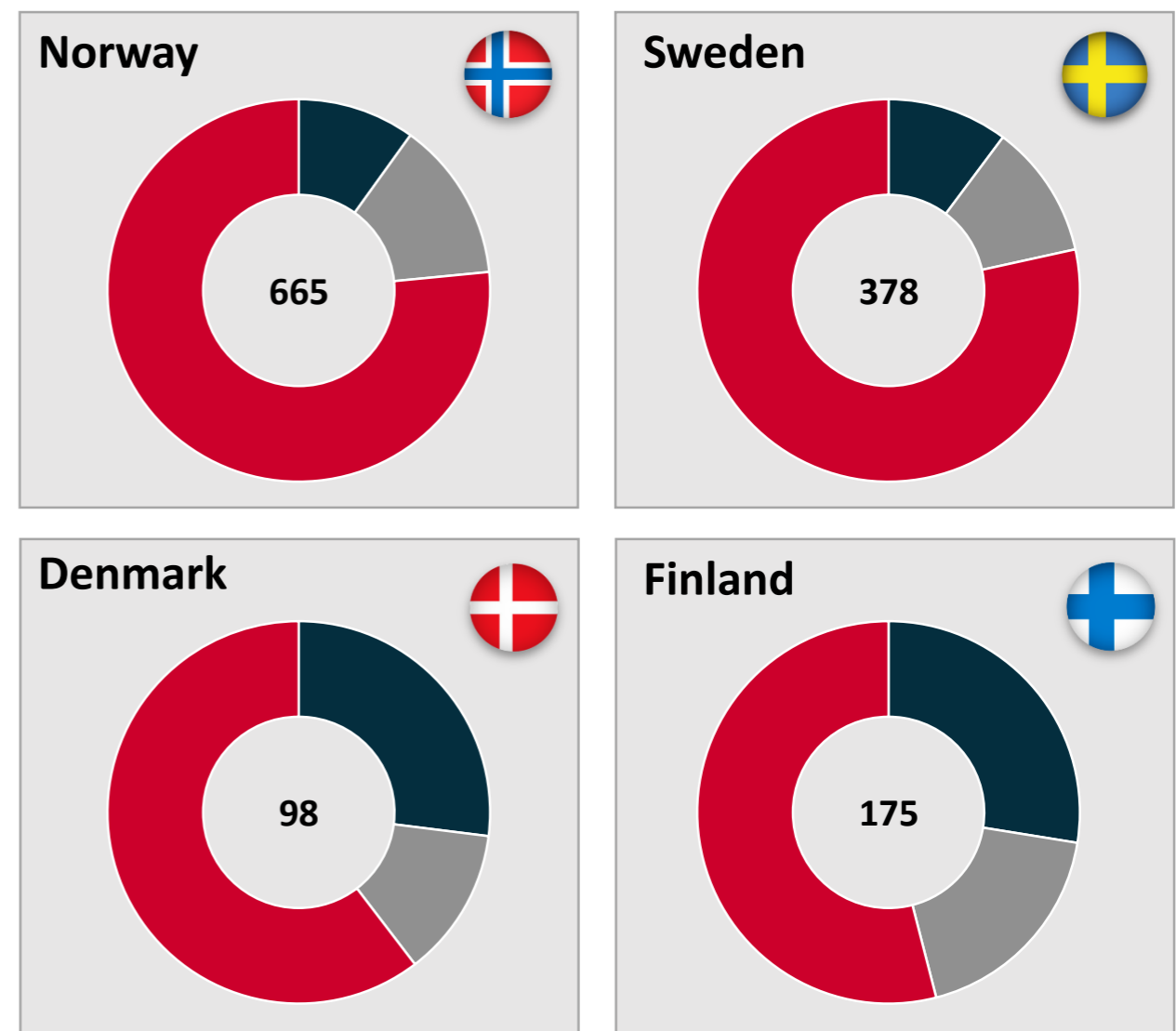
Bank Norwegian AS

Continued strong customer growth

Total number of customers, thousand



Customers by country, thousand



Deposits Consumer loans Credit cards

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First quarter 2018 earnings were 411 MNOK, down 32 MNOK compared with the fourth quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q1 18	Q4 17	Change	
Interest income, amortised cost	1,147.0	1,128.1	18.9	2 %
Other interest income	24.2	24.3	-0.1	0 %
Interest expenses	142.7	137.5	5.2	4 %
Net interest income	1,028.5	1,014.9	13.7	1 %
Commission and bank services income	119.8	121.0	-1.1	-1 %
Commission and bank services expenses	66.0	63.6	2.4	4 %
Net change in value on securities and currency	-13.5	-3.4	-10.1	n/m
Net other operating income	40.4	54.0	-13.7	-25 %
Total income	1,068.9	1,068.9	0.0	0 %
Personnel expenses	21.5	20.5	1.0	5 %
General administrative expenses	266.9	245.2	21.7	9 %
Ordinary depreciation	11.9	11.8	0.1	1 %
Other operating expenses	12.3	12.1	0.2	2 %
Total operating expenses	312.6	289.6	22.9	8 %
Provision for loan losses	208.9	199.1	9.8	5 %
Profit on ordinary activities before tax	547.4	580.2	-32.7	-6 %
Tax charge	136.8	140.4	-3.5	-3 %
Profit on ordinary activities after tax	410.6	439.8	-29.2	-7 %

Earnings per share (NOK) 2.20 2.36

<i>MNOK</i>	Q1 18	Q4 17	Change	
Profit after tax	410.6	439.8	-29.2	-7 %
Change in fair value for assets held for sale, after tax	-	3.1	-3.1	n/m
Comprehensive income for the period	410.6	442.8	-32.2	-7 %

- Net interest income impacted by interest days and non-recurring item in the fourth quarter
- Fee income down due to one-off network incentive in the fourth quarter
- Negative change in value on securities and fx-loss
- Increased marketing expenses and one-off cost related to evaluation of strategic initiatives
- Stable provision levels
- ROE* was 31.1%

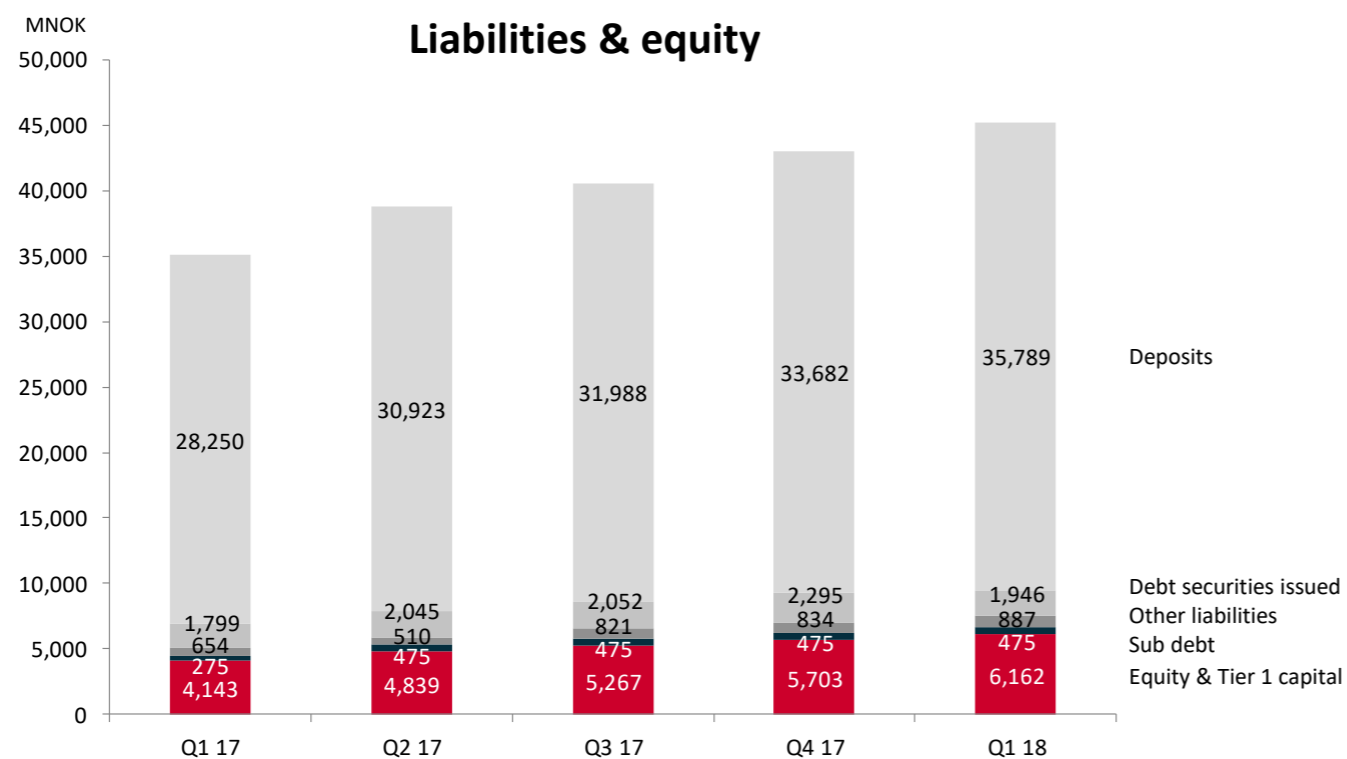
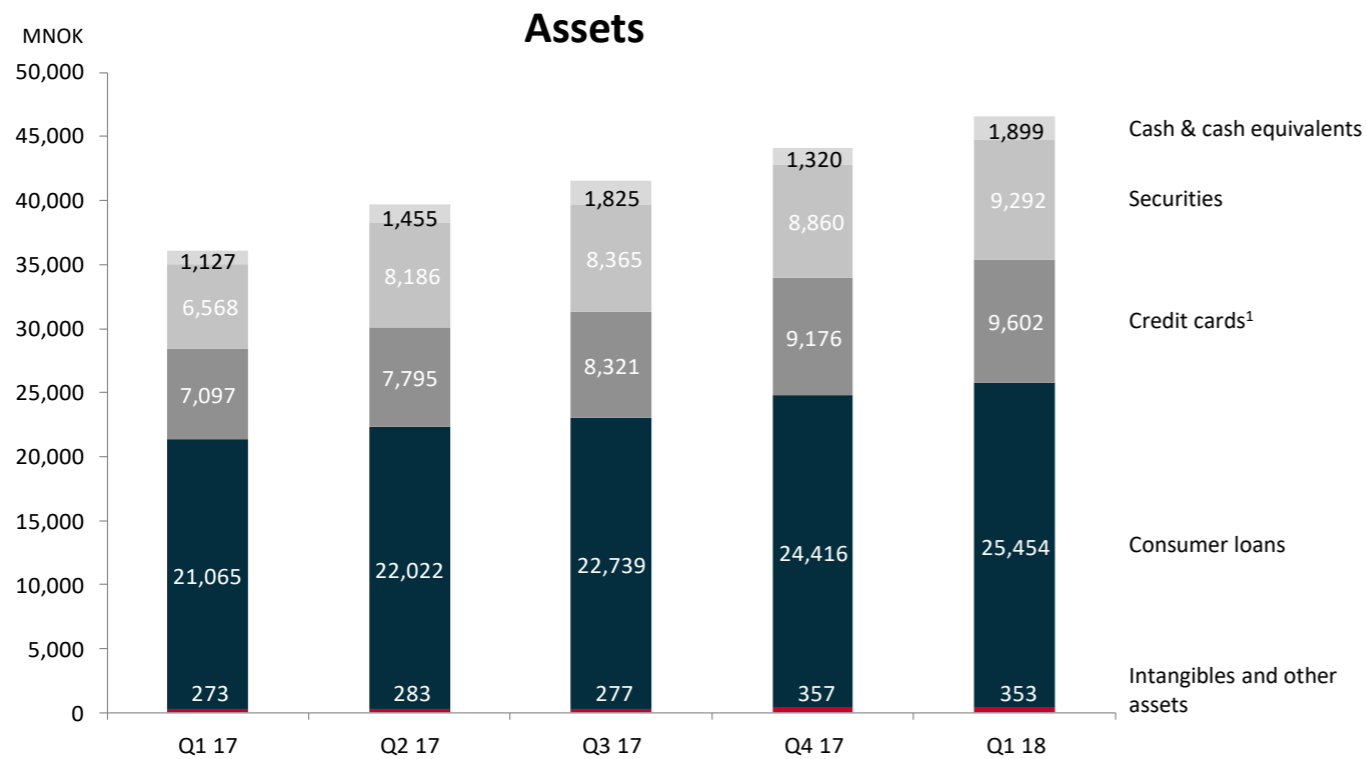
Strong underlying performance

Bank Norwegian AS

Key figures	Norway			Sweden			Denmark			Finland		
	Q1 18	Q4 17	Δ	Q1 18	Q4 17	Δ	Q1 18	Q4 17	Δ	Q1 18	Q4 17	Δ
<i>MNOK</i>												
Net interest income	502	504	-2	176	177	-1	110	100	9	241	234	7
Net other income	39	32	7	11	20	-10	1	3	-2	-9	-1	-9
Total income	541	536	5	187	197	-10	110	104	7	231	233	-2
Total operating expenses	139	133	6	75	70	5	39	34	5	59	51	8
Provision for loan losses	55	56	-0	59	44	15	47	48	-1	47	52	-5
Profit after tax	260	268	-8	39	59	-20	18	18	0	94	96	-2
Comprehensive income	260	271	-11	39	59	-20	18	18	0	94	96	-2
Net loans	17,196	16,562	634	5,554	5,718	-164	3,312	3,122	190	7,752	7,049	703
Deposits	18,574	17,909	664	5,800	5,875	-75	3,338	3,314	24	8,077	6,583	1,494

Net interest income reflects transfer pricing for internal funding
No allocation of overhead expenses

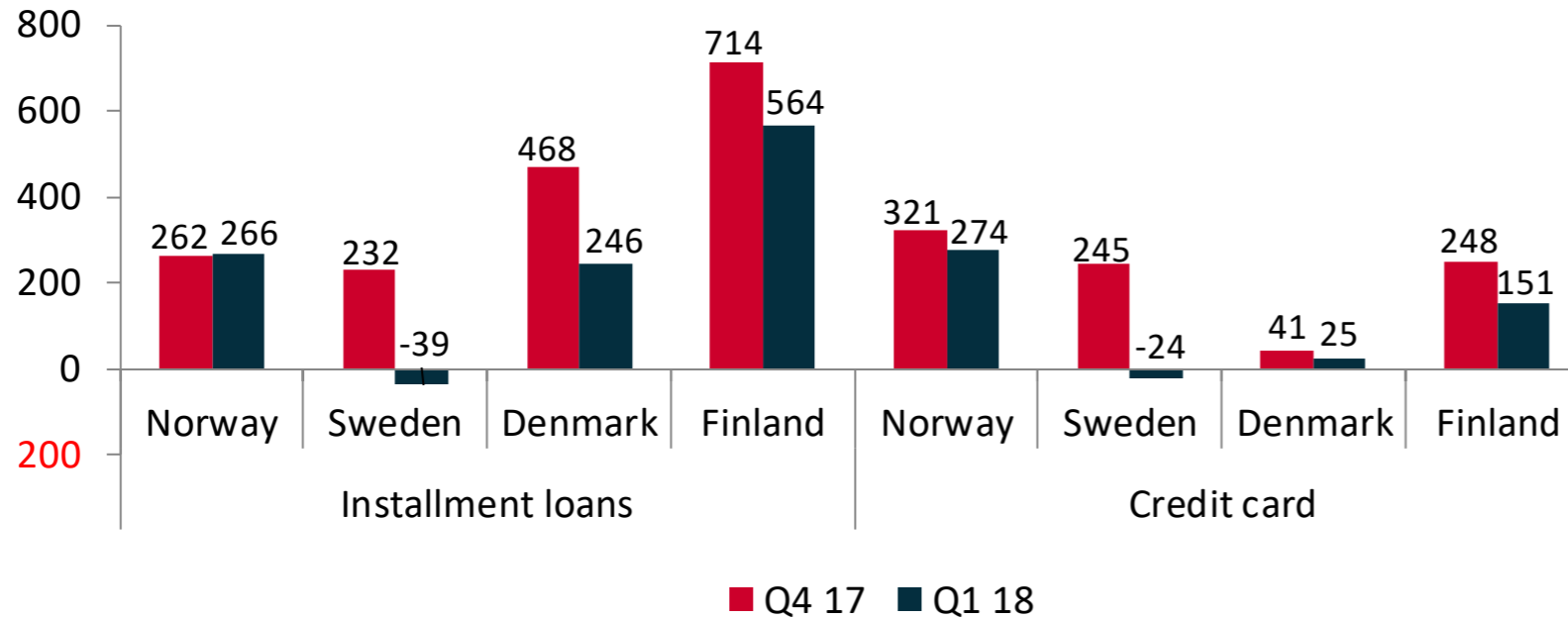
Resilient balance sheet



- Liquid assets comprise 25% of total assets
- LCR 212% and NSFR 142%
- Deposits grew 2,107 MNOK
- Stable deposit base
- Deposits to loans ratio 1.06
- EMTN-program established in the second quarter
- Total common equity to total assets equals 12.2%

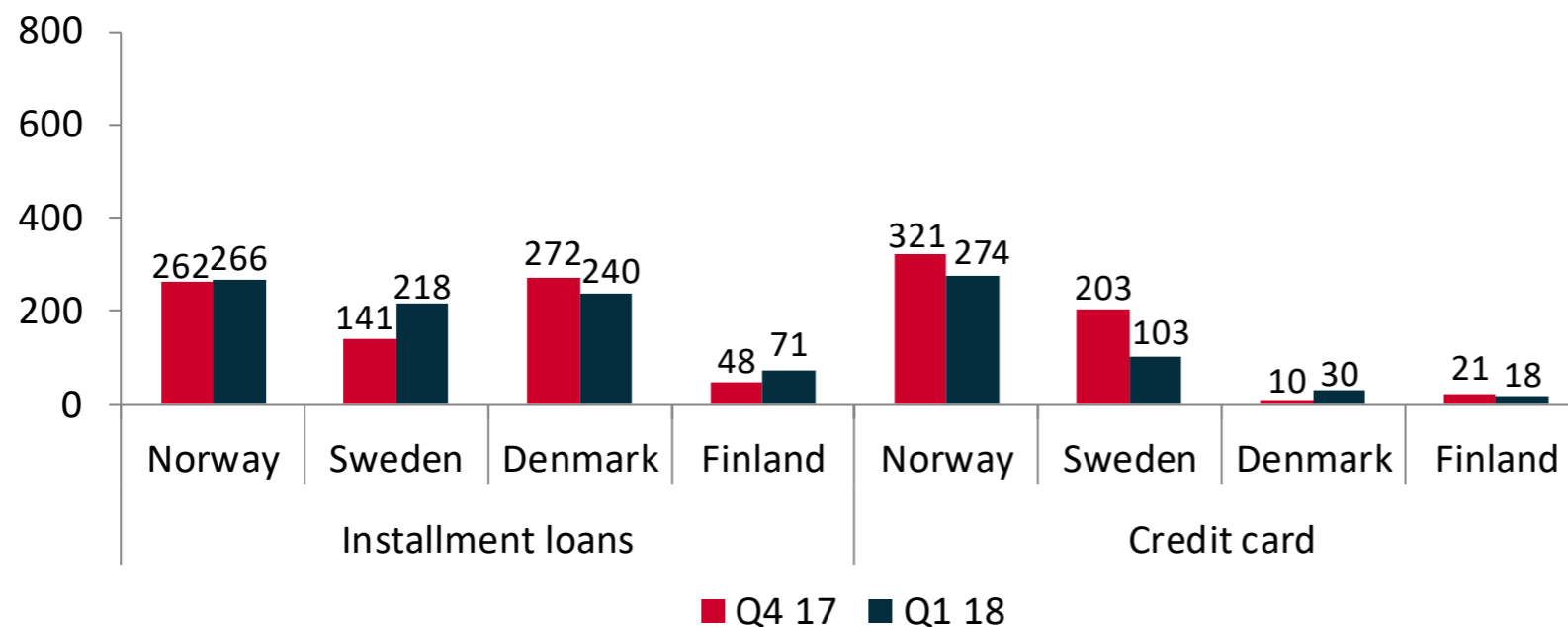
Strong loan growth

Quarterly loan growth - MNOK



- Total gross loans increased 1,464 MNOK, compared with 2,532 MNOK in the fourth quarter
- Negative currency impact in the first quarter exceeded positive effect in the fourth quarter
- Installment loans rose 1,038 MNOK and credit card loans grew 426 MNOK

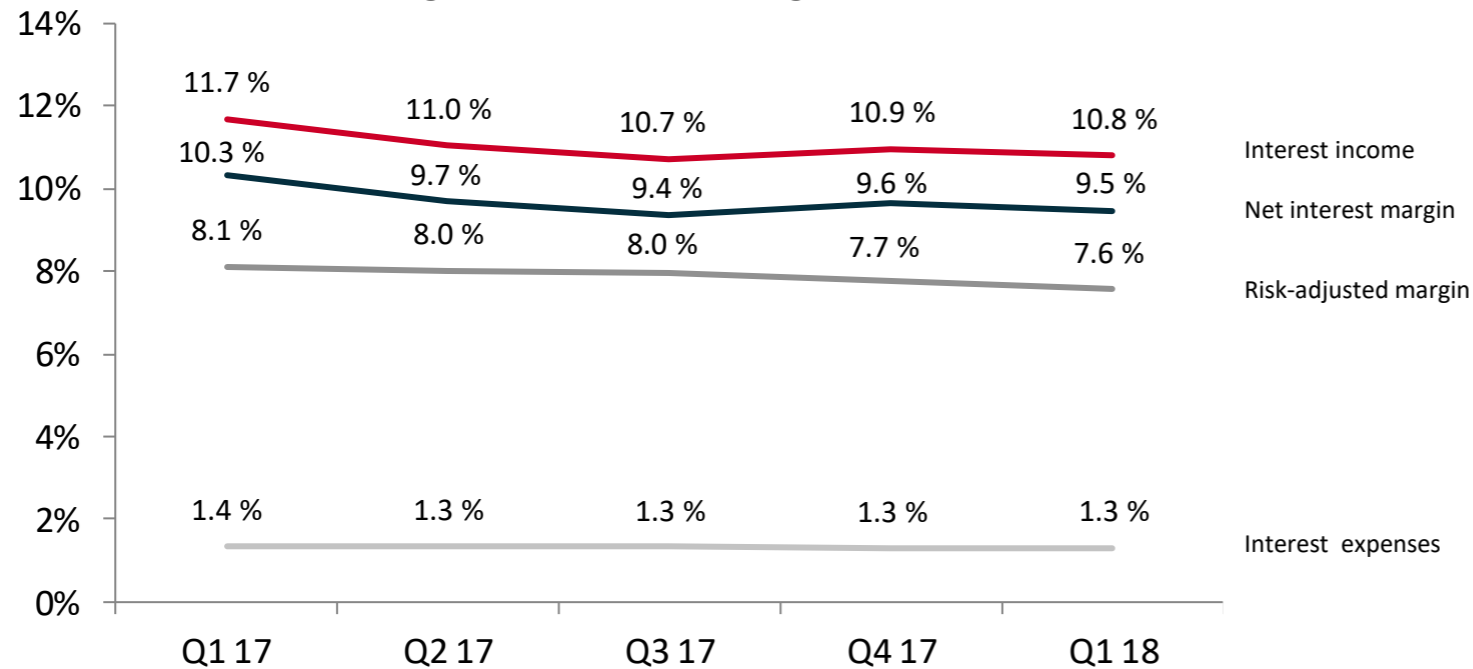
Quarterly loan growth – Local currency



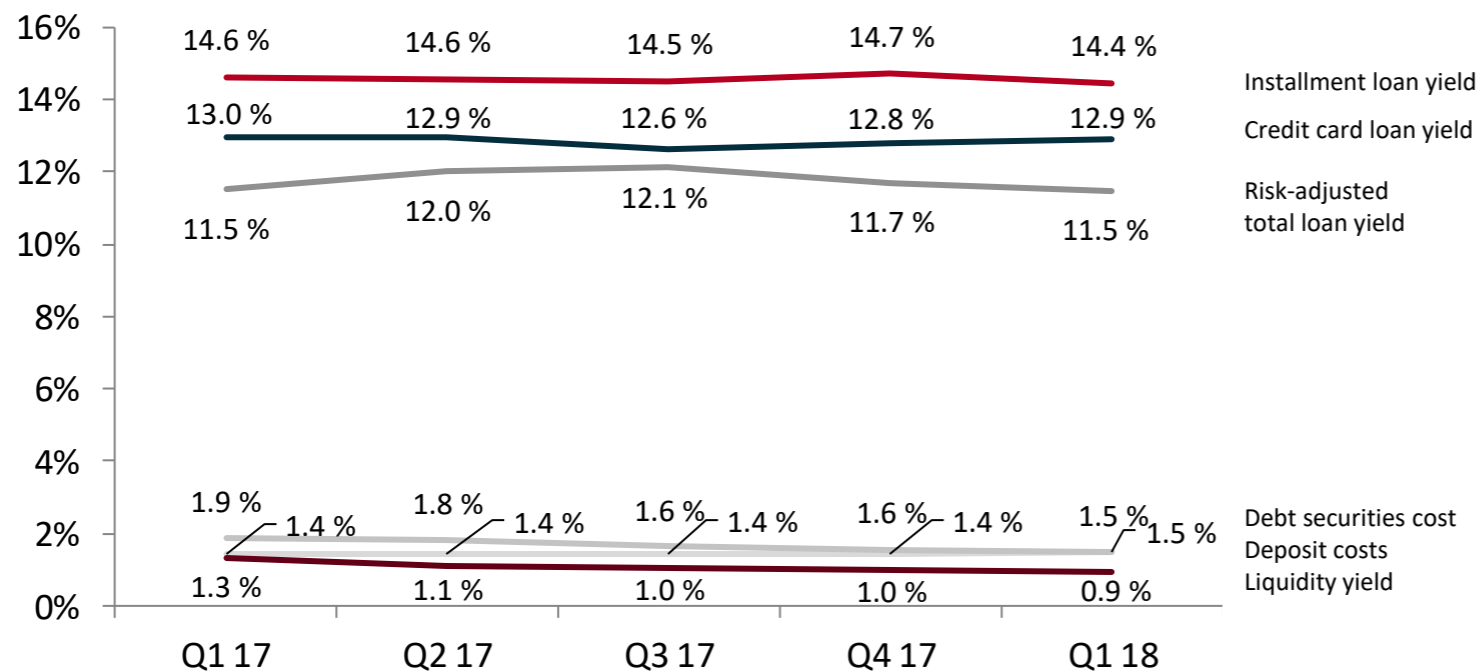
- Installment loan sales were 3,100 MNOK, compared with 2,898 MNOK in the previous quarter
- Installment loan run-off was 1,639 MNOK, compared with 1,586 MNOK in the fourth quarter
- High share of recurring business

Stable yields and margins

Margins as a % of average assets

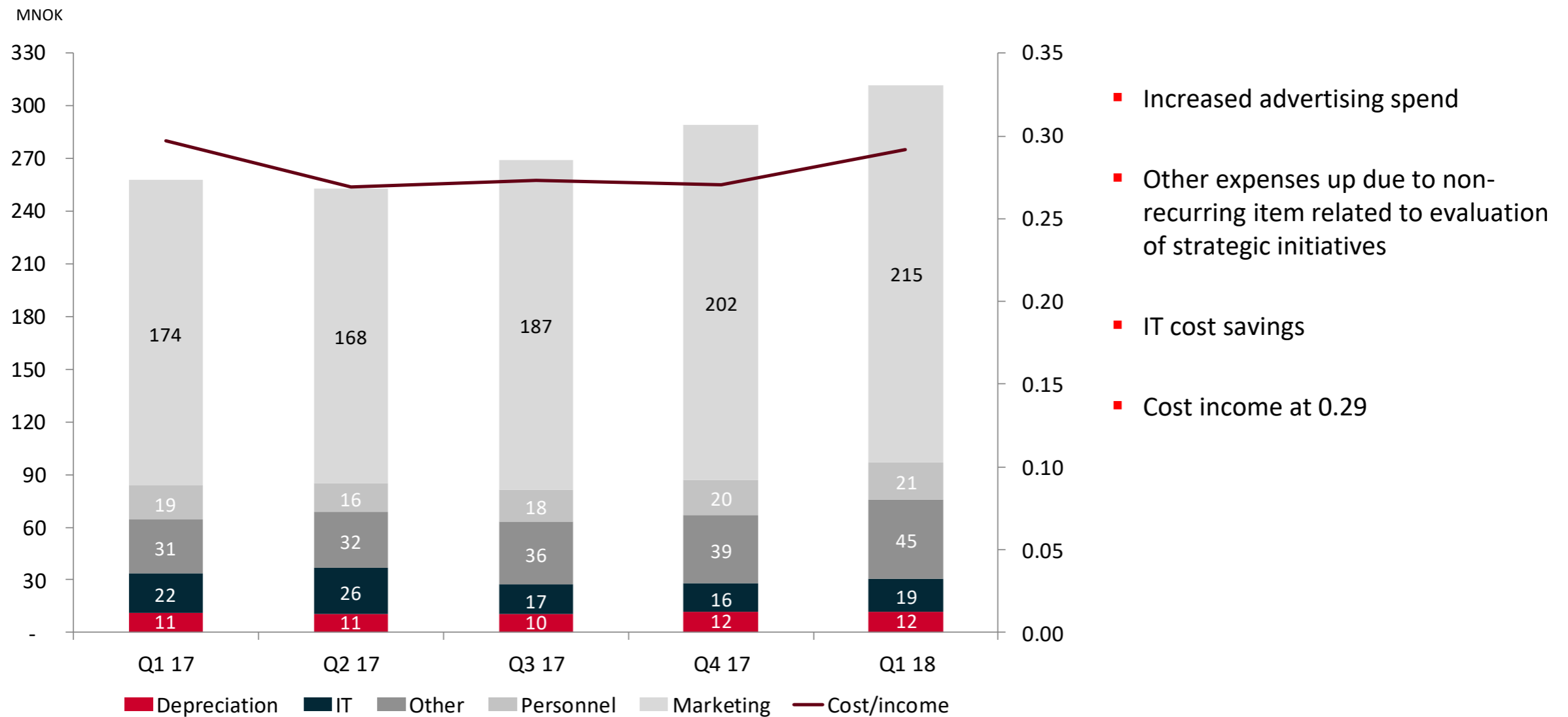


Asset yield and cost of deposits



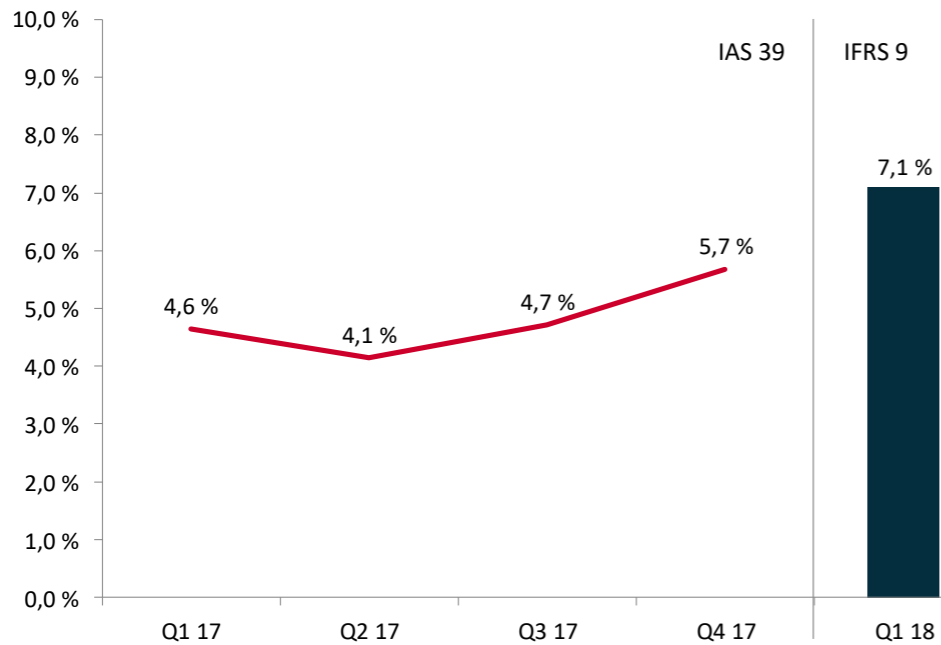
High operating efficiency

Quarterly operating expenses

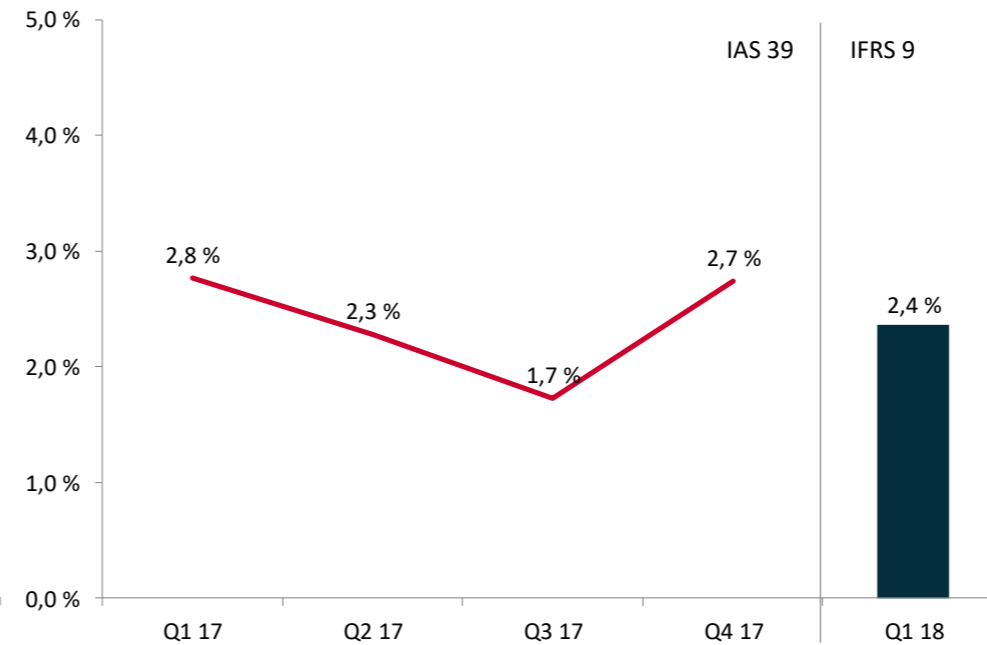


Strong credit metrics

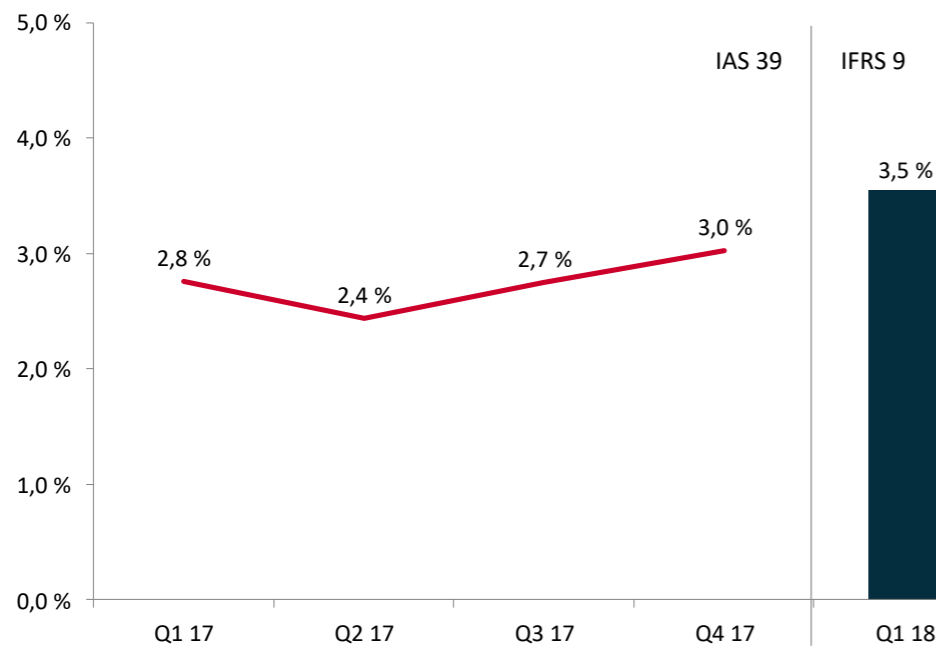
Non-performing loans to loans ¹⁾



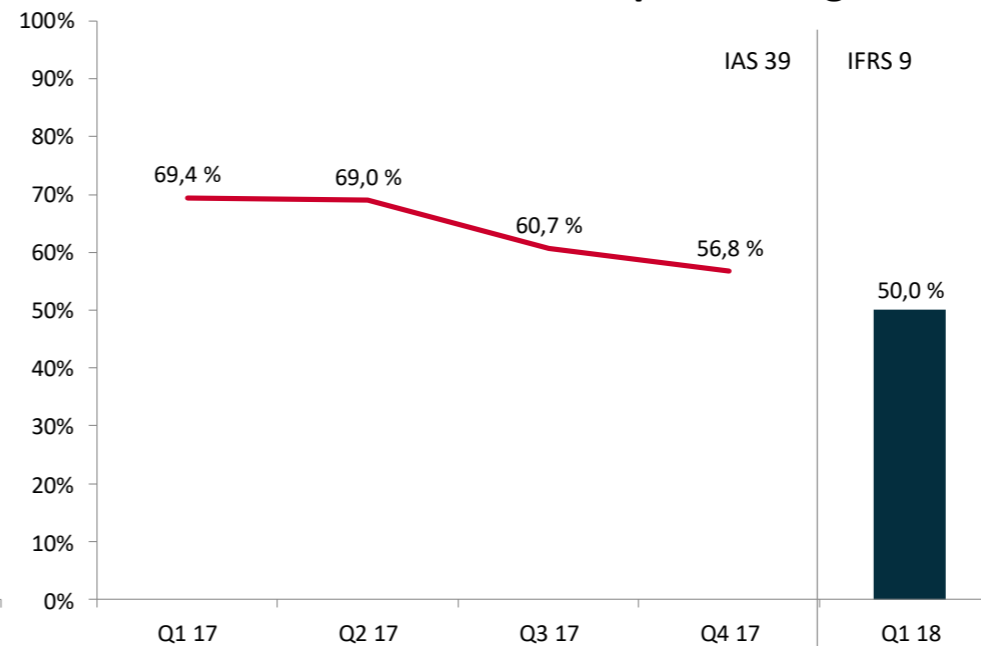
Loan loss provisions to average loans ²⁾



Loan loss allowance to loans ³⁾



Loan loss allowance to non-performing loans ⁴⁾

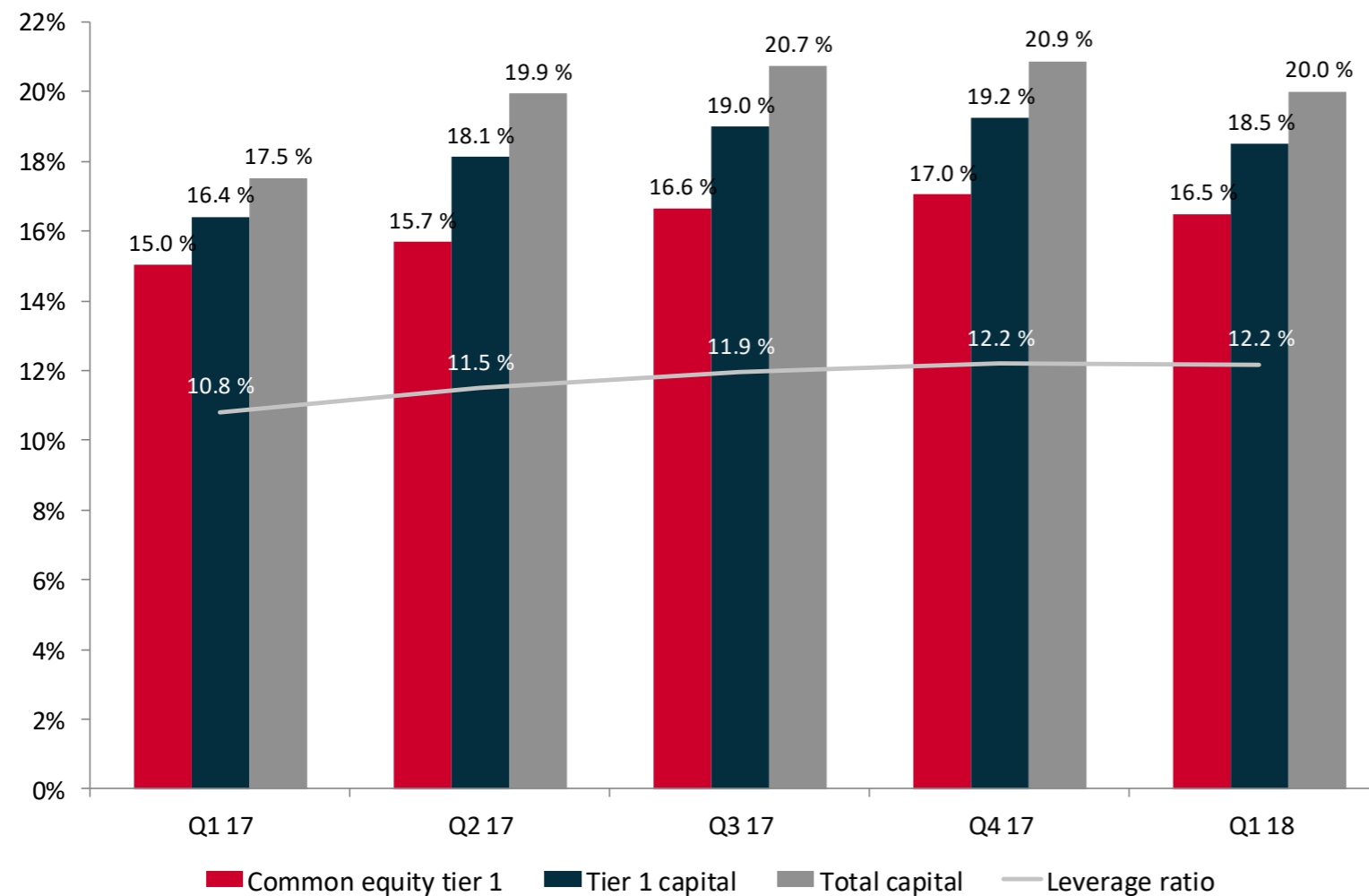


- Transition to IFRS 9 results in reversal of loan loss reserve of 72.8 MNOK as of 1.1.2018. 54.6 MNOK added to equity in Q1. No income statement effect
- NPL levels rising from a low level due to portfolio sales and unseasoned portfolios
- Stable provisioning

1) Gross loans Stage 3 (less performing loans) to gross loans
 2) Change in ECL to average gross loans
 3) ECL to gross loans
 4) ECL to gross loans Stage 3 (less performing loans)

Surplus capital position

Capital ratios



- Strong 16.5% CET1 capital ratio in Bank Norwegian accounting for 202.5 MNOK group contribution to Norwegian Finans Holding in the second quarter
- Initiation of cash dividend payment of at least NOK 0.50 per share based on second quarter earnings
- Minimum regulatory CET1 requirement 15.5%.
- Target capital ratios
 - 16.0% CET1 capital
 - 17.5% T1 capital
 - 19.5% total capital
- Leverage ratio equals 12.2%

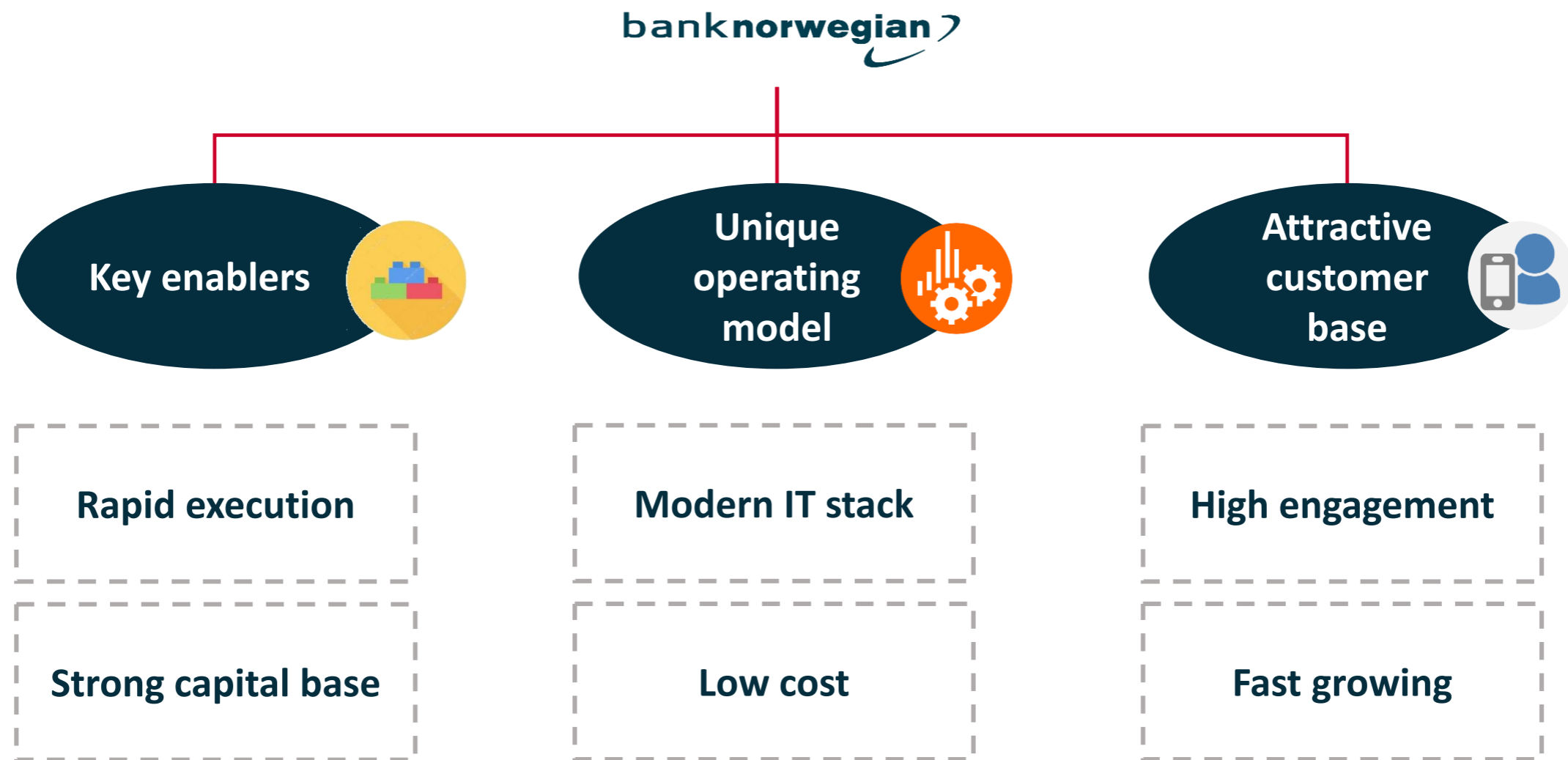
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Summary

PSD2 readiness – one step at a time



Current activities

Assessing potential future roles in the ecosystem

Developing APIs in anticipation of PSD2 implementation

Preparing roadmap for PSD2 products

Well positioned for continued earnings growth

Earnings growth and strong returns

- Continued customer and loan growth
- Stable margins
- Cost-efficient operations

Stable credit quality

- Strong Nordic economies
- Favorable unemployment outlook
- Enhanced credit modelling capacity

Resilient balance sheet

- Strong liquidity position
- Adequate capital for growth
- Initiation of dividend program

banknorwegian 


Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	31.3.18		31.12.17		Change	
Assets						
Deposits with the central bank	66	0 %	66	0 %	0	0 %
Loans and deposits with credit institutions	1,839	4 %	1,261	3 %	578	46 %
Loans to customers	33,814	75 %	32,452	75 %	1,362	4 %
Certificates and bonds	9,292	20 %	8,860	21 %	433	5 %
Financial derivatives	49	0 %	2	0 %	47	n/m
Shares and other securities	33	0 %	0	0 %	33	n/m
Assets held for sale	-	0 %	33	0 %	-33	n/m
Intangible assets	116	0 %	115	0 %	1	1 %
Deferred tax asset	18	0 %	16	0 %	2	1 %
Fixed assets	1	0 %	1	0 %	-0	-10 %
Receivables	144	0 %	195	0 %	-51	-26 %
Total assets	45,372	100 %	43,000	100 %	2,372	6 %
Liabilities and equity						
Loans from credit institutions	99	0 %	-	0 %	99	n/m
Deposits from customers	35,789	79 %	33,682	78 %	2,107	6 %
Debt securities issued	1,935	4 %	2,242	5 %	-308	-14 %
Financial derivatives	11	0 %	52	0 %	-41	-78 %
Taxes payable	392	1 %	526	1 %	-134	-26 %
Other liabilities	342	1 %	159	0 %	184	n/m
Accrued expenses	155	0 %	150	0 %	5	3 %
Subordinated loan	475	1 %	475	1 %	0	0 %
Total liabilities	39,198	86 %	37,286	87 %	1,911	5 %
Share capital	187	0 %	187	0 %	-	0 %
Share premium reserve	971	2 %	971	2 %	-	0 %
Tier 1 capital	635	1 %	635	1 %	-	0 %
Retained earnings and other reserves	4,381	10 %	3,921	9 %	460	12 %
Total equity	6,174	14 %	5,714	13 %	460	8 %
Total liabilities and equity	45,372	100 %	43,000	100 %	2,372	6 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES
1 NORWEGIAN AIR SHUTTLE ASA		30,623,739
2 GOLDMAN SACHS & CO.	NOMINEE	15,438,696
3 FOLKETRYGDFONDET		8,125,841
4 DANSKE BANK AS		7,466,544
5 BRUMM AS		6,739,432
6 GREEN 91 AS		6,313,434
7 STENSHAGEN INVEST AS		4,551,416
8 SWEDBANK ROBUR SMÅBOLAGSFOND		3,810,961
9 BANQUE DEGROOF PETERCAM	NOMINEE	3,425,999
10 BANQUE DEGROOF PETERCAM	NOMINEE	2,781,495
11 SKANDINAVISKA ENSKILDA BANKEN AB		2,700,000
12 KM AVIATRIX INVEST AS		2,690,635
13 SNEISUNGEN AS		2,676,841
14 MP PENSJON PK		2,644,679
15 GKB INVEST AS		2,640,635
16 TORSTEIN TVENGE		2,500,000
17 SONGA AS		2,083,120
18 SWEDBANK ROBUR KAPITALINVEST		2,009,894
19 VANGUARD TOTAL INTERNATIONAL STOCK		1,922,751
20 CLEARSTREAM BANKING	NOMINEE	1,667,351
Top 20		112,813,463
Total		186,688,897

- Management holds 1.4% of shares outstanding

As of May 3, 2018