

Norwegian Finans Holding ASA

Second quarter 2018 results presentation

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banknorwegian 

Agenda

Performance and events

Second quarter 2018 results

Summary

Second quarter 2018 highlights

Strong profitability

- Strong earnings growth
- Stable yields and margins
- Continued cost efficiency
- Stable provisions

Resilient balance sheet

- Further geographical diversification of loan book
- Stable credit metrics
- Surplus capital position

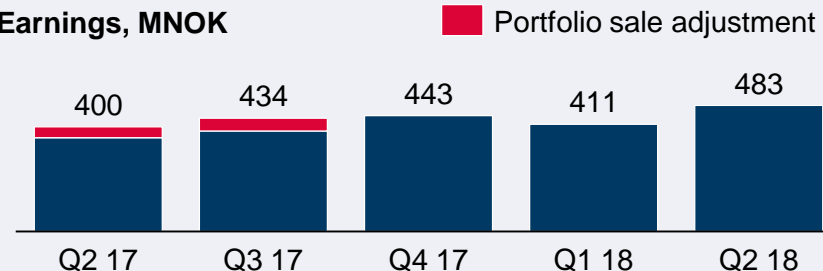
High customer growth and engagement

- Strong customer growth
- 1 million App logins per month
- 300,000 transactions per day

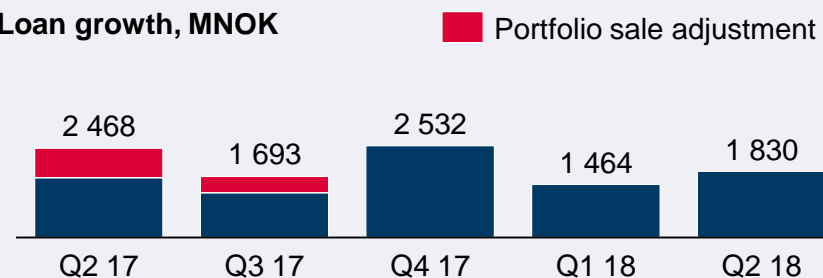
Main events during quarter

- NAS agreement extended
- Redesigned app improves sales and customer experience
- Expanded insurance offering

Earnings, MNOK

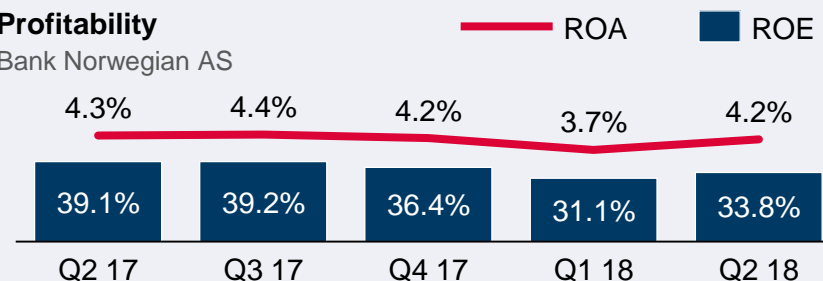


Loan growth, MNOK



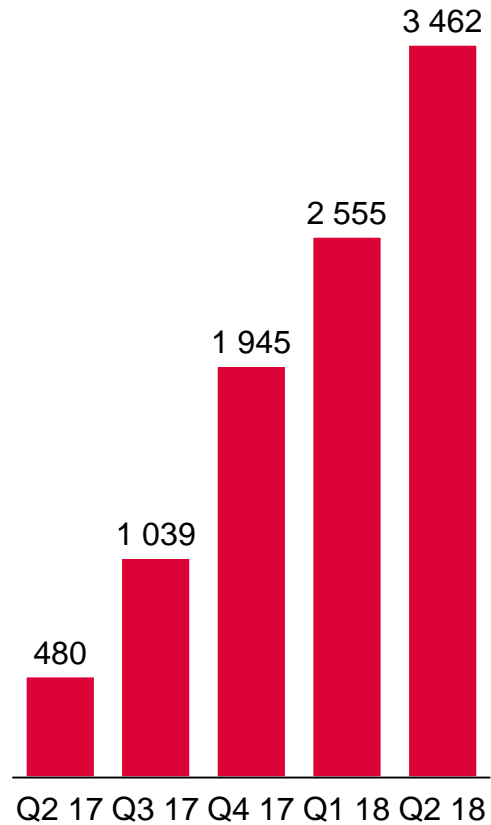
Profitability

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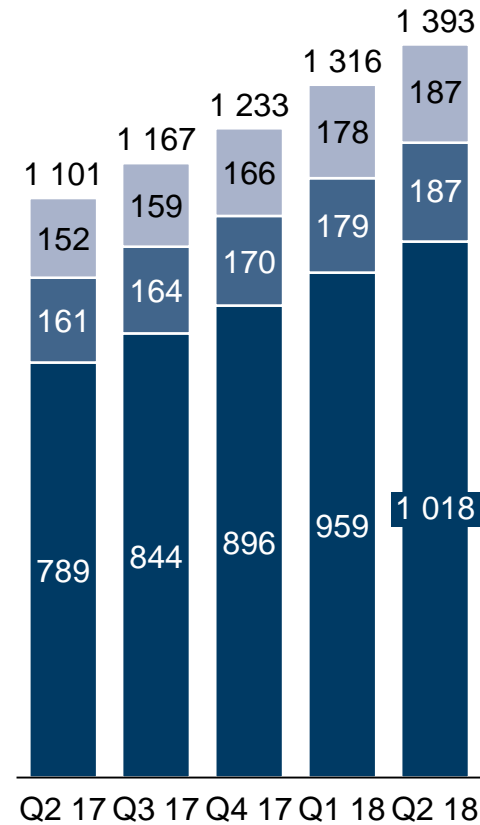


Continued strong customer growth and engagement

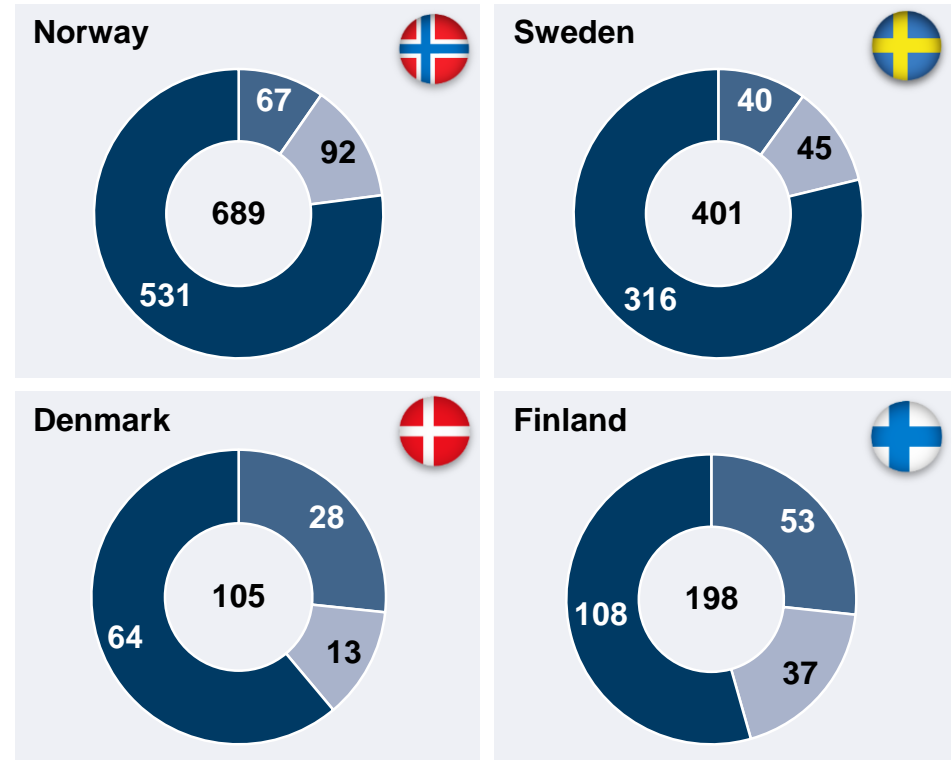
App logins, thousand



Customers, thousand



Customers, thousand



■ App logins
 ■ Credit cards
 ■ Instalment loans
 ■ Deposits

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Summary

Second quarter 2018 earnings were MNOK 483, up MNOK 72 compared with the first quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q2 18	Q1 18	Change	
Interest income, amortised cost	1,221.4	1,147.0	74.4	6 %
Other interest income	25.0	24.2	0.8	3 %
Interest expenses	154.6	142.7	11.9	8 %
Net interest income	1,091.8	1,028.5	63.3	6 %
Commission and bank services income	143.4	119.8	23.5	20 %
Commission and bank services expenses	70.4	66.0	4.4	7 %
Net change in value on securities and currency	21.1	-13.5	34.6	n/m
Net other operating income	94.1	40.4	53.7	133 %
Total income	1,185.9	1,068.9	117.0	11 %
Personnel expenses	17.4	21.5	-4.1	-19 %
General administrative expenses	264.8	266.9	-2.1	-1 %
Ordinary depreciation	12.1	11.9	0.2	2 %
Other operating expenses	13.1	12.3	0.8	7 %
Total operating expenses	307.4	312.6	-5.2	-2 %
Provision for loan losses	234.7	208.9	25.8	12 %
Profit on ordinary activities before tax	643.8	547.4	96.3	18 %
Tax charge	161.0	136.8	24.1	18 %
Profit on ordinary activities after tax	482.8	410.6	72.2	18 %

- Net interest income driven by strong loan growth
- Fee income up due to network and insurance incentives
- Gains on currency and shares exceeded negative change in value on fixed income securities
- Operating expenses down due to seasonally lower personnel expense, lower digital marketing spending and non-recurring item in the first quarter
- Stable provision level
- ROE* was 33.8%

Strong performance overall

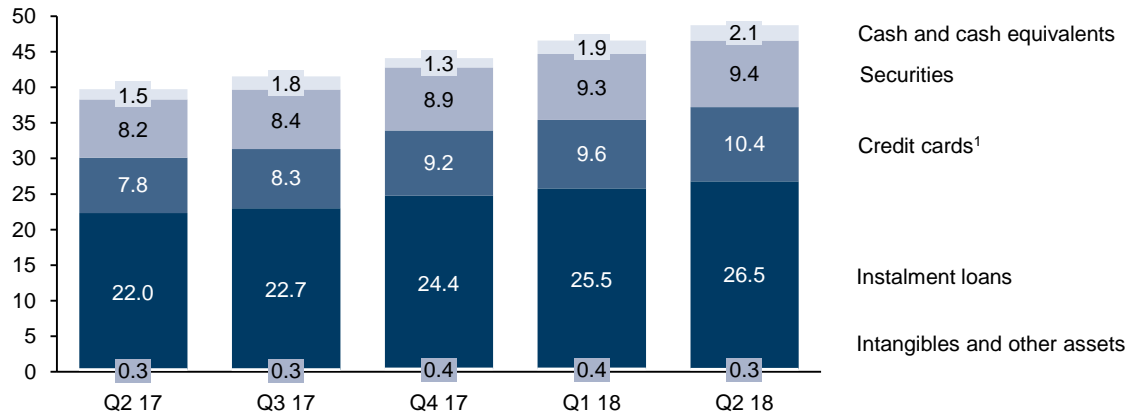
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Key figures	Norway			Sweden			Denmark			Finland		
	Q2 18	Q1 18	Δ	Q2 18	Q1 18	Δ	Q2 18	Q1 18	Δ	Q2 18	Q1 18	Δ
<i>MNOK</i>												
Net interest income	525	502	23	187	176	11	119	110	10	260	241	19
Net other income	47	39	9	30	11	19	11	1	10	6	-9	16
Total income	572	541	32	217	187	30	130	110	20	266	231	35
Total operating expenses	133	139	-6	68	75	-7	39	39	-0	66	59	7
Provision for loan losses	58	55	2	10	59	-50	49	47	1	119	47	72
Profit after tax	286	260	26	104	39	65	32	18	14	61	94	-33
Comprehensive income	286	260	26	104	39	65	32	18	14	61	94	-33
Net loans	17,855	17,196	659	5,705	5,554	151	3,525	3,312	213	8,350	7,752	598
Deposits	18,898	18,574	324	5,976	5,800	175	3,466	3,338	128	9,366	8,077	1,289

- Provisions in Sweden down due to cut-off effects in the first quarter, model correction and seasonal factors
- Provisions in Finland includes a discretionary additional provision of MNOK 57.3

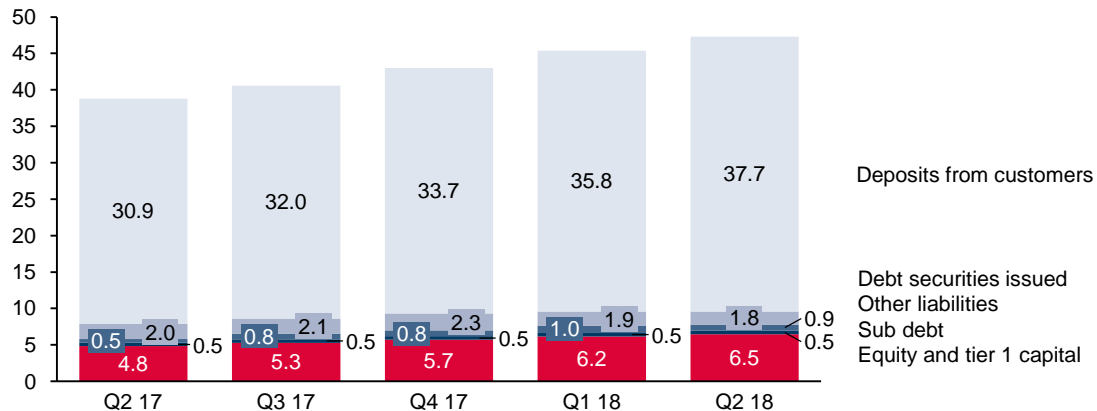
Resilient balance sheet

Assets, BNOK



- Liquid assets comprise 24% of total assets
- LCR 220% and NSFR 142%
- Deposits grew MNOK 1,917
- Stable deposit base
- Deposits to loans ratio 1.06
- Total common equity to total assets equals 12.3%

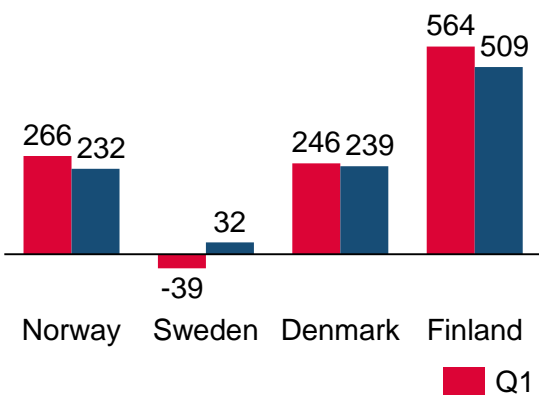
Liabilities and equity, BNOK



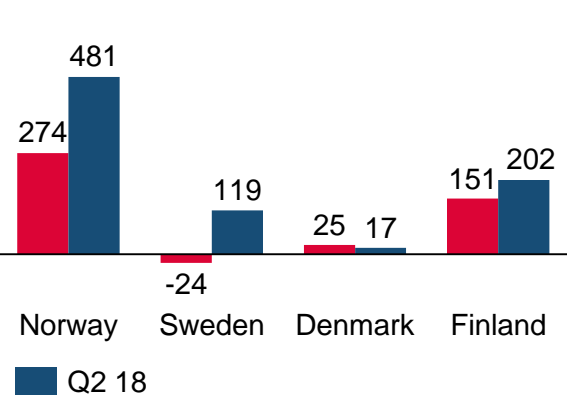
Strong quarterly loan growth

Quarterly loan growth, MNOK

Instalment loans



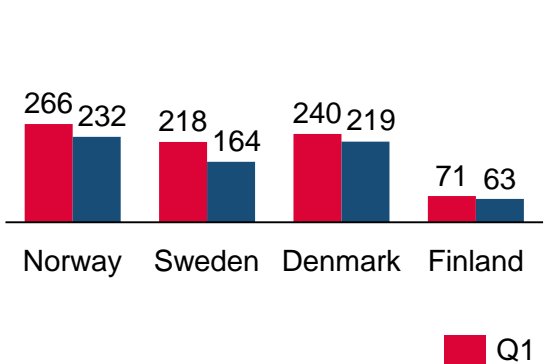
Credit card



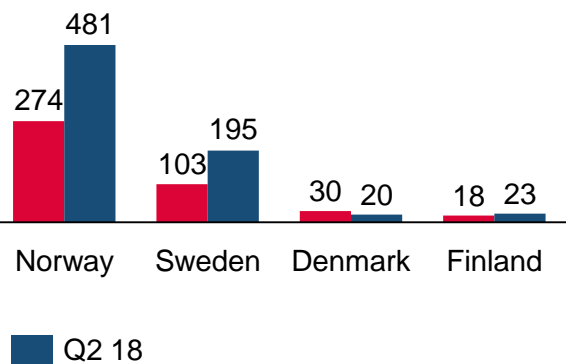
- Total gross loans increased MNOK 1,830, compared with MNOK 1,464 in the first quarter
- Currency adjusted loan growth was MNOK 2,189 compared with MNOK 2,090 in the first quarter
- Instalment loans rose MNOK 1,011 and credit card loans grew MNOK 819
- Instalment loan sales were MNOK 2,921, compared with MNOK 3,100 in the previous quarter
- Instalment loan run-off was MNOK 1,661, compared with MNOK 1,639 in the first quarter
- High share of recurring business

Quarterly loan growth, local currency

Instalment loans

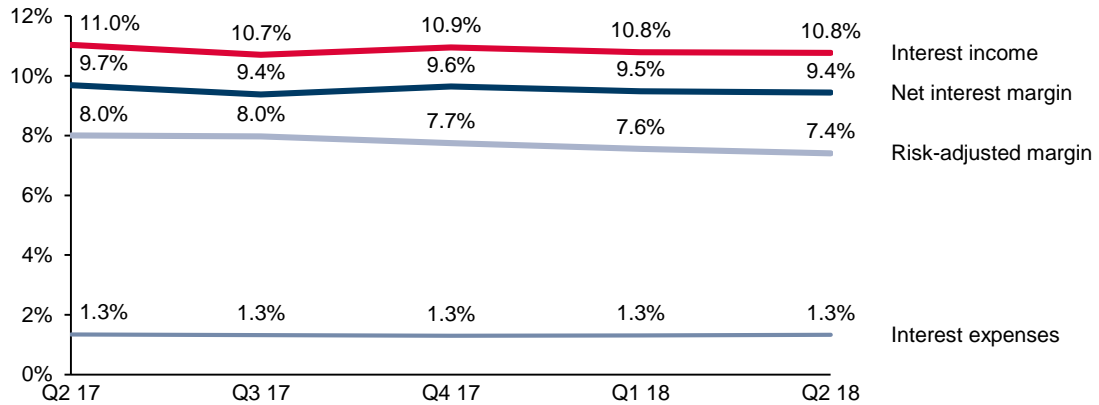


Credit card



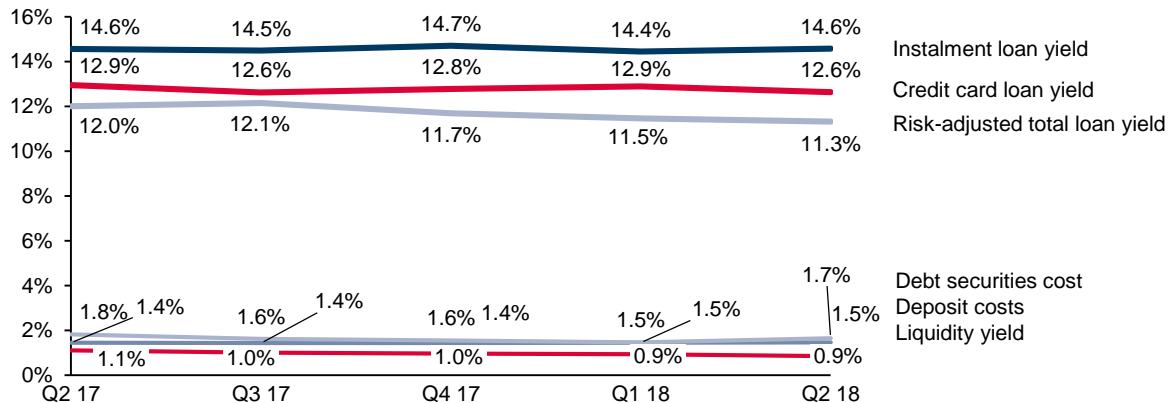
Stable yields and margins

Margins as a % of average assets



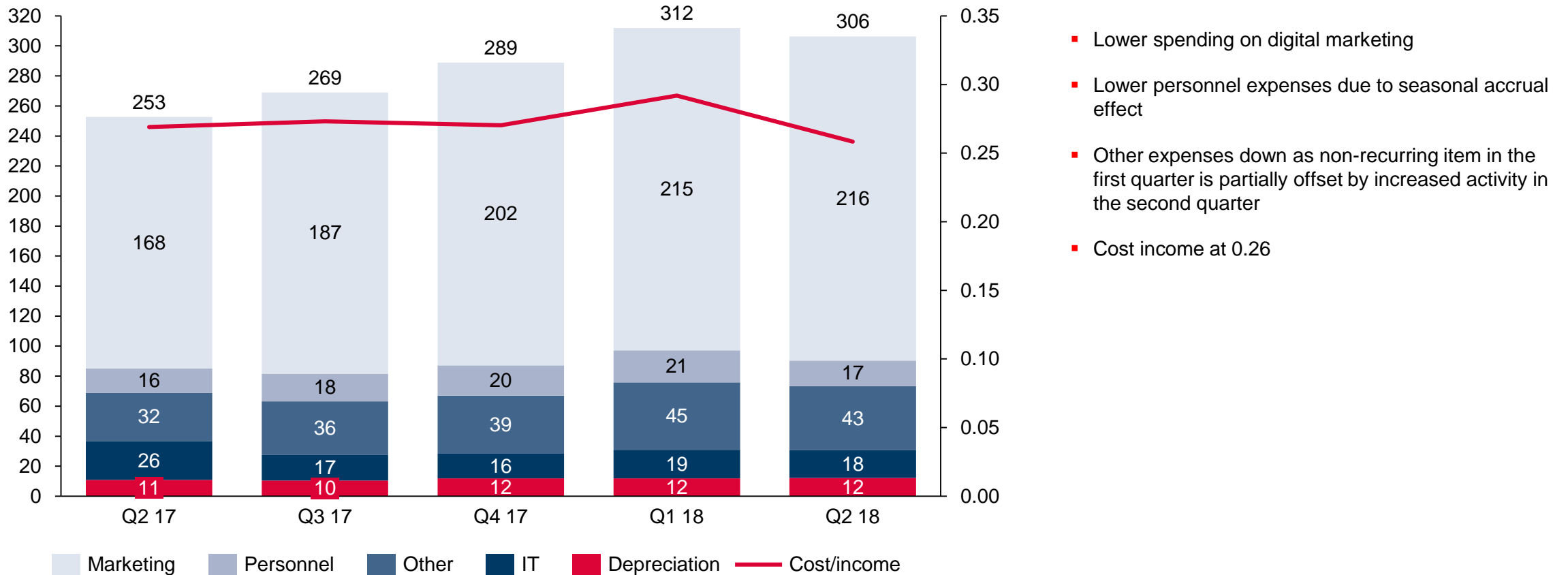
- Instalment loan yield bolstered by accrual adjustment item and seasonal increase in interest collection from past due loans

Asset yield and cost of deposits



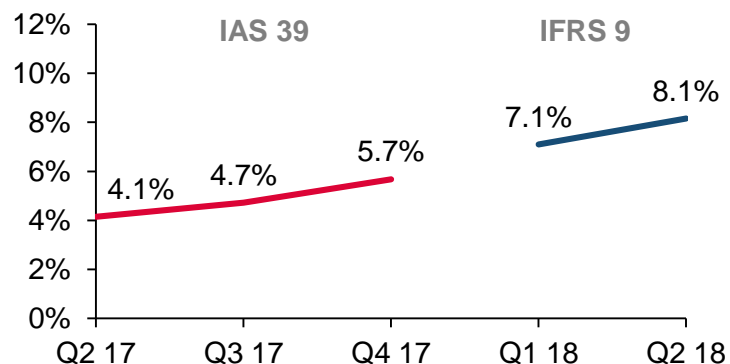
High operating efficiency

Quarterly operating expenses, MNOK

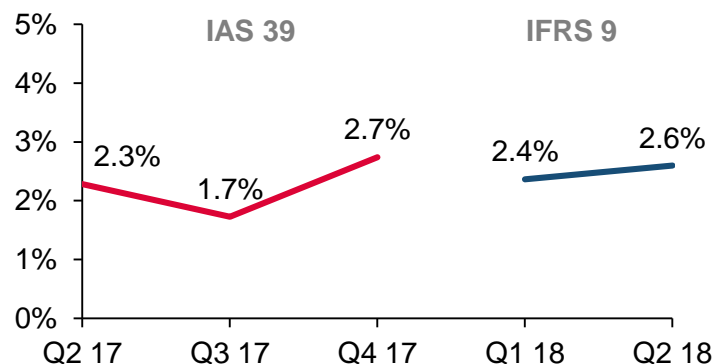


Strong credit metrics

Non-performing loans to loans ¹⁾

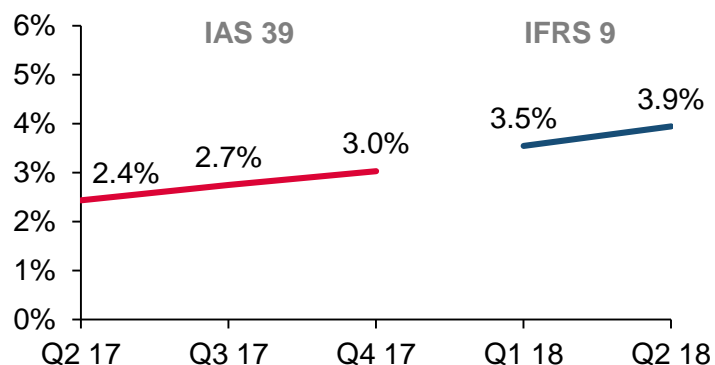


Loan loss provisions to average loans ²⁾

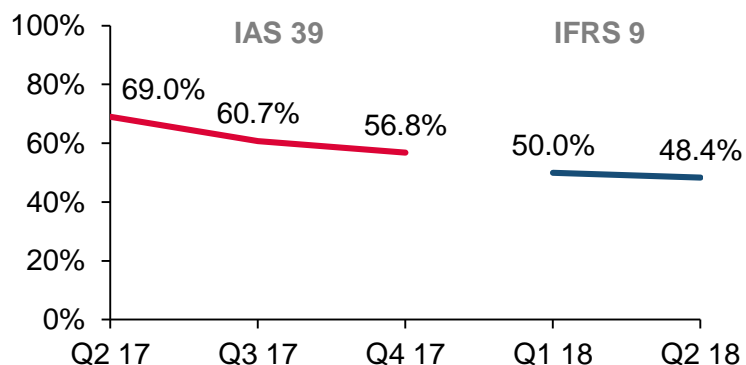


- NPL levels rising as expected from a low base due to portfolio sales and unseasoned portfolios
- Provisions impacted by cut-off effects in the first quarter, model correction and seasonal factors in Sweden besides additional provisions in Finland
- Solid allowance levels

Loan loss allowance to loans ³⁾



Loan loss allowance to non-performing loans ⁴⁾



1) Gross loans Stage 3 (less performing loans) to gross loans

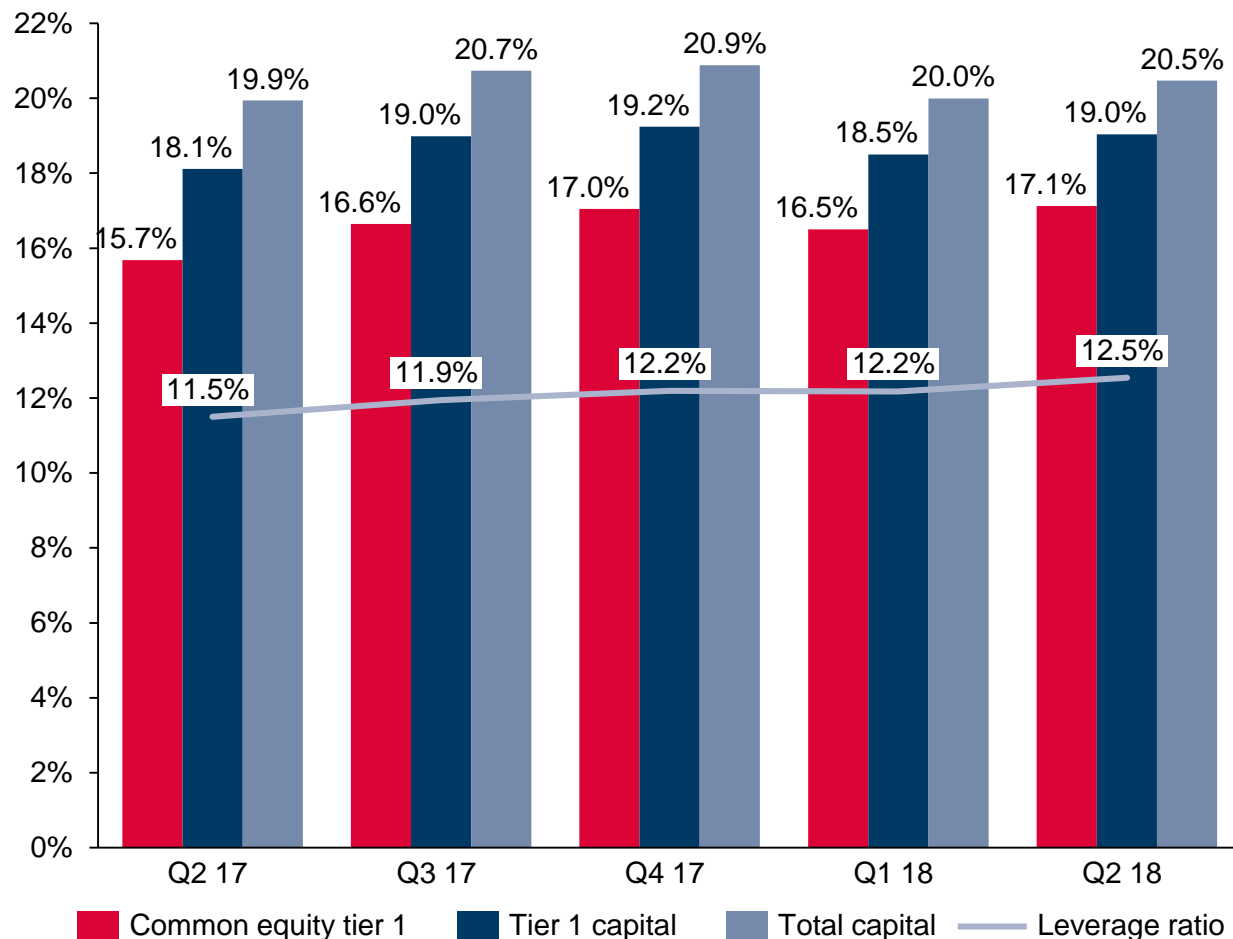
2) Change in ECL to average gross loans

3) ECL to gross loans

4) ECL to gross loans Stage 3 (less performing loans)

Surplus capital position

Capital ratios



- Strong 17.1% CET1 capital ratio in the bank accounting for MNOK 247.5 in group contribution
- 17.7% CET1 capital ratio on a consolidated basis
- Minimum regulatory CET1 requirement 15.5%, increasing to 15.56% in March 2019 and 15.64% in September 2019 due to increased countercyclical buffer requirement in Sweden and Denmark
- Target capital ratios, share buy backs and dividends under review based on regulatory dialog
- Leverage ratio equals 12.5%

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Summary

Well positioned for further growth through a two-tier strategy

Continued strong earnings and return

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

Favorable conditions for core growth

- Favorable macro economic outlook
- Strong customer engagement, trust and brand awareness
- Improved risk selection tools for optimized pricing

Opportunities from industry transformation

- Lean operation with a focused selection of own on-balance sheet products
- Deep customer insight from fully digitalized customer journey and frequent interactions
- Industry-leading services from third parties in addition to own products
- Explore AISP and PISP positions

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Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	30.6.18		31.3.18		Change	
Assets						
Deposits with the central bank	66	0 %	66	0 %	-0	0 %
Loans and deposits with credit institutions	2,323	5 %	1,839	4 %	485	26 %
Loans to customers	35,435	75 %	33,814	75 %	1,621	5 %
Certificates and bonds	9,390	20 %	9,292	20 %	97	1 %
Financial derivatives	44	0 %	49	0 %	-6	-11 %
Shares and other securities	37	0 %	33	0 %	4	13 %
Assets available for sale	-	0 %	-	0 %	-	0 %
Intangible assets	115	0 %	116	0 %	-1	-1 %
Deferred tax asset	11	0 %	18	0 %	-7	-39 %
Fixed assets	1	0 %	1	0 %	-0	-10 %
Receivables	129	0 %	144	0 %	-15	-10 %
Total assets	47,551	100 %	45,372	100 %	2,179	5 %
Liabilities and equity						
Loans from credit institutions	85	0 %	99	0 %	-14	-14 %
Deposits from customers	37,706	79 %	35,789	79 %	1,917	5 %
Debt securities issued	1,808	4 %	1,935	4 %	-127	-7 %
Financial derivatives	2	0 %	11	0 %	-9	-78 %
Taxes payable	543	1 %	392	1 %	151	39 %
Other liabilities	91	0 %	342	1 %	-251	-73 %
Accrued expenses	184	0 %	155	0 %	29	19 %
Subordinated loan	475	1 %	475	1 %	-0	0 %
Total liabilities	40,895	86 %	39,198	86 %	1,698	4 %
Share capital	187	0 %	187	0 %	-	0 %
Share premium	977	2 %	971	2 %	6	0 %
Tier 1 capital	635	1 %	635	1 %	-	0 %
Retained earnings and other reserves	4,857	10 %	4,381	10 %	475	11 %
Total equity	6,655	14 %	6,174	14 %	481	8 %
Total liabilities and equity	47,551	100 %	45,372	100 %	2,179	5 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES
1 NORWEGIAN AIR SHUTTLE ASA		30,623,739
2 GOLDMAN SACHS & CO.	NOMINEE	15,481,173
3 FOLKETRYGDFONDET		15,466,859
4 BRUMM AS		6,739,432
5 GREEN 91 AS		6,313,434
6 DANSKE BANK AS		6,248,999
7 STENSHAGEN INVEST AS		4,551,416
8 SWEDBANK ROBUR SMÅBOLAGSFOND		3,810,961
9 BANQUE DEGROOF PETERCAM	NOMINEE	3,400,999
10 SNEISUNGEN AS		2,676,841
11 MP PENSJON PK		2,646,685
12 GKB INVEST AS		2,640,635
13 KM AVIATRIX INVEST AS		2,590,635
14 BANQUE DEGROOF PETERCAM	NOMINEE	2,571,039
15 TORSTEIN TVENGE		2,500,000
16 JPMORGAN CHASE BANK	NOMINEE	2,246,497
17 SONGA AS		2,083,120
18 VERDIPAPIRFONDET PARETO INVESTMENT		1,634,700
19 JPMORGAN CHASE BANK	NOMINEE	1,630,151
20 DIRECTMARKETING INVEST AS		1,500,000
Top 20		117,357,315
Total		186,751,856

- Management holds 1.4% of shares outstanding

As of August 13, 2018