

Norwegian Finans Holding ASA

Third quarter 2018 results presentation

October 30, 2018

Tine Wollebekk, CEO

Pål Svenkerud, CFO

banknorwegian 

Agenda

Performance and events

Third quarter 2018 results

Summary

Third quarter 2018 highlights

Strong profitability

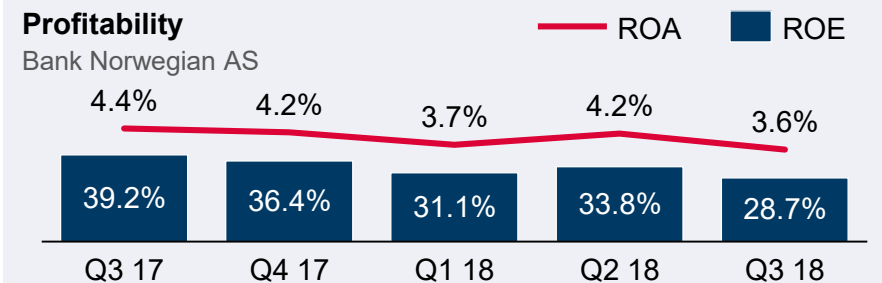
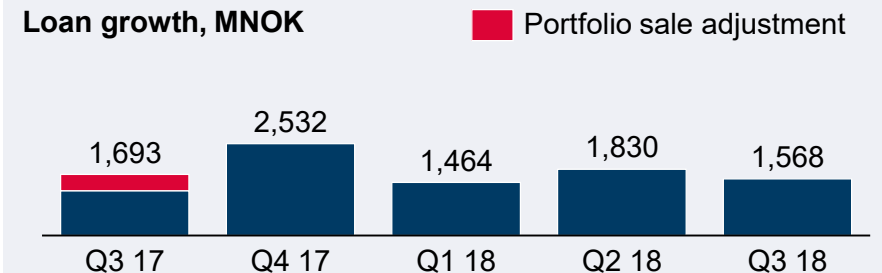
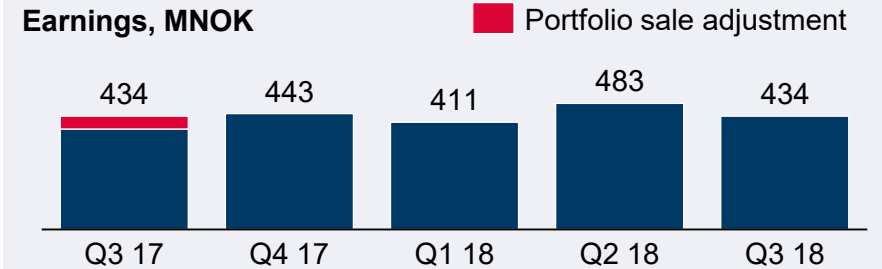
- Satisfying earnings development
- Continued cost efficiency
- Normalized provisions in Sweden and ECL model correction in Finland

Resilient Balance sheet

- Continued strong loan growth
- Strong liquidity and funding position
- Strong internal capital generation

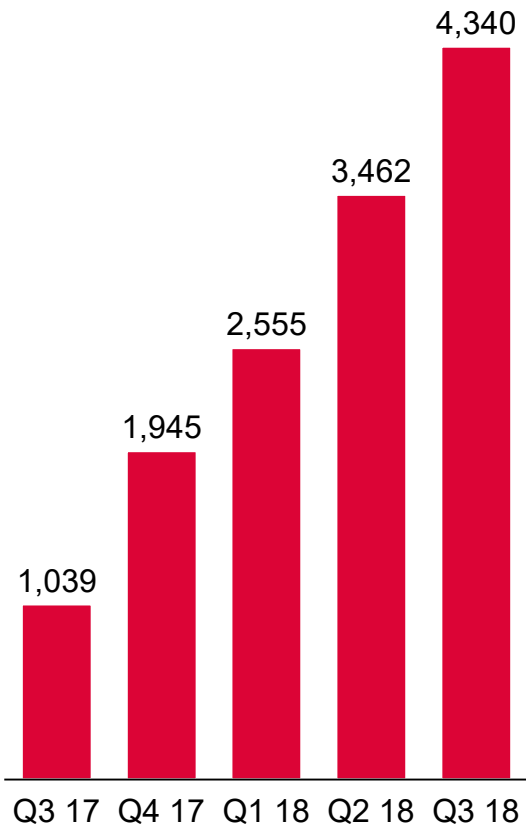
Subsequent events

- Deposit rate reduction in Finland
- AT1 and Tier 2 capital issue
- Transfer of non-performing loan portfolio in Finland



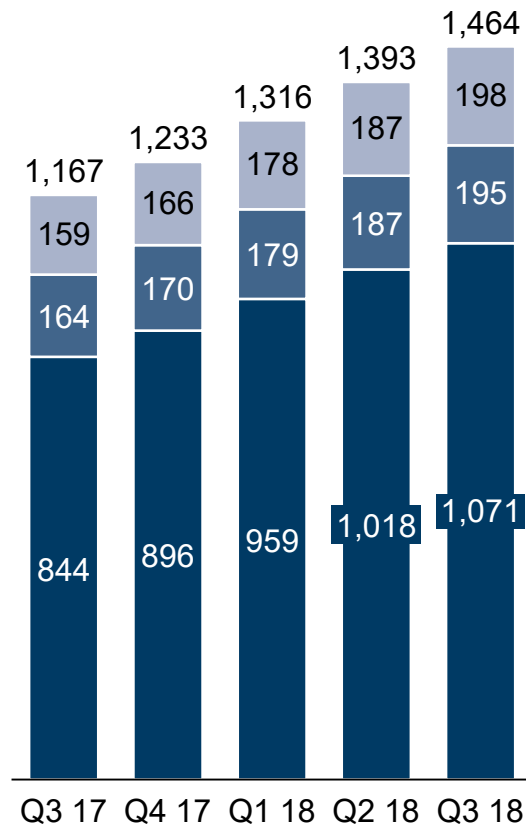
Continued strong customer growth and engagement

App usage, thousand



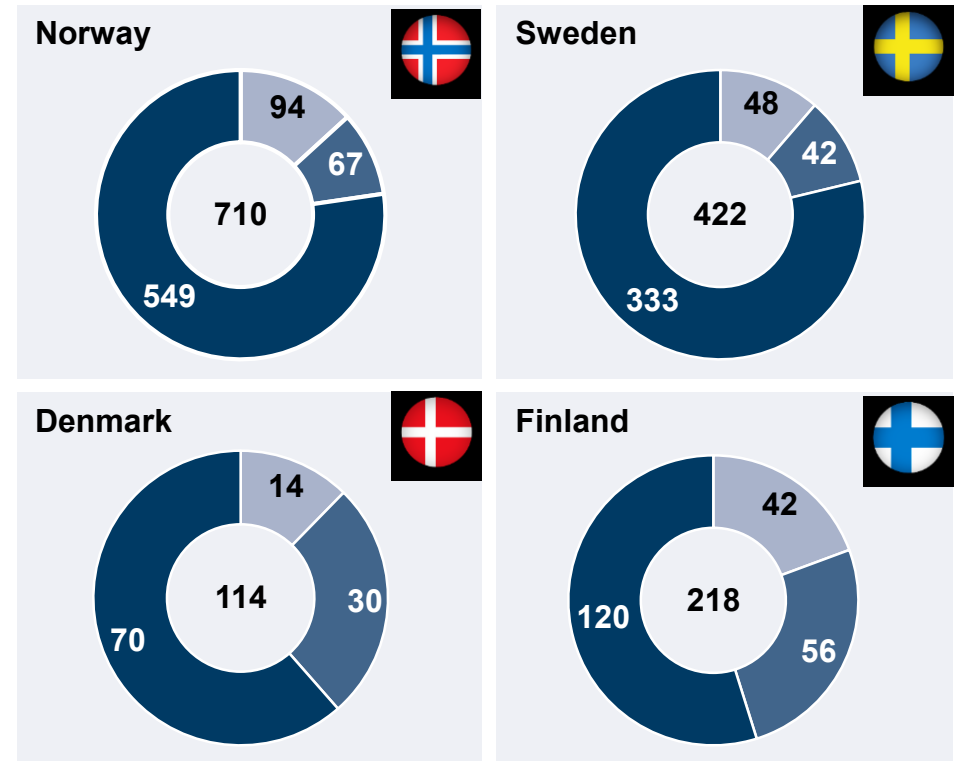
■ App logins

Customers, thousand



■ Credit card ■ Instalment loan ■ Deposit

Customers, thousand



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Summary

Third quarter 2018 earnings were MNOK 434, compared with MNOK 483 in the second quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q3 18	Q2 18	Change	
Interest income	1,290.0	1,246.4	43.6	4 %
Interest expenses	163.9	154.6	9.3	6 %
Net interest income	1,126.1	1,091.8	34.3	3 %
Commission and bank services income	134.3	143.4	-9.1	-6 %
Commission and bank services expenses	76.4	70.4	6.0	8 %
Net change in value on securities and currency	11.1	21.1	-9.9	-47 %
Net other operating income	69.1	94.1	-25.0	-27 %
Total income	1,195.2	1,185.9	9.3	1 %
Personnel expenses	23.5	17.4	6.1	35 %
General administrative expenses	268.0	264.8	3.3	1 %
Ordinary depreciation	11.9	12.1	-0.2	-2 %
Other operating expenses	13.8	13.1	0.7	5 %
Total operating expenses before losses	317.2	307.4	9.8	3 %
Provision for loan losses	299.2	234.7	64.5	27 %
Profit before tax	578.8	643.8	-65.0	-10 %
Tax charge	144.7	161.0	-16.2	-10 %
Profit after tax	434.1	482.8	-48.7	-10 %

- Net interest income driven by strong loan growth
- Net operating income down due to positive non-recurring income and seasonal effects in the second quarter
- Operating expenses up due to higher sales expenses and seasonally lower personnel expenses in the second quarter
- Increased provisions due to normalized provisioning in Sweden and ECL model correction in Finland
- ROE* was 28.7%

* Bank Norwegian AS

Strong underlying performance

Bank Norwegian AS

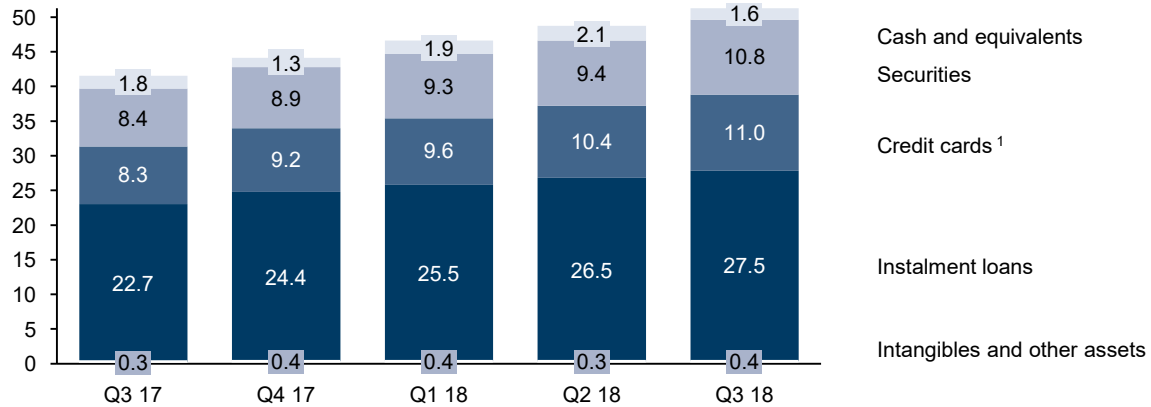
Key figures	Norway			Sweden			Denmark			Finland		
	Q3 18	Q2 18	Δ	Q3 18	Q2 18	Δ	Q3 18	Q2 18	Δ	Q3 18	Q2 18	Δ
<i>MNOK</i>												
Net interest income	534	525	9	186	187	-1	129	119	10	276	260	16
Net other income	40	47	-7	20	30	-10	8	11	-3	1	6	-5
Total income	574	572	2	206	217	-11	138	130	8	277	266	11
Total operating expenses	135	133	2	67	68	-1	46	39	7	68	66	1
Provision for loan losses	65	58	8	55	10	46	47	49	-2	131	119	13
Profit after tax	280	286	-6	63	104	-42	34	32	2	59	61	-2
Comprehensive income	280	286	-6	63	104	-42	34	32	2	59	61	-2
Net loans	18,122	17,855	268	6,033	5,705	328	3,752	3,525	228	8,809	8,350	458
Deposits	19,538	18,898	640	6,391	5,976	416	3,715	3,466	249	9,715	9,366	348

- Changes in total income impacted by seasonal and non-recurring factors in the second quarter
- Increased digital marketing spending in Denmark
- Normalized provisions in Sweden
- ECL model correction in Finland

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

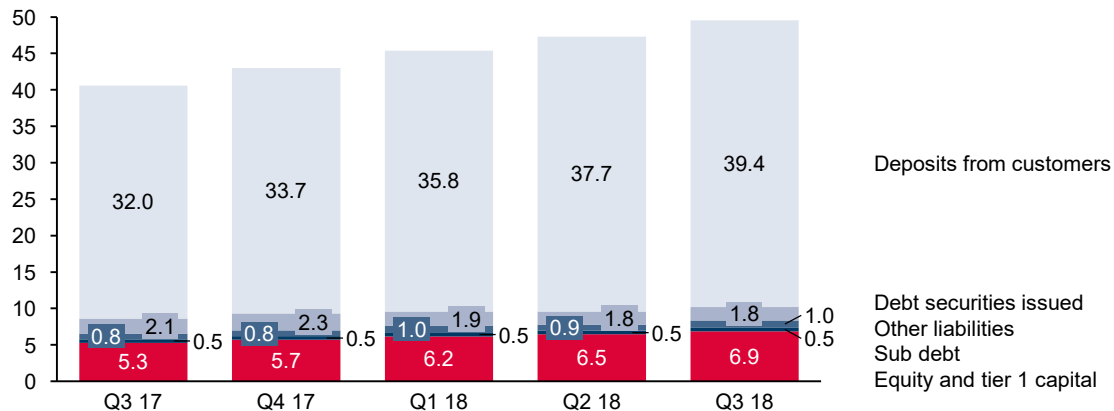
Resilient balance sheet

Assets, BNOK



- Liquid assets comprise 25% of total assets
- LCR 221% and NSFR 145%
- Deposits grew MNOK 1,653
- Stable deposit base
- Deposits to loans ratio 1.07
- Total common equity to total assets equals 12.6%
- AT1 and Tier 2 issued in the beginning of the fourth quarter

Liabilities and equity, BNOK

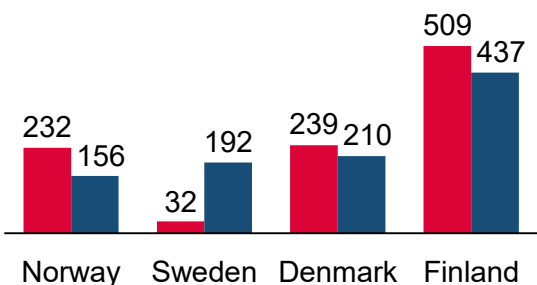


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¹ Includes sales financing

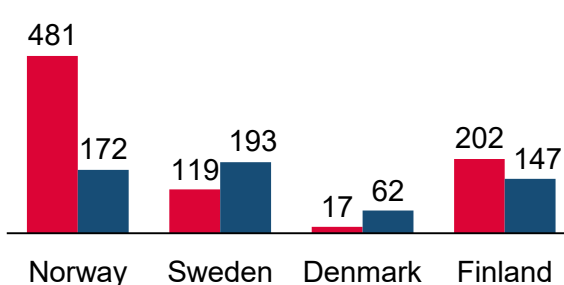
Solid quarterly loan growth

Quarterly loan growth, MNOK

Instalment loan



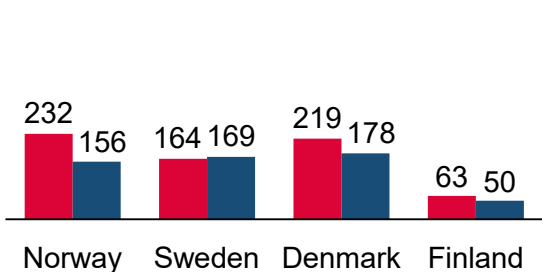
Credit card



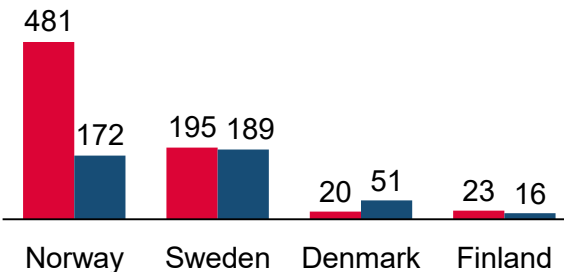
■ Q2 18 ■ Q3 18

Quarterly loan growth, local currency

Instalment loan



Credit card

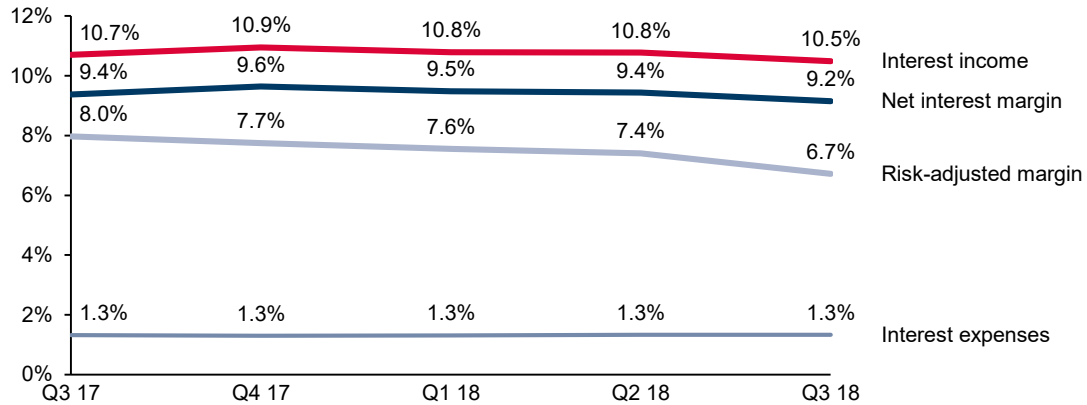


■ Q2 18 ■ Q3 18

- Total gross loans increased MNOK 1,568, compared with MNOK 1,830 in the second quarter
- Currency adjusted loan growth was MNOK 1,576 compared with MNOK 2,189 in the second quarter
- Instalment loan growth stable at MNOK 994
- Instalment loan sales were MNOK 2,750, compared with MNOK 2,921 in the previous quarter
- Instalment loan run-off was MNOK 1,741, compared with MNOK 1,661 in the second quarter
- High share of recurring business
- Strong credit card growth of MNOK 574 considering cut-off effects in previous quarters

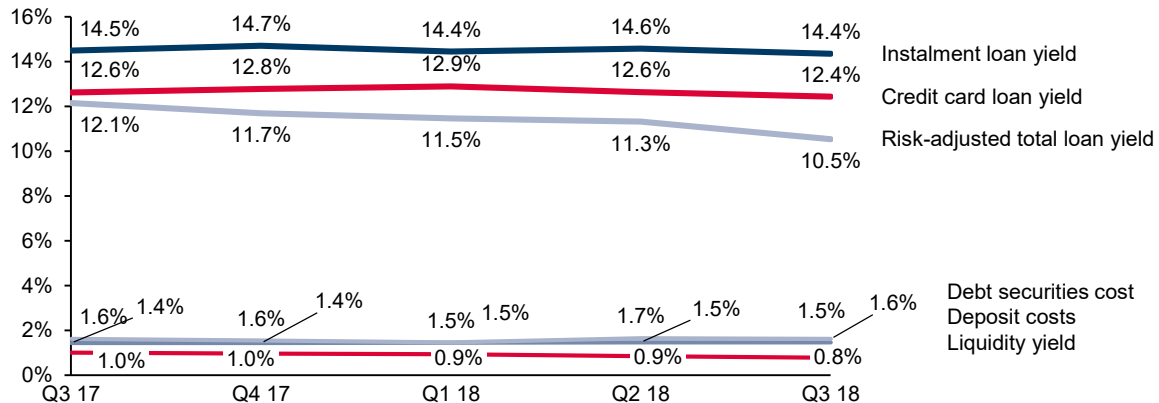
Stable yields and margins

Margins as a % of average assets



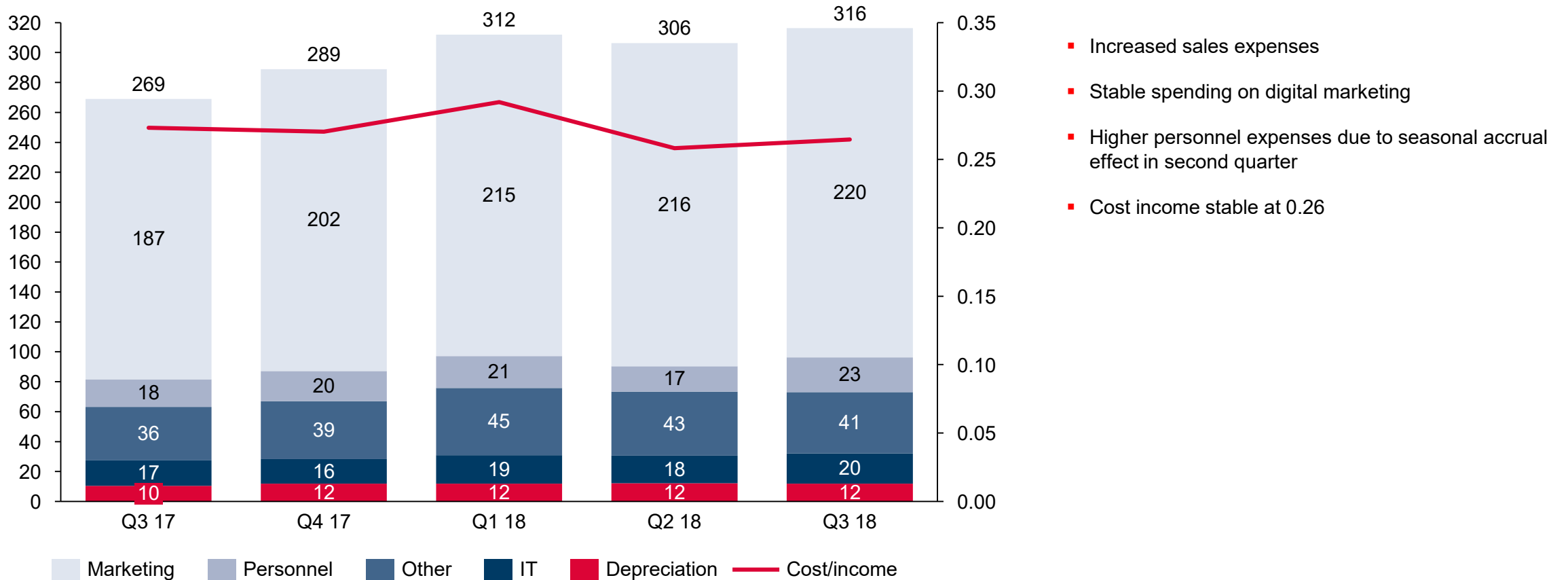
- Risk adjusted yield and margin impacted by increased provisions
- Deposit rates in Finland lowered from 1.75% to 0.75% effective October 1

Asset yield and cost of deposits



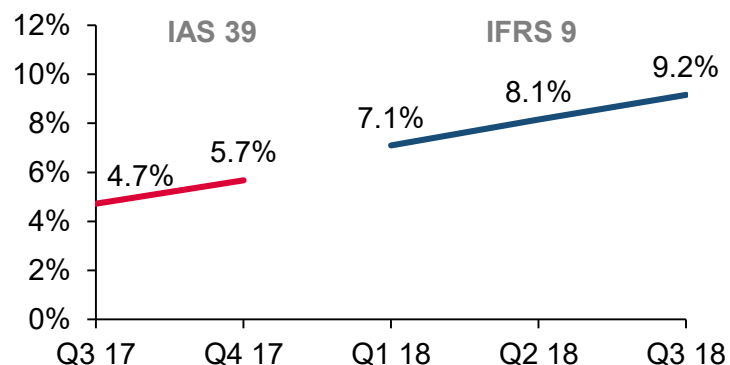
High operating efficiency

Quarterly operating expenses, MNOK

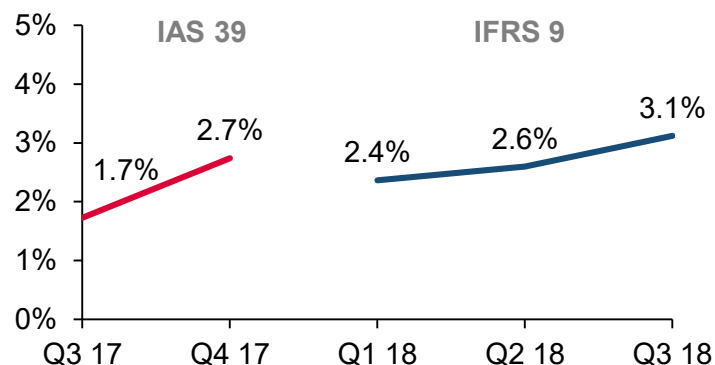


Strong credit metrics

Non-performing loans to loans ¹⁾

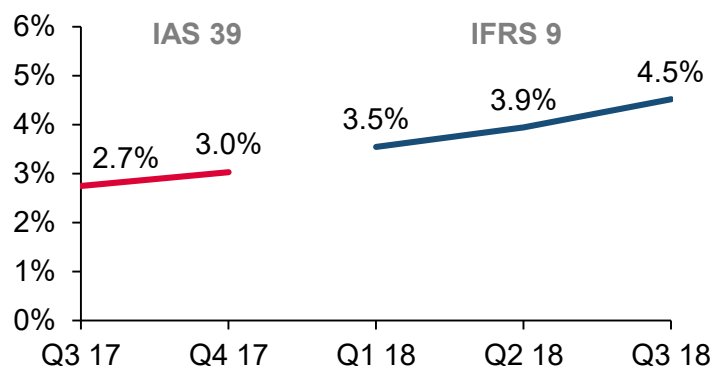


Loan loss provisions to average loans ²⁾

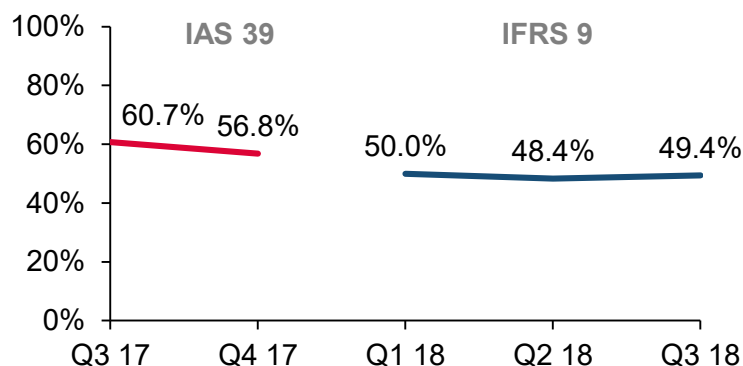


- NPL levels rising as expected from a low base due to portfolio sales and unseasoned portfolios
- Increased provisions due to normalized provisioning in Sweden and to account for an ECL model correction in Finland. Stable provisions in Norway, while provisions in Denmark fell.
- Sale of Finnish NPL's confirms loan valuation and reduces credit risk inherent in early vintages
- 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

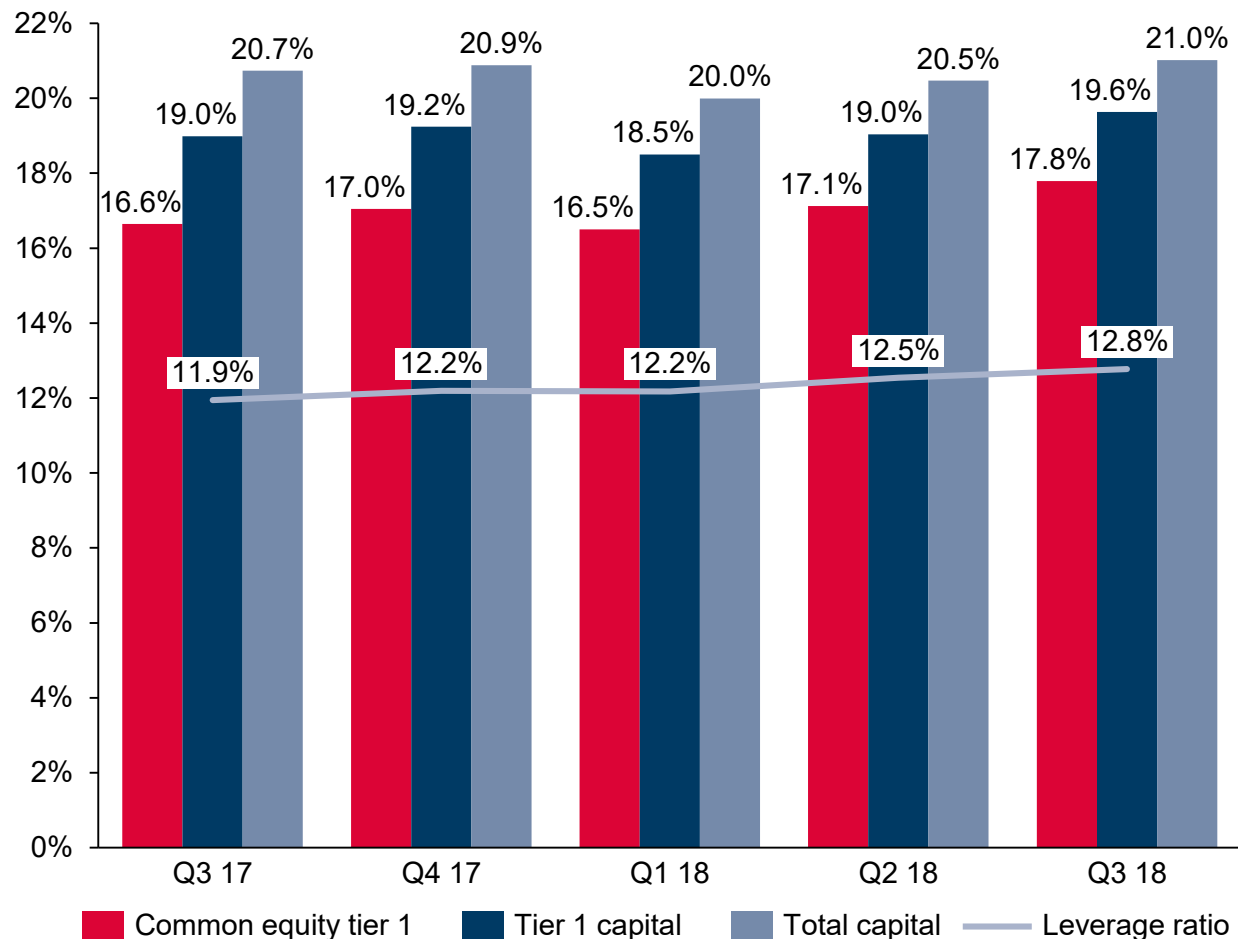
2) Change in ECL to average gross loans

3) ECL to gross loans

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

Surplus capital position

Capital ratios



- Strong 17.8% CET1 capital ratio in the bank
- 18.4% 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
- Leverage ratio equals 12.8%
- Target capital ratios, share buy backs and dividends under review pending regulatory dialog. FSA has proposed amendment to Financial Institutions Act to disallow quarterly dividends
- AT1 and Tier 2 issued in the beginning of the fourth quarter
- Sale of Finnish NPL's estimated to boost capital ratios approximately 50 bp

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Summary

Well positioned for profitable growth

Bank Norwegian is the leading digital bank for personal loans, savings and credit cards in the Nordic region.

Solid core

- Continued customer and loan growth
- Cost-efficient and scalable operations
- Strong liquidity and funding position

Positioned for profitable growth

- Favorable household and macro economic outlook
- Effective risk-based pricing models
- Uniquely positioned to capitalize on PSD2 opportunities due to customer insight, modern IT stack and fast growing customer base with high engagement

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Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	30.9.18		30.6.18		Change	
Assets						
Deposits with the central bank	66	0 %	66	0 %	-0	0 %
Loans and deposits with credit institutions	1,838	4 %	2,323	5 %	-486	-21 %
Loans to customers	36,717	74 %	35,435	75 %	1,282	4 %
Certificates and bonds	10,813	22 %	9,390	20 %	1,423	15 %
Financial derivatives	48	0 %	44	0 %	4	10 %
Shares and other securities	39	0 %	37	0 %	1	3 %
Assets available for sale	-	0 %	-	0 %	-	0 %
Intangible assets	114	0 %	115	0 %	-1	-1 %
Deferred tax asset	11	0 %	11	0 %	-	0 %
Fixed assets	1	0 %	1	0 %	0	1 %
Receivables	144	0 %	129	0 %	16	12 %
Total assets	49,790	100 %	47,551	100 %	2,240	5 %
Liabilities and equity						
Loans from credit institutions	32	0 %	85	0 %	-53	-62 %
Deposits from customers	39,359	79 %	37,706	79 %	1,653	4 %
Debt securities issued	1,812	4 %	1,808	4 %	4	0 %
Financial derivatives	1	0 %	2	0 %	-1	-58 %
Taxes payable	685	1 %	543	1 %	142	26 %
Other liabilities	141	0 %	91	0 %	50	55 %
Accrued expenses	202	0 %	184	0 %	18	10 %
Subordinated loan	475	1 %	475	1 %	0	0 %
Total liabilities	42,708	86 %	40,895	86 %	1,813	4 %
Share capital	187	0 %	187	0 %	0	0 %
Share premium	977	2 %	977	2 %	0	0 %
Tier 1 capital	635	1 %	635	1 %	0	0 %
Retained earnings and other reserves	5,283	11 %	4,857	10 %	427	9 %
Total equity	7,082	14 %	6,655	14 %	427	6 %
Total liabilities and equity	49,790	100 %	47,551	100 %	2,240	5 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES
1 NORWEGIAN AIR SHUTTLE ASA		30,623,739
2 GOLDMAN SACHS & CO.	NOMINEE	15,448,859
3 FOLKETRYGDFONDET		15,370,833
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		3,500,000
9 EUROCLEAR BANK S.A./N.V.	NOMINEE	3,337,714
10 BANQUE DEGROOF PETERCAM	NOMINEE	3,120,999
11 BANQUE DEGROOF PETERCAM	NOMINEE	2,887,084
12 SNEISUNGEN AS		2,676,841
13 GKB INVEST AS		2,640,635
14 KM AVIATRIX INVEST AS		2,590,635
15 MP PENSJON PK		2,332,268
16 JPMORGAN CHASE BANK	NOMINEE	2,311,976
17 TORSTEIN TVENGE		2,200,000
18 JPMORGAN CHASE BANK	NOMINEE	2,029,459
19 SONGA AS		1,940,000
20 DANSKE BANK AS MEGLERKONTO INNLAND		1,721,432
Top 20		118,585,755
Total		186,751,856

- Management holds 1.3% of shares outstanding

As of October 29, 2018