

The background of the slide is a close-up photograph of autumn leaves in shades of red, orange, and brown, with some leaves in sharp focus and others blurred in the background.

Third quarter 2019
results presentation

Q3

Norwegian Finans Holding Group
October 30, 2019

Agenda

Performance and events

Country overview and performance

Third quarter 2019 results

Strategy and outlook

Third quarter 2019 highlights

Strong profitability

- Earnings MNOK 511 compared to MNOK 475 in Q2
- Improved operating performance
- Lower provisioning

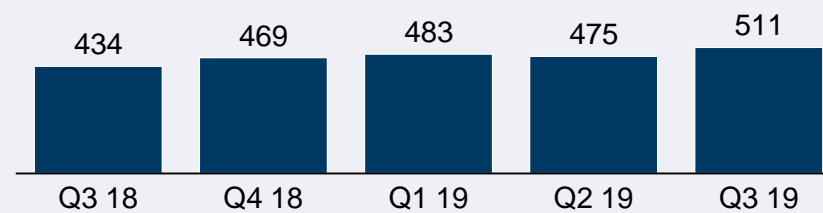
Resilient balance sheet

- Loan growth BNOK 1.6 (BNOK 1.3 currency adjusted)
- Deposits to loans ratio at 92%
- Stable credit metrics
- CET 1 20.2% consolidated

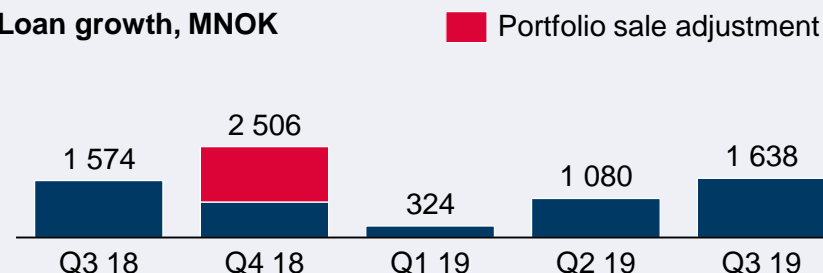
Events

- Exploratory phase with Central Bank of Ireland started
- Migration of issuing services platform finalized
- Ownership changes

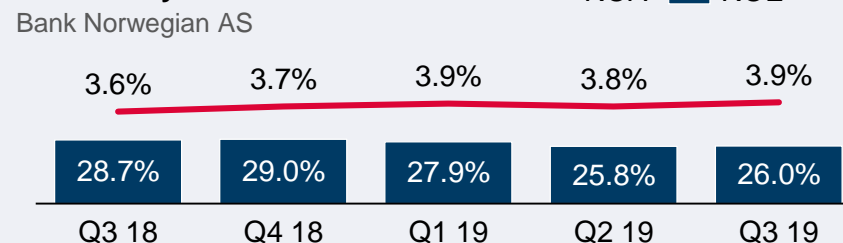
Earnings, MNOK



Loan growth, MNOK

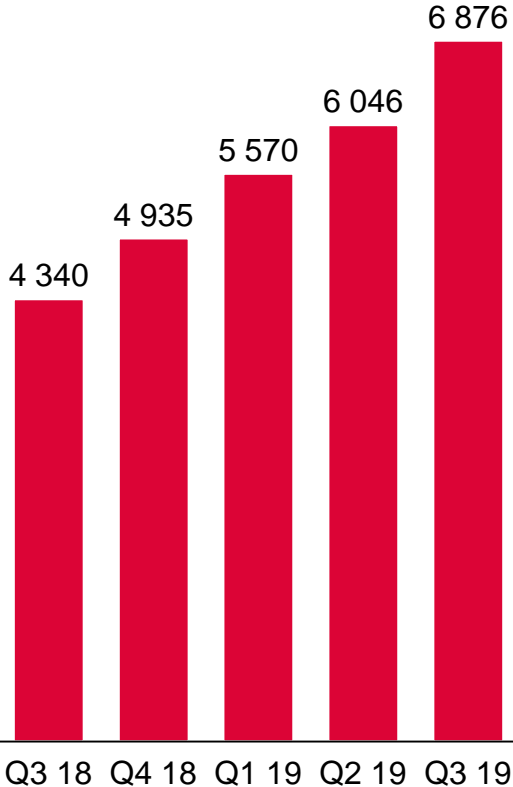


Profitability

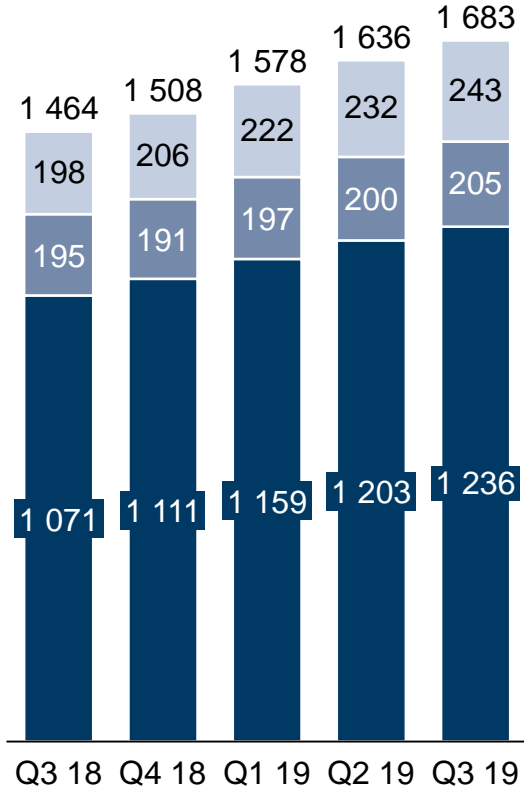


47 600 new customers in the third quarter

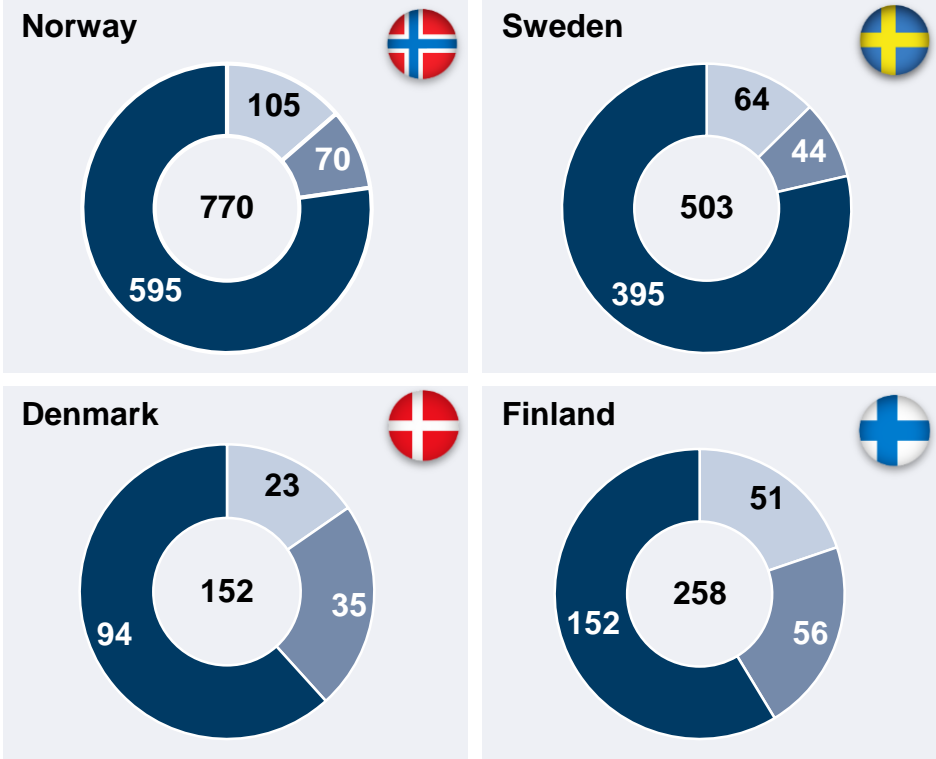
App usage, thousand



Customers, thousand



Customers, thousand



■ App logins

■ Credit card ■ Instalment loan ■ Deposit

Agenda

Performance and events

Country overview and performance

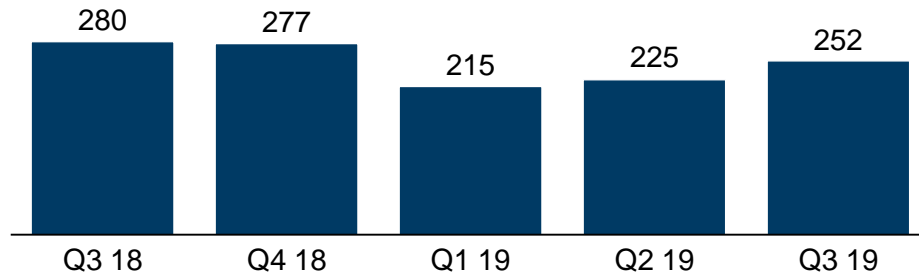
Third quarter 2019 results

Strategy and outlook

Highlights - Norway

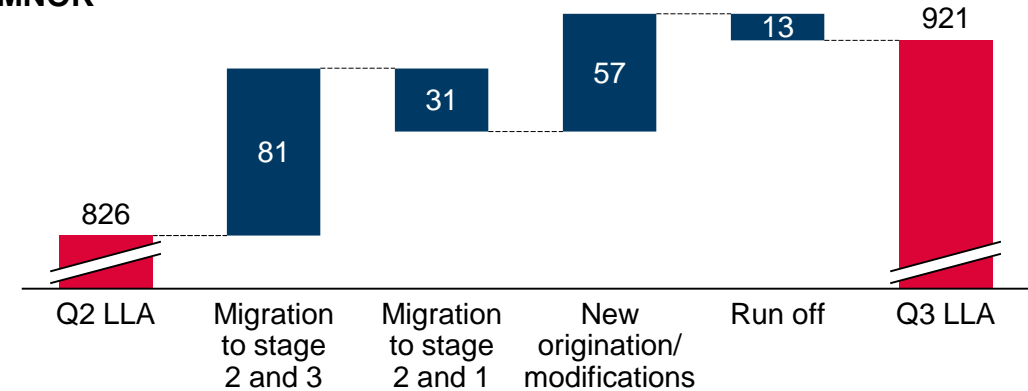
Earnings

MNOK



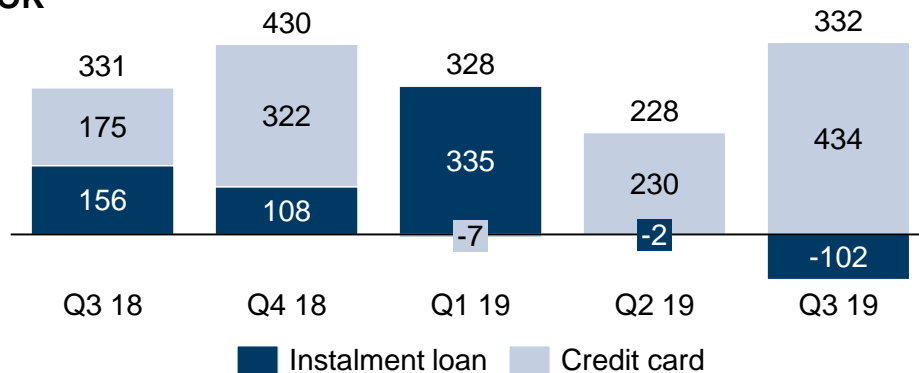
Loan loss allowance (LLA)

MNOK



Loan growth

MNOK



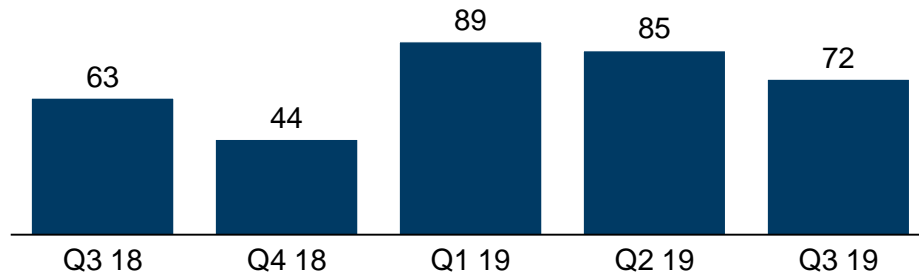
Market dynamics

- Improved earnings due to strong fee income and lower loan loss provisions
- Strong credit card loan growth – positive calendar cut-off effect
- Instalment loan growth impacted by new regulations through lower sales partly offset by reduced prepayments
- Competitive advantage from high share of direct distribution

Highlights - Sweden

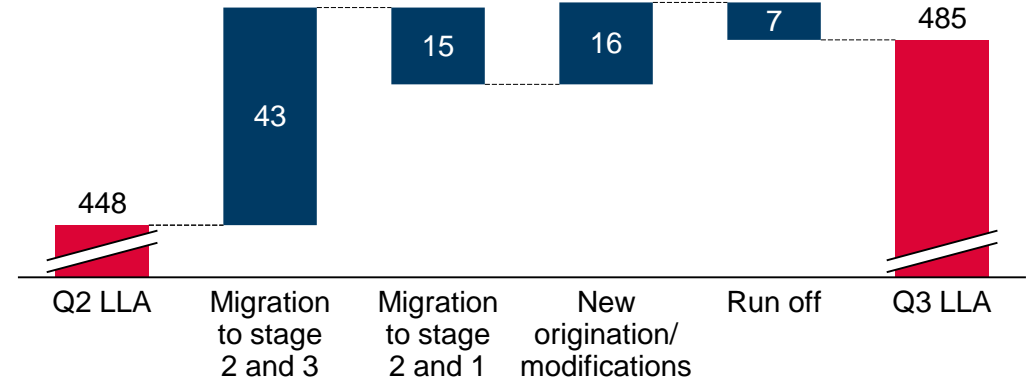
Earnings

MNOK



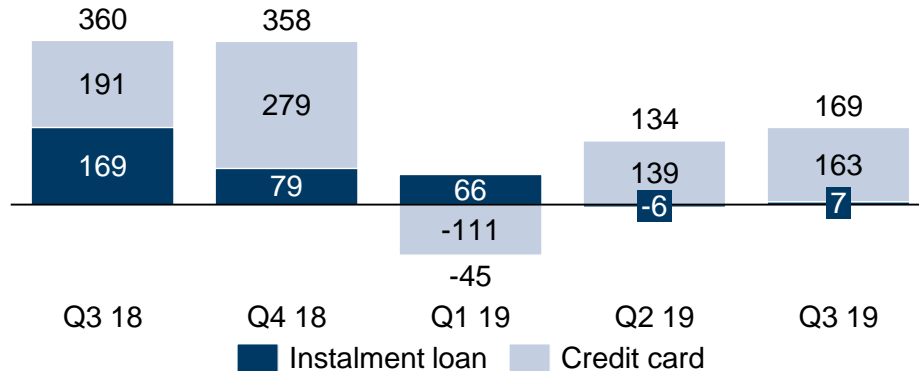
Loan loss allowance (LLA)

MNOK



Loan growth

MSEK



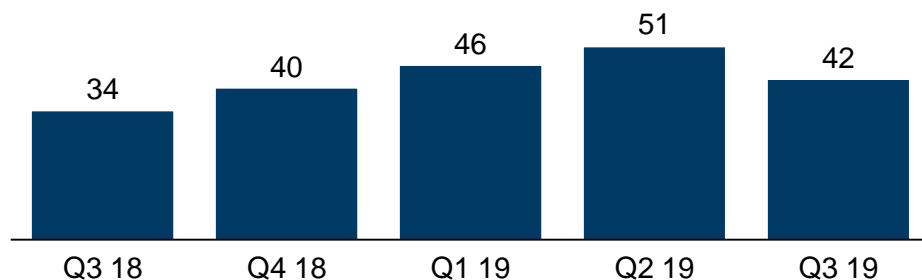
Market dynamics

- Reduced earnings due to seasonality in net interest income and loan loss provisions
- Stable credit quality
- Continued strong price pressure in agent-driven instalment loan market with unattractive risk/reward
- Strong credit card customer growth

Highlights - Denmark

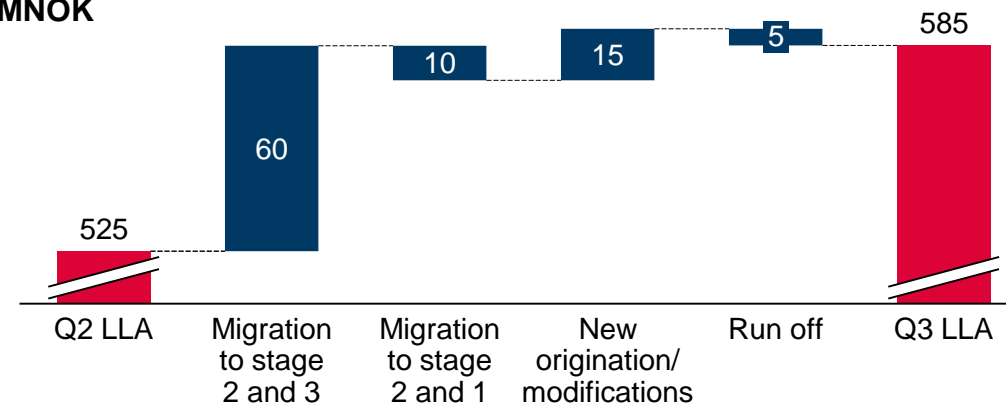
Earnings

MNOK



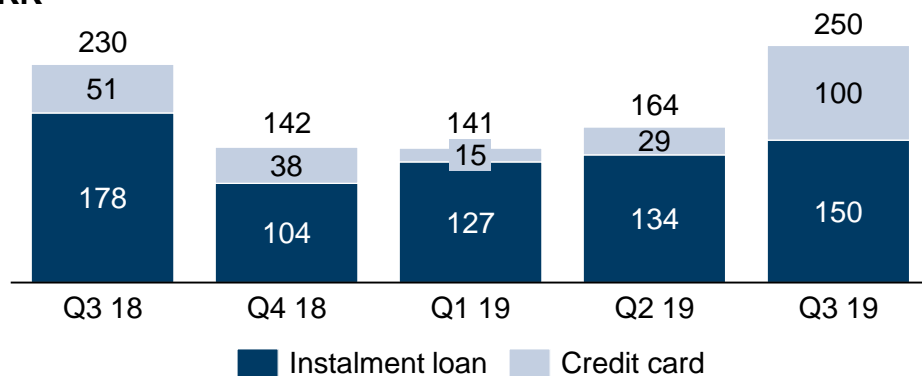
Loan loss allowance (LLA)

MNOK



Loan growth

MDKK



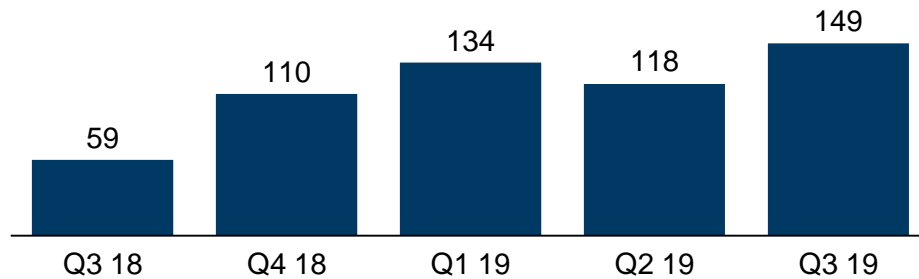
Market dynamics

- Steady growth in net interest income offset by higher marketing expenses and loan loss provisions
- Strong loan growth and improved asset quality
- Increased provisions due to higher growth in new origination and positive one-off effect in the previous quarter
- Strong deposit inflow

Highlights - Finland

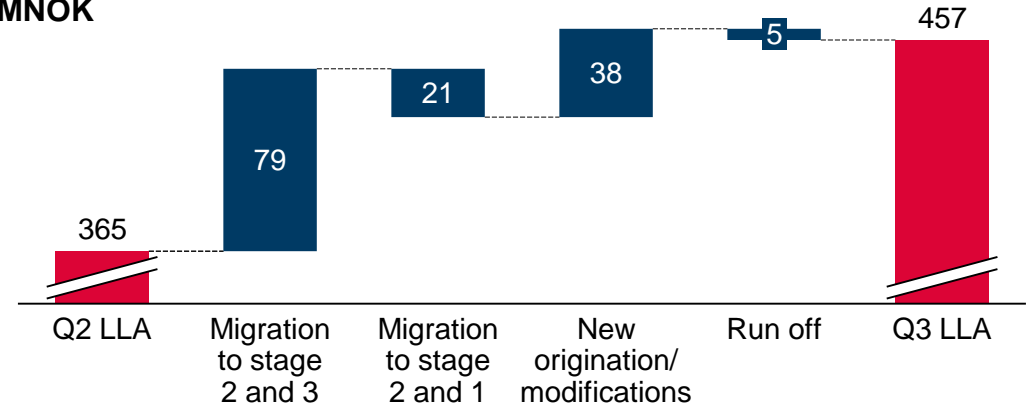
Earnings

MNOK



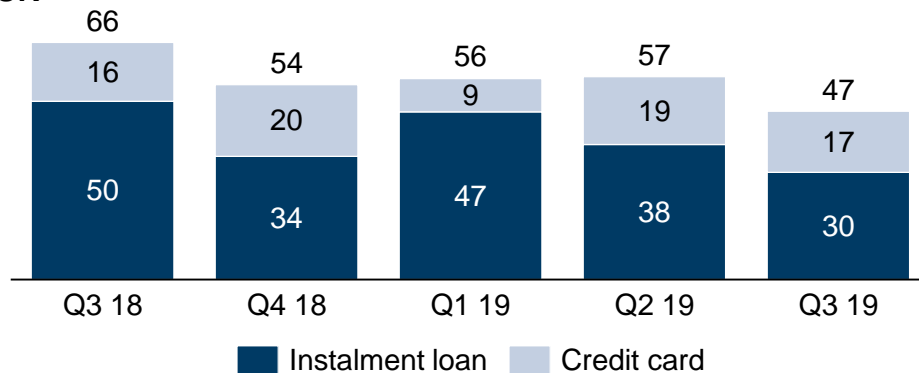
Loan loss allowance (LLA)

MNOK



Loan growth

MEUR



Market dynamics

- Earnings increase driven by net interest income and FX-gain
- Continued loan growth and good asset quality
- Reduced stage 3 growth rate
- No material impact expected from 20% nominal interest rate ceiling implemented in September
- Stable deposits

Agenda

Performance and events

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Third quarter 2019 results

Strategy and outlook

Third quarter 2019 earnings were MNOK 511, compared with MNOK 475 in the previous quarter

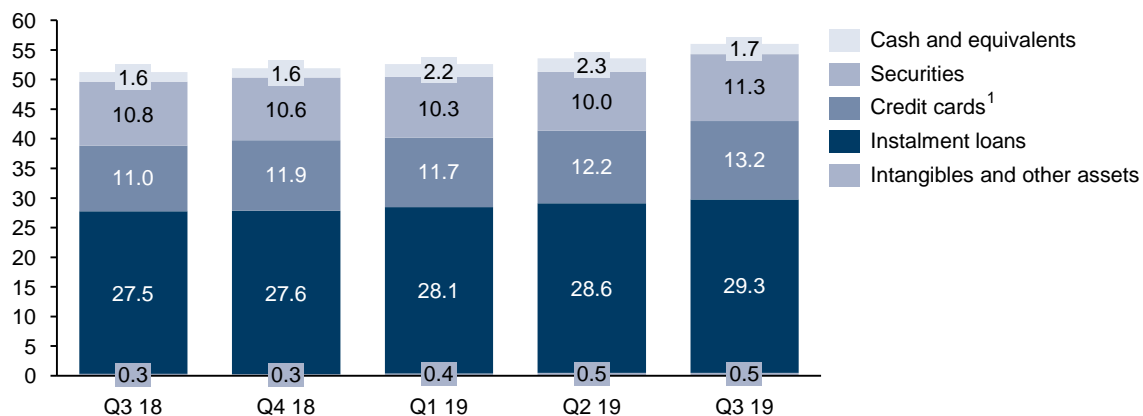
Norwegian Finans Holding Group

<i>MNOK</i>	Q3 2019	Q2 2019	Change	
Interest income	1 353.9	1 339.0	14.9	1 %
Interest expenses	165.2	160.3	4.8	3 %
Net interest income	1 188.7	1 178.7	10.1	1 %
Commission and bank services income	134.2	119.9	14.4	12 %
Commission and bank services expenses	70.0	63.8	6.2	10 %
Net change in value on securities and currency	25.2	-1.8	27.0	n/m
Net other operating income	89.4	54.3	35.2	65 %
Total income	1 278.2	1 232.9	45.2	4 %
Personnel expenses	28.1	19.9	8.2	41 %
General administrative expenses	263.1	266.2	-3.1	-1 %
Ordinary depreciation	16.8	16.7	0.1	1 %
Other operating expenses	16.3	14.6	1.7	12 %
Total operating expenses	324.3	317.4	6.9	2 %
Provision for loan losses	271.9	282.2	-10.3	-4 %
Profit on ordinary activities before tax	682.0	633.3	48.6	8 %
Tax charge	170.8	158.7	12.1	8 %
Profit on ordinary activities after tax	511.2	474.7	36.5	8 %
Earnings per share (NOK)	2.74	2.54	0.20	8 %

- Rise in net interest income driven by loan growth
- Higher net fee income due to seasonal effects
- Gain on currency in Finland
- Personnel expenses up due to accrual effects in the previous quarter
- Lower digital marketing spending
- Decreased provisions due to improved underlying asset quality
- ROE* was 26.0% and ROA was 3.9%

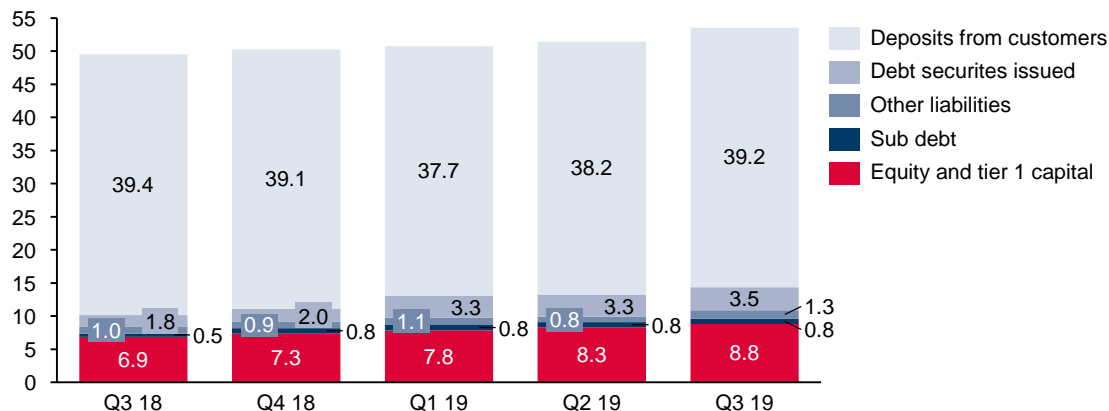
Resilient balance sheet

Assets, BNOK



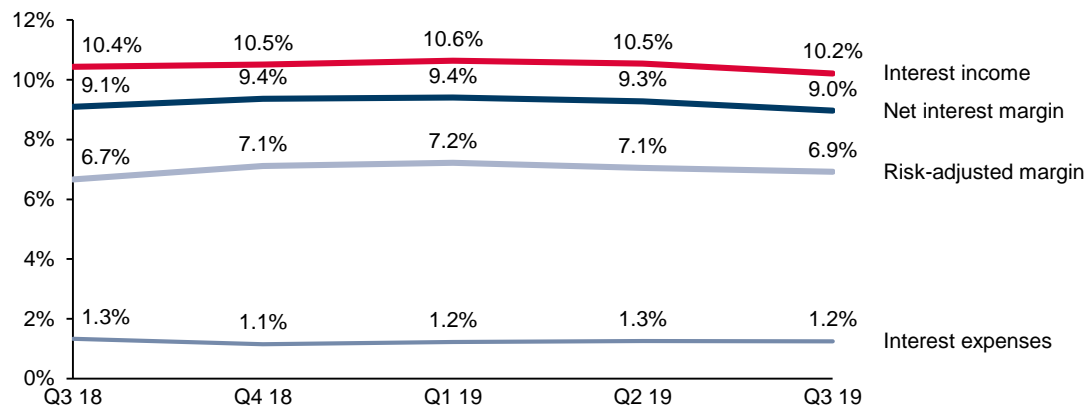
- Total gross loans increased MNOK 1,638, compared with MNOK 1,080 in Q2
- Currency adjusted loan growth was MNOK 1 267 compared with MNOK 1 110 in Q2
- Instalment loans rose MNOK 389 and credit cards rose MNOK 877, currency adjusted
- Instalment loan sales were MNOK 2 236, compared with MNOK 2 284 in the previous quarter
- Instalment loan run-off was MNOK 1 835, compared with MNOK 1 751 in the previous quarter
- Strong credit card growth bolstered by calendar cut-off effects
- Liquid assets comprise 24% of total assets
- LCR 203% and NSFR 143%
- Deposits increased MNOK 1 007. Adjusted for currency effects deposits increased MNOK 687
- Deposits to loans ratio 92%

Liabilities and equity, BNOK



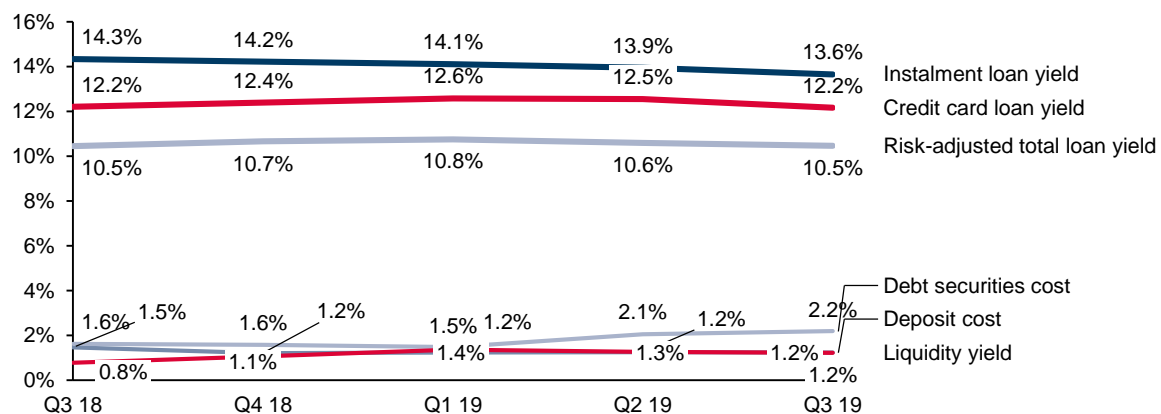
Stable yields and margins

Margins as a % of average assets



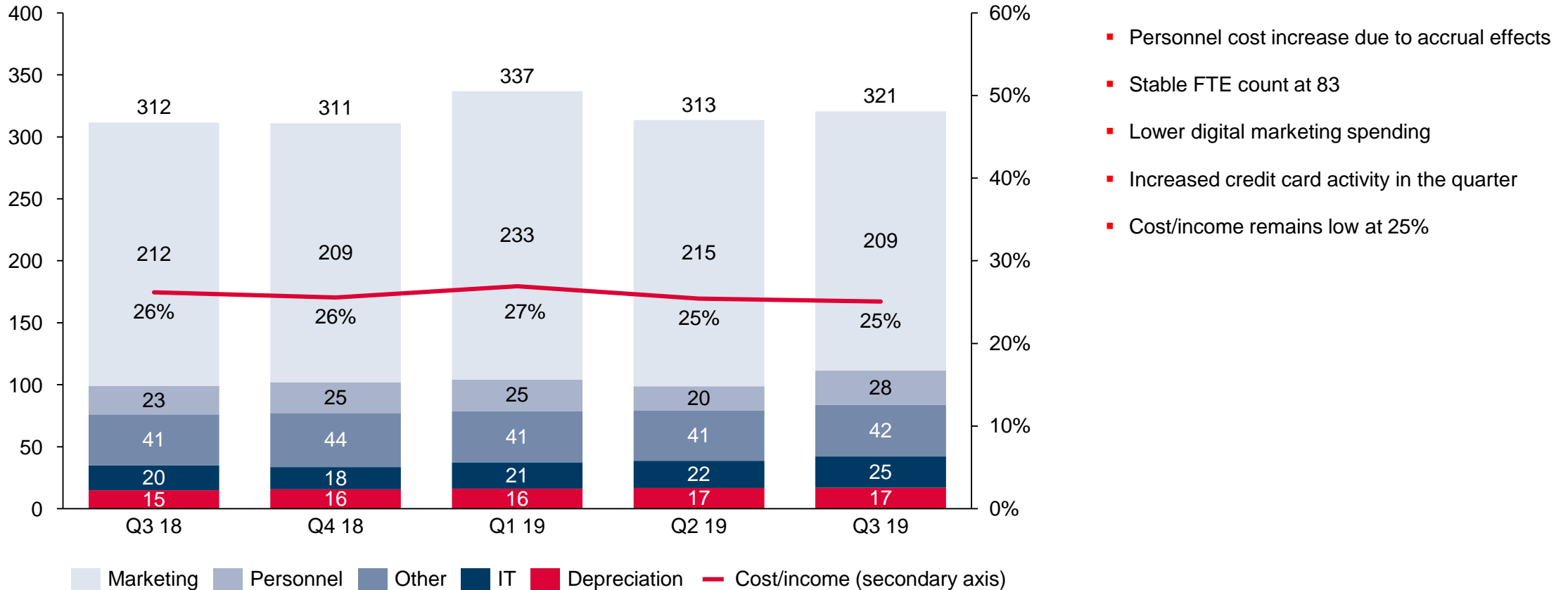
- Dwindling yields and margins due to lower risk-taking
- Risk-adjusted loan yield stable

Asset yield and cost of funds



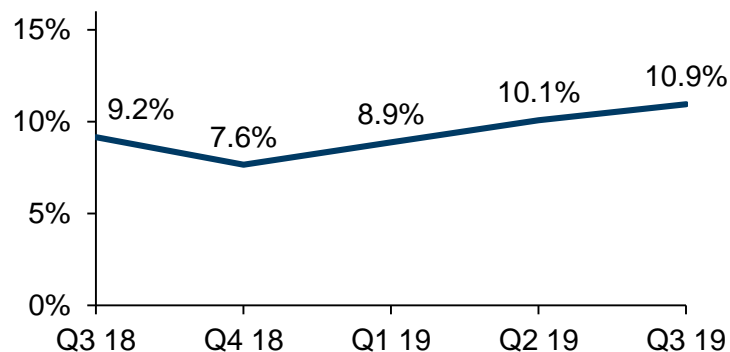
High operating efficiency

Quarterly operating expenses, MNOK

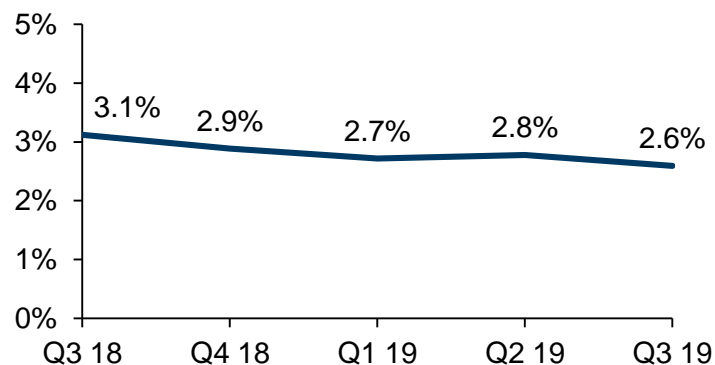


Strong credit metrics

Non-performing loans to loans ¹⁾

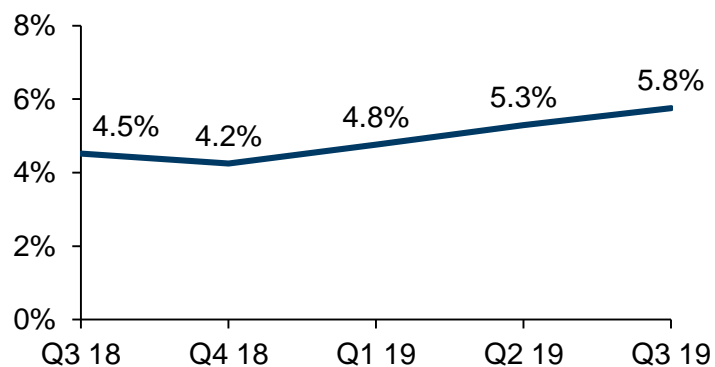


Loan loss provisions to average loans ²⁾

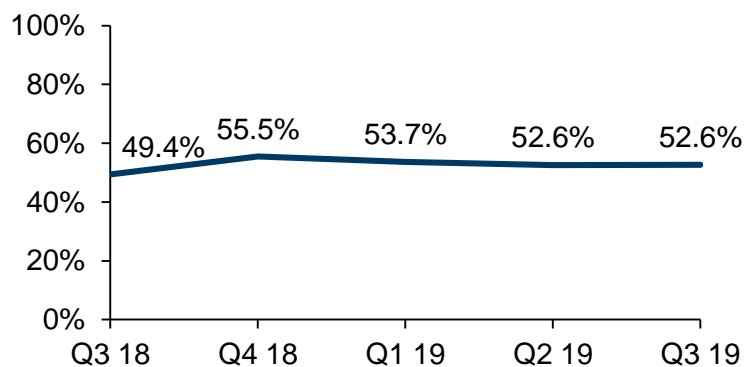


- NPL levels developing as expected
- Positive underlying development in asset quality
- Reduced provision levels
- Solid allowance coverage

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

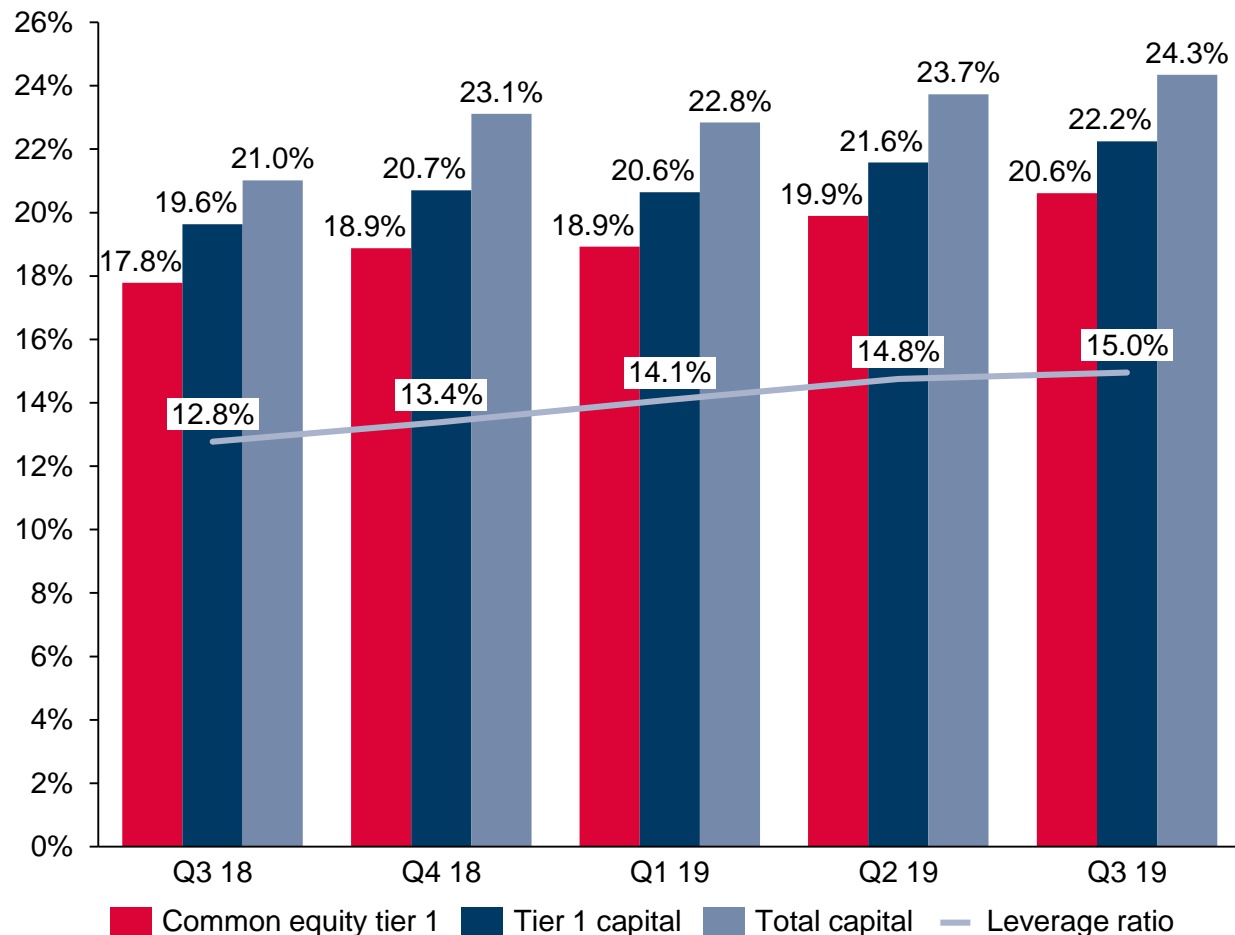
2) Change in ECL to average gross loans

3) ECL to gross loans

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

Strong capital position

Capital ratios



- Strong 20.6% CET1 capital ratio in the bank
- 20.2% CET1 capital ratio on a consolidated basis
- Leverage ratio equals 15.0% in the bank
- Minimum regulatory CET1 requirement 15.9%, including announced increases in counter-cyclical buffer requirements
- Ample capacity for geographical expansion and dividends

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Bank Norwegian's 4-pillar strategy

Core business development

Leading digital bank for personal loans and savings in the Nordics

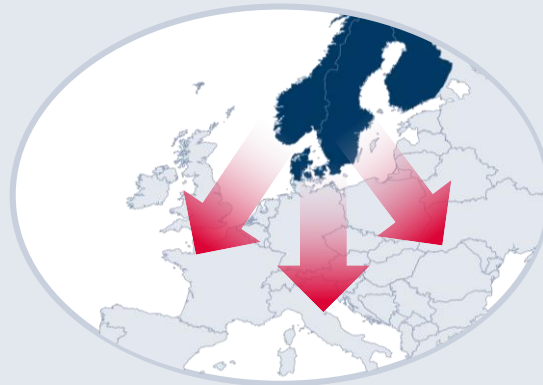
- Significant room for profitable growth
- Risk based pricing, distribution and operational excellence



European expansion plan

Leading European digital bank with Nordic benchmark performance

- Utilize proven business model
- Cautious expansion in selected geographies



EU banking license/domicile

EU banking license and level playing field

- Exploratory phase with Central Bank of Ireland
- Application process and operational setup



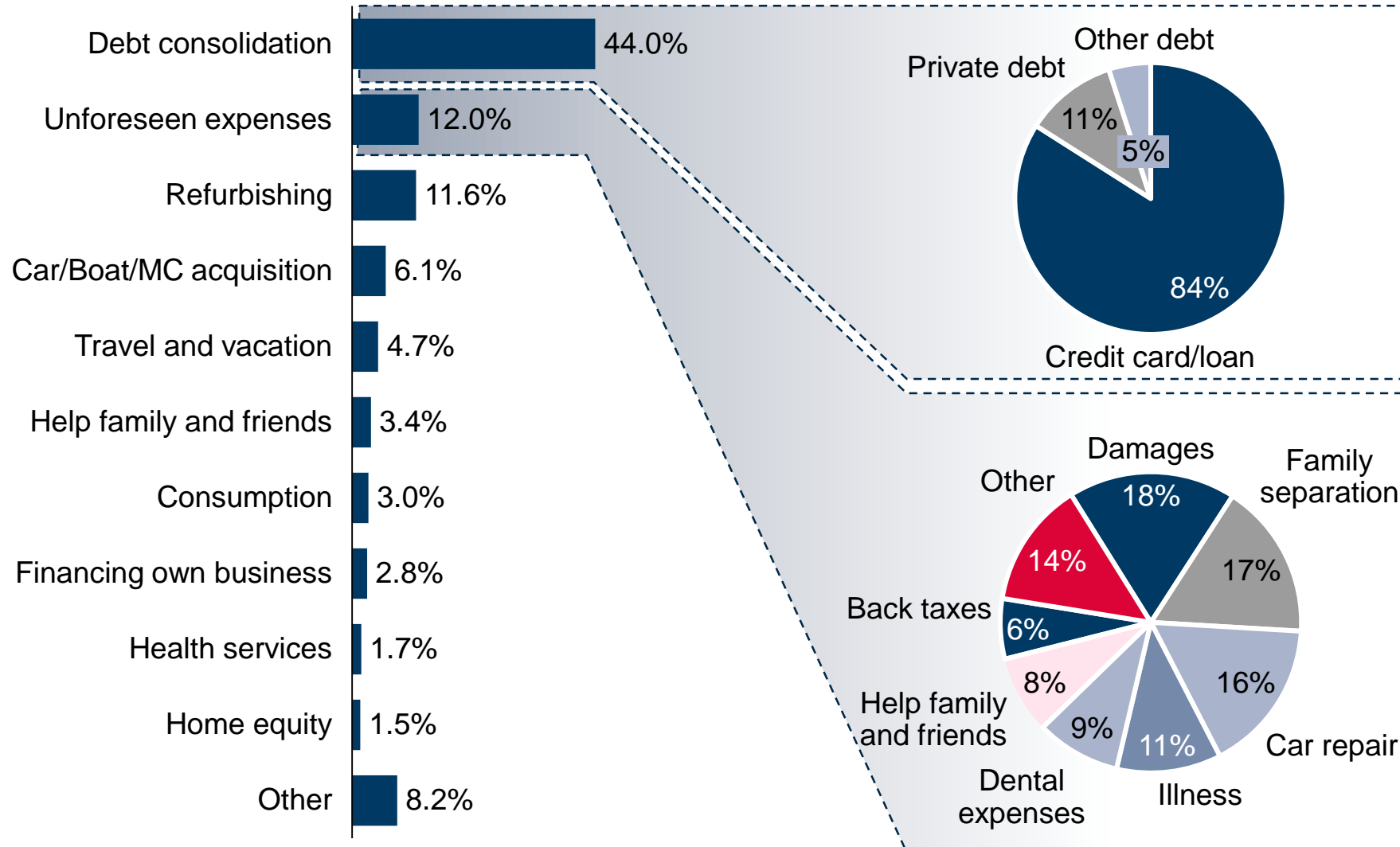
FinTech agenda

Reach full potential of customer base and data

- PSD2 readiness
- Business development through partnerships and M&A

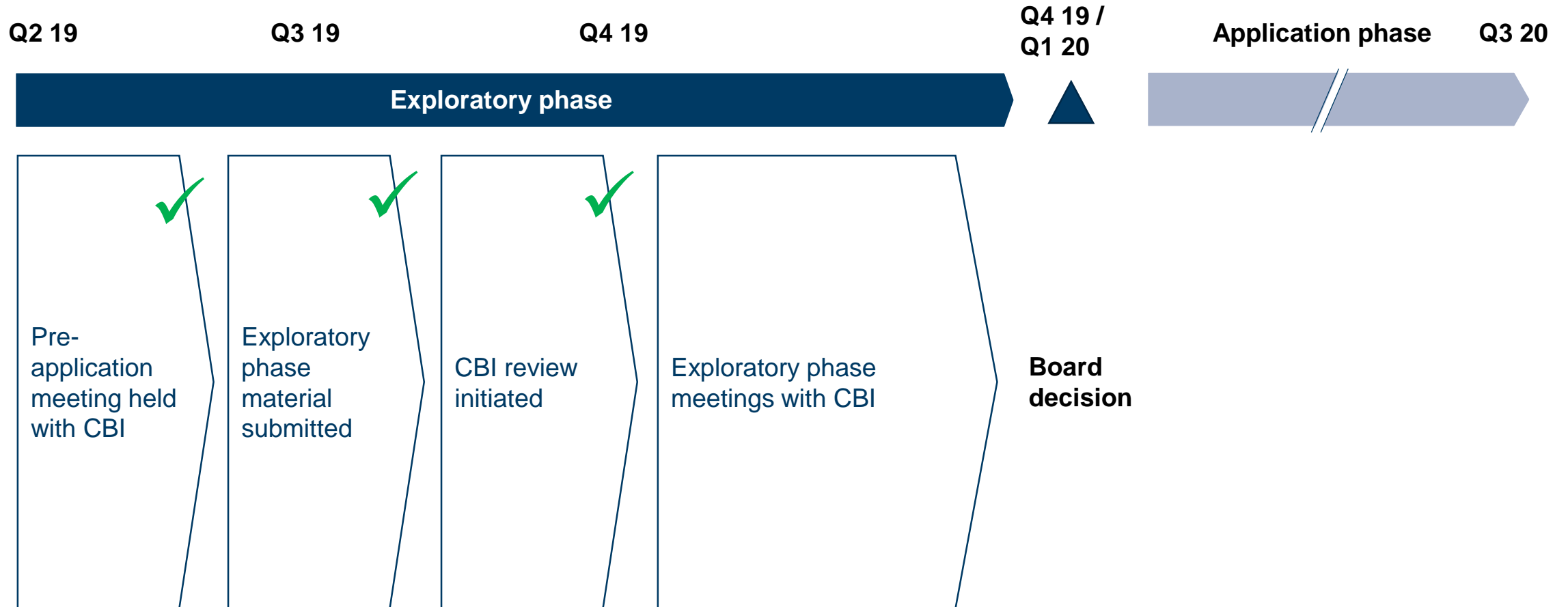


Purpose for personal loans

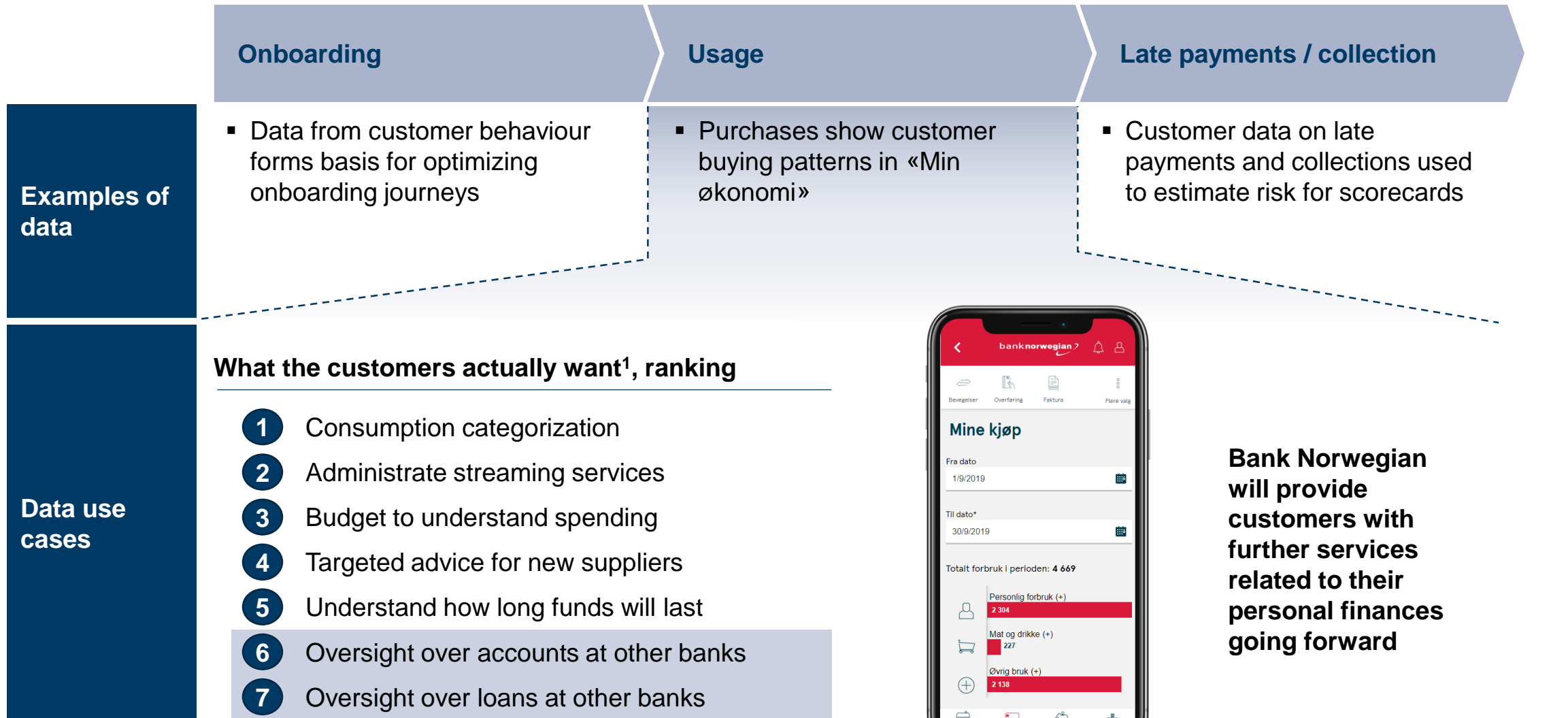


- Most important purpose is debt consolidation – lowering interest expenses
- Unforeseen expenses and refurbishing represent ~24% of loans
- Home equity represents a only 1.5% of loans

Update on EU banking license/domicile



Data usage permeates all aspects of Bank Norwegian's operations and products



1 Cicero Consulting PSD2 report 2019

Well positioned to execute on strategy

Core business expansion

- Well capitalized to continue profitable growth in the Nordic region with high quality lending growth
- Advanced risk management and analytics
- Favorable macro economic environment

European expansion plan

- Underway to conclude on first move in European expansion
- Cautious expansion building on existing model with low cost of entry

EU banking license/domicile

- On track with CBI exploratory phase
- Working towards decision at the end of the year

FinTech agenda

- From digital bank to mobile bank and keeping high customer engagement
- Focus on real user benefits for customers to achieve continued loyalty and customer satisfaction

banknorwegian 

Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	30.9.19		30.6.19		Change	
Assets						
Cash and deposits with the central bank	68	0 %	68	0 %	0	0 %
Loans and deposits with credit institutions	1 627	3 %	2 214	4 %	-587	-27 %
Loans to customers	40 068	75 %	38 713	75 %	1 355	3 %
Certificates and bonds	11 340	21 %	9 963	19 %	1 377	14 %
Financial derivatives	19	0 %	31	0 %	-12	-38 %
Shares and other securities	43	0 %	40	0 %	2	6 %
Intangible assets	509	1 %	512	1 %	-3	-1 %
Deferred tax asset	20	0 %	19	0 %	1	4 %
Fixed assets	1	0 %	1	0 %	-0	-14 %
Receivables	56	0 %	61	0 %	-5	-8 %
Total assets	53 750	100 %	51 623	100 %	2 127	4 %
Liabilities and equity						
Loans from credit institutions	-	0 %	73	0 %	-73	-100 %
Deposits from customers	39 185	73 %	38 178	74 %	1 007	3 %
Debt securities issued	3 473	6 %	3 317	6 %	156	5 %
Financial derivatives	38	0 %	5	0 %	33	n/m
Tax payable	618	1 %	449	1 %	169	38 %
Other liabilities	400	1 %	108	0 %	293	272 %
Accrued expenses	240	0 %	205	0 %	35	17 %
Subordinated loans	812	2 %	808	2 %	4	1 %
Total liabilities	44 766	83 %	43 142	84 %	1 624	4 %
Share capital	187	0 %	187	0 %	-	0 %
Share premium	972	2 %	972	2 %	-	0 %
Tier 1 capital	635	1 %	635	1 %	-	0 %
Retained earnings and other reserves	7 189	13 %	6 687	13 %	503	8 %
Total equity	8 983	17 %	8 481	16 %	503	6 %
Total liabilities and equity	53 750	100 %	51 623	100 %	2 127	4 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES	
1 FOLKETRYGDFONDET		17 685 849	9.47 %
2 NORWEGIAN AIR SHUTTLE ASA		14 004 262	7.50 %
3 GOLDMAN SACHS & CO. LLC	NOMINEE	12 067 990	6.46 %
4 GOLDMAN SACHS INTERNATIONAL	NOMINEE	11 900 443	6.37 %
5 BNP PARIBAS SECURITIES SERVICES	NOMINEE	6 767 685	3.62 %
6 BRUMM AS		5 067 018	2.71 %
7 STENSHAGEN INVEST AS		4 551 416	2.44 %
8 GREEN 91 AS		3 964 900	2.12 %
9 VARMA MUTUAL PENSION INSURANCE CO.		3 662 292	1.96 %
10 EUROCLEAR BANK S.A./N.V.	NOMINEE	3 410 570	1.83 %
11 NYE GKB INVEST AS		3 201 102	1.71 %
12 NYE SNEISUNGEN AS		3 194 162	1.71 %
13 BANQUE DEGROOF PETERCAM LUX SA	NOMINEE	3 120 999	1.67 %
14 MP PENSJON PK		3 012 236	1.61 %
15 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	2 621 641	1.40 %
16 TORSTEIN INGVALD TVENGE		2 400 000	1.29 %
17 STATE STREET BANK AND TRUST COMP	NOMINEE	2 367 984	1.27 %
18 BANQUE DEGROOF PETERCAM LUX SA	NOMINEE	2 089 983	1.12 %
19 SKANDINAVISKA ENSKILDA BANKEN AB		2 000 000	1.07 %
20 VERDIPAPIRFONDET PARETO INVESTMENT		1 993 000	1.07 %
Top 20		109 083 532	58.41 %
Total		186 751 856	

- Management holds 1.4% of shares outstanding

As of October 28, 2019