

# Bank Norwegian - Sparebank 1 Nisjebankseminar

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**banknorwegian** 

# Solid profitability and fundamentals support future growth

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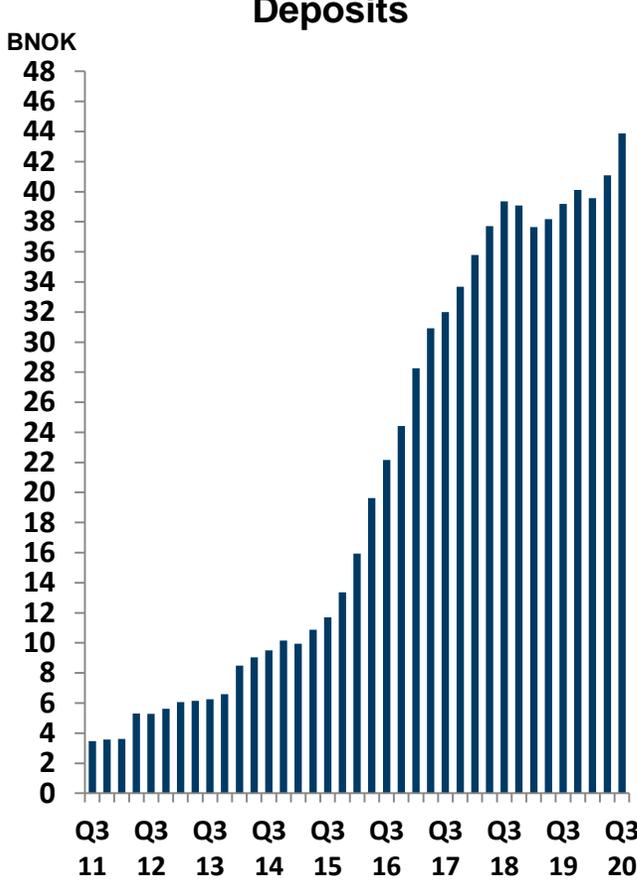
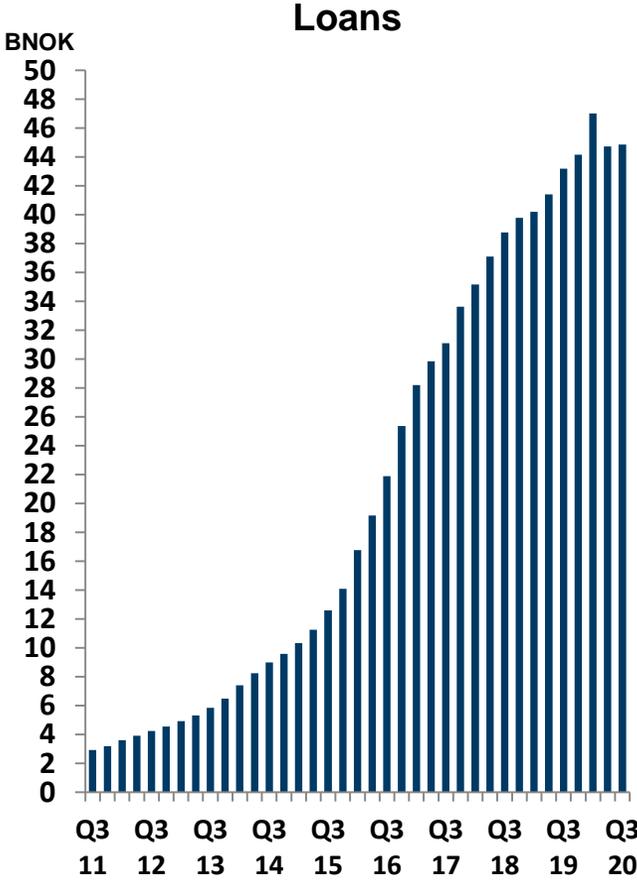
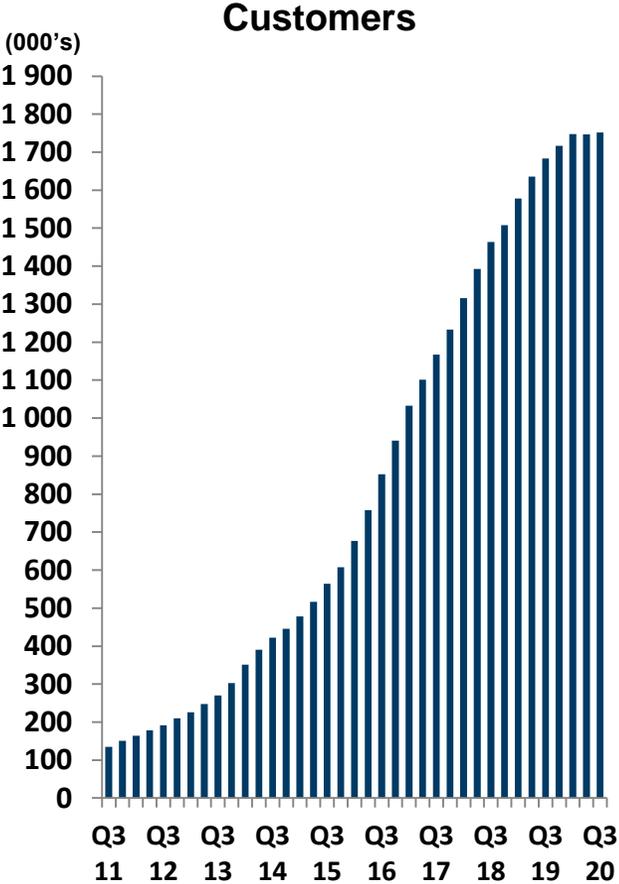


**Continued growth**



**Strong performance**

# Growth and expansion success

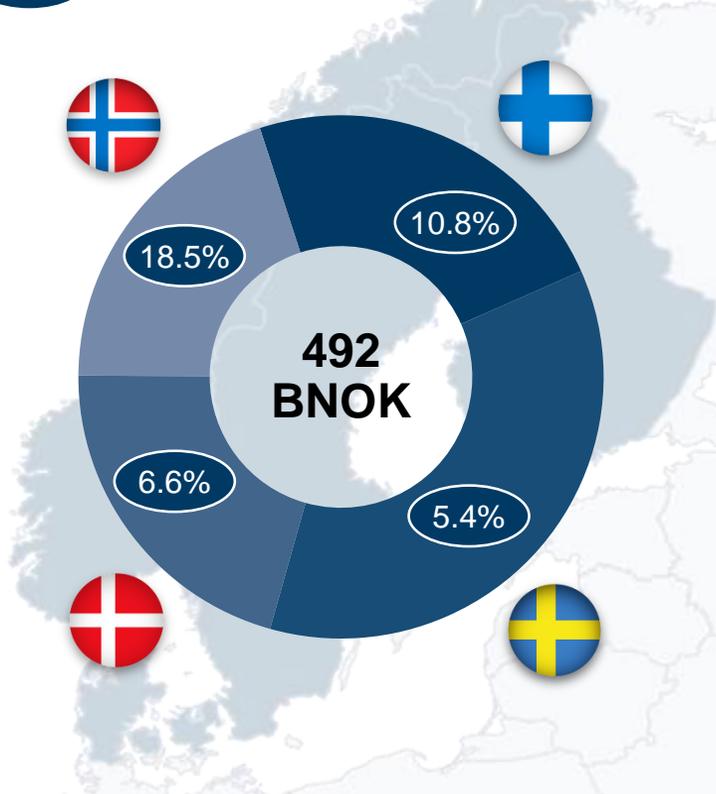


1.7 million customers - 45 BNOK loans - Cost income at 0.25

# Significant room to continue Nordic growth

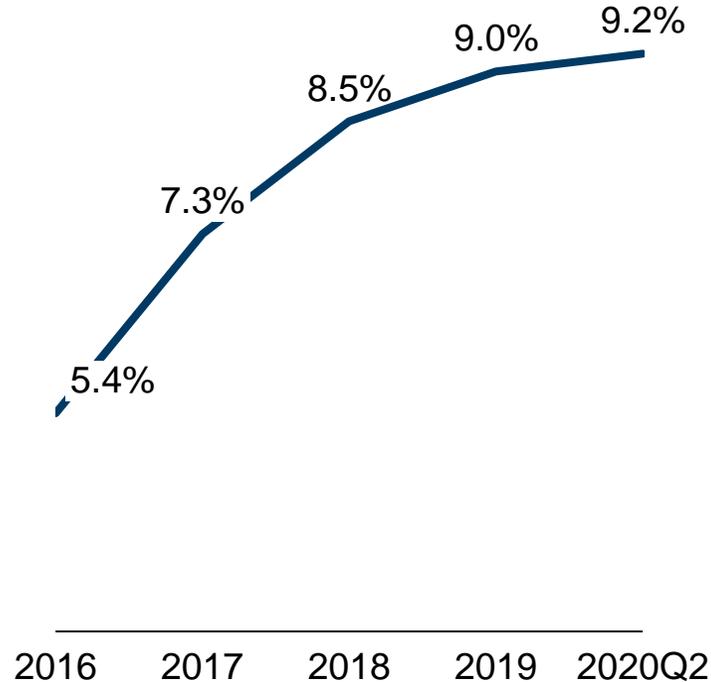
## Nordic UL market size is significant

X% Bank Norwegian market share



## Bank Norwegian has steadily been gaining market share

Share of total Nordic unsecured market



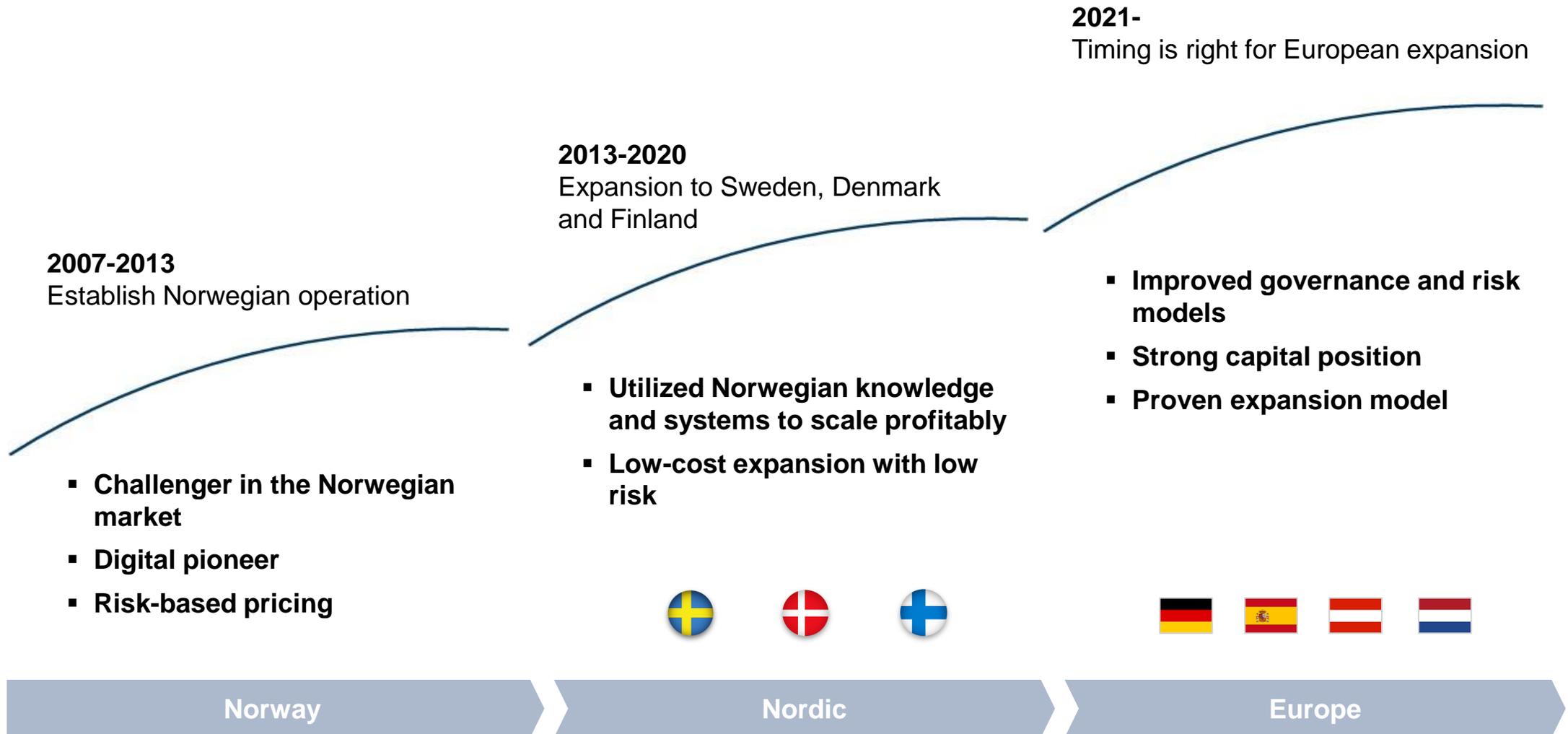
## Continued market share growth through focused strategy

Address untapped potential through selective expansion of distribution network

Evaluate services for the credit card to increase customer value

Develop our digital bank and services stand-alone and through partnerships

# Ready for geographic expansion



# Well proven lean and scalable model

Focus and simplicity

One location



Focused product portfolio



Credit cards

Personal loans



Deposits



~100 employees and  
14 nationalities serving  
~ 1.75 million  
customers

~30% of employees  
working in IT and  
analytics enables  
rapid adoption

Deep knowledge and  
more appealing  
tasks for employees

Born digital

Digital on the inside



Digital on the outside



# Solid profitability and fundamentals support future growth

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**Continued growth**



**Strong performance**

# Strong result proving the business model

<i>MNOK</i>	<b>Q3 2020</b>	<b>Q2 2020</b>	<b>Change</b>	<b>YTD 2020</b>	<b>YTD 2019</b>	<b>Change</b>
Interest income	1 498.6	1 565.6	-67.0	4 645.1	4 375.5	269.6
Interest expenses	177.5	179.3	-1.8	543.3	476.5	66.8
<b>Net interest income</b>	<b>1 321.1</b>	<b>1 386.3</b>	<b>-65.2</b>	<b>4 101.8</b>	<b>3 899.0</b>	<b>202.8</b>
Commission and bank services income	79.4	66.4	13.0	338.3	405.1	-66.8
Commission and bank services expenses	42.8	48.1	-5.3	142.6	192.8	-50.2
Net change in value on securities and currency	9.2	105.0	-95.8	45.1	22.6	22.5
Other income	-	-	-	-	-	-
<b>Net other operating income</b>	<b>45.8</b>	<b>123.2</b>	<b>-77.4</b>	<b>240.8</b>	<b>234.8</b>	<b>6.0</b>
<b>Total income</b>	<b>1 366.8</b>	<b>1 509.5</b>	<b>-142.7</b>	<b>4 342.6</b>	<b>4 133.8</b>	<b>208.7</b>
Personnel expenses	32.0	23.7	8.3	86.9	73.8	13.1
General administrative expenses	263.3	227.5	35.8	785.7	812.1	-26.4
Depreciation and impairment of fixed and intangible assets	25.0	22.5	2.5	64.2	49.6	14.6
Other operating expenses	14.6	15.0	-0.3	45.4	44.0	1.4
<b>Total operating expenses</b>	<b>335.0</b>	<b>288.7</b>	<b>46.3</b>	<b>982.3</b>	<b>979.5</b>	<b>2.8</b>
Provision for loan losses	365.6	447.0	-81.4	1 433.3	1 194.6	238.7
<b>Profit before tax</b>	<b>666.2</b>	<b>773.7</b>	<b>-107.6</b>	<b>1 927.0</b>	<b>1 959.7</b>	<b>-32.8</b>
Tax charge	165.5	191.6	-26.1	476.2	482.5	-6.3
<b>Profit after tax</b>	<b>500.6</b>	<b>582.1</b>	<b>-81.5</b>	<b>1 450.7</b>	<b>1 477.2</b>	<b>-26.4</b>
Earnings per share (NOK)	2.63	3.06	-0.43	7.60	7.74	-0.14

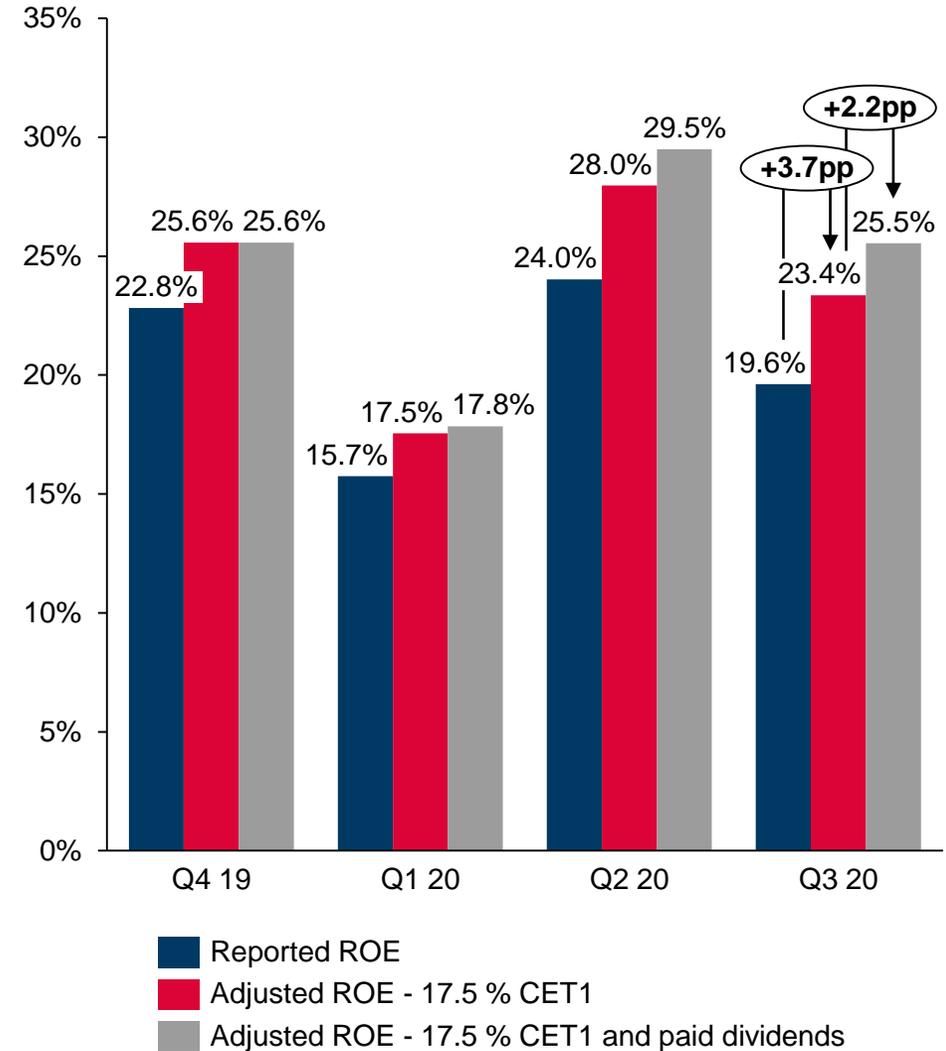
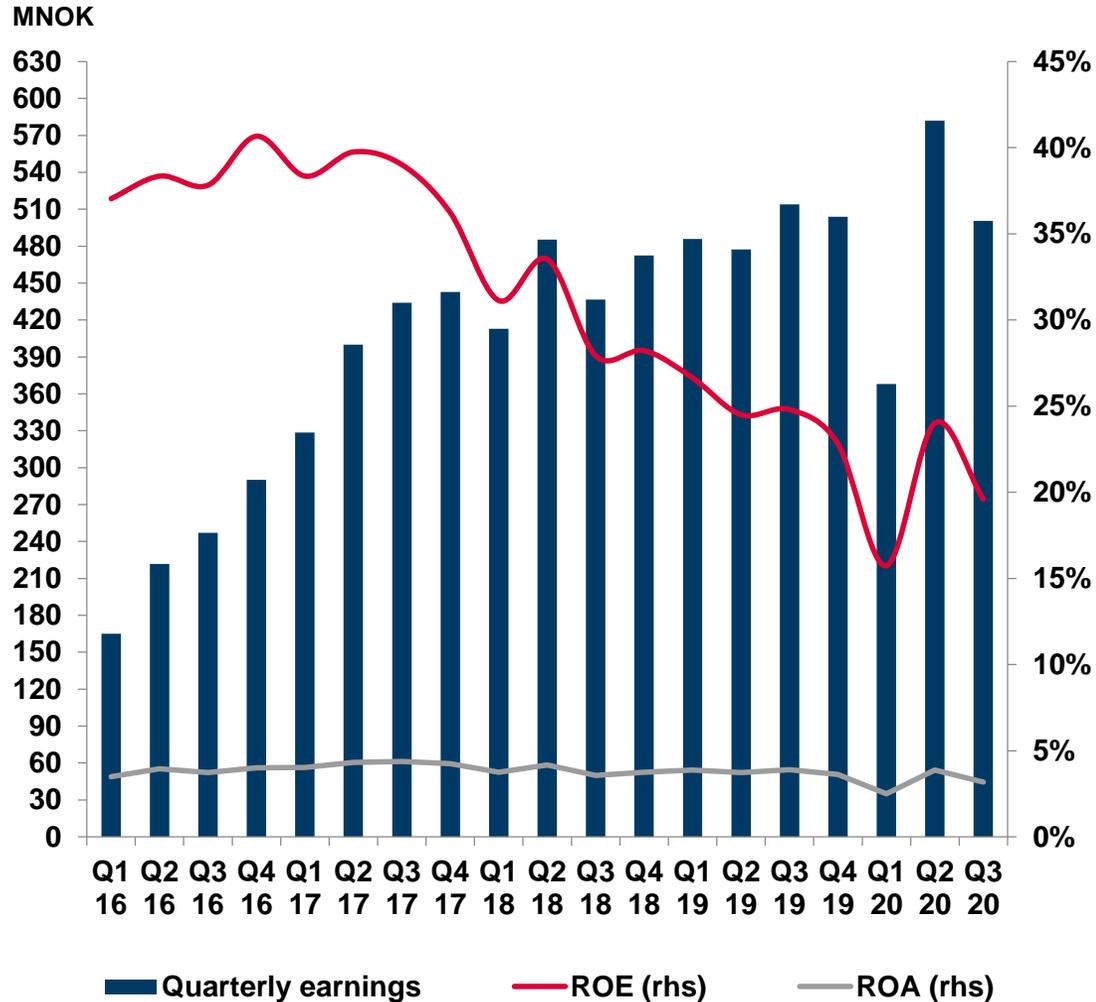
## Q3 vs Q2

- NII affected by FX-effects and lower credit card interest bearing balance in Norway
- Reduced gain on fair value instruments and FX
- Exclusion of the optimistic scenario from the macro model maintained in the third quarter

## YTD 2020 vs 2019

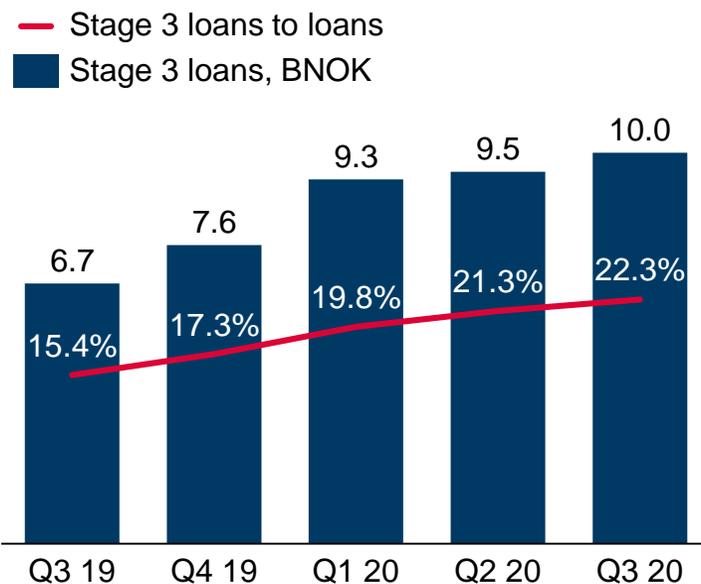
- Net interest income increase of 5.2 %
- Total operating expenses flat due to strict cost focus and flexible cost base
- Improved net profit before loan losses by 6.5 %

# Highly profitable operations, best in class ROE



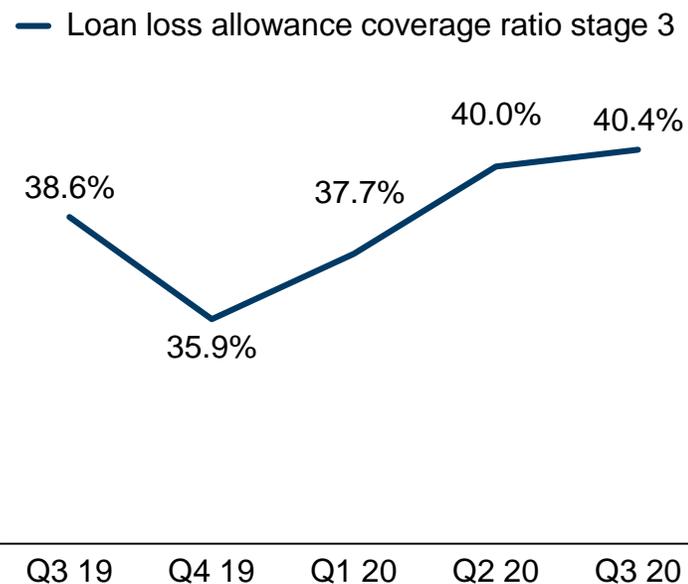
# Improved credit quality

## Stage 3 loans



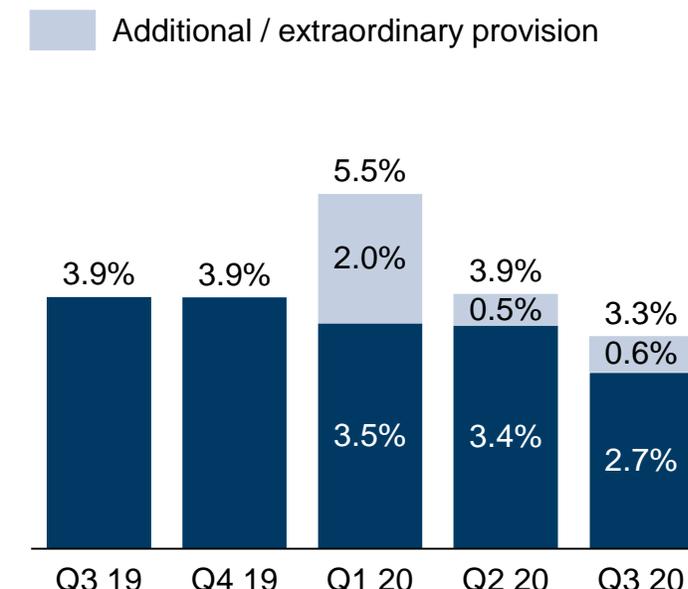
- Continued decline in absolute stage 3 growth rate

## Allowance coverage ratio stage 3



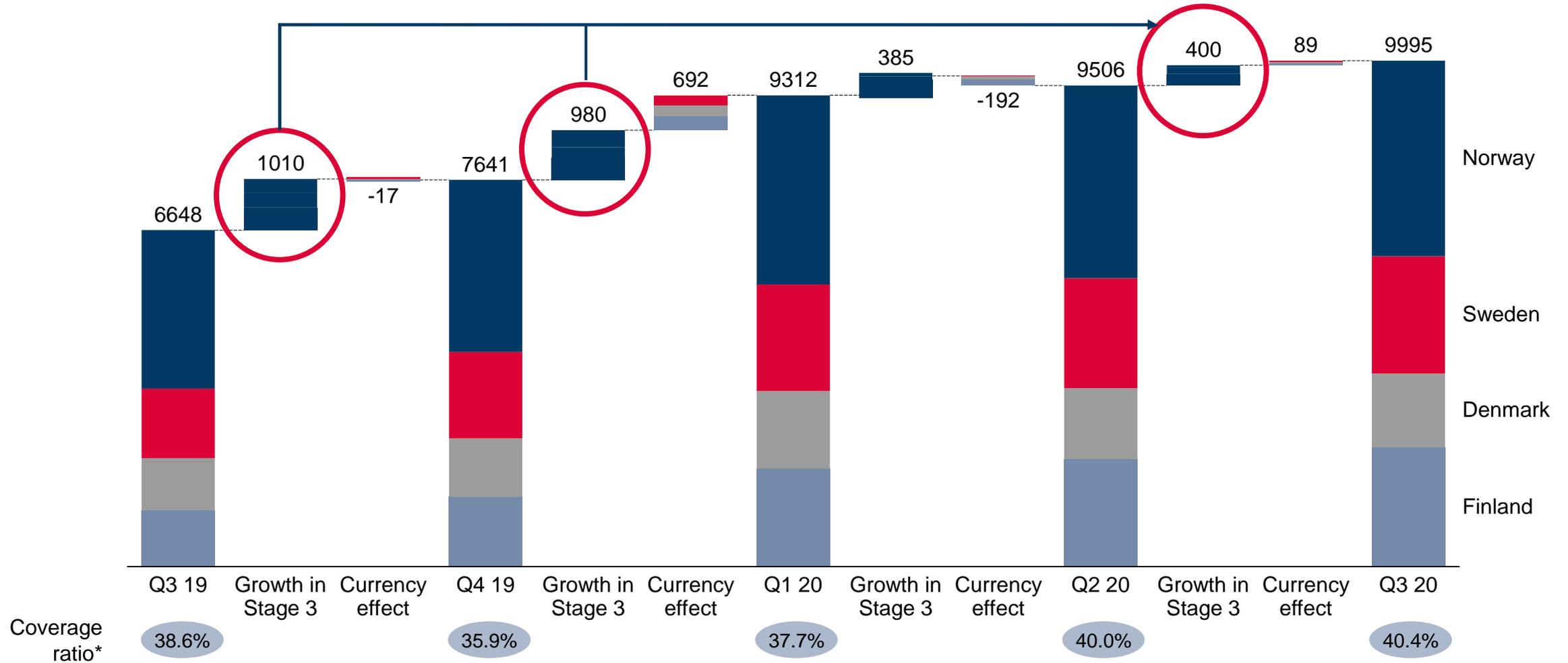
- Strong allowance ratio

## Loan loss provisions



- Optimistic macro scenario still excluded – net negative effect on loan loss provision of MNOK 62.1 in Q3

# Significantly reduced Stage 3 growth while improving the coverage ratio

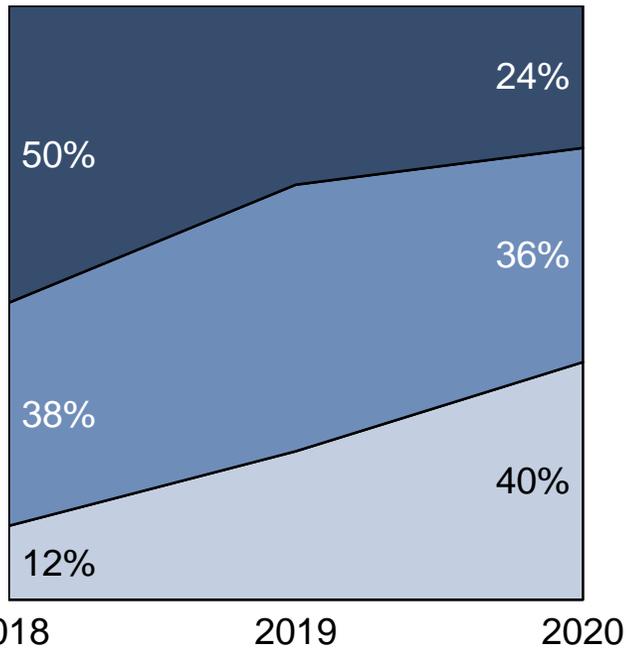


\* Loan loss allowance Stage 3 / Stage 3

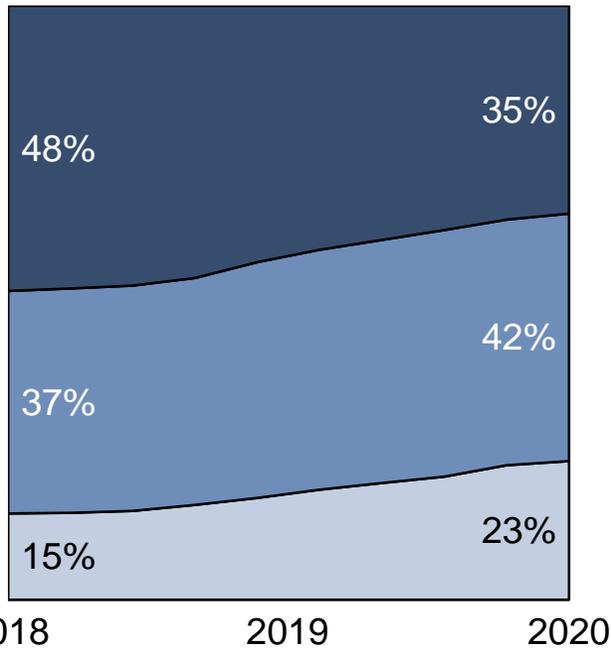
# Lower risk in portfolio

Higher risk interest band for personal loans have declined as a share of origination and loan book

Originated loans by risk interest rate band



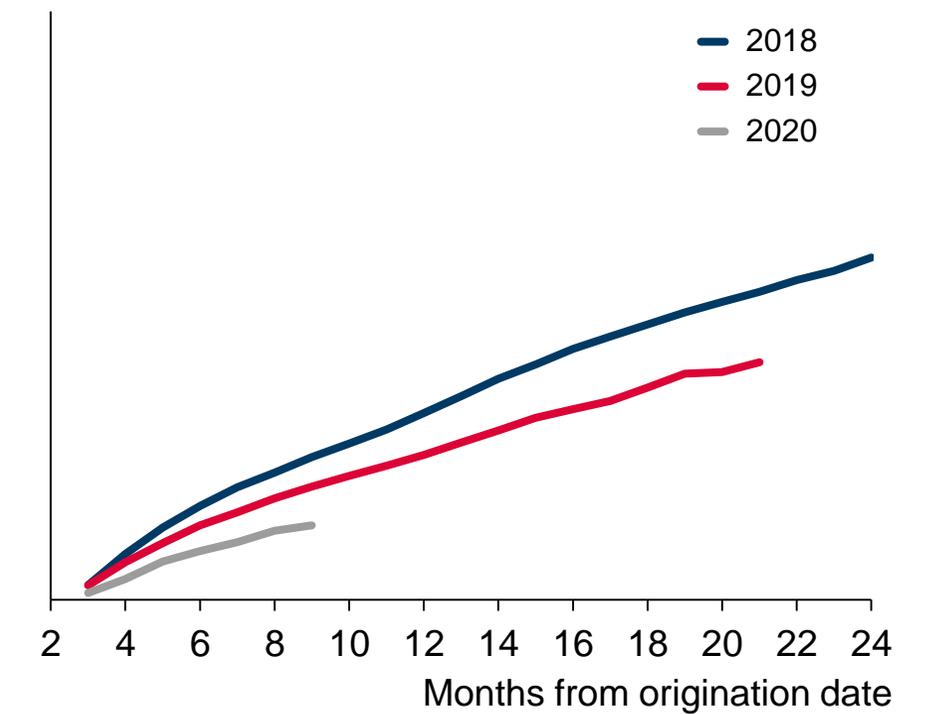
Loan book by risk interest rate band



Lower risk interest band
  Medium risk interest band
  Higher risk interest band

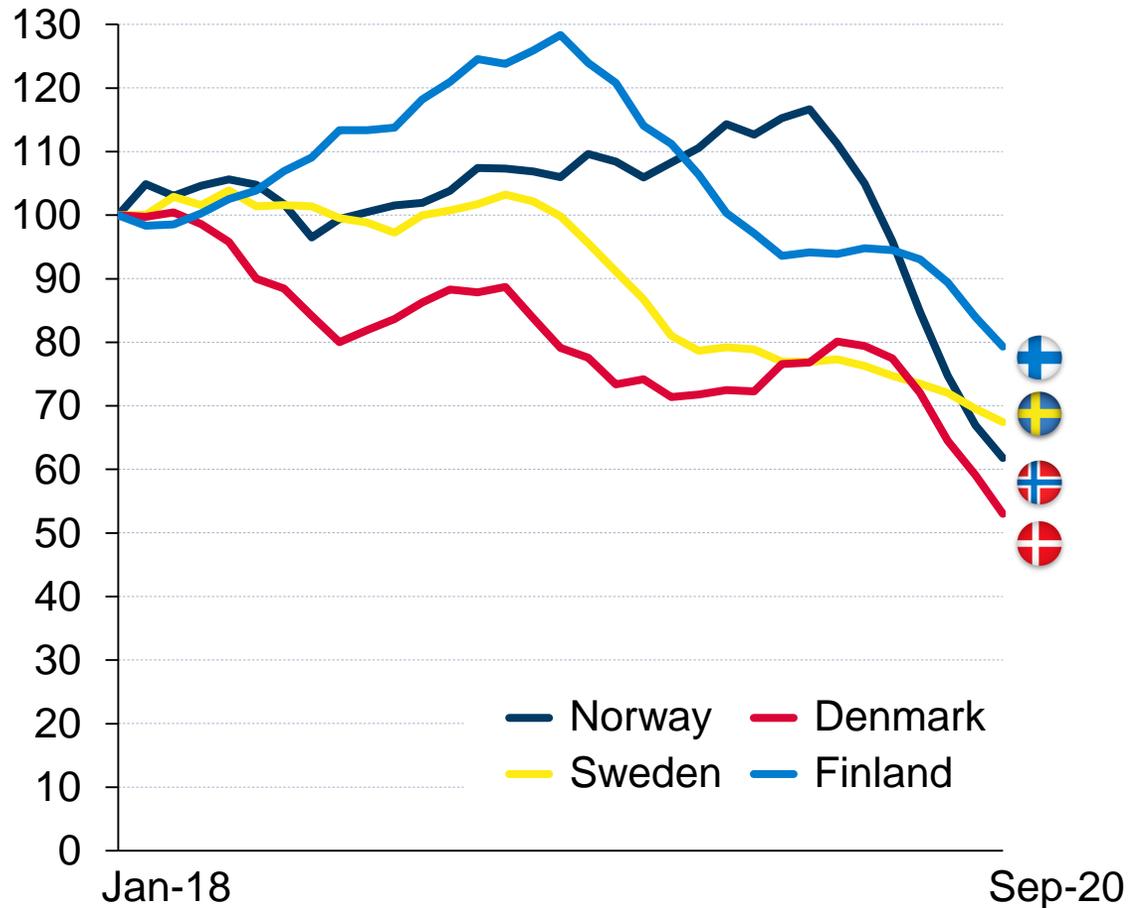
Personal loans vintages show improved credit quality

Default rate by vintage



# Debt volume transferred to debt collection declining

Share of total loan book transferred to debt collection by month  
Indexed, 6 months rolling average



- Overall long-term positive trend in payment behavior
- Improvement evident since Covid-19 outbreak

# Outlook

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## Continue strong earnings

- Stable risk adjusted loan yield
- Lean operations
- Harmonized regulatory environment

## Optimize balance sheet

- Strong credit quality
- Diversified funding
- Deliver on dividend roadmap

## Profitable growth

- Stable high ROE
- Nordic growth
- European expansion

**Thank you**

