

**4th quarter 2018
results presentation**

Q4

Norwegian Finans Holding ASA
February 26, 2019

Agenda

Performance and events

Country overview and performance

Fourth quarter 2018 results

Outlook

Fourth quarter 2018 highlights

Strong profitability

- Earnings MNOK 469 in Q4 and MNOK 1,797 full year 2018
- Stable net interest margin and cost income ratio
- Marginal effect of NPL sale

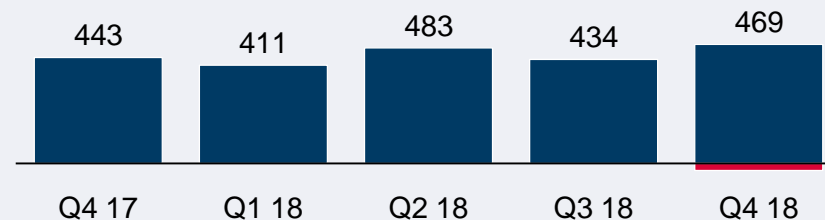
Resilient balance sheet

- Strong loan growth BNOK 2.5 in Q4 and BNOK 7.4 full year 2018
- Strong internal capital generation
- CET1 18.9% bank and 19.4% consolidated

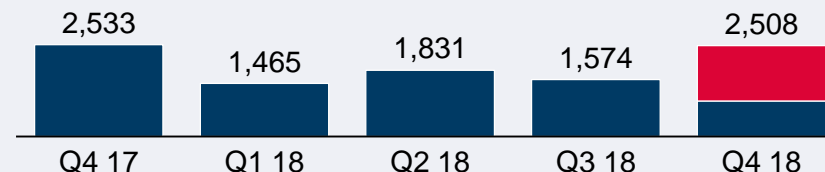
Events

- Agreement for geographical expansion
- Planned share buy back in 2019
- New agreement for credit card processing services yielding substantial cost savings

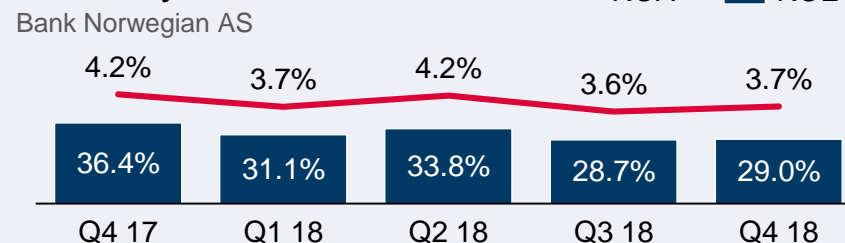
Earnings, MNOK ■ Portfolio sale adjustment



Loan growth, MNOK ■ Portfolio sale adjustment

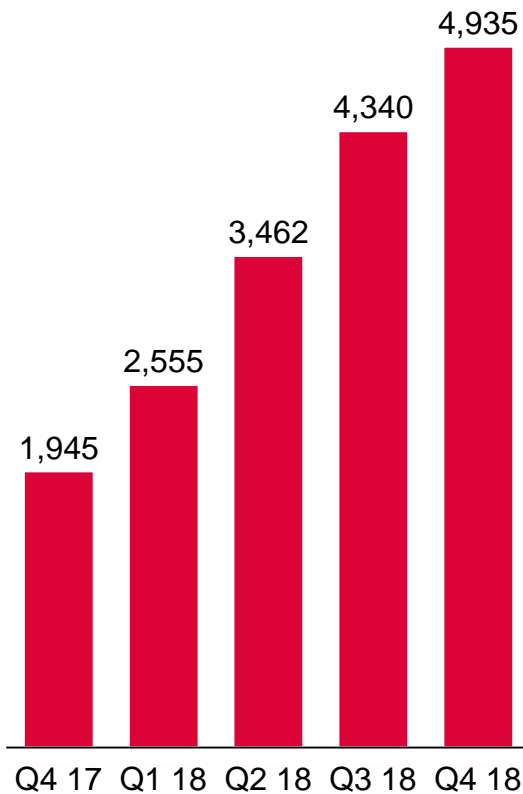


Profitability — ROA ■ ROE

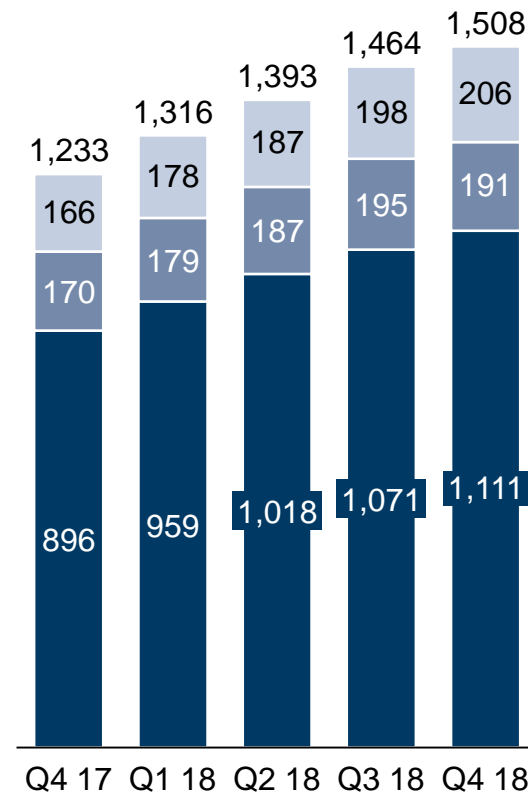


275,000 new customers in 2018

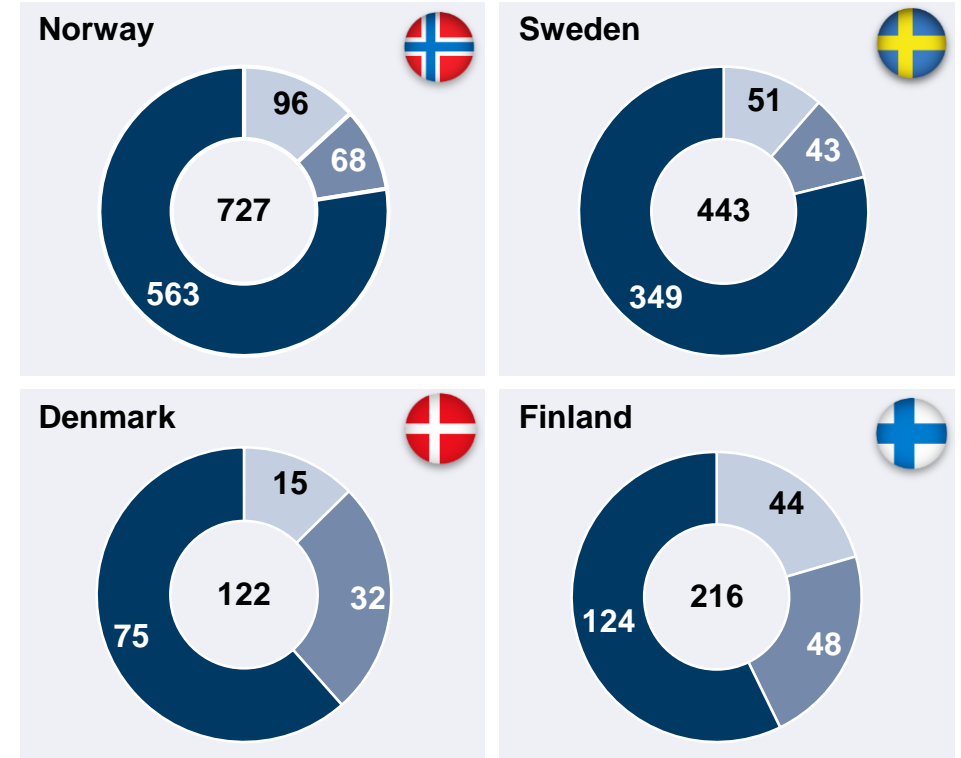
App usage, thousand



Customers, thousand*



Customers, thousand



■ App logins

■ Credit card ■ Instalment loan ■ Deposit

* Number of customers reduced by approximately 18,000 from NPL portfolio sale in Finland

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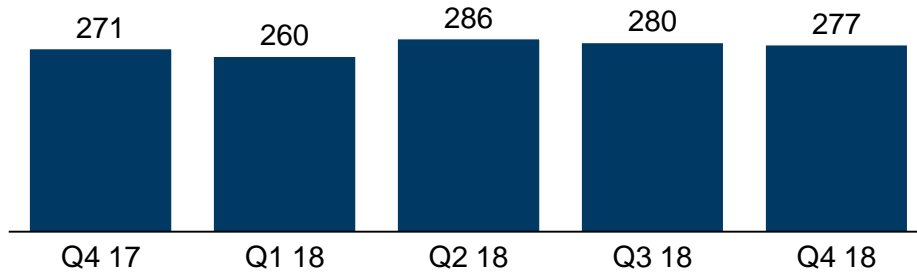
Fourth quarter 2018 results

Outlook

Highlights - Norway

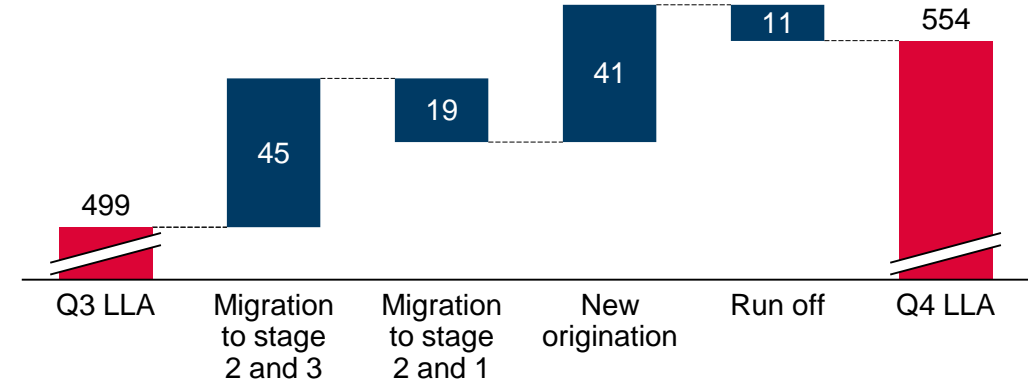
Earnings

MNOK



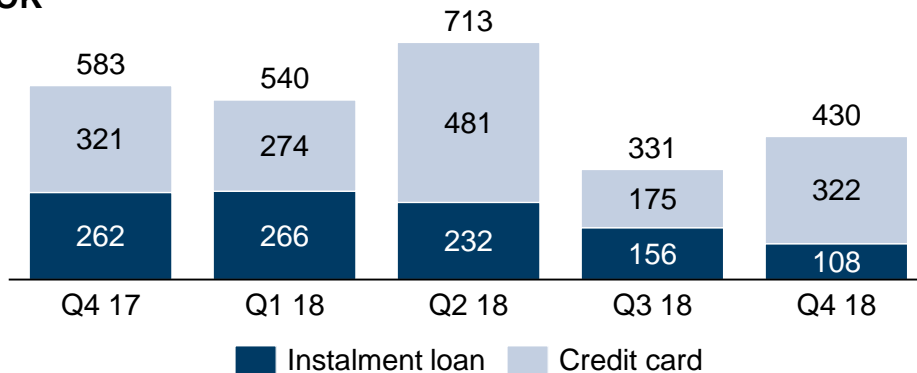
Loan loss allowance (LLA)

MNOK



Loan growth

MNOK



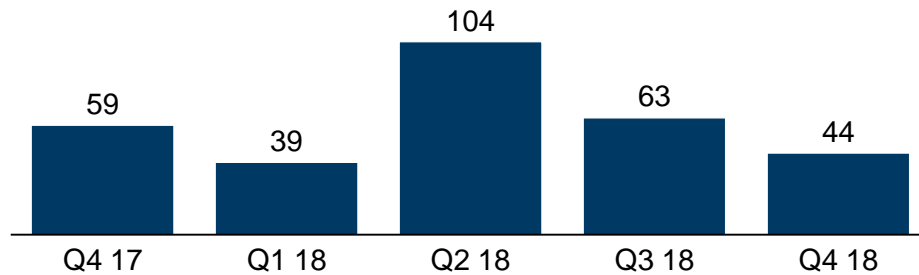
Market dynamics

- Positive market sentiment for the bank
- Competitive advantage from underwriting and risk-based pricing
- Strong competition from agents and foreign banks
- Lending guidelines become regulation
- On track with debt register

Highlights - Sweden

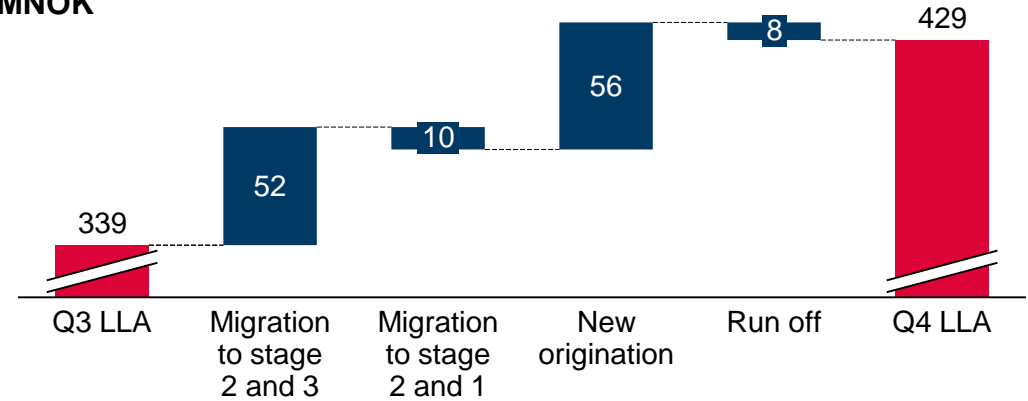
Earnings

MNOK



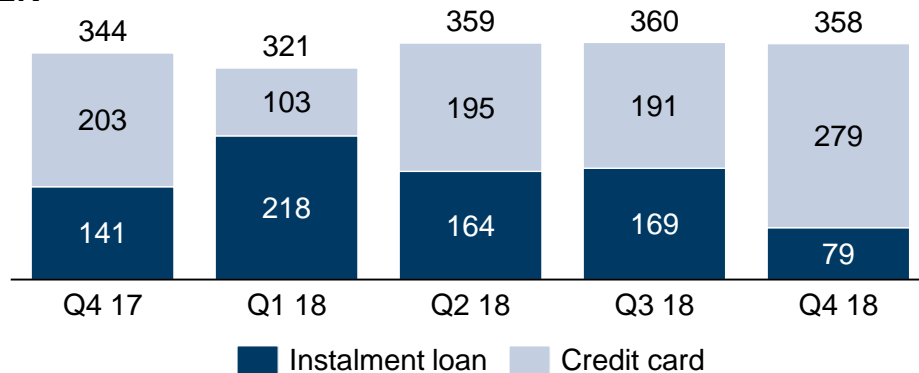
Loan loss allowance (LLA)

MNOK



Loan growth

MSEK



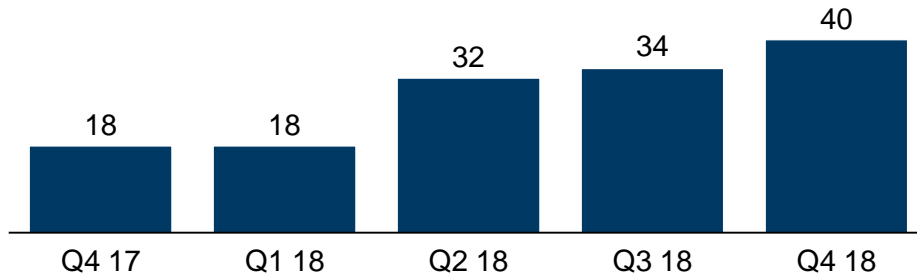
Market dynamics

- Calendar cut-off effects in Q4 impact provisions and earnings
- Low-margin instalment loan market dominated by agents
- High competition and lower capital requirements lead to margin pressure
- Strong market position for credit card portfolio

Highlights - Denmark

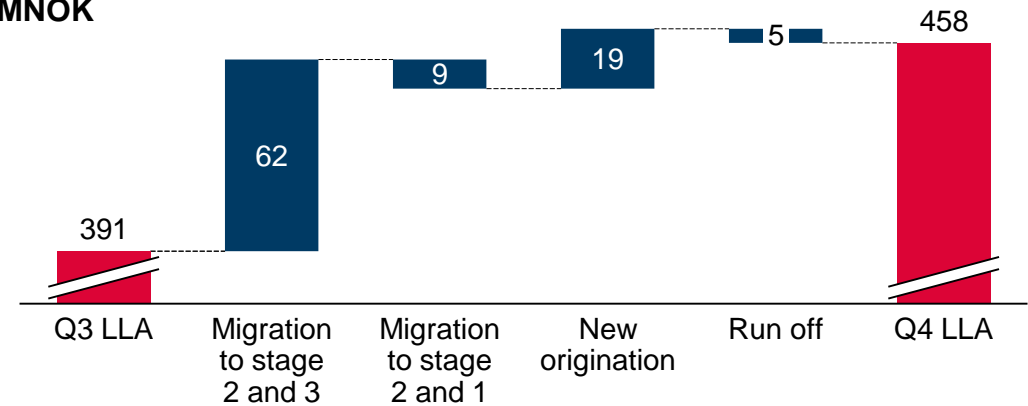
Earnings

MNOK



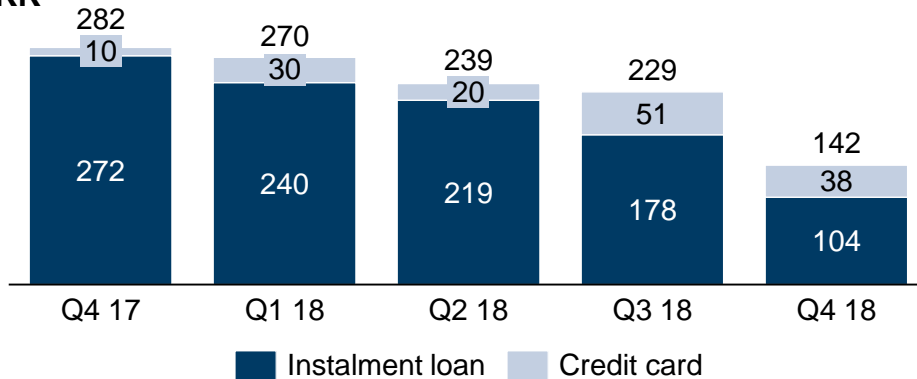
Loan loss allowance (LLA)

MNOK



Loan growth

MDKK



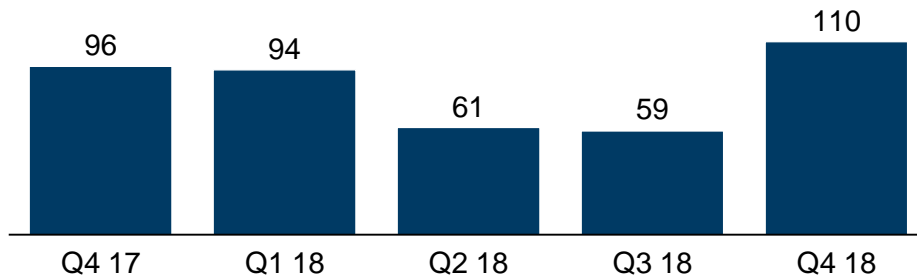
Market dynamics

- Improved risk-based pricing and risk control
- Established payment patterns take time to change
- Regulatory attention on emerging unregulated loan market in social media
- Launch of agent distribution in 2019

Highlights - Finland

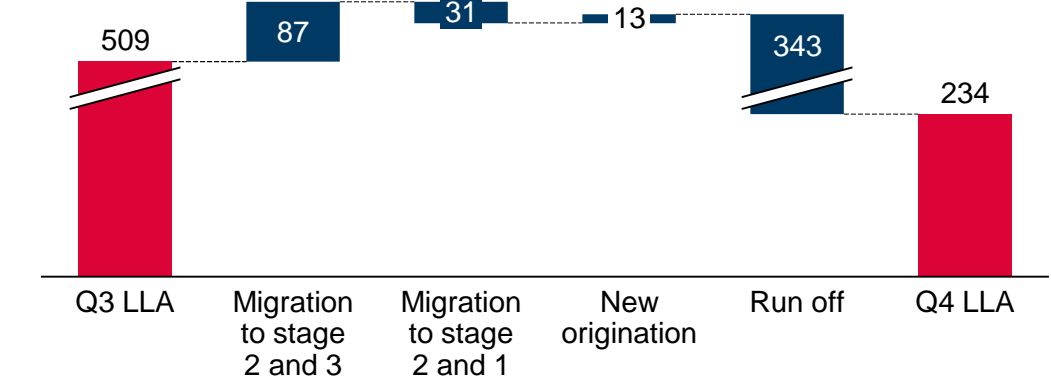
Earnings

MNOK



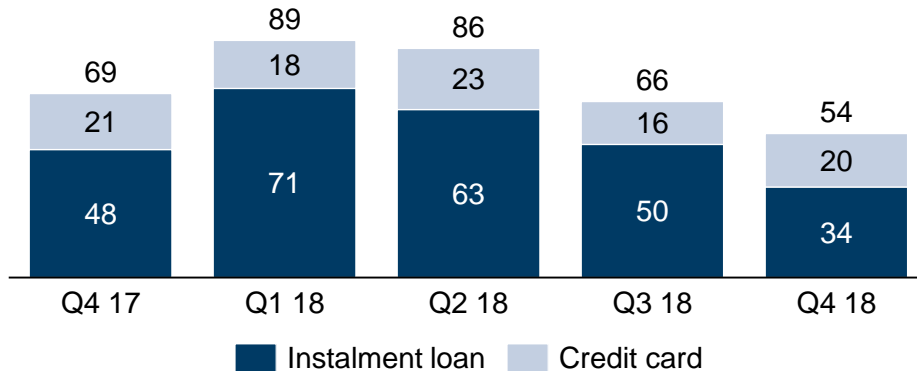
Loan loss allowance (LLA)

MNOK



Loan growth

MEUR



Market dynamics

- Improved balance sheet and profitability
- Competitive risk-based pricing
- Continued growth in a more mature market
- More visible market activity from incumbent banks and agents
- Voluntary debt register adopted by an increasing number of players

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Fourth quarter 2018 earnings were MNOK 469, compared with MNOK 434 in the third quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q4 18	Q3 18	Change	
Interest income	1,319.1	1,285.3	33.8	3 %
Interest expenses	145.5	163.9	-18.4	-11 %
Net interest income	1,173.6	1,121.4	52.2	5 %
Commission and bank services income	111.0	118.0	-6.9	-6 %
Commission and bank services expenses	62.7	60.1	2.6	4 %
Net change in value on securities and currency	-5.9	11.1	-17.1	n/m
Net other operating income	42.4	69.1	-26.7	-39 %
Total income	1,216.0	1,190.5	25.5	2 %
Personnel expenses	25.4	23.5	2.0	8 %
General administrative expenses	258.3	260.4	-2.1	-1 %
Ordinary depreciation	15.6	14.8	0.8	6 %
Other operating expenses	13.4	13.8	-0.4	-3 %
Total operating expenses before losses	312.7	312.5	0.3	0 %
Provision for loan losses	284.8	299.2	-14.4	-5 %
Profit before tax	618.5	578.8	39.7	7 %
Tax charge	149.3	144.7	4.6	3 %
Profit after tax	469.1	434.1	35.0	8 %

- Net interest income driven by strong loan growth and lower deposit rates in Finland
- Net fee income down due to seasonal effects in the third quarter
- Net loss on securities
- Stable operating expenses
- Impact from sale of NPL's in Finland MNOK 19.7 in net charge-offs and MNOK 8.5 in repayment of collection expenses
- ROE* was 29.0%

The accounting of agent commissions to Norwegian Air Shuttle and payment protection insurance reclassified in accordance with IAS 38, IFRS 9 and IFRS 15. Comparable figures have been restated.

* Bank Norwegian AS

Earnings for the full year 2018 were MNOK 1,797, compared with MNOK 1,605 in 2017

Norwegian Finans Holding Group

<i>MNOK</i>	2018	2017	Change	
Interest income	5,013.0	4,158.2	854.8	21 %
Interest expenses	606.7	502.2	104.5	21 %
Net interest income	4,406.3	3,656.0	750.3	21 %
Commission and bank services income	463.6	363.1	100.4	28 %
Commission and bank services expenses	230.5	174.2	56.3	32 %
Net change in value on securities and currency	12.8	7.5	5.4	72 %
Net other operating income	245.9	196.4	49.6	25 %
Total income	4,652.3	3,852.4	799.9	21 %
Personnel expenses	87.7	75.0	12.8	17 %
General administrative expenses	1,035.9	883.3	152.6	17 %
Ordinary depreciation	60.0	53.1	6.9	13 %
Other operating expenses	52.5	45.5	7.0	15 %
Total operating expenses before losses	1,236.2	1,056.8	179.4	17 %
Provision for loan losses	1,027.6	672.4	355.2	53 %
Profit before tax	2,388.5	2,123.2	265.2	12 %
Tax charge	591.9	526.2	65.7	12 %
Profit after tax	1,796.6	1,597.1	199.6	12 %

<i>MNOK</i>	2018	2017	Change	
Profit on ordinary activities after tax	1,796.6	1,597.1	199.6	12 %
Change in fair value for assets held for sale, after tax	-	8.1	-8.1	n/m
Comprehensive income for the period	1,796.6	1,605.2	191.4	12 %

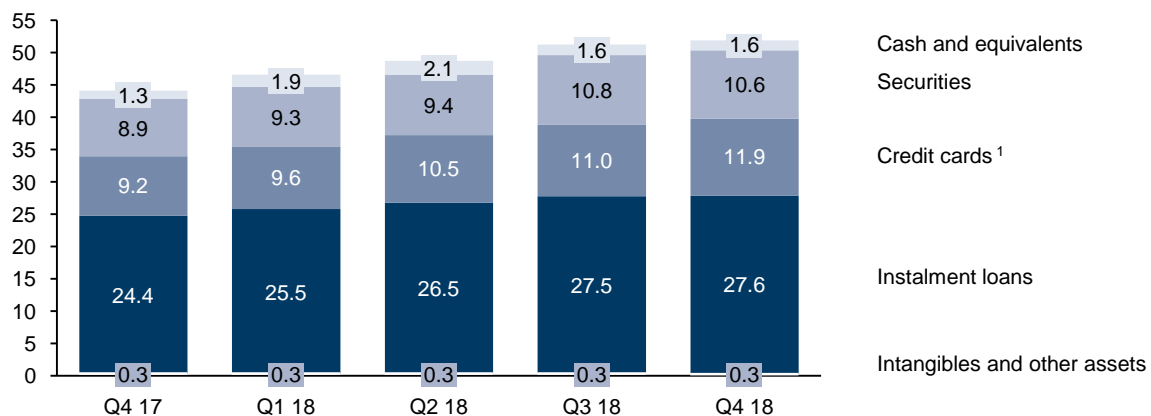
- Net interest income driven by strong loan growth
- Net fee income increased due to higher credit card activity
- Increased marketing efforts combined with increased sales expenses due to higher credit card activity
- Change in provisions affected by new markets, gains on portfolio sales in 2017 and charge related to sale of NPL's in Finland in 2018
- ROE* was 30.5%

The accounting of agent commissions to Norwegian Air Shuttle and payment protection insurance reclassified in accordance with IAS 38, IFRS 9 and IFRS 15. Comparable figures have been restated.

* Bank Norwegian AS

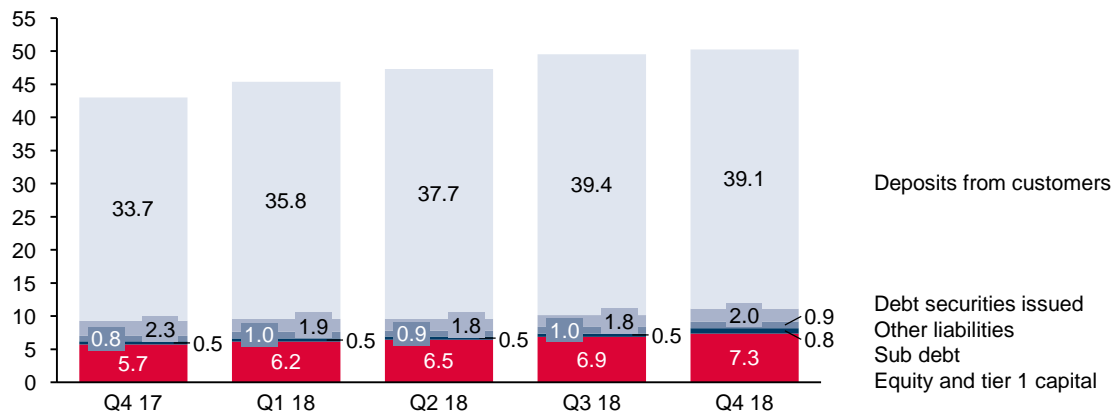
Resilient balance sheet

Assets, BNOK



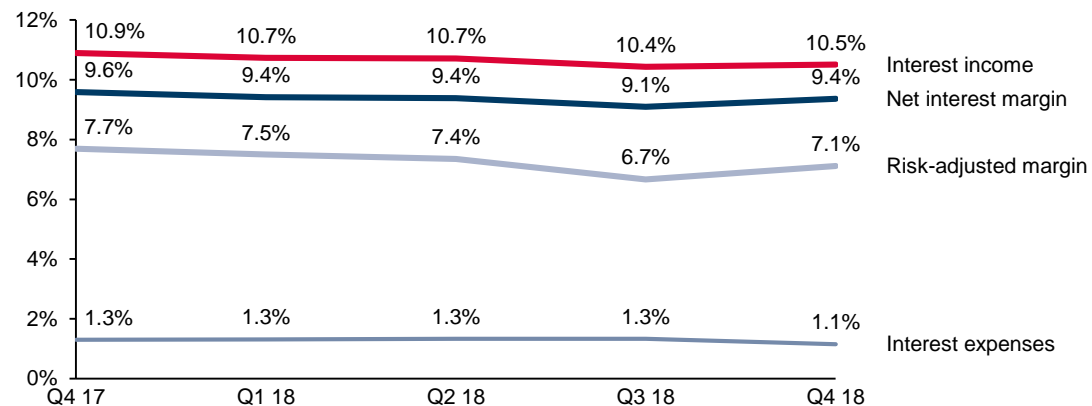
- Total gross loans increased MNOK 2,506, adjusting for the sale of NPL's in Finland, compared with MNOK 1,574 in the third quarter
- Currency adjusted loan growth was MNOK 1,454 compared with MNOK 1,581 in the third quarter
- Instalment loans rose MNOK 1,419 and credit cards grew MNOK 1,087
- Instalment loan sales were MNOK 2,625, compared with MNOK 2,750 in the previous quarter
- Instalment loan run-off was MNOK 1,969, compared with MNOK 1,741 in the third quarter
- Liquid assets comprise 24% of total assets
- LCR 210% and NSFR 148%
- Deposits fell MNOK 267 due to rate reduction in Finland
- Deposits to loans ratio 0.99
- AT1 and Tier 2 issued in the beginning of the fourth quarter
- Planned issuances of senior unsecured debt

Liabilities and equity, BNOK



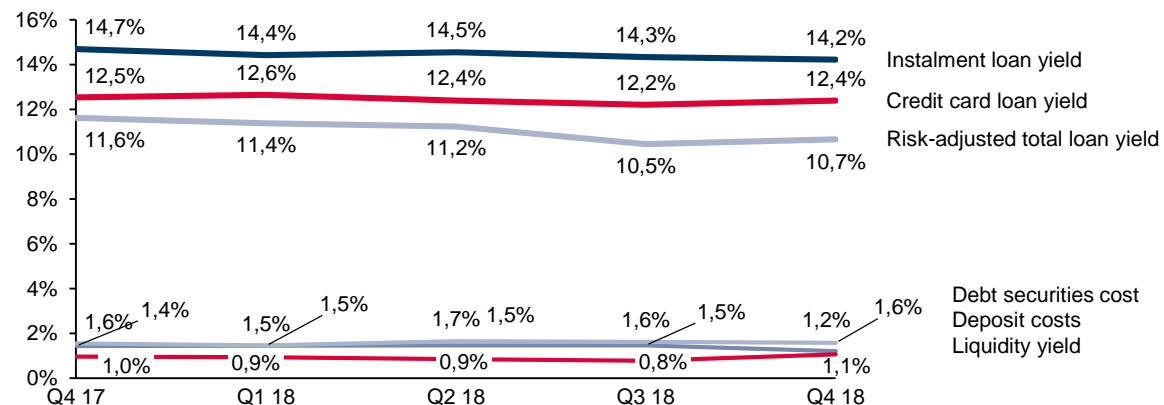
Stable yields and margins

Margins as a % of average assets



▪ Deposit rates in Finland lowered from 1.75% to 0.75% effective October 1

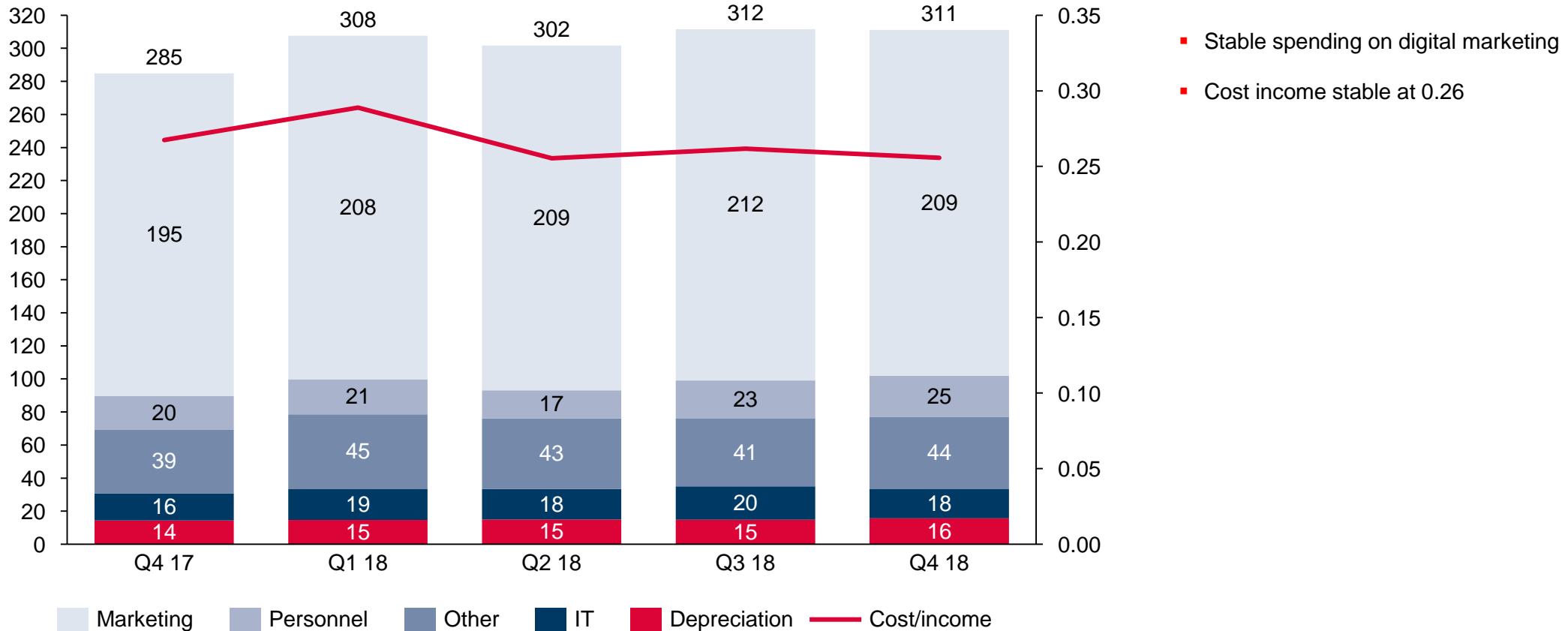
Asset yield and cost of funds



The accounting of agent commissions to Norwegian Air Shuttle and payment protection insurance reclassified in accordance with IAS 38, IFRS 9 and IFRS 15. Comparable figures have been restated.

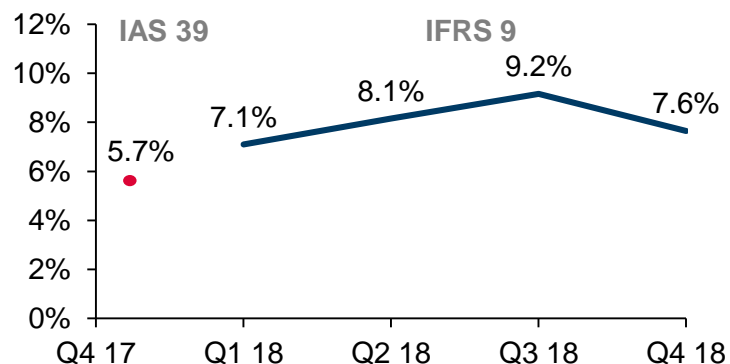
High operating efficiency

Quarterly operating expenses, MNOK

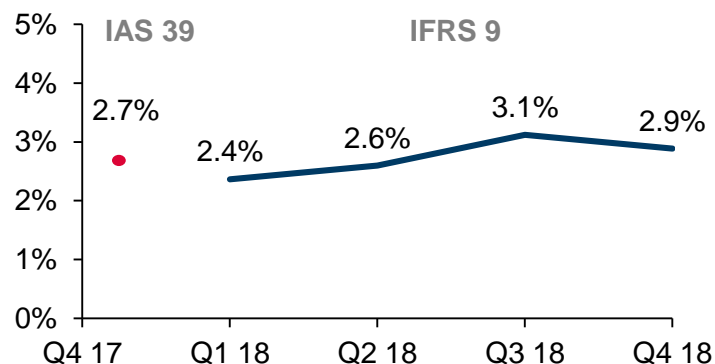


Strong credit metrics

Non-performing loans to loans ¹⁾

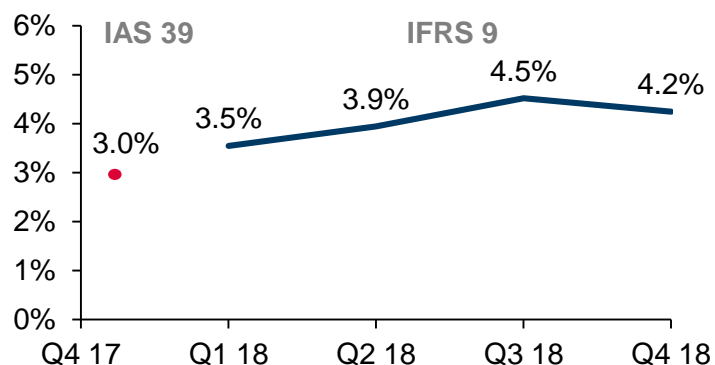


Loan loss provisions to average loans ²⁾

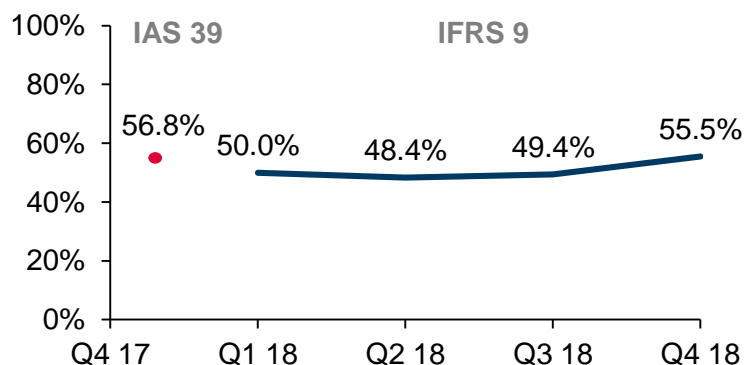


- Drop in NPL's and provisions due to sale of NPL's in Finland, partially offset by calendar cut-off effect in Sweden
- NPL sale in Finland reduces credit risk inherent in early vintages
- NPL level developing as expected
- Credit scorecards based on own data implemented in Denmark and Finland
- Solid 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

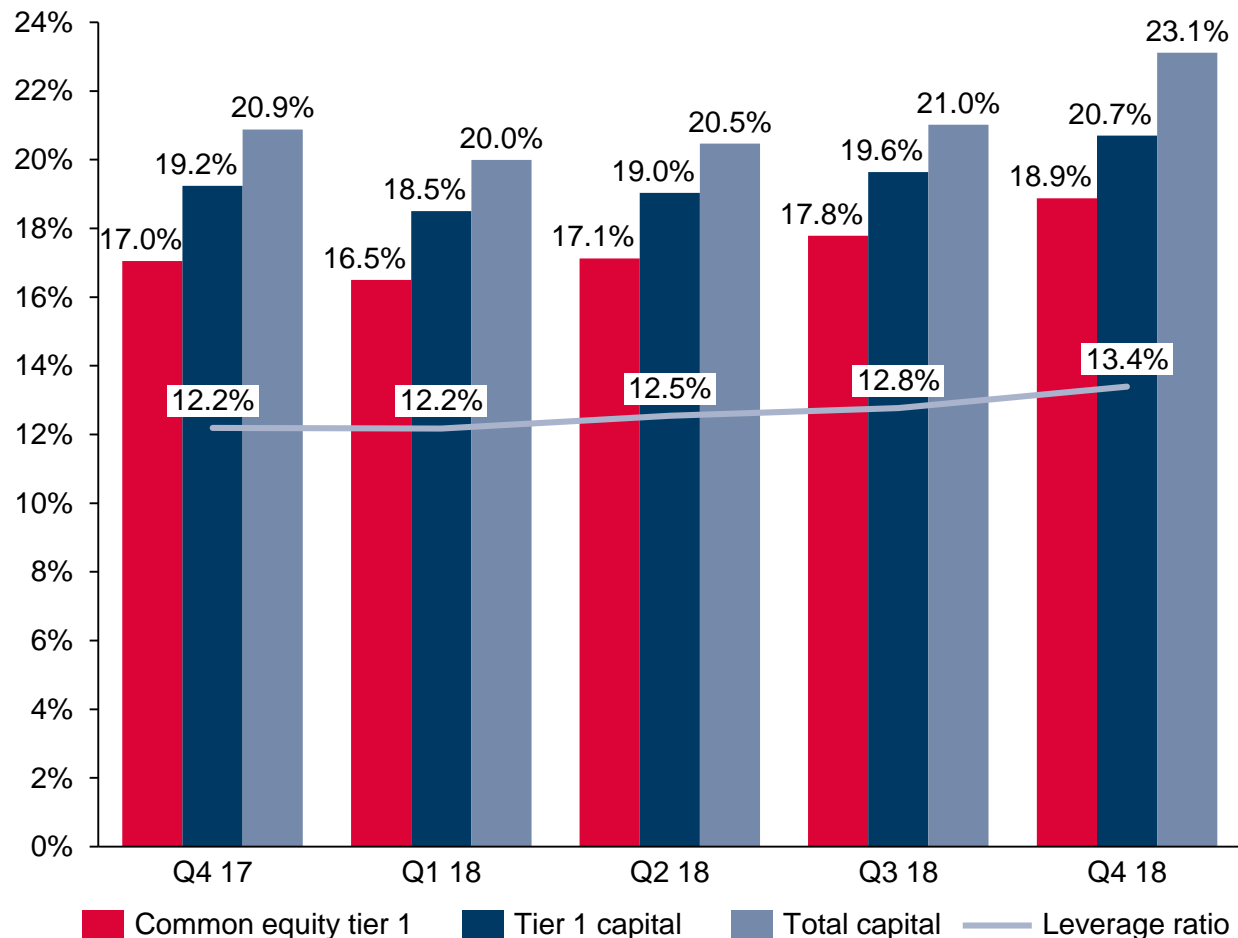
2) Change in ECL to average gross loans

3) ECL to gross loans

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

Surplus capital position

Capital ratios



- Strong 18.9% CET1 capital ratio in the bank
- 19.4% CET1 capital ratio on a consolidated basis
- Leverage ratio equals 13.4%
- AT1 and Tier 2 issued in the beginning of the fourth quarter
- Minimum regulatory CET1 requirement 15.9%, including announced increases in counter-cyclical buffer requirements. Additional 3% capital management buffer, in order to pay cash dividends or buy back shares, raises CET1 requirement to 18.9%
- MNOK 160 in planned share buy back based on 2018 results
- Barring new capital requirements - outlook for significant dividend capacity based on expected loan growth and earnings for 2019

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Expanded agenda for the bank



Optimize core business

Participate in the industry transformation



Explore the potential for the bank in a geographic expansion

Continuous development of customer offering

Bill payment

- In-app invoice scanning
- Increases convenience and relevance

← **Betale**

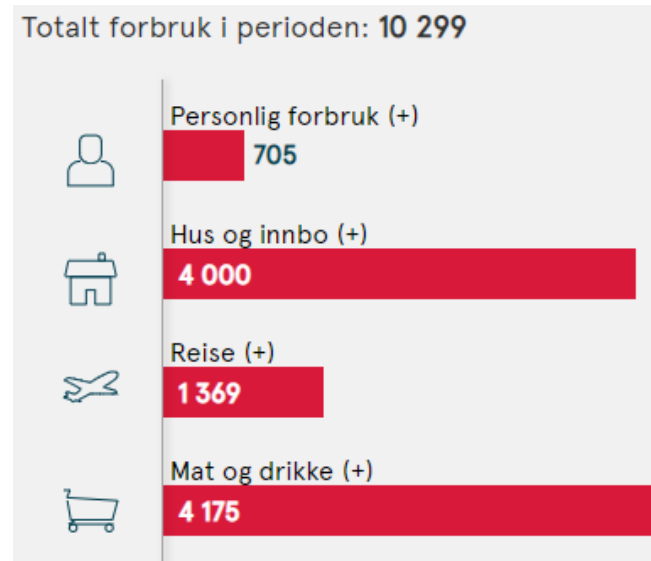
Fra kontonummer
Sparekonto

Til kontonummer

KID

My personal finances

- Categorizes customer spending and improves overview of household finances
- Customers moving consumption to credit card with related data



Insurance

- Continued growth in insurance policies sold
- Focus on increasing product offering throughout footprint



Geographic expansion

- The strategy for geographic expansion for the bank is based on the brand Norwegian and in cooperation with the Airline and their Reward program
- Entered into an agreement to acquire minimum 40% of the shares in the Irish company Lilienthal Finance Limited at book value
 - Lilienthal is applying for an Irish banking license and will develop banking services across Europe
- Lilienthal has the right to use the Norwegian brand for banking services outside the Nordic region
 - Previously, NOFI held the rights to negotiate on the use of the Norwegian brand only for credit card services
- NOFI or NOFI shareholders will be offered equity when Lilienthal is capitalized after being granted banking license
 - Structure will be developed to progress the bank start-up as rapidly as possible
 - An Irish NOFI branch is one of the opportunities being investigated
- NOFI will act as the project manager in the process leading up to the banking license
- Project milestones are being identified and will be communicated to the market
 - Brexit has significantly increased the demand for banking licenses in Ireland

Update on dividend program

Overall structure

- Ambition to offer an attractive dividend program
- Planned distribution of capital in excess of applicable requirements
- Combination of share buy back and cash dividend

2019 plan

- Planned MNOK 160 share buy back based on regulatory approval for 2018
- Significant dividend capacity based on 2019 accounts

Long term ambitions

- Annual distribution
- Targeting a minimum 40% payout ratio subject to growth, earnings and capital requirements

Well positioned for continued profitable growth

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

Continued strong earnings and returns

- Customer and loan growth with effective risk-based pricing models
- Cost-efficient and scalable operations
- New credit card processing services agreement secure substantial savings from 2020

Strong competitive position

- Solid Nordic footprint and high brand awareness
- Favorable economic outlook
- Advanced risk control

Strong potential for the bank

- Fast growing customer base with high engagement. Further fee income potential
- Capacity for growth and dividend/share buy back
- On path for European expansion

banknorwegian 

Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	31.12.18		30.9.18		Change	
Assets						
Deposits with the central bank	68	0 %	66	0 %	2	3 %
Loans and deposits with credit institutions	1,702	3 %	1,838	4 %	-135	-7 %
Loans to customers	37,798	75 %	36,751	74 %	1,046	3 %
Certificates and bonds	10,603	21 %	10,813	22 %	-210	-2 %
Financial derivatives	13	0 %	48	0 %	-35	-73 %
Shares and other securities	37	0 %	39	0 %	-2	-5 %
Assets available for sale	-	0 %	-	0 %	-	n/m
Intangible assets	134	0 %	135	0 %	-2	-1 %
Deferred tax asset	18	0 %	11	0 %	7	62 %
Fixed assets	1	0 %	1	0 %	-0	-12 %
Receivables	63	0 %	89	0 %	-25	-28 %
Total assets	50,436	100 %	49,790	100 %	646	1 %
Liabilities and equity						
Loans from credit institutions	-	0 %	32	0 %	-32	n/m
Deposits from customers	39,092	78 %	39,359	79 %	-267	-1 %
Debt securities issued	2,019	4 %	1,812	4 %	207	11 %
Financial derivatives	120	0 %	1	0 %	119	n/m
Taxes payable	603	1 %	685	1 %	-82	-12 %
Other liabilities	32	0 %	141	0 %	-109	-77 %
Accrued expenses	189	0 %	202	0 %	-14	-7 %
Subordinated loan	836	2 %	475	1 %	362	76 %
Total liabilities	42,891	85 %	42,708	86 %	183	0 %
Share capital	187	0 %	187	0 %	-	0 %
Share premium	977	2 %	977	2 %	-	0 %
Tier 1 capital	635	1 %	635	1 %	-	0 %
Retained earnings and other reserves	5,746	11 %	5,283	11 %	462	9 %
Total equity	7,544	15 %	7,082	14 %	462	7 %
Total liabilities and equity	50,436	100 %	49,790	100 %	646	1 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES
1 NORWEGIAN AIR SHUTTLE ASA		30,623,739
2 FOLKETRYGDFONDET		15,809,072
3 GOLDMAN SACHS & CO. LLC	NOMINEE	15,449,258
4 BRUMM AS		6,739,432
5 STENSHAGEN INVEST AS		4,551,416
6 GREEN 91 AS		3,964,900
7 EUROCLEAR BANK S.A./N.V.	NOMINEE	3,760,218
8 NYE GKB INVEST AS		3,501,102
9 KM AVIATRIX INVEST AS		3,459,293
10 BANQUE DEGROOF PETERCAM	NOMINEE	3,120,999
11 SWEDBANK ROBUR SMÅBOLAGSFOND		3,100,000
12 MP PENSJON PK		2,909,268
13 BANQUE DEGROOF PETERCAM	NOMINEE	2,857,989
14 STATE STREET BANK AND TRUST COMPANY	NOMINEE	2,548,539
15 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	2,393,630
16 NYE SNEISUNGEN AS		2,217,321
17 TORSTEIN TVENGE		2,200,000
18 VERDIPAPIRFONDET PARETO INVESTMENT		1,977,823
19 KLP AKSJENORGE INDEKS		1,680,680
20 SWEDBANK ROBUR NORDENFOND		1,670,000
Top 20		114,534,679
Total		186,751,856

- Management holds 1.4% of shares outstanding

As of February 22, 2019