

Fourth quarter 2020 results presentation

Q4

Norwegian Finans Holding Group
February 17, 2021

Strengthened our position through 2020



Solid profit and capital position – NOK 6.00 dividend proposed



Approval of merger process – simplifying structure and increase efficiency



Improved credit quality and lower inflow to debt collection



Supporting our customers through new products and services

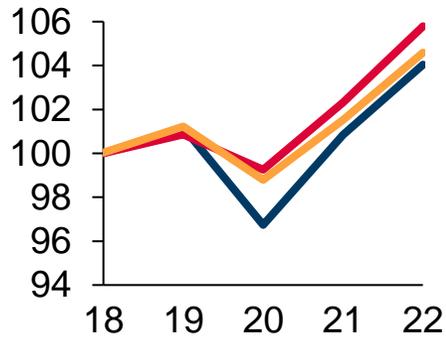


ESG materiality survey - increased insight from stakeholders

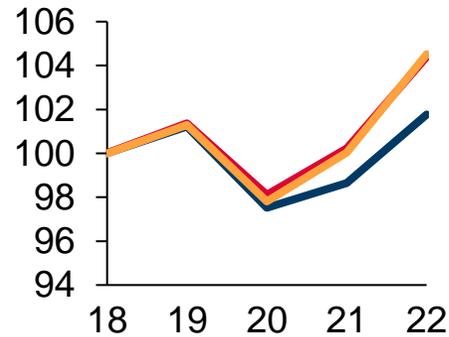
Continued uncertainty regarding Covid-19 pandemic

GDP development, indexed

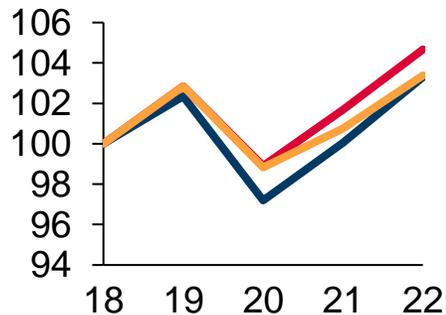
Norway



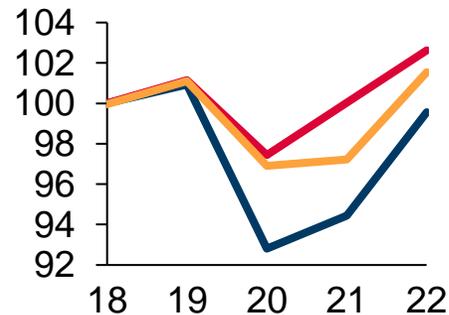
Sweden



Denmark

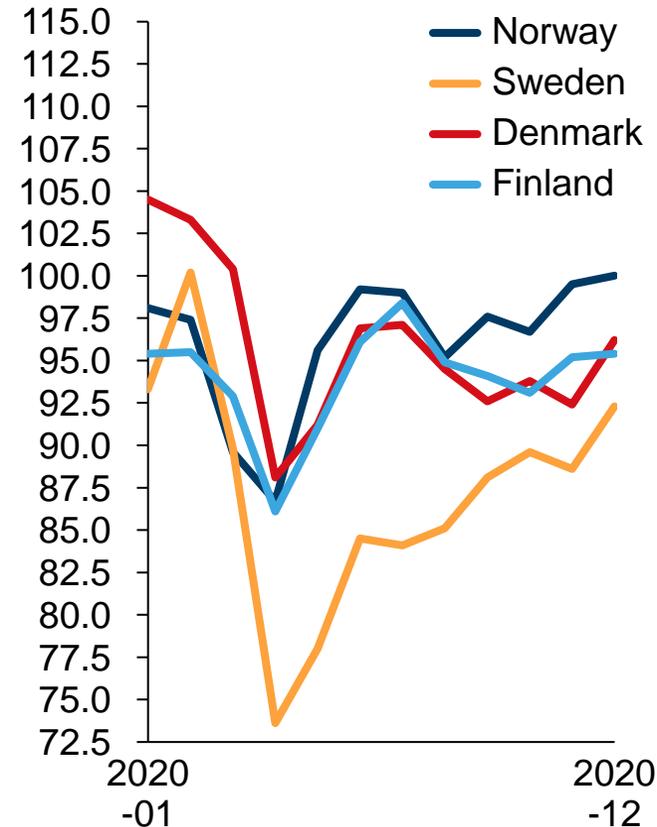


Finland



■ Q2 2020 Forecast
 ■ Q3 2020 forecast
 ■ Q4 2020 Forecast

Consumer confidence index



- Faster recovery compared to earlier forecasts
- Consumer confidence indices show improvement

Improving customer value during pandemic

Nordic champion

Fully digital bank improving product offering

- Free of charge insurance providing security in case of unemployment or sick leave
- Covering one month of grocery purchases



- Temporary Cashback offering as alternative to Cashpoints
- Strengthening value of the credit card during the pandemic

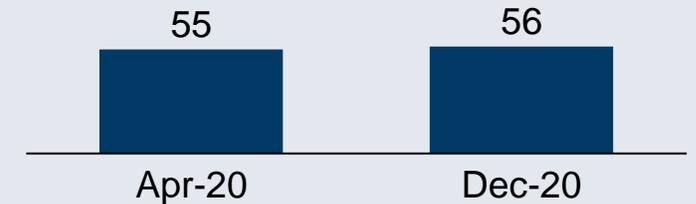


Strengthening distribution

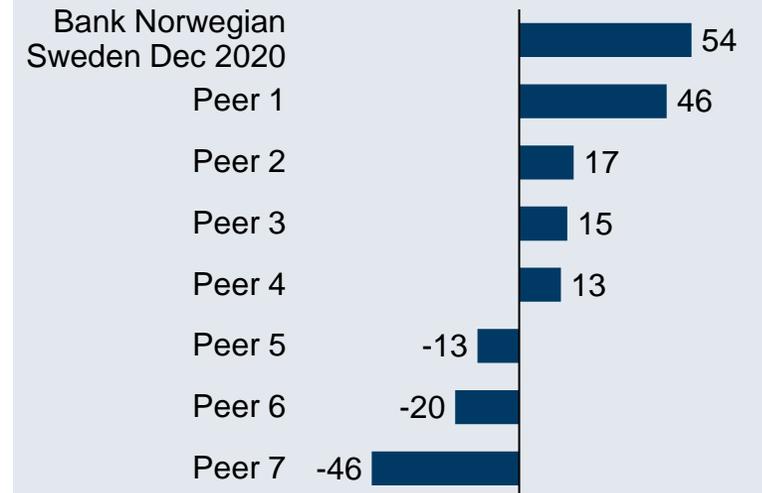
- Improved distribution via strategic partners to be present in relevant channels
- Distribution driving increased volume

Attractive Net Promoter Score (NPS)

Bank Norwegian NPS



Swedish peer banks' NPS



Source: Nordic Bench Swedish study

Lending growth* impacted by credit card spending

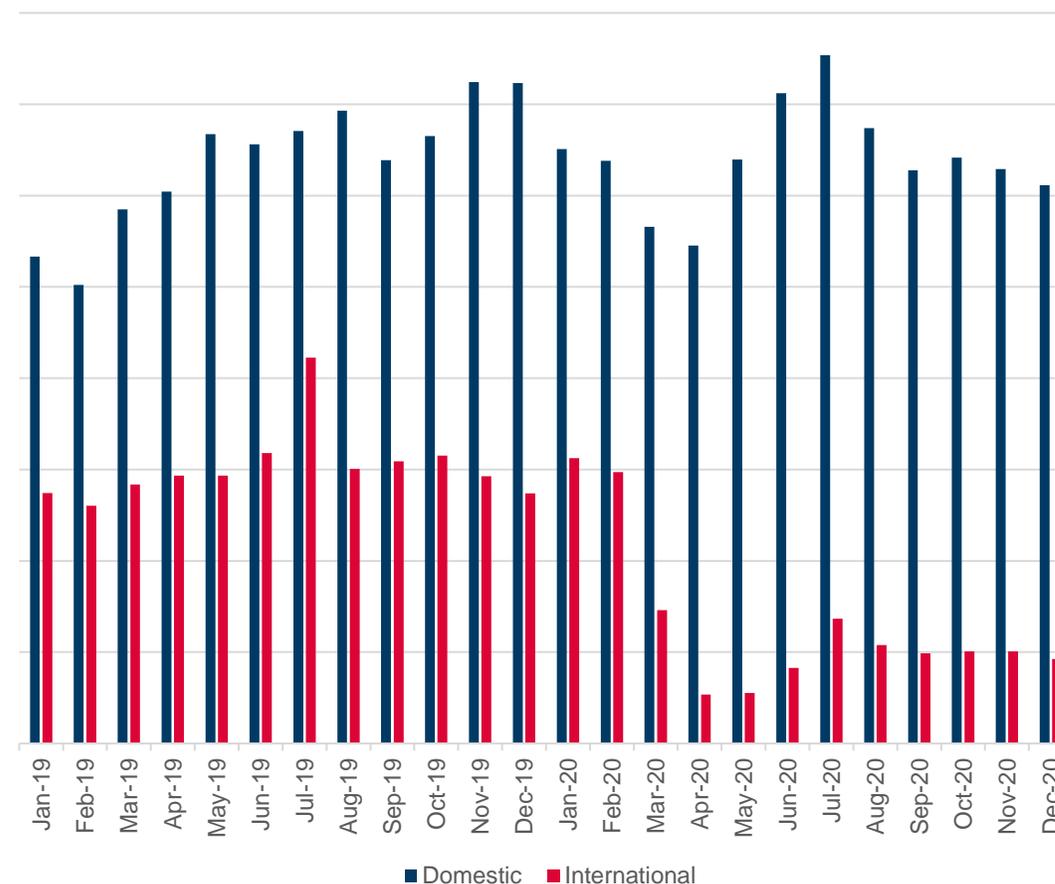
2020

- Growth in instalment loans outside Norway (MNOK 807)
- Negative growth in instalment loans in Norway (MNOK 1 364)
- Loan growth on credit cards negative with MNOK 2 586
 - Significant impact from reduced non-domestic credit card spending

Q4 2020

- Growth in instalment loans outside Norway (MNOK 43)
- Instalment loans decreased MNOK 333 in total (of which 377 in Norway)
 - Instalment loan sales was MNOK 1 702 (MNOK 1 859 in Q3)
 - Instalment loan run-off was MNOK 2 051 (MNOK 1 833 in Q3)
- Credit cards down MNOK 514

Credit card spending all countries – NOK



* All lending growth numbers in NOK, currency adjusted

Strong results despite Covid-19 effects

Norwegian Finans Holding Group

MNOK	Q4 2020	Q3 2020	Change
Interest income	1 470.2	1 498.6	-28.4
Interest expenses	158.9	177.5	-18.6
Net interest income	1 311.3	1 321.1	-9.8
Commission and bank services income	73.7	79.4	-5.7
Commission and bank services expenses	52.4	42.8	9.6
Net change in value on securities and currency	-32.4	9.2	-41.6
Net other operating income	-11.1	45.8	-56.9
Total income	1 300.1	1 366.8	-66.7
Personnel expenses	35.9	32.0	3.9
General administrative expenses	257.8	263.3	-5.5
Depreciation and impairment of fixed and intangible assets	24.0	25.0	-1.1
Other operating expenses	13.1	14.6	-1.5
Total operating expenses	330.8	335.0	-4.2
Provision for loan losses	397.7	365.6	32.0
Profit before tax	571.6	666.2	-94.5
Tax charge	135.4	165.5	-30.1
Profit after tax	436.2	500.6	-64.4
Earnings per share (NOK)	2.30	2.63	-0.33

Q4 2020 vs Q3 2020

- Net interest income positive by MNOK 6.7, excluding one-off interest expense of MNOK 16.5 in the quarter
- Limited travelling due to the pandemic reduces credit card activity, affecting commission income together with higher issuing services cost, partly offset by insurance incentives received in the quarter
- Net loss on securities and currency offset by dividend payment from VISA of MNOK 24 in the quarter
- Strict cost control and lower digital marketing spend in Q4
- Increased provision for loan losses in Q4 as a result of updated macro parameters in the models related to Covid-19

Solid 2020 with income growth and reduced costs

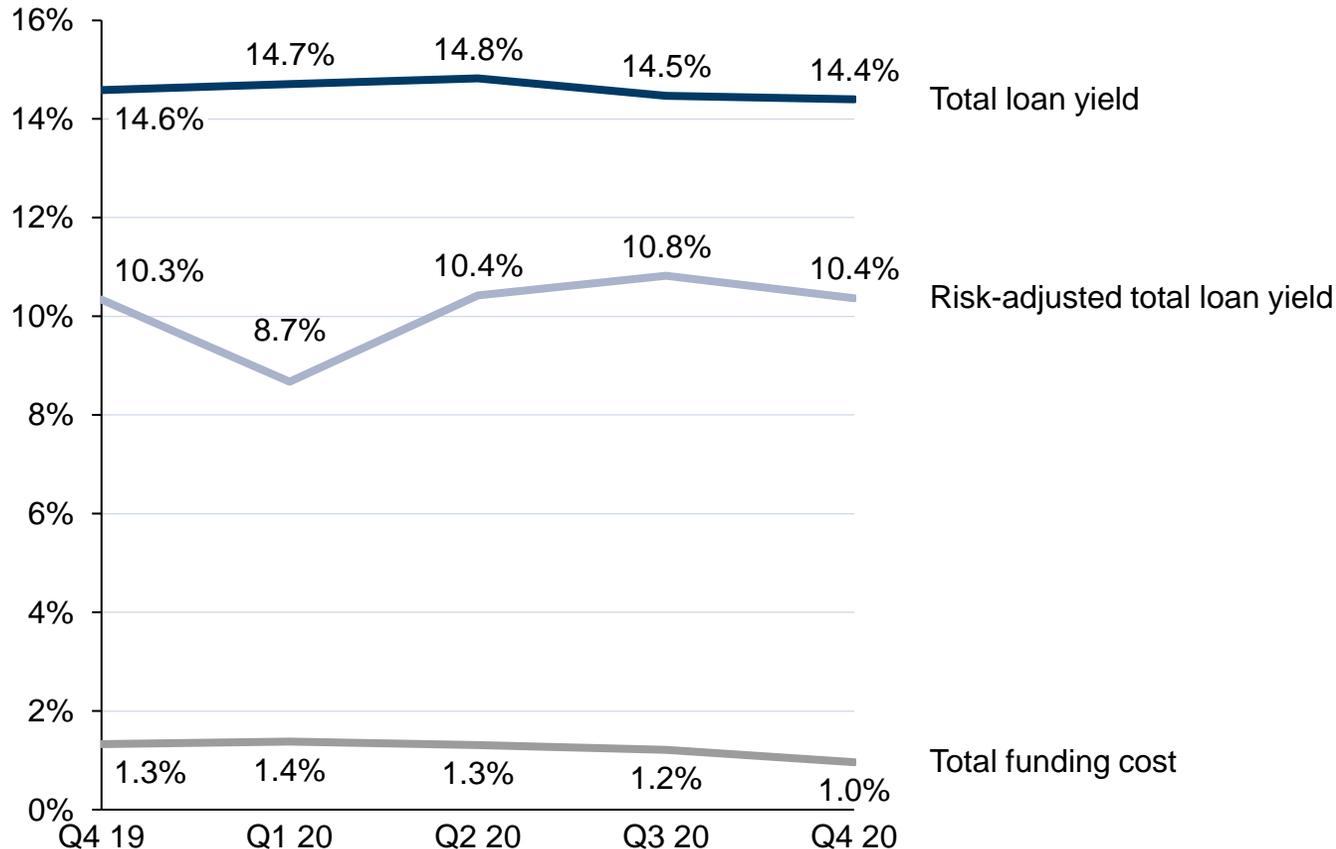
Norwegian Finans Holding Group

<i>MNOK</i>	2020	2019	Change
Interest income	6 115.3	5 910.8	204.6
Interest expenses	702.3	650.1	52.2
Net interest income	5 413.1	5 260.7	152.4
Commission and bank services income	412.0	540.4	-128.4
Commission and bank services expenses	195.0	250.7	-55.7
Net change in value on securities and currency	12.7	32.1	-19.4
Net other operating income	229.6	321.8	-92.1
Total income	5 642.7	5 582.5	60.2
Personnel expenses	122.8	102.3	20.5
General administrative expenses	1 043.6	1 095.1	-51.5
Depreciation and impairment of fixed and intangible assets	88.2	67.7	20.5
Other operating expenses	58.5	59.6	-1.1
Total operating expenses	1 313.2	1 324.7	-11.5
Provision for loan losses	1 830.9	1 627.4	203.6
Profit before tax	2 498.6	2 630.5	-131.9
Tax charge	611.6	649.4	-37.8
Profit after tax	1 887.0	1 981.1	-94.1
Earnings per share (NOK)	9.90	10.37	-0.47

FY 2020 vs 2019

- Diversified Nordic business model positively impacted NII
- Lower credit card usage due to pandemic reduce contribution from net commission and bank services income
- Net result before loan losses improved by 1.7%, an increase of MNOK 71.7 compared to last year
- Increased provision for loan losses related to the uncertain macro-outlook of COVID-19
- ROE ended at solid 18.9%
 - Adjustment for overcapitalization compared to CET 1 requirement (incl. P2G* and management buffer) increases ROE in Q4 2020 by 4.0 pp
 - Adjustment for dividend set aside according to proposal, increases ROE further by 2.7 pp
- ROA was 3.1% on a highly liquid balance sheet

Stable risk-adjusted yield



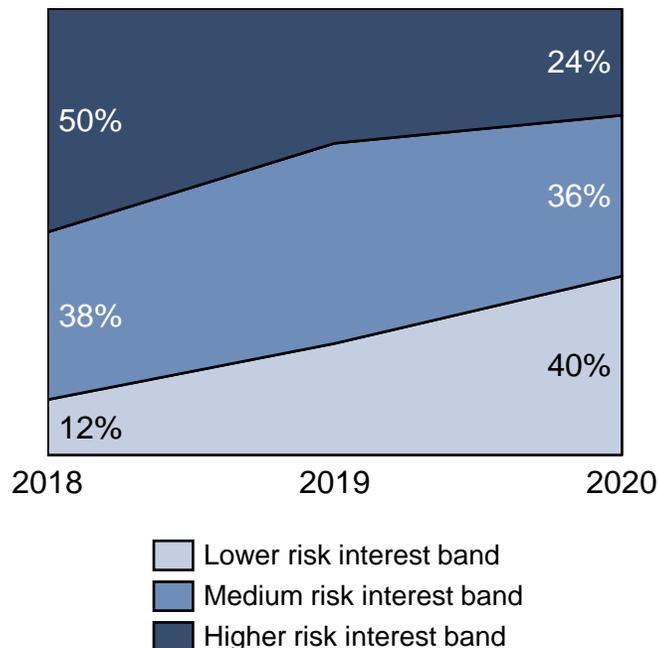
- Risk-adjusted total loan yield in line with Q4 and full-year 2019
- Lower average funding cost during the period due to deposit interest rate reductions and falling average debt securities cost
- Recent deposit interest rate reductions
 - Denmark, effective from 01.02.2021
 - 0.00% from 0.05% < 750' DKK
 - Norway, effective from 1.1.2021
 - 0.40 % from 1.20 % > 250' NOK
 - Norway, effective from 1.4.2021
 - 0.90 % from 1.20 % < 250' NOK
 - 0.25 % from 0.40 % > 250' NOK

Newer portfolios migrates with lower credit risk

- Payment behavior continues to be strong – fewer to debt collection of newer vintages
- 93.6% of applicants requested only a 1-month payment-relief during 2020
- Payment holidays now at same level as prior to Covid-19 pandemic

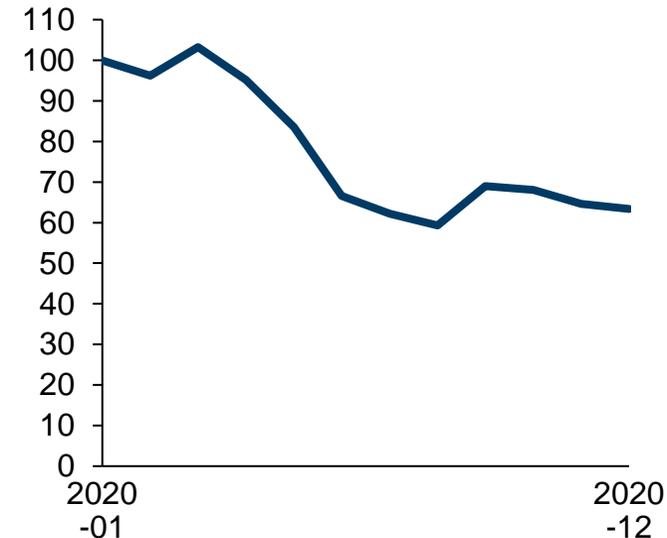
Higher risk interest band for instalment loans have declined as a share of origination and loan book

Originated loans by risk interest rate band



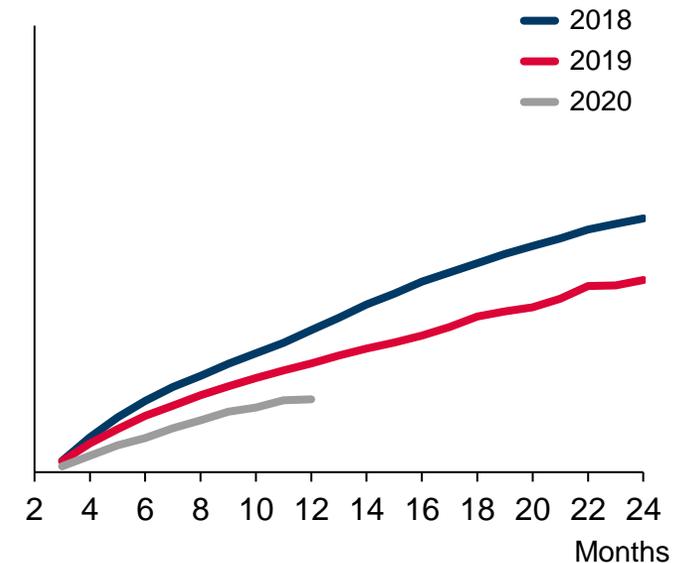
Total debt volume sent to debt collection

Indexed



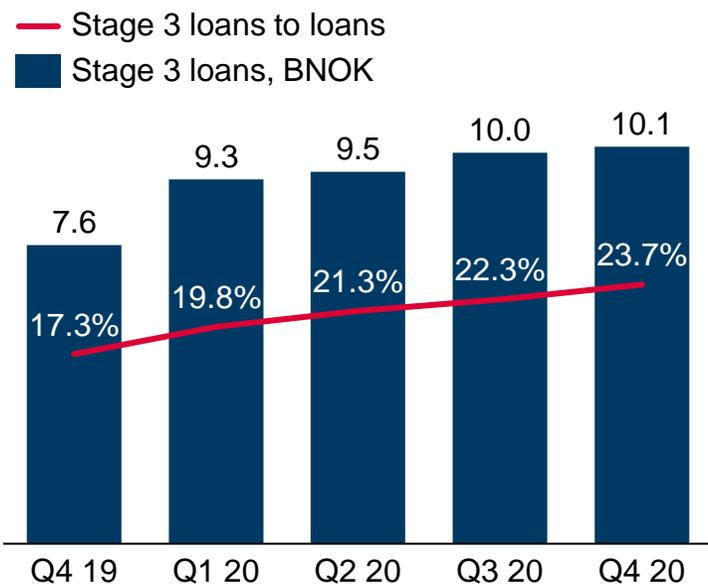
Instalment loans vintages show improved credit quality

Default rate by vintage



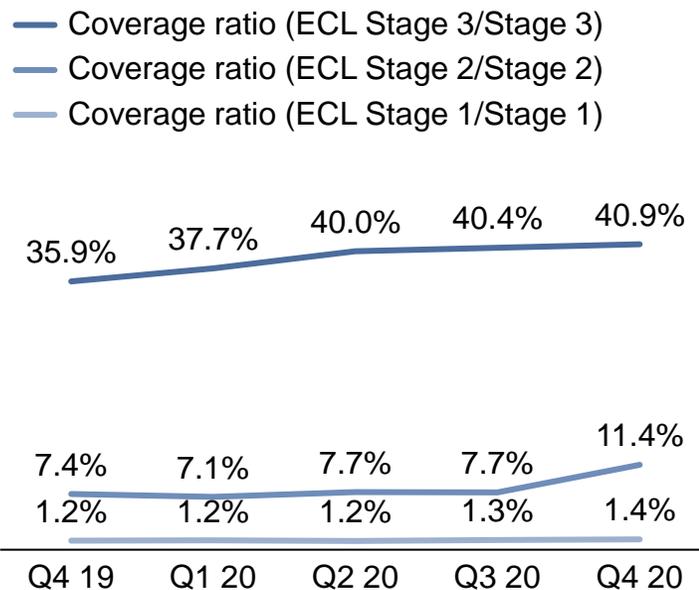
Improved credit quality

Stage 3 loans



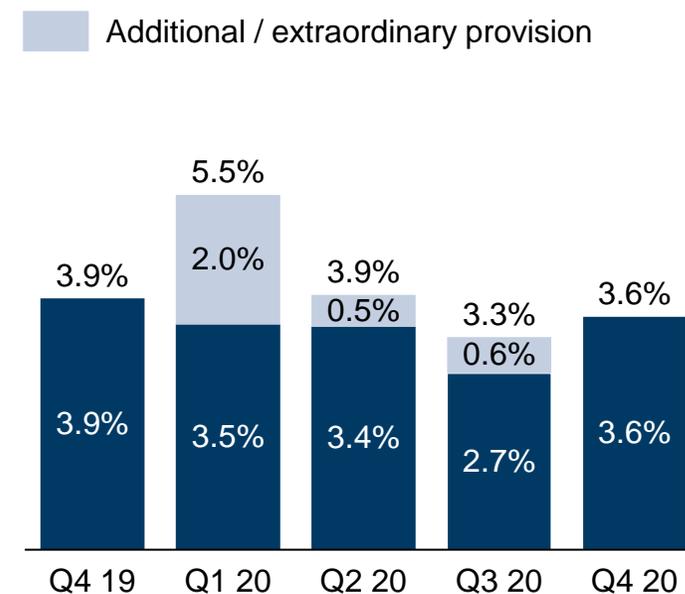
- Continued decline in absolute stage 3 growth rate
- Reduced overall lending affects ratio

Loan loss allowance coverage ratios



- Increasing allowance ratios in all stages
- Updated triggers positively impacts allowance ratios

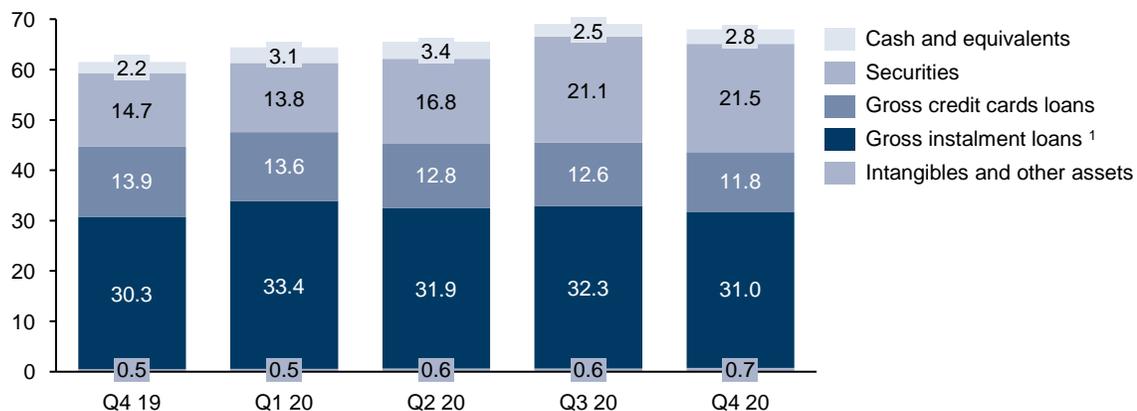
Loan loss provisions



- New PD lifetime models, updated macro assumptions in the ECL models and changed the probability weights

Resilient and highly liquid balance sheet

Assets, BNOK



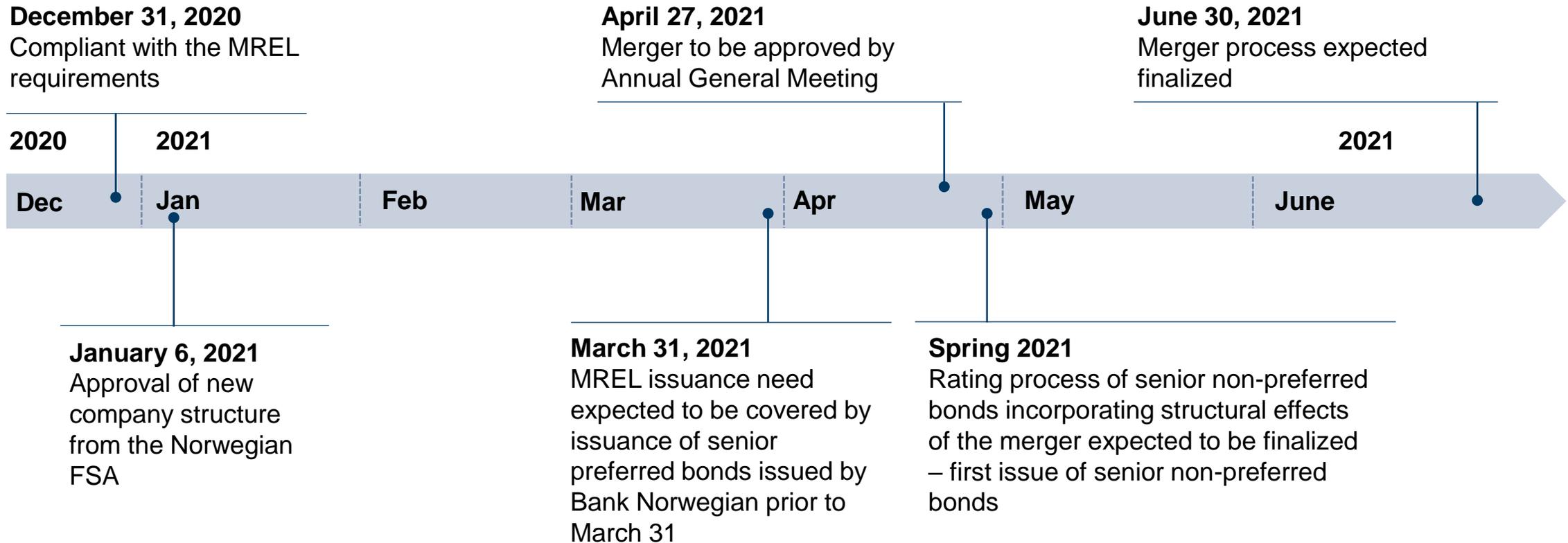
Quarterly development

- Highly resilient balance sheet
- Liquid assets comprise 38.6 % of total assets - exceeding the internal goal of 18 % – 23 % of total assets
- Rebalancing of deposit portfolios ongoing
- Lag effects from deposit interest rate reductions
- Equity impacted by capital requirements, surplus capital vs requirements and dividend accumulation

Liabilities and equity, BNOK



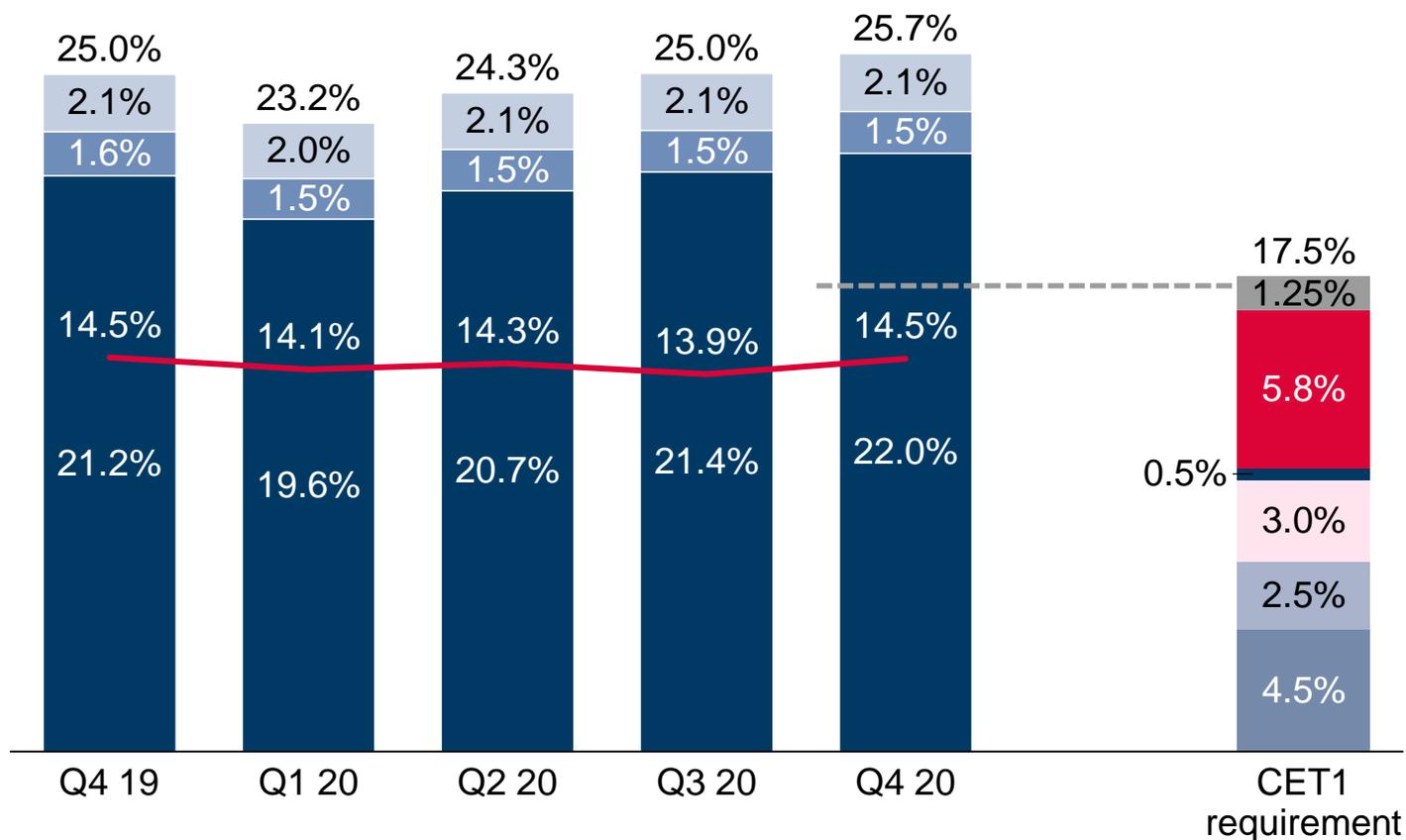
Merger process and MREL phase-in according to plan



- MREL requirement of 39.02 % of risk weighted assets as of 31 December 2020
- Senior preferred debt issued by Bank Norwegian AS with a minimum remaining tenor of 1 year will qualify as MREL capital until the end of the phase-in period 1 January 2024
- Linear phase-in of the subordination requirement through the phase-in period

Strong capital position

Capital ratios



- 22.0% CET 1 capital ratio compared with 16.25% minimum requirement and 17.5% target
- CET 1 calculation includes 272 bp set aside for proposed dividend of NOK 6 (of which NOK 1 to await development after Q3 2021)
- Prior to dividend provision, CET 1 ratio amounts to 24.8%
- Significant loss absorption capacity through high internal capital generation and high capital buffers

■ Common equity tier 1
 ■ Pillar 1 Minimum Requirement
 ■ Countercyclical Buffer *
 ■ Pillar 2 Requirement (P2R)
 — Leverage ratio
■ Tier 1 capital
 ■ Capital Conservation Buffer
 ■ Pillar 2 Guidance (P2G) and management buffer
■ Total capital
 ■ Systemic Risk Buffer

* Current countercyclical buffers as of 31.12.2020: Norway 1.0 % (2.5 %), Sweden 0.0 % (2.5 %), Denmark 0.0 % (1.0 %) and Finland 0.0 % (0.0 %). Numbers in brackets are prior to Covid-19.

European expansion on track

Project scope confirmed

Geographic scope



- Cross-border operations with no local presence
- Launch in two markets increases potential growth and acts risk mitigating

Product scope



Project update



Market attractiveness confirmed

- Sizeable markets for Bank Norwegian's products
- Signs that German market could face rapid digitalization

GDP forecast, indexed



Main current focus areas

- Digital onboarding processes
- Payments and core systems
- Cross-border compliance and regulations



Project progressing according to plan

- Notified NFSA regarding cross-border operations
- Plan to launch in Q4 2021

Outlook – major initiatives on track

Strengthened position during pandemic

- Improving distribution and customer offering during pandemic
- Preparing for European expansion
- Simplification of legal structure

Continued profitable growth

- Well reserved for uncertain macro outlook
- Full effect of deposit interest rate adjustments
- Lean operation with cost control provides flexibility and scalability

Optimize balance and funding

- Dividend proposal of NOK 6 per share
- MREL according to plan
- Active deposit management



Welcome to our Capital Markets Day 2021

18 March
12:00 – 15:00 CET

banknorwegian 
CMD 2021 

Appendix

Quarterly profit and loss account

<i>Amounts in NOK 1000</i>	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Interest income, effective interest method	1 416 244	1 447 485	1 503 855	1 513 862	1 488 734
Other interest income	53 944	51 103	61 764	67 068	46 524
Interest expenses	158 935	177 518	179 319	186 500	173 586
Net interest income	1 311 252	1 321 070	1 386 301	1 394 430	1 361 672
Commission and bank services income	73 716	79 379	66 364	192 558	135 391
Commission and bank services expenses	52 439	42 839	48 138	51 627	57 862
Income from shares and other securities	24 029	-	-	-	-
Net change in value on securities and currency	-56 420	9 212	104 964	-69 114	9 465
Net other operating income	-11 114	45 751	123 190	71 817	86 994
Total income	1 300 139	1 366 822	1 509 491	1 466 247	1 448 665
Personnel expenses	35 905	32 040	23 719	31 168	28 496
General administrative expenses	257 849	263 320	227 532	294 882	282 970
Depreciation and impairment of fixed and intangible assets	23 965	25 031	22 518	16 700	18 079
Other operating expenses	13 120	14 641	14 972	15 801	15 573
Total operating expenses	330 839	335 031	288 741	358 550	345 118
Provision for loan losses	397 662	365 623	447 027	620 636	432 803
Profit before tax	571 638	666 168	773 723	487 060	670 745
Tax charge	135 404	165 545	191 635	119 028	166 882
Profit after tax	436 234	500 622	582 087	368 032	503 863

<i>Amounts in NOK 1000</i>	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Profit on ordinary activities after tax	436 234	500 622	582 087	368 032	503 863
Comprehensive income for the period	436 234	500 622	582 087	368 032	503 863

Quarterly balance sheet

<i>Amounts in NOK 1000</i>	31.12.20	30.9.20	30.6.20	31.3.20	31.12.19
Assets					
Cash and deposits with the central bank	69 451	69 511	69 623	69 905	68 500
Loans and deposits with credit institutions	2 774 788	2 462 788	3 361 585	3 014 698	2 094 165
Loans to customers	37 943 688	39 962 311	40 101 034	42 378 471	40 560 502
Certificates and bonds	21 520 427	21 054 167	16 790 787	13 764 305	14 650 988
Financial derivatives	341 309	205 245	161 158	59 020	76 371
Shares and other securities	50 692	51 491	51 124	46 017	44 863
Intangible assets	451 835	470 235	490 433	506 426	510 840
Deferred tax asset	4 107	7 702	5 849	4 179	3 502
Fixed assets	1 749	1 184	1 082	1 153	819
Receivables	33 965	79 322	92 057	110 908	62 835
Total assets	63 192 011	64 363 956	61 124 733	59 955 081	58 073 384
Liabilities and equity					
Loans from credit institutions	1 313 710	1 033 695	1 000 781	1 400 000	52 750
Deposits from customers	42 677 703	43 880 046	41 090 855	39 561 112	40 118 369
Debt securities issued	6 034 387	6 649 351	6 679 216	6 813 624	6 537 863
Financial derivatives	64 862	112 604	200 428	657 621	29 621
Tax payable	557 675	498 291	634 825	441 519	625 745
Deferred tax	58 234	3 821	3 821	3 821	3 821
Other liabilities	42 999	193 813	55 452	193 945	225 912
Accrued expenses	236 463	217 251	175 744	177 062	182 907
Subordinated loan	877 820	876 049	876 143	876 073	822 688
Total liabilities	51 863 850	53 464 921	50 717 265	50 124 777	48 599 677
Share capital	186 847	186 847	186 695	186 695	186 695
Share premium	978 201	978 201	972 295	972 295	972 295
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Retained earnings and other reserves	9 528 112	9 098 987	8 607 419	8 036 314	7 679 717
Total equity	11 328 161	10 899 035	10 407 468	9 830 304	9 473 707
Total liabilities and equity	63 192 011	64 363 956	61 124 733	59 955 081	58 073 384

Quarterly key figures and alternative performance measures

	Q4 2020	Q3 2020	Q2 2020	Q1 2020	Q4 2019
Return on equity (ROE) ^{1 3}	16.4 %	19.6 %	24.0 %	15.7 %	22.8 %
Return on assets (ROA) ¹	2.7 %	3.2 %	3.9 %	2.5 %	3.6 %
Earnings per share (EPS) ⁴	2.30	2.63	3.06	1.91	2.63
Dividend per share (DPS)	6.00				
Common equity tier 1 (CET 1)	22.0 %	21.4 %	20.7 %	19.6 %	21.2 %
Leverage ratio	14.5 %	13.9 %	14.3 %	14.1 %	14.5 %
Liquidity coverage ratio (LCR)	569 %	494 %	385 %	234 %	450 %
Net interest margin (NIM) ¹	8.2 %	8.3 %	9.3 %	9.5 %	9.7 %
Cost/income ratio ¹	0.25	0.25	0.19	0.24	0.24
Loan loss provisions to average loans ¹	3.6 %	3.3 %	3.9 %	5.5 %	3.9 %
Stage 3 loans to loans ^{1 2}	23.7 %	22.3 %	21.3 %	19.8 %	17.3 %
Loan loss allowance coverage ratio stage 3 ^{1 2}	40.9 %	40.4 %	40.0 %	37.7 %	35.9 %
Loan loss allowance coverage ratio to loans ¹	11.5 %	10.9 %	10.3 %	9.9 %	8.1 %

1) Average calculated on a monthly basis.

2) The APMs "Non-performing loans to loans" and "Loan loss allowance to non-performing loans", which has been in use since reporting under IAS 39, was in Q2 2020 replaced by the new APMs "Stage 3 loans to loans" and "Loan loss allowance coverage ratio stage 3" due to established market practice and reduced relevance after the implementation of IFRS 9.

3) Definition for ROE was updated in Q3 2020 based on established market practice. Previous periods are recalculated.

4) EPS is not considered an APM, calculation included for information purposes.

Top 20 shareholders

SHAREHOLDER		# OF SHARES	
1 CIDRON XINGU LTD		30 646 498	16.40 %
2 FOLKETRYGDFONDET		18 485 852	9.89 %
3 BNP PARIBAS SECURITIES SERVICES	NOMINEE	11 826 105	6.33 %
4 GOLDMAN SACHS & CO. LLC	NOMINEE	10 344 420	5.53 %
5 BANQUE DEGROOF PETERCAM LUX. SA	NOMINEE	8 299 928	4.44 %
6 BRUMM AS		5 273 482	2.82 %
7 STATE STREET BANK AND TRUST COMP	NOMINEE	4 833 998	2.59 %
8 STENSHAGEN INVEST AS		4 551 416	2.44 %
9 MP PENSJON PK		3 436 438	1.84 %
10 STATE STREET BANK AND TRUST COMP	NOMINEE	3 430 629	1.84 %
11 THE NORTHERN TRUST COMPANY, LONDON	NOMINEE	3 312 292	1.77 %
12 GREEN 91 AS		2 964 900	1.59 %
13 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	2 621 641	1.40 %
14 THE BANK OF NEW YORK MELLON	NOMINEE	2 274 823	1.22 %
15 VERDIPAPIRFONDET ALFRED BERG GAMBAK		2 217 994	1.19 %
16 TORSTEIN INGVALD TVENGE		2 000 000	1.07 %
17 NYE KM AVIATRIX INVEST AS		1 759 892	0.94 %
18 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	1 591 447	0.85 %
19 VERDIPAPIRFONDET KLP AKSJENORGE INDEKS		1 537 998	0.82 %
20 DNB MARKETS AKSJEHANDEL/-ANALYSE		1 535 683	0.82 %
Top 20		122 945 436	65.78 %
Total		186 904 268	

- Management holds 0.95% of shares outstanding

As of February 15, 2021