

Norwegian Finans Holding ASA

Third quarter 2017 results presentation

Tine Wollebekk, CEO

October 31, 2017

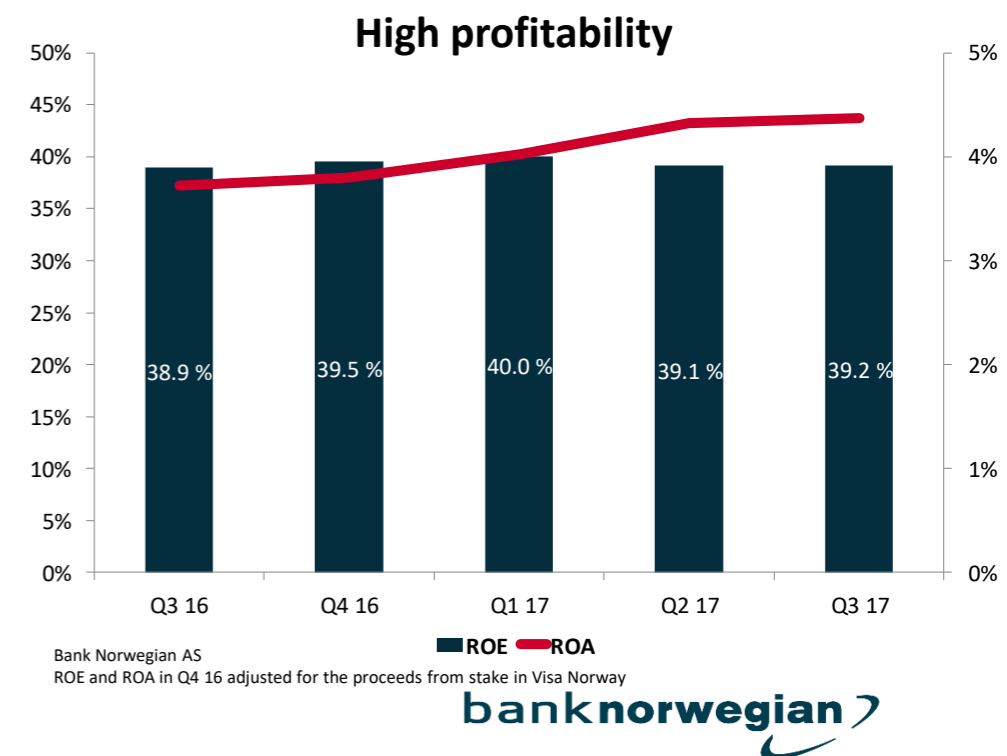
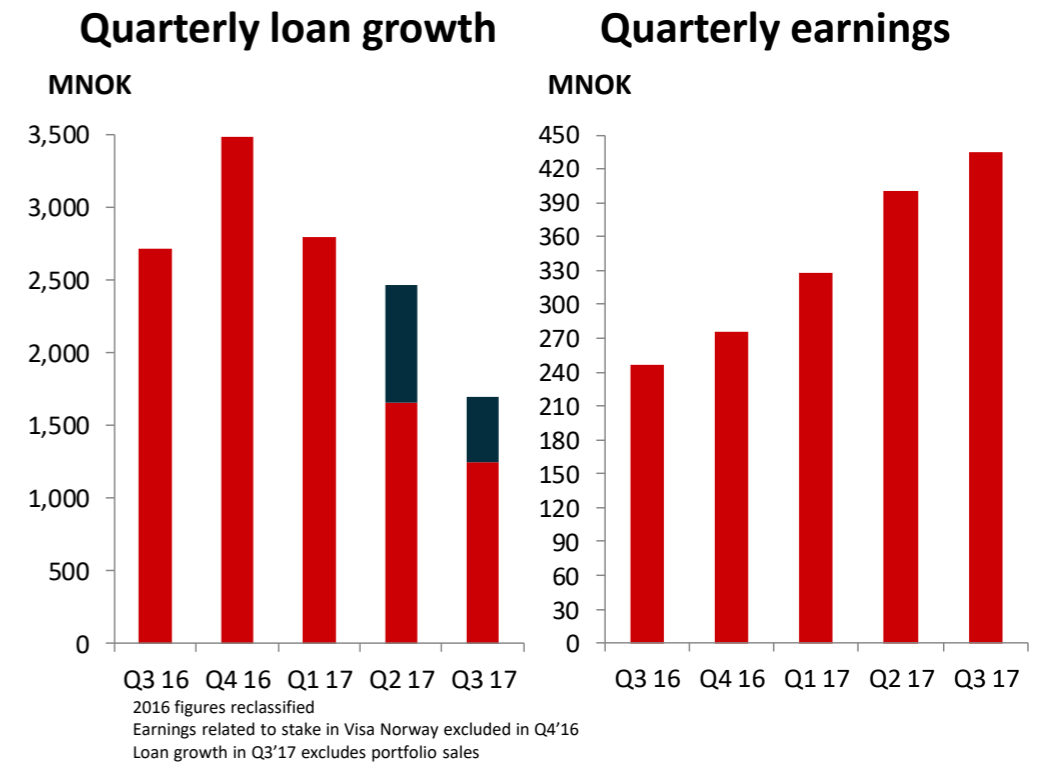
Pål Svenkerud, CFO

Agenda

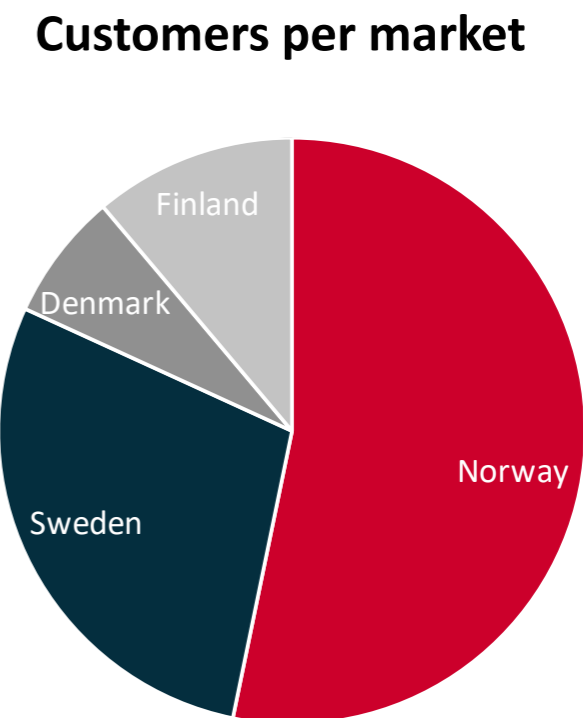
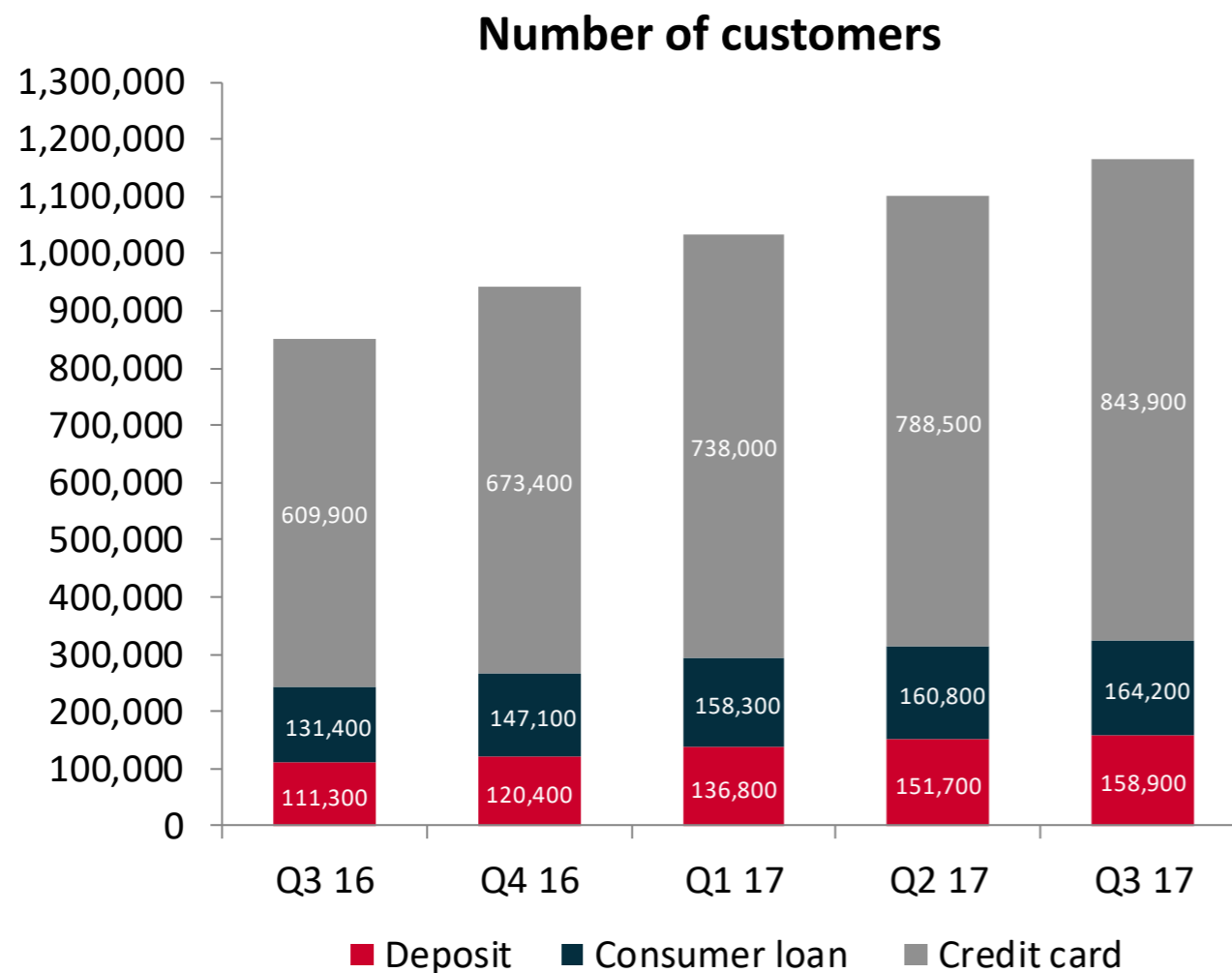
1. Performance and events
2. Third quarter 2017 results
3. Summary

Third quarter 2017 highlights

- Earnings were 434 MNOK, up 34 MNOK compared with the second quarter
- Continued strong loan growth of 1.2 BNOK to 31.1 BNOK
- 73,800 new customers - 1.2 million customers total
- Net interest margin remains high
- Stable cost income ratio at 0.27
- Sale of Norwegian NPL's yielded a gain of MNOK 50
- High profitability - ROE 39.2%
- Strong 16.6% CET1 capital ratio
- Moderate expected impact from IFRS 9 adoption



Nordic customer footprint



- Strong customer growth - more than 73.800 new customers in Q3
- High degree of recurring customers
- Focus on digitization – 1.5 million customer logins in September, whereof 0.5 million app-logins

Update on IFRS 9 and Norwegian regulations

IFRS 9

- Comprehensive IFRS 9 model development
- Integrating models into production for readiness by year-end
- Moderate impact expected based on preliminary estimates

Norwegian regulations

- New regulations isolated to the Norwegian market
- Adherence to credit practice guidelines through product adjustments in the fourth quarter
- A large portion of the banks growth is outside Norway, hence the overall impact will be limited
- Market share in Norway is expected to continue to grow, despite the regulation

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Third quarter 2017 earnings were 434 MNOK, up 34 MNOK compared with the second quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q3 17	Q2 17	Change	
Interest income	1,069.8	1,016.5	53.3	5 %
Interest expenses	132.1	124.2	7.9	6 %
Net interest income	937.7	892.2	45.4	5 %
Commission and bank services income	104.4	93.7	10.7	11 %
Commission and bank services expenses	55.3	50.1	5.1	10 %
Net change in value on securities and currency	0.7	4.6	-3.9	-85 %
Net other operating income	49.9	48.2	1.6	3 %
Total income	987.5	940.5	47.0	5 %
Personnel expenses	18.7	16.4	2.4	14 %
General administrative expenses	229.9	215.4	14.5	7 %
Ordinary depreciation	10.4	10.9	-0.5	-4 %
Other operating expenses	10.7	10.8	-0.1	-1 %
Total operating expenses	269.8	253.5	16.3	6 %
Provision for loan losses	140.9	155.2	-14.3	-9 %
Profit on ordinary activities before tax	576.9	531.8	45.1	8 %
Tax charge	144.4	132.8	11.6	9 %
Profit on ordinary activities after tax	432.4	399.0	33.4	8 %
Earnings per share (NOK)	2.32	2.19		
<i>MNOK</i>	Q3 17	Q2 17	Change	
Profit after tax	432.4	399.0	33.4	8 %
Change in fair value for assets held for sale, after tax	1.5	0.9	0.5	56 %
Comprehensive income for the period	433.9	400.0	33.9	8 %

- Net interest income growth driven by strong loan growth
- Net fee income increased due to higher credit card activity
- Increased marketing expenses partly offset by reduced IT costs
- Stable provision levels
- Gains on sale of NPL's reflected in provisions both in the third and second quarter
- ROE* was 39.2%

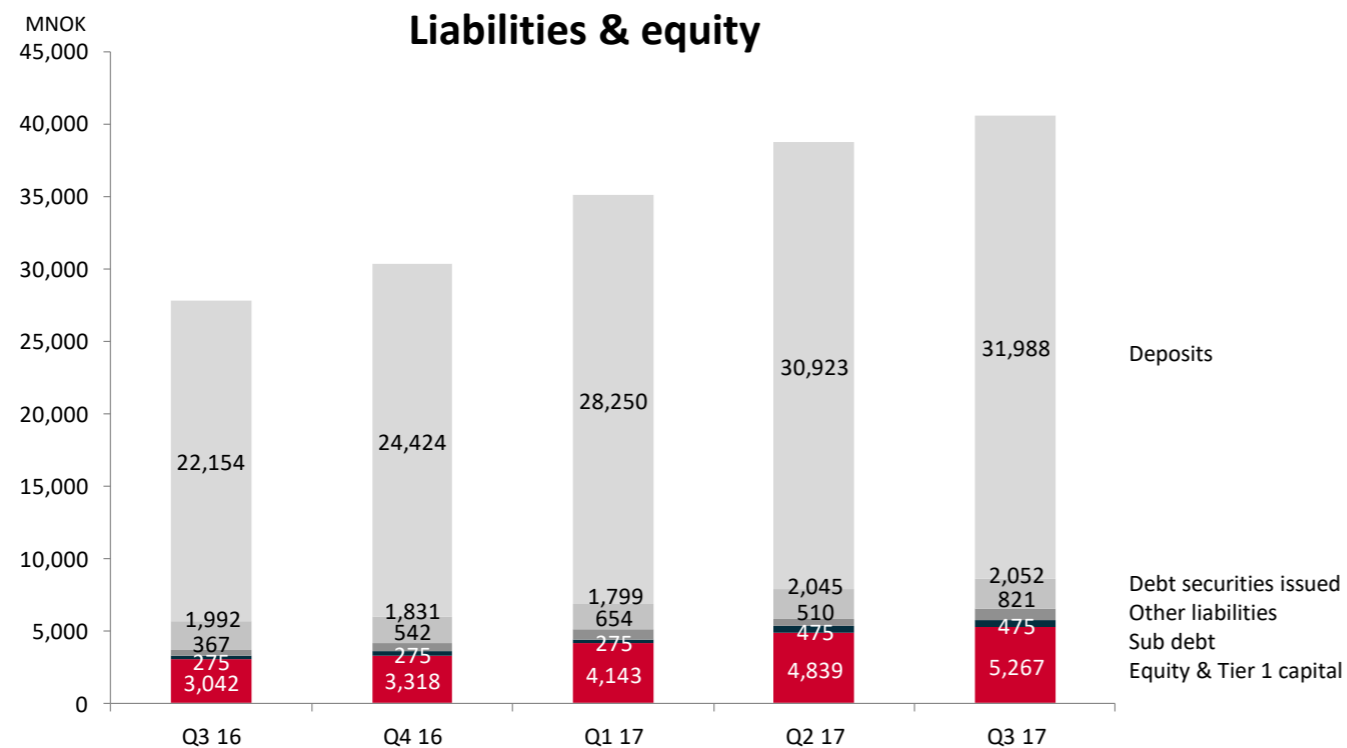
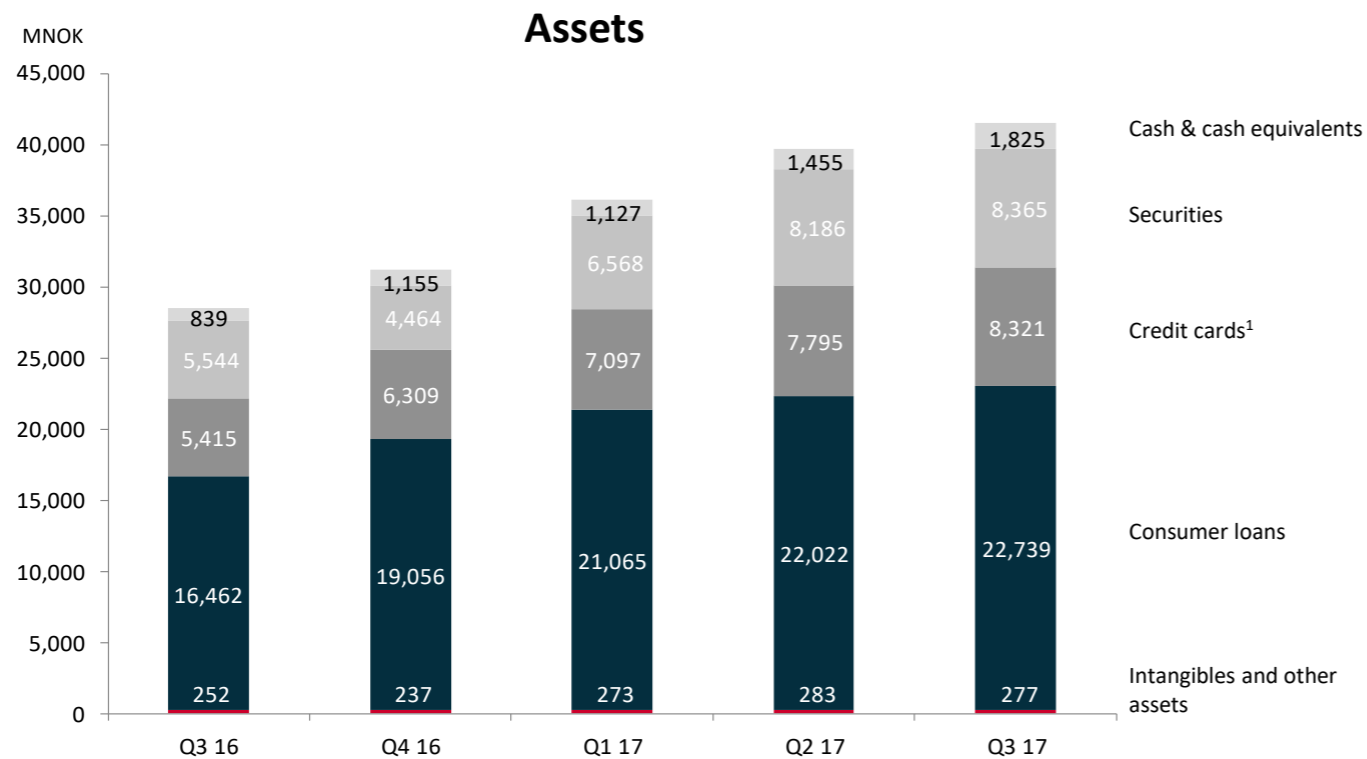
Profitable growth in all markets

Bank Norwegian AS

Key figures	Norway			Sweden			Denmark / Finland		
	Q3 17	Q2 17	Δ	Q3 17	Q2 17	Δ	Q3 17	Q2 17	Δ
<i>MNOK</i>									
Net interest income	490	485	4	164	160	4	283	247	37
Net other income	34	30	4	11	16	-5	5	2	3
Total income	524	516	9	175	176	-1	288	249	40
Total operating expenses	123	129	-6	67	55	12	79	69	10
Provision for loan losses	9	58	-49	44	11	33	89	87	2
Profit after tax	294	247	47	49	83	-34	90	70	21
Comprehensive income	295	248	48	49	83	-34	90	70	21
Net loans	16,031	15,678	353	5,289	5,223	66	8,815	7,967	848
Deposits	17,764	17,374	390	5,554	5,601	-47	8,671	7,947	723

- Norwegian operations boosted by sale of NPL's and lower IT-expenses
- Drop in Swedish profits due to gain on sale of NPL's in the second quarter, increased marketing spending and FX impact
- Performance in Denmark/Finland driven by strong rise in net interest income

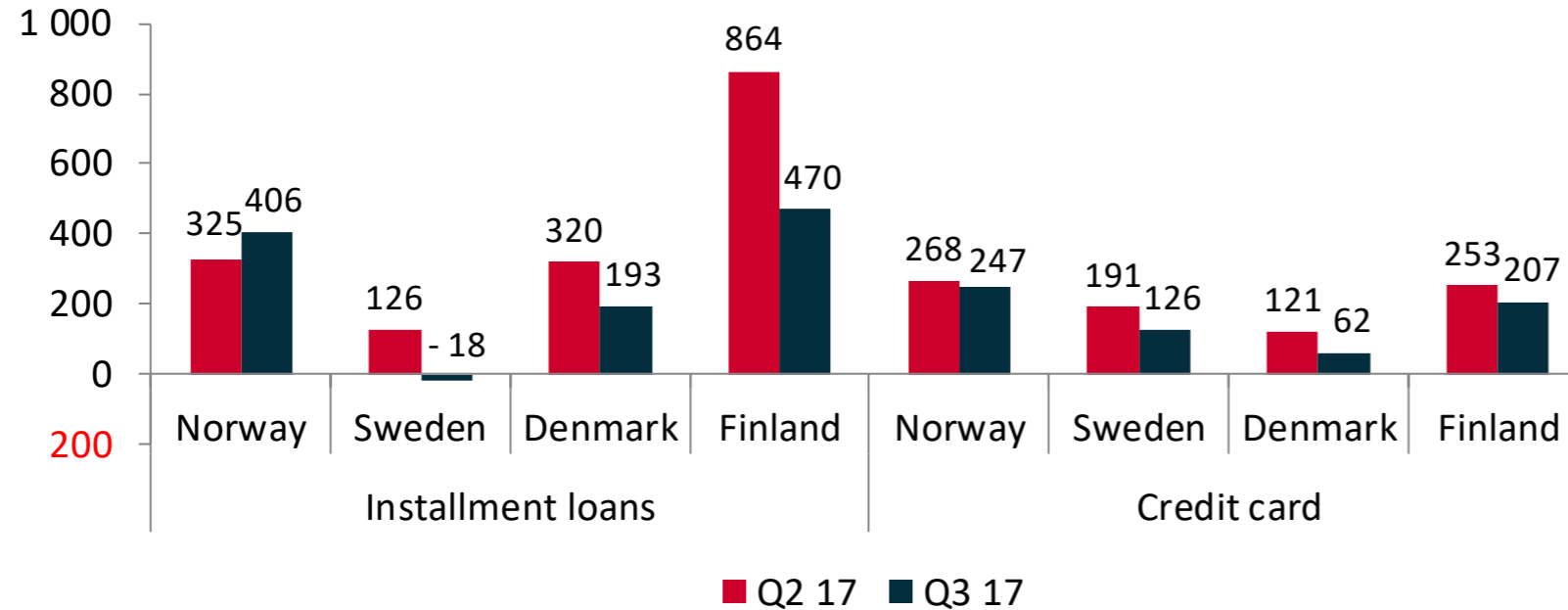
Strong balance sheet



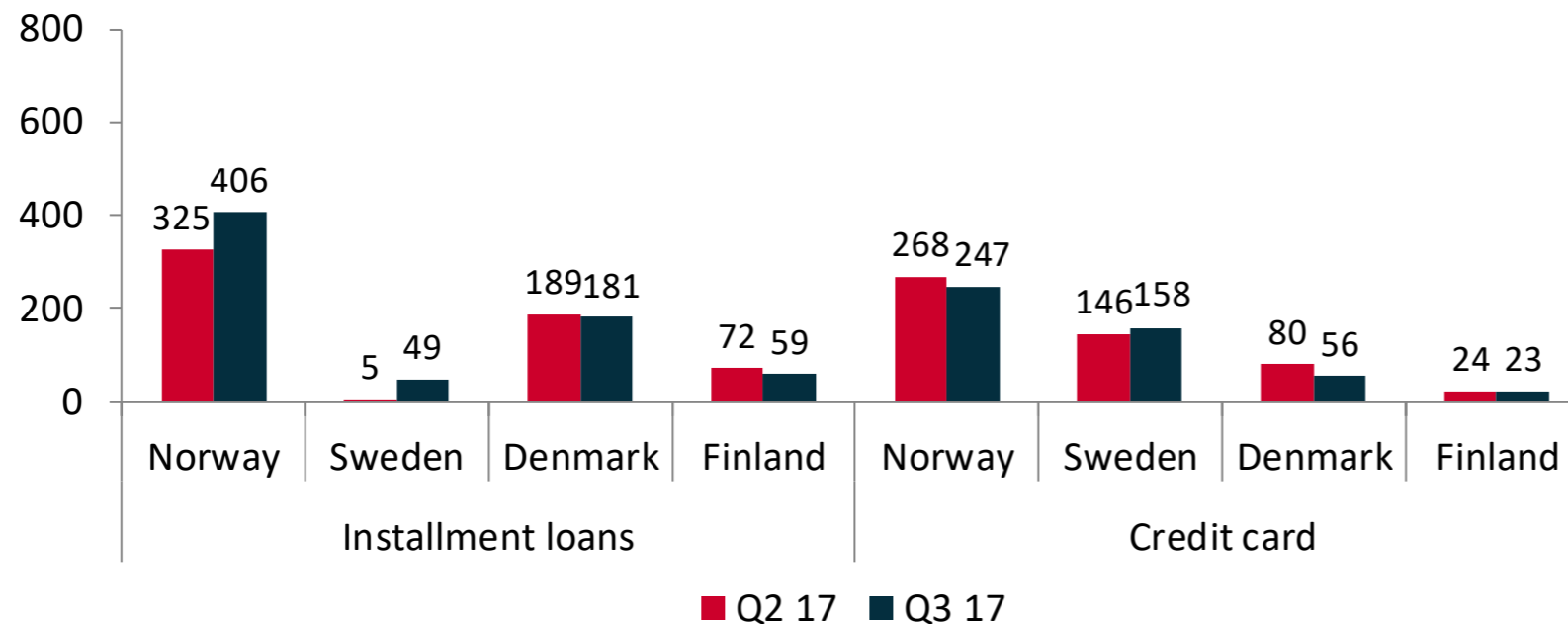
- Total assets surpassed 40 BNOK
- Liquid assets comprise 25% of total assets
- Deposits grew 1,066 MNOK
- Stable deposit base
- Deposits to loans ratio 1.06
- LCR 187% and NSFR 139%
- Total common equity to total assets equal 11.4%

Continued strong loan growth

Quarterly loan growth - MNOK



Quarterly loan growth – Local currency

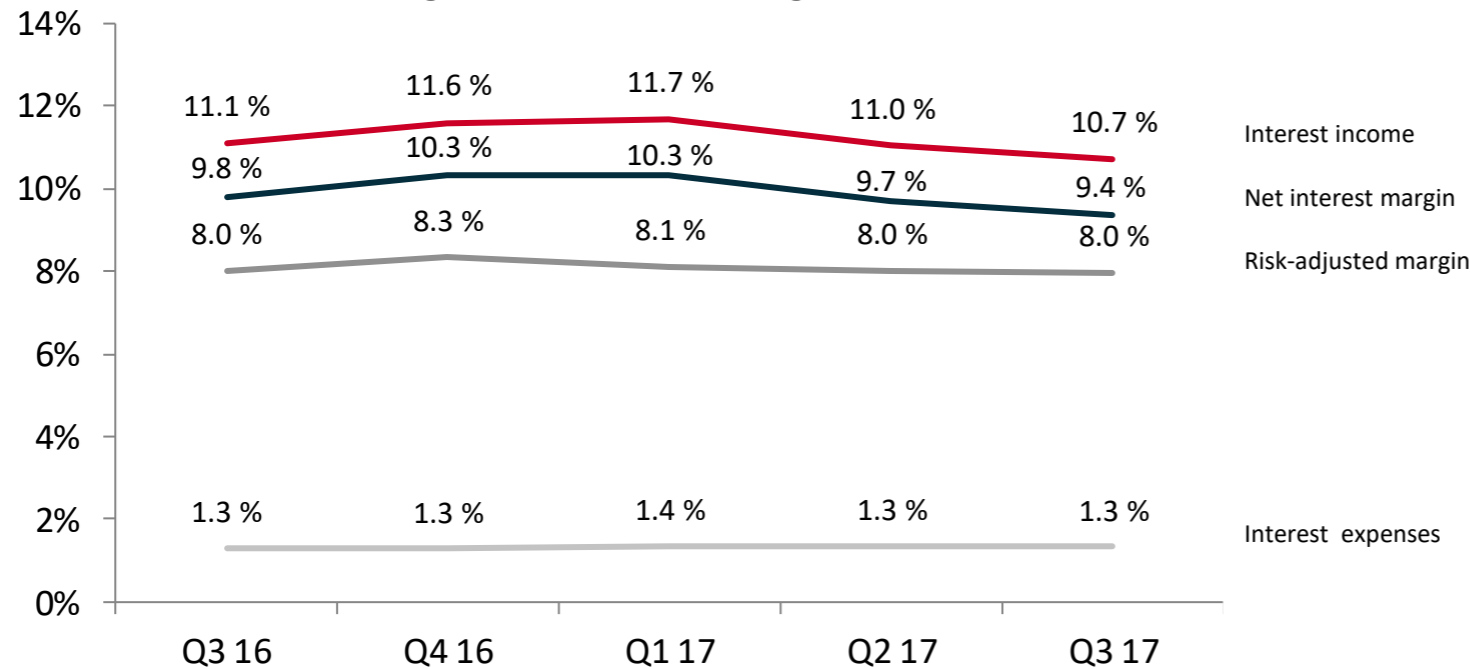


- Total gross loans increased 1,243 MNOK, reflecting the sale of Norwegian NPL's, compared with 1,655 MNOK in the second quarter
- Installment loans rose 717 MNOK and credit card loans grew 526 MNOK
- Stable consumer loan sales of 2,756 MNOK
- Installment loan run-off was 1,444 MNOK, compared with 1,378 MNOK in the second quarter
- Negative currency impact in Q3 vs. positive effect in Q2
- Same channel utilization in Q2 and Q3
- High share of recurring business

Growth figures for Q2 17 and Q3 17 are adjusted for sale of NPLs

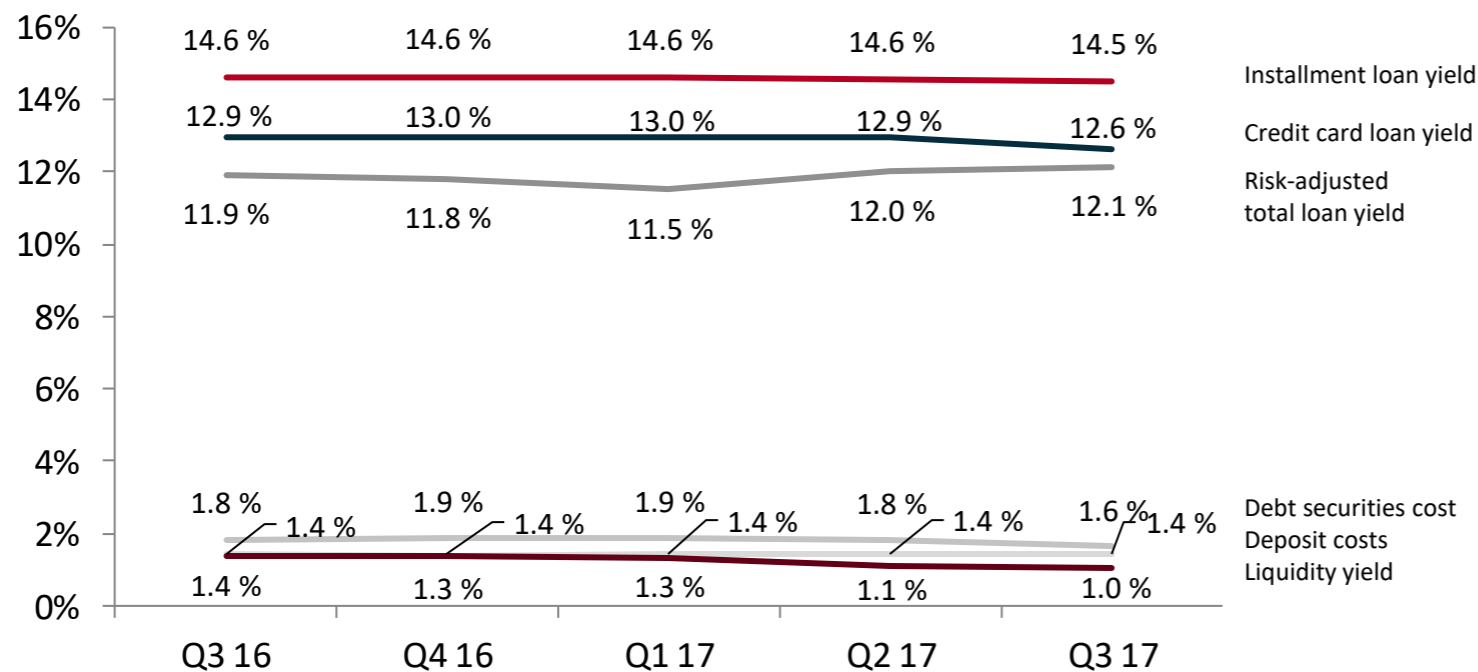
Stable yields and margins

Margins as a % of average assets



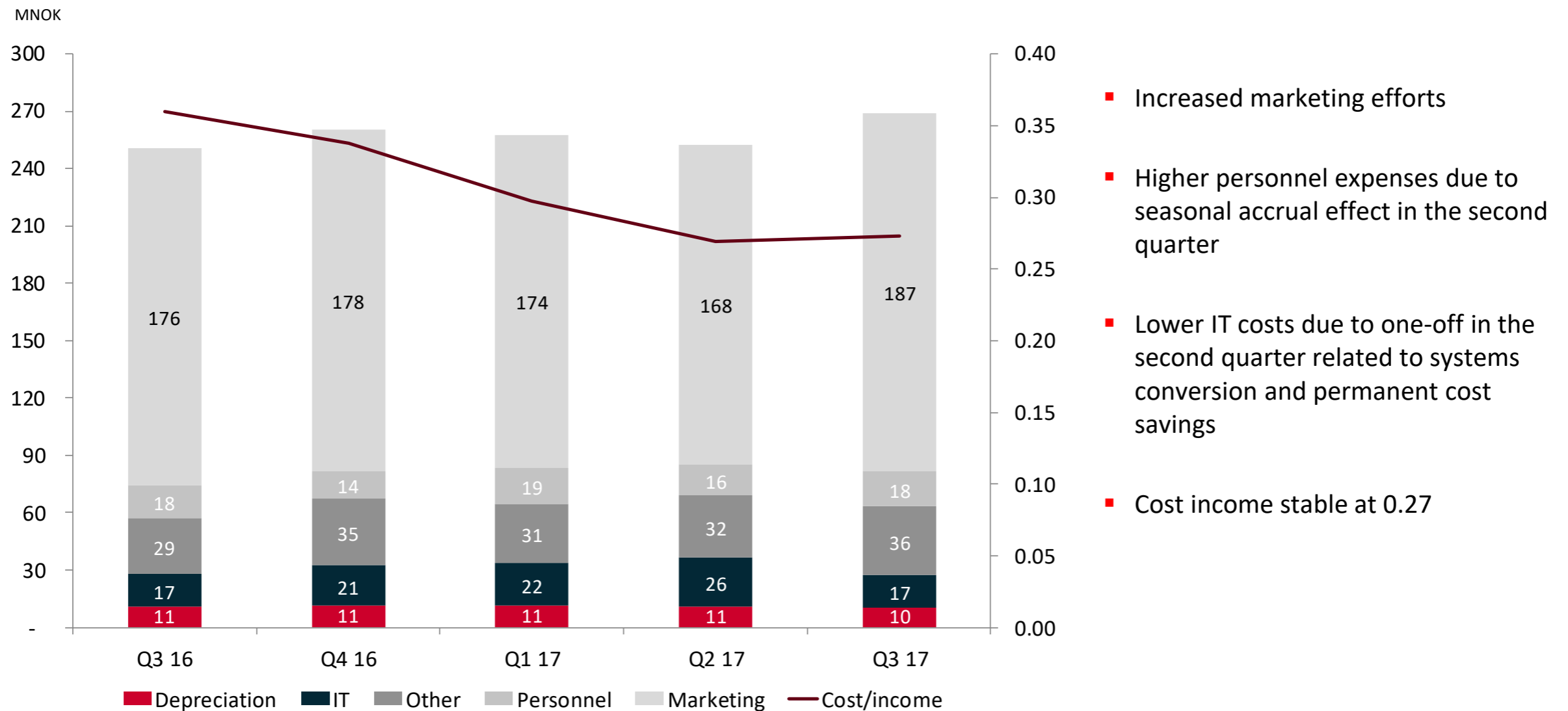
■ Seasonal drop in credit card yield

Asset yield and cost of deposits



High operating efficiency

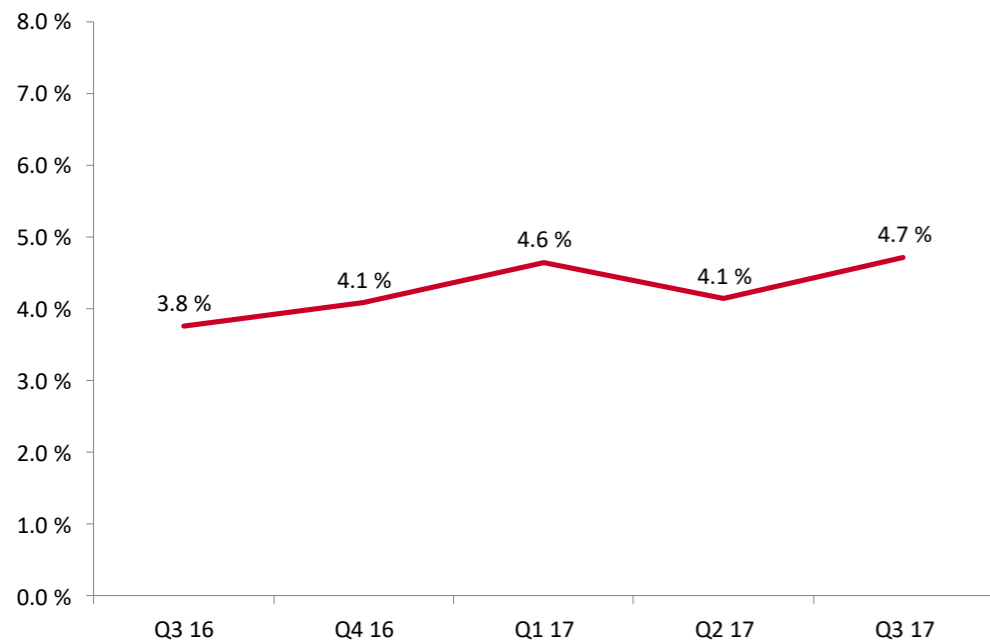
Quarterly operating expenses



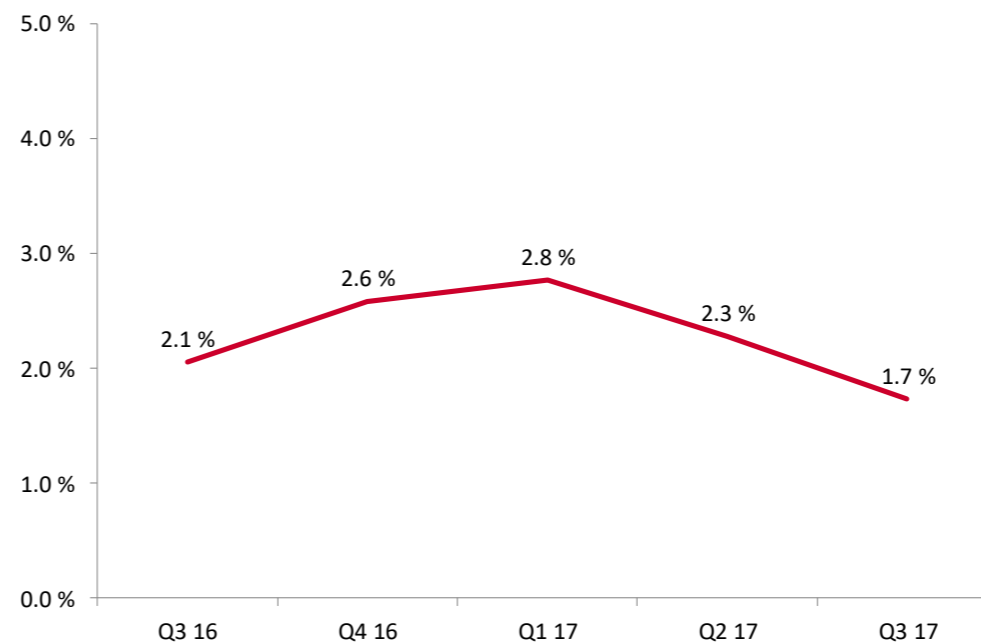
- Increased marketing efforts
- Higher personnel expenses due to seasonal accrual effect in the second quarter
- Lower IT costs due to one-off in the second quarter related to systems conversion and permanent cost savings
- Cost income stable at 0.27

Stable credit metrics

Non-performing loans to loans

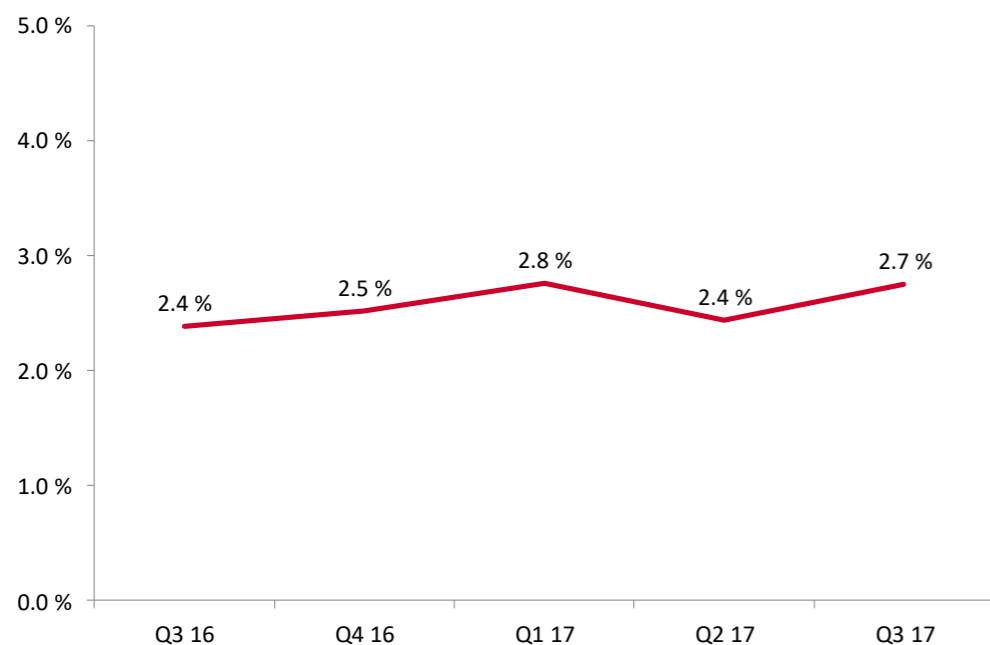


Loan loss provisions to average loans

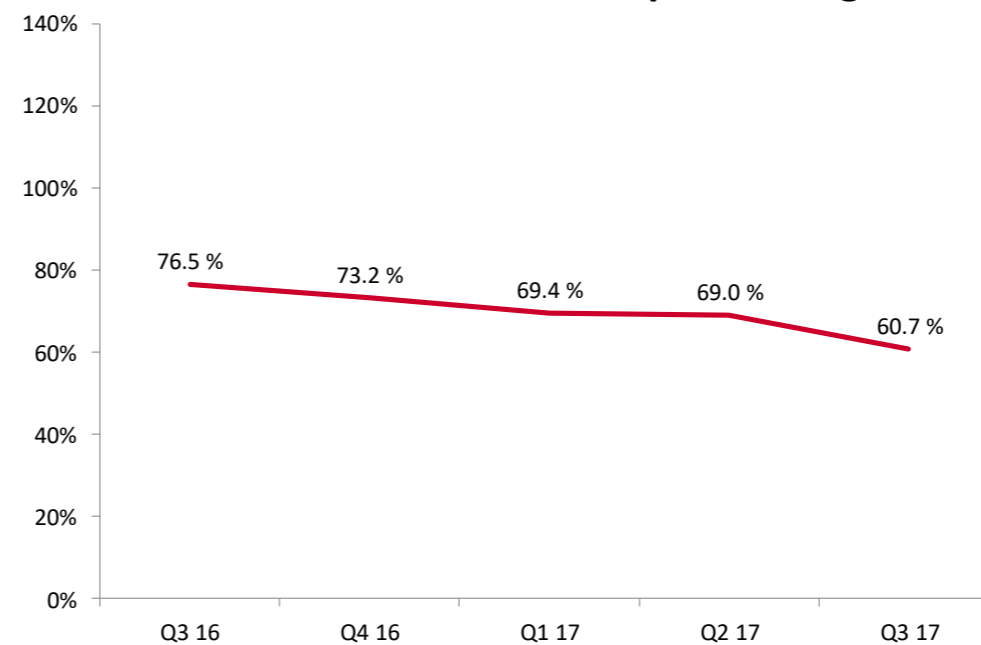


- Low NPL level and lower provisions due to portfolio sales
- Gains on portfolio sales confirm solid provisioning and coverage ratios

Loan loss allowance to loans



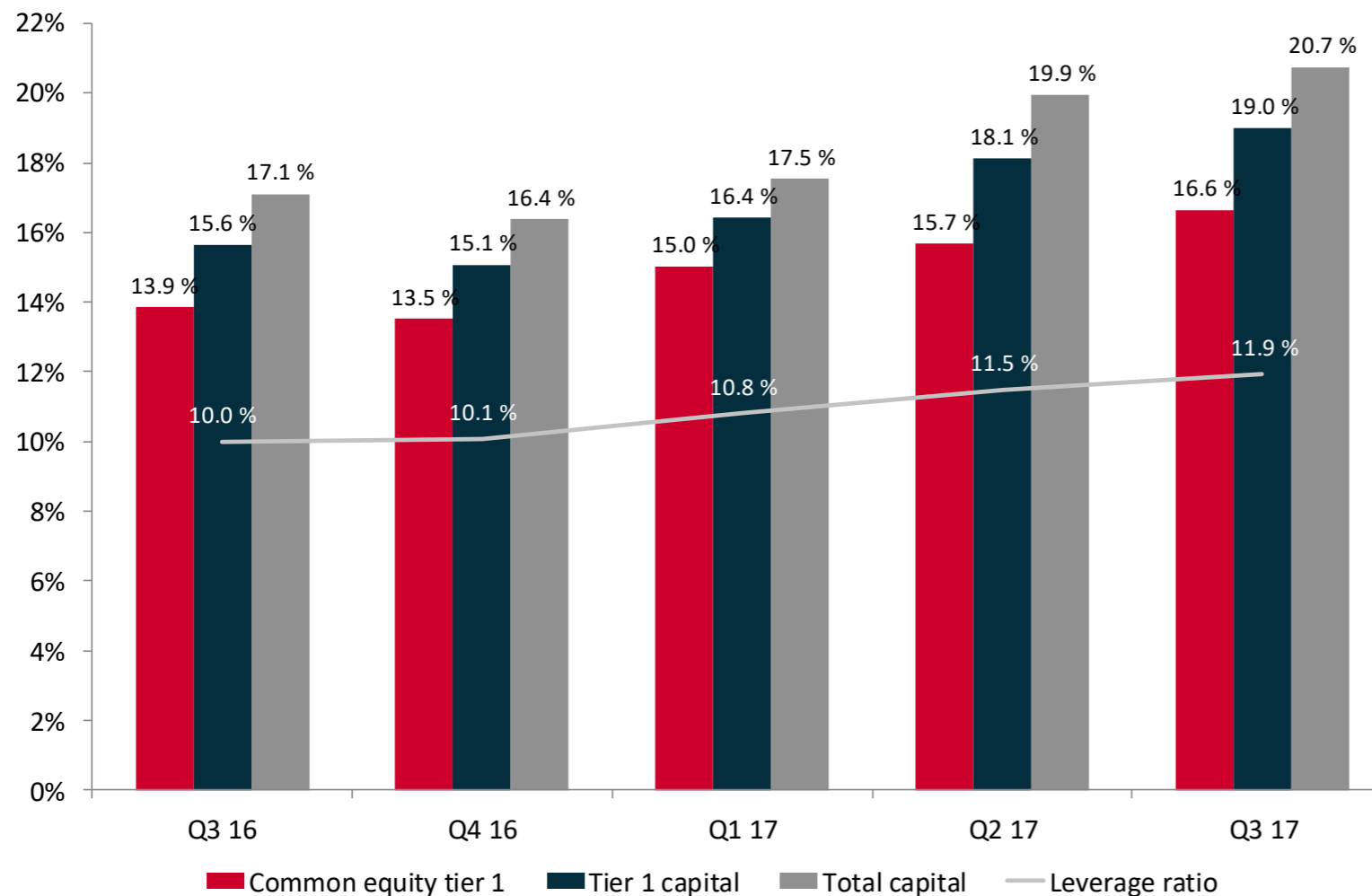
Loan loss allowance to non-performing loans



Figures are not reclassified

High risk absorption capacity

Capital ratios



- Strong 16.6% CET1 capital ratio
- NFSAs pillar 2 assessment upheld by the Ministry of Finance
- Minimum CET1 requirement 15.3% as of the end of the third quarter
- Target capital ratios
 - 16.0% CET1 capital
 - 17.5% T1 capital
 - 19.0% total capital
- Leverage ratio equals 11.9%

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Optimizing growth in competitive markets

Data driven market approach:

- Four markets and scoping multiple variations per product and segments
- Critical mass in testing
- Continuous learning



Fine-tuning channels and switching on and off:

- Multiple channel options
- Competition and regulation
- Cost efficiency

Continuous optimization of price/performance in each channel key competitive advantage

Well positioned for continued earnings growth

Earnings growth and strong returns

- Ramped up loan distribution as capital preservation phase completed
- Stable margins
- Cost-efficient operations

Stable credit quality

- Resilient Nordic economies with favourable unemployment outlook
- Stable portfolio risk and stable provisions
- Enhanced credit models. Implementation of IFRS 9 framework and models in final stage
- Moderate impact expected from IFRS 9 adoption

Consumer driven banking

- Broad Nordic growth platform with large customer base
- Preparing for full service app launch and readiness for PSD2
- Capacity to explore the potential in customer base, brand name and new industry framework

Strong balance sheet

- Strong liquidity position
- Strong capital generation and capital ratios
- Commencement of dividend payments expected in 2018

banknorwegian 


Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	30.9.17		30.6.17		Change	
Assets						
Deposits with the central bank	62	0 %	62	0 %	-0	0 %
Loans and deposits with credit institutions	1,769	4 %	1,395	4 %	375	27 %
Loans to customers	30,135	74 %	28,868	74 %	1,267	4 %
Certificates and bonds	8,365	21 %	8,186	21 %	179	2 %
Financial derivatives	3	0 %	1	0 %	2	N/A
Shares and other securities	0	0 %	0	0 %	-	0 %
Assets held for sale	30	0 %	28	0 %	1	5 %
Intangible assets	116	0 %	118	0 %	-2	-2 %
Deferred tax asset	8	0 %	8	0 %	0	1 %
Fixed assets	1	0 %	1	0 %	-0	-2 %
Receivables	124	0 %	131	0 %	-8	-6 %
Total assets	40,614	100 %	38,799	100 %	1,815	5 %
Liabilities and equity						
Deposits from customers	31,988	79 %	30,923	80 %	1,066	3 %
Debt securities issued	2,040	5 %	2,041	5 %	-0	0 %
Financial derivatives	11	0 %	4	0 %	7	N/A
Taxes payable	382	1 %	240	1 %	142	59 %
Other liabilities	285	1 %	164	0 %	121	74 %
Accrued expenses	155	0 %	102	0 %	53	52 %
Subordinated loan	475	1 %	475	1 %	-0	0 %
Total liabilities	35,336	87 %	33,948	87 %	1,389	4 %
Share capital	187	0 %	187	0 %	0	0 %
Share premium reserve	971	2 %	971	3 %	-0	0 %
Tier 1 capital	635	2 %	635	2 %	-	0 %
Retained earnings and other reserves	3,485	9 %	3,058	8 %	427	14 %
Total equity	5,278	13 %	4,851	13 %	427	9 %
Total liabilities and equity	40,614	100 %	38,799	100 %	1,815	5 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES	
1 NORWEGIAN AIR SHUTTLE		32,623,739	17.47 %
2 GOLDMAN SACHS & CO.	NOMINEE	15,444,411	8.27 %
3 DANSKE BANK AS		7,646,544	4.10 %
4 BRUMM AS		7,622,653	4.08 %
5 GREEN 91 AS		6,313,434	3.38 %
6 STENSHAGEN INVEST AS		6,051,416	3.24 %
7 JPMORGAN CHASE BANK	NOMINEE	5,536,199	2.97 %
8 FOLKETRYGDFONDET		5,426,956	2.91 %
9 BANQUE DEGROOF PETERCAM	NOMINEE	4,938,558	2.65 %
10 SWEDBANK ROBUR SMÅBOLAGSFOND NORDEN		4,098,094	2.20 %
11 SNEISUNGEN AS		4,076,841	2.18 %
12 KM AVIATRIX INVEST AS		2,790,635	1.49 %
13 GKB INVEST AS		2,640,635	1.41 %
14 MP PENSJON PK		2,525,995	1.35 %
15 TORSTEIN TVENGE		2,500,000	1.34 %
16 SONGA AS		2,083,120	1.12 %
17 JPMORGAN CHASE BANK	NOMINEE	1,964,791	1.05 %
18 JPMORGAN CHASE BANK	NOMINEE	1,879,788	1.01 %
19 SWEDBANK ROBUR NORDENFOND		1,700,000	0.91 %
20 VERDIPAPIRFONDET PARETO INVESTMENT		1,657,000	0.89 %
Top 20		119,520,809	64.02 %
Total		186,688,897	

■ Management holds 1.8% of shares outstanding

As of October 27, 2017