

**Second quarter 2019
results presentation**

Q2

Norwegian Finans Holding Group
August 14, 2019

Agenda

Performance and events

Country overview and performance

Second quarter 2019 results

Outlook

Second quarter 2019 highlights

Strong profitability

- Earnings MNOK 475 compared to MNOK 483 in Q1
- Lower fee income due to seasonal effects in Q1
- Stable provisioning

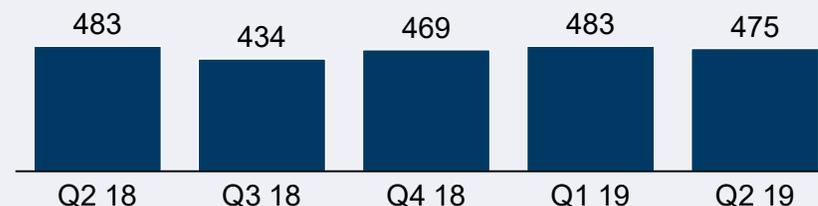
Resilient balance sheet

- Loan growth BNOK 1.1
- Deposit to loans ratio at 93%
- CET 1 19.5% consolidated and 19.9% bank

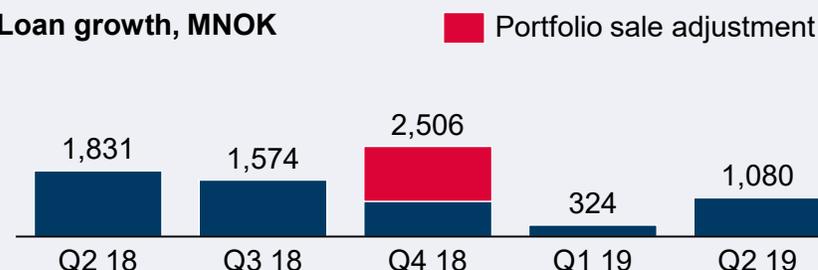
Events

- Acquired all shares in Lilienthal Finance Ltd and rights to the Norwegian brand for banking services and access to customers in Europe
- Initiated application process to secure EU banking license in Ireland

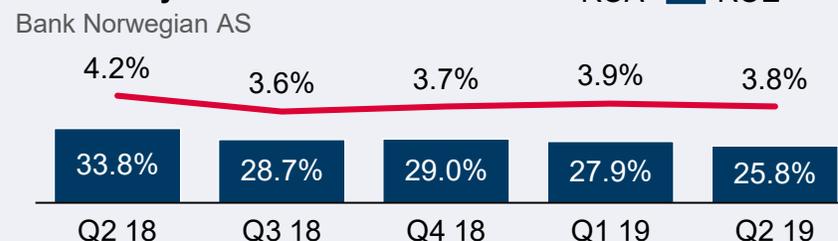
Earnings, MNOK



Loan growth, MNOK

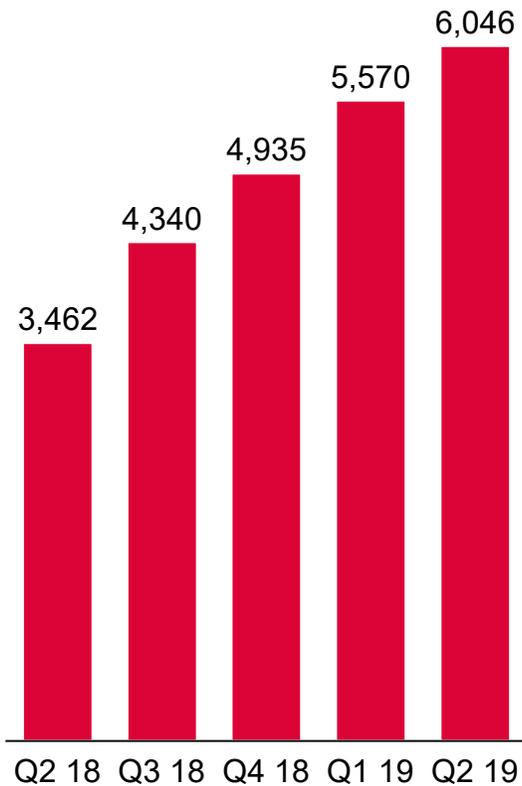


Profitability

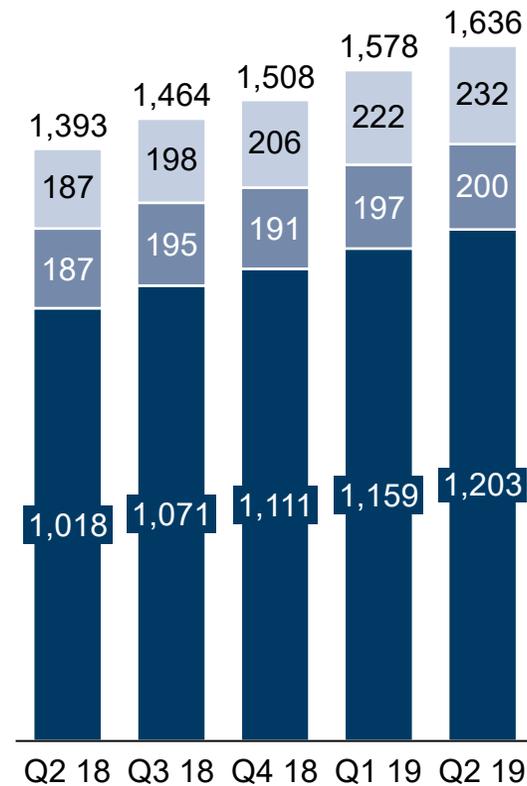


57,800 new customers in the second quarter

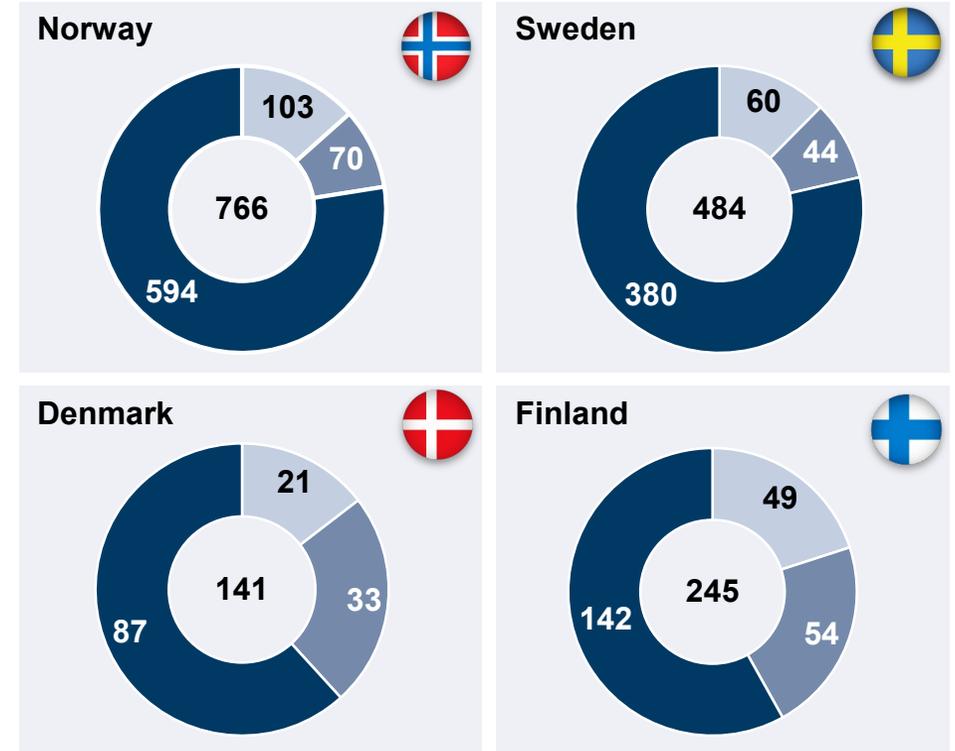
App usage, thousand



Customers, thousand*



Customers, thousand



■ App logins

■ Credit card ■ Instalment loan ■ Deposit

* Number of customers reduced by approximately 18,000 from NPL portfolio sale in Q4 2018 in Finland

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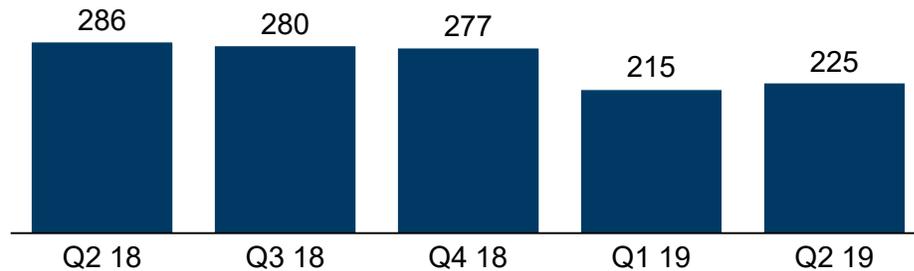
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Highlights - Norway

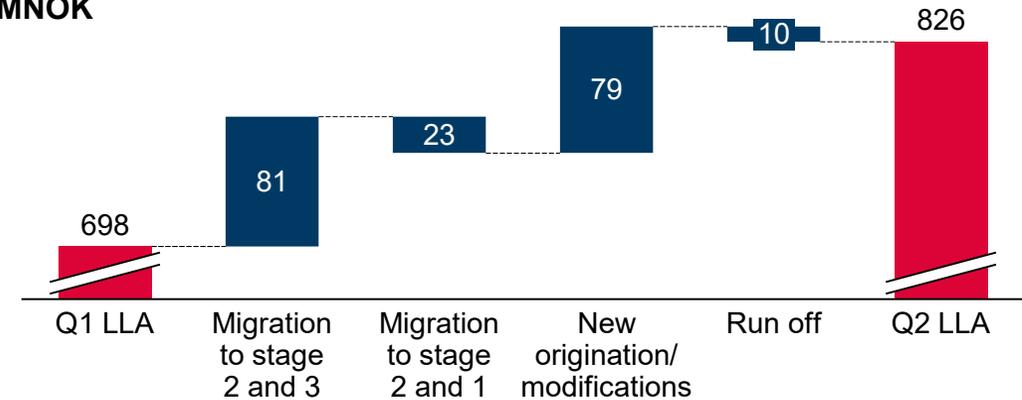
Earnings

MNOK



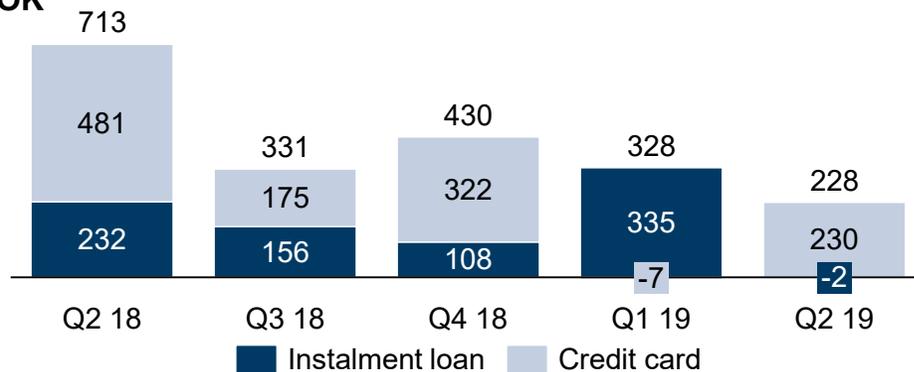
Loan loss allowance (LLA)

MNOK



Loan growth

MNOK



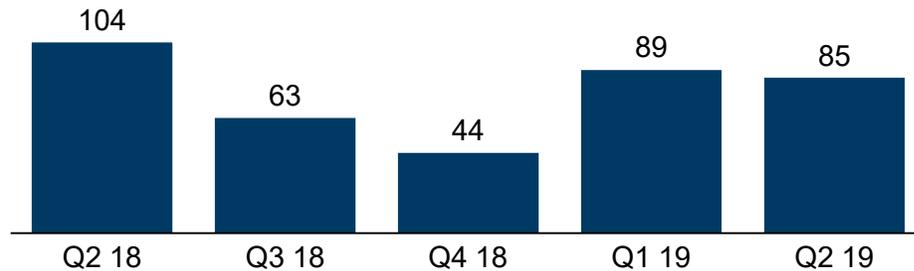
Market dynamics

- Stable net interest income and reduced commission income more than offset by lower personnel cost, digital marketing costs and provisions
- Strong credit card loan growth
- Credit regulation effective during second quarter reduces installment loan growth
- Competitive advantage from risk based pricing and direct distribution

Highlights - Sweden

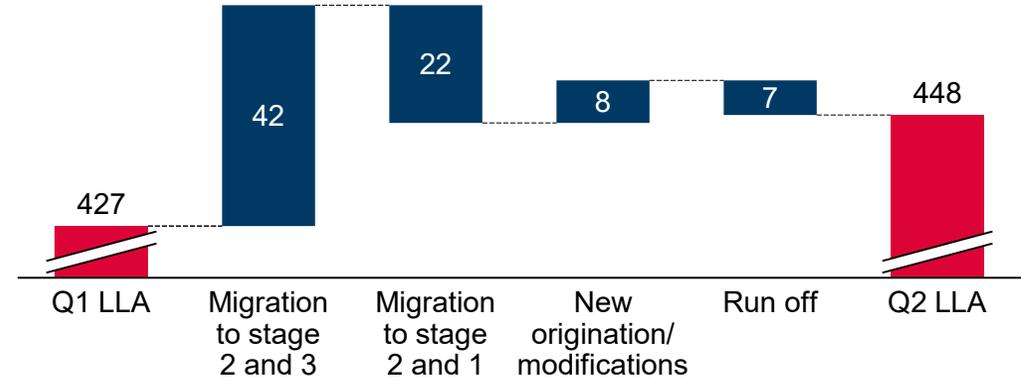
Earnings

MNOK



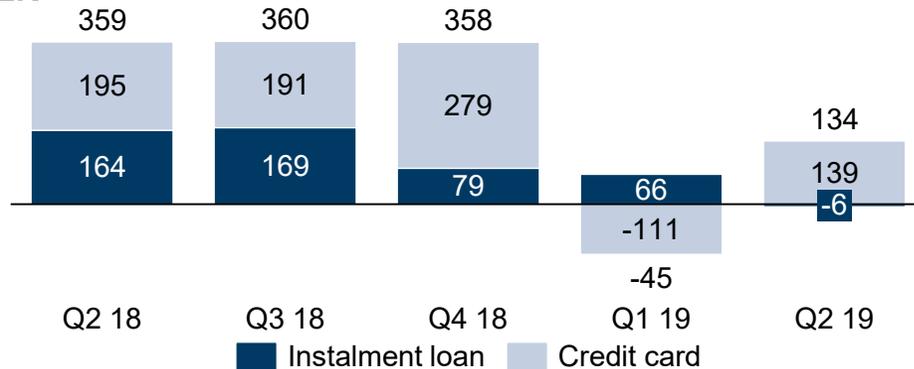
Loan loss allowance (LLA)

MNOK



Loan growth

MSEK



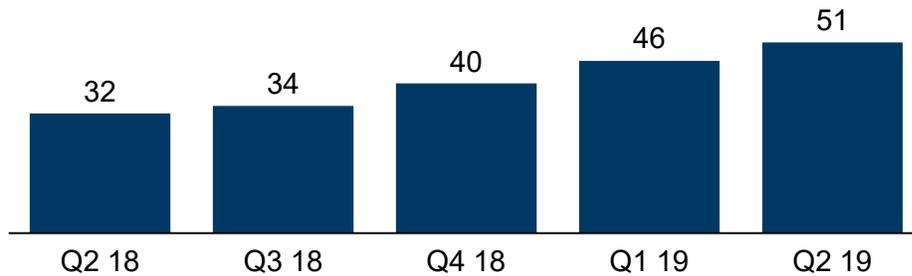
Market dynamics

- Increased net interest income and reduced digital marketing spending, offset by reduced commission income and higher provisions
- Continued strong price pressure in agent-driven installment loan market
- Strong market position for the credit card

Highlights - Denmark

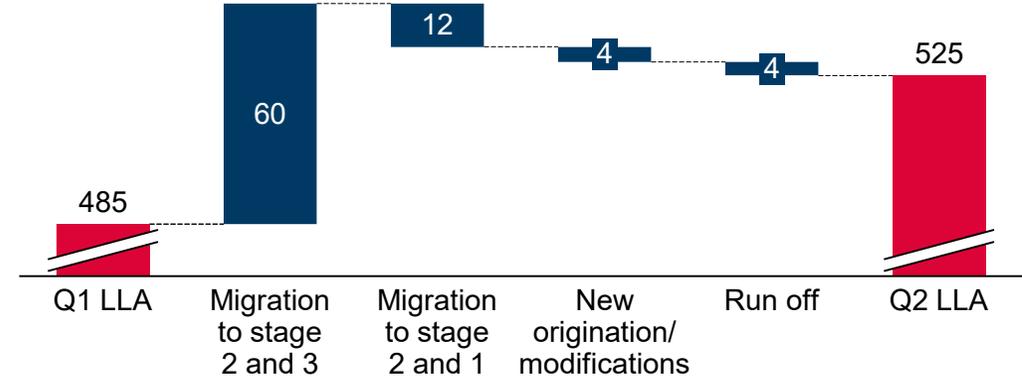
Earnings

MNOK



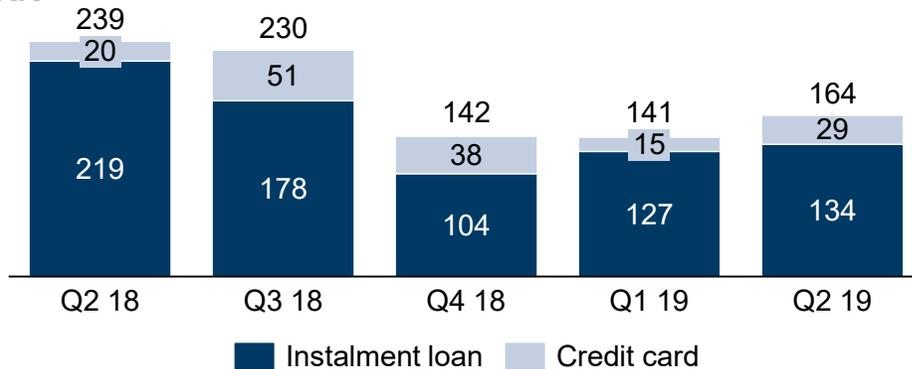
Loan loss allowance (LLA)

MNOK



Loan growth

MDKK



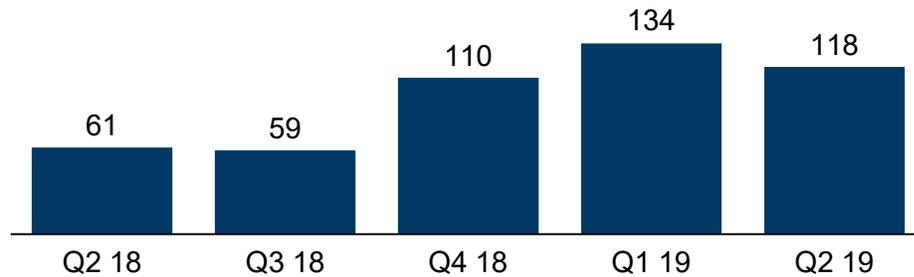
Market dynamics

- Steady earnings and balance sheet growth
- Deposit inflow
- Growth combined with continuously improved asset quality
- Awaiting effect of introduction of agent distribution in Denmark

Highlights - Finland

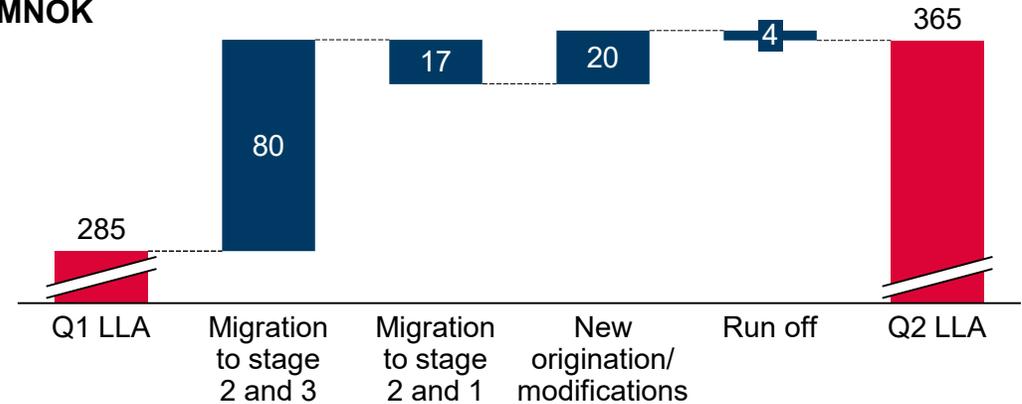
Earnings

MNOK



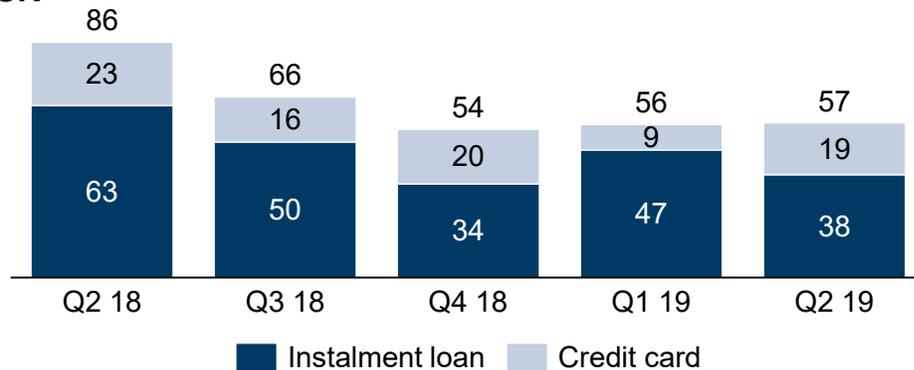
Loan loss allowance (LLA)

MNOK



Loan growth

MEUR



Market dynamics

- Increased net interest income more than offset by reduced other income and higher provisions
- Stable deposits
- Positive risk-based pricing effects give high growth combined with increased asset quality
- 20% nominal interest rate ceiling to be implemented in September. Limited expected impact

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Second quarter 2019 earnings were MNOK 475, compared with MNOK 483 in the previous quarter

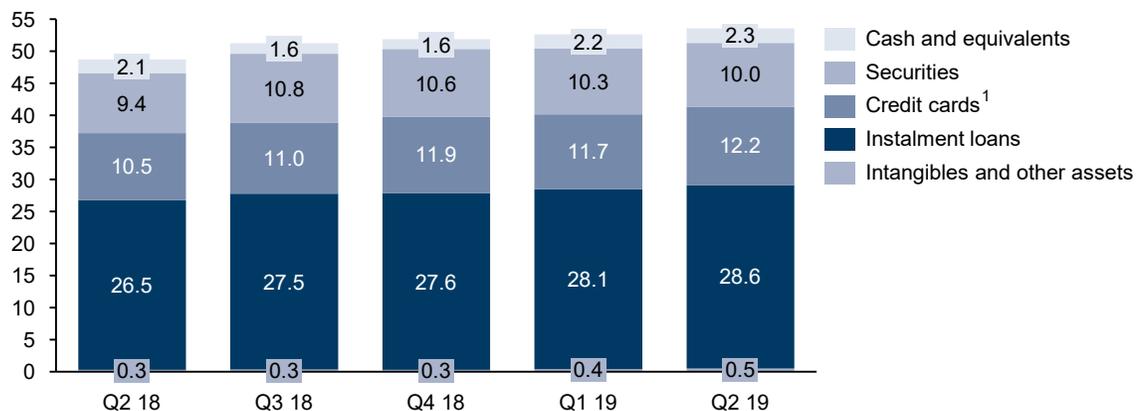
Norwegian Finans Holding Group

MNOK	Q2 2019	Q1 2019	Change	
Interest income	1 339.0	1 311.4	27.6	2 %
Interest expenses	160.3	151.0	9.3	6 %
Net interest income	1 178.7	1 160.3	18.3	2 %
Commission and bank services income	119.9	150.9	-31.1	-21 %
Commission and bank services expenses	63.8	59.1	4.7	8 %
Net change in value on securities and currency	-1.8	-0.8	-1.0	133 %
Net other operating income	54.3	91.1	-36.8	-40 %
Total income	1 232.9	1 251.4	-18.5	-1 %
Personnel expenses	19.9	25.8	-5.9	-23 %
General administrative expenses	266.2	282.8	-16.7	-6 %
Depreciation and impairment of fixed and intangible assets	16.7	16.1	0.6	4 %
Other operating expenses	14.6	13.2	1.4	10 %
Total operating expenses before losses	317.4	337.9	-20.6	-6 %
Provision for loan losses	282.2	269.1	13.1	5 %
Profit before tax	633.3	644.4	-11.1	-2 %
Tax charge	158.7	161.1	-2.4	-2 %
Profit after tax	474.7	483.3	-8.6	-2 %

- Net interest income boosted by one more interest day
- Net commission income decreased due to seasonal card network and insurance incentives in the previous quarter
- Operating expenses reduced due to seasonally lower personnel expenses and lower digital marketing spending
- Stable provision levels at 2.8%
- ROE* was 25.8% and ROA was 3.8%

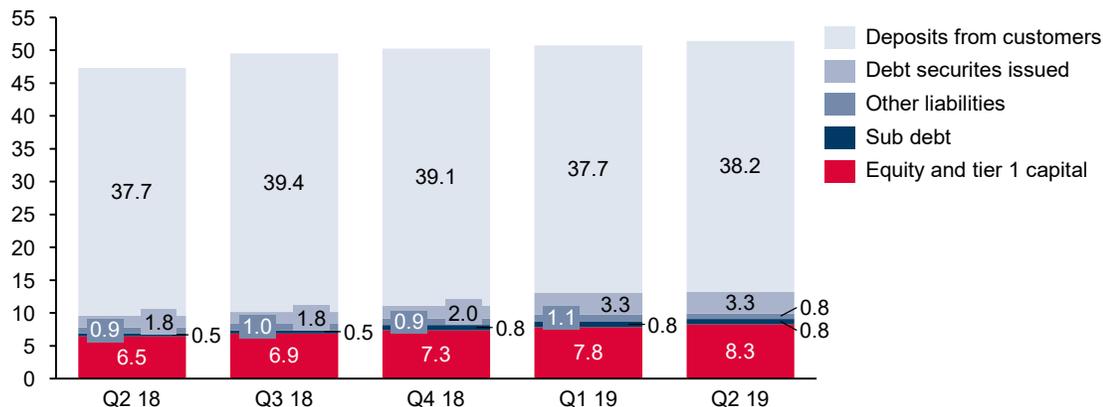
Resilient balance sheet

Assets, BNOK



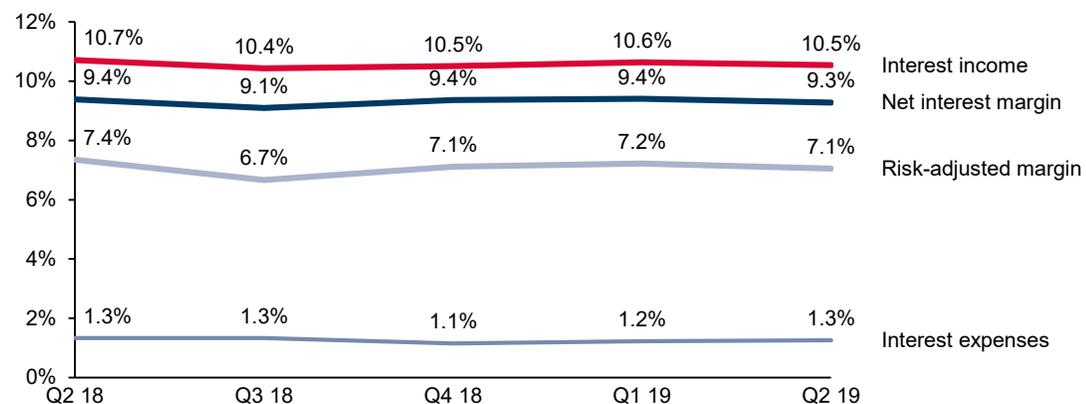
- Total gross loans increased MNOK 1,080, compared with MNOK 324 in the first quarter
- Currency adjusted loan growth was MNOK 1,110 compared with MNOK 1,031 in the first quarter
- Instalment loans rose MNOK 520 and credit cards rose MNOK 560
- Instalment loan sales were MNOK 2,284, compared with MNOK 2,917 in the previous quarter
- Instalment loan run-off was MNOK 1,751, compared with MNOK 1,911 in the previous quarter
- Liquid assets comprise 24% of total assets
- LCR 214% and NSFR 141%
- Deposits increased MNOK 524
- Deposits to loans ratio 0.93

Liabilities and equity, BNOK



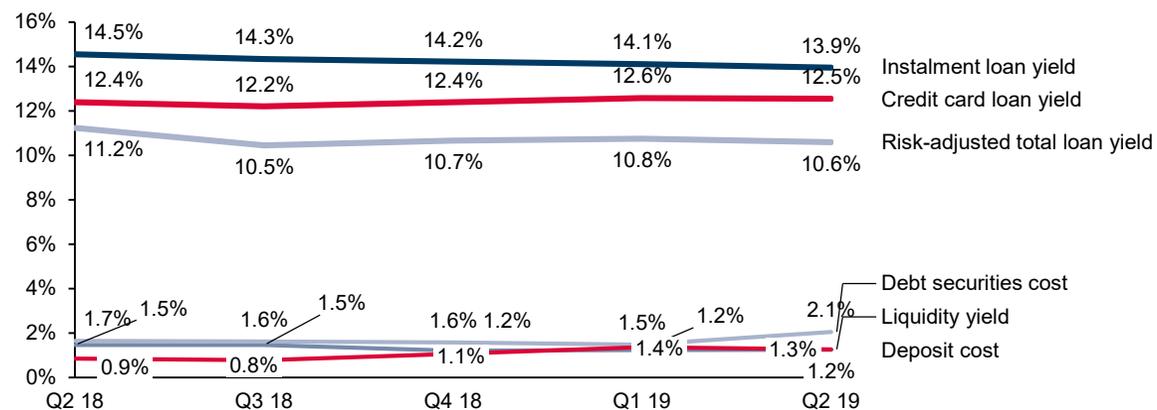
Stable yields and margins

Margins as a % of average assets



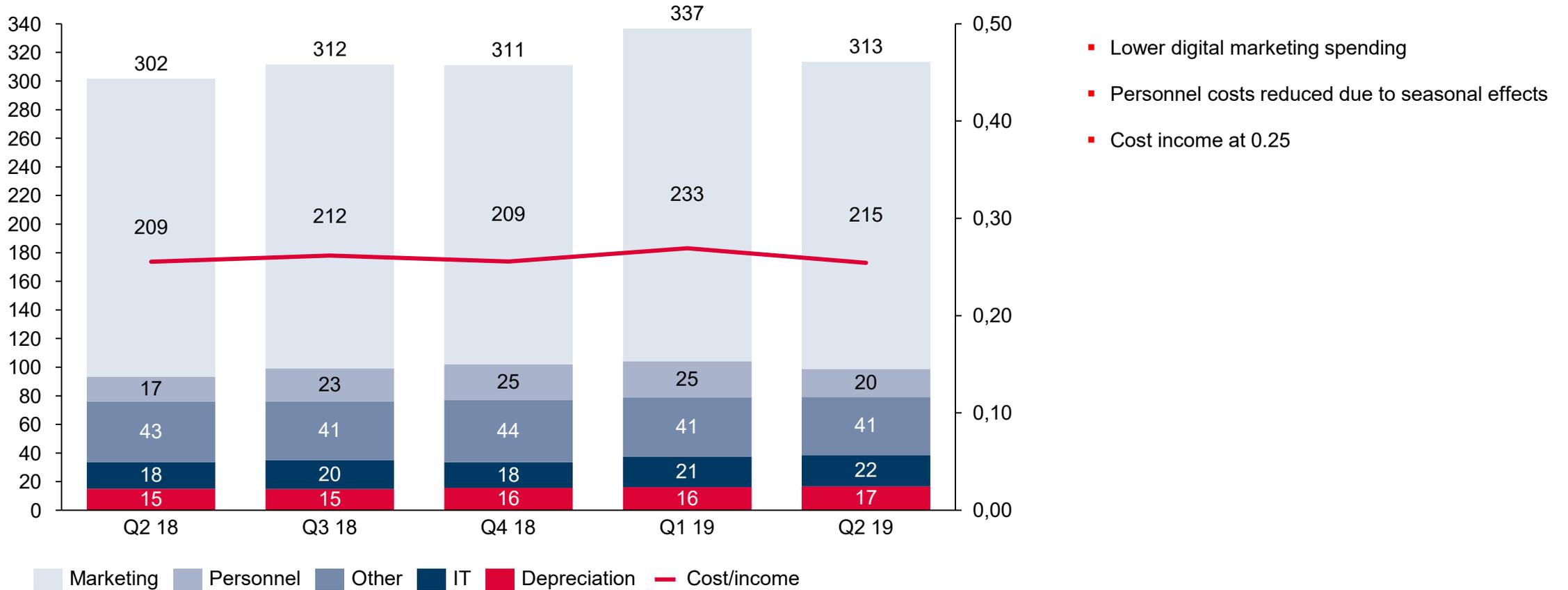
- Stable yields and margins in the quarter
- Interest expenses increased due to higher share of senior unsecured debt

Asset yield and cost of funds



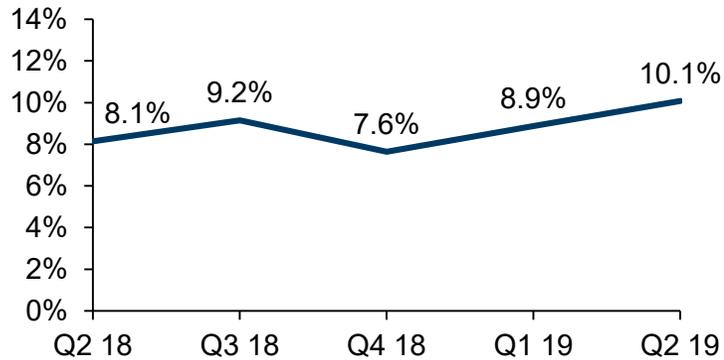
High operating efficiency

Quarterly operating expenses, MNOK

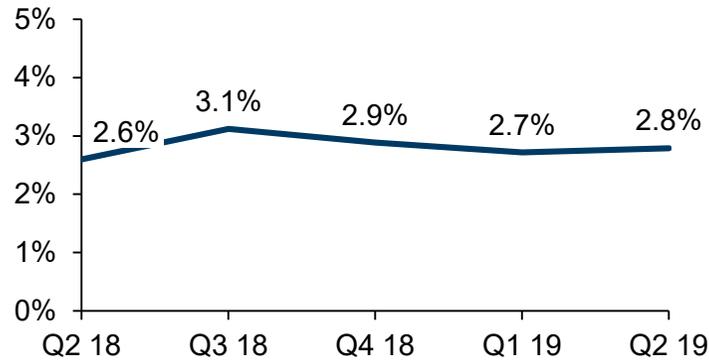


Strong credit metrics

Non-performing loans to loans ¹⁾

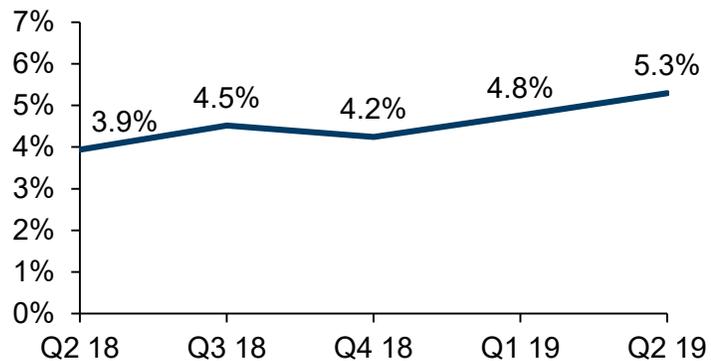


Loan loss provisions to average loans ²⁾

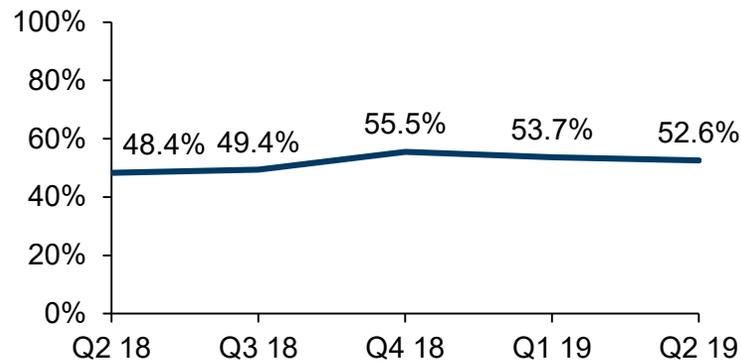


- NPL levels developing as expected
- Stable provision levels
- Solid allowance levels

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

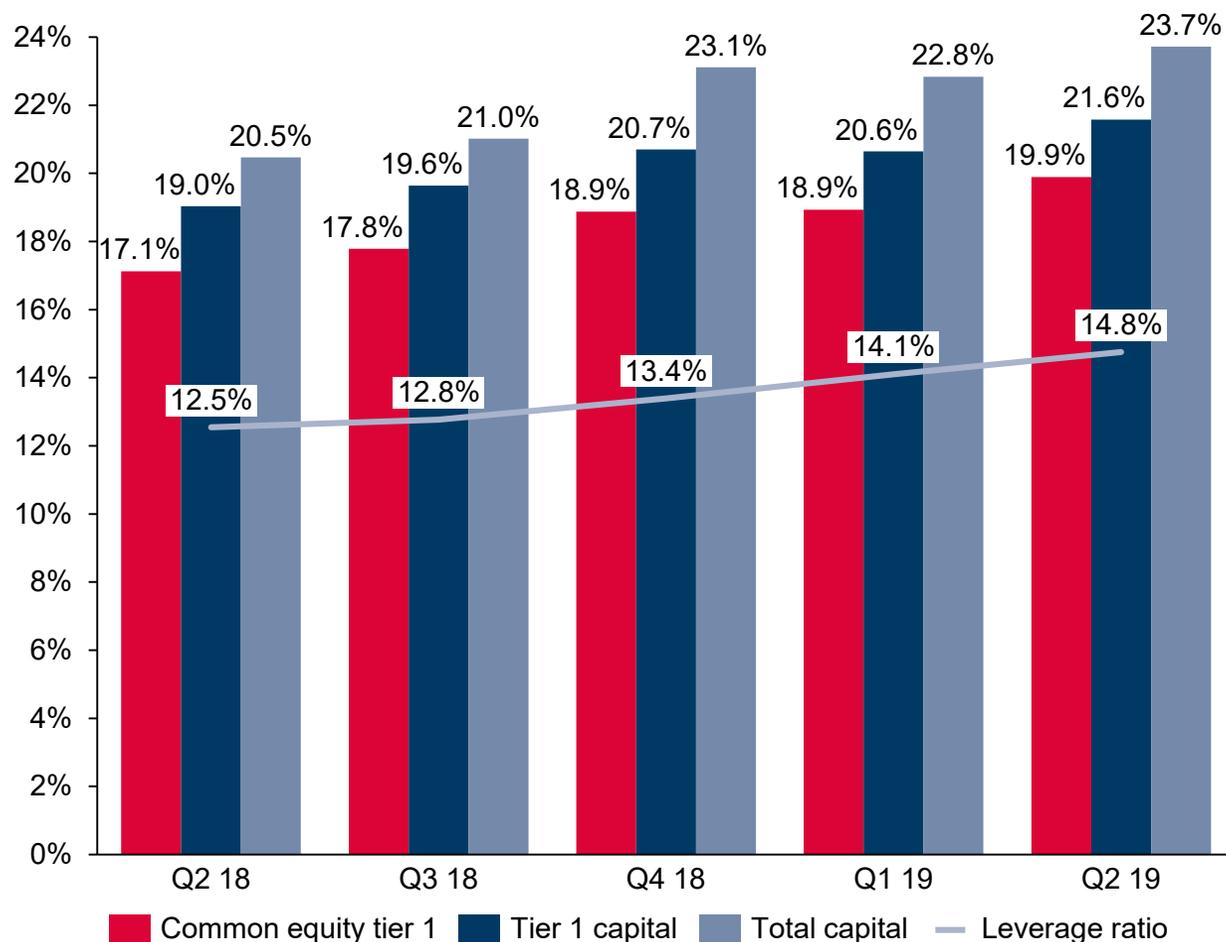
2) Change in ECL to average gross loans

3) ECL to gross loans

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

Strong capital position

Capital ratios



- Strong 19.9% CET1 capital ratio in the bank
- 19.5% CET1 capital ratio on a consolidated basis
- Lilienthal transactions reduced the group CET1 ratio by 89 bp
- Leverage ratio equals 14.8% in the bank
- Minimum regulatory CET1 requirement 15.9%, including announced increases in counter-cyclical buffer requirements

Agenda

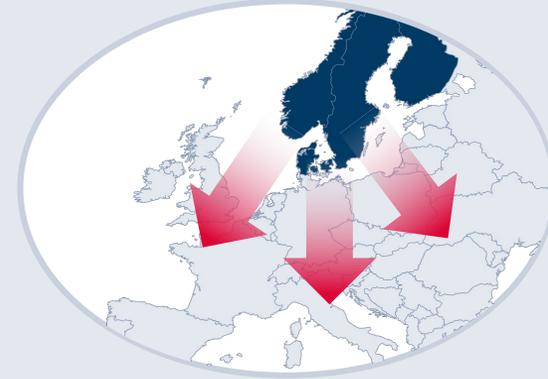
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Bank Norwegian's 4-pillar strategy

Core business development	European expansion plan	EU banking license/domicile	FinTech agenda
<p data-bbox="114 435 649 556">Leading digital bank for personal loans and savings in the Nordics</p> <hr data-bbox="140 592 624 599"/> <ul data-bbox="114 635 624 849" style="list-style-type: none">▪ Significant room for profitable growth▪ Risk based pricing, distribution and operational excellence 	<p data-bbox="713 435 1235 556">Leading European digital bank with Nordic benchmark performance</p> <hr data-bbox="738 592 1223 599"/> <ul data-bbox="713 635 1223 806" style="list-style-type: none">▪ Utilize proven business model▪ Cautious expansion in selected geographies 	<p data-bbox="1312 435 1821 514">EU banking license and level playing field</p> <hr data-bbox="1324 592 1821 599"/> <ul data-bbox="1312 635 1821 806" style="list-style-type: none">▪ Exploratory phase with Central Bank of Ireland▪ Application process and operational setup 	<p data-bbox="1961 435 2382 514">Reach full potential of customer base and data</p> <hr data-bbox="1923 592 2420 599"/> <ul data-bbox="1911 635 2369 806" style="list-style-type: none">▪ PSD2 readiness▪ Business development through partnerships and M&A 

European expansion plan to be initiated

- 1 Low cost of entry and rapid break even**
 - Previous roll-out achieved at ~10 MNOK per geography on average
 - 6-18 months to break even in Nordic expansion
- 2 Cautious approach to expansion and selection criteria**
 - Must support fully digital customer journeys
 - Norwegian Air presence
 - Appropriate macro and market conditions
- 3 Proven risk-based model** utilizing deep analytics



Process update on EU banking license/domicile

Q2 19

Q3 19

Q4 19

Q1 20

Q2 20

Q3 20

Exploratory phase

- Pre-application meeting held with CBI
- Aim to provide CBI with detailed insight into scope of proposed EU bank and provide Bank Norwegian with requirements and approach
- Board decision based on terms and attractiveness

Application process

- Detailed submission in an iterative application process lasting c.6 months in close interaction with ECB
- Full application process following a positive outcome of draft process, lasting c.3 months
- 6-9 months total process duration
- Bank Norwegian's low complexity could improve lead times

Well positioned to capitalize on FinTech agenda in the new dynamics between banks and fintechs



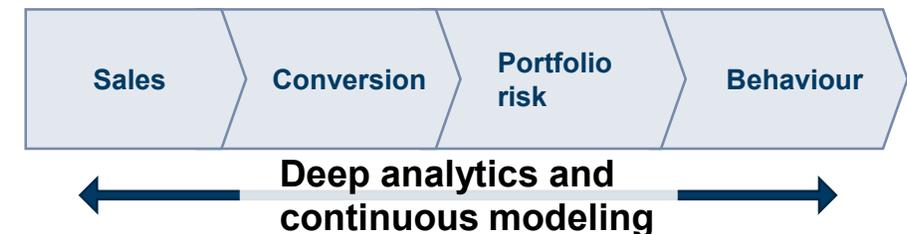
Fast growing and digitally native customer base with high engagement



Modern IT stack underpins low-cost operations and rapid execution



Deep analytics and fully digital in all parts of the value chain



Strong capital base enables expansion opportunities

Attractive position combining speed and nimbleness of fintechs with financial strength and distribution power of incumbents

Well positioned to execute on strategy

Core business expansion

- Well positioned to continue profitable growth in the Nordic region
- Favorable macro economic environment and advanced risk control

European expansion plan

- Full control to expand benchmark performance into Europe
- Cautious expansion building on existing model with low entry cost

EU banking license/domicile

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

FinTech agenda

- PSD2 implementation
- Well positioned to capitalize on new dynamics between banks and FinTechs

banknorwegian 

Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	30.6.19		31.3.19		Change	
Assets						
Cash and deposits with the central bank	68	0 %	68	0 %	0	0 %
Loans and deposits with credit institutions	2 214	4 %	2 335	5 %	-121	-5 %
Loans to customers	38 713	75 %	37 902	74 %	811	2 %
Certificates and bonds	9 963	19 %	10 268	20 %	-305	-3 %
Financial derivatives	31	0 %	85	0 %	-54	-63 %
Shares and other securities	40	0 %	42	0 %	-2	-4 %
Intangible assets	512	1 %	139	0 %	373	268 %
Deferred tax asset	19	0 %	18	0 %	1	4 %
Fixed assets	1	0 %	1	0 %	0	39 %
Receivables	61	0 %	86	0 %	-25	-29 %
Total assets	51 623	100 %	50 944	100 %	678	1 %
Liabilities and equity						
Loans from credit institutions	73	0 %	56	0 %	17	31 %
Deposits from customers	38 178	74 %	37 654	74 %	524	1 %
Debt securities issued	3 317	6 %	3 342	7 %	-26	-1 %
Financial derivatives	5	0 %	10	0 %	-5	-49 %
Tax payable	449	1 %	527	1 %	-78	-15 %
Other liabilities	108	0 %	314	1 %	-207	-66 %
Accrued expenses	205	0 %	207	0 %	-2	-1 %
Subordinated loans	808	2 %	814	2 %	-6	-1 %
Total liabilities	43 142	84 %	42 925	84 %	218	1 %
Share capital	187	0 %	187	0 %	-0	0 %
Share premium	972	2 %	977	2 %	-5	0 %
Tier 1 capital	635	1 %	635	1 %	-	0 %
Retained earnings and other reserves	6 687	13 %	6 221	12 %	465	7 %
Total equity	8 481	16 %	8 020	16 %	461	6 %
Total liabilities and equity	51 623	100 %	50 944	100 %	678	1 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES	
1 NORWEGIAN AIR SHUTTLE ASA		32 623 739	17.47 %
2 FOLKETRYGDFONDET		17 247 199	9.24 %
3 GOLDMAN SACHS & CO. LLC	NOMINEE	12 045 088	6.45 %
4 BRUMM AS		5 067 018	2.71 %
5 STENSHAGEN INVEST AS		4 551 416	2.44 %
6 GREEN 91 AS		3 964 900	2.12 %
7 VARMA MUTUAL PENSION INSURANCE CO.		3 412 292	1.83 %
8 EUROCLEAR BANK S.A./N.V.	NOMINEE	3 384 389	1.81 %
9 KM AVIATRIX INVEST AS		3 259 293	1.75 %
10 NYE GKB INVEST AS		3 201 102	1.71 %
11 NYE SNEISUNGEN AS		3 194 162	1.71 %
12 BANQUE DEGROOF PETERCAM LUX SA	NOMINEE	3 120 999	1.67 %
13 MP PENSJON PK		2 909 268	1.56 %
14 BANQUE DEGROOF PETERCAM LUX SA	NOMINEE	2 847 383	1.52 %
15 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	2 525 352	1.35 %
16 STATE STREET BANK AND TRUST COMP	NOMINEE	2 403 981	1.29 %
17 TORSTEIN INGVALD TVENGE		2 400 000	1.29 %
18 SKANDINAVISKA ENSKILDA BANKEN AB		2 000 000	1.07 %
19 VERDIPAPIRFONDET PARETO INVESTMENT		1 988 000	1.06 %
20 KLP AKSJENORGE INDEKS		1 721 942	0.92 %
Top 20		113 867 523	60.97 %
Total		186 751 856	

- Management holds 1.4% of shares outstanding

As of Aug 12, 2019