

Norwegian Finans Holding ASA

Fourth quarter 2017 results presentation

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February 28, 2018

Agenda

1. Performance and events
2. Fourth quarter 2017 results
3. Market update
4. Summary

Fourth quarter 2017 highlights

Strong growth

- Post-tax earnings of 443 MNOK in Q4 and 1,605 MNOK for 2017
- Strong loan growth of 2.5 BNOK in Q4 and 9.5 BNOK during 2017
- 66,000 new customers – 1,233,000 customers total, increase of 292,000 in 2017

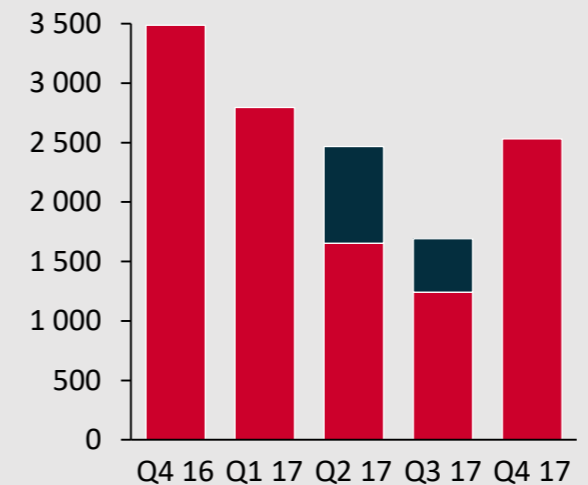
Stable high profitability

- Stable net interest margin and cost income ratio
- Solid credit quality
- High profitability - ROE 36.4%

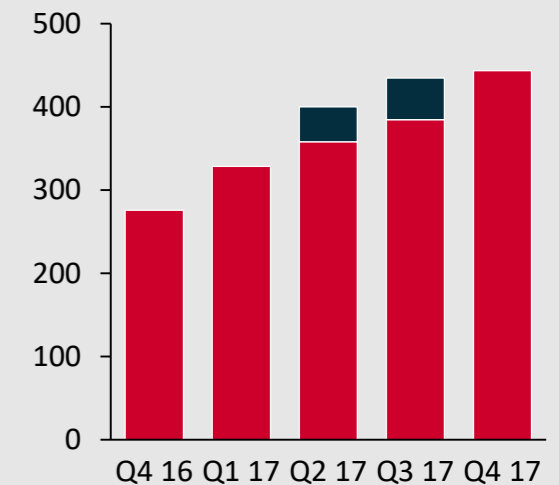
Resilient balance sheet

- Strong 17.0% CET1 capital ratio
- Immaterial impact from IFRS9 adoption

(MNOK) Quarterly loan growth



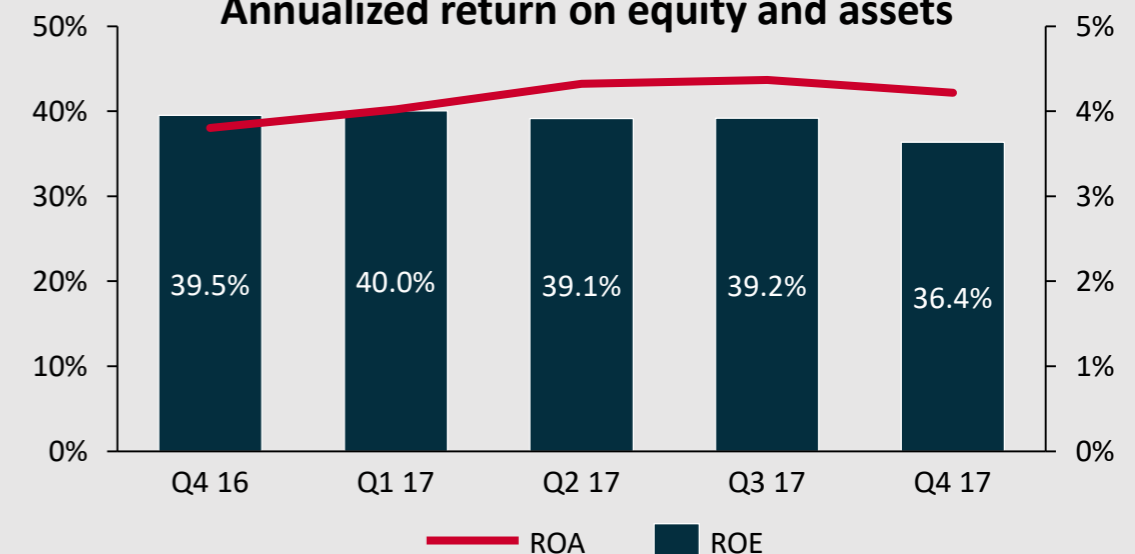
Quarterly earnings



Earnings related to stake in Visa Norway excluded in Q416

■ Portfolio sale adjustment

Annualized return on equity and assets



Bank Norwegian AS

ROE and ROA in Q4 16 adjusted for the proceeds from stake in Visa Norway

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Fourth quarter 2017 earnings were 443 MNOK, up 9 MNOK compared with the third quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q4 17	Q3 17	Change	
Interest income	1,152.4	1,069.8	82.6	8 %
Interest expenses	137.5	132.1	5.4	4 %
Net interest income	1,014.9	937.7	77.2	8 %
Commission and bank services income	121.0	104.4	16.5	16 %
Commission and bank services expenses	63.6	55.3	8.3	15 %
Net change in value on securities and currency	-3.4	0.7	-4.0	n/m
Net other operating income	54.0	49.9	4.2	8 %
Total income	1,068.9	987.5	81.4	8 %
Personnel expenses	20.5	18.7	1.8	10 %
General administrative expenses	245.2	229.6	15.6	7 %
Ordinary depreciation	11.8	10.4	1.4	14 %
Other operating expenses	12.1	11.0	1.0	9 %
Total operating expenses	289.6	269.8	19.9	7 %
Provision for loan losses	199.1	140.9	58.2	41 %
Profit on ordinary activities before tax	580.2	576.9	3.3	1 %
Tax charge	140.4	144.4	-4.0	-3 %
Profit on ordinary activities after tax	439.8	432.4	7.3	2 %

Earnings per share (NOK)	2.36	2.32		
<i>MNOK</i>	Q4 17	Q3 17	Change	
Profit after tax	439.8	432.4	7.3	2 %
Change in fair value for assets held for sale, after tax	3.1	1.5	1.6	n/m
Comprehensive income for the period	442.8	433.9	8.9	2 %

- Net interest income growth driven by strong loan growth
- Net fee income increased due to higher credit card activity and one-off network incentives
- Increased marketing expenses
- 50 MNOK gain on sale of NPL's in Norway reflected in provisions in the third quarter
- Stable provision levels
- ROE* was 36.4%

Earnings for the full year 2017 were 1,605 MNOK, compared with 924 MNOK in 2016

Norwegian Finans Holding Group

<i>MNOK</i>	2017	2016	Change	
Interest income	4,172.7	2,791.1	1,381.6	49 %
Interest expenses	502.2	337.6	164.6	49 %
Net interest income	3,670.5	2,453.5	1,217.0	50 %
Commission and bank services income	400.0	246.6	153.4	62 %
Commission and bank services expenses	211.1	119.4	91.7	77 %
Net change in value on securities and currency	7.5	74.1	-66.6	-90 %
Net other operating income	196.4	201.4	-5.1	-3 %
Total income	3,866.8	2,654.9	1,211.9	46 %
Personnel expenses	75.0	66.0	9.0	14 %
General administrative expenses	906.3	773.5	132.8	17 %
Ordinary depreciation	44.5	42.4	2.0	5 %
Other operating expenses	45.5	46.9	-1.4	-3 %
Total operating expenses	1,071.2	928.8	142.4	15 %
Provision for loan losses	672.4	468.3	204.1	44 %
Profit on ordinary activities before tax	2,123.2	1,257.8	865.4	69 %
Tax charge	526.2	298.4	227.8	76 %
Profit on ordinary activities after tax	1,597.1	959.4	637.6	66 %
Earnings per share (NOK)	8.60	5.50		
<i>MNOK</i>	2017	2016	Change	
Profit after tax	1,597.1	959.4	637.6	66 %
Change in fair value for assets held for sale, after tax	8.1	-35.4	43.5	n/m
Comprehensive income for the period	1,605.2	924.0	681.2	74 %

- Net interest income growth driven by strong loan growth
- Net fee income increase due to first full year of credit card operations in Denmark and Finland and higher credit card activity
- Gain on sale of Visa shares in 2016
- Increased sales expenses due to higher credit card activity
- Stable provision levels
- Gains on sale of NPL's in Sweden and Norway reflected in provisions in 2017
- ROE* was 38.9%

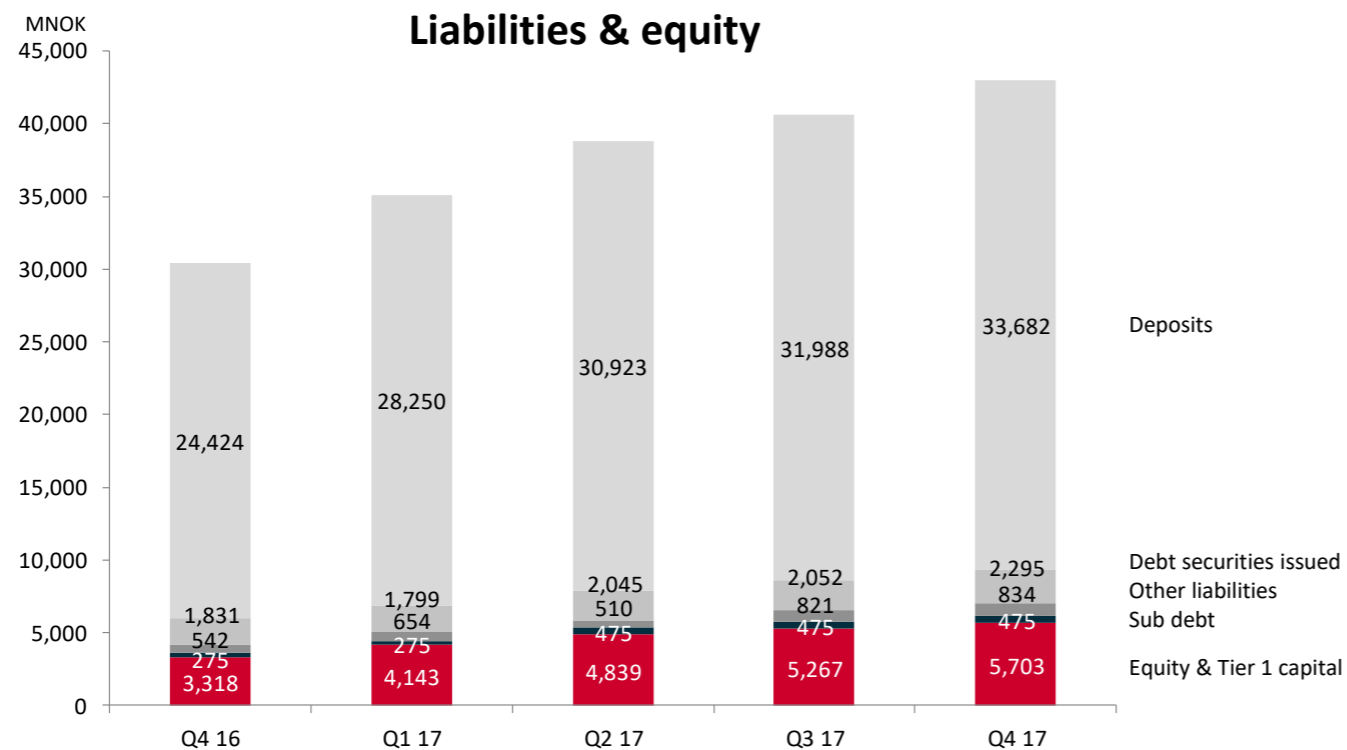
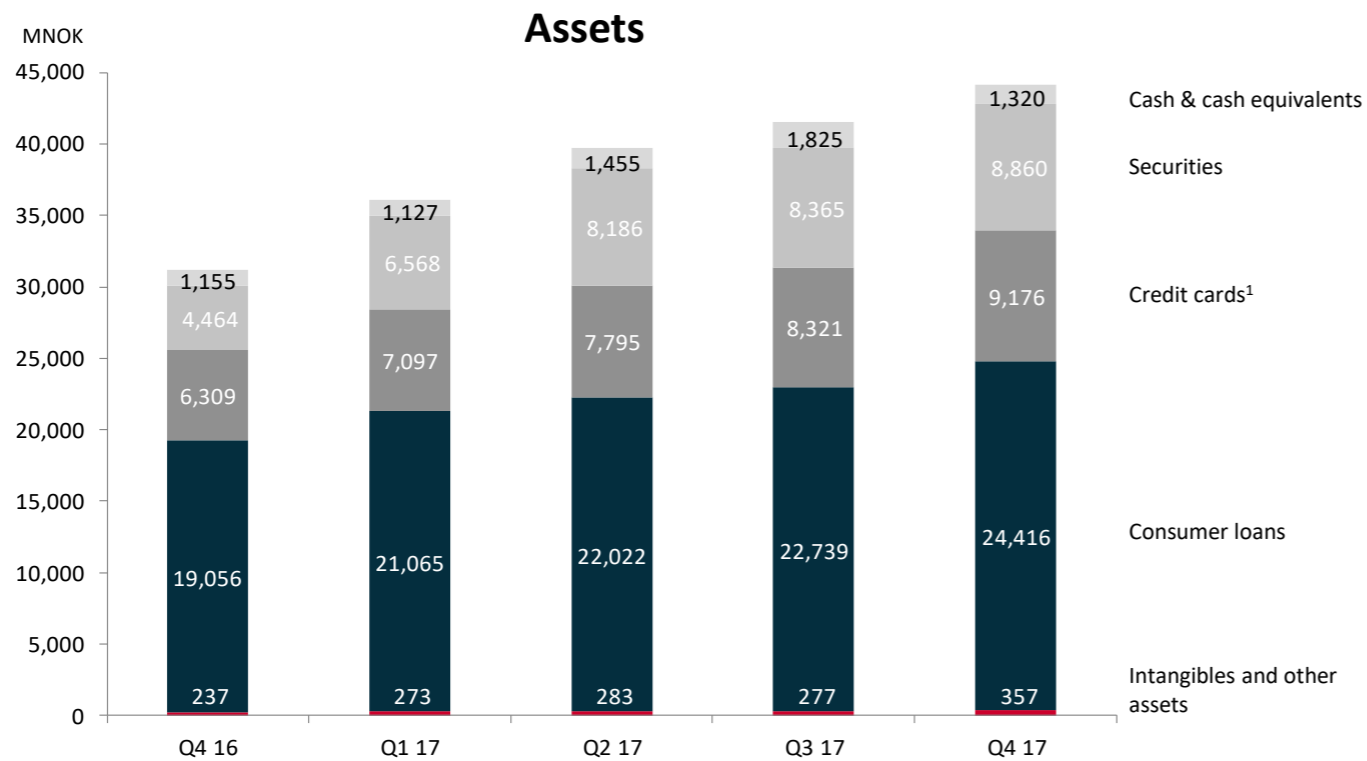
Strong growth in all markets

Bank Norwegian AS

Key figures	Norway			Sweden			Denmark			Finland		
	Q4 17	Q3 17	Δ	Q4 17	Q3 17	Δ	Q4 17	Q3 17	Δ	Q4 17	Q3 17	Δ
<i>MNOK</i>												
Net interest income	504	490	14	177	164	12	100	86	15	234	198	36
Net other income	32	34	-3	20	11	9	3	1	3	-1	4	-5
Total income	536	524	12	197	175	22	104	86	17	233	202	31
Total operating expenses	133	123	10	70	67	4	34	34	-0	51	45	6
Provision for loan losses	56	9	47	44	44	1	48	37	11	52	51	0
Profit after tax	268	294	-26	59	49	10	18	11	6	96	79	17
Comprehensive income	271	295	-25	59	49	10	18	11	6	96	79	17
Net loans	16 562	16 031	531	5 718	5 289	429	3 122	2 668	454	7 049	6 147	902
Deposits	17 909	17 764	146	5 875	5 554	321	3 314	3 253	61	6 583	5 418	1 165

Net interest income reflects transfer pricing for internal funding
No allocation of overhead expenses

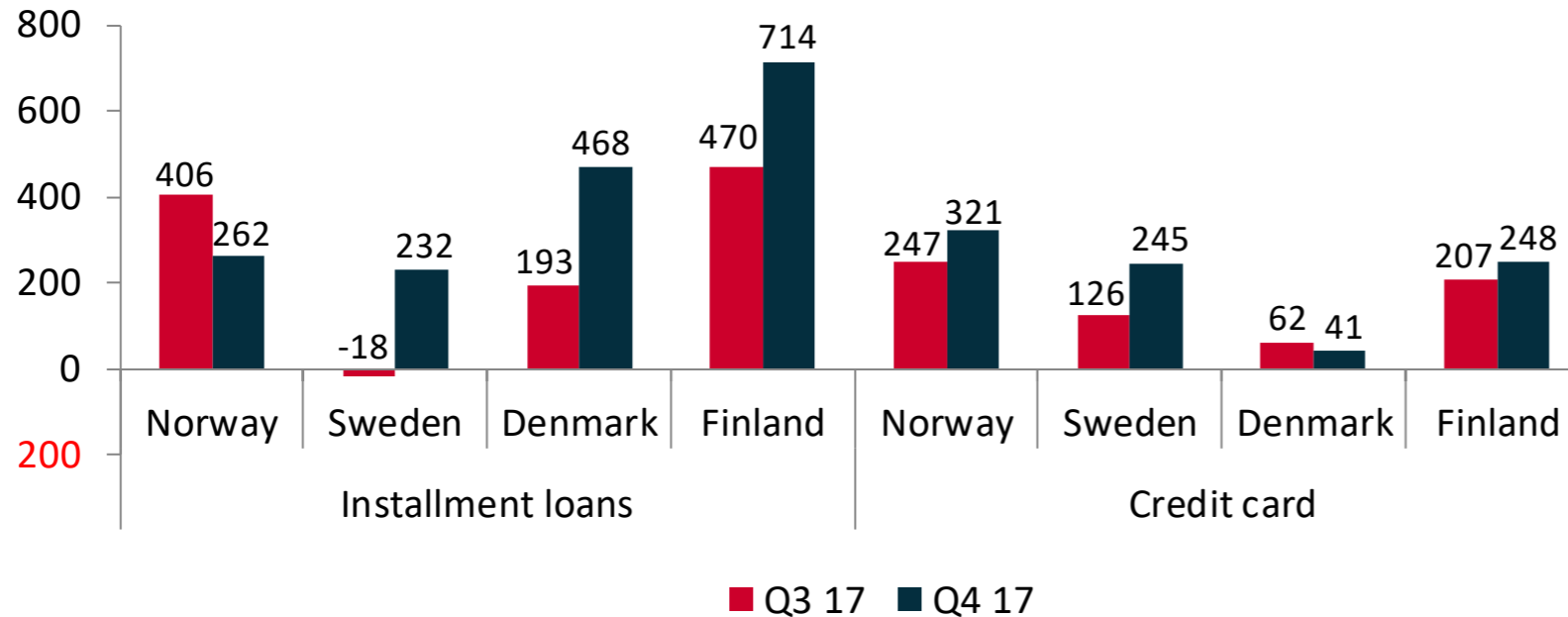
Resilient balance sheet



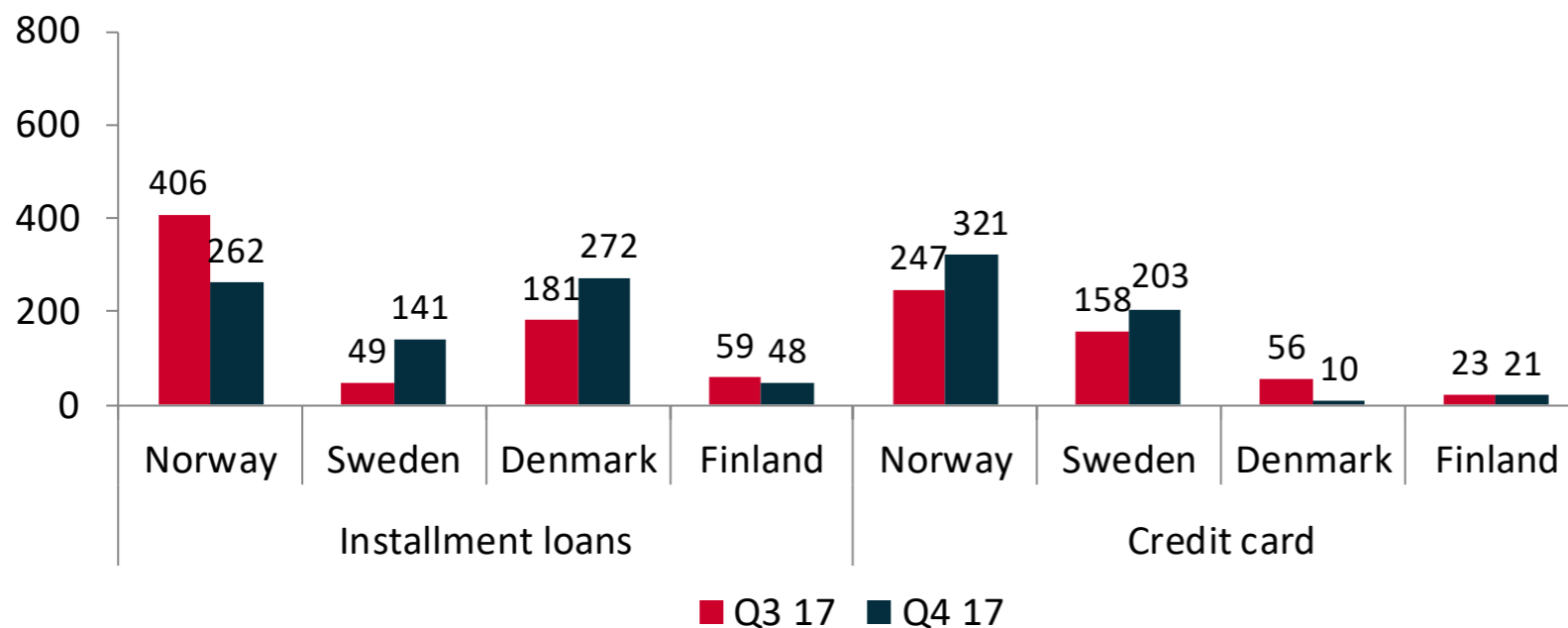
- Liquid assets comprise 24% of total assets
- LCR 204% and NSFR 143%
- Deposits grew 1,694 MNOK
- Stable deposit base
- Deposits to loans ratio 1.04
- 500 MSEK bond issue in the fourth quarter
- Total common equity to total assets equals 11.8%

Strong loan growth

Quarterly loan growth - MNOK



Quarterly loan growth – Local currency

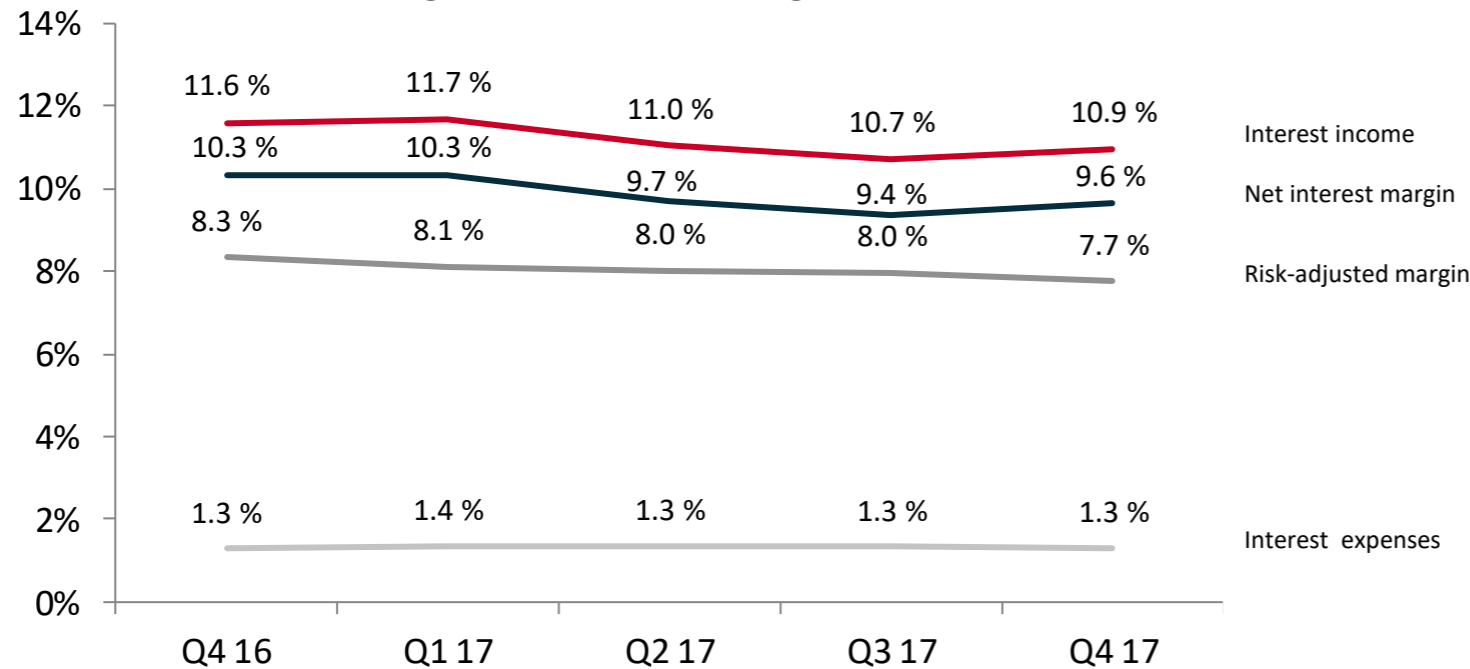


- Total gross loans increased 2,532 MNOK, compared with 1,243 MNOK in the third quarter, reflecting sale of NPL's in the third quarter
- Installment loans rose 1,677 MNOK and credit card loans grew 855 MNOK
- Installment loan sales were 2,892 MNOK, compared with 2,756 MNOK in the previous quarter
- Installment loan run-off was 1,580 MNOK, compared with 1,444 MNOK in the third quarter
- Positive currency impact in the fourth quarter vs. negative effect in the third quarter
- Agent distribution resumed in the fourth quarter
- High share of recurring business

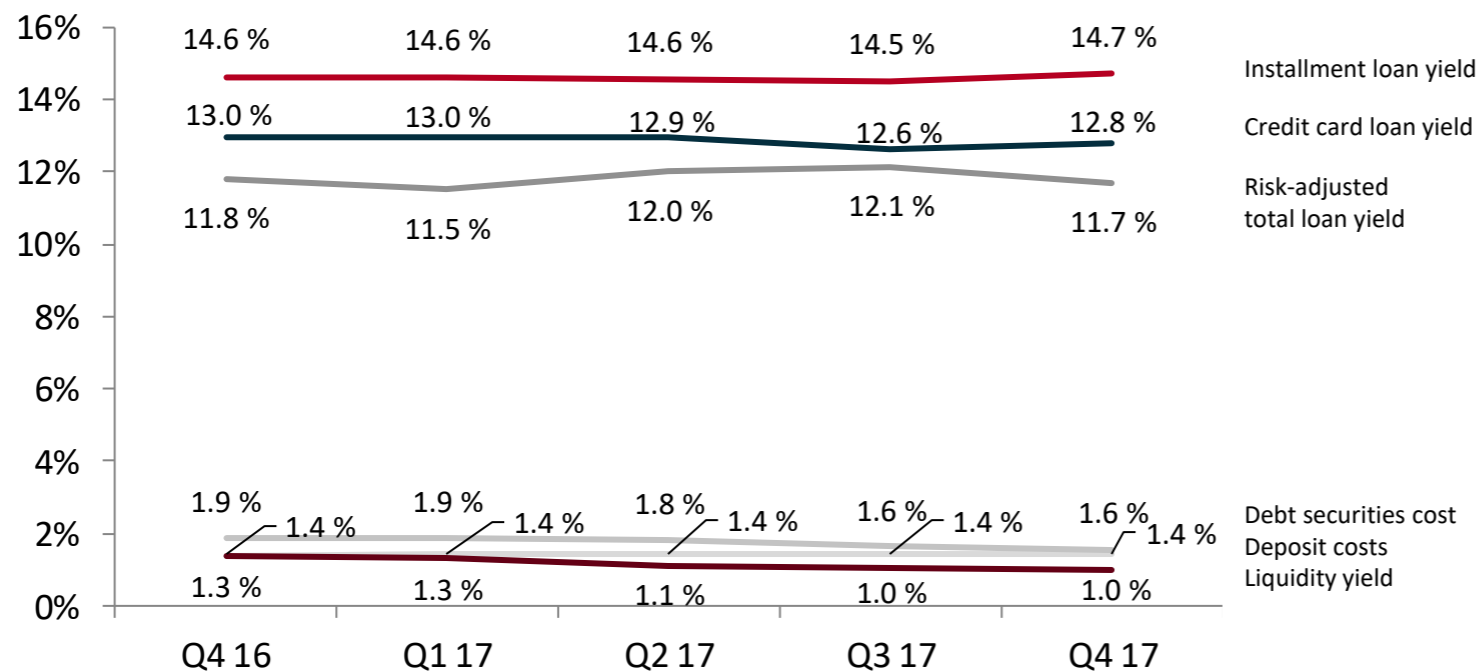
Growth figures for Q3 17 are adjusted for sale of NPL

Stable yields and margins

Margins as a % of average assets

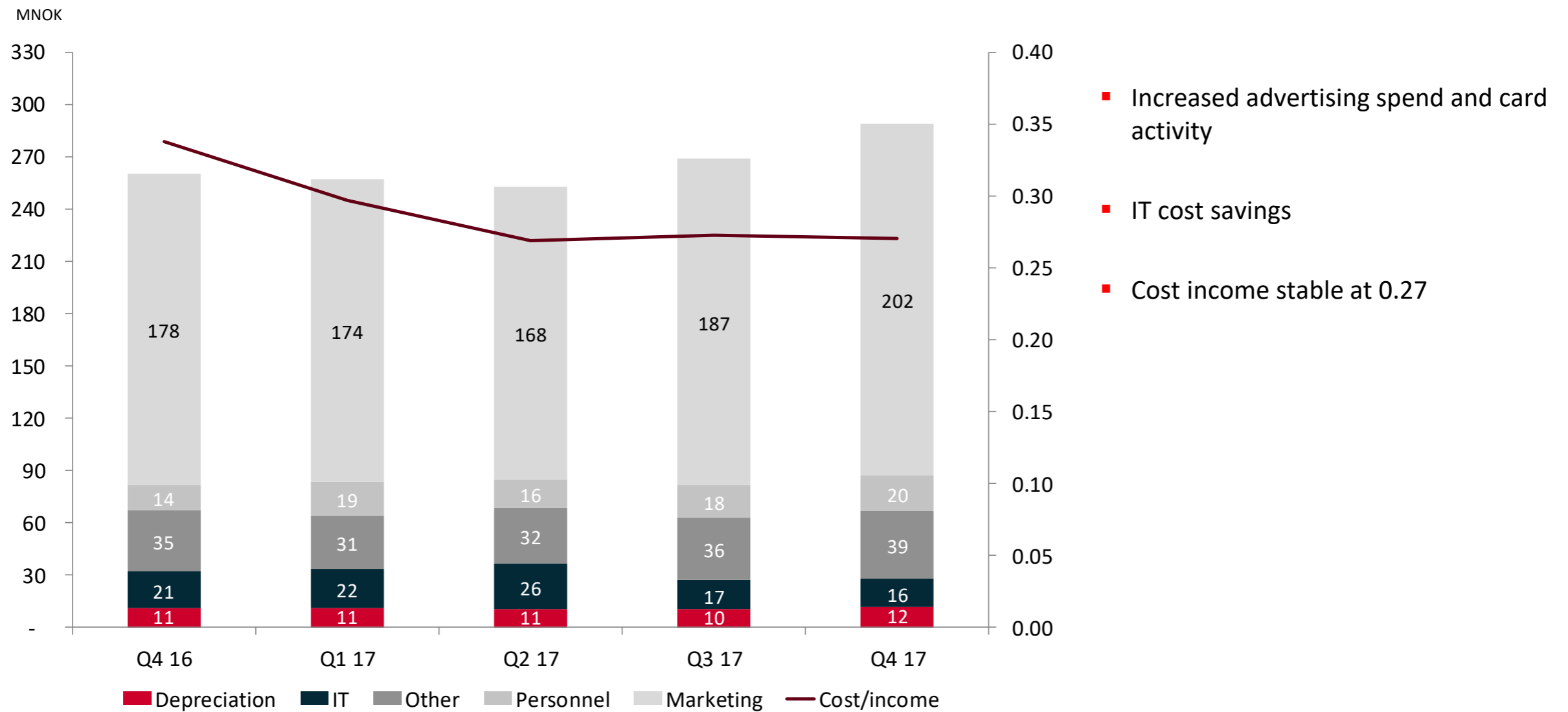


Asset yield and cost of deposits



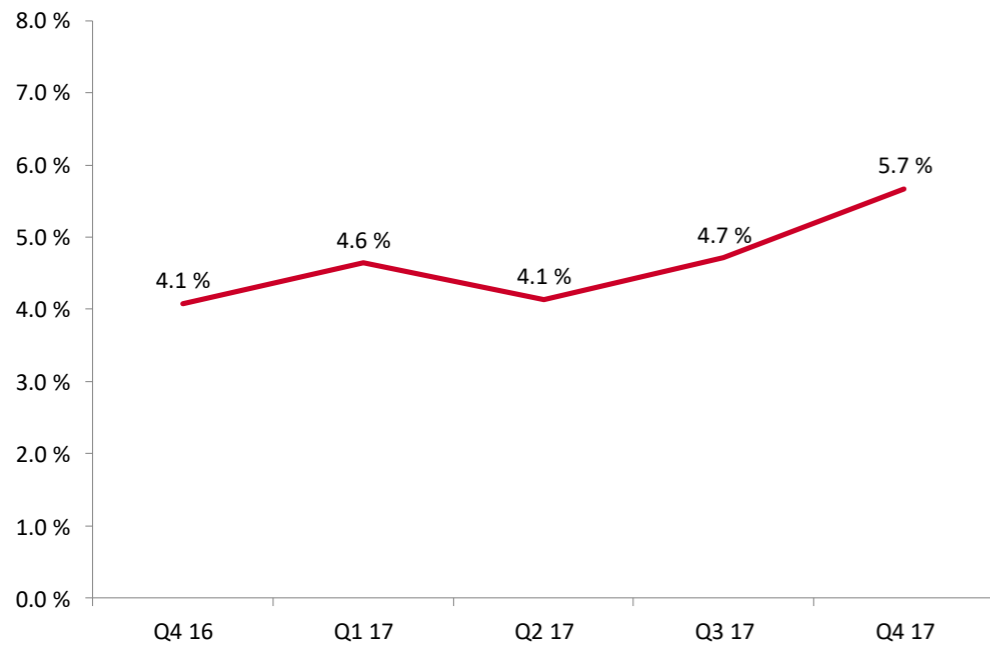
High operating efficiency

Quarterly operating expenses

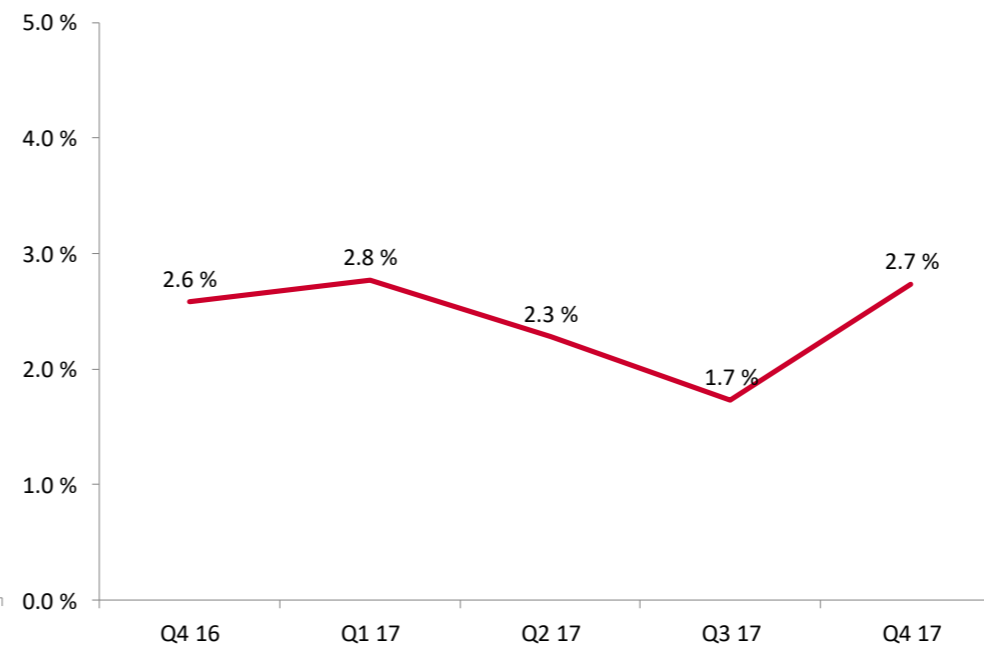


Solid credit metrics

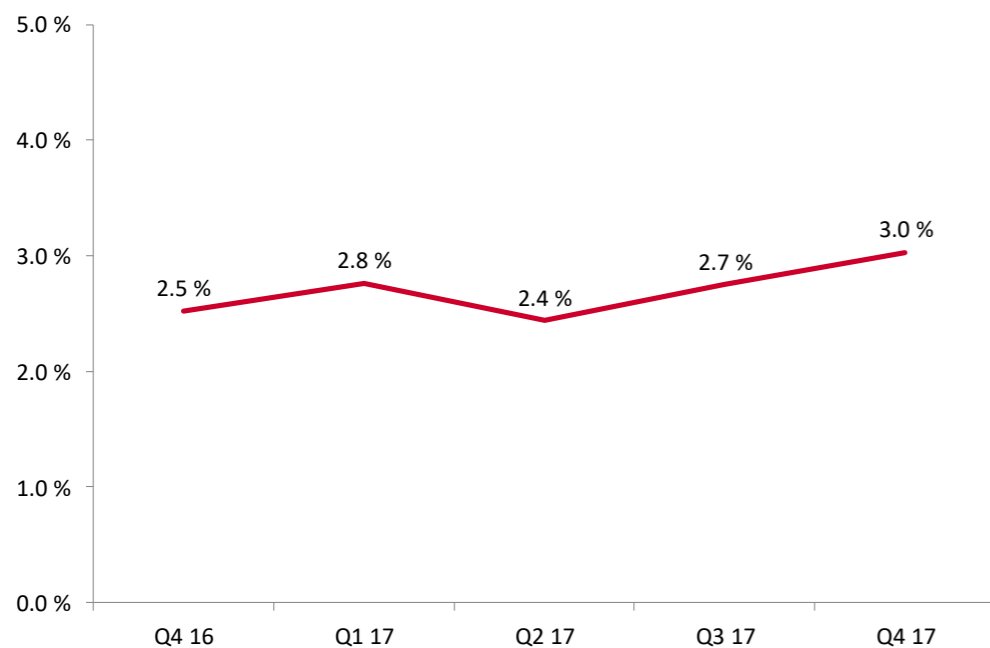
Non-performing loans to loans



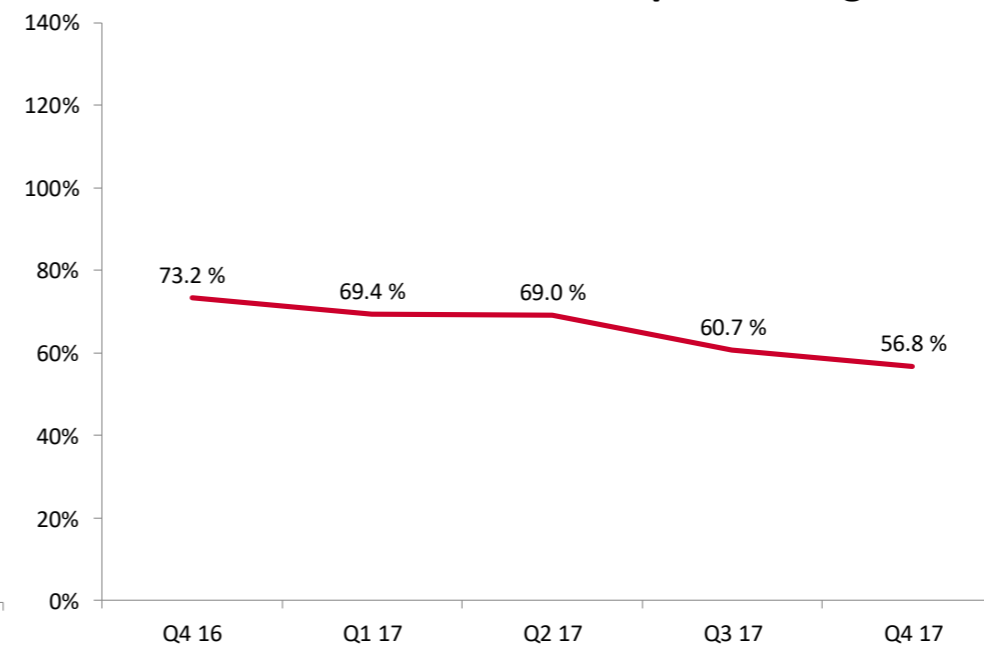
Loan loss provisions to average loans



Loan loss allowance to loans



Loan loss allowance to non-performing loans

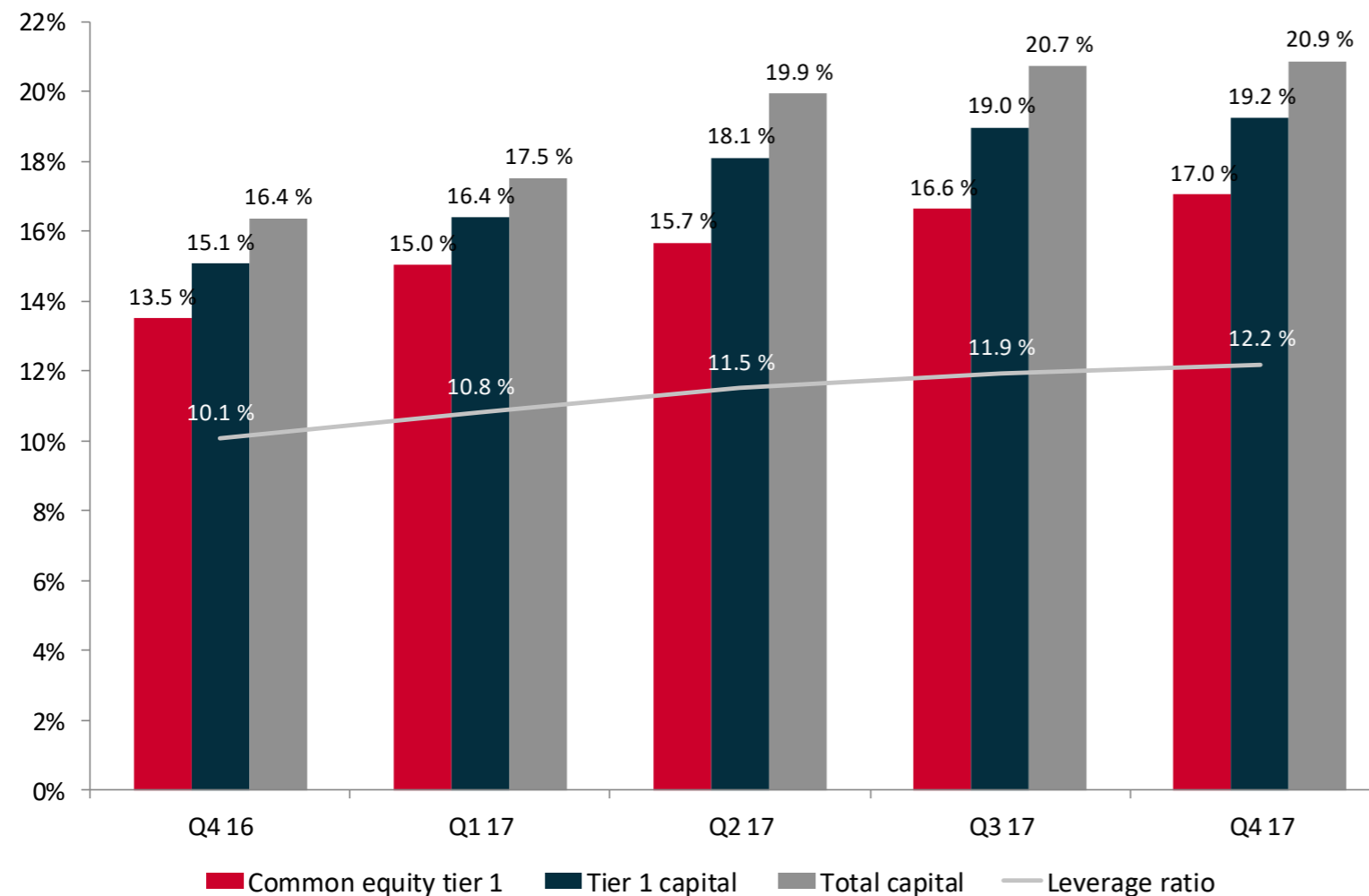


- Low NPL levels due to portfolio sales and unseasoned portfolios
- NPL's expected to rise to normalized levels
- Solid provisioning and allowance coverage demonstrated by gains on portfolio sales and immaterial impact from IFRS 9 adoption

Figures are not reclassified

Increasing risk absorption capacity

Capital ratios







- Strong 17.0% CET1 capital ratio
- Minimum CET1 requirement 15.5% as of the end of the fourth quarter
- Target capital ratios
 - 16.0% CET1 capital
 - 17.5% T1 capital
 - 19.5% total capital
- Leverage ratio equals 12.2%
- Commencement of dividend payments expected in 2018

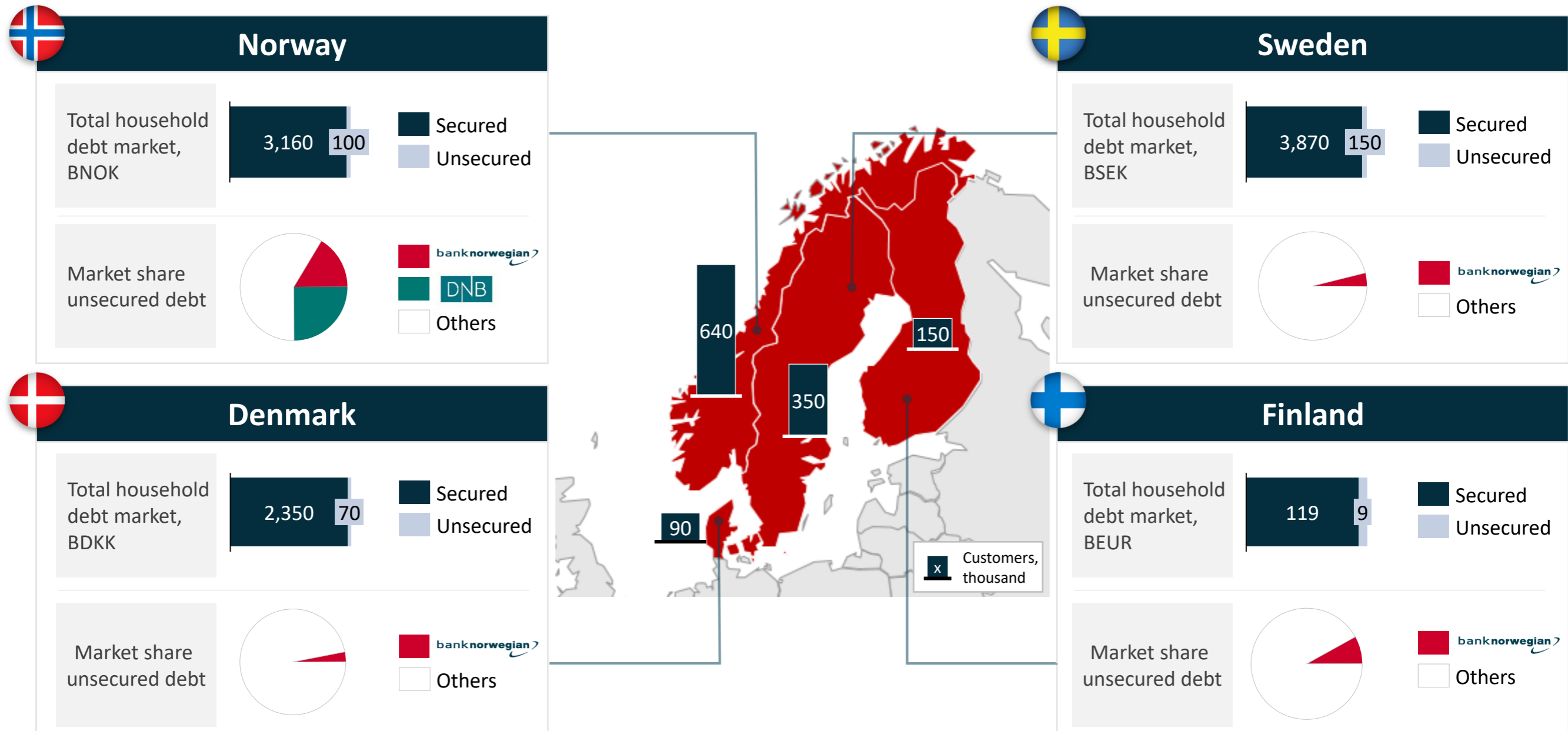
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Regulatory and economic update

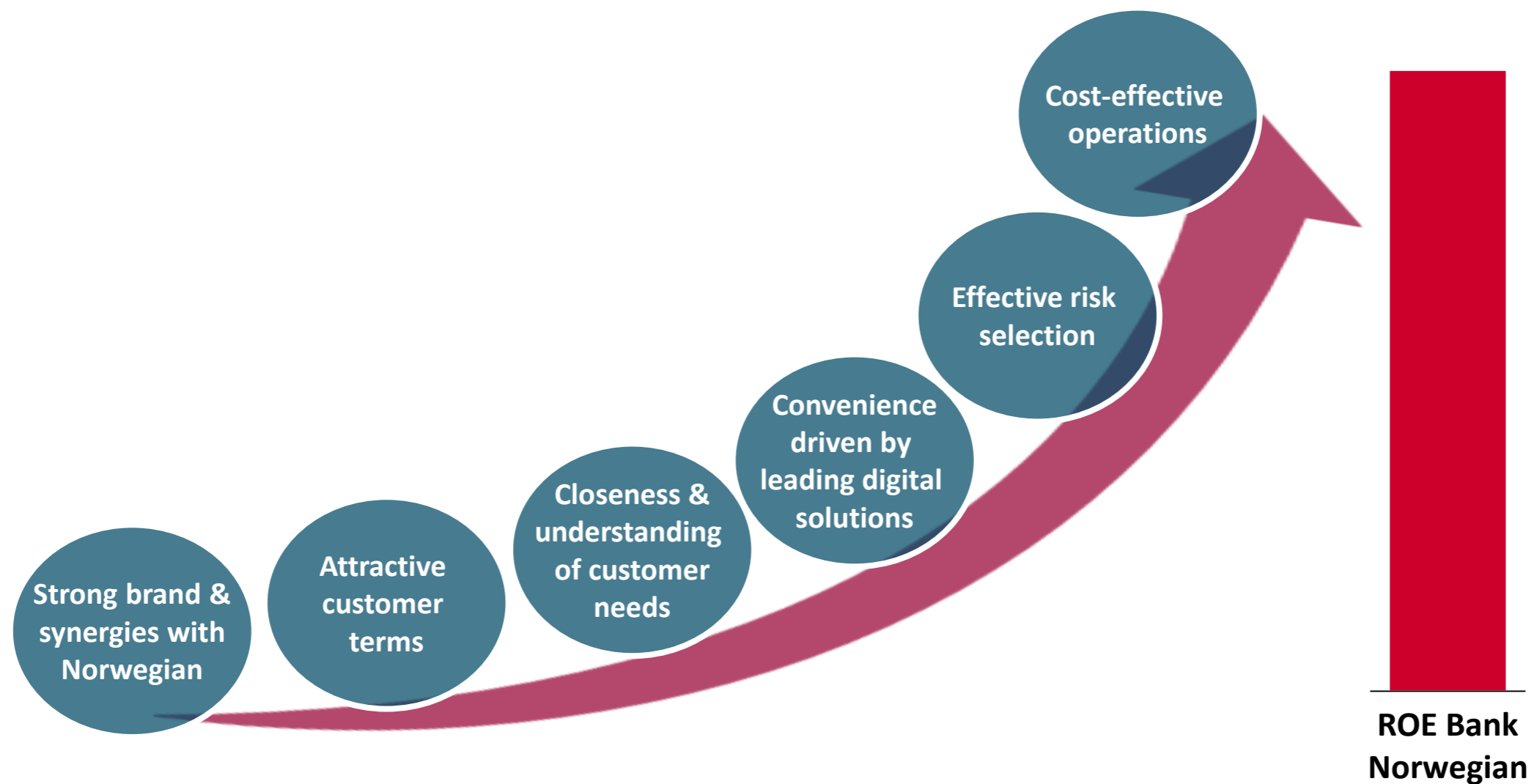
				
Debt register implementation	In progress ✓	✓	✓	✓
Interest rate ceiling	Being debated ✓	✓	✗	✓
Other local regulations	<ul style="list-style-type: none"> ▪ FSA guidelines ✓ ▪ Deposit insurance ✓ 	Responsible lending ✓	Credit card surcharging abolished ✓	✗
PSD2 GDPR RTS	Main drivers of industry transformation			
GDP 2018 forecast	+1.8%	+2.8%	+2.0%	+2.5%
Favourable labor market	✓	✓	✓	✓

Significant room for growth in all four geographies



Profitability driven by focused high margin business model

...in combination with a number of key success factors



Consumer driven banking



Our customers executed 2.6 transactions per second, and logged in to the app ~2 million times during Q4

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Well positioned for continued earnings growth

Earnings growth and strong returns

- Continued customer and loan growth
- Stable margins
- Cost-efficient operations

Stable credit quality

- Strong Nordic economies
- Favourable unemployment outlook
- Immaterial impact from IFRS9 adoption

Resilient balance sheet

- Strong liquidity position
- Adequate capital for growth
- Commencement of dividend payments expected in 2018

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Appendix

Quarterly balance sheet

Norwegian Finans Holding Group

<i>MNOK</i>	31.12.17		30.9.17		Change	
Assets						
Deposits with the central bank	66	0 %	62	0 %	4	6 %
Loans and deposits with credit institutions	1,261	3 %	1,769	4 %	-509	-29 %
Loans to customers	32,452	75 %	30,135	74 %	2,316	8 %
Certificates and bonds	8,860	21 %	8,365	21 %	495	6 %
Financial derivatives	2	0 %	3	0 %	-1	-41 %
Shares and other securities	0	0 %	0	0 %	-	0 %
Assets held for sale	33	0 %	30	0 %	3	10 %
Intangible assets	115	0 %	116	0 %	-1	-1 %
Deferred tax asset	16	0 %	8	0 %	7	89 %
Fixed assets	1	0 %	1	0 %	-0	-7 %
Receivables	195	0 %	124	0 %	71	58 %
Total assets	43,000	100 %	40,614	100 %	2,386	6 %
Liabilities and equity						
Deposits from customers	33,682	78 %	31,988	79 %	1,694	5 %
Debt securities issued	2,242	5 %	2,040	5 %	202	10 %
Financial derivatives	52	0 %	11	0 %	41	n/m
Taxes payable	526	1 %	382	1 %	144	38 %
Other liabilities	159	0 %	285	1 %	-126	-44 %
Accrued expenses	150	0 %	155	0 %	-4	-3 %
Subordinated loan	475	1 %	475	1 %	0	0 %
Total liabilities	37,286	87 %	35,336	87 %	1,950	6 %
Share capital	187	0 %	187	0 %	-	0 %
Share premium reserve	971	2 %	971	2 %	-	0 %
Tier 1 capital	635	1 %	635	2 %	-	0 %
Retained earnings and other reserves	3,921	9 %	3,485	9 %	436	13 %
Total equity	5,714	13 %	5,278	13 %	436	8 %
Total liabilities and equity	43,000	100 %	40,614	100 %	2,386	6 %

Top 20 shareholders

SHAREHOLDER		# OF SHARES
1 NORWEGIAN AIR SHUTTLE ASA		30,623,739
2 GOLDMAN SACHS & CO.	NOMINEE	15,436,944
3 DANSKE BANK AS		8,466,544
4 FOLKETRYGDFONDET		7,344,261
5 BRUMM AS		6,739,432
6 GREEN 91 AS		6,313,434
7 STENSHAGEN INVEST AS		4,551,416
8 JPMORGAN CHASE BANK	NOMINEE	4,366,030
9 SNEISUNGEN AS		4,076,841
10 SWEDBANK ROBUR SMÅBOLAGSFOND		4,038,634
11 BANQUE DEGROOF PETERCAM	NOMINEE	3,425,999
12 BANQUE DEGROOF PETERCAM	NOMINEE	2,897,486
13 KM AVIATRIX INVEST AS		2,790,635
14 MP PENSJON PK		2,740,995
15 GKB INVEST AS		2,640,635
16 TORSTEIN TVENGE		2,500,000
17 SONGA AS		2,083,120
18 JPMORGAN CHASE BANK	NOMINEE	1,922,751
19 CLEARSTREAM BANKING	NOMINEE	1,837,175
20 VERDIPAPIRFONDET PARETO INVESTMENT		1,617,000
Top 20		116,413,071
Total		186,688,897

- Management holds 1.4% of shares outstanding

As of February 27, 2018