

The background of the slide is a close-up photograph of autumn leaves in shades of red, orange, and brown, with some leaves in sharp focus and others blurred in the background.

Third quarter 2020
results presentation

Q3

Norwegian Finans Holding Group
October 28, 2020

Solid results and strong fundamentals support future growth



Strong quarter



Lower loan losses



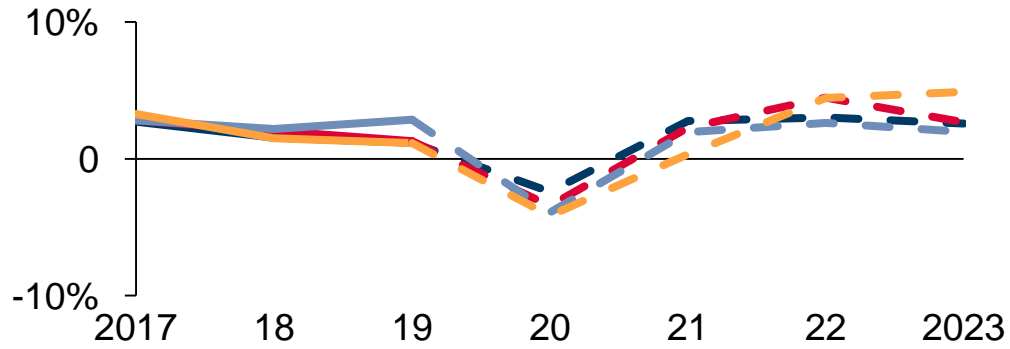
Strong capital position



Growth strategy confirmed

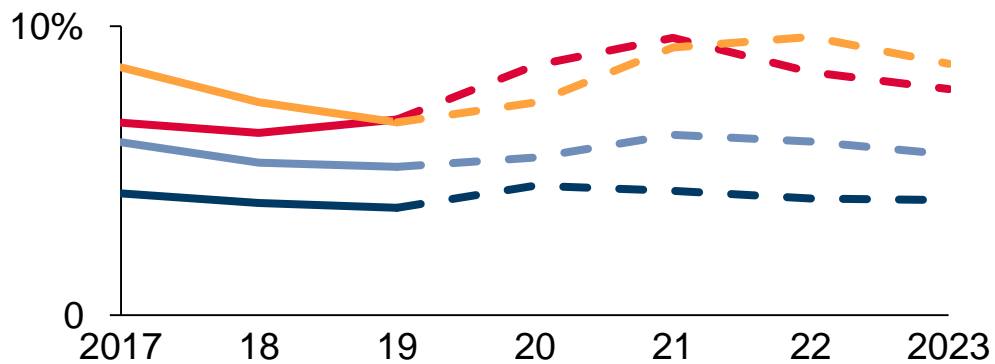
Nordic and European economies impacted by Covid-19

Nordic
GDP development



- Faster GDP and unemployment recovery expected compared to previous forecasts

Nordic
Unemployment

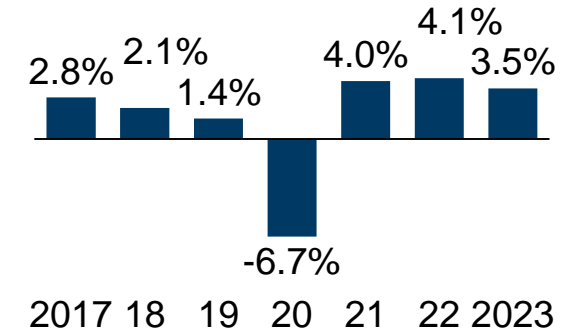


- Digital societies adopting well to social distancing and remote working

— Norway — Sweden — Denmark — Finland - - - Forecast

Source: Moody's

EU-27
GDP development



- Uncertainty regarding Covid-19 and second wave impacts

Diversified market position

Norway: Unexpected positive development



- Improved household liquidity for a majority
- Loan demand returning from low levels
- Cost/payout ratio reduced from high Q2 levels

Sweden: Untapped potential



- Swedish market large and well-functioning
- Enhanced our tools to better match the market characteristics
- Increase in interest-bearing balance

Denmark: Regulations and liquidity



- Strong beginning of quarter despite new regulation
- Improved consumer liquidity
- Increase in deposits

Finland: Rate cap of 10%



- Growth in loans
- Increased loan demand due to rate cap
- Cost/payout ratio increased

Strong result proving the business model

<i>MNOK</i>	Q3 2020	Q2 2020	Change	YTD 2020	YTD 2019	Change
Interest income	1 498.6	1 565.6	-67.0	4 645.1	4 375.5	269.6
Interest expenses	177.5	179.3	-1.8	543.3	476.5	66.8
Net interest income	1 321.1	1 386.3	-65.2	4 101.8	3 899.0	202.8
Commission and bank services income	79.4	66.4	13.0	338.3	405.1	-66.8
Commission and bank services expenses	42.8	48.1	-5.3	142.6	192.8	-50.2
Net change in value on securities and currency	9.2	105.0	-95.8	45.1	22.6	22.5
Other income	-	-	-	-	-	-
Net other operating income	45.8	123.2	-77.4	240.8	234.8	6.0
Total income	1 366.8	1 509.5	-142.7	4 342.6	4 133.8	208.7
Personnel expenses	32.0	23.7	8.3	86.9	73.8	13.1
General administrative expenses	263.3	227.5	35.8	785.7	812.1	-26.4
Depreciation and impairment of fixed and intangible assets	25.0	22.5	2.5	64.2	49.6	14.6
Other operating expenses	14.6	15.0	-0.3	45.4	44.0	1.4
Total operating expenses	335.0	288.7	46.3	982.3	979.5	2.8
Provision for loan losses	365.6	447.0	-81.4	1 433.3	1 194.6	238.7
Profit before tax	666.2	773.7	-107.6	1 927.0	1 959.7	-32.8
Tax charge	165.5	191.6	-26.1	476.2	482.5	-6.3
Profit after tax	500.6	582.1	-81.5	1 450.7	1 477.2	-26.4
Earnings per share (NOK)	2.63	3.06	-0.43	7.60	7.74	-0.14

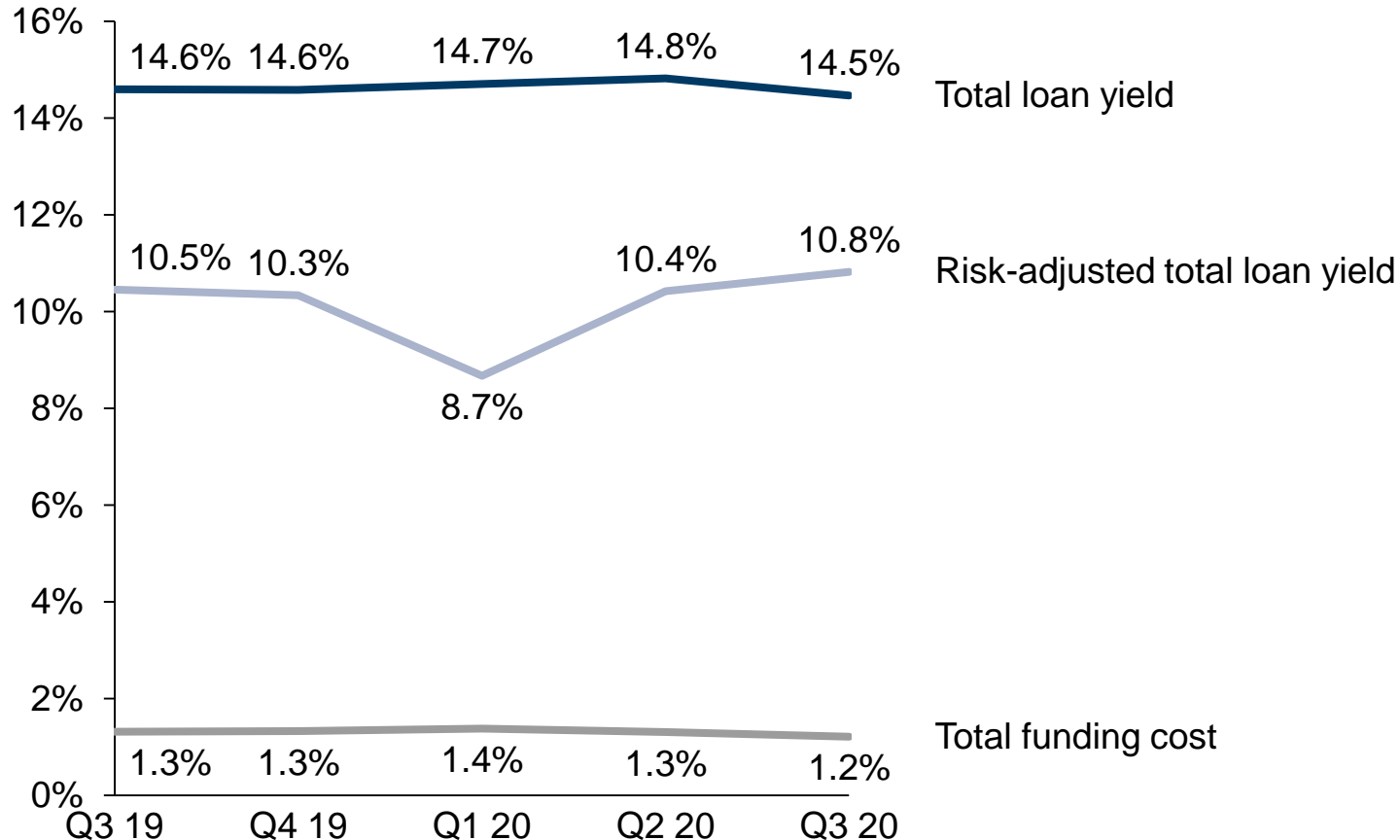
Q3 vs Q2

- NII affected by FX-effects and lower credit card interest bearing balance in Norway
- Reduced gain on fair value instruments and FX
- Exclusion of the optimistic scenario from the macro model maintained in the third quarter

YTD 2020 vs 2019

- Net interest income increase of 5.2 %
- Total operating expenses flat due to strict cost focus and flexible cost base
- Improved net profit before loan losses by 6.5 %

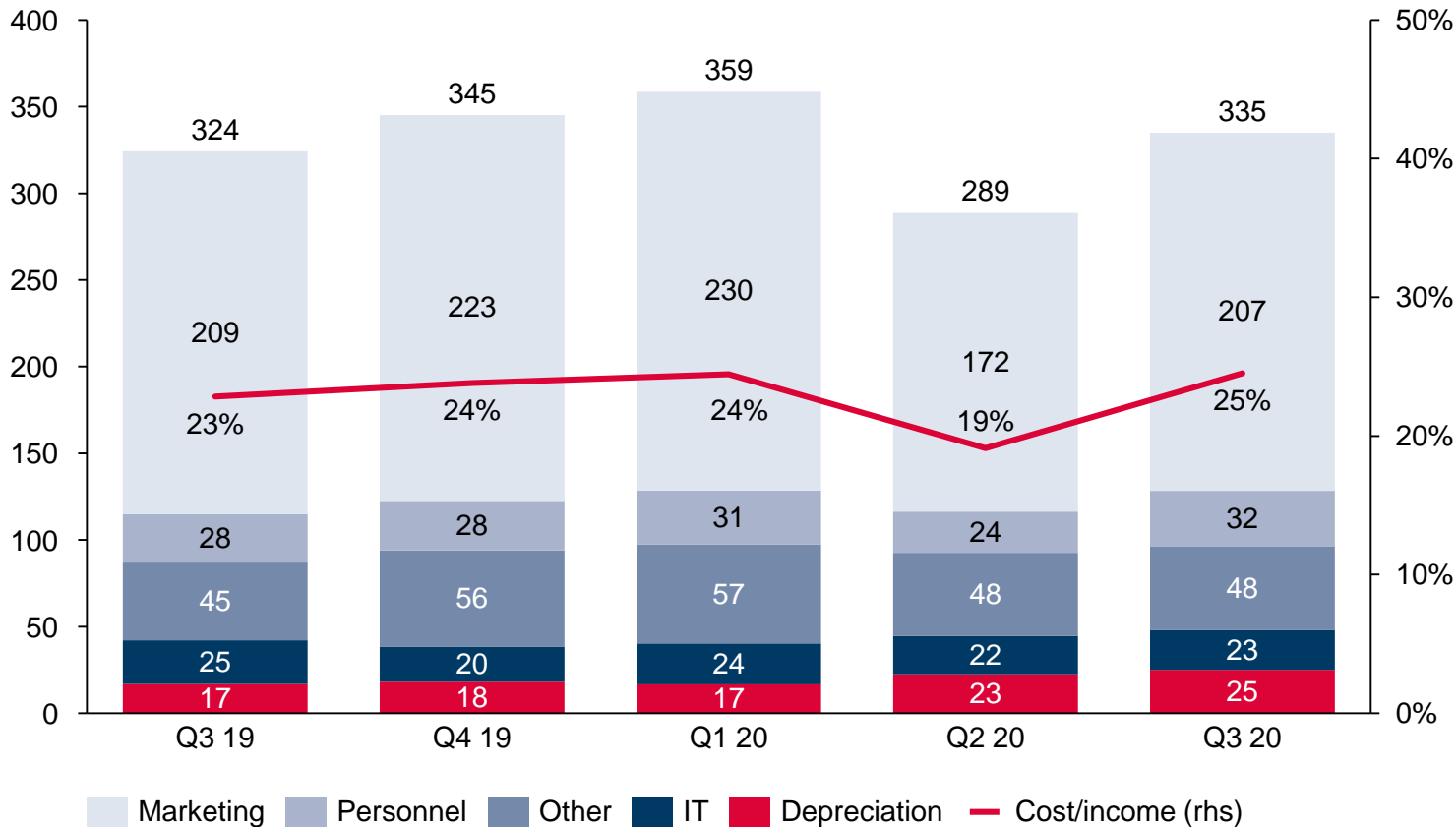
Increased risk-adjusted yield



- Normalized credit card loan yield in Q3
- Increased risk-adjusted total loan yield
- Lower average funding cost during the period due to deposit interest rate reductions and lower average debt securities cost
- Deposit interest rate reduction announced in Norway, effective from 1.1.2021
 - 1.20 % < 250' (unchanged)
 - 0.40 % > 250'

High operating efficiency

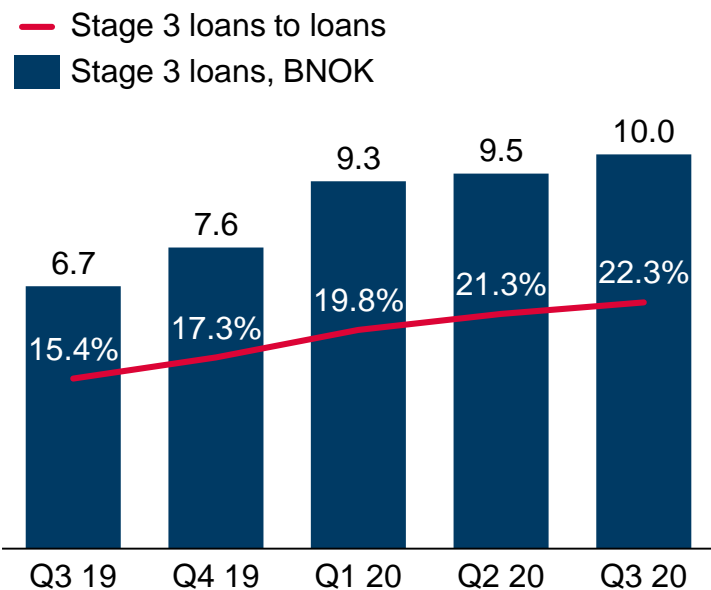
Quarterly operating expenses, MNOK



- Flexible cost base support our activities
- Higher digital marketing spend in Norway and Denmark
- Increase in personnel cost due to periodization with low Q2 costs
- Lower credit card related IT costs
- Cost/income at 25%

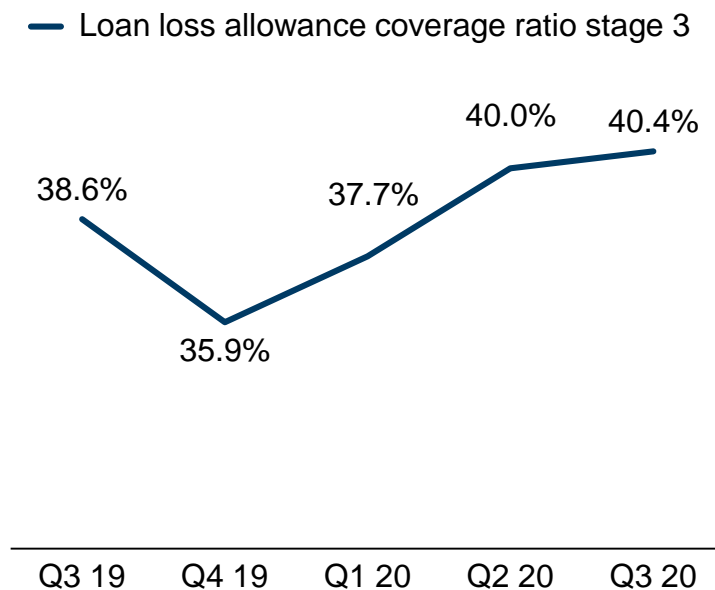
Improved credit quality

Stage 3 loans



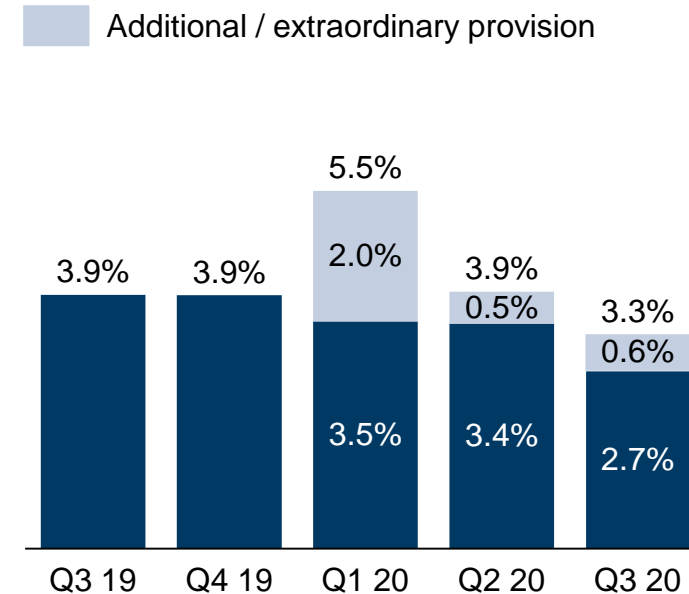
- Continued decline in absolute stage 3 growth rate

Allowance coverage ratio stage 3



- Strong allowance ratio

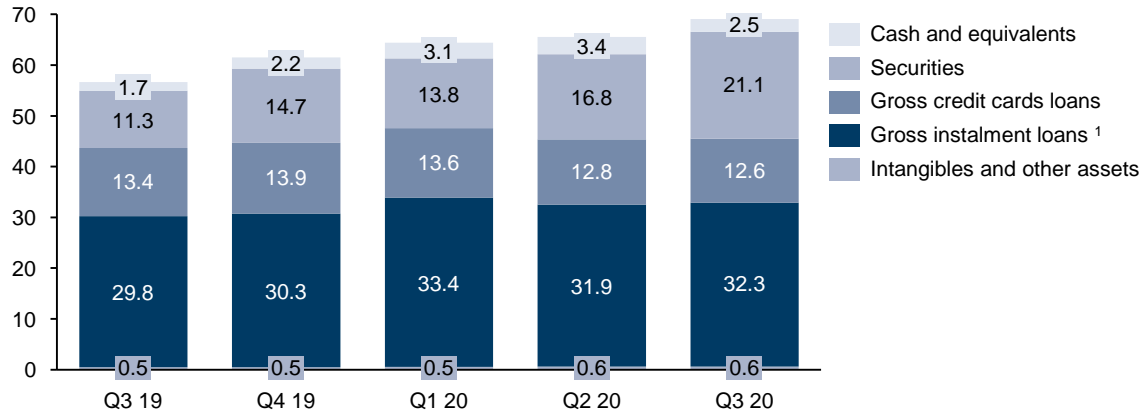
Loan loss provisions



- Optimistic macro scenario still excluded – net negative effect on loan loss provision of MNOK 62.1 in Q3

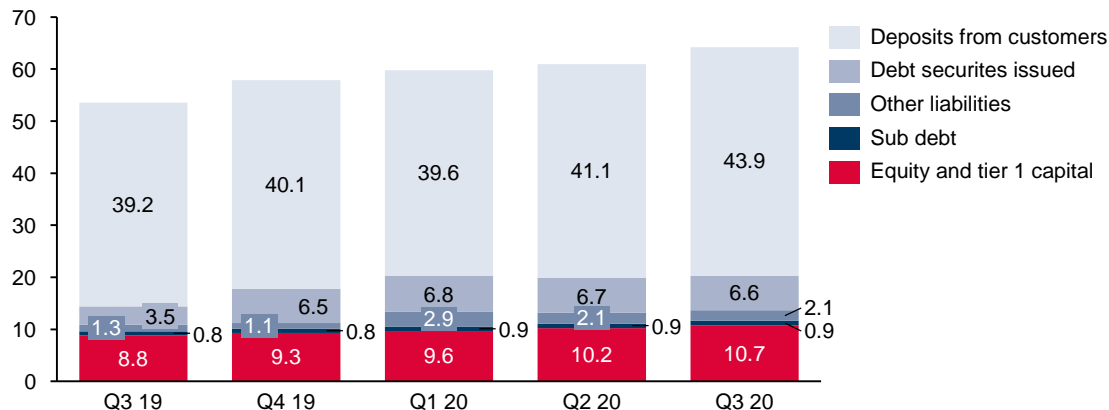
Resilient and highly liquid balance sheet

Assets, BNOK

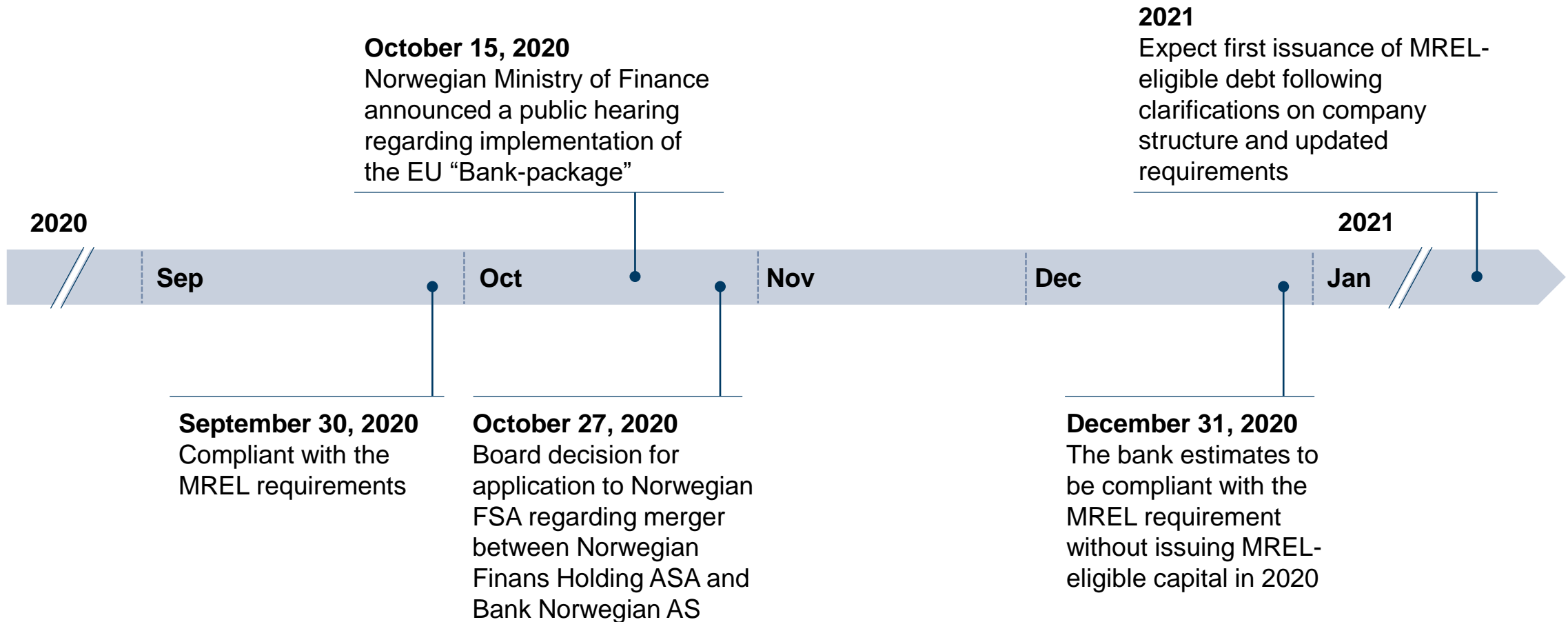


- Positive loan growth of MNOK124, with growth in 3 out of 4 countries
- Currency adjusted loan growth was negative with MNOK 286 compared with negative MNOK 1 276 in Q2
- Instalment loans increased MNOK 54 and credit cards were down MNOK 340, currency adjusted
- Instalment loan sales was MNOK 1 859, compared with MNOK 1 236 in the previous quarter
- Instalment loan run-off was MNOK 1 833, compared with MNOK 1 799 in the previous quarter
- Deposits increased MNOK 2 789. Adjusted for currency effects deposits increased MNOK 2 439
- Liquid assets comprise 36.7% of total assets – significantly increased due to strong deposit growth

Liabilities and equity, BNOK

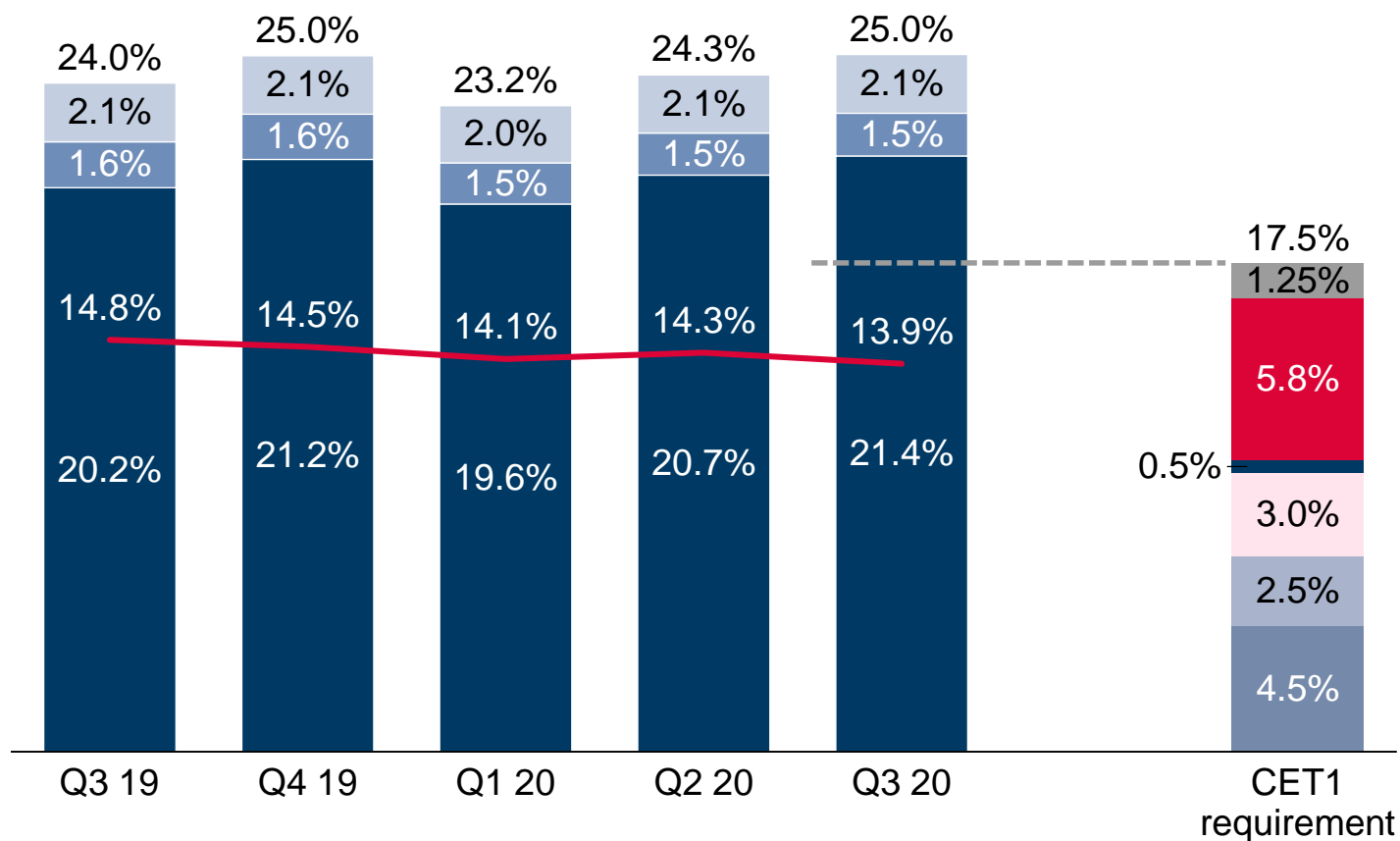


Minimum Requirements for Own funds and Eligible Liabilities (MREL)



Strong capital position

Capital ratios



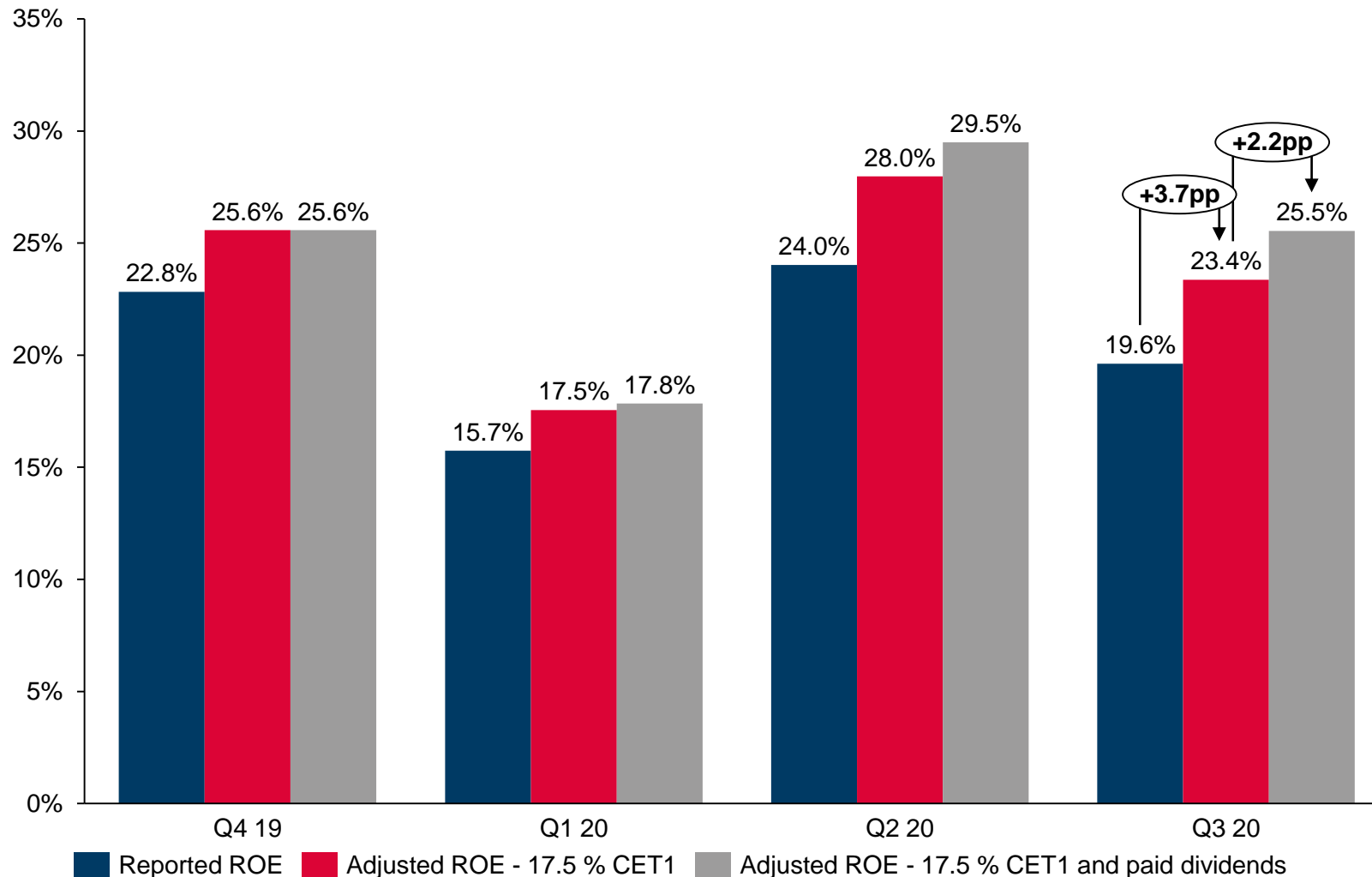
- 21.4% CET 1 capital ratio compared with 16.3% minimum requirement and 17.5% target
- CET 1 calculation includes 209 bp set aside for dividends, according to upper-end of dividend policy payout range
- Significant loss absorption capacity through high internal capital generation and high capital buffers

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

— Leverage ratio

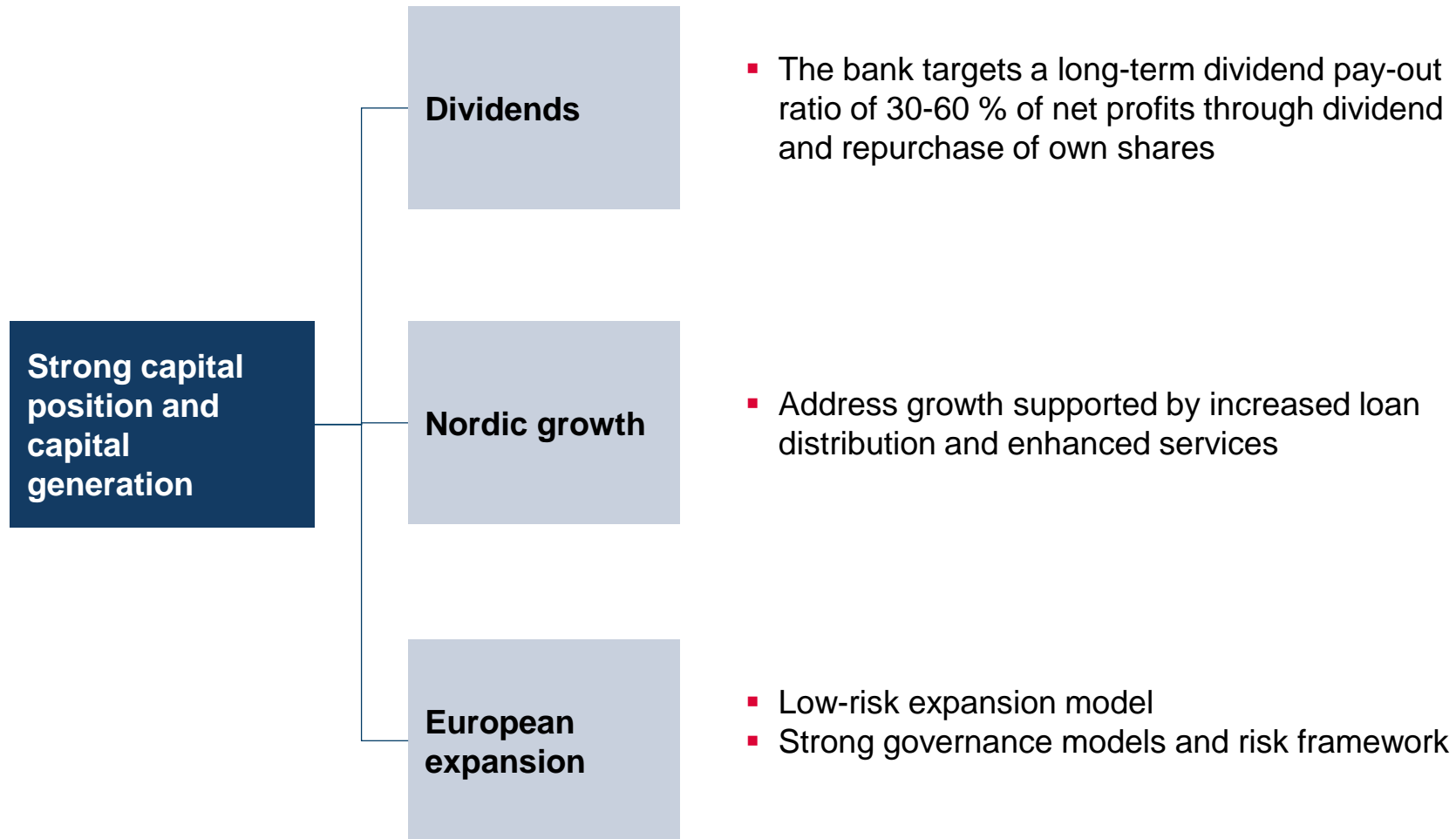
* Current countercyclical buffers as of 30.09.2020: Norway 1.0 % (2.5 %), Sweden 0.0 % (2.5 %), Denmark 0.0 % (1.0 %) and Finland 0.0 % (0.0 %). Numbers in brackets are prior to Covid-19.

ROE impacted by strong capitalization and dividend policy



- Return on equity impacted by capital requirements, surplus capital vs requirements and dividends according to upper-end of dividend policy payout range
- Adjustment for overcapitalization compared to CET 1 requirement (incl. P2G and management buffer) increases ROE by 3.7 pp
- Adjustment for dividend set aside (assumed dividend payment) increases ROE further by 2.2 pp

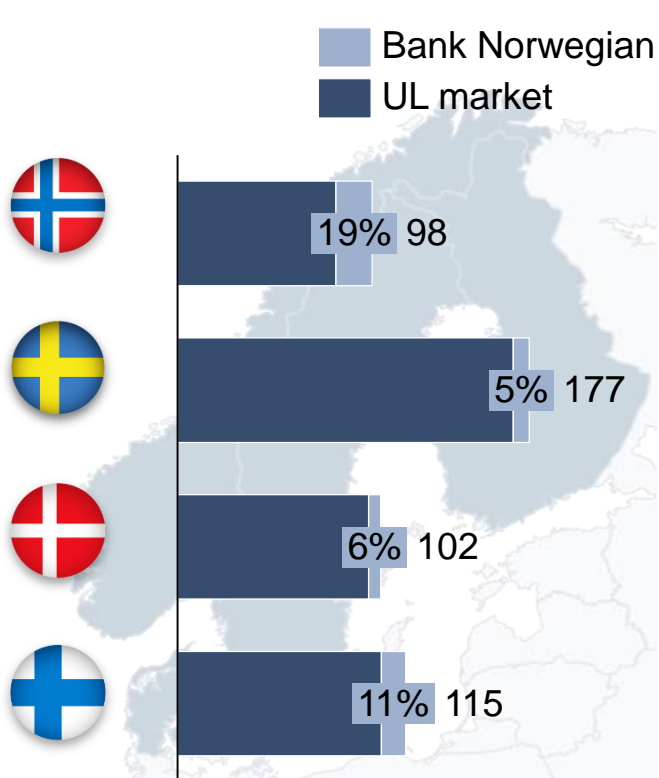
Position to deliver on strategy



Continue Nordic growth

Room for growth

Unsecured lending (UL), BNOK



Competitive value proposition

Customer oriented

- High customer satisfaction
- High number of recurring customers and low churn
- User friendly digital bank

Attractive services

- Convenient onboarding and self-service processes
- Transparent products with no hidden costs and attractive terms
- Market leading credit card

Opportunities to be addressed

- Address untapped potential through selective expansion of distribution network to grow market reach
- Evaluate services for the credit card to increase customer value
- Continue to develop our digital bank and services stand-alone and through partnerships

European expansion

Low-risk expansion model

- **Industry-leading cost ratio** from highly scalable cost-efficient operating model
- **Truly digital operations** enabling analytics excellence
- **Proven track record** of low-cost expansion and value creation from previous successful entries

Expansion criteria

Organic expansion to countries with a good fit for our business model

Market size and product mix

Digital adoption

Customer data availability

Well functioning recovery environment

Two markets currently prioritized from shortlist



Germany



Spain



Austria



Netherlands

- Large markets with a good fit for Bank Norwegian's strategy
- Address attractive market segments
 - Digital customers
 - Customers in urban areas
- Limited market share required to build presence similar to current operations in e.g. Finland
- Effects of the pandemic on individual countries will be continuously assessed prior to launch in 2H 2021

Outlook

Continue strong earnings

- Stable risk adjusted loan yield
- Lean operations with cost control
- Harmonized regulatory environment positive

Optimize balance sheet

- Stable provision levels and good coverage ratios
- Deposit rate reductions
- Dividend payment between 30% and 60% supported by robust capital position

Profitable growth

- Focus on stable high ROE
- Nordic growth through increased loan distribution and enhanced services
- European expansion to commence in second half of 2021

Appendix

Quarterly profit and loss account

<i>Amounts in NOK 1000</i>	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Interest income, effective interest method	1 447 485	1 503 855	1 513 862	1 488 734	1 457 649
Other interest income	51 103	61 764	67 068	46 524	37 800
Interest expenses	177 518	179 319	186 500	173 586	165 155
Net interest income	1 321 070	1 386 301	1 394 430	1 361 672	1 330 294
Commission and bank services income	79 379	66 364	192 558	135 391	134 232
Commission and bank services expenses	42 839	48 138	51 627	57 862	70 004
Net change in value on securities and currency	9 212	104 964	-69 114	9 465	25 201
Net other operating income	45 751	123 190	71 817	86 994	89 429
Total income	1 366 822	1 509 491	1 466 247	1 448 665	1 419 723
Personnel expenses	32 040	23 719	31 168	28 496	28 061
General administrative expenses	263 320	227 532	294 882	282 970	263 087
Depreciation and impairment of fixed and intangible assets	25 031	22 518	16 700	18 079	16 833
Other operating expenses	14 641	14 972	15 801	15 573	16 269
Total operating expenses	335 031	288 741	358 550	345 118	324 251
Provision for loan losses	365 623	447 027	620 636	432 803	413 511
Profit before tax	666 168	773 723	487 060	670 745	681 961
Tax charge	165 545	191 635	119 028	166 882	168 024
Profit after tax	500 622	582 087	368 032	503 863	513 937

<i>Amounts in NOK 1000</i>	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Profit on ordinary activities after tax	500 622	582 087	368 032	503 863	513 937
Comprehensive income for the period	500 622	582 087	368 032	503 863	513 937

Quarterly balance sheet

<i>Amounts in NOK 1000</i>	30.9.20	30.6.20	31.3.20	31.12.19	30.9.19
Assets					
Cash and deposits with the central bank	69 511	69 623	69 905	68 500	68 285
Loans and deposits with credit institutions	2 462 788	3 361 585	3 014 698	2 094 165	1 626 704
Loans to customers	39 962 311	40 101 034	42 378 471	40 560 502	40 067 806
Certificates and bonds	21 054 167	16 790 787	13 764 305	14 650 988	11 339 732
Financial derivatives	205 245	161 158	59 020	76 371	19 284
Shares and other securities	51 491	51 124	46 017	44 863	42 529
Intangible assets	470 235	490 433	506 426	510 840	508 638
Deferred tax asset	7 702	5 849	4 179	3 502	19 673
Fixed assets	1 184	1 082	1 153	819	953
Receivables	79 322	92 057	110 908	62 835	56 133
Total assets	64 363 956	61 124 733	59 955 081	58 073 384	53 749 736
Liabilities and equity					
Loans from credit institutions	1 033 695	1 000 781	1 400 000	52 750	-
Deposits from customers	43 880 046	41 090 855	39 561 112	40 118 369	39 185 189
Debt securities issued	6 649 351	6 679 216	6 813 624	6 537 863	3 472 923
Financial derivatives	112 604	200 428	657 621	29 621	37 563
Tax payable	498 291	634 825	441 519	625 745	618 010
Deferred tax	3 821	3 821	3 821	3 821	-
Other liabilities	193 813	55 452	193 945	225 912	400 310
Accrued expenses	217 251	175 744	177 062	182 907	240 195
Subordinated loan	876 049	876 143	876 073	822 688	812 230
Total liabilities	53 464 921	50 717 265	50 124 777	48 599 677	44 766 421
Share capital	186 847	186 695	186 695	186 695	186 695
Share premium	978 201	972 295	972 295	972 295	972 295
Tier 1 capital	635 000	635 000	635 000	635 000	635 000
Paid, not registered capital	-	6 058	-	-	-
Retained earnings and other reserves	9 098 987	8 607 419	8 036 314	7 679 717	7 189 324
Total equity	10 899 035	10 407 468	9 830 304	9 473 707	8 983 314
Total liabilities and equity	64 363 956	61 124 733	59 955 081	58 073 384	53 749 736

Quarterly key figures and alternative performance measures

	Q3 2020	Q2 2020	Q1 2020	Q4 2019	Q3 2019
Return on equity (ROE) ^{1 3}	19.6 %	24.0 %	15.7 %	22.8 %	24.8 %
Return on assets (ROA) ¹	3.2 %	3.9 %	2.5 %	3.6 %	3.9 %
Earnings per share (EPS) ⁴	2.63	3.06	1.91	2.63	2.69
Common equity tier 1 (CET 1)	21.4 %	20.7 %	19.6 %	21.2 %	20.2 %
Leverage ratio	13.9 %	14.3 %	14.1 %	14.5 %	14.8 %
Liquidity coverage ratio (LCR)	494.4 %	385.5 %	233.5 %	449.6 %	203.2 %
Net interest margin (NIM) ¹	8.3 %	9.3 %	9.5 %	9.7 %	10.0 %
Cost/income ratio ¹	0.25	0.19	0.24	0.24	0.23
Loan loss provisions to average loans ¹	3.3 %	3.9 %	5.5 %	3.9 %	3.9 %
Stage 3 loans to loans ^{1 2}	22.3 %	21.3 %	19.8 %	17.3 %	15.4 %
Loan loss allowance coverage ratio stage 3 ^{1 2}	40.4 %	40.0 %	37.7 %	35.9 %	38.6 %
Loan loss allowance coverage ratio to loans ¹	10.9 %	10.3 %	9.9 %	8.1 %	7.2 %

1) Defined as alternative performance measure (APM). APMs are described on banknorwegian.no/OmOss/InvestorRelations.

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, has in Q2 2020 been 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 IFRS9.

3) Updated definition for ROE based on established market practice. Previous periods are recalculated.

4) Updated definition for EPS based on established market practice. EPS is calculated based on profit after tax excluding interest on additional Tier 1 capital. Previous periods are recalculated.

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	10 344 692	5.53 %
5 BANQUE DEGROOF PETERCAM LUX. SA	NOMINEE	7 745 303	4.14 %
6 BRUMM AS		5 273 482	2.82 %
7 STATE STREET BANK AND TRUST COMP	NOMINEE	5 018 858	2.69 %
8 STENSHAGEN INVEST AS		4 551 416	2.44 %
9 STATE STREET BANK AND TRUST COMP	NOMINEE	3 473 327	1.86 %
10 MP PENSJON PK		3 401 438	1.82 %
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 STATE OF WISCONSIN INVESTMENT BOARD		2 333 540	1.25 %
15 VERDIPAPIRFONDET ALFRED BERG GAMBAK		2 004 022	1.07 %
16 TORSTEIN INGVALD TVENGE		2 000 000	1.07 %
17 NYE KM AVIATRIX INVEST AS		1 868 472	1.00 %
18 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	1 721 721	0.92 %
19 KLP AKSJENORGE INDEKS		1 671 488	0.89 %
20 DIRECTMARKETING INVEST AS		1 500 000	0.80 %
Top 20		122 765 047	65.68 %
Total		186 904 268	

- Management holds 0.69% of shares outstanding

As of October 26, 2020