



## Norwegian Finans Holding ASA

Pareto Securities' Nordic Financial Services Conference

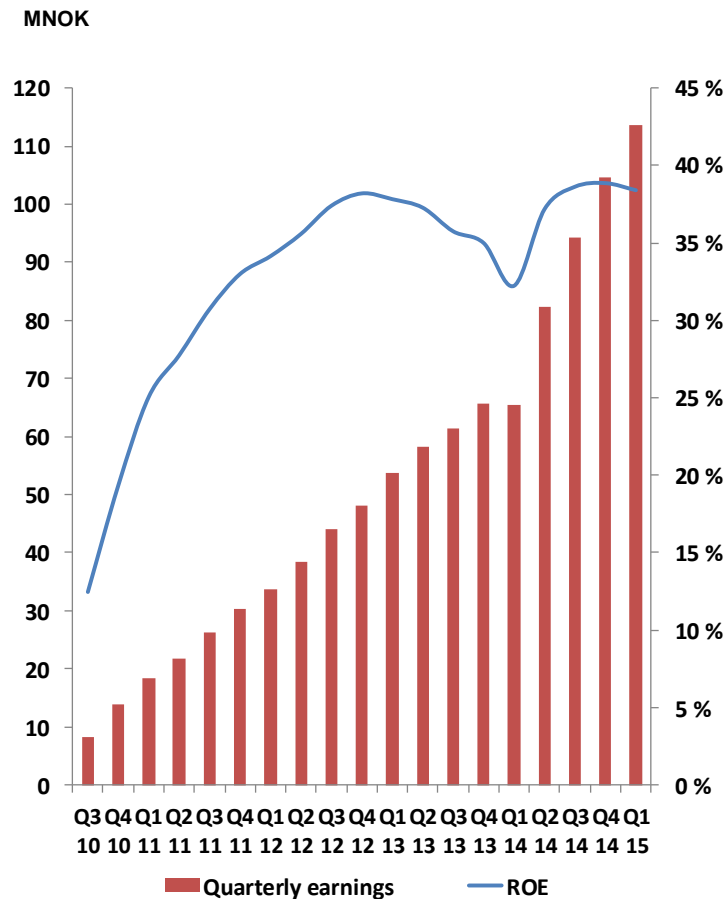
May 7 2015

# Outline

Bank Norwegian overview

First quarter 2015 results

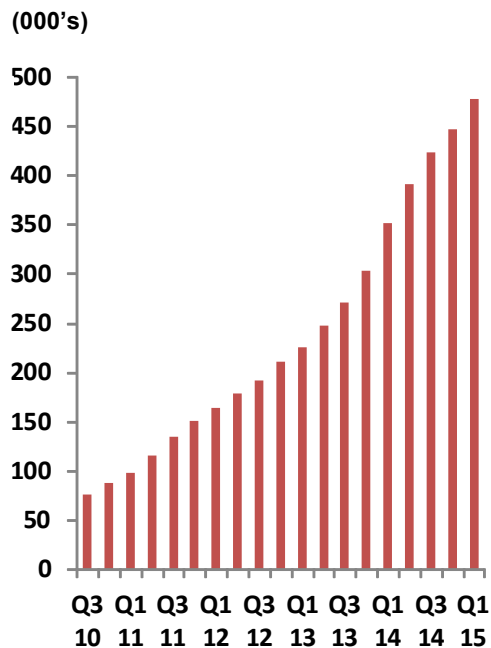
# Highly profitable operation



- Offering unsecured installment loans, credit card in co-operation with the airline Norwegian and savings deposits in the consumer market in Norway and Sweden
- Expansion in Sweden in May 2013 based on cross-border license
- Swedish operations turned profitable in the fourth quarter of 2014

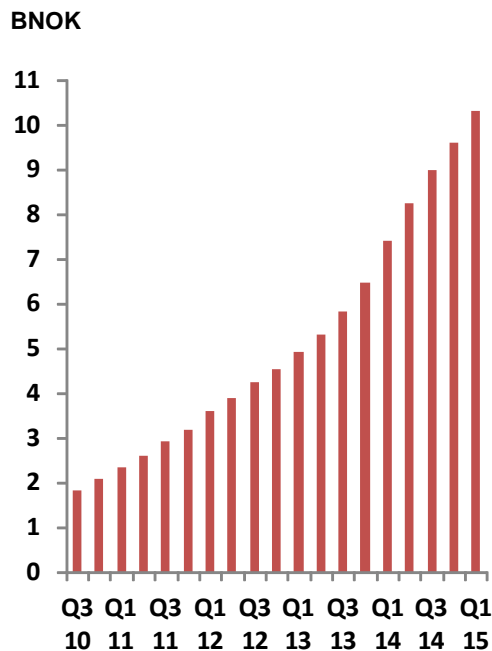
# Strong growth

## Customers



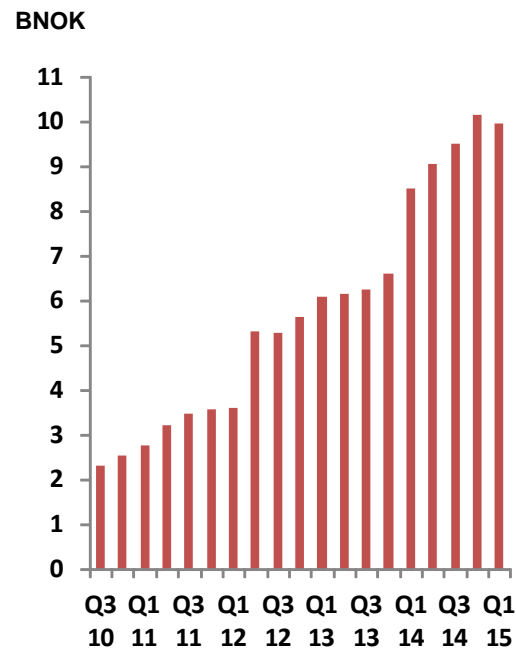
- 477,900 customers
- 342,400 credit card customers
- 140,600 customers in Sweden

## Loans



- Average installment loan size NOK 140,000 and SEK 90,000
- Installment loans have effective maturity of four years
- Average credit card outstandings NOK 18,000 and SEK 10,000
- Strong demographics
- Geographically diversified

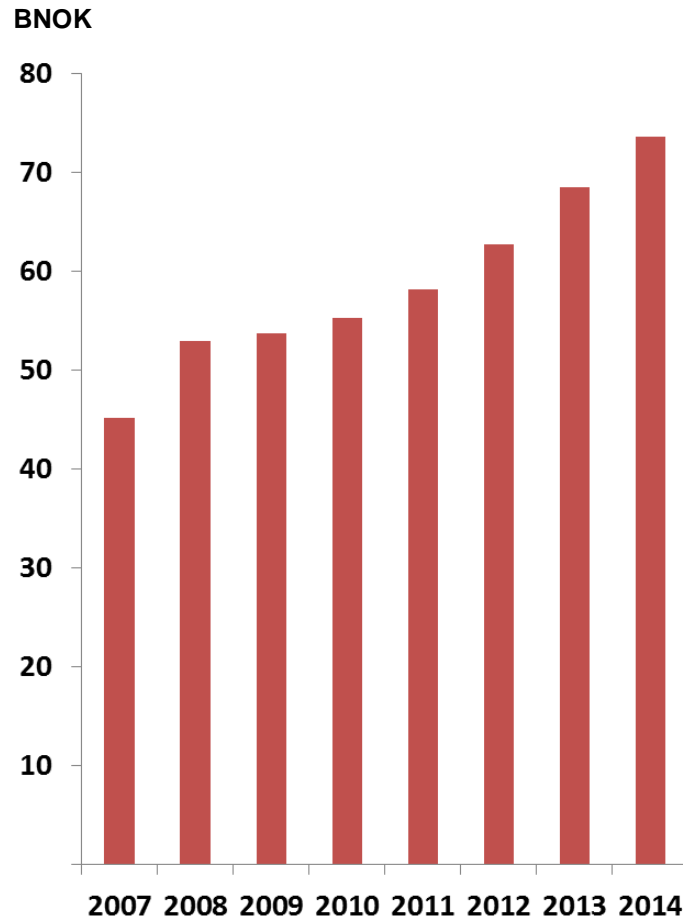
## Deposits



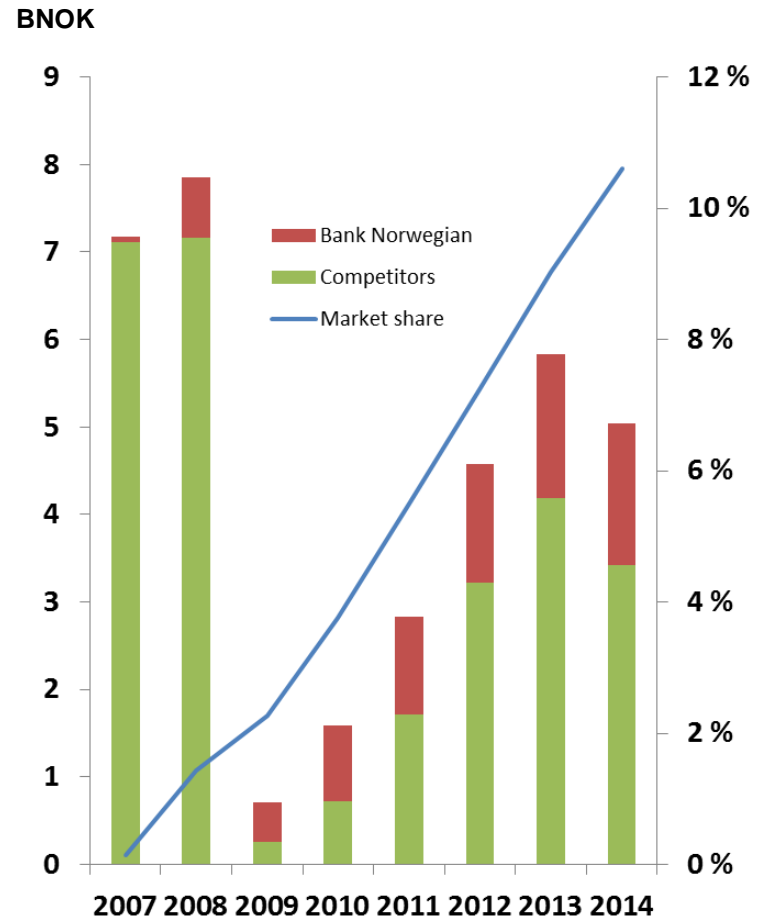
- Diversified and stable savings deposit base
- Average deposit size NOK 118,000 and SEK 227,000
- Covered by MNOK 2 deposit guarantee
- 0.5 % of deposits exceed limit for deposit guarantee

# Rising market share in Norway

Total unsecured loans



Market growth and market share



Source: The financial supervisory authority of Norway, adjusted for Bank Norwegian's Swedish loan portfolio.

# Mutually beneficial relationship between the airline and the bank

- Bank Norwegian is exclusive distributor of "Norwegian Reward" credit card
- "Cash points" earned by airline ticket purchases and all other credit card purchases
- Coordinated marketing activities promoting credit cards and loyalty program
- Leveraging off of the airline's strong market position and brand recognition
- Same operations footprint; e-commerce, automated processes and low-cost
- Financial arrangement includes royalty fee, fee per card issued and portfolio fee
- Norwegian has 20 % ownership in Norwegian Finans Holding ASA

The screenshot shows the 'Bekreft betaling' (Confirm payment) page on norwegian.no. It features a navigation bar with 'Reisebestilling' and 'Bekreft betaling' (highlighted in red). The page is divided into several sections:

- Betalingsinformasjon:** Shows the total price including taxes and fees (783 NOK). Two radio buttons are present: 'Betal hele beløpet med betalingskort' (selected) and 'Betal hele beløpet med CashPoints (betalingskort belastes ikke)'. Below this is a dropdown for 'Velg betalingskort fra din profil' and a section for 'Korttype' (Bank Norwegian Visa) and 'Kortnummer' (\*\*\*\*\*4089).
- Betingelser:** A section with a 'VIKTIG!' warning about baggage fees and a checkbox 'Jeg har lest og godtar betingelsene for denne reisen.' (checked).
- MINE REISEVALG:** A summary of the flight: Oslo-Gardermoen - London-Gatwick, Tuesday 31. mai 2011 kl. 07:20. It lists prices for 1 adult (299 NOK), taxes/fees (60 NOK), and baggage (40 NOK).
- BRUK CASHPOINTS SOM BETALING:** A section indicating the user has 1904 CashPoints and that the rest of the payment is 0 NOK.

Buttons at the bottom include '< Tilbake', 'Avbryt', and 'Bekreft og betal reisen' (highlighted in red).



# Focused strategy

## Leading e-commerce solutions

- Strong online marketing capability
- Convenient loan application and on-boarding process
- Instant time-to-yes
- 1 hour time-to-cash

## Synergies with Norwegian Air Shuttle

- Strong brand name
- Large customer base
- Strong incentive in loyalty credit card
- Basis for geographical expansion

## Attractive customer terms

- Competitive risk-based loan pricing
- Attractive deposit pricing

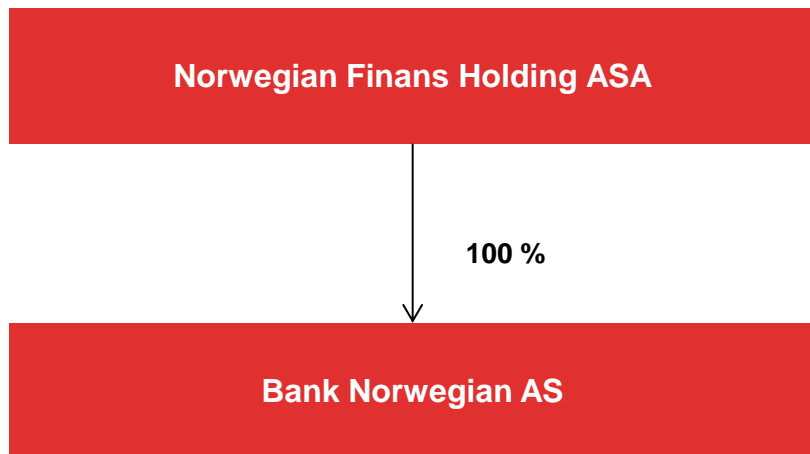
## Low-cost operations

- Automated processes
- Strategy-focused and integrated systems development
- Self service
- Low-cost culture

## Effective and efficient risk selection

- Automated risk selection
- Advanced credit models

# Legal structure and ownership



	SHAREHOLDER	# OF SHARES	
1	NORWEGIAN AIR SHUTTLE	34,600,040	20.00 %
2	GOLDMAN SACHS & CO - NOM	14,999,999	8.67 %
3	LAGUAN AS	12,871,013	7.44 %
4	SOCIETE GENERALE - NOM	11,000,000	6.36 %
5	BORAK AS	8,580,454	4.96 %
6	STENSHAGEN INVEST AS	7,420,379	4.29 %
7	SPENCER TRADING INC	7,138,450	4.13 %
8	MP PENSJON PK	6,796,800	3.93 %
9	PROTECTOR FORSIKRING	4,510,000	2.61 %
10	SNEISUNGEN AS	3,720,333	2.15 %
11	HANDELSBANKEN NORGE	3,500,000	2.02 %
12	TORSTEIN TVENGE	3,300,000	1.91 %
13	ARNE BLYSTAD	2,000,000	1.16 %
14	ERIK JENSEN	1,617,888	0.94 %
15	SKAGEN VEKST	1,600,000	0.92 %
16	VEVLEN GÅRD AS	1,536,621	0.89 %
17	KLP AKSJE NORGE	1,500,000	0.87 %
18	DIRECTMARKETING INVEST	1,500,000	0.87 %
19	LITHINON AS	1,250,000	0.72 %
20	PÅL SVENKERUD	1,199,797	0.69 %
	<b>Top 20</b>	<b>130,641,774</b>	<b>75.52 %</b>
	<b>Total</b>	<b>173,000,202</b>	

Management own 3.3 % of the shares.



# Seasoned management team

## **Erik Jensen, CEO (49)**

- Bachelor in accounting and auditing, Sør-Trøndelag University College, Certified Public Accountant, Norwegian School of Economics
- Managing Director at yA Bank, management positions in BNbank, including managing director for retail and CFO
- 21 years of financial services experience
- Employed in the bank since inception

## **Pål Svenkerud, CFO (52)**

- Bachelor of arts in business administration, University of Oregon, MBA, University of Denver, European Certified Financial Analyst, Norwegian School of Economics
- CFO at Teller AS, management positions at Storebrand, including CFO and CRO at Storebrand Bank, analyst positions at Procorp ASA and U.S. Bancorp
- 26 years of financial services experience
- Employed in the bank since inception

## **Merete Gillund, CIO (45)**

- Master of science in information technology, University of Stavanger
- Management positions at SEB Kort IT Oslo/Stockholm, IT consultant – developing credit card system applications
- 18 years of financial services experience
- Employed in the bank since June 2008

## **Tore Andresen, COO (49)**

- Associate degree in business administration, Norwegian School of Economics
- Managing Director at Aktiv Kapital Norge, Managing Director Lindorff Decision
- 28 years of financial services experience
- Employed in the bank since June 2009

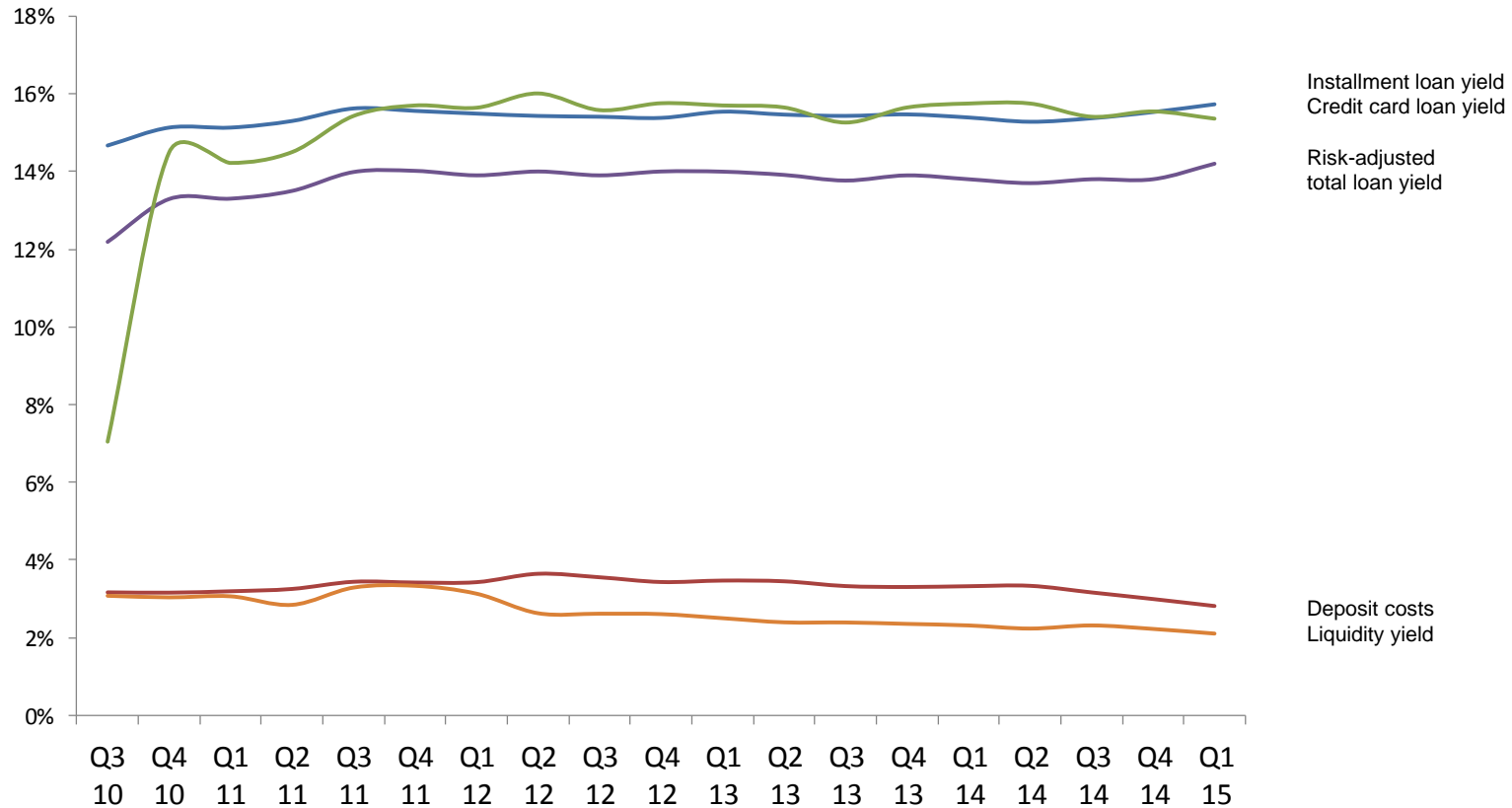
## **Tore Widding, CRO (46)**

- Norwegian University of Science and Technology, applied physics and mathematics
- Credit Risk Manager at Santander Consumer Bank, Chief Analyst at CreditInform and System Consultant at Super Office Norway AS
- 15 years of financial services experience
- Employed in the bank since inception

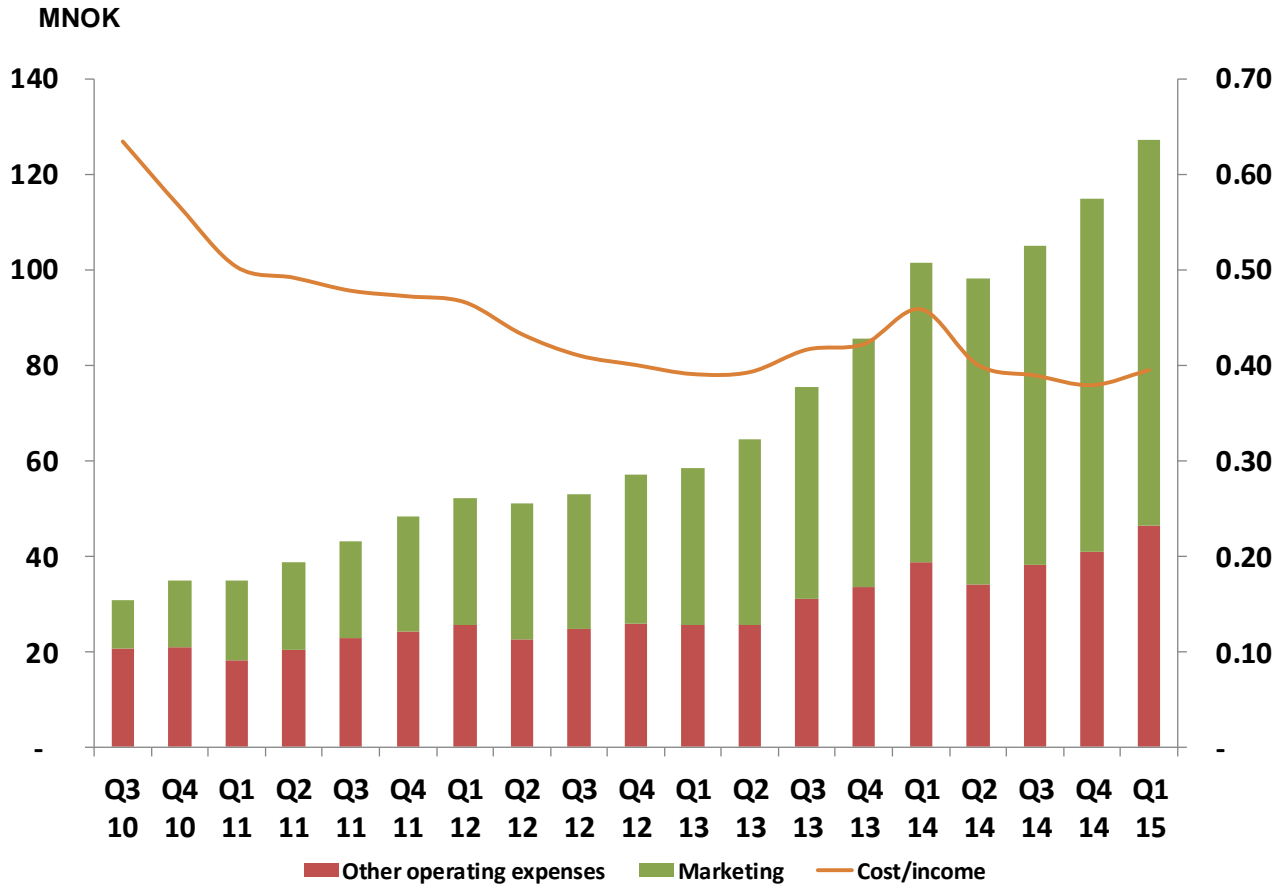
## **Michael Myran, CMO (38)**

- Bachelor in international marketing and management, Norwegian Business School
- Head of marketing at yA Bank og Forsikring, head of marketing at Nordenfjeldske Forsikring
- 13 years of financial services experience
- Employed in the bank since inception

# High margins

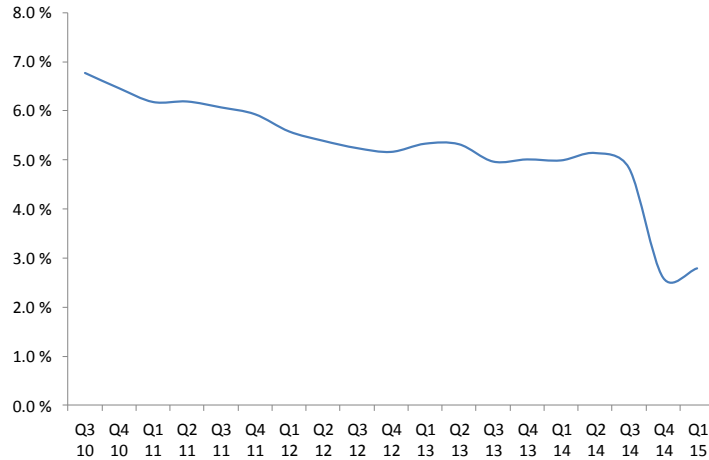


# Cost-efficient operations

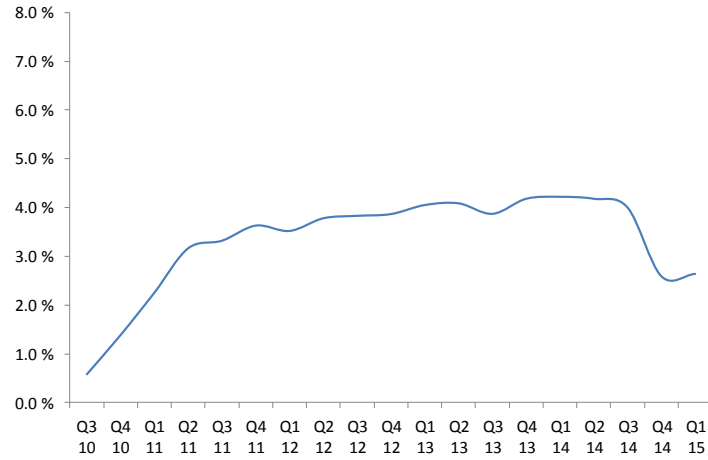


# Strong credit metrics

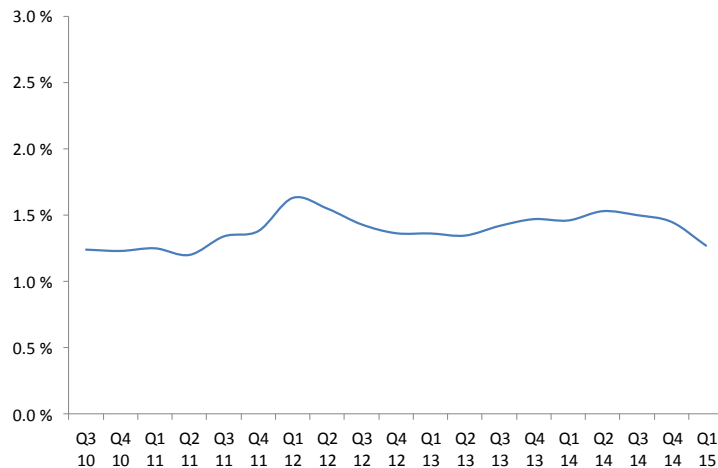
Non-performing loans to loans  
Installment loans



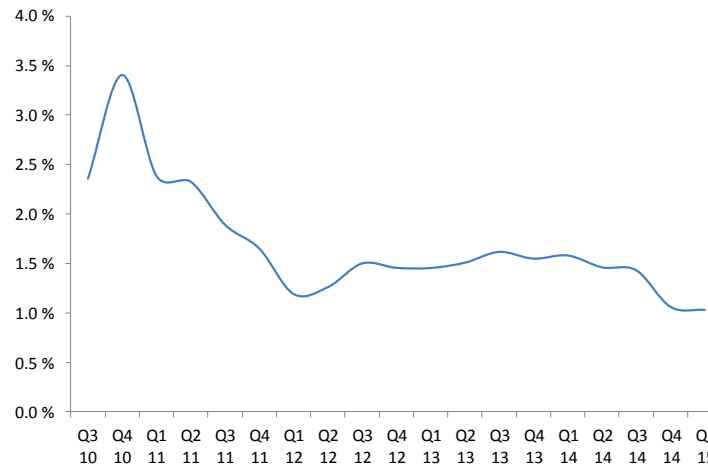
Non-performing loans to loans  
Credit cards



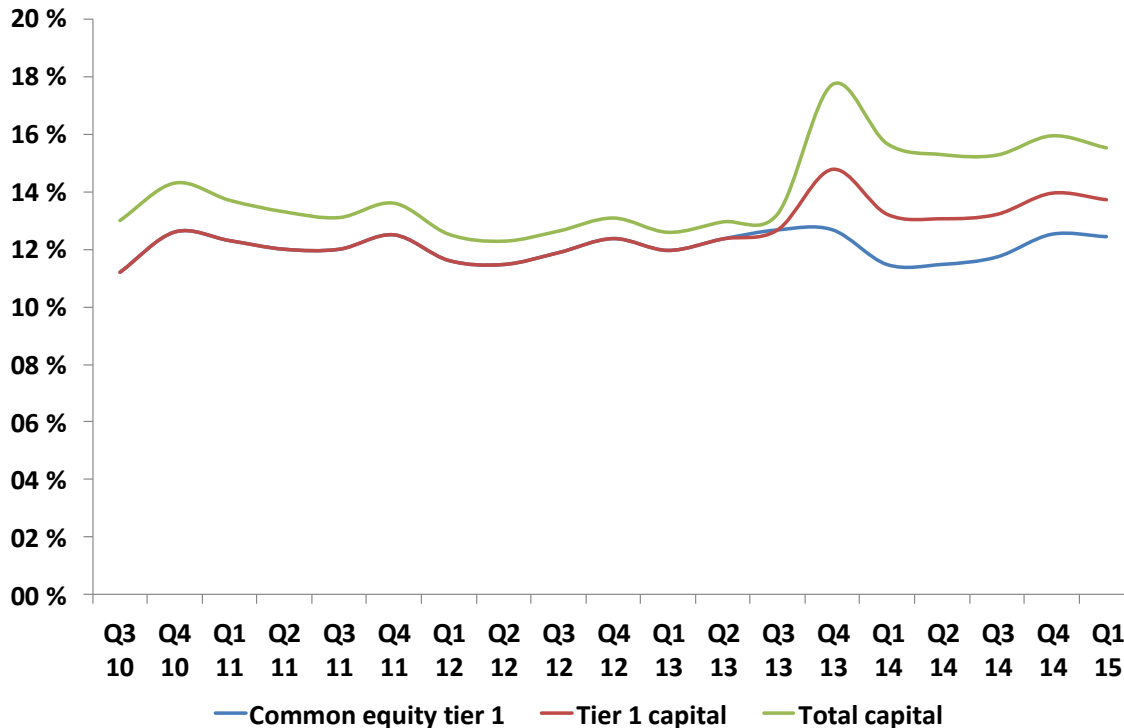
Loan loss provisions to average loans  
Installment loans



Loan loss provisions to average loans  
Credit cards



# Capital ratio targets take into account full counter-cyclical capital buffer



- Strong capital ratios amid strong loan growth
- Standardized risk weights
- Target capital ratios
  - 12.5% Core Tier 1 capital
  - 14.0% Core capital
  - 16.0% Total capital
- Leverage ratio 8.9

# Attractive investment story

- Focused consumer lending operation
- Market share gains in Norway
- Successful expansion in Sweden
- Steady loan yields and high margins
- Cost-efficient operations
- Stable credit quality
- Experienced management team



Steady earnings growth  
and superior returns

Strong and resilient  
balance sheet

# Outline

Bank Norwegian overview

First quarter 2015 results

# First quarter 2015 earnings were 113.3 MNOK, an increase of 9.0 MNOK compared with the fourth quarter

## Norwegian Finans Holding Group

<i>MNOK</i>	Q1 2015	Q4 2014	Change	
Interest income	379.8	368.4	11.4	3 %
Interest expenses	78.2	81.9	-3.7	-5 %
<b>Net interest income</b>	<b>301.6</b>	<b>286.5</b>	<b>15.1</b>	<b>5 %</b>
Commission and bank services income	39.1	35.1	4.0	11 %
Commission and bank services expenses	16.2	15.0	1.2	8 %
Net change in value on securities and currency	-2.4	-3.4	1.0	-30 %
Other income	0.0	0.0	0.0	0 %
<b>Net other operating income</b>	<b>20.5</b>	<b>16.7</b>	<b>3.8</b>	<b>23 %</b>
<b>Total income</b>	<b>322.1</b>	<b>303.2</b>	<b>18.9</b>	<b>6 %</b>
Personnel expenses	14.5	14.2	0.3	2 %
General administrative expenses	103.0	94.4	8.6	9 %
Ordinary depreciation	5.8	2.7	3.0	111 %
Other operating expenses	4.2	3.9	0.3	9 %
<b>Total operating expenses</b>	<b>127.5</b>	<b>115.2</b>	<b>12.3</b>	<b>11 %</b>
Provision for loan losses	39.3	43.3	-4.0	-9 %
<b>Profit before tax</b>	<b>155.2</b>	<b>144.6</b>	<b>10.6</b>	<b>7 %</b>
Tax charge	41.9	40.3	1.6	4 %
<b>Profit after tax</b>	<b>113.3</b>	<b>104.4</b>	<b>9.0</b>	<b>9 %</b>
Earnings per share NOK (annualized)	2.62	2.41		

- Net interest income impacted by fewer interest days and loan portfolio sale in the fourth quarter.
- Fee income augmented by profit sharing on ancillary services.
- Net loss on securities and currency.
- Increased operating expenses due to higher marketing and system conversion costs.
- Stable provision levels.
- ROE stable at 38.4 %\*.

\* Bank Norwegian AS



# Earnings in Norway were 108.9 MNOK, compared with 100.7 MNOK in the fourth quarter

## Norwegian Finans Holding Group

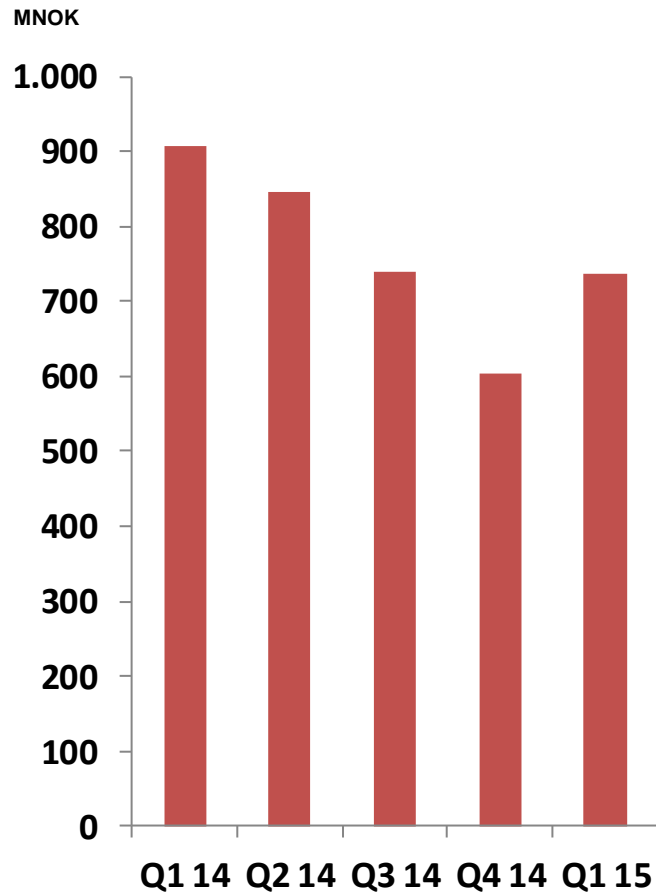
Key figures	Norway			Sweden*		
	Q1 15	Q4 14	Δ	Q1 15	Q4 14	Δ
<i>MNOK</i>						
Net interest income	247.2	241.8	5.4	54.5	44.7	9.7
Net fee income	18.5	16.2	2.3	4.4	3.9	0.4
Gain/-loss on securities and currency	-2.7	-4.2	1.5	0.4	0.9	-0.5
Sales and marketing expenses	52.9	47.6	5.2	27.9	26.3	1.6
Other operating expenses	36.1	34.2	1.9	10.6	7.1	3.5
Provision for loan losses	24.8	32.3	-7.5	14.5	11.0	3.5
Profit after tax	108.9	100.7	8.2	4.5	3.7	0.8
Liquid assets	3,119	3,325	-205	241	488	-248
Net loans to customers	8,116	7,664	452	1,998	1,737	261
Intangible assets	22	19	3	16	16	0
Deposits from customers	8,029	7,926	103	1,927	2,230	-303

- Earnings in Norway driven by loan growth, lower funding cost, higher fee income and lower provisions.
- Lower provisions in Norway due to sale of non-performing loans in the fourth quarter.
- Earnings in Sweden impacted by system conversion.
- Mainly group provisions in Sweden.

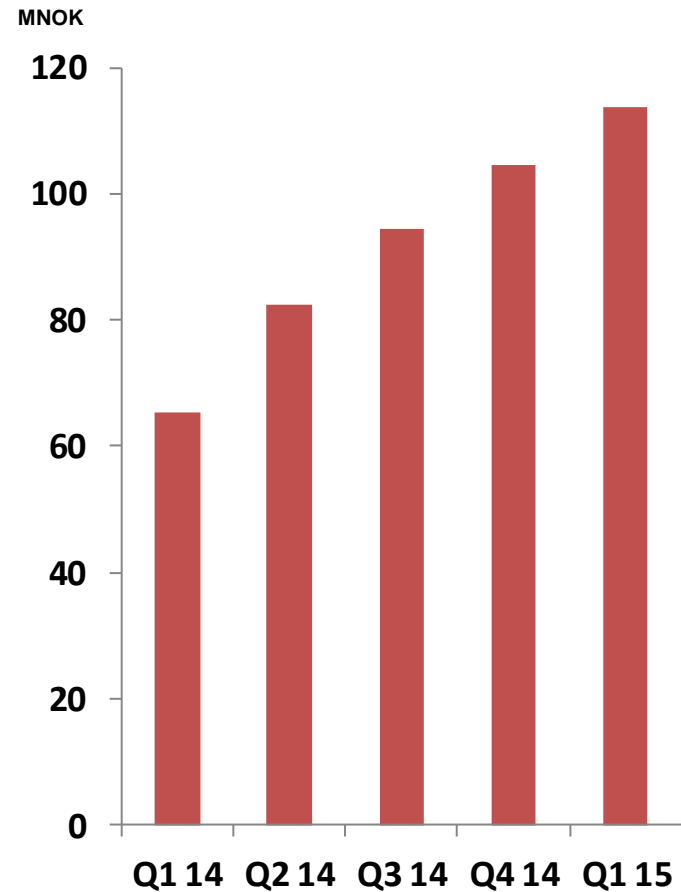
\* No allocation of overhead expenses.

# Strong loan and earnings growth

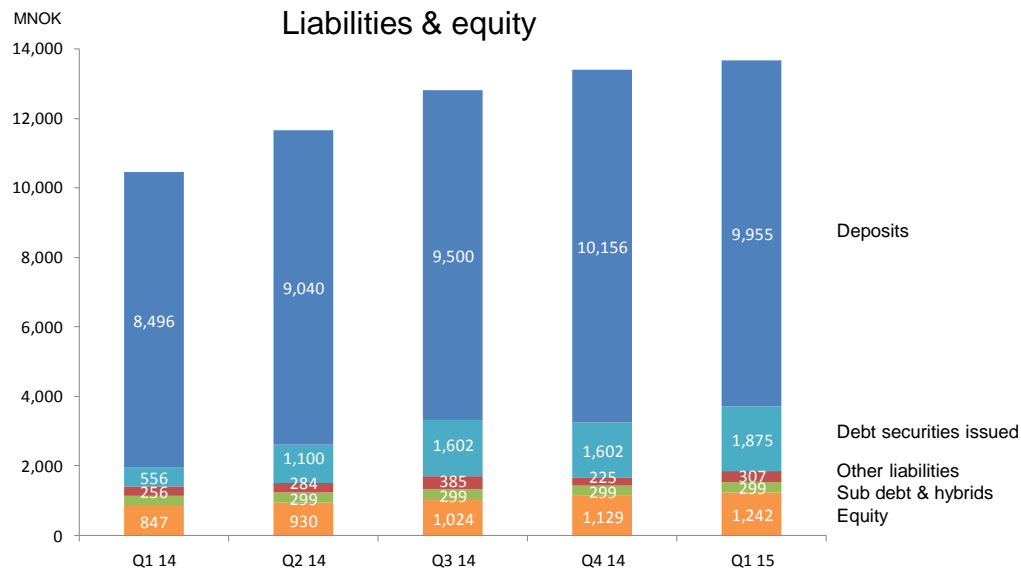
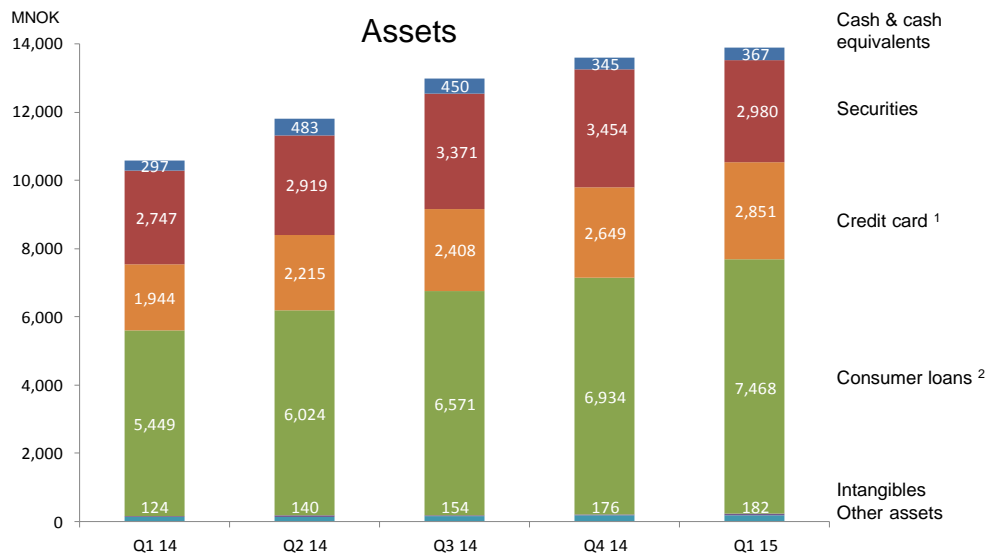
Quarterly loan growth



Quarterly earnings



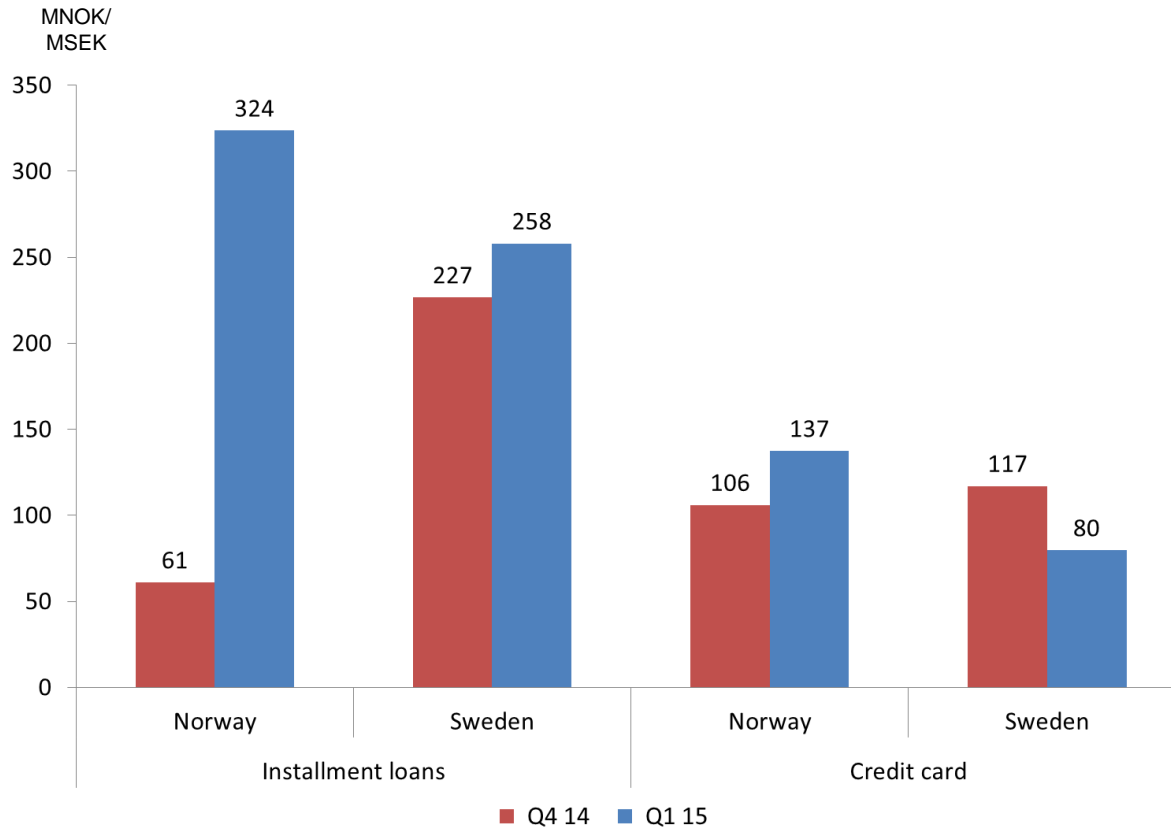
# Strong balance sheet



- Total gross loans increased 735 MNOK, compared with 605 MNOK in the fourth quarter.
- Installment loans rose 533 MNOK and credit card loans grew 202 MNOK.
- Installment loan run-off 547 MNOK, compared with 491 MNOK in the fourth quarter.
- Liquid assets comprise 24 % of total assets.
- Net issuance of 274 MNOK in senior debt securities.
- Deposits to loans ratio 0.98.
- LCR 340%.
- NSFR 140%.

<sup>1</sup> Includes sales financing  
<sup>2</sup> Includes personal lines of credit

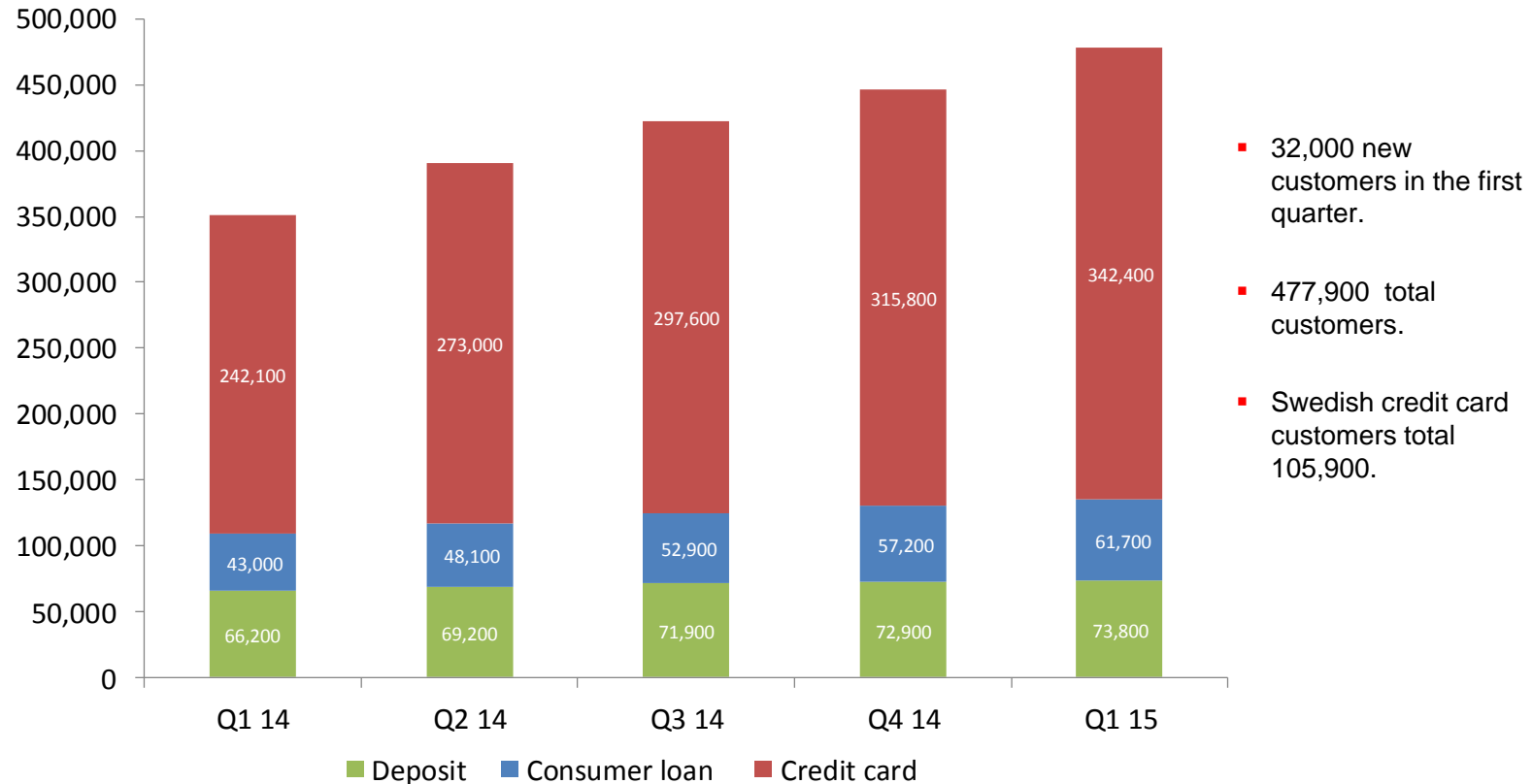
# Strong loan growth



- Non-performing loans sold in Norway in the fourth quarter consisted predominantly of installment loans.
- NOK denominated loan growth in Sweden negatively impacted by exchange rate movements.

# Rapid customer growth

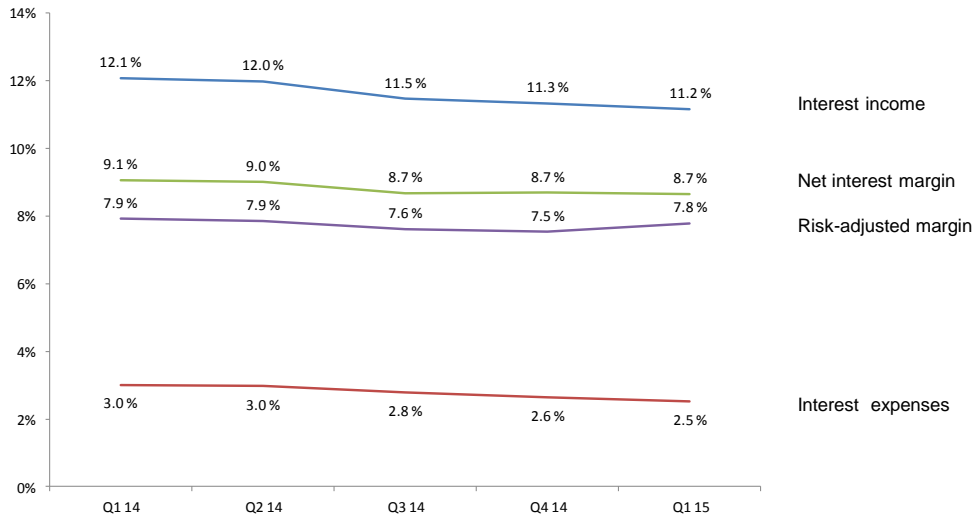
Number of customers



# Stable yields and margins

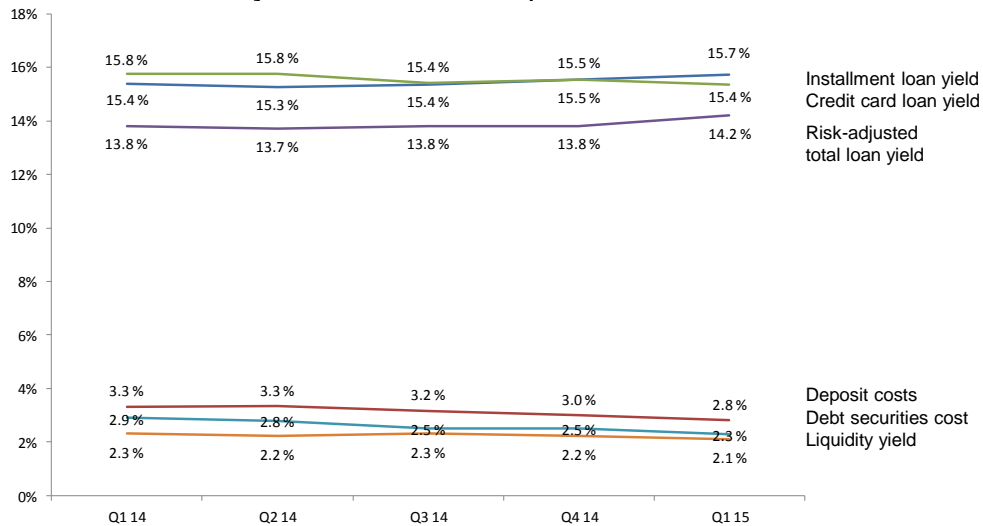
## Norway

Margins as a % of average assets



- Deposit rates lowered in the fourth and first quarter.

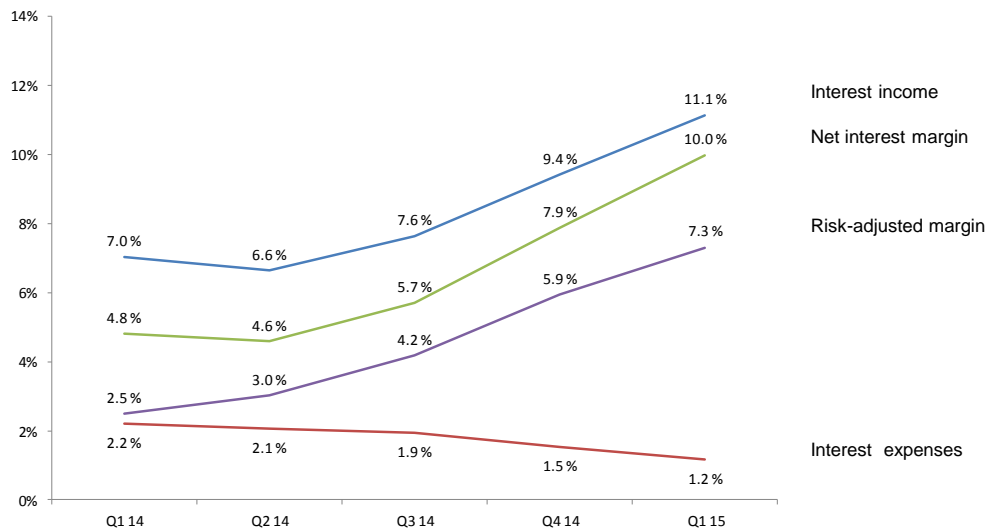
Asset yield and cost of deposits



# Elevated margins

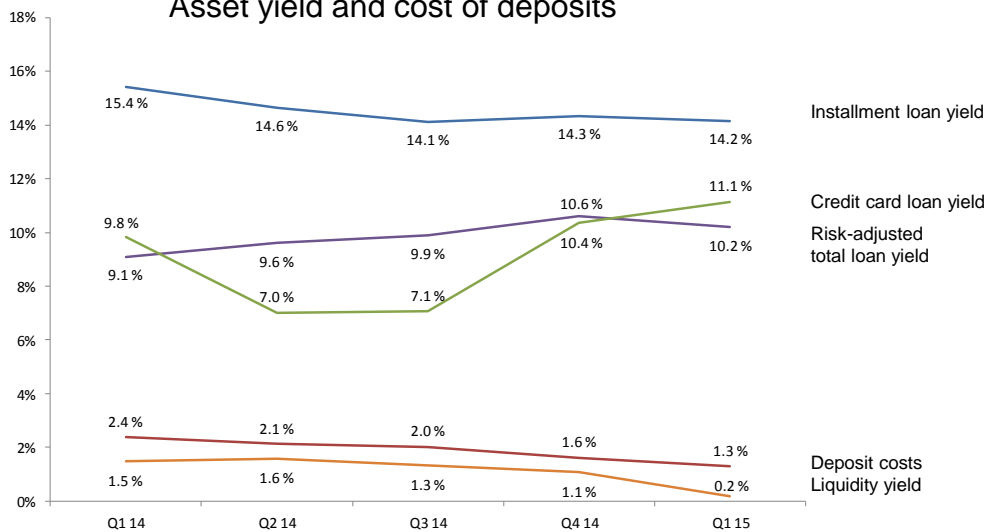
## Sweden

Margins as a % of average assets

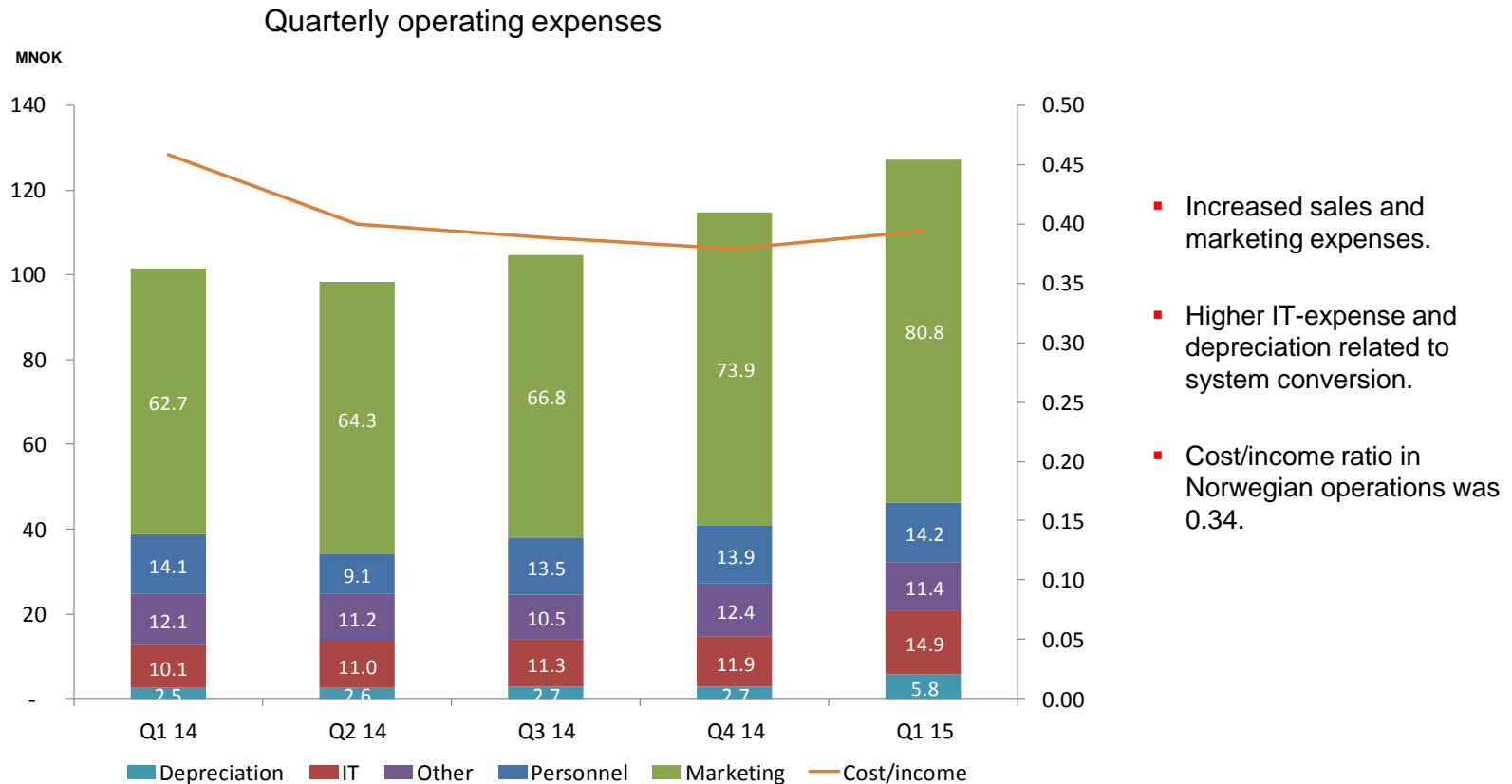


- Increased margins due to improved asset utilization, higher credit card yield and lower interest expense.

Asset yield and cost of deposits



# High operating efficiency

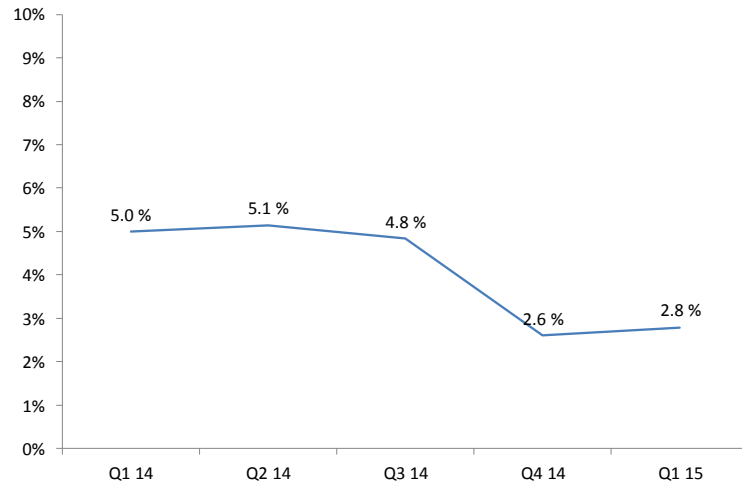




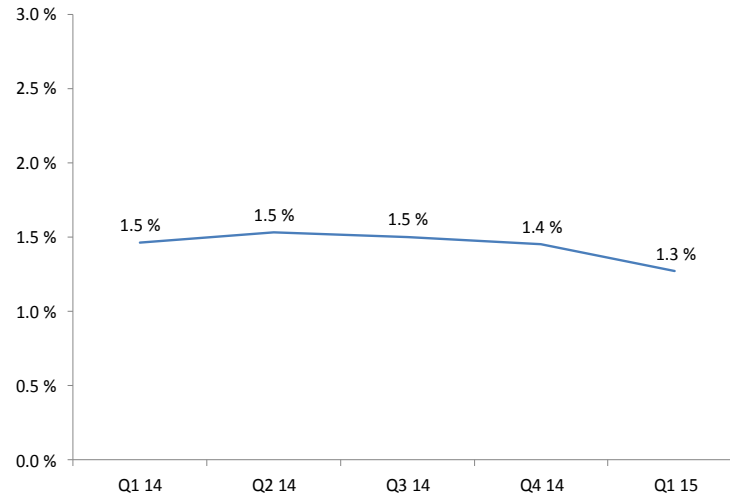
# Strong credit metrics

## Consumer loans

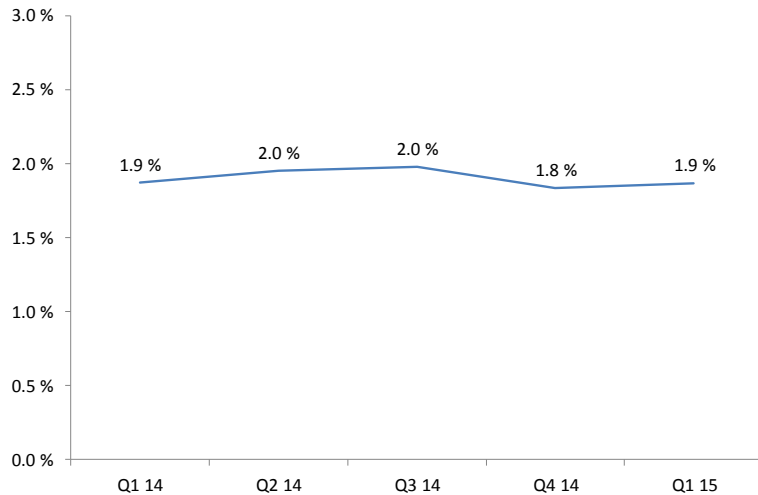
Non-performing loans to loans



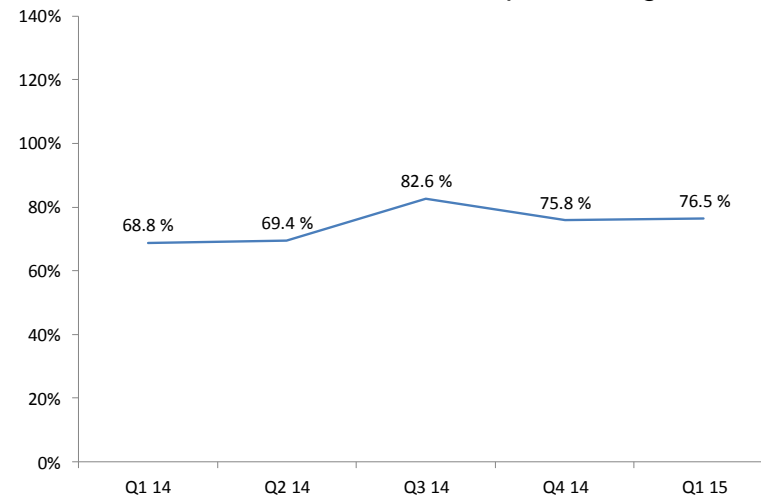
Loan loss provisions to average loans\*



Loan loss allowance to loans



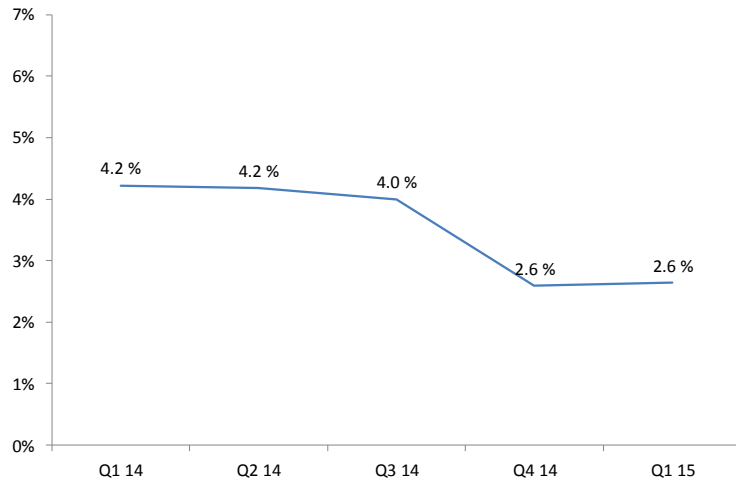
Loan loss allowance to non-performing loans



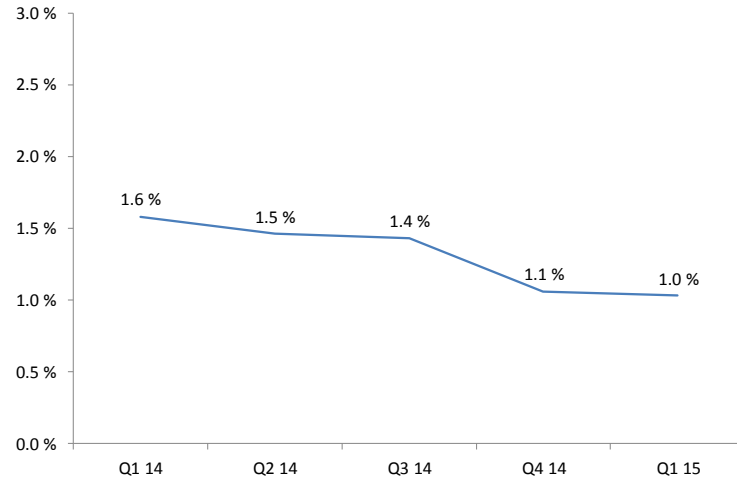
# Strong credit metrics

## Credit card loans

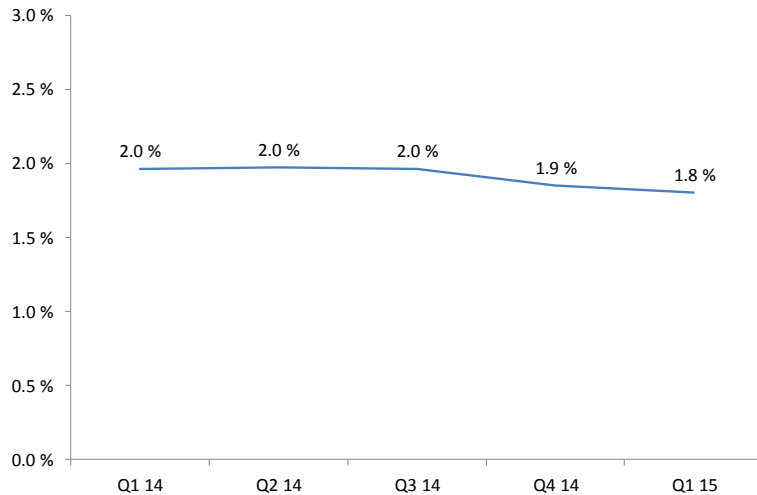
Non-performing loans to loans



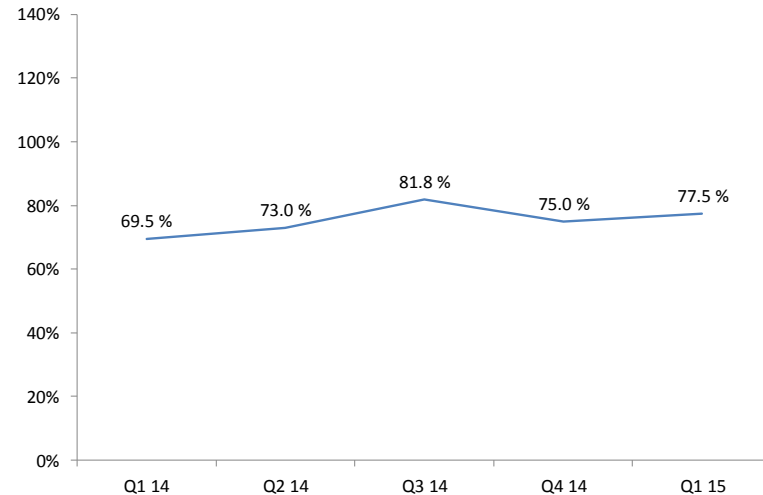
Loan loss provisions to average loans\*



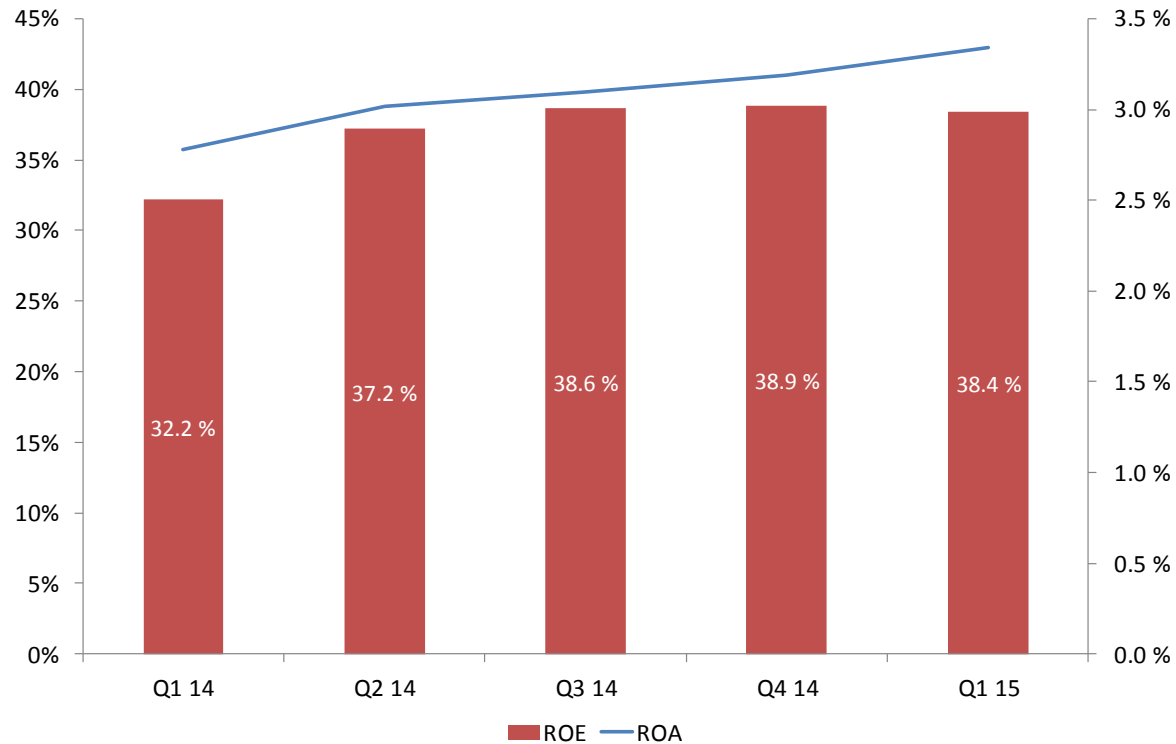
Loan loss allowance to loans



Loan loss allowance to non-performing loans



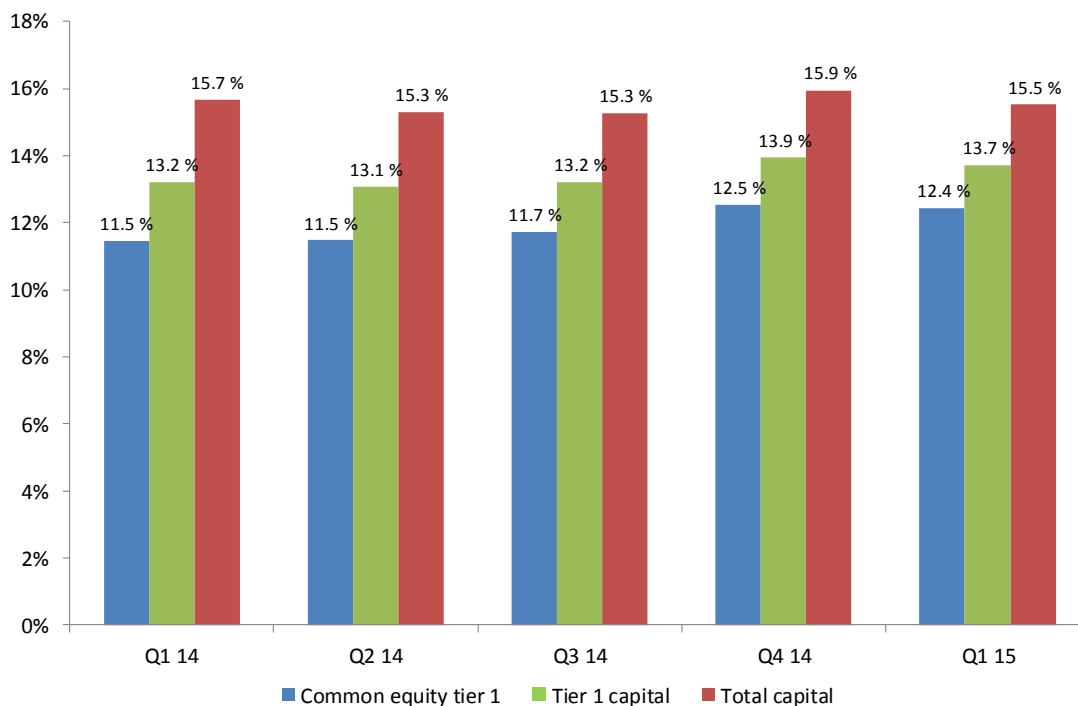
# Improving profitability



■ ROA Swedish operations at 0.80% in the first quarter.

# Risk absorption capacity remains high

Capital ratios



- Ample capital for growth.
- Leverage ratio equals 8.9%.

# Well positioned for continued earnings growth

## Earnings growth and strong returns

- Continued strong loan growth
- Stable margins
- Cost-efficient operations
- Stable provisions
- Preparing for further geographical expansion

## Stable credit quality

- Resilient economies in Norway and Sweden
- Enhanced credit models
- Reduced portfolio risk from sale of non-performing loans

## Strong and resilient balance sheet

- Strong liquidity position
- Continued diversification of funding base
- Strong capital generation and capital ratios
- Ample capital for growth

**banknorwegian.no**