

**Second quarter 2020  
results presentation**

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**Q2**

Norwegian Finans Holding Group  
August 13, 2020

# Strong quarter proving the bank's strengths

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## Solid quarter proving the bank's core strengths

- Fully digital value chain
- Operating costs reduced by 19.5% compared to Q1 2020
- Resilient balance sheet

## Strong earnings despite uncertainty

- Record earnings of MNOK 582
- ROE at 24.5%
- Customers show improved payment behavior

## Robust financial position

- High common equity tier 1 ratio of 20.7%\*
- MREL compliant
- Strong allowance coverage levels

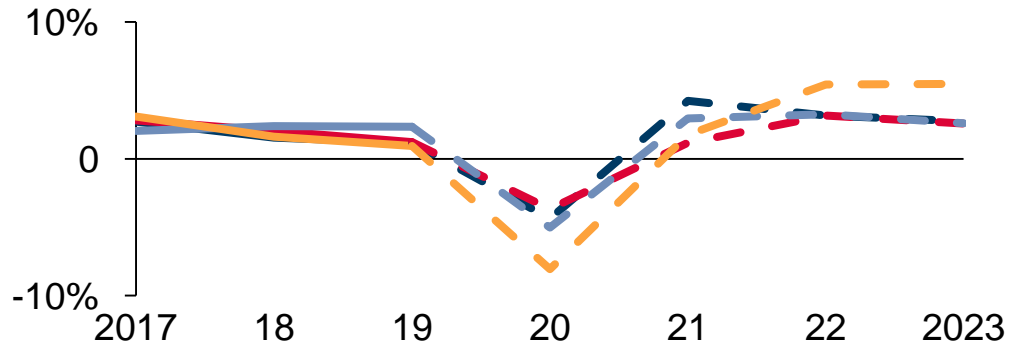
## Committed to European expansion

- Awaiting improved visibility of COVID-19 impact
- Continuing internal development in anticipation of expansion, digital capabilities seen as key
- EU banking license process not concluded

\* Including 136 bp set aside for dividends

# Continued uncertainty in the Nordic and European economies

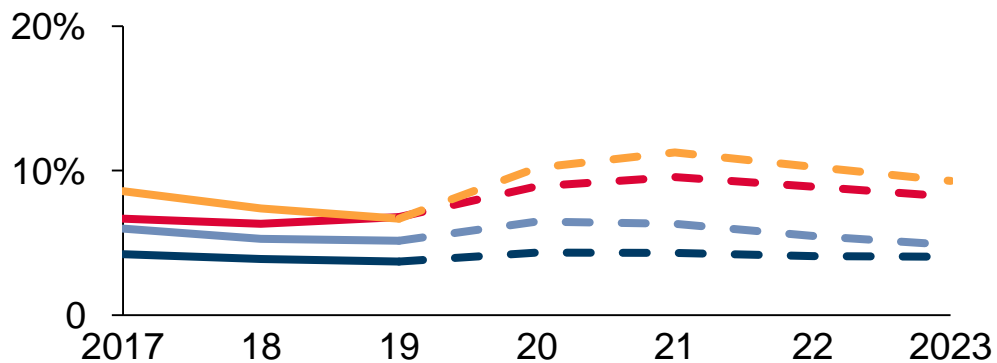
## Nordic GDP development



- Low public debt/GDP and balanced budgets allows for counter-cyclical measures

- Public unemployment schemes provide financial security for consumers

## Nordic Unemployment



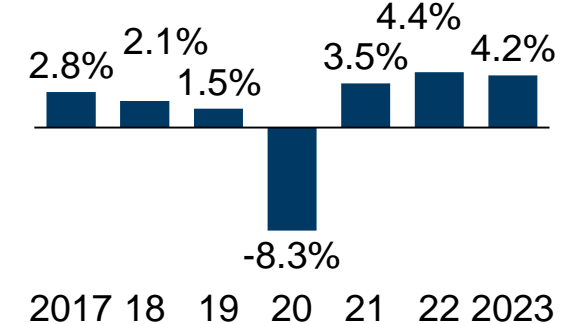
- Specific factors lessens impact:

- Norway's Sovereign wealth fund

- Lighter restrictions in Sweden

— Norway — Sweden — Denmark — Finland — Forecast

## EU-27 GDP development

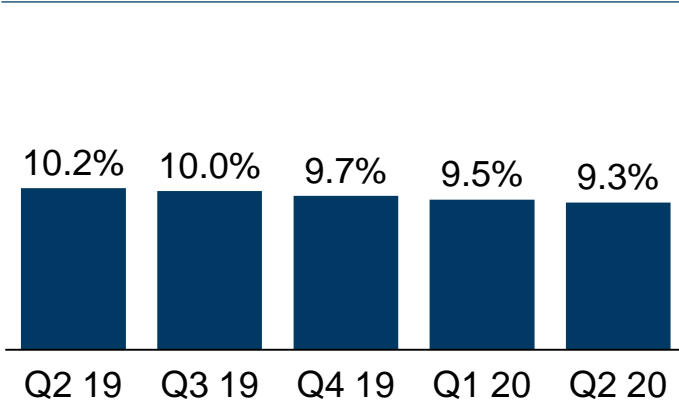


- Higher impact on tourism-driven economies
- Major economies experience significant economic contractions
- Significant policy measures and stimuli

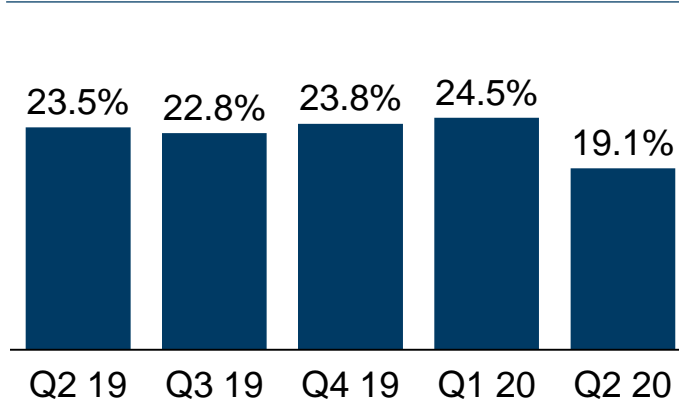
Source: Moody's

# Strong fundamentals and cost control provide stability

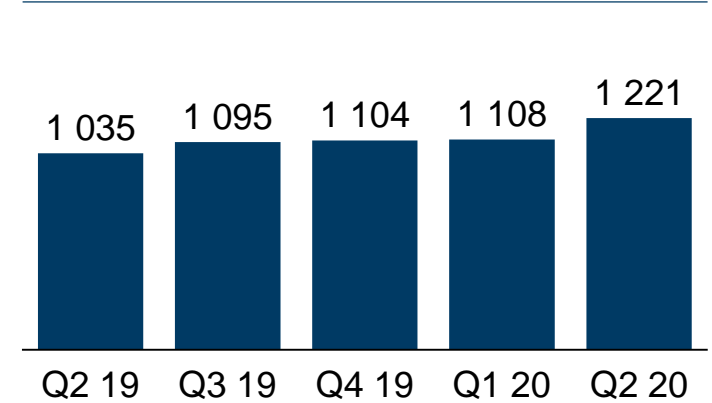
Net interest margin



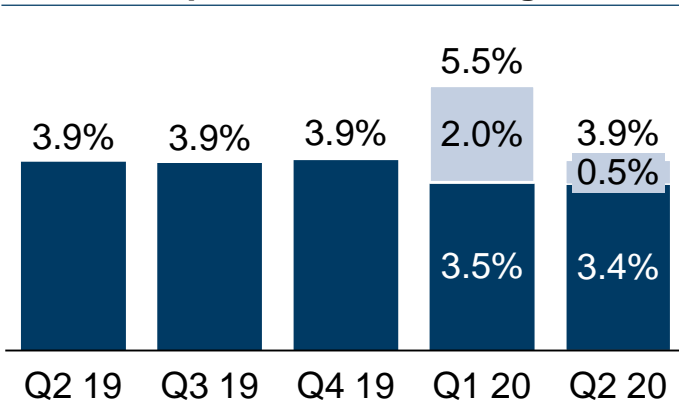
Cost income ratio



Pre-provision profit, MNOK

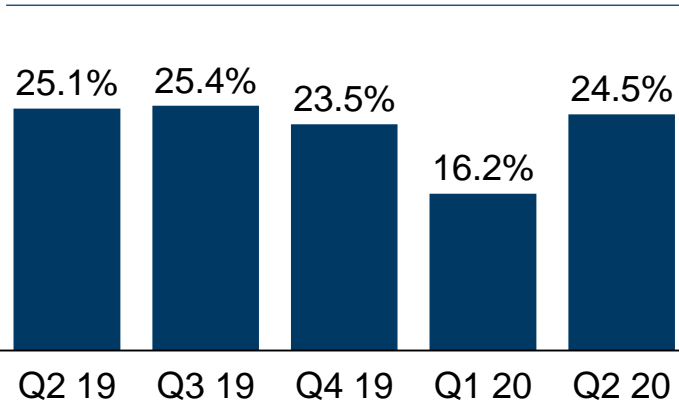


Loan loss provisions to average loans

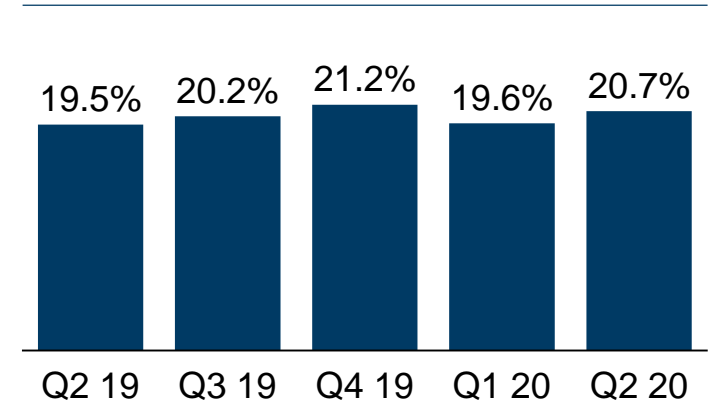


Additional / extraordinary provision

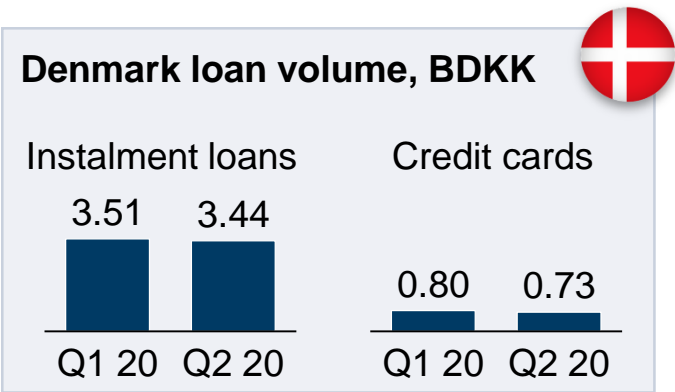
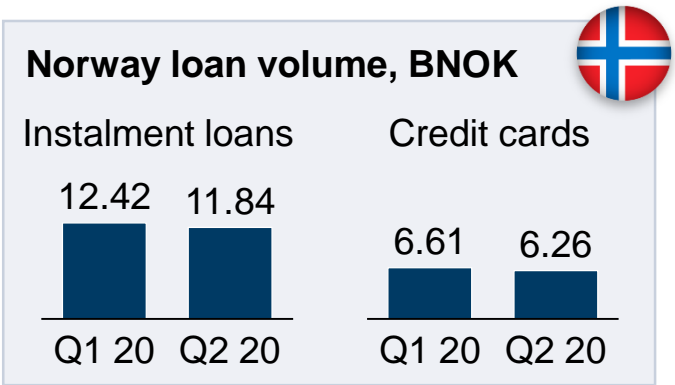
ROE



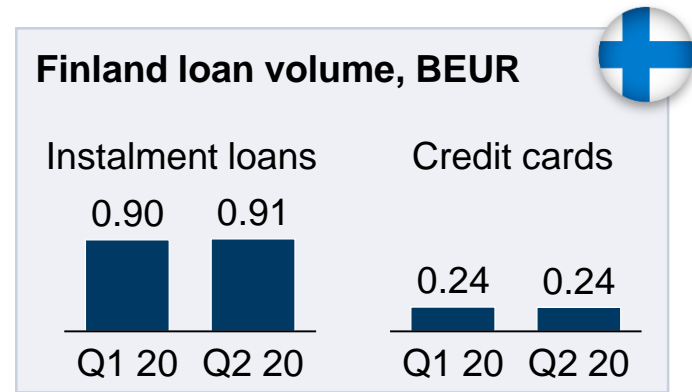
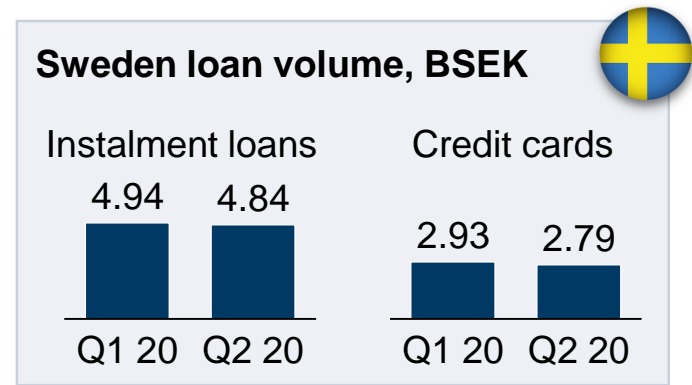
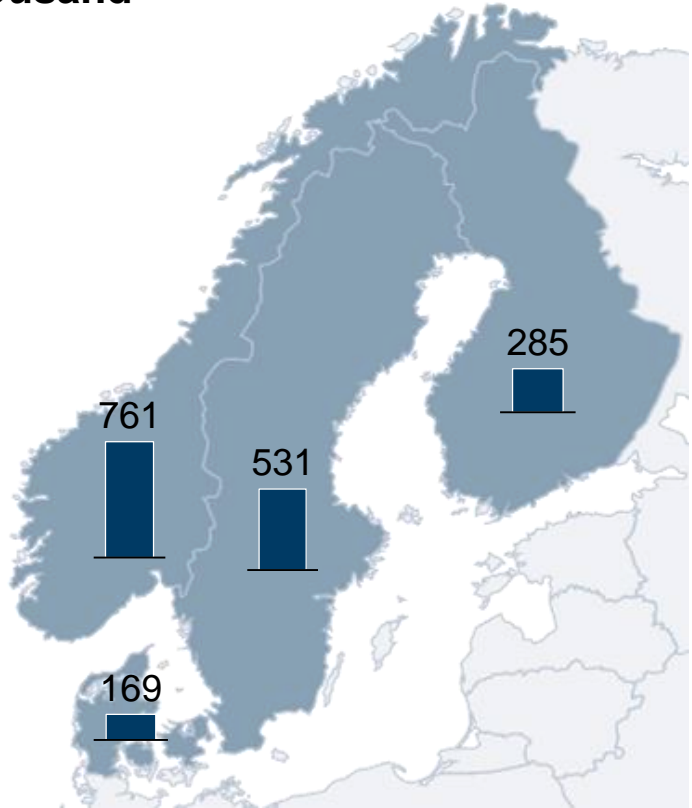
CET 1



# Nordic champion



**Customers per country Q2 2020, thousand**



# Internal development increased capacity and services during crisis

Process digitalisation drives efficiency

Customer requests processed  
June 2020 vs June 2019



+118%

Customer emails processed  
June 2020 vs June 2019



+75%

Product development improves convenience



Micro card



Google Pay



Fitbit pay



Garmin pay

# Regulatory and market update

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- Temporary changes to consumer protection law
  - Nominal interest ceiling of 10%
  - Direct marketing ban



- Increased decline rates, but higher volumes in low-risk segments offset effects of interest rate ceiling so far
- No impact on credit cards
- Several players offering high interest rates have disappeared following regulatory changes
- Limitations in the bank's communication with own customers



- 35% interest rate ceiling, advertising ban for banks offering loans with more than 25% interest rate
- Marketing in relation to gambling advertising prohibited, with significant effects on traditional marketing
- Total loan costs can not exceed 100% of loan amount



- The bank does not operate in the >25% segment
- The bank has had policies against gambling related advertising and blocked all credit cards for gambling related spending since inception in all markets
- Several banks have ceased advertising completely
- Adaption through fee structure and duration

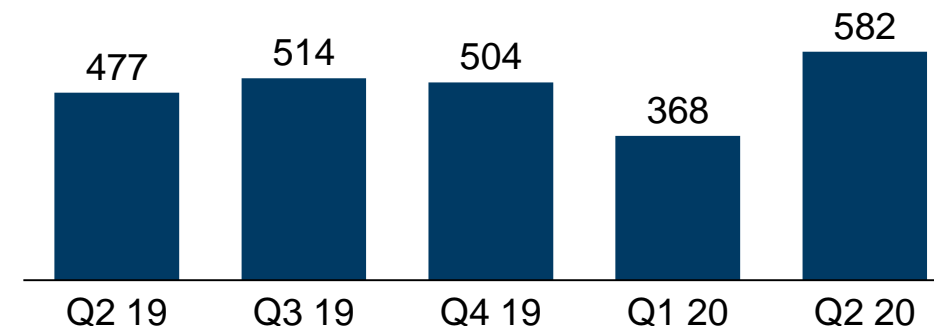


# Strong quarter despite COVID-19

MNOK	Q2 2020	Q1 2020	Change	
Interest income	1 565.6	1 580.9	-15.3	-1 %
Interest expenses	179.3	186.5	-7.2	-4 %
<b>Net interest income</b>	<b>1 386.3</b>	<b>1 394.4</b>	<b>-8.1</b>	<b>-1 %</b>
Commission and bank services income	66.4	192.6	-126.2	-66 %
Commission and bank services expenses	48.1	51.6	-3.5	-7 %
Net change in value on securities and currency	105.0	-69.1	174.1	-252 %
<b>Net other operating income</b>	<b>123.2</b>	<b>71.8</b>	<b>51.4</b>	<b>72 %</b>
<b>Total income</b>	<b>1 509.5</b>	<b>1 466.2</b>	<b>43.2</b>	<b>3 %</b>
Personnel expenses	23.7	31.2	-7.4	-24 %
General administrative expenses	227.5	294.9	-67.4	-23 %
Depreciation and impairment of fixed and intangible assets	22.5	16.7	5.8	35 %
Other operating expenses	15.0	15.8	-0.8	-5 %
<b>Total operating expenses</b>	<b>288.7</b>	<b>358.6</b>	<b>-69.8</b>	<b>-19 %</b>
Provision for loan losses	447.0	620.6	-173.6	-28 %
<b>Profit on ordinary activities before tax</b>	<b>773.7</b>	<b>487.1</b>	<b>286.7</b>	<b>59 %</b>
Tax charge	191.6	119.0	72.6	61 %
<b>Profit on ordinary activities after tax</b>	<b>582.1</b>	<b>368.0</b>	<b>214.1</b>	<b>58 %</b>
Earnings per share (NOK)	3.12	1.97	1.15	58 %

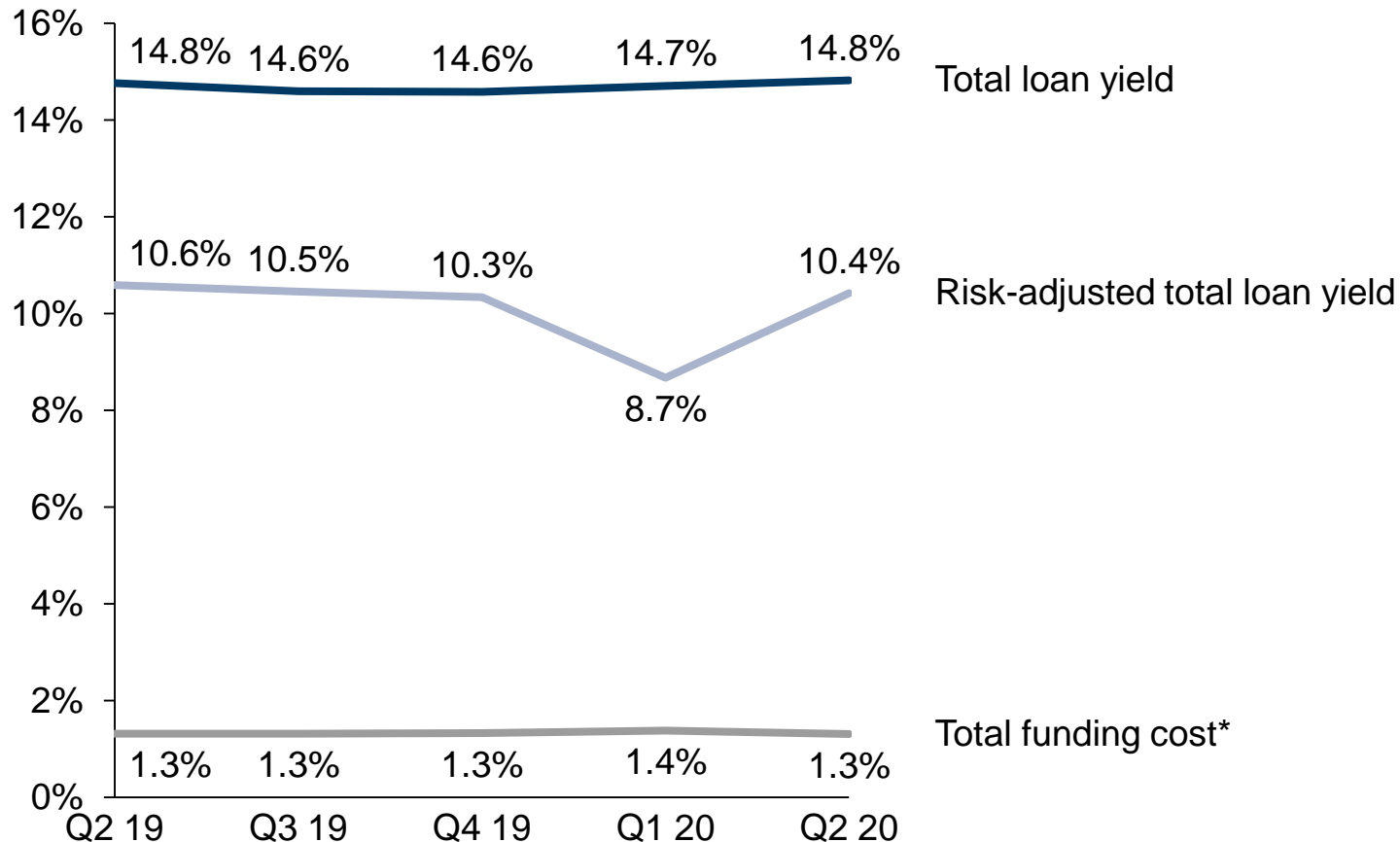
- Stable high net interest income
- Reduction in net commission income due to annual credit card network and insurance incentives in Q1 and lower credit card activity in Q2
- Gain on securities and FX
- Operating expenses reduced due to strict cost control and flexible cost base
- Normalized provision levels
- Removal of positive scenario in macro economic forecast result in MNOK 55.5 extraordinary provision

## Profit after tax, MNOK





# Stable margins



Total loan yield

Risk-adjusted total loan yield

Total funding cost\*

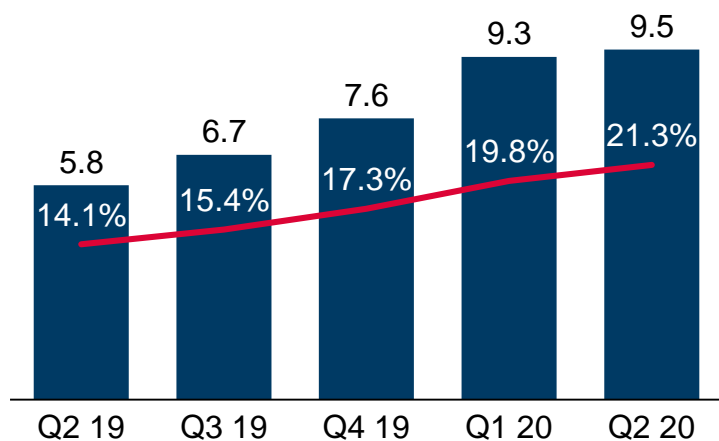
- Increased total loan yield
- Strong credit card loan yields due to stable net interest income on lower volumes
- Reduced funding cost during the period
- Deposit interest rate reduction announced in Norway and Denmark

\* Comprises deposits from customers and debt securities issued

# Stable development

## Stage 3 loans

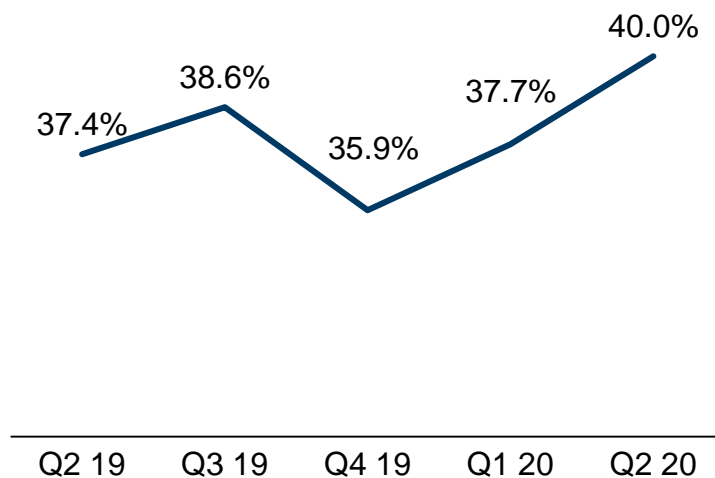
- Stage 3 loans to loans
- Stage 3 loans, BNOK



Decline in absolute stage 3 growth rate

## Allowance coverage ratio stage 3

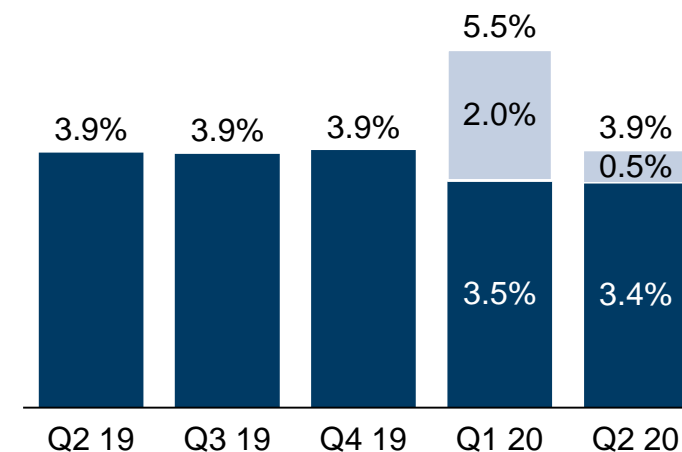
- Loan loss allowance coverage ratio stage 3



Strong and increasing allowance ratio

## Loan loss provisions

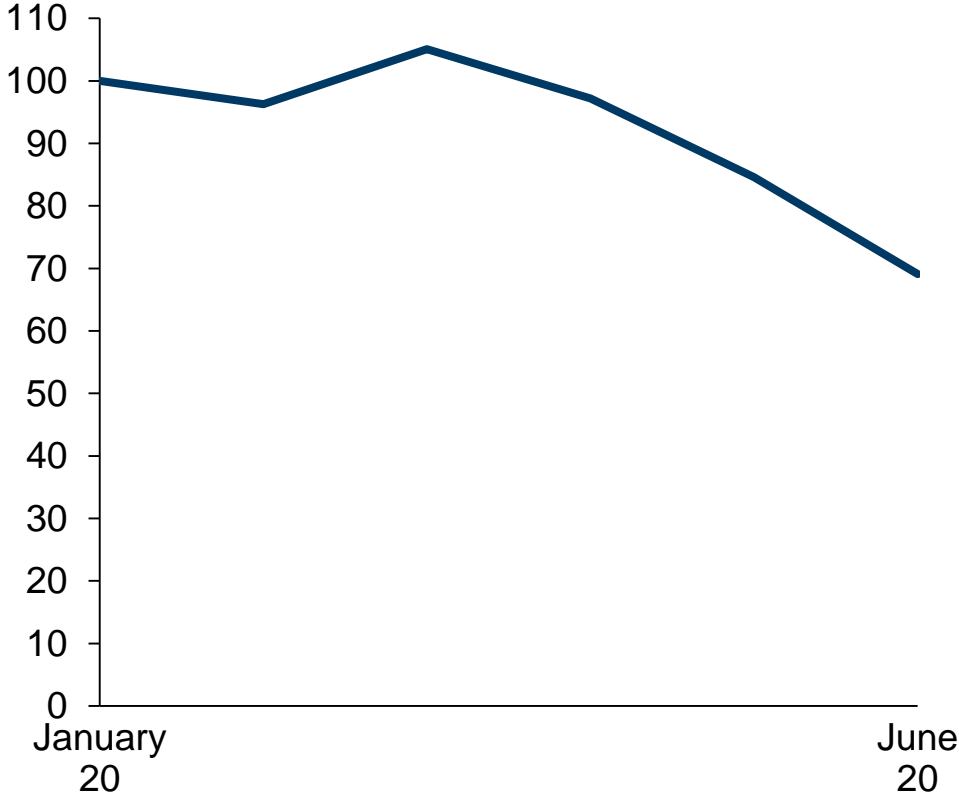
- Additional / extraordinary provision



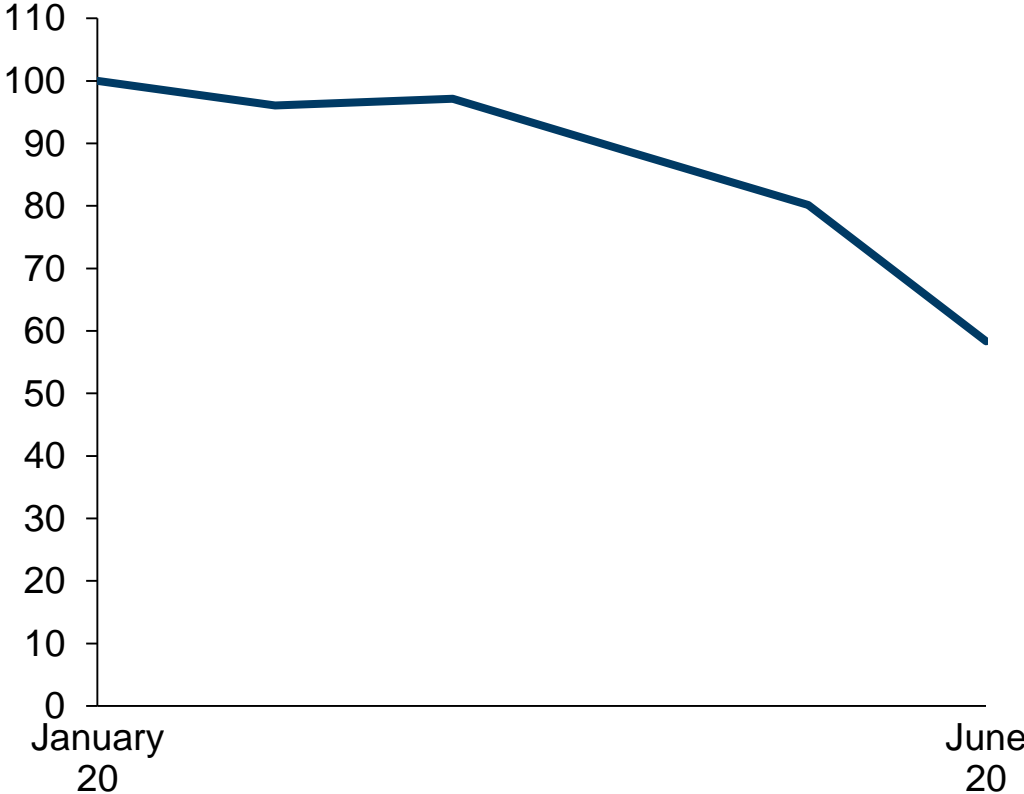
MNOK 55.5 extraordinary loan loss provision due to uncertain macro-economic outlook

# Lower volume sent to debt collection

**Personal Loans debt volume sent to debt collection**  
Indexed

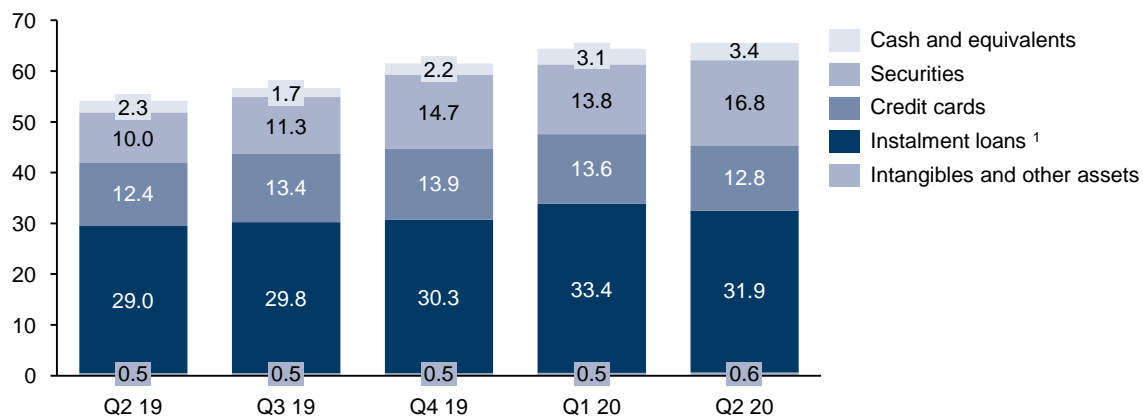


**Credit cards debt volume sent to debt collection**  
Indexed



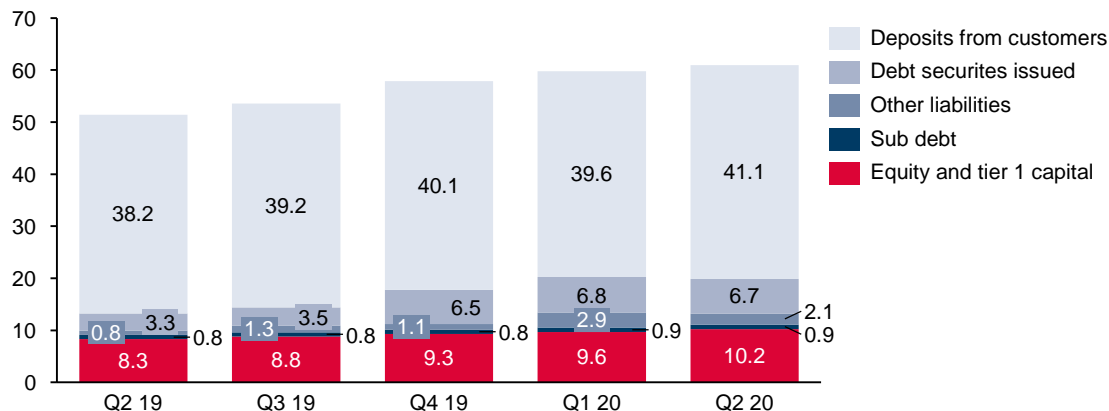
# Resilient balance sheet

## Assets, BNOK



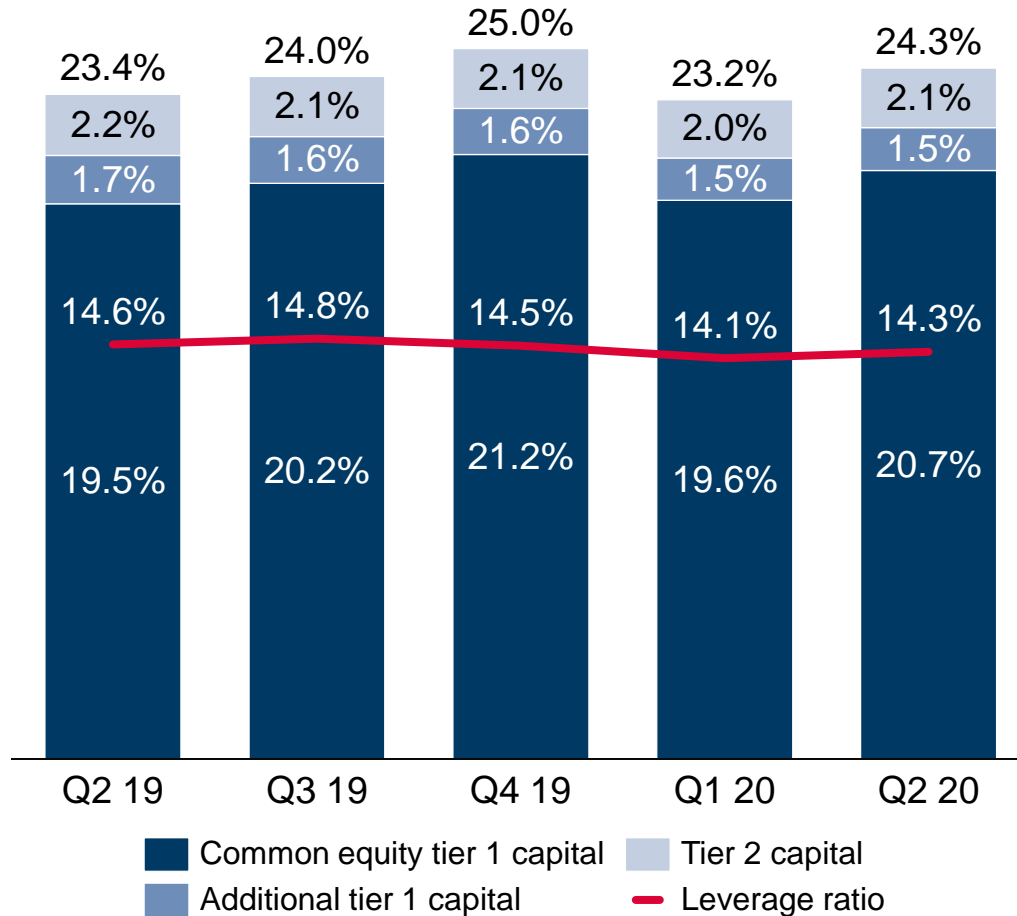
- Currency adjusted loan growth was negative with MNOK 1 276 compared with negative MNOK 733 in Q1
- Instalment loans declined MNOK 653 and credit cards were down MNOK 623, currency adjusted
- Instalment loan sales were MNOK 1 236, compared with MNOK 2 120 in the previous quarter
- Instalment loan run-off was MNOK 1 800, compared with MNOK 1 909 in the previous quarter
- Deposits increased MNOK 1 530. Adjusted for currency effects deposits increased MNOK 2 362
- Liquid assets comprise 33% of total assets – significantly increased due to strong deposit growth and lower lending growth

## Liabilities and equity, BNOK



# Strong capital position

## Capital ratios



- 20.7% CET 1 capital ratio compared with 16.2% minimum requirement and 17.5% target
- CET 1 calculation includes 136 bp set aside for dividends, according to upper-end of payout range
- Significant loss absorption capacity through high internal capital generation and high capital buffers

# Compliant with MREL requirements

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- The NFH Group was compliant with the new MREL requirement as of Q2 2020
- The NFH Group estimates limited need for issuing MREL-eligible capital with respect to expected requirements through 2020
- Ample headroom to consider strategic options to comply with the MREL requirement and issuing MREL-eligible debt
- The NFH Group is working on two simultaneous processes on preparing for issuing MREL-eligible debt
  - Necessary preparations according to current structures – EMTN program update finalized July 2020, rating process for Norwegian Finans Holding ASA expected finalized early September 2020
  - Consider to apply to merge the Norwegian Finans Holding ASA and Bank Norwegian AS

# Execution on Bank Norwegian's 4-pillar strategy

## Core business development

### Strong Nordic performance gives strategic flexibility

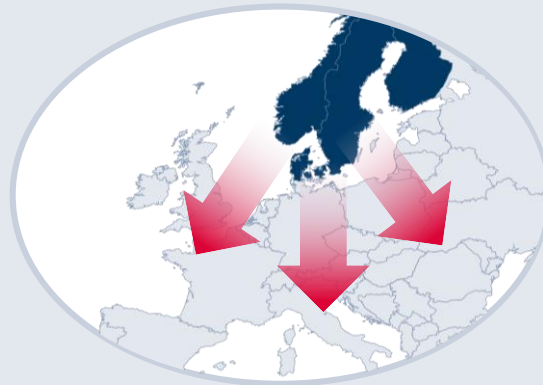
- Reinforce position as Nordic Champion
- Attractive services for 1.7 million customers



## European expansion plan

### Committed to a European expansion

- Development of key cross-border capabilities
- Prioritizing entry based on clarity of COVID-19 effects



## EU banking license/domicile

### Next steps under evaluation

- Exploratory phase with Central Bank of Ireland concluded



## FinTech agenda

### Strength in customer base, advanced analytics and digital position

- Digital value chain and operating model increasingly important in new markets
- Opportunities in changing fintech landscape





# Well prepared for uncertainties and opportunities ahead

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**Strong fundamentals  
vital in uncertain times**

**Strong earnings  
and high cost  
efficiency**

**Agile operations  
and digital value  
chain**

**Robust financial  
position**

**Key competitive edge in existing and new markets**

# Appendix

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# Quarterly profit and loss account

<i>Amounts in NOK 1000</i>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>
Interest income, effective interest method	1 503 855	1 513 862	1 488 734	1 457 649	1 420 283
Other interest income	61 764	67 068	46 524	37 800	38 192
Interest expenses	179 319	186 500	173 586	165 155	160 332
<b>Net interest income</b>	<b>1 386 301</b>	<b>1 394 430</b>	<b>1 361 672</b>	<b>1 330 294</b>	<b>1 298 143</b>
Commission and bank services income	66 364	192 558	135 391	134 232	119 880
Commission and bank services expenses	48 138	51 627	57 862	70 004	63 777
Net change in value on securities and currency	104 964	-69 114	9 465	25 201	-1 830
<b>Net other operating income</b>	<b>123 190</b>	<b>71 817</b>	<b>86 994</b>	<b>89 429</b>	<b>54 274</b>
<b>Total income</b>	<b>1 509 491</b>	<b>1 466 247</b>	<b>1 448 665</b>	<b>1 419 723</b>	<b>1 352 417</b>
Personnel expenses	23 719	31 168	28 496	28 061	19 902
General administrative expenses	227 532	294 882	282 970	263 087	266 183
Depreciation and impairment of fixed and intangible assets	22 518	16 700	18 079	16 833	16 701
Other operating expenses	14 972	15 801	15 573	16 269	14 563
<b>Total operating expenses</b>	<b>288 741</b>	<b>358 550</b>	<b>345 118</b>	<b>324 251</b>	<b>317 350</b>
Provision for loan losses	447 027	620 636	432 803	413 511	401 717
<b>Profit before tax</b>	<b>773 723</b>	<b>487 060</b>	<b>670 745</b>	<b>681 961</b>	<b>633 350</b>
Tax charge	191 635	119 028	166 882	168 024	155 999
<b>Profit after tax</b>	<b>582 087</b>	<b>368 032</b>	<b>503 863</b>	<b>513 937</b>	<b>477 351</b>

<i>Amounts in NOK 1000</i>	<b>Q2 2020</b>	<b>Q1 2020</b>	<b>Q4 2019</b>	<b>Q3 2019</b>	<b>Q2 2019</b>
<b>Profit on ordinary activities after tax</b>	<b>582 087</b>	<b>368 032</b>	<b>503 863</b>	<b>513 937</b>	<b>477 351</b>
<b>Comprehensive income for the period</b>	<b>582 087</b>	<b>368 032</b>	<b>503 863</b>	<b>513 937</b>	<b>477 351</b>

# Quarterly balance sheet

<i>Amounts in NOK 1000</i>	<b>30.6.20</b>	<b>31.3.20</b>	<b>31.12.19</b>	<b>30.9.19</b>	<b>30.6.19</b>
<b>Assets</b>					
Cash and deposits with the central bank	69 623	69 905	68 500	68 285	68 091
Loans and deposits with credit institutions	3 361 585	3 014 698	2 094 165	1 626 704	2 214 049
Loans to customers	40 101 034	42 378 471	40 560 502	40 067 806	38 712 907
Certificates and bonds	16 790 787	13 764 305	14 650 988	11 339 732	9 962 991
Financial derivatives	161 158	59 020	76 371	19 284	31 274
Shares and other securities	51 124	46 017	44 863	42 529	40 246
Intangible assets	490 433	506 426	510 840	508 638	512 030
Deferred tax asset	5 849	4 179	3 502	19 673	18 838
Fixed assets	1 082	1 153	819	953	1 102
Receivables	92 057	110 908	62 835	56 133	61 108
<b>Total assets</b>	<b>61 124 733</b>	<b>59 955 081</b>	<b>58 073 384</b>	<b>53 749 736</b>	<b>51 622 635</b>
<b>Liabilities and equity</b>					
Loans from credit institutions	1 000 781	1 400 000	52 750	-	73 100
Deposits from customers	41 090 855	39 561 112	40 118 369	39 185 189	38 177 954
Debt securities issued	6 679 216	6 813 624	6 537 863	3 472 923	3 316 800
Financial derivatives	200 428	657 621	29 621	37 563	4 913
Tax payable	634 825	441 519	625 745	618 010	449 151
Deferred tax	3 821	3 821	3 821	-	-
Other liabilities	55 452	193 945	225 912	400 310	107 560
Accrued expenses	175 744	177 062	182 907	240 195	204 759
Subordinated loan	876 143	876 073	822 688	812 230	807 889
<b>Total liabilities</b>	<b>50 717 265</b>	<b>50 124 777</b>	<b>48 599 677</b>	<b>44 766 421</b>	<b>43 142 127</b>
Share capital	186 695	186 695	186 695	186 695	186 695
Share premium	972 295	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	8 607 419	8 036 314	7 679 717	7 189 324	6 686 519
<b>Total equity</b>	<b>10 407 468</b>	<b>9 830 304</b>	<b>9 473 707</b>	<b>8 983 314</b>	<b>8 480 509</b>
<b>Total liabilities and equity</b>	<b>61 124 733</b>	<b>59 955 081</b>	<b>58 073 384</b>	<b>53 749 736</b>	<b>51 622 635</b>

# Top 20 shareholders

SHAREHOLDER		# OF SHARES	
1 CIDRON XINGU LTD		30 646 498	16.41 %
2 FOLKETRYGDFONDET		18 485 852	9.90 %
3 GOLDMAN SACHS & CO. LLC	NOMINEE	11 916 598	6.38 %
4 BNP PARIBAS SECURITIES SERVICES	NOMINEE	11 826 105	6.33 %
5 BRUMM AS		5 273 482	2.82 %
6 BANQUE DEGROOF PETERCAM LUX. SA	NOMINEE	5 085 999	2.72 %
7 STATE STREET BANK AND TRUST COMP	NOMINEE	4 865 083	2.61 %
8 STENSHAGEN INVEST AS		4 551 416	2.44 %
9 STATE STREET BANK AND TRUST COMP	NOMINEE	3 684 524	1.97 %
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 VERDIPAPIRFONDET PARETO INVESTMENT		2 102 000	1.13 %
15 TORSTEIN INGVALD TVENGE		2 000 000	1.07 %
16 BANQUE DEGROOF PETERCAM LUX. SA	NOMINEE	1 872 976	1.00 %
17 NYE KM AVIATRIX INVEST AS		1 849 472	0.99 %
18 VERDIPAPIRFONDET ALFRED BERG GAMBAK		1 804 022	0.97 %
19 KLP AKSJENORGE INDEKS		1 572 335	0.84 %
20 DIRECTMARKETING INVEST AS		1 500 000	0.80 %
<b>Top 20</b>		<b>121 336 633</b>	<b>64.97 %</b>
<b>Total</b>		<b>186 751 856</b>	

- Management holds 1.14% of shares outstanding

As of August 11, 2020