

Bank Norwegian

Bond investor presentation – Global investor call

September 6, 2019



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This Company Presentation contains financial figures from Norwegian Finans Holding Group (consolidated) and Bank Norwegian AS. Presented figures and tables are labeled accordingly.

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Bank Norwegian – a leading Nordic consumer finance business

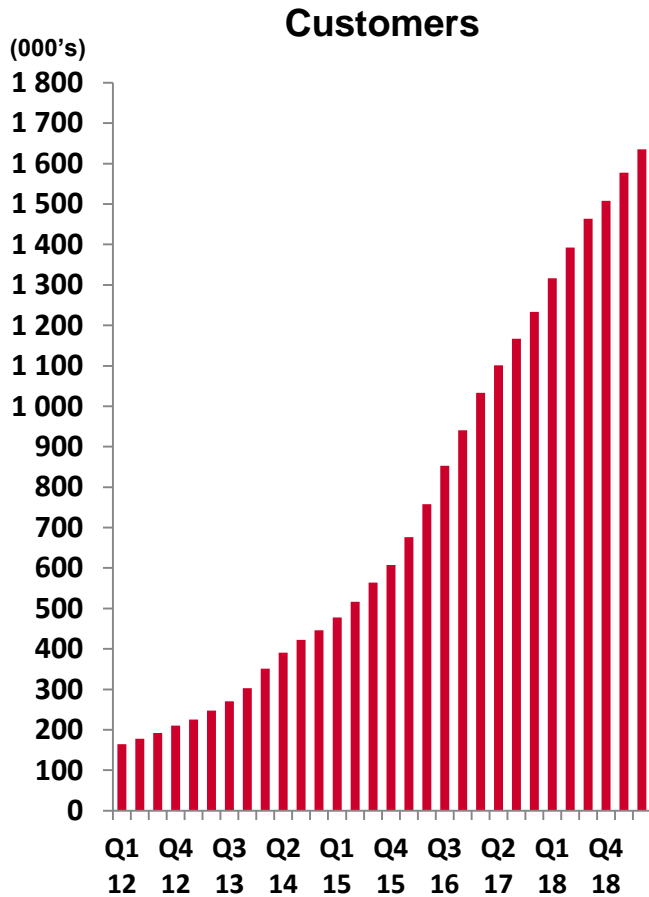
- Established November 2007
- Offers unsecured instalment loans, credit cards in cooperation with the airline Norwegian and savings deposits in the Nordic consumer market
- Expansion to Sweden in May 2013 based on a cross-border license
- Expansion to Denmark and Finland in December 2015
- 84 FTEs, all based at the head office in Fornebu, Norway
- Owned 100% by Norwegian Finans Holding ASA
- Norwegian Finans Holding ASA listed on the Oslo Stock Exchange since June 2016

Rating	BBB by S&P (neg)
Customers across Nordics	1.6 million
Consumer lending	NOK 28.6bn
Credit card lending	NOK 12.2bn
Deposits	NOK 39.2bn
CET1 ratio	19.9%

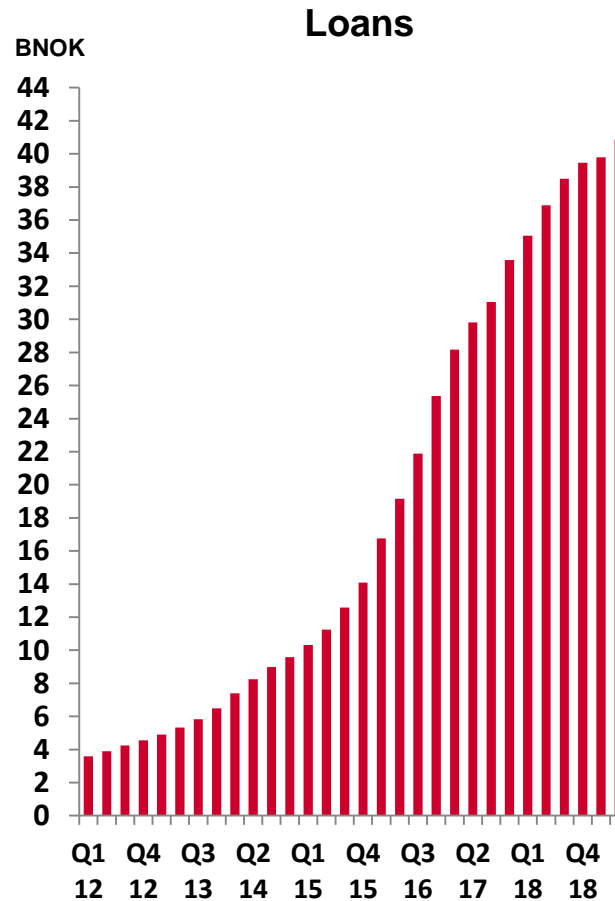
Bank Norwegian AS, Q2 2019



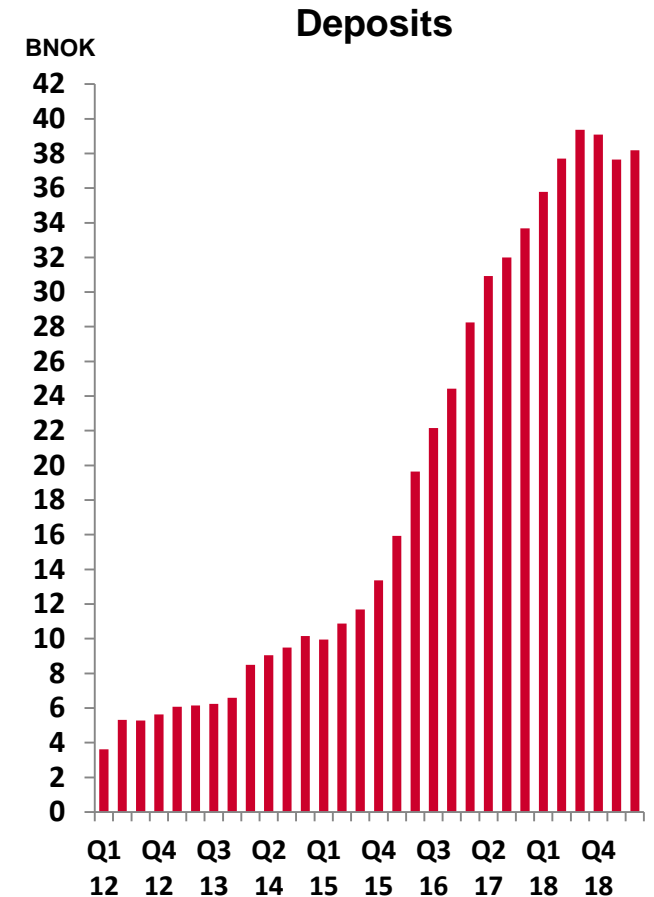
Strong growth in customers, loans and deposits



- 1,635,500 customers
- 1,203,200 credit card customers



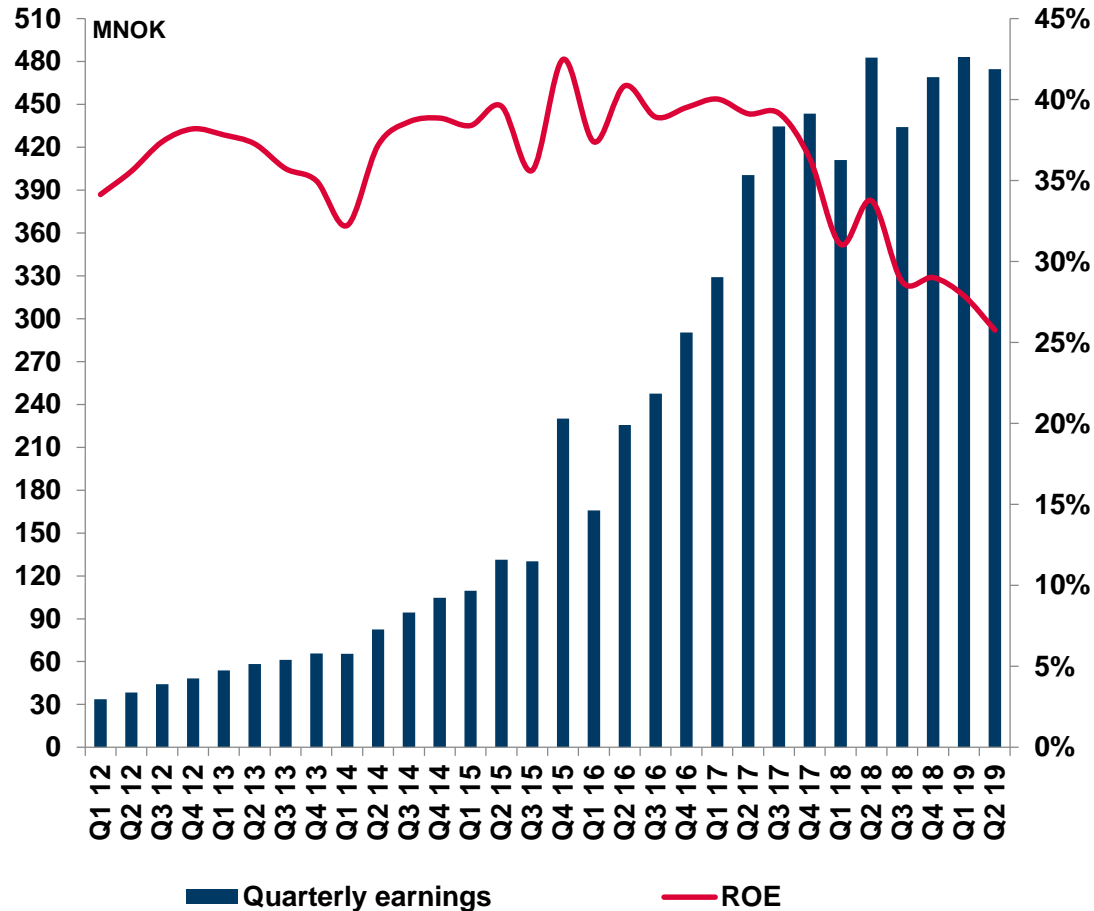
- Strong demographics
- Geographically diversified
- Small exposures
- Abundant credit data available



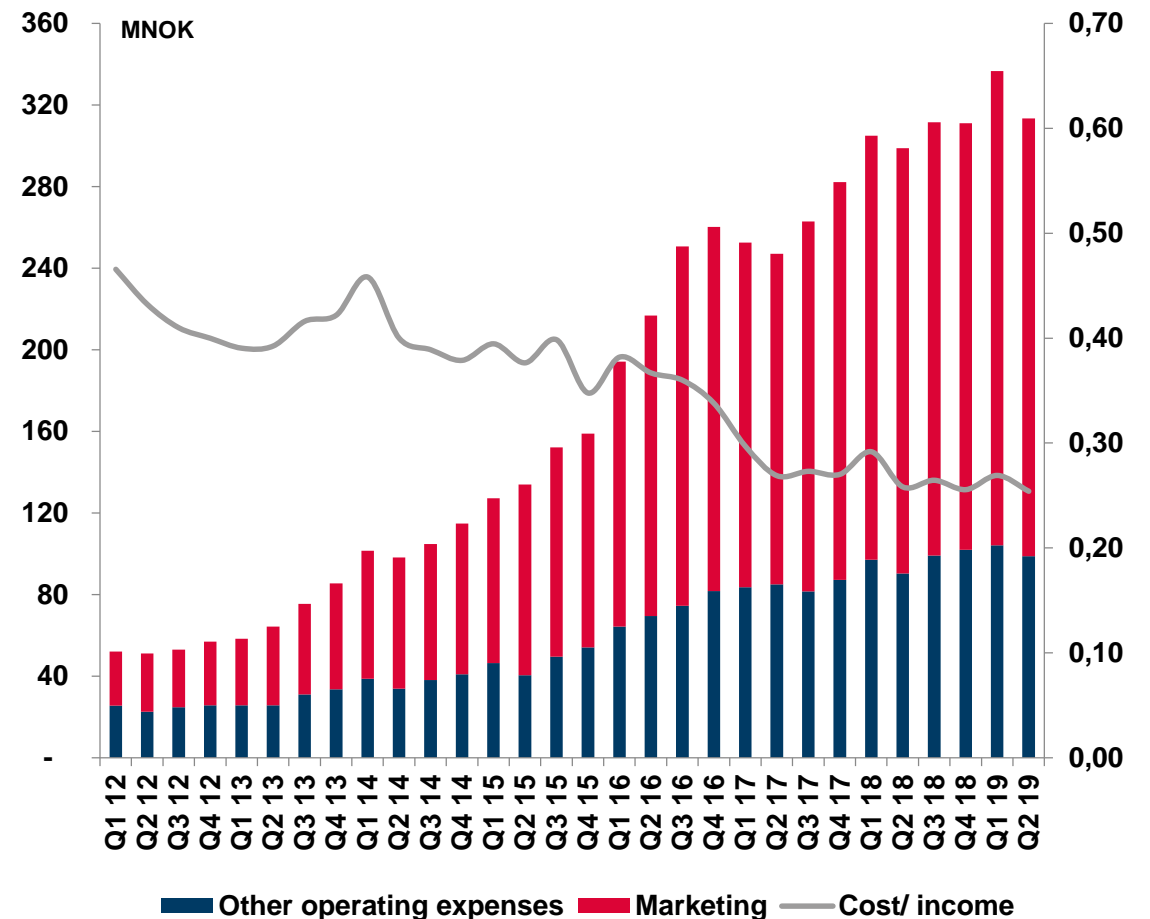
- Diversified and stable savings deposit base

Highly profitable operations

Steady increase in quarterly earnings



Steady increase in operating efficiency over time



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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

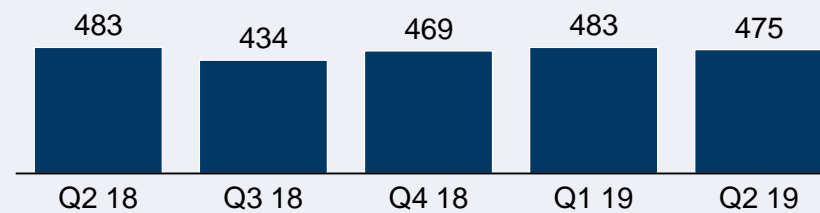
Resilient balance sheet

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

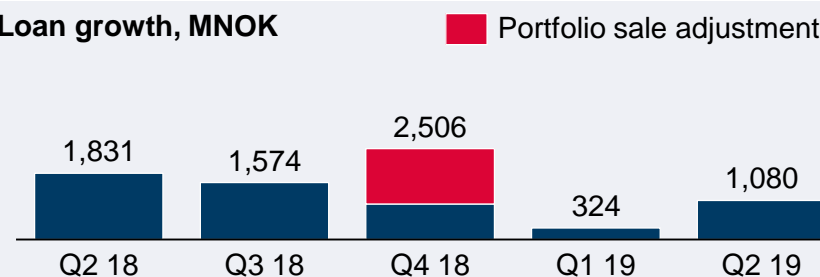
Events

- 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

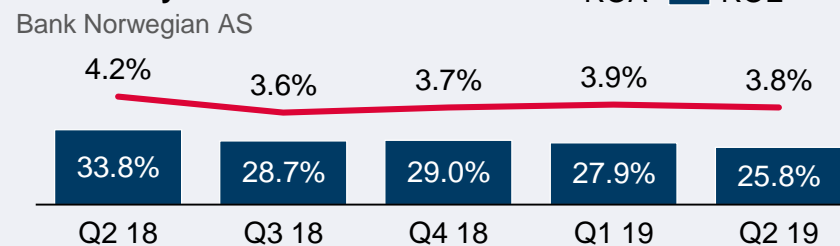
Earnings, MNOK



Loan growth, MNOK

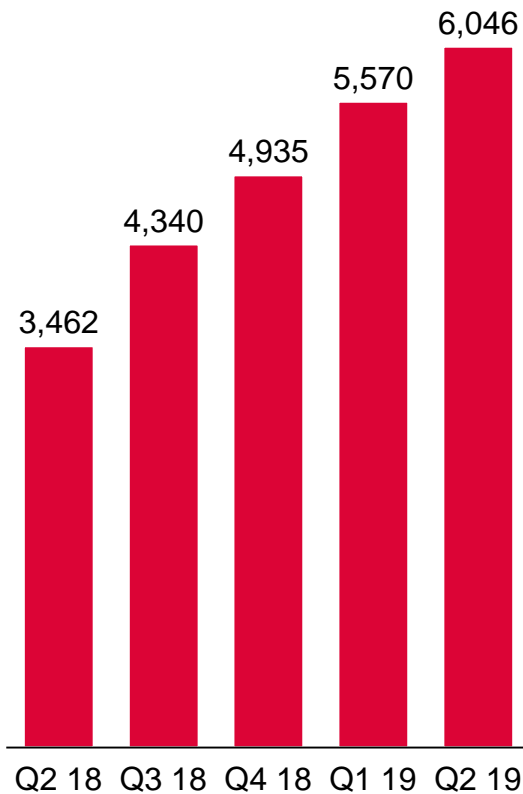


Profitability

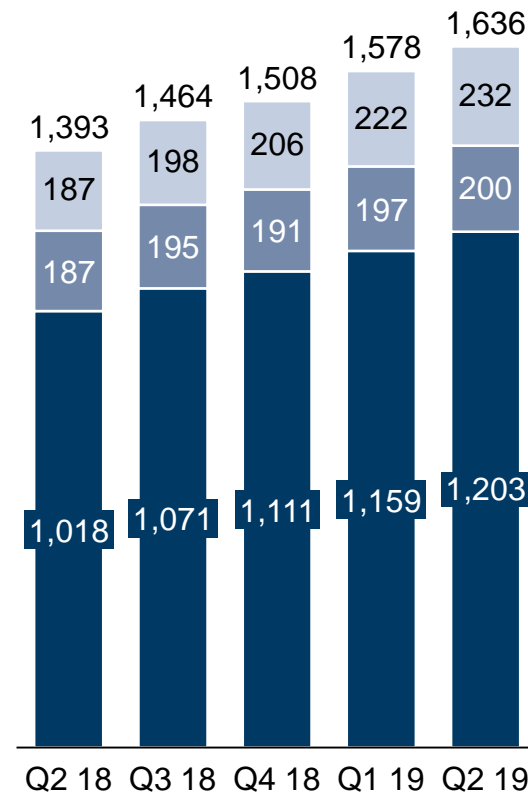


57,800 new customers in the second quarter

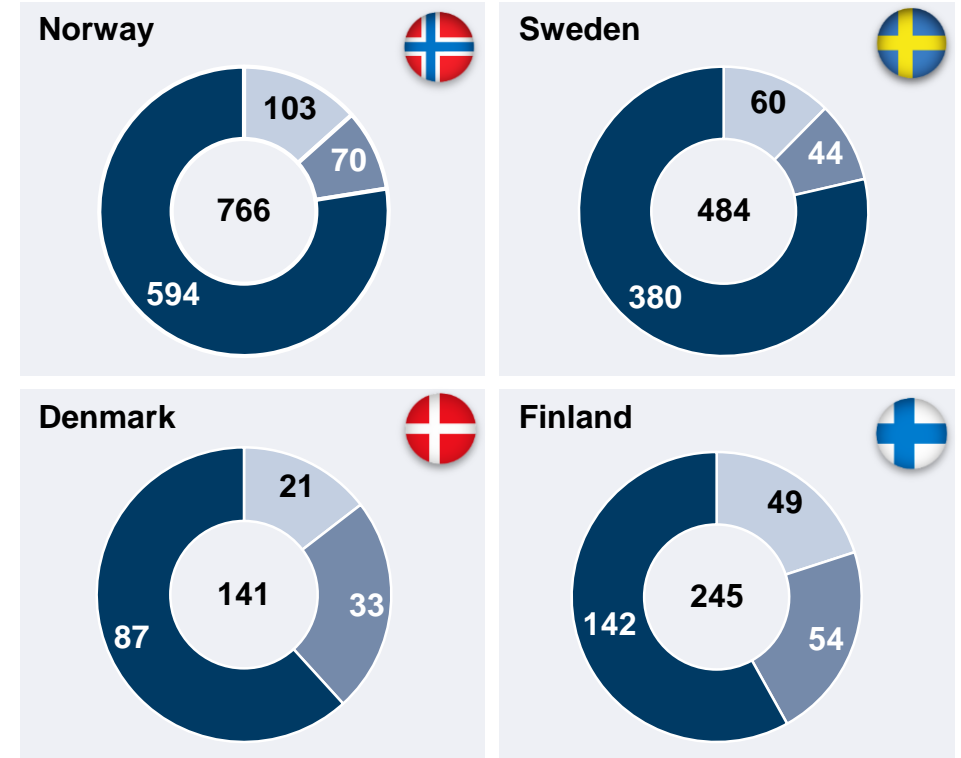
App usage, thousand



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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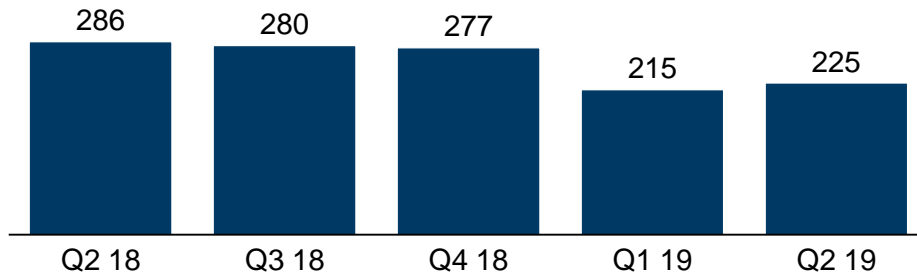
Funding composition and funding plan

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Highlights - Norway

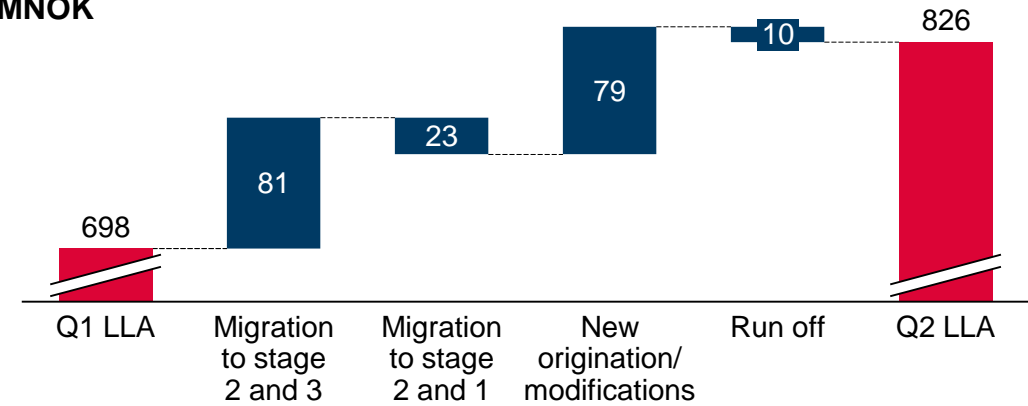
Earnings

MNOK



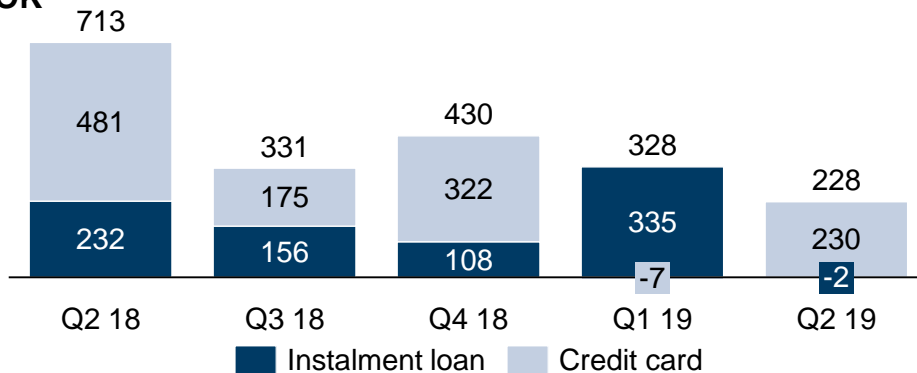
Loan loss allowance (LLA)

MNOK



Loan growth

MNOK



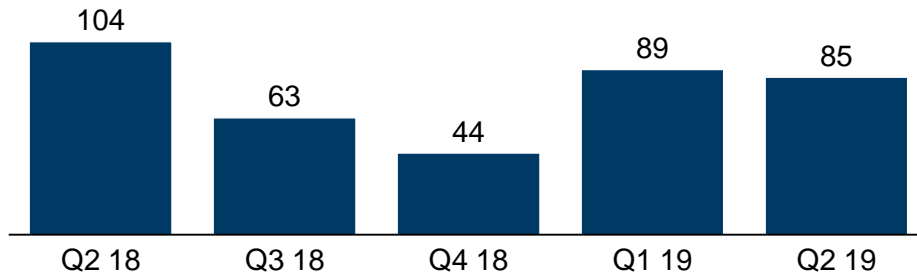
Market dynamics

- 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

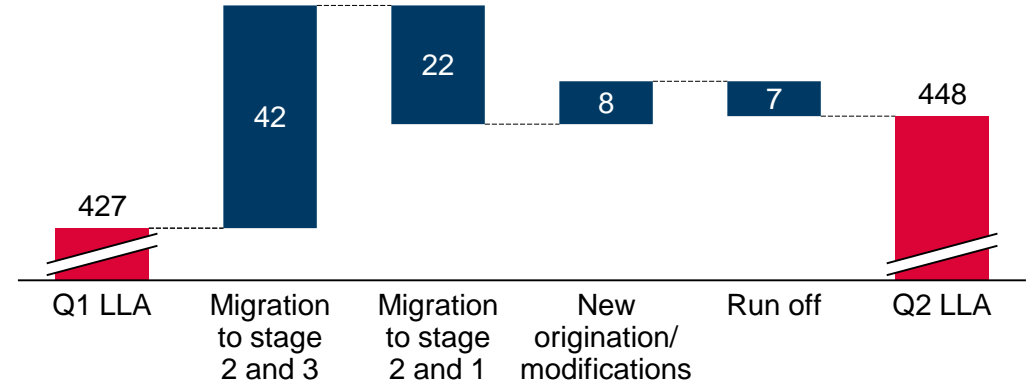
Earnings

MNOK



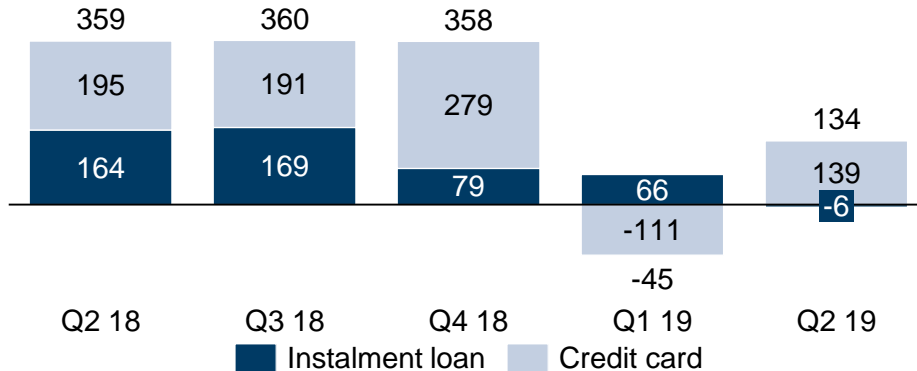
Loan loss allowance (LLA)

MNOK



Loan growth

MSEK



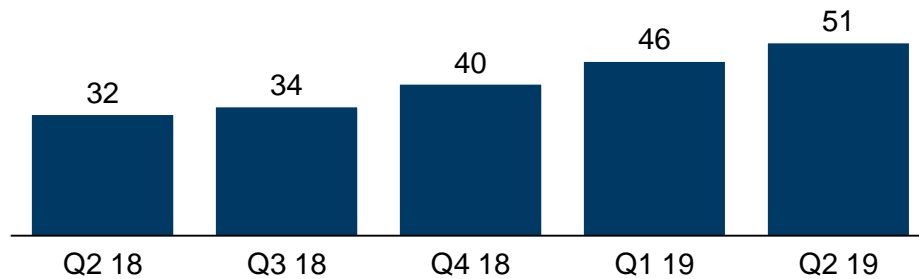
Market dynamics

- 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

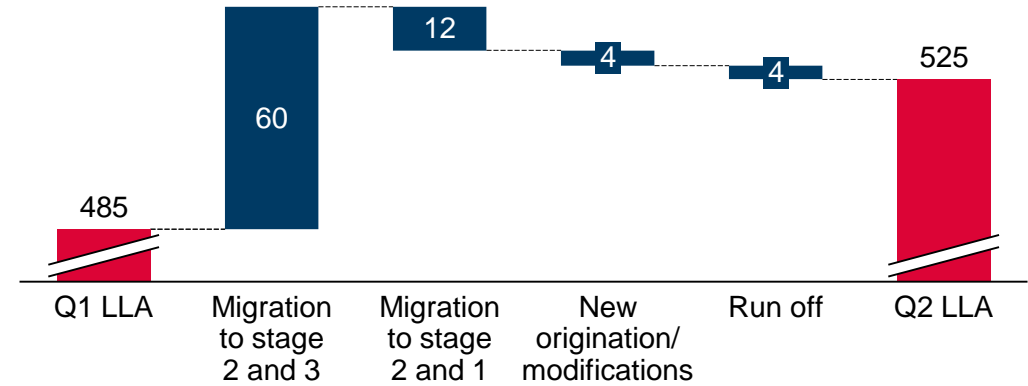
Earnings

MNOK



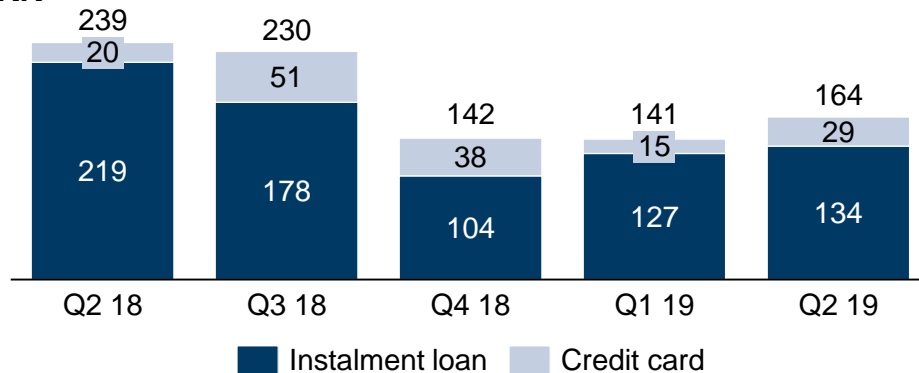
Loan loss allowance (LLA)

MNOK



Loan growth

MDKK



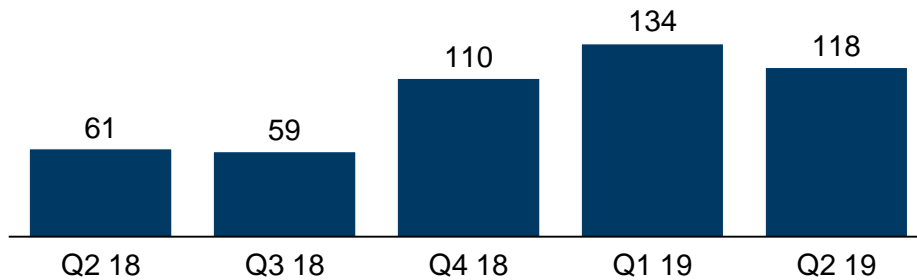
Market dynamics

- 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

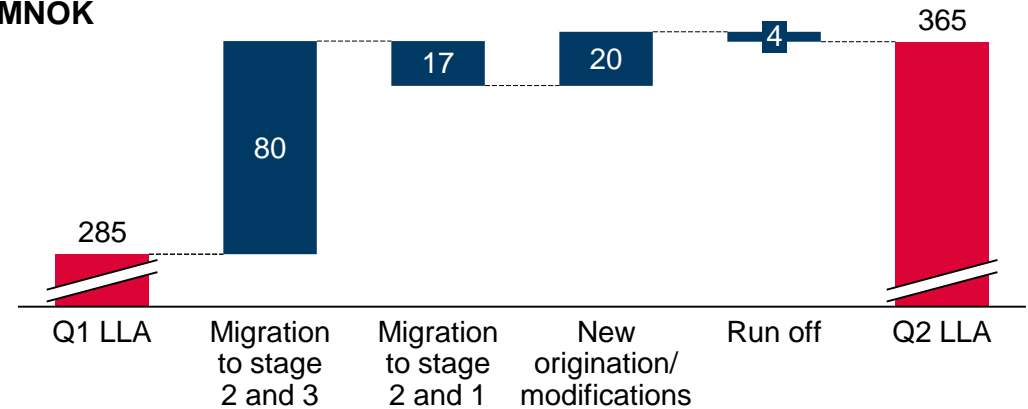
Earnings

MNOK



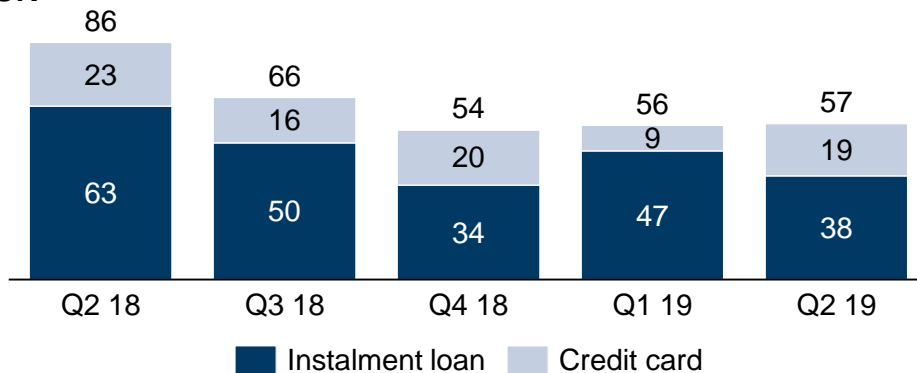
Loan loss allowance (LLA)

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

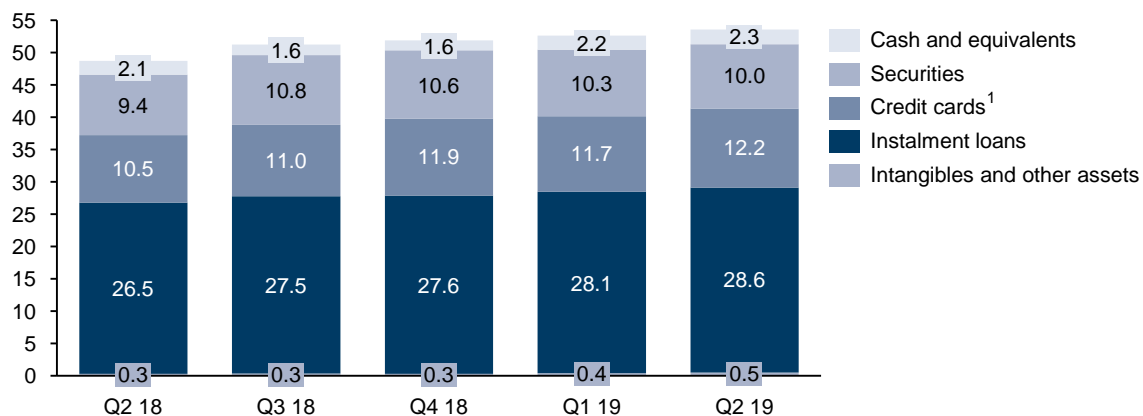
Norwegian Finans Holding Group

<i>MNOK</i>	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%

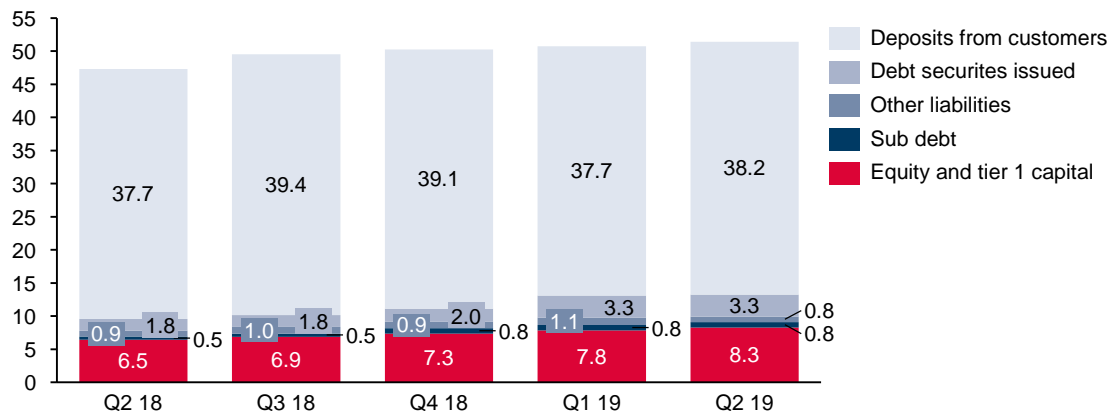
Resilient balance sheet

Assets, BNOK



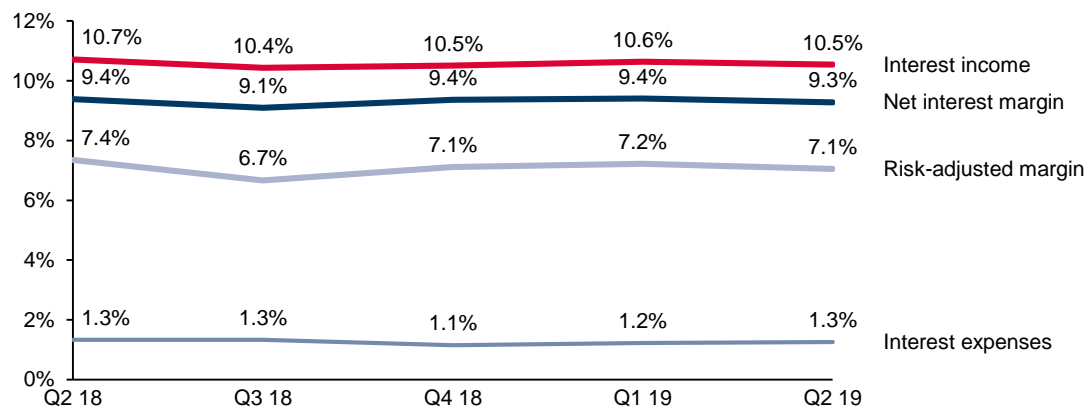
- Total gross loans increased MNOK 1,080, compared with MNOK 324 in the first quarter
- Currency adjusted loan growth was MNOK 1,110 compared with MNOK 1,031 in the first quarter
- Instalment loans rose MNOK 520 and credit cards rose MNOK 560
- Instalment loan sales were MNOK 2,284, compared with MNOK 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



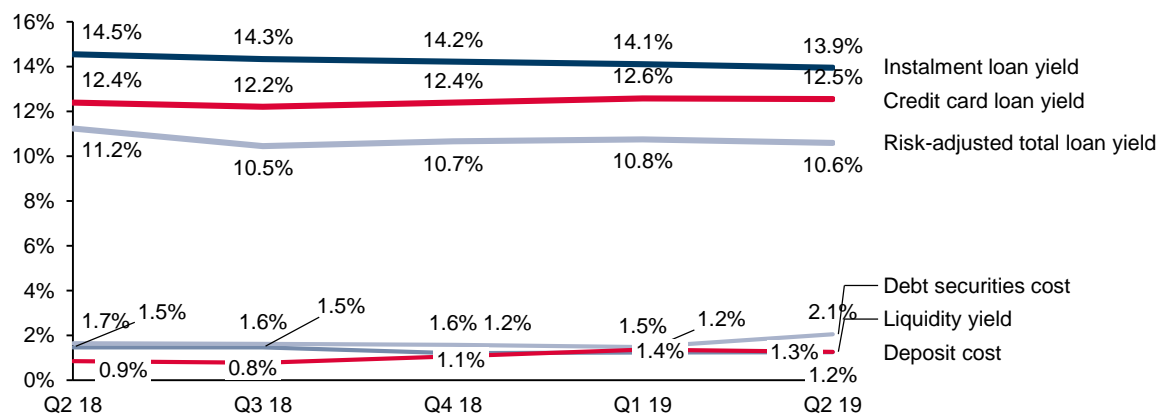
Stable yields and margins

Margins as a % of average assets



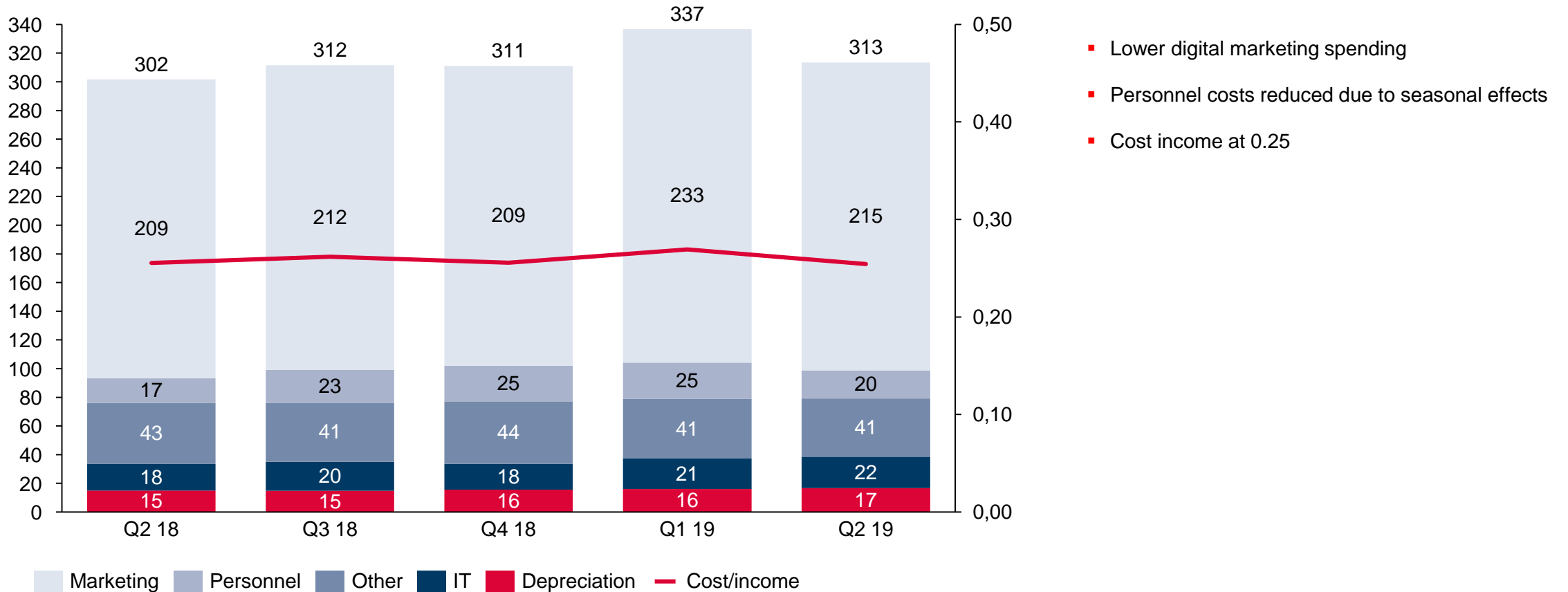
- Stable yields and margins in the quarter
- Interest expenses increased due to higher share of senior unsecured debt

Asset yield and cost of funds



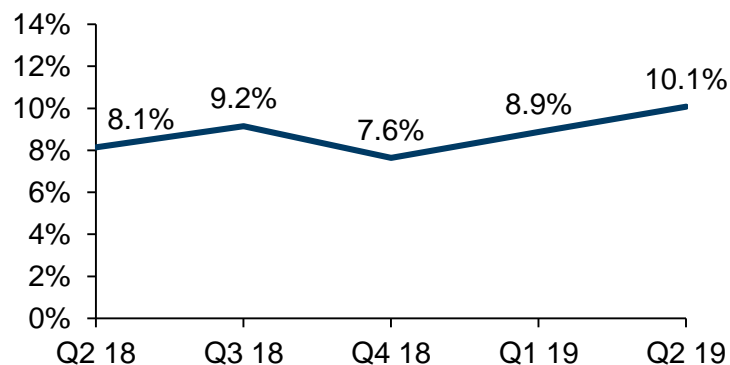
High operating efficiency

Quarterly operating expenses, MNOK

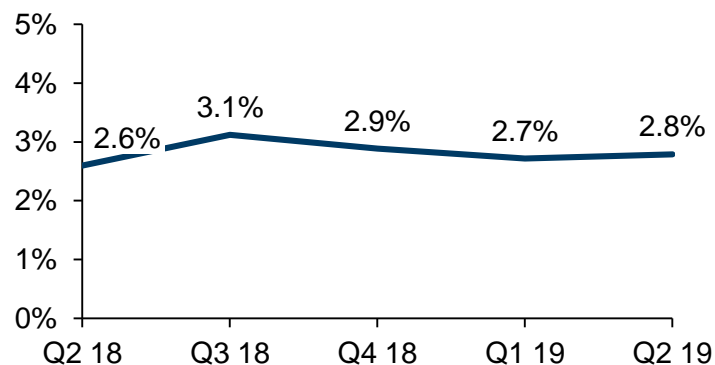


Strong credit metrics

Non-performing loans to loans ¹⁾

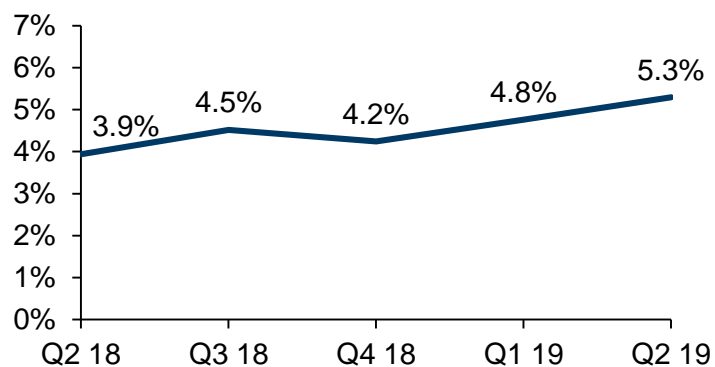


Loan loss provisions to average loans ²⁾

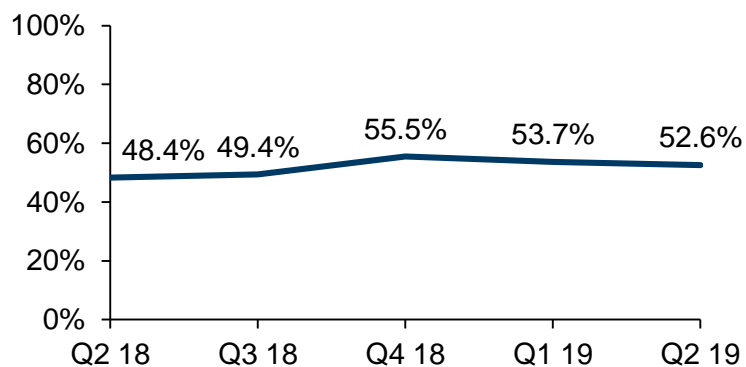


- NPL levels developing as expected
- Stable provision levels
- Solid allowance levels

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

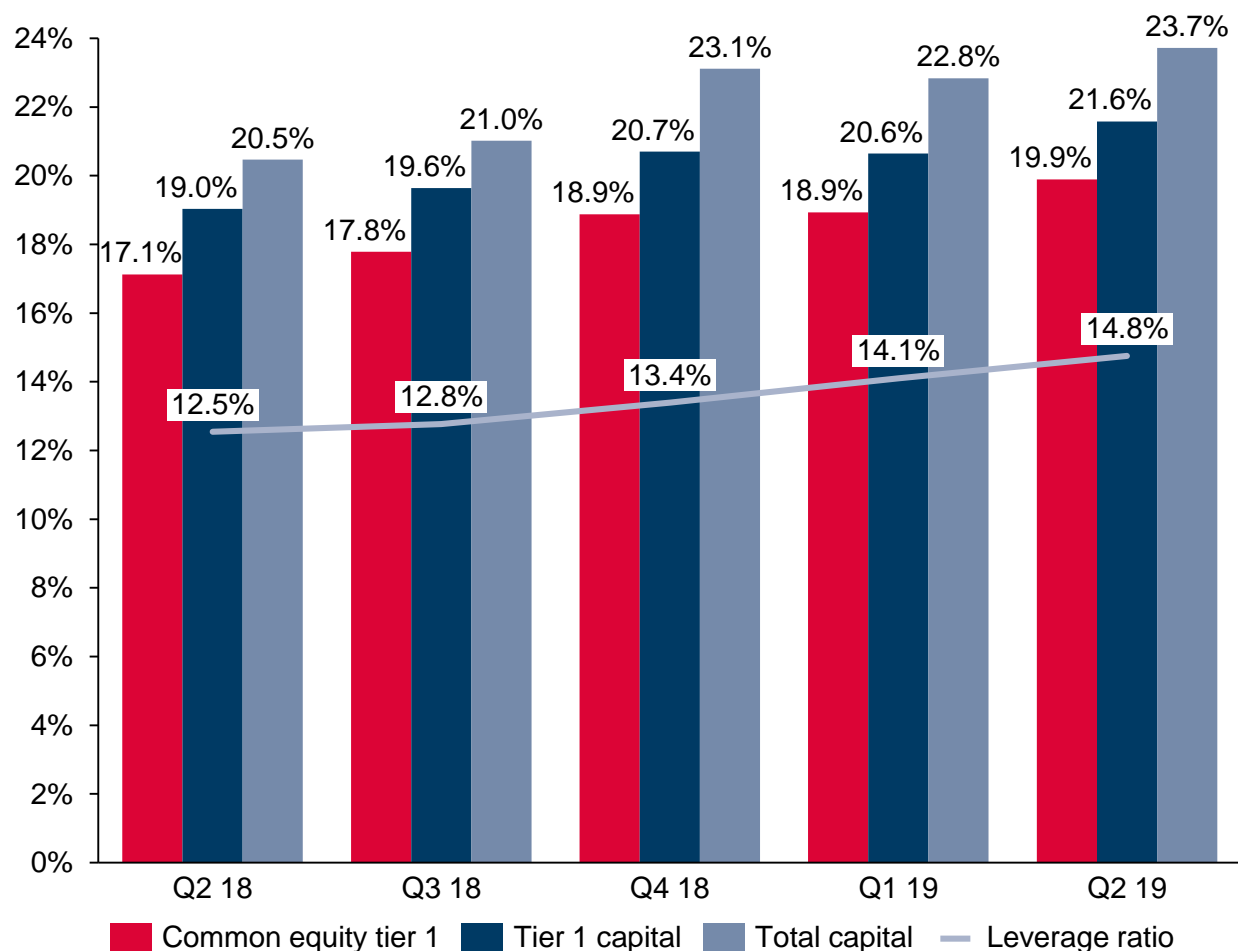
2) Change in ECL to average gross loans

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

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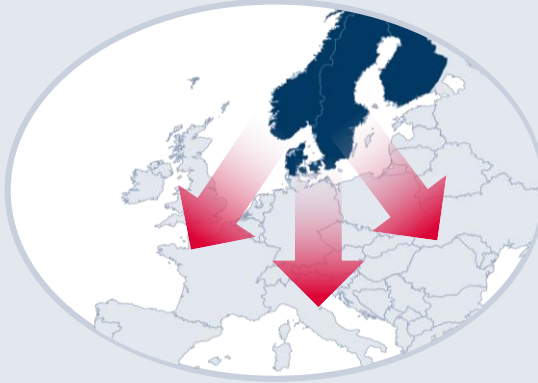


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Bank Norwegian's 4-pillar strategy

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 813" 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 1809 599"/> <ul data-bbox="1312 635 1809 813" 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="1923 635 2369 813" 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

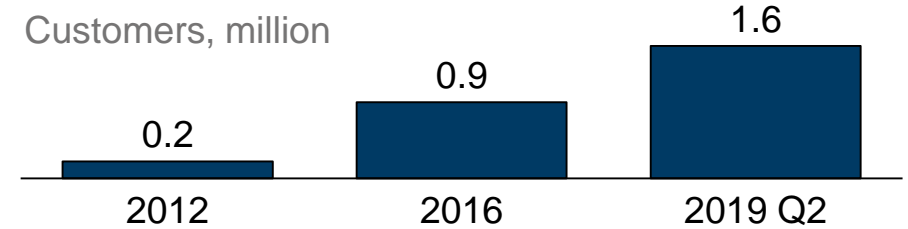
Application process

- 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



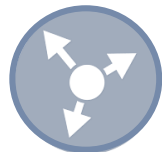
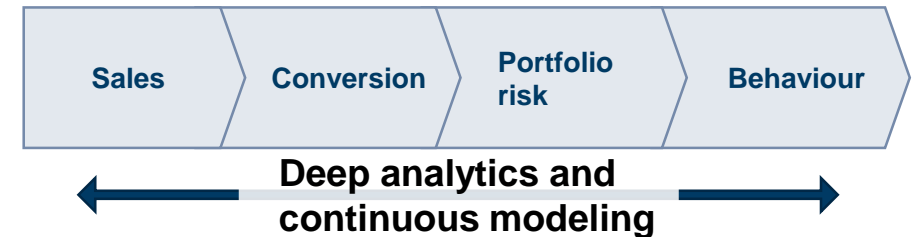
Fast growing and digitally native customer base with high engagement



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

Top 20 shareholders

SHAREHOLDER		# OF SHARES	
1 FOLKETRYGDFONDET		17 685 849	9.47 %
2 NORWEGIAN AIR SHUTTLE ASA		14 004 262	7.50 %
3 GOLDMAN SACHS & CO. LLC	NOMINEE	12 049 064	6.45 %
4 GOLDMAN SACHS INTERNATIONAL	NOMINEE	11 896 642	6.37 %
5 BNP PARIBAS SECURITIES SERVICE	NOMINEE	6 767 685	3.62 %
6 BRUMM AS		5 067 018	2.71 %
7 STENSHAGEN INVEST AS		4 551 416	2.44 %
8 GREEN 91 AS		3 964 900	2.12 %
9 VARMA MUTUAL PENSION INSURANCE CO.		3 537 292	1.89 %
10 EUROCLEAR BANK S.A./N.V.	NOMINEE	3 386 089	1.81 %
11 KM AVIATRIX INVEST AS		3 259 293	1.75 %
12 NYE GKB INVEST AS		3 201 102	1.71 %
13 NYE SNEISUNGEN AS		3 194 162	1.71 %
14 BANQUE DEGROOF PETERCAM LUX SA	NOMINEE	3 120 999	1.67 %
15 MP PENSJON PK		3 012 236	1.61 %
16 JPMORGAN CHASE BANK, N.A., LONDON	NOMINEE	2 578 992	1.38 %
17 BANQUE DEGROOF PETERCAM LUX SA	NOMINEE	2 426 333	1.30 %
18 TORSTEIN INGVALD TVENGE		2 400 000	1.29 %
19 STATE STREET BANK AND TRUST COMP	NOMINEE	2 350 686	1.26 %
20 VERDIPAPIRFONDET PARETO INVESTMENT		2 013 000	1.08 %
Top 20		110 467 020	59.15 %
Total		186 751 856	

As of Sep 4, 2019

- On August 19 Nordic Capital and Sampo plc announced that they together have signed an agreement to acquire 17.47% of the shares in Norwegian Finans Holding ASA from Norwegian Air Shuttle ASA (NAS)
 - Nordic Capital and Sampo expect to hold around 64% and 36%, respectively, of the joint shareholding
 - Completion of the acquisition will occur in two tranches
 - The first tranche of 9.97% were settled on August 26, 2019
 - The remaining 7.50%, which is subject to approval by the Norwegian Financial Supervisory Authority, will be acquired once regulatory approval has been obtained
 - After the transaction is completed, NAS will have no shareholding in Norwegian Finans Holding ASA
- Management holds 1.4% of shares outstanding

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

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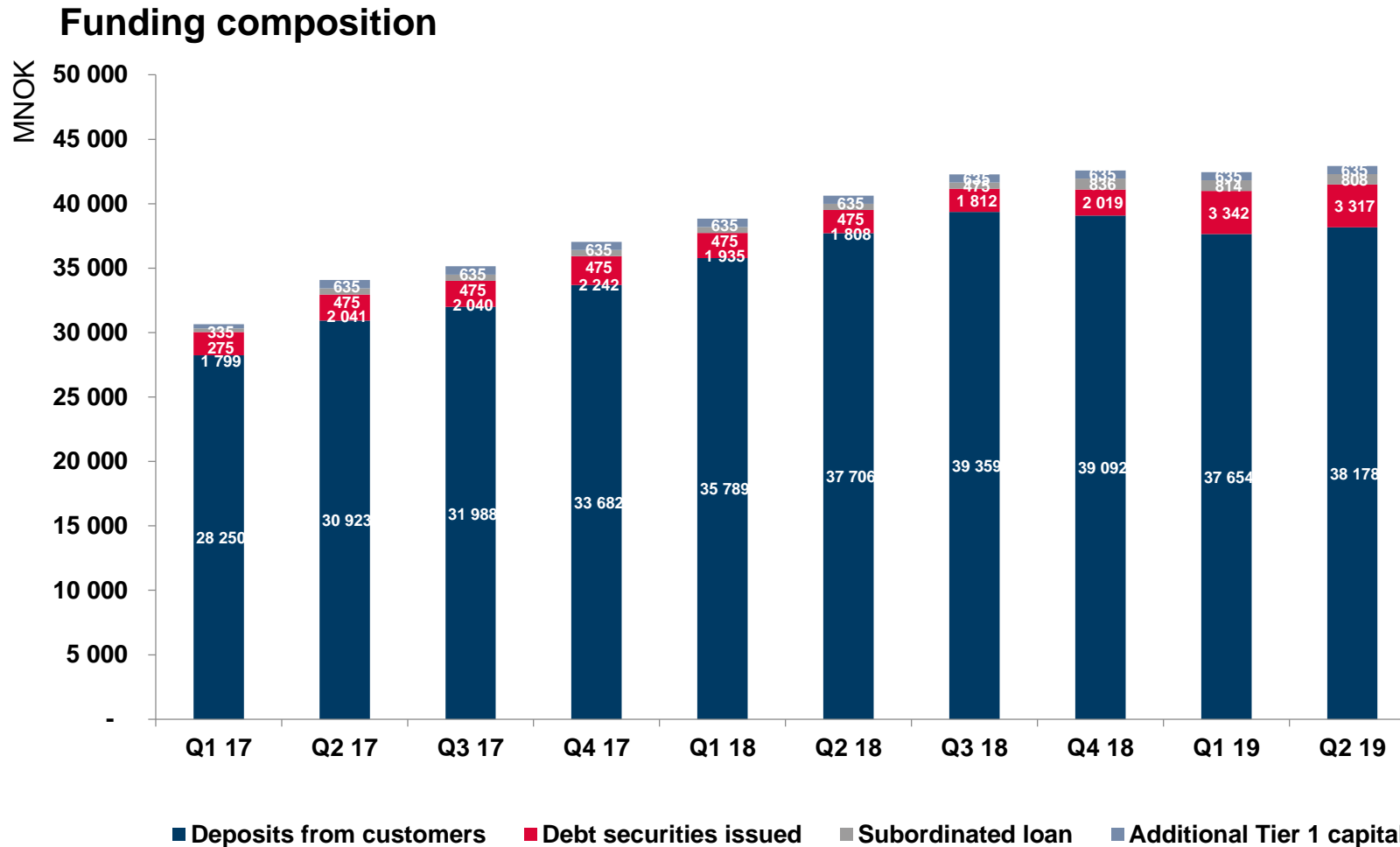
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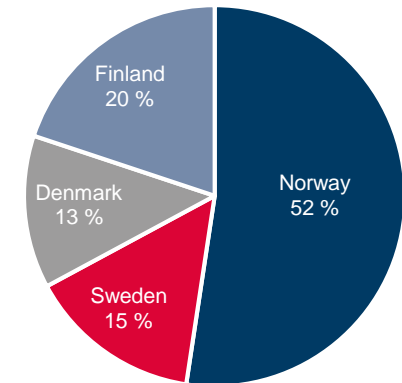
Funding composition and funding plan

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Funding composition – deposits main funding source



Deposit distribution by country (2Q 2019)



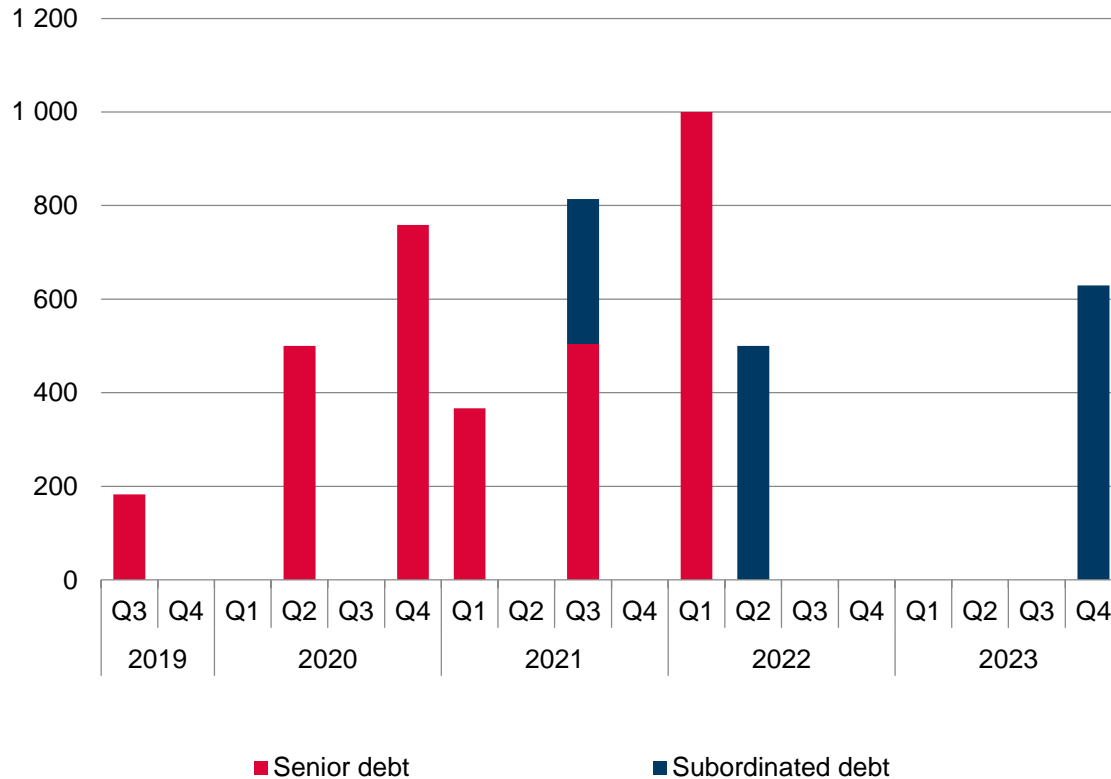
Strategy of diversifying funding sources through senior bonds and MREL going forward - internal minimum requirement of 80% deposit to loans ratio

Funding plans include net issue of NOK 2 bn a year going forward in senior bonds / MREL issues

EUR EMTN program established in April 2018

Debt maturity structure as of 31 August, 2019

Debt maturity profile (MNOK)



Average maturity of senior bonds outstanding

- 1,6 years as of 31.12.2018
- 2,0 years as of 31.12.2017
- 1,5 years as of 31.12.2016

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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 %