

# Norwegian Finans Holding ASA

Fourth quarter 2016 results

# Capital position strengthened to support profitable growth

- Earnings for Q4 2016 was MNOK 290.
- Earnings for 2016 was MNOK 924.
- Strong loan growth of BNOK 3.5 in Q4 16.
- CET 1 declines from 14.0% in Q3 16 to 13.7% at year end 2016.
- Strong loan growth in Q1 17.
- Increased CET 1 requirement under pillar 2 expected from the Norwegian FSA during Q2 17.



- Private placement of approximately MNOK 500 to strengthen capital position and support continued loan growth.
- The private placement increases CET 1 with about 2.3 pp.
- The bank aims for a CET 1 of around 16.0% by the end of Q2 17.
- New capital targets likely to be communicated in relation to Q1 17.
- Loan growth accommodated to the capital base.
- Initiation of dividend payments deferred until 2018.

# Fourth quarter 2016 earnings were 290 MNOK, up 43 MNOK compared with the third quarter

## Norwegian Finans Holding Group

<i>MNOK</i>	Q4 2016	Q3 2016	Change	
Interest income	862.1	753.6	108.4	14 %
Interest expenses	93.7	86.4	7.3	8 %
<b>Net interest income</b>	<b>768.4</b>	<b>667.3</b>	<b>101.1</b>	<b>15 %</b>
Commission and bank services income	62.8	68.0	-5.2	-8 %
Commission and bank services expenses	40.8	29.8	11.0	37 %
Net change in value on securities and currency	-4.6	5.8	-10.3	-179 %
<b>Net other operating income</b>	<b>17.4</b>	<b>44.1</b>	<b>-26.7</b>	<b>-61 %</b>
<b>Total income</b>	<b>785.7</b>	<b>711.3</b>	<b>74.4</b>	<b>10 %</b>
Personnel expenses	14.7	18.0	-3.3	-18 %
General administrative expenses	246.4	231.2	15.2	7 %
Ordinary depreciation	3.7	3.5	0.2	5 %
Other operating expenses	11.3	11.8	-0.4	-4 %
<b>Total operating expenses</b>	<b>276.1</b>	<b>264.4</b>	<b>11.7</b>	<b>4 %</b>
Provision for loan losses	144.7	119.1	25.6	21 %
<b>Profit on ordinary activities before tax</b>	<b>364.9</b>	<b>327.8</b>	<b>37.1</b>	<b>11 %</b>
Tax charge	78.2	82.0	-3.7	-5 %
<b>Profit on ordinary activities after tax</b>	<b>289.8</b>	<b>245.9</b>	<b>43.9</b>	<b>18 %</b>
Earnings per share (NOK)	1.61	1.37		
<i>MNOK</i>	Q4 2016	Q3 2016	Change	
<b>Profit after tax</b>	<b>289.8</b>	<b>245.9</b>	<b>43.9</b>	<b>18 %</b>
Change in fair value for assets held for sale, after tax	0.2	1.1	-0.9	-78 %
<b>Comprehensive income for the period</b>	<b>290.0</b>	<b>247.0</b>	<b>43.0</b>	<b>17 %</b>

- Interest income driven by strong loan growth.
- Net fee income dampened by interchange cap in Norway effective September 1.
- Negative change in value on securities.
- Increased operating expenses due to strong growth.
- Stable provision levels.
- 14.0 MNOK tax effect from the Visa Norway proceeds.
- ROE\* was 39.5% adjusted for the Visa tax effect

# Earnings for the full year 2016 were 924 MNOK, compared with 604 MNOK in 2015

## Norwegian Finans Holding Group

<i>MNOK</i>	2016	2015	Change	
Interest income	2,838.2	1,710.4	1,127.8	66 %
Interest expenses	337.6	285.8	51.8	18 %
<b>Net interest income</b>	<b>2,500.6</b>	<b>1,424.6</b>	<b>1,076.0</b>	<b>76 %</b>
Commission and bank services income	246.6	192.6	54.0	28 %
Commission and bank services expenses	119.4	78.6	40.9	52 %
Net change in value on securities and currency	74.1	-18.7	92.7	-497 %
<b>Net other operating income</b>	<b>201.4</b>	<b>95.6</b>	<b>105.8</b>	<b>111 %</b>
<b>Total income</b>	<b>2,702.0</b>	<b>1,520.2</b>	<b>1,181.8</b>	<b>78 %</b>
Personnel expenses	66.0	58.2	7.8	13 %
General administrative expenses	849.0	477.7	371.3	78 %
Ordinary depreciation	14.1	13.9	0.2	2 %
Other operating expenses	46.9	22.2	24.7	111 %
<b>Total operating expenses</b>	<b>976.0</b>	<b>572.0</b>	<b>404.0</b>	<b>71 %</b>
Provision for loan losses	468.3	207.9	260.4	125 %
<b>Profit on ordinary activities before tax</b>	<b>1,257.8</b>	<b>740.4</b>	<b>517.4</b>	<b>70 %</b>
Tax charge	298.4	196.7	101.7	52 %
<b>Profit on ordinary activities after tax</b>	<b>959.4</b>	<b>543.7</b>	<b>415.7</b>	<b>76 %</b>
Earnings per share (NOK)	5.38	3.14		
<i>MNOK</i>	2016	2015	Change	
<b>Profit after tax</b>	<b>959.4</b>	<b>543.7</b>	<b>415.7</b>	<b>76 %</b>
Change in fair value for assets held for sale, after tax	-35.4	60.0	-95.4	-159 %
<b>Comprehensive income for the period</b>	<b>924.0</b>	<b>603.7</b>	<b>320.3</b>	<b>53 %</b>

- Rise in net interest income driven by geographical expansion.
- Net fee income impacted by launch of card operations in Denmark/ Finland and interchange cap.
- Visa Norway proceeds at NOK 58 mill.
- Increased sales and marketing expenses due to growth.
- Provision levels impacted by new markets.
- ROE\* at 39.0 % adjusted for the Visa Norway proceeds.

# Strong earnings growth

## Bank Norwegian AS

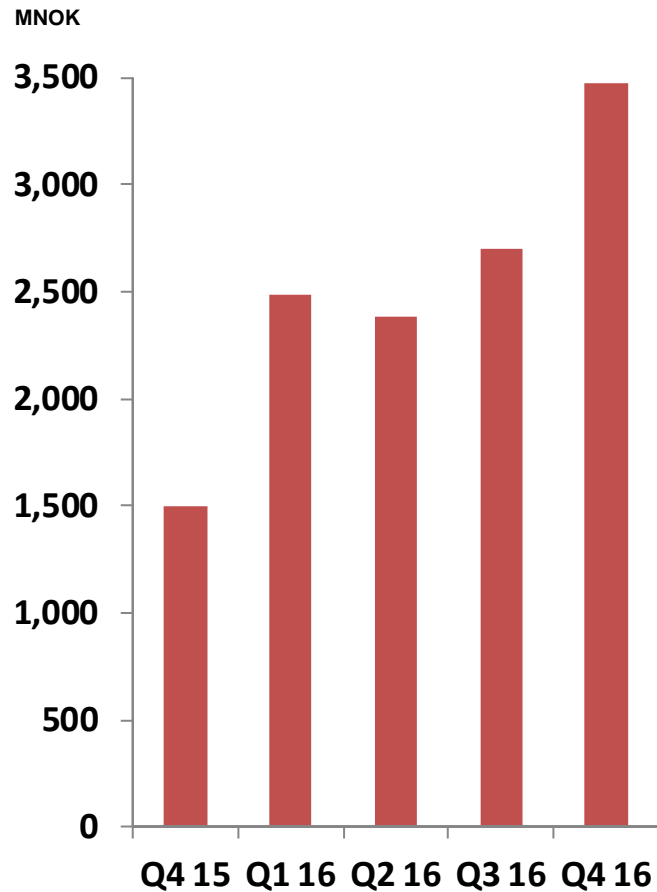
Key figures	Norway			Sweden			Denmark / Finland		
	Q4 16	Q3 16	Δ	Q4 16	Q3 16	Δ	Q4 16	Q3 16	Δ
<i>MNOK</i>									
Net interest income	465.7	426.1	39.6	154.5	149.0	5.4	148.2	92.1	56.1
Net fee income	10.3	36.3	-26.0	5.2	1.4	3.8	1.9	6.5	-4.6
Total income	476.0	462.4	13.6	159.7	150.4	9.3	150.1	98.5	51.5
Total operating expenses	124.8	122.4	2.4	73.9	67.1	6.8	77.0	74.1	2.9
Provision for loan losses	58.2	41.6	16.6	42.1	37.7	4.4	44.4	39.8	4.6
Profit after tax	235.9	223.8	12.1	32.7	34.2	-1.4	21.5	-11.5	33.0
Comprehensive income	236.1	224.9	11.2	32.7	34.2	-1.4	21.5	-11.5	33.0
Net loans	14,177	13,157	1,020	5,190	4,581	610	5,035	3,345	1,690
Deposits	14,696	13,699	998	5,561	5,699	-138	4,166	2,756	1,410

- Earnings in Norway impacted by lower interchange, one-offs in the third quarter and securities value change.
- Low net interest income growth in Sweden due to appreciating NOK.
- Denmark/Finland reached profitability less than one year after launch of operations.

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

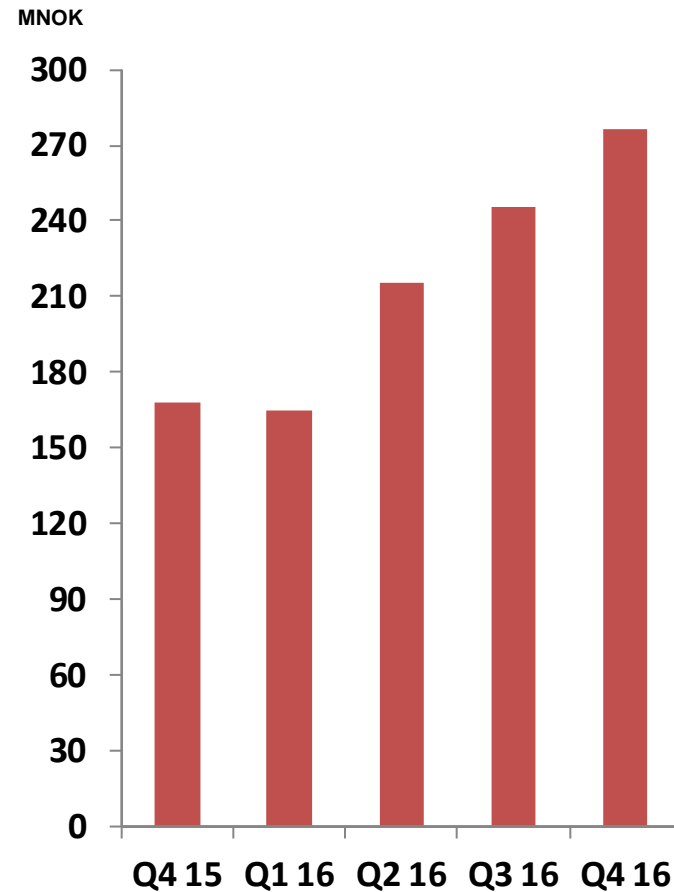
# Strong loan and earnings growth

Quarterly loan growth



2015 figures not restated.

Quarterly earnings

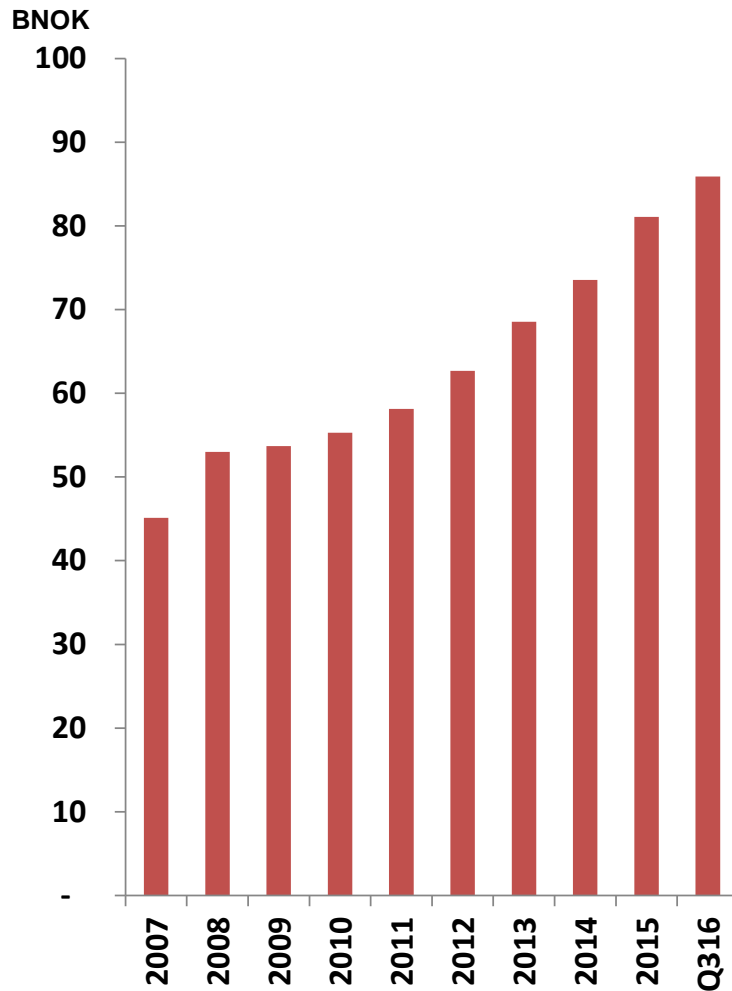


2015 figures restated.

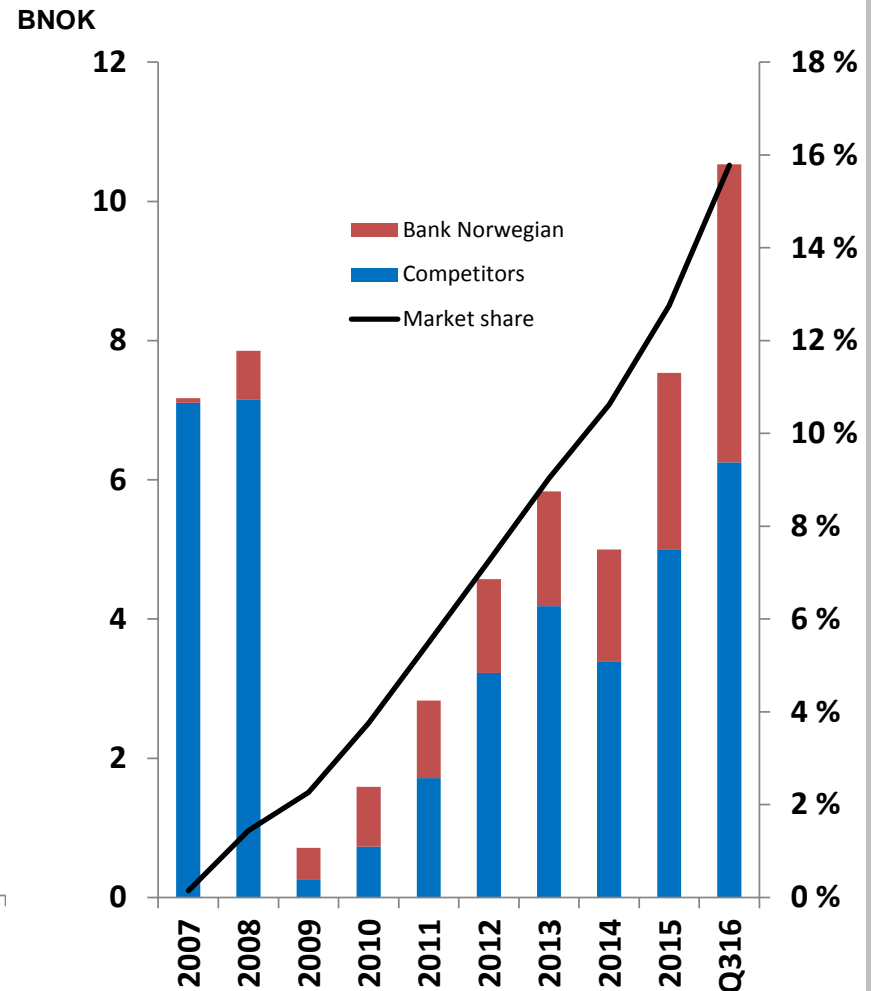
Earnings related to stake in Visa Norway excluded.

# Rising market share in Norway

Total unsecured loans

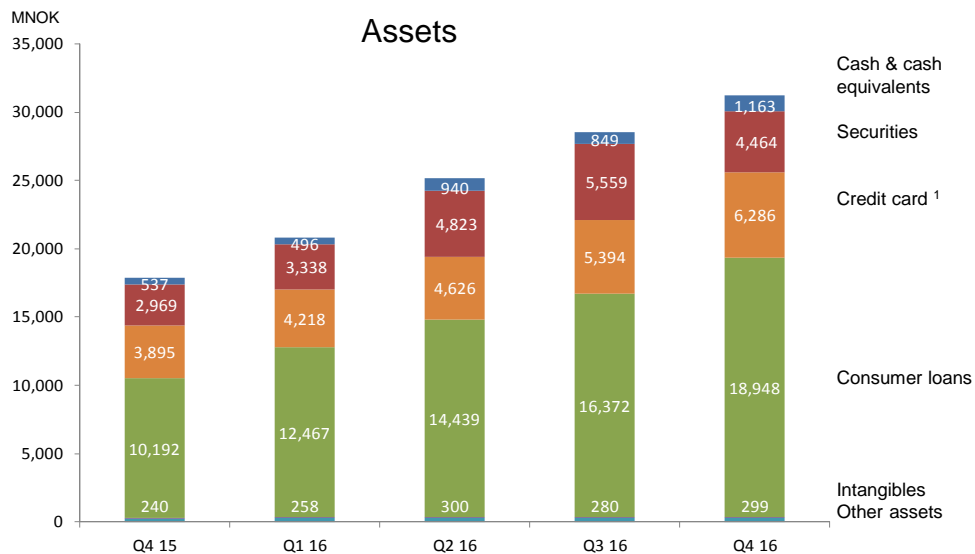


Market growth and market share

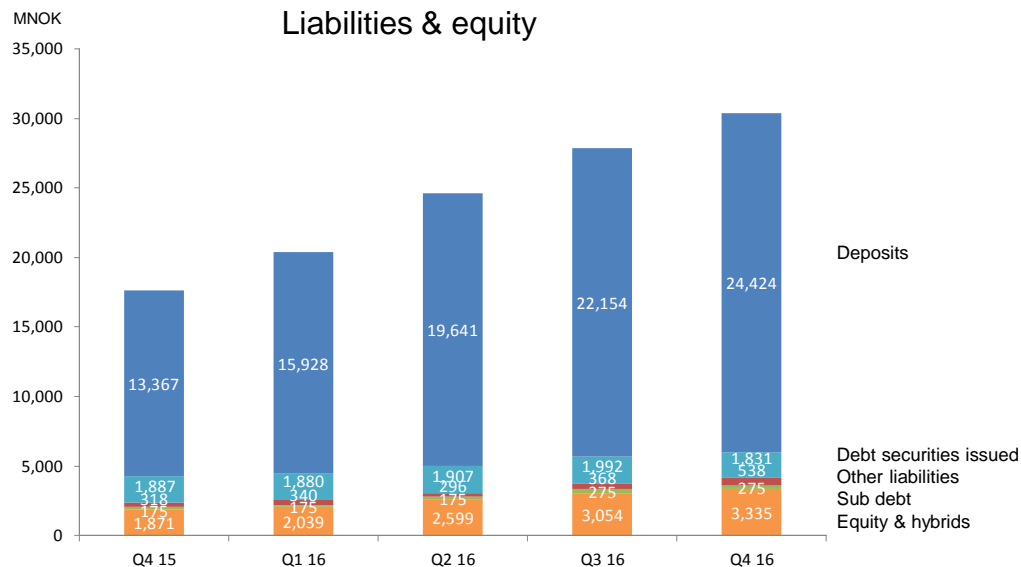


Source: The financial supervisory authority of Norway  
Q3'16 annualized growth figures.

# Strong balance sheet



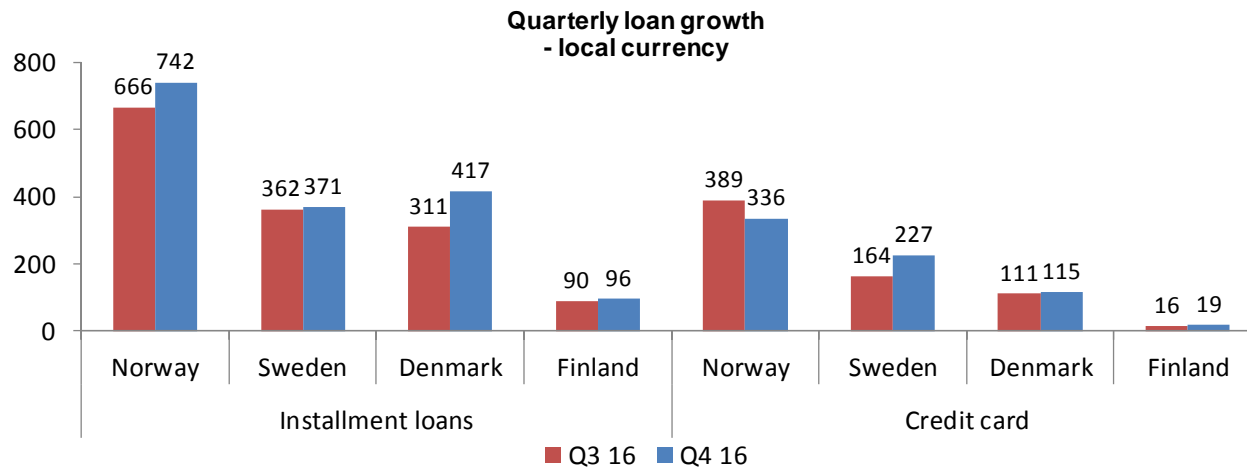
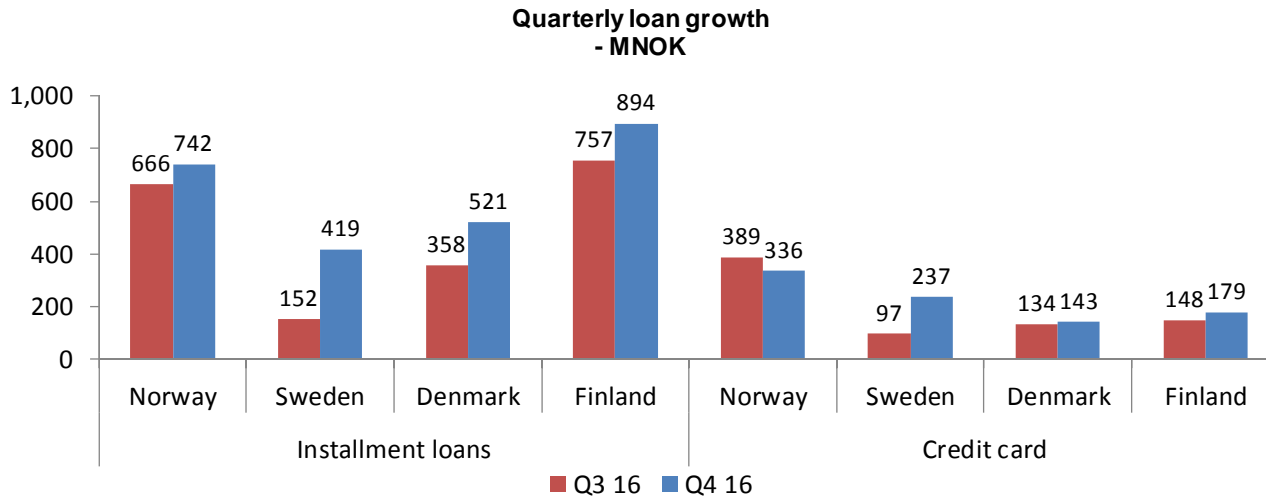
- Total gross loans increased 3,468 MNOK, compared with 2,700 MNOK in the third quarter.
- Installment loans rose 2,576 MNOK and credit card loans grew 893 MNOK.
- Installment loan run-off 1,165 MNOK, compared with 1,002 MNOK in the third quarter.



- Liquid assets comprise 19 % of total assets.
- Deposits up 2,270 MNOK.
- Deposits to loans ratio 1.00.
- LCR 114%.
- NSFR 133%.

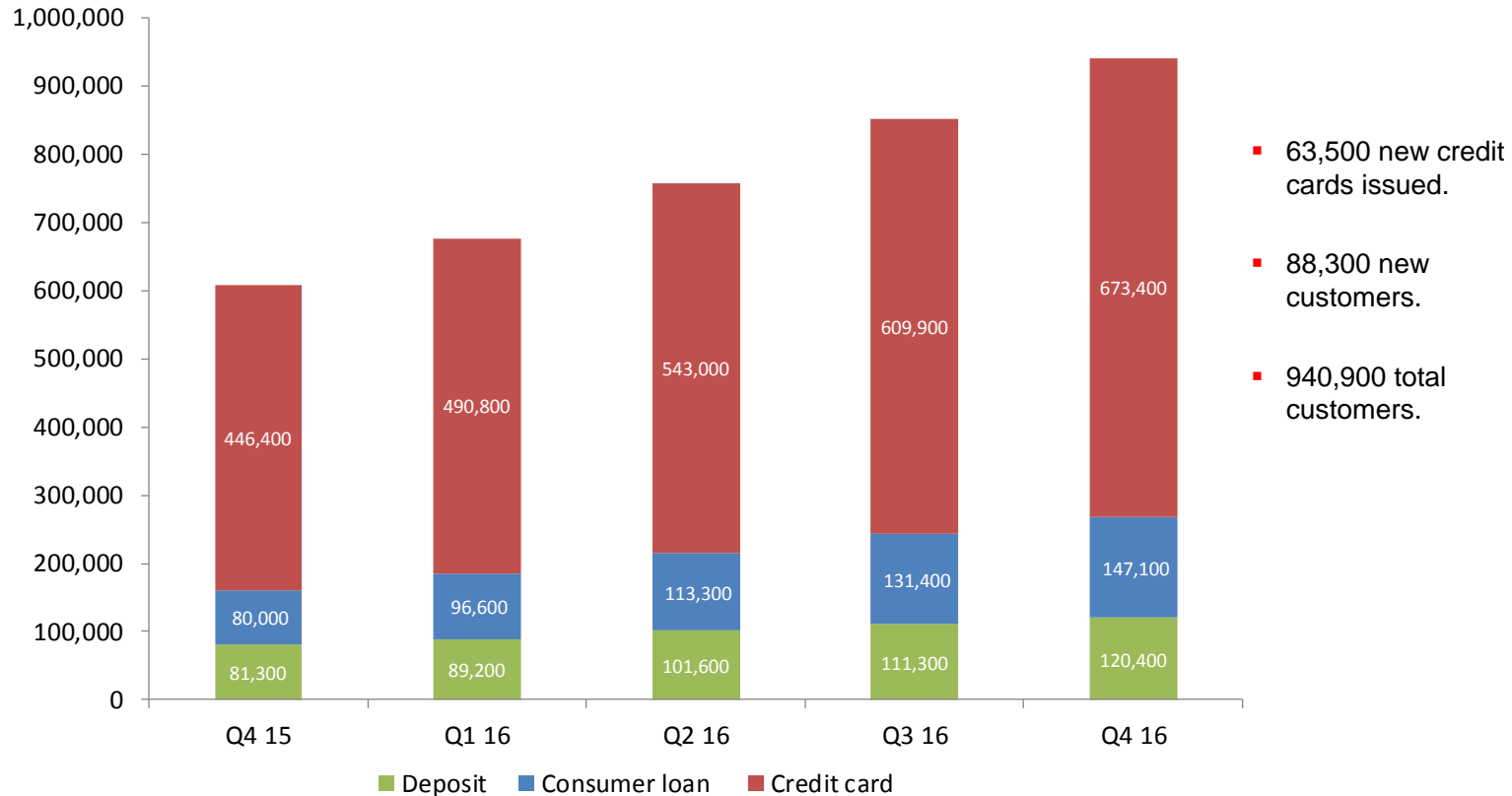


# Strong loan growth



# Rapid customer growth

Number of customers



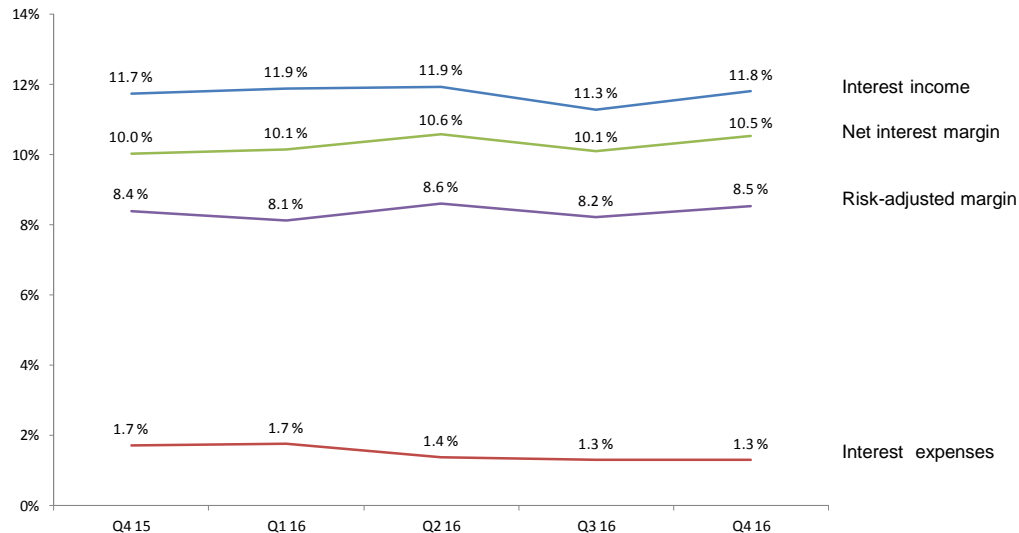
# Quarterly balance sheet

## Norwegian Finans Holding Group

<i>MNOK</i>	31.12.16		30.9.16		Change	
<b>Assets</b>						
Deposits with Norges Bank	60	0 %	57	0 %	3	5 %
Loans and deposits with credit institutions	1,103	4 %	792	3 %	312	39 %
Loans to customers	24,403	80 %	21,082	76 %	3,320	16 %
Certificates and bonds	4,464	15 %	5,544	20 %	-1,080	-19 %
Financial derivatives	0	0 %	14	0 %	-14	-100 %
Shares and other securities	0	0 %	0	0 %	-	0 %
Assets held for sale	25	0 %	24	0 %	0	0 %
Other intangible assets	65	0 %	63	0 %	18	39 %
Deferred tax asset	8	0 %	10	0 %	-3	-28 %
Fixed assets	0	0 %	0	0 %	-0	-22 %
Other assets	274	1 %	255	1 %	19	7 %
<b>Total assets</b>	<b>30,402</b>	<b>100 %</b>	<b>27,843</b>	<b>100 %</b>	<b>2,575</b>	<b>9 %</b>
<b>Liabilities and equity</b>						
Deposits from customers	24,424	80 %	22,154	80 %	2,270	10 %
Debt securities issued	1,824	6 %	1,992	7 %	-168	-8 %
Financial derivatives	7	0 %	-	0 %	7	N/A
Taxes payable	297	1 %	222	1 %	67	30 %
Other liabilities	141	0 %	52	0 %	89	171 %
Accrued expenses and unearned income received	99	0 %	94	0 %	5	6 %
Subordinated loan	275	1 %	275	1 %	0	0 %
<b>Total liabilities</b>	<b>27,067</b>	<b>89 %</b>	<b>24,789</b>	<b>89 %</b>	<b>2,269</b>	<b>9 %</b>
Share capital	180	1 %	180	1 %	0	0 %
Share premium reserve	482	2 %	483	2 %	-1	0 %
Hybrid capital	335	1 %	335	1 %	-	0 %
Retained earnings and other reserves	2,338	8 %	2,056	7 %	306	15 %
<b>Total equity</b>	<b>3,335</b>	<b>11 %</b>	<b>3,054</b>	<b>11 %</b>	<b>305</b>	<b>10 %</b>
<b>Total liabilities and equity</b>	<b>30,402</b>	<b>100 %</b>	<b>27,843</b>	<b>100 %</b>	<b>2,575</b>	<b>9 %</b>

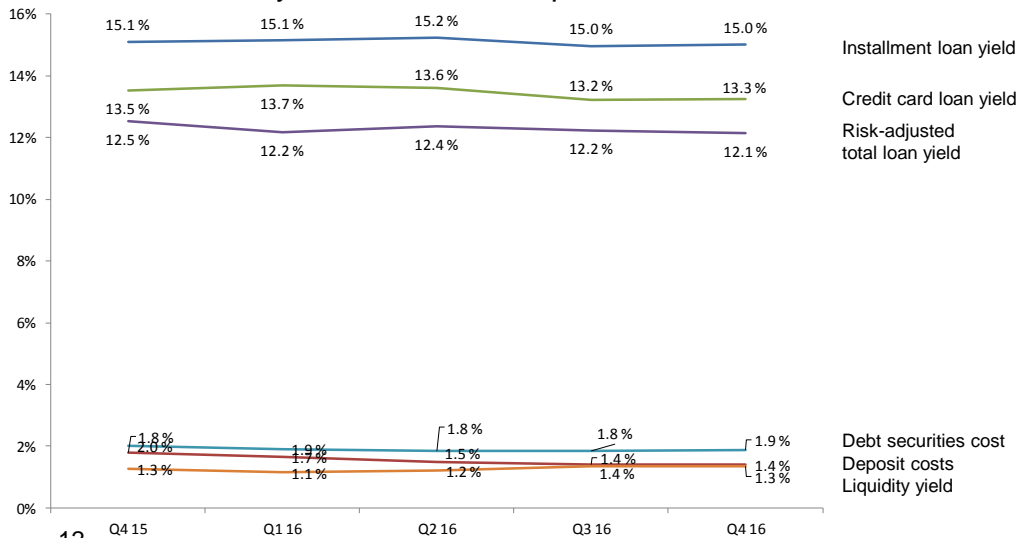
# Stable yields and margins

## Margins as a % of average assets

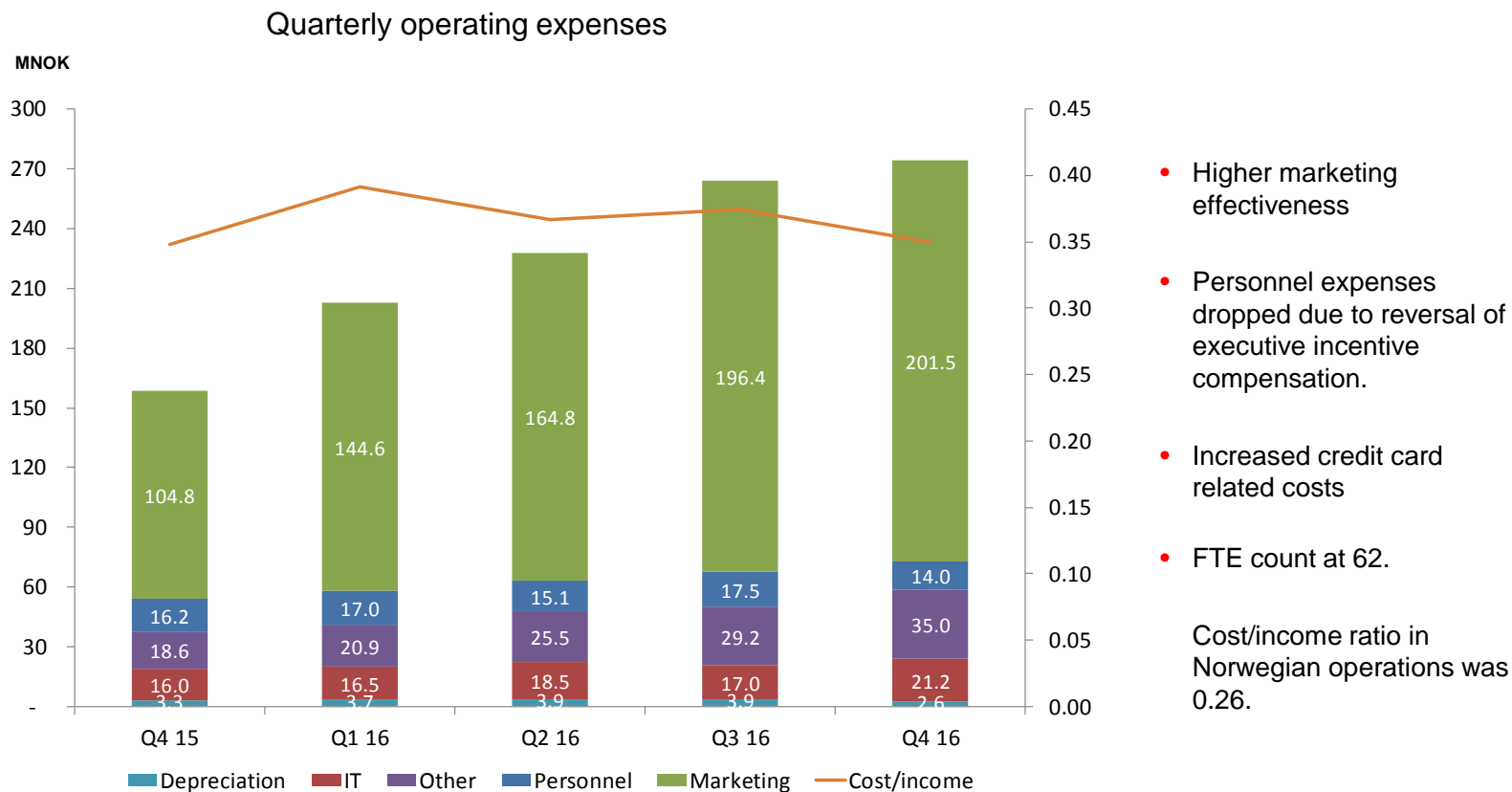


- Net interest margin rebounds due to improved asset mix
- Credit card yield influenced by rapidly expanded customer base in Norway, and launch of credit cards in Denmark and Finland.

## Asset yield and cost of deposits



# High operating efficiency

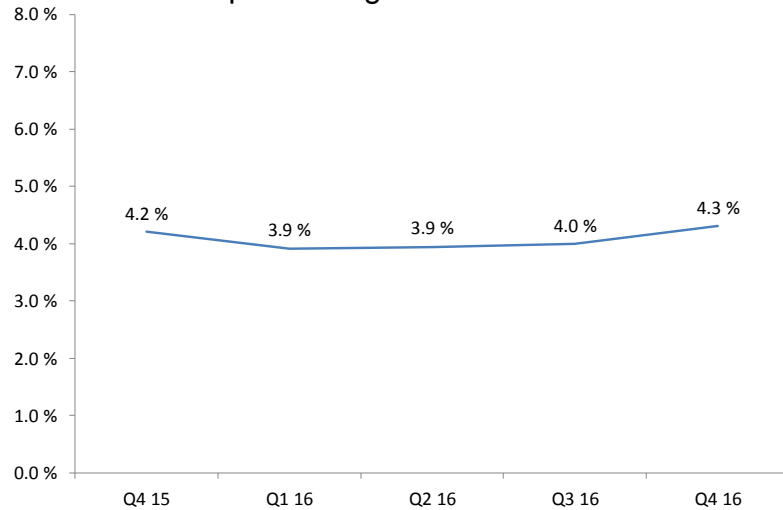


The cost/income ratio excludes net proceeds from Visa Norway.

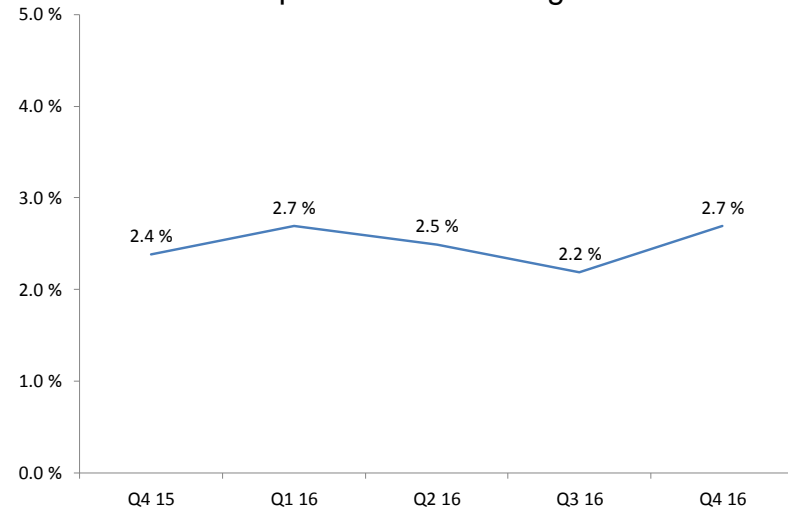
# Strong credit metrics

## Consumer loans

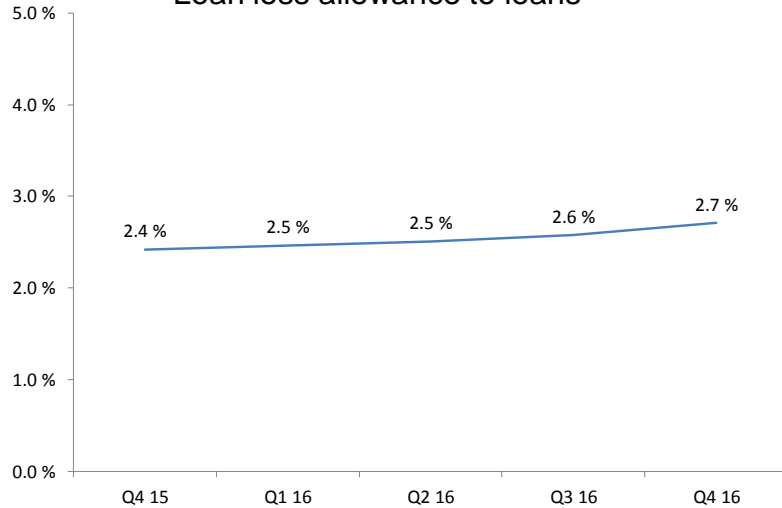
Non-performing loans to loans



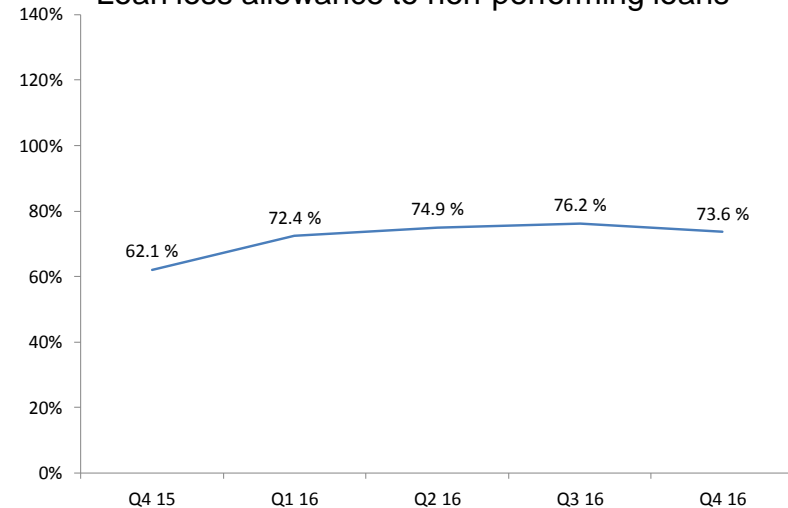
Loan loss provisions to average loans



Loan loss allowance to loans



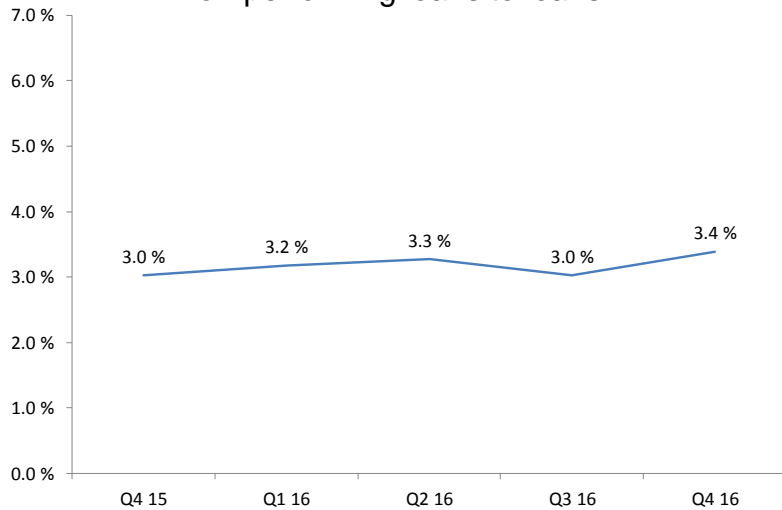
Loan loss allowance to non-performing loans



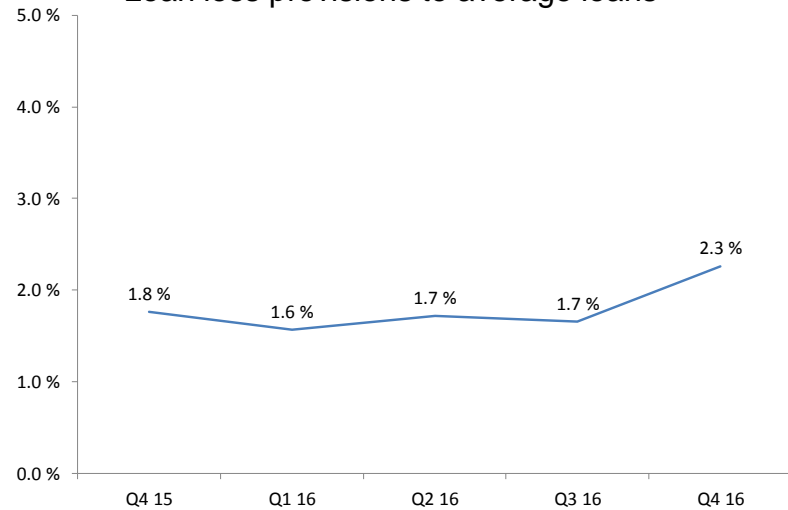
# Strong credit metrics

## Credit card loans

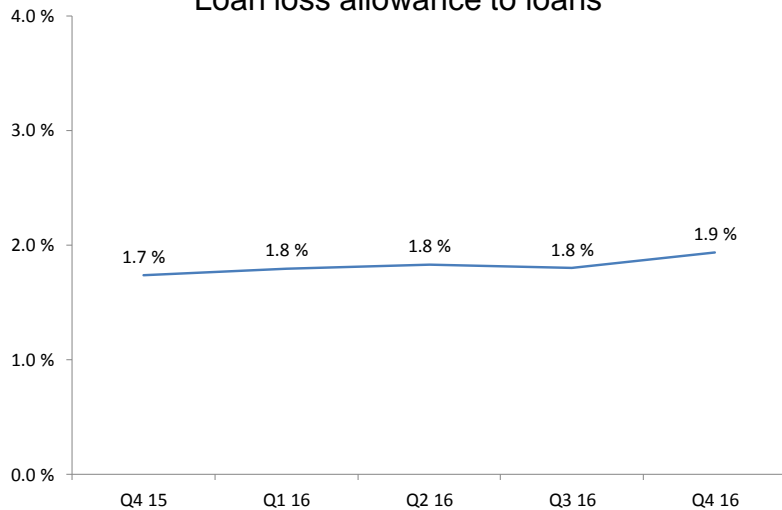
Non-performing loans to loans



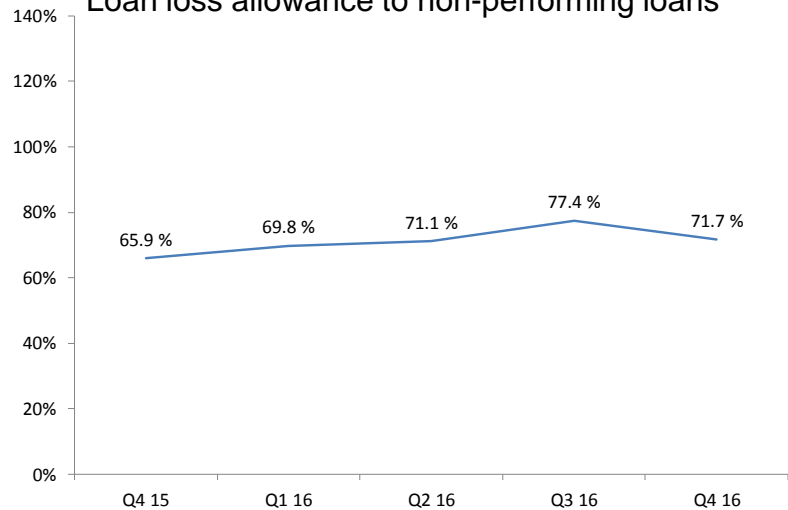
Loan loss provisions to average loans



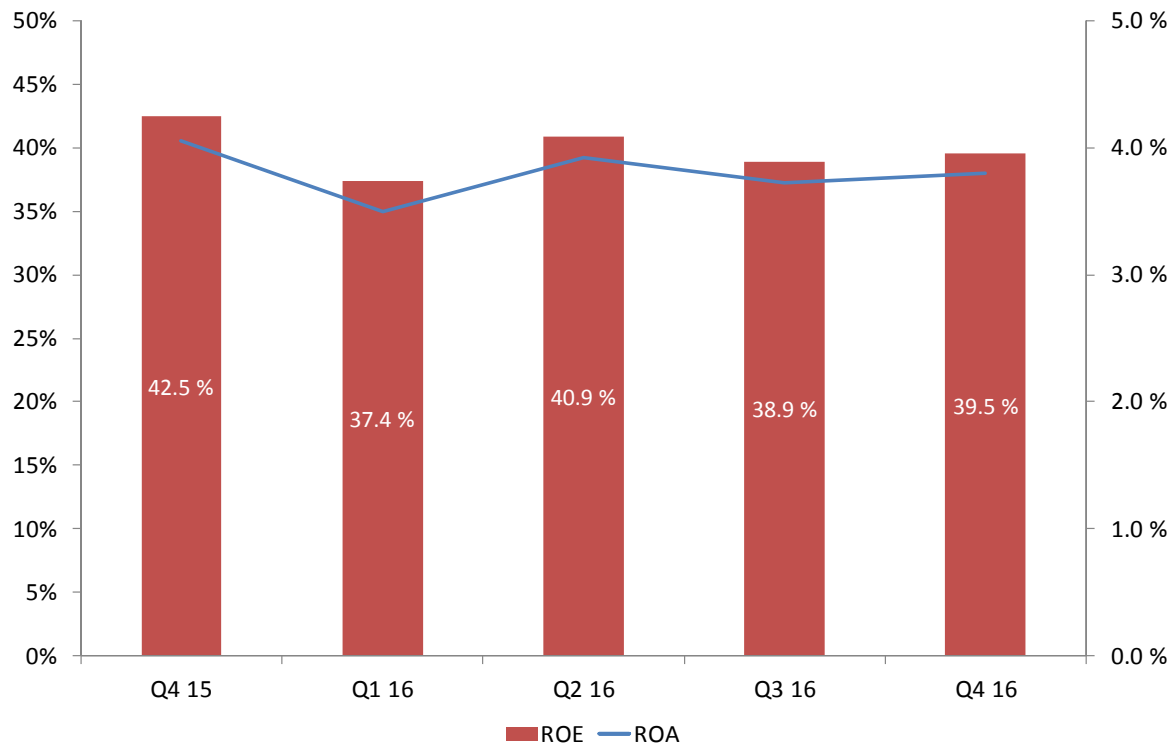
Loan loss allowance to loans



Loan loss allowance to non-performing loans



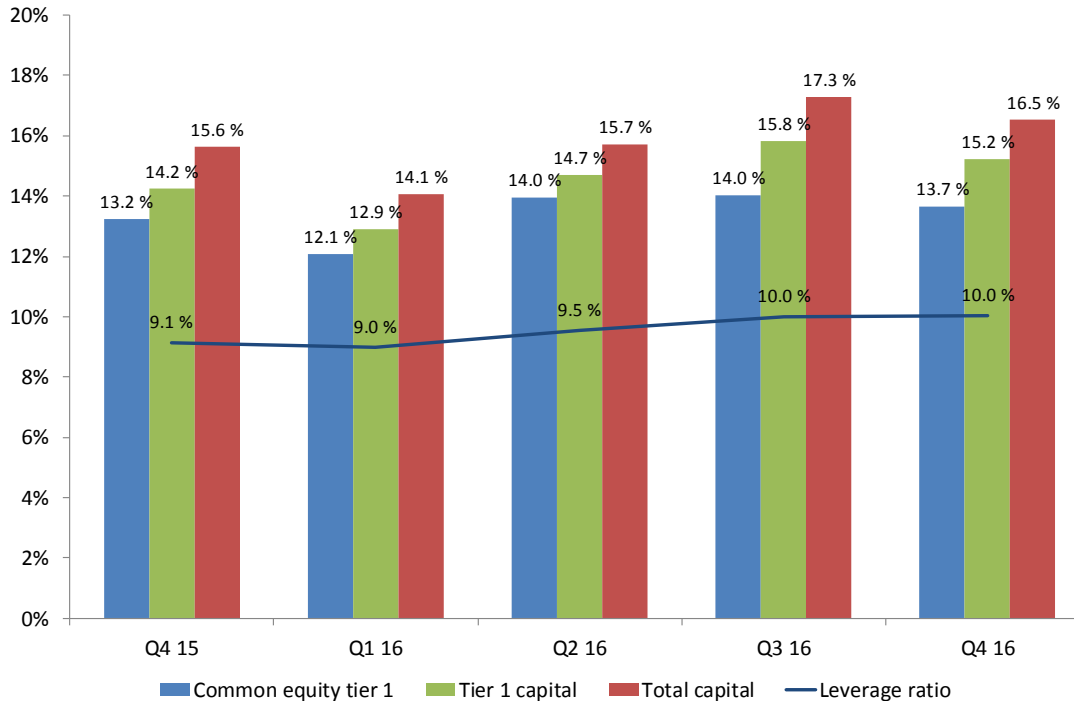
# High profitability





# Risk absorption capacity bolstered by capital increase

Capital ratios



- Strong CET 1 ratio of 13.7%.
- Leverage ratio equals 10.0%.
- Private placement and capital enhancing measures expected to boost CET 1 level to around 16.0% by mid-year.

# Well positioned for continued earnings growth

## Earnings growth and strong returns

- Loan growth commensurate with the capital base near term
- Stable margins
- Cost-efficient operations and lower growth costs
- Stable provisions

## Stable credit quality

- Resilient Nordic economies with stable unemployment outlook
- Enhanced credit models – implementation of IFRS 9 framework and models well under way
- Stable portfolio risk in established markets
- Higher initial credit losses in newly entered markets

## Strong and resilient balance sheet

- Strong liquidity position
- Strong capital generation and capital ratios
- Adequate capital for growth
- Initiation of dividend payments deferred until 2018

# Top 20 shareholders

SHAREHOLDER	# OF SHARES	
1 NORWEGIAN AIR SHUTTLE	36.020.808	20,00 %
2 GOLDMAN SACHS & CO	15.410.062	8,56 %
3 LAGUAN AS	8.371.904	4,65 %
4 STENSHAGEN INVEST AS	8.193.420	4,55 %
5 BRUMM AS	7.264.664	4,03 %
6 FOLKETRYGDFONDET	5.998.568	3,33 %
7 PROTECTOR FORSIKRING	4.777.650	2,65 %
8 SWEDBANK ROBUR NORDEN	4.031.023	2,24 %
9 SWEDBANK ROBUR SMABOLAG NORDEN	3.955.047	2,20 %
10 SNEISUNGEN AS	3.901.040	2,17 %
11 TVENGE TORSTEIN INGVALD	3.600.000	2,00 %
12 MP PENSJON PK	3.390.300	1,88 %
13 DANSKE BANK AS	3.240.790	1,80 %
14 LAGUAN AS	3.000.000	1,67 %
15 VERDIPAPIRFONDET HANDELSBANKEN NORGE	2.443.018	1,36 %
16 SONGA AS	2.083.120	1,16 %
17 SWEDBANK ROBUR EUROPA	1.674.056	0,93 %
18 VERDIPAPIRFONDET PARETO	1.647.741	0,91 %
19 DIRECTMARKETING INVEST	1.500.000	0,83 %
20 VEVLEN GÅRD AS	1.480.532	0,82 %
<b>Top 20</b>	<b>121.983.743</b>	<b>67,74 %</b>
<b>Total</b>	<b>180.104.046</b>	

- Management holds 1.8 % of shares outstanding.

As of February 8, 2017

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