

Norwegian Finans Holding ASA

Third quarter 2016 results

Third quarter 2016 earnings were 246.7 MNOK, compared with core earnings of 215.0 MNOK in the second quarter

Norwegian Finans Holding Group

<i>MNOK</i>	Q3 2016	Q2 2016	Change	
Interest income	753.6	663.3	90.3	14 %
Interest expenses	86.4	75.5	10.9	14 %
Net interest income	667.3	587.8	79.4	14 %
Commission and bank services income	68.0	60.3	7.7	13 %
Commission and bank services expenses	29.8	27.5	2.4	9 %
Net change in value on securities and currency	5.8	66.0	-60.2	-91 %
Net other operating income	44.1	98.8	-54.7	-55 %
Total income	711.3	686.6	24.7	4 %
Personnel expenses	18.0	15.6	2.4	16 %
General administrative expenses	231.2	198.3	32.9	17 %
Ordinary depreciation	3.9	3.9	0.0	0 %
Other operating expenses	11.8	14.9	-3.2	-21 %
Total operating expenses	264.8	232.6	32.2	14 %
Provision for loan losses	119.1	109.5	9.6	9 %
Profit on ordinary activities before tax	327.5	344.5	-17.0	-5 %
Tax charge	81.9	86.1	-4.2	-5 %
Profit on ordinary activities after tax	245.6	258.3	-12.7	-5 %
Earnings per share (NOK)	1.36	1.48		

<i>MNOK</i>	Q3 2016	Q2 2016	Change	
Profit after tax	245.6	258.3	-12.7	-5 %
Change in fair value for assets held for sale, after tax	1.1	-36.8	38.0	n/m
Comprehensive income for the period	246.7	221.5	25.2	11 %

- Interest income driven by strong loan growth, but influenced by seasonal growth pattern.
- Interchange cap of 0.30 % effective in Norway September 1.
- 57.7 MNOK in Visa Norway proceeds recognized in the second quarter.
- Increased operating expenses due to strong loan growth and credit card expansion.
- Stable provision levels.
- ROE* was 38.9%.

* Bank Norwegian AS

Strong core earnings growth

Bank Norwegian AS

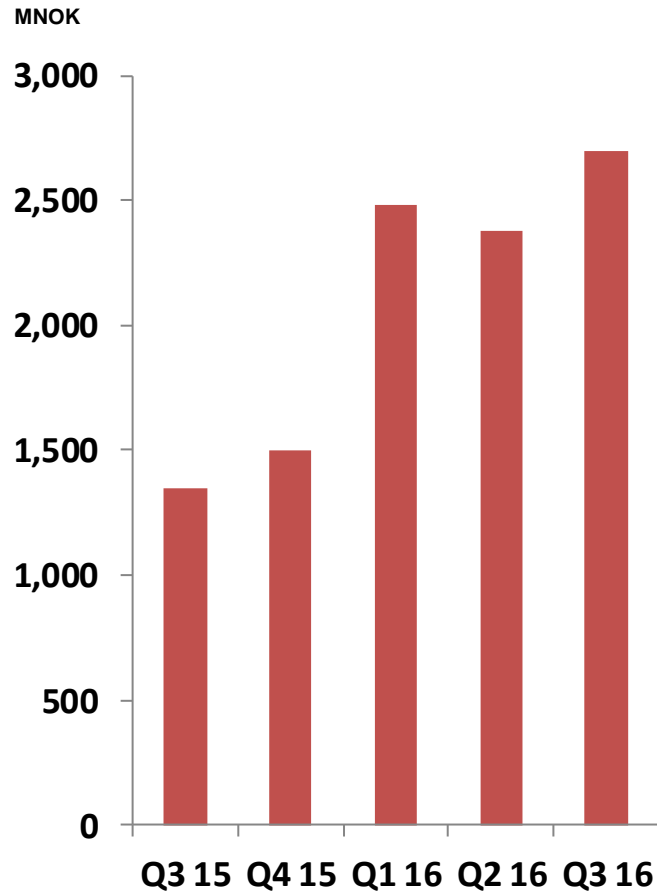
Key figures	Norway			Sweden			Denmark / Finland		
	Q3 16	Q2 16	Δ	Q3 16	Q2 16	Δ	Q3 16	Q2 16	Δ
<i>MNOK</i>									
Net interest income	426.1	391.5	34.7	149.0	139.5	9.5	92.1	56.9	35.2
Net fee income	36.3	87.0	-50.7	1.4	6.5	-5.2	6.5	5.5	0.9
Total income	462.4	478.4	-16.0	150.4	146.0	4.4	98.5	62.4	36.2
Total operating expenses	122.8	119.3	3.5	67.1	60.6	6.5	74.1	47.9	26.2
Provision for loan losses	41.6	52.8	-11.3	37.7	30.1	7.6	39.8	26.5	13.2
Profit after tax	223.5	229.7	-6.2	34.2	41.5	-7.3	-11.5	-9.1	-2.4
Comprehensive income	224.7	192.9	31.8	34.2	41.5	-7.3	-11.5	-9.1	-2.4
Net loans	13,157	12,141	1,016	4,581	4,357	223	3,345	1,984	1,360
Deposits	13,699	12,552	1,147	5,699	5,860	-161	2,756	1,229	1,528

- Swedish operations impacted by seasonal factors, FX and securities volatility and switch from Mastercard to Visa brand.
- First full quarter of credit card operations in Denmark and Finland.
- Rise in marketing expenses and provisions in Denmark and Finland due to increased loan growth.

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

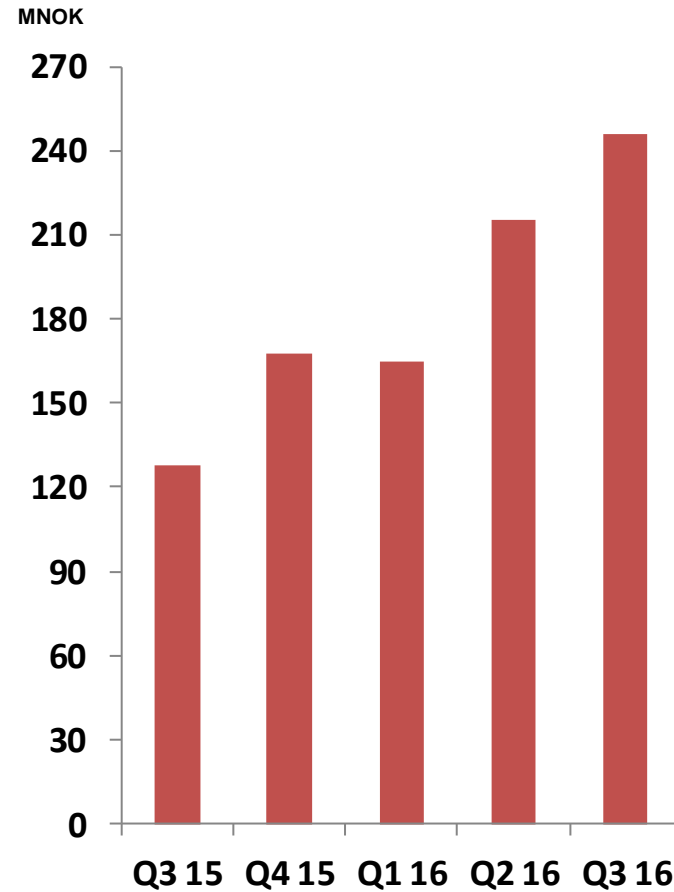
Strong loan and earnings growth

Quarterly loan growth



2015 figures not restated.

Quarterly earnings

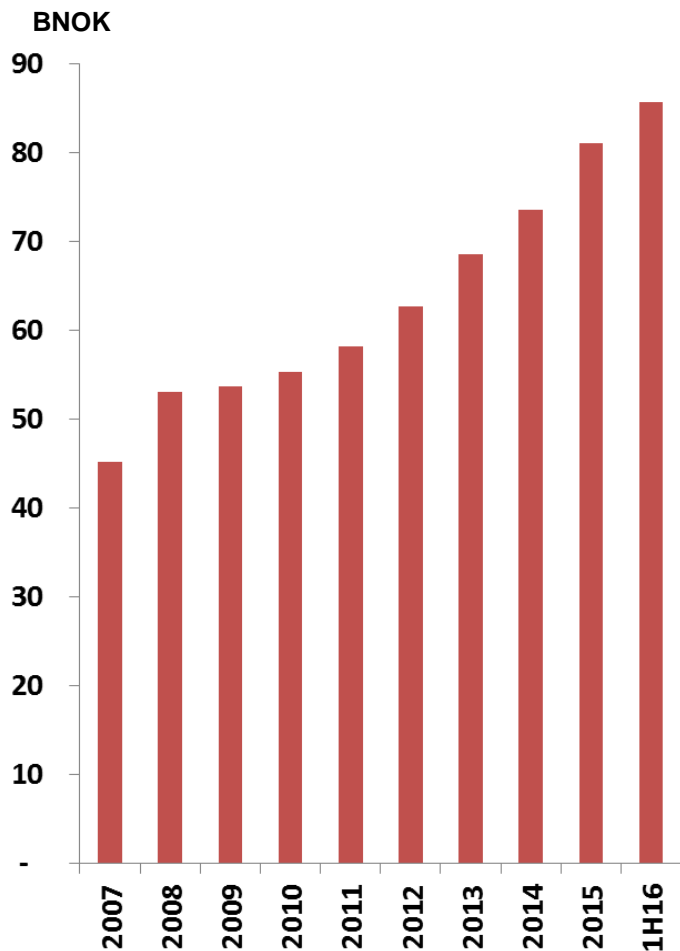


2015 figures restated.

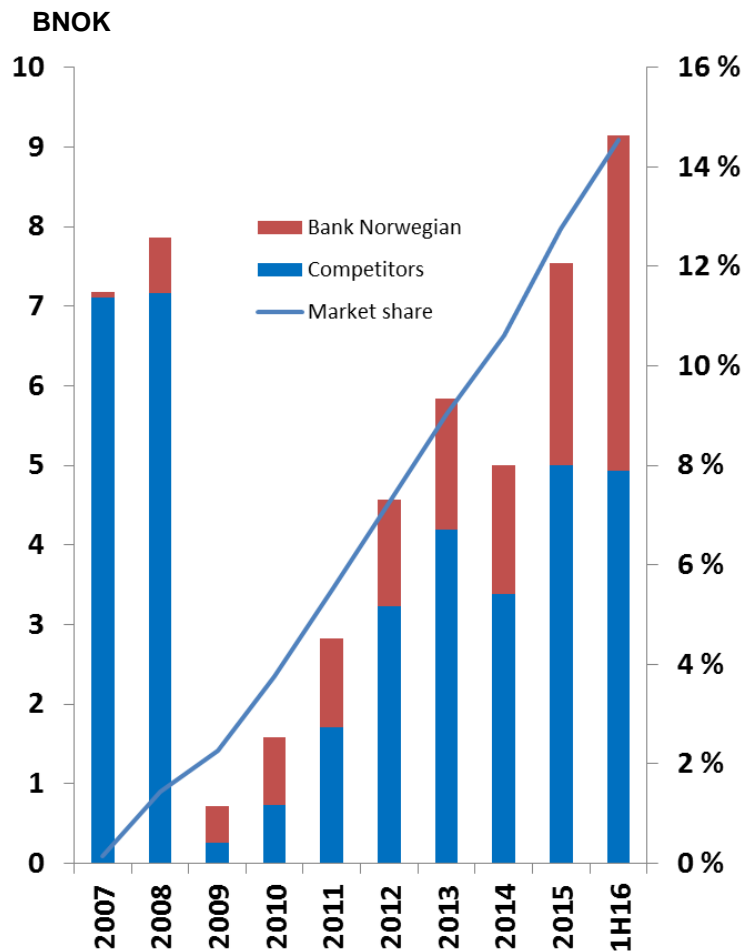
Earnings related to stake in Visa Norway excluded.

Rising market share in Norway

Total unsecured loans

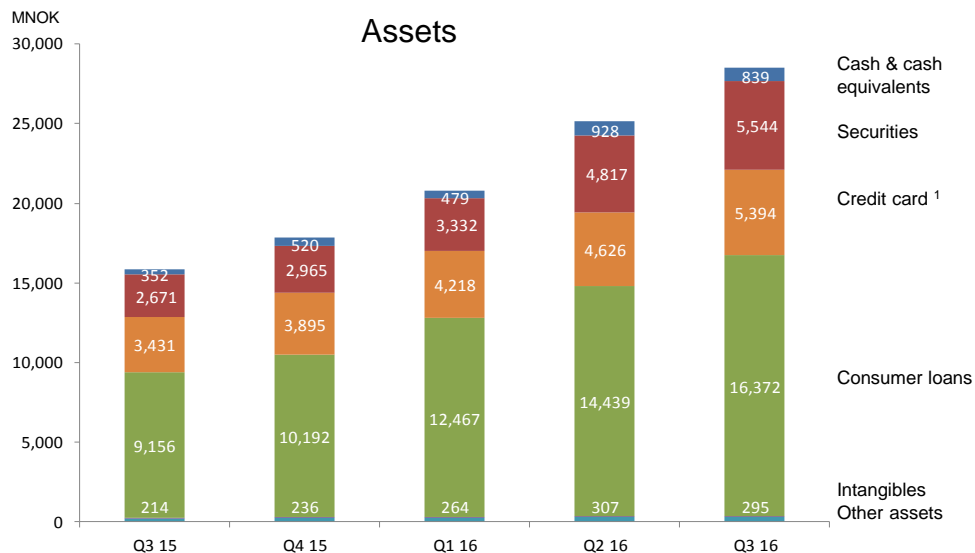


Market growth and market share

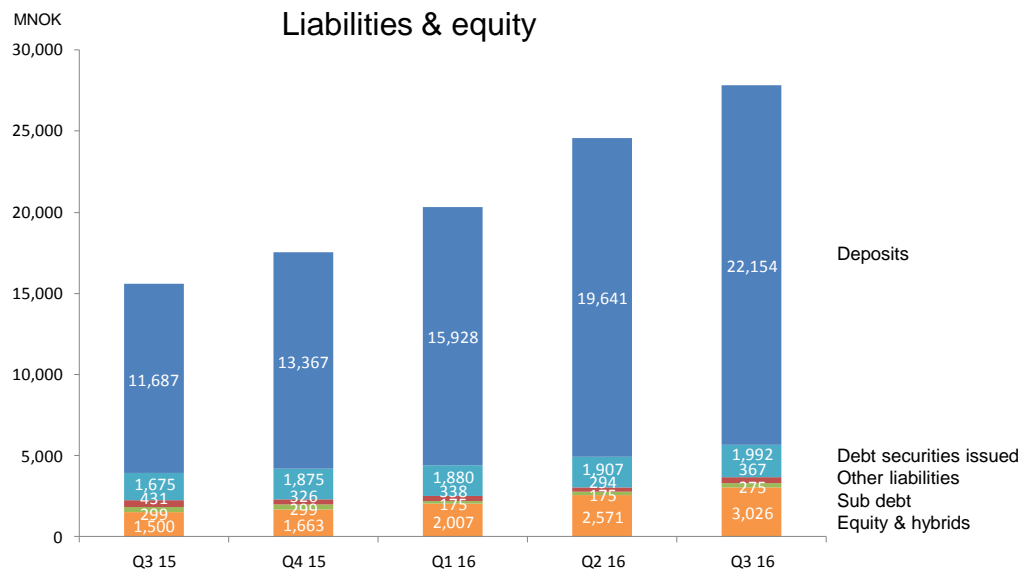


Source: The financial supervisory authority of Norway, adjusted for Bank Norwegian's loan portfolios in Sweden, Denmark and Finland. First half annualized growth figures.

Strong balance sheet

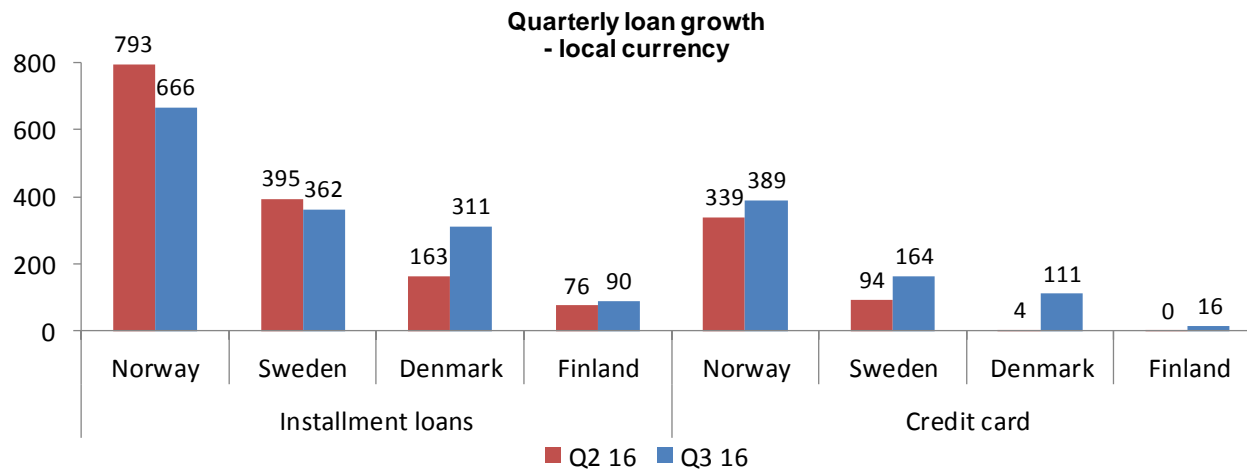
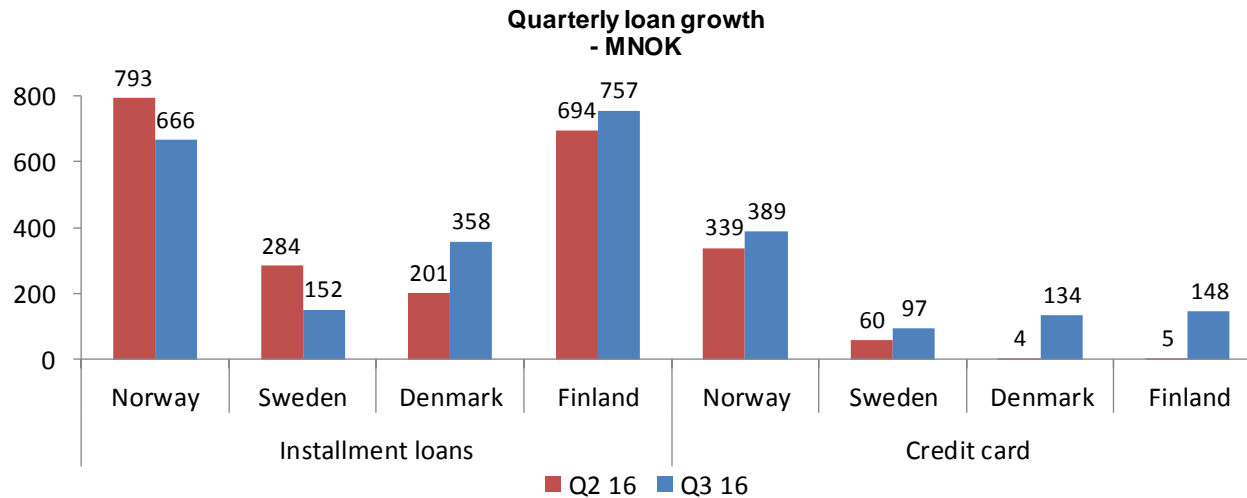


- Total gross loans increased 2,700 MNOK, compared with 2,380 MNOK in the second quarter.
- Installment loans rose 1,933 MNOK and credit card loans grew 768 MNOK.
- Installment loan run-off 1,002 MNOK, compared with 875 MNOK in the second quarter.



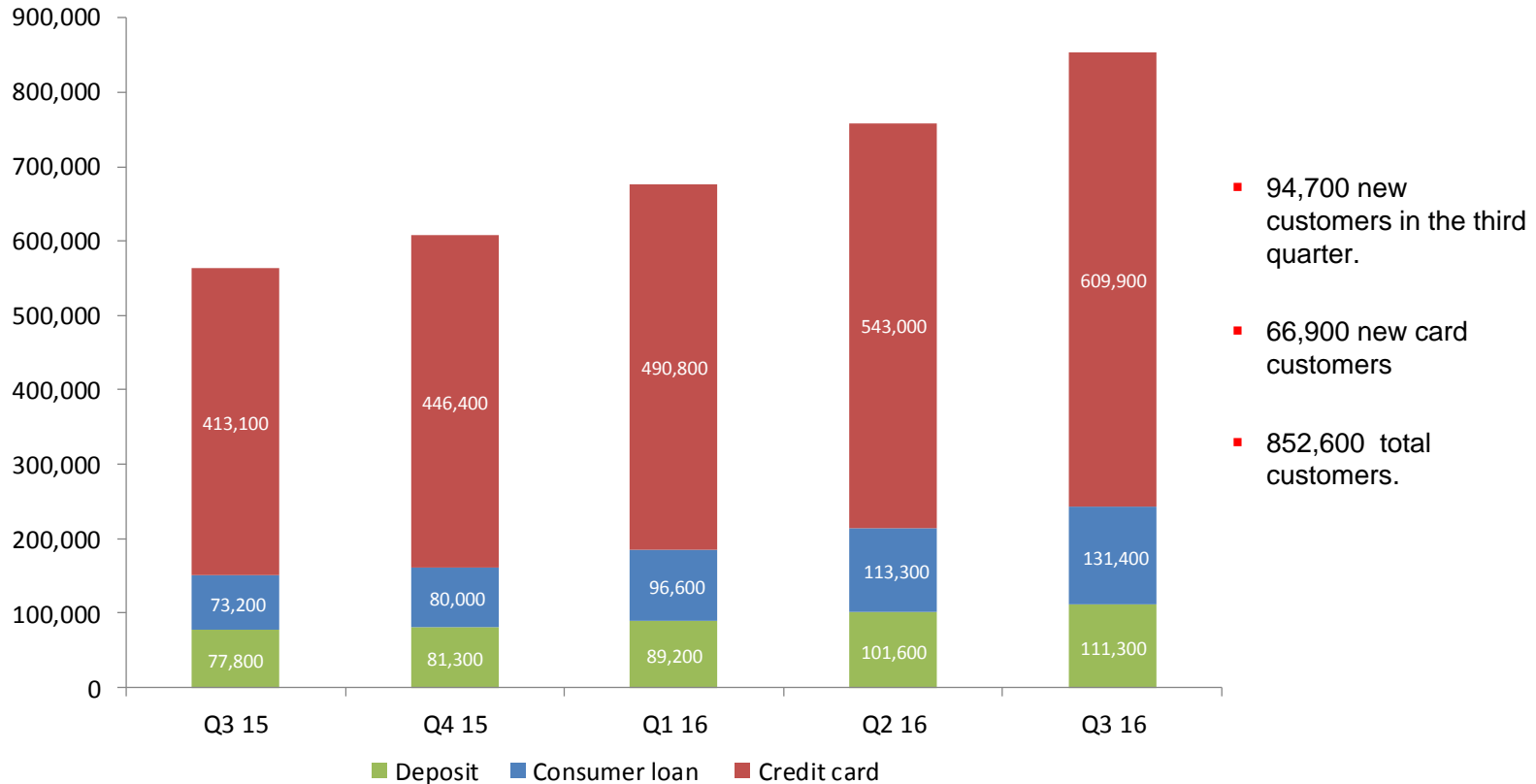
- Liquid assets comprise 23 % of total assets.
- Deposits up 2,513 MNOK.
- Deposits to loans ratio 1.05.
- LCR 151%.
- NSFR 140%.

Strong loan growth



Rapid customer growth

Number of customers



Quarterly balance sheet

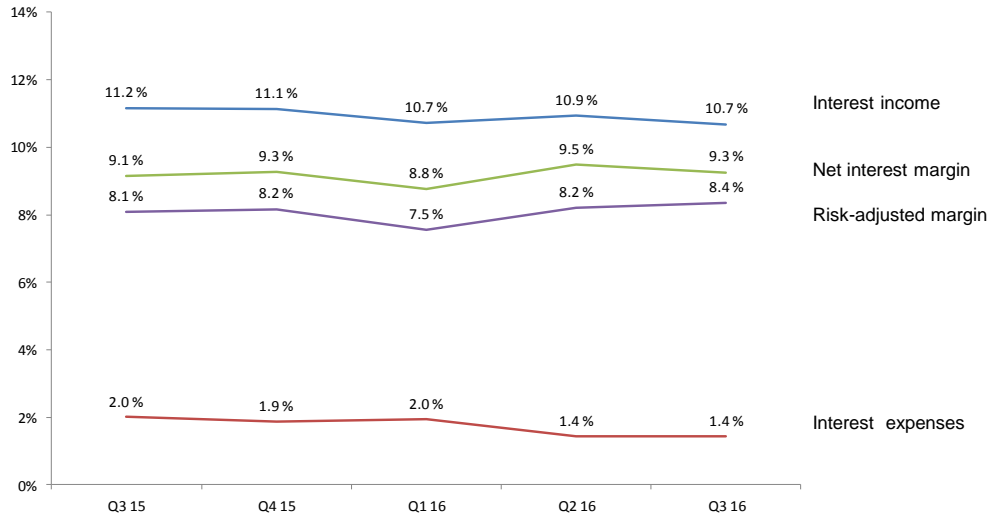
Norwegian Finans Holding Group

<i>MNOK</i>	30.9.16		30.6.16		Change	
Assets						
Deposits with Norges Bank	57	0 %	57	0 %	-0	0 %
Loans and deposits with credit institutions	792	3 %	883	4 %	-91	-10 %
Loans to customers	21,082	76 %	18,482	75 %	2,600	14 %
Certificates and bonds	5,544	20 %	4,817	20 %	728	15 %
Financial derivatives	14	0 %	7	0 %	8	112 %
Shares and other securities	0	0 %	0	0 %	-	0 %
Assets held for sale	24	0 %	23	0 %	1	0 %
Other intangible assets	47	0 %	47	0 %	-0	0 %
Deferred tax asset	10	0 %	10	0 %	0	2 %
Fixed assets	0	0 %	0	0 %	-0	-79 %
Other assets	255	1 %	276	1 %	-20	-7 %
Total assets	27,827	100 %	24,602	100 %	3,225	13 %
Liabilities and equity						
Deposits from customers	22,154	80 %	19,641	80 %	2,513	13 %
Debt securities issued	1,992	7 %	1,907	8 %	85	4 %
Financial derivatives	-	0 %	-	0 %	-	0 %
Taxes payable	222	1 %	140	1 %	82	58 %
Other liabilities	52	0 %	91	0 %	-39	-43 %
Accrued expenses and unearned income received	94	0 %	66	0 %	28	43 %
Subordinated debt	275	1 %	175	1 %	100	57 %
Total liabilities	24,789	89 %	22,019	89 %	2,770	13 %
Share capital	180	1 %	180	1 %	-	0 %
Share premium	483	2 %	483	2 %	-0	0 %
Hybrid capital	335	1 %	125	1 %	210	168 %
Retained earnings	2,040	7 %	1,795	7 %	245	14 %
Total equity	3,038	11 %	2,583	11 %	455	18 %
Total liabilities and equity	27,827	100 %	24,602	100 %	3,225	13 %

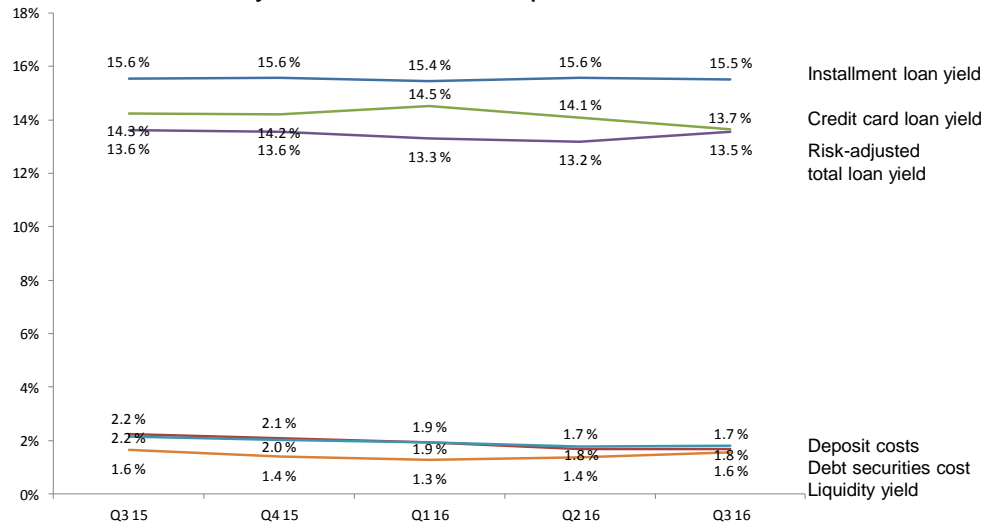
Stable yields and margins

Norway

Margins as a % of average assets



Asset yield and cost of deposits

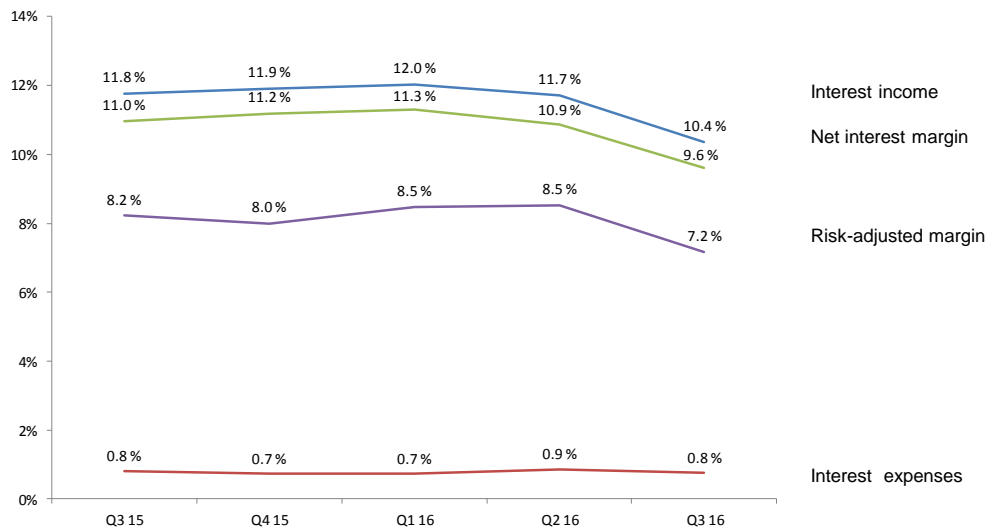


- Dwindling credit card yield due to rapidly expanded customer base

Stable yields – margins impacted by asset mix

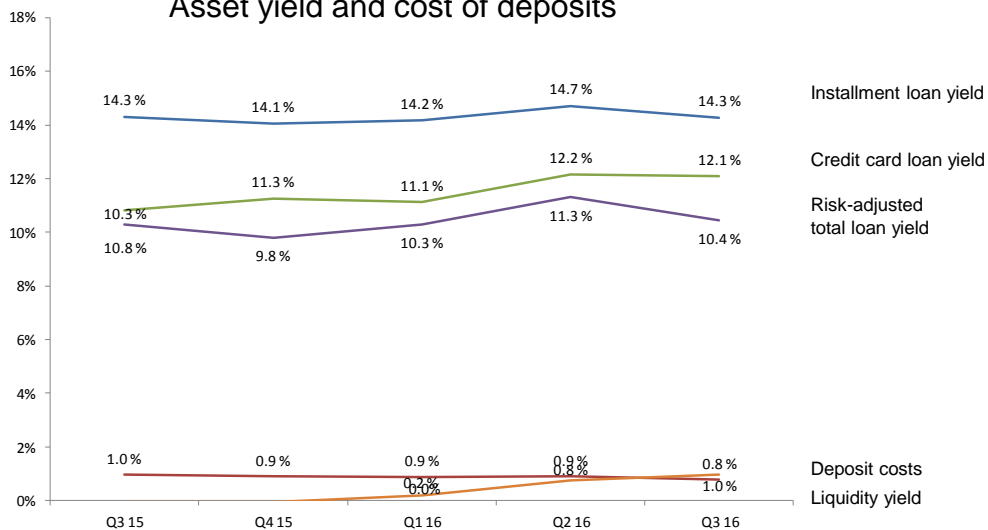
Sweden

Margins as a % of average assets

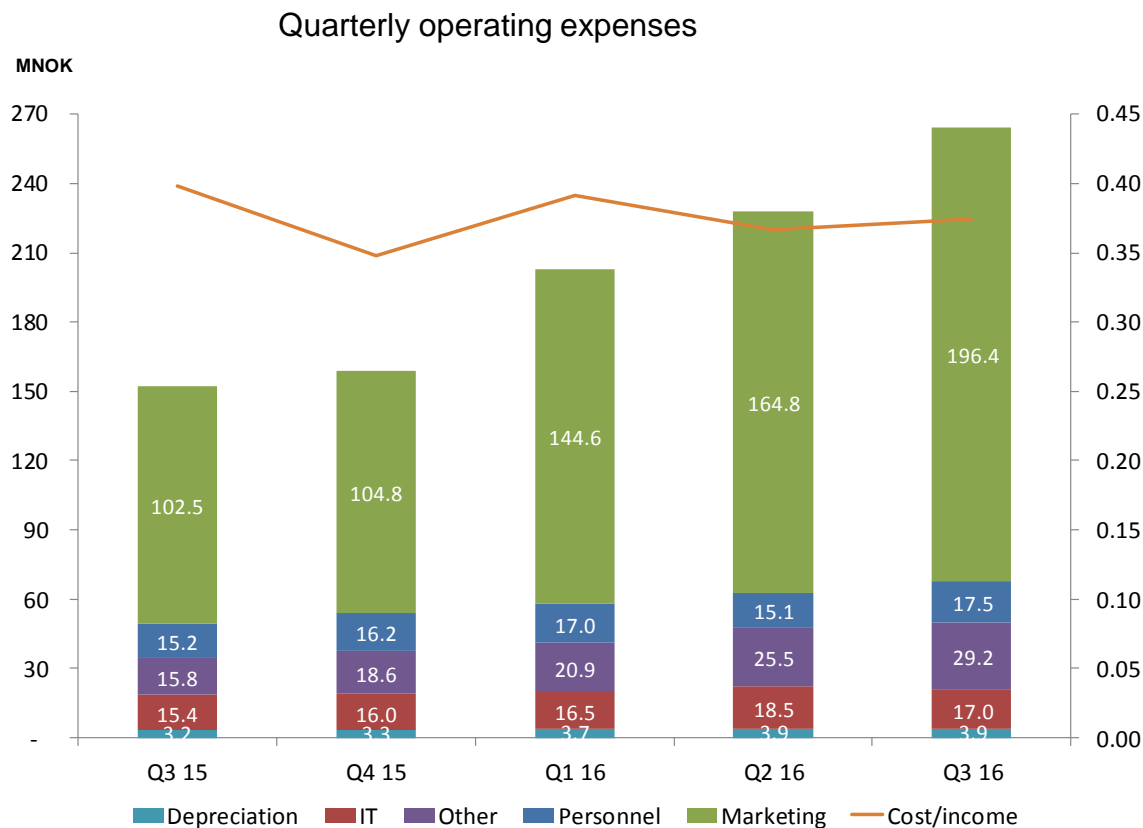


- Deposit rates lowered 20 basis points at beginning of August due to deposit influx.

Asset yield and cost of deposits



High operating efficiency



- Increased marketing and other operating expenses due to strong loan growth and credit card launch in Denmark and Finland.
- Stable personnel expenses adjusted for accrual effect in the second quarter.
- FTE count stable at 61.

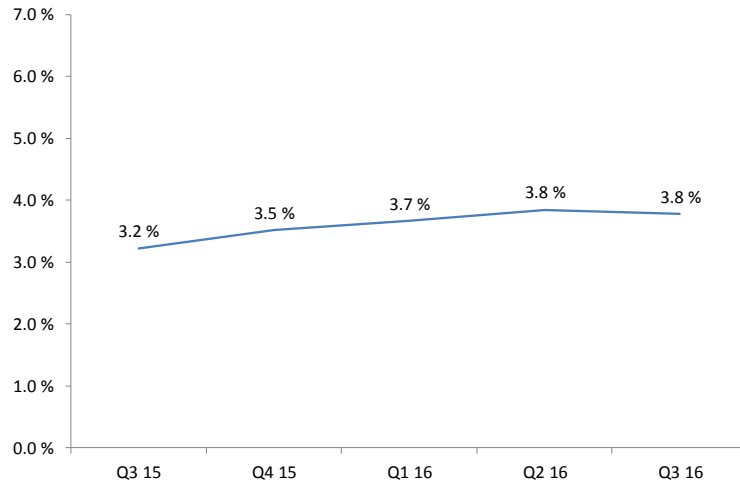
Cost/income ratio in Norwegian operations was 0.27.

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

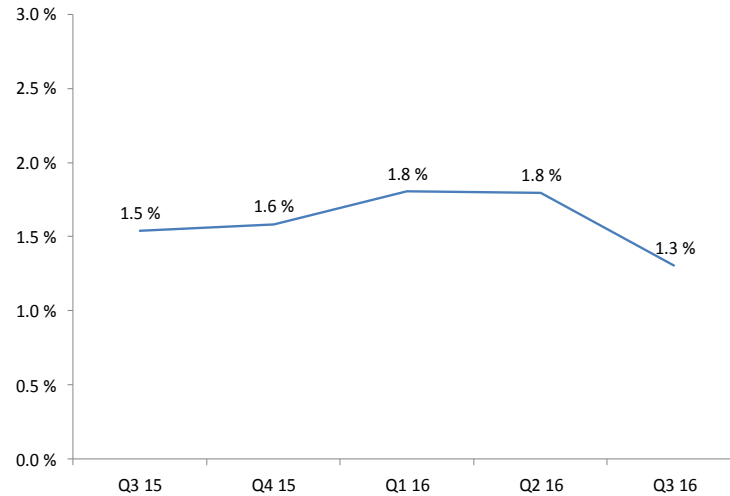
Strong credit metrics

Consumer loans - Norway

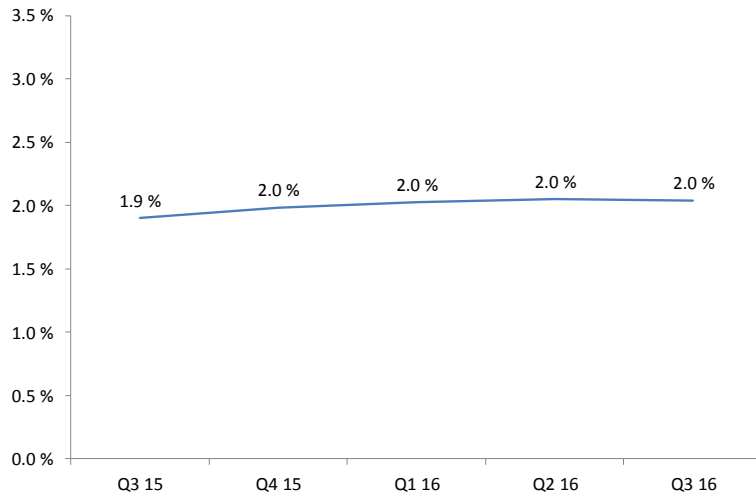
Non-performing loans to loans



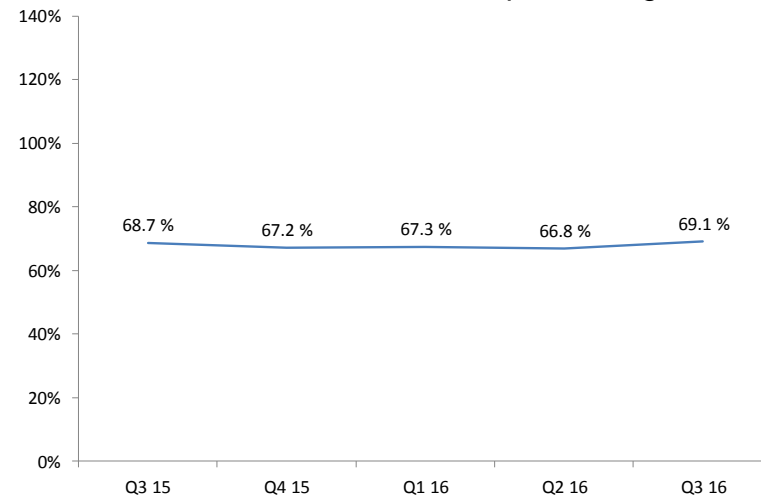
Loan loss provisions to average loans



Loan loss allowance to loans



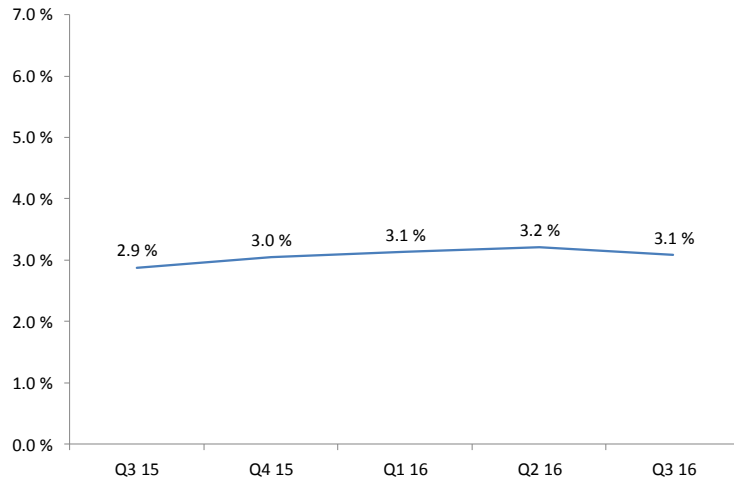
Loan loss allowance to non-performing loans



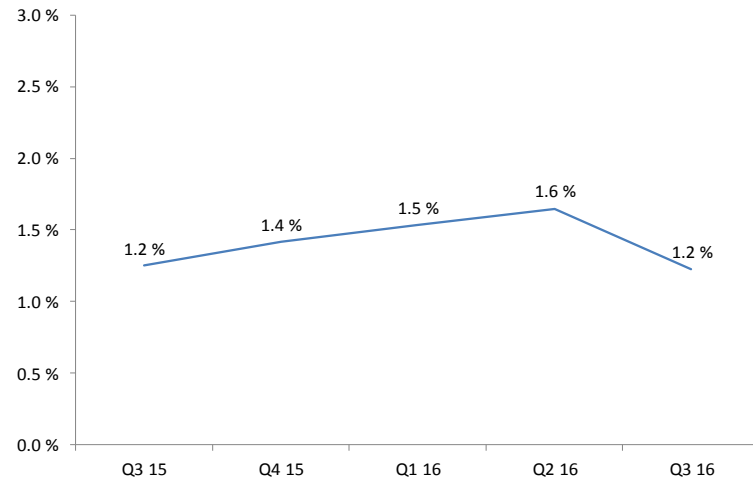
Strong credit metrics

Credit card loans - Norway

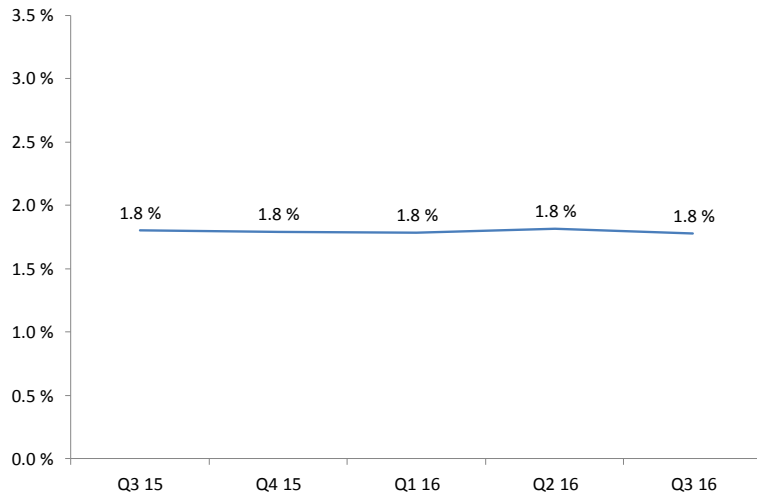
Non-performing loans to loans



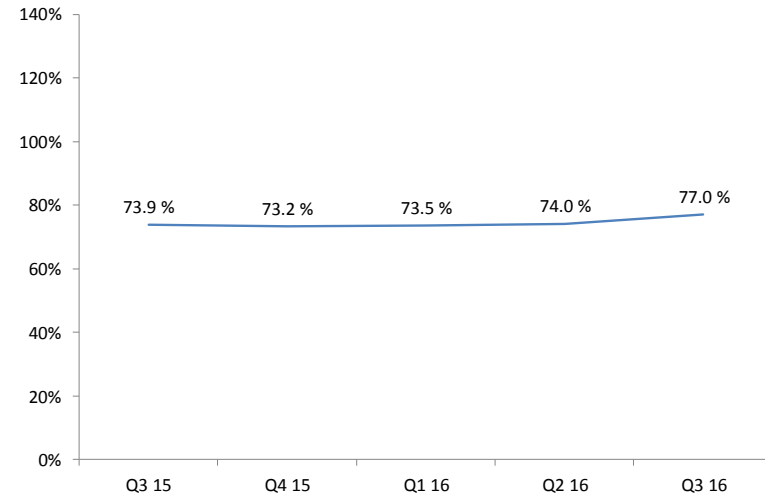
Loan loss provisions to average loans



Loan loss allowance to loans



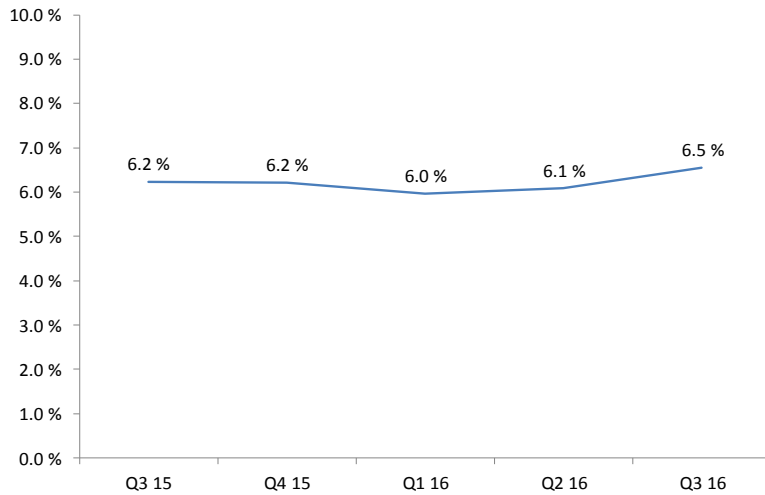
Loan loss allowance to non-performing loans



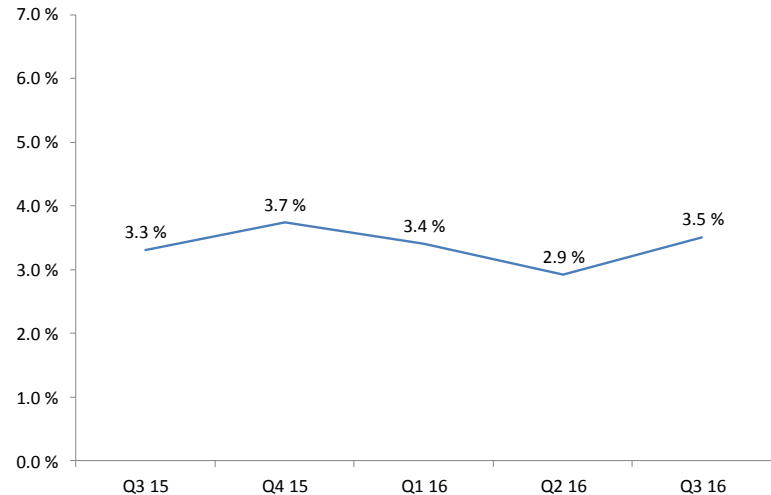
Stable credit metrics

Consumer loans - Sweden

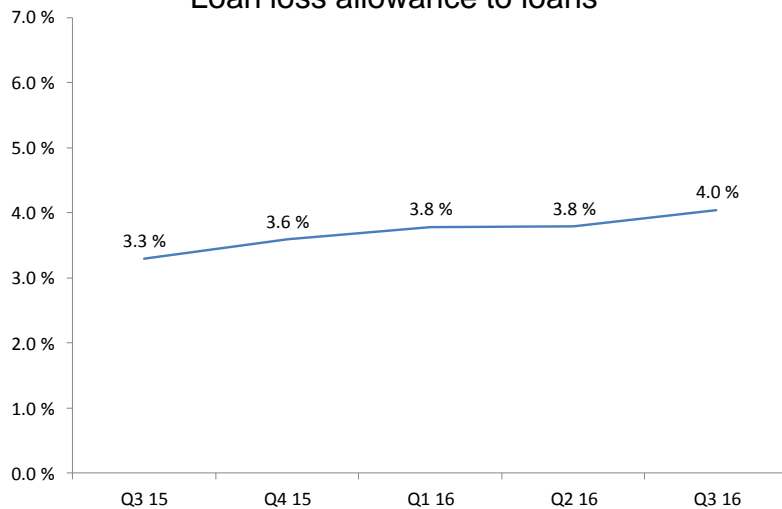
Non-performing loans to loans



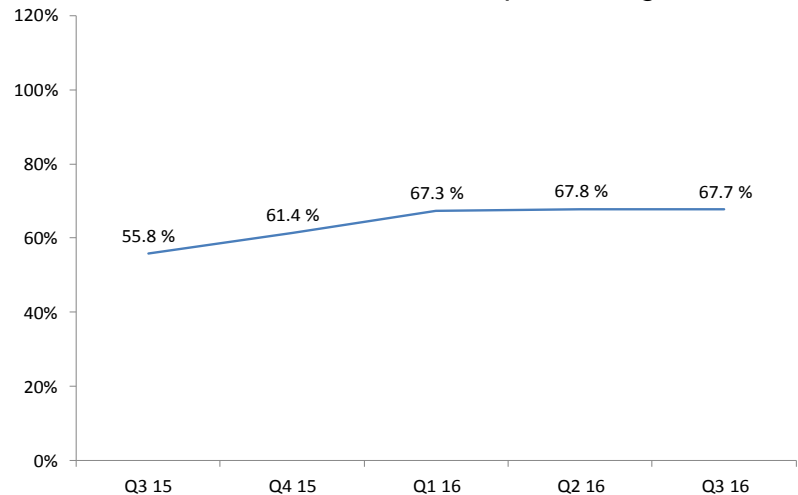
Loan loss provisions to average loans



Loan loss allowance to loans



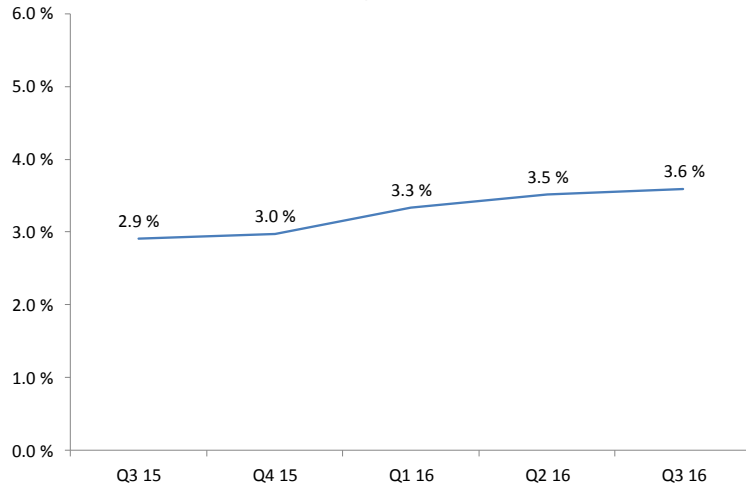
Loan loss allowance to non-performing loans



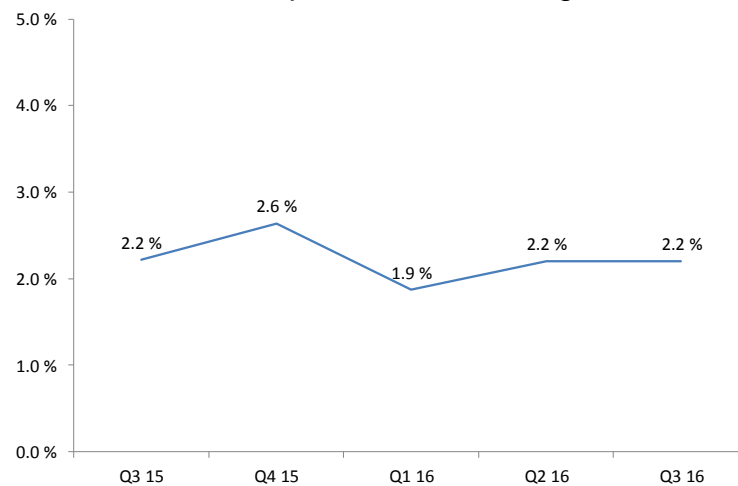
Stabilizing credit metrics

Credit card loans - Sweden

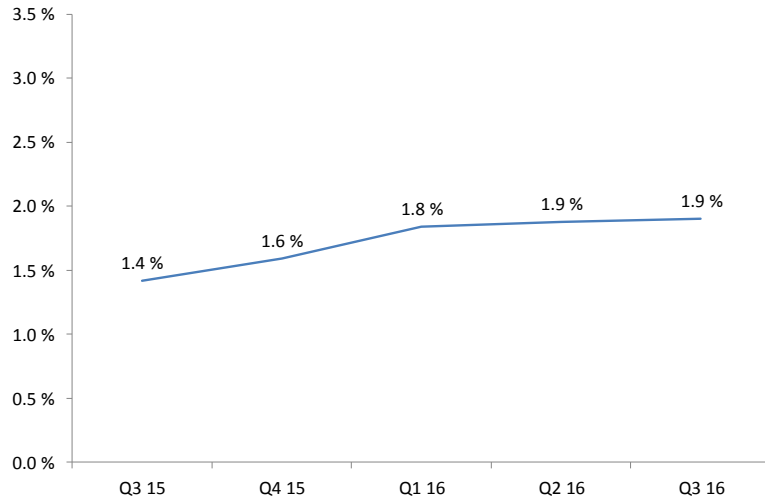
Non-performing loans to loans



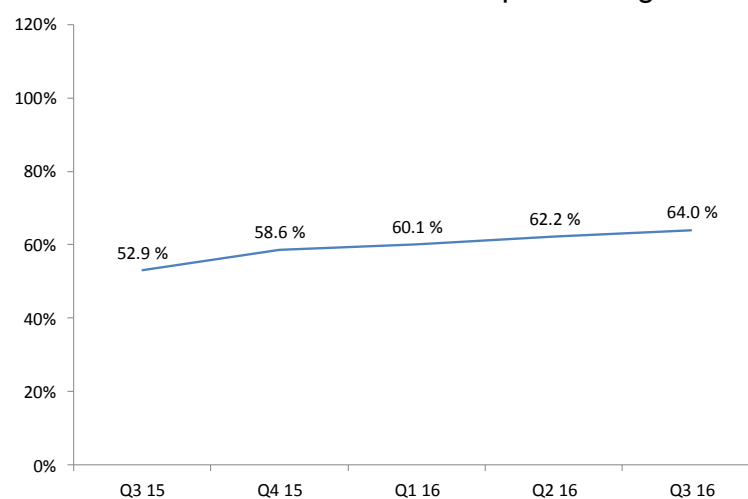
Loan loss provisions to average loans



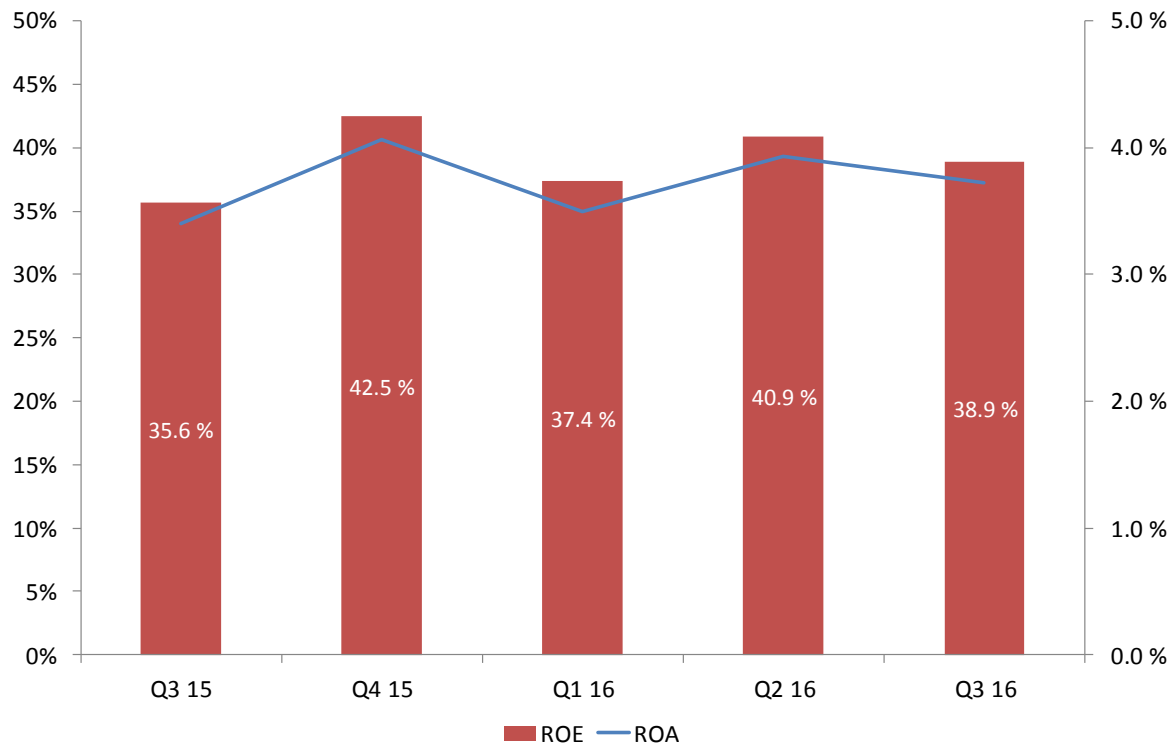
Loan loss allowance to loans



Loan loss allowance to non-performing loans

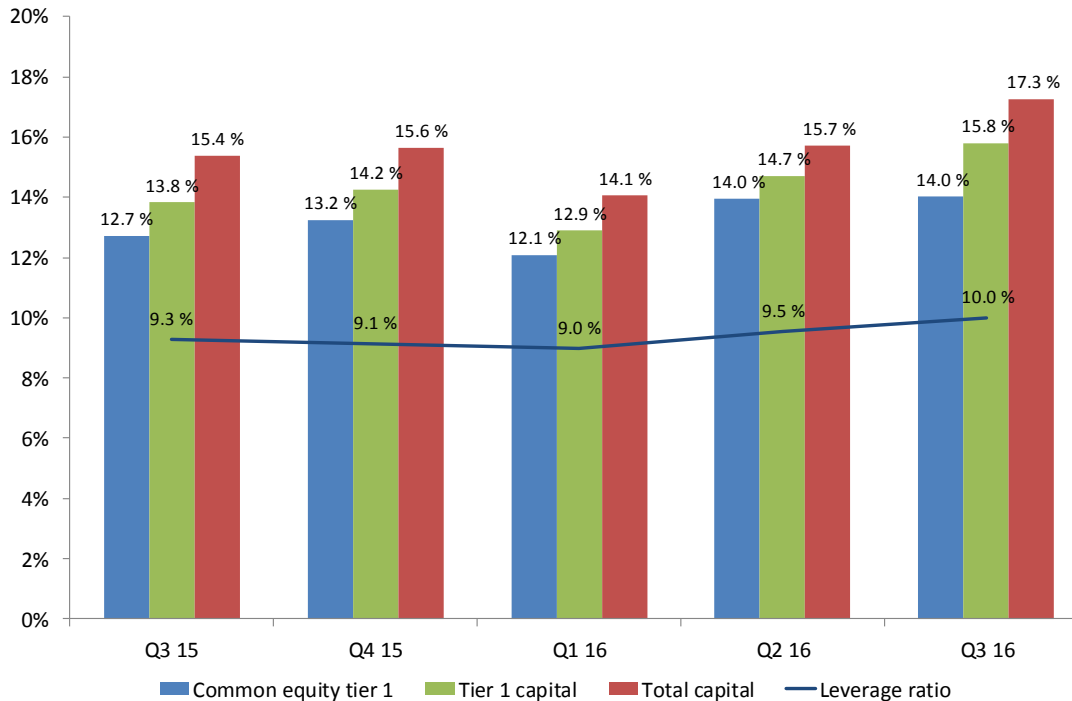


High profitability



Improved risk absorption capacity

Capital ratios



- Strong CET 1 ratio of 14.0%.
- Leverage ratio equals 10.0%.
- Issued MNOK 210 in Tier 1 capital and 100 MNOK in Tier 2 capital in the third quarter.
- Operational risk capital requirement changed from Basic indicator approach to Standardized approach in the third quarter.

Well positioned for continued earnings growth

Earnings growth and strong returns

- Strong loan growth
- Stable margins
- Cost-efficient operations
- Stable provisions
- Denmark and Finland expected to turn profitable in the fourth quarter

Stable credit quality

- Resilient Nordic economies with stable unemployment outlook
- Enhanced credit models
- Stable portfolio risk in established markets
- Higher initial credit losses expected in newly entered markets

Strong and resilient balance sheet

- Strong liquidity position
- Strong capital generation and capital ratios
- Adequate capital for growth
- Prospects for dividend payments upheld

Top 20 shareholders

SHAREHOLDER	# OF SHARES	
1 NORWEGIAN AIR SHUTTLE	36,020,808	20.00 %
2 FORTELUS SPECIAL SITUATIONS FUND	15,321,045	8.51 %
3 LAGUAN AS	11,371,904	6.31 %
4 BORAK AS	7,681,443	4.27 %
5 STENSHAGEN INVEST AS	7,593,420	4.22 %
6 PROTECTOR FORSIKRING	5,142,086	2.86 %
7 MP PENSJON PK	4,692,800	2.61 %
8 SWEDBANK ROBUR SMÅBOLAGSFOND NORDEN	4,031,705	2.24 %
9 SWEDBANK ROBUR NORDENFOND	4,031,023	2.24 %
10 SNEISUNGEN AS	3,901,040	2.17 %
11 TORSTEIN TVENGE	3,600,000	2.00 %
12 DANSKE BANK AS	3,305,790	1.84 %
13 SPENCER TRADING INC	2,556,775	1.42 %
14 HANDELSEBANKEN NORGE	2,443,018	1.36 %
15 VEVLEN GÅRD AS	2,115,532	1.17 %
16 SONGA AS	2,083,120	1.16 %
17 APOLLO ASSET LIMITED	1,750,000	0.97 %
18 SWEDBANK ROBUR SMÅBOLAGSFOND EUROPA	1,691,698	0.94 %
19 DIRECTMARKETING INVEST	1,500,000	0.83 %
20 LITHINON AS	1,417,426	0.79 %
Top 20	122,250,633	67.88 %
Total	180,104,046	

- Management holds 2.8 % of shares outstanding.

As of October 27, 2016.

banknorwegian.no