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Ratings

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Bank Norwegian ASA

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Table Of Contents

Ratings Score Snapshot

Credit Highlights

Outlook

Key Metrics

Anchor: 'a-' Reflecting Bank Norwegian's Nordic Loan Portfolio And Domicile In Norway

Business Position: Good Position In The Nordic Consumer Finance Market.

Capital And Earnings: Robust Capitalization Provides A Strong Buffer To Absorb Unexpected Losses

Risk Position: Elevated Share Of NPLs In Unsecured Loan Book Translates Into Weaker Loan Loss Experience

Funding And Liquidity: Dependence On Price-Sensitive Retail Deposits, But With Sound Liquidity Buffers

Support: No Uplift For External Support

Table Of Contents (cont.)

Environmental, Social, And Governance

Key Statistics

Related Criteria

Related Research

Bank Norwegian ASA

Ratings Score Snapshot

Issuer Credit Rating
BBB-/Stable/A-3

SACP: bbb- → **Support: 0** → **Additional factors: 0**

Anchor	a-	
Business position	Constrained	-2
Capital and earnings	Very strong	+2
Risk position	Constrained	-2
Funding	Moderate	-1
Liquidity	Adequate	
CRA adjustment		0

ALAC support	0
GRE support	0
Group support	0
Sovereign support	0

Issuer credit rating
BBB-/Stable/A-3

ALAC--Additional loss-absorbing capacity. CRA--Comparable ratings analysis. GRE--Government-related entity. ICR--Issuer credit rating. SACP--Stand-alone credit profile.

Credit Highlights

Key strengths	Key risks
Fully digital Nordic consumer lender with high cost efficiency.	Concentrated on two high-risk products: consumer lending and credit cards.
Very high risk-adjusted capitalization.	Elevated level of nonperforming loans following rapid growth.
Solid risk-adjusted profitability.	Funding dependent on price-sensitive retail deposits.

Following the acquisition by Nordax Bank, we base our ratings on Bank Norwegian on its stand-alone credit profile and the creditworthiness of the broader Nordax group. We expect the combined group--with a loan book of Swedish krona (SEK) 67 billion (about €6.5 billion) and about 2 million customers--will be well placed to become a leading player in the Nordic consumer lending segment. It will be able to offer customers a diversified range of products and services, including unsecured lending, credit cards, non-standard mortgage loans, and home equity-release products across the Nordic countries. A formal process to investigate a potential merger between Bank Norwegian and Nordax is also underway.

We expect Bank Norwegian's robust capitalization to remain a key rating strength and strong buffer against unexpected credit losses, similar to the broader group. We understand the new owner remains committed to maintaining Bank Norwegian's very strong capital and sound liquidity position. We expect that the risk-adjusted capital (RAC) ratio will be comfortably above 15% over the next 18-24 months. As of Dec. 31, 2021, the RAC ratio stood at 24.2% backed by continued solid profitability, full earnings retention, and sale of nonperforming portfolios. With a return on assets of close to 2.0%-2.5% (core earnings to average adjusted assets) in the next couple of years, we expect core profitability will continue to support the internal capital generation needed to sustain growth and profits to absorb expected credit losses.

Bank Norwegian's loan portfolio continues to demonstrate weaker asset quality than consumer finance peers'. The bank's focus on unsecured lending and its risk appetite in the expanding Nordic lending book have led to asset-quality metrics that are weaker than those of peers. The sale of nonperforming loans (NPLs) in 2021--amounting to Norwegian krone (NOK)4.4 billion--slightly improved the NPL ratio to 19.7% at year-end 2021 (19% at end-March 2022) from 23.7% at year-end 2020. Following a further NOK 2.5 billion reduction in NPLs this year, we project the NPL ratio will be close to 13% by mid-2022. Contrary to many peers, Bank Norwegian tends to keep NPLs on its own balance sheet, owing to attractive yields and favorable recovery prospects in the Nordic markets. However, this has led to poor asset quality metrics in a European comparison.

Outlook

The stable outlook reflects our view that Bank Norwegian's takeover by Nordax and its gradual integration into a broader group will not compromise the bank's franchise or robust capitalization over the next 12-24 months. We expect growth in the Nordics and expansion into new markets to support the bank's high operating efficiency and risk-adjusted profitability, which is reflected in the broader group's financial position. Specifically, we expect Bank Norwegian and the broader Nordax group to maintain a RAC ratio comfortably above 15%. This will provide an adequate buffer against risks in the higher-risk retail loan book at both the bank and group levels. We think the ongoing recovery of Nordic economies will support Bank Norwegian's business generation and that its asset quality metrics will stabilize at an acceptable level for the current rating.

Downside scenario

We could take a negative rating action if a weakening of Nordax's creditworthiness harmed Bank Norwegian's financial position. In particular, more aggressive capital management at the group level or integration risks could lead us to revise downward our assessment of the combined capital and risk position.

Upside scenario

An upgrade is less likely at this stage and would hinge on the broader group's operating performance, swift integration of Bank Norwegian, and overall creditworthiness.

We could consider a positive rating action if Nordax successfully executed its business plan, creating a strong consumer lender with superior performance metrics and sounder asset quality metrics, while maintaining robust capitalization. In the medium term, the group's funding profile may become more stable and diversified, which could over time lead to a neutral funding assessment.

Key Metrics

Bank Norwegian ASA Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in operating revenue	1.1	(16.2)	(3.1)-(3.8)	5.7-7.0	12.7-15.6
Growth in customer loans	(2.9)	(13.8)	5.4-6.6	9.0-11.0	9.0-11.0

Bank Norwegian ASA Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31 --				
(%)	**2020a**	**2021a**	**2022f**	**2023f**	**2024f**
Growth in total assets	8.8	(10.6)	(5.0)-(6.1)	3.2-3.9	5.0-6.1
Net interest income/average earning assets (NIM)	8.4	7.4	7.2-8.0	7.6-8.4	8.2-9.0
Cost to income ratio	23.3	34.4	38.2-40.1	38.8-40.7	35.7-37.5
Return on average common equity	19.3	11.2	9.8-10.9	10.6-11.7	14.5-16.0
Return on assets	3.1	2.0	1.8-2.2	1.8-2.3	2.4-2.9
New loan loss provisions/average customer loans	4.2	3.8	3.4-3.7	3.3-3.7	3.2-3.5
Gross nonperforming assets/customer loans	23.7	19.7	12.75-13.75	12.5-13.5	11.5-13.0
Net charge-offs/average customer loans	0.7	0.8	0.8-0.8	0.7-0.7	0.7-0.7
Risk-adjusted capital ratio	21.6	24.2	21.6-22.7	19.8-20.8	18.3-19.3

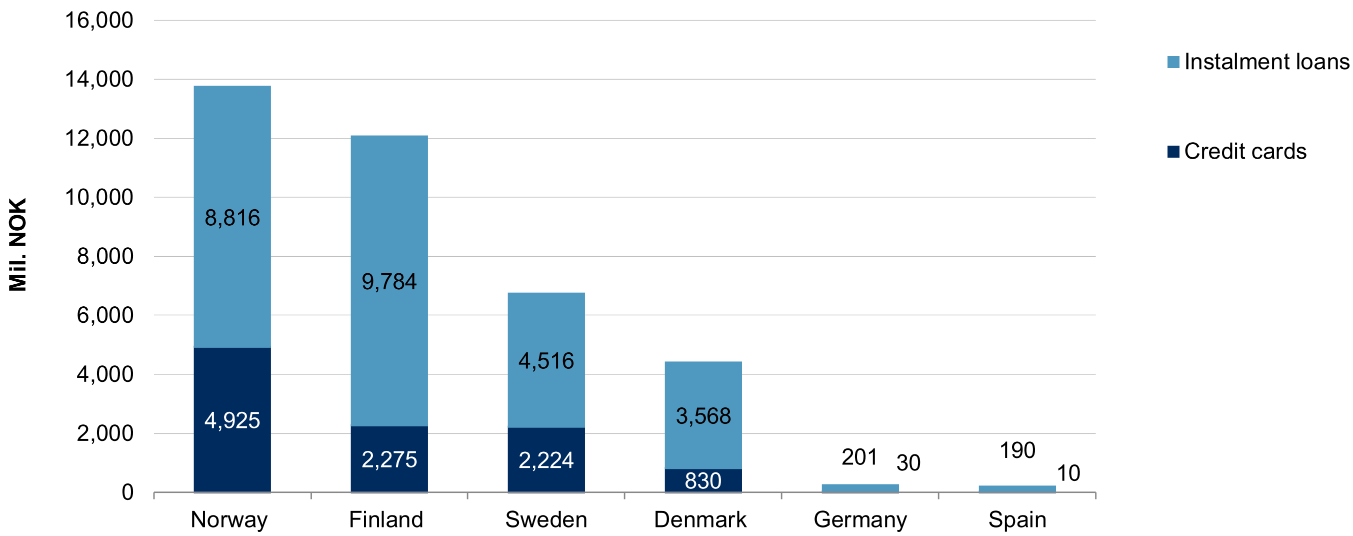
All figures are S&P Global Ratings-adjusted. a--Actual. e--Estimate. f--Forecast. NIM--Net interest margin.

Anchor: 'a-' Reflecting Bank Norwegian's Nordic Loan Portfolio And Domicile In Norway

The 'a-' anchor reflects our opinion that the Nordic countries in which Bank Norwegian operates all have highly competitive, resilient, and diverse economies that we expect to weather the current stress. Given Bank Norwegian's geographical diversification, we take into account our blended assessment of economic risk based on the bank's disclosed loan balances (Norway: 37%; Finland: 32%; Sweden: 18%; and Denmark: 12%; Germany and Spain: 1% in the first quarter [Q1] of 2022).

Chart 1

Bank Norwegian Holds A Geographically Diversified Portfolio In The Nordics
Gross loans by country as of end-March 2022



NOK--Norwegian krone. Source: Bank Norwegian.

Our assessment of low economic risk in Norway reflects the banking sector's resilience to the current macroeconomic stress related to the COVID-19 pandemic as well as the Russia-Ukraine conflict. Strong capital and liquidity buffers and timely government support, backed by substantial reserves in Norway's sovereign wealth fund--the Government Pension Fund Global--will help to limit the economic risk. We expect real GDP growth of 3.6% in 2022, following a strong rebound of 3.9% in 2021 and relatively mild contraction of 0.7% in 2020.

Norwegian household debt to disposable income, 239% as of end-December 2021, is among the highest of the Organization for Economic Cooperation and Development countries. We project the ratio to stabilize at this high level over the next two years. This is due to higher interest rates that will lead to a more-modest increase in house prices, as well as real wage increases that will support purchasing power among households. Given the interdependence between developments in house prices and those in household debt, as well as that only a very small proportion of household debt in Norway carries fixed interest rates, we believe these accumulated imbalances could pose a risk. However, financing costs have been rising following Norges Bank's policy rate hikes in 2021-2022, and we expect further policy rate hikes until 2023. This, together with the effect of macroprudential measures, will contain excessive lending demand, in our view.

Our assessment of industry risks for Norwegian banks incorporates the country's effective banking regulation, a stable competitive environment, and strong banking-sector capitalization. We believe that the authorities, including the banking regulator, have managed the pandemic-related stress well and are now proactively engaged in addressing risks arising from high credit growth, challenges in digitalization, as well as risks related to the Russia-Ukraine conflict.

Similarly, we consider financial supervision in Norway to be strong and expect authorities to implement further macroprudential policies if needed. We believe that banks have been strengthening their credit assessments and overall underwriting standards, reducing their related risk exposures in recent years. We consider Norwegian banks to have a competitive edge, due to being at the forefront of digital transformation. The high digital-technology adoption rate and the population's openness to sharing data have helped to drive this progress. Although domestic deposits as a portion of the total funding base are lower in Norway than in many other European markets, we believe that Norwegian banks will continue to have reliable access to domestic and international capital markets, in addition to stable deposits inflows.

Business Position: Good Position In The Nordic Consumer Finance Market.

We consider Bank Norwegian's niche focus on consumer loans and credit cards, which proved to be inherently more volatile during the COVID-19 pandemic, as a rating constraint compared with Nordic peers. That said, its earnings growth to date, brand recognition, and good market shares in consumer credit partly offset these factors. As a fully digital bank, Bank Norwegian operates very cost efficiently and can rapidly adjust to changes in customer behavior and preferences, as well as market developments.

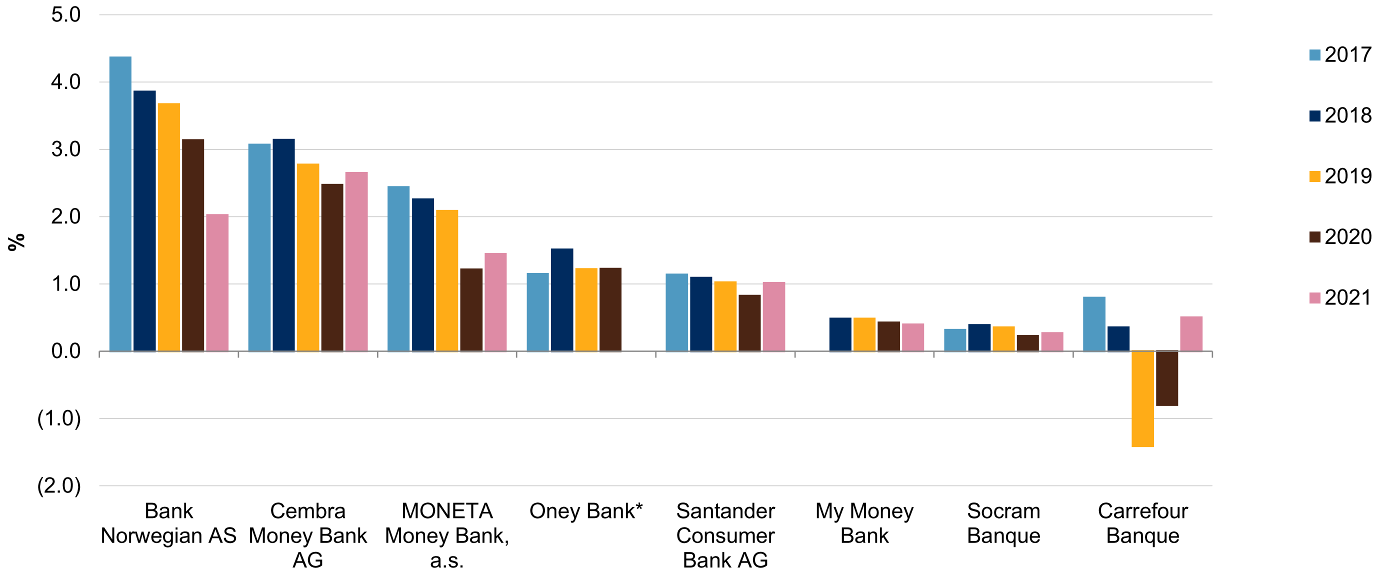
With total assets of NOK54.1 billion (about €5.3 billion) as of March 31, 2022, Bank Norwegian is smaller than most of the European consumer lenders we rate, but maintains a good position in its primary niche in Norway, with more than 18% market share. The bank has expanded rapidly in the other Nordic markets to reach shares of between 5% and 11% in Sweden, Denmark, and Finland. In Q4 2021, Bank Norwegian introduced its operations in Germany and Spain, in line with its expansion strategy.

The concentration in unsecured consumer lending, in the form of instalment loans (72% of total loans in Q1 2022) and credit cards (28% of total loans), makes Bank Norwegian more vulnerable to adverse operating conditions than larger domestic and Nordic universal banks, in our view. This is because demand for consumer loans tends to decrease during downturns and the ability to increase lending interest rates is limited, leading to some sensitivity to central bank rates and general funding costs. The bank's decision to launch a cashback program in 2020, on top of the loyalty program for Norwegian Air Shuttle, demonstrates its efforts to attract new customers. We also observe increased scrutiny by the authorities to curb household debt and ensure sustainable lending practices, which leads to consumer finance facing more regulatory pressure as the Norwegian and Nordic markets continue to expand.

Chart 2

Bank Norwegian's Profitability Dropped With Weaker Business Prospects Amid COVID-19

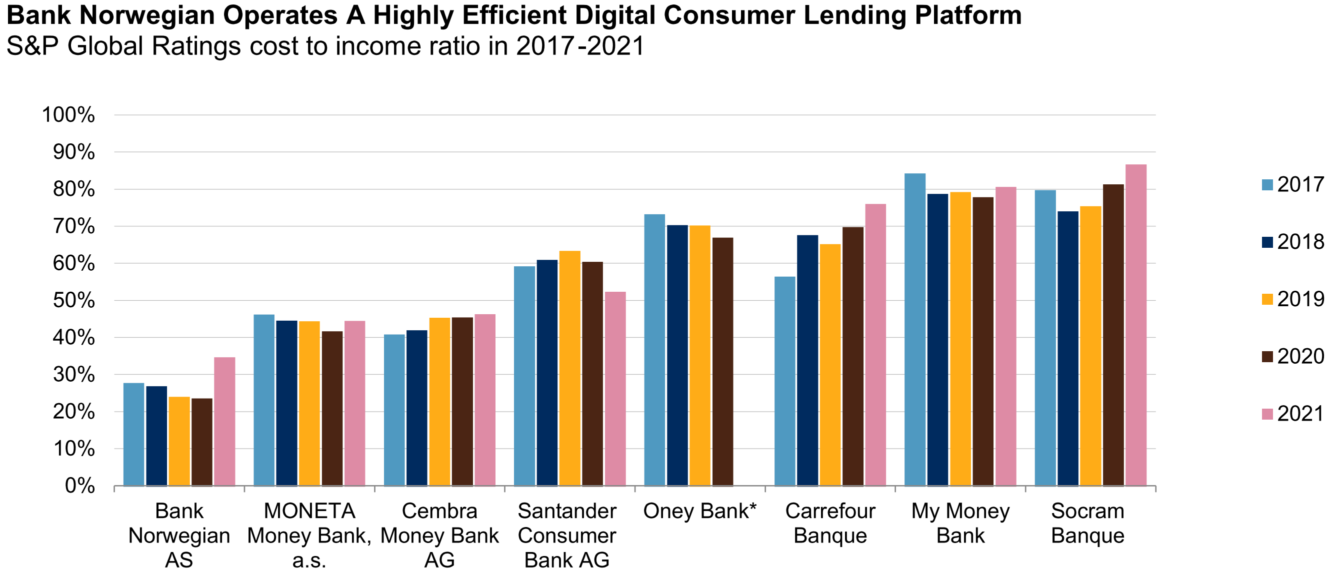
S&P Global Ratings' core earnings/average adjusted assets in 2017-2021



*Data for Oney Bank as of end-2020. Source: S&P Global Ratings; company financial reports.

Despite weak business generation during the COVID-19 pandemic, Bank Norwegian has maintained solid, albeit lower profitability, not least because of its highly efficient and flexible cost structure with a cost-to-income ratio of 36% in Q1 2022. This compares well with European consumer finance banks (see chart 3), and will continue to support the bank's profitability.

Chart 3



*Data for Oney Bank as of end-2020. Source: S&P Global Ratings; company financial reports.

In 2021, Bank Norwegian reported return on equity of 10.8% and a risk-adjusted total loan yield of 8.9%. Business generation improved in Q1 2022 with the loan portfolio increasing by 1.1%, however, profitability was hit by relatively low loan balances, stronger Norwegian krone and higher provisions, leading to return on equity (ROE) of 7% for Q1 2022. We believe Bank Norwegian's new business will pick up in tandem with the ongoing economic recovery in the Nordic region and entry into new markets Germany and Spain.

Capital And Earnings: Robust Capitalization Provides A Strong Buffer To Absorb Unexpected Losses

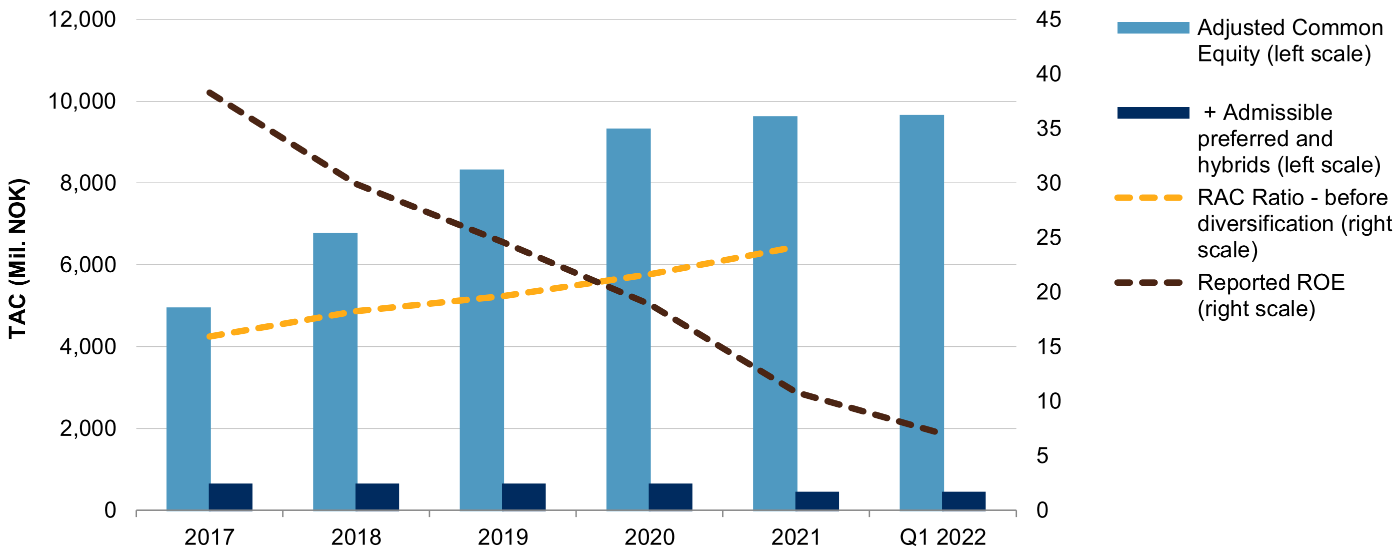
We view Bank Norwegian's capitalization and earnings as a key rating strength and a buffer against adverse developments in its home markets as it continues to expand. We project that our RAC ratio on Bank Norwegian will be comfortably above 15% over the next 18-24 months. As of Dec. 31, 2021, the RAC ratio stood at 24.2%, up from 21.6% in 2020.

To date, solid profitability and high earnings retention have supported capital generation. We project loan growth to remain modest in 2022, given the recent macroeconomic developments, and be close to pre-COVID-19 levels over the two succeeding years. This would translate into a similar increase in S&P Global Ratings' risk-weighted assets (RWAs). A gradually improving loan portfolio and rise in interest rates are also expected to support net income recovery. Cost of risk stood at 5% for the first quarter of 2022, higher than the 3.4% five-year average due to change in model assumptions and absence of NPL portfolio sales as seen in 2021 and the first half of 2022. We expect it to normalize to 3.5%-4.0% over the next few years with no material expected deterioration in asset quality.

Chart 4

Bank Norwegian's Risk-Adjusted Capitalization Continues To Be Supported By Solid Core Profitability

S&P risk-adjusted capital and return on equity in 2016-Q1 2022



NOK--Norwegian krone. TAC--Total adjusted capital. RAC--Risk-adjusted capital.. Source: S&P Global Ratings.

The bank reported weaker profitability in the first quarter of 2022, with reported ROE at 7% (14.3% in Q1 2021) and return on average adjusted assets of 1.4% (2.6% in Q1 2021), while its risk-adjusted total yield held up at 10.0%. The earnings were depressed by the relatively low loan portfolio, stronger NOK versus other currencies and higher provisions. We continue to see profits as an important first line of defense against increased credit losses.

We understand the new owner remains committed to maintaining Bank Norwegian's elevated capital position. Thanks to its Common Equity Tier 1 ratio of 26.2% as of March 31, 2022, the bank meets its regulatory capital requirements with a sizable buffer of 10 percentage points. In our view, this provides Bank Norwegian with strong loss-absorption capacity in the next two years, but also allows further expansion. We anticipate that the combined group will optimize its resources, in particular capital, over time and will continue to upstream dividends from Bank Norwegian.

We consider that Bank Norwegian will continue to exhibit sound earnings capacity and high quality of capital. We now incorporate only the NOK125 million additional tier 1 (AT1) issue with intermediate equity content into total adjusted capital, our measure of loss-absorbing capital, following the announced call of the NOK300 million AT1 instrument in May 2022.

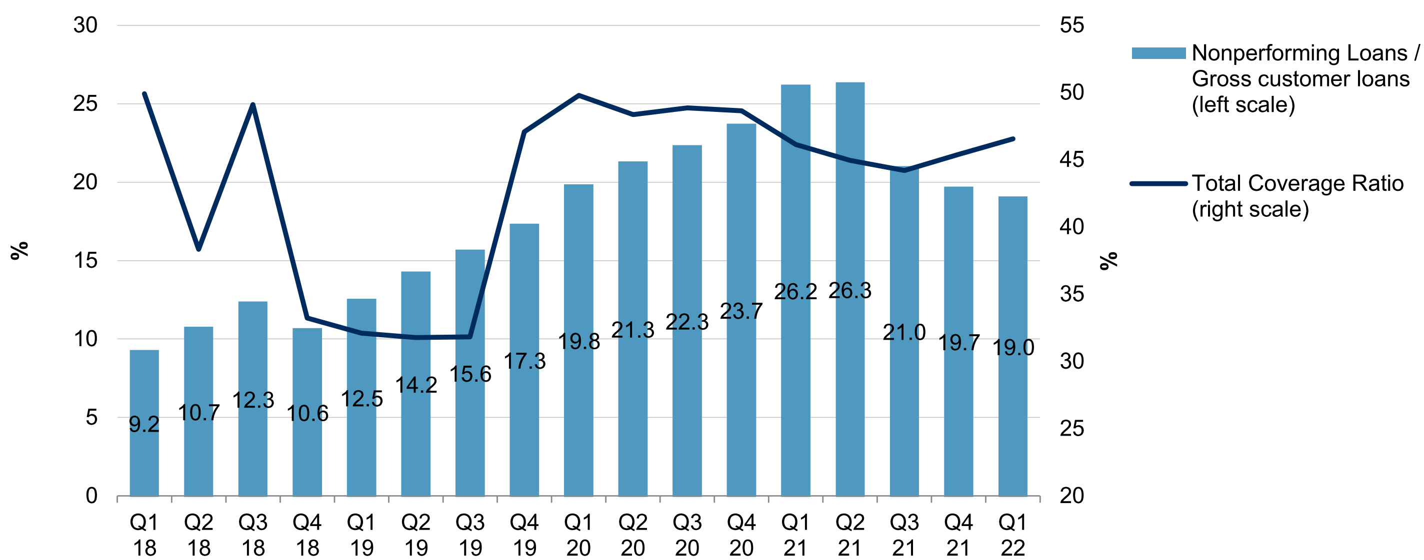
Risk Position: Elevated Share Of NPLs In Unsecured Loan Book Translates Into Weaker Loan Loss Experience

Given its concentrated focus on higher-risk products, Bank Norwegian's credit loss experience is higher than that of universal banks operating in the Nordics. Moreover, its rapid expansion into new markets, and prevailing high competition within the industry, constrain our rating. With its acquisition by Nordax, we also believe the bank's management will enforce risk management and underwriting policies that could gradually improve asset quality metrics.

Our combined view of Bank Norwegian's capital and risk position remains neutral for the rating. This is because of the bank's risk appetite in unsecured lending and weaker asset-quality metrics than those of peers. The bank's reported NPLs (defined as stage 3 loans) reduced through portfolio sales to NOK7.3 billion in 2021 followed by a further NOK 2.5 billion reduction in the first half of 2022, down from NOK10.1 billion in 2020. We therefore estimate a meaningful improvement in the NPL ratio close to 13% by mid-2022 (versus 19.7% at year-end 2021 and 23.7% at year-end 2020).

Chart 5

Bank Norwegian's Asset Quality Has Benefited From Recent NPL Sales
Stage 3 loans and total loan loss coverage in 2018-Q1 2022



Data for SCB, Cembra and carrefour as of end-2021, for My Money Bank as of end-June 2021, for Socram Banque and Oney Bank as of end-2020. Source: Bank Norwegian.

The high-risk nature of unsecured lending leads to larger loan losses. Bank Norwegian's cost of risk equaled NOK463 million, or 5% of average customer loans, in the first quarter of 2022. This increase, compared to 3.8% in 2021 and

4.2% in 2020, is due to a change in model assumptions and because 2021 benefited from the sale of five NPL portfolios.

As a digital-only bank, Bank Norwegian outsources some of its less critical functions to external service providers. Although this leads to an efficient and scalable operating model, we believe it could increase the bank's operational risks relative to larger well-established banks, given its greater reliance on the performance of external parties, for example, in debt collection. This is somewhat mitigated by the bank's simple operations, internal audit process, risk governance framework, and track record of effectively changing providers in the past.

We expect Bank Norwegian to continue investing in cyber risk prevention measures; as a digital player, a well-functioning IT infrastructure will be even more business critical than for traditional bricks and mortar bank operators.

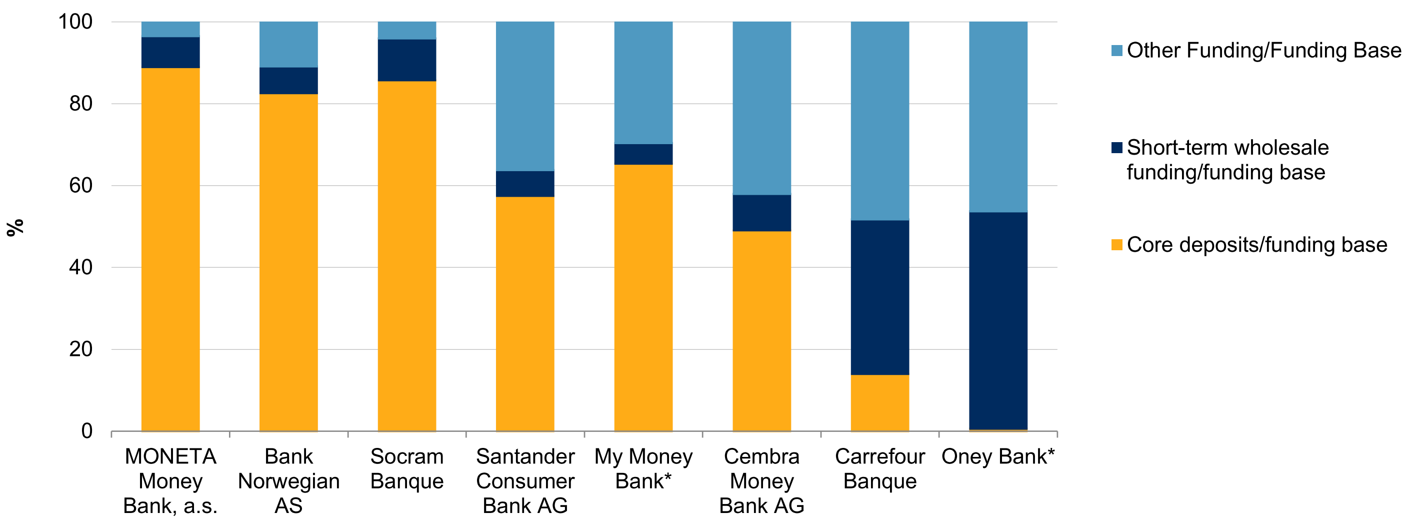
Funding And Liquidity: Dependence On Price-Sensitive Retail Deposits, But With Sound Liquidity Buffers

Bank Norwegian remains a predominantly deposit-funded institution, but we consider its funding profile to be more price- and confidence-sensitive and less diversified than that of domestic universal peers. At the same time, the bank holds vast liquidity buffers, which have materially increased as new business generation ceased during the pandemic, and we consider its liquidity position adequately managed.

We observe that Bank Norwegian has financed its expansion primarily through granular customer deposits, entirely from private individuals in each country, and demonstrates balanced key funding metrics. The stable funding ratio is estimated at 131% and core deposits to the funding base at 82% at end-March 2022. Although Bank Norwegian aims to broaden its funding profile with senior unsecured and senior subordinated debt to meet its minimum requirement for own funds and eligible liabilities (MREL), we consider that its funding will remain less diversified than peers' in Norway.

Chart 6

Bank Norwegian's Funding Composition Versus Peers' In 2021



Data for My Money Bank as of end-June 2021, for Oney Bank as of end-2020.
Source: S&P Global Ratings; company fnancial reports.

Although Bank Norwegian's customer deposits are almost fully covered by Norway's deposit guarantee scheme, in our view, the deposit franchise remains more price- and confidence-sensitive than that of universal Nordic banks. The amendment in Norway's deposit guarantee scheme from Jan. 1, 2019--reducing the covered deposits outside Norway--weighed on Bank Norwegian's nondomestic deposit base.

Liquid securities, cash, and interbank deposits reduced to 34.7% of total assets at end-March 2022 from 36.4% as of year-end 2021 mainly due to the expected reduction in customer deposits along with an increase in the loan portfolio. Despite the reduction, the bank's liquid portfolio remains high and comprises highly rated bank bonds, local and national government securities, and covered bonds. The bank's liquidity coverage is measured using the netted figure of liquid assets, over its customer deposits. This is a better indicator than our traditional broad liquid assets to short-term wholesale funding, since the bank does not currently make meaningful use of wholesale funding. The ratio stood at 43.6% at end-March 2022 (51.3% at year-end 2020) and we expect it to normalize further as new loan production picks up. Overall, we see the significant liquidity portfolio as a necessary buffer for the bank's aggressive lending strategy, and less stable deposits compared with those of domestic peers.

Support: No Uplift For External Support

Nordax completed the acquisition of Bank Norwegian in early November 2021 following the compulsory acquisition of all remaining shares in the bank and Bank Norwegian's subsequent delisting from the Oslo Stock Exchange. Bank

Norwegian now operates as a fully owned subsidiary of Nordax and we consider it to be a core operating entity within Nordax. Consequently, the issuer credit rating on Bank Norwegian now reflects our combined view of the bank's 'bbb-' stand-alone credit profile and the broader group's creditworthiness.

We will continue to monitor Bank Norwegian's strategy to meet its end-point MREL by January 2024, access to the senior nonpreferred issuance (SNP) market, and any associated effect on funding costs. The Norwegian Financial Supervisory Authority has decided Bank Norwegian's sizable MREL will be 39.02% of consolidated RWAs, which we think could benefit the bank's senior creditors. In time, a substantial amount of liabilities could be available under a bail-in resolution scenario to restore the bank's own funds and its viability. However, we would be unlikely to rate Bank Norwegian above our assessment of the group creditworthiness as we do not consider the bank to be an insulated from Nordax.

Environmental, Social, And Governance

ESG Credit Indicators

E-1	**E-2**	E-3	E-4	E-5	S-1	**S-2**	S-3	S-4	S-5	G-1	**G-2**	G-3	G-4	G-5

ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumerical 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

We see ESG factors for Bank Norwegian as broadly in line with those of industry and domestic peers.

Social factors remain important in our credit analysis due to changing customer preferences and an augmented regulatory focus on banks' responsible lending and customer data privacy. Given Bank Norwegian's focus on consumer finance business, we consider these risks particularly relevant. The regulators across Bank Norwegian's home markets are focusing on limiting household debt through regulation on maximum pricing, debt ceilings, and marketing, and by consolidating customers' credit data into credit registries. Compromising on standards could have severe reputational or regulatory implications.

We consider that Bank Norwegian is appropriately addressing environmental aspects in its own operations but could be indirectly exposed to reputational risk through its partnership with Norwegian Air Shuttle. That said, as a pure retail lender, we consider the transitional climate risk in its customer offering to be limited.

We see the maintenance of a sound corporate governance as critical for Bank Norwegian, like its domestic peers.

Key Statistics

Table 1

Bank Norwegian ASA--Key Figures

	--Year-ended Dec. 31--				
(Mil. NOK)	**2022***	**2021**	**2020**	**2019**	**2018**
Adjusted assets	53,745.6	56,068.1	62,743.3	57,562.5	50,302.1
Customer loans (gross)	37,368.3	36,946.2	42,878.3	44,155.9	39,473.1
Adjusted common equity	9,647.6	9,605.1	9,306.1	8,309.9	6,757.6
Operating revenues	1,050.7	4,728.5	5,642.7	5,582.5	4,652.3
Noninterest expenses	381.0	1,624.8	1,313.2	1,324.7	1,236.2
Core earnings	155.7	1,200.5	1,887.0	1,981.1	1,796.6

*Data as of March 31, 2022. NOK--Norwegian krone.

Table 2

Bank Norwegian ASA--Business Position

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total revenues from business line (currency in millions)	1,050.7	4,728.5	5,642.7	5,582.5	4,652.3
Retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Commercial and retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	5.7	11.2	19.3	25.2	30.0

*Data as of March 31, 2022.

Table 3

Bank Norwegian ASA--Capital And Earnings

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Tier 1 capital ratio	27.4	26.6	23.6	22.9	21.3
S&P Global Ratings' RAC ratio before diversification	N/A	24.2	21.6	19.6	18.2
S&P Global Ratings' RAC ratio after diversification	N/A	19.8	17.8	15.9	14.6
Adjusted common equity/total adjusted capital	95.8	95.8	93.6	92.9	91.4
Double leverage	N.M.	N.M.	88.3	88.8	85.0
Net interest income/operating revenues	99.2	98.7	95.9	94.2	94.7
Fee income/operating revenues	4.1	4.5	3.8	5.2	5.0
Market-sensitive income/operating revenues	(3.3)	(3.2)	0.2	0.6	0.3
Cost to income ratio	36.3	34.4	23.3	23.7	26.6
Preprovision operating income/average assets	4.8	5.2	7.1	7.8	7.3
Core earnings/average managed assets	1.1	2.0	3.1	3.7	3.8

*Data as of March 31, 2022. N/A--Not applicable. N.M.--Not meaningful

Table 4

Bank Norwegian ASA--Risk-Adjusted Capital Framework Data

(NOK 000s)	Exposure*	Basel III RWA	Average Basel III RW(%)	S&P Global Ratings RWA	Average S&P Global Ratings RW (%)
Credit risk					
Government & central banks	10,741,866.4	1,127,229.5	10.5	336,696.4	3.1
Of which regional governments and local authorities	6,473,254.9	1,127,229.5	17.4	233,037.2	3.6
Institutions and CCPs	11,403,016.0	1,505,061.0	13.2	1,411,570.6	12.4
Corporate	0.0	0.0	0.0	0.0	0.0
Retail	28,897,592.9	21,673,194.7	75.0	26,230,437.5	90.8
Of which mortgage	0.0	0.0	0.0	0.0	0.0
Securitization§	0.0	0.0	0.0	0.0	0.0
Other assets†	4,887,779.1	5,310,338.7	108.6	4,835,460.8	98.9
Total credit risk	55,930,254.4	29,615,823.9	53.0	32,814,165.4	58.7
Credit valuation adjustment					
Total credit valuation adjustment	--	7,364.4	--	0.0	--
Market Risk					
Equity in the banking book	26,775.0	0.0	0.0	234,281.3	875.0
Trading book market risk	--	0.0	--	0.0	--
Total market risk	--	0.0	--	234,281.3	--
Operational risk					
Total operational risk	--	7,976,816.3	--	8,464,046.4	--
(NOK 000s)	**Exposure**	**Basel III RWA**	**Average Basel II RW (%)**	**S&P Global Ratings RWA**	**% of S&P Global Ratings RWA**
Diversification adjustments					
RWA before diversification	--	37,600,004.5	--	41,512,493.0	100.0
Total Diversification/ Concentration Adjustments	--	--	--	9,121,482.0	22.0
RWA after diversification	--	37,600,004.5	--	50,633,974.9	122.0
(NOK 000s)		**Tier 1 capital**	**Tier 1 ratio (%)**	**Total adjusted capital**	**S&P Global Ratings RAC ratio (%)**
Capital ratio					
Capital ratio before adjustments		10,009,488.0	26.6	10,030,104.0	24.2
Capital ratio after adjustments‡		10,009,488.0	26.6	10,030,104.0	19.8

*Exposure at default. §Securitization Exposure includes the securitization tranches deducted from capital in the regulatory framework. †Exposure and S&P Global Ratings' risk-weighted assets for equity in the banking book include minority equity holdings in financial institutions. ‡Adjustments to Tier 1 ratio are additional regulatory requirements (e.g. transitional floor or Pillar 2 add-ons). RWA--Risk-weighted assets. RW--Risk weight. RAC--Risk-adjusted capital.NOK -- Norway Krone. Sources: Company data as of 'Dec. 31 2021', S&P Global Ratings.

Table 5

Bank Norwegian ASA--Risk Position

	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Growth in customer loans	4.6	(13.8)	(2.9)	11.9	17.4

Table 5

Bank Norwegian ASA--Risk Position (cont.)					
	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	22.0	21.7	23.3	25.2
Total managed assets/adjusted common equity (x)	5.6	5.9	6.8	7.0	7.5
New loan loss provisions/average customer loans	5.0	3.8	4.2	3.9	2.8
Net charge-offs/average customer loans	0.4	0.8	0.7	1.2	0.1
Gross nonperforming assets/customer loans + other real estate owned	19.0	19.7	23.7	17.3	12.8
Loan loss reserves/gross nonperforming assets	46.6	45.4	48.6	47.1	33.2

*Data as of March 31, 2022. RWA--Risk-weighted assets. N/A--Not applicable.

Table 6

Bank Norwegian ASA--Funding And Liquidity					
	--Year-ended Dec. 31--				
(%)	**2022***	**2021**	**2020**	**2019**	**2018**
Core deposits/funding base	81.9	82.6	83.8	84.4	93.2
Customer loans (net)/customer deposits	99.8	92.5	88.9	101.1	96.7
Long-term funding ratio	95.2	94.8	96.8	98.6	99.3
Stable funding ratio	130.6	137.9	145.9	122.1	114.2
Short-term wholesale funding/funding base	6.0	6.5	3.9	1.7	0.8
Broad liquid assets/short-term wholesale funding (x)	7.0	7.2	12.1	17.4	27.0
Broad liquid assets/total assets	32.1	36.4	37.7	24.4	18.6
Broad liquid assets/customer deposits	50.9	56.5	55.9	35.3	24.1
Net broad liquid assets/short-term customer deposits	43.6	48.6	51.3	33.3	23.2
Regulatory liquidity coverage ratio (LCR) (x)	316.0	338.0	569.0	N/A	N/A
Short-term wholesale funding/total wholesale funding	31.5	35.2	22.2	10.1	10.0

*Data as of March 31, 2022. N/A--Not applicable.

Related Criteria

- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Dec. 9, 2021
- Criteria | Financial Institutions | General: Financial Institutions Rating Methodology, Dec. 9, 2021
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- General Criteria: Group Rating Methodology, July 1, 2019
- General Criteria: Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Criteria | Financial Institutions | General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings, April 7, 2017
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Banking Industry Country Risk Assessment Update: May 2022, May 27, 2022
- SLIDES: Nordic Banks Shift Their Focus To Profitable Growth, March 16, 2022
- European Consumer Finance Buys Now. Will It Have To Pay Later?, March 02, 2022
- Norwegian Bank Ratings Affirmed Under Revised FI Criteria, Feb. 04, 2022
- The Top Trends Shaping European Bank Ratings In 2022, Jan. 31, 2022
- ESG Credit Indicator Report Card: EMEA Banks, Jan. 19, 2022
- Bank Norwegian Downgraded To 'BBB-/A-3' After Takeover By Nordax Bank; Outlook Stable, Dec. 07, 2021
- Banking Industry Country Risk Assessment: Norway, Oct. 19, 2021

Ratings Detail (As Of June 17, 2022)*	
Bank Norwegian ASA	
Issuer Credit Rating	BBB-/Stable/A-3
Issuer Credit Ratings History	
07-Dec-2021	BBB-/Stable/A-3
10-Sep-2021	BBB/Watch Neg/A-2
12-Nov-2020	BBB/Stable/A-2
Sovereign Rating	
Norway	AAA/Stable/A-1+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.