S&P Global
Ratings

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Bank Norwegian ASA

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Table Of Contents

Table Of Contents (cont.)

Bank Norwegian ASA

SACP	bbb-	+	Support	0	+	Additional Factors	+1

Anchor	a-	
Business Position	Weak	-2
Capital and Earnings	Very Strong	+2
Risk Position	Weak	-2
Funding	Below Average	-1
Liquidity	Adequate	

ALAC Support	0
GRE Support	0
Group Support	0
Sovereign Support	0

Issuer Credit Rating

BBB/Stable/A-2

Credit Highlights

Overview

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 profitability in a low-interest-rate environment.	Elevated level of nonperforming assets (NPAs) following rapid growth.
Comfortable capitalization.	Funding dependent on price-sensitive retail deposits.

S&P Global Ratings expects Bank Norwegian ASA's capitalization to remain a strong buffer against unexpected credit losses. We expect that the risk-adjusted capital (RAC) ratio will be comfortably above 15% over the next 18-24 months. At Dec. 31, 2020, the RAC ratio stood at 21.2%, from 19.6% in 2019. Continued strong profitability, amid the COVID-19 pandemic, and full earnings retention supported capital generation last year (annual general meeting approved dividend of Norwegian krone [NOK] 6 per share). But even with a dividend payout at the upper end of the policy range of 30%-60% of net profit, RAC is forecast to remain at 18.6%-20.3% through 2023. With a return on assets of close to 3.2% (core earnings to average adjusted assets) in the next couple of years, compared with 3.1% in 2020 and 3.7% in 2019, we expect core earnings will continue to support the internal capital generation needed to sustain growth and profits. This will remain an important first line of defense against any increase in credit losses.

However, our combined view of Bank Norwegian's capital and risk position remains neutral for the rating. 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. Stagnating gross loans during the pandemic, stage transfers, and currency effects from the weaker Norwegian krone, resulted in a weakened nonperforming loan (NPL) ratio of 23.6% at year-end 2020 versus 17.3% at year-end 2019. Contrary to many peers, Bank Norwegian tends to keep NPLs on its own balance sheet, owing to attractive yields and favorable recovery prospects in Nordic markets. However, this has led to poor asset-quality metrics in a European comparison. We believe that the positive Nordic outlook will support the bank's asset-quality recovery over the next two years.

Bank Norwegian demonstrated resilient earnings performance in 2020 amid COVID-19 fallout. Despite the lower new loan production and materially increased liquidity buffers (38% of total assets) the bank still generated an elevated return on equity (ROE) of 19.3% in 2020. This derives from its strong risk-adjusted yields and highly flexible and cost-efficient operating model, underpinned by a cost-to-income ratio of 23% in 2020. We consider that the bank is well positioned to expand its fully digital operating model into new markets--Germany and Spain--starting late 2021.

Outlook: Stable

The stable outlook reflects our expectation that Bank Norwegian will maintain robust RAC and adequate buffers as its loan book expands at a more moderate pace over the next two years. We believe that the expected recovery of Nordic economies from COVID-19 fallout will support Bank Norwegian's profitable business generation and that its asset quality won't suffer enduring repercussions. This could lead us to incorporate a positive adjustment notch into our assessment of Bank Norwegian's stand-alone credit profile, specifically, in our business or risk position assessment. We also believe that the bank won't compromise its strong operating efficiency and risk-adjusted profitability while it expands into new markets starting late 2021.

Downside scenario

We could lower the ratings if the bank's performance jeopardized its risk-adjusted profitability and asset quality, or if we observed a more aggressive expansion strategy or capital policy leading the RAC ratio to fall below 15%. Furthermore, any additional pressure on business prospects from the second wave of COVID-19, or setbacks from distressed partner Norwegian Air Shuttle on the bank's reputation and business, could prompt a downgrade.

Upside scenario

We could take a positive rating action if the bank maintains its intrinsic credit strength while demonstrating access to the senior nonpreferred market and building a sustainable buffer of bail-in-able debt instruments. Ratings upside also hinges on a well-defined resolution strategy that would likely ensure full and timely payment on all the bank's senior preferred obligations.

Key Metrics

Bank Norwegian ASA--Key Ratios And Forecasts

	--Fiscal year ended Dec. 31 --				
(%)	**2019a**	**2020a**	**2021f**	**2022f**	**2023f**
Growth in operating revenue	20.0	1.1	(5.6)-(6.8)	7.5-9.2	9.2-11.2
Growth in customer loans	11.9	(2.9)	1.3-1.6	11.7-14.3	11.7-14.3
Growth in total assets	15.1	8.8	(11.1)-(13.6)	3.8-4.6	7.4-9.1
Net interest income/average earning assets (NIM)	9.3	8.4	7.6-8.4	8.2-9.0	8.4-9.2
Cost to income ratio	23.7	23.3	28.0-28.8	29.7-30.6	29.1-30.0
Return on equity	25.2	19.3	14.2-15.7	16.4-18.2	17.4-19.2
Return on assets	3.7	3.1	2.4-2.9	2.9-3.6	3.1-3.8
New loan loss provisions/average customer loans	3.9	4.2	3.7-4.1	3.2-3.5	3.0-3.4
Gross nonperforming assets/customer loans	17.3	23.7	23.7-26.2	22.5-24.9	21.2-23.5

Bank Norwegian ASA--Key Ratios And Forecasts (cont.)					
	--Fiscal year ended Dec. 31 --				
(%)	**2019a**	**2020a**	**2021f**	**2022f**	**2023f**
Risk-adjusted capital ratio	19.6	21.2	20.5-21.0	19.3-19.8	18.2-18.7

All figures are S&P Global Ratings-adjusted. a--Actual. f--Forecast.

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 COVID-19 induced crises. 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 46%, Finland 26%, Sweden 16%, and Denmark 12% in 2019).

Our assessment of low economic risk in Bank Norwegian's domestic market reflects the high level of wealth, strong returns from the sovereign investment fund, and a predictable political environment. We view that the government programs aimed at businesses and households have substantially offset the dual pressures of a sharp decline in oil prices and a recessionary environment prompted by the COVID-19 pandemic. In our base case, we project that Norway will record a 3.2% GDP growth rebound in 2021. We believe current macro stress will result in intensifying pressure for the banking sector's asset quality, revenue, and profitability over the next two years. Specific segments of concern include the oil sector, small and midsize enterprises, commercial real estate, and other cyclical sectors.

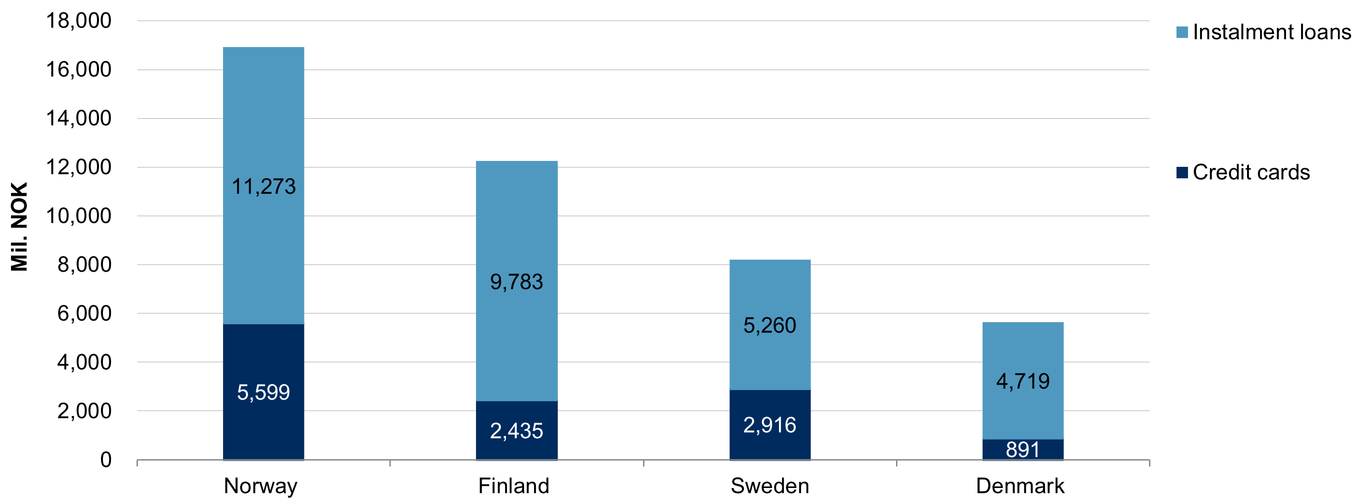
We consider that Norwegian banks' residential mortgage portfolio, which accounts for about 55% of total bank loans in the sector, will be more resilient to the present stress than corporate sector exposure, due to various government employment and income support measures. That said, we recognize some latent risks to banks from structurally high levels of household debt, driven by strong growth in house prices over the past decade, and banks' exposure to the cyclical commercial real estate segment.

Our assessment of industry risks for Norwegian banks incorporates our view of effective banking regulation, a stable competitive environment, and strong sector capitalization. We consider that the government authorities, including the banking regulator, have been proactively addressing difficulties related to the current stress, including by introducing an unprecedented key policy rate cut and temporary relaxation of the countercyclical capital buffer requirements, as well as providing liquidity support to the banking sector.

Moreover, we consider that Norwegian banks have benefited from being at the forefront of digital transformation in banking, including offering mobile payment and investment solutions and mortgages. A high adoption rate of digital technology when servicing clients and in process automation, as well as the population's openness toward sharing data, have helped drive this progress. In a context of social-distancing requirements, being digital frontrunners has enabled banks to continue providing a high-quality service to customers, since banks already moved from branch-based operations into a predominantly digital environment a while ago. We consider that this will also help Norwegian banks keep their costs under control, which will support their profitability, given the revenue pressure we anticipate over the next two years. Although domestic deposits in the total funding base are lower in Norway than in many other European markets, we believe Norwegian banks will maintain their reliable access to domestic and international capital markets, in addition to deposits.

Chart 1

Bank Norwegian Holds A Geographically Diversified Portfolio In The Nordics
Gross loans by country as of year-end 2020



NOK--Norwegian krone. Source: Bank Norwegian.

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

We consider Bank Norwegian's niche focus on consumer loans and credit cards, which are inherently more volatile, to be factors that constrain the ratings on the bank. 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, as shown during the COVID-19 pandemic.

With total assets of NOK63.2 billion (about €6 billion) at March 31, 2021, Bank Norwegian is smaller than most of the European consumer lenders we rate, but it 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 a share of about 5%-11% in Sweden, Denmark, and Finland.

In our view, the concentration in unsecured consumer lending, in the form of installment loans (72% of total loans in 2020) and credit cards (28% of total loans), makes Bank Norwegian more vulnerable to adverse operating conditions than larger domestic and Nordic universal banks. 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 cash back program in 2020, on top of the loyalty program for Norwegian Air Shuttle, demonstrate its efforts to attract new customers. We also observe increased scrutiny by the authorities to curb household debt and ensure sustainable lending practices. This leads to consumer finance facing more regulatory pressure as the Norwegian and Nordic market continues to expand.

The bank's net interest income was affected by the declining demand for installment loans, as a result of the pandemic. However, the pre-risk interest margin remains relatively high at 8.2% in first-quarter 2021.

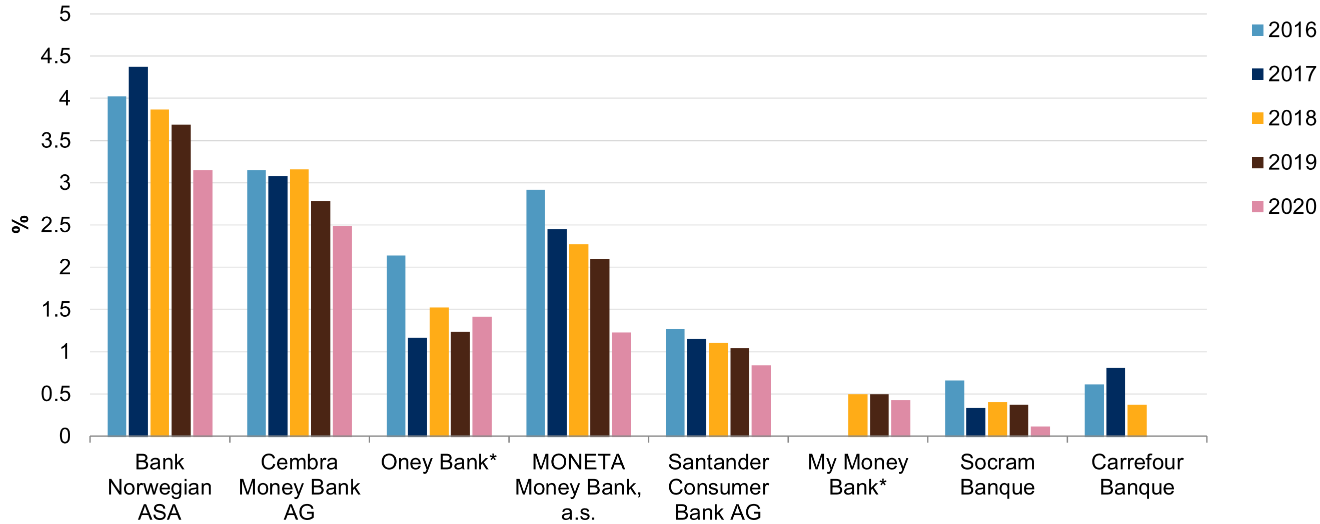
Bank Norwegian solidified its aspirations to expand outside the Nordics following this summer's strategic review. It announced its intentions to enter Germany and Spain in second-half 2021 by using a cross-border digital offering in its three products. We consider that, over time, these markets could diversify the bank's revenue and loan portfolio, but likely well beyond our outlook horizon.

We also recognize that the bank has an efficient operating model, which has so far proved to be scalable across its chosen markets. We do not believe the bank will sacrifice its high cost efficiency and profitability to rapidly gain market share outside the Nordics. As a purely online bank that is increasing in scale, we anticipate its cost-to-income ratio will increase to 26%-28% during our 2021-2023 forecast period. This compares well with European consumer finance banks (see chart 3), and will continue to support the bank's profitability.

Furthermore, we believe that as fully digital bank, Bank Norwegian is well positioned to respond to technology disruption while expanding its business. Although the bank uses an external core banking system, its digital solutions and internal information technology capabilities allow it to react rapidly to changes in customer preferences and behavior and to adjust its offering and risk scorecards. Furthermore, we understand that the bank closely follows a number of digital key performance indicators, for example, to monitor customer experience and internal efficiency.

Chart 2

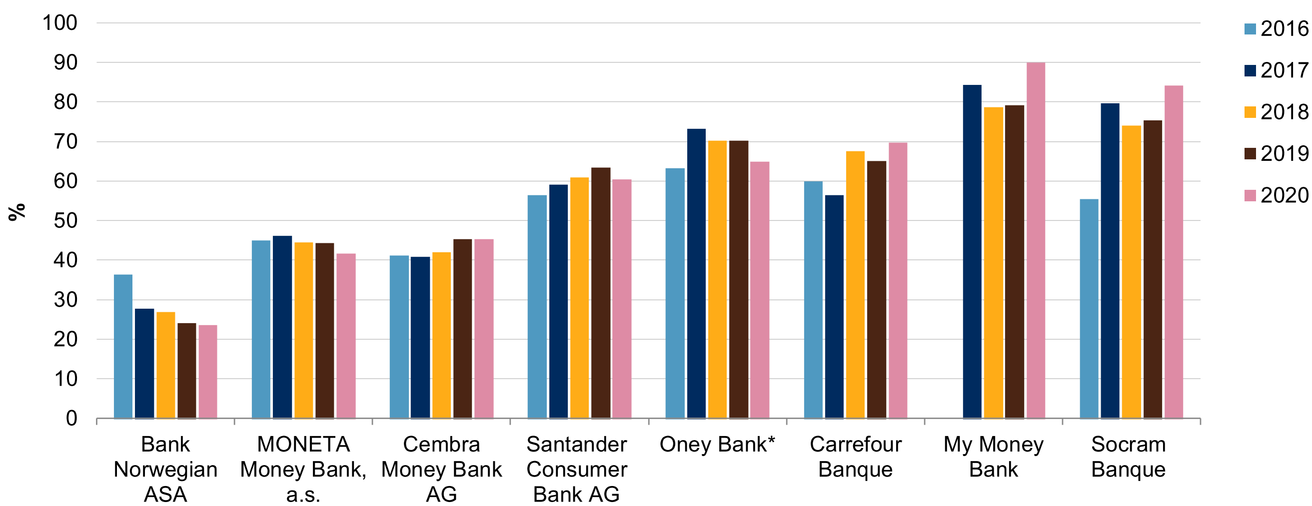
Bank Norwegian's Profitability Continues To Outperform Peers' Amid COVID-19
S&P Global Ratings' core earnings / average adjusted assets in 2016-2020



Source: S&P Global Ratings. Note: *Oney Bank and My Money Bank Data as of June 2020; Carrefour Banque reported negative core earnings in 2019-2020.

Chart 3

Bank Norwegian Operates A Highly Efficient Digital Consumer Lending Platform
S&P Global Ratings cost-to-income ratio in 2016-2020



Source: S&P Global Ratings Note: *Data for 2020 as of June.

Capital And Earnings: Strong Earnings Underpin Robust RAC Ratios

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. At Dec. 31, 2020, the RAC ratio stood at 21.2%, after 19.6% in 2019.

To date, strong profitability and full earnings retention have supported capital generation. Backed by the economic recovery in the Nordic markets, we project loan growth to remain modest in 2021 and about 13% over the two succeeding years, translating into a similar increase in S&P Global Ratings' risk-weighted assets (RWAs). We project volume growth from 2022 will be close to pre-COVID-19 levels to support the bank's net interest income, which we expect will expand 3-4% in 2022 and then about 9% by 2023. Cost of risk was below our initial estimates at the start of the pandemic, at 4.2% in 2020. With asset quality expected to show signs of improvement once new loan production picks up, we expect cost of risk will decrease over the next two years.

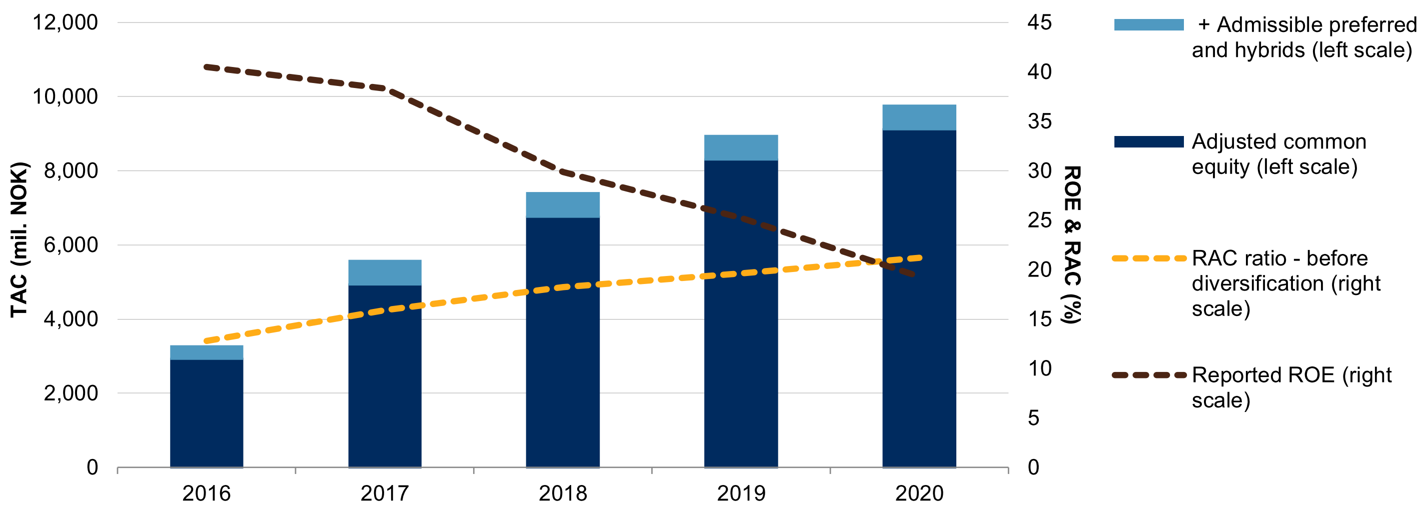
The bank reported strong profitability in 2020, despite the pandemic induced slowdown, with reported ROE at 19.3% (14.3% in first-quarter 2021) and return on average adjusted assets of 3.4% (2.6% in first-quarter 2021). The latter metric was almost commensurate with levels shown in 2019 and first-quarter 2020. Over the next two years, we expect continued strong core earnings, which will support internal capital generation needed to sustain growth. We continue to see profits as an important first line of defense against increased credit losses.

We consider that Bank Norwegian will continue to have strong earnings capacity and high quality of capital, with share capital and retained earnings comprising 94% of its total adjusted capital. We incorporate the NOK635 million additional tier 1 issues with intermediate equity content into total adjusted capital, our measure of loss-absorbing capital.

Similarly, the regulatory common equity tier 1 ratio of 21.4% shows a buffer of 720 basis points above the current minimum regulatory requirements at Dec. 31, 2020 (including 325 basis points set aside for dividends for 2020 and first-quarter 2021). In our view, this provides Bank Norwegian with strong loss-absorption capacity in the next two years, but also shields further expansion.

Chart 4

Bank Norwegian's ROE Remains High Despite Strengthening RAC In The Past Five Years
S&P Global Ratings RAC and ROE, 2016-2020



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

Risk Position: Asset-Quality Metrics Have Materially Weakened During The COVID-19 Pandemic

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. We also believe its business model leads to potentially higher operational risks relative to traditional banks. Moreover, its rapid expansion into new markets, and prevailing high competition within the industry, constrain our rating.

At end-first-quarter 2021, Bank Norwegian's gross loan portfolio was NOK40.6 billion. As we expected, business in Denmark and Finland, which the bank entered in 2015 and 2017, has contributed to growth but also led to weaker 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 that those of peers. The bank's reported NPLs (defined as stage 3 loans) reached NOK10 billion due to some stage transfers and the weaker Norwegian krone. This, combined with stagnating gross loans, resulted in a weakened NPL ratio of 23.6% at year-end 2020 versus 17.3% at year-end 2019. Contrary to many peers, Bank Norwegian tends to keep NPLs on its own balance sheet, owing to attractive yields and favorable recovery prospects in Nordic markets, but this leads to weaker asset-quality metrics.

That said, Bank Norwegian writes off all stage 3 loans with a loss given default above 70%, while maintaining the claim against the customer. The bank conducted smaller NPL sales for credit card debt collection portfolios in 2021 but with limited positive effects on asset-quality metrics (0.6% on the total portfolio).

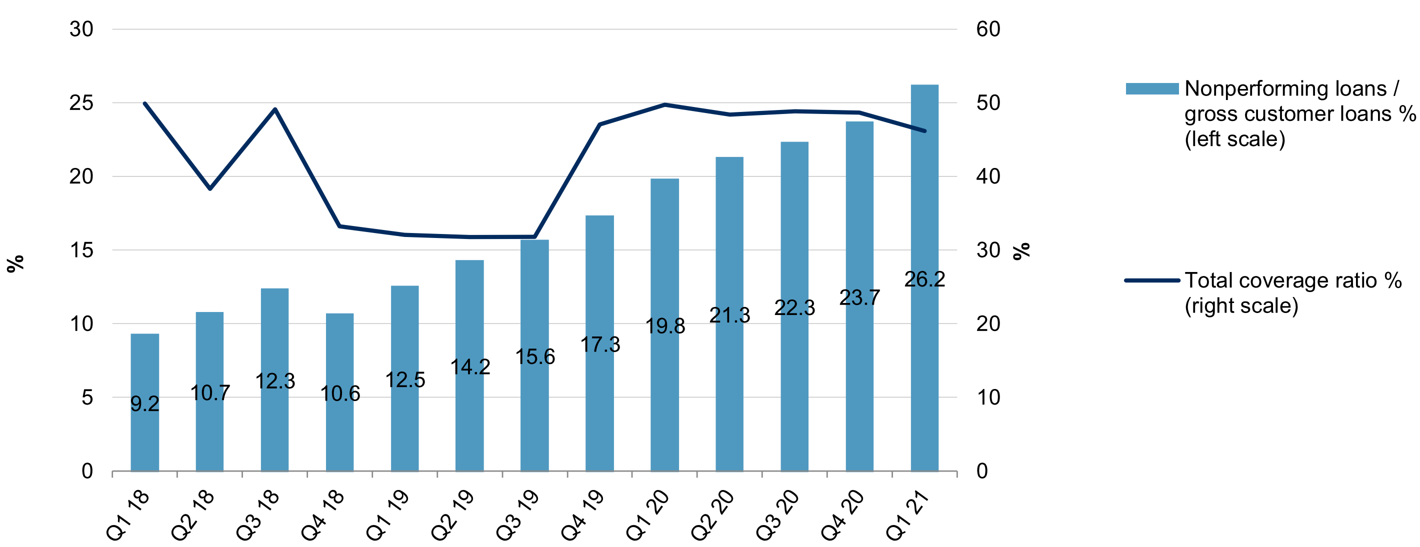
The high-risk nature of unsecured lending leads to larger loan losses. Bank Norwegian's cost of risk equaled NOK1.8 billion, or 4.2% of average customer loans, in 2020. We expect credit losses peaked for the bank in 2020 and cost of risk should settle at 3.4%-3.9% over the next few years. Over time, we project the stage 3 loan coverage ratio will decline from 40.9% at year-end 2020.

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.

Chart 5

Bank Norwegian's Asset Quality Deteriorated As Loan Book Growth Halted Amid COVID-19

Stage 3 loans and total loan-loss coverage in 2018 to first-quarter 2021



Source: S&P Global Ratings.

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

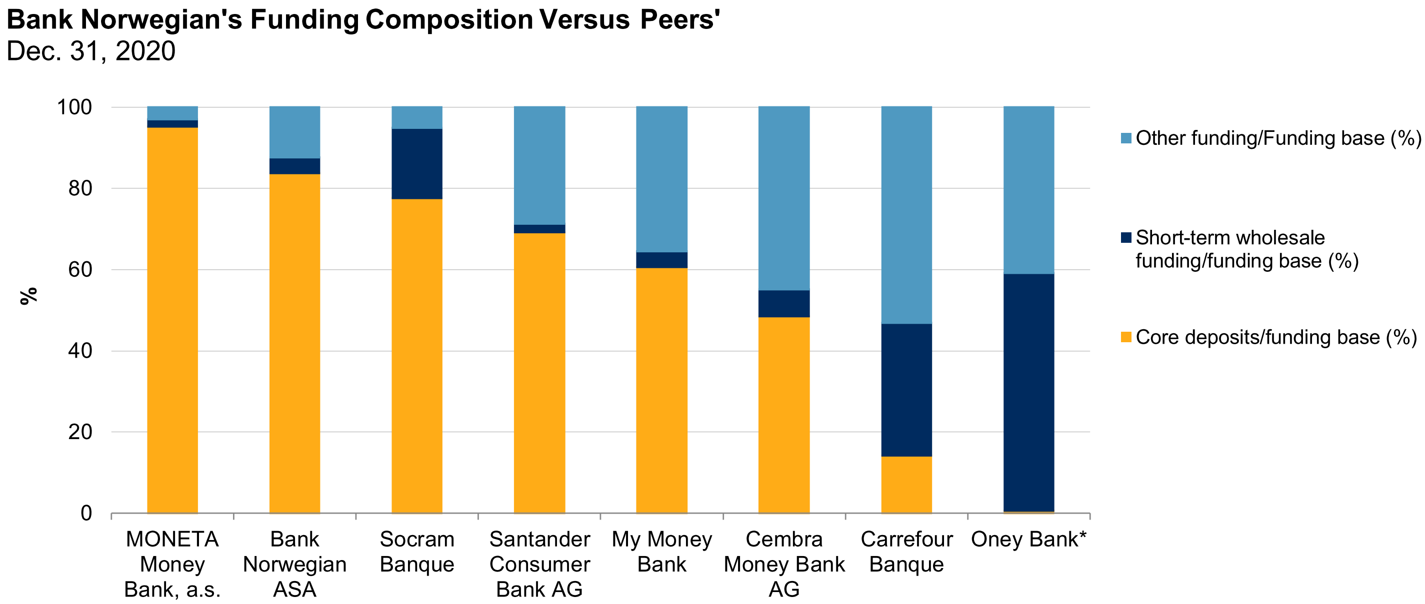
Bank Norwegian remains a predominantly deposit-funded institution but we consider its funding profile to be more price- and confidence-sensitive and less diversified than that of domestic universal peers. At the same time, the bank holds sound liquidity buffers, which have materially increased amid COVID-19, 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 146% and core deposits to funding base at 84% at year-end 2020. 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.

Although Bank Norwegian's customer deposits are almost fully covered by Norway's deposit guarantee scheme (NOK2 million per depositor in Norway and €100,000 per depositor in foreign branches), in our view, the deposit franchise remains more price- and confidence-sensitive than that of universal Nordic banks. Also, an amendment in Norway's deposit guarantee scheme from Jan. 1, 2019 weighed on Bank Norwegian's nondomestic deposit base. We therefore, consider its funding to be below average compared with our assessment of the Norwegian banking system.

Liquid securities, cash, and interbank deposits surged to 38% of total assets at year-end 2020, and comprised 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 an exceptional 51.3% for 2020 (2019: 33.3%) but we expect it to normalize once new loan production picks up again. 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.

Chart 6



*Data as of June 30, 2020. Source: S&P Global Ratings.

Support: No Uplift For External Support

We do not factor any external support into our assessment of the group's credit profile. Norway has transposed key elements of the EU's Banking Recovery and Resolution Directive (BRRD) into national law. Consequently, we consider government support toward the banking sector to be uncertain and the resolution regime to be effective under our additional loss-absorbing capacity criteria. That said, Bank Norwegian's holding company Norwegian Finans Holding (NFH) will need to comply with full subordination by the extended phase-in on Jan. 1, 2024.

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 be positive for the bank's senior creditors. In time, a substantial amount of liabilities at the holding company level could be available under a bail-in resolution scenario to restore the bank's own funds and its viability.

We note that Bank Norwegian is seeking to merge with NFH to simplify the legal structure, and this would lead to MREL issuance out of the operating company. The merger is expected to materialize in July 2021.

Additional Rating Factors

We factor one notch of uplift above the 'bbb-' stand-alone credit profile because we believe Bank Norwegian will continue to outperform its peer group in terms of profitability. This reflects the bank's high risk-adjusted margins and its ability to generate capital by retaining earnings if needed, to support its growth plans.

Bank Norwegian's earnings buffer of more than 6% also indicates a greater capacity for earnings to cover normalized losses than that of European consumer finance peers. This earnings buffer would act as a first line of defense in a potential adverse macroeconomic scenario and compares very favorably with our calculated earnings buffers at universal banks. High profitability is supported by strong gross margins compared with credit losses and high cost efficiency, in particular compared to consumer lenders in other countries. Moreover, Bank Norwegian's maintenance of a superior RAC ratio over the next two years underpins its ability to sustain capital.

Environmental, Social, And Governance (ESG)

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 lead to severe reputational or regulatory impacts.

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 limited.

We see the maintenance of a sound corporate governance as critical for Bank Norwegian, like its domestic peers. We note that the merger of the holding company into Bank Norwegian in the course of 2021 will simplify its legal structure.

Key Statistics

Table 1

Bank Norwegian ASA--Key Figures

	--Year ended Dec. 31--				
(Mil. NOK)	**2021***	**2020**	**2019**	**2018**	**2017**
Adjusted assets	59,025.7	62,743.3	57,562.5	50,302.1	42,868.5
Customer loans (gross)	40,655.7	42,878.3	44,155.9	39,473.1	33,619.7
Adjusted common equity	10,647.3	9,119.3	8,309.9	6,757.6	4,931.2
Operating revenues	1,253.4	5,642.7	5,582.5	4,652.3	3,852.4
Noninterest expenses	335.7	1,313.2	1,324.7	1,236.2	1,056.8
Core earnings	396.8	1,887.0	1,981.1	1,796.6	1,597.1

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

Table 2

Bank Norwegian ASA--Business Position

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Total revenues from business line (mil. NOK)	1,253.4	5,642.7	5,582.5	4,652.3	3,852.4
Retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Commercial & retail banking/total revenues from business line	100.0	100.0	100.0	100.0	100.0
Return on average common equity	14.6	19.3	25.2	30.0	39.5

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

Table 3

Bank Norwegian ASA--Capital And Earnings

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Tier 1 capital ratio	25.1	23.6	22.9	21.3	19.3
S&P Global Ratings' RAC ratio before diversification	N/A	21.2	19.6	18.2	15.9
S&P Global Ratings' RAC ratio after diversification	N/A	17.4	15.9	14.6	12.7
Adjusted common equity/total adjusted capital	94.4	93.5	92.9	91.4	88.6
Double leverage	88.7	88.3	88.8	85.0	85.0
Net interest income/operating revenues	98.9	95.9	94.2	94.7	94.9
Fee income/operating revenues	3.3	3.8	5.2	5.0	4.9
Market-sensitive income/operating revenues	(2.3)	0.2	0.6	0.3	0.2
Cost to income ratio	26.8	23.3	23.7	26.6	27.4
Preprovision operating income/average assets	6.0	7.1	7.8	7.3	7.6
Core earnings/average managed assets	2.6	3.1	3.7	3.8	4.4

*Data as of March 31. N/A--Not applicable. RAC--Risk adjusted capital.

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	12,170,575.7	1,269,097.0	10.4	363,033.7	3.0
Of which regional governments and local authorities	7,479,432.8	1,269,097.0	17.0	224,383.0	3.0
Institutions and CCPs	12,261,195.3	1,503,050.9	12.3	1,681,910.4	13.7
Corporate	0.0	0.0	0.0	0.0	0.0
Retail	31,946,699.1	23,960,024.3	75.0	28,625,687.8	89.6
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†	6,424,311.9	6,424,311.9	100.0	6,355,480.0	98.9
Total credit risk	62,802,781.9	33,156,484.2	52.8	37,026,111.9	59.0
Credit valuation adjustment					
Total credit valuation adjustment	--	2,787.6	--	0.0	--

Table 4

Bank Norwegian ASA--Risk-Adjusted Capital Framework Data (cont.)

Market Risk					
Equity in the banking book	50,642.0	0.0	0.0	506,420.0	1,000.0
Trading book market risk	--	2,788.0	--	4,182.0	--
Total market risk	--	2,788.0	--	510,602.0	--
Operational risk					
Total operational risk	--	8,087,002.9	--	8,464,046.4	--

	Exposure	Basel III RWA	Average Basel II RW (%)	S&P Global Ratings RWA	% of S&P Global Ratings RWA
Diversification adjustments					
RWA before diversification	--	41,249,062.6	--	46,000,760.3	100.0
Total diversification/ concentration adjustments	--	--	--	9,968,236.1	21.7
RWA after diversification	--	41,249,062.6	--	55,968,996.5	121.7

	Tier 1 capital	Tier 1 ratio (%)	Total adjusted capital	S&P Global Ratings RAC ratio (%)
Capital ratio				
Capital ratio before adjustments	9,729,158.2	23.6	9,754,253.0	21.2
Capital ratio after adjustments‡	9,729,158.2	23.6	9,754,253.0	17.4

*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--Norwegian krone. Sources: Company data as of Dec. 31 2020, S&P Global Ratings.

Table 5

Bank Norwegian ASA--Risk Position

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Growth in customer loans	(20.7)	(2.9)	11.9	17.4	33.2
Total diversification adjustment/S&P Global Ratings' RWA before diversification	N/A	21.7	23.3	25.2	25.0
Total managed assets/adjusted common equity (x)	5.6	6.9	7.0	7.5	8.7
New loan loss provisions/average customer loans	3.7	4.2	3.9	2.8	2.3
Net charge-offs/average customer loans	0.9	0.7	1.2	0.1	0.1
Gross nonperforming assets/customer loans + other real estate owned	26.2	23.7	17.3	12.8	5.7
Loan loss reserves/gross nonperforming assets	46.1	48.6	47.1	33.2	59.5

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

Table 6

Bank Norwegian ASA--Funding And Liquidity

	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Core deposits/funding base	84.5	83.8	84.4	93.2	92.5
Customer loans (net)/customer deposits	90.5	88.9	101.1	96.7	96.4
Long-term funding ratio	98.0	96.8	98.6	99.3	98.8

Table 6

Bank Norwegian ASA--Funding And Liquidity (cont.)					
	--Year ended Dec. 31--				
(%)	**2021***	**2020**	**2019**	**2018**	**2017**
Stable funding ratio	147.3	145.9	122.1	114.2	120.5
Short-term wholesale funding/funding base	2.5	3.9	1.7	0.8	1.4
Broad liquid assets/short-term wholesale funding (x)	19.3	12.1	17.4	27.0	19.0
Net broad liquid assets/short-term customer deposits	53.8	51.3	33.3	23.2	27.9
Short-term wholesale funding/total wholesale funding	14.8	22.2	10.1	10.0	15.6
Narrow liquid assets/3-month wholesale funding (x)	1,855.4	59.2	N/A	N/A	N/A

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

Related Criteria

- General Criteria: Group Rating Methodology, 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
- Criteria | Financial Institutions | Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
- Criteria | Financial Institutions | Banks: Quantitative Metrics For Rating Banks Globally: Methodology And Assumptions, July 17, 2013
- Criteria | Financial Institutions | Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria | Financial Institutions | Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Principles Of Credit Ratings, Feb. 16, 2011

Related Research

- Bulletin: Bank Norwegian May Gain Scale And Lose Efficiency Benefits If Acquired By Nordax Bank, March 5, 2021;
- SLIDES: Nordic Banks: Strong Fundamentals And Digital Preparedness Shield Against COVID-19 Stress, Feb. 18, 2021;
- Research Update: Digital Lender Bank Norwegian Outlook Revised To Stable On Earnings Resilience In Downturn; 'BBB/A-2' Ratings Affirmed, Nov. 12, 2020;
- COVID-19: Resilient Fundamentals And Assertive Policy Measures Will Buoy Nordic Banking Systems, June 16, 2020;
- Digital Lender Bank Norwegian Now Considered Critical Player In Norway, Nov. 29, 2019;
- Bank Norwegian's New Shareholder Structure Could Uphold Future Expansion, Aug. 19, 2019;

Anchor Matrix

Industry Risk	Economic Risk									
	1	**2**	3	4	5	6	7	8	9	10
1	a	a	a-	bbb+	bbb+	bbb	-	-	-	-
2	a	a-	a-	bbb+	bbb	bbb	bbb-	-	-	-
3	a-	**a-**	bbb+	bbb+	bbb	bbb-	bbb-	bb+	-	-
4	bbb+	bbb+	bbb+	bbb	bbb	bbb-	bb+	bb	bb	-
5	bbb+	bbb	bbb	bbb	bbb-	bbb-	bb+	bb	bb-	b+
6	bbb	bbb	bbb-	bbb-	bbb-	bb+	bb	bb	bb-	b+
7	-	bbb-	bbb-	bb+	bb+	bb	bb	bb-	b+	b+
8	-	-	bb+	bb	bb	bb	bb-	bb-	b+	b
9	-	-	-	bb	bb-	bb-	b+	b+	b+	b
10	-	-	-	-	b+	b+	b+	b	b	b-

Ratings Detail (As Of June 25, 2021)*

Bank Norwegian ASA	
Issuer Credit Rating	BBB/Stable/A-2
Issuer Credit Ratings History	
12-Nov-2020	BBB/Stable/A-2
03-Mar-2017	BBB/Negative/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.