



## FINANCIALS | NORDIC NICHE BANKS | 3Q 2019 PREVIEW

21 October, 2019

### 3Q and 4Q to show debt register effect – CRD IV uncertainty for Sbanken

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## Sector 3Q19 Preview: First debt register datapoint!

### Regulatory uncertainty hitting Sbanken – neutral systemic risk buffer effect in most consumer banks

We make some minor adjustments to our estimates in front of 3Q but, although we still expect negative datapoints from the debt register, we are also a bit puzzled over the lack of negative newsflow so far. Our base case is still that the debt register will (i) medium-term hike loan losses but also (ii) de-risk the consumer market - partly in 3Q and fully after 4Q and that (iii) the reduced growth will open up for attractive dividends in NOFI and KOMP. Our average dividend yield in 19e and 20e are 8.5% in the two banks.

- **Consumer banks – 1<sup>st</sup> debt register datapoint in 3Q!**

In 2Q we saw a divergent pattern emerge in the consumer segment. Lending growth in the Norwegian banks was negative while the Swedish banks reported growth even when adjusting for FX changes in Norway. Going forward we find it likely that the Nordic reciprocity in the proposed NFSA systemic risk buffer, from 3.0% to 4.5%, partly will level the playing field (if approved). Broadly we expect 3Q19e earnings to dock in at the same levels as 1Q/2Q as loan losses are expected to stay at elevated levels (~3.5%). In 2020e we see a 3.9% level driven by an assumed 'debt register clean up effect'. We see quarterly segment ROE in the 4.2-23.4% range.

- **SBANK, PARB, MM and BANK2 – CRD IV: PARB regulatory winner and Sbanken 'in the other end'?**

CRD IV, to be implemented in Norway from 2020, will hike the CET1 ratios by (i) lowering the RWA floor to 72.5% in the IRB banks and (ii) the SME discount for all banks. The hiked systemic risk buffer is NFSA/MoF's countermeasure to neutralize those positive CRDIV effects. However, if implemented, we see a product distortion issue benefitting the IRB banks in the mortgage area. Furthermore, Sbanken stands to loose on both; (i) the hiked systemic risk buffer and (ii) the latter mentioned product twist. Pareto Bank will on the other hand also see their requirement increase 1.5% to ~17.7% in 21. However, we expect the SME discount to more than counterweigh at estimated 2.0-3.0% (1% in phase 1 and 1-2% in phase2?). Net effect in latter bank should be a 1.5% hiked CET1 ratio and even though we expect the NFSA to adjust by e.g. 'recommending' a higher management buffer the overall effect should be a positive one.

- **Pareto Bank *the* regulatory CRD IV winner and the consumer market de-risked after 4Q?**

With the Sampo/ Nordic Capital transaction a floor has been established in the NOFI share price (at NOK68). Adding a de-risked market after debt register and regulations we continue to find a significant upside in NOFI and KOMP among the consumer banks. We also find risk/reward in Pareto Bank attractive at 20e P/E of 5.7 and P/B of 0.79.

# Opt for NOFI, KOMP and PARB – regulatory headwind in Sbanken

IFRS9 uncertainty in Instabank and Easybank

## Valuation overview, SB1M covered banks

Summary table									
	NOFI	KOMP	BRA	INSTA	EASY	SBANK	PARB	BATO	MM
Share price today	78.00	10.00	1.20	1.00	8.50	66.00	38.00	7.00	108.00
<b>Target price</b>	<b>110.00</b>	<b>18.00</b>	<b>1.40</b>	<b>1.70</b>	<b>15.00</b>	<b>73.00</b>	<b>60.00</b>	<b>12.00</b>	<b>115.00</b>
Upside potential	41%	80%	17%	70%	76%	11%	58%	71%	6%
<b>Recommendation</b>	<b>Buy</b>	<b>Buy</b>	<b>Neutral</b>	<b>Buy</b>	<b>Buy</b>	<b>Neutral</b>	<b>Buy</b>	<b>Buy</b>	<b>Buy</b>

2020e metrics									
EPS	9.71	1.75	0.10	0.10	1.46	7.49	6.62	1.07	13.99
Div	9.71	1.40	0.00	0.01	0.29	1.87	2.98	0.27	0.00
Div. yield	12.4 %	14.0 %	0.0 %	1.0 %	3.4 %	2.8 %	7.8 %	3.8 %	0.0 %
CET1	22.3 %	24.6 %	18.8 %	22.2 %	23.2 %	16.0 %	17.6 %	21.8 %	21.2 %

Valuation (20e)									
P/E	8.0x	5.7x	12.5x	9.8x	5.8x	8.8x	5.7x	6.6x	7.7x
P/B	1.50x	0.83x	0.66x	0.56x	0.63x	1.06x	0.79x	0.98x	0.80x
RoE	19.7 %	15.4 %	5.4 %	5.9 %	11.5 %	12.7 %	14.5 %	15.8 %	11.4 %

Valuation (20e) at target									
P/E	11.3x	10.3x	14.6x	16.7x	10.3x	9.7x	9.1x	11.3x	8.2x
P/B	2.12x	1.49x	0.77x	0.95x	1.12x	1.18x	1.25x	1.68x	0.85x
RoE	19.7 %	15.4 %	5.4 %	5.9 %	11.5 %	12.7 %	14.5 %	15.8 %	11.4 %

Source: Reuters, company, SB1 Markets

## 3Q19 – avg. losses at 3.5% and 0.3% in consumer and other respectively

Volume down in consumer segment but more steady state in Sbank, Pareto, MM and Bank2

### Quarterly preview table

Rep. ccy	3Q19e								
	Consumer niche banks					Niche banks			
	NOFI	KOMP	BRA	INSTA	EASY	SBANK	PARB	BATO	MM
Net interest income	1186.9	281.9	90.6	62.2	71.2	372.9	172.4	63.0	4.9
Net commission income	85.0	22.6	4.2	-3.8	-2.2	70.2	2.6	-0.1	0.2
Net financial income	4.0	0.3	0.2	1.5	1.3	1.2	0.7	2.0	0.1
Net other income	0.0	0.0	0.0	0.0	0.1	0.0	0.1	13.5	0.0
Total operating income	1275.9	304.8	94.9	59.9	70.4	444.3	175.8	78.5	5.1
Total operating expenses	320.0	106.9	50.0	29.2	20.5	170.4	35.2	35.4	1.9
Profit before credit losses	955.9	197.9	44.9	30.7	50.0	273.9	140.6	43.1	3.2
Loan losses	333.9	77.4	34.0	15.8	26.2	29.0	7.8	4.3	0.3
Gains/loss fin. assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating profit	622.1	120.5	10.9	14.9	23.7	244.9	132.8	38.7	3.0
Tax	149.3	28.9	2.6	3.6	5.7	58.8	31.9	9.3	0.7
Net profit	472.8	91.6	8.3	11.3	18.0	178.0	100.9	29.3	2.2

Key operational ratios	NOFI	KOMP	BRA	INSTA	EASY	SBANK	PARB	BATO	MM
C/I	25.1%	35.1%	52.7%	48.8%	29.0%	38.4%	20.0%	45.1%	36.5%
Loan losses, %	3.4 %	3.8 %	3.0 %	2.4 %	3.8 %	0.1 %	0.2 %	0.4 %	0.3 %
EPS	2.53	0.50	0.02	0.03	0.38	1.67	1.44	0.24	0.28
ROE	23.4 %	20.5 %	4.2 %	8.3 %	13.3 %	12.0 %	14.0 %	15.4 %	8.5 %
CET1	20.4 %	21.2 %	19.9 %	21.5 %	20.8 %	15.4 %	17.9 %	20.3 %	28.2 %

Key valuation ratios	NOFI	KOMP	BRA	INSTA	EASY	SBANK	PARB	BATO	MM
Share price, (NOKm)	78.0	10.0	1.2	1.0	8.5	66.0	38.0	7.0	108.0
Nr. of shares	186.8	182.2	485.3	332.6	47.4	106.6	69.9	124.3	8.2
M.cap. (NOKm)	14,567	1,822	582	333	403	7,035	2,654	870	882


Source: Company reports, SB1 Markets

## Niche: KOMP first consumer bank out 23<sup>th</sup> of October

Sbanken last the 14<sup>th</sup> of november

### Financial calendar niche banks – 3Q 2019 reporting dates

Institution	Date	
SEB	23.10.2018	
Sampo	07.10.2019	
Tryg	10.10.2019	
Swed	22.10.2019	
Storebrand	23.10.2019	
Komplett Bank	23.10.2019	
Danske	23.10.2019	
TFbank	24.10.2019	
Pareto Bank	24.10.2019	
DNB	24.10.2019	
SHB	24.10.2019	
NDA	24.10.2019	
Axactor	25.10.2019	
Protector	25.10.2019	
Gjensidige	25.10.2019	
Instabank	28.10.2019	
Resursbank	29.10.2019	
BRABank	29.10.2019	
Bank Norwegian	30.10.2019	
Easybank	31.10.2019	
MyBank	01.11.2019	
Bank2	01.11.2019	
Insr	13.11.2019	
Sbanken	14.11.2019	
B2H	22.11.2019	

 = Niche banks

CRD IV, NFSA proposal and debt register

Operational development

Valuation

Appendix



## Regulatory themes: (i) CRD 4 and (ii) proposed tighter regulations from NFSA

Loan-to-income down to 4.5x from 5.0x?

### (A) CRD 4

- The overall theme is regulatory harmonization in Europe. In the regulations the Norwegian 80% Basel floor is removed or de facto lowered to 72.5% in 2022.

#### Norwegian adaptation (adjustment):

- Proposal from MoF with the intention to neutralize the positive CRD 4 effects for the IRB banks:
  - » Hiked systemic risk buffer (from 3.0% to 4.5%)
- Nordic reciprocity: Systemic risk buffer to apply to foreign banks operations in Norway. Decision expected in 4Q19
- Net effects post adaptation:
  - » MoF likely to 'water out' the effect for the standard method banks? Regardless, we will see a 'product distortion effect' significantly benefitting IRB banks in mortgage segment
  - » **Pareto Bank** – SME discount 1% in 1st phase and 1.5-2.0% in phase 2? Combined 2.5-3.0% (?) more than offsetting 1.5% higher systemic risk buffer.
  - » **Sbanken** - CET1 req. to increase from 14.7% to 16.2% without significant SME discount and floor removal. Not IRB hence mortgage disadvantage!
  - » Nordic reciprocity: Lower competition from Swedish banks in consumer segment if reciprocity approved (which is the most likely scenario)
  - » More competition for commercial loans?

### (B) NFSA proposal – tighter regulations if approved

#### NFSA proposal out September 2019:

- Maximum LTI ratio reduced from 5x to 4.5x times gross annual income (applicable for all loans, secured and unsecured)
- Flexibility quota down to 5% from 10% today (and 8% in Oslo).
- The FSA proposes to abolish the geographical differentiation of the maximum loan-to-value ratio for secondary housing currently at max. 40% LTV in Oslo.

Central Bank opposes proposal and says; «current regulations adequate»

Decision expected in 4Q19

## (A) CRD 4: Negative for Sbank and positive for PARB

Consumer banks must have >30% of exposure outside Norway to get positive syst. risk effect

Estimated combined effect of CRD regulations with assumed Norwegian adaptations

### CRD IV overview including hiked systemic risk buffer (Norwegian adaptation)

			Regionals		Niche		
		DNB	IRB	Standard	Consumer	Sbanken	Pareto Bank
CRD IV	Floor						
	SME discount						
Norwegian adaptation	Systemic risk buffer				(A)		
Combined effect		(B)	(B)	(B)		(B)	

### Example (A): Systemic risk for consumer bank with >30% of operations outside Norway

Example	%, lending	Now		CRD IV		Net effect
		Systemic risk	Weighted	Systemic risk	Weighted	
Norway	50.0%	3.0%		4.5%	2.3%	
Outside Norway	50.0%			1.0%	0.5%	
	100.0%	3.0%			2.8%	-0.3%

### Example (B): Product distortion effect - negative for standard banks (example below 5 NOKm loan)

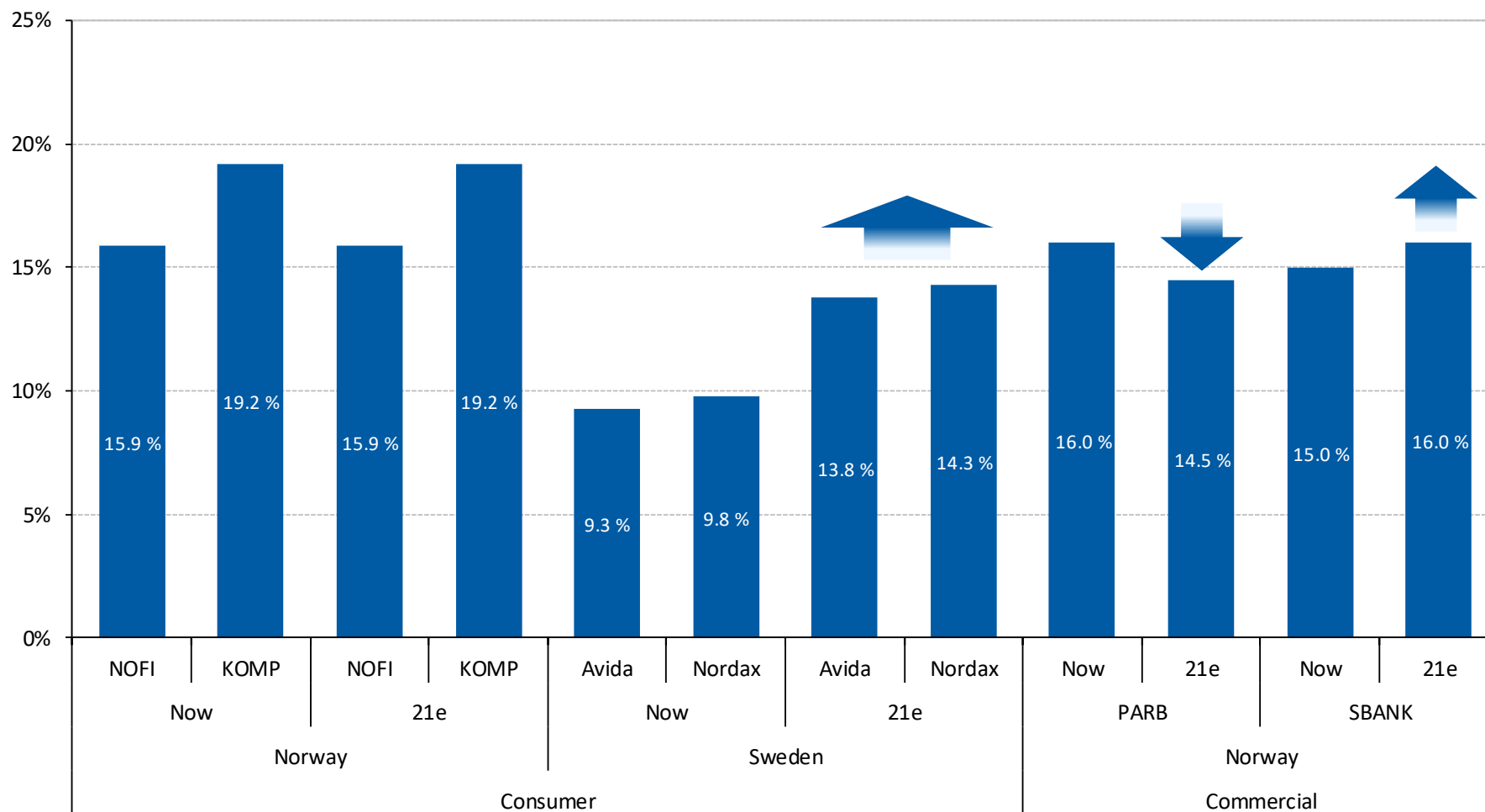
NOKm	IRB		Standard	
	Now	CRD IV	Now	CRD IV
Risk weight	40%	21%	35%	35%
CET1 req.	15%	17%	15%	17%
RWA, loan	2.00	1.05	1.75	1.75
CET1 eq., loan	0.30	0.18	0.26	0.30
Net profit to reach 12% ROE	0.05	0.03	0.04	0.05
Implied margin	0.96%	0.57%	0.84%	0.95%



## (A) CRD 4: (i) Nordic consumer CET1 req.'s more even (ii) SME discount

Norway to implement EU capital framework (CRR/CRD IV)

### CET1 capital requirements, Norway vs. Sweden



## (A) CRD 4: IRB banks get mortgage advantage

... but standard banks advantages in high risk corporate segments

### CRD IV - BIS

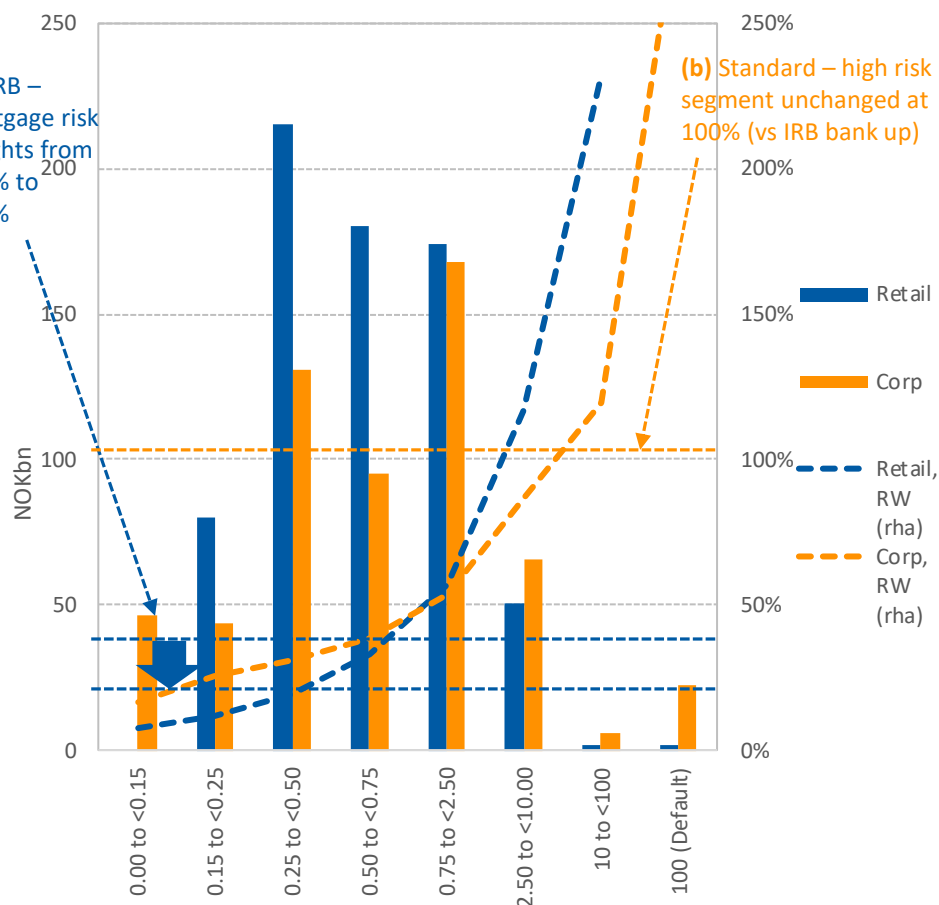
Exposures to general corporates						
Risk weights in jurisdictions where the ratings approach is permitted						
External rating of counterparty	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to BB-	Below BB-	Unrated
Risk weight	20%	50%	75%	100%	150%	100% or 85% if corporate SME

Residential real estate exposures								
LTV bands	Below 50%	50% to 60%	60% to 70%	70% to 80%	80% to 90%	90% to 100%	above 100%	Criteria not met
General RRE								
Whole loan approach RW	20%	25%	30%	40%	50%	70%	RW of counterparty	
Loan-splitting approach <sup>2</sup> RW	20%	RW of counterparty					RW of counterparty	
Income-producing residential real estate (IPRRE)								
Whole loan approach RW	30%	35%	45%	60%	75%	105%	150%	

## (A) CRD 4: IRB banks get mortgage advantage

Standard banks get regulatory advantage in loan with high risk weights

### DNB volume and risk weights per segment



### Mortgage LTV spread pricing more common? S

Risk class	Risk weight	Risk weight floor	Equity	Margin
B	9.3%	20%	0.10	0.53%
C	14.1%	20%	0.10	0.53%
D	23.8%	24%	0.12	0.64%
E	37.0%	37%	0.19	0.99%
F	53.9%	54%	0.27	1.44%
G	74.1%	74%	0.37	1.98%
H	103.2%	103%	0.52	2.76%
I	138.2%	138%	0.69	3.69%
J	164.8%	165%	0.83	4.40%

Figures from Sparebanken Vest (retail)

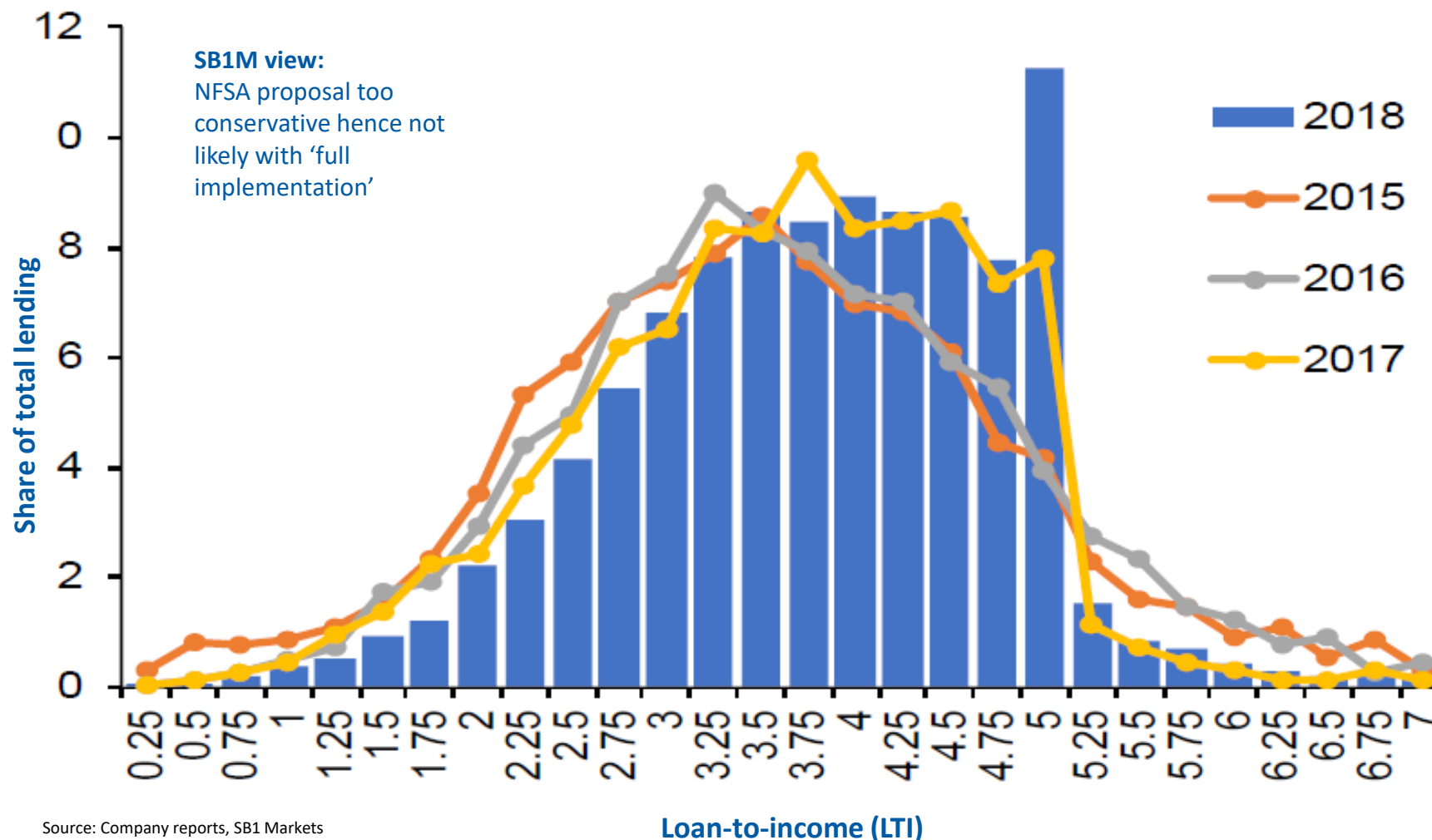
#### Early movers:

- Bulder Bank (but only 25bp spread from low to high LTV)
- Danske Bank (Sweden - ~40bp spread)

## (B) NFSA: 18% of all new loans in 4.5-5.0 range (2018)

... but 39% Oslo loans have LTI>4.5 – hence Oslo property market more exposed to regulations

New loans per year per LTI



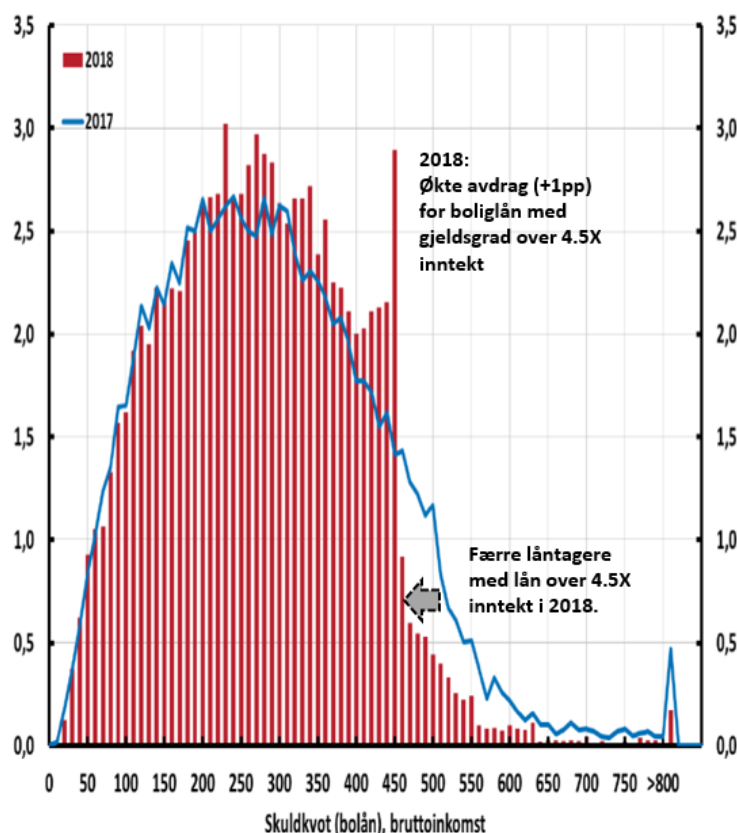
# Stricter amortization rules in Sweden in 2017/2018 lowered house prices

Sweden implemented increased down payments for loans with LTI>4.5x in 2018 (2017 proposal)

Swedish market adaptation post change

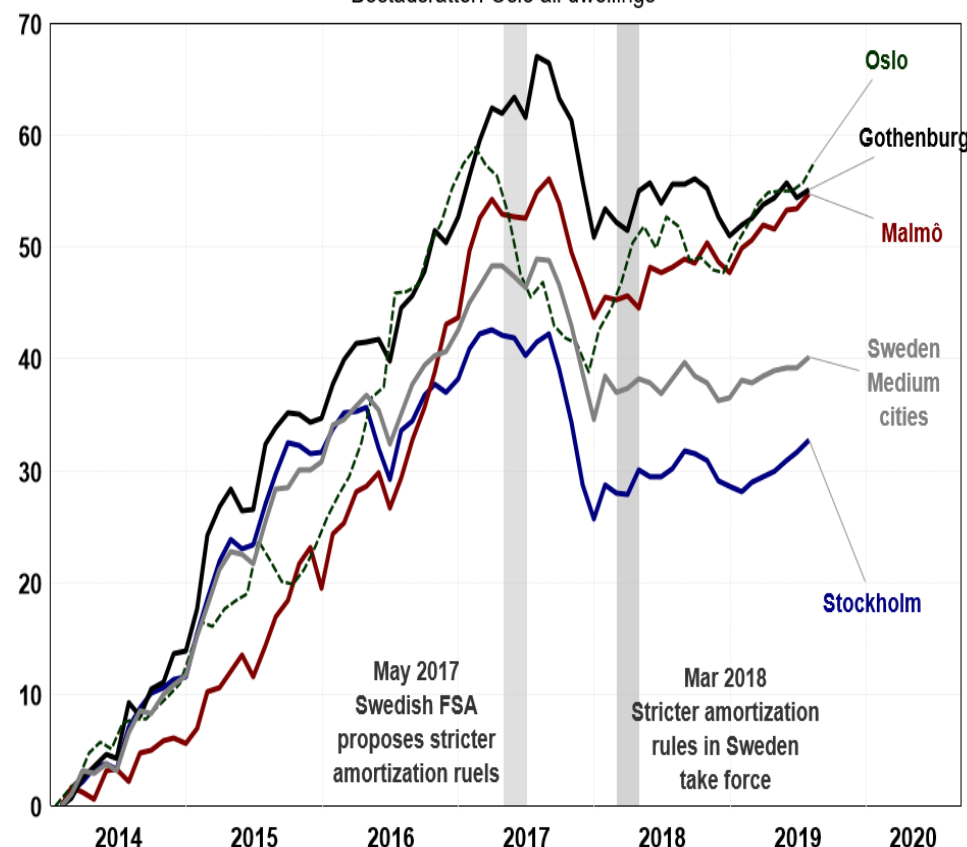
House prices in Stockholm down 10-15%

## 10. Fördelning av skuldkvoter bland nya bolånetagare



## Sweden - Apartment prices in selected cities\*

\*Bostadsratter. Oslo all dwellings

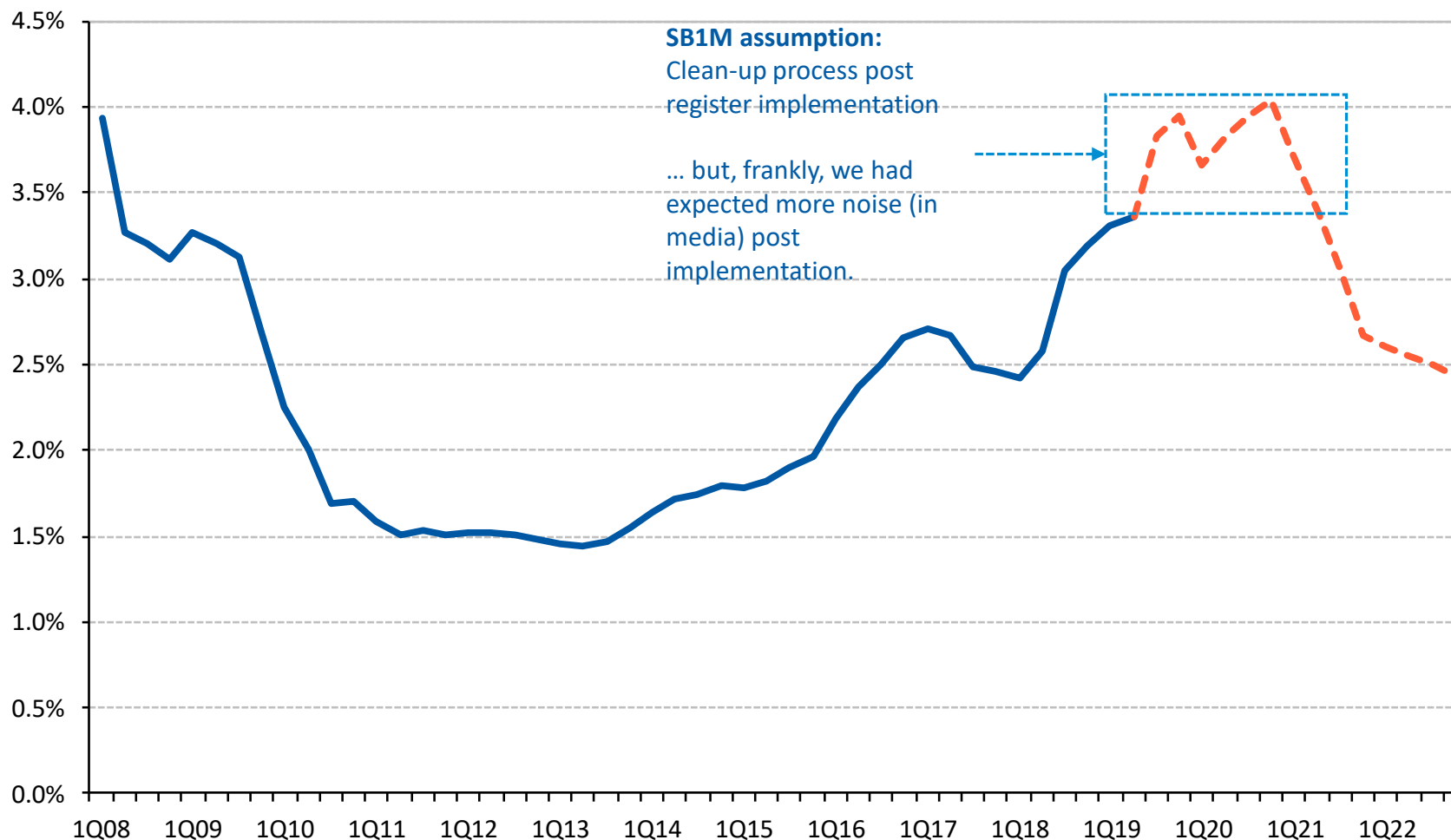


Kilde: Refinitiv Datastream SB1M, Valueguard

## (C) Debt register: Secondary effects likely to hike losses in 20e

Segment losses forecasted to rise from 3.2% LTM to 3.8% NTM

Consumer loan losses, gliding 4Q weighted average





## (C) Debt register: Full effect in 4Q - positive long-term effects

Market de-risked after implementation and investor scepticism to “normalize”?

Effect on loan losses only indirect i.e. customers not able to refinance high expenditure

**Example:** using the debt register the bank see an existing customer with 6.0x LTI

	Share of gross lending			Provisions		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Consumer	80.0%	10.0%	10.0%	2.0%	10.0%	40.0%



1-2M

+3M

Hence, full effect of debt register in 4Q?

### Likely first order effects:

- Not material impact under IFRS9 unless either; 30 days past due, cross product default or a history of delinquency.

### Likely second order effects:

- Uncertain but size of second order effects dependent on number of customers actually not performing post implementation due to e.g. high consumption. Again, back to macroeconomic outlook?
- Customer potential transition to stage 2 likely to take 1-2months
- ...and transition to stage 3 takes more than 90D or >3 months. Hence full effect of debt register in 4Q figures?

CRD IV, NFSA proposal and debt register

Operational development

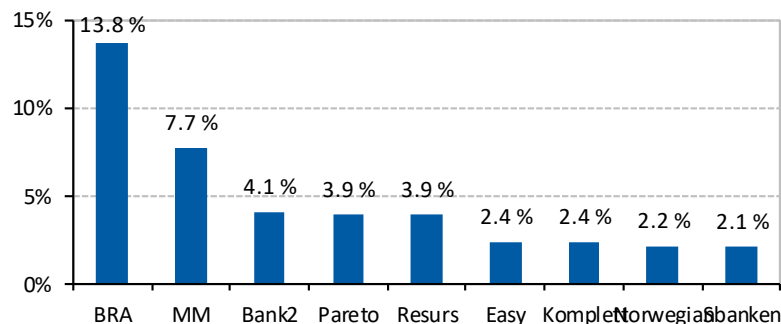
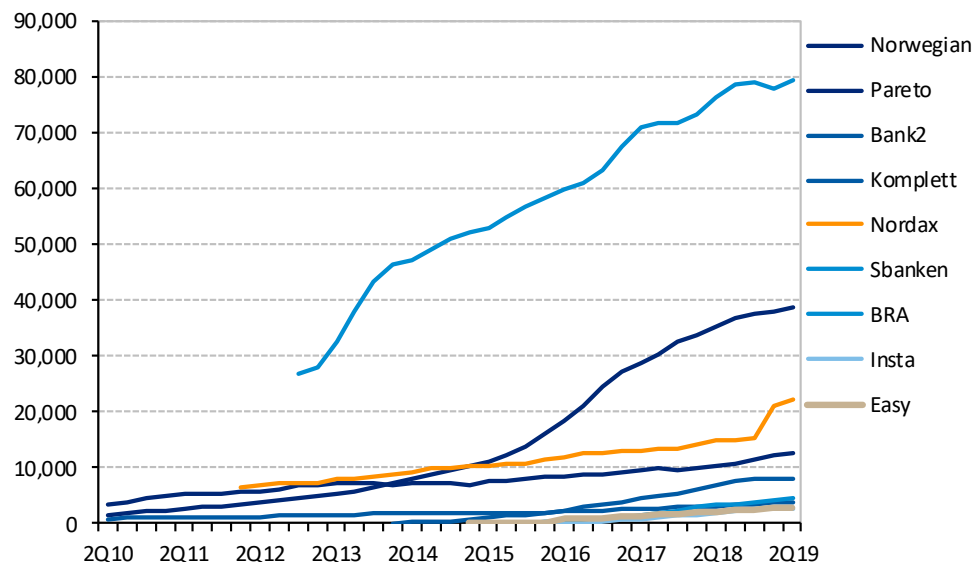
Valuation

Appendix

## Short-/medium term: Low growth on group level in 2Q

BRABank lifted by merger (underlying flat) – NDX hiked by Svensk Hypotekspension

### Lending (NOKm), SB1M covered banks



### Lending development, group level (reporting ccy)

#### Consumer finance banks, rep. ccy.

Rep. ccy (m)	2Q18	3Q18	4Q18	1Q19	2Q19	Growth	
						QoQ	YoY
Norwegian	35,435	36,717	37,752	37,892	38,710	2.2%	9.2%
Komplett	6,800	7,456	7,844	7,903	8,090	2.4%	19.0%
BRA	3,212	3,449	3,706	3,988	4,537	13.8%	41.3%
Insta	1,835	2,211	2,482	2,605	2,618	0.5%	42.7%
Easy	2,135	2,326	2,546	2,690	2,755	2.4%	29.0%
Resurs	26,626	27,470	27,957	29,182	30,323	3.9%	13.9%
TF	3,876	4,198	4,449	5,090	5,625	10.5%	45.1%
Nordax	14,755	14,954	15,140	20,933	22,413	7.1%	51.9%
Avida	3,968	4,682	5,435	6,359	6,592	3.7%	66.1%
Advanzia	1,265	1,335	1,399	1,424	1,507	5.9%	19.1%
<b>Avg</b>						<b>5.2%</b>	<b>33.7%</b>

#### Other niche banks, rep. ccy.

Pareto	10,489	10,690	11,638	12,065	12,539	3.9%	19.5%
MM	145	200	248	271	292	7.7%	102.0%
Bank2	3,183	3,371	3,515	3,731	3,884	4.1%	22.0%
Sbanken	76,648	78,644	79,021	77,956	79,614	2.1%	3.9%
Santander	144,035	148,093	159,285	157,203	159,046	1.2%	10.4%
<b>Avg</b>						<b>3.8%</b>	<b>31.6%</b>

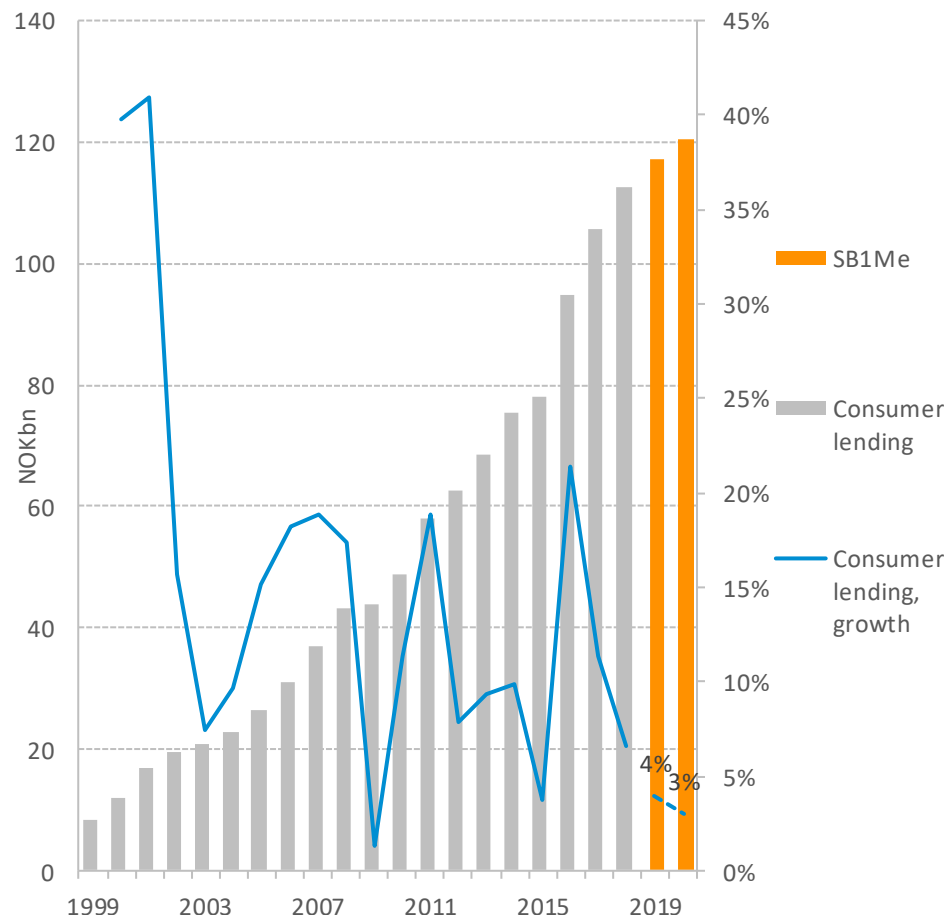
#### Traditional banks (NOKbn)

DNB	1,561.6	1,564.3	1,599.4	1,623.4	1,643.2	1.2%	5.2%
SRBANK	183.2	184.1	117.9	118.9	119.6	0.6%	-34.7%
MING	140.0	143.8	96.4	98.7	100.4	1.8%	-28.3%
NONG	97.3	99.9	74.6	76.2	77.1	1.3%	-20.7%
MORG	54.3	56.3	39.2	39.8	40.2	1.0%	-26.0%
SVEG	139.6	142.8	110.3	112.2	113.9	1.5%	-18.4%
<b>Avg</b>						<b>1.2%</b>	<b>-20.5%</b>

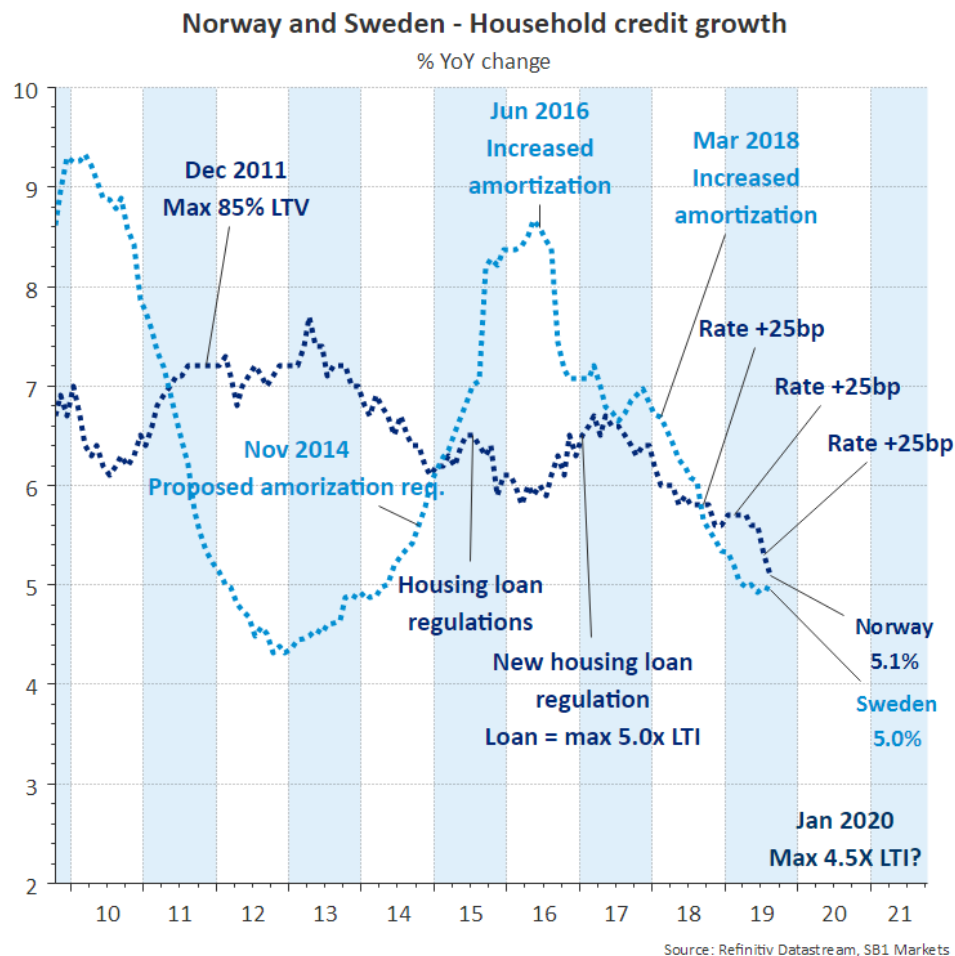
# Volume: Overall abating trend driven by regulations

Drivers: population & productivity growth, oil, rate, house prices and regulations

## Growth, consumer lending Norway



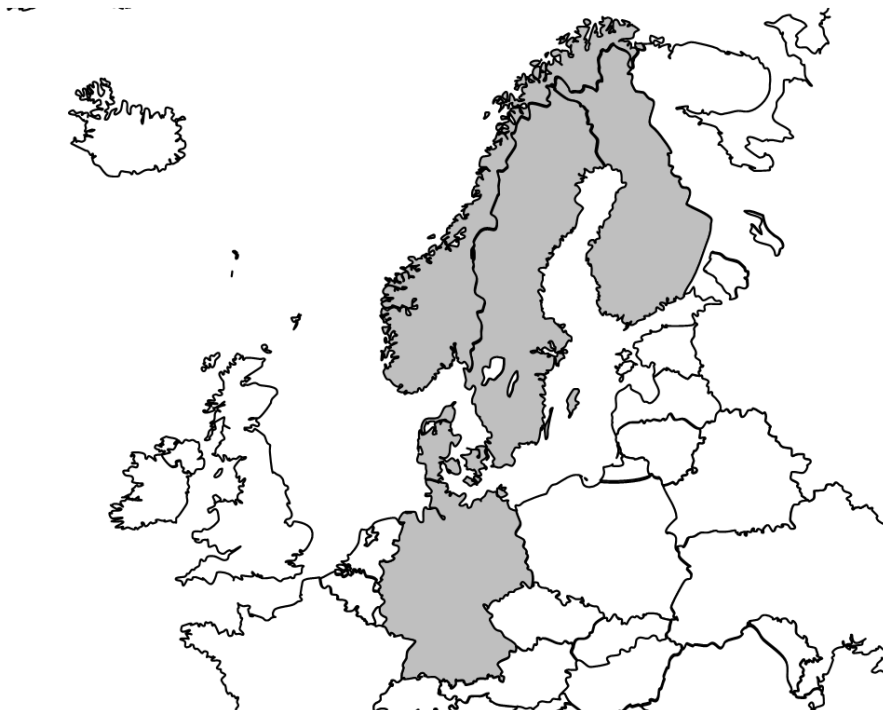
## Growth, household lending Norway and Sweden



# Long-term consumer demand: Underlying growth to continue 1-2Y ahead?

Avg. consumer finance penetration in Finland and Sweden 7.4% vs. Norway at 3.3%

## Consumer lending in Northern-Europe, 2017

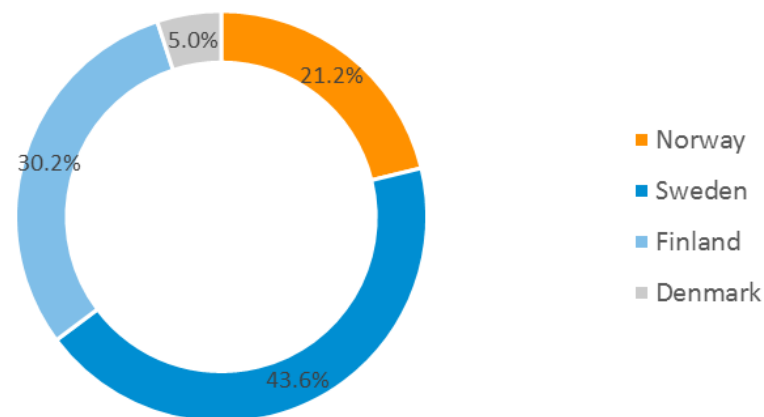


### Consumer lending

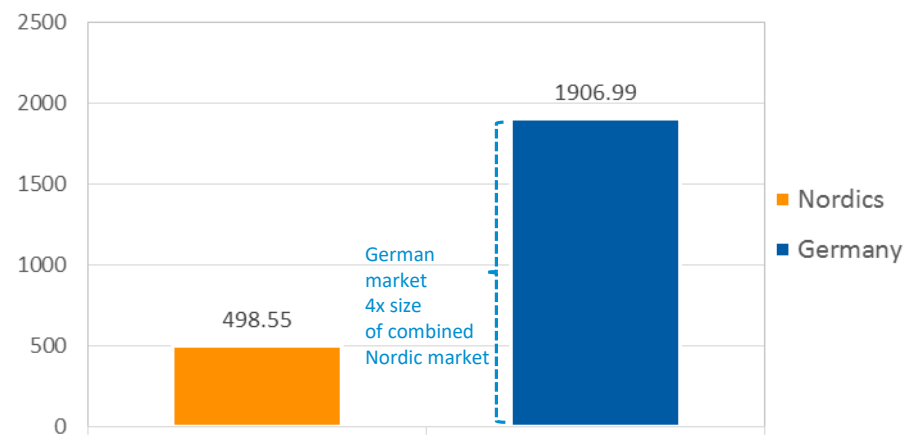
Country	Size, NOKbn	CF debt per capita, NOK	Share of Nordic	Penetration ratio
Norway	105.65	19,952	21.2%	3.3%
Sweden	217.36	21,412	43.6%	5.4%
Finland	150.39	27,280	30.2%	9.4%
Denmark	25.16	4,377	5.0%	0.8%
Nordics	498.55			4.7%
Germany	1906.992	23,031		11.8%

## Market size

- Nordic unsecured market, share per country:



- Even bigger market in EU e.g. Germany , market size NOKbn



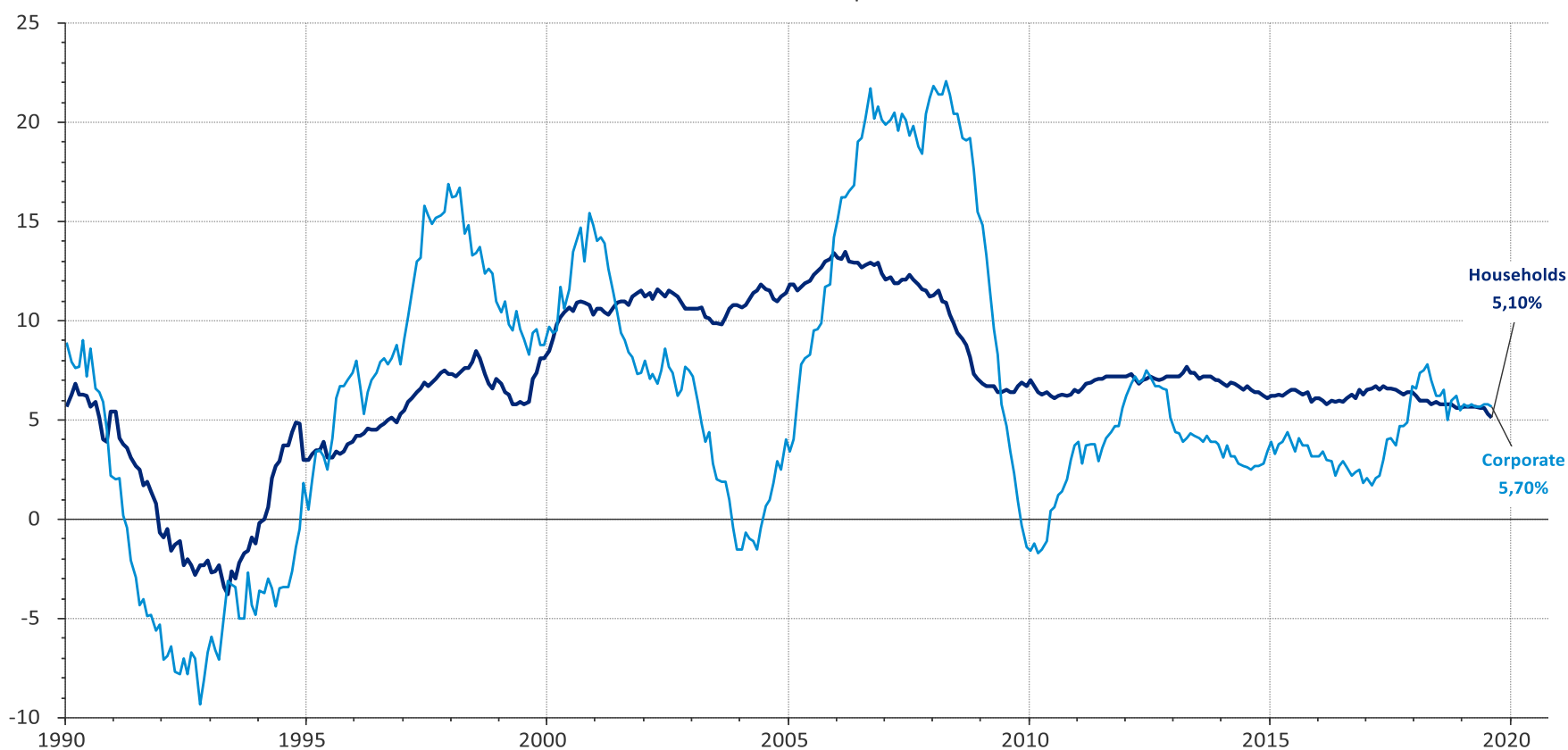
# Corporate and household lending volume growth at same level

Overall: corporate volume growth more volatile vs. households

Annualized monthly credit growth, Norway

## Credit growth Norway

Households and corporates



Kilde: Refinitiv Datastream



# Large difference between Swedish and Norwegian banks in Norway!

Lending growth per country, Nordic consumer peers

## Norway

Consumer finance banks						Growth	
Rep. ccy (m)	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	17,855	18,122	18,512	18,697	18,797	0.5%	5.3%
Komplett	5,244	5,413	5,277	5,054	4,862	-3.8%	-7.3%
BRA	2,473	2,530	2,480	2,477	2,697	8.9%	9.1%
Insta	1,581	1,756	1,826	1,776	1,676	-5.6%	6.0%
Resurs	8,520	9,340	9,505	9,922	10,310	3.9%	21.0%
TF	1,238	1,355	1,375	1,697	1,866	10.0%	50.7%
Nordax	5,330	5,265	4,951	5,249	5,553	5.8%	4.2%
<b>Avg</b>						<b>2.8%</b>	<b>12.7%</b>

Average Norwegian banks = -3.0%

Average Swedish banks = +6.6%

## Sweden

Consumer finance						Growth	
Rep. ccy (m)	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	5,705	6,033	6,661	6,321	6,341	0.3%	11.1%
Komplett	149	316	476	642	755	17.6%	406.7%
BRA	0	0	0	0	203	na	na
Insta	0	0	1	26	47	na	na
Resurs	12,248	12,087	12,301	12,840	13,342	3.9%	8.9%
TF	609	632	661	668	693	3.8%	13.9%
Nordax	4,791	4,965	5,422	6,186	6,917	11.8%	44.4%
<b>Avg</b>						<b>7%</b>	<b>97%</b>

## Denmark

Consumer finance						Growth	
Rep. ccy (m)	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	3,525	3,752	4,082	4,107	4,297	4.6%	21.9%
Resurs	3,195	3,571	3,634	3,794	3,942	3.9%	23.4%
Nordax	77	66	56	47	40	-14.9%	-48.1%
TF	39	40	38	42	42	0.1%	8.5%
<b>Avg</b>						<b>-1.6%</b>	<b>1.4%</b>

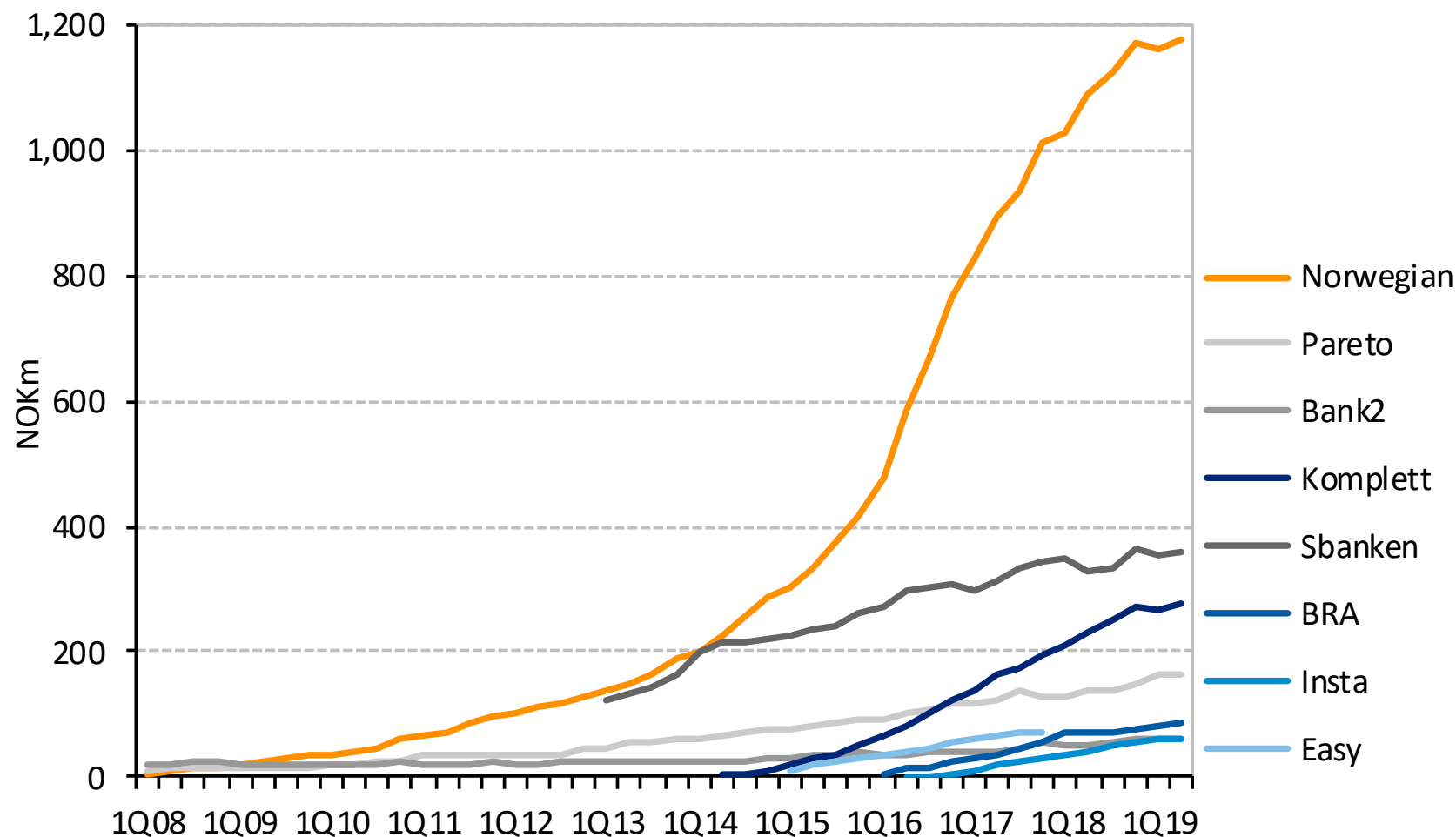
## Finland

Consumer finance						Growth	
Rep. ccy (m)	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	8,350	8,809	8,542	8,777	9,278	5.7%	11.1%
Komplett	1,243	1,462	1,721	1,813	2,073	14.3%	66.8%
BRA	739	919	1,226	1,511	1,637	8.3%	121.6%
Insta	254	455	655	803	895	11.5%	252.4%
Resurs	2,663	2,472	2,516	2,626	2,729	3.9%	2.5%
TF	1,070	1,122	1,196	1,314	1,416	7.7%	32.4%
Nordax	3,480	3,596	3,702	3,886	4,043	4.0%	16.2%
<b>Avg</b>						<b>7.9%</b>	<b>71.8%</b>

## Stable NII development in 2Q

Both volume and margin overall in line with our assumptions in 2Q

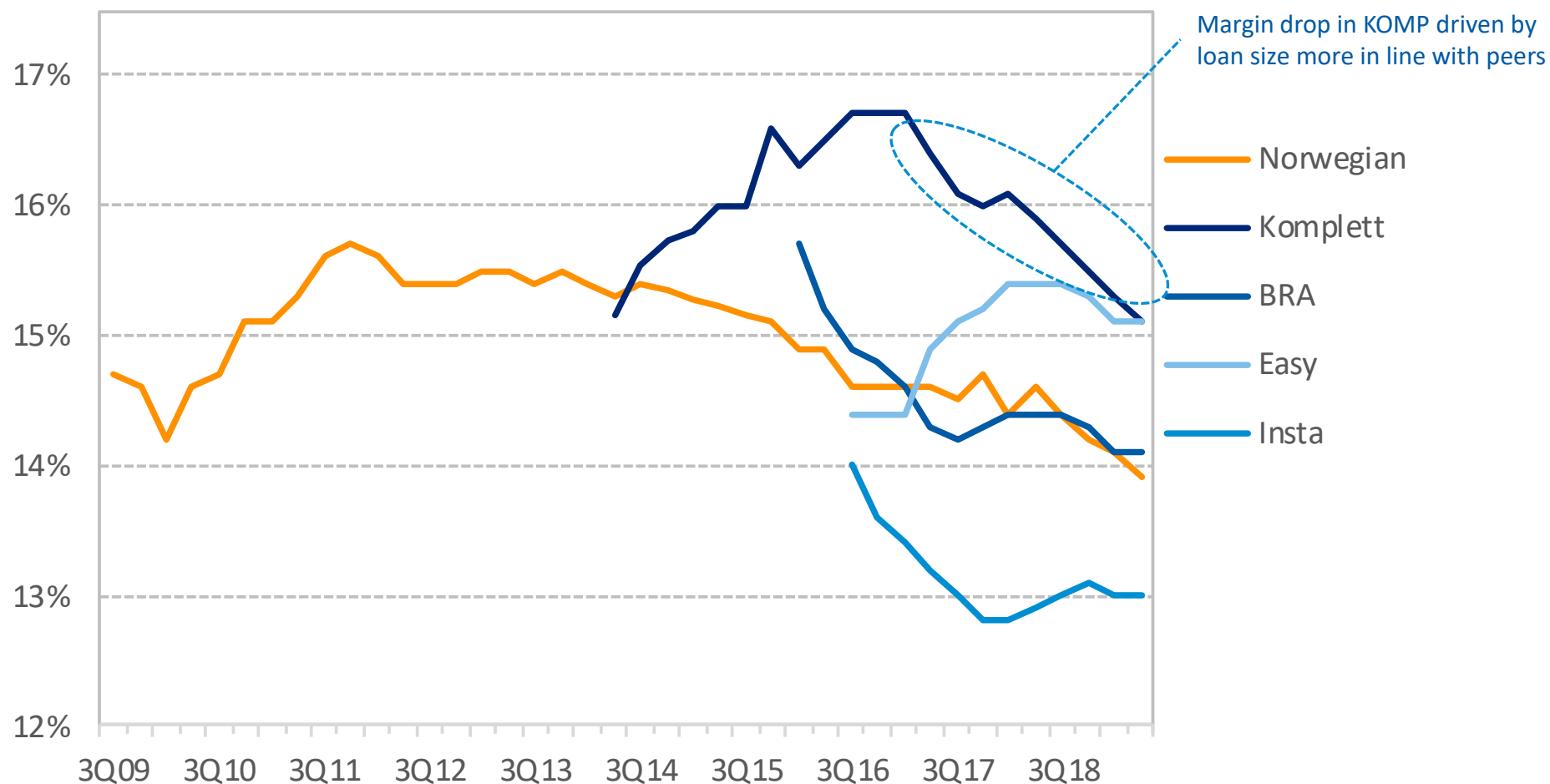
Net interest income development, 1Q08-2Q19



## Reported installment margins overall down – most pronounced in KOMP

BRA, Insta and Easy all with flat margin QoQ

Reported lending margin (nominal)



# Hike in PARB lending rate mirror corporate lending rate (and NIBOR)

New and existing lending rates have converged

## Corporate lending rate, Norway



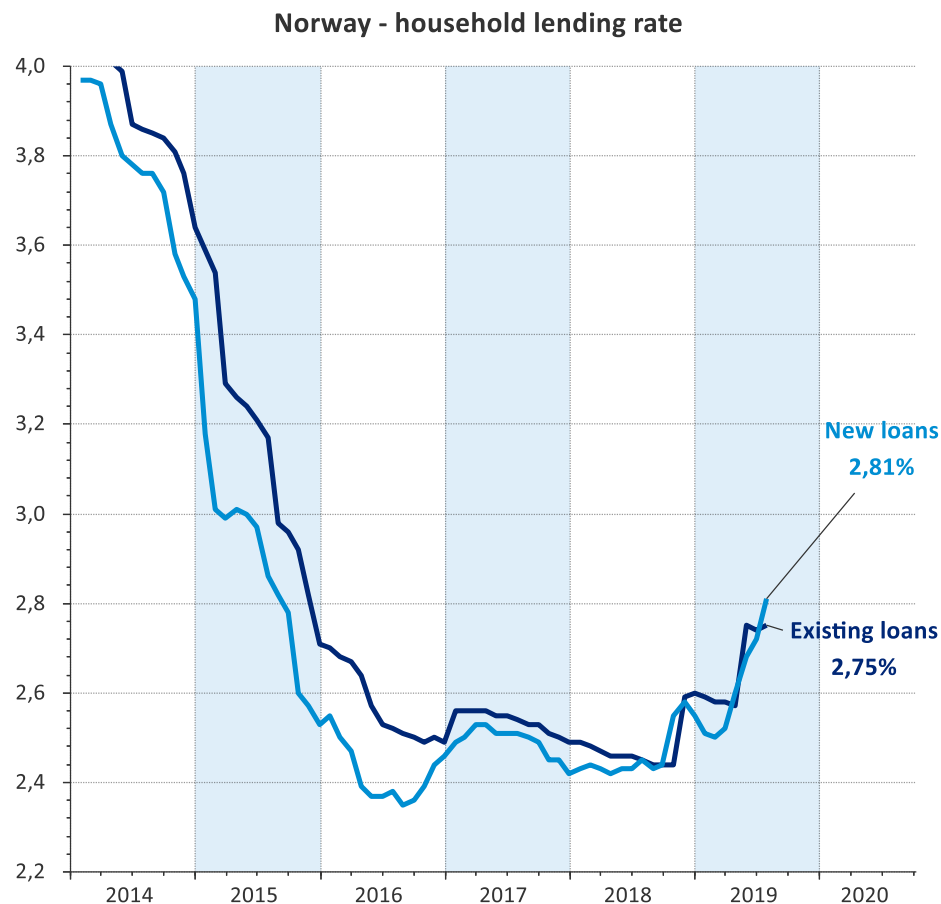
## Corporate margin (lending – 3M NIBOR), Norway



# Household mortgage margin has dropped 60bps since 4Q17

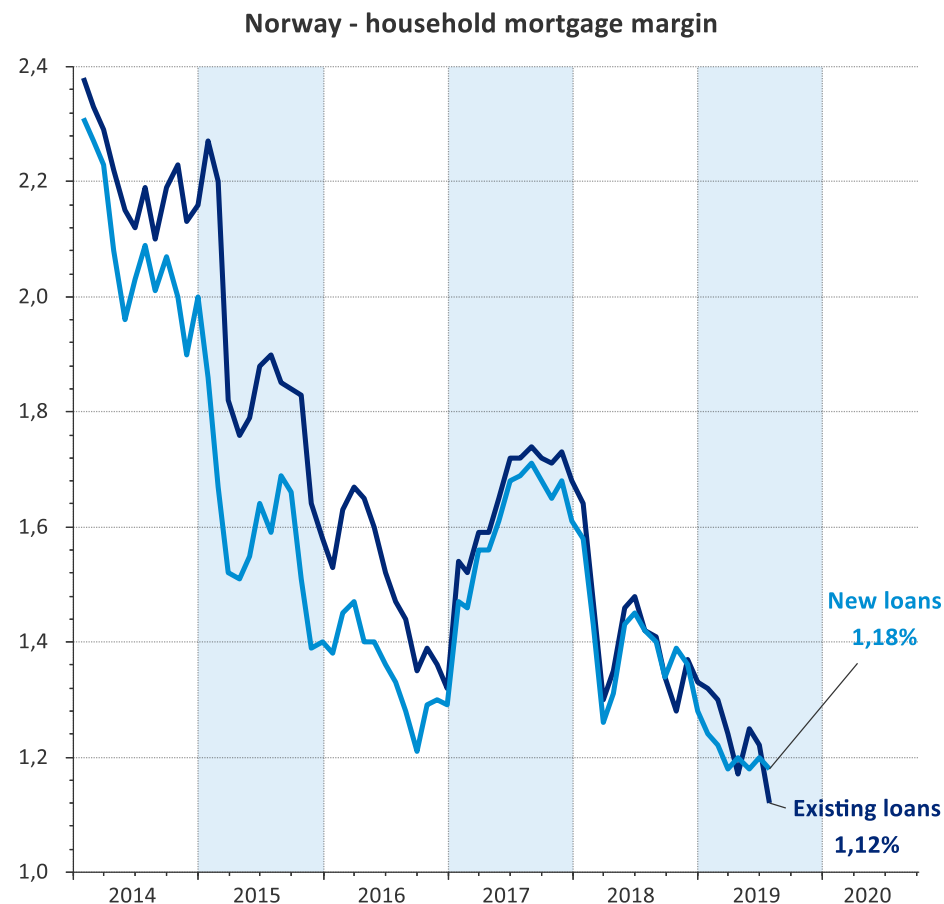
... more flat development in 2019

Household lending rate, Norway



Kilde: Refinitiv Datastream, SB1 Markets

Household margin (lending – 3M NIBOR), Norway

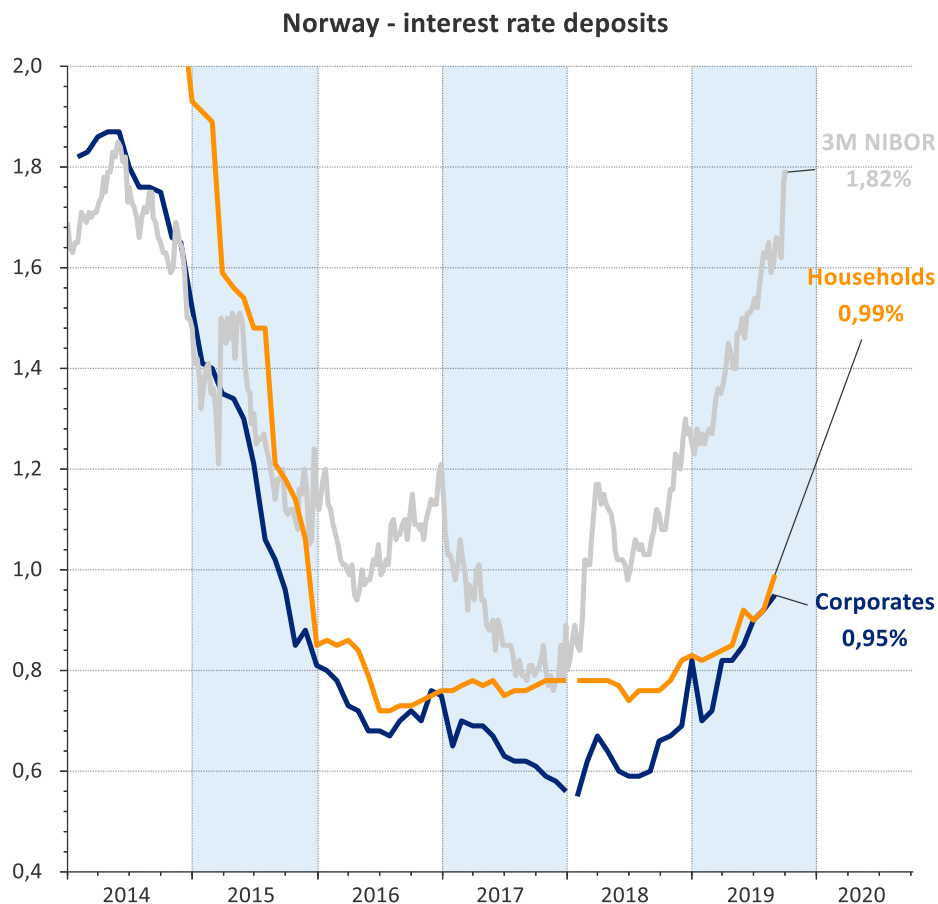


Kilde: Refinitiv Datastream, SB1 Markets

# A higher interest rate level supports rising deposit margins

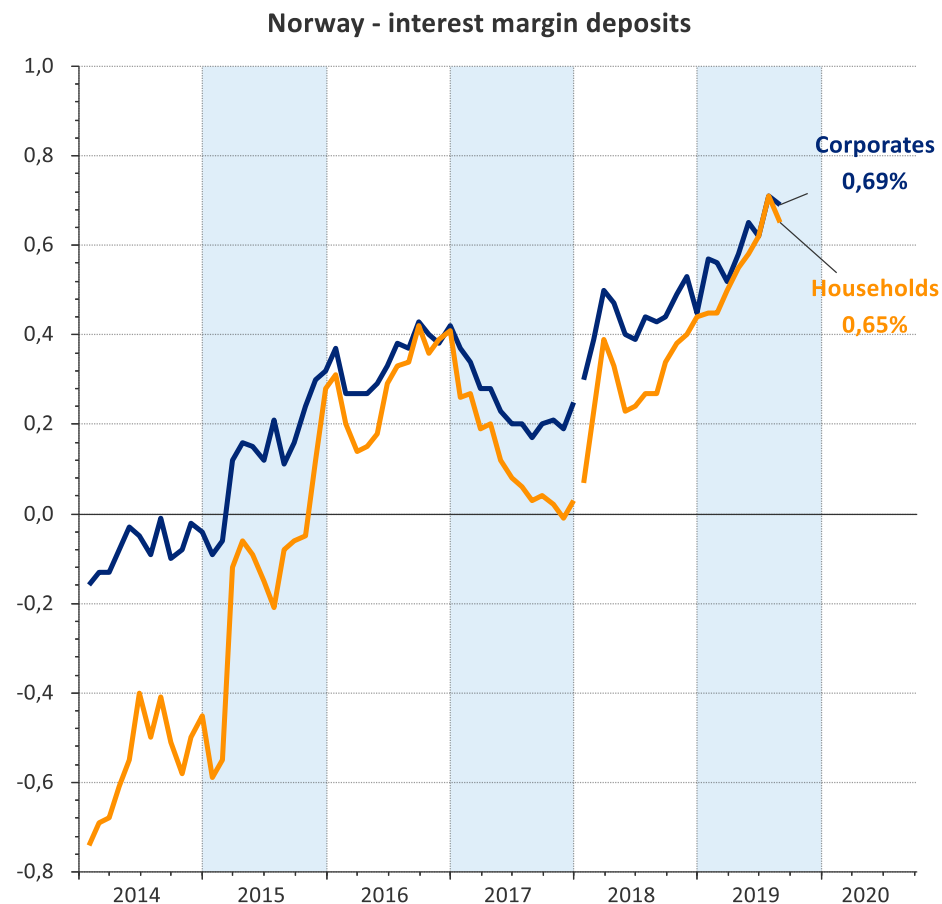
... banks hardly increase deposit rates - both corporate deposit and household margin upbeat

## Interest rate deposits and NIBOR



Kilde: Refinitiv Datastream, SB1 Markets

## Deposit margin (3M NIBOR - deposit rate), Norway



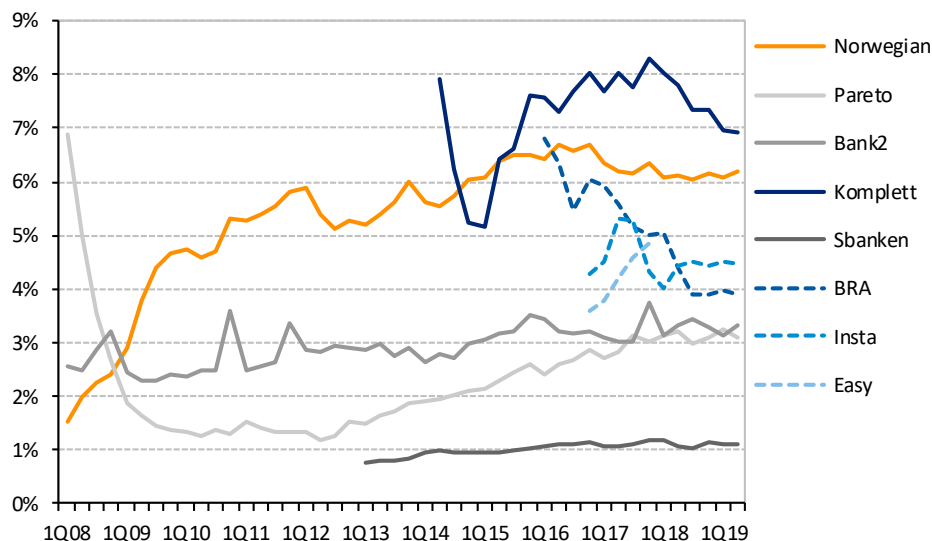
Kilde: Refinitiv Datastream, SB1 Markets



## Blended NII margin flat last few quarters

Still large difference between banks – we assume more similar levels long term

Blended margin development, SB1M covered banks



Blended margin development, group level

Consumer finance banks						bp chg	
NII margin	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	6.12%	6.04%	6.14%	6.09%	6.19%	0.09%	0.07%
Komplett	7.79%	7.33%	7.33%	6.95%	6.94%	-0.01%	-0.85%
BRA	4.41%	3.89%	3.88%	3.96%	3.89%	-0.07%	-0.52%
Insta	4.42%	4.51%	4.42%	4.49%	4.48%	-0.01%	0.06%
Easy	5.18%	5.36%	5.41%	5.17%	5.09%	-0.08%	-0.09%
Resurs	6.21%	5.95%	5.95%	5.59%	5.51%	-0.08%	-0.70%
TF	6.94%	6.76%	6.74%	6.31%	6.09%	-0.23%	-0.85%
Nordax	5.84%	5.45%	5.27%	4.50%	3.90%	-0.60%	-1.94%
Avida	5.52%	5.00%	4.48%	3.98%	5.50%	1.52%	-0.02%
Avanzia	7.54%	7.70%	7.60%	7.52%	7.69%	0.17%	0.15%
<b>Avg</b>						<b>0.07%</b>	<b>-0.47%</b>

Other niche banks							
Pareto	3.19%	2.96%	3.08%	3.26%	3.09%	-0.17%	-0.10%
Bank2	3.31%	3.42%	3.30%	3.12%	3.32%	0.20%	0.01%
Sbanken	1.05%	1.04%	1.13%	1.11%	1.10%	-0.01%	0.05%
Santander	3.52%	3.46%	3.44%	3.30%	3.25%	-0.05%	-0.27%
<b>Avg</b>						<b>-0.01%</b>	<b>-0.08%</b>

Traditional banks							
DNB	1.32%	1.37%	1.35%	1.35%	1.40%	0.05%	0.08%
SRBANK	1.17%	1.11%	1.14%	1.16%	1.20%	0.04%	0.04%
MING	1.19%	1.12%	1.11%	1.16%	1.18%	0.03%	-0.01%
NONG	1.33%	1.26%	1.25%	1.26%	1.28%	0.02%	-0.05%
MORG	1.24%	1.21%	1.19%	1.17%	1.23%	0.06%	-0.01%
SVEG	1.20%	1.14%	1.11%	1.16%	1.18%	0.01%	-0.02%
<b>Avg</b>						<b>0.04%</b>	<b>0.00%</b>

\*

(A)  
Blended NII margin:  
Margin = NII / (lending + deposits)

(B)  
Common NIM:  
Margin = NII / lending

# Consumer: Highest margin in Finland – Sweden and Norway at same level!

Blended NII margin per Nordic country, Nordic consumer peers

## Norway

Consumer finance banks						bp chg	
NII margin	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	5.79%	5.74%	5.65%	5.51%	5.43%	-0.09%	-0.36%
Komplett	7.56%	7.91%	7.86%	7.61%	7.60%	-0.01%	0.03%
Nordax	6.21%	5.98%	5.61%	4.71%	4.22%	-0.49%	-1.99%
Santander	3.59%	3.67%	3.71%	3.80%	3.67%	-0.14%	0.08%
<b>Avg</b>	<b>5.79%</b>	<b>5.82%</b>	<b>5.71%</b>	<b>5.41%</b>	<b>5.23%</b>	<b>-0.18%</b>	<b>-0.56%</b>

Avg. margin down on NDX  
mortgage – adj. for NDX down  
~10bp since 2Q18

## Sweden

Consumer finance						bp chg	
NII margin	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	6.49%	6.17%	5.64%	6.05%	6.76%	0.70%	0.26%
Komplett	7.80%	10.95%	8.78%	8.55%	8.05%	-0.50%	0.25%
Nordax	5.04%	4.60%	4.62%	4.05%	3.81%	-0.24%	-1.23%
Santander	2.90%	2.93%	2.82%	2.61%	2.53%	-0.09%	-0.38%
<b>Avg</b>	<b>5.56%</b>	<b>6.16%</b>	<b>5.47%</b>	<b>5.32%</b>	<b>5.29%</b>	<b>-0.03%</b>	<b>-0.27%</b>

## Denmark

Consumer finance						bp chg	
NII margin	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	6.98%	7.14%	6.75%	6.80%	6.43%	-0.37%	-0.55%
Komplett						na	na
Nordax	4.91%	5.59%	6.56%	7.77%	0.00%	-7.77%	-4.91%
Santander	3.38%	3.30%	3.19%	3.39%	3.31%	-0.08%	-0.07%
<b>Avg</b>	<b>5.94%</b>	<b>6.37%</b>	<b>6.65%</b>	<b>7.28%</b>	<b>3.22%</b>	<b>-0.37%</b>	<b>-0.55%</b>

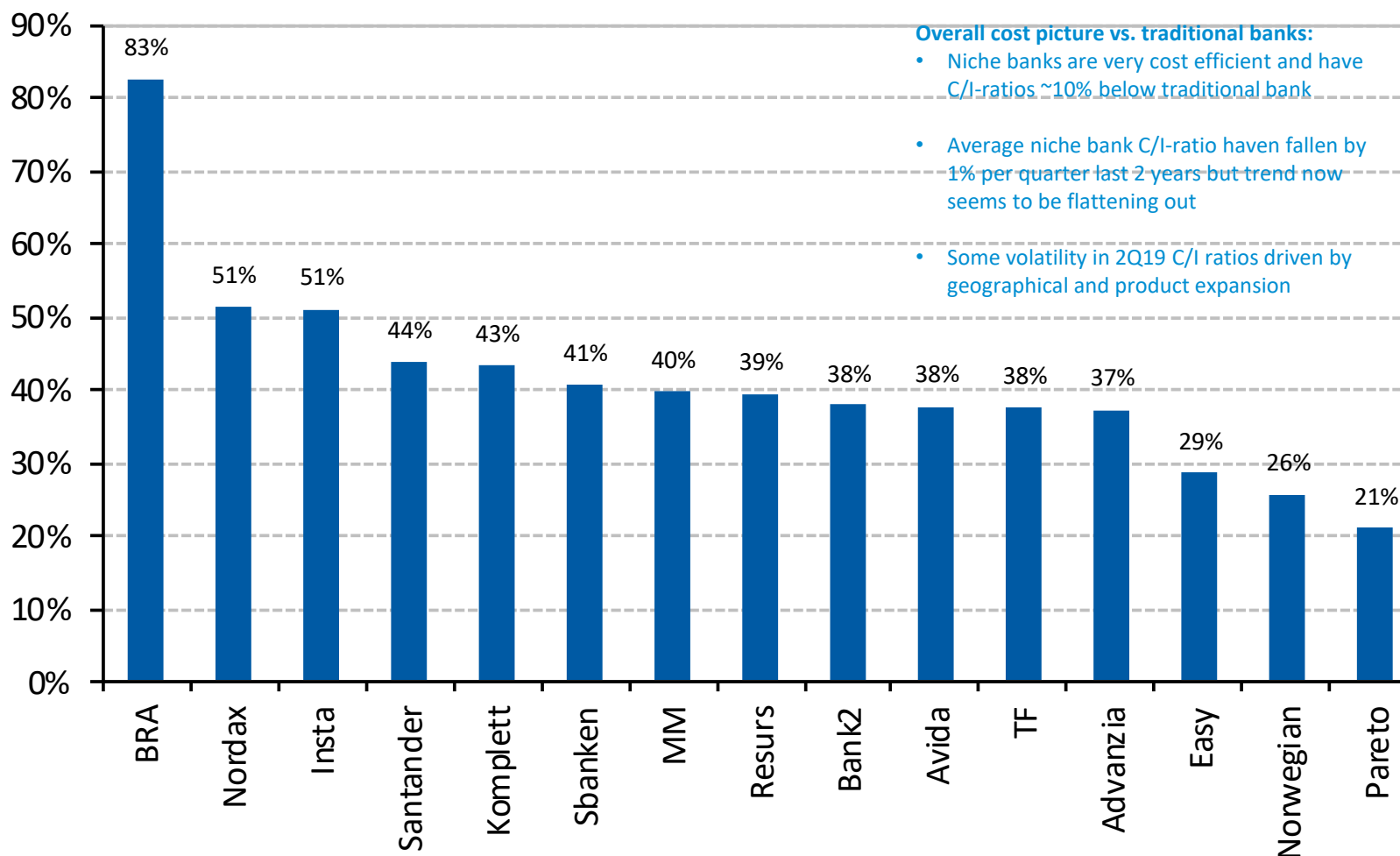
## Finland

Consumer finance						bp chg	
NII margin	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	6.20%	6.09%	7.00%	7.06%	7.39%	0.33%	1.19%
Komplett	13.62%	9.41%	7.31%	7.01%	7.20%	0.19%	-6.42%
Nordax	9.62%	9.25%	9.30%	8.25%	8.11%	-0.15%	-1.52%
Santander	3.47%	3.48%	3.26%	2.95%	3.03%	0.08%	-0.44%
<b>Avg</b>	<b>9.81%</b>	<b>8.25%</b>	<b>7.87%</b>	<b>7.44%</b>	<b>7.56%</b>	<b>0.26%</b>	<b>-2.62%</b>

## BRAbank C/I hiked by merger costs at >40 NOKm

Consumer segment: NOFI and Easy in the low end

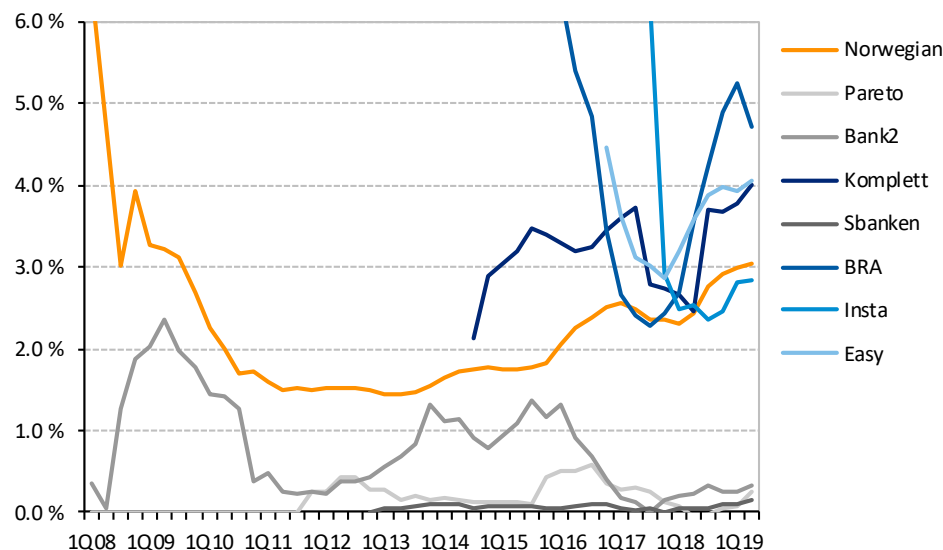
Reported 2Q19 C/I-ratios



## Losses up last few years to 2-4% levels (from <2% in 2014-2015)

Stable underlying trend and small uptick last few quarters driven by geographical expansion?

Loan losses, 4Q moving average



Peer loan loss development, group level

Consumer finance						bp chg	
Losses, %	2Q18	3Q18	4Q18	1Q19	2Q19	QoQ	YoY
Norwegian	2.74%	3.36%	3.09%	2.88%	2.98%	0.10%	0.24%
Komplett	2.92%	4.66%	3.82%	3.67%	3.93%	0.25%	1.01%
BRA	6.01%	5.37%	5.27%	4.41%	3.79%	-0.62%	-2.22%
Insta	2.31%	2.49%	2.99%	3.46%	2.41%	-1.05%	0.10%
Easy	3.63%	3.97%	4.18%	3.96%	4.09%	0.13%	0.46%
Resurs	1.98%	2.06%	2.02%	2.16%	1.99%	-0.18%	0.01%
Nordax	2.22%	2.75%	2.76%	2.22%	0.41%	-1.81%	-1.81%
<b>Avg</b>	<b>3.11%</b>	<b>3.52%</b>	<b>3.45%</b>	<b>3.25%</b>	<b>2.80%</b>	<b>-0.45%</b>	<b>-0.32%</b>
Other niche banks							
Pareto	-0.23%	0.15%	0.32%	0.03%	0.49%	0.45%	0.71%
Bank2	0.11%	0.21%	0.44%	0.26%	0.39%	0.13%	0.29%
Sbanken	0.07%	0.10%	0.14%	0.12%	0.22%	0.10%	0.15%
Santander	-1.02%	0.73%	-1.19%	0.91%	-1.16%	-2.08%	-0.15%
<b>Avg</b>	<b>-0.27%</b>	<b>0.30%</b>	<b>-0.07%</b>	<b>0.33%</b>	<b>-0.02%</b>	<b>-0.35%</b>	<b>0.25%</b>
Traditional banks							
DNB	0.02%	0.03%	0.03%	-0.09%	0.03%	0.13%	0.01%
SRBANK	0.20%	0.12%	0.18%	0.10%	-0.06%	-0.15%	-0.26%
MING	0.20%	0.17%	0.17%	0.17%	0.15%	-0.01%	-0.05%
NONG	0.07%	-0.03%	-0.02%	-0.06%	0.06%	0.12%	-0.01%
MORG	-0.03%	0.05%	0.08%	0.08%	0.10%	0.01%	0.13%
SVEG	-0.01%	0.10%	0.00%	0.00%	0.02%	0.03%	0.04%
<b>Avg</b>	<b>0.08%</b>	<b>0.08%</b>	<b>0.07%</b>	<b>0.03%</b>	<b>0.05%</b>	<b>0.02%</b>	<b>-0.02%</b>

# Flip side of register / lower growth = lower loan losses?

Loan losses per country, Nordic consumer peers

## Norway

Consumer finance banks						bp chg	
Losses, %	0	Losses, %	2Q18	3Q18	4Q18	QoQ	YoY
Norwegian	1.32%	1.45%	1.28%	3.22%	2.86%	-0.35%	1.54%
Komplett						na	na
Nordax	2.22%	2.49%	3.05%	3.29%	0.67%	-2.63%	-1.56%
Santander	-2.05%	1.73%	1.74%	1.48%	-1.15%	-2.63%	0.89%
<b>Avg</b>	<b>0.50%</b>	<b>1.89%</b>	<b>2.03%</b>	<b>2.66%</b>	<b>0.79%</b>	<b>-1.87%</b>	<b>0.29%</b>

## Sweden

Consumer finance						bp chg	
Losses, %	0	Losses, %	2Q18	3Q18	4Q18	QoQ	YoY
Norwegian	0.71%	3.75%	4.51%	1.12%	1.77%	0.65%	1.06%
Komplett						na	na
Nordax	0.68%	2.21%	2.62%	1.86%	-0.06%	-1.92%	-0.74%
Santander	-0.35%	0.94%	0.91%	1.18%	-2.09%	-3.27%	-1.74%
<b>Avg</b>	<b>0.35%</b>	<b>2.30%</b>	<b>2.68%</b>	<b>1.39%</b>	<b>-0.13%</b>	<b>-1.51%</b>	<b>-0.47%</b>

## Denmark

Consumer finance						bp chg	
Losses, %	0	Losses, %	2Q18	3Q18	4Q18	QoQ	YoY
Norwegian	5.73%	5.17%	4.79%	4.10%	3.88%	-0.22%	-1.85%
Komplett						na	na
Nordax	0.00%	-5.59%	6.56%	-7.77%	-18.39%	-10.62%	-18.39%
Santander	0.29%	0.99%	0.98%	1.13%	-1.13%	-2.26%	-1.42%
<b>Avg</b>	<b>2.87%</b>	<b>-0.21%</b>	<b>5.68%</b>	<b>-1.83%</b>	<b>-7.25%</b>	<b>-0.22%</b>	<b>-1.85%</b>

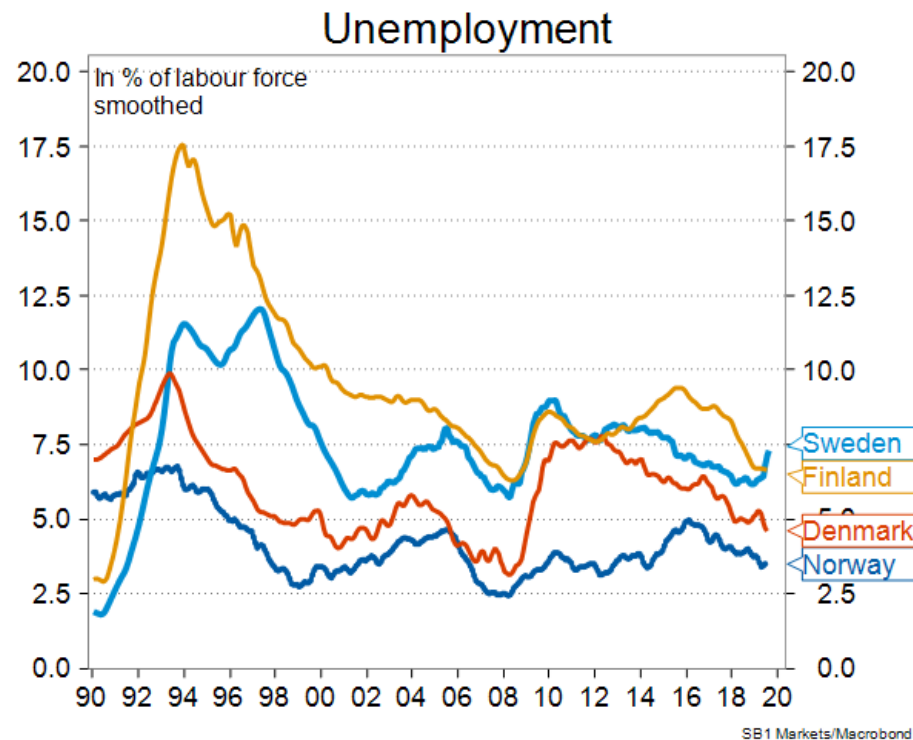
## Finland

Consumer finance						bp chg	
Losses, %	0	Losses, %	2Q18	3Q18	4Q18	QoQ	YoY
Norwegian	5.91%	6.11%	4.95%	2.74%	3.51%	0.77%	-2.40%
Komplett						na	na
Nordax	2.15%	2.71%	2.30%	2.42%	0.71%	-1.72%	-1.44%
Santander	-0.32%	0.30%	0.30%	0.55%	-0.08%	-0.63%	0.24%
<b>Avg</b>	<b>4.03%</b>	<b>4.41%</b>	<b>3.63%</b>	<b>2.58%</b>	<b>2.11%</b>	<b>0.77%</b>	<b>-2.40%</b>

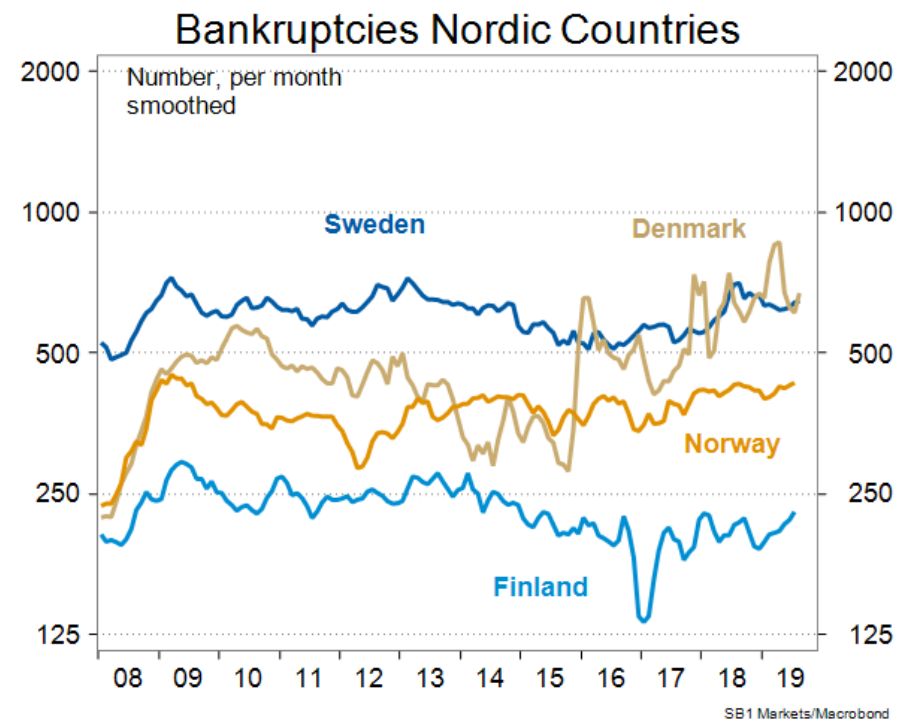
## Loan losses: Unemployment overall down but uptick in Sweden!

However, SCB says figures partly calculated wrong. SCB to publish updated figures soon!

### Unemployment MoM chg. , Nordics



### Bankruptcies





## Debt collectors to be regulated ahead?

Worst case scenario: Banks to collect debt in-house

Debt collection models: **(i)** Forward flow and bulk sales vs. **(ii)** in-house collection (Nordax)

	Model 1 Fwd flow / bulk sales	Model 2 In house collection
	NOFI	NDX
Loan	100	100
NPL	10	15
Inkasso	80.0%	
Loss	2.00	1.50

### Model 2:

Historical loan losses in Nordax in 2012-2015 period was on average ~1.5% but the NPL ratio was ~15%.

Hence, in the hypothetical case of an absence of debt collectors ,which is a worst case scenario in our view, it would still be possible for the consumer banks to handle NPL's (via in house solutions) but the strategy is capital heavy.

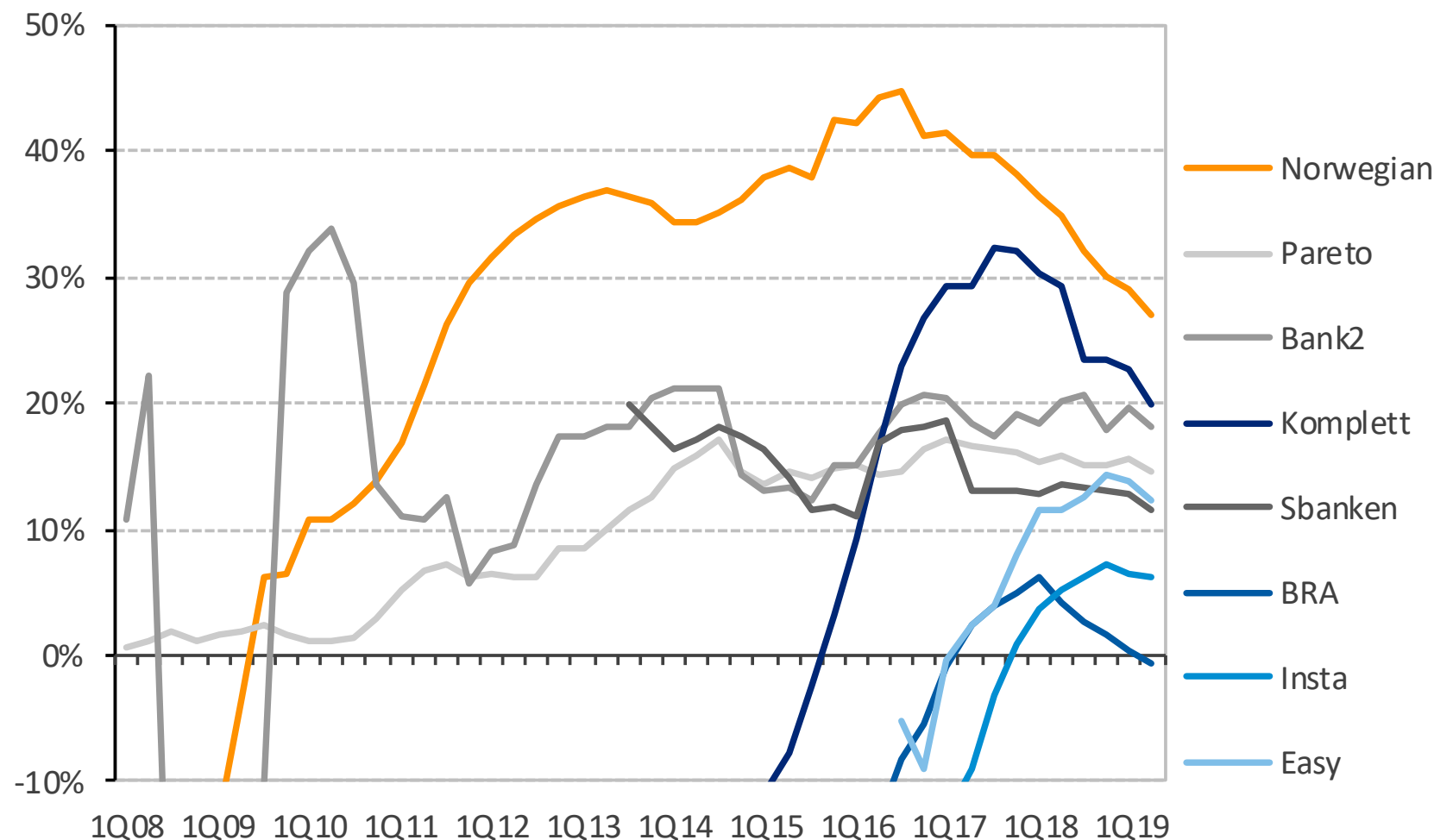
### 2Q19:

Debt collection prices 10-15% down?

## ROE down on higher CET1 ratios in 2017-2019

ROE per category given risk weights and client margin (minus 3M NIBOR)

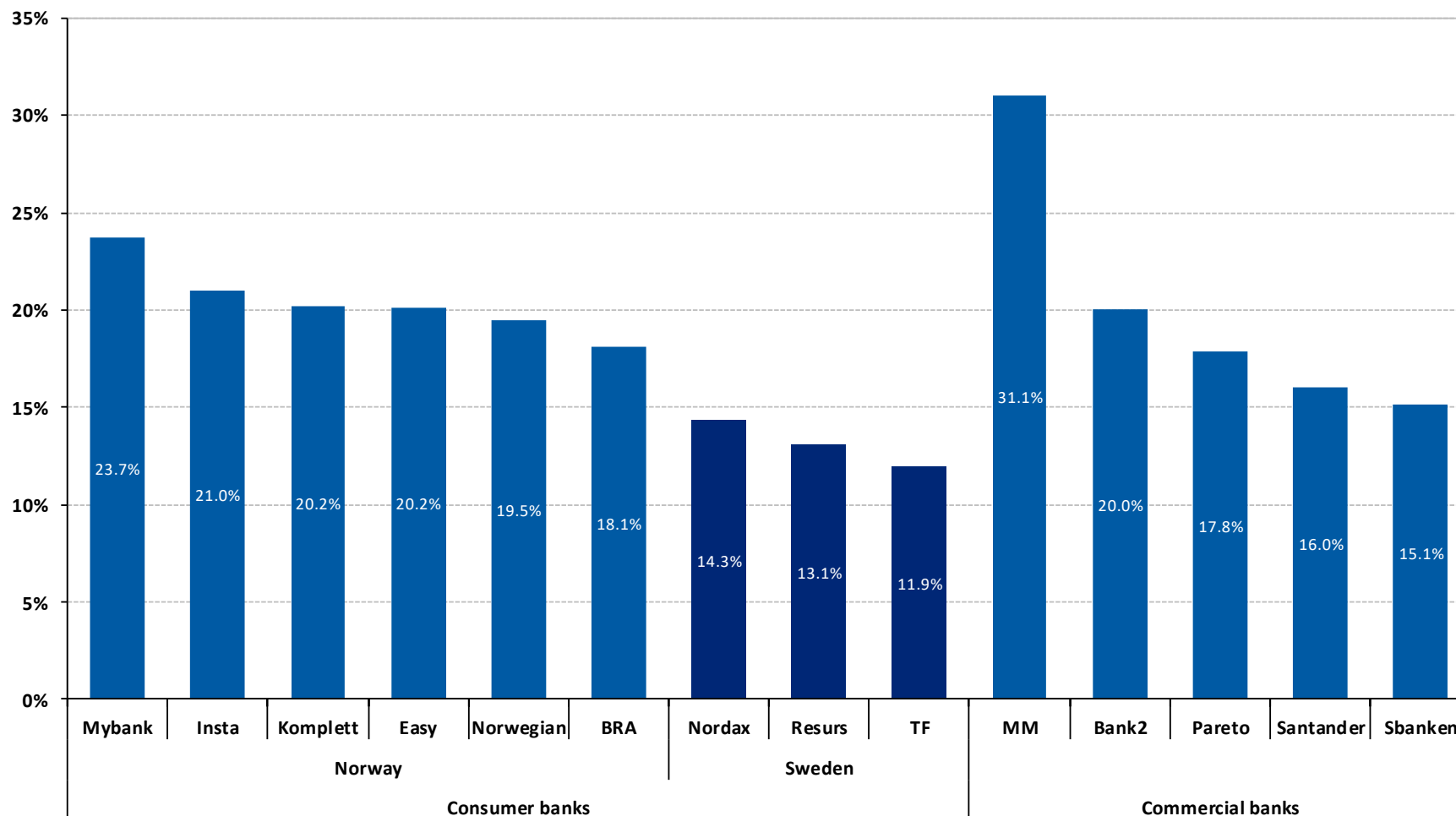
ROE, 4Q moving average



## 2Q19's CET1 surprise = BRABank from ~25% in 1Q to 18.1% in 2Q

If the reciprocity is approved the systemic risk buffer could be a cross-border game changer

CET1, reported 2Q19



## All stage 3 provisions in Norwegian banks flat at ~30%?

NOFI and KOMP below Nordic peers but fair given loan size and portfolio sales?

Share gross lending and provision, selected banks per stage ranked by share gross lending stage 3

		Share of gross lending			Provisions			Data
		Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Consumer banks	Ferratum	55.3%	4.5%	40.1%	8.6%	30.3%	65.3%	2Q19
	Resurs	72.9%	12.1%	15.0%	0.7%	9.5%	44.1%	2Q19
	Nordax	81.5%	3.7%	14.8%	1.2%	17.3%	55.9%	2Q19
	Norwegian	71.5%	15.4%	13.0%	0.8%	4.8%	30.6%	2Q19
	Komplett	76.9%	12.0%	11.1%	1.6%	11.7%	33.2%	2Q19
	BRA	83.0%	6.6%	10.4%	2.6%	12.6%	37.6%	2Q19
	Advanzia	73.1%	17.3%	9.6%	0.9%	11.2%	38.0%	2Q19
	Optin	84.5%	6.4%	9.2%	0.7%	2.0%	59.9%	2Q19
	Folkia	75.0%	19.0%	6.0%	2.7%	14.1%	74.1%	2Q19
	Avida	88.3%	8.4%	3.3%	0.9%	7.1%	39.3%	2Q19
	TF	93.6%	3.7%	2.7%	1.5%	8.4%	44.6%	2Q19
	Average	74.9%	10.8%	14.3%	2.2%	12.6%	48.8%	
Niche banks	Kraft	91.7%	3.8%	4.5%	0.3%	0.7%	8.1%	2Q19
	Santander	94.0%	4.0%	2.0%	0.7%	8.0%	54.6%	2Q19
	Pareto	95.4%	2.8%	1.8%	0.3%	2.4%	6.5%	2Q19
	Sbanken	95.3%	4.0%	0.6%	0.0%	1.3%	30.0%	2Q19
	MM	96.3%	3.7%	0.0%	0.3%	1.1%	na	2Q19
	Average	94.5%	3.7%	1.8%	0.3%	2.7%	24.8%	
Traditional banks	DNB	93.2%	5.1%	1.7%	0.0%	1.3%	30.5%	1Q19
	MING	90.0%	8.3%	1.6%	0.1%	2.8%	31.3%	1Q19
	SRBANK	92.2%	6.7%	1.1%	0.1%	2.6%	30.6%	1Q19
	SVEG	91.6%	7.4%	1.0%	0.1%	2.5%	43.0%	1Q19
	NONG	92.5%	7.0%	0.5%	0.3%	2.9%	37.0%	1Q19
	SPOL	93.3%	6.3%	0.4%	0.1%	2.2%	20.6%	1Q19
	Average	92.1%	6.8%	1.1%	0.1%	2.4%	32.2%	

### Two key observations:

- (i) “All” Norwegian banks have applied a ~30% provisioning ratio in stage 3 ... regardless of business model
- (ii) Main point of departure is share of loans under stage 1-3

CRD IV, NFSA proposal and debt register

Operational development

Valuation

Appendix

## Multiples more disperse in segment after 2Q

20e: International banks at 11.9

Peer table, SB1M covered banks and consensus international challenger banks

					M. cap.		P/E			RoE			P/B			Dividend yield		
	Rec.	TP	Upside	Price	Ccy	EURbn	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021
Bank Norwegian	Buy	110.00	41.0%	78.00	NOK	1.50	7.91	8.04	6.21	23.5%	19.7%	23.5%	1.67	1.50	1.42	5.7%	12.4%	16.1%
Komplett Bank	Buy	18.00	80%	10.00	NOK	0.19	5.77	5.73	4.25	18.1%	15.4%	18.7%	0.95	0.83	0.77	1.7%	14.0%	21.2%
BRABank	Neutral	1.40	17%	1.20	NOK	0.06	333.02	12.52	4.90	0.2%	5.4%	12.7%	0.70	0.66	0.58	0.0%	0.0%	0.0%
Instabank	Buy	1.70	70%	1.00	NOK	0.03	10.04	9.80	5.74	6.4%	5.9%	9.3%	0.59	0.56	0.51	0.0%	1.0%	3.5%
Easybank	Buy	15.00	76.5%	8.50	NOK	0.04	6.09	5.82	3.87	12.5%	11.5%	15.3%	0.71	0.63	0.56	0.0%	3.4%	12.9%
Pareto Bank	Buy	60.00	57.9%	38.00	NOK	0.27	6.77	5.74	5.17	14.6%	14.5%	14.7%	0.87	0.79	0.73	5.9%	7.8%	9.7%
Bank2	Buy	12.00	71.4%	7.00	NOK	0.09	6.94	6.57	6.01	18.0%	15.8%	15.5%	1.10	0.98	0.89	2.2%	3.8%	5.8%
Sbanken	Neutral	73.00	10.6%	66.00	NOK	0.72	10.70	8.81	7.71	11.2%	12.7%	13.2%	1.17	1.06	0.97	2.3%	2.8%	3.9%
MM	Buy	115.00	6.5%	108.00	NOK	0.10	10.74	7.72	4.74	9.1%	11.4%	15.5%	0.88	0.80	0.68	0.0%	0.0%	0.0%
<b>Average</b>							<b>44.22</b>	<b>7.86</b>	<b>5.40</b>	<b>12.6%</b>	<b>12.5%</b>	<b>15.4%</b>	<b>0.96</b>	<b>0.87</b>	<b>0.79</b>	<b>2.0%</b>	<b>5.0%</b>	<b>8.1%</b>

### International niche banks

			M. cap.			P/E			RoE			P/B			Dividend yield		
	Price	Ccy	EURbn	2019	2020	2021	2019	2020	2021	2019	2020	2021	2019	2020	2021		
Resurs	57.10	SEK	1.07	9.08	8.18	7.95	19.0%	19.4%	18.5%	1.65	1.54	1.47	6.7%	7.3%	7.1%		
TF Bank	116.00	SEK	0.23	11.49	9.14	7.43	30.5%	30.4%	30.0%	3.12	2.50	2.02	3.1%	3.8%	4.7%		
Collector	51.50	SEK	0.50	8.16	7.06	6.39	17.1%	16.7%	15.8%	1.27	1.06	0.93			1.5%		
Hoist	59.95	SEK	0.50	7.85	6.76	6.58	15.6%	15.7%	13.9%	1.12	0.96	0.87	0.0%	4.1%	4.3%		
Avanza	77.2	SEK	1.09	27.68	23.45	21.85	24.4%	26.4%	26.4%	6.62	6.05	5.64	3.0%	3.3%	3.5%		
Provident Financial	385.8	GBp	1.09	8.26	6.97	5.84	16.5%	19.0%	20.5%	1.76	1.72	1.68	6.4%	9.1%	10.8%		
CYBG	113.4	GBp	1.82	4.90	4.96	4.29	6.3%	7.4%	8.5%	0.38	0.37	0.34	0.4%	1.6%	5.2%		
Metro Bank	271.6	GBp	0.52	24.79	23.72	10.48	1.1%	1.0%	2.7%	0.25	0.26	0.26	0.0%	0.0%	0.0%		
OneSavings	324.4	GBp	0.89	5.47	5.03	4.84	22.9%	20.9%	19.6%	1.11	0.90	0.76	4.9%	5.8%	5.9%		
Average				11.96	10.59	8.40	17.0%	17.4%	17.3%	1.92	1.71	1.55	3.0%	4.4%	4.8%		

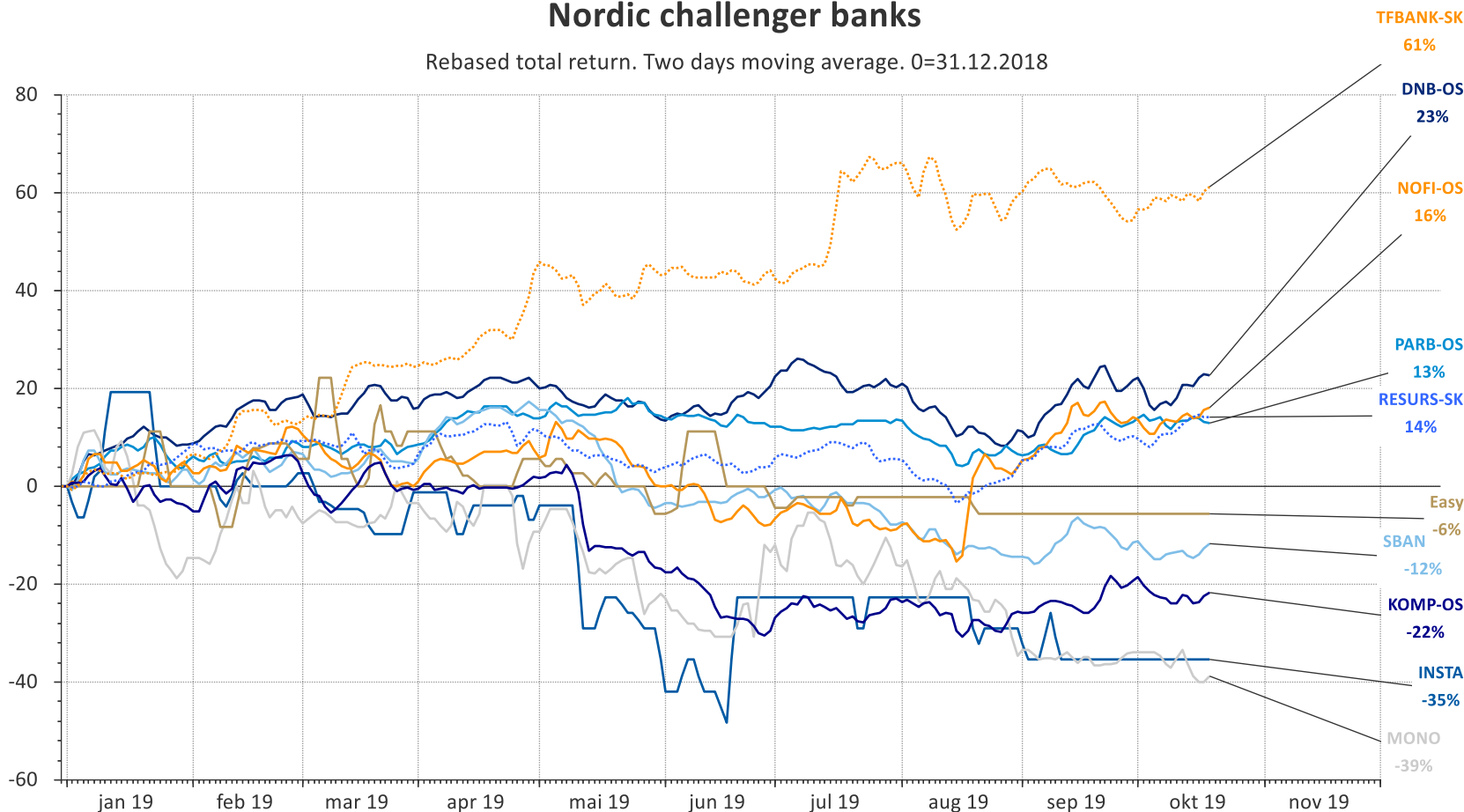
# Slight uptick in consumer segment lately but down YTD

Swedish TF bank up 61%!

Share price development Nordic challenger banks, YTD

## Nordic challenger banks

Rebased total return. Two days moving average. 0=31.12.2018



Kilde: Refinitiv Datastream, SB1 Markets

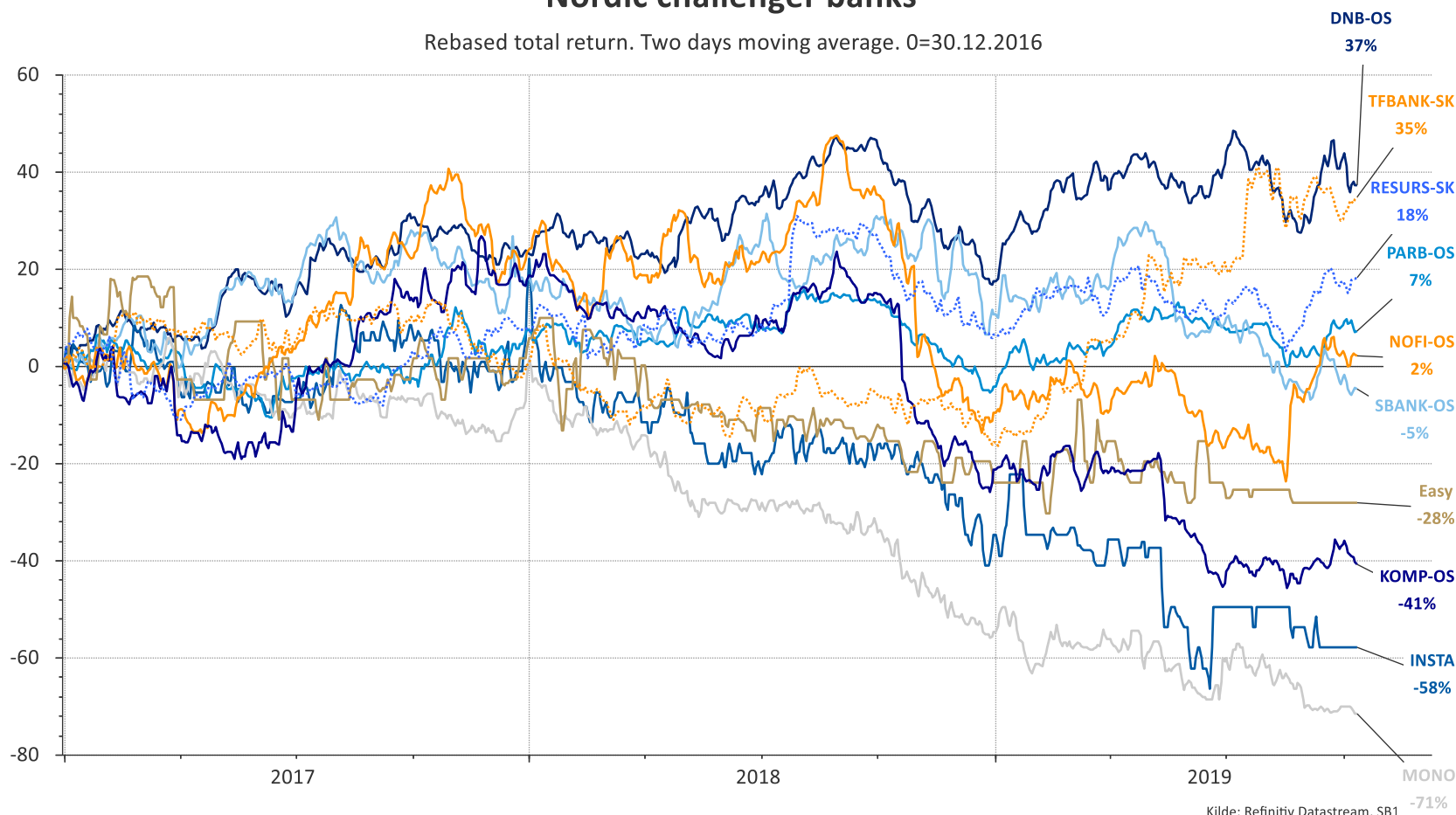
# Swedish banks with better performance

... helped by 'regulatory spread'?

Share price development Nordic challenger banks, 2017-2019

## Nordic challenger banks

Rebased total return. Two days moving average. 0=30.12.2016

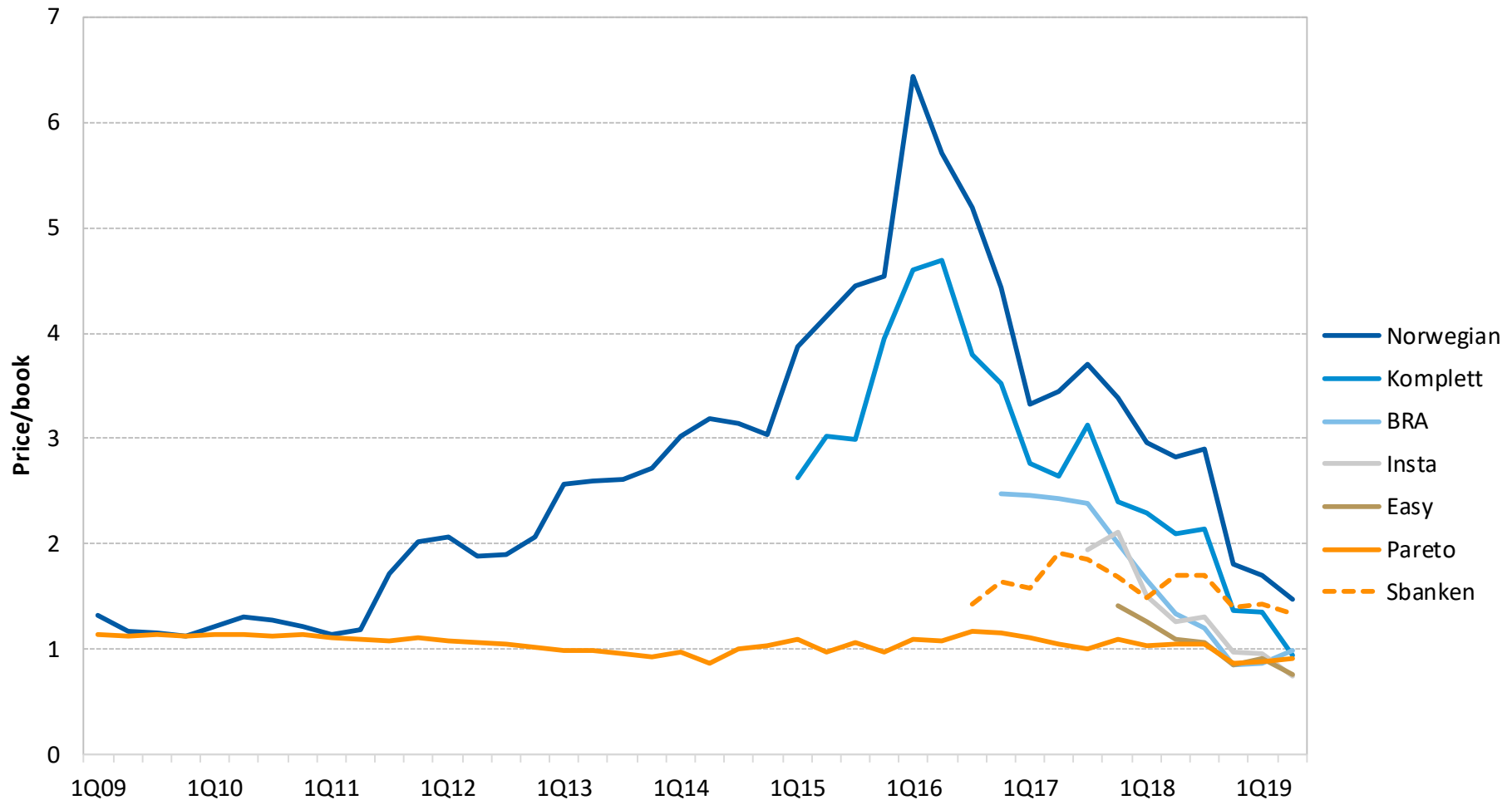




## P/B multiples in the low end vs history

Pareto Bank 'flat' at PB = 1

Historical P/B development Nordic challenger banks



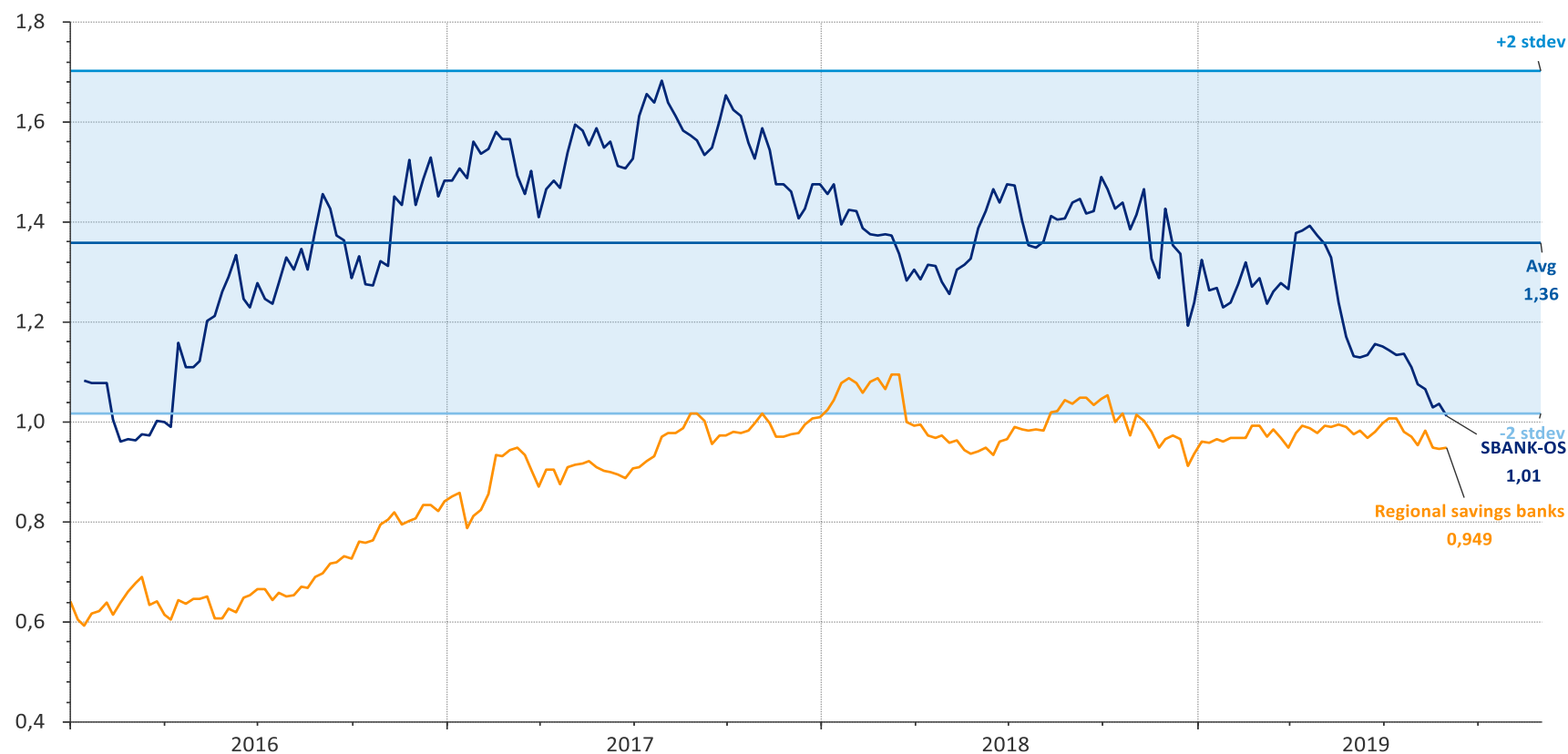
## SBANK: P/B spread vs. regionals down

... but Fin dep proposal to push Sbank further if approved

P/B vs. regional savings banks

### P/B - SBANK vs. regional Norwegian peers

\*Price / consensus 12M fwd BVPS

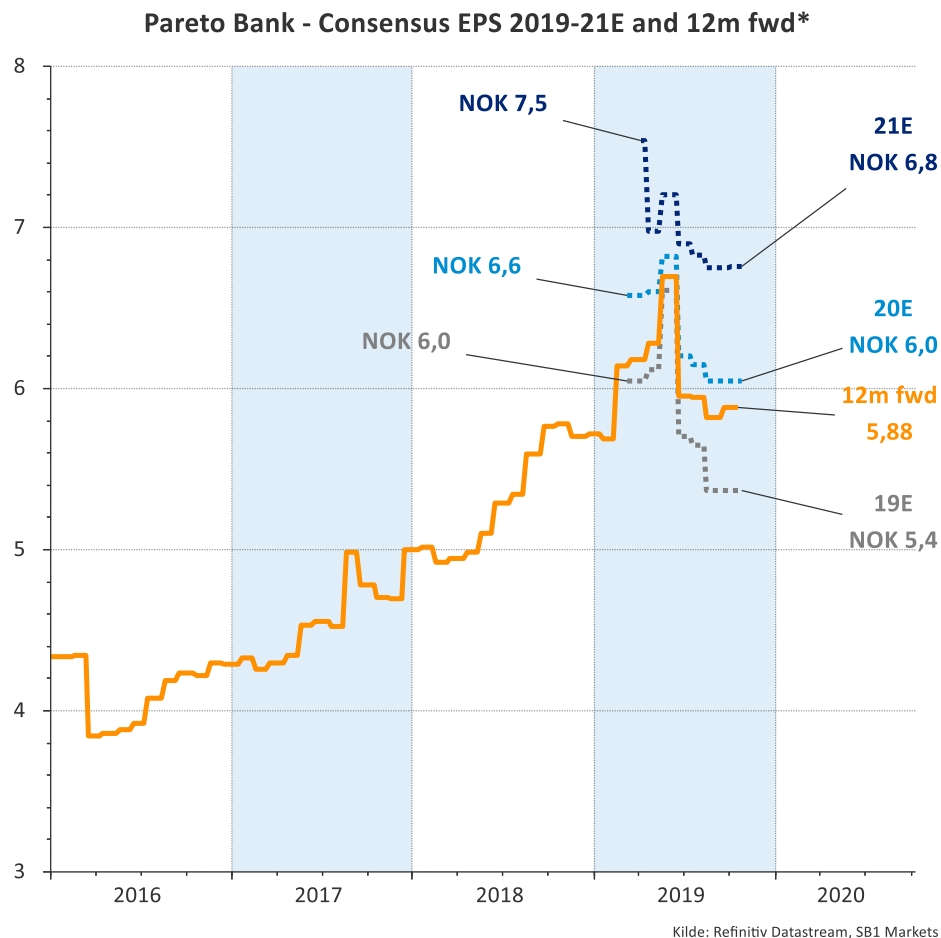


Kilde: Refinitiv Datastream, SB1 Markets

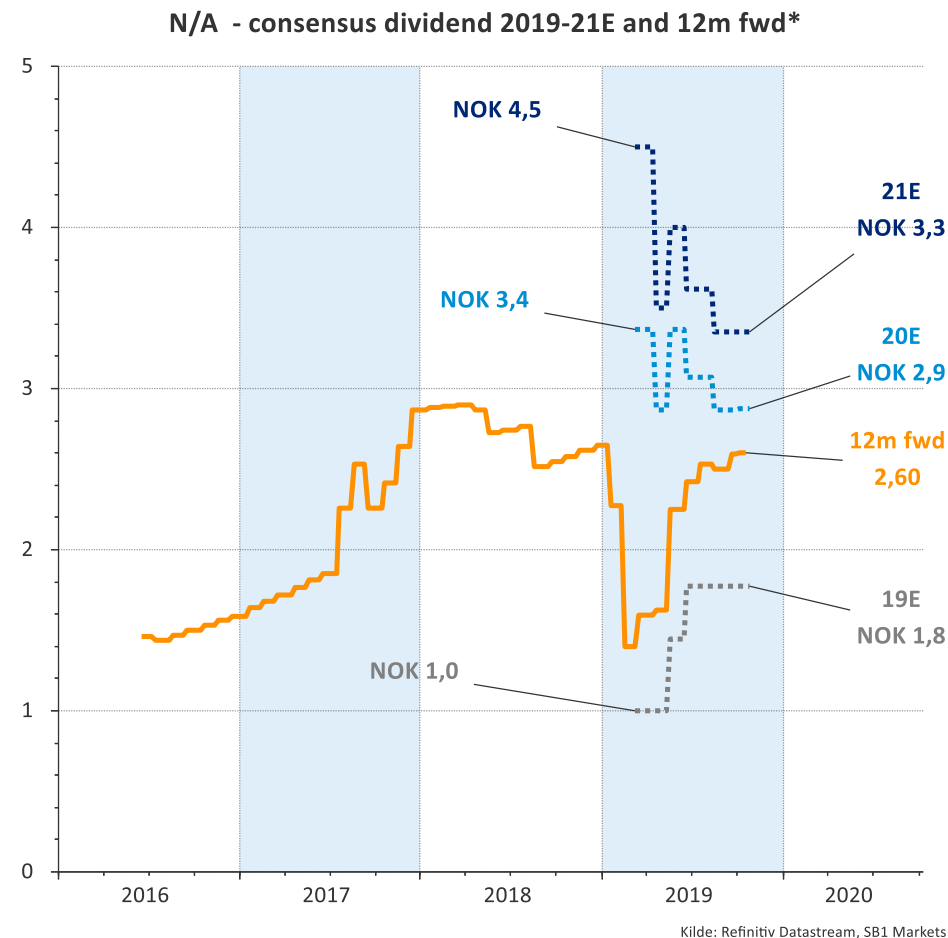
## PARB: Few analysts hence limited info in consensus data

16-18 EPS growth driven by high lending growth at avg. 12% - in 20e: lower growth

EPS down as level overly optimistic?



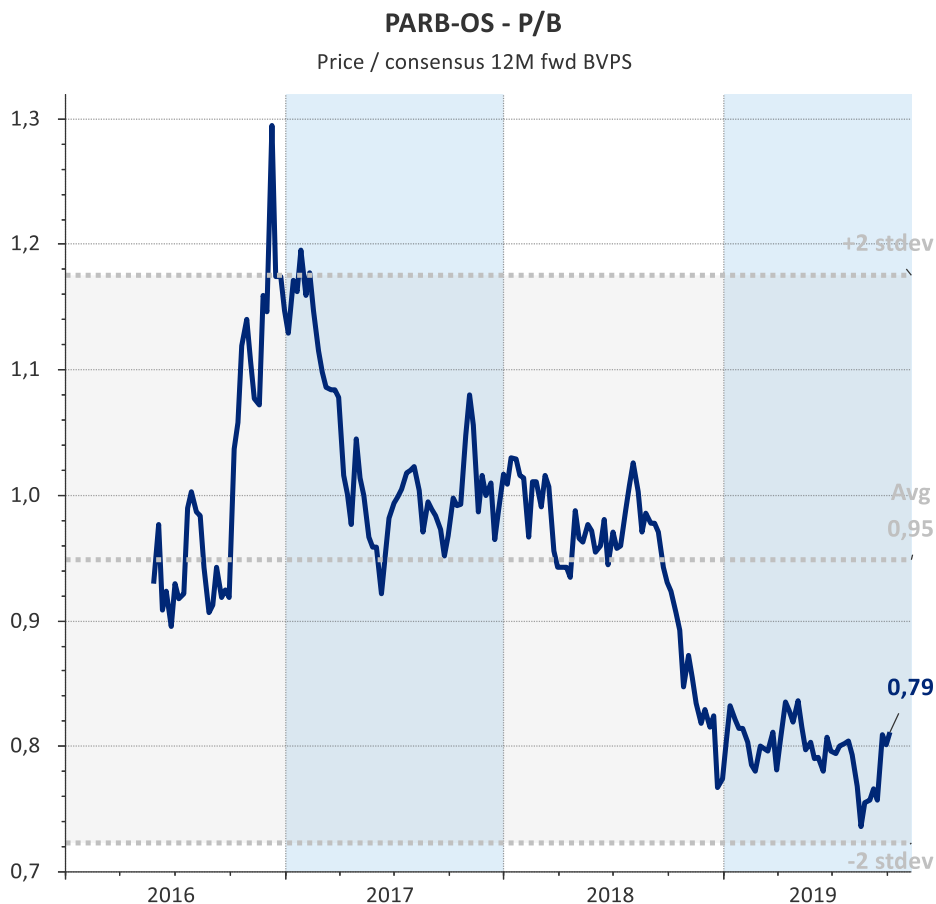
Dividend down on high growth?



# PARB: PB and PE both in the low end vs. history

Average PB since 2016 = 0.95

P/B in the low end vs. history



Kilde: Refinitiv Datastream, SB1 Markets

Consensus P/E also in the low end



Kilde: Refinitiv Datastream, SB1 Markets

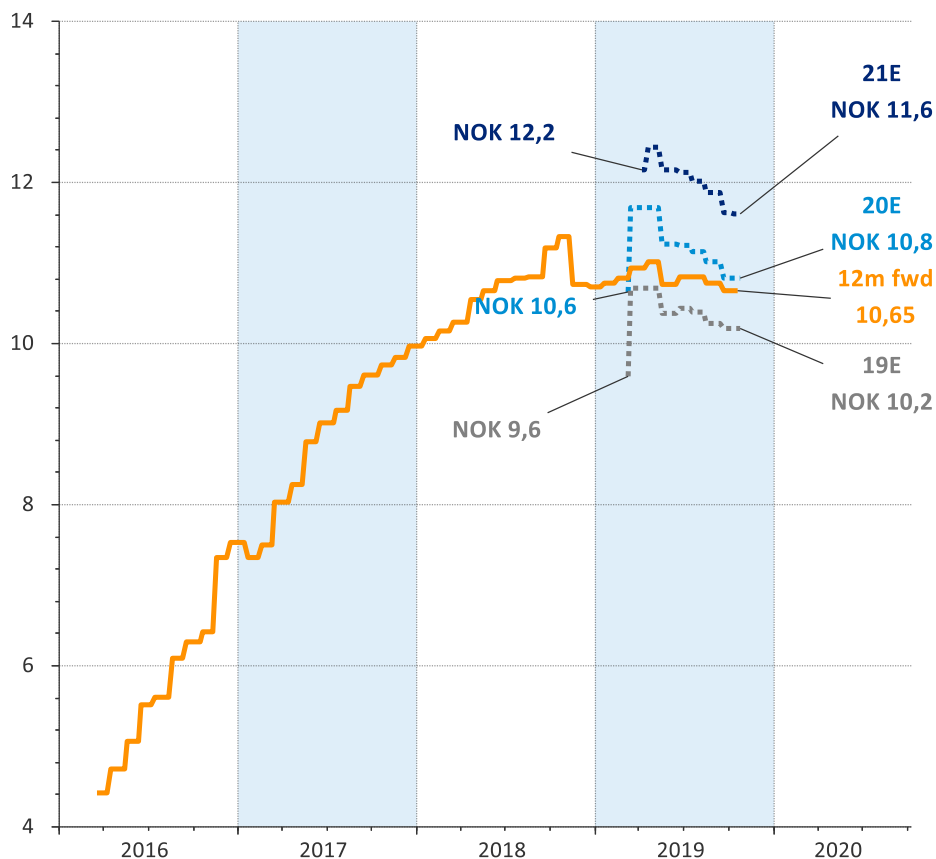
# NOFI: EPS down in assumed higher loan losses?

Consensus 20-21e dividend = NOK 5.7-7.1 – SB1M at 9.7 and 12.5 as growth assumed low

Higher expected loan losses likely lowering EPS

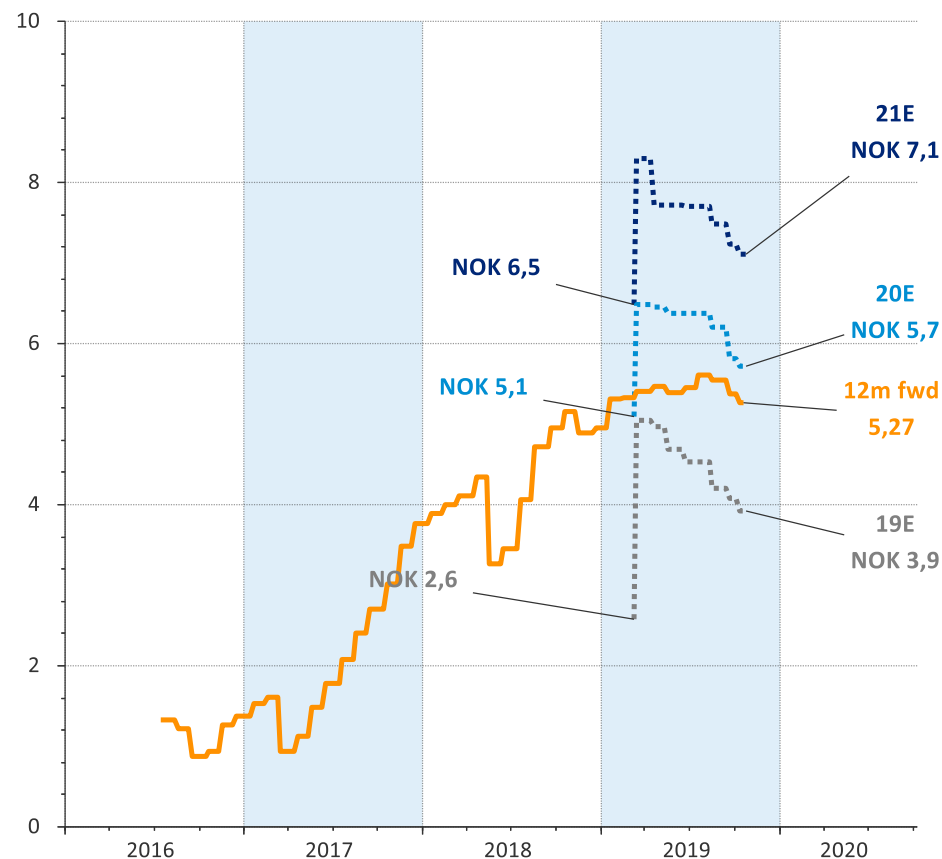
Consensus dividend up from 3.9 in 19e to 7.1 in 21e

NOFI-OS - Consensus EPS 2019-21E and 12m fwd\*



Kilde: Refinitiv Datastream, SB1 Markets

Bank Norwegian - consensus dividend 2019-21E and 12m fwd\*

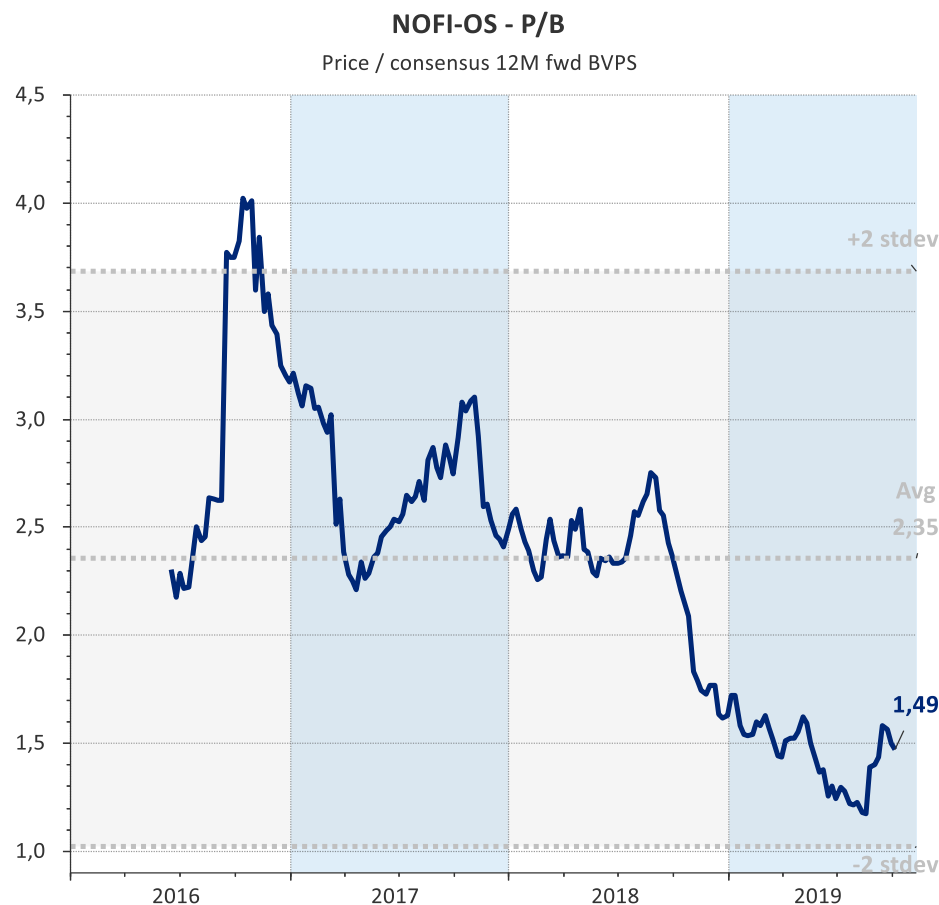


Kilde: Refinitiv Datastream, SB1 Markets

# NOFI: PB and PE both in the low end vs. history despite recent uptick

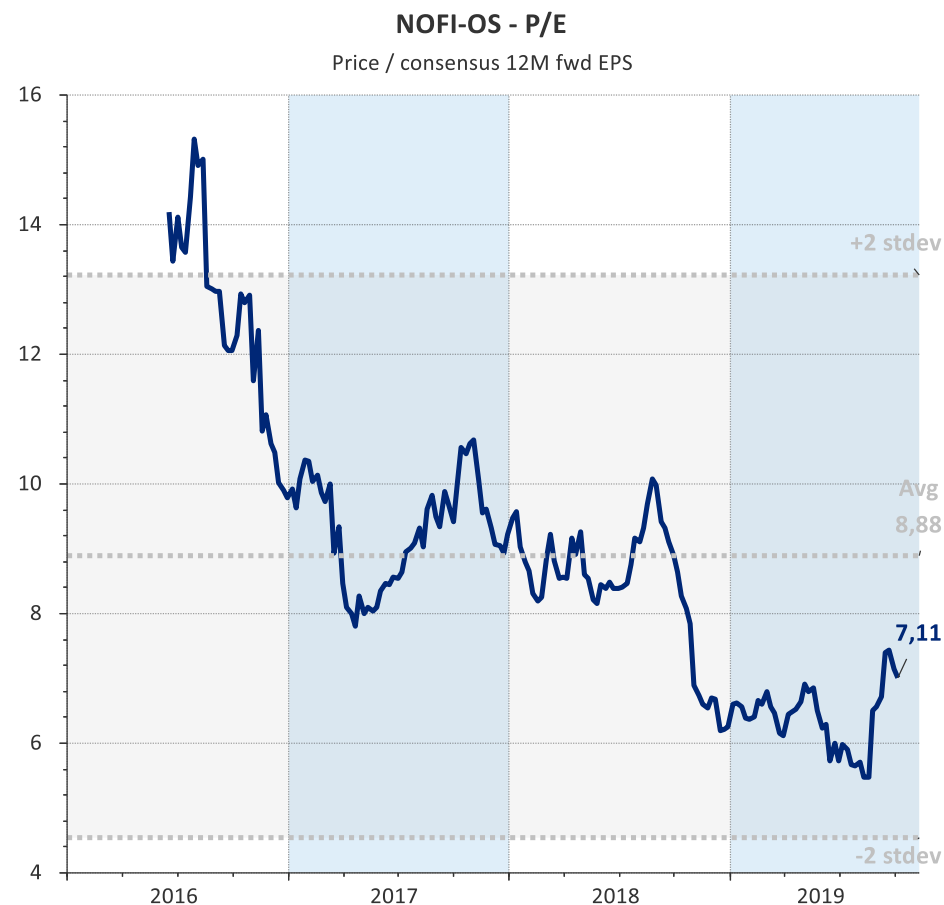
Average PB since 2016 = 2.35 vs. current 1.5 level

## P/B in the low end vs. history



Kilde: Refinitiv Datastream, SB1 Markets

## Consensus P/E also in the low end



Kilde: Refinitiv Datastream, SB1 Markets

# “Peak loan losses” in 2020e driven by debt register for consumer banks

20e loan losses assumed 3.2-4.1%

## Annual estimates – consumer finance banks

NOKm	2019e					2020e					2021e				
	NOFI	KOMP	BRA	INSTA	EASY	NOFI	KOMP	BRA	INSTA	EASY	NOFI	KOMP	BRA	INSTA	EASY
Net interest income	4730	1105	351	245	282	4997	1112	374	263	294	5258	1155	413	276	304
Net commission income	308	83	20	-17	-9	376	89	18	-12	-7	395	92	19	-9	-6
Net financial income	5	2	-8	8	6	17	1	1	6	6	17	1	1	7	6
Net other income	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total operating income	5044	1190	363	236	279	5389	1201	392	257	293	5671	1248	433	275	305
Total operating expenses	1296	449	204	121	81	1308	438	142	125	88	1355	461	151	132	95
Profit before credit losses	3748	741	159	116	198	4081	764	250	132	205	4316	787	281	143	210
Loan losses	1309	316	157	72	111	1696	345	189	87	113	1228	223	125	66	73
Gains/loss fin. assets	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operating profit	2439	425	2	44	88	2385	419	61	45	91	3088	564	156	76	137
Tax	598	109	0	11	21	572	100	15	11	22	741	135	38	18	33
Net profit	1840	316	2	33	66	1813	318	46	34	69	2347	429	119	58	104

Key operational ratios	NOFI	KOMP	BRA	INSTA	EASY	NOFI	KOMP	BRA	INSTA	EASY	NOFI	KOMP	BRA	INSTA	EASY
NII margin, blended	6.1 %	6.9 %	4.1 %	4.6 %	5.2 %	6.1 %	6.5 %	3.9 %	4.7 %	5.1 %	6.0 %	6.4 %	4.1 %	4.7 %	5.1 %
NIM margin	12.2 %	13.8 %	8.5 %	9.5 %	10.6 %	12.2 %	13.3 %	8.0 %	9.7 %	10.4 %	11.9 %	13.1 %	8.3 %	9.7 %	10.4 %
Loan losses, %	3.4 %	3.9 %	3.8 %	2.8 %	4.2 %	4.1 %	4.1 %	4.0 %	3.2 %	4.0 %	2.8 %	2.5 %	2.5 %	2.3 %	2.5 %
Lending growth, %	5.6%	4.7%	24.3%	7.1%	9.3%	6.0%	4.0%	4.0%	4.0%	3.0%	9.0%	7.0%	7.0%	7.0%	4.0%
EPS	9.85	1.73	0.00	0.10	1.40	9.71	1.75	0.10	0.10	1.46	12.57	2.35	0.24	0.17	2.19
ROE	23.5 %	18.1 %	0.2 %	6.4 %	12.5 %	19.7 %	15.4 %	5.4 %	5.9 %	11.5 %	23.5 %	18.7 %	12.7 %	9.3 %	15.3 %
Key valuation ratios	NOFI	KOMP	BRA	INSTA	EASY	NOFI	KOMP	BRA	INSTA	EASY	NOFI	KOMP	BRA	INSTA	EASY
Share price	78.00	10.00	1.20	1.00	8.50	78.00	10.00	1.20	1.00	8.50	78.00	10.00	1.20	1.00	8.50
P/E	7.91	5.77	333.0	10.04	6.09	8.04	5.73	12.52	9.80	5.82	6.21	4.25	4.90	5.74	3.87
P/B	1.67	0.95	0.70	0.59	0.71	1.50	0.83	0.66	0.56	0.63	1.42	0.77	0.58	0.51	0.56
Dividend yield	5.7 %	1.7 %	0.0 %	0.0 %	0.0 %	12.4 %	14.0 %	0.0 %	1.0 %	3.4 %	16.1 %	21.2 %	0.0 %	3.5 %	12.9 %
CET1	21.2 %	22.1 %	18.7 %	21.7 %	21.2 %	22.3 %	24.6 %	18.8 %	22.2 %	23.2 %	21.5 %	24.9 %	19.8 %	22.7 %	25.6 %

## Decent macro to support other niche banks

... but systemic buffer and SME discount to 'hit' banks in a non-uniform pattern

### Annual estimates – other niche banks

NOKm	2019e				2020e				2021e			
	SBANK	PARB	BATO	MM	SBANK	PARB	BATO	MM	SBANK	PARB	BATO	MM
Net interest income	1465	678	249	18	1655	772	268	28	1796	840	283	40
Net commission income	223	7	-1	1	254	15	1	1	281	17	3	1
Net financial income	10	6	11	0	5	4	8	0	5	4	9	0
Net other income	0	1	61	0	0	0	55	0	0	0	56	0
Total operating income	1698	692	320	19	1914	790	332	29	2083	862	351	41
Total operating expenses	674	140	138	8	686	143	140	9	689	146	143	9
Profit before credit losses	1024	552	182	12	1228	647	192	20	1393	715	207	32
Loan losses	130	33	16	1	135	39	17	2	150	40	17	2
Gains/loss fin. assets	0	0	0	0	0	0	0	0	0	0	0	0
Operating profit	895	519	166	11	1093	608	174	18	1243	675	191	30
Tax	237	127	41	2	295	146	42	4	331	162	46	7
Net profit	658	392	125	9	799	462	132	14	913	513	145	23

Key operational ratios	SBANK	PARB	BATO	MM	SBANK	PARB	BATO	MM	SBANK	PARB	BATO	MM
NII margin, blended	1.1 %	3.2 %	3.2 %	2.7 %	1.2 %	3.1 %	3.2 %	2.9 %	1.2 %	3.0 %	3.1 %	3.0 %
NIM margin	1.8 %	5.4 %	6.5 %	5.9 %	2.0 %	5.4 %	6.2 %	6.0 %	2.0 %	5.3 %	6.0 %	6.1 %
Loan losses, %	0.16%	0.26%	0.41%	0.26%	0.16%	0.27%	0.41%	0.37%	0.17%	0.25%	0.35%	0.36%
Lending growth, %	3.2%	15.5%	17.0%	48.9%	5.0%	12.0%	10.0%	50.0%	5.0%	10.0%	8.5%	35.0%
EPS	6.17	5.61	1.01	10.06	7.49	6.62	1.07	13.99	8.56	7.35	1.17	22.79
ROE	11.2 %	14.6 %	18.0 %	9.1 %	12.7 %	14.5 %	15.8 %	11.4 %	13.2 %	14.7 %	15.5 %	15.5 %
Key valuation ratios	SBANK	PARB	BATO	MM	SBANK	PARB	BATO	MM	SBANK	PARB	BATO	MM
Share price	66.00	38.00	7.00	108.00	66.00	38.00	7.00	108.00	66.00	38.00	7.00	108.00
P/E	10.70	6.77	6.94	10.74	8.81	5.74	6.57	7.72	7.71	5.17	6.01	4.74
P/B	1.17	0.87	1.10	0.88	1.06	0.79	0.98	0.80	0.97	0.73	0.89	0.68
Dividend yield	2.3 %	5.9 %	2.2 %	0.0 %	2.8 %	7.8 %	3.8 %	0.0 %	3.9 %	9.7 %	5.8 %	0.0 %
CET1	15.2 %	17.9 %	21.2 %	25.6 %	16.0 %	17.6 %	21.8 %	21.2 %	16.7 %	17.5 %	22.2 %	18.4 %

Source: Company reports, SB1 Markets



CRD IV, NFSA proposal and debt register

Operational development

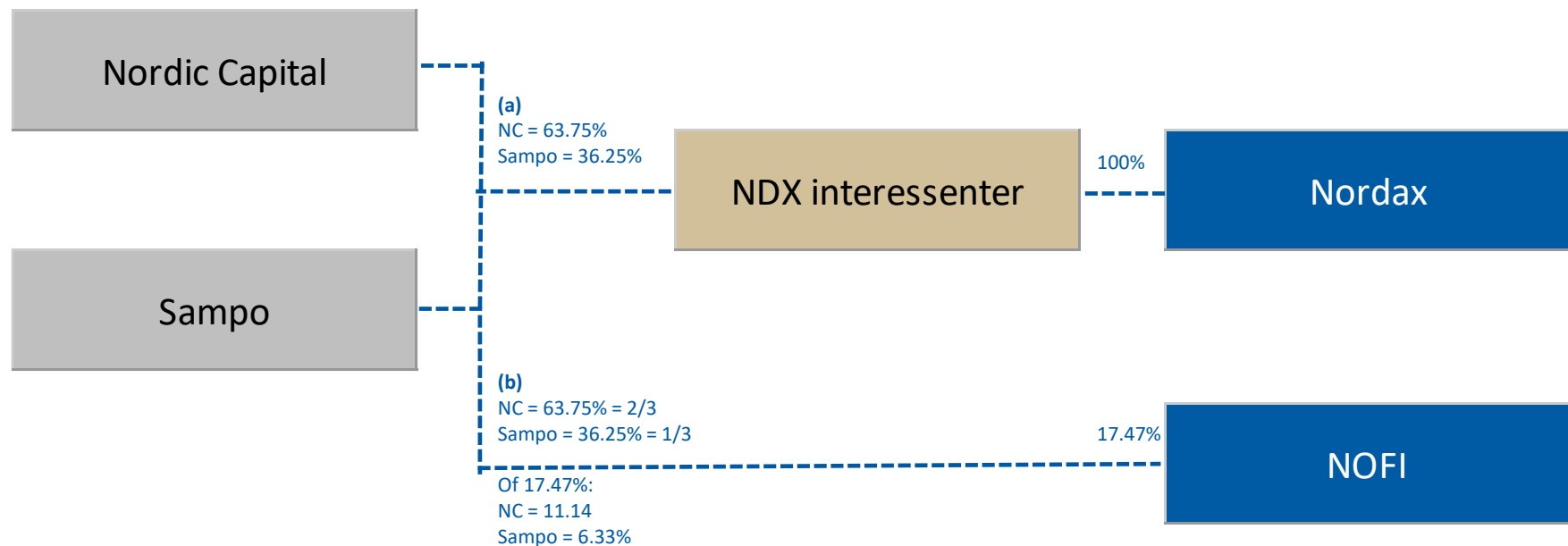
Valuation

Appendix

## Nordic Capital and Sampo = “the consolidators”

Same ratio in both deals

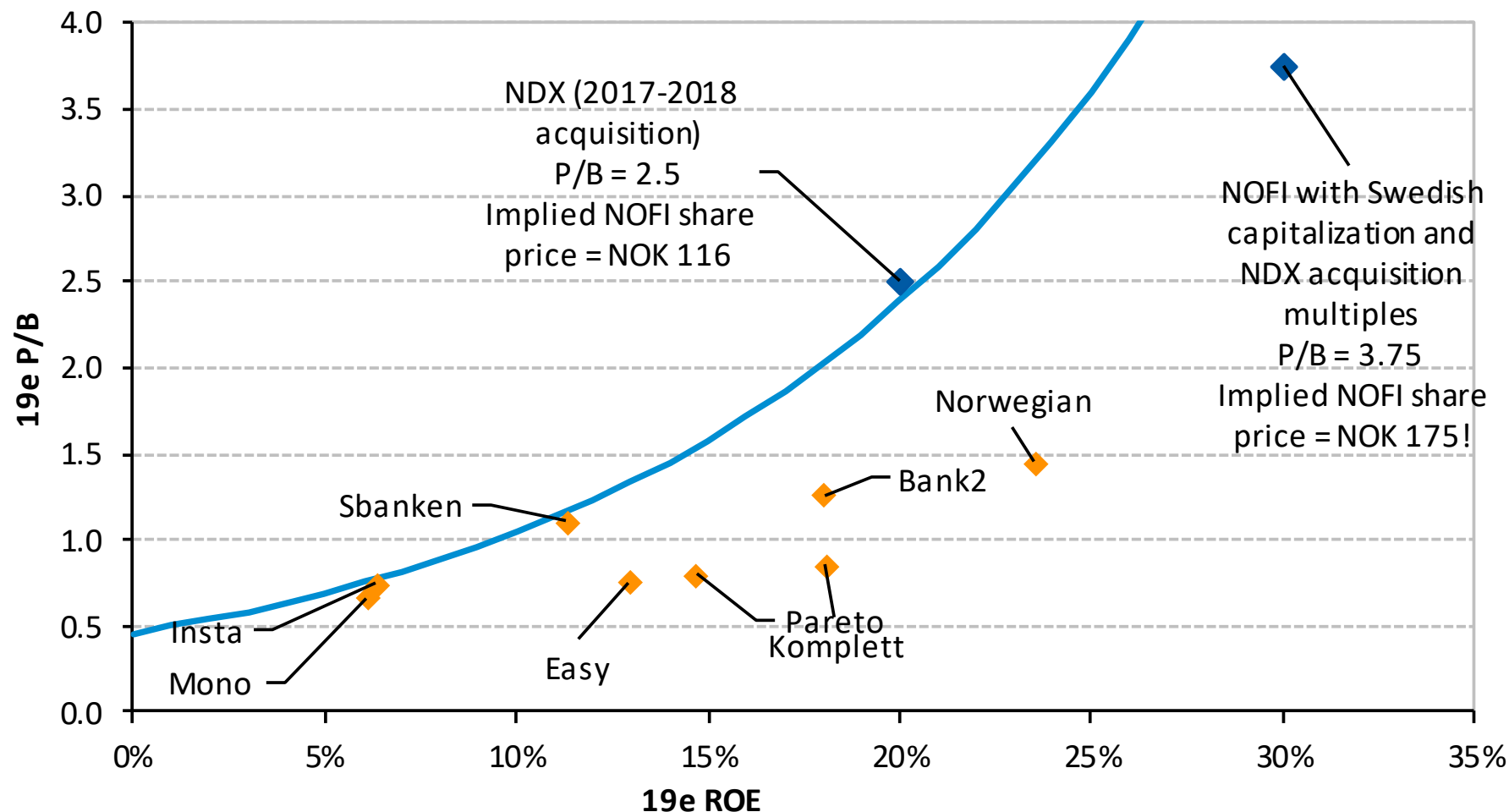
Ownership, Nordic consumer banks



## Large upside in NOFI when applying Swedish multiples / capitalization

NOFI at 2.5 P/B = NOK 116 but with SE capitalization NOK 175!

ROE – P/B relationship 19e multiples, SB1M covered banks



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Recommendation	Percentage of companies under coverage with this recommendation	Percentage of companies under coverage for which SB1 Markets has provided investment banking services in the past 12 months
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Neutral	25.0%	3.7%
Sell	14.4%	3.2%
Total	100%	

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