

Report for the second quarter 2013

Norwegian Finans Holding ASA

Norwegian Finans Holding ASA Report for the second quarter 2013

Norwegian Finans Holding ASA (NFH) owns 100 % of the shares in Bank Norwegian AS. The company does not engage in any other operations. The bank started its operations in November 2007 and presently offers high-interest deposit accounts with no fees, personal lines of credit and consumer loans distributed through the Internet. The bank also offers "Norwegian Reward", a combined Visa credit card and loyalty card for the airline Norwegian. The bank started its own credit card operation April, 2010, and launched "Norwegian Reward" credit card in Sweden in May 2013.

The strategy is based on leading e-commerce solutions, synergies with the airline Norwegian, attractive terms for our customers, cost-effective operations and effective risk selection.

The bank had per June 30, 2013 a customer base of 247,600 customers, which can be broken down into 30,100 loan customers, 52,600 deposit customers and 164,900 "Norwegian Reward" credit card customers.

Profit and loss as of June 30, 2012

The consolidated profit after tax amounted to MNOK 111.5 as of June 30, 2013. Net interest income totalled MNOK 285.2, net other operating income amounted to MNOK 28.1 and total operating expenses were MNOK 123.4. The bank posted MNOK 34.5 in loan loss provisions.

Profit and loss for the second quarter of 2013

The consolidated profit after tax amounted to MNOK 58.0 in the second quarter, compared to MNOK 53.5 in the first quarter. Annual return on equity in the second quarter was 36.8%.

Net interest income amounted to MNOK 149.4, an increase of MNOK 13.7 compared to the first quarter. The net interest margin increased from 7.9% in the first quarter, to 8.1% in the second quarter.

Net other operating income amounted to MNOK 14.4 compared to MNOK 13.8 in the first quarter. Net commission income decreased MNOK 1.9 to MNOK 11.6 mainly due to one-time effects in the first quarter. Net gain on sales of securities and currency amounted to MNOK 2.6.

Total operating expenses amounted to MNOK 64.7 in the second quarter, compared to MNOK 58.8 in the first quarter. Personnel expenses decreased MNOK 2.6 mainly related to seasonal accrual of wages. Administrative expenses increased MNOK 8.1, mainly related to the credit card launch in Sweden and increased marketing expenses. Depreciation increased MNOK 0.2, while other operating expenses increased MNOK 0.3.

Provisions for loan losses totalled MNOK 18.1 in the second quarter, an increase of MNOK 1.7 compared to the first quarter. Provisions equaled 1.4% of

average gross loans and were stable compared to the first quarter.

Delinquent loans accounted for 6.9% of gross loans and were stable compared to the first quarter.

Non-performing loans accounted for 4.9% of gross loans, compared to 5.0 % per March 31, 2013.

Balance sheet as of June 30, 2013

Total assets increased MNOK 445 in the quarter and amounted to MNOK 7,570 as of June 30. Net loans to customers amounted to MNOK 5,218, an increase of MNOK 404 during the quarter. Consumer loans amounted to MNOK 3,850 and credit card loans amounted to MNOK 1,469.

Customer deposits increased MNOK 88 in the second quarter and amounted to MNOK 6,157 at the end of the quarter. The bank issued MNOK 250 in floating rate notes in the second quarter.

Liquid assets increased by MNOK 75 and amounted to MNOK 2,246, equivalent to 30% of total assets at the end of the second quarter.

Total equity amounted to MNOK 664, compared to MNOK 601 per March 31, 2013. The capital ratio was 13.1% and the core capital ratio was 12.5% per June 30, 2013.

There has been a limited review of the accounts per June 30, 2013, and the full result is added to core capital.

Outlook for the remaining of 2013

The global economy is showing signs of stabilization. The Norwegian economy appears robust with stable employment. Interest rates are expected to remain stable.

The growth in earnings is expected to continue, based on loan growth, stable margins, cost control, and good credit quality.

The bank launches installment loans and deposits in the Swedish market in the third quarter.

Deposit levels are expected to remain stable. The high level of deposits to loans and further issuance of bonds should support the bank's strong liquidity position.

The investment portfolio has yielded a satisfactory value-adjusted return in the quarter. The portfolio's low risk profile remains unchanged.

The credit quality of the loan portfolio continues the stable development. The bank's credit models are undergoing continuous improvements.

The capital situation is satisfactory. Existing capital and internal capital generation are considered adequate for the bank's growth plans.

Norwegian Finans Holding ASA Report for the second quarter 2013

Profit and loss account

Norwegian Finans Holding ASA

Norwegian Finans Holding Group

2012	YTD 2012	YTD 2013	Q2 2012	Q2 2013	Amounts in NOK 1000	Note	Q2 2013	Q2 2012	YTD 2013	YTD 2012	2012
7	1	34	0	34	Interest income		206,620	152,461	396,235	287,630	635,974
-0	325	-	162	-	Interest expenses		57,182	43,048	111,047	76,396	176,787
7	-324	34	-162	34	Net interest income		149,438	109,414	285,188	211,234	459,187
-	-	-	-	-	Commission and bank services income		20,426	14,818	41,440	28,109	60,458
46	31	40	23	28	Commission and bank services expenses		8,840	6,006	16,413	10,963	23,693
-	-	-	-	-	Net change in value on securities and currency		2,610	-242	2,924	1,216	1,605
-	-	-	-	-	Other income		181	-	181	-	167
-46	-31	-40	-23	-28	Net other operating income		14,377	8,570	28,131	18,362	38,536
-39	-355	-6	-185	6	Total income		163,815	117,984	313,319	229,596	497,723
1,284	641	648	310	317	Personnel expenses		8,939	8,162	20,520	19,228	41,896
-	-	20	-	20	General administrative expenses		50,658	37,738	93,221	73,593	150,561
-	-	-	-	-	Ordinary depreciation		2,502	3,674	4,824	7,271	14,708
69	44	69	31	31	Other operating expenses		2,580	1,849	4,869	3,732	7,308
1,353	685	737	341	368	Total operating expenses		64,679	51,423	123,435	103,824	214,474
-	-	-	-	-	Provision for loan losses	2	18,125	13,839	34,527	26,744	56,733
-1,392	-1,040	-743	-526	-362	Profit on ordinary activities before tax		81,011	52,722	155,357	99,029	226,517
-390	-288	-208	-144	-101	Tax charge		23,014	14,766	43,831	27,731	63,160
-1,002	-752	-535	-382	-261	Profit on ordinary activities after tax		57,997	37,957	111,526	71,297	163,356

Balance sheet

Norwegian Finans Holding ASA

Norwegian Finans Holding Group

31.12.12	30.6.12	30.6.13	Amounts in NOK 1000	Note	30.6.13	30.6.12	31.12.12
Assets							
-	-	-	Deposits with Norges Bank		50,675	51,138	49,969
306	366	9,298	Loans and deposits with credit institutions		139,759	72,820	99,771
-	-	-	Loans to customers	2	5,217,823	3,833,260	4,457,455
-	-	-	Certificates and bonds		2,055,385	2,175,344	1,867,992
310,000	310,000	310,000	Ownership interests in group companies		-	-	-
-	-	-	Other intangible assets		28,550	25,733	23,488
394	291	602	Deferred tax asset		833	853	625
-	-	-	Fixed assets		1,613	494	830
5,060	4,738	-	Receivables and accrued income		75,848	62,354	70,349
315,761	315,396	319,900	Total assets		7,570,487	6,221,998	6,570,479
Liabilities and equity							
-	-	-	Deposits from customers		6,157,063	5,313,758	5,626,927
-	-	-	Debt securities issued	3	499,723	250,000	250,000
-	-	-	Tax payable		43,708	55,254	63,219
-	-	-	Other liabilities		42,559	12,375	19,448
1,306	689	663	Accrued expenses and unearned income received		133,307	105,384	33,602
-	-	-	Subordinated loan	4	30,000	30,000	30,000
1,306	689	663	Total liabilities		6,906,359	5,766,771	6,023,195
171,776	171,776	172,594	Share capital	4	172,594	171,776	171,776
135,457	135,460	139,957	Share premium reserve	4	139,957	135,460	135,457
7,221	7,471	6,686	Retained earnings and other reserves	4	351,576	147,991	240,050
314,454	314,707	319,237	Total equity		664,127	455,227	547,284
315,761	315,396	319,900	Total liabilities and equity		7,570,487	6,221,998	6,570,479

Norwegian Finans Holding ASA Report for the second quarter 2013

Changes in equity

Norwegian Finans Holding ASA

<i>Amounts in NOK 1000</i>	Share capital	Share premium reserve	Other reserves	Total
Balance sheet as at 31.12.11	170,682	132,461	8,223	311,366
Capital increase *	1,094	2,997	-	4,090
Result for the period	-	-	-1,002	-1,002
Balance sheet as at 31.12.12	171,776	135,457	7,221	314,454
Capital increase *	818	4,500	-	4,090
Result for the period	-	-	-535	-535
Balance sheet as at 30.6.13	172,594	139,957	6,686	319,237

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Share capital	Share premium reserve	Other reserves	Total
Balance sheet as at 31.12.11	170,682	132,461	76,694	379,837
Capital increase *	1,094	2,997	-	4,090
Result for the period	-	-	163,356	163,356
Balance sheet as at 31.12.12	171,776	135,457	240,053	547,284
Capital increase *	818	4,500	-	5,318
Result for the period	-	-	111,525	111,525
Balance sheet as at 30.6.13	172,594	139,957	351,579	664,127

* Bonus to executives, paid in shares with a minimum holding period of three years.

Cash flow statement

Norwegian Finans Holding ASA

Norwegian Finans Holding - Group

Q2 2012	Q2 2013	<i>Amounts in NOK 1000</i>	Q2 2013	Q2 2012
		Cash flows from operating activities		
-1,040	-743	Profit/ loss before tax	155,357	99,029
-	-	Taxes paid	-63,550	-
-	-	Ordinary depreciations	4,824	7,271
-	-	Change in loans	-760,369	-697,666
-	-	Change in deposits from customers	530,136	1,737,043
-	-	Change in securities	-187,393	-1,239,022
-2,485	5,060	Change in other receivables	-	-
-	-	Change in other accruals	-5,499	-9,322
-676	-644	Change in short-term liabilities	122,816	60,944
-4,200	3,674	Net cash flow from operating activities	-203,677	-41,724
		Cash flows from investment activities		
-	-	Investment in subsidiary	-949	-
-	-	Payment for acquisition of tangible fixed assets	-	-
-	-	Payment for acquisition of intangible assets	-9,721	-2,931
-	-	Net cash flow from investment activities	-10,670	-2,931
		Cash flow from financing activities		
-	-	Debt securities issued	249,723	100,000
-13	-	Cash flow before financing activities	-	-13
4,101	5,318	Gross payments of subordinated debt	5,318	4,101
4,088	5,318	Net cash flow from financing activities	255,041	104,088
-112	8,991	Net cash flow for the period	40,694	59,433
477	306	Cash and cash equivalents at the start of the period	149,740	64,525
366	9,298	Cash and cash equivalents at the end of the period	190,434	123,958

Norwegian Finans Holding ASA

Report for the second quarter 2013

Note 1. General accounting principles

The interim report for the second quarter of 2013 is set up according to the same accounting principles as the annual report 2012.

Note 2.A. Loans to and receivables from customers

Norwegian Finans Holding ASA			Norwegian Finans Holding Group			
31.12.12	30.6.12	30.6.13	Amounts in NOK 1000	30.6.13	30.6.12	31.12.12
-	-	-	Gross lending before write-down of realised losses	5,416,818	3,967,754	4,621,938
-	-	-	Individual write-downs on loans	97,956	65,361	79,057
-	-	-	Gross lending	5,318,862	3,902,393	4,542,880
-	-	-	Write-downs on groups of loans	101,039	69,133	85,426
-	-	-	Net loans to and receivables from customers	5,217,823	3,833,260	4,457,455

Note 2.B. Default and loss on loans

Norwegian Finans Holding ASA			Norwegian Finans Holding Group			
31.12.12	30.6.12	30.6.13	Amounts in NOK 1000	30.6.13	30.6.12	31.12.12
Defaulted loans						
-	-	-	Gross defaulted loans	461,228	328,366	383,221
-	-	-	Individual write-downs	97,956	65,361	79,057
-	-	-	Defaulted loans	363,272	263,005	304,163
-	-	-	Individual group write-downs	42,447	19,959	30,353
-	-	-	Net defaulted loans	320,825	243,046	273,810

Defaulted loans are all loans that are overdrawn 90 days after due date, where performing loans constitute:

98,559 69,052 85,158

Norwegian Finans Holding ASA			Norwegian Finans Holding Group			
2012	Q2 2012	Q2 2013	Amounts in NOK 1000	Q2 2013	Q2 2012	2012
Write-downs on loans in the period						
-	-	-	Change in group write-downs for the period	1,441	3,612	16,370
-	-	-	Change in individual group write-downs for the period	5,606	2,072	11,942
-	-	-	Write-offs for which provisions were made earlier	12,113	8,883	31,370
-	-	-	Write-offs for which provisions were not made earlier	-	-	-
-	-	-	Included in earlier write-offs	-1,035	-729	-2,948
-	-	-	Write-downs on loans in the period	18,125	13,839	56,733

Note 3. Debt securities issued

Floating rate note bond.

Note 4. Subordinated capital

Norwegian Finans Holding ASA			Norwegian Finans Holding Group			
31.12.12	30.6.12	30.6.13	Amounts in NOK 1000	30.6.13	30.6.12	31.12.12
Subordinated capital						
171,776	171,776	172,594	Share capital	172,594	171,776	171,776
135,457	135,460	139,957	+ Share premium reserve	139,957	135,460	135,457
7,221	7,471	6,686	+ Other reserves	351,576	147,991	240,050
-	291	602	- Deferred tax assets and intangible assets	29,383	26,587	24,113
314,454	314,416	318,635	Core capital	634,744	428,640	523,171
-	-	-	+ Supplementary capital	30,000	30,000	30,000
314,454	314,416	318,635	Net subordinated capital	664,744	458,640	553,171
99.8 %	99.9 %	102.2 %	Core capital ratio	12.5 %	11.6 %	12.5 %
99.8 %	99.9 %	102.2 %	Capital ratio	13.1 %	12.4 %	13.2 %

Norwegian Finans Holding ASA Report for the second quarter 2013

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group						
<i>Amounts in NOK 1000</i>	Note	Q2 2013	Q1 2013	Q4 2012	Q3 2012	Q2 2012
Interest income		206,620	189,615	178,634	169,709	152,461
Interest expenses		57,182	53,865	49,801	50,589	43,048
Net interest income		149,438	135,750	128,833	119,120	109,414
Commission and bank services income		20,426	21,014	16,606	15,742	14,818
Commission and bank services expenses		8,840	7,573	6,729	6,001	6,006
Net change in value on securities and currency		2,610	314	16	373	-242
Other income		181	-	-	167	-
Net other operating income		14,377	13,755	9,893	10,281	8,570
Total income		163,815	149,505	138,726	129,401	117,984
Personnel expenses		8,939	11,581	11,205	11,464	8,162
General administrative expenses		50,658	42,563	40,784	36,184	37,738
Ordinary depreciation		2,502	2,323	3,706	3,731	3,674
Other operating expenses		2,580	2,289	1,560	2,016	1,849
Total operating expenses		64,679	58,757	57,255	53,395	51,423
Provision for loan losses	2	18,125	16,402	15,281	14,708	13,839
Profit on ordinary activities before tax		81,011	74,346	66,190	61,298	52,722
Tax charge		23,014	20,817	18,265	17,163	14,766
Profit on ordinary activities after tax		57,997	53,529	47,925	44,135	37,957

Balance sheet

Norwegian Finans Holding Group						
<i>Amounts in NOK 1000</i>	Note	30.6.13	31.3.13	31.12.12	30.9.12	30.6.12
Assets						
Deposits with Norges Bank		50,675	50,023	49,969	51,003	51,138
Loans and deposits with credit institutions		139,759	60,009	99,771	105,787	72,820
Loans to customers	2	5,217,823	4,813,769	4,457,455	4,159,753	3,833,260
Certificates and bonds		2,055,385	2,061,062	1,867,992	1,881,720	2,175,344
Other intangible assets		28,550	25,552	23,488	23,564	25,733
Deferred tax asset		833	732	625	861	853
Fixed assets		1,613	804	830	947	494
Other assets		75,848	114,019	70,349	64,373	62,354
Total assets		7,570,487	7,125,970	6,570,479	6,288,008	6,221,998
Liabilities and equity						
Deposits from customers		6,157,063	6,069,251	5,626,927	5,278,714	5,313,758
Debt securities issued	3	499,723	250,000	250,000	250,000	250,000
Tax payable		43,708	70,525	63,219	72,425	55,254
Other liabilities		42,559	14,053	19,448	10,841	12,375
Accrued expenses and unearned income received		133,307	91,328	33,602	146,667	105,384
Subordinated loan	4	30,000	30,000	30,000	30,000	30,000
Total liabilities		6,906,359	6,525,157	6,023,195	5,788,647	5,766,771
Share capital	4	172,594	171,776	171,776	171,776	171,776
Share premium reserve	4	139,957	135,457	135,457	135,460	135,460
Retained earnings and other reserves	4	351,576	293,580	240,050	192,126	147,991
Total equity		664,127	600,813	547,284	499,361	455,227
Total liabilities and equity		7,570,487	7,125,970	6,570,479	6,288,008	6,221,998