

Report for the third quarter 2014

Norwegian Finans Holding ASA

Norwegian Finans Holding ASA Report for the third quarter 2014

Norwegian Finans Holding ASA (NFH) owns 100 % of the shares in Bank Norwegian AS. The company does not engage in any other operations. The ownership of NFH is divided between institutional and individual investors in Norway and abroad, of which Norwegian Air Shuttle ASA is the largest owner with a stake of 20 %. Norwegian Finans Holding ASA is registered on the NOTC-list with the ticker code BANK.

Bank Norwegian started its operations in November 2007 and offers high-interest no-fee deposit accounts, and consumer loans, which are distributed through the Internet. The bank also offers "Norwegian Reward", a combined credit card and reward card for the airline Norwegian. The bank started operations in Sweden in May 2013 and offers "Norwegian Reward" credit card, consumer loans and deposit accounts.

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 has at the end of the third quarter 2014 a customer base of 422,400 customers, which can be broken down into 52,900 loan customers, 71,900 deposit customers and 297,600 "Norwegian Reward" credit card customers.

Profit and loss as of September 30, 2014

The NFH Group's profit after tax amounted to MNOK 241.4 as of September 30, 2014. Net interest income totalled MNOK 683.4, net other operating income amounted to MNOK 52.2 while total operating expenses were MNOK 305.6. Provisions for loan losses were MNOK 99.2.

Profit and loss for the third quarter of 2014

The NFH Group's profit after tax amounted to MNOK 94.1, compared with MNOK 82.1 in the second quarter 2014. Annual return on equity in the third quarter was 38.0 %.

Net interest income amounted to MNOK 254.1, an increase of MNOK 26.8 from the second quarter. The net interest margin was 8.3 %, unchanged from the second quarter.

Net other operating income amounted to MNOK 15.3 compared with MNOK 17.3 in the second quarter. Net commission income increased MNOK 0.9 to MNOK 17.2. Net loss on value of securities and currency amounted to MNOK 2.3. Other income amounted to MNOK 0.4.

Total operating expenses amounted to MNOK 105.2 compared with MNOK 98.6 in the second quarter. Personnel expenses increased MNOK 4.4 due to accrual effects in the second quarter. Administrative expenses increased MNOK 2.9, mainly due to increased marketing expenses. Depreciation increased MNOK 0.2, while other operating expenses decreased MNOK 0.9.

The bank's provisions for loan losses amounted to MNOK 35.4, an increase of MNOK 1.7 from the second quarter. Provisions equaled 1.6 % of average gross loans, compared with 1.7 % in the second quarter.

Delinquent loans accounted for 5.9 % of gross loans, compared with 6.0 % at the end of the previous quarter. Non-performing loans accounted for 4.3 % of gross loans, down from 4.5 % at the end of the second quarter.

Balance sheet as of September 30, 2014

Total assets increased MNOK 1,158 in the quarter and amounted to MNOK 12,825 as of September 30, 2014. Net loans to customers amounted to MNOK 8,802, an increase of MNOK 722 in the quarter. Consumer loans amounted to MNOK 6,571 and credit card loans amounted to MNOK 2,408.

Customer deposits increased MNOK 461 in the third quarter and amounted to MNOK 9,500 at the end of the quarter.

The bank issued MNOK 500 in senior debt securities in the third quarter and debt securities issued amounted to MNOK 1,602 as of September 30, 2014.

Liquid assets increased MNOK 420 and amounted to MNOK 3,835, equivalent to 29.9 % of total assets at the end of the third quarter.

Total equity amounted to MNOK 1,037, compared with MNOK 943 as of June 30, 2014. The total capital ratio was 15.4 %, the core capital ratio was 13.3 % and the common equity tier 1 ratio was 11.9 % per September 30, 2014.

There has been a limited review of the accounts per September 30, 2014, and the full result is added to retained earnings.

Outlook for the remaining of the year

The Norwegian and Swedish economies show weak growth and there is an outlook for a slightly higher unemployment. The interest rate levels are expected to remain low in Norway and Sweden.

The growth in earnings is expected to continue, based on strong loan growth, stable margins, cost control and good credit quality. The Swedish operations are expected to turn profitable during the fourth quarter.

A high level of deposits to loans and good access to securities funding are expected to maintain the bank's strong liquidity position.

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

The credit quality of the loan portfolio shows a stable development and the level of write-downs are expected to remain stable going forward. The credit quality in the Swedish loan portfolio is in line with expectations.

The bank has a sound capital situation. The current capital base and internal generation of capital are considered sufficient to ensure the bank's growth ambitions.

Norwegian Finans Holding ASA

Report for the third quarter 2014

Profit and loss account

Norwegian Finans Holding ASA

Norwegian Finans Holding Group

2013	YTD 2013	YTD 2014	Q3 2013	Q3 2014	Amounts in NOK 1000	Note	Q3 2014	Q3 2013	YTD 2014	YTD 2013	2013
102	68	97	34	35	Interest income		336,150	221,840	911,465	618,075	864,320
-	-	-	-	-	Interest expenses		82,008	57,553	228,052	168,600	228,248
102	68	97	34	35	Net interest income		254,142	164,287	683,413	449,475	636,073
-	-	-	-	-	Commission and bank services income		33,289	23,610	92,806	65,050	88,408
62	51	248	11	17	Commission and bank services expenses		16,092	9,460	41,051	25,874	35,990
-	-	-	-	-	Net change in value on securities and currency		-2,291	3,586	-16	6,510	10,111
-	-	-	-	-	Other income		443	-	443	181	181
-62	-51	-248	-11	-17	Net other operating income		15,349	17,736	52,182	45,867	62,710
40	16	-151	22	18	Total income		269,491	182,023	735,595	495,343	698,782
1,311	979	964	331	330	Personnel expenses		13,874	12,744	37,737	33,264	46,282
20	20	69	-	13	General administrative expenses		85,939	56,752	249,137	149,973	216,763
-	-	-	-	-	Ordinary depreciation		2,723	2,363	7,768	7,188	9,682
94	81	20	13	-	Other operating expenses		2,648	3,887	11,003	8,756	12,296
1,424	1,080	1,053	344	343	Total operating expenses		105,184	75,746	305,645	199,181	285,022
-	-	-	-	-	Provision for loan losses	2	35,363	21,470	99,234	55,997	82,760
-1,385	-1,064	-1,203	-321	-325	Profit on ordinary activities before tax		128,944	84,808	330,716	240,164	331,000
-360	-294	-325	-86	-88	Tax charge		34,815	23,750	89,293	67,581	93,099
-1,025	-770	-879	-235	-237	Profit on ordinary activities after tax		94,129	61,058	241,423	172,584	237,901

Balance sheet

Norwegian Finans Holding ASA

Norwegian Finans Holding Group

31.12.13	30.9.13	30.9.14	Amounts in NOK 1000	Note	30.9.14	30.9.13	31.12.13
			Assets				
-	-	-	Deposits with Norges Bank		56,968	50,851	54,007
9,306	9,295	13,246	Loans and deposits with credit institutions		406,572	136,073	106,140
-	-	-	Loans to customers	2	8,801,991	5,726,745	6,363,708
-	-	-	Certificates and bonds		3,371,032	1,770,696	1,694,114
310,000	310,000	310,000	Ownership interests in group companies		-	-	-
-	-	-	Shares and other securities		443	-	-
-	-	-	Other intangible assets		32,543	28,264	30,616
758	692	1,083	Deferred tax asset		1,621	923	1,296
-	-	-	Fixed assets		1,252	1,503	1,539
-	-	-	97 Receivables and accrued income		152,685	79,919	97,124
320,064	319,987	324,426	Total assets		12,825,107	7,794,975	8,348,544
			Liabilities and equity				
-	-	-	Deposits from customers		9,500,416	6,243,425	6,592,180
-	-	-	Debt securities issued	3	1,602,018	499,743	499,762
-	-	-	Tax payable		89,572	67,544	93,413
-	-	-	Other liabilities		15,603	29,503	29,836
1,329	994	985	Accrued expenses and unearned income received		281,232	199,585	44,133
-	-	-	Subordinated loan	4	298,769	30,000	298,729
1,329	994	985	Total liabilities		11,787,610	7,069,799	7,558,054
172,594	172,594	173,000	Share capital	4	173,000	172,594	172,594
139,945	139,948	145,123	Share premium reserve	4	145,123	139,948	139,945
6,196	6,451	5,317	Retained earnings and other reserves	4	719,374	412,634	477,951
318,735	318,993	323,441	Total equity		1,037,497	725,176	790,490
320,064	319,987	324,426	Total liabilities and equity		12,825,107	7,794,975	8,348,544

Norwegian Finans Holding ASA Report for the third quarter 2014

Changes in equity

Norwegian Finans Holding ASA

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Other reserves	Total
Balance sheet as at 31.12.12	171,776	135,457	7,221	314,454
Capital increase *	818	4,488	-	5,306
Result for the period	-	-	-1,025	-1,025
Balance sheet as at 31.12.13	172,594	139,945	6,196	318,735
Capital increase *	406	5,178	-	5,584
Result for the period	-	-	-879	-879
Balance sheet as at 30.9.14	173,000	145,123	5,317	323,441

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Other reserves	Total
Balance sheet as at 31.12.12	171,776	135,457	240,050	547,284
Capital increase *	818	4,488	-	5,306
Result for the period	-	-	237,901	237,901
Balance sheet as at 31.12.13	172,594	139,945	477,951	790,490
Capital increase *	406	5,178	-	5,584
Result for the period	-	-	241,423	241,423
Balance sheet as at 30.9.14	173,000	145,123	719,374	1,037,497

* 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

Q3 2013	Q3 2014	<i>Amounts in NOK 1000</i>	Q3 2014	Q3 2013
		Cash flows from operating activities		
-1,064	-1,203	Profit / loss before tax	330,716	240,164
-	-	- Taxes paid	-93,459	-63,550
-	-	- Ordinary depreciations	7,768	7,188
-	-	- Change in loans	-2,438,284	-1,269,290
-	-	- Change in deposits from customers	2,908,235	616,498
-	-	- Change in securities	-1,676,918	97,295
5,060	-	- Change in other receivables	-	-
-	-97	Change in other accruals	-55,561	-9,569
-313	-344	Change in short-term liabilities	222,865	176,038
3,684	-1,644	Net cash flow from operating activities	-794,637	-205,225
		Cash flows from investment activities		
-	-	- Payment for acquisition of tangible fixed assets	-92	-949
-	-	- Payment for acquisition of intangible assets	-9,314	-11,688
-	-	Net cash flow from investment activities	-9,406	-12,637
		Cash flow from financing activities		
-	-	- Debt securities issued	1,102,256	249,743
-	-	- Cash flow from financing activities	-443	-
-	-	- Subordinated debt	39	-
5,305	5,584	Gross payments of subordinated debt	5,584	5,305
5,305	5,584	Net cash flow from financing activities	1,107,437	255,048
8,989	3,940	Net cash flow for the period	303,393	37,185
306	9,306	Cash and cash equivalents at the start of the period	160,147	149,740
9,295	13,246	Cash and cash equivalents at the end of the period	463,541	186,925

Norwegian Finans Holding ASA Report for the third quarter 2014

Note 1. General accounting principles

The interim report for the third quarter 2014 is set up according to the same accounting principles as the annual report 2013.

Note 2.A. Loans to and receivables from customers

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.13	30.9.13	30.9.14	Amounts in NOK 1000	30.9.14	30.9.13	31.12.13
-	-	-	Gross lending	9,147,348	5,947,273	6,610,966
-	-	-	- individual write-downs on loans	168,758	112,262	126,238
-	-	-	- write-downs on groups of loans	176,599	108,266	121,020
-	-	-	Net loans to and receivables from customers	8,801,991	5,726,745	6,363,708

Note 2.B. Default and loss on loans

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.13	30.9.13	30.9.14	Amounts in NOK 1000	30.9.14	30.9.13	31.12.13
Defaulted loans						
-	-	-	Gross defaulted loans	694,522	487,274	532,804
-	-	-	- Individual write-downs on loans	168,758	112,262	126,238
-	-	-	- Write-downs on groups of loans	176,599	108,266	121,020
-	-	-	Net defaulted loans	349,165	266,746	285,546

Net defaulted loans are presented after write-downs on groups of loans.

Defaulted loans which are performing	137,707	105,607	108,629
--------------------------------------	---------	---------	---------

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
2013	Q3 2013	Q3 2014	Amounts in NOK 1000	Q3 2014	Q3 2013	2013
Write-downs on loans for the period						
-	-	-	Change in group write-downs for the period	17,263	7,164	35,575
-	-	-	Write-offs for which provisions were made earlier	21,824	16,380	54,975
-	-	-	Write-offs for which provisions were not made earlier	-	-	-
-	-	-	Included in earlier write-offs	-3,724	-2,073	-7,789
-	-	-	Write-downs on loans for the period	35,363	21,470	82,760

Note 3. Debt securities issued

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.13	30.9.13	30.9.14	Amounts in NOK 1000	30.9.14	30.9.13	31.12.13
-	-	-	Floating rate note bonds 2011/2014	-	250,000	250,000
-	-	-	Floating rate note bonds 2013/2016	300,271	149,871	149,883
-	-	-	Floating rate note bonds 2013/2018	302,487	99,872	99,879
-	-	-	Floating rate note bonds 2014/2017	399,742	-	-
-	-	-	Floating rate note certificate 2014/2015	199,986	-	-
-	-	-	Floating rate note bonds 2014/2019	399,532	-	-
-	-	-	Total	1,602,018	499,743	499,762

Norwegian Finans Holding ASA Report for the third quarter 2014

Note 4. Subordinated capital

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.13	30.9.13	30.9.14	Amounts in NOK 1000	30.9.14	30.9.13	31.12.13
Subordinated capital						
172,594	172,594	173,000	Share capital	173,000	172,594	172,594
139,945	139,948	145,123	+ Share premium reserve	145,123	139,948	139,945
6,196	6,451	5,317	+ Other reserves	719,374	412,634	477,951
758	692	1,083	- Deferred tax assets and intangible assets	34,164	29,187	31,912
317,977	318,301	322,357	Common equity tier 1	1,003,333	695,989	758,578
-	-	-	+ Hybrid capital	124,250	-	124,250
317,977	318,301	322,357	Core capital	1,127,583	695,989	882,828
-	-	-	+ Supplemental capital	174,519	30,000	174,479
317,977	318,301	322,357	Total capital	1,302,102	725,989	1,057,307
Calculation basis						
Credit risk						
-	-	-	From assets 10%	25,654	-	-
1,861	1,859	2,649	From assets 20%	488,126	293,048	240,045
-	-	-	+ From assets 75%	6,466,189	3,790,161	4,653,300
310,000	310,000	310,097	+ From assets 100%	680,143	440,732	505,229
-	-	-	+ Other off-balance sheet items	3,399	3,549	3,515
-	-	-	- Provisions for losses that cannot be included	176,599	101,039	121,020
-	-	-	+ Operational risk	960,303	640,956	640,956
311,861	311,859	312,746	Total calculation basis	8,447,215	5,067,407	5,922,025
101.96 %	102.07 %	103.07 %	Common equity tier 1	11.88 %	13.73 %	12.81 %
101.96 %	102.07 %	103.07 %	Core capital	13.35 %	13.73 %	14.91 %
101.96 %	102.07 %	103.07 %	Total capital	15.41 %	14.33 %	17.85 %

Norwegian Finans Holding ASA

Report for the third quarter 2014

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Note	Q3 2014	Q2 2014	Q1 2014	Q4 2013	Q3 2013
Interest income		336,150	304,738	270,576	246,245	221,840
Interest expenses		82,008	77,425	68,619	59,647	57,553
Net interest income		254,142	227,313	201,957	186,597	164,287
Commission and bank services income		33,289	30,272	29,245	23,358	23,610
Commission and bank services expenses		16,092	13,935	11,024	10,117	9,460
Net change in value on securities and currency		-2,291	985	1,290	3,601	3,586
Other income		443	-	-	-	-
Net other operating income		15,349	17,323	19,511	16,842	17,736
Total income		269,491	244,636	221,468	203,440	182,023
Personnel expenses		13,874	9,447	14,416	13,018	12,744
General administrative expenses		85,939	83,078	80,120	66,790	56,752
Ordinary depreciation		2,723	2,567	2,478	2,494	2,363
Other operating expenses		2,648	3,510	4,845	3,540	3,887
Total operating expenses		105,184	98,602	101,859	85,840	75,746
Provision for loan losses	2	35,363	33,636	30,234	26,763	21,470
Profit on ordinary activities before tax		128,944	112,398	89,375	90,836	84,808
Tax charge		34,815	30,347	24,131	25,519	23,750
Profit on ordinary activities after tax		94,129	82,050	65,244	65,317	61,058

Balance sheet

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Note	30.9.14	30.6.14	31.3.14	31.12.13	30.9.13
Assets						
Deposits with Norges Bank		56,968	106,865	56,610	54,007	50,851
Loans and deposits with credit institutions		406,572	389,133	249,476	106,140	136,073
Loans to customers	2	8,801,991	8,080,097	7,254,539	6,363,708	5,726,745
Certificates and bonds		3,371,032	2,918,677	2,746,773	1,694,114	1,770,696
Shares and other securities		443	-	-	-	-
Other intangible assets		32,543	30,590	30,511	30,616	28,264
Deferred tax asset		1,621	1,533	1,388	1,296	923
Fixed assets		1,252	1,379	1,506	1,539	1,503
Other assets		152,685	138,736	122,997	97,124	79,919
Total assets		12,825,107	11,667,010	10,463,800	8,348,544	7,794,975
Liabilities and equity						
Deposits from customers		9,500,416	9,039,933	8,496,086	6,592,180	6,243,425
Debt securities issued	3	1,602,018	1,099,801	555,782	499,762	499,743
Tax payable		89,572	54,669	85,850	93,413	67,544
Other liabilities		15,603	30,588	31,595	29,836	29,503
Accrued expenses and unearned income received		281,232	199,894	140,011	44,133	199,585
Subordinated loan	4	298,769	298,756	298,743	298,729	30,000
Total liabilities		11,787,610	10,723,642	9,608,066	7,558,054	7,069,799
Share capital	4	173,000	173,000	172,594	172,594	172,594
Share premium reserve	4	145,123	145,123	139,945	139,945	139,948
Retained earnings and other reserves	4	719,374	625,245	543,195	477,951	412,634
Total equity		1,037,497	943,369	855,734	790,490	725,176
Total liabilities and equity		12,825,107	11,667,010	10,463,800	8,348,544	7,794,975