

Report for the third quarter 2013

Norwegian Finans Holding ASA

Norwegian Finans Holding ASA Report for the third 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 operations in Sweden in May 2013, and offers "Norwegian Reward" credit card, loans and deposits.

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 September 30, 2013 a customer base of 270,500 customers, which can be broken down into 32,800 loan customers, 53,700 deposit customers and 184,000 "Norwegian Reward" credit card customers.

Profit and loss as of September 30, 2013

The consolidated profit after tax amounted to MNOK 172.6 as of September 30, 2013. Net interest income totalled MNOK 449.5, net other operating income amounted to MNOK 45.9 and total operating expenses were MNOK 199.2. The bank posted MNOK 56.0 in loan loss provisions.

Profit and loss for the third quarter of 2013

The consolidated profit after tax amounted to MNOK 61.1 in the third quarter, compared to MNOK 58.0 in the second quarter. Annual return on equity in the third quarter was 35.1%.

Net interest income amounted to MNOK 164.3, an increase of MNOK 14.8 from the second quarter. The net interest margin increased 0.4 percentage points to 8.5% in the third quarter due to lower deposit rates and a lower liquidity level.

Net other operating income amounted to MNOK 17.7 compared to MNOK 14.4 in the second quarter. Net commission income increased MNOK 2.6 to MNOK 14.2 mainly due to increased credit card usage. Net realized gain on sales of securities and currency amounted to MNOK 3.6.

Total operating expenses amounted to MNOK 75.7, compared to MNOK 64.7 in the second quarter. Personnel expenses increased MNOK 3.8 mainly related to seasonal accrual effects in the second quarter. Administrative expenses increased MNOK 6.1, mainly related to marketing spending. Depreciation decreased MNOK 0.1, while other operating expenses increased MNOK 1.3.

Provisions for loan losses totalled MNOK 21.5 in the third quarter, an increase of MNOK 3.3 compared to the second quarter. Provisions equaled 1.5% of average gross loans compared to 1.4% to the second

quarter. Delinquent loans accounted for 6.5% of gross loans compared to 6.9% in the second quarter. Non-performing loans accounted for 4.7% of gross loans, compared to 5.0 % per June 30, 2013.

Balance sheet as of September 30, 2013

Total assets increased MNOK 224 in the third quarter and amounted to MNOK 7,795 as of September 30. Net loans to customers amounted to MNOK 5,727, an increase of MNOK 509 in the quarter. Consumer loans amounted to MNOK 4,248 and credit card loans amounted to MNOK 1,587.

Customer deposits increased MNOK 86 in the third quarter and amounted to MNOK 6,243 at the end of the quarter.

Liquid assets fell MNOK 288 and amounted to MNOK 1,958, equivalent to 25% of total assets at the end of the third quarter.

Total equity amounted to MNOK 725, compared to MNOK 664 per June 30, 2013. The capital ratio was 13.4% and the core capital ratio was 12.8% per September 30, 2013.

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

Outlook for the remaining of 2013

The economic growth in Norway is expected to subside, while the Swedish economic growth is expected to improve. Interest rates and employment 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. Loan growth in Sweden is expected to pick up.

A high level of deposits to loans and access to securities funding, should sustain 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 continues the stable development. The bank's credit models are undergoing continuous improvements.

The level of common equity tier 1 capital is satisfactory. The bank aims at raising additional subordinated capital to satisfy impending capital requirements and support the bank's growth plans.

Norwegian Finans Holding ASA

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Profit and loss account

Norwegian Finans Holding ASA

Norwegian Finans Holding Group

2012	YTD 2012	YTD 2013	Q3 2012	Q3 2013	Amounts in NOK 1000	Note	Q3 2013	Q3 2012	YTD 2013	YTD 2012	2012
7	1	68	0	34	Interest income		221,840	169,709	618,075	457,340	635,974
-0	-0	-	-325	-	Interest expenses		57,553	50,589	168,600	126,985	176,787
7	1	68	325	34	Net interest income		164,287	119,120	449,475	330,354	459,187
-	-	-	-	-	Commission and bank services income		23,610	15,742	65,050	43,851	60,458
46	38	51	8	11	Commission and bank services expenses		9,460	6,001	25,874	16,964	23,693
-	-	-	-	-	Net change in value on securities and currency		3,586	373	6,510	1,589	1,605
-	-	-	-	-	Other income		-	167	181	167	167
-46	-38	-51	-8	-11	Net other operating income		17,736	10,281	45,867	28,643	38,536
-39	-37	16	317	22	Total income		182,023	129,401	495,343	358,997	497,723
1,284	973	979	332	331	Personnel expenses		12,744	11,464	33,264	30,692	41,896
-	-	20	-	-	General administrative expenses		56,752	36,184	149,973	109,777	150,561
-	-	-	-	-	Ordinary depreciation		2,363	3,731	7,188	11,002	14,708
69	56	81	13	13	Other operating expenses		3,887	2,016	8,756	5,748	7,308
1,353	1,029	1,080	344	344	Total operating expenses		75,746	53,395	199,181	157,219	214,474
-	-	-	-	-	Provision for loan losses	2	21,470	14,708	55,997	41,452	56,733
-1,392	-1,067	-1,064	-27	-321	Profit on ordinary activities before tax		84,808	61,298	240,164	160,327	226,517
-390	-295	-294	-8	-86	Tax charge		23,750	17,163	67,581	44,895	63,160
-1,002	-772	-770	-19	-235	Profit on ordinary activities after tax		61,058	44,135	172,584	115,432	163,356

Balance sheet

Norwegian Finans Holding ASA

Norwegian Finans Holding Group

31.12.12	30.9.12	30.9.13	Amounts in NOK 1000	Note	30.9.13	30.9.12	31.12.12
Assets							
-	-	-	Deposits with Norges Bank		50,851	51,003	49,969
306	321	9,295	Loans and deposits with credit institutions		136,073	105,787	99,771
-	-	-	Loans to customers	2	5,726,745	4,159,753	4,457,455
-	-	-	Certificates and bonds		1,770,696	1,881,720	1,867,992
310,000	310,000	310,000	Ownership interests in group companies		-	-	-
-	-	-	Other intangible assets		28,264	23,564	23,488
394	298	692	Deferred tax asset		923	861	625
-	-	-	Fixed assets		1,503	947	830
5,060	5,063	-	Receivables and accrued income		79,919	64,373	70,349
315,761	315,683	319,987	Total assets		7,794,975	6,288,008	6,570,479
Liabilities and equity							
-	-	-	Deposits from customers		6,243,425	5,278,714	5,626,927
-	-	-	Debt securities issued	3	499,743	250,000	250,000
-	-	-	Tax payable		67,544	72,425	63,219
-	-	-	Other liabilities		29,503	10,841	19,448
1,306	995	994	Accrued expenses and unearned income received		199,585	146,667	33,602
-	-	-	Subordinated loan	4	30,000	30,000	30,000
1,306	995	994	Total liabilities		7,069,799	5,788,647	6,023,195
171,776	171,776	172,594	Share capital	4	172,594	171,776	171,776
135,457	135,460	139,948	Share premium reserve	4	139,948	135,460	135,457
7,221	7,452	6,451	Retained earnings and other reserves	4	412,634	192,126	240,050
314,454	314,687	318,993	Total equity		725,176	499,361	547,284
315,761	315,683	319,987	Total liabilities and equity		7,794,975	6,288,008	6,570,479

Norwegian Finans Holding ASA Report for the third 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	4,491	-	4,090
Result for the period	-	-	-770	-770
Balance sheet as at 30.9.13	172,594	139,948	6,451	318,993

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	240,050	547,284
Capital increase *	818	4,491	-	5,309
Result for the period	-	-	172,584	172,584
Balance sheet as at 30.9.13	172,594	139,948	412,634	725,176

* 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 2012	Q3 2013	<i>Amounts in NOK 1000</i>	Q3 2013	Q3 2012
Cash flows from operating activities				
-1,067	-1,064	Profit/ loss before tax	240,164	160,327
-	-	Taxes paid	-63,550	-
-	-	Ordinary depreciations	7,188	11,002
-	-	Change in loans	-1,269,290	-1,024,158
-	-	Change in deposits from customers	616,498	1,701,998
-	-	Change in securities	97,295	-945,398
-2,809	5,060	Change in other receivables	-	-
-	-	Change in other accruals	-9,569	-11,341
-368	-313	Change in short-term liabilities	176,038	100,692
-4,244	3,684	Net cash flow from operating activities	-205,225	-6,878
Cash flows from investment activities				
-	-	Investment in subsidiary	-949	-673
-	-	Payment for acquisition of tangible fixed assets	-	43
-	-	Payment for acquisition of intangible assets	-11,688	-4,315
-	-	Net cash flow from investment activities	-12,637	-4,945
Cash flow from financing activities				
-	-	Debt securities issued	249,743	100,000
-	-	Cash flow before financing activities	-	-
4,088	5,305	Gross payments of subordinated debt	5,305	4,088
4,088	5,305	Net cash flow from financing activities	255,048	104,088
-156	8,989	Net cash flow for the period	37,185	92,265
477	306	Cash and cash equivalents at the start of the period	149,740	64,525
321	9,295	Cash and cash equivalents at the end of the period	186,925	156,790

Norwegian Finans Holding ASA

Report for the third quarter 2013

Note 1. General accounting principles

The interim report for the third 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	30.9.12	30.9.13	Amounts in NOK 1000	30.9.13	30.9.12	31.12.12
-	-	-	Gross lending before write-down of realised losses	5,947,273	4,308,955	4,621,938
-	-	-	Individual write-downs on loans	112,262	72,619	79,057
-	-	-	Gross lending	5,835,011	4,236,336	4,542,880
-	-	-	Write-downs on groups of loans	108,266	76,583	85,426
-	-	-	Net loans to and receivables from customers	5,726,745	4,159,753	4,457,455

Note 2.B. Default and loss on loans

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.12	30.9.12	30.9.13	Amounts in NOK 1000	30.9.13	30.9.12	31.12.12
Defaulted loans						
-	-	-	Gross defaulted loans	487,274	354,923	383,221
-	-	-	Individual write-downs	112,262	72,619	79,057
-	-	-	Defaulted loans	375,012	282,304	304,163
-	-	-	Individual group write-downs	41,403	22,826	30,353
-	-	-	Net defaulted loans	333,609	259,478	273,810

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

105,607 75,978 85,158

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
2012	Q3 2012	Q3 2013	Amounts in NOK 1000	Q3 2013	Q3 2012	2012
Write-downs on loans in the period						
-	-	-	Change in group write-downs for the period	8,253	4,583	16,370
-	-	-	Change in individual group write-downs for the period	-1,090	2,867	11,942
-	-	-	Write-offs for which provisions were made earlier	16,380	7,762	31,370
-	-	-	Write-offs for which provisions were not made earlier	-	-	-
-	-	-	Included in earlier write-offs	-2,073	-504	-2,948
-	-	-	Write-downs on loans in the period	21,470	14,708	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	30.9.12	30.9.13	Amounts in NOK 1000	30.9.13	30.9.12	31.12.12
Subordinated capital						
171,776	171,776	172,594	Share capital	172,594	171,776	171,776
135,457	135,460	139,948	+ Share premium reserve	139,948	135,460	135,457
7,221	7,452	6,451	+ Other reserves	412,634	192,126	240,050
-	299	692	- Deferred tax assets and intangible assets	29,188	24,425	24,113
314,454	314,389	318,301	Core capital	695,989	474,936	523,171
-	-	-	+ Supplementary capital	30,000	30,000	30,000
314,454	314,389	318,301	Net subordinated capital	725,989	504,936	553,171
99.8 %	99.8 %	102.1 %	Core capital ratio	12.8 %	12.0 %	12.5 %
99.8 %	99.8 %	102.1 %	Capital ratio	13.4 %	12.7 %	13.2 %

Norwegian Finans Holding ASA Report for the third quarter 2013

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group						
<i>Amounts in NOK 1000</i>	Note	Q3 2013	Q2 2013	Q1 2013	Q4 2012	Q3 2012
Interest income		221,840	206,620	189,615	178,634	169,709
Interest expenses		57,553	57,182	53,865	49,801	50,589
Net interest income		164,287	149,438	135,750	128,833	119,120
Commission and bank services income		23,610	20,426	21,014	16,606	15,742
Commission and bank services expenses		9,460	8,840	7,573	6,729	6,001
Net change in value on securities and currency		3,586	2,610	314	16	373
Other income		-	181	-	-	167
Net other operating income		17,736	14,377	13,755	9,893	10,281
Total income		182,023	163,815	149,505	138,726	129,401
Personnel expenses		12,744	8,939	11,581	11,205	11,464
General administrative expenses		56,752	50,658	42,563	40,784	36,184
Ordinary depreciation		2,363	2,502	2,323	3,706	3,731
Other operating expenses		3,887	2,580	2,289	1,560	2,016
Total operating expenses		75,746	64,679	58,757	57,255	53,395
Provision for loan losses	2	21,470	18,125	16,402	15,281	14,708
Profit on ordinary activities before tax		84,808	81,011	74,346	66,190	61,298
Tax charge		23,750	23,014	20,817	18,265	17,163
Profit on ordinary activities after tax		61,058	57,997	53,529	47,925	44,135

Balance sheet

Norwegian Finans Holding Group						
<i>Amounts in NOK 1000</i>	Note	30.9.13	30.6.13	31.3.13	31.12.12	30.9.12
Assets						
Deposits with Norges Bank		50,851	50,675	50,023	49,969	51,003
Loans and deposits with credit institutions		136,073	139,759	60,009	99,771	105,787
Loans to customers	2	5,726,745	5,217,823	4,813,769	4,457,455	4,159,753
Certificates and bonds		1,770,696	2,055,385	2,061,062	1,867,992	1,881,720
Other intangible assets		28,264	28,550	25,552	23,488	23,564
Deferred tax asset		923	833	732	625	861
Fixed assets		1,503	1,613	804	830	947
Other assets		79,919	75,848	114,019	70,349	64,373
Total assets		7,794,975	7,570,487	7,125,970	6,570,479	6,288,008
Liabilities and equity						
Deposits from customers		6,243,425	6,157,063	6,069,251	5,626,927	5,278,714
Debt securities issued	3	499,743	499,723	250,000	250,000	250,000
Tax payable		67,544	43,708	70,525	63,219	72,425
Other liabilities		29,503	42,559	14,053	19,448	10,841
Accrued expenses and unearned income received		199,585	133,307	91,328	33,602	146,667
Subordinated loan	4	30,000	30,000	30,000	30,000	30,000
Total liabilities		7,069,799	6,906,359	6,525,157	6,023,195	5,788,647
Share capital	4	172,594	172,594	171,776	171,776	171,776
Share premium reserve	4	139,948	139,957	135,457	135,457	135,460
Retained earnings and other reserves	4	412,634	351,576	293,580	240,050	192,126
Total equity		725,176	664,127	600,813	547,284	499,361
Total liabilities and equity		7,794,975	7,570,487	7,125,970	6,570,479	6,288,008