

Report for the first quarter 2015

Norwegian Finans Holding ASA

Norwegian Finans Holding ASA Report for the first quarter 2015

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.

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 first quarter 2015 a customer base of 477,900 customers, which can be broken down into 61,700 loan customers, 73,800 deposit customers and 342,400 "Norwegian Reward" credit card customers.

Profit and loss for the first quarter of 2015

The NFH Group's profit after tax amounted to MNOK 113.3, compared with MNOK 104.4 in the fourth quarter 2014. The profit after tax in Sweden amounted to MNOK 4.5. Annual return on equity in the first quarter was 37.9 %, while return on assets was 3.3 %.

Net interest income amounted to MNOK 301.6, an increase of MNOK 15.1 from the fourth quarter. The net interest margin increased from 8.7 % in the fourth quarter to 8.9 %, due to improved asset utilization and lower funding costs.

Net other operating income amounted to MNOK 20.5 compared with MNOK 16.7 in the fourth quarter. Net commission income increased MNOK 2.8 to MNOK 22.9 mainly due to performance based commission on ancillary services. Net loss on securities and currency amounted to MNOK 2.4.

Total operating expenses amounted to MNOK 127.5 compared with MNOK 115.2 in the fourth quarter. Personnel expenses increased MNOK 0.3. Administrative expenses increased MNOK 8.6, due to increased marketing expenses and expenses related to a core system conversion. Depreciation increased MNOK 3.0 due to charge-offs in relation to the system change. Other operating expenses increased MNOK 0.3.

The bank's provisions for loan losses amounted to MNOK 39.3, a decrease of MNOK 4.0 from the fourth quarter. The change is mainly explained by the sale of non-performing loans in the fourth quarter. Provisions equaled 1.6 % of average gross loans, which is stable compared with the fourth quarter. Delinquent loans

accounted for 4.3 % of gross loans, compared with 4.1 % at the end of the previous quarter. Non-performing loans accounted for 3.1 % of gross loans, compared with 2.8 % as of December 31, 2014.

Balance sheet as of March 31, 2015

Total assets increased MNOK 269 in the quarter and amounted to MNOK 13,694 as of March 31, 2015. Net loans to customers amounted to MNOK 10,113, an increase of MNOK 712 in the quarter. Consumer loans amounted to MNOK 7,449 and credit card loans amounted to MNOK 2,781.

Customer deposits decreased MNOK 200 in the first quarter and amounted to MNOK 9,955 at the end of the quarter.

Liquid assets decreased MNOK 453 and amounted to MNOK 3,360, equivalent to 24 % of total assets at the end of the first quarter.

Total equity amounted to MNOK 1,255, compared with MNOK 1,142 as of year-end. The total capital ratio was 15.6 %, the core capital ratio was 13.8 % and the common equity tier 1 ratio was 12.6 % per March 31, 2015.

There has been a limited review of the accounts per March 31, 2015, and the full result is added to retained earnings.

Outlook for the remaining of the year

The Norwegian and Swedish economies show signs of slower growth and there are expectations of higher unemployment in Norway while it is expected to be stable in Sweden. Increased unemployment may entail higher levels of loan losses.

The level of interest rates in Norway and Sweden are expected to remain low. The bank will benefit from the low levels of interest rates through reduced funding expenses going forward.

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

A high deposit to loans ratio and good access to the securities market are expected to maintain the bank's strong liquidity position.

The investment portfolio has provided a satisfactory return. The portfolio's low risk mandate will remain.

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

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

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Profit and loss account

Norwegian Finans Holding ASA

2014	Q1 2014	Q1 2015	Amounts in NOK 1000	Note	Q1 2015	Q1 2014	2014
124	36	10	Interest income		379,773	270,576	1,279,849
-	-	-	Interest expenses		78,158	68,619	309,930
124	36	10	Net interest income		301,615	201,957	969,918
-	-	-	Commission and bank services income		39,066	29,245	127,903
261	14	77	Commission and bank services expenses		16,205	11,024	56,045
-	-	-	Net change in value on securities and currency		-2,356	1,290	-3,401
-	-	-	Other income		-	-	443
-261	-14	-77	Net other operating income		20,504	19,511	68,900
-137	22	-67	Total income		322,119	221,468	1,038,819
1,282	327	336	Personnel expenses		14,533	14,416	51,966
21	-	-	General administrative expenses		103,013	80,083	343,475
-	-	-	Ordinary depreciation		5,789	2,478	10,514
94	38	35	Other operating expenses		4,203	4,883	14,930
1,397	364	371	Total operating expenses		127,538	101,859	420,884
-	-	-	Provision for loan losses	2	39,349	30,234	142,570
-1,534	-342	-438	Profit on ordinary activities before tax		155,232	89,375	475,364
-414	-92	-118	Tax charge		41,913	24,131	129,585
-1,120	-250	-320	Profit on ordinary activities after tax		113,319	65,244	345,779

Balance sheet

Norwegian Finans Holding ASA

31.12.14	31.3.14	31.3.15	Amounts in NOK 1000	Note	31.3.15	31.3.14	31.12.14
Assets							
-	-	-	Deposits with Norges Bank		59,029	56,610	58,998
13,342	9,251	13,168	Loans and deposits with credit institutions		321,454	249,476	299,705
-	-	-	Loans to customers	2	10,113,490	7,254,539	9,401,001
-	-	-	Certificates and bonds		2,979,661	2,746,773	3,454,319
310,000	310,000	310,000	Ownership interests in group companies		-	-	-
-	-	-	Shares and other securities		443	-	443
-	-	-	Other intangible assets		36,801	30,511	33,874
1,172	851	1,291	Deferred tax asset		1,444	1,388	1,326
-	-	-	Fixed assets		1,021	1,506	1,124
-	36	73	Receivables and accrued income		180,247	122,997	174,191
324,515	320,137	324,531	Total assets		13,693,591	10,463,800	13,424,980
Liabilities and equity							
-	-	-	Deposits from customers		9,955,498	8,496,086	10,155,698
-	-	-	Debt securities issued	3	1,875,394	555,782	1,601,856
-	-	-	Tax payable		126,572	85,850	129,591
-	-	-	Other liabilities		22,641	31,595	21,755
1,315	1,652	1,651	Accrued expenses and unearned income received		159,517	140,011	75,446
-	-	-	Subordinated loan	4	298,795	298,743	298,782
1,315	1,652	1,651	Total liabilities		12,438,418	9,608,066	12,283,127
173,000	172,594	173,000	Share capital	4	173,000	172,594	173,000
145,123	139,945	145,123	Share premium reserve	4	145,123	139,945	145,123
5,076	5,946	4,756	Retained earnings and other reserves	4	937,049	543,195	823,730
323,200	318,485	322,880	Total equity		1,255,173	855,734	1,141,853
324,515	320,137	324,531	Total liabilities and equity		13,693,591	10,463,800	13,424,980

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Changes in equity

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<i>Amounts in NOK 1000</i>	Share capital	Share premium	Other reserves	Total
Balance sheet as at 1.1.14	172,594	139,945	6,196	318,735
Capital increase *	406	5,178	-	5,584
Result for the period	-	-	-1,120	-1,120
Balance sheet as at 31.12.14	173,000	145,123	5,076	323,200
Result for the period	-	-	-320	-320
Balance sheet as at 31.3.15	173,000	145,123	4,756	322,880

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Share capital	Share premium	Other reserves	Total
Balance sheet as at 1.1.14	172,594	139,945	477,951	790,490
Capital increase *	406	5,178	-	5,584
Result for the period	-	-	345,779	345,779
Balance sheet as at 31.12.14	173,000	145,123	823,730	1,141,853
Result for the period	-	-	113,319	113,319
Balance sheet as at 31.3.15	173,000	145,123	937,049	1,255,173

* 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

Q1 2014	Q1 2015	<i>Amounts in NOK 1000</i>	Q1 2015	Q1 2014
Cash flows from operating activities				
-342	-438	Profit / loss before tax	155,232	89,375
-	-	- Taxes paid	-45,050	-31,786
-	-	- Ordinary depreciations	5,789	2,478
-	-	- Change in loans	-712,489	-890,831
-	-	- Change in deposits from customers	-200,200	1,903,905
-	-	- Change in securities	474,658	-1,052,659
-36	-73	Change in other accruals	-6,056	-25,873
323	336	Change in short-term liabilities	84,958	97,636
-55	-175	Net cash flow from operating activities	-243,157	92,245
Cash flows from investment activities				
-	-	- Payment for acquisition of tangible fixed assets	-	-92
-	-	- Payment for acquisition of intangible assets	-8,613	-2,246
-	-	Net cash flow from investment activities	-8,613	-2,339
Cash flow from financing activities				
-	-	- Debt securities issued	273,538	56,020
-	-	- Subordinated debt	13	13
-	-	Net cash flow from financing activities	273,551	56,033
-55	-175	Net cash flow for the period	21,780	145,939
9,306	13,342	Cash and cash equivalents at the start of the period	358,703	160,147
9,251	13,168	Cash and cash equivalents at the end of the period	380,484	306,086

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Note 1. General accounting principles

The interim report for the first quarter 2015 is set up according to the same accounting principles as the annual report 2014.

Note 2.A. Loans to and receivables from customers

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.14	31.3.14	31.3.15	Amounts in NOK 1000	31.3.15	31.3.14	31.12.14
-	-	-	Gross lending	10,347,135	7,531,796	9,596,917
-	-	-	- individual write-downs on loans	28,678	137,965	13,690
-	-	-	- write-downs on groups of loans	204,967	139,292	182,226
-	-	-	Net loans to and receivables from customers	10,113,490	7,254,539	9,401,001

Note 2.B. Default and loss on loans

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.14	31.3.14	31.3.15	Amounts in NOK 1000	31.3.15	31.3.14	31.12.14
Defaulted loans						
-	-	-	Gross defaulted loans	474,974	585,313	405,668
-	-	-	- Individual write-downs on loans	28,678	137,965	13,690
-	-	-	- Write-downs on groups of loans	204,967	139,292	182,226
-	-	-	Net defaulted loans	241,329	308,056	209,752

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

Defaulted loans which are performing	124,875	117,775	123,240
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Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
2014	Q1 2014	Q1 2015	Amounts in NOK 1000	Q1 2015	Q1 2014	2014
Write-downs on loans for the period						
-	-	-	Change in group write-downs for the period	23,656	18,507	83,277
-	-	-	Write-offs for which provisions were made earlier	15,006	15,674	59,294
-	-	-	Write-offs for which provisions were not made earlier	687	-	-
-	-	-	Included in earlier write-offs	-	-3,946	-
-	-	-	Write-downs on loans for the period	39,349	30,234	142,570

Note 3. Debt securities issued

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.14	31.3.14	31.3.15	Amounts in NOK 1000	31.3.15	31.3.14	31.12.14
-	-	-	Floating rate note bonds 2011/2014	-	156,000	-
-	-	-	Floating rate note bonds 2013/2016	174,107	99,886	300,228
-	-	-	Floating rate note bonds 2013/2018	302,140	299,896	302,314
-	-	-	Floating rate note bonds 2014/2017	399,792	-	399,767
-	-	-	Floating rate note certificate 2014/2015	199,997	-	199,992
-	-	-	Floating rate note bonds 2014/2019	399,580	-	399,556
-	-	-	Floating rate note bonds 2015/2018	399,778	-	-
-	-	-	Total	1,875,394	555,782	1,601,856

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Note 4. Subordinated capital

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.14	31.3.14	31.3.15	Amounts in NOK 1000	31.3.15	31.3.14	31.12.14
Subordinated capital						
173,000	172,594	173,000	Share capital	173,000	172,594	173,000
145,123	139,945	145,123	+ Share premium reserve	145,123	139,945	145,123
5,076	5,946	4,756	+ Other reserves	937,049	543,195	823,730
1,172	851	1,291	- Deferred tax assets and intangible assets	38,245	31,899	35,199
322,028	317,635	321,589	Common equity tier 1	1,216,928	823,835	1,106,654
-	-	-	+ Hybrid capital	124,250	124,250	124,250
322,028	317,635	321,589	Core capital	1,341,178	948,085	1,230,904
-	-	-	+ Supplemental capital	174,545	174,493	174,532
322,028	317,635	321,589	Total capital	1,515,723	1,122,578	1,405,436
Calculation basis						
Credit risk						
-	-	-	From assets 10%	1,617	-	17,016
2,668	1,886	2,634	+ From assets 20%	443,092	409,445	472,448
-	-	-	+ From assets 75%	7,425,629	5,313,310	6,903,704
310,000	310,000	310,073	+ From assets 100%	628,008	571,885	567,736
-	-	-	+ Other off-balance sheet items	3,389	3,475	3,423
-	-	-	- Provisions for losses that cannot be included	204,967	139,292	182,226
-	-	-	+ Operational risk	1,397,077	960,303	960,303
312,668	311,886	312,706	Total calculation basis	9,693,845	7,119,126	8,742,403
102.99 %	101.84 %	102.84 %	Common equity tier 1	12.55 %	11.57 %	12.66 %
102.99 %	101.84 %	102.84 %	Core capital	13.84 %	13.32 %	14.08 %
102.99 %	101.84 %	102.84 %	Total capital	15.64 %	15.77 %	16.08 %

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Quarterly figures

Profit and loss account

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Note	Q1 2015	Q4 2014	Q3 2014	Q2 2014	Q1 2014
Interest income		379,773	368,384	336,150	304,738	270,576
Interest expenses		78,158	81,878	82,008	77,425	68,619
Net interest income		301,615	286,506	254,142	227,313	201,957
Commission and bank services income		39,066	35,097	33,289	30,272	29,245
Commission and bank services expenses		16,205	14,994	16,092	13,935	11,024
Net change in value on securities and currency		-2,356	-3,385	-2,291	985	1,290
Other income		-	-	443	-	-
Net other operating income		20,504	16,718	15,349	17,323	19,511
Total income		322,119	303,224	269,491	244,636	221,468
Personnel expenses		14,533	14,241	13,874	9,435	14,416
General administrative expenses		103,013	94,387	85,927	83,079	80,083
Ordinary depreciation		5,789	2,747	2,723	2,567	2,478
Other operating expenses		4,203	3,865	2,661	3,521	4,883
Total operating expenses		127,538	115,239	105,184	98,602	101,859
Provision for loan losses	2	39,349	43,337	35,363	33,636	30,234
Profit on ordinary activities before tax		155,232	144,648	128,944	112,398	89,375
Tax charge		41,913	40,292	34,815	30,347	24,131
Profit on ordinary activities after tax		113,319	104,356	94,129	82,050	65,244

Balance sheet

Norwegian Finans Holding Group

<i>Amounts in NOK 1000</i>	Note	31.3.15	31.12.14	30.9.14	30.6.14	31.3.14
Assets						
Deposits with Norges Bank		59,029	58,998	56,968	106,865	56,610
Loans and deposits with credit institutions		321,454	299,705	406,572	389,133	249,476
Loans to customers	2	10,113,490	9,401,001	8,801,991	8,080,097	7,254,539
Certificates and bonds		2,979,661	3,454,319	3,371,032	2,918,677	2,746,773
Shares and other securities		443	443	443	-	-
Other intangible assets		36,801	33,874	32,543	30,590	30,511
Deferred tax asset		1,444	1,326	1,621	1,533	1,388
Fixed assets		1,021	1,124	1,252	1,379	1,506
Other assets		180,247	174,191	152,685	138,736	122,997
Total assets		13,693,591	13,424,980	12,825,107	11,667,010	10,463,800
Liabilities and equity						
Deposits from customers		9,955,498	10,155,698	9,500,416	9,039,933	8,496,086
Debt securities issued	3	1,875,394	1,601,856	1,602,018	1,099,801	555,782
Tax payable		126,572	129,591	89,572	54,669	85,850
Other liabilities		22,641	21,755	15,603	30,588	31,595
Accrued expenses and unearned income received		159,517	75,446	281,232	199,894	140,011
Subordinated loan	4	298,795	298,782	298,769	298,756	298,743
Total liabilities		12,438,418	12,283,127	11,787,610	10,723,642	9,608,066
Share capital	4	173,000	173,000	173,000	173,000	172,594
Share premium reserve	4	145,123	145,123	145,123	145,123	139,945
Retained earnings and other reserves	4	937,049	823,730	719,374	625,245	543,195
Total equity		1,255,173	1,141,853	1,037,497	943,369	855,734
Total liabilities and equity		13,693,591	13,424,980	12,825,107	11,667,010	10,463,800