

Report for the first quarter 2014

Norwegian Finans Holding ASA

Norwegian Finans Holding ASA Report for the first 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 private investors in Norway and abroad, of which Norwegian Air Shuttle ASA is the largest owner with a stake of 20 %.

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 Visa 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 first quarter 2014 a customer base of 351,300 customers, which can be broken down into 43,000 loan customers, 66,200 deposit customers and 242,100 "Norwegian Reward" credit card customers.

Profit and loss for the first quarter of 2014

The NFH Group's profit after tax amounted to MNOK 65.2 in the first quarter, compared with MNOK 65.3 in the fourth quarter 2013. Annual return on equity in the first quarter was 31.8 %.

Net interest income amounted to MNOK 202.0, an increase of MNOK 15.4 from the fourth quarter. The net interest margin decreased from 9.3 % in the fourth quarter to 8.7 %.

Net other operating income amounted to MNOK 19.5 compared with MNOK 16.8 in the fourth quarter. Net commission income increased MNOK 5.0 to MNOK 18.2 due to performance-based commission on ancillary services and increased credit card activity. Net realized gain on value of securities and currency amounted to MNOK 1.3.

Total operating expenses amounted to MNOK 101.9 compared with MNOK 85.8 in the fourth quarter. Personnel expenses increased MNOK 1.4 due to staff increases in the Swedish operations. Administrative expenses increased MNOK 13.3, mainly due to increased marketing spending. Depreciation is unchanged, while other operating expenses increased MNOK 1.3.

Provisions for loan losses amounted to MNOK 30.2, an increase of MNOK 3.5 from the fourth quarter. Provisions equaled 1.7 % of average gross loans, which were stable compared with the fourth quarter. Delinquent loans accounted for 6.1 % of gross loans, compared with 6.2 % at the end of the previous quarter.

Non-performing loans accounted for 4.5 % of gross loans, compared with 4.6 % per December 31, 2013.

Balance sheet as of March 31, 2014

Total assets increased MNOK 2,115 in the quarter and amounted to MNOK 10,464 as of March 31, 2014. Net loans to customers amounted to MNOK 7,255, an increase of MNOK 891 in the quarter. Consumer loans amounted to MNOK 5,428 and credit card loans amounted to MNOK 1,878.

Customer deposits increased MNOK 1,904 in the first quarter and amounted to MNOK 8,496 at the end of the quarter.

Liquid assets increased MNOK 1,199 and amounted to MNOK 3,053, equivalent to 29 % of total assets at the end of the first quarter.

Total equity amounted to MNOK 856, compared with MNOK 790 at the end of last year. The total capital ratio was 15.8 %, the core capital ratio was 13.3 % and the common equity tier 1 ratio was 11.6 % per March 31, 2014.

There has been a limited review of the accounts per March 31, 2014, and the full result is added to retained earnings.

Outlook for the remaining of the year

A somewhat lower growth is expected for the Norwegian economy, while there is an outlook for increased activity in the Swedish economy. Going forward, a steady employment and interest rate level are expected in Norway and Sweden.

The bank expects earnings growth ahead, based on strong loan growth, stable margins, cost control and good credit quality.

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 of the Swedish loan portfolio is developing as expected.

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.

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Profit and loss account

Norwegian Finans Holding ASA				Norwegian Finans Holding Group			
2013	Q1 2013	Q1 2014	Amounts in NOK 1000	Note	Q1 2014	Q1 2013	2013
102	0	36	Interest income		270,576	189,615	864,320
-	-	-	Interest expenses		68,619	53,865	228,248
102	0	36	Net interest income		201,957	135,750	636,073
-	-	-	Commission and bank services income		29,245	21,014	88,408
62	12	14	Commission and bank services expenses		11,024	7,573	35,990
-	-	-	Net change in value on securities and currency		1,290	314	10,111
-	-	-	Other income		-	-	181
-62	-12	-14	Net other operating income		19,511	13,755	62,710
40	-12	22	Total income		221,468	149,505	698,782
1,311	331	327	Personnel expenses		14,416	11,581	46,282
20	-	38	General administrative expenses		80,120	42,563	216,763
-	-	-	Ordinary depreciation		2,478	2,323	9,682
94	38	-	Other operating expenses		4,845	2,289	12,296
1,424	369	364	Total operating expenses		101,859	58,757	285,022
-	-	-	Provision for loan losses	2	30,234	16,402	82,760
-1,385	-380	-342	Profit on ordinary activities before tax		89,375	74,346	331,000
-360	-107	-92	Tax charge		24,131	20,817	93,099
-1,025	-274	-250	Profit on ordinary activities after tax		65,244	53,529	237,901

Balance sheet

Norwegian Finans Holding ASA				Norwegian Finans Holding Group			
31.12.13	31.3.13	31.3.14	Amounts in NOK 1000	Note	31.3.14	31.3.13	31.12.13
Assets							
-	-	-	Deposits with Norges Bank		56,610	50,023	54,007
9,306	5,317	9,251	Loans and deposits with credit institutions		249,476	60,009	106,140
-	-	-	Loans to customers	2	7,254,539	4,813,769	6,363,708
-	-	-	Certificates and bonds		2,746,773	2,061,062	1,694,114
310,000	310,000	310,000	Ownership interests in group companies		-	-	-
-	-	-	Other intangible assets		30,511	25,552	30,616
758	501	851	Deferred tax asset		1,388	732	1,296
-	-	-	Fixed assets		1,506	804	1,539
-	-	36	Receivables and accrued income		122,997	114,019	97,124
320,064	315,818	320,137	Total assets		10,463,800	7,125,970	8,348,544
Liabilities and equity							
-	-	-	Deposits from customers		8,496,086	6,069,251	6,592,180
-	-	-	Debt securities issued	3	555,782	250,000	499,762
-	-	-	Tax payable		85,850	70,525	93,413
-	-	-	Other liabilities		31,595	14,053	29,836
1,329	1,638	1,652	Accrued expenses and unearned income received		140,011	91,328	44,133
-	-	-	Subordinated loan	4	298,743	30,000	298,729
1,329	1,638	1,652	Total liabilities		9,608,066	6,525,157	7,558,054
172,594	171,776	172,594	Share capital	4	172,594	171,776	172,594
139,945	135,457	139,945	Share premium reserve	4	139,945	135,457	139,945
6,196	6,947	5,946	Retained earnings and other reserves	4	543,195	293,580	477,951
318,735	314,180	318,485	Total equity		855,734	600,813	790,490
320,064	315,818	320,137	Total liabilities and equity		10,463,800	7,125,970	8,348,544

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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
Result for the period	-	-	-250	-250
Balance sheet as at 31.3.14	172,594	139,945	5,946	318,486

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
Result for the period	-	-	65,244	65,244
Balance sheet as at 31.3.14	172,594	139,945	543,195	855,734

* 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 2013	Q1 2014	<i>Amounts in NOK 1000</i>	Q1 2014	Q1 2013
Cash flows from operating activities				
-380	-342	Profit / loss before tax	89,375	74,346
-	-	- Taxes paid	-31,786	-13,617
-	-	- Ordinary depreciations	2,478	2,323
-	-	- Change in loans	-890,831	-356,314
-	-	- Change in deposits from customers	1,903,905	442,324
-	-	- Change in securities	-1,052,659	-193,070
5,060	-	- Change in other receivables	-	-
-	-36	Change in other accruals	-25,873	-43,669
331	323	Change in short-term liabilities	97,636	52,332
5,011	-55	Net cash flow from operating activities	92,245	-35,346
Cash flows from investment activities				
-	-	- Payment for acquisition of tangible fixed assets	-92	-57
-	-	- Payment for acquisition of intangible assets	-2,246	-4,304
-	-	Net cash flow from investment activities	-2,339	-4,362
Cash flow from financing activities				
-	-	- Debt securities issued	56,020	-
-	-	- Subordinated debt	13	-
-	-	Net cash flow from financing activities	56,033	-
5,011	-55	Net cash flow for the period	145,939	-39,708
306	9,306	Cash and cash equivalents at the start of the period	160,147	149,740
5,317	9,250	Cash and cash equivalents at the end of the period	306,086	110,032

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Note 1. General accounting principles

The interim report for the first 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	31.3.13	31.3.14	Amounts in NOK 1000	31.3.14	31.3.13	31.12.13
-	-	-	Gross lending	7,531,796	4,994,649	6,610,966
-	-	-	- individual write-downs on loans	137,965	86,878	126,238
-	-	-	- write-downs on groups of loans	139,292	94,002	121,020
-	-	-	Net loans to and receivables from customers	7,254,539	4,813,769	6,363,708

Note 2.B. Default and loss on loans

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.13	31.3.13	31.3.14	Amounts in NOK 1000	31.3.14	31.3.13	31.12.13
Defaulted loans						
-	-	-	Gross defaulted loans	585,313	422,967	532,804
-	-	-	- Individual write-downs on loans	137,965	86,878	126,238
-	-	-	- Write-downs on groups of loans	139,292	94,002	121,020
-	-	-	Net defaulted loans	308,056	242,087	285,546

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

Defaulted loans which are performing: 117,775 90,963 108,629

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
2013	Q1 2013	Q1 2014	Amounts in NOK 1000	Q1 2014	Q1 2013	2013
Write-downs on loans for the period						
-	-	-	Change in group write-downs for the period	18,507	8,577	35,575
-	-	-	Write-offs for which provisions were made earlier	15,674	9,576	54,975
-	-	-	Write-offs for which provisions were not made earlier	-	-	-
-	-	-	Included in earlier write-offs	-3,946	-1,751	-7,789
-	-	-	Write-downs on loans for the period	30,234	16,402	82,760

Note 3. Debt securities issued

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.13	31.3.13	31.3.14	Amounts in NOK 1000	31.3.14	31.3.13	31.12.13
-	-	-	Floating rate note bonds 2011/2014	156,000	250,000	250,000
-	-	-	Floating rate note bonds 2013/2016	99,886	-	149,883
-	-	-	Floating rate note bonds 2013/2018	299,896	-	99,879
-	-	-	Total	555,782	250,000	499,762

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Note 4. Subordinated capital

				Norwegian Finans Holding Group		
31.12.13	31.3.13	31.3.14	Amounts in NOK 1000	31.3.14	31.3.13	31.12.13
Subordinated capital						
172,594	171,776	172,594	Share capital	172,594	171,776	172,594
139,945	135,457	139,945	+ Share premium reserve	139,945	135,457	139,945
6,196	6,947	5,946	+ Other reserves	543,195	293,580	477,951
758	501	851	- Deferred tax assets and intangible assets	31,899	26,284	31,912
317,977	313,679	317,635	Common equity tier 1	823,835	574,529	758,578
-	-	-	+ Hybrid capital	124,250	-	124,250
317,977	313,679	317,635	Core capital	948,085	574,529	882,828
-	-	-	+ Supplemental capital	174,493	30,000	174,479
317,977	313,679	317,635	Total capital	1,122,577	604,529	1,057,307
Calculation basis						
Credit risk						
1,861	1,063	1,850	From assets 20%	409,445	278,242	240,045
-	-	-	+ From assets 75%	5,313,310	3,493,921	4,653,300
310,000	310,000	310,036	+ From assets 100%	571,885	450,911	505,229
-	-	-	+ Other off-balance sheet items	3,475	3,355	3,515
-	-	-	- Provisions for losses that cannot be included	139,292	94,002	121,020
-	-	-	+ Operational risk	960,303	640,956	640,956
311,861	311,063	311,886	Total calculation basis	7,119,126	4,773,383	5,922,025
101.96 %	100.84 %	101.84 %	Common equity tier 1	11.57 %	12.04 %	12.81 %
101.96 %	100.84 %	101.84 %	Core capital	13.32 %	12.04 %	14.91 %
101.96 %	100.84 %	101.84 %	Total capital	15.77 %	12.66 %	17.85 %

Norwegian Finans Holding ASA

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Quarterly figures

Profit and loss account

Norwegian Finans Holding Group

Amounts in NOK 1000

	Note	Q1 2014	Q4 2013	Q3 2013	Q2 2013	Q1 2013
Interest income		270,576	246,245	221,840	206,620	189,615
Interest expenses		68,619	59,647	57,553	57,182	53,865
Net interest income		201,957	186,597	164,287	149,438	135,750
Commission and bank services income		29,245	23,358	23,610	20,426	21,014
Commission and bank services expenses		11,024	10,117	9,460	8,840	7,573
Net change in value on securities and currency		1,290	3,601	3,586	2,610	314
Other income		-	-	-	181	-
Net other operating income		19,511	16,842	17,736	14,377	13,755
Total income		221,468	203,440	182,023	163,815	149,505
Personnel expenses		14,416	13,018	12,744	8,939	11,581
General administrative expenses		80,120	66,790	56,752	50,658	42,563
Ordinary depreciation		2,478	2,494	2,363	2,502	2,323
Other operating expenses		4,845	3,540	3,887	2,580	2,289
Total operating expenses		101,859	85,840	75,746	64,679	58,757
Provision for loan losses	2	30,234	26,763	21,470	18,125	16,402
Profit on ordinary activities before tax		89,375	90,836	84,808	81,011	74,346
Tax charge		24,131	25,519	23,750	23,014	20,817
Profit on ordinary activities after tax		65,244	65,317	61,058	57,997	53,529

Balance sheet

Norwegian Finans Holding Group

Amounts in NOK 1000

	Note	31.3.14	31.12.13	30.9.13	30.6.13	31.3.13
Assets						
Deposits with Norges Bank		56,610	54,007	50,851	50,675	50,023
Loans and deposits with credit institutions		249,476	106,140	136,073	139,759	60,009
Loans to customers	2	7,254,539	6,363,708	5,726,745	5,217,823	4,813,769
Certificates and bonds		2,746,773	1,694,114	1,770,696	2,055,385	2,061,062
Other intangible assets		30,511	30,616	28,264	28,550	25,552
Deferred tax asset		1,388	1,296	923	833	732
Fixed assets		1,506	1,539	1,503	1,613	804
Other assets		122,997	97,124	79,919	75,848	114,019
Total assets		10,463,800	8,348,544	7,794,975	7,570,487	7,125,970
Liabilities and equity						
Deposits from customers		8,496,086	6,592,180	6,243,425	6,157,063	6,069,251
Debt securities issued	3	555,782	499,762	499,743	499,723	250,000
Tax payable		85,850	93,413	67,544	43,708	70,525
Other liabilities		31,595	29,836	29,503	42,559	14,053
Accrued expenses and unearned income received		140,011	44,133	199,585	133,307	91,328
Subordinated loan	4	298,743	298,729	30,000	30,000	30,000
Total liabilities		9,608,066	7,558,054	7,069,799	6,906,359	6,525,157
Share capital	4	172,594	172,594	172,594	172,594	171,776
Share premium reserve	4	139,945	139,945	139,948	139,957	135,457
Retained earnings and other reserves	4	543,195	477,951	412,634	351,576	293,580
Total equity		855,734	790,490	725,176	664,127	600,813
Total liabilities and equity		10,463,800	8,348,544	7,794,975	7,570,487	7,125,970