

Report for the first quarter 2013

Norwegian Finans Holding ASA

Norwegian Finans Holding ASA Report for the first 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.

Bank Norwegian will establish banking services in Sweden in the second quarter 2013. The operations will be carried out on a cross-border basis.

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 March 31, 2013 a customer base of 225,500 customers, which can be broken down into 28,100 loan customers, 51,300 deposit customers and 146,100 "Norwegian Reward" credit card customers.

Profit and loss for the first quarter of 2013

The consolidated profit after tax amounted to MNOK 53.5 in the first quarter, compared to MNOK 47.9 in the fourth quarter of 2012. Annual return on equity in the first quarter was 37.3%.

Net interest income amounted to MNOK 135.8, an increase of MNOK 6.9 compared to the fourth quarter of 2012. The net interest margin decreased from 8.0% in the fourth quarter of 2012, to 7.9% in the first quarter.

Net other operating income amounted to MNOK 13.8 compared to MNOK 9.9 in the fourth quarter of 2012. Net commission income increased MNOK 3.6 to MNOK 13.4 attributed to performance-based commission on ancillary services. Net change in value on investment securities amounted to MNOK 0.3.

Total operating expenses amounted to MNOK 58.8 in the first quarter, compared to MNOK 57.3 in the fourth quarter. Wages and administrative expenses increased MNOK 2.2. Personnel expenses increased MNOK 0.7, while sales and marketing expenses increased MNOK 1.5. Depreciation decreased MNOK 1.4, while other operating expenses increased MNOK 0.7.

Provisions for loan losses totaled MNOK 16.4 in the first quarter, an increase of MNOK 1.1 compared to the fourth quarter of 2012. Provisions equaled 1.4% of average gross loans and were stable compared to the fourth quarter.

Delinquent loans accounted for 6.9% of gross loans, compared to 6.7% in the previous quarter. Non-performing loans accounted for 5.0% of gross loans, compared to 4.8 % per December 31, 2012.

Balance sheet as of March 31, 2013

Total assets increased MNOK 555 and amounted to MNOK 7,126 as of March 31. Net loans to customers amounted to MNOK 4,814, an increase of MNOK 356 during the quarter. Consumer loans amounted to MNOK 3,554 and credit card loans amounted to MNOK 1,331.

Customer deposits increased MNOK 442 in the first quarter and amounted to MNOK 6,069 at the end of the quarter.

Liquid assets increased by MNOK 153 and amounted to MNOK 2,171, equivalent to 30% of total assets at the end of the first quarter.

Total equity amounted to MNOK 601, compared to MNOK 547 at the end of 2012. The capital ratio was 12.7% and the core capital ratio was 12.0% per March 31, 2013.

There has been a limited review of the accounts per March 31, 2013, and the full result is added to core capital.

Outlook for the remaining of 2013

The uncertainty in the global economy is expected to continue, but 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 establishment in Sweden will contribute to increased loan growth and is expected to provide a profit contribution in the second full year of operation. The Swedish operations will be carried out by the existing organization.

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.

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Profit and loss account

Norwegian Finans Holding ASA				Norwegian Finans Holding Group			
2012	Q1 2012	Q1 2013	Amounts in NOK 1000	Note	Q1 2013	Q1 2012	2012
7	0	0	Interest income		189,615	135,169	636,623
-0	162	-	Interest expenses		53,865	33,349	177,436
7	-162	0	Net interest income		135,750	101,820	459,187
-	-	-	Commission and bank services income		21,014	13,291	60,458
46	8	12	Commission and bank services expenses		7,573	4,957	23,693
-	-	-	Net change in value on securities		314	1,459	1,605
-	-	-	Other income		-	-	167
-46	-8	-12	Net other operating income		13,755	9,792	38,536
-39	-170	-12	Total income		149,505	111,613	497,723
1,284	332	331	Wages and general administrative expenses		54,145	46,921	192,458
-	-	-	Ordinary depreciation		2,323	3,597	14,708
69	13	38	Other operating expenses		2,289	1,883	7,308
1,353	344	369	Total operating expenses		58,757	52,401	214,474
-	-	-	Provision for loan losses	2	16,402	12,905	56,733
-1,392	-514	-380	Profit on ordinary activities before tax		74,346	46,306	226,517
-390	-144	-107	Tax charge		20,817	12,966	63,160
-1,002	-370	-274	Profit on ordinary activities after tax		53,529	33,340	163,356

Balance sheet

Norwegian Finans Holding ASA				Norwegian Finans Holding Group			
31.12.12	31.3.12	31.3.13	Amounts in NOK 1000	Note	31.3.13	31.3.12	31.12.12
Assets							
-	-	-	Deposits with Norges Bank		50,023	988	49,969
306	420	5,317	Loans and deposits with credit institutions		60,009	68,431	99,771
-	-	-	Loans to customers	2	4,813,769	3,527,555	4,457,455
-	-	-	Certificates and bonds		2,061,062	703,572	1,867,992
310,000	310,000	310,000	Ownership interests in group companies		-	-	-
-	-	-	Other intangible assets		25,552	27,979	23,488
394	144	501	Deferred tax asset		732	706	625
-	-	-	Fixed assets		804	668	830
5,060	2,091	-	Receivables and accrued income		114,019	59,596	70,349
315,761	312,655	315,818	Total assets		7,125,970	4,389,496	6,570,479
Liabilities and equity							
-	-	-	Deposits from customers		6,069,251	3,616,205	5,626,927
-	-	-	Debt securities issued	3	250,000	200,000	250,000
-	-	-	Tax payable		70,525	40,344	63,219
-	-	-	Other liabilities		14,053	15,145	19,448
1,306	1,659	1,638	Accrued expenses and unearned income received		91,328	74,623	33,602
-	-	-	Subordinated loan	4	30,000	30,000	30,000
1,306	1,659	1,638	Total liabilities		6,525,157	3,976,318	6,023,195
171,776	170,682	171,776	Share capital	4	171,776	170,682	171,776
135,457	132,461	135,457	Share premium reserve	4	135,457	132,461	135,457
7,221	7,853	6,947	Retained earnings and other reserves	4	293,580	110,035	240,050
314,454	310,996	314,180	Total equity		600,813	413,178	547,284
315,761	312,655	315,818	Total liabilities and equity		7,125,970	4,389,496	6,570,479

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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
Result for the period	-	-	-274	-274
Balance sheet as at 31.3.13	171,776	135,457	6,947	314,180

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
Result for the period	-	-	53,529	53,529
Balance sheet as at 31.3.13	171,776	135,457	293,583	600,813

* 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 2012	Q1 2013	<i>Amounts in NOK 1000</i>	Q1 2013	Q1 2012
		Cash flows from operating activities		
-514	-380	Profit/ loss before tax	74,346	46,306
-	-	Taxes paid	-13,617	-
-	-	Ordinary depreciations	2,323	3,597
-	-	Change in loans	-356,314	-391,961
-	-	Change in deposits from customers	442,324	39,490
-	-	Change in securities	-193,070	232,750
162	5,060	Change in other receivables	-	-
-	-	Change in other accruals	-43,669	-6,565
294	331	Change in short-term liabilities	52,332	32,953
-57	5,011	Net cash flow from operating activities	-35,346	-43,429
		Cash flows from investment activities		
-	-	Investment in subsidiary	-57	-
-	-	Payment for acquisition of tangible fixed assets	-	-
-	-	Payment for acquisition of intangible assets	-4,304	-1,677
-	-	Net cash flow from investment activities	-4,362	-1,677
		Cash flow from financing activities		
-	-	Debt securities issued	-	50,000
-	-	Cash flow before financing activities	-	-
-	-	Gross payments of subordinated debt	-	-
-	-	Net cash flow from financing activities	-	50,000
-57	5,011	Net cash flow for the period	-39,708	4,894
477	306	Cash and cash equivalents at the start of the period	149,740	64,525
477	5,317	Cash and cash equivalents at the end of the period	110,032	69,419

Norwegian Finans Holding ASA

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Note 1. General accounting principles

The interim report for the first 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	31.3.12	31.3.13	Amounts in NOK 1000	31.3.13	31.3.12	31.12.12
-	-	-	Gross lending before write-down of realised losses	4,994,649	3,648,207	4,621,938
-	-	-	Individual write-downs on loans	86,878	57,202	79,057
-	-	-	Gross lending	4,907,771	3,591,005	4,542,880
-	-	-	Write-downs on groups of loans	94,002	63,450	85,426
-	-	-	Net loans to and receivables from customers	4,813,769	3,527,555	4,457,455

Note 2.B. Default and loss on loans

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.12	31.3.12	31.3.13	Amounts in NOK 1000	31.3.13	31.3.12	31.12.12
Defaulted loans						
-	-	-	Gross defaulted loans	422,967	300,356	383,221
-	-	-	Individual write-downs	86,878	57,202	79,057
-	-	-	Defaulted loans	336,089	243,155	304,163
-	-	-	Individual group write-downs	36,841	17,887	30,353
-	-	-	Net defaulted loans	299,248	225,267	273,810

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

90,963 61,781 85,158

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
2012	Q1 2012	Q1 2013	Amounts in NOK 1000	Q1 2013	Q1 2012	2012
Write-downs on loans in the period						
-	-	-	Change in group write-downs for the period	2,088	6,860	16,370
-	-	-	Change in individual group write-downs for the period	6,488	-524	11,942
-	-	-	Write-offs for which provisions were made earlier	9,576	7,291	31,370
-	-	-	Write-offs for which provisions were not made earlier	-	-	-
-	-	-	Included in earlier write-offs	-1,751	-721	-2,948
-	-	-	Write-downs on loans in the period	16,402	12,905	56,733

Note 3. Debt securities issued

Floating rate note bond maturing June 2014 with a coupon of 3M NIBOR + 1,50 percentage points.

Note 4. Subordinated capital

Norwegian Finans Holding ASA				Norwegian Finans Holding Group		
31.12.12	31.3.12	31.3.13	Amounts in NOK 1000	31.3.13	31.3.12	31.12.12
Subordinated capital						
171,776	170,682	171,776	Share capital	171,776	170,682	171,776
135,457	132,461	135,457	+ Share premium reserve	135,457	132,461	135,457
7,221	7,853	6,947	+ Other reserves	293,580	110,035	240,050
-	288	501	- Deferred tax assets and intangible assets	26,284	28,686	24,113
314,454	310,709	313,679	Core capital	574,529	384,492	523,171
-	-	-	+ Supplementary capital	30,000	30,000	30,000
314,454	310,709	313,679	Net subordinated capital	604,529	414,492	553,171
99.8 %	99.6 %	100.0 %	Core capital ratio	12.0 %	11.7 %	12.5 %
99.8 %	99.6 %	100.0 %	Capital ratio	12.7 %	12.6 %	13.2 %

Norwegian Finans Holding ASA Report for the first quarter 2013

Quarterly figures

Profit and loss account

Norwegian Finans Holding Group						
<i>Amounts in NOK 1000</i>						
	Note	Q1 2013	Q4 2012	Q3 2012	Q2 2012	Q1 2012
Interest income		189,615	178,634	169,709	152,461	135,169
Interest expenses		53,865	49,801	50,589	43,048	33,349
Net interest income		135,750	128,833	119,120	109,414	101,820
Commission and bank services income		21,014	16,606	15,742	14,818	13,291
Commission and bank services expenses		7,573	6,729	6,001	6,006	4,957
Net change in value on securities		314	16	373	-242	1,459
Net other operating income		13,755	9,893	10,281	8,570	9,792
Total income		149,505	138,726	129,401	117,984	111,613
Wages and general administrative expenses		54,145	51,989	47,648	45,900	46,921
Ordinary depreciation		2,323	3,706	3,731	3,674	3,597
Other operating expenses		2,289	1,560	2,016	1,849	1,883
Total operating expenses		58,757	57,255	53,395	51,423	52,401
Provision for loan losses	2	16,402	15,281	14,708	13,839	12,905
Profit on ordinary activities before tax		74,346	66,190	61,298	52,722	46,306
Tax charge		20,817	18,265	17,163	14,766	12,966
Profit on ordinary activities after tax		53,529	47,925	44,135	37,957	33,340

Balance sheet

Norwegian Finans Holding Group						
<i>Amounts in NOK 1000</i>						
	Note	31.3.13	31.12.12	30.9.12	30.6.12	31.3.12
Assets						
Deposits with Norges Bank		50,023	49,969	51,003	51,138	988
Loans and deposits with credit institutions		60,009	99,771	105,787	72,820	68,431
Loans to customers	2	4,813,769	4,457,455	4,159,753	3,833,260	3,527,555
Certificates and bonds		2,061,062	1,867,992	1,881,720	2,175,344	703,572
Other intangible assets		25,552	23,488	23,564	25,733	27,979
Deferred tax asset		732	625	861	853	706
Fixed assets		804	830	947	494	668
Other assets		114,019	70,349	64,373	62,354	59,596
Total assets		7,125,970	6,570,479	6,288,008	6,221,998	4,389,496
Liabilities and equity						
Deposits from customers		6,069,251	5,626,927	5,278,714	5,313,758	3,616,205
Debt securities issued	3	250,000	250,000	250,000	250,000	200,000
Tax payable		70,525	63,219	72,425	55,254	40,344
Other liabilities		14,053	19,448	10,841	12,375	15,145
Accrued expenses and unearned income received		91,328	33,602	146,667	105,384	74,623
Subordinated loan	4	30,000	30,000	30,000	30,000	30,000
Total liabilities		6,525,157	6,023,195	5,788,647	5,766,771	3,976,318
Share capital	4	171,776	171,776	171,776	171,776	170,682
Share premium reserve	4	135,457	135,457	135,460	135,460	132,461
Retained earnings and other reserves	4	293,580	240,050	192,126	147,991	110,035
Total equity		600,813	547,284	499,361	455,227	413,178
Total liabilities and equity		7,125,970	6,570,479	6,288,008	6,221,998	4,389,496