



Folkefinans

Interim report April - June 2016

Report for second quarter 2016

Folkefinans provides everyday financial services in the Nordic and Baltic regions. Folkefinans' services primarily consist of provision of small unsecured loans with short term to maturity for temporary needs including more flexible larger loans (up to NOK 50.000) with longer maturity (up to 36 months).

Folkefinans AS's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. As Folkia AB was liquidated in 2015, it was decided to adopt IFRS for Folkefinans AS's financial statement.

Folkefinans AS consists of the Norwegian legal entity and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch. Mr. Harald Dahl-Pedersen started as new CEO in Folkefinans as of 1 June 2016.

Total income in Q2 2016 amounted to 33 074 KNOK improving compared to Q2 2015, mainly due to increased sales of loans with longer maturity in Sweden and Norway and revenues from in-house collection for the Swedish market. Total income was at the same level in Q2 as Q1 mainly due to the decision by the board and management to temporary discontinue the sale of new loans and credit cards in Estonia and new loans in Denmark as of Q2 2016. As a result of the extended loan offering in Sweden with increased maturity for loans up to 36 months and loan size up to 50 KNOK supported by marketing campaigns incl. TV commercials, the new brand Frogtail has showed continued positive development. Due to the increased sales of larger loans, the receivables and share of defaulted loans increased compared to Q2 2015. Folkefinans is continuously working to improve the scoring- and collection processes and attracting better customer segments through the Frogtail brand to secure that share of defaulted loans will decrease.

In November 2015, Visa Inc. announced the agreement to acquire all shares in Visa Europe Ltd. Folkefinans has ownership interests in Visa Europe through its membership in Visa Norway. As a result of the agreement, the estimated value of the investment increased by TNOK 29 905 which was recognized in other comprehensive income at year end 2015. The shares in Visa Europe is still classified as available for sale investments. The closing of the acquisition took place at the end of Q2 and gave an additional extraordinary income of 1 639 TNOK in Q2.

Total result for Q2 ended at -4 226 KNOK compared to -3 998 KNOK for the same period in 2015. The capital ratio amounted to 19,6%, improving compared to Q2 2015, positively effected by the result of the Visa transaction. The improvement in the capital base will enable Folkefinans to realize its future strategy for continued profitable growth in all markets.

For further information, please contact:

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Income statement

	NOTE	Folkefinans AS				
		2016 Q2	2015 Q2	2016 YTD	2015 YTD	2015 YE
Interest and similar income from credit institutions		284	57	410	63	463
Interest and similar income from customers		32 789	32 249	65 672	61 836	125 440
Total interest and similar income		33 074	32 306	66 083	61 899	125 903
Interest and other expenses on debt to credit institutions		-2 134	-1 814	-3 987	-3 173	-7 741
Total interest expenses and similar expenses		-2 134	-1 814	-3 987	-3 173	-7 741
Net interest and credit comission income		30 940	30 492	62 095	58 726	118 162
Commission and similar expenses from credit institutions		-84	-143	-231	-343	-824
Total interest expenses and similar expenses		-84	-143	-231	-343	-824
Net gain/loss on foreign exchange etc		-1 448	582	-2 808	-1 368	500
Total net change in value and gain/loss on currencies etc		-1 448	582	-2 808	-1 368	500
Salary etc		-9 681	-9 799	-19 731	-18 959	-36 139
-Salary		-7 198	-7 176	-14 541	-13 740	-25 593
- Pension		-524	-575	-1 112	-1 157	-2 234
- Social fees		-1 959	-2 048	-4 077	-4 062	-8 312
Administrative expenses		-9 838	-9 102	-19 654	-16 565	-38 165
Total salaries and general administrative expenses		-19 519	-18 901	-39 385	-35 524	-74 303
Ordinary depreciation		-1 215	-1 188	-2 525	-2 259	-8 957
Total depreciation, etc, of tangible fixed assets and intangible assets		-1 215	-1 188	-2 525	-2 259	-8 957
Other operating expenses		-6 927	-6 305	-13 690	-12 536	-27 582
Total other operating expenses		-6 927	-6 305	-13 690	-12 536	-27 582
Result before losses on loans		1 746	4 537	3 456	6 696	6 996
Losses on loans	1	-9 092	-6 293	-16 731	-14 918	-32 332
Total losses on loans, guarantees, etc		-9 092	-6 293	-16 731	-14 918	-32 332
Write down of intangible assets		1 639	-4 010	1 639	-4 010	0
Total write down of assets		1 639	-4 010	1 639	-4 010	0
Result on ordinary operations before tax		-5 707	-5 765	-11 637	-12 231	-25 336
Tax on result on ordinary operations		1 481	1 767	3 291	3 734	2 118
Result		-4 226	-3 998	-8 346	-8 497	-23 218
Other Comprehensive Income						
Exchange differences on translating foreign operations						2 707
Other comprehensive income investments						29 905
Total result		-4 226	-3 998	-8 346	-8 497	9 394

Balance sheet

	NOTE	Folkefinans AS		
		2016 Q2	2015 Q2	2015 YE
Assets				
Loans to and receivables from credit institutions		6 177	40 272	4 360
Total net loans to and receivables from credit institutions		6 177	40 272	4 360
Repayment loans		242 647	189 503	237 320
Specified loss reserves	2	-97 106	-78 956	-85 555
Total net loans to and receivables from customers		145 542	110 547	151 765
Available for sale investments		23 091	0	55 849
Total ownership interests in group companies		23 091	0	55 849
Goodwill		30 078	30 078	30 078
Deferred tax assets		32 383	27 421	28 928
Intangible assets		17 628	18 630	19 183
Total intangible assets		80 088	76 129	78 189
Tangible assets		1 403	1 583	1 459
Total Tangible assets		1 403	1 583	1 459
Other assets		4 151	33 438	3 380
Prepays and deposits		5 517	6 015	6 303
Total prepaid		9 668	39 453	9 683
TOTAL ASSETS		265 968	267 984	301 304
EQUITY AND LIABILITIES				
Liabilities				
Liabilities to credit institutions		11 956	27 299	31 616
Derivates		2 956		2 910
Other liabilities		7 991	4 081	9 341
Subordinated loan		28 528		29 526
Convertible loan		53 738	57 218	54 116
Accrued expenses and defered income		7 417	8 866	9 629
Total liabilities		112 586	97 464	137 137
Equity				
Share capital		96 705	96 705	96 705
Own shares		-815	-815	-815
Other paid in Equity		5 151	29 537	5 151
Share premium account		79 262	79 262	79 262
Total equity contributed		180 304	204 689	180 304
Other equity		-26 922	-34 169	-16 137
Total retained earnings		-26 922	-34 169	-16 137
Sum equity		153 382	170 520	164 167
TOTAL EQUITY AND LIABILITIES		265 968	267 984	301 304

Folkefinans AS notes

1. Credit losses	30.06.2016	30.06.2015	2015-12-31
Actual specified credit losses	561	0	12 998
Write-back of specified credit losses	-10	0	6 367
Provisions during the period	8 541	9 126	25 701
Sum (NOK)	9 092	8 625	32 332
2. Credit losses / Defaulted			
Defaulted loans*	102 109	84 499	90 009
Accumulated provision for credit losses	97 106	78 956	85 555
Net (NOK)	5 003	5 543	4 454
*) loans are classified as defaulted 90 days past due			
3. Off balance sheet items			
Undisposed credit (SEK facility)			
Sum (NOK)	0	0	0
4. Capital adequacy			
Capital requirement	30 886	33 784	38 559
Capital base	75 743	73 152	90 427
Capital ratio	19,6%	17,3 %	18,8%