



Folkefinans

Interim report July - September 2016

Report for third 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 Q3 2016 amounted to 31 889 KNOK, slight improvement compared to Q2 2016, mainly due to increase in sales of loans with longer maturity in Sweden and Norway compensating for the declining sales of short term loans. Income was lower than similar period in 2015 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. Loan offering in Norway was extended up to 36 months and loan size up to 50 KNOK similar to Sweden. Due to the increased sales of larger loans, the receivables and share of defaulted loans increased compared to Q3 2015, however with stable development compared to Q2. 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.

With the aim of enabling the company for future growth with stable funding Folkefinans filed the application for a bank license with Finanstilsynet July 8th. The application process is estimated to take approximately 6 months. As part of the need to transform and professionalize the company as a future bank including short term actions to improve the profitability, a turn around program was initiated in August.

Total result for Q3 ended at -5 229 KNOK with a result negatively influenced by unrealized net loss on currency exchange. The capital ratio amounted to 17,6%, slightly improving compared to Q3 2015. To enable Folkefinans to realize its future strategy for continued profitable growth in all markets there is an need to strengthen the capital base. The process of raising new equity in the company is ongoing with positive outlooks.

For further information, please contact:

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Income statement

	NOTE	Folkefinans AS				
		2016 Q3	2015 Q3	2016 YTD	2015 YTD	2015 YE
Interest and similar income from credit institutions		110	-47	520	16	463
Interest and similar income from customers		31 779	31 310	97 452	93 146	125 440
Total interest and similar income		31 889	31 263	97 972	93 162	125 903
Interest and other expenses on debt to credit institutions		-224	-2 271	-4 211	-5 444	-7 741
Total interest expenses and similar expenses		-224	-2 271	-4 211	-5 444	-7 741
Net interest and credit comission income		31 665	28 992	93 761	87 718	118 162
Commission and similar expenses from credit institutions		-68	-156	-299	-499	-824
Total interest expenses and similar expenses		-68	-156	-299	-499	-824
Net gain/loss on foreign exchange etc		-1 113	1 890	-3 921	522	500
Total net change in value and gain/loss on currencies etc		-1 113	1 890	-3 921	522	500
Salary etc		-8 613	-7 800	-28 343	-26 759	-36 139
-Salary		-6 469	-5 195	-21 011	-18 935	-25 593
-Pension		-717	-508	-1 829	-1 665	-2 234
-Social fees		-1 426	-2 097	-5 504	-6 158	-8 312
Administrative expenses		-11 146	-9 998	-30 800	-26 562	-38 165
Total salaries and general administrative expenses		-19 759	-17 797	-59 144	-53 321	-74 303
Ordinary depreciation		-3 555	-1 972	-6 080	-5 838	-8 957
Total depreciation, etc, of tangible fixed assets and intangible assets		-3 555	-1 972	-2 525	-5 838	-8 957
Other operating expenses		-6 124	-6 453	-19 815	-18 988	-27 582
Total other operating expenses		-6 124	-6 453	-13 690	-18 988	-27 582
Result before losses on loans		1 046	4 504	4 502	9 594	6 996
Losses on loans	1	-8 085	-8 151	-24 817	-23 069	-32 332
Total losses on loans, guarantees, etc		-8 085	-8 151	-24 817	-23 069	-32 332
Write down of intangible assets		-1 639	0	0	-4 010	0
Total write down of assets		-1 639	0	0	-4 010	0
Result on ordinary operations before tax		-8 678	-3 646	-20 314	-17 484	-25 336
Tax on result on ordinary operations		1 810	999	5 102	4 733	2 118
Result		-6 867	-2 647	-15 213	-12 751	-23 218
Other Comprehensive Income						
Exchange differences on translating foreign operations						2 707
Other comprehensive income investments		1 639		1 639		29 905
Total result		-5 229	-2 647	-13 574	-12 751	9 394

Balance sheet

	NOTE	Folkefinans AS		
		2016 Q3	2015 Q3	2015 YE
Assets				
Loans to and receivables from credit institutions		5 093	63 600	4 360
Total net loans to and receivables from credit institutions		5 093	63 600	4 360
Repayment loans		246 163	209 627	237 320
Specified loss reserves	2	-100 762	-74 395	-85 555
Total net loans to and receivables from customers		145 401	135 232	151 765
Available for sale investments		18 581	0	55 849
Total ownership interests in group companies		18 581	0	55 849
Goodwill		30 078	30 078	30 078
Deferred tax assets		34 193	28 568	28 928
Intangible assets		16 541	19 344	19 183
Total intangible assets		80 812	77 990	78 189
Tangible assets		1 215	1 538	1 459
Total Tangible assets		1 215	1 538	1 459
Other assets		1 552	314	3 380
Prepays and deposits		5 011	6 361	6 303
Total prepaid		6 563	6 675	9 683
TOTAL ASSETS		257 666	285 035	301 304
EQUITY AND LIABILITIES				
Liabilities				
Liabilities to credit institutions		13 210	42 872	31 616
Derivates		2 956		2 910
Other liabilities		7 399	2 349	9 341
Subordinated loan		27 266		29 526
Convertible loan		50 866	58 233	54 116
Accrued expenses and defered income		8 150	7 726	9 629
Total liabilities		109 847	111 180	137 137
Equity				
Share capital		96 705	96 705	96 705
Own shares		-815	-815	-815
Other paid in Equity		5 151	32 290	5 151
Share premium account		79 262	79 262	79 262
Total equity contributed		180 304	207 442	180 304
Other equity		-32 485	-33 587	-16 137
Total retained earnings		-32 485	-33 587	-16 137
Sum equity		147 819	173 855	164 167
TOTAL EQUITY AND LIABILITIES		257 666	285 035	301 304

Folkefinans AS notes

1. Credit losses	2016-09-30	2015-09-30	2015-12-31
Actual specified credit losses	98	423	12 998
Write-back of specified credit losses	-108	-215	6 367
Provisions during the period	8 095	7 943	25 701
Sum (NOK)	8 085	8 151	32 332
2. Credit losses / Defaulted			
Defaulted loans*	105 700	79 525	90 009
Accumulated provision for credit losses	100 762	74 395	85 555
Net (NOK)	4 938	5 130	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	31 604	33 784	38 559
Capital base	69 356	73 152	90 427
Capital ratio	17,6%	17,3 %	18,8%