



# Folkefinans

Interim report January - March 2017

## Report for first quarter 2017

Folkefinans provides everyday financial services in Norway and Sweden. 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 at 31 March 2017, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia. Denmark has been operating via the Swedish branch. During 2015 and 2016 the board and management decided to discontinue the sale of new loans and credit cards in Finland and Estonia and new loans in Denmark, mainly due to low profit generation. For 2017, Norway and Sweden will continue to be the two focus markets with maintained and increased market shares in the small loan sector and in the longer term to develop and maintain FROGTAIL as a sustainable, growing and profitable brand.

Folkefinans filed an application for a bank license with Finanstilsynet July 8th 2016. On January 31th 2017 Folkefinans received a negative reply on the application. However the existing Credit- and Finance license is maintained. As a consequence of this decision Folkefinans will continue with the existing lending strategy both in Norway and Sweden. Due to changes to Folkefinans' operations and strategy during Q1 2017 Folkefinans CEO, Harald Dahl-Pedersen, chose to step down from his position as CEO February 28th 2017. The current CFO Mr. Jens Schau-Hansen has been appointed as interim CEO.

Total income in Q1 2017 amounted to 25 633 KNOK. Income was lower than similar period in 2016 mainly due to the decision to temporary discontinue the sale of new loans and credit cards in Estonia and new loans in Denmark. The company's losses on loans were positive with 4 079 KNOK in Q1 as bad debt portfolios in Sweden, Estonia and Denmark were sold giving positive P&L impact of approx. 9,7 MNOK. As part of the changes to Folkefinan's operations a restructuring process was conducted during Q1 giving restructuring costs of 4,5 MNOK included in the March result. Result on ordinary operations before tax for Q1 2017 thus was positiv with 2 189 KNOK compared to -5 930 in Q1 2016. The capital ratio amounted to 19,8%, compared to 17,1% in Q1 2016. The main focus during 2017 will be to increase the sales through continued development of Folkefinans' existing product offerings and strengthen the company's equity and debt financing.

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## Income statement

	NOTE	Folkefinans AS				
		2017 Q1	2016 Q1	2017 YTD	2016 YTD	2016 YE
Interest and similar income from credit institutions		25	126	25	126	149
Interest and similar income from customers		25 608	33 410	25 608	33 410	123 787
<b>Total interest and similar income</b>		<b>25 633</b>	<b>33 536</b>	<b>25 633</b>	<b>33 536</b>	<b>123 935</b>
Interest and other expenses on debt to credit institutions		-1 888	-2 381	-1 888	-2 381	-8 900
<b>Total interest expenses and similar expenses</b>		<b>-1 888</b>	<b>-2 381</b>	<b>-1 888</b>	<b>-2 381</b>	<b>-8 900</b>
<b>Net interest and credit comission income</b>		<b>23 745</b>	<b>31 155</b>	<b>23 745</b>	<b>31 155</b>	<b>115 035</b>
Commission and similar expenses from credit institutions		-175	-148	-175	-148	-2 006
<b>Total interest expenses and similar expenses</b>		<b>-175</b>	<b>-148</b>	<b>-175</b>	<b>-148</b>	<b>-2 006</b>
Net gain/loss on foreign exchange etc		256	-1 360	256	-1 360	-2 997
<b>Total net change in value and gain/loss on currencies etc</b>		<b>256</b>	<b>-1 360</b>	<b>256</b>	<b>-1 360</b>	<b>-2 997</b>
Salary etc		-10 914	-10 050	-10 914	-10 050	-33 509
-Salary		-8 964	-7 343	-8 964	-7 343	-24 012
- Pension		-538	-587	-538	-587	-2 322
- Social fees		-1 412	-2 120	-1 412	-2 120	-7 175
Administrative expenses		-9 966	-9 816	-9 966	-9 816	-39 527
<b>Total salaries and general administrative expenses</b>		<b>-20 880</b>	<b>-19 866</b>	<b>-20 880</b>	<b>-19 866</b>	<b>-73 036</b>
Ordinary depreciation		-1 131	-1 309	-1 131	-1 309	-4 958
<b>Total depreciation, etc, of tangible fixed assets and intangible assets</b>		<b>-1 131</b>	<b>-1 309</b>	<b>-1 131</b>	<b>-1 309</b>	<b>-4 958</b>
Other operating expenses		-3 706	-6 763	-3 706	-6 763	-26 557
<b>Total other operating expenses</b>		<b>-3 706</b>	<b>-6 763</b>	<b>-3 706</b>	<b>-6 763</b>	<b>-26 557</b>
<b>Result before losses on loans</b>		<b>-1 890</b>	<b>1 710</b>	<b>-1 890</b>	<b>1 710</b>	<b>5 481</b>
Losses on loans	1	4 079	-7 640	4 079	-7 640	392
<b>Total losses on loans, guarantees, etc</b>		<b>4 079</b>	<b>-7 640</b>	<b>4 079</b>	<b>-7 640</b>	<b>392</b>
Write down of intangible assets		0	0	0	0	-9 818
<b>Total write down of assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-9 818</b>
<b>Result on ordinary operations before tax</b>		<b>2 189</b>	<b>-5 930</b>	<b>2 189</b>	<b>-5 930</b>	<b>-3 945</b>
Tax on result on ordinary operations		-550	1 810	-550	1 810	-714
<b>Result</b>		<b>1 639</b>	<b>-4 120</b>	<b>1 639</b>	<b>-4 120</b>	<b>-4 659</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations						-6 524
Other comprehensive income investments		12		12		1 661
<b>Total result</b>		<b>1 651</b>	<b>-4 120</b>	<b>1 651</b>	<b>-4 120</b>	<b>-9 522</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2017 Q1	2016 Q1	2016 YE
<b>Assets</b>				
Loans to and receivables from credit institutions		21 036	23 525	77 410
<b>Total net loans to and receivables from credit institutions</b>		<b>21 036</b>	<b>23 525</b>	<b>77 410</b>
Repayment loans		194 232	246 541	181 029
Specified loss reserves	2	-37 485	-91 021	-47 831
<b>Total net loans to and receivables from customers</b>		<b>156 747</b>	<b>155 520</b>	<b>133 198</b>
Available for sale investments		9 703	55 289	9 659
<b>Total ownership interests in group companies</b>		<b>9 703</b>	<b>55 289</b>	<b>9 659</b>
Goodwill		21 118	30 078	21 118
Deferred tax assets		31 104	30 902	31 365
Intangible assets		14 630	18 418	15 393
<b>Total intangible assets</b>		<b>66 852</b>	<b>79 397</b>	<b>67 876</b>
Tangible assets		640	1 346	638
<b>Total Tangible assets</b>		<b>640</b>	<b>1 346</b>	<b>638</b>
Other assets		475	656	403
Prepays and deposits		7 628	5 791	6 078
<b>Total prepaid</b>		<b>8 103</b>	<b>6 447</b>	<b>6 481</b>
<b>TOTAL ASSETS</b>		<b>263 080</b>	<b>321 525</b>	<b>295 262</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Liabilities to credit institutions		0	63 241	29 674
Derivates		2 954	2 956	3 068
Other liabilities		8 328	5 599	12 683
Subordinated loan		29 745	28 764	29 368
Convertible loan		45 936	54 947	51 796
Accrued expenses and deferred income		16 795	7 356	14 028
<b>Total liabilities</b>		<b>103 758</b>	<b>162 863</b>	<b>140 617</b>
<b>Equity</b>				
Share capital		96 705	96 705	96 705
Own shares		-815	-815	-815
Other paid in Equity		5 151	5 151	5 151
Share premium account		79 262	79 262	79 262
<b>Total equity contributed</b>		<b>180 304</b>	<b>180 304</b>	<b>180 304</b>
Other equity		-20 982	-21 642	-25 659
<b>Total retained earnings</b>		<b>-20 982</b>	<b>-21 642</b>	<b>-25 659</b>
<b>Sum equity</b>		<b>159 323</b>	<b>158 662</b>	<b>154 645</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>263 080</b>	<b>321 525</b>	<b>295 262</b>

Folkefinans AS notes

<b>1. Credit losses</b>	<b>31.03.2017</b>	<b>31.03.2016</b>	<b>2016-12-31</b>
Actual specified credit losses	6 763	1 437	34 376
Write-back of specified credit losses	-15 336	-586	-65 291
Provisions during the period	4 493	6 789	30 523
<b>Sum (NOK)</b>	<b>-4 079</b>	<b>7 640</b>	<b>-392</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	36 797	97 074	40 634
Accumulated provision for credit losses	37 485	91 021	47 831
<b>Net (NOK)</b>	<b>-688</b>	<b>6 053</b>	<b>-7 197</b>
*) loans are classified as defaulted 90 days past due			
<b>3. Off balance sheet items</b>			
Undisposed credit (SEK facility)			
<b>Sum (NOK)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Capital adequacy</b>			
Capital requirement	38 628	39 352	35 900
Capital base	95 569	83 964	91 991
<b>Capital ratio</b>	<b>19,8 %</b>	<b>17,1 %</b>	<b>20,5%</b>