



Folkefinans

Interim report July - September 2017

Report for third 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 presently up to NOK 40.000 with maturity up to 3 years.

Folkefinans AS's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. As at 30 September 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.

The process of selling the bad debt portfolios has been successful and was finalized during Q3 with a forward flow arrangement being implemented in Sweden. This means that all receivables older than 90 days will be sold on a monthly basis. Similar arrangement will be implemented in Norway during Q4. Top-line growth and profitability continued to improve during Q3 2017 with August having the highest income in the company's history from the loan business in Norway and Sweden combined.

Total income in Q3 2017 amounted to 31 035 KNOK, increasing with 3 406 KNOK compared to Q2. Income in Q3 was slightly lower than similar period in 2016 mainly due to the decision to outsource collection in Sweden and temporary discontinue the sale of new loans and credit cards in Estonia and Denmark. Excluding discontinued markets and revenues from in-house collection in Sweden in 2016 the income in Q3 was 2 859 KNOK higher than last year.

The company's losses on loans were relatively low and amounted to 4 316 KNOK in Q3 as final bad debt portfolios in Norway were sold giving a positive P&L impact of approx. 2.6 MNOK.

Result on ordinary operations before tax for Q3 2017 was positive and amounted to 2 821 KNOK compared to a loss of -8 678 in Q3 2016. The monthly normalized result has now turned positive after finalizing the restructuring in the company during Q1 and Q2.

The accumulated year to date pre-tax profit was 11,2 MNOK. This includes a total of 6.1 MNOK in restructuring costs mainly due to staff reductions. Compared to the pre-tax profit after Q3 in 2016 the profit has improved with 31,5 MNOK.

The capital ratio amounted to 18,6%, compared to 17,3% in Q3 2016. The focus so far in 2017 has been to increase the sales through continued development and improvements of Folkefinans' existing product offerings, improve profitability and strengthen the company's financing. During Q4 Folkefinans will ensure continuation of the positive trends seen in Q2 and Q3 and start preparing for launch of new products during 2018 in the markets where the company is operating.

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Income statement

	NOTE	Folkefinans AS				
		2017 Q3	2016 Q3	2017 YTD	2016 YTD	2016 YE
Interest and similar income from credit institutions		5	110	38	520	149
Interest and similar income from customers		31 031	31 779	84 260	97 452	123 787
Total interest and similar income		31 035	31 889	84 298	97 972	123 935
Interest and other expenses on debt to credit institutions		-1 486	-224	-4 587	-4 211	-8 900
Total interest expenses and similar expenses		-1 486	-224	-4 587	-4 211	-8 900
Net interest and credit comission income		29 549	31 665	79 711	93 761	115 035
Commission and similar expenses from credit institutions		146	-68	-404	-299	-2 006
Total interest expenses and similar expenses		146	-68	-404	-299	-2 006
Net gain/loss on foreign exchange etc		-666	-1 113	775	-3 921	-2 997
Total net change in value and gain/loss on currencies etc		-666	-1 113	775	-3 921	-2 997
Salary etc		-6 135	-8 613	-23 980	-28 343	-33 509
-Salary		-4 010	-6 469	-17 736	-21 011	-24 012
- Pension		-640	-717	-1 668	-1 829	-2 322
- Social fees		-1 485	-1 426	-4 576	-5 504	-7 175
Administrative expenses		-12 290	-11 146	-32 524	-30 800	-39 527
Total salaries and general administrative expenses		-18 425	-19 759	-56 504	-59 144	-73 036
Ordinary depreciation		-1 165	-3 555	-3 461	-6 080	-4 958
Total depreciation, etc, of tangible fixed assets and intangible assets		-1 165	-3 555	-3 461	-6 080	-4 958
Other operating expenses		-2 302	-6 124	-8 106	-19 815	-26 557
Total other operating expenses		-2 302	-6 124	-8 106	-19 815	-26 557
Result before losses on loans		7 137	1 046	12 010	4 502	5 481
Losses on loans	1	-4 316	-8 085	-786	-24 817	392
Total losses on loans, guarantees, etc		-4 316	-8 085	-786	-24 817	392
Write down of intangible assets		0	-1 639	0	0	-9 818
Total write down of assets		0	-1 639	0	0	-9 818
Result on ordinary operations before tax		2 821	-8 678	11 225	-20 314	-3 945
Tax on result on ordinary operations		-1 233	1 810	-2 737	5 102	-714
Result		1 588	-6 867	8 487	-15 213	-4 659
Other Comprehensive Income						
Exchange differences on translating foreign operations		409		409		-6 524
Other comprehensive income investments		11	1 639	35	1 639	1 661
Total result		2 008	-5 229	8 932	-13 574	-9 522

Balance sheet

	NOTE	Folkefinans AS		
		2017 Q3	2016 Q3	2016 YE
Assets				
Loans to and receivables from credit institutions		26 234	5 093	77 410
Total net loans to and receivables from credit institutions		26 234	5 093	77 410
Repayment loans		158 252	246 163	181 029
Specified loss reserves	2	-18 109	-100 762	-47 831
Total net loans to and receivables from customers		140 143	145 401	133 198
Available for sale investments		9 919	18 581	9 659
Total ownership interests in group companies		9 919	18 581	9 659
Goodwill		21 118	30 078	21 118
Deferred tax assets		28 684	34 193	31 365
Intangible assets		12 907	16 541	15 393
Total intangible assets		62 708	80 812	67 876
Tangible assets		515	1 215	638
Total Tangible assets		515	1 215	638
Other assets		1 012	1 552	403
Prepays and deposits		11 274	5 011	6 078
Total prepaid		12 286	6 563	6 481
TOTAL ASSETS		251 805	257 666	295 262
EQUITY AND LIABILITIES				
Liabilities				
Liabilities to credit institutions		-105	13 210	29 674
Derivates		2 731	2 956	3 068
Other liabilities		13 524	7 399	12 683
Accrued expenses and deferred income		8 863	8 150	14 028
Self-amortizing loans		32 135	50 866	51 796
Convertible subordinated loan		30 775	27 266	29 368
Total liabilities		87 924	109 847	140 617
Equity				
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
Total equity contributed		180 304	180 304	180 304
Other equity		-16 422	-32 485	-25 659
Total retained earnings		-16 422	-32 485	-25 659
Sum equity		163 882	147 819	154 645
TOTAL EQUITY AND LIABILITIES		251 805	257 666	295 262

Folkefinans AS notes

1. Credit losses	30.09.2017	30.09.2016	2016-12-31
Actual specified credit losses	9 186	423	34 376
Write-back of specified credit losses	23 641	-215	-65 291
Provisions during the period	-28 511	7 943	30 523
Sum (NOK)	4 316	8 151	-392
2. Credit losses / Defaulted			
Defaulted loans*	7 856	105 700	40 634
Accumulated provision for credit losses	18 109	100 762	47 831
Net (NOK)	-10 253	4 938	-7 197
*) 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	40 640	31 604	35 900
Capital base	94 690	69 356	91 991
Capital ratio	18,6 %	17,3 %	20,5%