

# 2019



## Folkefinans

Interim Report January - March 2019

## Report for first quarter 2019

Folkefinans provides everyday financial services in Norway and Sweden. Folkefinans' services primarily consist of provision of revolving credits (Monetti Flexilån) up to 20.000 and small unsecured loans with short term to maturity for temporary needs including more flexible larger consumer 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 31 March 2019, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

Q1 had a very good start with lending in January being the 2nd highest in the history of Folkefinans. However as the lending levels started to show a decline as of February the main focus for Folkefinans during Q1 has been to improve profitability on existing products as margins have shown a downward trend as a consequence of the new legislation including interest cap that came into force as of September 1st 2018. The Monetti Flexilån product is financed through a credit line with Arvato Bertelsmann. The credit line is presently 100 MSEK and management has during Q1 been working together with Arvato to prepare for an increase of the credit line to 200 MSEK expected to be closed during Q2. To further increase lending for the Frogtail consumer loans the process of secure new funding was restarted in January with good prospect of closing one funding lead by the end of Q2.

Total income in Q1 2019 showed a decline compared to Q1 2018 and amounted to 26 603 KNOK. The main reason for the decline compared to previous quarters in 2018, is the decrease in interest income from the loan portfolio due to the price changes to the product offerings in Sweden implemented September 1st 2018 in order to comply with the required interest cap of 40%. Income from the Monetti Flexilån product launched in Sweden in Q2 2018 amounted to 9 163 KNOK in Q1 being 1 250 KNOK higher than Q4 2018. As a consequence of the interest cap the income from the traditional loan products in Sweden showed a continued decline and amounted to 13 600 KNOK. Income in Norway in Q1 amounted to 3 840 KNOK somewhat lower than Q1 2018.

The company's provisions for losses on loans in Q1 2019 were higher than Q1 2018 mainly due to higher than expected actual losses for Monetti Flexilån when sold under the existing Forward Flow arrangement. Several improvement actions both related to scoring and pre collection have been implemented during Q1 and further actions are planned to be implemented during Q2.

Result on ordinary operations before tax turned negative in Q1 compared to previous quarters and amounted to -716 KNOK positively impacted by increasing value in investment securities of 2 244 KNOK however negatively effected by net loss on foreign exchange of -2 055 KNOK due to the weakening of the Swedish krone towards the Norwegian krone during Q1. The total capital ratio amounted to 25.3% in Q1 2019 compared to the capital ratio of 25.9% in Q1 2018. During Q2 Folkefinans' main focus will be to implement actions to improve profitability for the existing products, continue the product development projects for products planned to be launched during 2. half of 2019 in both Sweden and Norway and secure further financing for the planned product launches.

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### Income statement

	NOTE	Folkefinans AS				
		2019 Q1	2018 Q1	2019 YTD	2018 YTD	2018 YE
Interest and similar income from credit institutions		2	12	2	12	24
Interest and similar income from customers		26,600	29,886	26,600	29,886	120,910
<b>Total interest and similar income</b>		<b>26,603</b>	<b>29,897</b>	<b>26,603</b>	<b>29,897</b>	<b>120,935</b>
Interest and other expenses on debt to credit institutions		-2,128	-1,061	-2,128	-1,061	-5,588
<b>Total interest expenses and similar expenses</b>		<b>-2,128</b>	<b>-1,061</b>	<b>-2,128</b>	<b>-1,061</b>	<b>-5,588</b>
<b>Net interest and credit comission income</b>		<b>24,475</b>	<b>28,836</b>	<b>24,475</b>	<b>28,836</b>	<b>115,346</b>
Commission an fee expenses		-3,943	-7,678	-3,943	-7,678	-28,487
Commission and similar expenses from credit institutions		-117	-209	-117	-209	-563
<b>Total commission expenses and similar expenses</b>		<b>-4,059</b>	<b>-7,887</b>	<b>-4,059</b>	<b>-7,887</b>	<b>-29,050</b>
Net gain/loss on foreign exchange etc		-2,055	-2,520	-2,055	-2,520	1,192
Investment securities		2,244	454	2,244	454	2,971
<b>Net change in value on securities and currency</b>		<b>190</b>	<b>-2,066</b>	<b>190</b>	<b>-2,066</b>	<b>4,163</b>
Salary etc		-5,995	-6,168	-5,995	-6,168	-23,355
-Salary		-4,199	-4,108	-4,199	-4,108	-16,807
- Pension		-468	-406	-468	-406	-1,522
- Social fees		-1,329	-1,654	-1,329	-1,654	-5,026
Administrative expenses		-5,919	-4,763	-5,919	-4,763	-21,790
<b>Total salaries and general administrative expenses</b>		<b>-11,914</b>	<b>-10,931</b>	<b>-11,914</b>	<b>-10,931</b>	<b>-45,144</b>
Ordinary depreciation		-840	-497	-840	-497	-1,923
<b>Total depreciation, etc, of tangible fixed assets and intangible assets</b>		<b>-840</b>	<b>-497</b>	<b>-840</b>	<b>-497</b>	<b>-1,923</b>
Other operating expenses		-1,628	-2,042	-1,628	-2,042	-8,219
<b>Total other operating expenses</b>		<b>-1,628</b>	<b>-2,042</b>	<b>-1,628</b>	<b>-2,042</b>	<b>-8,219</b>
<b>Result before losses on loans</b>		<b>6,223</b>	<b>5,413</b>	<b>6,223</b>	<b>5,413</b>	<b>35,172</b>
Losses on loans	1	-6,939	-4,543	-6,939	-4,543	-22,023
<b>Total losses on loans, guarantees, etc</b>		<b>-6,939</b>	<b>-4,543</b>	<b>-6,939</b>	<b>-4,543</b>	<b>-22,023</b>
Write down of intangible assets		0	0	0	0	-144
<b>Total write down of assets</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>-144</b>
<b>Result on ordinary operations before tax</b>		<b>-716</b>	<b>870</b>	<b>-716</b>	<b>870</b>	<b>13,006</b>
Tax on result on ordinary operations		179	-104	179	-104	-2,796
<b>Result</b>		<b>-537</b>	<b>766</b>	<b>-537</b>	<b>766</b>	<b>10,209</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations		-1,870	-3,104	-1,870	-3,104	-1,737
<b>Total result</b>		<b>-2,407</b>	<b>-2,338</b>	<b>-2,407</b>	<b>-2,338</b>	<b>8,472</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2019 Q1	2018 Q1	2018 YE
<b>Assets</b>				
Loans to and receivables from credit institutions		10,099	20,820	9,305
<b>Total loans to and receivables from credit institutions</b>		<b>10,099</b>	<b>20,820</b>	<b>9,305</b>
Repayment loans		199,931	141,276	202,546
Specified loss reserves	2	-17,508	-15,174	-18,429
<b>Total loans to and receivables from customers</b>		<b>182,423</b>	<b>126,102</b>	<b>184,117</b>
Investment securities		20,341	13,036	18,163
<b>Total Financial Items</b>		<b>20,341</b>	<b>13,036</b>	<b>18,163</b>
Goodwill		21,118	21,118	21,118
Deferred tax assets		28,432	30,037	28,253
Intangible assets		3,839	5,080	4,338
<b>Total intangible assets</b>		<b>53,389</b>	<b>56,234</b>	<b>53,710</b>
Tangible assets		2,988	383	204
<b>Total Tangible assets</b>		<b>2,988</b>	<b>383</b>	<b>204</b>
Other assets		10,830	2,394	12,711
Prepays and deposits		13,076	11,828	12,974
<b>Total other assets</b>		<b>23,906</b>	<b>14,222</b>	<b>25,685</b>
<b>TOTAL ASSETS</b>		<b>293,146</b>	<b>230,798</b>	<b>291,185</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Liabilities to credit institutions		76,420	75	69,032
Derivates		1,594	2,331	1,839
Other liabilities		8,789	9,984	10,815
Accrued expenses and deferred income		5,878	4,924	5,505
Self-amortizing loans		0	16,848	0
Convertible subordinated loan		29,905	29,689	31,095
<b>Total liabilities</b>		<b>122,586</b>	<b>63,851</b>	<b>118,286</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		-9,744	-13,357	-7,406
<b>Total retained earnings</b>		<b>-9,744</b>	<b>-13,357</b>	<b>-7,406</b>
<b>Total equity</b>		<b>170,560</b>	<b>166,947</b>	<b>172,898</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>293,146</b>	<b>230,798</b>	<b>291,185</b>

## Folkefinans AS notes

<b>1. Credit losses</b>	<b>2019 Q1</b>	<b>2018 Q1</b>	<b>2018 YE</b>
Actual specified credit losses	7,248	6,890	22,021
Write-back of specified credit losses	-10	-69	-522
Provisions during the period	-299	-2,278	523
<b>Sum (NOK)</b>	<b>6,939</b>	<b>4,543</b>	<b>22,023</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	8,560	8,108	8,139
Accumulated provision for credit losses	17,508	15,174	18,429
<b>Net (NOK)</b>	<b>-8,947</b>	<b>-7,066</b>	<b>-10,289</b>
*) loans are classified as defaulted 90 days past due			
<b>3. Off balance sheet items</b>			
Undisposed credit (SEK facility)	10,648	0	10,045
<b>Sum (NOK)</b>	<b>10,648</b>	<b>0</b>	<b>10,045</b>
<b>4. Capital adequacy</b>			
Capital requirement	41,329	34,268	41,484
Capital base	130,682	111,112	134,770
<b>Capital ratio</b>	<b>25.3 %</b>	<b>25.9 %</b>	<b>26.0%</b>