

2019



Folkefinans

Interim Report April - June 2019

Report for second 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 5 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 June 2019, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

Lending in Q2 were at the same level as Q1, however with good improvement in Norway. In June the loan conditions for the Frogtail products in Sweden were amended in order to meet the requirements for Frogtail to be regarded as non high cost credit products. Frogtail now has a fixed interest rate of 26% and the maximum loan maturity was increased to 5 years. The Monetti Flexilån product is financed through a credit line with Arvato Bertelsmann. In June management finalized the process with Arvato to increase the credit facility from 100 MSEK to 200 MSEK. The usage of the credit facility is to be approved in tranches. In addition a credit facility with a tranche of 25 MSEK was secured with a Swedish credit institution with the aim of further increase lending for the Frogtail consumer loans. Both financing facilities were formally approved in July.

Interest income in Q2 2019 continued at lower levels than Q2 2018 and amounted to 25 931 KNOK. The main reason for the lower income levels compared to previous quarters in 2018, is the price changes to the product offerings in Sweden implemented September 2018 in order to comply with the required interest cap of 40%. Income from the Monetti Flexilån product launched in Sweden in June 2018 continued to increase and amounted to 9 562 KNOK and contributes now 45% of the total income in Sweden in Q2. As a consequence of the interest cap the income from the traditional loan products in Sweden continued to decline and amounted to 12 000 KNOK. Income in Norway improved markedly in Q2 and amounted to 4 418 KNOK.

The company's provisions for losses on loans amounted to 7 270 KNOK in Q2 2019. The higher loss levels compared to Q2 2018 relate mainly to higher actual losses for Monetti Flexilån when sold under the existing Forward Flow arrangement. Management has continued to focus on implementing improvement actions both related to scoring and pre collection during Q2 and further actions are planned to be implemented during the 2. half of 2019.

Result on ordinary operations before tax was positive in Q2 being higher than Q2 2018 and amounted to 3 223 KNOK positively impacted by increasing value in investment securities of 3 313 KNOK which included the final payment of 208 TEUR from the Visa inc. transaction received in June. Accumulated the result on ordinary operations before tax amounts to 2 508 KNOK. Total comprehensive income was positive in Q2, however slightly negative accumulated with -154 KNOK negatively effected by net loss on foreign exchange mainly due to the weakening of the Swedish krone towards the Norwegian krone during Q1 and Q2. The total capital ratio improved from Q1 and amounted to 26.1%. As financing for future growth now is secured Folkefinans' main focus in Q3 will be to continue the product development project for Frogtail in order to integrate with the new financing facility and implement further actions to improve profitability for the existing products.

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Income statement

	NOTE	Folkefinans AS				
		2019 Q2	2018 Q2	2019 YTD	2018 YTD	2018 YE
Interest income		25,931	28,296	52,533	58,193	120,935
Interest expenses		-2,192	-1,026	-4,320	-2,087	-5,588
Net interest income		23,739	27,270	48,214	56,107	115,346
Fee and comission expenses		-5,106	-7,035	-9,165	-14,922	-29,050
Net change in value on securities and currency		3,313	-35	3,503	-2,101	4,163
Gross margin		21,946	20,200	42,551	39,083	90,458
Personnel expenses		-4,593	-5,336	-10,588	-11,504	-23,355
General administrative expenses		-4,723	-6,334	-10,642	-11,097	-21,790
Depreciation and amortisation		-777	-467	-1,618	-964	-1,923
Other operating expenses		-1,360	-2,004	-2,987	-4,046	-8,219
Net operating income		10,493	6,059	16,716	11,472	35,172
Losses on loans	1	-7,270	-3,090	-14,208	-7,632	-22,023
Impairment losses		0	-145	0	-145	-144
Profit before tax		3,223	2,824	2,508	3,694	13,006
Tax on result on ordinary operations		-263	-421	-84	-525	-2,796
Profit after tax		2,960	2,403	2,424	3,170	10,209
Other Comprehensive Income						
Exchange differences on translating foreign operations		-708	-1,247	-2,578	-4,351	-1,737
Sum other comprehensive income		-708	-1,247	-2,578	-4,351	-1,737
Total comprehensive income		2,253	1,156	-154	-1,182	8,472

Balance sheet

	NOTE	Folkefinans AS		
		2019 Q2	2018 Q2	2018 YE
Assets				
Loans and deposits with credit institutions		15,480	14,052	9,305
Repayment loans		197,438	142,181	202,546
Specified loss reserves	2	-17,021	-13,048	-18,429
Loans to customers		180,417	129,133	184,117
Investment securities		22,178	14,908	18,163
Goodwill		21,118	21,118	21,118
Deferred tax assets		28,169	29,616	28,253
Other intangible assets		3,530	5,014	4,338
Tangible assets		2,567	189	204
Other assets		9,776	7,077	12,711
Prepaid and deposits		14,779	11,285	12,974
Total assets		298,014	232,391	291,185
EQUITY AND LIABILITIES				
Liabilities				
Debt to credit institutions		79,792	9,313	69,032
Derivatives		1,404	2,106	1,839
Other liabilities		10,704	19,165	10,815
Accrued expenses		3,595	4,713	5,505
Subordinated loan		29,676	28,919	31,095
Total liabilities		125,171	64,216	118,286
Equity				
Share capital		95,891	95,891	95,891
Share premium		84,414	84,414	84,414
Retained earnings		-7,461	-12,130	-7,406
Total equity		172,843	168,174	172,898
Total liabilities and equity		298,014	232,391	291,185

Folkefinans AS notes

1. Credit losses	2019 Q2	2018 Q2	2018 YE
Actual specified credit losses	7,654	5,368	22,021
Write-back of specified credit losses	-63	-482	-522
Provisions during the period	-321	-1,797	523
Sum (NOK)	7,270	3,090	22,023
2. Credit losses / Defaulted			
Defaulted loans*	8,536	6,736	8,139
Accumulated provision for credit losses	17,021	13,048	18,429
Net (NOK)	-8,485	-6,312	-10,289
*) loans are classified as defaulted 90 days past due			
3. Off balance sheet items			
Undisposed credit (SEK facility)	12,935	0	10,045
Sum (NOK)	12,935	0	10,045
4. Capital adequacy			
Capital requirement	40,488	34,837	41,484
Capital base	131,955	112,496	134,770
Capital ratio	26.1 %	25.8 %	26.0%