

# 2020



## Folkefinans

Interim Report July - Sept 2020

## Report for third quarter 2020

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 September 2020, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

Following the sharp decline in economic activity in the Nordics during the spring due to Covid-19, the summer months saw an increase in the demand for Folkefinans' products, however the positive market development slowed down somewhat towards the end of third quarter. The organization and employees have so far to a limited extent been affected directly by Covid-19, and it has been organized so that a limited number of employees have been working in the offices on a voluntary basis during Q3. Due to the increased uncertainty caused by Covid-19 and the company's operational loss situation during 2020, the board decided to initiate a restructuring process in August downsizing the organization with 5 FTEs. The restructuring process was finalized by the end of September, and a restructuring cost of 3 MNOK including severance packages and legal costs were included in the P&L in September.

Lending in Q3 amounted to 112 MNOK being at the same level as Q2 lending. The lending of the instalment loans in both Sweden and Norway showed a good improvement compared to Q2 lending. However the levels of lending continued to be balanced towards the need to preserve Folkefinans' cash position and the continued imposed pause in draw down of additional secured debt by the Wonga Administrator as commented in the previous quarterly reports. This led to a decrease in both lending and outstanding portfolio for the Monetti Flexi revolving credit product. Folkefinans' board has continued the process of solving the legal issue with the Wonga Administrator during Q3. There are now positive outlooks from both the Wonga Administrator and the board that an agreement will be closed before year end.

Interest income in Q3 2020 amounted to 27 910 KNOK increasing compared to both Q2 and similar period in 2019. The income in Sweden improved driven by Monetti Flexilån and the short term loan brand K365. The development of the other loan products in Sweden were stable compared to Q2. The income in Norway increased turning the negative development caused by Covid-19 during the spring months.

The company's provisions for losses on loans amounted to 9 747 KNOK in Q3 2020 increasing compared to Q2 mainly due to provisions made for two main fraud incidents in Sweden. The operational losses are at a higher level than Q3 2019 due to the increasing share of Monetti Flexilån in the loan portfolio when sold under the existing Forward Flow arrangement. Continued limited impact observed on the customers' payment behavior as a result of the Covid-19 crisis during Q3.

Total comprehensive income was negative with -2 276 KNOK in Q3 2020 compared to -240 in Q3 2019. The result was negatively impacted by the restructuring costs included in the September result. The value on securities and currency varied strongly during Q3 giving a quarterly positive impact of 1 350 KNOK. The total capital ratio amounted to 23.1% in Q3 decreasing from 24.1% in Q2 mainly due to the negative result for the quarter. The uncertainty surrounding Folkefinans remains high as there are signs that the Covid-19 pandemic is increasing. Renewed efforts from governments in both Norway and Sweden to limit the spread of the virus and an eventual second wave could reduce the economic activity again. Despite this uncertain backdrop, and as a result of the focus on cost control and the positive outlook to solve the legal issue with the Wonga Administrator the board and management are optimistic to see an improvement in Folkefinans' financial position during the next quarter.

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## Income statement

	NOTE	Folkefinans AS				
		2020 Q3	2019 Q3	2020 YTD	2019 YTD	2019 YE
Interest income		27,910	26,312	81,818	78,845	106,048
Interest expenses		-3,087	-2,322	-8,971	-6,641	-9,167
<b>Net interest income</b>		<b>24,823</b>	<b>23,990</b>	<b>72,847</b>	<b>72,204</b>	<b>96,880</b>
Fee and comission expenses		-5,055	-5,586	-16,323	-14,751	-20,827
Net change in value on securities and currency		1,350	1,002	2,921	4,505	5,288
<b>Gross margin</b>		<b>21,119</b>	<b>19,407</b>	<b>59,445</b>	<b>61,958</b>	<b>81,342</b>
Personnel expenses		-9,190	-5,903	-21,900	-16,491	-23,171
<i>General administrative expenses</i>		-3,569	-4,050	-11,920	-14,692	-18,945
<i>Depreciation and amortisation</i>		-585	-746	-1,843	-2,364	-3,098
<i>Other operating expenses</i>		-1,835	-1,847	-6,004	-4,835	-6,577
<b>Net operating income</b>		<b>5,941</b>	<b>6,859</b>	<b>17,776</b>	<b>23,576</b>	<b>29,551</b>
Losses on loans	1	-9,747	-7,649	-28,927	-21,857	-29,176
Impairment losses		0	0	0	0	-138
<b>Profit before tax</b>		<b>-3,806</b>	<b>-789</b>	<b>-11,150</b>	<b>1,719</b>	<b>237</b>
Tax on result on ordinary operations		1,539	515	4,003	431	-989
<b>Profit after tax</b>		<b>-2,267</b>	<b>-274</b>	<b>-7,147</b>	<b>2,150</b>	<b>-752</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations		-9	34	1,884	-2,544	-1,405
<b>Sum other comprehensive income</b>		<b>-9</b>	<b>34</b>	<b>1,884</b>	<b>-2,544</b>	<b>-1,405</b>
<b>Total comprehensive income</b>		<b>-2,276</b>	<b>-240</b>	<b>-5,263</b>	<b>-394</b>	<b>-2,157</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2020 Q3	2019 Q3	2019 YE
<b>Assets</b>				
Loans and deposits with credit institutions		13,672	10,292	11,671
Repayment loans		230,591	210,369	218,014
Specified loss reserves	2	-19,870	-17,972	-16,293
<b>Loans to customers</b>		<b>210,721</b>	<b>192,396</b>	<b>201,720</b>
Investment securities		20,885	22,214	21,630
Derivatives		0	0	899
Goodwill		21,118	21,118	21,118
Deferred tax assets		31,268	28,685	27,265
Other intangible assets		2,835	3,231	3,005
Tangible assets		1,284	2,168	2,373
Other assets		16,568	12,258	10,234
Prepaid and deposits		14,786	15,228	19,406
<b>Total assets</b>		<b>333,136</b>	<b>307,590</b>	<b>319,320</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Debt to credit institutions		118,793	86,837	98,984
Derivatives		1,978	1,667	1,103
Other liabilities		4,305	11,748	12,597
Accrued expenses		7,664	4,142	4,568
Subordinated loan		34,764	30,054	30,813
<b>Total liabilities</b>		<b>167,504</b>	<b>134,450</b>	<b>148,065</b>
<b>Equity</b>				
Share capital		96,123	96,240	96,240
Share premium		79,262	79,262	79,262
Other paid in equity		5,151	5,151	5,151
Retained earnings		-14,905	-7,513	-9,398
<b>Total equity</b>		<b>165,632</b>	<b>173,140</b>	<b>171,255</b>
<b>Total liabilities and equity</b>		<b>333,136</b>	<b>307,590</b>	<b>319,320</b>

## Folkefinans AS notes

<b>1. Credit losses</b>	<b>2020 Q3</b>	<b>2019 Q3</b>	<b>2019 YE</b>
Actual specified credit losses	8,501	6,823	31,026
Write-back of specified credit losses	-2	-14	-94
Provisions during the period	1,247	840	-1,756
<b>Sum (NOK)</b>	<b>9,747</b>	<b>7,649</b>	<b>29,176</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	8,692	9,192	5,400
Accumulated provision for credit losses	19,870	17,972	16,293
<b>Net (NOK)</b>	<b>-11,177</b>	<b>-8,781</b>	<b>-10,893</b>
*) loans are classified as defaulted 90 days past due			
<b>3. Off balance sheet items</b>			
Undisposed credit (SEK facility)	31,106	24,829	28,272
<b>Sum (NOK)</b>	<b>31,106</b>	<b>24,829</b>	<b>28,272</b>
<b>4. Capital adequacy</b>			
Capital requirement	39,972	39,560	39,397
Capital base	115,666	130,674	129,149
<b>Capital ratio</b>	<b>23.1 %</b>	<b>26.4 %</b>	<b>26.2%</b>