

2021



Folkefinans

Interim Report Jan - March 2021

Report for first quarter 2021

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.

Folkefinans has during 2020 and Q1 2021 followed the Covid-19 requirements and advices given by the governments by implementing necessary internal measures to secure an efficient and secure operation for the employees. The Covid-19 pandemic has had limited negative operational effects internally and on lending and customer payment behavior in both Sweden and Norway in general so far.

As during 2020 Folkefinans has in Q1 been prevented by the Wonga Administrator from increasing the credit line with Arvato financing the revolving credit product above the current funding levels. The Administrator has continued in Q1 the work for a possible closing with an investor to take over the subordinated loan and Wonga's shares in Folkefinans. If an agreement is not reached Folkefinans has planned for and secured a sufficient cash buffer in order to pay back the subordinated loan at maturity beginning July 2021. In addition part of the company's Visa shares will be sold in Q2 to further strengthen the liquidity in the company. Lending in Q1 has therefore been restricted by the need to level lending of the revolving credit product towards the existing credit limit of 120 MSEK with Arvato and reducing lending for the loan products in order to build up the needed cash buffer. Consequently the Interest income in Q1 2021 amounted to 24 245 KNOK showing a decline towards similar period in 2020 with a reduction seen in both Sweden and Norway.

The company's provisions for losses on loans amounted to 7 953 KNOK in Q1 2021 showing a marked decline compared to Q1 2020 mainly as the share to forward flow has shown a continued positive declining trend. The organization has during Q1 prioritized projects and tasks to improve the existing credit assessment by implementing new score cards and initiate use of bank transaction data when assessing customers. This needed prioritization comes also as a consequence of the general downward pressure on Forward Flow prices observed in the markets where Folkefinans is operating. Renegotiation of the existing Forward Flow agreements for the Swedish products were initiated in Q1 and is presently ongoing.

Total comprehensive income was negative with -4 228 KNOK in Q1 2021 compared to -2 256 in Q1 2020. Excluding exchange differences and change in value of securities the operational profit amounted to -1 335 KNOK in Q1 which is an improvement of approx. 3.7 MNOK compared to Q1 2020 with operating costs being 2.7 MNOK lower. The total capital ratio amounted to 24.1% in Q1 being at the same level as year end 2020. The continued uncertainty surrounding Folkefinans remains high however the likelihood of an end to the Covid-19 pandemic is moving closer. Despite this uncertain backdrop, the legal issue with the Wonga Administrator will now be solved at the end of Q2 so the board and management are looking forward to be able to restart the growth in lending thereby improving Folkefinans' financial position during the next quarter.

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	NOTE	Folkefinans AS				
		2021 Q1	2020 Q1	2021 YTD	2020 YTD	2020 YE
Interest income		24,245	27,250	24,245	27,250	107,361
Interest expenses		-2,976	-2,833	-2,976	-2,833	-11,961
Net interest income		21,269	24,417	21,269	24,417	95,400
Fee and comission expenses		-3,343	-5,473	-3,343	-5,473	-20,080
Net change in value on securities and currency		-2,567	1,402	-2,567	1,402	1,934
Gross margin		15,359	20,346	15,359	20,346	77,253
Personnel expenses		-6,257	-6,440	-6,257	-6,440	-28,455
General administrative expenses		-2,589	-4,616	-2,589	-4,616	-14,927
Depreciation and amortisation		-555	-664	-555	-664	-2,414
Other operating expenses		-1,896	-2,220	-1,896	-2,220	-8,007
Net operating income		4,061	6,405	4,061	6,405	23,451
Losses on loans	1	-7,953	-10,072	-7,953	-10,072	-53,043
Impairment losses		0	0	0	0	0
Profit before tax		-3,892	-3,667	-3,892	-3,667	-29,592
Tax on result on ordinary operations		0	871	0	871	0
Profit after tax		-3,892	-2,796	-3,892	-2,796	-29,592
Other Comprehensive Income						
Exchange differences on translating foreign operations		-336	539	-336	539	3,068
Sum other comprehensive income		-336	539	-336	539	3,068
Total comprehensive income		-4,228	-2,256	-4,228	-2,256	-26,524

	NOTE	Folkefinans AS		
		2021 Q1	2020 Q1	2020 YE
Assets				
Loans and deposits with credit institutions		32,900	14,615	27,081
Repayment loans		200,104	228,967	212,192
Specified loss reserves	2	-33,680	-19,031	-33,282
Loans to customers		166,424	209,937	178,910
Investment securities		19,631	22,690	20,305
Derivatives		1,073	0	689
Goodwill		0	21,118	0
Deferred tax assets		0	26,394	0
Other intangible assets		2,688	2,936	2,850
Tangible assets		3,906	2,156	4,577
Other assets		14,191	20,254	14,145
Prepaid and deposits		14,147	19,212	12,333
Total assets		254,960	339,312	260,891
EQUITY AND LIABILITIES				
Liabilities				
Debt to credit institutions		115,587	119,518	113,723
Derivatives		0	4,842	0
Other liabilities		9,113	7,578	9,724
Accrued expenses		5,588	4,970	6,841
Subordinated loan		32,645	34,730	34,717
Total liabilities		162,933	171,637	165,005
Equity				
Share capital		96,123	96,240	96,123
Share premium		79,262	79,262	79,262
Other paid in equity		5,151	5,151	5,151
Retained earnings		-88,511	-12,978	-84,651
Total equity		92,026	167,675	95,886
Total liabilities and equity		254,960	339,312	260,891

Folkefinans AS notes

	2021 Q1	2020 Q1	2020 YE
1. Credit losses			
Actual specified credit losses	5,347	8,964	10,835
Write-back of specified credit losses	0	-10	1
Provisions during the period	2,607	1,118	13,281
Sum (NOK)	7,953	10,072	24,117
2. Credit losses / Defaulted			
Defaulted loans*	6,590	7,124	6,582
Accumulated provision for credit losses	33,680	19,031	33,282
Net (NOK)	-27,090	-11,907	-26,700
*) loans are classified as defaulted 90 days past due			
3. Off balance sheet items			
Undisposed credit (SEK facility)	26,651	30,986	30,184
Sum (NOK)	26,651	30,986	30,184
4. Capital adequacy			
Capital requirement	30,182	40,611	32,025
Capital base	90,998	125,958	96,513
Capital ratio	24.1 %	24.8 %	24.1%