

2018



Folkefinans

Interim Report January - March 2018

Report for first quarter 2018

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 31 March 2018, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

During Q1 the main focus has been to implement the new flexible and scalable loan platform Mambu to enable Folkefinans quickly to launch new products and adapt to regulatory changes. A new Credit Line product is planned to be launched on the new platform in Sweden during May. New legislations including interest cap is announced to be introduced in Sweden in September 2018. Folkefinans will ensure that all product offerings will be compliant with the new legislations. The plan to launch new products and accelerate Consumer Loan lending requires new funding. Folkefinans has secured a credit line of 30 MSEK with Arvato Bertelsmann financing the new product in Sweden and will continue the process in Q2 to secure further new financing.

Total income in Q1 2018 amounted to 29 897 KNOK, increasing with 4 264 KNOK compared to Q1 2017. The main driver for the increase in income has been the continued strong improvement in Sweden in sales of Monetti loans with longer maturity during 2017. Income in Norway in Q1 was at the same levels as Q1 last year however with good improvement in sales of Folkia products as the sales of Frogtail loans were temporary paused at the end of Q1 2017.

The company's losses on loans were relatively low and amounted to 4 543 KNOK in Q1. The provision levels are in line with budget, and have been adjusted in accordance with the product mix for the Forward Flow portfolios sold during Q1. Losses of loans in Q1 2017 was positively impacted by profit from sales of bad debt portfolios of approx. 9.4 MNOK.

Result on ordinary operations before tax for Q1 2018 was positive and amounted to 416 KNOK negatively impacted by a net loss on foreign exchange of 2 520 KNOK due to the weakening of the Swedish krone during Q1. In comparison Q1 2017 was positively impacted by profits from portfolio sales and net gain on foreign exchange. Excluding these effects the operational result in Q1 2018 improved with approx. 5.3 MNOK compared to Q1 2017.

The capital ratio amounted to 25.9% in Q1 2018 being at the same high level as year end 2017, however improving strongly compared to the capital ratio of 19.8% in Q1 2017. During Q2 Folkefinans will ensure continuation of the positive trends for sales and profitability seen in Q1, seek to secure further financing and launch the new Credit Line product in Sweden during May.

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Income statement

	NOTE	Folkefinans AS				
		2018 Q1	2017 Q1	2018 YTD	2017 YTD	2017 YE
Interest and similar income from credit institutions		12	25	12	25	31
Interest and similar income from customers		29,886	25,608	29,886	25,608	115,363
Total interest and similar income		29,897	25,633	29,897	25,633	115,394
Interest and other expenses on debt to credit institutions		-1,061	-1,888	-1,061	-1,888	-6,333
Total interest expenses and similar expenses		-1,061	-1,888	-1,061	-1,888	-6,333
Net interest and credit comission income		28,836	23,745	28,836	23,745	109,061
Commission an fee expenses		-7,678	-2,339	-7,678	-2,339	-22,850
Commission and similar expenses from credit institutions		-209	-175	-209	-175	-583
Total commission expenses and similar expenses		-7,887	-2,514	-7,887	-2,514	-23,433
Net gain/loss on foreign exchange etc		-2,520	256	-2,520	256	2,851
Total net change in value and gain/loss on currencies etc		-2,520	256	-2,520	256	2,851
Salary etc		-6,168	-10,914	-6,168	-10,914	-31,451
-Salary		-4,108	-8,964	-4,108	-8,964	-22,961
- Pension		-406	-538	-406	-538	-2,142
- Social fees		-1,654	-1,412	-1,654	-1,412	-6,348
Administrative expenses		-4,763	-7,628	-4,763	-7,628	-21,986
Total salaries and general administrative expenses		-10,931	-18,541	-10,931	-18,541	-53,437
Ordinary depreciation		-497	-1,131	-497	-1,131	-4,648
Total depreciation, etc, of tangible fixed assets and intangible assets		-497	-1,131	-497	-1,131	-4,648
Other operating expenses		-2,042	-3,706	-2,042	-3,706	-9,412
Total other operating expenses		-2,042	-3,706	-2,042	-3,706	-9,412
Result before losses on loans		4,959	-1,890	4,959	-1,890	20,982
Losses on loans	1	-4,543	4,079	-4,543	4,079	-3,490
Total losses on loans, guarantees, etc		-4,543	4,079	-4,543	4,079	-3,490
Write down of intangible assets		0	0	0	0	-6,581
Total write down of assets		0	0	0	0	-6,581
Result on ordinary operations before tax		416	2,189	416	2,189	10,911
Tax on result on ordinary operations		-104	-550	-104	-550	-4,502
Result		312	1,639	312	1,639	6,409
Other Comprehensive Income						
Exchange differences on translating foreign operations		-3,104		-3,104		724
Other comprehensive income investments		454	12	454	12	4,673
Total result		-2,338	1,651	-2,338	1,651	11,806

Balance sheet

	NOTE	Folkefinans AS		
		2018 Q1	2017 Q1	2017 YE
Assets				
Loans to and receivables from credit institutions		20,820	21,036	24,260
Total loans to and receivables from credit institutions		20,820	21,036	24,260
Repayment loans		141,276	194,232	157,121
Specified loss reserves	2	-15,174	-37,485	-18,248
Total loans to and receivables from customers		126,102	156,747	138,873
Available for sale investments		13,036	9,703	13,230
Total Financial Items		13,036	9,703	13,230
Goodwill		21,118	21,118	21,118
Deferred tax assets		30,037	31,104	30,141
Intangible assets		5,080	14,630	5,388
Total intangible assets		56,234	66,852	56,646
Tangible assets		383	640	471
Total Tangible assets		383	640	471
Other assets		2,394	475	2,944
Prepays and deposits		11,828	7,628	11,210
Total other assets		14,222	8,103	14,154
TOTAL ASSETS		230,798	263,080	247,634
EQUITY AND LIABILITIES				
Liabilities				
Liabilities to credit institutions		75	0	0
Derivates		2,331	2,954	2,485
Other liabilities		9,984	8,328	11,333
Accrued expenses and deferred income		4,924	16,795	7,499
Self-amortizing loans		16,848	45,936	25,647
Convertible subordinated loan		29,689	29,745	31,510
Total liabilities		63,851	103,758	78,475
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		-13,357	-20,982	-11,145
Total retained earnings		-13,357	-20,982	-11,145
Total equity		166,947	159,323	169,159
TOTAL EQUITY AND LIABILITIES		230,798	263,080	247,634

Folkefinans AS notes

1. Credit losses	2018 Q1	2017 Q1	2017 YE
Actual specified credit losses	6,890	6,763	35,130
Write-back of specified credit losses	-69	-15,336	-831
Provisions during the period	-2,278	4,493	-30,809
Sum (NOK)	4,543	-4,079	3,490
2. Credit losses / Defaulted			
Defaulted loans*	8,108	36,797	7,912
Accumulated provision for credit losses	15,174	37,485	18,248
Net (NOK)	-7,066	-688	-10,337
*) 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	34,268	38,628	35,227
Capital base	111,112	95,569	113,512
Capital ratio	25.9 %	19.8 %	25.8%