

# 2019



## Folkefinans

Interim Report July - September 2019

## Report for third 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 September 2019, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

Lending in Q3 amounted to 122 MNOK which was a good improvement compared to Q2 in both Sweden and 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. The lending for the amended Frogtail products showed a sharp increase during July which required tightening of the credit framework during Q3. Main focus for the organisation in Q3 was to start the project of implementing the financing for the Frogtail consumer loans together with Folkefinans' new funding partner planned to be launched in February 2020.

Interest income in Q3 2019 amounted to 23 990 KNOK being at lower levels than similar period in 2018 due to 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 in Sweden continued to increase amounting to 10 047 KNOK and contributes now 47% of the total income in Sweden in Q3. As a consequence of the interest cap the income from the traditional loan products in Sweden continued to decline also in Q3 and amounted to 11 530 KNOK. The positive lending trend in Norway continued in Q3 with interest income amounting to 4 733 KNOK.

The company's provisions for losses on loans amounted to 7 649 KNOK in Q3 2019. The somewhat higher loss levels compared to Q3 2018 relate mainly to higher actual losses for Monetti Flexilån when sold under the existing Forward Flow arrangement. During Q3 negotiations with the Forward Flow partners were conducted securing the existing price levels until the end of 1. half of 2020. The work on projects and tasks for improving scoring and pre collection continued during Q3.

Profit after tax was slightly negative with -274 KNOK in Q3 being lower than similar period in 2018 however positively impacted by increasing value in investment securities of 1 002 KNOK. Accumulated the profit after tax amounted to 2 150 KNOK. Total comprehensive income accumulated amounted to -394 KNOK negatively effected by net loss on foreign exchange mainly due to the weakening of the Swedish krone towards the Norwegian krone during 2019. The total capital ratio improved from Q2 and amounted to 26.4% as hedging for USD, EUR and minimum SEK assets was implemented in August. Folkefinans' main focus in Q4 will be to finalize the product development project for Frogtail integrating the new financing facility financing the product and continue implementing prioritized projects with the aim of improving growth and profitability for the existing products.

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## Income statement

	NOTE	Folkefinans AS				
		2019 Q3	2018 Q3	2019 YTD	2018 YTD	2018 YE
Interest income		26,312	32,559	78,845	84,298	120,935
Interest expenses		-2,322	-1,391	-6,641	-4,587	-5,588
<b>Net interest income</b>		<b>23,990</b>	<b>31,168</b>	<b>72,204</b>	<b>79,711</b>	<b>115,346</b>
Fee and comission expenses		-5,586	-8,746	-14,751	-15,802	-29,050
Net change in value on securities and currency		1,002	2,229	4,505	811	4,163
<b>Gross margin</b>		<b>19,407</b>	<b>24,651</b>	<b>61,958</b>	<b>64,720</b>	<b>90,458</b>
Personnel expenses		-5,903	-5,911	-16,491	-23,980	-23,355
General administrative expenses		-4,050	-4,709	-14,692	-17,126	-21,790
Depreciation and amortisation		-746	-496	-2,364	-3,461	-1,923
Other operating expenses		-1,847	-1,920	-4,835	-8,106	-8,219
<b>Net operating income</b>		<b>6,859</b>	<b>11,614</b>	<b>23,576</b>	<b>12,046</b>	<b>35,172</b>
Losses on loans	1	-7,649	-6,106	-21,857	-786	-22,023
Impairment losses		0	1	0	0	-144
<b>Profit before tax</b>		<b>-789</b>	<b>5,509</b>	<b>1,719</b>	<b>11,260</b>	<b>13,006</b>
Tax on result on ordinary operations		515	-982	431	-2,737	-2,796
<b>Profit after tax</b>		<b>-274</b>	<b>4,527</b>	<b>2,150</b>	<b>8,523</b>	<b>10,209</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations		34	602	-2,544	409	-1,737
<b>Sum other comprehensive income</b>		<b>34</b>	<b>602</b>	<b>-2,544</b>	<b>409</b>	<b>-1,737</b>
<b>Total comprehensive income</b>		<b>-240</b>	<b>5,129</b>	<b>-394</b>	<b>8,932</b>	<b>8,472</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2019 Q3	2018 Q3	2018 YE
<b>Assets</b>				
Loans and deposits with credit institutions		10,292	9,725	9,305
Repayment loans		210,369	174,395	202,546
Specified loss reserves	2	-17,972	-15,223	-18,429
<b>Loans to customers</b>		<b>192,396</b>	<b>159,172</b>	<b>184,117</b>
Investment securities		22,214	16,890	18,163
Goodwill		21,118	21,118	21,118
Deferred tax assets		28,685	28,634	28,253
Other intangible assets		3,231	4,614	4,338
Tangible assets		2,168	185	204
Other assets		12,258	7,914	12,711
Prepaid and deposits		15,228	11,060	12,974
<b>Total assets</b>		<b>307,590</b>	<b>259,313</b>	<b>291,185</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Debt to credit institutions		86,837	2,308	69,032
Derivatives		1,667	2,008	1,839
Other liabilities		11,748	47,770	10,815
Accrued expenses		4,142	4,729	5,505
Subordinated loan		30,054	29,309	31,095
<b>Total liabilities</b>		<b>134,450</b>	<b>86,123</b>	<b>118,286</b>
<b>Equity</b>				
Share capital		96,240	95,891	95,891
Share premium		84,414	84,414	84,414
Retained earnings		-7,513	-7,114	-7,406
<b>Total equity</b>		<b>173,140</b>	<b>173,190</b>	<b>172,898</b>
<b>Total liabilities and equity</b>		<b>307,590</b>	<b>259,313</b>	<b>291,185</b>

## Folkefinans AS notes

<b>1. Credit losses</b>	<b>2019 Q3</b>	<b>2018 Q3</b>	<b>2018 YE</b>
Actual specified credit losses	6,823	4,056	22,021
Write-back of specified credit losses	-14	-82	-522
Provisions during the period	840	2,132	523
<b>Sum (NOK)</b>	<b>7,649</b>	<b>6,106</b>	<b>22,023</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	9,192	7,272	8,139
Accumulated provision for credit losses	17,972	15,223	18,429
<b>Net (NOK)</b>	<b>-8,781</b>	<b>-7,951</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)	24,829	0	10,045
<b>Sum (NOK)</b>	<b>24,829</b>	<b>0</b>	<b>10,045</b>
<b>4. Capital adequacy</b>			
Capital requirement	39,560	38,277	41,484
Capital base	130,674	125,889	134,770
<b>Capital ratio</b>	<b>26.4 %</b>	<b>26.3 %</b>	<b>26.0%</b>