



Folkefinans

Interim report January - March 2016

Report for first quarter 2016

Folkefinans provides everyday financial services in the Nordic and Baltic regions. Folkefinans' services primarily consist of provision of small unsecured loans with short term to maturity for temporary needs including more flexible larger loans (up to NOK 50.000) with longer maturity (up to 36 months).

The company's financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP) and the regulations concerning annual financial statements etc. for banks and financing institutions of 16 December 1998. The directors' report also covers the group's operations, see section 3-3a of the Accounting Act. Folkefinans also prepares its consolidated financial statements in accordance with IFRS, see section 3-9 of the Norwegian Accounting Act.

Folkefinans AS consists of the Norwegian legal entity and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch.

Total income in Q1 2016 amounted to 33 536 KNOK with a continued improvement compared to previous quarters mainly due to increased sales of loans with longer maturity in Sweden and Norway and revenues from in-house collection for the Swedish market. In Q1 the loan offering in Sweden were extended, increasing the maturity of the loans up to 36 months and the loan size up to 50 KNOK. During Q1 extensive marketing campaigns incl. TV commercials promoting the new brand Frogtail were run in the Swedish market with very positive sales impact. The campaigns will be continued during Q2 in both Sweden and Norway. As a result of the increased sales of larger loans with longer maturity, the receivables and share of defaulted loans increased compared to Q1 2015. Folkefinans is continuously working to improve the scoring- and collection processes and attracting better customer segments through the Frogtail brand to secure that share of defaulted loans will decrease.

In November 2015, Visa Inc. announced the agreement to acquire all shares in Visa Europe Ltd. Folkefinans has ownership interests in Visa Europe through its membership in Visa Norway. As a result of the agreement, the estimated value of the investment increased by TNOK 29 905 which was recognized in other comprehensive income year end 2015. Shares in Visa Europe is classified as available for sale investments. The closing of the acquisition is expected to take place during Q2.

As a consequence of challenging market situation and low profit generation the board and management has decided to temporary discontinue the sale of new loans and credit cards in Estonia and new loans in Denmark as of Q2 2016. Consequently the result before tax for Q1 ended at -5,930 KNOK compared to -6 466 KNOK for the same period in 2015. The capital ratio amounted to 17,1%, improving compared to Q1 2015 as Folkefinans entered into a subordinated loan of 3,5 MEUR in June 2015 and the positive effect on result and equity of the Visa proceeds. The improvement in the capital base will enable Folkefinans to realize its future strategy for continued profitable growth in all markets.

For further information, please contact:

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Income statement

	NOTE	Folkefinans AS				
		2016 Q1	2015 Q1	2016 YTD	2015 YTD	2015 YE
Interest and similar income from credit institutions		126	6	126	6	463
Interest and similar income from customers		33 410	29 587	33 410	29 587	125 440
Total interest and similar income		33 536	29 593	33 536	29 593	125 903
Interest and other expenses on debt to credit institutions		-2 381	-1 359	-2 381	-1 359	-7 741
Total interest expenses and similar expenses		-2 381	-1 359	-2 381	-1 359	-7 741
Net interest and credit comission income		31 155	28 234	31 155	28 234	118 162
Commission and similar expenses from credit institutions		-148	-200	-148	-200	-824
Total interest expenses and similar expenses		-148	-200	-148	-200	-824
Net gain/loss on foreign exchange etc		-1 360	-1 950	-1 360	-1 950	500
Total net change in value and gain/loss on currencies etc		-1 360	-1 950	-1 360	-1 950	500
Salary etc		-10 050	-9 160	-10 050	-9 160	-36 139
-Salary		-7 343	-6 564	-7 343	-6 564	-25 593
- Pension		-587	-582	-587	-582	-2 234
- Social fees		-2 120	-2 014	-2 120	-2 014	-8 312
Administrative expenses		-9 816	-7 463	-9 816	-7 463	-38 165
Total salaries and general administrative expenses		-19 866	-16 623	-19 866	-16 623	-74 303
Ordinary depreciation		-1 309	-1 071	-1 309	-1 071	-8 957
Total depreciation, etc, of tangible fixed assets and intangible assets		-1 309	-1 071	-1 309	-1 071	-8 957
Other operating expenses		-6 763	-6 231	-6 763	-6 231	-27 582
Total other operating expenses		-6 763	-6 231	-6 763	-6 231	-27 582
Result before losses on loans		1 710	2 159	1 710	2 159	6 996
Losses on loans	1	-7 640	-8 625	-7 640	-8 625	-32 332
Total losses on loans, guarantees, etc		-7 640	-8 625	-7 640	-8 625	-32 332
Write down of intangible assets		0	0	0	0	0
Total write down of assets		0	0	0	0	0
Result on ordinary operations before tax		-5 930	-6 466	-5 930	-6 466	-25 336
Tax on result on ordinary operations		1 810	1 967	1 810	1 967	2 118
RESULT		-4 120	-4 499	-4 120	-4 499	-23 218
Other Comprehensive Income						
Exchange differences on translating foreign operations						2 707
Other comprehensive income investments						29 905
Total TRANSFERS AND ALLOCATIONS		-4 120	-4 499	-4 120	-4 499	9 394

Balance sheet

	NOTE	Folkefinans AS		
		2016 Q1	2015 Q1	2015 YE
Assets				
Loans to and receivables from credit institutions		23 525	43 851	4 360
Total net loans to and receivables from credit institutions		23 525	43 851	4 360
Repayment loans		246 541	194 973	237 320
Specified loss reserves	2	-91 021	-79 658	-85 555
Total net loans to and receivables from customers		155 520	115 316	151 765
Available for sale investments		55 289	0	55 849
Total ownership interests in group companies		55 289	0	55 849
Goodwill		30 078	30 078	30 078
Deferred tax assets		30 902	25 677	28 928
Intangible assets		18 418	26 775	19 183
Total intangible assets		79 397	82 530	78 189
Tangible assets		1 346	1 571	1 459
Total Tangible assets		1 346	1 571	1 459
Other assets		656	323	3 380
Prepays and deposits		5 791	6 001	6 303
Total prepaid		6 447	6 324	9 683
TOTAL ASSETS		321 525	249 591	301 304
EQUITY AND LIABILITIES				
Liabilities				
Liabilities to credit institutions		63 241	32 939	31 616
Derivates		2 956	0	2 910
Other liabilities		5 599	5 701	9 341
Subordinated loan		28 764	0	29 526
Convertible loan		54 947	56 231	54 116
Accrued expenses and deferred income		7 356	6 356	9 629
Total liabilities		162 863	101 227	137 137
Equity				
Share capital		96 705	96 705	96 705
Own shares		-815	-815	-815
Other paid in Equity		5 151		5 151
Share premium account		79 262	79 262	79 262
Total equity contributed		180 304	175 152	180 304
Other equity		-21 642	-26 788	-16 137
Total retained earnings		-21 642	-26 788	-16 137
Sum equity		158 662	140 367	164 167
TOTAL EQUITY AND LIABILITIES		321 525	249 591	301 304

Folkefinans AS notes

1. Credit losses	31.03.2016	31.03.2015	2015-12-31
Actual specified credit losses	1 437	0	12 998
Write-back of specified credit losses	-586	0	6 367
Provisions during the period	6 789	8 625	25 701
Sum (NOK)	7 640	8 625	32 332
2. Credit losses / Defaulted			
Defaulted loans*	97 074	89 649	90 009
Accumulated provision for credit losses	91 021	79 658	85 555
Net (NOK)	6 053	9 991	4 454
*) 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	39 352	34 589	38 559
Capital base	83 964	67 702	90 427
Capital ratio	17,1%	15,7 %	18,8%