

# 2018



**Folkefinans**

Interim Report April - June 2018

## Report for second 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 30 June 2018, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

During Q2 the main focus has been launch of the new Revolving Credit product in Sweden. The product was launched in the beginning of June, and the reception by Folkefinans' customers have been very positive and better than forecasted. The Revolving Credit product is financed through a credit line with Arvato Bertelsmann that was signed in May. Due to the initial higher than expected growth in the Revolving Credit portfolio the process of extending the credit line with Arvato was started already in July. The Revolving Credit product will be the main vehicle when migrating existing customers from products that will no longer be offered when the new legislations including interest cap, comes into force in Sweden in September 1st 2018. Folkefinans will ensure that all product offerings will be compliant with the new legislations. In June a plan for further launch of new products and acceleration of Consumer Loan lending was approved by the board. The plan will require further funding, and the ongoing funding process with positive outlooks will continue during Q2.

The Annual General Meeting was held in Oslo April 18th were Veijo Ojala, Finnish citizen, was elected as new board member replacing Harald Nordstrand who then left his position as board member. The Annual Accounts for 2017 was approved in the meeting.

Total income in Q2 2018 amounted to 28 296 KNOK, increasing with 667 KNOK compared to Q2 2017. Sales in May were at the same level as last year which was the best sales month in the company's history. The main driver for the high sales has been the continued strong improvement in Sweden in sales of Monetti loans with the new Revolving Credit product already contributing strongly as of June. Income in Norway in Q2 was at the same levels as last year.

The company's losses on loans in Q2 were further reduced compared to Q1 and amounted to 3 090 KNOK. The provision levels are lower than budget, and have been adjusted in accordance with the product mix for the Forward Flow portfolios sold during Q2. Negotiated improved prices for Forward Flow in Sweden are implemented as of June. In comparison losses of loans in Q2 2017 was positively impacted by profit from sales of bad debt portfolios of approx. 5.5 MNOK.

Result on ordinary operations before tax improved in Q2 and amounted to 1 684 KNOK negatively impacted by a net loss on foreign exchange of 1 176 KNOK due to the weakening of the Swedish krone during 2018. In comparison Q2 2017 was positively impacted by both profits from portfolio sales and net gain on foreign exchange. The capital ratio amounted to 25.8% in Q2 2018 being at the same high level as Q1 and year end 2017 and improving strongly compared to the capital ratio of 18.3% in Q2 2017. During Q3 Folkefinans' main focus will be to transform the product offerings in line with the new legislation in Sweden without negatively impact on income, uphold the high sales levels and secure further financing for future product launches.

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## Income statement

	NOTE	Folkefinans AS				
		2018 Q2	2017 Q2	2018 YTD	2017 YTD	2017 YE
Interest and similar income from credit institutions		5	8	17	33	31
Interest and similar income from customers		28,291	27,621	58,176	53,229	115,363
<b>Total interest and similar income</b>		<b>28,296</b>	<b>27,629</b>	<b>58,193</b>	<b>53,263</b>	<b>115,394</b>
Interest and other expenses on debt to credit institutions		-1,026	-1,213	-2,087	-3,101	-6,333
<b>Total interest expenses and similar expenses</b>		<b>-1,026</b>	<b>-1,213</b>	<b>-2,087</b>	<b>-3,101</b>	<b>-6,333</b>
<b>Net interest and credit comission income</b>		<b>27,270</b>	<b>26,416</b>	<b>56,107</b>	<b>50,162</b>	<b>109,061</b>
Commission an fee expenses		-6,899	-5,152	-14,577	-7,490	-22,850
Commission and similar expenses from credit institutions		-137	-374	-345	-549	-583
<b>Total commission expenses and similar expenses</b>		<b>-7,035</b>	<b>-5,526</b>	<b>-14,922</b>	<b>-8,039</b>	<b>-23,433</b>
Net gain/loss on foreign exchange etc		-1,176	1,185	-3,696	1,441	2,851
<b>Total net change in value and gain/loss on currencies etc</b>		<b>-1,176</b>	<b>1,185</b>	<b>-3,696</b>	<b>1,441</b>	<b>2,851</b>
Salary etc		-5,336	-6,932	-11,504	-17,845	-31,451
-Salary		-3,937	-4,763	-8,045	-13,727	-22,961
- Pension		-314	-490	-720	-1,028	-2,142
- Social fees		-1,085	-1,678	-2,739	-3,090	-6,348
Administrative expenses		-6,334	-5,116	-11,097	-12,744	-21,986
<b>Total salaries and general administrative expenses</b>		<b>-11,670</b>	<b>-12,048</b>	<b>-22,601</b>	<b>-30,589</b>	<b>-53,437</b>
Ordinary depreciation		-467	-1,166	-964	-2,297	-4,648
<b>Total depreciation, etc, of tangible fixed assets and intangible assets</b>		<b>-467</b>	<b>-1,166</b>	<b>-964</b>	<b>-2,297</b>	<b>-4,648</b>
Other operating expenses		-2,004	-2,098	-4,046	-5,804	-9,412
<b>Total other operating expenses</b>		<b>-2,004</b>	<b>-2,098</b>	<b>-4,046</b>	<b>-5,804</b>	<b>-9,412</b>
<b>Result before losses on loans</b>		<b>4,918</b>	<b>6,763</b>	<b>9,877</b>	<b>4,873</b>	<b>20,982</b>
Losses on loans	1	-3,090	-549	-7,632	3,530	-3,490
<b>Total losses on loans, guarantees, etc</b>		<b>-3,090</b>	<b>-549</b>	<b>-7,632</b>	<b>3,530</b>	<b>-3,490</b>
Write down of intangible assets		-145	0	-145	0	-6,581
<b>Total write down of assets</b>		<b>-145</b>	<b>0</b>	<b>-145</b>	<b>0</b>	<b>-6,581</b>
<b>Result on ordinary operations before tax</b>		<b>1,684</b>	<b>6,214</b>	<b>2,100</b>	<b>8,403</b>	<b>10,911</b>
Tax on result on ordinary operations		-421	-953	-525	-1,504	-4,502
<b>Result</b>		<b>1,263</b>	<b>5,261</b>	<b>1,575</b>	<b>6,900</b>	<b>6,409</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations		-1,247		-4,351		724
Other comprehensive income investments		1,141	12	1,595	24	4,673
<b>Total result</b>		<b>1,156</b>	<b>5,273</b>	<b>-1,182</b>	<b>6,924</b>	<b>11,806</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2018 Q2	2017 Q2	2017 YE
<b>Assets</b>				
Loans to and receivables from credit institutions		14,052	22,090	24,260
<b>Total loans to and receivables from credit institutions</b>		<b>14,052</b>	<b>22,090</b>	<b>24,260</b>
Repayment loans		142,181	178,005	157,121
Specified loss reserves	2	-13,048	-23,015	-18,248
<b>Total loans to and receivables from customers</b>		<b>129,133</b>	<b>154,990</b>	<b>138,873</b>
Available for sale investments		14,908	10,033	13,230
<b>Total Financial Items</b>		<b>14,908</b>	<b>10,033</b>	<b>13,230</b>
Goodwill		21,118	21,118	21,118
Deferred tax assets		29,616	29,918	30,141
Intangible assets		5,014	14,180	5,388
<b>Total intangible assets</b>		<b>55,748</b>	<b>65,215</b>	<b>56,646</b>
Tangible assets		189	570	471
<b>Total Tangible assets</b>		<b>189</b>	<b>570</b>	<b>471</b>
Other assets		7,077	688	2,944
Prepays and deposits		11,285	10,935	11,210
<b>Total other assets</b>		<b>18,362</b>	<b>11,623</b>	<b>14,154</b>
<b>TOTAL ASSETS</b>		<b>232,391</b>	<b>264,522</b>	<b>247,634</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Liabilities to credit institutions		0	178	0
Derivates		2,106	2,932	2,485
Other liabilities		19,165	14,280	11,333
Accrued expenses and deferred income		4,713	12,615	7,499
Self-amortizing loans		9,313	40,195	25,647
Convertible subordinated loan		28,919	31,172	31,510
<b>Total liabilities</b>		<b>64,216</b>	<b>101,373</b>	<b>78,475</b>
<b>Equity</b>				
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
<b>Total equity contributed</b>		<b>180,304</b>	<b>180,304</b>	<b>180,304</b>
Other equity		-12,130	-17,155	-11,145
<b>Total retained earnings</b>		<b>-12,130</b>	<b>-17,155</b>	<b>-11,145</b>
<b>Total equity</b>		<b>168,174</b>	<b>163,149</b>	<b>169,159</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>232,391</b>	<b>264,522</b>	<b>247,634</b>

## Folkefinans AS notes

<b>1. Credit losses</b>	<b>2018 Q2</b>	<b>2017 Q2</b>	<b>2017 YE</b>
Actual specified credit losses	5,368	16,072	35,130
Write-back of specified credit losses	-482	-13,647	-831
Provisions during the period	-1,797	-1,876	-30,809
<b>Sum (NOK)</b>	<b>3,090</b>	<b>549</b>	<b>3,490</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	6,736	12,957	7,912
Accumulated provision for credit losses	13,048	23,015	18,248
<b>Net (NOK)</b>	<b>-6,312</b>	<b>-10,059</b>	<b>-10,337</b>
* ) loans are classified as defaulted 90 days past due			
<b>3. Off balance sheet items</b>			
Undisposed credit (SEK facility)			
<b>Sum (NOK)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>4. Capital adequacy</b>			
Capital requirement	34,837	41,170	35,227
Capital base	112,496	94,109	113,512
<b>Capital ratio</b>	<b>25.8 %</b>	<b>18.3 %</b>	<b>25.8%</b>