

2020



Folkefinans

Interim Report January - March 2020

Report for first quarter 2020

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 31 March 2020, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

The spread of the Covid-19 virus has severely affected the economic activities in the markets where Folkefinans is operating. Presently it is difficult to determine how this will influence Folkefinans' operation and financial position. In comparison the financial crisis in 2008 had limited effect on Folkefinans' losses in the Swedish market at the time. As of Q1 limited effects observed so far related to lending and weakened payment behaviour. No employees have been tested positive, and all employees are working from home as of mid-March. Management will continuously follow up the employees regarding their health and well being.

Lending in Q1 amounted to 106 MNOK decreasing compared to Q4 2019 in both Sweden and Norway. The reason for the decline is the required reduction in sales in order to preserve Folkefinans' cash position and the imposed pause in draw down of additional secured debt by the Wonga Administrator as commented in the Annual Report. The organisation has during Q1 continued the project of implementing the financing for the Frogtail consumer loans together with Folkefinans' new funding partner. The new Frogtail product is planned to be launched during Q2 dependent on the outcome of the ongoing process to solve the legal issue with the Wonga Administrator.

Interest income in Q1 2020 amounted to 27 250 KNOK being higher than similar period in 2019 due to the increase in income from the Monetti Flexilån product in Sweden amounting to 12 775 KNOK, contributing now 56% of the total income in Sweden in Q1. As a consequence of the migration of existing customers to Monetti Flexilån and the interest cap introduced in Q3 2018 the income from the traditional loan products in Sweden continued to decline in Q1 compared to Q1 2019. So far there is limited effects on lending in Sweden due to the Covid-19 crisis. The lending in Norway showed a decline during Q1 with a decrease of 20-30% since the second week of March influenced negatively by Covid-19.

The company's provisions for losses on loans amounted to 10 072 KNOK in Q1 2020 compared to 6 939 KNOK in Q1 2019. The increase in loss levels relates to the relatively higher share of Monetti Flexilån when the revolving credits are sold under the existing Forward Flow arrangement. All Forward Flow agreements for both Norway and Sweden are now established and implemented with Arvato Bertelsmann securing existing high price levels for the loan products till the end of 1. half of 2020. So far there is limited impact on the customers' payment behaviour as a result of the Covid-19 crisis.

Total comprehensive income was negative with -2 256 KNOK in Q1 2020 compared to -2 407 in Q1 2019 positively impacted by increased value in investment securities and exchange differences. There were large fluctuations in the Norwegian krone towards other currencies during Q1 impacting the result positively. The total capital ratio amounted to 24.8% decreasing from 26.2% at year end 2019 due to the increase in loan outstanding and the negative result. Folkefinans' main focus in Q2 will be to solve the legal issue with the Wonga Administrator in order to be able to utilize the established credit facilities and to launch the new Frogtail consumer loans. The board and management will monitor the development closely going forward with special focus on how the downturn in the economy will impact Folkefinans' liquidity and profitability and take the necessary actions in order to preserve the company's financial position and ensure that the company are operational at all times.

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Income statement

	NOTE	Folkefinans AS				
		2020 Q1	2019 Q1	2020 YTD	2019 YTD	2019 YE
Interest income		27,250	26,603	27,250	26,603	106,048
Interest expenses		-2,833	-2,128	-2,833	-2,128	-9,167
Net interest income		24,417	24,475	24,417	24,475	96,880
Fee and comission expenses		-5,473	-4,059	-5,473	-4,059	-20,827
Net change in value on securities and currency		1,402	190	1,402	190	5,288
Gross margin		20,346	20,605	20,346	20,605	81,342
Personnel expenses		-6,440	-5,995	-6,440	-5,995	-23,171
General administrative expenses		-4,616	-5,919	-4,616	-5,919	-18,945
Depreciation and amortisation		-664	-840	-664	-840	-3,098
Other operating expenses		-2,220	-1,628	-2,220	-1,628	-6,577
Net operating income		6,405	6,223	6,405	6,223	29,551
Losses on loans	1	-10,072	-6,939	-10,072	-6,939	-29,176
Impairment losses		0	0	0	0	-138
Profit before tax		-3,667	-716	-3,667	-716	237
Tax on result on ordinary operations		871	179	871	179	-989
Profit after tax		-2,796	-537	-2,796	-537	-752
Other Comprehensive Income						
Exchange differences on translating foreign operations		539	-1,870	539	-1,870	-1,405
Sum other comprehensive income		539	-1,870	539	-1,870	-1,405
Total comprehensive income		-2,256	-2,407	-2,256	-2,407	-2,157

Balance sheet

	NOTE	Folkefinans AS		
		2020 Q1	2019 Q1	2019 YE
Assets				
Loans and deposits with credit institutions		14,615	10,099	11,671
Repayment loans		228,967	199,931	218,014
Specified loss reserves	2	-19,031	-17,508	-16,293
Loans to customers		209,937	182,423	201,720
Investment securities		22,690	20,341	21,630
Derivatives		0	0	899
Goodwill		21,118	21,118	21,118
Deferred tax assets		26,394	28,432	27,265
Other intangible assets		2,936	3,839	3,005
Tangible assets		2,156	2,988	2,373
Other assets		20,254	10,830	10,234
Prepaid and deposits		19,212	13,076	19,406
Total assets		339,312	293,146	319,320
EQUITY AND LIABILITIES				
Liabilities				
Debt to credit institutions		119,518	76,420	98,984
Derivatives		4,842	1,594	1,103
Other liabilities		7,578	8,789	12,597
Accrued expenses		4,970	5,878	4,568
Subordinated loan		34,730	29,905	30,813
Total liabilities		171,637	122,586	148,065
Equity				
Share capital		96,240	95,891	96,240
Share premium		79,262	79,262	79,262
Other paid in equity		5,151	5,151	5,151
Retained earnings		-12,978	-9,744	-9,398
Total equity		167,675	170,560	171,255
Total liabilities and equity		339,312	293,146	319,320

Folkefinans AS notes

1. Credit losses	2020 Q1	2019 Q1	2019 YE
Actual specified credit losses	8,964	7,248	31,026
Write-back of specified credit losses	-10	-10	-94
Provisions during the period	1,118	-299	-1,756
Sum (NOK)	10,072	6,939	29,176
2. Credit losses / Defaulted			
Defaulted loans*	7,124	8,560	5,400
Accumulated provision for credit losses	19,031	17,508	16,293
Net (NOK)	-11,907	-8,947	-10,893
*) loans are classified as defaulted 90 days past due			
3. Off balance sheet items			
Undisposed credit (SEK facility)	30,986	10,648	28,272
Sum (NOK)	30,986	10,648	28,272
4. Capital adequacy			
Capital requirement	40,611	41,329	39,397
Capital base	125,958	130,682	129,149
Capital ratio	24.8 %	25.3 %	26.2%