

# 2020



## Folkefinans

Interim Report April - June 2020

## Report for second 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 30 June 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 had limited effects on lending and payment behaviour especially in the Swedish market during Q2. Due to the more severe restrictions implemented by the Norwegian government the impact on lending in Norway was more negative, however improving during the second half of Q2. No employees have tested positive so far, and the employees have been working from home as of mid-March. Some employees have chosen to work from the offices on a voluntary basis. Management has continued to have close focus on following up the employees regarding their health and well being. A gradual return to the offices in groups in a controlled manner will be considered implemented after the vacation period.

Lending in Q2 amounted to 112 MNOK improving compared to Q1 lending of 106 MNOK. Lending in Norway however declined somewhat as a consequence of the Covid-19. The demand for Folkefinans' products in Sweden have been strong during Q2. However the levels of lending have been balanced towards the need to preserve Folkefinans' cash position and the continued imposed pause in draw down of additional secured debt by the Wonga Administrator as commented in the Q1 report. Folkefinans' board has during Q2 continued the process of solving the legal issue with the Wonga Administrator with the aim of closing an agreement in Q3. The project of implementing the financing for the Frogtail consumer loans together with Folkefinans' new funding partner has therefore been delayed and is now planned to be launched during Q3.

Interest income in Q2 2020 amounted to 26 658 KNOK being higher than similar period in 2019 due to the contribution from the Monetti Flexilån product in Sweden amounting to 12 965 KNOK, contributing 56% of the total income in Sweden also in Q2. The income from the traditional loan products in Sweden were stable during Q2 with a marked increase in the demand for the short term K365 product. The income in Norway showed a decline during Q2 negatively impacted by the Covid-19.

The company's provisions for losses on loans amounted to 9 109 KNOK in Q2 2020 being at lower levels than Q1. The increase in loss levels compared to Q1 2019 relates to the relatively higher share of Monetti Flexilån when the revolving credits are sold under the existing Forward Flow arrangement. The tax returns in Sweden during Q2 had a positive effect on the payments from the customers. Also in Q2 there have been limited impact observed on the customers' payment behaviour as a result of the Covid-19 crisis.

Total comprehensive income was negative with -730 KNOK in Q2 2020 compared to 2 253 in Q2 2020. The result was negatively impacted with -3.2 MNOK by the acquisition of Wallester where Folkefinans has held a 8% ownership, by the Estonian company Placet group. The fluctuations in the Norwegian krone towards other currencies stabilized during Q2 having limited P&L impact. The total capital ratio amounted to 24.1% decreasing from 24.8% in Q1 due to the increase in loan outstanding and the negative result. Folkefinans' main focus in Q3 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 with the aim of improving Folkefinans' financial position.

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## Income statement

	NOTE	Folkefinans AS				
		2020 Q2	2019 Q2	2020 YTD	2019 YTD	2019 YE
Interest income		26,658	25,931	53,907	52,533	106,048
Interest expenses		-3,050	-2,192	-5,884	-4,320	-9,167
<b>Net interest income</b>		<b>23,607</b>	<b>23,739</b>	<b>48,024</b>	<b>48,214</b>	<b>96,880</b>
Fee and comission expenses		-5,795	-5,106	-11,268	-9,165	-20,827
Net change in value on securities and currency		168	3,313	1,570	3,503	5,288
<b>Gross margin</b>		<b>17,980</b>	<b>21,946</b>	<b>38,326</b>	<b>42,551</b>	<b>81,342</b>
Personnel expenses		-6,270	-4,593	-12,710	-10,588	-23,171
General administrative expenses		-3,736	-4,723	-8,352	-10,642	-18,945
Depreciation and amortisation		-594	-777	-1,258	-1,618	-3,098
Other operating expenses		-1,949	-1,360	-4,170	-2,987	-6,577
<b>Net operating income</b>		<b>5,431</b>	<b>10,493</b>	<b>11,836</b>	<b>16,716</b>	<b>29,551</b>
Losses on loans	1	-9,109	-7,270	-19,180	-14,208	-29,176
Impairment losses		0	0	0	0	-138
<b>Profit before tax</b>		<b>-3,678</b>	<b>3,223</b>	<b>-7,344</b>	<b>2,508</b>	<b>237</b>
Tax on result on ordinary operations		1,594	-263	2,465	-84	-989
<b>Profit after tax</b>		<b>-2,084</b>	<b>2,960</b>	<b>-4,880</b>	<b>2,424</b>	<b>-752</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations		1,354	-708	1,893	-2,578	-1,405
<b>Sum other comprehensive income</b>		<b>1,354</b>	<b>-708</b>	<b>1,893</b>	<b>-2,578</b>	<b>-1,405</b>
<b>Total comprehensive income</b>		<b>-730</b>	<b>2,253</b>	<b>-2,986</b>	<b>-154</b>	<b>-2,157</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2020 Q2	2019 Q2	2019 YE
<b>Assets</b>				
Loans and deposits with credit institutions		15,893	15,480	11,671
Repayment loans		227,757	197,438	218,014
Specified loss reserves	2	-18,415	-17,021	-16,293
<b>Loans to customers</b>		<b>209,341</b>	<b>180,417</b>	<b>201,720</b>
Investment securities		20,731	22,178	21,630
Derivatives		466	0	899
Goodwill		21,118	21,118	21,118
Deferred tax assets		29,729	28,169	27,265
Other intangible assets		2,944	3,530	3,005
Tangible assets		1,692	2,567	2,373
Other assets		15,899	9,776	10,234
Prepaid and deposits		17,318	14,779	19,406
<b>Total assets</b>		<b>335,132</b>	<b>298,014</b>	<b>319,320</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Debt to credit institutions		120,576	79,792	98,984
Derivatives		690	1,404	1,103
Other liabilities		6,771	10,704	12,597
Accrued expenses		4,701	3,595	4,568
Subordinated loan		34,256	29,676	30,813
<b>Total liabilities</b>		<b>166,995</b>	<b>125,171</b>	<b>148,065</b>
<b>Equity</b>				
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		-12,516	-7,461	-9,398
<b>Total equity</b>		<b>168,137</b>	<b>172,843</b>	<b>171,255</b>
<b>Total liabilities and equity</b>		<b>335,132</b>	<b>298,014</b>	<b>319,320</b>

## Folkefinans AS notes

<b>1. Credit losses</b>	<b>2020 Q2</b>	<b>2019 Q2</b>	<b>2019 YE</b>
Actual specified credit losses	9,676	7,654	31,026
Write-back of specified credit losses	-17	-63	-94
Provisions during the period	-550	-321	-1,756
<b>Sum (NOK)</b>	<b>9,109</b>	<b>7,270</b>	<b>29,176</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	6,894	8,536	5,400
Accumulated provision for credit losses	18,415	17,021	16,293
<b>Net (NOK)</b>	<b>-11,521</b>	<b>-8,485</b>	<b>-10,893</b>
*) loans are classified as defaulted 90 days past due			
<b>3. Off balance sheet items</b>			
Undisposed credit (SEK facility)	31,152	12,935	28,272
<b>Sum (NOK)</b>	<b>31,152</b>	<b>12,935</b>	<b>28,272</b>
<b>4. Capital adequacy</b>			
Capital requirement	40,274	40,488	39,397
Capital base	121,249	131,955	129,149
<b>Capital ratio</b>	<b>24.1 %</b>	<b>26.1 %</b>	<b>26.2%</b>