

2021



Folkefinans

Interim Report April - June 2021

Report for second quarter 2021

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 2021, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

Folkefinans has during 2020 and so far in 2021 followed the Covid-19 requirements and advices given by the governments in Sweden and Norway. The pandemic has had limited negative operational effects internally and on lending and customer payment behavior.

As during 2020 Folkefinans has during the 1. half of 2021 been prevented by the Wonga Administrator from increasing the credit line with Arvato financing the revolving credit product above the current funding levels. The board and the Administrator have worked together to find a solution, however the uncertainty caused by the Covid-19 pandemic has made this process extremely challenging. Folkefinans has built up a cash buffer and are currently in the processes of selling parts of the company's Visa shares that will enable the company to pay back the subordinated loan. Folkefinans has during Q2 been in close dialog with the Administrator to find a solution covering both Wonga's shares in Folkefinans and the subordinated loan. It has further become apparent that there will be a need long term to strengthen Folkefinans' capital base as increasing the loan portfolio will require additional capital. The board has therefore decided to initiate a structural process engaging external advisors to seek after new investors that can support Folkefinans in achieving the long-term targets. The process has during Q2 and until present date progressed positively.

Lending in Q2 has therefore continued to be restricted by the need to level lending of the revolving credit product towards the existing credit limit of 120 MSEK with Arvato and reducing lending for the loan products in order to build up the needed cash buffer. Consequently the Interest income in Q2 2021 continued to decline and amounted to 23 037 KNOK being approx. 3.6 MNOK lower than similar period in 2020.

The company's provisions for losses on loans amounted to 8 024 KNOK in Q2 2021 being lower than Q2 2020 mainly as the share to forward flow has shown a continued positive declining trend. All Forward Flow agreements for the Swedish products have been renegotiated with revised lower pricing with effects affecting the loss levels in Q2. The organization has during Q2 continued to finalize projects and tasks to improve the existing credit assessment by implementing new score card for K365 and initiate use of bank transaction data when assessing customers for Monetti Flexi.

Total comprehensive income was slightly negative with -160 KNOK in Q2 2021 compared to -730 in Q2 2020 while profit before tax were approx. 3.2 MNOK better compared to Q2 2020. Folkefinans has been in dialog with Finanstilsynet regarding the risk-weighting of the loan portfolio when calculating the capital adequacy. The risk-weightening has as a consequence of Finanstilsynet's decision, been changed back to 100% in the capital adequacy for Q2 compared to 75% used YE 2020 and Q1 2021. The total capital ratio was therefore reduced and amounted to 21.1% in Q2, however being well above the requirement set by Finanstilsynet.

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	NOTE	Folkefinans AS				
		2021 Q2	2020 Q2	2021 YTD	2020 YTD	2020 YE
Interest income		23,037	26,658	47,283	53,907	107,361
Interest expenses		-2,990	-3,050	-5,966	-5,884	-11,961
Net interest income		20,047	23,607	41,316	48,024	95,400
Fee and comission expenses		-3,133	-5,795	-6,476	-11,268	-20,080
Net change in value on securities and currency		2,208	168	-359	1,570	1,934
Gross margin		19,122	17,980	34,481	38,326	77,253
Personnel expenses		-5,643	-6,270	-11,900	-12,710	-28,455
General administrative expenses		-3,092	-3,736	-5,681	-8,352	-14,927
Depreciation and amortisation		-531	-594	-1,086	-1,258	-2,414
Other operating expenses		-2,348	-1,949	-4,244	-4,170	-8,007
Net operating income		7,509	5,431	11,570	11,836	23,451
Losses on loans	1	-8,024	-9,109	-15,977	-19,180	-53,043
Impairment losses		0	0	0	0	0
Profit before tax		-515	-3,678	-4,407	-7,344	-29,592
Tax on result on ordinary operations		0	1,594	0	2,465	0
Profit after tax		-515	-2,084	-4,407	-4,880	-29,592
Other Comprehensive Income						
Exchange differences on translating foreign operations		355	1,354	19	1,893	3,068
Sum other comprehensive income		355	1,354	19	1,893	3,068
Total comprehensive income		-160	-730	-4,388	-2,986	-26,524

	NOTE	Folkefinans AS		
		2021 Q2	2020 Q2	2020 YE
Assets				
Loans and deposits with credit institutions		23,308	15,893	27,081
Repayment loans		196,636	227,757	212,192
Specified loss reserves	2	-32,782	-18,415	-33,282
Loans to customers		163,854	209,341	178,910
Investment securities		33,611	20,731	20,305
Derivatives		0	466	689
Goodwill		0	21,118	0
Deferred tax assets		0	29,729	0
Other intangible assets		3,119	2,944	2,850
Tangible assets		3,493	1,692	4,577
Other assets		14,701	15,899	14,145
Prepaid and deposits		14,774	17,318	12,333
Total assets		256,860	335,132	260,891
EQUITY AND LIABILITIES				
Liabilities				
Debt to credit institutions		117,457	120,576	113,723
Derivatives		491	690	0
Other liabilities		9,077	6,771	9,724
Accrued expenses		4,531	4,701	6,841
Subordinated loan		33,811	34,256	34,717
Total liabilities		165,368	166,995	165,005
Equity				
Share capital		96,123	96,240	96,123
Share premium		79,262	79,262	79,262
Other paid in equity		5,151	5,151	5,151
Retained earnings		-89,046	-12,516	-84,651
Total equity		91,491	168,137	95,886
Total liabilities and equity		256,860	335,132	260,891

Folkefinans AS notes

	2021 Q2	2020 Q2	2020 YE
1. Credit losses			
Actual specified credit losses	10,249	9,676	10,835
Write-back of specified credit losses	-282	-17	1
Provisions during the period	-1,943	-550	13,281
Sum (NOK)	8,024	9,109	24,117
2. Credit losses / Defaulted			
Defaulted loans*	6,238	6,894	6,582
Accumulated provision for credit losses	32,782	18,415	33,282
Net (NOK)	-26,545	-11,521	-26,700
*) loans are classified as defaulted 90 days past due			
3. Off balance sheet items			
Undisposed credit (SEK facility)	26,650	31,152	30,184
Sum (NOK)	26,650	31,152	30,184
4. Capital adequacy			
Capital requirement	33,535	40,274	32,025
Capital base	88,339	121,249	96,513
Capital ratio	21.1 %	24.1 %	24.1%