

# 2018



**Folkefinans**

Interim Report July - September 2018

## Report for third quarter 2018

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 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 September 2018, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

During Q3 the main focus for Folkefinans has been to plan and implement the needed changes to the product offerings in Sweden in order to comply with the new legislation including interest cap that came into force as of September 1st 2018. The reception of the Monetti Flexilån product launched in Sweden first half of June has been very positive throughout Q3 being much higher than forecasted. The Monetti Flexilån is financed through a credit line with Arvato Bertelsmann. As a consequence of the high growth of the Monetti Flexilån product the credit frame with Arvato was extended from 30 to 100 MSEK beginning of September.

At the end of August it was announced that Folkefinans' largest shareholder Wonga was put under administration in the UK. This has no direct impact on Folkefinans' operation, but the board has initiated dialog with Wonga's designated Administrator concerning Wonga's shares in Folkefinans and debt to Wonga.

Total income in Q3 2018 improved strongly compared to Q2 and amounted to 32 559 KNOK with sales in July being all time high in the history of Folkefinans. Income from the new Monetti Flexilån product amounted to 4 260 KNOK in Q3 being substantially higher than forecasted resulting in an increase in total loan receivables to 159 172 KNOK at the end of Q3. The traditional loan products in Sweden also continued to improve during July and August, however sales of these products dropped markedly as a consequence of the September 1st related changes to credit scoring, loan products and affiliate marketing compensation. Income in Norway in Q3 amounted to 3 915 KNOK somewhat lower than Q3 2017.

The company's provisions for losses on loans in Q3 increased compared to Q2 due to high sales and launch of Monetti Flexilån. Losses on loans thus amounted to 6 106 KNOK. The provision levels so far in 2018 are however lower than budget being aligned with the improved prices for Forward Flow in Sweden having full effect in Q3. In comparison losses on loans were lower in Q3 2018 compared to similar period in 2017 were losses on loans were positively impacted by profit from sales of bad debt portfolios of approx. 2.6 MNOK.

Result on ordinary operations before tax continued to improve in Q3 and amounted to 3 928 KNOK positively impacted by a net gain on foreign exchange of 648 KNOK. Year to date result on ordinary operations before tax amounted to 6 028 KNOK however with a net loss on foreign exchange of 3 048 KNOK due to the weakening of the Swedish krone during 2018. Total result including other comprehensive income amounted to 5 129 KNOK in Q3 and accumulated for 2018 3 947 KNOK. The total capital ratio amounted to 26.3% in Q3 2018 compared to the capital ratio of 18.6% in Q3 2017. The improvement in the capital ratio compared to the levels reported for Q2 and year end 2017, is due to a correction to the reporting of Tier II capital. During Q4 Folkefinans' main focus will be to start new product development projects for products planned to be launched during 1. half of 2019 in both Sweden and Norway, continue to migrate Folkefinans' customer to the Monetti Flexilån product and secure further financing for the planned product launches.

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## Income statement

	NOTE	Folkefinans AS				
		2018 Q3	2017 Q3	2018 YTD	2017 YTD	2017 YE
Interest and similar income from credit institutions		4	5	21	38	31
Interest and similar income from customers		32,555	31,031	90,731	84,260	115,363
<b>Total interest and similar income</b>		<b>32,559</b>	<b>31,035</b>	<b>90,752</b>	<b>84,298</b>	<b>115,394</b>
Interest and other expenses on debt to credit institutions		-1,391	-1,486	-3,477	-4,587	-6,333
<b>Total interest expenses and similar expenses</b>		<b>-1,391</b>	<b>-1,486</b>	<b>-3,477</b>	<b>-4,587</b>	<b>-6,333</b>
<b>Net interest and credit comission income</b>		<b>31,168</b>	<b>29,549</b>	<b>87,275</b>	<b>79,711</b>	<b>109,061</b>
Commission an fee expenses		-8,632	-7,908	-23,209	-15,398	-22,850
Commission and similar expenses from credit institutions		-114	146	-460	-404	-583
<b>Total commission expenses and similar expenses</b>		<b>-8,746</b>	<b>-7,762</b>	<b>-23,668</b>	<b>-15,802</b>	<b>-23,433</b>
Net gain/loss on foreign exchange etc		648	-666	-3,048	775	2,851
<b>Total net change in value and gain/loss on currencies etc</b>		<b>648</b>	<b>-666</b>	<b>-3,048</b>	<b>775</b>	<b>2,851</b>
Salary etc		-5,911	-6,135	-17,415	-23,980	-31,451
-Salary		-4,330	-4,010	-12,376	-17,736	-22,961
- Pension		-392	-640	-1,111	-1,668	-2,142
- Social fees		-1,189	-1,485	-3,928	-4,576	-6,348
Administrative expenses		-4,709	-4,382	-15,806	-17,126	-21,986
<b>Total salaries and general administrative expenses</b>		<b>-10,620</b>	<b>-10,517</b>	<b>-33,221</b>	<b>-41,106</b>	<b>-53,437</b>
Ordinary depreciation		-496	-1,165	-1,461	-3,461	-4,648
<b>Total depreciation, etc, of tangible fixed assets and intangible assets</b>		<b>-496</b>	<b>-1,165</b>	<b>-1,461</b>	<b>-3,461</b>	<b>-4,648</b>
Other operating expenses		-1,920	-2,302	-5,966	-8,106	-9,412
<b>Total other operating expenses</b>		<b>-1,920</b>	<b>-2,302</b>	<b>-5,966</b>	<b>-8,106</b>	<b>-9,412</b>
<b>Result before losses on loans</b>		<b>10,034</b>	<b>7,137</b>	<b>19,911</b>	<b>12,010</b>	<b>20,982</b>
Losses on loans	1	-6,106	-4,316	-13,739	-786	-3,490
<b>Total losses on loans, guarantees, etc</b>		<b>-6,106</b>	<b>-4,316</b>	<b>-13,739</b>	<b>-786</b>	<b>-3,490</b>
Write down of intangible assets		1	0	-144	0	-6,581
<b>Total write down of assets</b>		<b>1</b>	<b>0</b>	<b>-144</b>	<b>0</b>	<b>-6,581</b>
<b>Result on ordinary operations before tax</b>		<b>3,928</b>	<b>2,821</b>	<b>6,028</b>	<b>11,225</b>	<b>10,911</b>
Tax on result on ordinary operations		-982	-1,233	-1,507	-2,737	-4,502
<b>Result</b>		<b>2,946</b>	<b>1,588</b>	<b>4,521</b>	<b>8,487</b>	<b>6,409</b>
<b>Other Comprehensive Income</b>						
Exchange differences on translating foreign operations		602	409	-3,749	409	724
Other comprehensive income investments		1,581	11	3,175	35	4,673
<b>Total result</b>		<b>5,129</b>	<b>2,008</b>	<b>3,947</b>	<b>8,932</b>	<b>11,806</b>

## Balance sheet

	NOTE	Folkefinans AS		
		2018 Q3	2017 Q3	2017 YE
<b>Assets</b>				
Loans to and receivables from credit institutions		9,725	26,234	24,260
<b>Total loans to and receivables from credit institutions</b>		<b>9,725</b>	<b>26,234</b>	<b>24,260</b>
Repayment loans		174,395	158,252	157,121
Specified loss reserves	2	-15,223	-18,109	-18,248
<b>Total loans to and receivables from customers</b>		<b>159,172</b>	<b>140,143</b>	<b>138,873</b>
Available for sale investments		16,890	9,919	13,230
<b>Total Financial Items</b>		<b>16,890</b>	<b>9,919</b>	<b>13,230</b>
Goodwill		21,118	21,118	21,118
Deferred tax assets		28,634	28,684	30,141
Intangible assets		4,614	12,907	5,388
<b>Total intangible assets</b>		<b>54,365</b>	<b>62,708</b>	<b>56,646</b>
Tangible assets		185	515	471
<b>Total Tangible assets</b>		<b>185</b>	<b>515</b>	<b>471</b>
Other assets		7,914	1,012	2,944
Prepays and deposits		11,060	11,274	11,210
<b>Total other assets</b>		<b>18,974</b>	<b>12,286</b>	<b>14,154</b>
<b>TOTAL ASSETS</b>		<b>259,313</b>	<b>251,805</b>	<b>247,634</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Liabilities</b>				
Liabilities to credit institutions		0	-105	0
Derivates		2,008	2,731	2,485
Other liabilities		47,770	13,524	11,333
Accrued expenses and deferred income		4,729	8,863	7,499
Self-amortizing loans		2,308	32,135	25,647
Convertible subordinated loan		29,309	30,775	31,510
<b>Total liabilities</b>		<b>86,123</b>	<b>87,924</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		-7,114	-16,422	-11,145
<b>Total retained earnings</b>		<b>-7,114</b>	<b>-16,422</b>	<b>-11,145</b>
<b>Total equity</b>		<b>173,190</b>	<b>163,882</b>	<b>169,159</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>259,313</b>	<b>251,805</b>	<b>247,634</b>

## Folkefinans AS notes

<b>1. Credit losses</b>	<b>2018 Q3</b>	<b>2017 Q3</b>	<b>2017 YE</b>
Actual specified credit losses	4,056	9,186	35,130
Write-back of specified credit losses	-82	23,641	-831
Provisions during the period	2,132	-28,511	-30,809
<b>Sum (NOK)</b>	<b>6,106</b>	<b>4,316</b>	<b>3,490</b>
<b>2. Credit losses / Defaulted</b>			
Defaulted loans*	7,272	7,856	7,912
Accumulated provision for credit losses	15,223	18,109	18,248
<b>Net (NOK)</b>	<b>-7,951</b>	<b>-10,253</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	38,277	40,640	35,227
Capital base	125,889	94,690	113,512
<b>Capital ratio</b>	<b>26.3 %</b>	<b>18.6 %</b>	<b>25.8%</b>