

Q2

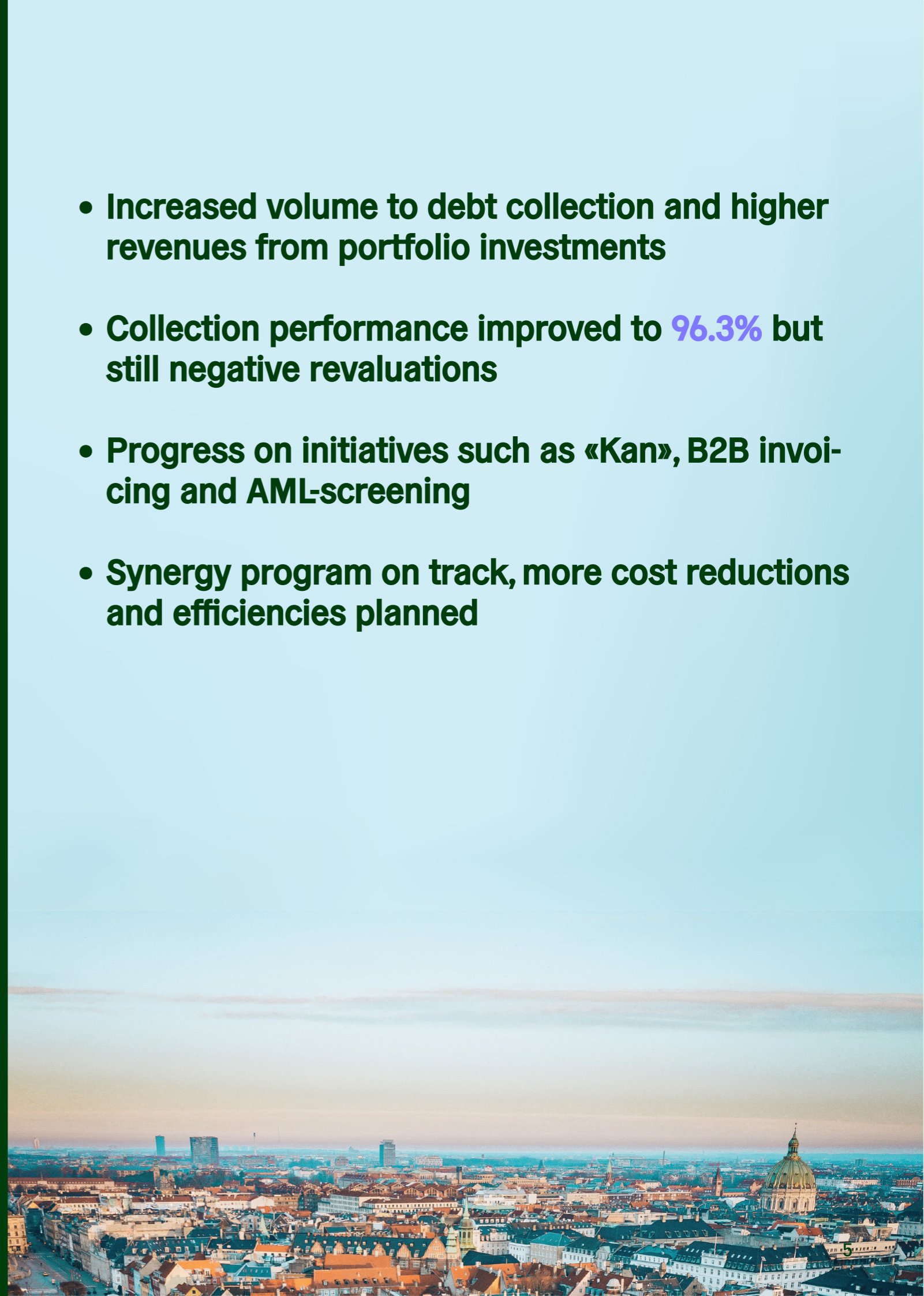


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Highlights.

- Increased volume to debt collection and higher revenues from portfolio investments
- Collection performance improved to **96.3%** but still negative revaluations
- Progress on initiatives such as «Kan», B2B invoicing and AML-screening
- Synergy program on track, more cost reductions and efficiencies planned



	Q2 2023	H1 2023	FY 2022
<i>Amounts in MNOK</i>	Unaudited	Unaudited	Audited
Total revenues	335	634	750
Adj. EBIT	85	178	261
Adj. EBIT %	23%	25%	28%
EBIT	42	75	-11
Net profit before tax	-54	-99	-124
Cash Revenue	628	1 161	1 276
Cash EBITDA	353	643	563
Cash EBITDA margin	56%	55%	44%
Portfolio Investments	735	1 003	1 584
Carrying value of			
Portfolio Investments	6 344	6 344	5 714

* Adjusted EBIT is EBIT excluding PI revaluations and NRI

Key figures.



Comment from the CEO.

The second quarter of the year for Kredinor is impacted by macroeconomic factors. We see growth in collection volumes which leads to higher revenues. However, we also see lower performance in our own portfolios. The shortfall can be explained by the tougher environment our customers are facing, with increased interest rates and higher cost inflation. One of our key priorities for the second half of the year is to support customers through the tougher times and help them keep their commitments as cost-effective as possible and with the minimum possible stress.

We are pleased to see that the collection performance in the second quarter improved compared to the first quarter, but we are not satisfied with the financial performance, with higher costs and collection performance below active forecast. However, we knew that 2023 and 2024 will be important stepping-stones for reaching our long-term financial targets. We are making considerable progress in several strategic areas, both as far as new products and services are concerned, in digitization and self-service solutions, and within operations. Let me bring out two examples that I am particularly proud of.

In June we launched Kan by Kredinor. Kan is a solution provided to employees with financial stress through the employer and delivered by Kredinor. The solution provides groundbreaking new functionality and includes features such as financial health check and booking of online advisory. In the third quarter, we will launch new functionality such as action plans and debt interventions. We are confident that Kan will deliver value for both employers, employees, and society. We know that financial stress is an important driver for unhealthy stress and sick leave. Kan is the way to direct meaningful effort to deal with the root cause of the challenge.

We are confident that Kan will deliver value for both employers, employees, and society.

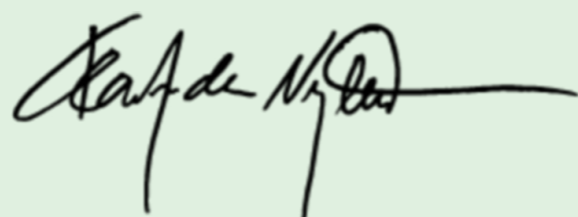
We need to move away from the current practice where the debt collection agency is a derivative of customers misery.

We have also successfully communicated our thinking as far as sustainable debt collection is concerned. Our position is that the only way forward is to always put the best interest of the customers first. By making the customer's best interests the priority no 1, we are best suited to aligning the interests of the customer, the client, and society at large. We need to move away from the current practice where the debt collection agency is a derivative of customers' misery. At present, the worse off a customer is, the higher the revenues will be for the agency.

We have engaged stakeholders in thorough and fruitful discussions, and we have communicated our position clearly. Now we are changing business practices, and we are launching new products and services that support our strategy. I am proud of our progress, and I am looking forward to keeping you updated. I am also proud of the Kreditor organization, which is wholeheartedly engaged in our new way forward.

Now we are changing business practices, and we are launching new products and services that support our strategy.

Kind regards,



Klaus-Anders Nysteen
Chief Executive Officer





About Kreditor.

Kreditor is Norway's leading company within Credit Management Services (CMS) and Portfolio Investments (PI), with ambitions to become a leading CMS company in the Nordics. Our clear growth ambition is built on a sustainable strategy where we always put the best interests of our customers first. Our most important task is to ensure simple and good solutions as well as good customer care for those who are in a challenging financial situation or just have forgotten to pay. We acknowledge that falling into debt and having financial difficulties can happen to anyone and comes with severe consequences. Hence, our vision is to help you make it. We are transforming ourselves and the industry by introducing new products and services based on solving the problem, not only reclaiming outstanding amounts on individual claims.

We have a long history dating back to 1876. The common denominator throughout all these years has been customer needs and customer-driven development. Following our merger with Modhi in 2022, we are owned in equal parts by the Kreditor Foundation and SpareBank 1 Gruppen.

Sustainability in Kredinor – S for Social

Kredinor manages according to ESG (Environmental, Social and Governance) criteria, like many other large companies. What stands out about our sustainability strategy is that we put the most resources into contributing to social sustainability. That is where we can make the most of an impact and achieve the best results.

For us, sustainability is a central part of our core business, close to our services and the people who use them. Through more sustainable debt collection, we can make a difference that is noticeable for those who need it, and not least for society. We will not add to the burden, but we will contribute to a more socially just and environmentally sustainable society.

Our operations during the quarter

Revenues

Revenues were impacted by macroeconomic changes, as we saw increased volumes of collections. However, the macroeconomic pressures also impacted us through lower collection performance on our own portfolios, as customers struggled to repay their debt.

Kredinor's total revenue for Q2 2023, including portfolio revaluations, was MNOK 335, 12% higher than in the first quarter. Revenues from portfolio investments were MNOK 192, an increase of 6.4% on the previous quarter. We have written down the value of own portfolios with MNOK -38 during the quarter, compared to MNOK -50 in the previous quarter.

Expenses

Operating expenses for the quarter were MNOK 274,5, compared to MNOK 243 in the previous quarter. This represents an in-

crease of 13%. The key reasons for this are the increased number of FTEs, general cost inflation, and more legal activity. The higher staff level is expected to be transitional, as we have increased operational staff in Oslo to transfer work from the branch offices which were closed. This paves the way for further harmonization, standardization, and benefits of scale.

Net financial expenses were MNOK 95,9, compared to MNOK 78,8 in the previous quarter. The increase is due to higher market interest rates and a higher level of interest-bearing debt to fund our portfolio investments. The increase in market interest rates was partly offset by interest rate hedging, which currently covers approximately 37% of our debt.

The level of expenses continues to be a key focus of attention for Kredinor. As we finalize the migration of our IT systems, complete the training of new staff, and implement operational efficiencies through both technology and process improvements, we are confident that the synergies identified in the merger will come to fruition.

Collection performance

Cash collected on owned portfolios was MNOK 423,5 during the quarter, compared to MNOK 377,7 in the previous quarter. The rolling 12m collection performance was 97,4%, a reduction from 98,6% at the end of the previous quarter. Collection performance as measured for the quarter in isolation was 96,3%, an improvement when compared to 93,4% in the previous quarter. However, the fact that collection performance in the quarter was below 100% impacted our financial performance, as several portfolios were revalued negatively. There is a risk of future write-downs from recently acquired portfolios that are not yet seasoned enough to revalue, coming up in Q3 and Q4, as well as from the macro-environment causing greater stress on customers.

The revaluation represented 0,60% of the portfolio book value, versus 0,85% in the

previous quarter.

Portfolio investments

Kredinor made portfolio investments totaling MNOK 734,6 during the quarter, compared to MNOK 268,9 in the previous quarter. Combined with amortizations of MNOK 253,2, this gave an increase in the book value of the portfolio from MNOK 5 885 to MNOK 6 344, equivalent to 7,8% growth.

Earnings

Kredinor's EBITDA for the quarter was MNOK 60,7, compared to MNOK 55 in Q1. Depreciation and amortization for the quarter was MNOK 18,9, compared to MNOK 21,6 in the previous quarter. EBIT was MNOK 41,8, compared to MNOK 33,4 in Q1. Cash EBITDA, or EBITDA excluding portfolio revaluations and interest income, plus cash collected, was MNOK 353, compared to MNOK 290 in the previous quarter.

Market update and outlook

Market

The market outlook for debt collection is positive in the sense that we see increasing volumes, and we have handled more than half a million cases so far in 2023. Still, the volume of cases hasn't surpassed pre-pandemic levels. The volume of cases to collection in our 3PC business is up 12,9% compared to the previous quarter, and up 14% compared to the same quarter last year. On a year-to-date basis, cases increased by 7,5% from 2022. Increased interest rates and inflation are expected to increase the collection volumes for the second part of 2023.

The CMS business remains competitive. Kredinor has been able to keep the market share stable over the last few years. In 2023, we have participated in a number of procurement processes for CMS. We are pleased to see good progress on expanding the CMS business in Sweden and Fin-

land, where our range of sustainable products to help customers avoid payment problems and payment remarks have been well received. In these jurisdictions we have a clear aim of moving from an investment-focused to a more balanced business model.

Within Portfolio Investments (PI), the transaction volume was MNOK 735m during the quarter compared to MNOK 269 in Q1. Since last year, our average funding cost has increased by 3 percentage points. Deal flow in the market has been similar in volume compared to last quarter. However, we expect the volumes to be increased in the next quarter and for the rest of the year. We see that several competitors are prioritizing reducing leverage ratios, but we believe that the competitive intensity will remain high in the Nordics. However, we expect that NPL prices will adjust due to both the increasing industry-wide funding cost and the uncertain macro environment.

Merger

Since the merger on 1 October 2022, we are pleased to report progress on several key initiatives. We have closed the branch offices in Kristiansund, Bergen, and Kristiansand, while the remaining office in Hammar will be closed at year-end. In 2022, Kredinor closed 5 local branch offices and over the last 18 months a total of 11 branch offices have now been closed. We are in the process of harmonizing our IT and expect to migrate to one core collection platform within the next six months.

The post-merger integration work includes a synergy plan, which we estimate will generate 200 MNOK in cost savings, avoided costs and additional revenues by the end of 2024. We are currently proceeding according to plan and will look to generate additional synergies as part of our efforts to improve efficiency, leverage technology and control costs going forward.

Macroeconomic situation

Economic fundamentals in the Nordics remain reasonably strong, despite inflation and increased interest rates. Increases in the cost of living continued during the quarter, leading to further monetary tightening. In the twelve months to June 2023, the Norwegian consumer price index rose by 6.4% compared to 6.5% in March. Sweden and Finland also saw high but falling inflation, with Sweden's CPIF-index at 6.4% (vs. 8.0% in March) and Finland's CPI at 6.3% (vs. 7.93%). Both Norges Bank and Sveriges Riksbank increased their key policy rates to 3.75% in June. Norges Bank hiked again in August, while Sveriges Riksbank predicted that it would make at least one further hike later this year. These increases are likely to negatively impact customers' ability to settle debts, as well as increasing Kreditor's cost of borrowing.

However, the labor market remained strong. This is likely to be positive for the performance of our portfolios, as unemployment is one of the strongest predictors of customers inability to pay. Bankruptcy rates (seasonally adjusted) in Norway and Finland were higher than in the pandemic years but lower than before the pandemic, while Sweden saw slightly higher rates.

Regulatory update

The regulatory environment for debt collection in Norway, Sweden, and Finland is witnessing significant changes. A new Debt Collection Act is pending with the Ministry of Justice, and changes to the Norwegian Enforcement Act have been proposed to facilitate a proportional distribution of a debtor's income rather than favoring the first creditor. EU regulations are being implemented in the Norwegian Financial Institutions Act, and Norway is still awaiting the implementation of EU's directive on credit servicers and credit purchasers, mirroring the situation in Finland.

Sweden has been actively discussing the handling of non-performing loans and con-

sumer protection. The government has investigated these issues, proposing new laws, including one regarding the acquisition and management of non-performing credit agreements, set to take effect on January 1, 2024. Another proposal aimed at combating over-indebtedness includes lowered interest rate ceilings and stricter credit assessment rules, set to enter into force on January 1, 2025.

In Finland, changes to the Enforcement Code have been made in 2023, affecting debt collection, including adjustments to payment-free months for debtors and temporary increases in protected portions. Additionally, an updated policy of good practice in consumer debt collection is expected to be published in autumn 2023. These changes reflect the broader shift towards reformation and greater regulation of debt collection practices across these Nordic countries.

Financial Statements.

As-reported vs. pro-forma

Note that comparisons made to reporting periods prior to the merger of Modhi and Kredinor, effective 1 October 2022, refer to as-reported figures. Revenue and expenses incurred by Modhi in 2022 prior to the merger are accounted for directly in equity as part of the transaction. The quarterly results presentation contains pro-forma figures for ease of comparison.

Consolidated income statement

For the period ended 30 June 2023

NOK thousand	Note	This period		Year to date		Full year
		Q2 2023	Q2 2022	6/30/2023	6/30/2022	2022
Revenue from contracts with customers	4	180 396	145 550	347 507	289 687	601 359
Interest revenue from purchased loan portfolios	5,6	192 153	44 963	372 740	91 343	321 020
Net gain/(loss) from purchased loan portfolios	5,6	-37 944	-11 615	-87 989	-11 147	-175 258
Other income	5	629	678	1 260	1 212	2 787
Total revenue and other income		335 234	179 577	633 518	371 095	749 908
Employee benefit expenses		156 790	70 378	292 754	151 875	422 315
Depreciation and amortization		18 906	8 204	40 512	16 585	40 809
Impairment losses		-	-	-	-	7 534
Other operating expenses		117 720	37 047	225 014	99 991	290 628
Operating profit		41 817	63 949	75 239	102 644	-11 379
Finance income	7	9 436	423	123 947	599	36 778
Finance expense	7	105 344	20 890	298 667	39 523	158 312
Change in financial instruments measured at fair value		-	-	-	-	9 410
Net financial items		-95 907	-20 467	-174 720	-38 924	-112 123
Profit before tax		-54 091	43 481	-99 482	63 720	-123 502
Income tax expense		-12 086	9 566	-21 886	14 018	-41 541
Net profit or loss for the year		-42 005	33 915	-77 596	49 701	-81 961
Attributable to:						
Non-controlling interests						
Shareholders of the parent company		-42 005	33 915	-77 596	49 701	-81 961
Other comprehensive income						
Net profit or for the period		-42 005	33 915	-77 596	49 701	-81 961
<i>Items that will not be classified subsequently to profit or loss:</i>						
<i>Items that may be classified subsequently to profit or loss:</i>						
Foreign currency translation differences		2 357	76	9 300	1 149	2 999
Other comprehensive income/(loss) after tax		2 357	76	9 300	1 149	2 999
Total comprehensive income/(loss)		-39 647	33 991	-68 296	50 851	-78 963
Total comprehensive income attributable to:						
Equity holders of the parent company		-39 647	33 991	-68 296	50 851	-78 963

Consolidated statement of financial position

NOK thousand	Note	Q2 2023	Q2 2022	2022
Goodwill		392 737	9 397	392 737
Intangible assets		213 597	-	214 471
Deferred tax asset		29 555	3 652	10 273
Right-of-use assets		17 093	133 537	25 793
Property, plant & equipment		47 774	39 706	33 209
Purchased debt portfolios	6	6 343 950	1 983 576	5 713 876
Other non-current financial assets		77 310	12 263	21 353
Other non-current receivables		3 905	3 386	3 809
Total non-current assets		7 125 920	2 185 517	6 415 521
Trade and other receivables		25 481	29 717	14 098
Other current assets		24 213	34 036	14 444
Cash and cash equivalents	8	356 303	165 951	409 918
Other current financial assets		-	-	-
Total current assets		405 997	229 704	438 459
Total assets		7 531 918	2 415 220	6 853 980

Board of Directors
Oslo, 29 august 2023

Sverre Kristian Gjessing
Chairman

Vegard Urstad Aakervik
Member of the board

Sverre Olav Helsem
Member of the board

NOK thousand	Note	Q2 2023	Q2 2022	2022
Share capital		143 229	30	143 229
Share premium		2 458 077	10	2 458 077
Other equity		18 709	921 319	39 674
Total equity	9	2 620 015	921 359	2 640 980
Interest-bearing liabilities	10	4 446 248	1 072 687	3 714 617
Deferred tax liabilities		-	-	-
Lease liabilities		16 875	126 062	19 345
Employee benefit obligations		-	-	-
Other non-current financial liabilities		-	-	-
Other non-current liabilities		819	-	1 018
Total non-current liabilities		4 463 942	1 198 749	3 734 980
Trade and other payables		24 970	25 987	51 334
Income tax payable		9 852	14 018	-231
Interest-bearing liabilities	10	-	-	-
Lease liabilities		12 644	22 802	27 869
Other current financial liabilities		22 899	3 549	3 096
Other current liabilities		377 597	228 755	395 952
Total current liabilities		447 961	295 112	478 020
Total liabilities		4 911 903	1 493 861	4 213 000
Total equity and liabilities		7 531 918	2 415 220	6 853 980

Inga Lise Lien Moldestad
Member of the board

Linn Kvitting Hagesæther
Member of the board

Geir-Egil Bolstad
Member of the board

Vegard Helland
Member of the board

Jill Rønningen
Member of the board

Klaus-Anders Nysteen
CEO

Consolidated statement of changes in equity

NOK thousand	Other equity					Total equity
	Share capital	Share premium	Other capital reserves	Cumulative translation differences	Retained earnings	
Balances at 1 January 2023	143 229	2 458 077	-	1 714	37 960	2 640 980
Profit/loss for the period					-77 596	-77 596
Other comprehensive income/loss				9 300		9 300
Total comprehensive income/loss	-	-	-	9 300	-77 596	-68 296
Other changes booked to equity *					47 331	47 331
Balances at 30 June 2023	143 229	2 458 077	-	11 014	7 695	2 620 015

* Changes booked to equity consist of correction of tax in Finland previous periods and IFRS-adjustments booked directly to equity.

NOK thousand	Other equity					Total equity
	Share capital	Share premium	Other capital reserves	Cumulative translation differences	Retained earnings	
Balances at 1 January 2022	-	-	-	-1 285	877 477	876 192
Profit/loss for the period					49 701	49 701
Other comprehensive income/loss				1 149		1 149
Total comprehensive income/loss	-	-	-	1 149	49 701	50 851
Issue of share capital	30	10				40
Other changes booked to equity *					-5 724	-5 724
Balances at 30 June 2022	30	10	-	-136	921 454	921 358

* Changes booked to equity consist of correction of tax in Finland previous periods and IFRS-adjustments booked directly to equity.

NOK thousand	Other equity					Total equity
	Share capital	Share premium	Other capital reserves	Cumulative translation differences	Retained earnings	
Balances at 1 January 2022	-	-	-	-1 285	877 477	876 192
Profit/loss for the period					-81 961	-81 961
Other comprehensive income/loss				2 999		2 999
Total comprehensive income/loss	-	-	-	2 999	-81 961	-78 963
Capital reorganization	71 615	644 531			-716 146	-
Issue of share capital	71 615	1 813 545	211 985			2 097 145
Dividend **			-211 985		-30 000	-241 985
Transaction costs						-
Other changes booked to equity *					-11 409	-11 409
Balances at 31 December 2022	143 229	2 458 077	-	1 714	37 960	2 640 980

* Changes booked to equity consist of correction of VAT in Finland previous periods and IFRS-adjustments booked directly to equity.

** Dividend of MNOK 212 consist of the subsidiaries previously owned by Modhi Finance AS at date of acquisition of Modhi Group. Dividend of MNOK 30 given to Kreditorstiftelsen.

Consolidated statement of cash flows

NOK thousand	Note	This period		Year to date		Full year
		Q2 2023	Q2 2022	6/30/2023	6/30/2022	2022
Cash flow from operating activities						
Profit or loss before tax		-54 091	43 481	-99 482	63 720	-123 502
<i>Adjustments to reconcile profit before tax to net cash flows:</i>						
Finance income	7	-9 436	-423	-123 947	-599	-36 778
Finance costs	7	105 344	20 890	298 667	39 523	158 312
Change in financial instruments measured at fair value		-	-	-	-	-9 410
Gain/loss from sale of fixed assets		-	-	-	-	-
Portfolio amortization and revaluation	6	291 231	66 771	525 795	110 422	555 255
Depreciation and amortisation		18 906	8 204	40 512	16 585	48 344
<i>Working capital adjustments:</i>						
Changes in trade and other receivables		-7 314	3 325	-21 295	-9 171	49 553
Changes in trade and other payables		-75 617	-53 919	-44 919	-61 083	3 192
Changes in other items		-30 012	-4 605	-146 732	-12 701	54 155
<i>Debt portfolios:</i>						
Purchase of debt portfolios	6	-734 626	-185 209	-1 003 479	-244 575	-1 576 822
<i>Other items</i>						
Tax paid		-	-	-	-46 503	-46 734
Interest received		1 824	417	3 630	591	3 976
Interest paid		-78 994	-19 175	-160 099	-35 924	-118 753
		-572 785	-120 242	-731 349	-179 715	-1 039 212
Development expenditures		-18 720	-	-23 064	-	-114 339
Purchase of property, plant and equipment		-8 618	-6 679	-17 245	-6 679	-18 555
Purchase of shares in subsidiaries, net of cash acquired		-	-	-	-	314 900
		-27 338	-6 679	-40 309	-6 679	182 006
Proceeds from issuance of equity	9	-	40	-	40	117 320
Proceeds from borrowings	10	550 251	73 062	731 631	74 125	904 903
Repayments of borrowings	10	-	-	-	-	-
Payments for principal for the lease liability	10	-5 743	-5 898	-22 888	-11 654	-34 124
		544 508	67 204	708 743	62 511	988 099
		-55 615	-59 717	-62 915	-123 883	130 893
Cash and cash equivalents at the beginning of the period	8	409 562	223 445	409 918	288 685	288 685
Net foreign exchange difference	8	2 357	2 222	9 300	1 149	-9 660
		356 303	165 951	356 303	165 951	409 918

Notes.

1 Corporate information

Kredinor (the “Group”) consists of Kredinor AS and its subsidiaries. Kredinor AS (the “Company”) is a privately held company incorporated in Norway. The Company’s registered office is at Sjølyst Plass 3, 0278 OSLO, Norway.

On 15 March 2022, Sparebank 1-owned Modhi Finance AS and Kredinor SA announced a letter of intent to merge, with the ambition of becoming a leading company in debt collection and debt management. On 1 May, Kredinor was reorganized from a cooperative owned by its members to a limited liability company owned by the newly formed Kredinor Foundation. On 30 September 2022, The Financial Supervisory Authority of Norway approved the merger between Modhi and Kredinor, and on 1 October 2022 the formal merger was completed. The company has become one of Norway’s largest in debt collection and debt management, with the Nordic region as its home market.

The largest entity in the group is Kredinor AS, registered in Norway.

The consolidated financial statements of the Group for the quarter ended 30 June 2023 were authorized for issue in accordance with a resolution of the Board of Directors on 29 August 2023.

2 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and with additional disclosures required by Norwegian law for companies reporting in Norwegian Krone. The financial statements have been prepared on a going concern basis and under the historical cost convention, except for certain financial instruments which are measured at fair value. The financial statements are presented in Norwegian Krone, which is the functional currency of the Company.

The company has completed a merger with Modhi Finance AS during the reporting period, which has been accounted for using the acquisition method in accordance with IFRS 3 Business Combinations. The financial statements reflect the combined results of the two entities from the date of the acquisition. Any adjustments made to the fair values of the assets and liabilities acquired have been included in the determination of the goodwill or gain arising from the acquisition. The fair value of the assets and liabilities acquired has been determined based on management’s best estimates and assumptions, supported by independent valuations where necessary. The financial statements also include the results of any post-acquisition transactions or events that have been appropriately accounted for in accordance with IFRS.

The Company has applied all applicable accounting standards and interpretations issued by the International Accounting Standards Board (IASB) that are effective for the current reporting period. The Company has also adopted any new or amended standards and interpretations that are mandatory for the current reporting period but not yet effective.

The company is organized with Kredinor AS as the parent company. Kredinor AS was established during the reporting period, but as this was done as a reorganization from Kredinor SA (a cooperative company) the accounts have been prepared using Kredinor SA comparables.

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and

the disclosure of contingent assets and liabilities. Actual results may differ from these estimates. The significant accounting policies adopted by the Company are disclosed in the notes to the financial statements.

Presentation and functional currency

The consolidated financial statements are presented in NOK, which is also the functional currency of the parent company. For each entity, the group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

3 Significant judgments, estimates, and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgment in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgment or complexity, and of items that are likely to be materially adjusted due to changes in estimates and assumptions. Detailed information about each of these estimates and judgments is included in the relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

Purchased debt portfolio (note 6)

The measurement of purchased debt portfolio is based on the Group's own projection of future cash flows from the acquired portfolios which are based among other factors on the macroeconomic environments, types of debtors and loans (e.g. secured/unsecured). Future projections are periodically reviewed and any changes in estimated cash flows are ultimately authorized by a central revaluation committee.

Goodwill

Goodwill and other intangible assets derived from the acquisition of Modhi Group. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. This calculation requires management's judgment based on information available within the Group and the market, as well as on past experience.

4 Revenue from contracts with customers

Kredinor Group offers solutions in the entire value chain from invoicing and ledger administration to reminder services, debt collection, and monitoring of unpaid debt collection cases. The Group also offers legal services, course and education, credit ratings services, and factoring.

Accounting policies

Revenue from contracts with customers are recognized in accordance with IFRS 15.

The core principle of IFRS 15 requires the group to recognize revenue to depict the transfer of goods and services to customers in an amount that reflects the consideration the group expects to be entitled in exchange for those goods or services.

At contract inception, the group identifies and determines the performance obligations in the contract. A performance obligation is a promise to transfer to the customer a good or service (or a bundle of goods or services) that is distinct. After determining the performance obliga-

tions, the transaction price must be assessed. The transaction price is the amount of consideration to which the group expects to be entitled to in exchange for transferring promised services to a customer. The consideration promised in a contract may include fixed amounts, variable amounts, or both.

For variable elements, the group estimates the amount to which it will be entitled to. However, variable amounts can only be included in the transaction price to the extent they are not constrained, i.e., it is highly probable that a significant reversal in the amount of cumulative revenue recognized will not occur once the uncertainty related to the variable consideration is subsequently resolved. In making this assessment the group considers both the likelihood and the magnitude of the revenue reversal. The estimate of variable consideration, including the amounts subject to constraint, is updated at each reporting period.

The transaction price will also depend on whether the case is settled in a way that also covers the group's revenues, and that the debtor both has the willingness and ability to settle. It can also happen that a case is not solved, and the revenue for such cases are zero as the bottom line for debt collection services is "no cure no pay".

Revenue recognition occurs upon satisfaction of the performance obligation either at a point in time or over time, depending on the underlying business model.

Based on the underlying revenue sources the group has applied the following revenue recognition principles:

Revenue from third-party collection

Revenue from third-party collection is recognized when debt is collected from the debtor. This is based on the assessment that the uncertainty related to the variable consideration in debt collection services is significant and should therefore be constrained.

Revenue from other services

Revenue from other services is recognized in the accounting period when the service is rendered, for example for invoice services when an invoice is sent to the debtor.

Type of revenue	Q2 2023	Q2 2022	6/30/2023	6/30/2022	2022
3PC	180 396	145 550	347 507	289 687	552 985
Other revenue	-	-	-	-	48 374
Total revenue	180 396	145 550	347 507	289 687	601 359

Geographic information	Q2 2023	Q2 2022	6/30/2023	6/30/2022	2022
Norway	189 902	145 550	345 326	289 687	601 362
Sweden	285	-	469	-	276
Finland	1 012	-	1 712	-	-279
Total revenue	191 199	145 550	347 507	289 687	601 359

The geographic information is based on the customers country of domicile.

5 Portfolio revenue and other income

Portfolio revenue

Revenue from portfolio investments is recognized as 'Interest revenue from purchased loan portfolios and net impairment gain/loss purchased loan portfolios' in the consolidated statement of profit or loss.

Q2 2023

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	137 898	-37 769	100 130
Sweden	25 911	1 512	27 422
Finland	28 344	-1 687	26 657
Total	192 153	-37 944	154 209

For further information on Purchased debt portfolios, see note 6.

Q2 2022

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	44 963	-11 615	33 349
Total	44 963	-11 615	33 349

For further information on Purchased debt portfolios, see note 6.

Year to date 30 June 2023

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	269 916	-94 290	175 626
Sweden	50 309	4 322	54 632
Finland	52 515	1 979	54 494
Total	372 740	-87 989	284 751

For further information on Purchased debt portfolios, see note 6.

Year to date 30 June 2022

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	91 343	-11 147	80 195
Total	91 343	-11 147	80 195

For further information on Purchased debt portfolios, see note 6.

Full year 2022

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	275 163	-202 635	72 528
Sweden	22 935	-1 544	21 391
Finland	22 921	25 826	48 747
Total	321 020	-178 354	142 666

For further information on Purchased debt portfolios, see note 6.

Other Income

Other income is recognized when control is transferred, where it's probable that economic benefits will be controlled by the Group and the consideration can reliably be estimated. Gains or losses that arise from the sale of property, plant, and equipment are calculated as the difference between the net sales price and the booked value of the asset.

Other Income NOK thousand	Q2 2023	Q2 2022	6/30/2023	6/30/2022	31.12.2022
Other operating income	629	678	1 260	1 212	2 787
Disposal subsidiary	-	-	-	-	-
Total Other Income	629	678	1 260	1 212	2 787

6 Purchased debt portfolios

Accounting policies

Purchased debt portfolios consist of portfolios of non-performing loans that are already credit-impaired when acquired. The purchase price reflects incurred and expected credit losses and non-performing loans are initially recognized at transaction price. The loans are subsequently measured at amortized cost using a credit-adjusted effective interest rate.

To calculate the credit-adjusted EIR Kredinor includes the initial expected credit losses in the estimated cash flows. Estimating cash flows when calculating the credit-adjusted EIR for purchased portfolios are gross cash flows which include cash flow related to notional, accrued reminder fees, accrued collection fees, accrued interest, and can also include accrued legal fees (in case another debt collection company has been involved before acquisition) which are expected to be received from end customer.

The credit-adjusted EIR is applied for interest recognition throughout the life of the asset.

The Group typically acquires portfolios of claims consisting of several individual claims. The acquisition cost and analytics are done on the portfolio as they have the same risk characteristics thus initial EIR is calculated based on the business case for the portfolio.

The carrying amount of each portfolio is determined by discounting future cash flows discounted to present value using the credit-adjusted effective interest rate as of the date the portfolio was acquired.

Prior to purchasing a portfolio the Group makes an estimate of the expected future payments over the next 15 years (180 months). This is done because the NPV of the cash flow beyond 180 months is immaterial and very uncertain. The Group revisits the time horizon regularly, adding an additional month if appropriate.

Given that future estimated cash flows are based on a rolling forecast the subsequent changes in lifetime ECL will consist of:

- Actual cash flow differs from expected cashflow
- Change in estimated cash flow
- Change related to adding an extra period

The calculation of ECL is based on an unbiased probability-weighted amount determined by evaluating a range of possible outcomes. The Group uses 3 macro-economic scenarios, a base case, an upside scenario, and a downside scenario.

Purchased loan portfolios are presented as non-current assets in the consolidated statement of financial position. Interest revenue from purchased loan portfolios and net impairment gain/loss from purchased loan portfolios are presented as separate line items in the consolidated income statement.

NOK thousand	Q2 2023	Q2 2022	YTD 30.06.2023	YTD 30.06.2022	Full year 2022
Balance at the beginning of period	5 885 134	1 865 138	5 713 877	1 849 423	1 849 423
Acquisitions	734 626	185 209	1 003 479	244 575	4 410 144
Collection	-446 507	-92 630	-812 062	-183 128	-701 016
Interest revenue from purchased loan portfolios	193 269	44 963	374 256	91 343	321 020
Net gains/loss from purchased loan portfolios	-37 993	-11 615	-87 989	-11 147	-175 258
Derivatives	3 273	-	19 802	-	3 096
Currency differences	12 149	-7 490	132 588	-7 490	6 468
Balance at the end of period	6 343 950	1 983 576	6 343 950	1 983 576	5 713 877

7 Finance income and expenses

Accounting policies

Interest income and interest expenses are calculated using the effective interest method.

Foreign currency gains or losses are reported as foreign exchange loss or foreign exchange gain in finance income or finance costs, except for currency translation effects from translation of foreign subsidiaries and the parent company which are presented within OCI.

Interest costs on lease liabilities represents the interest rate used to measure the lease liabilities recognized in the consolidated statement of financial position.

NOK thousand	Q2 2023	Q2 2022	YTD 30.06.2023	YTD 30.06.2022	2022
Finance income					
Interest income	1 824	417	3 630	591	3 866
Other finance income	6	-	6	-	110
Foreign exchange gain	7 606	6	120 311	9	32 802
Total financial income	9 436	423	123 947	599	36 778

Finance expenses	Q2 2023	Q2 2022	YTD 30.06.2023	YTD 30.06.2022	2022
Interest expenses	78 994	19 175	160 099	35 924	119 078
Interest expense on lease liabilities	-	1 589	-	3 323	7 069
Foreign exchange loss	8 605	38	120 171	188	32 489
Other finance costs	17 744	89	18 398	89	-325
Total financial expenses	105 344	20 890	298 667	39 523	158 312

Financial instruments	Q2 2023	Q2 2022	YTD 30.06.2023	YTD 30.06.2022	2022
Change in fair value of derivatives	-	-	-	-	9 410
Change in financial instruments measured at fair value	-	-	-	-	9 410

Interest income and expenses

Interest income represents mainly interest income on cash deposits, and interest expenses represents mainly interest expenses on external financing and lease liabilities, measured and classified at amortized cost in the consolidated statement of financial position.

Derivatives

Derivatives consist of interest rate swaps and forward flow agreements.

8 Cash and cash equivalents

Accounting policies

Cash and cash equivalents in the statement of financial position comprise cash at banks and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits. Restricted bank deposits comprise of cash for withholding taxes, deposits and other restricted cash that may not be used for other purposes and client funds. Client funds arise from cash received on collections on behalf of a client. Collections are kept on separate restricted bank accounts and are reflected simultaneously as a liability. The funds are reported as 'Restricted cash' and 'Other current liabilities' in the consolidated statement of financial position.

NOK thousand	6/30/2023	6/30/2022	12/31/2022
Bank deposits, unrestricted	212 433	64 964	260 108
Bank deposits, restricted - client funds	129 759	90 238	126 306
Bank deposits, restricted	14 111	10 749	23 504
Total in the statement of financial position	356 303	165 951	409 918

Bank deposits earns a low interest at floating rates based on the bank deposit rates.

9 Share capital and shareholder information

For the purpose of the group's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the group's capital management is to ensure that it maintains a healthy working capital

and financial stability in order to support its growing business operations and to maximize shareholder value.

The group manages its capital structure and makes adjustments in light of changes in economic conditions. To maintain or adjust the capital structure, the group may adjust the dividend payment to shareholders, return capital to shareholders, issue new shares, perform prepayments of debt, or draw on short-term credit.

In order to achieve this overall objective, the group's capital management, amongst other things, aims to ensure that it reinvests or returns excess cash flows from operations that are not necessary to maintain a healthy operating working capital to its investors. There has been no breach of the financial covenants in the current or previous period.

Issued capital and reserves:

Share capital in Kredinor AS	Number of shares authorised and fully paid	Par value per share (NOK)	Financial Position (NOK Thousands)
At 30 June 2022	1 000		30
Share capital decrease - 27. april	-1 000	30	-30
Share capital increase - 27. april	716 146 000	0	71 615
Share capital increase - 01. oktober	661 057 846	0	66 106
Share capital increase - 01. oktober	55 088 154	0	5 509
At 31 December 2022	1 432 292 000		143 229
At 30 June 2023	1 432 292 000		143 229

All shares are ordinary and have the same voting rights and rights to dividends. Reconciliation of the Group's equity is presented in the statement of changes in equity.

9 Share capital and shareholders information (Continued)

The Group's shareholders:

Shareholders in Kredinor AS at 30 June 2023	Total shares	Ownership/ Voting rights
Kredinorstiftelsen	716 146 000	50%
SpareBank1 Gruppen AS	716 146 000	50%
Total	1 432 292 000	100%

Shares held by management and the Board of Directors at the end of the reporting period are disclosed in note 6.3 in the Annual Report 2022.

10 Interest bearing liabilities

Specification of the Group's interest-bearing liabilities

6/30/2023

Non-current interest-bearing liabilities	Interest rate	Notional amount (T)	Book value (NOK)	Maturity
Senior unsecured bond (NOK)	Nibor 3mnd + 7%	1 000 000	1 000 000	2/23/2027
Loan, DNB /Nordea/Swedbank (NOK)	Nibor 3mnd + 4%	1 505 000	1 505 000	11/13/2024
Loan, DNB /Nordea/Swedbank (SEK)	Stibor 3mnd +3,25%	960 000	951 744	11/13/2024
Loan, DNB /Nordea/Swedbank (EUR)	Euribor 3mnd + 3,25%	76 000	889 504	11/13/2024
Loan, SpareBank1 Gruppen (NOK)	Nibor 6mnd +8%	100 000	100 000	3/18/2029
Total non-current interest-bearing liabilities			4 446 248	
Incremental borrowing costs capitalises			59 451	

6/30/2022

Non-current interest-bearing liabilities	Interest rate	Notional amount (T)	Book value (NOK)	Maturity
Loan, DNB /Nordea/Swedbank (NOK)	Nibor 3mnd + 4%	1 072 687	1 082 000	11/13/2024
- Incremental borrowing costs capitalised			-9 313	
Total non-current interest-bearing liabilities			1 072 687	

12/31/2022

Non-current interest-bearing liabilities	Interest rate	Notional amount (T)	Book value (NOK)	Maturity
Loan, DNB /Nordea/Swedbank (NOK)	Nibor 3mnd + 4%	725 000	725 000	11/13/2024
Loan, DNB /Nordea/Swedbank (NOK)	Nibor 3mnd + 4%	1 380 000	1 380 000	11/13/2024
Loan, DNB /Nordea/Swedbank (SEK)		810 000	765 693	11/13/2024
Loan, DNB /Nordea/Swedbank (EUR)		76 000	799 049	11/13/2024
- Incremental borrowing costs capitalised			-55 125	
Loan, SpareBank1 Gruppen (NOK)	Nibor 6mnd +8%	100 000	100 000	3/18/2029
Total non-current interest-bearing liabilities			3 714 617	

The Group has pledged assets as security for its loans and borrowings, presented in the table below:

Assets pledged as security and guarantee liabilities

	6/30/2023	6/30/2022	12/31/2022
Secured balance sheet liabilities:			
Interest-bearing liabilities to financial institutions	3 346 248	1 072 687	3 614 617

Shares in subsidiaries are pledged as security for secured liabilities.

The Group has not given any guarantees to or on behalf of third parties in the current and previous period.

The senior secured revolving credit facility agreement entered into includes financial covenants as follows:

- Secured Group loans ratio defined as Secured Group loans divided over Pro-forma Group Cash EBITDA shall not exceed 3,5.
- Secured Portfolio Loans Ratio defined as Secured Portfolio Loans divided over book value of approved portfolios shall not exceed 65%.
- Total Portfolio Loans Ratio defined as Total Portfolio Loans divided over book value of approved portfolios shall not exceed 70%.
- The aggregate collection on approved portfolios shall constitute minimum 95% of the ERC for the same set of approved portfolios.

There has not been any breach of financial covenants for the Group's interest-bearing debt in the current period.

11 Events after the reporting period

Accounting policies

If the Group receives information after the reporting period, but prior to the date of authorization for issues about conditions that existed at the end of the reporting period, the Group will assess if the information affects the amounts that it recognizes in the Group's financial statements. The Group will adjust the amounts recognized in its financial statements to reflect any adjusting events after the reporting period and update the disclosures that relate to those conditions in light of the new information. For non-adjusting events after the reporting period, the Group will not change the amounts recognized in its financial statements but will disclose the nature of the non-adjusting event and an estimate of its financial effect, or a statement that such an estimate cannot be made, if applicable.

Adjusting events

There have been no significant adjusting events subsequent to the reporting date.

Non-adjusting events

Following a non-binding offer made during the quarter, on 18 August 2023, Kredinor closed a transaction to acquire Intellecto A/S, a small debt collection company in Denmark with 1.5 FTEs. The acquisition sum is not considered material. The acquisition was made to enable Kredinor to serve other Nordic clients' debt collection needs in Denmark.

