Quarterly Report
2023

Kredinor Finans

Kredinor.no

Q3

Contents.

Report of 3rd quarter 2023

Kredinor Finans AS is a subsidiary of Kredinor AS. The company's activities include portfolio purchases, portfolio management and debt collection. The company buys debt collection services in Norway, mainly from the debt collection and parent company Kredinor AS.

Development in results and position

For Kredinor Finans AS, the revenues from portfolio investments was NOK 135 million in the third quarter and NOK 405 million year to date. Profit before tax in the third quarter amounts to NOK -128,5 million and year to date NOK -127.1 million. The result in the third quarter is characterized by a write-down of the portfolio values by NOK 176.7 million due to a lower than expected collection performance. Year to date, a total of NOK 271.0 million has been written down on the portfolio values.

The write-down of the portfolio values is explained by a portfolio where the underlying conditions have been changed. In the third quarter, the company has purchased portfolios of a total of NOK 104 million. So far this year, portfolios have been purchased for a total of NOK 614 million.

The balance in Kredinor Finans AS at the end of the third quarter was NOK 4,170 million, of which the total portfolio value amounts to NOK 4,057 million.

Capital Adequacy

At the end of the third quarter, the group's net responsible capital was NOK 2,038 million. As of 30 September 2023, total capital coverage was 41.3 %, with 37.6 % core capital and 3.7 % additional capital. At the end of the quarter, there is an excess of NOK 1,274 million in relation to the regulatory capital requirement including the capital buffer requirement, and in relation to the core capital coverage there is an excess of NOK 1,644 million.

Future prospects

In connection with the valuation of the company's debt portfolios in the third quarter, the company has made some downward adjustments in the forecasts for expected collection on some of the Swedish and Norwegian portfolios.The war in Ukraine, increased inflation and increased interest rates could affect macro-economic conditions which could have a negative impact on the company. The company will therefore follow developments closely in the future.

*The financial statement has not been audited.

Financial Statements.

Consolidated income statement

NOK thousand	This period Q3 2023	Q3 2022	Year to date 30/09/2023	30/09/2022	Full year 2022
Interest revenue from purchased loan portfolios	135 125	57 031	405 041	174 587	230 933
Net gain/(loss) from purchased loan portfolios	-176 711	-15 328	-271 001	-20 028	-28 190
Other interest income	587	2 055	1 490	4 203	-
Other income	754	-	1 904	-	-
Total interest income and other income	**-40 245**	**43 758**	**137 434**	**158 762**	**202 742**
Interest expenses to related parties	2 984	-	9 164	-	-
Interest expenses to group companies	36 525	3 589	110 845	10 042	14 494
Other financial expenses	-	-	-	-	298
Fees to court and bailiffs	10 289	5 006	30 207	16 564	23 524
Total interest expenses and other expenses	**49 798**	**8 596**	**150 215**	**26 606**	**38 316**
Net interest income	**-90 042**	**35 162**	**-12 781**	**132 156**	**164 427**
Derivatives	1	-233	-876	6 810	4 346
Net change in value and gain/loss	**1**	**-233**	**-876**	**6 810**	**4 346**
Net interest and other income	**-90 042**	**34 929**	**-13 657**	**138 966**	**168 773**
Personnel expenses	9 550	19 418	25 757	51 133	82 092
Depreciation and amortisation	2 711	3 159	8 160	9 049	12 342
Other operating expenses	26 182	21 430	79 517	69 020	91 509
Total operating expenses	**38 442**	**44 006**	**113 434**	**129 202**	**185 943**
Profit/(loss) before tax	**-128 484**	**-9 077**	**-127 091**	**9 764**	**-17 169**
Income tax expense	-32 121	-2 273	-31 773	2 468	-4 497
Profit/(loss) after tax	**-96 363**	**-6 804**	**-95 319**	**7 296**	**-12 673**

Consolidated statement of financial position

NOK thousand	Year to date 30/09/2023	Year to date 30/09/2022	Full year 2022
Cash and cash equivalents	27 332	113 847	71 528
Loans to and receivables from customers			
Loans to customers	4 056 670	1 262 302	1 283 467
Totalt loans to and receivables from customers	4 056 670	1 262 302	1 283 467
Financial derivatives	-	-	-
Ownership interest in group companies	-	211 990	-
Intangible assets			-
Other intangible assets	20 558	26 528	28 253
Totalt intangible assets	20 558	26 528	20 558
Tangible assets			
Property, plant and equipment	1 563	2 436	2 326
Right-of-use assets	-	9 815	9 224
Total tangible assets	1 563	12 251	11 549
Financial assets			
Loans to group companies	-	1 586 239	489 044
Total financial assets	-	1 586 239	489 044
Other assets			
Deferred tax assets	55 555	148	4 645
Other current assets	7 921	35 186	67 510
Deposit pension funds	491	4	19
Prepayments	352	1 944	1 214
Total other assets	64 319	37 282	73 388
Total assets	4 170 442	3 250 439	1 957 230

NOK thousand	Year to date 30/09/2023	30/09/2022	Full year 2022
Borrowings from credit institutions and financing companies			
Interest-bearing loans and borrowings	-	1 065 419	-
Interest-bearing loans and borrowings group companies	1 816 000	100 000	636 000
Current borrowings group companies	9 448	551 204	16 219
Total borrowings from credit institutions and financing companies	1 825 448	1 716 623	652 219
Other debt			
Public taxes	8 313	3 263	7 750
Accounts payables and other current liabilities	123 825	6 500	7 476
Current lease liabilities	-	2 499	2 499
Non-current lease liabilities	-	7 558	6 885
Allocated group contribution	-	-	-
Other current debt	202 977	46 203	67 759
Totalt other debt	335 115	66 023	92 369
Provisions			
Tax payable	-	23 193	-
Total provisions	-	23 193	-
Responsible loan capital			
Responsible loan capital	100 000	100 000	100 000
Total responsible loan capital	100 000	100 000	100 000
Total liabilities	2 260 564	1 905 839	844 589
Paid in capital			
Issued capital	325 000	325 000	325 000
Share premium	639 392	639 392	639 392
Total paid in capital	964 392	964 392	964 392
Other equity			
Other equity	1 040 805	372 912	148 250
Result year to date	-95 319	7 296	-
Total other equity	945 486	380 208	148 250
Total equity	1 909 878	1 344 600	1 112 642
Total equity and liabilities	4 170 442	3 250 439	1 957 230

Consolidated statement of cash flows

	This period		Year to date		Full year	Historical figures			
NOK thousand	Q3 2023	Q3 2022	30/09/2023	30/09/2022	31/12/2022	Q1 2023	Q1 2022	Q2 2023	Q2 2022
Cash flow from operating activities									
Profit or loss before tax	-128 484	-9 077	-127 091	9 764	-17 169	-4 625	21 900	6 018	-3 058
Tax paid	-	-	-	-	-19 624	-	-	-	-
Depreciation and amortisation	2 711	3 159	8 160	9 049	12 342	2 728	2 843	2 721	3 047
Net interest from portfolio	90 042	-35 162	12 781	-132 156	-187 950	-29 469	-52 327	-47 792	-44 666
Paid interest	-49 797	-20 897	-150 215	-59 109	-14 494	-46 785	-19 489	-53 633	-18 723
Received interest	-40 245	56 058	137 434	191 264	202 742	76 254	71 816	101 425	63 390
Changes in debt portfolios	208 287	15 195	67 034	67 575	-46 410	57 859	18 267	-199 112	34 113
Changes in intercompany receivables/payables	-140 356	-79 795	-678 153	-60 416	-54 254	-568 372	-40 695	30 575	60 074
Payments for principal for the lease liability	-	-574	-9 384	-2 056	-2 729	-9 384	-912	-	-570
Changes in other items	29 804	64 698	176 473	32 383	97 246	76 414	50 459	70 255	-82 774
Net cash flows from operating activities	**-28 038**	**-6 396**	**-562 962**	**56 299**	**-30 300**	**-445 380**	**51 861**	**-89 543**	**10 834**
Cash flows from investing activities									
Purchase of property, plant and equipment	-	-175	-	-1 015	-1 172	-	-103	-	-737
Purchase of shares in subsidiaries, net of cash acquired	-	-23 498	29 721	-23 498	-	29 721	-	-	-
Development expenditures	-	-2 323	-	-10 391	-13 003	-	-2 281	-	-5 787
Net cash flows from investing activities	**-**	**-25 996**	**29 721**	**-34 904**	**-14 174**	**29 721**	**-2 384**	**-**	**-6 524**
Cash flow from financing activities									
Repayments of long term borrowings	-	-	-	-	-1 045 060	-	-	-	-
Repayments of short term borrowings	-	-	-	-	988 758	-	-	-	-
Borrowings to subsidiaries	-	54 244	489 044	-108 437	-	489 044	-78 824	-	-83 857
Proceeds from issuance of equity	-	-	-	26 000	100 000	-	-	-	26 000
Payment of dividend	-	-	-	74 000	-28 584	-	-	-	74 000
Net cash flows from financing activities	**-**	**54 244**	**489 044**	**-8 437**	**15 114**	**489 044**	**-78 824**	**-**	**16 143**
						-	-		
Net increase/(decrease) in cash and cash equivalents	**-28 038**	**21 852**	**-44 197**	**12 958**	**-29 361**	**73 385**	**-29 347**	**-89 543**	**20 453**
Cash and cash equivalents at the beginning of the period	**55 370**	**91 995**	**71 528**	**100 889**	**100 889**	**71 528**	**100 889**	**144 913**	**71 542**
Cash and cash equivalents at the end of the period	**27 332**	**113 847**	**27 332**	**113 847**	**71 528**	**144 913**	**71 542**	**55 370**	**91 995**

Consolidated statement of changes in equity

NOK thousand	Share capital	Share premium	Retained earnings	Total equity
Balances at 1 January 2023	**325 000**	**639 392**	**148 250**	**1 112 642**
Profit/loss for the period	-	-	-95 319	-95 319
Other comprehensive income/loss	-	-	-	-
Total comprehensive income/loss	-	-	-95 319	-95 319
Merger	-	-	892 555	892 555
Other changes booked to equity	-	-	-	-
Balances at 30 September 2023	**325 000**	**639 392**	**945 486**	**1 909 878**

NOK thousand	Share capital	Share premium	Retained earnings	Total equity
Balances at 1 January 2022	**299 000**	**565 392**	**372 912**	**1 237 304**
Profit/loss for the period	-	-	7 296	7 296
Other comprehensive income/loss	-	-	-	-
Total comprehensive income/loss	-	-	7 296	7 296
Issue of share capital	26 000	74 000	-	100 000
Other changes booked to equity	-	-	-	-
Balances at 30 September 2022	**325 000**	**639 392**	**380 208**	**1 344 600**

NOK thousand	Share capital	Share premium	Retained earnings	Total equity
Balances at 1 January 2022	**299 000**	**565 392**	**372 912**	**1 237 304**
Profit/loss for the period	-	-	-12 673	-12 673
Other comprehensive income/loss	-	-	-	-
Total comprehensive income/loss	-	-	-12 673	-12 673
Issue of share capital	26 000	74 000	-	100 000
Dividend	-	-	-211 990	-211 990
Other changes booked to equity	-	-	-	-
Balances at 31 December 2022	**325 000**	**639 392**	**148 250**	**1 112 642**

Board of Directors
Kredinor Finans AS
Oslo, 01.11.23

Klaus-Anders Nysteen
Chairman of the Board

Bjørn Ove Ottosen
Board member

Kristina Jacobsen
Board member

Stefan Langva
Board member

Anmol Juneja
CEO

Notes.

1 Corporate information

Kredinor Finans AS (the "Company") is a privately held company, 100% owned by Kredinor AS, and incorporated in Norway. The Company's registered office is at Sjølyst plass 3, 0278 OSLO, Norway.

The Company has during the reporting period changed name from Modhi Finance AS to Kredinor Finans AS. This is due to a completed a merger between Kredinor Finans AS (org. nr. 984 467 990) and Modhi Finance AS, with Modhi Finance AS as acquiring entity, where the merged company changed name to Kredinor Finans AS.

The financial statement has not been revised.

2 Accounting policies

The quarterly financial statements for Kredinor Finans AS have been prepared in accordance with the Regulation relating to simplified application of international accounting standards (IFRS) and interpretations from the IFRS Interpretation Committee (IFRIC) approved by the EU, as well as the Regulation relating to annual accounts for banks, finance companies, etc.

Functional and presentation currency
Receivables and payables denominated in foreign currency are assessed at the exchange rate at the end of the quarter. Transactions in foreign currencies are translated at the exchange rate at the time of the transaction. The company's functional currency is Norwegian kroner (NOK).

Purchased debt portfolios
Purchased loan portfolios consist of portfolios of non-performing loans and debt, purchased at prices significantly below nominal value. They are recognised at amortised cost using the effective interest rate method in accordance with the rules for loans and receivables pursuant to IFRS 9. All portfolios are classified as fixed assets on the balance sheet.

The effective interest rate method is a method for calculating the amortized cost of a financial asset and for allocating interest income to the income statement over the period in question. The effective interest rate is the interest rate which accurately discounts estimated future cash flows over the expected useful life of the financial instrument or, where relevant, a shorter period, to the carrying value of the financial asset.

When purchasing loan portfolios, the effective interest rate is provisionally calculated based on acquisition costs, including all transaction costs, and estimated future cash flows that include the nominal value of the receivable, late fees, accrued debt collection fees and late payment interest which, based on a probability assessment, is expected to be received from debtors.

Each portfolio is recognised on the balance sheet at cost, including all transaction costs, at the time of initial recognition. Interest income on purchased loan portfolios is accrued monthly in the income statement based on each portfolio's effective interest rate.

Portfolios are defined as the lowest reliable level of aggregation of claims of a similar type or debt class. Each portfolio consists of a series of individual requirements. The portfolio is recognised as a unit for recognition of income, principal payments and adjustments resulting from re-estimated future cash flows.

The company also acquires portfolios under forward-flow agreements. Forward Flow deals are included as derivatives. In a forward-flow agreement, a contract is established for the purchase of debt at an agreed price as a percentage of nominal receivables, but where the amounts of debt are not fully known at the time of the agreement. Receivables under the forward-flow agreements are procured (delivered) monthly or quarterly.

Revenue recognition

Purchased debt portfolios:

The company income primarily derives from purchased portfolios recognised as income under IFRS9 Financial Instruments.

Factoring:

Kredinor Finans purchases not overdue impositions. The income consists of late payment interest. Late payment interest is recognised as income when they accrue. Income from factoring is recognised in accordance with IFRS 15.

Impairment financial instruments

Purchased debt portfolios:

The Company substantially purchases value-degraded loan portfolios at a significantly discounted rate, and impairments for credit losses are already included in the purchase. The expected credit loss for the purchased loan portfolios is therefore not explicitly recognised as a loss provision, as these financial assets are by definition credit impaired and the expected credit loss is part of the portfolio's amortised cost. The Company's exposure to credit risk from purchased loan portfolios relates to variances between actually recovered funds and recovery estimates, and from changes in estimates of future cash flows. Management regularly reviews the debt collection estimates for the individual portfolios and adjusts the estimates if the future expected amount differs from the current estimate over time. Revised collection estimates are discounted at the same internal rate of return as that calculated when the portfolio was acquired. Changes from the current estimate are adjusted against the book value of the portfolio and the adjustment is entered in the income statement under the accounting line "Net gain/(loss) from purchased loan portfolios". All portfolios are evaluated quarterly. Underperformance and portfolio write-downs reduce revenue. Overperformance and portfolio write-ups increase revenue.

Factoring:

In line with IFRS 9, write-downs on trade receivables are measured using an expected lifetime credit loss model (ECL). Expected credit losses are divided into 3 stages. A share within Step 1 does not entail a significant increase in credit risk from the date of recognition of the asset. Step 2 involves a significant increase in credit risk over the next 12 months and Step 3 implies that the asset is credit degraded. There is no single customer who represents a large proportion of the receivables and therefore constitutes a significant credit risk.

Stage 1 loss provision shows expected credit losses for the next 12 months during the term of the commitment. Loss provision for Step 2 shows expected credit losses over the entire term of the engagement. The loss provision is calculated after losses given default. The calculation is based on monetary loss and probability of loss occurring.

Current assets and current liabilities
Current assets and current liabilities include items that become due for payment within one year of the acquisition date. Current assets are valued at the lower of the acquisition cost and fair value. Current liabilities are recognised on the balance sheet at the nominal amount at the time of recording.

Pension costs
The company has defined contribution plans for its employees. In the case of defined contribution plans, the company pays deposits to an insurance company. The Company has no further payment obligation after the deposits have been paid. The deposits are recognised as labour costs. Any prepaid deposits are recognised on the balance sheet as assets (pension funds) to the extent that the contribution can be refunded or reduce future payments.

Tax
The tax expense in the income statement includes both the tax payable for the period and the change in deferred tax. Deferred tax is calculated at the current tax rate on the basis of the temporary differences that exist between accounting and tax values, as well as any tax loss carried forward at the end of the financial year. Net deferred tax assets are recognised on the balance sheet to the extent there is a probability that this can be utilised.

Discretionary items and estimate uncertainty
The preparation of the financial statements requires management to prepare estimates and make assumptions/assumptions about the future that could have a material effect on the accounts. Estimation uncertainty at the end of the period may entail a material risk of substantial adjustments in the carrying value of assets and liabilities in future periods. Important sources of uncertainty in estimates and assessments are evaluated on an ongoing basis and updated based on expectations of future events that are considered reasonable in current circumstances.

3 Financial risk management

Credit risk
Modhi Finance AS is exposed to risk related to expected earnings from underlying portfolios in the company, which will fall under the definition of credit risk. The Portfolio business area manages purchased portfolios of outstanding receivables (mainly acquired non-performing claims).

The ongoing valuation of the portfolios is based on expected future recovery of the non-performing receivables. The main part of the collection service is provided by the parent company Kredinor AS. The collection consists of establishing and maintaining disbursement collateral, payroll deductions and payment schemes. In this way, good follow-up of the company's receivables is ensured and the risk of loss associated with the business is reduced.

Market risk
Market risk is the risk that a financial instrument's fair value or future cash flows will fluctuate due to changes in market prices. Elements that influence market risk include fluctuations in exchange rates and interest rates.

Kredinor Finans primarily acquires portfolios consisting of overdue loans and credits aimed at the retail market in Norway financed through a combination of long-term and short-term loans in NOK. In this context, changes in market conditions, such as interest rates, could lead to higher market prices and reduced competitiveness for the Company, which could have an impact on both the company's results and its ability to grow.

Operational risk

Operational risk can be defined as the risk of loss as a result of inadequate or failing internal processes or systems, human error, or external events. The definition here also includes legal risk. Operational risk is currently documented in connection with work carried out in accordance with the Internal Control Regulations.
The company carries out processes to identify the main areas of operational risk before and after implemented measures. The work that is carried out is well suited to identifying areas in need for risk reducing measurements.

The methodology for quantifying the capital requirement for operational risk is based on the standard method in the Capital Adequacy Regulations.

Liquidity risk

Liquidity risk can be defined as the risk that the company will fail to meet its obligations and/or finance increases in its assets without incurring significant additional costs in the form of a fall in the price of assets that must be realised, or in the form of higher financing cost. Liquidity risk can be said to arise primarily as a result of unexpected declines in value or income fluctuations as a result of other types of risk or as a result of major external market disturbances. For Kredinor Finans AS, this liquidity risk is mainly linked to loans from the parent company.

Liquidity risk is on a par with board resolutions. The company's liquidity is satisfactory and any additional liquidity needs will be adressed by raising long-term loans from the parent company.

Currency risk

The currency risk is low as the company has resolved all the claims against the parent company in other currencies during first quarter in 2023. There is only one purchased debt portfolio in SEK at the end of the reporting period. All liabilities are in NOK.

Strategic and business risk

Strategic and business risk is the risk of loss as a result of changes in external conditions beyond the company's control, such as regulatory conditions, failure in earnings and access to capital due to declining trust and reputation in the market.

4 Purchased debt portfolios

NOK thousand	30/09/2023	30/09/2022	31/12/2022
Balance at the beginning of period	1 283 467	1 329 877	1 329 877
Acquisitions from merger	2 840 236		
Acquisitions	614 393	97 137	186 479
Collection	-835 369	-319 425	-435 725
Interest revenue from purchased loan portfolios	405 041	174 587	230 933
Net gains/loss from purchased loan portfolios	-271 001	-20 028	-28 190
Derivatives	19 758	0	0
Currency differences	145	154	93
Balance at the end of period	4 056 670	1 262 302	1 283 467

Profit before other income and costs as a percentage of the assets under management amounts to 0.7 %.

The company operates in acquisition and collection of money claims and activities related to this. The company uses amortized cost for its recognition of purchased debt portfolios in the accounts. Expected receivables profile at portfolio level forms the basis for write-offs. Normal depreciation period is 10 - 15 years.

All claims are linked to private individuals (salaried employees, etc.) and are independent of industry and geographical distribution. Most of the portfolios have been purchased by businesses in southern Norway, central Norway and eastern Norway.

Risk from purchased debt portfolios of outstanding receivables
The company's receivables related to purchased debt portfolios of outstanding receivables are mainly acquired defaulted claims. The ongoing valuation of the portfolios is based on expected future collection of the defaulted receivables and there is a risk associated with the debtors' ability to meet their obligations in relation to these expectations. The main part of the collection service is bought by Modhi Collect AS, which from 1 September 2022 was merged into Kredinor AS. The challenge consists in establishing and maintaining attachment deposits, salary deductions and payment arrangements. In this way, we ensure a good follow-up of the company's receivables and thereby reduce the risk of loss.

The company will not normally reflect a loss on loans/receivables as these are transferred receivables at a lower value than their face value. Net credit losses/gains are part of the ongoing assessment of amortized cost that is used as a basis for determining the portfolio's value.

5 Capital adequacy

From 31 March 2023, the requirement for capital buffers in addition to the ordinary capital requirement has been increased from 7,5% to 8,0%. This means that the core capital requirement including buffers is now 14% and that the total capital requirement now amounts to 16%. The company determines the necessary capital requirement based on the standard method, in addition to regulatory capital. Necessary financial capital for other risk areas constitutes provisional capital for operational risk and is calculated according to regulatory methods. The total required financial capital is calculated and reported to the board every quarter.

NOK thousand	30/09/2023	30/09/2022	31/12/2022
Paid in share capital	325 000	325 000	325 000
Share premium	639 392	639 392	639 392
Other equity	913 713	372 912	148 250
Total equity	1 878 105	1 337 304	1 112 642
Paid group contribution	-	-	-
Goodwill and other intangible assets	-20 558	-26 528	-28 253
Write-down of common equity (back stop)	-2 128	-295	-858
Net common equity	1 855 420	1 310 481	1 083 531
Additional capital to common equity	183 000	100 000	100 000
Total additional capital	183 000	100 000	100 000
Own funds	2 038 420	1 410 481	1 183 531
Total capital requirement for credit risk	357 716	332 339	180 703
Total capital rerquirement for operational risk	37 045	34 932	37 045
Capital requirement	394 761	367 271	217 748
Total capital ratio	41,3 %	30,7 %	43,5 %
Tier 1 capital ratio	37,6 %	28,6 %	39,8 %
Additional capital ratio	3,7 %	2,2 %	3,7 %
Total risk exposure amount	**4 934 514**	**4 590 888**	**2 721 850**
Surplus/deficit of total capital	**1 643 659**	**1 043 210**	**965 783**
Buffer capital requirements	**370 089**	**321 362**	**204 139**
Surplus/deficit of total capital including buffer requirements	**1 273 570**	**721 848**	**761 644**

Risk weight breakdown			
Total balance sheet exposure	4 170 442	3 250 439	1 956 498
Risk weight 20%	5 466	22 769	20 178
Risk weight 75%	2 537		
Risk weight 100 %	3 980 980	1 874 290	1 804 307
Risk weight 150 %	154 788	1 893 453	76 953
Risk weight 250 %	138 888		
Off balance sheet exposures	188 794	363 729	357 356
Risk weighted exposure	4 471 453	4 154 241	2 258 794
Total operational risk	463 061	436 647	463 061
Total risk weighted exposure	4 934 514	4 590 888	2 721 855

6 Ownership

Owner	As of	No. of shares	Ownership
Kredinor AS	25/10/2022	130 000	100%

Nominal value of Nok 2,500 per share. All shares give equal voting rights.

7 Subsequent events

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