

Q2

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About Kreditor Finans

01

Report of 2nd quarter 2024

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

Development in results and position

For Kredinor Finans AS, the revenues were NOK 140 million in the 2nd quarter. Profit before tax in the 2nd quarter amounts to NOK 64.8 million. 2nd quarter 2024 is influenced by a write-up of the portfolio values by NOK 12.1 million due to better-than-expected collection performance and change in ERC curve. The overperformance is mainly driven by the portfolios revalued in Q3 2023.

In the 2nd quarter, the company has purchased portfolios of a total of NOK 0.2 million.

The balance in Kredinor Finans AS at the end of the 2nd quarter was NOK 3.939 million, of which the total portfolio value amounts to NOK 3.889 million.

Capital adequacy

At the end of the 2nd quarter, the group's own funds were NOK 1.999 million. As of 30th of June 2024, total capital coverage was 44.3%, with 40.2% core capital and 3.9% additional capital. At the end of the quarter, there is an excess of NOK 1.277 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 1.252 million.

Future prospects

Kredinor Finans is financed by parent company Kredinor AS. After receiving a subordinated loan from the owner SpareBank 1 Gruppen which in April was converted to equity the financial situation for Kredinor AS is clarified. Kredinor Finans AS therefore plan to start investing again in new NPL portfolios based on strategic investment levels in the next quarters.

The financial statement has not been audited.

Financial Statements

02

Consolidated income statement

Kredinor Finans AS

NOK thousand	Note	This period		Year to date		Full year
		Q2 2024	Q2 2023	30.06.2024	30.06.2023	2023
Interest revenue from purchased loan portfolios	4	126 684	137 898	256 644	269 916	535 262
Net gain/(loss) from purchased loan portfolios		12 091	-37 769	31 471	-94 290	-239 455
Other interest income		355	562	878	903	2 169
Other income		871	733	1 763	1 150	3 152
Total interest income and other income		140 001	101 425	290 758	177 679	301 128
Interest expenses to related parties		3 241	2 894	6 528	6 180	12 496
Interest expenses to group companies		32 166	37 968	67 770	74 236	144 343
Other financial expenses		56	46	112	83	449
Fees to court and bailiffs		10 890	12 725	27 367	19 918	60 863
Total interest expenses and other expenses		46 353	53 633	101 777	100 418	218 152
Net interest income		93 648	47 792	188 981	77 261	82 976
Net change in value and gain/loss on currency and financial derivatives		0	23	1	-877	-875
Net change in value and gain/loss		0	23	1	-877	-875
Net interest and other income		93 648	47 815	188 982	76 385	82 101
Personnel expenses		3 415	9 066	7 216	16 207	30 548
Depreciation and amortisation		2 506	2 721	4 960	5 449	10 824
Other operating expenses		22 977	30 010	45 287	53 336	88 931
Total operating expenses		28 898	41 797	57 463	74 992	130 303
Profit/(loss) before tax		64 750	6 018	131 519	1 393	-48 201
Income tax expense		0	1 505	0	348	23 782
Profit/(loss) after tax		64 750	4 514	131 519	1 045	-71 983

Consolidated statement of financial position

Kredinor Finans AS

NOK thousand	Note	Year to date		Full year
		30.06.2024	30.06.2023	31.12.2023
Cash and cash equivalents		21 014	55 370	60 227
Loans to and receivables from customers				
Loans to customers	4, 5	3 888 855	4 264 957	4 064 858
Total loans to and receivables from customers		3 888 855	4 264 957	4 064 858
Intangible assets				
Other intangible assets		13 502	23 123	18 226
Total intangible assets		13 502	23 123	18 226
Tangible assets				
Property, plant and equipment		902	1 808	1 337
Total tangible assets		902	1 808	1 337
Other assets				
Deferred tax assets		-	23 782	-
Other current assets		14 427	11 361	46 949
Deposit pension funds		-	539	-
Prepayments		599	283	481
Total other assets		15 026	35 965	47 430
Total assets		3 939 299	4 381 223	4 192 078

Consolidated statement of financial position

Kredinor Finans AS

NOK thousand	Year to date		Full year	
	30.06.2024	30.06.2023	31.12.2023	
Borrowings from credit institutions and financing companies				
Interest-bearing loans and borrowings group companies	5	1 580 000	1 951 000	1 741 000
Current borrowings group companies	5	108 722	107 856	203 260
Total borrowings from credit institutions and financing companies		1 688 722	2 058 856	1 944 260
Other debt				
Public taxes		982	7 643	1 195
Accounts payables and other current liabilities		83 212	84 121	83 337
Other current debt		1 651	124 013	130 072
Total other debt		85 845	215 776	214 605
Provisions				
Tax payable		-	348	-
Total provisions		-	348	-
Subordinated loan capital				
Subordinated loan capital	5	100 000	100 000	100 000
Total subordinated loan capital		100 000	100 000	100 000
Total liabilities		1 874 566	2 374 981	2 258 865
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		968 821	1 040 805	1 040 805
Result year to date		131 519	1 045	-71 983
Total other equity		1 100 340	1 041 849	968 821
Total equity		2 064 732	2 006 241	1 933 213
Total equity and liabilities		3 939 299	4 381 223	4 192 078

Consolidated statement of changes in equity

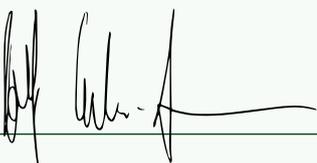
Kredinor Finans AS

NOK thousand	Share capital	Share premium	Retained earnings	Total equity
Balances at 1 January 2024	325 000	639 392	968 821	1 933 213
Profit/loss for the period	-	-	131 519	131 519
Total comprehensive income/loss	-	-	131 519	131 519
Balances at 30 June 2024	325 000	639 392	1 100 340	2 064 732

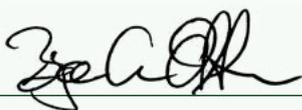
NOK thousand	Share capital	Share premium	Retained earnings	Total equity
Balances at 1 January 2023	325 000	639 392	148 250	1 112 642
Profit/loss for the period	-	-	1 045	1 045
Total comprehensive income/loss	-	-	1 045	1 045
Merger	-	-	892 555	892 555
Balances at 30 June 2023	325 000	639 392	1 041 849	2 006 241

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	-	-	-71 983	-71 983
Total comprehensive income/loss	-	-	-71 983	-71 983
Merger	-	-	892 555	892 555
Balances at 31 December 2023	325 000	639 392	968 821	1 933 213

Board of Directors
Oslo, 5 August 2024



Rolf Eek-Johansen
Chairman of the Board



Bjørn Ove Ottosen
Board member



Kristina Jacobsen
Board member



Malin Petré Gustavi
Board member



Anmol Juneja
CEO

Notes to the financial statements

03

Note 1 Corporate information

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

The financial statements has not been audited.

Note 2 Accounting policies

The quarterly financial statements for Kreditor Finans AS have been prepared in accordance with Regulation relating to annual accounts for banks, finance companies, etc (Forskrift om årsregnskap for banker, kredittforetak og finansieringsforetak) and IAS 34 Interim Financial Reporting as adopted by the EU.

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:

Kreditor 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.

Note 3 Financial risk management

Credit risk

Kredinor Finans 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 addressed 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 second quarter in 2024. 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.

Note 4 Purchased debt portfolios

NOK thousand	30.06.2024	30.06.2023	31.12.2023
Balance at the beginning of period	4 064 858	1 283 467	1 283 467
Acquisitions from merger	-	2 840 236	2 840 236
Acquisitions	53 201	510 263	763 951
Collection	-514 847	-564 896	-1 121 153
Interest revenue from purchased loan portfolios	256 644	269 916	535 262
Net gains/loss from purchased loan portfolios	31 403	-94 290	-239 455
Derivatives	-	20 116	2 404
Currency differences	-2 404	145	145
Balance at the end of period	3 888 855	4 264 957	4 064 858

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 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.

Note 5 Fair value of financial instruments to amortised cost

	Book value	Fair value	Book value	Fair value	Book value	Fair value
NOK thousand	30.06.2024	30.06.2024	30.06.2023	30.06.2023	31.12.2023	31.12.2023
Assets						
Cash and cash equivalents	21 014	21 014	55 370	55 370	60 227	60 227
<i>Loans to and receivables from customers:</i>						
Loans to customers	3 888 855	3 652 199	4 264 957	4 013 171	4 064 858	4 062 454
Balance at the end of period	3 909 869	3 673 213	4 320 327	4 068 541	4 125 084	4 122 681

Fair value estimation of purchased loan portfolios

The fair value assessment of acquired loan portfolios is determined by computing the net present value of projected net cash flows over a 15-year horizon, adjusted for tax. These cash flow projections include estimated future collections net of associated collection costs and taxes, exclusively pertaining to existing portfolios without factoring in cash flows from prospective investments.

Collection costs consists of various operational expenditures within the portfolio segment, including debt collection commissions, payroll outlays, facility expenses, communication charges, and other pertinent expenses directly or indirectly linked to the portfolio investments. The Norwegian tax rate has been applied to the cash flows, given majority of collections derive from Norway.

As of June 30, 2024, the post-tax weighted average cost of capital (WACC) for the portfolio segment is approximately 9.16% and for June 30, 2023 the post-tax weighted average cost of capital (WACC) for the portfolio segment is approximately 8.80%

A sensitivity analysis of the cash flow projections is detailed in the accompanying tables.

30.06.2024

Q2 2024

Performance

		90%	95%	100%	105%	110%
WACC	6%	3 832 802 275	4 005 566 045	4 178 529 143	4 351 673 900	4 524 984 567
	7%	3 658 554 295	3 823 303 107	3 988 269 660	4 153 434 483	4 318 780 231
	8%	3 498 333 043	3 655 724 862	3 813 350 215	3 971 188 040	4 129 219 588
	9%	3 350 703 629	3 501 327 989	3 652 199 388	3 803 295 362	3 954 595 923
	10%	3 214 401 225	3 358 787 452	3 503 432 224	3 648 311 838	3 793 405 221
	11%	3 088 308 683	3 226 933 021	3 365 825 658	3 504 961 806	3 644 319 435
	12%	2 971 437 337	3 104 729 138	3 238 297 461	3 372 116 563	3 506 163 578

30.06.2023

Q2 2023

Performance

		90%	95%	100%	105%	110%
WACC	6%	4 192 989 089	4 381 357 429	4 569 931 980	4 758 693 931	4 947 626 425
	7%	4 008 512 291	4 188 473 205	4 368 661 047	4 549 054 903	4 729 636 046
	8%	3 838 896 972	4 011 141 542	4 183 630 771	4 356 341 886	4 529 254 505
	9%	3 682 617 274	3 847 764 375	4 013 171 258	4 178 813 508	4 344 669 285
	10%	3 538 328 827	3 696 933 835	3 855 811 474	4 014 935 875	4 174 283 915
	11%	3 404 844 777	3 557 407 121	3 710 252 956	3 863 355 131	4 016 689 393
	12%	3 281 115 257	3 428 084 972	3 575 347 296	3 722 873 953	3 870 639 696

31.12.2023

Performance

		90%	95%	100%	105%	110%
WACC	5%	4 299 733 878	4 493 781 183	4 688 004 279	4 882 388 022	5 076 918 894
	6%	4 092 012 849	4 276 480 978	4 461 149 438	4 646 000 814	4 831 019 568
	7%	3 901 665 406	4 077 371 905	4 253 299 877	4 429 429 897	4 605 744 645
	8%	3 726 864 112	3 894 539 100	4 062 453 734	4 230 586 813	4 398 919 446
	9%	3 566 003 005	3 726 299 909	3 886 852 038	4 047 636 623	4 208 633 390
	10%	3 417 667 875	3 571 172 712	3 724 946 085	3 878 963 843	4 033 204 491
	11%	3 280 610 863	3 427 850 278	3 575 369 556	3 723 143 327	3 871 149 024

	Book value	Fair value	Book value	Fair value	Book value	Fair value
NOK thousand	30.06.2024	30.06.2024	30.06.2023	30.06.2023	31.12.2023	31.12.2023
Liabilities						
Long-term debt to related parties	100 000	100 000	100 000	100 000	100 000	100 000
Long-term debt to parent	1 580 000	1 580 000	1 951 000	1 951 000	1 741 000	1 741 000
Short-term debt to parent	108 722	108 722	107 856	107 856	203 260	203 260
Balance at the end of period	1 788 722	1 788 722	2 158 856	2 158 856	2 044 260	2 044 260

The company uses amortised cost for its recognition of purchased portfolios in the accounts. Expected receivables profile at portfolio level forms the basis for write-offs. Normal depreciation period is 10 - 15 years.

The company performs a quarterly assessment of credit losses/gains of the debt portfolios that are booked against the balance sheet.

Long-term debt to related parties is a subordinated loan to Sparebank 1 Gruppen due on 18 March 2029 and terms of Nibor 6 months + 8%.

Note 6 Capital adequacy

From 31 December 2023, the requirement for capital buffers in addition to the ordinary capital requirement has been increased from 8.0% to 9.5%.

This means that the core capital requirement including buffers is now 15.5% and that the total capital requirement now amounts to 17.5%.

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	30.06.2024	30.06.2023	31.12.2023
Paid in share capital	325 000	325 000	325 000
Share premium	639 392	639 392	639 392
Other equity	968 821	1 041 849	968 821
Total equity	1 933 213	2 006 241	1 933 213
Write-down of common equity (back stop)	-103 310	-1 528	-64 128
Goodwill and other intangible assets	-13 502	-23 123	-18 226
Net common equity	1 816 401	1 981 590	1 850 859
Additional capital to common equity	183 000	183 000	183 000
Total additional capital	183 000	183 000	183 000
Own funds	1 999 401	2 164 590	2 033 859
Total capital requirement for credit risk	316 869	397 770	342 577
Total capital requirement for operational risk	44 196	37 045	44 196
Capital requirement	361 065	434 815	386 773
Total capital ratio	44.3%	39.8%	42.1%
Tier 1 capital ratio	40.2%	36.5%	38.3%
Additional capital ratio	4.1%	3.4%	3.8%
Total risk exposure amount	4 513 312	5 435 188	4 834 663
Surplus/deficit of total capital	1 638 336	1 729 775	1 647 086
Buffer capital requirements	428 765	407 639	459 293
Surplus/deficit of total capital including buffer requirements	1 209 571	1 322 136	1 187 793

NOK thousand	30.06.2024	30.06.2023	31.12.2023
Risk weight breakdown			
Total balance sheet exposure	3 939 299	3 315 985	4 192 078
Risk weight 20%	4 203	14 308	11 673
Risk weight 75%	3 309	0	2 448
Risk weight 100%	3 856 425	2 038 487	3 891 468
Risk weight 150%	86 172	1 994 816	283 361
Off balance sheet exposures	10 756	467 064	93 265
Risk weighted exposure	3 960 865	4 514 675	4 282 215
Total operational risk	552 447	436 647	552 447
Total risk weighted exposure	4 513 312	4 951 322	4 834 662

Note 7 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.

Note 8 Subsequent events

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

