

Q3

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About Kreditor Finans

01

Report of 3rd 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 139 million in the 3rd quarter. Profit before tax in the 3rd quarter amounts to NOK 57.8 million. 3rd quarter 2024 is influenced by a write-up of the portfolio values by NOK 14.3 million due to better-than-expected collection performance and change in ERC curve.

In the 3rd quarter, the company has purchased portfolios of a total of NOK 7.8 million.

The balance in Kredinor Finans AS at the end of the 3rd quarter was NOK 3,847 million, of which the total portfolio value amounts to NOK 3,802 million.

Capital adequacy

At the end of the 3rd quarter, the group's own funds were NOK 1,997 million. As of 30th of September 2024, total capital coverage was 45.2%, with 41.1% core capital and 4.1% additional capital. At the end of the quarter, there is an excess of NOK 1,224 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 1,130 million.

Future prospects

Kredinor Finans AS has been invited to participate in several acquisition processes in Q3. Looking ahead, we anticipate an increase in market activity during Q4, traditionally a busier period for portfolio trades. Financial institutions often look to finalize transactions before year-end. Kredinor Finans remains well-positioned to capitalize on these opportunities, and we will continue to engage selectively in processes that align with our strategic objectives.

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
		Q3 2024	Q3 2023	30.09.2024	30.09.2023	2023
Interest revenue from purchased loan portfolios	4	123 354	135 125	379 998	405 041	535 262
Net gain/(loss) from purchased loan portfolios		14 334	-176 711	45 806	-271 001	-239 455
Other interest income		684	587	1 563	1 490	2 169
Other income		936	754	2 699	1 904	3 152
Total interest income and other income		139 308	-40 245	430 066	137 434	301 128
Interest expenses to related parties		3 272	2 984	9 800	9 164	12 496
Interest expenses to group companies		28 998	36 288	96 768	110 524	144 343
Other financial expenses		61	237	173	320	449
Fees to court and bailiffs		12 037	10 289	39 404	30 207	60 863
Total interest expenses and other expenses		44 368	49 798	146 145	150 215	218 152
Net interest income		94 940	-90 042	283 921	-12 781	82 976
Net change in value and gain/loss on currency and financial derivatives		-8	1	-7	-876	-875
Net change in value and gain/loss		-8	1	-7	-876	-875
Net interest and other income		94 932	-90 042	283 914	-13 657	82 101
Personnel expenses		3 144	9 550	10 360	25 757	30 548
Depreciation and amortisation		13 251	2 711	18 212	8 160	10 824
Other operating expenses		20 760	26 182	66 047	79 518	88 931
Total operating expenses		37 155	38 442	94 618	113 434	130 303
Profit/(loss) before tax		57 776	-128 484	189 296	-127 091	-48 201
Income tax expense		14 444	-32 121	47 324	-31 773	23 782
Profit/(loss) after tax		43 332	-96 363	141 972	-95 319	-71 983

Consolidated statement of financial position

Kredinor Finans AS

NOK thousand	Note	Year to date		Full year
		30.09.2024	30.09.2023	2023
Cash and cash equivalents		23 989	27 331	60 227
Loans to and receivables from customers				
Loans to customers	4, 5	3 802 057	4 056 670	4 064 858
Total loans to and receivables from customers		3 802 057	4 056 670	4 064 858
Intangible assets				
Other intangible assets		-	20 558	18 226
Total intangible assets		-	20 558	18 226
Tangible assets				
Property, plant and equipment		732	1 563	1 337
Total tangible assets		732	1 563	1 337
Other assets				
Deferred tax assets		-	55 555	-
Other current assets		19 324	7 921	46 949
Deposit pension funds		-	491	-
Prepayments		581	352	481
Total other assets		19 905	64 319	47 430
Total assets		3 846 683	4 170 440	4 192 078

Consolidated statement of financial position

Kredinor Finans AS

NOK thousand	Year to date		Full year	
	30.09.2024	30.09.2023	2023	
Borrowings from credit institutions and financing companies				
Interest-bearing loans and borrowings group companies	5	1 395 000	1 816 000	1 741 000
Current borrowings group companies	5	113 914	140 039	203 260
Total borrowings from credit institutions and financing companies		1 508 914	1 956 039	1 944 260
Other debt				
Public taxes		862	8 313	1 195
Accounts payables and other current liabilities		83 377	83 316	83 337
Other current debt		31 022	112 894	130 072
Total other debt		115 261	204 523	214 605
Provisions				
Tax payable		47 324	-	-
Total provisions		47 324	-	-
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		1 771 499	2 260 562	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		141 972	-95 319	-71 983
Total other equity		1 110 793	945 486	968 821
Total equity		2 075 185	1 909 878	1 933 213
Total equity and liabilities		3 846 683	4 170 440	4 192 078

Consolidated statement of changes in equity

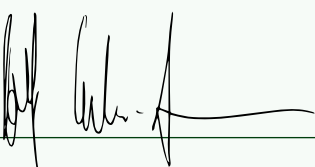
Kredinor Finans AS

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	-	-	141 972	141 972
Other comprehensive income/loss	-	-	-	-
Total comprehensive income/loss	-	-	141 972	141 972
Balances at 30 September 2024	325 000	639 392	1 110 793	2 075 185

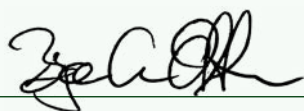
NOK thousand	Share capital	Share premium	Retained earnings	Total equity
Balances at 1 January 2023	325 000	639 392	148 250	1 112 642
Profit/loss for the period	-	-	-95 319	-95 319
Other comprehensive income/loss	-	-	-	-
Total comprehensive income/loss	-	-	-95 319	-95 319
Merger	-	-	892 555	892 555
Balances 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 2023	325 000	639 392	148 250	1 112 642
Profit/loss for the period	-	-	-71 983	-71 983
Other comprehensive income/loss	-	-	-	-
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

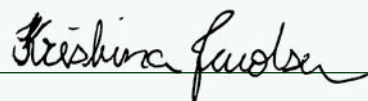
Board of Directors
Oslo, 18 October 2024



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

Kreditor 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 Kreditor 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.

Kreditor 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 Kreditor 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 third 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	Year to date		Full year
	30.09.2024	30.09.2023	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	60 980	614 393	763 951
Collection	-747 113	-835 369	-1 121 153
Interest revenue from purchased loan portfolios	379 998	405 041	535 262
Net gains/loss from purchased loan portfolios	45 806	-271 001	-239 455
Derivatives	-	19 758	2 404
Currency differences	-2 472	144	145
Balance at the end of period	3 802 057	4 056 670	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

NOK thousand	Year to date				Full year	
	Book value 30.09.2024	Fair value 30.09.2024	Book value 30.09.2023	Fair value 30.09.2023	Book value 2023	Fair value 2023
Assets						
Cash and cash equivalents	23 989	23 989	27 331	27 331	60 227	60 227
<i>Loans to and receivables from customers:</i>						
Loans to customers	3 802 057	3 769 001	4 056 670	3 570 645	4 064 858	4 062 454
Balance at the end of period	3 826 046	3 792 990	4 084 000	3 597 975	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.

30.09.2024

Q3 2024		Performance				
		90%	95%	100%	105%	110%
WACC	6%	3 957 773 140	4 135 993 599	4 314 423 425	4 493 044 369	4 671 840 161
	7%	3 777 178 257	3 947 094 581	4 117 239 700	4 287 593 499	4 458 138 054
	8%	3 611 139 713	3 773 434 867	3 935 975 503	4 098 739 858	4 261 708 550
	9%	3 458 169 129	3 613 455 063	3 769 000 772	3 924 783 036	4 080 781 188
	10%	3 316 954 333	3 465 780 507	3 614 878 653	3 764 224 265	3 913 795 545
	11%	3 186 336 191	3 329 196 964	3 472 340 069	3 615 739 869	3 759 373 572
	12%	3 065 288 747	3 202 629 795	3 340 261 925	3 478 158 509	3 616 295 882

30.09.2023

Q3 2023		Performance				
		90%	95%	100%	105%	110%
WACC	6%	3 746 120 409	3 914 944 839	4 083 963 874	4 253 160 250	4 422 518 575
	7%	3 576 186 948	3 737 197 601	3 898 420 839	4 059 837 636	4 221 431 043
	8%	3 419 920 976	3 573 758 755	3 727 824 542	3 882 097 757	4 036 560 075
	9%	3 275 925 218	3 423 164 410	3 570 644 800	3 718 344 435	3 866 243 783
	10%	3 142 967 923	3 284 124 199	3 425 532 910	3 567 170 895	3 709 017 556
	11%	3 019 961 085	3 155 498 434	3 291 297 746	3 427 334 797	3 563 588 055
	12%	2 905 941 765	3 036 278 517	3 166 885 266	3 297 736 852	3 428 810 926

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

NOK thousand	Year to date				Full year	
	Book value 30.09.2024	Fair value 30.09.2024	Book value 30.09.2023	Fair value 30.09.2023	Book value 2023	Fair value 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	1 395 000	1 395 000	1 816 000	1 816 000	1 741 000	1 741 000
Short-term debt to parent	113 914	113 914	140 039	140 039	203 260	203 260
Balance at the end of period	1 608 914	1 608 914	2 056 039	2 056 039	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	Year to date		Full year
	30.09.2024	30.09.2023	2023
Paid in share capital	325 000	325 000	325 000
Share premium	639 392	639 392	639 392
Other equity	968 821	945 486	968 821
Total equity	1 933 213	1 909 878	1 933 213
Write-down of common equity (back stop)	-119 603	-2 128	-64 128
Goodwill and other intangible assets	0	-20 558	-18 226
Net common equity	1 813 611	1 887 193	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	1 996 611	2 070 193	2 033 859
Total capital requirement for credit risk	308 872	357 716	342 577
Total capital requirement for operational risk	44 196	37 045	44 196
Capital requirement	353 068	394 761	386 773
Total capital ratio	45.2%	41.3%	42.1%
Tier 1 capital ratio	41.1%	37.6%	38.3%
Additional capital ratio	4.1%	3.7%	3.8%
Total risk exposure amount	4 413 351	4 934 514	4 834 663
Surplus/deficit of total capital	1 643 543	1 675 432	1 647 086
Buffer capital requirements	419 268	370 089	459 293
Surplus/deficit of total capital including buffer requirements	1 224 274	1 305 344	1 187 793

NOK thousand	Year to date		Full year
	30.09.2024	30.09.2023	2023

Risk weight breakdown

Total balance sheet exposure	3 846 683	4 170 442	4 192 078
Risk weight 20%	4 798	5 466	11 673
Risk weight 75%	3 309	2 537	2 448
Risk weight 100%	3 749 253	3 980 980	3 891 468
Risk weight 150%	103 544	154 788	283 361
Risk weight 250%	0	138 888	
Off balance sheet exposures	0	188 794	93 265
Risk weighted exposure	3 860 904	4 471 453	4 282 215
Total operational risk	552 447	463 061	552 447
Total risk weighted exposure	4 413 351	4 934 514	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.

