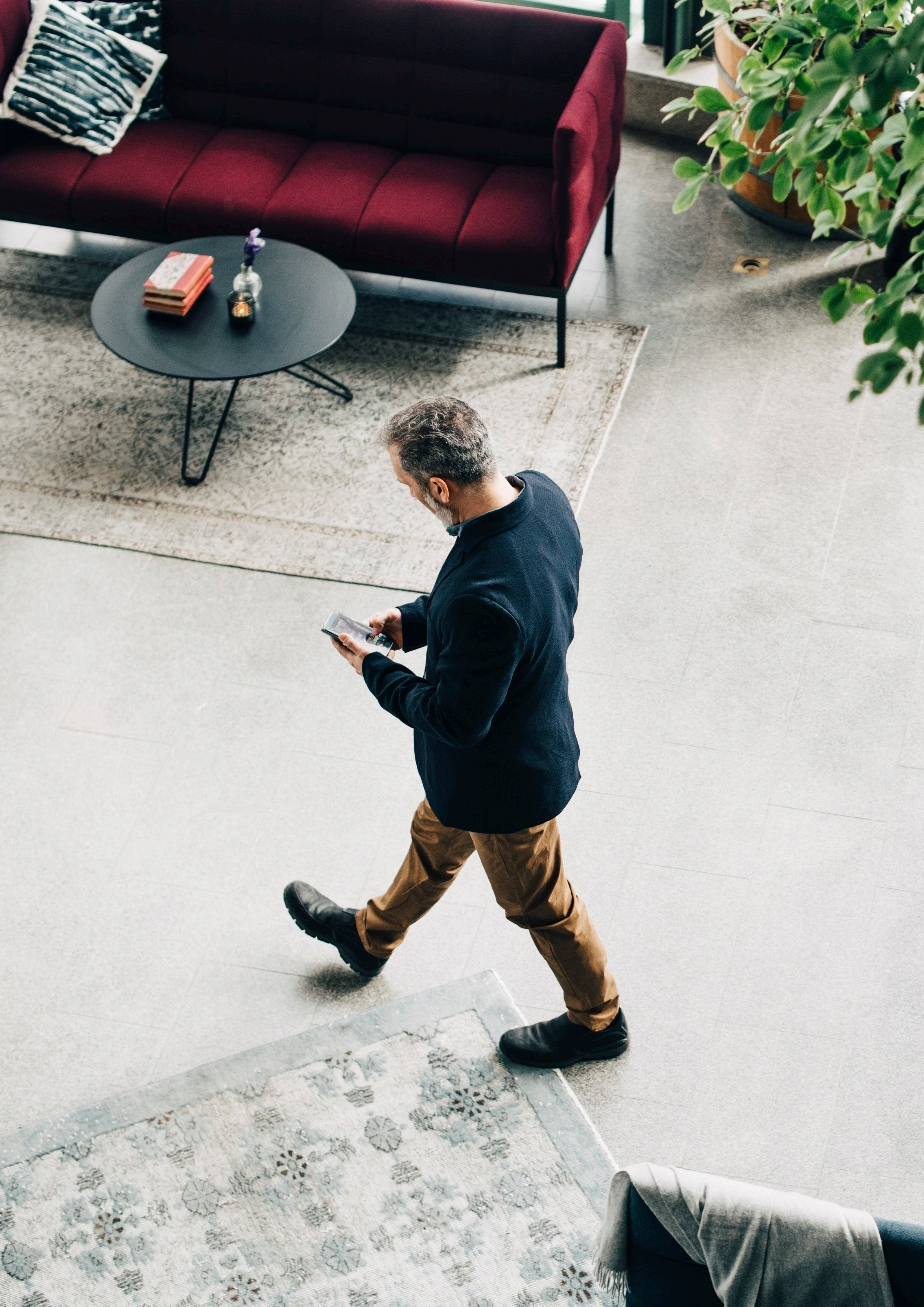
Kredinor

Quarterly Report 2023

Kredinor.no

Q3



Contents

Highlights

- Difficult macroeconomic environment - collection performance at 90% in Q3, 95% LTM

- Portfolio writedowns of MNOK 180 and goodwill impairment of MNOK 62 in Q3

- Leverage ratio of 3.2, ongoing and constructive discussions with core banks to increase headroom to RCF covenants

- Successful migration from three to two core collection systems in Norway

- Entered the Danish market through the acquisition of the Danish company Intellecto A/S

- Stefan Langva new Chief Commercial Officer from 1 November

Amounts in MNOK	Q3 2023	YTD 2023	FY 2022
Operational revenues	368	1 090	925
Adj. EBIT	82	261	261
Adj. EBIT %	22%	24%	28%
EBIT	-171	-96	-11
Net profit before tax	-274	-373	-124
Cash Revenue	561	1 722	1 276
Cash EBITDA	279	922	563
Cash EBITDA margin	50%	54%	44%
Portfolio Investments	268	1 272	1 577
Carrying value of Portfolio Investments	6 184	6 184	5 714

Key figures

Comment from the CEO

The financial performance of Kredinor in the third quarter was weak, and weaker than expected. The most important KPI for the financial performance of our own portfolio is collection performance. In the third quarter, the collection performance was 90%, year-to-date collection performance was 93% and for the last 12 months, collection performance was 95%. Consequently, Kredinor has written down the value of own portfolios with MNOK 180 in the quarter. Year to date, the write-down totals MNOK 268.

The lower-than-expected collection performance is primarily related to the macroeconomic conditions and characteristics of the impaired portfolios. High-cost inflation and increasing interest rates are impacting both companies and consumers. During the pandemic, consumers paid back old debt and increased their savings considerably. During the last quarters, we have seen a negative savings rate, and buffers are depleted. Legal processes are significantly delayed, and the waiting times to get financial counseling at the Norwegian Labour and Welfare Administration have increased significantly and now cases with more than 60 waiting days have tripled in Oslo. Similarly, the situation at the bailiff office shows that response time has increased from 83 to 130 days.

The impairment of MNOK 180 is having a significant impact on financial performance, but also on our balance sheet. Consequently, we have initiated a discussion with our core banks to increase the headroom to existing RCF covenants.

When the consumers are struggling, it is obviously more difficult for them to repay their outstanding amounts. Our commitment is to be at our customers' side to support them through the challenges. We do not want to add to their burden, but to find ways for them to stay with their payment plans and to optimize their capacity to repay.

Our commitment is to be at our customers' side to support them through the challenges.

During the third quarter, we moved our new service Kan from pilot to live production. There are currently 14 companies on the platform and approx. 2500 employees have access to the application. We are very pleased with the progress and the feedback we are receiving from our customers. Kan is addressing real needs of employees and is a well-received benefit. Financial stress comes with consequences and for the employers that have subscribed to Kan, providing a solution for these issues has become an important part of how they address their social responsibility.

The purchase of Intellecto A/S gives Kredinor a great gateway back into the Danish market after being out of Denmark since 2021.

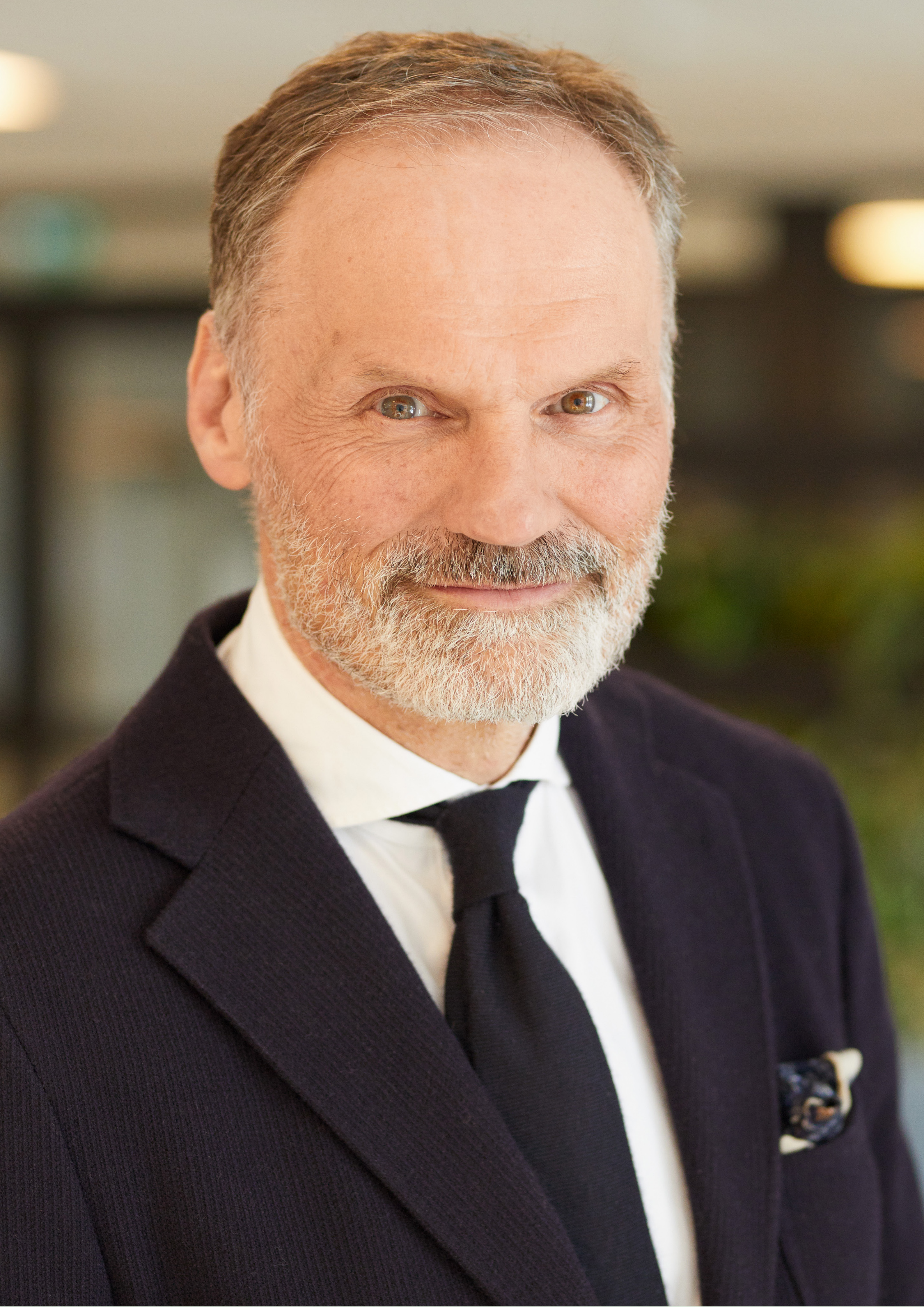
During the third quarter, we completed the acquisition of 100 percent of the shares in the Danish company Intellecto A/S. Intellecto A/S is a company engaged in debt recovery business in Denmark. After the acquisition, Intellecto will change its name to Kredinor A/S. The purchase of Intellecto A/S gives Kredinor a great gateway back into the Danish market after being out of Denmark since 2021. This is a perfect stepping stone towards our path to becoming the leading Nordic advisory and debt collection company. With this acquisition, Kredinor will be able to service pan-Nordic customers and clients.

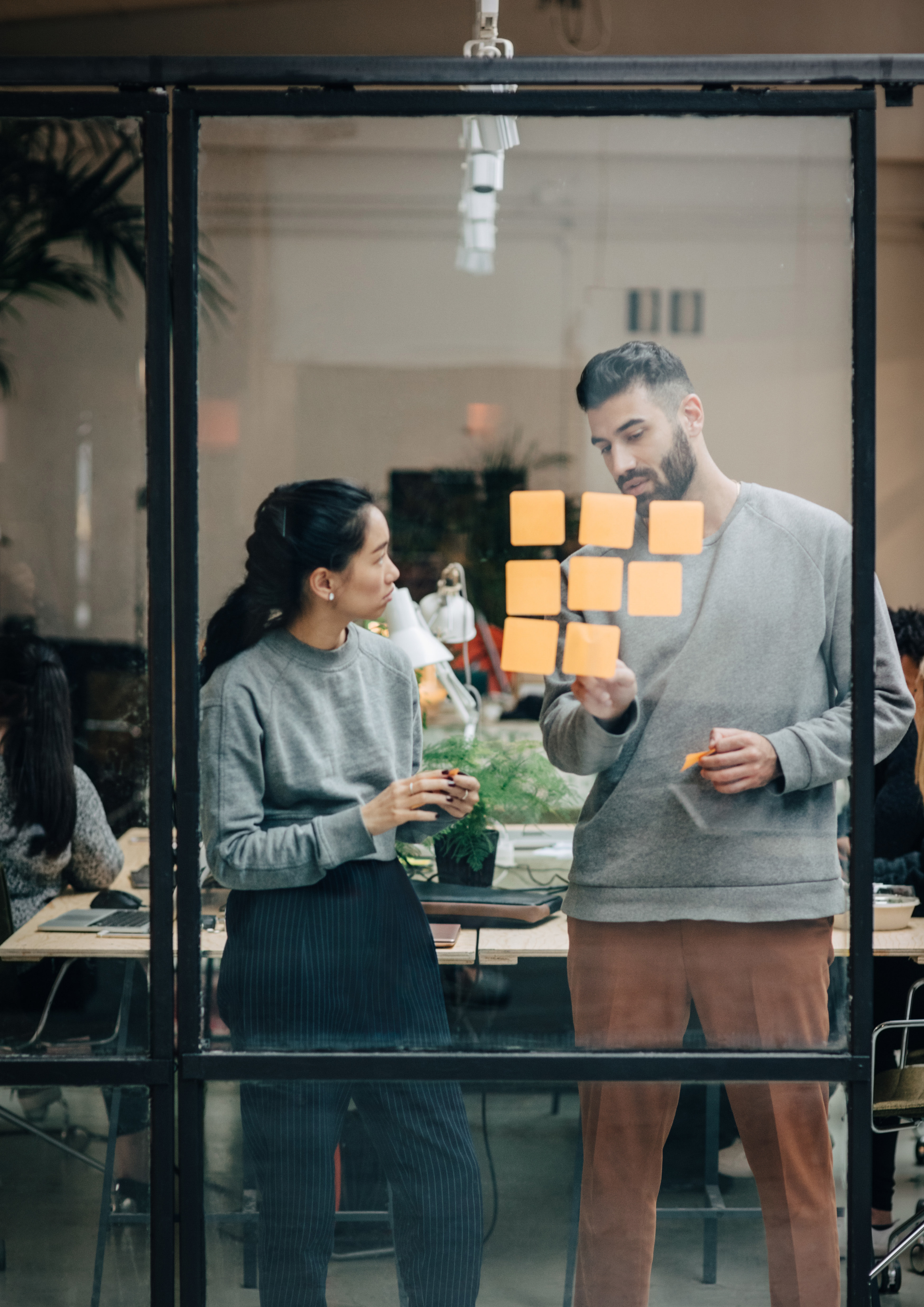
Our synergy program is on track, and we maintain our target scope of MNOK 200 by end of 2025. The migration to one core collection platform in Norway is delayed by around one quarter, but we are pleased to report that the first step of the migration was successful. We have now moved from having to work on three different systems to two. The next step of migrating to one system is ongoing and scheduled to end before summer 2024. To be able to work in one system is important from an operational standpoint. Our strategy is to be "the best in operations", and it goes without saying that one core collection platform is required to reap the benefits of skills and scale.

I am very pleased to welcome Stefan Langva to the executive team from 1 November. We are commercializing our ambitions in always working sustainably. Stefan is the right executive to lead this work and to create growth in Kredinor. The search for a new CFO is ongoing.

Kind regards,

Klaus-Anders Nysteen
Chief Executive Officer





About Kredinor

Kredinor is Norway's leading company within Credit Management Services (CMS) and Portfolio Investments (PI), with ambitions to become the leading CMS company in the Nordics. Our 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 Kredinor 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 most of our effort into contributing to social sustainability. That is where we can make the strongest 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.

During the third quarter, we have taken an important step in our sustainability work. We are proud to say that EcoVadis in its latest assessment of Kredinor has awarded us with a gold medal in sustainability for 2023. EcoVadis is the largest of all companies that rank sustainability efforts. They annually rank more than 100 000 companies from over 175 countries within the categories "Environment", "Labor and Human Rights", "Ethics" and "Sustainable Procurement". The assessment of Kredinor concluded on 54/100 and a bronze medal in 2019 and 63/100 and a silver medal in 2022. This year our score is 71/100, which ranks Kredinor's sustainability work in the 95th percentile and top 5 % of all collection agencies and credit bureaus assessed by EcoVadis worldwide.

Kredinor has a clear strategy with a focus on sustainability, and this result comes from great efforts and valuable contributions from many of our engaged colleagues.

Our operations during the quarter

Revenues

Kredinor's total revenue for Q3 2023, including portfolio revaluations, was MNOK 188 compared to MNOK 335 in the previous quarter. Excluding revaluations, revenues totaled MNOK 368, a decrease of 1.3% compared to previous quarter. Revenues from CMS totaled MNOK 173, a decrease of 4.5% on the previous quarter. Revenues excluding revaluations from Portfolio Investments totaled MNOK 195 compared to MNOK 192 in the previous quarter.

We have written down the value of own portfolios with MNOK -180 during the quarter, compared to MNOK -38 in the previous quarter. In Norway, Kredinor owns 223 purchased portfolios. Impairments on 17 of these portfolios account for approximately 90% of the total write-down. The majority of the write-down (68%) is from portfolios bought from the market – portfolios not previously served by Kredinor.

Expenses

Operating expenses for the quarter were MNOK 282, compared to MNOK 275 in the previous quarter. This represents an increase of 3%.

The increasing operational expenses are transitional as we have established the foundation for harmonization, standardization, and benefits of scale.

An impairment test was in Q3 conducted for the company's goodwill derived from the acquisition of the Modhi Group. This resulted in a write-down of MNOK 62 related to the Portfolio Investment business line.

Net financial expenses were MNOK 103, compared to MNOK 96 in the previous quarter. The increase is due to higher market interest rates and higher level of interest-bearing debt to fund portfolio investments.

The increase in market interest rates was partly offset by interest rate hedging, which currently covers approximately 36% of our debt.

Collection performance

Cash collected on owned portfolios was MNOK 388 during the quarter, compared to MNOK 446.5 in the previous quarter. The rolling 12m collection performance was 95.0%, a reduction from 97.4% at the end of the previous quarter. Collection performance as measured for the quarter in isolation was 89.7%, down from 96.3% in the previous quarter.

The current macroeconomic environment explains the lower-than-expected collections. However, we have taken important steps to improve collections going forward. In October, we migrated from three to two core collection platforms in Norway, and we have closed down our branch offices and moved operations to Oslo. We will reap benefits from this in the months ahead.

Portfolio investments

Kredinor made portfolio investments totaling MNOK 268 during the quarter, compared to MNOK 734.6 in Q2. YTD portfolio investments total MNOK 1272.

With amortizations of MNOK 192 and negative revaluations, there is a decrease in the book value of the portfolios from MNOK 6 381 to MNOK 6 184, equivalent to 3.1% decrease. The 180-month Estimated Remaining Collections (ERC) at quarter-end was MNOK 10 993 compared to MNOK 11 099 at the end of the previous quarter.

Earnings

Kredinor's EBITDA for the quarter was MNOK -94, compared to MNOK 61 in the previous quarter. Depreciation, amortization and impairment losses for the quarter was MNOK 77, compared to MNOK 19 in the previous quarter. EBIT was MNOK -171, compared to MNOK 42 in Q2. Cash EBITDA, or EBITDA excluding portfolio revaluations and interest income, plus cash collected, was MNOK 279, compared to MNOK 353 in the previous quarter.

EBITDA YTD was MNOK 22. Cash EBITDA YTD, or EBITDA excluding portfolio revaluations and interest income, plus cash collected, was MNOK 922.

Market update and outlook

Market

The CMS business remains competitive. Kredinor has been able to keep the market share stable over the last few years. We are pleased to see good progress in expanding the CMS business in Sweden and Finland, 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 ambition to move from an investment-focused to a more balanced business model.

Within Portfolio Investments (PI), we have invested MNOK 268 during the quarter compared to MNOK 735 in Q2. Year to date investments total MNOK 1272. Since last year, our average funding cost has increased by 3 percentage points. Deal flow in the market has been similar in volumes compared to last quarter. We see that most debt collection agencies are prioritizing reducing leverage ratios by cutting back on investments. This is also true for Kredinor, as described in the chapter "Macroeconomic situation and outlook".

There is a risk that Kredinor in the next quarter will be in breach with some of the covenants related to the revolving credit facility (RCF). As a result of this Kredinor is in a constructive dialogue with the RCF banks in order to make amendments to or get waivers from existing covenants.

Macroeconomic situation and outlook

Economic fundamentals in the Nordics remain reasonably strong, despite inflation and increased interest rates. Increases in the cost of living continued during the quarter and low-income consumers are struggling and getting more negative in their view of their financial outlook for the future. Banks are reporting an increase in customers requesting instalment deferral and we see an increase in demand in consumer financing.

The data points above confirm a more challenging macroeconomic situation for businesses and consumers. Volume to debt collection will most likely continue to increase, but affects customers' ability to pay negatively.

Based on the challenges in collections in the third quarter, Kredinor has as part of financial risk management decided to take steps to improve solidity. We will consequently not buy portfolios outside already committed forward flow transactions in the fourth quarter this year and the first quarter next year. The leverage ratio at the end of the third quarter ended at 3.2 which ranks well with peers. However, we have a clear ambition to deliver on financial targets, including strong capital discipline. Consequently, we will prioritize collection performance, growth in CMS, improving operations, and realizing our capital-light strategy.

Regulatory update

The regulatory environment for debt collection in Norway, Sweden, and Finland is witnessing 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 the 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 consumer 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, among other things, 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. Planned temporary increases for 2023 may become permanent with annual index checks, as suggested in a legislative draft. It's likely the draft will progress to a government proposal and ultimately be approved. Additionally, an updated policy of good practice in consumer debt collection is expected to be published by the end of 2023. These changes reflect the broader shift towards reformation and greater regulation of debt collection practices across these Nordic countries. In effect from October 1, 2023, the Consumer Protection Act will reduce the interest rate cap on consumer loans to a maximum reference rate (at present 4%) plus 15 percentage points, but never exceeding 20%. This change will impact only future NPL purchases and the calculation of those.

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 September 2023

NOK thousand	Note	This period Q3 2023	This period Q3 2022	Year to date 9/30/2023	Year to date 9/30/2022	Full year 2022
Revenue from contracts with customers	4	171 729	135 235	519 236	424 922	601 359
Interest revenue from purchased loan portfolios	5,6	195 297	49 205	568 036	140 548	321 020
Net gain/(loss) from purchased loan portfolios	5,6	-179 854	-7 797	-267 843	-18 944	-175 258
Other income	5	1 049	777	2 309	1 989	2 787
Total revenue and other income		**188 221**	**177 420**	**821 739**	**548 515**	**749 908**
Employee benefit expenses		167 124	76 347	459 878	228 222	422 315
Depreciation and amortization		15 743	7 609	56 254	24 194	40 809
Impairment losses	3	61 738	-	61 738	-	7 534
Other operating expenses		114 733	53 369	339 747	153 360	290 628
Operating profit		**-171 117**	**40 095**	**-95 878**	**142 738**	**-11 379**
Finance income	7	-	843	77 331	1 442	36 778
Finance expense	7	102 627	22 502	354 679	62 025	158 312
Change in financial instruments measured at fair value		-	-	-	-	9 410
Net financial items		**-102 627**	**-21 659**	**-277 348**	**-60 583**	**-112 123**
Profit before tax		**-273 744**	**18 436**	**-373 226**	**82 155**	**-123 502**
Income tax expense		-60 224	4 056	-82 110	18 074	-41 541
Net profit or loss for the year		**-213 520**	**14 380**	**-291 116**	**64 081**	**-81 961**
Attributable to:						
Non-controlling interests						
Shareholders of the parent company		**-213 520**	**14 380**	**-291 116**	**64 081**	**-81 961**
Other comprehensive income						
Net profit or for the period		*-213 520*	*14 380*	*-291 116*	*64 081*	*-81 961*
Items that will not be classified subsequently to profit or loss:						
Items that may be classified subsequently to profit or loss:						
Foreign currency translation differences		-3 155	12	6 145	1 161	2 999
Other comprehensive income/(loss) after tax		**-3 155**	**12**	**6 145**	**1 161**	**2 999**
Total comprehensive income/(loss)		**-216 675**	**14 391**	**-284 971**	**65 242**	**-78 963**
Total comprehensive income attributable to:						
Equity holders of the parent company		-216 675	14 391	-284 971	65 242	-78 963

Consolidated statement of financial position

NOK thousand	**Note**	**Q3 2023**	**Q3 2022**	**2022**
Goodwill	3	351 309	9 397	392 737
Intangible assets		197 288	-	214 471
Deferred tax asset		89 850	3 652	10 273
Right-of-use assets		181 893	128 380	25 793
Property, plant & equipment		97 537	39 973	33 209
Purchased debt portfolios	6	6 183 898	2 053 639	5 713 876
Other non-current financial assets		79 451	12 265	21 353
Other non-current receivables		4 734	3 386	3 809
Total non-current assets		**7 185 960**	**2 250 692**	**6 415 521**
Trade and other receivables		26 098	23 166	14 098
Other current assets		17 662	50 401	14 444
Cash and cash equivalents	8	317 509	242 142	409 918
Other current financial assets	-	-	-	
Total current assets		**361 269**	**315 709**	**438 459**
Total assets		**7 547 228**	**2 566 401**	**6 853 980**

NOK thousand	**Note**	**Q3 2023**	**Q3 2022**	**2022**
Share capital		143 229	30	143 229
Share premium		2 458 077	10	2 458 077
Other equity		-195 209	947 937	39 674
Total equity	**9**	**2 406 097**	**947 977**	**2 640 980**
Interest-bearing liabilities	10	4 494 614	1 194 831	3 714 617
Deferred tax liabilities		-	-	-
Lease liabilities		153 642	120 534	19 345
Employee benefit obligations		-	-	-
Other non-current financial liabilities		-	-	-
Other non-current liabilties		719	-	1 018
Total non-current liabilities		**4 648 975**	**1 315 364**	**3 734 980**
Trade and other payables		62 626	18 476	51 334
Income tax payable		8 483	18 074	-231
Interest-bearing liabilities	10	-	-	-
Lease liabilities		38 689	22 369	27 869
Other current financial liabilities		25 379	3 549	3 096
Other current liabilities		356 978	240 590	395 952
Total current liabilities		**492 156**	**303 059**	**478 020**
Total liabilities		**5 141 131**	**1 618 423**	**4 213 000**
Total equity and liabilities		**7 547 228**	**2 566 401**	**6 853 980**

Board of Directors
Oslo, 31. Oktober 2023

Sverre Kristian Gjessing
Chairman

Vegard Urstad Aakervik
Member of the board

Sverre Olav Helsem
Member of the board

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	Share capital	Share premium	Other capital reserves	Cumulative translation differences	Retained earnings	Total equity
			Other equity			
Balances at 1 January 2023	**143 229**	**2 458 077**	**-**	**1 714**	**37 960**	**2 640 980**
Profit/loss for the period					-291 116	-291 116
Other comprehensive income/loss				6 145		6 145
Total comprehensive income/loss	**-**	**-**	**-**	**6 145**	**-291 116**	**-284 971**
Other changes booked to equity *					50 088	50 088
Balances at 30 September 2023	**143 229**	**2 458 077**	**-**	**7 859**	**-203 068**	**2 406 097**

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

NOK thousand	Share capital	Share premium	Other capital reserves	Cumulative translation differences	Retained earnings	Total equity
			Other equity			
Balances at 1 January 2022	**-**	**-**	**-**	**-1 285**	**877 477**	**876 192**
Profit/loss for the period					64 081	64 081
Other comprehensive income/loss				1 161		1 161
Total comprehensive income/loss	**-**	**-**	**-**	**1 161**	**64 081**	**65 242**
Issue of share capital	30	10				40
Other changes booked to equity *					6 504	6 504
Balances at 30 September 2022	**30**	**10**	**-**	**-124**	**948 062**	**947 977**

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

NOK thousand	Share capital	Share premium	Other capital reserves	Cumulative translation differences	Retained earnings	Total equity
			Other equity			
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 Decmber 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 Kredinorstiftelsen.

Consolidated statement of cash flows

		This period		Year to date		Full year
NOK thousand	**Note**	**Q3 2023**	**Q3 2022**	**9/30/2023**	**9/30/2022**	**2022**
Cash flow from operating activities						
Profit or loss before tax		**-273 744**	**18 436**	**-373 226**	**82 155**	**-123 502**
Adjustments to reconcile profit before tax to net cash flows:						
Finance income	7	46 616	-843	-77 331	-1 442	-36 778
Finance costs	7	56 012	22 502	354 679	62 025	158 312
Change in finacial instruments measured at fair value		-	-	-	-	-9 410
Gain/loss from sale of fixed assets		-	-	-	-	-
Portfolio amortization and revaluation	6	372 101	45 746	897 896	156 168	555 255
Depreciation and amortisation		77 480	7 609	117 992	24 194	48 344
Working capital adjustments:						
Changes in trade and other receivables		6 011	-9 816	-15 284	-18 987	49 553
Changes in trade and other payables		16 940	4 323	-27 979	-56 760	3 191
Changes in other items		42 298	10 453	-104 434	-2 248	54 155
Debt portfolios:						
Purchase of debt portfolios	6	-268 367	-115 810	-1 271 846	-360 384	-1 576 822
Other items						
Tax paid		-	-	-	-46 503	-46 734
Interest received		2 062	833	5 691	1 423	3 976
Interest paid		-89 918	-20 717	-250 017	-56 642	-118 753
		-12 510	**-37 284**	**-743 859**	**-216 999**	**-1 039 213**
Development expenditures		-13 907	-	-36 971	-	-114 339
Purchase of property, plant and equipment		-51 118	-2 719	-68 363	-9 398	-18 555
Purchase of shares in subsidiaries, net of cash acquired		-	-	-	-	314 900
		-65 025	**-2 719**	**-105 334**	**-9 398**	**182 006**
Proceeds from issuance of equity	9	-	-	-	40	117 320
Proceeds from borrowings	10	48 366	122 144	779 997	196 269	904 903
Repayments of borrowings	10	-	-	-	-	-
Payments for principal for the lease liability	10	-6 470	-5 961	-29 358	-17 615	-34 124
		41 896	**116 183**	**750 639**	**178 694**	**988 099**
		-35 639	**76 180**	**-98 554**	**-47 703**	**130 892**
Cash and cash equivalents at the beginning of the period	8	356 303	165 951	409 918	288 685	288 685
Net foreign exchange difference	8	-3 155	12	6 145	1 161	-9 660
		317 509	**242 143**	**317 509**	**242 143**	**409 917**

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 judgements, 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. secures/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 acquistion 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 is 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 obligations, 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 is 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	**Q3 2023**	**Q3 2022**	**9/30/2023**	**9/30/2022**	**2022**
CMS	171 729	135 235	519 236	424 922	552 985
Other revenue	-	-	-	-	48 374
Total revenue	**171 729**	**135 235**	**519 236**	**424 922**	**601 359**

Geographic information	**Q3 2023**	**Q3 2022**	**9/30/2023**	**9/30/2022**	**2022**

Norway	170 101	135 235	515 427	424 922	601 362
Sweden	210	-	680	-	276
Finland	1 418	-	3 130	-	-279
Total revenue	**171 729**	**135 235**	**519 236**	**424 922**	**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.

Q3 2023

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	135 125	-176 711	-41 586
Sweden	30 210	1 697	31 907
Finland	29 962	-4 840	25 121
Total	**195 297**	**-179 854**	**15 443**

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

Q3 2022

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	49 205	-7 797	41 408
Total	**49 205**	**-7 797**	**41 408**

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

Year to date 30 September 2023

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	405 041	-271 001	134 040
Sweden	80 520	6 019	86 539
Finland	82 476	-2 861	79 615
Total	**568 036**	**-267 843**	**300 194**

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

Year to date 30 September 2022

Split by geographical markets	Interest revenue from purchased loan portfolios	Net gain/(loss) purchased loan portfolios	Net revenue
Norway	140 548	-18 944	121 603
Total	**140 548**	**-18 944**	**121 603**

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	1 552	24 487
Finland	22 921	25 826	48 747
Total	**321 020**	**-175 258**	**145 762**

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 net sales price and the booked value of the asset.

NOK thousand	Q3 2023	Q3 2022	9/30/2023	9/30/2022	12/31/2022
Other operating income	1 049	777	2 309	1 989	2 787
Disposal subsidiary	-	-	-	-	-
Total Other Income	**1 049**	**777**	**2 309**	**1 989**	**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	Q3 2023	Q3 2022	YTD 9/30/2023	YTD 9/30/2022	Full year 2022
Balance at the beginning of period	**6 343 950**	**1 983 576**	**5 713 877**	**1 849 423**	**1 849 423**
Acquisitions	268 367	115 810	1 271 846	360 384	4 410 144
Collection	-388 245	-94 644	-1 200 307	-277 772	-701 016
Interest revenue from purchased loan portfolios	195 998	49 205	570 254	140 548	321 020
Net gains/loss from purchased loan portfolios	-179 854	-7 797	-267 843	-18 944	-175 258
Derivatives	2 480	-	22 282	-	3 096
Currency differences	-58 798	7 490	73 790	-	6 468
Balance at the end of period	**6 183 898**	**2 053 639**	**6 183 898**	**2 053 639**	**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

Finance income	Q3 2023	Q3 2022	YTD 9/30/2023	YTD 9/30/2022	2022
Interest income	2 062	833	5 691	1 423	3 866
Other finance income	-	-	6	-	110
Foreign exchange gain	-48 678	10	71 633	19	32 802
Total financial income	**-46 616**	**843**	**77 331**	**1 442**	**36 778**

Finance expenses	Q3 2023	Q3 2022	YTD 9/30/2023	YTD 9/30/2022	2022
Interest expenses	89 918	20 717	250 017	56 642	119 078
Interest expense on lease liabilities	-	1 564	-	4 887	7 069
Foreign exchange loss	-46 151	165	74 019	353	32 489
Other finance costs	12 244	55	30 642	144	-325
Total financial expenses	**56 012**	**22 502**	**354 679**	**62 025**	**158 312**

Financial instruments	Q3 2023	Q3 2022	YTD 9/30/2023	YTD 9/30/2022	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 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	**9/30/2023**	**9/30/2022**	**12/31/2022**
Bank deposits, unrestricted	179 473	150 006	260 108
Bank deposits, restricted - client funds	119 360	84 365	126 306
Bank deposits, restricted	18 676	7 771	23 504
Total in the statement of financial position	**317 509**	**242 142**	**409 918**

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

9 Share capital and shareholders 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 September 2022	**1 000**		**30**
Share capital decrease - 27. april	-1 000	30,00	-30
Share capital increase - 27. april	716 146 000	0,10	71 615
Share capital increase - 01. oktober	661 057 846	0,10	66 106
Share capital increase - 01. oktober	55 088 154	0,10	5 509
At 31 December 2022	**1 432 292 000**		**143 229**
At 30 September 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.

The Group's shareholders:

Shareholders in Kredinor AS at 30 September 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 is disclosed in note 6.3 in the Annual Report 2022.

10 Interest bearing liabilities

Specification of the Group's interest-bearing liabilities

9/30/2023

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, RCF (NOK)	Nibor 3mnd + 3,25%	1 505 000	1 505 000	11/13/2024
Loan, RCF (SEK)	Stibor 3mnd +3,25%	1 060 000	1 034 348	11/13/2024
Loan, RCF (EUR)	Euribor 3mnd + 3,25%	76 000	855 266	11/13/2024
Loan, SpareBank1 Gruppen (NOK)	Nibor 6mnd +8%	100 000	100 000	3/18/2029
Total non-current interest-bearing liabilities			**4 494 614**	
Incremental borrowing costs capitalises			50 773	

9/30/2022

Non-current interest-bearing liabilities	Interest rate	Notional amount (T)	Book value (NOK)	Maturity
Loan, DNB /Nordea (NOK)	Nibor 3mnd + 4%	1 194 831	1 202 000	11/13/2024
- Incremental borrowing costs capitalised			-7 169	
Total non-current interest-bearing liabilities			**1 194 831**	

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 it's loans and borrowings, presented in the table below:

Assets pledged as security and guarantee liabilities

	9/30/2023	9/30/2022	12/31/2022
Secured balance sheet liabilities:			
Interest-bearing liabilities to financial institutions	3 394 614	1 194 831	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 issue, 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.

12 Alternative performance measures

The interim financial information of the Group has been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The Group presents alternative performance measures (APMs) that do not have any standardized meaning prescribed by IFRS and therefore are unlikely to be comparable to the calculation of similar measures used by other companies. The APMs are regularly reviewed by management and their aim is to enhance stakeholders' understanding of the Group's performance and to enhance comparability between financial periods. The APMs are reported in addition to but are not substitutes for the financial statements prepared in accordance with IFRS. The APMs provide a basis to evaluate operating profitability and performance trends, excluding the impact of items which in the opinion of management, distort the evaluation of the performance of the operations. The APMs also provide measures commonly reported and widely used by investors as an indicator of the Group's operating performance and as a valuation metric of debt-purchasing companies. Furthermore, APMs are also relevant when assessing the ability to incur and service debt. APMs are defined consistently over time and are based on the financial data presented in accordance with IFRS.

Alternative performance measures:

	This period	Year to date
NOK thousand	Q3 2023	30/09/23
Total revenues	188 221	821 739
Adjust for gain/(loss) from purchased loan portfolios	-179 854	-267 843
Operational revenues	368 075	1 089 582
Operating profit/(loss)	-171 117	-95 878
Non-recurring items, of which		
Employee benefit expenses	10 737	19 197
Depreciation and amortization	0	4 021
Impairment losses	61 738	61 738
Other operating expenses	1 008	3 708
Total non-recurring items	73 483	88 664
Add back revaluation of purchased loan portfolios	-179 854	-267 843
Adjusted EBIT	82 221	260 629
Operating profit/(loss)	-171 117	-95 878
Add back depreciation and impairment losses	77 480	117 992
EBITDA	-93 637	22 114
Total revenues	188 221	821 739
Add back interest revenue from purchased loan portfolios	195 297	568 036
Add back revaluation of purchased loan portfolios	-179 854	-267 843

Add cash received from investments	388 245	1 200 307
Cash revenue	561 023	1 721 852
Operating profit/(loss)	-171 117	-95 878
Add back interest revenue from purchased loan portfolios	195 297	568 036
Add back Revaluation of purchased loan portfolios	-179 854	-267 843
Add back depreciation and impairment losses	15 743	56 254
Add cash received from investments	388 245	1 200 307
Adjust for Non-recurring items	61 738	61 738
Cash EBITDA	279 166	922 227