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Ferratum Oyj: Ferratum Group publishes restated interim results for 2018 due to adjustment on credit loss provisioning in connection with IFRS 9 adoption

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Ferratum Group publishes restated interim results for 2018 due to adjustment on credit loss provisioning in connection with IFRS 9 adoption

Helsinki, 14 March 2019 - Ferratum Oyj (ISIN: FI4000106299, WKN: A1W9NS) ("Ferratum" or the "Group") announces restated unaudited results for the 3 months ended 31 March 2018, ("3 Month"), the 6 months ended 30 June 2018 ("6 Month"), and the 9 months ended 30 September 2018 ("9 Month"). These restatements are required following a review of the implemented risk provision model and assumptions that were implemented as per 1 January 2018 as part of the adoption of IFRS 9 accounting standards for the Group's 2018 fiscal year.

As of 1 January 2018, Ferratum Group adopted the accounting standard IFRS 9 Financial Instruments which covers, among others, impairment of accounts and loan receivables and introduced an expected credit loss model, replacing IAS 39. The overall impact to the credit loss provisions as at 1 January 2018 was calculated and reported as part of the interim results for the first 3 months ended 31 March 2018 as an increase of EUR 9.3 million as follows:

	31 Dec 2017 IAS 39			1 Jan 2018 Reported			IFRS 9 - reported impact		
	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**
Current	216,988	(10,159)	206,829	158,368	(4,695)	153,673	58,620	(5,464)	53,156
1-90 days due	29,895	(7,668)	22,227	72,398	(17,649)	54,749	(42,503)	9,981	(32,522)
91-180 days due	20,904	(9,228)	11,676	21,474	(12,768)	8,706	(570)	3,540	2,970
> 181 days due	68,456	(51,782)	16,674	84,004	(52,988)	31,016	(15,548)	1,206	(14,342)
	336,243	(78,837)	257,406	336,243	(88,100)	248,143	-	9,263	9,263

* Gross Book Value of Accounts Receivables

** Net Book Value of Accounts Receivables

The reported overall impact of the IFRS 9 adoption on equity was lower than the increased credit loss provisions, as the adjustment was offset by the impact of deferred taxes of EUR 1.7 million reflecting the timing difference of recognizing the loss allowance in accounting and taxation.

Accordingly, the adoption of IFRS 9 was previously published to have resulted in a one-off accounting charge of EUR 7.6 million which was debited directly to the equity of the Group as at 1 January 2018.

During the 2018 annual closing, the Group carried out a full review of the implemented credit loss provisioning model and came to the conclusion that the model has to be enhanced to be more accurate in the following aspects:

1. The parameters of default definition has been tightened from 91 to 61 days past due date for Primeloan, SME loans and PlusLoan, therefore aligning with the parameters set for Credit Limit.
2. Data extraction, discounting and mathematical modelling for Credit Limit, Primeloan, SME loans and PlusLoans has been corrected for accuracy.

These points impact the basic methodology of the credit loss provisioning model and are therefore to be applied for the full year 2018 as well as the opening balance 2018. In accordance with IAS 8, the Group has corrected the misstatement in opening balance related to IFRS 9 adoption as follows:

	1 Jan 2018 Reported			1 Jan 2018 Restated			IFRS 9 - restated impact		
	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**	GBV*	Credit Loss Provisions	NBV**
Current	158,368	(4,695)	153,673	158,368	(12,810)	145,558		8,115	8,115
1-90 days due	72,398	(17,649)	54,749	72,398	(20,720)	51,678		3,071	3,071
91-180 days due	21,474	(12,768)	8,706	21,474	(12,734)	8,740		(34)	(34)
> 180 days due	84,004	(52,988)	31,016	84,004	(53,485)	30,519		497	497
Sum	336,243	(88,100)	248,143	336,243	99,749	236,495		11,649	11,649

* Gross Book Value of Accounts Receivables

** Net Book Value of Accounts Receivables

The restated credit loss provisions increase the one-off accounting adjustment of the credit loss provisions from EUR 9.3 million by EUR 11.6 million to EUR 20.9 million. The overall impact of the IFRS 9 adoption on equity is lower than the increased risk provision, as it is offset by the deferred taxes reflecting the timing difference of these reserve changes on profitability. After deducting deferred tax effects of EUR 5.8 million an adjustment of EUR 15.1 million is to be debited directly to the equity of the Group as per 1 January 2018 instead of the previously reported EUR 7.6 million.

In addition to the restatement of the opening balance adjustment as per 1 January 2018 for equity, deferred taxes and the value of accounts receivables, the Group has also restated all subsequently published interim results and balance sheets as follows:

<u>Consolidated Statement of Financial Position</u>	31 Mar 2018	30 Jun 2018	30 Sep 2018
	Restated	Restated	Restated
ASSETS			
Deferred income tax assets	8,187	10,123	10,029
Total non-current assets	41,441	46,641	48,701
Accounts receivable - loans to customers	254,597	269,989	294,237
Total current assets	398,472	448,486	460,776
Total assets	439,913	495,127	509,476
EQUITY AND LIABILITIES			

Total equity	95,417	93,374	98,369
Total equity and liabilities	439,913	495,127	509,476
<i>Equity ratio %</i>	21.7	18.9	19.3
<i>Net debt to equity ratio</i>	2.20	2.47	2.56

The above described corrections on the IFRS 9 credit loss provisioning model trigger also changes in the recorded impairments (credit losses) in the income statement in the reported interim results as follows:

	1 Jan 2018 - 31 Mar 2018	1 Jan 2018 - 30 Jun 2018	1 Jan 2018 - 30 Sep 2018
	Restated	Restated	Restated
REVENUE	61,442	124,232	190,194
Impairments on loans Restated	(18,986)	(42,162)	(65,400)
Impairments on loans Reported	(18,866)	(40,609)	(63,996)
Difference	(120)	(1,553)	(1,404)
Operating profit	10,048	16,591	25,429
Profit before income tax	6,506	8,175	13,706
Income tax expense	(976)	(1,227)	(2,055)
Profit for the period	5,530	6,948	11,650
Earnings per share, basic	0.26	0.32	0.54
Earnings per share, diluted	0.25	0.32	0.54

Based on the more accurate IFRS 9 model Ferratum Group has a stricter risk forecast model that improves substantially the quality of expected earnings in the foreseeable future.

Following the adjustments to the risk provisioning model outlined above, Ferratum considers its procedures on calculating expected credit losses as fully compliant with IFRS 9 and a highly sophisticated version of a credit loss prediction model.

About Ferratum Group:

Ferratum Group is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Founded in 2005 and headquartered in Helsinki, Finland, Ferratum has expanded rapidly to operate in 25 countries across Europe, Africa, South and North America and the Asia-Pacific region.

As a pioneer in digital and mobile financial services technology, Ferratum is at the forefront of the digital banking revolution. Ferratum's mobile bank, launched in 2016, is an innovative mobile banking platform offering a range of banking services, including real time digital payments and transfers, within a single app. It is currently available in five European markets. Ferratum has approximately 2.0 million active and former customers who have an account or have been granted one or more loans in the past (as at 31 December 2018), of which over 792,000 customers have an open Mobile Bank account or an active loan balance in the last 12 months.

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under symbol 'FRU.' For more information, visit www.ferratumgroup.com.

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