**Annual Report
2014**

FOLKIA™

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Annual Report 2014

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REPORT OF THE BOARD OF DIRECTORS FOR 2014

GENERAL

Folkia prepares its consolidated financial statements in accordance with IFRS; see section 3-9 of the Norwegian Accounting Act. The company's financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP) and the regulations concerning annual financial statements, etc., for banks and financing institutions of 16 December 1998. The directors' report also covers the group's operations; see section 3-3a of the Accounting Act.

ABOUT THE GROUP

Folkia is a licensed Norwegian Credit- and Finance Institution. Approval was given by the Norwegian Ministry of Finance on 19 December 2007. Information about the license and permitted activities can be found in the Norwegian Financial Institutions Act Section 3-3, 1-2 and 1-5 no.1. Folkia AS's home state Supervisor is Finanstilsynet, Norway.

The Folkia Group provides everyday financial services in the Nordic and Baltic regions. As at 31 December 2014, the group's operations consisted of the parent company, Folkia AS, and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch. Non-operating subsidiary in liquidation, Folkia AB in Sweden, is also part of the group.

The company's head office is in Kronprinsens Gate 1, NO-0251 Oslo.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Operating revenues

The group's operating revenues came to 117 MNOK in 2014, from 91 MNOK in 2013. The parent company's operating revenues amounted to 117 MNOK in 2014, compared to 88 MNOK in 2013. The improvement in revenues was mainly due to growth in sales of Longer Loans, launched in Sweden in October 2013 and Norway in February 2014, and insourcing of collection for Sweden and Finland.

Operating expenses

The group's operating expenses were 129 MNOK in 2014, as against 117 MNOK in 2013.
The parent company's operating expenses came to 129 MNOK in 2014, compared to 113 MNOK in 2013. Folkia has continued to invest in its organisation to scale and position the Group for the significant growth expected from the launch of new brand FROGTAIL and Visa Credit Card in late 2014. This has brought increased costs and temporarily reduced profitability during 2014, however with positive outlook for 2015.

Research and Development activities

Folkia has continued the development of its in house IT-system ‘FOSS’. Particular focus has been put on (i) upgraded scoring model, (ii) new in-house debt collection system and process, (iii) external integrations connected to the VISA card offering and (iv) updated technical platform supporting the dynamic individual pricing functionality with the new brand FROGTAIL. Development work is recognized in the balance sheet when it is probable that the future economic benefits linked to the assets will accrue. Folkia has not conducted any research activities that would have any impact on the financial statement.

Goodwill impairment

The carrying amount of goodwill in the consolidated financial statements is assessed annually for any impairment in value. With due regard taken to the launch of the new brand FROGTAIL and the customer overlap effect expected in relation to the existing brand Folkia in Sweden, the Company has decided to impair 50% of the Folkia trademark value in Sweden.

Credit losses

The group’s losses on loans were 35 MNOK in 2014 compared to 26 MNOK in 2013. The loss level increase has been expected and is following in line with the increased sales, the new widened product range and entry into new customer segments.

BALANCE SHEET, FINANCING AND LIQUIDITY

The group’s balance sheet total as at 31 December 2014 was 221 MNOK, compared to 210 MNOK in 2013.

The group is financed by (i) equity, (ii) a credit facility of 80 MNOK with DNB Bank ASA, (iii) one convertible loan of 28 MNOK entered into in 2014, and (iv) one convertible loan of 19 MNOK entered into in 2014 with mandatory conversion into equity in March 2015. The latter convertible loan is reported as sub ordinated loan included in equity in the 2014 Annual Report. The equity ratio remained at 68 % in 2014 compared to 69% in 2013 (Total equity/Total balance).

The group’s liquidity situation is good. As at 31 December 2014, the group had cash holdings of 7 MNOK. The group’s cash flow was satisfactory throughout 2014.

The parent company’s balance sheet total as at 31 December 2014 was 206 MNOK, compared to 195 MNOK in 2013. The company had no distributable equity as at 31 December 2014.

MAIN TRENDS

The increased regulatory and political focus on small unsecured loans has continued to materialize during 2014. Several concrete regulatory measures will continue to affect all actors in the Nordic (and Estonian) microloan markets. Folkia has participated actively in the regulatory development and continued its preparation and adaptation to the new regulatory landscape in all markets of operation. Folkia has positioned itself as a flexible provider of credit, with online credit offerings aspirational to all income segments.

In its home state Norway, Folkia is preparing for the proposed new unifying Finance Regulation for banks, credit- and finance companies like Folkia. Among other things, this involves organizational changes and new reporting formats. Folkia is well prepared to meet the new demands. During 2014 the Board has maintained strong focus on growth in Norway along with strengthened corporate governance and compliance in close dialogue with the home state supervisor Finanstilsynet.

In October 2014, Folkia launched its very first VISA credit card in Finland, designed to meet both the customers' needs and the regulator's requirements. The legislation introduced in Finland in June 2013 with interest cap on loans of 0-2000 EUR has continued to influence the entire Finnish microloan market with fewer remaining actors. Folkia has maintained strict compliance with the new legislation, applying best practices in its Finnish operation.

As anticipated, the regulatory focus in Sweden has remained at a high level also during 2014. In early 2014, the Swedish Parliament approved a new legislation, which entered into force 1st July 2014. The new legislation addresses mainly the unregulated micro loan market and has introduced a domestic license requirement, including " fit-and-proper test" and supervision by the Swedish Financial Supervisory Authority ("Finansinspektionen"). The new legislation applies to (previously) unlicensed companies, thus other than Folkia. The legislative transit period and application process for Folkia's Swedish competitors is currently ongoing, and it remains to be seen how many companies will actually be granted and maintain the mandatory domestic credit license in Sweden.

The regulatory movement in Estonia has proceeded over the year, and the Estonian Parliament has recently approved an interest cap and certain restrictions on marketing. From 1st July 2015, the APR in Estonian consumer credit contracts may not exceed more than three times the 6 months average annual percentage rate of consumer loans (published by the Bank of Estonia). Furthermore, a domestic license similar to the Swedish domestic license will need to be obtained by all currently unlicensed competitors in Estonia on or before 21st March 2016. It remains to be seen how many companies will actually be granted and maintain the coming mandatory credit license in Estonia.

The main trend as we see it, is that more regulations will come over time in all markets of operation – Norway, Sweden, Denmark, Estonia and Finland. In that regard, Folkia is very well prepared, already being a well-managed licensed company under supervision. Folkia has and will at all times aim to apply the highest legal, regulatory and industry standards.

MARKET AND PRODUCTS

In the first three quarters of 2014, the group's services primarily consisted of the provision of unsecured loans, up to NOK 20.000 with maturity up to 12 months. During the fourth quarter, Folkia launched its very first VISA credit card in Finland and has continued to prepare for launch in Estonia, Norway, Sweden and eventually also in Denmark. The other main product launch during 2014 was the launch of the new brand FROGTAIL, which was first launched in Sweden and will be rolled out in the other markets during 2015 and 2016.

The largest growth market – in relative terms – during the year was Norway. As of 31 December 2014, Norway is Folkia's second biggest market (after Sweden). The launch of longer loans in Norway in early 2014 along with a general increased focus on the Norwegian market has further strengthened Folkia's position as an innovative credit provider in the home market Norway. The next step during 2015 is to launch the VISA Credit Card and the new brand FROGTAIL.

In Denmark Folkia has kept the product offering on the new technical platform, keeping a close and sound approach to credit risk and scoring, mainly focusing on maintaining the market share in the microloan market.

Sweden is still Folkia's biggest market. The main event in the Swedish market during 2014 was the launch of the new brand FROGTAIL, with dynamic individual pricing targeting new upper customer segments. Recent customer surveys have shown very positive response to the new brand FROGTAIL and its dynamic product offering. This positive response has come from both new and existing customers.

In Finland the main event during the year was the launch of Folkia's very first VISA credit card. Since the launch in October 2014, Folkia has applied a conservative and risk aware policy in its underwriting and intend to increase the volumes during 2015.

In Estonia the Company has been preparing for the launch of the VISA credit card, which took place in Q1 2015. Throughout the year Folkia have maintained focus on best practices, and participated actively in the regulatory development, entertaining a close dialogue with Supervisory Authorities and Parliamentary representatives.

To sum up, during 2014 the Folkia Group has maintained and partly executed its strategic move to provide a fully flexible product offering to all customers segments, with the launch of the new brand FROGTAIL in Sweden as one important first step. Phase two during 2015 is to launch FROGTAIL in all other markets, providing a high technology driven e-credit solution.

INVESTMENTS AND FINANCE

During 2014 the Company maintained its credit line of 80 MNOK as established in 2013. As a result of the temporarily reduced profitability during 2014 Folkia had a breach of DNB covenant in Q3 and Q4 2014. The covenant breach is waived by DNB. Furthermore, the Company has further strengthened its funding situation by entering (i) one convertible loan of 28 MNOK, and (ii) another convertible loan of 19 MNOK with mandatory conversion into equity in March 2015. This provides increased opportunities to serve our customers with even better and more tailored credit solutions. The operating liquidity status of the company is good.

ORGANIZATION, EMPLOYEES, CULTURE, INTERNAL & EXTERNAL ENVIRONMENT

During 2014 Folkia has strengthened its competence in all markets and in all operational support units. Particular focus has been put on the Norwegian Head Office and its staffing. In late spring 2014, the Company moved into new representative offices at Kronprinsens gate 1 in the Oslo centre. The office provides modern facilities for among others CEO, CFO, Head of Credit, Country Manager NO, General Counsel and Customer service staff. Also the Chairman of the Board conducts parts of his Company work out of the Head office. This is all in line with the strategic long-term growth focus in Folkia's home market Norway.

Folkia has always placed emphasis on giving women and men the same opportunities for professional and personal development, salary and promotion. Folkia has clear policies, staff rules, code of conduct and whistle blowing hotlines to the HR and Compliance-departments, including (i) human rights issues, (ii) internal and external corruption, (iii) fraud and (iv) internal and external working environment.

It stands to reason that Folkia's business is of a relatively small size and is also geographically limited. Thus, the company as employer and provider of – relatively speaking – small sized credits has no significant impact on human rights issues in a wider perspective. Nonetheless, human rights and employment rights are central for the Company Management. On an ongoing basis, the HR Department and Heads of Department are doing benchmark analysis of statutory and market employment rights and benefits, to make sure that no less beneficial terms and conditions for the Folkia staff are included in the Code of Conduct, the Staff Rules and in all employment contracts throughout the Folkia Group.

The Folkia Group is also putting strong focus on the physical and cultural well-being of its staff. Folkia provides ample opportunities for physical training, but also staff participation in cultural events. In order to support both the general cultural landscape in all countries of operation and to support the cultural and social well-being of the staff, all Heads of Department are instructed to facilitate staff participation in cultural events, both on ad hoc and regular basis. The company's contributions within CSR during 2014 involves, *inter alia*, support to castle museum, international dance, yoga and music groups. The Company has furthermore bought family water kits to contribute with support for essential and basic needs. The water kits have been delivered by Unicef to those who need them the most after disasters like the floods or earthquakes around the world.

The Folkia Group's Internal Control Policies and Documentation and the daily work of each Department Head, shall secure that corruption, fraud, social factors and employment rights are bring followed up and monitored on an ongoing basis. Deviations, if any, from the said policies and procedures are being reported by Head of Compliance to the CEO, the Board of Directors and to the Control Committee, to make sure that such (non-)adherence to the Company rules is whistle-blown to the highest level without delay.

Some 50 % of the personnel in Folkia are female. There are no female directors in Folkia. Non-discrimination and equal pay for equal work are paramount principles in the Folkia recruitment strategy and remuneration policy.

The total sickness absence was 663 days, which equals 3,1 % of the total hours worked. Of the total sickness absence 365 days are related to long term absence. No work-related injuries or accidents took place. Each Head of Department and the HR-Department are working closely with regular employee satisfaction surveys and ad hoc interviews regarding social climate and employee well-being.

There are no circumstances relating to the operations, including input factors and products that may result in a significant effect on the external environment.

In the future outlook, the Board of Directors are putting continuous focus on anti-corruption, fraud, general compliance, staff well-being, non-discrimination and openness to cultural blend. Folkia will continue to recruit the best professionals, regardless of gender, age or ethnic origin. The Board of Directors is constantly monitoring the Folkia Group's Key Performance Indicators, and will continue to do so in 2015.

RISKS AND CAPITAL ADEQUACY

The group is exposed to various types of financial risks. In relation to the group's balance sheet as at 31 December 2014 these are: foreign exchange risks and credit risks linked to loans in local currencies in the group's markets, foreign exchange risks linked to intercompany loans, credit risks linked to excess liquidity and trade debtors, and in part liquidity risks linked to the repayment of loans. The group has implemented routines and policies to handle the various risks and these are described in further detail in the notes to the consolidated financial statements.

The group's capital adequacy ratio was 13,2 % as at 31 December 2014, compared to 17,3% in 2013. Following the mandatory conversion of debt to equity as per 1 March 2015, the capital adequacy ratio will arrive at some 16%.

In Sweden Folkia has maintained its active role in the industry association "Svenska Konsument-kreditföretagen Ekonomisk Förening", with Folkia's General Counsel as Chairman of the Board of Directors. Due to its status as licensed company, Folkia has chosen not to be a formal member of the association, but a supporting member. Under Folkia's chairmanship, the association has participated actively in seminars and the general regulatory movement in Sweden. The association has maintained a close dialogue with relevant Supervisory Authorities and other stakeholders to further establish best practices in the Swedish market.

On 30 August 2011 Folksam ömsesidig sakförsäkring and Folksam ömsesidig livföräkring (jointly "Folksam") filed a lawsuit against Folkia at the Stockholm District Court for trademark and company name infringement in Sweden, claiming among other things that Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI infringes on FOLKSAM's trademarks and company names. Folkia contested Folksam's lawsuit in its entirety in Folkia's Statement of Defense. On 26 October 2011 Folkia filed a counterclaim against Folksam. Folkia is of the view that Folkia has not infringed on any of Folksam's trademarks or company names and, consequently, that the legal basis for Folksam's claim was unjustified.

Main hearing in the case in Stockholm District Court took place on 4-5 October 2012, and the Court judgment was rendered on 7. December 2012. The Stockholm District Court shared Folkia's view that the use of Folkia as trademark and company name had not infringed on Folksam's trademarks or company names. Furthermore, the Court declared two of Folksam's trade mark registrations for FOLKSAM as void for the services banking, credit institution, debit card services and credit card services.

The judgment was appealed by both parties to the Svea Court of Appeal and the main hearing took place on 17-18th February 2014. In its judgement, which was rendered on 8th April 2014, the Svea Court of Appeal agreed with the District Court that Folksam's trade mark registrations shall remain void. However, as regards Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI the court found that Folkia infringes on FOLKSAM's trademarks and company names in the Swedish market. The case has been appealed to the Supreme Court. We refer to the notes to the financial statements for further description of the carrying values.

CORPORATE GOVERNANCE

The Board held 11 meetings in 2014. The key issues discussed were corporate governance, brand strategy, new financing and equity to support the growth strategy in Norway and all other markets, improved KPI-reporting including new debt collection reporting format.

The Credit Committee, which is a subcommittee of the Board, meets regularly and reviews the company's credit risk relating to the loan portfolio and the levels of provisions for loan losses.

FUTURE PROSPECT & CONTINUANCE

The financial statements are prepared on a going concern basis. The financial statements give a true and fair view of the assets, liabilities, financial position and results as of 31 December 2014.

During 2014 Folkia has communicated with the home state supervisor Finanstilsynet regarding certain regulatory demands put on Folkia as a licensed company in Norway. Finanstilsynet has taken notice of the fact that Folkia has executed on its strategic focus for Norway during 2014. Among other things, Folkia has strengthened the organizational set up, including new premises and increased staffing and sales activity.

The banking industry will continue to face radical changes in the years to come with increased regulatory focus, based on strengthened Authority control in the market space. Folkia is well positioned holding a credit & finance license and a Visa Principal Membership to take advantage of these trends.

After a year with strategic focus on making the right investments for the future in markets with strong regulatory focus, we look forward to 2015 and following years with confidence. It stands to reason that the future financial outlook and the regulatory development always carry a bit of uncertainty, but Folkia has a highly competent organization to manage a market place in more or less constant change. Folkia will continue to launch new flexible credit solutions to its existing and new customers. This product development, including the new brand FROGTAIL and the VISA credit solutions, will no doubt open up many interesting business possibilities for the Folkia Group in 2015.

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Oslo, 25th of March, 2015
The Board of Folkia AS

Stig Herbern
Chairman of the Board

Mikko Marttinen
Director

Kalle Pykälä
Director

Raivo Aavisto
Director

Leif B. Bjørnstad
Director

Hördur Bender
CEO

In NOK (all Financial Statements)

Consolidated statement of comprehensive income

	Note	2014	2013
Interest and similar income on loans to and receivables due from customers		117 255 374	91 352 960
Other income		0	58
Total interest income and similar income		**117 255 374**	**91 353 019**
Salaries and administrative expenses	14, 15	-32 591 956	-23 379 851
Depreciation intangible assets	6	-2 205 170	-3 825 743
Depreciation tangible fixed assets	5	-329 045	-451 998
Impairment of intangible assets	6	-4 078 067	-16 404 805
Losses on loans	8	-35 685 608	-26 332 476
Other operating expenses	16	-54 147 917	-46 942 858
Total operating expenses		**-129 037 763**	**-117 337 731**
Operating result		**-11 782 389**	**-25 984 712**
Financial income	17	8 596 154	6 417 798
Financial expenses	17	-9 004 813	-3 528 295
Net financial items		**-408 659**	**2 889 502**
Result before tax		**-12 191 048**	**-23 095 210**
Tax	18	1 543 960	6 044 394
Result for the year		**-10 647 088**	**-17 050 816**
Other comprehensive income			
Exchange differences on translating foreign operations		2 088 466	5 808 974
Other comprehensive income for the year		**2 088 466**	**5 808 974**
Total comprehensive income for the year		-8 558 622	-11 241 842

Consolidated statement of financial position

	Note	2014-12-31	2013-12-31
ASSETS			
Non-current assets			
Tangible fixed assets	5	713 746	407 108
Software and scoring model	6	17 425 212	9 022 813
Trademarks/brands and licenses	6	5 464 067	9 542 133
Goodwill	6	30 077 584	30 077 584
Deferred tax assets	18	24 659 718	22 987 065
Loans and deposits	7a, 21	16 960 491	15 764 969
Total non-current assets		**95 300 817**	**87 801 672**
Current assets			
Loans and other receivables	7a, 7b, 8	115 844 193	101 753 419
Pre-paid costs		2 613 057	3 645 217
Cash and cash equivalents	7a, 7b, 9	7 416 308	16 616 414
Total current assets		**125 873 558**	**122 015 050**
Total assets		**221 174 375**	**209 816 722**

	Note	2014-12-31	2013-12-31
EQUITY			
Equity attributable to the company's shareholders			
Share capital	10, 23	87 034 580	87 034 580
Own shares	10, 23	-814 580	-814 580
Subordinated loan	13	16 437 228	0
Share premium	10	73 999 898	73 999 898
Retained earnings	11	-30 700 038	-20 052 908
Foreign currency translation reserve		5 367 991	3 836 044
Total equity		**151 325 079**	**144 003 033**
LIABILITIES			
Long-term liabilities			
Convertible loan	7a, 13	28 039 935	0
Total non-current liabilities		**28 039 935**	**0**
Current liabilities			
Accounts payable and other current liabilities	7a, 12	7 621 312	6 660 240
Deferred income		0	1 793 408
Accrued expenses	12, 14	7 000 272	4 627 211
Loans (credit facility)	7a, 13	27 187 778	52 732 829
Total current liabilities		**41 809 362**	**65 813 688**
Total liabilities		**69 849 297**	**65 813 688**
Total equity and liabilities		**221 174 375**	**209 816 722**

Oslo, 25th of March 2015
Board of Folkia AS

Stig Herbern
(Chairman of the Board)

Mikko Marttinen

Raivo Aavisto

Leif Bjørnstad

Kalle Pykälä

Hördur Bender
(CEO)

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Subordinated loan	Foreign currency translation reserve	Total equity
Equity at 1 January 2013		**86 220 000**	**73 999 898**	**-3 002 136**	**0**	**-1 752 348**	**155 465 412**
Currency translation difference						5 588 437	5 588 437
Result for the year				-17 050 816			-17 050 816
Equity at 31 December 2013	10, 11	**86 220 000**	**73 999 898**	**-20 052 952**	**0**	**3 836 089**	**144 003 033**
Registered share capital		87 034 580					
-own shares		814 580					
Equity at 1 January 2014		**86 220 000**	**73 999 898**	**-20 052 952**	**0**	**3 836 089**	**144 003 033**
Currency translation difference						1 531 902	1 531 902
Subordinated loan	13				16 437 228		16 437 228
Result for the year				-10 647 088			-10 647 088
Equity at 31 December 2014	10, 11	**86 220 000**	**73 999 898**	**-30 700 038**	**16 437 228**	**5 367 991**	**151 325 079**
Registered share capital		87 034 580					
-own shares		814 580					

Consolidated statement of cash flows

	Note	2014	2013
Cash flow from operations			
Result before tax		-12 191 048	-23 095 210
Depreciation tangible assets	5	329 045	451 998
Amortization of intangible assets	6	2 205 170	3 825 743
Impairment of intangible assets	6	4 078 067	16 404 805
Accrued interest affecting cash flow		0	-3 452 560
Adjustment for other entries affecting cash flow		625 504	913 588
Net financial expenses/ income		4 273 756	1 381 867
Income tax paid		1 862 853	-7 286 650
Changes in accounts receivables		-14 090 774	-25 840 587
Changes in other receivables		-163 362	-1 149 995
Changes in accounts payables		961 072	3 043 043
Change in other payables		-1 283 200	-2 419 250
Net cash flow from operations		**-13 392 917**	**-37 223 209**
Cash flow from investing activities			
Investments in tangible fixed assets	5	-641 115	-82 240
Investments in intangible assets	6	-10 302 807	-5 172 798
Net cash flow used for investing activities		**-10 943 922**	**-5 255 037**
Cash flow from financing activities			
Interests paid		-4 430 465	-1 427 979
Interests received		156 709	46 112
Long term loans		44 477 163	0
Change in credit facility	13	-25 545 051	35 469 368
Net cash flow used for financing activities		**14 658 356**	**34 087 501**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**478 377**	**1 550 285**
Change in cash, cash equivalents		**-9 200 106**	**-6 840 460**
Cash, cash equivalents as of 1 January	9	16 616 414	23 456 874
Cash, cash equivalents as of 31 December	**9**	**7 416 308**	**16 616 414**

Notes to the consolidated financial statements

1 General information

Folkia AS (the Company) and its branches and subsidiary (together called the Group) offer simple, everyday financial services at fixed prices and on conditions which are clear to customers. The group's services primarily consist of the provision of loans – small unsecured loans with a short term to maturity for temporary needs including more flexible larger loans (up to NOK 20.000) with longer maturity (up to 12 months). Visa card was launched in the Finnish market in September.

Folkia is a licensed Credit- and Finance Institution. Approval was given by the Norwegian Ministry of Finance on 19 December 2007. Information about the license and permitted activities can be found in the Norwegian Financial Institutions Act Section 3-3, 1-2 and 1-5 no.1. Folkia AS's home state Supervisor is Finanstilsynet, Norway.

Folkia acquired Folkia AB in December 2007 and in January 2009 Folkia acquired Monetti Oy and DFK Holding ApS with former subsidiaries Monetti AS and Dansk Finansieringskompagni ApS, all of which have similar operations. The Financial Supervisory Authority of Norway (Finanstilsynet) made a premise at the time of the acquisition of Folkia AB, Dansk Finansieringskompagni ApS and Monetti Oy that these subsidiaries should be transformed into branches within reasonable time. These subsidiaries became branches during 2010.

As at 31 December 2014, the Group consisted of the parent company, Folkia AS, and its branches in Sweden, Finland and Estonia as well as Folkia AB (non-operating). Denmark is operating via the Swedish branch. DFK Holding ApS and Dansk Finansieringskompagni ApS was liquidated during 2011.

On December 28th 2012, Folkia AB finalized a part distribution to its owner Folkia AS. Folkia AB is scheduled to be liquidated as soon as the legal process with Folksam is completed. For more information, see note 22.

The company's head office is at Kronprinsensgate 1, 0251 Oslo. The Head Office is located in Oslo, Norway, with branch Offices in Stockholm, Helsinki, and in Tallinn.

The consolidated financial statements were approved by the company's board on March 25th, 2015.

2 Summary of significant accounting policies

Below is a description of the most significant accounting policies applied when preparing the consolidated financial statements. These policies were applied consistently in all the periods presented.

2.1 Basis for preparation

Folkia AS's consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU.

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. The application of the company's accounting policies also requires the management to exercise its judgements in the process of applying the group's accounting policies. Areas that to a large extent contain such discretionary assessments or a high level of complexity or areas in which assumptions and estimates are important to the consolidated financial statements are disclosed in note 4.

2.1.1 Adoption of new and revised International Financial Reporting Standards and Interpretations

(a) *New standards, amendments and interpretations adopted by the company*

The group has not adopted any new standards, amendments and interpretations in 2014 which have a material impact on the group.

(b) *New standards, amendments and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing this consolidated financial statement. The most material of these are :

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The group has not yet assessed the full impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

2.2 Consolidation principles

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised profits have been eliminated.

Business combinations

The acquisition method of accounting is used when recognising the acquisition of businesses. The consideration transferred is measured as the fair value of assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange.

Identifiable purchased assets, liabilities assumed and contingent commitments that have been acquired or incurred are recognised at fair value as at the acquisition date. Goodwill is measured as the excess of the sum of the consideration transferred over the fair value of identifiable net assets in the acquired.

2.3 Establishment of branches

In 2010 Folkia went through a restructuring process and operations are since then managed by branches of Folkia instead of subsidiaries. For accounting purposes, the transaction was performed applying the carrying values of the assets and liabilities transferred at group continuity.

2.4 Segment reporting

The Group is not subject to any requirement of separate segment reporting.

2.5 Translation of foreign currencies

(a) *Functional currency and presentation currency*

The financial statements of the individual entities in the Group are prepared using the currency which is mainly used in the economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is both the functional currency and presentation currency of the parent company.

(b) *Transactions and balances*

Transactions in foreign currencies are translated into the functional currency using the transaction date exchange rate. At the end of a reporting period, monetary items (assets and liabilities) in foreign currencies are translated at the exchange rate prevailing on the statement of financial position date.

(c) *Group companies*

The statement of comprehensive income and statement of financial position for Group entities (none with hyperinflation) whose functional currency differs from their presentation currency are translated as follows:

(a) - the statement of financial position is translated at the closing rate on the statement of financial position date

(b) - the statement of comprehensive income is translated at the average rate (if the average does not provide a reasonable estimate of the accumulated effects of using the transaction rate, then the transaction rate is used)

(c) - translation differences are recognised directly in Other Comprehensive Income

Goodwill and fair value adjustments to assets and liabilities acquired in a business combination are recognised as assets and liabilities in the acquired entity and translated at the exchange rate prevalent at the date of the statement of financial position.

2.6 Tangible fixed assets

Tangible fixed assets are recognised in the financial statements at their cost of acquisition less depreciation (carrying amount). The cost of acquisition includes costs directly attributable to the acquisition of the asset.

Fixed assets are depreciated according to the straight-line method, so that the fixed assets' original cost is depreciated to the residual value over the estimated useful life, which is:

Fixtures, fittings and equipment: 3-5years

The useful life and residual value of fixed assets are assessed on each statement of financial position date and changed if necessary.

When a fixed asset's carrying amount is higher than the estimated recoverable amount, the value is written down to the recoverable amount. Gains and losses on disposals are recognised net in the statement of comprehensive income under other (losses)/gains, and comprise the difference between the sales price and carrying amount.

2.7 Intangible assets

(a) *Goodwill*

Goodwill is the difference between the original cost of the purchase of a company and the fair value of the Group's share of the net identifiable assets in the company on the acquisition date. When a subsidiary is acquired, the goodwill is classified as an intangible asset. Goodwill is tested annually for impairment and is recognised in the statement of financial position at its original cost less impairments. Goodwill impairment charges are not reversed. Gains or losses on the sale of a company include the carrying amount of the goodwill relating to the sold company.

For subsequent testing of the need for goodwill impairment, this is allocated to relevant cash generating units. The amount is allocated to the cash generating units or groups of cash generating units that are expected to benefit from the acquisition in which the goodwill arose. Further information see note 6.

(b) *Trademarks (brands)*

Trademarks/brands that have been acquired separately are recognised in the accounts at their historical cost. Trademarks/brands that have been acquired through a business combination are recognised in the statement of financial position at their fair value on the takeover date. Trademarks with indefinite useful lives are not amortised, but tested for impairment annually. Trademarks/brands that have a limited useful life and are recognised in the statement of financial position at their original cost less accumulated amortisation. Trademarks/brands are amortised according to the straight-line method over their estimated useful life (15-20 years).

(c) Software and licences

The costs of maintaining software are charged to expenses as they are incurred. Development expenses that are directly attributable to the design and testing of identifiable and unique software that is controlled by the Group are recognised in the statement of financial position as intangible assets provided the following criteria's are met:
- it is technically possible to complete the software so that it will be available for use;
- the management intends to complete the software and to use or sell it;
- it is possible to use or sell the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- sufficient technical, financial or other resources are available for completing and using or sell the software
- the costs can be measured reliably

Other development expenditures which do not meet these criteria are charged to expenses as they are incurred. Development expenses that have originally been charged to expenses cannot be recognised in the statement of financial position as an asset at a later date.

Software that is recognised in the statement of financial position is amortised in a straight line over its estimated useful life (max. of 5 years).

Software licences that have been acquired are recognised in the statement of financial position at the original cost (including the costs of making the programs operative) of the specific program. These costs are amortised over the estimated useful life (3 to 5 years).

2.8 Impairment of non-financial assets

Intangible assets with an indefinite useful life, such as goodwill, are not amortised and are assessed each year for any impairment. Tangible fixed assets and intangible assets that are depreciated are reviewed for impairment when there are indications that future earnings cannot justify the asset's carrying amount.

Impairment is recognised in the statement of comprehensive income as the difference between the carrying amount and the recoverable amount. The recoverable amount is the higher of the fair value less costs to sell and the value in use. When assessing impairment, the fixed assets are grouped at the lowest level where it is possible to identify independent cash flows (cash generating units). Non-financial assets, other than goodwill, that have suffered impairment are reviewed for possible reversal at each reporting date.

2.9 Noncurrent assets (or disposal groups) held for sale

Noncurrent assets (or disposal groups) are classified as held for sale when their carrying amount will mainly be realised through a sale transaction and a sale is considered to be highly probable. They are measured at the lower of the carrying amount and fair value less costs to sell if the carrying amount is mainly to be realised through a sales transaction and not continued usage.

2.10 Financial assets

2.10.1 Classification

The Group classifies financial assets in the following categories:
• At fair value through profit and loss
• Loans and receivables – applies to loans, deposits, cash and cash equivalents and interests receivables.

The classification depends on the purpose of acquiring the asset. The management classifies financial assets when they are acquired.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or defined payments that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the statement of financial position date, in which case they are classified as fixed assets. Loans and receivables are classified as loans, "other receivables" and "other loans" in the statement of financial position.

2.10.2 Recognition and measurement

Loans and receivables are recognised in the financial statements at amortised cost. Loans and receivables are short-term and charges are taken to income over their term to maturity (simplified effective interest rate method).

Financial assets that are available for sale and financial assets at fair value through profit and loss are valued at their fair value after initial recognition in the statement of financial position. When securities that are classified as available for sale are sold or written down (impaired), the total change in value that has been recognised in equity is recognised in the statement of comprehensive income as a gain or loss on investments in securities.

The effective interest on interest-bearing instruments, calculated using the effective interest rate method, is recognised in the statement of comprehensive income under other incomes.

On each statement of financial position date, the Group assesses whether there are objective indicators that indicate a fall in the value of individual assets or groups of financial assets. A fall in the value of shares and equivalent instruments recognised in the statement of comprehensive income is not reversed through the statement of comprehensive income. The impairment test for accounts receivable is described in a separate note.

2.11 Account receivables – loans

Upon initial recognition in the statement of financial position, short-term loans are measured at their fair value. When measured subsequently, loans are valued at an amortized cost determined using the effective interest rate method (simplified), less provisions for incurred losses.

The provisions for losses are recognized in the financial statements based on historical trends and separate individual assessments. Folkia tracks its historical data of collected amounts and unpaid amounts on receivables. When receivables are impaired, the receivable's carrying amount is reduced to the receivable's recoverable amount.

2.12 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits, other short-term, easily sold investments with a maximum original term of three months and amounts drawn on an overdraft facility. In the statement of financial position, credit facility is included in loans under current liabilities.

2.13 Share capital and share premium

Ordinary shares are classified as equity.

Expenses which are linked directly to the issuance of new shares or options are recognised as a reduction in the payment received in the equity net of attributable income tax.

When own shares are bought, the payment, including any transaction costs less tax, is recognised as a reduction in equity (allocated to the company's shareholders) until the shares are annulled or reissued. If own shares are later reissued, the payment, less direct transaction costs and associated tax effects, is recognised as an increase in the equity allocated to the company's shareholders.

2.14 Accounts payable

Accounts payable are measured at their fair value when initially recognised in the statement of financial position. When subsequently measured, accounts payable are valued at amortised cost.

2.15 Loans

A loan is recognised in the financial statements at its fair value when it is paid out. In subsequent periods, the loan is measured at amortised cost.

Loans are classified as current liabilities unless there is an unconditional right to postpone the payment of the debt for more than 12 months after the statement of financial position date.

Should any convertible loan be issued in which a fixed amount can be converted into a fixed number of shares, the fair value of the debt part is calculated by using the market interest rate for a corresponding non-convertible loan. This amount is classified as debt and recognised at its amortised cost until it expires due to conversion or falls due on the loan's maturity date. The remainder of the payment is allocated to the conversion option and included in the equity, less tax.

2.16 Tax payable and deferred tax

The tax for a period consists of the income tax payable and deferred tax. Tax is recognised in the statement of comprehensive income apart from when it relates to entries that have been recognised directly in equity. If this is the case, the tax is also recognised directly in equity.

The income tax is calculated in accordance with the tax laws and regulations that have been adopted, or substantively adopted, by the tax authorities on the statement of financial position date. Legislation in the countries in which the Group's subsidiaries or associates operate and generate taxable income applies to the calculation of the taxable income. Management evaluates the Group's tax positions for each period in situations where the prevailing tax laws are subject to interpretation. Provisions for estimated tax payments are made based on management's assessment.

Estimated deferred tax on all the temporary differences between the values of assets and liabilities for tax purposes (tax base) and consolidated financial statement purposes (carrying value) has been recognised in the statement of comprehensive income using the debt method. If deferred tax arises on the initial statement of financial position recognition of a liability or asset in a transaction that is not a Business Combination and which on the transaction date does not affect the results for accounting purposes or the results for tax purposes, it is not recognised in the statement of financial position. Deferred tax is determined using tax rates and tax laws that have been adopted or substantively adopted on the statement of financial position date and which are assumed to be applicable when the deferred tax asset is realised or the deferred tax is paid.

Deferred tax assets are recognised in the statement of financial position to the extent that it is probable that future taxable income will exist and that the temporary differences can be deducted from this income.

Deferred tax is calculated on temporary differences from investments in subsidiaries and associates, except when the Group controls the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

2.17 Pension commitments, bonus schemes and other employee compensation schemes

(a) *Pension commitments*

The Group has no pension schemes in the form of defined benefit plans. There are formal contribution plans in Norway and Sweden, as part of a limited number of employees' salary contracts, undertaken to set aside percentage of employees' salaries for future pension benefits or as contributions to pension schemes.

(b) *Other commitments linked to former employees*

The Group has no commitment linked to former employees.

(c) *Share-based remuneration*

The Group has not formalised any scheme involving share-based remuneration.

(d) *Severance pay*

None of the Group companies has separate severance pay schemes.

(e) *Profit sharing and bonus plans*

The Group has no pre-agreed profit-sharing schemes. Group Management has limited bonus plans approved and monitored by the Board of Directors according to Company remuneration policy.

2.18 Provisions and credit losses

The Group makes regular provisions for estimated losses on loans. Folkia mainly use historical data and the knowledge we possesses to make the analyses and level of the provisions.

Credit losses are made for groups of loans depending on status of the receivables, i.e.; whether they have been sold, have fallen due, are being monitored, have been sent for debt-collection, etcetera.

2.19 Revenue recognition

(a) *Interest income*

Interest income is recognized in the statement of comprehensive income over time in accordance with the effective interest rate method and in accordance with the duration of the loan.

(b) *Fee revenue*

Fee revenues are recognized in the statement of comprehensive income over time in accordance with the effective interest rate method and in accordance with the duration of the loan.

2.20 Leases

Leases in which a significant part of the risk and return linked to ownership continues to reside with the lessor are classified as operating leases. Rent paid on operating leases (less any financial incentives provided by the lessor) is charged to expenses on a straight line basis over the lease period.
Leases linked to tangible fixed assets where the Group on the whole has all the risk and return linked to the ownership are classified as finance leases. The Group has no such leases.

Liabilities linked to operating leases are shown in the note at nominal value.

2.21 Fair value estimation

Financial instruments comprise, in addition to bank deposits (cash equivalents):

- loans to customers
- credit facility

The nominal value less impairments to take account of losses incurred on accounts receivable and accounts payable is assumed to equal the items' fair value. The fair value of financial liabilities (which are calculated for note disclosure purposes) is estimated by discounting future contractually agreed cash flows using the Group's alternative market interest rate for corresponding financial instruments. The alternative interest rates for fixed rate loans and the credit facility are estimated to be unchanged.

3 Financial risk management

Risk Management ensures compliance with internal and external Risk Management regulations, such as Basel II and Basel III, and strong emphasis is placed on reporting risk to the relevant stakeholders in clear and meaningful manner. The Folkia AS' (Folkia) Risk Management function is responsible for managing risks in accordance to policies and instructions governed by the Board of Directors (Board) in line with the stipulated regulations by the Governmental Authorities. The Board is responsible for evaluating its work and its expertise related to risk management and internal control at least once per year. The General Manager should give the Board relevant and timely information that is of importance to Folkia's risk management and internal control, including information on new risks.

Risk shall be estimated and compared to expected revenues to the extent it is economically justifiable. After the Group's risk profile has been defined, it is assessed and appraised. The assessment and appraisal includes the following steps:

1) Assessment of each risk category

Each risk category defined shall be individually assessed. The risk assessment must be documented and always result in a quantitative assessment of the risk, but also in a quantifiable amount when possible.

2) Stress testing: Assessment of unforeseen events

Unforeseen events must be defined, which should take exceptional but possible events into consideration. These events may be designated "Stress Test Events" and their consequence should be simulated and documented. The results of the simulations should be reviewed against Folkia's capital base. The unforeseen events may be based on historical experiences or hypothetical scenarios.

3) Assessment of how risks are mitigated and controlled

While all risks cannot be quantified, an analysis should be prepared that describes how the risk is mitigated and controlled. Assessment of the effects of precautionary actions by executives may also be simulated in connection with the assessment, where executives may revise for instance the effects of stress test events in light of realistic possible actions.

Risk factors

Folkia is exposed to various types of risks under Pillar I, which are according to the following:

• Credit Risk – Counterparty risk related to loan receivables and investments of excess liquidity. The method that is embraced in order to calculate the capital requirement with regards to the Credit Risk is according to the Standardized Approach. The Standardized Approach must be used unless Norwegian Financial Supervisory Authority (NFSA) has granted permission to use alternative approach e.g. Advanced Approach. Such method is used when calculating risk-weighted exposures for credit risk in non-trading activities.

• Operational Risk – Legal and Compliance Risks, Systemic Risks and human errors are included in this risk. The method used to calculate the Operational Risk is according to the Basic Indicator Approach.

• Market Risk – Interest rate risk, equity risk and foreign exchange risks not included in the trading book is included in the Market Risk. In order to calculate the Market Risk a Standard Method for Non-Trading Activities is used.

Folkia is exposed to various types of risk under Pillar II, which are according to the following:

- Market risk
- Interest Rate Risk
- Credit Risk
- Reputational Risk
- Strategic Risk
- Political and Regulatory Risk
- Liquidity Risk
- Remuneration Model Risk (Governance Risk)
- Financing Risk
- Asset Liability Management (ALM) Risk

3.1 Pillar I risks

3.1.1 Market risk

(I) Foreign exchange rate

Market Risk represents in general the risk to earnings and capital rising from adverse movements in the prices of risky assets held for trading, such as bonds, securities, commodities, and similar financial instruments. Since the Group does not actively trade in risky assets, this concept does not apply for its operations. In addition to this, Market Risk also arises in conjunction with adverse movement in Foreign Exchange Rate, i.e. FX Risk. Folkia is exposed to FX Risk to the extent that (i) assets and liabilities of the Group are obtained in different currencies, (ii) the base currency utilized in the financial statements is different from the currency in which the operations are carried out in i.e. balance sheet risk, and (iii) revenues and expense arise in different currencies.

The Group's loan facilities are currently denominated in SEK, EUR, and DKK and the Group's accounts are denominated in NOK, resulting in net long NOK to SEK, NOK to EUR, and NOK to DKK exposure due to discrepancy between the denomination of its assets and liabilities and own equity. Consequently, there is no other substantial exposure to other currencies other than SEK, EUR, and DKK.

FX Risk may also rise due to potential divergence between the denomination of revenues and expenses, which however is not a relevant risk for Folkia, as the major part of the operations is performed in SEK as well as major part of its revenues. Consequently, we find this risk to be negligible.

By 31st of December 2014, Folkia has a non-hedged foreign exchange exposure of NOK 107.3 m.

Sensitivity analysis

Assessment of the impact of currency fluctuations NOK 1000 as per 31 December 2014

	Change	Result
NOK/SEK	+/- 5%	+/- 2,603
NOK/EUR	+/- 5%	+/- 2,533
NOK/DKK	+/- 5%	+/- 232

(II) Interest rate risk

Interest Rate Risk is the risk that net interest income is negatively impacted as a result of fluctuations in the prevailing level of interest rates.

Interest Rate Risk connected to the Group's profitability resides in the Group's cost of funding. An abrupt and lasting interest rate shock could have a negative impact on the Group's financial positions to the extent interest rates and resulting interest expenses on loan facilities are affected by an increase in market interest rates, keeping in mind that the income from the retail loans will remain unchanged. Folkia has a NOK 80 million credit facility from DNB Bank ASA. The facility has an interest of 1 month NIBOR + 4.25% interest. In October 2014 Folkia entered into two convertible debt tranches of 19,341 TNOK and 27,630 TNOK of which the first tranche was converted for a 9.9% stake in Folkia in March 2015. The second tranche accrue a fixed interest of 7% pro anno from the drawdown date with no instalments paid during the availability period.

Assessment of the impact of interest rate fluctuations on the DNB credit facility on the Group's Capital Adequacy:

Interest Rate Fluctuation (%)	-2,0%	-1,0%	1,0%	2,0%
Yearly Impact (kNOK)	-543,76	-271,88	271,88	543,76
Risk Weighted Capital Requirement (kNOK)	-543,76	-271,88	271,88	543,76

Interest Rate Risk could be managed by the Group's ability to set the level of facility draw down. As such, Folkia can decide upon the lending levels in the balance sheet and is able to avoid setting the level at which funding would become inflated for the Group.

3.1.2 Credit risk

Credit Risk is the risk of earning and capital arising from an obligor's failure to repay principal or interest at the stipulated time or failure otherwise to perform as agreed. Credit Risk on Folkia's statement of financial position relates mostly to Folkia's lending to general public. In addition, Folkia is exposed to Credit Risk in the form of counterparty risk relating to Folkia's cash deposits with banks and other parties related to outstanding deposits.

(I) Credit Risk from Consumer Receivables ("Lending to the General Public")

These receivables are generated by on-going daily lending transactions to the general public. The tenor for these loan facilities is rather short. Since these loans are to be repaid relatively rapidly the actual amount outstanding loans are thus limited. By looking at monthly statistics for the time period of 2014 ("Time period") the average lending amounted to NOK 38.9 m and NOK 47.4 m was invoiced. According to statistics for Q4 2014 roughly 85 per cent of the monthly loan amount is on-going exposure, thus indicating that the customers repay the lager part of the amount rather quickly.

A calculated average monthly credit loss rate of approximately 6.4 per cent results in credit losses of NOK 3.0 monthly and NOK 35.7 m annually.

Folkia has maximum lending limits for its loan facilities. Folkia has developed its own sophisticated scoring model to determine the credit rating of private customers. Folkia continuously monitors the Credit Risk by weekly payback rates on the type of customer, product and market.

For the FY 2014 the retail exposure is risk weighted by 100%. It may be noted that in FY 2013 Folkia applied a retail exposure risk weight of 75%. The 2013 risk weight calculations were based on increased diversification of the Group's loan portfolio, including longer loans with longer tenors. As the loans are granted to an increasing number of private customers in new customer segments Folkia then applied 75% risk weight. After follow-up of the development during 2014, and applying a conservative interpretation of the risk weight instrument, it was agreed with Finanstilsynet to change the risk weight back to 100%

(II) Counterparty Risk from Deposits at Banks

The excess liquidity generated from the business is placed in accounts within banks with top ratings. The risk consists of the banks not having the repayment capacity with regards to the funds that has been place within the designated accounts. The account has been assigned within banks that are rated by external international rating agencies such as S&P and Moody's.

Credit risk exposure

Folkia's Credit risk exposure NOK 1000 as per 31 December 2014:

Counterpart	**Exposure**
General Public	114,531
Cash Deposit	10,862
Other commitments	21,205
Total	**146,598**

Region	**Exposure**
Sweden	84,12
Norway	32,693
Finland	11,673
Estonia	15,923
Denmark	2,189
Total	**146,598**

3.1.3 Operational risk

Operational Risk is the risk of losses resulting from inadequate or failed processes or failed internal processes, people and systems or from external events including legal and compliance risks.

Operational Risk can be found within all Folkia's operating units. The main Operational Risks are as per following:

(i) One or several premises of the Group are burned down caused by fire

(ii) The IT systems administrating and managing the lending process is impaired by a technical break down or power outage and temporary is out of function

(iii) External and internal fraud

(iv) Legal and Compliance risk

(v) Management risk

Successful management of Operational Risks on daily basis requires strong internal control and quality assurance, which is best achieved by means of having a proficient management and staff. Folkia manages Operational Risks by continuously improving its internal routines and day-to-day control procedures, and by recruiting market leading and experienced specialists for all functions and positions of responsibility. Furthermore, in order to ensure that the Group is compliant with applicable regulations and legislations, Folkia has a Compliance Officer whose role is to ensure maintaining quality, integrity and ethical practices within the operation. The Compliance Officer is independent and reports directly to the Board of Directors.

3.2 Pillar II risks

3.2.1 Liquidity and cash flow risks

Liquidity Risk is the risk of higher financing costs due to differences when obtaining financing. Liquidity risk arises when the actual cost of extending a loan or re-borrowing exceeds the expected cost of financing.

Liquidity Risk in the Group is connected primarily to the Group's funding from the external financing provider and the risk that the Provider(s) eliminates further financing with short notice. Moreover, the risk is further connected to the fact that the Group only relies on one source as financing source. On the contrary, Folkia is confident that there are other suppliers willing to offer financing solutions in case the current provider no longer is able or keen on supplying the Group with financing.

In order to monitor its liquidity position and mitigate liquidity risk the Group uses cash forecasting systems which provides on-going visibility as to imminent, medium-term and long-term liquidity requirement and minimize the risk of facing unforeseen liquidity requirements.

The group deposits its excess liquidity in the bank at a floating interest rate with periodic adjustments. The Group has short term lending connected to its loan facility portfolio with fixed charges. The cash flow from operations is mainly independent of changes to the market interest rate.

3.2.2 Reputational risk

Reputational Risk is the present and future risk of losses triggered by customers', counterparts', shareholders', investors', and authorities' negative perception of Folkia.

Reputational Risk is among the most important risks for the Group. Being a relatively small Group with only one business brand, the impact of this risk could damage its entire operations.

Folkia places strong emphasis on the ethical treatment of its debtors in order to protect its own reputation. It also maintains an effective complaints management process by which potential complaints are handled swiftly and fairly.

In order to proactively promote sustainability and ethical business behaviour within the consumer credit market, Folkia together with other companies within the sector in Sweden have established an association called "Swedish Consumer Credit Association". Folkia's General Counsel serves as the Chairman in the association. In addition, through this association Folkia will actively work to strengthen its relationship with the Governmental Authorities in the country.

3.2.3 Strategic risk

Strategic Risk refers to Board and Management's ability to plan, organize, and in general control the Group operations and its business. The failure of adapting to trends in new techniques, fend of increased competition or in general react to changes to the market fundamentals.

For the Folkia, Strategic Risk arises in the following cases:

• Outsourcing of Operations – one of the Group's suppliers of outsourced services could fail to perform as agreed; or

• New Market or Product – The Group could attempt to enter a new market or to launch a new product and not succeed in the attempt i.e. failing to enter the market or launching a product that nobody wants.

With reference to the development of a new market or product, Folkia is exposed to the possibility of failing to enter the specified market and/or unsuccessfully launching a product. In both instances, Folkia would have incurred the expenses related to such actions without generating the additional revenue the Group would have expected from such market entry or product launch.

To minimize the Strategic Risk from the entry into a market or launch a product, Folkia carries out exhaustive market research and analysis prior to the entry or launch. In addition to budgeting potential revenues and expenses under different scenarios (including stress scenarios), Folkia extensively assesses the probability of success prior to launch in order to minimize the risk of failure. Consequently, the Group is prepared to minimize a potential failure.

3.2.4 Political and Regulatory Risk

Political and Regulatory Risk refers to regulation changes and modifications, which will negatively affect the Group.

The Group is clearly exposed to regulatory and legislation changes and the way it might affect the construction of the Group's operations and its products. The risk has increased considerably during the recent year as regulation regarding the industry has being discussed in several markets. Additionally, the introduction of the interest cap in Finland putting restriction on interest levels is affirmative commencing May 2013 resulting in prohibition of Folkia Micro Loan product. Moreover, we believe that similar regulation alterations might in a near future hit other markets, which will aggravate the Group to run its operations and offer its product.

Folkia manages this risk by continuously being updated on upcoming legislation, changes in regulations, and political discussions. Additionally, the Group's wide geographical presence also mitigates this risk. Also, by having a banking license from NFSA we find the new regulations trends not having as much impact on Folkia's operation thus mitigating the risk connected to regulatory changes that might arise.

3.2.5 Remunerations Model Risk (Governance Risk)

Folkia is subject to the rules stipulated in the regulation of 1 December 2010 no. 1507 concerning remuneration in financial institutions, investment firms and management companies of investment funds (the "Regulation"). This means that every bonus scheme, as well as the stipulation and implementation of such, must be in compliance with the rules in the Regulation and NFSA circular 11/2011. According to the applicable rules, a credit institution shall have a remuneration policy which (i) is consistent with and promotes efficient handling of risks and (ii) does not encourage any excessive risk taking.

The remuneration policy has a maximum level of variable remuneration, which is 15 percent of the total remuneration. This means that the variable remuneration is capped and highest possible total variable remunerations are foreseeable.

3.2.6 Financing Risk

The Financing Risk relates to deficiency or inability to raise additional financing in order to carry the daily operations. Currently the sole external financing provider is DNB ASA in combination with Folkia's own financing. Currently there is an ongoing process to increase the available capital through equity injection followed by increased DNB facility. This will sufficient to carry out the daily operations including the growth.

However, if the processes do not finalize Folkia will carry out with the running business and will exclude the growth that has been forecasted. Folkia is confident that current available financing is sufficient to run the current business. Moreover, Folkia is continuously establishing new relationships and is assertive that there are other financing providers that are interesting in providing financing facilities.

At 31 December 2014	Between 3 months and 1 year	Between 1 and 2 years
Convertible loan		28 039 935
Loans (credit facility)	27 187 778	

3.2.7 Asset Liability Management Risk (ALM Risk)

The goal of asset/liability management (ALM) is to properly manage the risk related to changes in interest rates, the mix of balance sheet assets and liabilities and the holding of foreign currencies. The risks are managed in a manner that contributes adequacy to earnings and limits risk to the financial margin and member equity.

The management of asset/liability risk is facilitated through board approved policies, which sets limits on assets and liability mix, as well as the level of interest rate risk and foreign currency risk to which Folkia is willing to expose itself. Policy also set out guidelines for the pricing, term and maturity of loans.

Folkia is mitigating the interest rate risk by ensuring that management is properly measuring risk on regular basis. Moreover, Folkia is working on implementing hedging strategies in order to mitigate the risk related to interest rate fluctuations and fluctuations in foreign exchange rates.

3.3 Capital adequacy

To meet the requirements from the Norwegian Financial Supervisory Authority, Folkia's capitalization is risk-based, founded on an assessment of all risks inherent in the operations and forward looking, aligned with strategic and business planning.

Capital requirements for Pillar I Risks are calculated using the Standardized Approach for Credit Risk, and the Basic Indicator Approach for Operational Risk. For market risks the Standard Method for Non-Trading Activities is applied.

Estimated capital requirement is calculated by adding the capital requirement for Pillar I and the capital requirements resulting from Pillar II risks, where Pillar II risks are calculated based on expected potential loss levels from these risks. Folkia considers its current business to be relatively uncomplicated. This is due to the fact that Folkia's main business is the management of relatively small loan facilities; Folkia does not engage in any proprietary trading and Folkia does not raise deposits from the public.

The current capital base as per 31 December 2014 includes NOK 57.4 million of Tier 1 Capital and no Tier 2 Capital. Total capital requirement for the same period for Pillar I and Pillar II amounts to NOK 34.8 and NOK 47.9 respectively. The Capital Ratio for Pillar I is 13,2% and for Pillar II 9,6%, Following the mandatory conversion of debt to equity as per 1 March 2015, the capital adequacy ratio will arrive at 16.3%.

4 Critical accounting estimates and judgments

In the application of the Group's accounting policies management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment in goodwill and other assets

The Group conducts annual tests to assess the impairment of goodwill and intangible assets with unidentified lifetimes. The recoverable amount of cash flow generating units is determined by calculating the value in use. These are calculations which require the use of estimates. In addition, other assets are tested for impairment if there is any indication of a fall in value.

Estimated lifetime of intangible assets

Expected useful life of intangible assets is the period over which the asset is expected to be available for use by the Group. The useful life assessment is based on management's estimates and assumptions and is reviewed by management at each financial year-end.

Provisions for losses on loans

The Group makes regular provisions for estimated losses on loans. Folkia mainly use historical data and the knowledge we possesses to make the analyses and level of the provisions.

Credit losses

Credit losses are made for groups of loans depending on status of the receivables, i.e.; whether they have been sold, have fallen due, are being monitored, have been sent for debt-collection, etc.

Deferred tax assets

The Group has in its statement of financial position recognized deferred tax assets linked to losses and an increase in temporary differences due to the branch establish process in 2010. Budgets and forecasts approved by the management show future earnings which justify deferred tax assets being recognized in the statement of financial position.

5 Tangible fixed assets

	Machinery, fixtures, fittings and vehicles
2013 financial year	
Carrying amount 01.01.13	**723 832**
Additions	82 240
Translation differences	53 034
Disposals	-58 789
Depreciation during the year	-393 208
Carrying amount 31.12.13	**407 108**
As at 31 December 2013	
Original cost	4 812 885
Accumulated depreciation	-4 405 779
Carrying amount 31.12.13	**407 108**

2014 financial year	
Carrying amount 01.01.14	**407 108**
Additions	641 115
Translation differences	-5 432
Disposals	0
Depreciation during the year	-329 045
Carrying amount 31.12.14	**713 746**
As at 31 December 2014	
Original cost	5 522 593
Accumulated depreciation	-4 808 847
Carrying amount 31.12.14	**713 746**

Depreciation is charged on a straight-line basis. Estimated useful life is between 3 and 5 years.

6 Intangible assets

	Goodwill	Software (incl. scoring model and licenses)	Customer relationships	Trademarks	Total
2013 financial year					
Carrying amount 01.01.13	45 889 905	4 793 332	2 402 731	10 134 617	63 220 584
Impairment during the year	-15 812 321			-592 484	-16 404 805
Additions		5 172 798			5 172 798
Translation differences		479 696			479 696
Amortization during the year		-1 423 012	-2 402 731		-3 825 743
Carrying amount 31.12.13	**30 077 584**	**9 022 813**	**0**	**9 542 133**	**48 642 530**
As of 31 December 2013					
Original cost	45 889 905	28 481 375	13 332 762	10 443 641	98 147 683
Accumulated impairment	-15 812 321	-499 317		-592 484	-16 904 122
Accumulated amortization		-18 959 245	-13 332 762	-309 024	-32 601 031
Carrying amount 31.12.13	**30 077 584**	**9 022 813**	**0**	**9 542 133**	**48 642 530**
2014 financial year					
Carrying amount 01.01.14	30 077 584	9 022 813	0	9 542 133	48 642 530
Additions		10 302 807			10 302 807
Translation differences		304 761			304 761
Impairment during the year				-4 078 067	-4 078 067
Amortization during the year		-2 205 170			-2 205 170
Carrying amount 31.12.14	**30 077 584**	**17 425 212**	**0**	**5 464 067**	**52 966 862**
As of 31 December 2014					
Original cost	45 889 905	39 778 008	13 332 762	10 447 719	109 448 394
Accumulated impairment	-15 812 321	-505 906	0	-4 670 551	-20 988 778
Accumulated amortization		-21 846 890	-13 332 762	-313 102	-35 492 754
Carrying amount 31.12.14	**30 077 584**	**17 425 212**	**0**	**5 464 067**	**52 966 862**
Amortization rate	**0%**	**20%**	**20%**	**0%**	

Impairment tests for goodwill

Goodwill is allocated to the Group’s cash-flow generating units that are identified as the operations of the Folkia Swedish Branch, Swedish Branch Danish Cash Generating Unit, Folkia AS Norway Finnish Branch, Folkia AS Norway Estonian Branch and Folkia AS Norway. Impairment tests have been carried out in accordance with the prerequisites stated in note 2.7. The recoverable amount is determined on the basis of an estimated value in use. The starting point is projected cash flows based on budget and forecasts approved by management for a five-year period. Discount rates after tax of 10,3 % for Folkia Swedish Branch, Swedish Branch Danish Cash Generating Unit, Folkia AS Norway Finnish Branch and Folkia AS Norway and 11,3% Folkia AS Norway Estonian Branch.

Cash flows in excess of the five-year period are extrapolated using a conservative growth rate of 2 %. The valuation shows that there is no indication of impairment for the group as a whole with the exception of the trademark values related to Folkia Sweden where the value will be impaired. The new brand FROGTAIL was launched in Sweden late 2014. As it is expected that the customer overlap will effect the existing brand Folkia in Sweden, the Company has decided to impair 50% of the Folkia Sweden trademark value.

Management does not believe that any likely changes in the assumptions on which the calculation of recoverable amounts is based will lead to the remaining carrying value after impairment will exceed the recoverable amount.

7a Financial instruments by category

As of 31 December 2014	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Loans and other receivables, excl. advance payments and deposits (short-term)	115 844 193			115 844 193
Deposits	16 960 491			16 960 491
Cash and cash equivalents	7 416 308			7 416 308
Total	**140 220 992**			**140 220 992**

As of 31 December 2014	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities at amortized cost	Total
Liabilities			
Loans (credit facility)		27 187 778	27 187 778
Convertible loan		28 039 935	28 039 935
Accounts payable and other liabilities, excl. mandatory liabilities		7 621 312	7 621 312
Total		**62 849 025**	**62 849 025**

As of 31 December 2013	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Loans and other receivables, excl. advance payments and deposits (short-term)	101 753 419			101 753 419
Deposits	15 764 969			15 764 969
Cash and cash equivalents	16 616 414			16 616 414
Total	**134 134 802**			**134 134 802**

As of 31 December 2013	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities at amortised cost	Total
Liabilities			
Loans (credit facility)		52 732 829	52 732 829
Accounts payable and other liabilities, excl. mandatory liabilities		6 660 240	6 660 240
Total		**59 393 069**	**59 393 069**

7b Credit quality of financial assets

The credit risk involved in financial instruments that have not fallen due or which have not been subject to impairment can be assessed by using external credit ratings (if available) or historical information on breaches of credit conditions.

	2014	2013
Accounts receivable		
Loans and other receivable	115 844 193	101 753 419
Total accounts receivable	**115 844 193**	**101 753 419**

The company has maximum lending limits for loans and standard credit rating requirements and has developed its own scoring model to determine the credit rating of private customers.

	2014	2013
Bank deposits		
AA-	650 377	709 992
A+	5 752 284	14 972 978
A -	526 949	639 888
Undefined/no rating available	486 699	293 556
Total bank deposits	**7 416 308**	**16 616 414**

8 Loans and other receivables

	2014	2013
Loans	187 381 827	131 867 217
Impairment due to probable losses on loans	-72 851 172	-33 504 382
Net loans	**114 530 656**	**98 362 835**
Other receivables	1 313 537	3 390 584
Total loans and other receivables	**115 844 193**	**101 753 419**

Current assets

The carrying value of loans and other receivables is equal their fair values.

	2014	2013
Not fallen due	73 765 760	87 900 945
1 – 30 days after the due date	14 653 167	10 549 409
31 - 60 days after the due date	8 348 133	4 406 157
61 - 90 days after the due date	7 745 073	2 594 448
> 91 days after the due date	82 869 694	26 416 259
Total loans	**187 381 827**	**131 867 217**

Recognised value of the Group’s loans net of impairment allowance, per currency in NOK as of 31 December 2014:

	2014	2013
SEK	77 058 583	61 365 691
NOK	14 597 449	7 198 423
EUR	20 685 875	26 808 685
DKK	2 188 749	2 990 035
Net loans	**114 530 656**	**98 362 835**

The change in the allowance for the impairment of accounts receivable is as follows:

	2014	2013
As at 1 January	**33 504 382**	**14 704 141**
Provision during the year	37 718 713	29 187 097
Net receivables that have been written off as losses during the year	-120 079	-13 093 658
Reversal of unused amounts	0	1 250 655
Currency translations	1 748 155	1 456 146
As at 31 December	**72 851 171**	**33 504 382**

	2014	2013
Unspecified loan loss provisions at 1 January		
Unspecified loan loss provisions during the period	35 685 608	26 332 476
Unspecified loan loss provisions at 31 December	**35 685 608**	**26 332 476**

The impairment and reversal of impairment of accounts receivable are included in the losses on loans in the statement of comprehensive income. Amounts recognised in the provisions account are written off when there is no expectation of collecting any further cash amounts.

The other classes of accounts receivable and other receivables do not contain any impaired assets.

The maximum exposure to credit risk on the reporting date is the fair value of each class of accounts receivable stated above. The Group has no charge as security.

9 Cash and cash equivalents

	2014	2013
Cash and bank deposits	7 416 308	16 616 414
Total	**7 416 308**	**16 616 414**

The cash and cash equivalents in the cash flow statement comprise the following:

	2014	2013
Cash and cash equivalents	7 416 308	16 616 414
Total	**7 416 308**	**16 616 414**

10 Share capital and share premium

	No. of shares	Nominal share capital	Share premium	Total
Carrying amount 31.12.13	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.14	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**

The company has used own shares (treasury shares) in connection with the purchase of the subsidiary in Denmark, DFK Holding – closing January 09. As of 31 December 2014, the number of shares was 17 406 916 of which 162 916 are the company’s own shares.

11 Retained earnings

As of 1 January 2013	**-3 002 137**
Result for the year 2013	-17 050 816
Carrying amount 31.12.13	**-20 052 953**
As of 1 January 2014	**-20 052 953**
Result for the year 2014	-10 647 088
Carrying amount 31.12.14	**-30 700 038**

12 Accounts payable, accrued expenses and other current liabilities

	2014	2013
Accounts payable	4 343 000	2 980 740
Govt. charges and special taxes	2 688 237	1 271 780
Salaries owed	236 273	123 963
Accrued expenses	4 828 862	3 235 055
Holiday pay due	2 525 198	2 266 037
Other liabilities	17 429	10 144
Approved, invoiced but not paid out loans	-17 414	1 399 731
Total	**14 621 584**	**11 287 451**

13 Loans

	2014	2013
Loans		
Loans from credit institutions (credit facility)	27 187 778	52 732 829
Convertible loan	28 039 935	0
	55 227 713	**52 732 829**

Loans from credit institutions

Folkia has a 80 MNOK credit facility from DNB Bank ASA. The facility has an interest of 1 month NIBOR + 4.25% interest. The credit facility has a maturity of one year. Thereafter the loan can be renewed for one year at a time. As a result of the temporarily reduced profitability during 2014 Folkia had a breach of the covenant adjusted EBIT (excl. nonrecurring items) in Q3 and Q4. The covenant breach is waived by DNB.
In October 2014 Folkia entered into two convertible debt tranches of 19,341 TNOK (after deductions of issue costs 16,437 TNOK) and 27,630 TNOK of which the first tranche was converted for a 9.9% stake in Folkia in March 2015. This loan is treated as subordinated loan in the financial statement for 2014. Both loans accrue an interest of 7% pro anno from the drawdown date with no instalments paid during the availability period.

The Group is exposed to interest rate changes on these loans based on the following reprising structure:

	2014	2013
6 months or less	0	0
6-12 months	27 187 778	0
1-5 years	28 039 935	52 732 829
More than 5 years	0	0
No agreed maturity date	0	0
Total loans	**55 227 713**	**52 732 829**

Carrying amount and fair value of loans:	2014	2013
Carrying amount		
Long-term loans	28 039 935	0
Credit facility with a credit institution	27 187 778	52 732 829
Total carrying amount	**55 227 713**	**52 732 829**
Fair value		
Long-term loans	28 039 935	0
Credit facility with a credit institution	27 187 778	52 732 829
Total fair value	**55 227 713**	**52 732 829**

The carrying amounts of the Group's loans in various currencies are as follows:

	2014	2013
NOK	28 291 912	50 181 103
EUR	2 029 421	0
SEK	24 906 381	2 551 726

14 Pensions and similar liabilities

	2014	2013
Costs charged to the statement of comprehensive income		
– Pension costs	2 118 808	1 533 176

In Norway and Finland, the minimum defined contribution pensions (compulsory company pensions) are paid as they become due. In Sweden, Finland and Norway the costs for agreed pension contribution plans are determined upon individual agreements between the Group and the individual employee. Estonia has no pension cost or pension benefits.

15 Wages and salaries

	2014	2013
Salaries	24 149 642	16 810 451
Employers' national insurance contributions	5 694 527	5 023 426
Pension costs – the year's provisions for defined contribution based pension schemes	2 118 808	1 531 368
Other benefits	628 979	14 606
	32 591 956	**23 379 851**
No. of employees	**35**	**25**

16 Other operating expenses

	2014	2013
External advisors/fees services	15 919 217	13 256 232
Rental expenses	2 779 950	2 408 803
Marketing	13 984 263	17 567 885
Administrative and other expenses	21 464 486	13 709 939
Total other operating expenses	**54 147 917**	**46 942 858**

17 Financial income and expenses

	2014	2013
Interest income –bank deposits	73 007	44 824
Other interest income	90 991	1 860
Interest expenses	-4 430 465	-1 428 368
Currency gain	8 432 156	6 347 461
Currency loss	-4 574 348	-2 076 275
Net financial items	**-408 659**	**2 889 502**

18 Taxes

Tax expense:	2014	2013
Taxes payable on foreign income	128 693	0
Change in deferred tax	-1 672 653	-6 044 394
Tax expense	**-1 543 960**	**-6 044 394**
Total tax including OCI	**-1 543 960**	**-6 044 394**

	2014	2013
Tax payable	128 693	0
Total tax payable	**128 693**	**0**

Reconciliation of the tax expense:	2014	2013
Profit before taxes	**-12 191 048**	**-23 095 210**
Calculated tax 27 % (28 %)	-3 291 591	-6 466 659
Adjustments related to prior years*	1 504 421	0
Permanent differences	-374 456	77 760
Deferred tax (Swedish branch)	489 008	-488 756
Effects from changed tax rates	0	833 261
Tax payable on foreign income	128 658	0
Tax	-1 543 960	-6 044 394
Tax in the statement of comprehensive income	**-1 543 960**	**-6 044 394**

Tax expense in the income statement	-1 543 960	-6 044 394
Tax expense	**-1 543 960**	**-6 044 394**

*Translation differences of NOK 5 571 928 in the filed CIT return was not included in the tax calculation for FY13

Deferred tax and deferred tax assets:

Deferred tax assets	**2014**	**2013**
Tax losses carried forward - Norway	24 926 872	22 160 307
Tax losses carried forward - Sweden	0	489 008
Deferred tax assets	**24 926 872**	**22 649 315**

Deferred tax liability		
Intangible assets	267 154	-337 750
Deferred tax liability	**24 659 718**	**22 987 065**

Deferred tax assets are capitalized based on future income.

Ordinary tax expense	-1 543 960	-6 044 394
Total tax expense	**-1 543 960**	**-6 044 394**

Taxes payable	128 693	0
Change in deferred tax	-1 672 653	6 044 394
Total tax expense	**-1 543 960**	**6 044 394**

19 Liabilities

a) Guarantees and charges:

Folkia has no guarantees or charges in 2014.

b) Operating leases – liabilities where a Group company is the lessee

The future total minimum payments linked to non-terminable leases are as follows:

	2014	**2013**
Due date within 1 year	2 211 250	1 425 396
Due date between 1 and 5 years into the future	3 677 961	0
Due date more than 5 years into the future	0	0
Total future minimum lease payments	**5 889 211**	**1 425 396**

The future total minimum payments are not presented on a net present value.

The Group's operating leases are in Sweden, Finland and Norway consisting of premises- and support agreements. The most material future payments consist of office rental and can be renewed for 3 years at a time with a 9 month period of notice. As at 31.12.2014 the total of deposits for office rental is NOK 818 330. The total minimum payments are gross figures (no deduction for deposits).

20 Business combinations

Information regarding Folkia's historical business combinations are available in the Annual reports of 2011 and 2010.

21 Related parties

The Group has been involved in transactions with the following related parties:

Nexia DA

Owned by, among others, the former Chairman of the board and shareholder Finn Terje Skøyen.

Formentor Oy

Owned by board member and shareholder Mikko Marttinen.

SMH Management AS

Owned by the current Chairman of the board and shareholder Stig Herbern.

a) Sales of goods and services

No goods or services have been sold to any of these companies.

b) Purchase of goods and services

Purchase of services from related parties (in NOK 1000):	**2014**	**2013**
Nexia DA	0	2 107
Formentor Oy	0	465
SMH Management AS	727	187
Total	**727**	**2 759**

The above amounts are inclusive of value added tax where relevant.

The agreement for purchasing of services from SMH management AS relates to consultancy services from the Chairman of the board. These consultancy services relates to M&A activities, managing new and existing markets but also relates to operational tasks within the Group. There are no guarantees given or received between Folkia and SMH Management AS and there are no outstanding accounts as at 31.12.2014 in the statements of the financial position.

c) Remuneration to senior employees

The senior employees comprise the group management and directors. The remuneration to senior employees is shown below:

	2014	**2013**
Salaries and other short-term employee benefits	8 233	7 309
Severance pay	0	0
Pension benefits	917	738
Other long-term benefits	0	0
Share-based remuneration	0	0
Total	**9 150**	**8 047**

Specification of remuneration to senior employees:

Name	2014 Salary and other short-term benefits	2014 Pension benefits	2013 Salary and other short-term benefits	2013 Pension benefits
Hördur Bender, CEO 1)	1 705	151	1 681	187
-Bonus	0	0	465	0
Other Management*	**5 628**	**766**	**4 284**	**551**
Magnus Sjögren, General Counsel	2 129	256	1 944	246
Jens Schau-Hansen, CFO	1 307	188	587	52
Anders Linder, COO	1 058	157	1 113	150
Jan Nilsson, CTO	1 134	165	640	103
Credit Committee*	**50**	**0**	**12**	**0**
Eilif Bjerke	0	0	12	0
Leif Bjørnstad	50	0	0	0
Control Committee*	**200**	**0**	**200**	**0**
Anders Utne	40	0	40	0
Eigil Ulvin Olsen	40	0	40	0
Einar Irgens	80	0	80	0
Morten Egil Haugen	40	0	40	0
Board members *	**650**	**0**	**667**	**0**
Eilif Bjerke	0	0	100	0
Terje Finn Schoyen	0	0	100	0
Stig Herbern	250	0	100	0
Raivo Aavisto	100	0	100	0
Leif Bjørnstad	100	0	100	0
Mikko Marttinen	100	0	100	0
Kalle Pykälä	100	0	0	0
Tord Bertil Lendau	0	0	67	0
Total Group	**8 233**	**917**	**7 309**	**738**

1) Bonus related to work performed in 2014 is accrued and will be paid out in 2015.

** 2013 years figures relates to work performed in 2012.*

d) Statement of financial position items resulting from the purchase and sale of goods and services

There was no purchase or sale of goods or services with related parties in 2013 or 2014.

	2014	2013
Loans to the shareholders (and their families):		
Carrying amount 01.01	**0**	**323 206**
Loans repaid during the year	0	-240 006
Interest income	0	5 984
Interest received	0	-89 185
Carrying amount in SEK	**0**	**0**
SEK/NOK exchange rate 31.12	0,9597	0,9472
Carrying amount 31.12	**0**	**0**

Terms and conditions

These loans are to be paid in the same ratio as disposal of the company shares held by group management. No loans have been given to directors. The loans have been fully paid in 2013.

Interest rate

The interest rate is the Swedish state loan interest rate + 1% throughout the term of the loan. The interest is capitalized and paid when the loan has fallen due.

The fair value of the loans is regarded as equivalent to the loans' book value.

It has not been necessary to make provisions for losses on loans to directors, senior employees or associates in 2014 or previous years.

f) Fees to auditors and other related costs	**2014**	**2013**
Statutory audit		
- Deloitte	898 184	1 423 904
- PwC	537 094	0
- other	54 242	72 090
Tax services		
- Deloitte	113 125	278 901
- other	0	0
Other non-assurance services		
- Deloitte	194 000	519 774
- other	0	0
Total Deloitte	1 205 309	2 222 579
Total PwC	537 094	0
Total	**1 796 645**	**2 294 668**

Fees include VAT.

22 Contingent liability and events after the end of the reporting period

The first tranche loan entered into in October 2014 was converted for a 9.9% stake in Folkia in March 2015. Folkia entered into a further convertible loan, tranche three, in March 2015 in the amount of 27,630 TNOK.

On 30 August 2011 Folksam ömsesidig sakförsäkring and Folksam ömsesidig livförsäkring (jointly “Folksam”) filed a lawsuit against Folkia at the Stockholm District Court for trademark and company name infringement, claiming among other things that Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI infringes on FOLKSAM's trademarks and company names. Folkia contested Folksam's lawsuit in its entirety in Folkia's Statement of Defence. On 26 October 2011 Folkia filed a counterclaim against Folksam. Folkia is of the view that Folkia had not infringed on any of Folksam's trademarks or company names and, consequently, that the legal basis for Folksam's claim was scarce.

The judgment was appealed by both parties to the Svea Court of Appeal and the main hearing took place on 17-18th February 2014. In its judgement, which was rendered on 8th April 2014, the Svea Court of Appeal agreed with the District Court that Folksam's trade mark registrations shall remain void. However, as regards Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI the court found that Folkia infringes on FOLKSAM's trademarks and company names in the Swedish market. The case has been appealed to the Supreme Court. It stands to reason that any comprehensive IPR process is consuming both internal time and resources for Folkia as well as costs for external party counsel. Folkia considers that the outcome will not affect the reported figures per 31.12.14, and does not affect the assumptions of going concern as basis for the preparation of the financial statements. Refer to note 6 for further description of the carrying values.

23 Share capital and shareholder information

The share capital in the parent company as of 31 December 2014 consists of:

	No. of shares	Nominal value	Book value
Shares	17 406 916	5	87 034 580
Total	**17 406 916**	**5**	**87 034 580**

All the shares have equal voting rights.

Ownership structure

The largest shareholders in the company as of 31 December 2014	**Shares**	**Ownership share**
BRENNEN CONSULTING LIMITED	1 740 800	10,0%
CNHL LTD	1 740 690	10,0%
CLEARSTREAM BANKING S.A. *	1 372 662	7,9%
LANDSYN EHF	1 301 974	7,5%
DANSKE BANK A/S *	1 214 100	7,0%
SVENSKA HANDELSBANKEN AB *	1 054 896	6,1%
INTERACTIVE A ISLANDI EHF	911 811	5,2%
NORDNET BANK AB *	793 331	4,6%
BNP PARIBAS SEC. SERVICES S.C.A *	707 575	4,1%
SKANDINAVISKA ENSKILDA BANKEN AB *	628 175	3,6%
NEBRASKA INVEST OY	496 356	2,9%
UBS AG *	433 320	2,5%
PAATERO	381 637	2,2%
FIVADO AS	282 787	1,6%
ARION BANK HF *	275 993	1,6%
HIETALA	248 064	1,4%
BERASCO LIMITED	242 869	1,4%
OÜ VIADELLA INVESTMENTS	242 826	1,4%
DYVI	200 500	1,2%
DYNAMO AS	193 166	1,1%
AS SMÅFINANS	192 097	1,1%
WAHLSTRØM	185 000	1,1%
AGDER TECHNOLOGY AS	184 432	1,1%
MARTTINEN	181 939	1,0%
Shareholders with at least 1 % ownership	**15 207 000**	**87,4%**

*) Share deposit

Own shares, FOLKIA AS	110 174	0,6%
Own shares , FOLKIA AS NORGE, FILIAL SVERIGE	52 742	0,3%
Remaining ownerships	**2 037 000**	**11,7%**
Number of shareholders:	61	
Number of shares:	**17 406 916**	**100,0%**

Shares owned by directors and the CEO directly or through own companies:

Name	Position	Shares
Hördur Bender (1)	CEO	911 811
Leif Bernhard Bjørnstad (2)	Director	192 097
Stig Magnus Herbern (3)	Chairman of the Board	25 000
Mikko Marttinen (4)	Director	704 146
Raivo Aavisto (5)	Director	1 305 600
Kalle Pykälä (6)	Director	152 655
Total		**3 291 309**

(1) Hördur Bender owns shares indirectly through INTERACTIVE A ISLANDI EHF.

(2) Leif Bernhard Bjørnstad owns shares indirectly through SMÅFINANS AS.

(3) Stig Magnus Herbern owns shares indirectly through SMH MANAGEMENT A/S.

(4) Mikko Marttinen owns shares indirectly through CNHL LTD. Marttinen controls 30% of CNHL LTD.

(5) Raivo Aavisto owns shares indirectly through BRENNEN CONSULTING LIMITED via BRANDBERG OÜ

Aavisto controls 75% of BRENNEN CONSULTING LIMITED via BRANDBERG OÜ.

(6) Kalle Pykälä owns shares indirectly through Marinium OY.

24 Capital adequacy

Capital adequacy 31 December (Group)

Equity and subordinated loan capital

	2014	2013
Share capital	86 220 000	86 220 000
Other equity	48 667 851	57 783 034
Equity	**134 887 851**	**144 003 034**
Deductions:		
Intangible assets	-52 966 862	-48 642 530
Deferred tax assets	-24 659 718	-22 987 065
Core capital	**57 261 271**	**72 373 439**
Net equity and subordinated loan capital	**57 261 271**	**72 373 439**

Minimum requirement equity and subordinated loan capital

Credit risk		
Of which:		
Institutions	173 792	263 472
Mass market commitments	6 933 844	5 585 377
Commitments that have fallen due	2 228 624	421 808
Other commitments	1 696 400	1 867 840
Total minimum requirement credit risk	**11 032 660**	**8 138 497**

Settlement risk		
Foreign exchange risk	8 588 882	9 965 079
Total minimum requirement market risk	**8 588 882**	**9 965 079**
Operational risk	**15 596 048**	**16 143 125**
Minimum requirement equity and subordinated loan capital	**35 217 590**	**34 246 702**

Capital adequacy		
Capital adequacy ratio	13,0%	16,9%
Core capital adequacy ratio	13,0%	16,9%

The capital adequacy has been calculated in accordance with new capital requirement regulations, Basel II.

FINANCIAL STATEMENT

2014-01-01 - 2014-12-31

Folkia AS
990 892 040

Folkia AS
Income Statement

NOTE		2014	2013
	Interest income and similar incomes		
	Interest and similar income from loans to and receivables due from credit institutions	82 476	46 113
	Interest and similar income on loans to and receivables due from customers	117 261 032	87 803 656
	Other interest income and similar incomes	81 363	58
3	**Total interest and similar income**	**117 424 871**	**87 849 826**
	Interest expenses and similar expenses		
	Other interest expenses and similar expenses	-4 430 465	-1 427 979
	Total interest expenses and similar expenses	**-4 430 465**	**-1 427 979**
	Net interest and credit commission income	**112 994 406**	**86 421 848**
	Commission and similar expenses from banking services		
	Commission and similar expenses from loans to and receivables from credit institutions	-913 461	-792 192
	Total interest expenses and similar expenses	**-913 461**	**-792 192**
	Net change in value and gain/loss on currencies and securities that are current assets		
	Net change in value and gain/loss on shares, currencies and financial derivatives	3 857 807	4 271 186
	Total net change in value and gain/loss on currencies and securities that are current assets	**3 857 807**	**4 271 186**
	Total other operating revenues	**3 857 807**	**4 271 186**
	Salaries and general administrative expenses		
4	Salary etc	-32 591 956	-23 379 851
	- Salary	*-24 149 642*	*-16 912 800*
	- Pension	*-2 118 808*	*-1 310 921*
	- Social fees	*-6 323 507*	*-5 156 130*
	Administrative expenses	-34 835 546	-33 584 240
	Total salaries and general administrative expenses	**-67 427 502**	**-56 964 091**
	Depreciation, etc, of tangible fixed assets and intangible assets		
5,6	Ordinary depreciation	-6 019 080	-9 373 462
	Total depreciation, etc, of tangible fixed assets and intangible assets	**-6 019 080**	**-9 373 462**
	Impairment on tangible and intangible assets		
5,6	Impairment on tangible and intangible assets	-1 200 581	-8 350 526
	Total Impairment on tangible and intangible assets	**-1 200 581**	**-8 350 526**
	Other operating expenses		
19	Other operating expenses	-18 404 567	-12 468 844
	Total other operating expenses	**-18 404 567**	**-12 468 844**
	Losses on loans, guarantees, etc		
16	Losses on loans	-35 685 608	-26 332 231
	Total losses on loans, guarantees, etc	**-35 685 608**	**-26 332 231**
	Result on ordinary operations before tax	-12 798 587	-23 588 312
18	Tax on result on ordinary operations	1 707 988	5 981 890
	RESULT FOR THE YEAR	**-11 090 599**	**-17 606 422**
	TRANSFERS AND ALLOCATIONS		
9	Transferred to (from) other equity	-11 090 599	-17 606 422
	Total transfers and allocations	**-11 090 599**	**-17 606 422**

Folkia AS
Balance sheet at 31 December

NOTE	ASSETS	2014	2013
	Loans to and receivables from credit institutions		
11,12	Loans to and receivables from credit institutions without an agreed term or cancellation period	7 214 447	16 467 221
	Total net loans to and receivables from credit institutions	**7 214 447**	**16 467 221**
	Loans to and receivables from customers		
11,12,16	Repayment loans	187 381 827	131 867 217
11,12,16	Loss reserves	-72 851 172	-33 504 382
	Total net loans to and receivables from customers	**114 530 656**	**98 362 835**
	Ownership interests in group companies		
7	Shares in group companies	135 422	135 422
	Total ownership interests in group companies and other investments	**135 422**	**135 422**
	Intangible assets		
6	Goodwill	9 803 537	12 811 295
18	Deferred tax assets	30 245 978	28 409 332
6	Intangible assets	22 473 479	15 748 768
	Total intangible assets	**62 522 995**	**56 969 396**
	Tangible assets		
5	Tangible assets	713 746	407 108
	Total tangible assets	**713 746**	**407 108**
	Other assets, deferred expenditure and deferred income		
17	Other assets	1 446 245	3 393 216
	Deferred expenditure/deferred income and deposits	19 491 372	19 407 555
	Total other assets	**20 937 617**	**22 800 771**
	TOTAL ASSETS	**206 054 883**	**195 142 751**

Folkia AS
Balance sheet at 31 December

NOTE	EQUITY AND LIABILITIES	2014	2013
	Liabilities		
20	Liabilities to credit institutions	27 187 778	52 732 829
20	Other liabilities	5 540 525	5 190 645
21	Accrued expenses and deferred income	9 081 022	7 890 214
20	Convertible loan	28 039 935	0
	Total liabilities	**69 849 261**	**65 813 688**
	Total liabilities	**69 849 261**	**65 813 688**
	Equity		
	Equity contributed		
8,9	Share capital	87 034 580	87 034 580
8,9	Own shares	-814 580	-814 580
9	Subordinated loan	16 437 228	0
9	Share premium account	74 614 565	74 614 565
	Total equity contributed	**177 271 792**	**160 834 565**
	Retained earnings	-41 066 170	-31 505 501
	Total retained earnings	**-41 066 170**	**-31 505 501**
9	**Total equity**	**136 205 622**	**129 329 063**
	TOTAL EQUITY AND LIABILITIES	**206 054 883**	**195 142 751**

Oslo, 25th of March 2015
The Board of Folkia AS

Stig Herbern
Chairman of the Board

Raivo Aavisto

Leif Bjørnstad

Kalle Pykälä

Mikko Marttinen

Hørdur Bender
CEO

Folkia AS
Cash flow statement

	2014	2013
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-12 798 587	-23 588 312
Depreciation and amortization	6 019 080	9 373 462
Impairment of intangible assets	1 200 581	8 350 526
Loan provisions	35 685 608	26 332 231
Taxes paid for the period	1 862 853	-6 086 163
Net cash flow from operations	**31 969 535**	**14 381 743**
CHANGES IN OPERATING ASSETS:		
Change in trade receivables	-51 853 429	-56 181 759
Change in receivables	1 946 970	12 883 784
Changes in other current assets	-83 817	-1 709 255
CHANGES IN OPERATING LIABILITIES:		
Change in trade payables and other short term liabilities	-1 512 973	-3 091 191
Changes in other current liabilities	1 190 808	-34 786
Adjustment for other entries affecting cash flow	922 895	-408 228
CASH FLOW FROM OPERATING ACTIVITIES	**-17 420 010**	**-34 159 692**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investments	-11 243 253	-5 788 769
Net cash flow from investment activities	**-11 243 253**	**-5 788 769**
CASH FLOW FROM FINANCING ACTIVITIES:		
Changes in convertible loans	44 477 163	0
Change in credit facility	-25 545 051	35 469 368
Net cash flow from financing activities	**18 932 112**	**35 469 368**
Effects of currency rate changes on bank deposits, cash and equivalents	**478 377**	**-1 550 000**
Net change in bank deposits, cash and equivalents	-9 252 773	-6 029 094
Bank deposits, cash and equivalents 01.01	**16 467 221**	**22 496 315**
Bank deposits, cash and equivalents 31.12	**7 214 447**	**16 467 221**

Folkia AS

Notes to the accounts, year ended 31 December 2014

Note 1 Accounting policies

Folkia AS was founded at 2 January 2007.
The annual financial statements have been prepared in accordance with the Norwegian Accounting Act of 17 July 1998, the regulations concerning annual financial statements, etc, for banks and finance companies of 16 December 1998 and generally accepted accounting practices in Norway.
Folkia's consolidated financial statements have been prepared in accordance with IFRS and are published in a separate document.

Establishment of branches
Folkia went through this process in 2010 and since then operations are managed through branches of Folkia instead of subsidiaries. The transaction was accounted for applying carrying values of the assets and liabilities transferred. Group carrying amounts has been adjusted to reflect the results and financial position of the branches in accordance with the Norwegian Accounting Act and not IFRS (that is used in reporting of consolidated financial statements) in these financial statements. Amortization of intangible assets was therefore also adjusted as if NGAAP had been applied since the date of acquisition of the businesses.

Main rule for assessing and classifying assets and liabilities
The balance sheet complies with the regulations concerning annual financial statements for banks and finance companies. Assets that are determined to be for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables that are to be repaid within one year are classified as current assets. When classifying current and long-term liabilities, corresponding criteria have been used.
Current assets are valued at their original cost or their fair value, whichever is lower.

Fixed assets are valued at their original cost, but are written down to their recoverable amount if this is less than their book value and the impairment in value is not expected to be temporary. Fixed assets with a limited economic life are depreciated systematically.
Other long-term liabilities and current liabilities are valued at their nominal amount.

Assets and liabilities in foreign currencies
Monetary items in foreign currencies are converted in the balance sheet at the rate applicable on the balance sheet date.
Forward exchange contracts are recognized in the balance sheet at their fair value on the balance sheet date.

Intangible assets
The costs of in-house production of intangible assets, including the costs of own research and development work, are recognized in the balance sheet when it is probable that the future economic benefits linked to the assets will accrue to the company and the original cost can be measured reliably.

Intangible assets that are bought individually are recognized in the balance sheet at their original cost. Intangible assets acquired when a company is bought are recognized in the balance sheet at their original cost when the criteria for balance sheet recognition are met.

Intangible assets with a limited economic life are amortized systematically. Intangible assets are written down to their recoverable amount if the estimated economic benefits do not cover the balance sheet value and any remaining production costs.

Leasing agreements
Fixed assets leased on conditions which mainly transfer economic risk and control to the company (financial leasing) are considered as fixed assets in the balance sheet The accompanying leasing obligation is included under interest-bearing long-term liabilities and valued at present value of the leasing payments. The fixed asset is depreciated on a systematic basis, and the liability is reduced with the paid leasing amount less the calculated interest costs.

Shares in subsidiaries
Investments in subsidiaries are valued according to the cost method. The investments are written down to their fair value if the impairment is not temporary and this must be regarded as being necessary according to generally accepted accounting practices.

Income and expense recognition
Interest and commissions are recognized in the income statement as these are accrued as incomes or incurred as expenses.
Charges which are a direct payment for services carried out are recognized as income when they accrue.

Accounts receivable - loans
Short-term lending is measured at fair value for initial balance sheet recognition purposes. In later measurements, loans are valued at their amortized cost determined using the effective interest rate method (simplified) minus provisions for incurred losses.

Other receivables
Other receivables are entered at their nominal value after deducting provisions for estimated losses.
The provisions for losses are recognized in the financial statements based on historical trends and separate individual assessments. Folkia tracks its historical data of collected amounts and unpaid amounts on receivables. When receivables are impaired, the receivables carrying amount is reduced to the receivables recoverable amount.

Bank deposits, cash etc
Bank deposits, cash etc, include cash, bank deposits and other means of payment with a due date which is less than three months from the date of procurement.

Tax
The tax cost is placed together with the accounting result before tax. Tax linked to equity transactions is recognized in equity.
Tax consists of tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Deferred tax and deferred tax assets are presented net in the balance sheet.

Note 2 Prior year comparison numbers

There has been no changes in the comparison numbers for previous years.

Note 3 Interest and similar income per area of operation

Per area of operation 2014:	% of total	From loans to and receivables due from credit institutions	Loans to and receivables due from customers	Other	Total
Norway	13%	101 897	15 578 012	0	15 679 909
Sweden	71%	48 925	83 715 100	0	83 764 025
Finland	5%	8 140	5 551 074	0	5 559 213
Estonia	11%	4 878	12 416 846	0	12 421 724
Total	**100%**	**163 839**	**117 261 032**	**0**	**117 424 871**

Per area of operation 2013:	% of total	From loans to and receivables due from credit institutions	Loans to and receivables due from customers	Other	Total
Norway	10%	33 685	8 610 325	58	8 644 068
Sweden	66%	9 803	58 122 448	0	58 132 251
Finland	11%	63	9 829 344	0	9 829 407
Estonia	13%	2 562	11 241 539	0	11 244 101
Total	**100%**	**46 113**	**87 803 656**	**58**	**87 849 826**

Note 4 Payroll costs, number of employees, allowances, loans to employees, etc

Payroll costs	2014	2013
Wages and salaries	24 149 642	16 912 800
Social security tax	5 694 527	5 111 506
Pension costs	2 118 808	1 310 921
Recruitment and other social benefits	628 979	44 624
Total	**32 591 956**	**23 379 851**

The amounts include salaries to senior employees.

Number of man-years employed during the financial year	35	25
Number of employees	36	30

The company is required to have an occupational pension plan in accordance with Norwegian legislation on occupational pensions. The company's pension plan meets the requirements of this legislation. In Finland, the minimum defined contribution pensions (compulsory company pensions) are paid as they become due. In Finland, Norway and Sweden the costs for agreed pension contribution plans are determined upon individual agreements between the Group and the individual employee. Estonia has no pension cost or pension benefits.

Directors' remuneration (kNOK)	Salaries, fees	Pensions
Hördur Bender, CEO (1)	1 705	151
- bonus	0	0
Other Management	**5 628**	**766**
Magnus Sjögren, General Counsel	2 129	256
Anders Linder, COO	1 058	157
Jens Schau-Hansen, CFO	1 307	188
Jan Nilsson, CTO	1 134	165
Credit Committee	**50**	**0**
Leif Björnstad	50	0
Control Committee	**200**	**0**
Anders Utne	40	0
Eigil Ulvin Olsen	40	0
Einar Irgens	80	0
Morten Egil Haugen	40	0
Board members	**650**	**0**
Stig Herbern	250	0
Raivo Aavisto	100	0
Leif Bernhard	100	0
Mikko Marttinen	100	0
Kalle Pykälä	100	0
Total	**8 233**	**917**

1) Bonus related to work performed in 2014 is accrued and will be paid out in 2015.

As at 31.12.2014 there are no loans or guarantees given to the board members, CEO or other leading officers.

Transactions with related parties
Folkia AS has been involved in transactions with the following related parties:

Formentor Oy
Board member and shareholder Mikko Marttinen is a member of the board.

Nexia DA
Owned by, among others, the former Chairman of the board and shareholder Finn Terje Schøyen.

SMH Management A/S
Owned by the current Chairman of the board and shareholder Stig Herbern.

Purchase of goods and services from related parties	**2014**	**2013**
Formentor Oy	0	464 774
Nexia DA	0	2 106 886
SMH Management A/S	727 387	187 000
Total	**727 387**	**2 758 660**

The above amounts are inclusive of value added tax where relevant.

Auditor
Remuneration to Deloitte AS and PwC AB and their associates is as follows:
Numbers are included VAT.

	2014	**2013**
Statutory audit		
- Deloitte	898 184	1 423 904
- PwC	537 094	0
- Other	54 242	72 090
Tax services		
- Deloitte	113 125	278 901
- Other	0	0
Other non-assurance services		
- Deloitte	194 000	519 774
- Other	0	0
Total	**1 796 645**	**2 294 668**

Note 5 Tangible fixed assets

2014 financial year	**Machinery, fixtures, fittings and vehicles**
Carrying amount 01.01.14	**407 108**
Additions	641 115
Effect of foreign currency exchange differences	-5 432
Disposals	0
Depreciation during the year	-329 045
Carrying amount 31.12.2014	**713 746**
As at 31 December 2014	
Original cost	5 522 591
Accumulated depreciation	-4 808 844
Carrying amount 31.12.2014	**713 746**

Depreciation is charged on a straight-line basis. Estimated useful life is between 3 and 5 years.

Note 6 Intangible assets

	Goodwill	**Software (including scoringmodell and licenses)**	**Customer relationships**	**Trademarks**	**Total**
Useful life (years)	**10**	**5**	**5**	**20**	
Original cost 01.01.2013	**45 889 905**	**21 146 298**	**13 332 762**	**10 418 487**	**90 787 452**
Additions	**0**	**5 172 798**	**0**	**0**	**5 172 798**
Swedish branch	0	1 894 408	0	0	1 894 408
Danish branch	0	0	0	0	0
Finnish and Estonian branch	0	2 481 891	0	0	2 481 891
Norway	0	796 499	0	0	796 499
Translation differences	0	0	0	0	0
Original cost 31.12.2013	**45 889 905**	**26 319 096**	**13 332 762**	**10 418 487**	**95 960 250**
Accumulated depreciation 01.01.2013	-20 583 449	-16 837 248	-10 930 031	-2 741 445	**-51 092 174**

Depreciation during the year	**-4 588 990**	**-1 423 012**	**-2 402 731**	**-506 731**	**-8 921 464**
Swedish branch	-2 111 797	-978 622	0	-407 807	-3 498 226
Danish branch	-895 961	0	-344 844	-29 624	-1 270 429
Finnish and Estonian branch	-1 581 232	-143 098	-2 057 887	-69 300	-3 851 517
Norway	0	-301 292	0	0	-301 292
Impairment during the year	-7 906 170	0	0	-444 356	-8 350 526
Translation differences	0	968 938	0	-4 960	963 978
Accumulated depreciation and impairment losses 31.12.2013	-33 078 609	-17 291 322	-13 332 762	-3 697 492	**-67 400 186**
Carrying amount 31.12.2013	**12 811 295**	**9 027 773**	**0**	**6 720 995**	**28 560 064**
Original cost 01.01.2014	**45 889 905**	**26 319 096**	**13 332 762**	**10 418 487**	**95 960 250**
Additions	**0**	**10 302 807**	**0**	**0**	**10 302 807**
Swedish branch	0	3 833 121	0	0	3 833 121
Danish branch	0	0	0	0	0
Finnish and Estonian branch	0	6 469 686	0	0	6 469 686
Norway	0	0	0	0	0
Translation differences	0	996 696	0	0	996 696
Original cost 31.12.2014	**45 889 905**	**37 618 599**	**13 332 762**	**10 418 487**	**107 259 753**
Accumulated depreciation 01.01.2014	-33 078 609	-17 291 322	-13 332 762	-3 697 492	**-67 400 186**
Depreciation during the year	**-3 007 758**	**-2 205 170**	**0**	**-477 107**	**-5 690 035**
Swedish branch	-2 111 797	-1 271 546	0	-407 807	-3 791 150
Danish branch	-895 961	0	0	0	-895 961
Finnish and Estonian branch	0	-713 315	0	-69 300	-782 615
Norway	0	-220 309	0	0	-220 309
Impairment during the year	0	0	0	-1 200 581	-1 200 581
Translation differences	0	-696 895	0	4 962	-691 933
Accumulated depreciation and impairment losses 31.12.2014	-36 086 368	-20 193 387	-13 332 762	-5 370 218	**-74 982 735**
Carrying amount 31.12.2014	**9 803 537**	**17 425 212**	**0**	**5 048 267**	**32 277 017**

The Board and the management strongly believe that Folkia's goodwill is a vital asset of the company in the long run. Folkia is a well-recognized company in all operating markets and has built up strong positions in the different markets during several years. The impairment valuation shows that there is no indication of impairment for the group as a whole with the exception of the trademark values related to Folkia Sweden where the value will be impaired. The new brand FROGTAIL was launched in Sweden late 2014. As it is expected that the customer overlap will effect the existing brand Folkia in Sweden, the Company has decided to impair 50% of the Folkia Sweden trademark value. Folkia has a long perspective strategy and the board and the management have concluded that Folkia's position motivates a longer useful life period than 5 years for the remaining carrying value after impairment. Depreciation is charged on a straight-line basis.

Note 7 Subsidiary

Company	Date of acquisition	Consolidated (yes/no)	Registered office	Voting share	Ownership share
Folkia AB	Dec 2007	yes	Stockholm	100%	100%

Company	Equity (carrying amount) as at 31.12.2014	Last annual result as at 31.12.2014
Folkia AB	151 205	125

On December 28th 2012, Folkia AB finalized a partial distribution to its owner Folkia AS. Folkia AB is scheduled to be liquidated as soon as the legal process with Folksam is completed.

There has been no transactions with any related party.

Note 8 Share capital and shareholder information

The share capital in the company at 31 December 2014 consists of the following classes:

	Number	Nominal value	Book value
Shares	17 406 916	5	87 034 580
Total	**17 406 916**		**87 034 580**

All the shares have equal voting rights.

Ownership structure

Largest shareholders as of 31 December 2014:

	Share	Ownership share	Voting share
BRENNEN CONSULTING LIMITED	1 740 800	10%	10%
CNHL LTD	1 740 690	10%	10%
CLEARSTREAM BANKING S.A. *	1 372 662	8%	8%
LANDSYN EHF	1 301 974	7%	7%
DANSKE BANK A/S *	1 214 100	7%	7%
SVENSKA HANDELSBANKEN AB *	1 054 896	6%	6%
INTERACTIVE A ISLANDI EHF	911 811	5%	5%
NORDNET BANK AB *	793 331	5%	5%
BNP PARIBAS SEC. SERVICES S.C.A *	707 575	4%	4%
SKANDINAVISKA ENSKILDA BANKEN AB *	628 175	4%	4%
NEBRASKA INVEST OY	496 356	3%	3%
UBS AG *	433 320	2%	2%
PAATERO	381 637	2%	2%
FIVADO AS	282 787	2%	2%
ARION BANK HF *	275 993	2%	2%
HIETALA	248 064	1%	1%
BERASCO LIMITED	242 869	1%	1%
OÜ VIADELLA INVESTMENTS	242 826	1%	1%
DYVI	200 500	1%	1%
DYNAMO AS	193 166	1%	1%
AS SMÅFINANS	192 097	1%	1%
WAHLSTRØM	185 000	1%	1%
AGDER TECHNOLOGY AS	184 432	1%	1%
MARTTINEN	181 939	1%	1%
Total shareholders with minimum 1% ownership	**15 207 000**	**87%**	**87%**
*) Share deposit			
Own shares, FOLKIA AS	110 174	0,6%	0,6%
Own shares, FOLKIA AS NORGE FILIAL SVERIGE	52 742	0,3%	0,3%
Total remaining shareholders	**2 037 000**	**12%**	**12%**
Total number of shares	**17 406 916**	**100%**	**100%**

Shares and options held by Members of the Board and CEO:

Name	Title	Shares
Hördur Bender (1)	CEO	911 811
Leif Bernhard Bjørnstad (2)	Director	192 097
Stig Magnus Herbern (3)	Chairman of the Board	25 000
Mikko Marttinen (4)	Director	704 146
Raivo Aavisto (5)	Director	1 305 600
Kalle Pykälä (6)	Director	152 655

(1) Hördur Bender owns shares indirectly through INTERACTIVE A ISLANDI EHF.
(2) Leif Bernhard Bjørnstad owns shares indirectly through SMÅFINANS AS.
(3) Stig Magnus Herbern owns shares indirectly through SMH MANAGEMENT A/S.
(4) Mikko Marttinen owns shares indirectly through CNHL LTD.
(5) Raivo Aavisto owns shares indirectly through BRENNEN CONSULTING LIMITED via BRANDBERG OÜ.
(6) Kalle Pykälä owns shares indirectly through Marinium OY.

Note 9 Equity

Paid in equity	Share capital	Share premium	Subordinated loan	Other equity	Total equity contributed
Equity at 1 January 2014	**86 220 000**	**74 614 565**		**-31 505 501**	**129 329 063**
This year's change in equity:					
Profit/(loss) of the year				-11 090 599	-11 090 599
Subordinated loan			16 437 228	-	16 437 228
Translation differences		-		1 529 929	1 529 929
Equity at 31 December 2014	**86 220 000**	**74 614 565**	**16 437 228**	**-41 066 171**	**136 205 622**

Registered share capital	87 034 580
- own shares	814 580

Note 10 Financial market risk

Folkia’s activities entail various types of financial risks. In relation to the Company’s balance sheet as of 31st December 2014, these risks are according to the following:

Market Risk

(i) Currency Risk

A currency risk arises on trading transactions, balance sheet assets and liabilities and net investments in foreign companies.

(ii) Risk linked to floating interest rates and fixed rates

Folkia AS deposits its excess liquidity in the banks at a floating interest rate that is regularly adjusted. The company has short- and medium long term lending connectec with loan facilities with fixed charges. The cash flow from loans to customers is entirely independent of changes in the market interest rate. Cash flows from other receivables have mainly been entered into at a floating interest rate and the Company's revenues will depend on the market interest rate.

Credit Risk

A credit risk arises in transactions involving bank deposits and lending to customers. The Company has maximum loan limits for its loan products and standard credit rating requirements and has developed its own scoring model for the credit rating of private customers.

Liquidity Risk

The management of the liquidity risk entails maintaining a sufficient stock of liquid assets. The Management monitors the Group's liquidity reserve, which consists of a revolving credit facility and cash equivalents, through revolving forecasts based on the estimated cash flow. This is normally carried out at the Group level.

Pillar I Allocation

NOK 1000	**2014**	
	RWAs	**Pillar I Capital Resource Requirement**
Credit Risk	138 043	11 043
Market Risk	107 361	8 589
Operational Risk	101 199	15 180
TOTAL CAPITAL REQUIRED	**346 604**	**34 812**
Eligible Capital		57 257
Capital Adequacy Ratio		**13,16%**

Pillar II Allocation

NOK 1000	**2014 Capital Assessment**
Pillar I - Credit Risk	11 043
Pillar I - Market Risk	8 589
Pillar I - Operational Risk	15 180
Market risk	6 480
Credit risk - additional	4 475
Operation risk	0
Liquidity risk	11
Interest rate risk	935
Governance risk	0
Strategic risk	100
Reputation risk	63
Recession risk	0
Political/legal risk	1 054
Financing risk	0
Asset Liability Management (ALM) risk	0
TOTAL CAPITAL REQUIREMENT (PILLAR I&II)	**47 931**
Capital Base (at assessment date)	71 096
% Capital Headroom	11,9%

Note 11 Residual term to maturity as at 31 December

Assets	Up to 1 month	From 3-12 months	From 1 to 5 years	Without an agreed residual term to maturity	Total
Loans to and receivable from credit institutions					
in NOK				629 746	629 746
in foreign currency				6 584 701	6 584 701
Loans to and receivables from customers					
in NOK	14 597 449				14 597 449
in foreign currency	33 323 222	66 609 985			99 933 207
Ownership in other Group companies					
in NOK					0
in foreign currency				135 422	135 422
Intangible assets					
in NOK			743 399	14 851 805	15 595 203
in foreign currency			16 681 813		16 681 813
Other assets					
in NOK		375 235	252 553	30 404 955	31 032 743
in foreign currency		3 502 310	461 194	16 901 095	20 864 599
Total Assets	**47 920 671**	**70 487 530**	**18 138 958**	**69 507 724**	**206 054 883**
in NOK	14 597 449	375 235	995 951	45 886 506	61 855 141
in foreign currency	33 323 222	70 112 295	17 143 007	23 621 218	144 199 742
Equity and liabilities					
Other Liabilities					
in NOK	2 489 546	2 432 813	28 039 935		32 962 294
in foreign currency	6 930 337	29 956 630			36 886 967
Equity					
in NOK				102 802 822	102 802 822
in foreign currency				33 402 800	33 402 800
Total equity and liabilities	**9 419 883**	**32 389 442**	**28 039 935**	**136 205 623**	**206 054 883**
in NOK	2 489 546	2 432 813	28 039 935	102 802 822	135 765 116
in foreign currency	6 930 337	29 956 630	0	33 402 800	70 289 767
Net liquidity exposure balance sheet items					
in NOK	12 107 903	-2 057 578	-27 043 984	-56 916 316	-73 909 975
in foreign currency	26 392 885	40 155 665	17 143 007	-9 781 582	73 909 975

Note 12 Period prior to the change in interest rate at 31 December

Assets	Up to 1 month	From 1 to 3 months	From 3 to 12 months	Items without interest rate exposure	Total
Loans to and receivable from credit institutions					
in NOK	629 746				629 746
in foreign currency	6 584 701				6 584 701
Loans to and receivables from customers					
in NOK				14 597 449	14 597 449
in foreign currency				99 933 207	99 933 207
Ownership in other Group companies					
in NOK					0
in foreign currency				135 422	135 422
Intangible assets					
in NOK				15 595 203	15 595 203
in foreign currency				16 681 813	16 681 813
Other Assets					
in NOK				31 032 743	31 032 743
in foreign currency	50 532			20 814 067	20 864 599
Total assets	**7 264 979**	**0**	**0**	**198 789 904**	**206 054 883**
in NOK	629 746	0	0	61 225 395	61 855 141
in foreign currency	6 635 234	0	0	137 564 509	144 199 742

Equity and liabilities					
Other liabilities					
in NOK			251 977	32 710 317	32 962 294
in foreign currency			26 935 802	9 951 165	36 886 967
Equity					
in NOK				102 802 822	102 802 822
in foreign currency				33 402 800	33 402 800
Total equity and liabilities	**0**	**0**	**27 187 778**	**178 867 105**	**206 054 883**
in NOK	0	0	251 977	135 513 140	135 765 116
in foreign currency	0	0	26 935 802	43 353 966	70 289 767
Net liquidity exposure balance sheet items					
in NOK	629 746	0	-251 977	-74 287 745	-73 909 975
in foreign currency	6 635 234	0	-26 935 802	94 210 543	73 909 975

Note 13 Currency positions at 31 December

Currency	Assets	Equity and liabilities	Net position
NOK	61 990 563	135 765 115	-73 774 553
SEK	86 963 828	57 911 700	29 052 128
DKK	2 502 961	-2 023 965	4 526 926
EUR	54 597 531	14 177 876	40 419 656
Other	0	224 157	-224 157
Total	**206 054 883**	**206 054 883**	**0**

Note 14 Capital adequacy requirements at 31 December

Equity and subordinated loan capital (KNOK)

	2014	**2013**
Share capital	86 220 000	86 220 000
Other equity	33 548 394	43 109 064
Total equity	**119 768 394**	**129 329 064**
Deductions		
Intangible assets	-32 277 017	-28 560 064
Deferred tax assets	-30 245 978	-28 409 332
Core capital	**57 245 400**	**72 359 668**
Net equity and subordinated loan capital	**57 245 400**	**72 359 668**
Minimum requirement equity and subordinated loan capital		
Credit risk		
Of which:		
Institutions	173 792	263 472
Mass market commitments	6 933 844	5 585 377
Commitments that have fallen due	2 228 624	421 808
Other commitments	1 707 200	1 867 840
Total minimum requirement market risk	**11 043 460**	**8 138 497**
Currency risk	8 588 882	9 965 079
Total minimum requirement market risk	**8 588 882**	**9 965 079**
Operational risk	15 179 890	15 270 596
Minimum requirement equity and subordinated loan capital	**34 812 232**	**33 374 173**
Capital adequacy		
Capital adequacy ratio	13,2%	17,3%
Core capital adequacy ratio	13,2%	17,3%

Note 15 Secure debt and guarantees etc

Folkia AS had no assets provided for book liabilities either in 2014 or 2013.

Note 16 Account receivables (loans)

	2014	2013
Loans	187 381 827	131 867 217
Impairment for probable losses on loans	-72 851 172	-33 504 382
Net loans	**114 530 656**	**98 362 835**

These loans are to private customers. For a more detailed description of the credit risk, refer to the note of financial risk.

The fair value of loans are considered to be equal to book value as all loans have short term to maturity and probable losses have been written down.
The fallen-due dates of the loans were as follows at 31 December 2014:

	2014	2013
Not fallen due	73 765 760	87 900 945
Fallen due 1-30 days ago	14 653 167	10 549 409
Fallen due 31-60 days ago	8 348 133	4 406 157
Fallen due 61-90 days ago	7 745 073	2 594 448
Fallen due more than 90 days ago	82 869 694	26 416 259
Total	**187 381 827**	**131 867 217**

At 31 December 2014, the provisions were NOK 72 851 172

The movements in the provisions for the impairment of accounts receivable are as follows:

	2014	2013
Unspecified loan loss provisions at 1 January	**33 504 382**	**14 704 141**
Ascertained loss during the year for which provisions have previously been made	-120 079	-13 093 658
Increased unspecified loan loss provisions during the year	37 718 713	29 187 097
Write-back of specified loan loss provisions during the period	1 748 155	1 250 655
Currency translations	0	1 456 146
Unspecified loan loss provisions at 31 December	**72 851 172**	**33 504 382**

	2014	2013
Loan loss recognized in the statement of P&L during the period	35 685 608	26 332 231

The amount recognized in the provisions account is written off when there is no expectation of recovering additional cash.
The maximum credit risk exposure on the reporting date is the fair value of the accounts receivable stated above.
The company has no charge granted as security.

Note 17 Other assets

	2014	2013
Other receivables	1 446 245	3 393 216
Total other receivables	**1 446 245**	**3 393 216**

Other receivables do not contain impaired assets.

Note 18 Tax

Components of the tax expense:	**2014**	**2013**
Taxes payable on foreign income in FY14 (Swedish branch)	128 658	0
Change in deferred tax	-1 836 646	-5 981 890
Tax expense	**-1 707 988**	**-5 981 890**

Reconciliation from the nominal to the actual tax rate	**2014**	**2013**
Result for the year	-12 798 587	-23 588 312
Calculated tax according to the nominal rate (27 %)	-3 455 618	-6 604 727
The tax effect of the following items:		
Permanent differences	-374 456	77 759
Tax payable on foreign income	128 658	0
Deferred tax (Swedish branch)	489 008	-489 008
Tax rate change	0	1 034 086
Adjustments related to prior years*	1 504 421	0
Tax expense	**-1 707 988**	**-5 981 890**
Effective tax rate	**13%**	**25%**

Specification of the tax effect of temporary differences and carry-forward loss:	**2014**	**2013**
Tangible and intangible assets	5 319 104	5 760 016
Carry-forward loss	24 926 874	22 649 315
Total	**30 245 978**	**28 409 331**
Net deferred tax assets in the balance	**30 245 978**	**28 409 331**

*Translation differences of NOK 5 571 928 in the CIT return was not included in the tax calculation for FY14

Note 19 Other operating expenses

Specification of other operating expenses	2014	2013
Leasing of premesis	2 662 752	2 408 803
External provided services	13 371 288	7 625 504
Other costs	2 370 527	2 434 538
Total	**18 404 567**	**12 468 844**

The fees relate to financial and legal assistance in connection with acquisitions, audits, accounting etc.

Note 20 Liabilities

Specification of liabilities	2014	2013
Liabilities to credit institutions	27 187 778	52 732 829
Convertible loan	28 039 935	0
Approved, invoiced but not paid out loans	0	1 399 731
Accounts payable	5 540 525	3 790 914
Total	**60 768 238**	**57 923 474**

Folkia has an NOK 80 million credit facility from DNB Bank ASA. The facility has an interest of 1 month NIBOR + 4.25% interest. The credit facility has a maturyity of one year. Thereafter the loan can be reniewed for one year at a time. As a result of the temporarily reduced profitability during 2014 Folkia had a breach of the covenant adjusted EBIT (excl. nonrecurring items) in Q3 and Q4. The covenant breach is waived by DNB.

In October 2014 Folkia entered into two convertible debt tranches of 19,341 TNOK and 27,630 TNOK of which the first tranche was converted for a 9.9% stake in Folkia in March 2015. This loan is treated as subordinated loan in the financial statement for 2014. Both loans accrue an interest of 7% pro anno from the drawdown date witl no instalments paid during the availability period.

Note 21 Accrued expenses

Specification of accrued expenses	2014	2013
Govt. charges and special taxes	1 646 675	435 351
Salaries owed	4 450 395	3 275 405
Other accrued expenses	2 983 953	4 179 458
Total	**9 081 022**	**7 890 214**

Note 22 Contingent liability and events after the end of the reporting period

The first tranche loan entered into in October 2014, was converted for a 9.9% stake in Folkia in March 2015. Folkia entered into a further convertible loan, tranche three, in March 2015 in the amount of 27,630 TNOK.

On 30 August 2011 Folksam ömsesidig sakförsäkring and Folksam ömsesidig livföräkring (jointly "Folksam") filed a lawsuit against Folkia at the Stockholm District Court for trademark and company name infringement, claiming among other things that Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI infringes on FOLKSAM's trademarks and company names. Folkia contested Folksam's lawsuit in its entirety in Folkia's Statement of Defence. On 26 October 2011 Folkia filed a counterclaim against Folksam. Folkia is of the view that Folkia had not infringed on any of Folksam's trademarks or company names and, consequently, that the legal basis for Folksam's claim was scarce.

The judgment was appealed by both parties to the Svea Court of Appeal and the main hearing took place on 17-18th February 2014. In its judgement, which was rendered on 8th April 2014, the Svea Court of Appeal agreed with the District Court that Folksam's trade mark registrations shall remain void. However, as regards Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI the court found that Folkia infringes on FOLKSAM's trademarks and company names in the Swedish market. The case has been appealed to the Supreme Court. It stands to reason that any comprehensive IPR process is consuming both internal time and resources for Folkia as well as costs for external party counsel. Folkia considers that the outcome will not affect the reported figures per 31.12.14, and does not affect the assumptions of going concern as basis for the preparation of the financial statements. Refer to note 6 for further description of the carrying values.

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To the Annual Shareholders' Meeting of Folkia AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Folkia AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at 31 December 2014, and the income statement and cash flow statement, for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the balance sheet at 31 December 2014, income statement, changes in equity and cash flow for the year then ended, and a summary of significant accounting policies and other explanatory information.

The Board of Directors and the Managing Director's Responsibility for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation and fair presentation of the financial statements of the parent company in accordance with Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for the preparation and fair presentation of the financial statements of the group in accordance with International Financial Reporting Standards as adopted by EU and for such internal control as the Board of Directors and the Managing Director determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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Statsautoriserte revisorer, medlemmer av Den norske Revisorforening og autorisert regnskapsførerselskap

Opinion on the financial statements of the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position for Folkia AS as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements of the group

In our opinion, the financial statements of the group present fairly, in all material respects, the financial position of the group Folkia AS as at 31 December 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors report concerning the financial statements and the going concern assumption is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements ISAE 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information", it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Oslo, 25 March 2015
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

Note: This translation from Norwegian has been prepared for information purposes only.