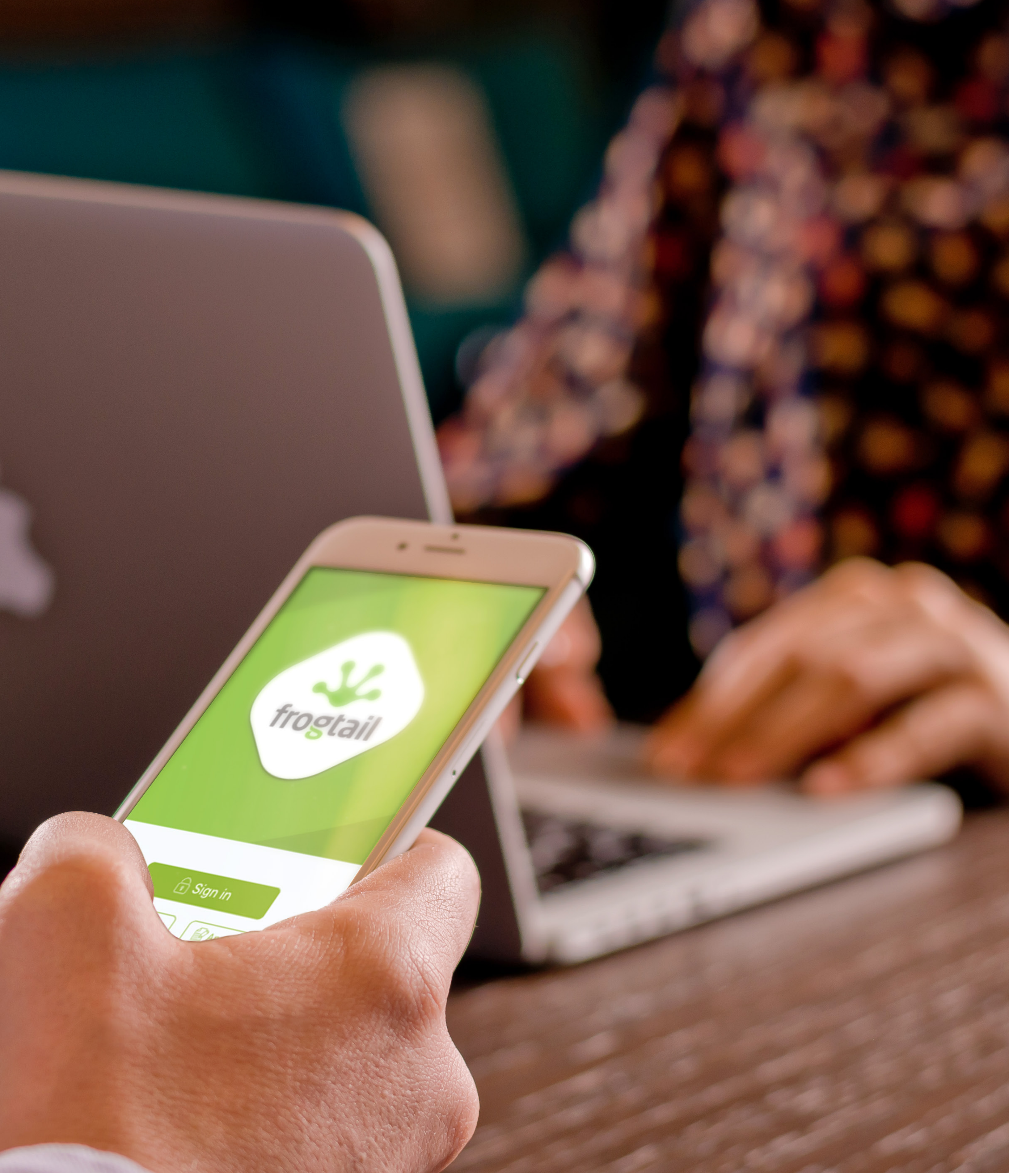

Folkefinans

Annual Report 2015

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REPORT OF THE BOARD OF DIRECTORS FOR 2015

GENERAL

Folkefinans AS prepares its financial statements in accordance with IFRS; see section 3-9 of the Norwegian Accounting Act. As Folkia AB was liquidated in 2015, it is decided to adopt IFRS for Folkefinans AS's financial statement. The company has consistently applied the accounting policies used in preparation of its opening IFRS statement of financial position at January 1, 2014 throughout the periods presented, as if these policies had always been in effect. The directors' report also covers the company's operations; see section 3-3a of the Accounting Act.

ABOUT THE COMPANY

Folkefinans 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 Companies Act Section 1-3 b) and c). Folkefinans AS's home state Supervisor is Finanstilsynet, Norway.

Folkefinans provides everyday financial services in the Nordic and Baltic regions. As at 31 December 2015, the company's operations consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch. The non-operating subsidiary, Folkia AB in Sweden, has been liquidated during 2015, and has been part of Folkefinans until liquidation.

Folkefinans' head office is in Kronprinsens Gate 1, NO-0251 Oslo.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Operating revenues

The company's operating revenues amounted to 126 MNOK in 2015, compared to 117 MNOK in 2014. The improvement in revenues was mainly due to the launch of the new brand FROGTAIL and the further development of in-house collection in Sweden.

Operating expenses

The company's operating expenses came to 143 MNOK in 2015, compared to 128 MNOK in 2014. Folkefinans has continued to invest in its organization and credit scoring system to scale and position the company for the growth in the new brand FROGTAIL and in the Visa Credit Card. This has brought increased costs and reduced profitability during 2015, however with positive outlook for 2016 and the coming years.

Research and Development activities

Folkefinans as continued the development of its in house IT-system 'FOSS'. Particular focus has been put on (i) upgraded scoring model, (ii) further development of the in-house debt collection system, (iii) direct debit functionality, and (iv) updated technical platform for dynamic individual pricing functionality with the new brand FROGTAIL. Folkefinans has not conducted any research activities that would have any impact on the financial statement.

Goodwill impairment

The carrying amount of goodwill in the financial statements is assessed annually for any impairment in value. With due regard taken to the launch of the new brand FROGTAIL and the discontinuation of the brand FOLKIA in Sweden, the company has decided to impair the remaining values of the FOLKIA trademark value amounting to 4,1 MNOK.

Credit losses

The company's losses on loans were 32 MNOK in 2015 compared to 36 MNOK in 2014. The reduced loss level is mainly due to new and improved scoring and in-house collection processes coupled with new widened product range through the Frogtail brand and entry into new customer segments. However the level of defaulted loans above 30 days are not satisfactory, and the board and management have introduced means to improve collections.

BALANCE SHEET, FINANCING AND LIQUIDITY

Folkefinans' balance sheet total as at 31 December 2015 was 301 MNOK, compared to 221 MNOK in 2014.

The company is financed by (i) equity, (ii) a credit facility of 80 MNOK, (iii) one loan of 28 MNOK entered into in 2014, (iv) one loan of 28 MNOK entered into in 2015; and (v) one sub ordinated convertible loan of 3.5 MEUR entered into in 2015. The sub ordinated convertible loan is partly included as Tier 2 capital in the 2015 Annual Report. The equity ratio remained at 54% in 2015 compared to 70% in 2014 (Total equity/Total balance).

Folkefinans' liquidity situation is good. As at 31 December 2015, the company had cash holdings of 30 MNOK. The company's cash flow was satisfactory throughout 2015.

As Visa Europe Principal Member, Folkefinans' redeemable share in Visa Europe represents a value of 3,2 MEUR in the Visa Inc. acquisition of Visa Europe Limited to create a single Visa. The transaction is subject to regulatory approvals and is expected to close in the second calendar quarter (April - June) of 2016. Folkefinans' share of the sale proceeds are reported in 2015 and affects the financial situation of the company positively with 30 MNOK.

MAIN TRENDS

The increased regulatory and political focus on small unsecured loans has continued to materialize during 2015 in the Nordic and Baltic microloan markets. Folkefinans has participated actively in the regulatory development and continued its preparation and adaptation to the new regulatory landscape in all markets of operation. Folkefinans has positioned itself as a flexible provider of credit, with online credit offerings aspirational to all income segments.

In its home state Norway, Folkefinans was well prepared for the new unifying Financial Companies Act, which entered into force 1 January 2016 for banks, credit- and finance companies like Folkefinans. Among other things, this involves some organizational changes for Folkefinans. During 2015 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.

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. Folkefinans has maintained strict compliance with the new legislation, applying best practices in its Finnish operation. During 2015, the board and management however decided to discontinue the sale of new credit cards in Finland, mainly due to a seemingly over-indebted small loan population and low profit generation.

As anticipated, the regulatory focus in Sweden has remained at a high level also during 2015. The new legislation, addressing mainly the unregulated micro loan market with the introduction of a domestic license requirement and supervision by the Swedish Financial Supervisory Authority ("Finansinspektionen"), entered into force 1st July 2014. According to information from Finansinspektionen heavy workload has affected the pace of the application process for Folkefinans' Swedish competitors throughout 2015, and it still remains to be seen how many companies will actually be granted and maintain the mandatory domestic credit license in Sweden. Folkefinans General Counsel as Chairman of the Swedish Consumer Credit Association has been appointed expert in the consumer credit governmental review (2015:04). The review shall be presented to the Swedish Government on or before 30th September 2016 and it remains to be seen what new regulations, if any, might be proposed by the Government based on that report. Under the normal process for proposed legislation review, any entry into force is not to be anticipated before summer 2017.

The regulatory movement in Estonia has proceeded as anticipated. During 2015 the Estonian Parliament approved a new legislation with 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, since 21st March 2016, a domestic license similar to the Swedish domestic license is needed to be obtained by all previously unlicensed competitors in Estonia. It remains to be seen how many competitors of Folkefinans will actually be granted and maintain the mandatory credit license in Estonia.

Albeit many new regulations have recently been introduced, the main trend as we see it is that more regulations may come over time in all markets of operation. In that regard, Folkefinans is very well prepared, already being a well-managed licensed company under supervision. Folkefinans has and will at all times aim to apply the highest legal, regulatory and industry standards.

MARKET AND PRODUCTS

During 2015, the company's services primarily consisted of the provision of (i) unsecured loans, up to NOK 25.000 with maturity up to 24 months through the brands Frogtail, Monetti, Folkia and Kredit365; and (ii) Visa credit cards in Finland and Estonia, which markets however now have been discontinued. For 2016 and onwards, Norway and Sweden are the two focus markets. As of 31 December 2015, Norway is Folkefinans' second biggest market (after Sweden). The provision of longer loans and the recent launch of the new brand FROGTAIL in Norway along with a general increased focus on the Norwegian market has further strengthened Folkefinans position as an innovative credit provider in the home market Norway. The next step is to launch the VISA Credit Card.

In Denmark Folkefinans has kept the product offering on the updated technical platform, keeping a close and sound approach to credit risk and scoring, mainly focusing on maintaining the market share in the microloan market. During 2016, however, the product offering is being discontinued.

Sweden is still Folkefinans' biggest market. The main event in the Swedish market during 2015 was the further development and marketing of the new brand FROGTAIL, which was introduced in late 2014, with dynamic individual pricing targeting new upper customer segments. Our customers have continued to show very positive response to the new brand FROGTAIL and its dynamic product offering. As of 31 December 2015, FROGTAIL represents some 43% of the Folkefinans sales revenue in Sweden.

In Finland Folkefinans has kept a close and sound approach to credit risk and scoring and discontinued the sale of new Visa credit cards during Q3 2015 due to low profitability. The board and management will continue to work on a re-entry strategy to the Finnish market over time.

In Estonia the launch of the VISA credit card took place in Q1 2015. Throughout the year Folkefinans has maintained focus on best practices, and participated in the regulatory development, entertaining a close dialogue with the Supervisory Authorities. During 2015 the board and management has taken the decision to write off all debt older than one year in the books and will discontinue the sales in Estonia during 1H 2016. The board and management will continue to work on a re-entry strategy to the Estonian market over time.

To sum up, during 2015, Folkefinans has continued to execute on its strategic move to provide a fully flexible product offering to all customers segments, with the development of the new brand FROGTAIL in Sweden, which has also been launched with limited marketing in Norway during Q2 2015. Eventually, FROGTAIL may be launched also in other markets, providing a high technology driven e-credit solution. Main focus for 2016 is however to make FROGTAIL a sustainable, growing and profitable brand in Norway and Sweden.

INVESTMENTS AND FINANCE

During 2015 Folkefinans maintained its credit line of 80 MNOK as established in 2013 and the loan of 28 MNOK granted in 2014. Furthermore, the Company has further strengthened its liquidity situation by entering (i) another loan of 28 MNOK, and (ii) one subordinated loan of 3.5 MEUR. The two loans of 28 + 28 MNOK shall be repaid over a two-year term, starting 18th December 2016. The operating liquidity status of the company is good.

ORGANIZATION, EMPLOYEES, CULTURE, INTERNAL & EXTERNAL ENVIRONMENT

A major organizational change has taken place in top management during Q1 2016. The founder of Folkefinans and previous chairman of the board, Mr. Hördur Bender, has stepped down from his position as CEO February 4th 2016.

Mr. Harald Dahl-Pedersen has been recruited as CEO in the company as of 1 June 2016. The board is fully convinced that Mr. Dahl-Pedersen has the right background and personal qualifications to bring the company forward together with the board and the rest of management into solid and sustainable growth and profit generation. The current CFO Mr. Jens Schau-Hansen has been appointed as interim CEO until 31 May 2016.

During 2015 Folkefinans has strengthened its competence in all markets and in all operational support units, where half of the IT-support unit is now situated in the Estonian office. Folkefinans maintains its Norwegian Head Office at Kronprinsens gate 1 in the Oslo centre. The office provides modern facilities and frequent use of online meetings, which reduces the staff travel costs between the offices.

Folkefinans has always placed emphasis on giving women and men the same opportunities for professional and personal development, salary and promotion. Folkefinans 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 Folkefinans' 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 Folkefinans' 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 Folkefinans staff are included in the Code of Conduct, the Staff Rules and in all employment contracts throughout the company.

Folkefinans is also putting strong focus on the physical and cultural well-being of its staff. Folkefinans 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 2015 involves, *inter alia*, music and theater vouchers to the staff and participation at live music performances in Estonia & Sweden. The Company has furthermore provided financial support to the organization 'Save the Children' ("Rädda Barnen"), the world's leading independent organisation for children.

Folkefinans' 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 Folkefinans are female. There are no female directors in Folkefinans Non-discrimination and equal pay for equal work are paramount principles in the Folkefinans recruitment strategy and remuneration policy.

The total sickness absence was 638 days, which equals 4,6 % of the total hours worked. Of the total sickness absence 220 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. Folkefinans will continue to recruit the best professionals, regardless of gender, age or ethnic origin. The Board of Directors is constantly monitoring Folkefinans' Key Performance Indicators, and will continue to do so in 2016.

RISKS AND CAPITAL ADEQUACY

The company is exposed to various types of financial risks. In relation to the company's balance sheet as at 31 December 2015 these are: foreign exchange risks and credit risks linked to loans in local currencies in the company'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 company has implemented routines and policies to handle the various risks and these are described in further detail in the notes to the financial statements.

Folkefinans' capital adequacy ratio was 18,8% as at 31 December 2015, compared to 13,0% in 2014.

In Sweden Folkefinans has maintained its active role in the industry association "Svenska Konsument-kreditföretagen Ekonomisk Förening", with Folkefinans' General Counsel as Chairman of the Board of Directors. Due to its status as licensed company, Folkefinans has chosen not to be a formal member of the association, but a supporting member. Under Folkefinans' 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. Folkefinans General Counsel is currently appointed expert in the Governmental review (2015:04) regarding certain consumer credits.

As has been reported in the 2014 Annual Report, Folkefinans has been in litigation with Folksam ömsesidig sakförsäkring and Folksam ömsesidig livföräkring (jointly "Folksam") where Folksam claimed among other things that Folkefinans' use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI infringes on FOLKSAM's trademarks and company names. In its judgement which was rendered on 8th April 2014, the Svea Court of Appeal found that Folkefinans infringes on FOLKSAM's trademarks and company names in the Swedish market. The case was appealed during 2014 by Folkefinans to the Supreme Court, which however on 12th May 2015 decided not to grant leave of appeal. On the same day, Folkefinans discontinued the sale of loans in Sweden under the trademark FOLKIA and had previously also discontinued the use of FOLKLÅN, FOLKGIRO and FOLKONOMI. We refer to the notes to the financial statements for further description of the carrying values.

CORPORATE GOVERNANCE

The Board held 13 meetings in 2015. The key issues discussed were corporate governance, brand strategy, new financing and equity to support the growth strategy in Norway and Sweden, 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. The committee has pointed out the need to improve collection procedures to challenge the levels of defaulted loans.

It shall be noted that during 2015 the extra ordinary general assembly has decided to amend the articles of association such that the control committee will be discontinued during 2016. This is in line with the Norwegian Financial Companies Act which entered into force 1 January 2016.

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 2015.

During 2015 Folkefinans has communicated with the home state supervisor Finanstilsynet regarding capital adequacy, increased equity, changed bylaws and approval of sub ordinated loan in order to provide adequate liquidity and capital adequacy in relation to future anticipated growth.

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. Folkefinans is well positioned as licensed and compliant company already under supervision 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 2016 and following years with confidence. It stands to reason that the future financial outlook and the regulatory development carry uncertainty, but Folkefinans has a highly competent organization to manage a market place in more or less constant change. Folkefinans will continue to launch new flexible credit solutions to its existing and new customers in Norway and Sweden.

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Oslo, 16th of March, 2016
The Board of Folkefinans AS

Stig Herbern
Chairman of the Board

Mikko Marttinen
Director

Kalle Pykälä
Director

Raivo Aavisto
Director

Leif B. Bjørnstad
Director

Mark Ruddock
Director

Jens Schau-Hansen
Acting CEO

In NOK (all Financial Statements)

Statement of comprehensive income

	Note	2015	2014
Interest and similar income from loans to and receivables due from credit institutions		463 203	82 476
Interest and similar income on loans to and receivables due from customers		125 251 147	117 261 032
Other interest income and similar incomes		188 684	81 363
Total interest income and similar income		**125 903 034**	**117 424 871**
Interest expenses and similar expenses			
Interest and other expenses on debt to credit institutions	16	-7 740 834	-4 430 465
Total interest expenses and similar expenses		**-7 740 834**	**-4 430 465**
Net interest and credit commission income		**118 162 200**	**112 994 406**
Commission and similar expenses from banking services			
Commission and similar expenses from loans to and receivables from credit institutions	16	-824 233	-913 461
Total interest expenses and similar expenses		**-824 233**	**-913 461**
Net change in value and gain/loss on currencies and securities that are current assets			
Net gain/loss on foreign exchange and securities held as current assets	16	500 173	3 857 807
Total net change in value and gain/loss on currencies and securities that are current assets		**500 173**	**3 857 807**
Salaries and general administrative expenses			
Salaries	13, 14	-36 138 926	-32 591 956
Administrative expenses		-38 164 538	-34 902 748
Total salaries and general administrative expenses		**-74 303 464**	**-67 494 704**
Depreciation, etc. of tangible fixed assets and intangible assets			
Ordinary depreciation	5,6	-4 790 763	-2 534 215
Total depreciation, etc. of tangible fixed assets and intangible assets		**-4 790 763**	**-2 534 215**
Impairment on tangible and intangible assets			
Impairment on tangible and intangible assets	5,6	-4 166 160	-4 078 067
Total Impairment on tangible and intangible assets		**-4 166 160**	**-4 078 067**
Other operating expenses			
Other operating expenses	15	-27 582 010	-18 337 366
Total other operating expenses excl. losses on loans		**-27 582 010**	**-18 337 366**
Result before losses on loans		**6 995 743**	**23 494 401**
Losses on loans, guarantees, etc.			
Losses on loans	8	-32 331 701	-35 685 608
Total losses on loans, guarantees, etc.		**-32 331 701**	**-35 685 608**
Result on ordinary operations before tax		**-25 335 958**	**-12 191 207**
Tax on result on ordinary operations	17	2 118 070	1 543 995
RESULT FOR THE YEAR		**-23 217 888**	**-10 647 212**
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Exchange differences on translating foreign operations		2 706 558	2 072 595
Available for sale investments	7a	29 905 415	0
TOTAL RESULT FOR THE YEAR		**9 394 086**	**-8 574 617**
TRANSFERS AND ALLOCATIONS			
Transferred to (from) other equity		9 394 086	-8 574 617
Total transfers and allocations		**9 394 086**	**-8 574 617**

Statement of financial position

	Note	2015-12-31	2014-12-31	2014-01-01
ASSETS				
Loans to and receivables from credit institutions				
Loans to and receivables from credit institutions without an agreed term or cancellation period	7a, 7b, 9	4 359 853	7 214 447	16 467 221
Loans to and receivables from credit institutions		**4 359 853**	**7 214 447**	**16 467 221**
Loans to and receivables from customers	7b, 8	**151 765 158**	**114 530 656**	**98 362 835**
Financial assets				
Available for sale investments	7a, 7b	55 848 629	0	0
Total Financial assets		**55 848 629**	**0**	**0**
Ownership interests in group companies				
Shares in group companies	7a	0	135 422	135 422
Total ownership interests in group companies		**0**	**135 422**	**135 422**
Intangible assets				
Goodwill	6	30 077 584	30 077 584	30 077 584
Deferred tax assets	17	28 927 542	24 659 718	22 987 065
Other intangible assets	6	19 183 440	22 889 278	18 564 946
Total intangible assets		**78 188 566**	**77 626 580**	**71 629 595**
Tangible assets				
Tangible assets	5	1 458 761	713 746	407 108
Total tangible assets		**1 458 761**	**713 746**	**407 108**
Other assets				
Other assets		3 379 598	1 398 260	3 393 216
Prepaid and deposits	7a	6 303 221	19 539 357	19 407 555
Total other assets		**9 682 819**	**20 937 617**	**22 800 771**
TOTAL ASSETS		**301 303 786**	**221 158 468**	**209 802 950**

	Note	2015-12-31	2014-12-31	2014-01-01
EQUITY AND LIABILITIES				
LIABILITIES				
Liabilities to credit institutions	7a, 12	31 615 584	27 187 778	52 732 829
Derivatives	7a, 12	2 910 084	0	0
Other liabilities	7a, 11, 18	9 340 835	5 540 525	5 190 645
Accrued expenses and deferred income	11, 13	9 628 775	9 081 022	7 890 214
Convertible loan	7a, 12	54 115 841	25 464 386	0
Convertible subordinated loan	7a, 12	29 525 676	0	0
Total liabilities		**137 136 795**	**67 273 711**	**65 813 688**
EQUITY				
Equity contributed				
Share capital	10, 22	95 890 500	86 220 000	86 220 000
Share premium account	10	79 262 471	73 999 898	73 999 898
Other paid in equity		5 151 098	19 012 777	0
Total equity contributed		**180 304 069**	**179 232 675**	**160 219 898**
Retained earnings				
Retained earnings		-16 136 978	-25 347 918	-16 230 636
Total retained earnings		**-16 136 978**	**-25 347 918**	**-16 230 636**
Total equity		**164 167 091**	**153 884 757**	**143 989 262**
TOTAL EQUITY AND LIABILITIES		**301 303 786**	**221 158 468**	**209 802 950**

Oslo, 16th of March 2016
Board of Folkefinans AS

Stig Herbern
(Chairman of the Board)

Mikko Marttinen

Raivo Aavisto

Leif Bjørnstad

Kalle Pykälä

Mark Ruddock

Jens Schau-Hansen
(Acting CEO)

Statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Mandatory convertible loan	Equity part of Convertible loan	Total equity
Equity at 1 January 2014		**86 220 000**	**73 999 898**	**-16 230 636**	**0**	**0**	**143 989 262**
Currency translation difference				1 529 930			1 529 630
Mandatory convertible loan	12				16 437 228		16 437 228
Convertible loan issued 15 Oct	12					2 575 549	2 575 549
Result for the year				-10 647 212			-10 647 212
Equity at 31 December 2014	10	**86 220 000**	**73 999 898**	**-25 347 918**	**16 437 228**	**2 575 549**	**153 884 757**
Registered share capital		87 034 580					
-own shares		814 580					
Equity at 1 January 2015		**86 220 000**	**73 999 898**	**-25 347 918**	**16 437 228**	**2 575 549**	**153 884 757**
Currency translation difference				1 019 258			1 019 258
Mandatory convertible loan		9 670 500	5 262 573	1 504 155	-16 437 228		0
Convertible loan issued 13 March	12					2 575 549	2 575 549
Result for the year				-23 217 888			-23 217 888
Available for sale investments				29 905 415			29 905 415
Equity at 31 December 2015	10	**95 890 500**	**79 262 471**	**-16 136 978**	**0**	**5 151 098**	**164 167 091**
Registered share capital		96 705 080					
-own shares		814 580					

In June 2015 Folkefinans entered into one sub ordinated convertible loan of 3.5 MEUR. The sub ordinated convertible loan is partly included as Tier 2 capital.

Statement of cash flows

	Note	2015	2014
Cash flow from operations			
Result before tax		-25 335 958	-12 191 207
Depreciation and impairment of tangible assets	5	595 132	329 045
Amortization of intangible assets	6	4 243 805	2 205 170
Impairment of intangible assets	6	4 117 986	4 078 067
Adjustment for other entries affecting cash flow		-317 441	2 523 168
Net financial expenses/ income	16	8 064 894	-1 486 119
Income tax paid		-200 315	1 862 853
Changes in loans to customers	8	-37 234 502	-16 167 821
Changes in other receivables		9 100 672	4 017 280
Change in other payables		4 348 063	1 540 688
Net cash flow from operations		**-32 617 664**	**-13 288 876**
Cash flow from investing activities			
Investments in financial assets	7a	-25 943 214	0
Investments in tangible fixed assets	5	-1 342 094	-641 115
Investments in intangible assets	6	-3 730 436	-10 302 807
Net cash flow used for investing activities		**-31 015 744**	**-10 943 922**
Cash flow from financing activities			
Interests paid		-4 143 820	-4 020 510
New long term loans	Equity, 12	60 065 750	27 629 980
Mandatory convertible loan	Equity	0	16 437 228
Change in credit facility	12	4 427 806	-25 545 051
Net cash flow used for financing activities		**60 349 736**	**14 501 647**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**429 078**	**478 377**
Change in cash, cash equivalents		**-2 854 594**	**-9 252 774**
Cash, cash equivalents as of 1 January	9	7 214 447	16 467 221
Cash, cash equivalents as of 31 December	**9**	**4 359 853**	**7 214 447**

Notes to the financial statements

1 General information

Folkia AS changed the company's name to Folkefinans AS in May 2015. Folkefinans AS and its branches offer simple, everyday financial services at fixed prices and on conditions which are clear to customers. The company'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 25.000) with longer maturity (up to 24 months). Visa card was offered in the Finnish and Estonian market during 2015.

Folkefinans 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. Folkefinans AS's home state Supervisor is Finanstilsynet, Norway.

Folkefinans acquired Folkia AB in December 2007 and in January 2009 Folkefinans 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 2015, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia. Denmark is operating via the Swedish branch.

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

The financial statements were approved by the company's board on March 16th, 2016.

2 Summary of significant accounting policies

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

2.1 Basis for preparation

Folkefinans AS's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as approved by the EU. As Folkia AB was liquidated in 2015, it was decided to adopt IFRS for Folkefinans AS's financial statement. Accordingly, these are the Company's first annual financial statements prepared in accordance with IFRS as approved by EU as at 31.12.2015. The Company has consistently applied the accounting policies used in preparation of its opening IFRS statement of financial position at January 1, 2014 throughout the periods presented, as if these policies had always been in effect. Note 23 discloses the impact of the transition to IFRS on the Company's reported financial position and financial performance, including the nature and effect of significant changes in accounting policies from those used in the Company's financial statements for the year ended 31 December 2014.

The financial statements have been prepared under the historical cost convention, as modified for available-for-sale financial assets and embedded derivatives.

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

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 2015, 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 company is yet to assess IFRS 9's full impact. IFRS 9 is not yet endorsed by EU.

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 2018 and earlier application is permitted. The company has not yet assessed the full impact of IFRS 15. IFRS 15 is not yet endorsed by EU.

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

2.2 Segment reporting

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

2.3 Translation of foreign currencies

(a) *Functional currency and presentation currency*

The financial statements of the branches in the company are prepared using the currency which is mainly used in the economic environment in which the entity operates (functional currency). The financial statements are presented in Norwegian kroner (NOK), which is both the functional currency and presentation currency of the 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) *Branches*

The statement of comprehensive income and statement of financial position for the branches (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.

2.4 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.

2.5 Intangible assets

(a) *Goodwill*

Goodwill is the difference between the original cost of the purchase of a company and the fair value of the Company'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 licenses*

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 Company 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 licenses 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).

2.6 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.

2.7 Financial assets

2.7.1 Classification

The company classifies financial assets in the following categories:
• Available for sale
• Loans and receivables – applies to loans, deposits, cash and cash equivalents, loans to and receivables from credit institutions and loans to and receivables from customers.
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. Loans and receivables are "loans to and receivables from credit institutions" and "loans to and receivables from customers" in the statement of financial position.

2.7.2 Recognition and measurement

Loans and receivables are recognised in the financial statements at amortised cost.

Financial assets that are available for sale 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 interest income and similar income.

On each statement of financial position date, the company 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 loans to and receivables from customers is described in a separate note.

2.8 Loans to and receivables from customers and credit institutions

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

The provisions for incurred losses are recognized in the financial statements based on historical trends and separate individual assessments. Folkefinans 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.

2.9 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits, other short-term and easily sold investments with a maximum original term of three months. In the statement of financial position, cash and cash equivalents is included in loans to and receivables from credit institutions.

2.10 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.

2.11 Other liabilities

Other liabilities are measured at their fair value when initially recognised in the statement of financial position. When subsequently measured, other liabilities are valued at amortised cost.

2.12 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.

Convertible loans issued with a fixed amount that 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.

Convertible loans issued with an obligation for the lender to convert the loan into new shares are recognised as "Mandatory convertible loans" in shareholders' equity.

Convertible loans issued in another currency than the functional currency has not a fixed amount that can be converted into a fixed number of shares. The fair value of the debt 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 as a derivative.

2.13 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 Company's subsidiaries or associates operate and generate taxable income applies to the calculation of the taxable income. Management evaluates the Company'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 Company controls the reversal of the temporary differences and it is probable that they will not be reversed in the foreseeable future.

2.14 Pension commitments, bonus schemes and other employee compensation schemes

(a) *Pension commitments*

The Company 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 Company has no commitment linked to former employees.

(c) *Share-based remuneration*

The Company has not any scheme involving share-based remuneration.

(d) *Severance pay*

None of the Company branches has separate severance pay schemes.

(e) *Profit sharing and bonus plans*

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

2.15 Provisions and credit losses

The Company makes regular provisions for estimated losses on loans. Folkefinans 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 fallen due, are being monitored, have been sent for debt-collection etcetera.

2.16 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.

2.17 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 Company on the whole has all the risk and return linked to the ownership are classified as finance leases. The Company has no such leases.

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

2.18 Fair value estimation

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

- loans to customers
- derivatives
- credit facility

The nominal value less impairments to take account of losses incurred on loans to and receivables from customers and other liabilities 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 Company's alternative market interest rate for corresponding financial instruments.

2.19 Reclassifications of previous periods

The company has classified convertible loans incorrect in previous periods by classifying the entire loan as a liability. The company has corrected this in the current period by classifying the conversion option as equity and the remainder is classified as debt. The corresponding figures are corrected accordingly.

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 Folkefinans AS' (Folkefinans) 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 Folkefinans 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 Company'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 Folkefinans 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

Folkefinans 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.

Folkefinans 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 Company 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. Folkefinans is exposed to FX Risk to the extent that (i) assets and liabilities of the Company 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 Company's loan facilities are currently denominated in SEK, EUR, and DKK and the Company'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 Folkefinans, 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 2015, Folkefinans has a non-hedged foreign exchange exposure of NOK 88.3 m.

Sensitivity analysis

Assessment of the impact of currency fluctuations NOK 1000 as per 31 December 2015

	Change	Result 2015	Result 2014
NOK/SEK	+/- 5%	+/-2,906	+/-2,603
NOK/EUR	+/- 5%	+/-1,083	+/-2,533
NOK/DKK	+/- 5%	+/-176	+/-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 Company's profitability resides in the Company's cost of funding. An abrupt and lasting interest rate shock could have a negative impact on the Company'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. Folkefinans 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 Folkefinans 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 Folkefinans in March 2015. Folkefinans entered into a further convertible loan, tranche three, in March 2015 in the amount of 27,630 TNOK. The loans accrue an interest of 7% pro anno from the drawdown date. The two remaining loans shall be repaid over a two-year term, starting 18th December 2016.

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

Interest Rate Fluctuation (%)	-2,0%	-1,0%	1,0%	2,0%
Yearly Impact (kNOK)	-1 136,11	-568,06	568,06	1 136,11
Risk Weighted Capital Requirement (kNOK)	-1 136,11	-568,06	568,06	1 136,11

Interest Rate Risk could be managed by the Company's ability to set the level of facility draw down. As such, Folkefinans 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 Company.

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 Folkefinans statement of financial position relates mostly to Folkefinans lending to general public. In addition, Folkefinans is exposed to Credit Risk in the form of counterparty risk relating to Folkefinans 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 loan term for these loans is on average 90 days. Since these loans are to be repaid relatively rapidly the actual amount outstanding loans are thus limited.

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

For the FY 2015 the retail exposure is risk weighted by 100%.

(II) Counterparty Risk from Deposits at Banks

The excess liquidity generated from the business is placed in accounts within banks with high 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

Folkefinans Credit risk exposure NOK 1000 as per 31 December:

Counterpart	**Exposure 2015**	**Exposure 2014**
General Public	151,765	114,531
Covered bond fund	25,943	0
Cash Deposit	4,908	10,862
Other commitments	38,698	21,205
Total	**221,314**	**146,598**

Region	Exposure 2015	Exposure 2014
Sweden	123,186	84,120
Norway	80,873	32,693
Finland	1,867	11,673
Estonia	14,077	15,923
Denmark	1,311	2,189
Total	**221,314**	**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 Folkefinans operating units. The main Operational Risks are as per following:

(i) One or several premises of the Company 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. Folkefinans manages Operational Risks by continuously improving its internal routines and day-to-day control procedures.

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 Company is connected primarily to the Company's funding from the external financing provider and the risk that the Provider(s) eliminates further financing with short notice. Folkefinans has several liquidity sources, loans, equity and a credit facility. In addition Folkefinans has short term loans that secure a share of payback on loans on short time.

In order to monitor its liquidity position and mitigate liquidity risk the Company 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 Company deposits its excess liquidity in the bank at a floating interest rate with periodic adjustments. The Company 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 Folkefinans.

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

Folkefinans 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 behavior within the consumer credit market, Folkefinans together with other companies within the sector in Sweden have established an association called "Swedish Consumer Credit Association". Folkefinans General Counsel serves as the Chairman in the association. In addition, through this association Folkefinans 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 Company 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 Folkefinans, Strategic Risk arises in the following cases:

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

• New Market or Product – The Company 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, Folkefinans is exposed to the possibility of failing to enter the specified market and/or unsuccessfully launching a product. In both instances, Folkefinans would have incurred the expenses related to such actions without generating the additional revenue the Company 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, Folkefinans 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), Folkefinans extensively assesses the probability of success prior to launch in order to minimize the risk of failure. Consequently, the Company 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 Company.

The Company is clearly exposed to regulatory and legislation changes and the way it might affect the construction of the Company's operations and its products. The risk has increased considerably during the recent year as regulation regarding the industry has been discussed and introduced in several markets.

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

3.2.5 Remunerations Model Risk (Governance Risk)

Folkefinans 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 Folkefinans 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 Folkefinans will carry out with the running business and will exclude the growth that has been forecasted. Folkefinans is confident that current available financing is sufficient to run the current business. Moreover, Folkefinans is continuously establishing new relationships and is assertive that there are other financing providers that are interesting in providing financing facilities.

At 31 December 2015	Between 3 months and 1 year	Between 1 and 2 years
Convertible loan		66 157 839
Loans (credit facility)	56 805 590	

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 Folkefinans is willing to expose itself. Policy also set out guidelines for the pricing, term and maturity of loans.

Folkefinans is mitigating the interest rate risk by ensuring that management is properly measuring risk on regular basis. Moreover, Folkefinans 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, Folkefinans 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. Folkefinans considers its current business to be relatively uncomplicated. This is due to the fact that Folkefinans main business is the management of relatively small loan facilities; Folkefinans does not engage in any proprietary trading and Folkefinans does not raise deposits from the public.

The current capital base as per 31 December 2015 includes NOK 156.1 million of Tier 1 Capital and NOK 9,6 Tier 2 Capital. The capital adequacy ratio is 18,8%.

4 Critical accounting estimates and judgments

In the application of the company'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 company 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 company. 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 company makes regular provisions for estimated losses on loans. Folkefinans 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 etc.

Deferred tax assets

The company 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

2014 financial year	
Carrying amount 01.01.14	**407 108**
Additions	641 115
Translation differences	-5 432
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**

2015 financial year	
Carrying amount 01.01.15	**713 746**
Additions	1 342 094
Translation differences	-1 947
Impairment during the year	-48 173
Depreciation during the year	-546 959
Carrying amount 31.12.15	**1 458 761**

As at 31 December 2015	
Original cost	7 333 907
Accumulated impairment	-51 830
Accumulated depreciation	-5 823 318
Carrying amount 31.12.15	**1 458 761**

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
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		-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**
2015 financial year					
Carrying amount 01.01.15	30 077 584	17 425 212	0	5 464 067	52 966 862
Additions		3 730 436			3 730 436
Translation differences		925 517			925 517
Impairment during the year		-39 920		-4 078 067	-4 117 986
Amortization during the year		-4 243 805			-4 243 805
Carrying amount 31.12.15	**30 077 584**	**17 797 440**	**0**	**1 386 000**	**49 261 024**
As of 31 December 2015					
Original cost	45 889 905	46 340 975	13 332 762	10 134 617	115 698 259
Accumulated impairment	-15 812 321	-595 940		-8 748 617	-25 156 878
Accumulated amortization		-27 947 594	-13 332 762		-41 280 356
Carrying amount 31.12.15	**30 077 584**	**17 797 440**	**0**	**1 386 000**	**49 261 024**
Amortisation rate	**0%**	**20%**	**20%**	**0%**	

Impairment tests for goodwill

Goodwill is allocated to the company's cash-flow generating units that are identified as the operations of the Folkefinans Swedish Branch, Swedish Branch Danish Cash Generating Unit, Folkefinans AS Norway Finnish Branch, Folkefinans AS Norway Estonian Branch and Folkefinans 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 10,2 % for Folkefinans Swedish Branch, Swedish Branch Danish Cash Generating Unit and Folkefinans AS Norway Finnish Branch, 9,6% for Folkefinans AS Norway and 11,3% Folkefinans AS Norway Estonian Branch have been used.

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 company as a whole. With due regard taken to the launch of the new brand FROGTAIL and the discontinuation of the brand FOLKIA in Sweden, the Company decided to impair the remaining values related to Folkefinans Sweden trade mark values.

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 2015	Lending and receivables	Available for sale	Total
Assets			
Loans and other receivables, excl. advance payments and deposits (short-term)	151 765 158		151 765 158
Available for sale investments		55 848 629	55 848 629
Prepaid and deposits	6 303 221		6 303 221
Cash and cash equivalents	4 359 853		4 359 853
Total	**162 428 232**	**55 848 629**	**218 276 861**

As of 31 December 2015	Financial liabilities at fair value through profit or loss	Financial liabilities at amortised cost	Total
Liabilities			
Loans (credit facility)		31 615 584	31 615 584
Derivatives	2 910 084		2 910 084
Convertible loan		54 115 841	54 115 841
Convertible subordinated loan		29 525 676	29 525 676
Accounts payable and other liabilities, excl. mandatory liabilities		18 969 610	18 969 610
Total	**2 910 084**	**134 226 711**	**137 136 795**

During 2015 the board and management decided to discontinue the sale of new loans and credit cards in Finland, mainly due to a seemingly over-indebted small loan population and low profit generation.

In November 2015, Visa Inc. announced the agreement to acquire all shares in Visa Europe Ltd. Folkefinans has ownership interests in Visa Europe through its membership in Visa Norway. As a result of the agreement, the estimated value of the investment increased by TNOK 29 905 which was recognized in other comprehensive income. Shares in Visa Europe is classified as available for sale investments.

Folkefinans has invested TNOK 25 943 in a covered bond fund, DnB OMF, which is traded in an active market and fair value is based on quoted market prices at the end of the reporting period. The investment in DnB OMF is classified as available for sale investments.

The fair value of derivatives is equal to its carrying value. The fair value is within level 3 of the fair value hierarchy.

As of 31 December 2014	Lending and receivables	Total
Assets		
Loans and other receivables, excl. advance payments and deposits (short-term)	114 530 656	114 530 656
Prepaid and deposits	19 539 357	19 539 357
Cash and cash equivalents	7 214 447	7 214 447
Total	**141 284 460**	**141 284 460**

As of 31 December 2014	Financial liabilities at amortised cost	Total
Liabilities		
Loans (credit facility)	27 187 778	27 187 778
Convertible loan	25 464 386	25 464 386
Accounts payable and other liabilities, excl. mandatory liabilities	14 621 547	14 621 547
Total	**67 273 711**	**67 273 711**

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.

	2015	2014
Accounts receivable		
Loans and other receivable	151 765 158	114 530 656
Total accounts receivable	**151 765 158**	**114 530 656**

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.

Bank deposits		
AA-	501 049	499 048
A+	2 550 994	5 701 752
A -	1 307 810	526 949
Undefined/no rating available	0	486 699
Total bank deposits	**4 359 853**	**7 214 447**
Investments in covered bond fund		
A+	25 943 214	0

8 Loans and other receivables

	2015	2014
Loans	237 319 703	187 381 827
Impairment due to probable losses on loans	-85 554 545	-72 851 172
Net loans	**151 765 158**	**114 530 656**

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

	2015	2014
Not fallen due	114 549 753	73 765 760
1 – 30 days after due date	17 051 218	14 653 167
31 - 60 days after due date	9 360 036	8 348 133
61 - 90 days after due date	6 490 617	7 745 073
> 91 days after due date	89 868 079	82 869 694
Total loans	**237 319 703**	**187 381 827**

Recognised value of the Company's loans before impairment allowance, per geographical market in NOK as of 31 December 2015:

	Sweden	Norway	Denmark	Estonia	Finland	Total
Not fallen due	90 575 424	12 871 461	667 164	10 294 359	141 345	114 549 753
1 – 30 days after due date	12 030 651	4 628 325	165 005	227 236	0	17 051 218
31 – 60 days after due date	7 114 109	1 858 360	122 433	265 135	0	9 360 036
61 – 90 days after due date	5 250 624	576 147	161 717	502 081	48	6 490 617
> 91 days after due date	60 845 137	15 333 662	7 409 656	5 411 534	868 090	89 868 079
Total loans	**175 815 944**	**35 267 956**	**8 525 974**	**16 700 346**	**1 009 483**	**237 319 703**

Recognised value of the Company's loans before impairment allowance, per currency in NOK as of 31 December 2015:

	2015	2014
SEK	175 815 944	107 622 285
NOK	35 267 956	26 528 198
EUR	17 709 830	44 628 353
DKK	8 525 973	8 602 991
Net loans	**237 319 703**	**187 381 827**

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

	2015	2014
As at 1 January	**72 851 171**	**33 504 382**
Provision during the year	25 701 335	37 718 713
Net receivables that have been written off as losses during the year	-17 736 330	-120 079
Currency translations	4 738 368	1 748 155
As at 31 December	**85 554 545**	**72 851 171**

	2015	2014
Unspecified loan loss provisions during the period	32 331 701	35 685 608
Unspecified loan loss provisions during the period	**32 331 701**	**35 685 608**

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 Company has no charge as security.

9 Cash and cash equivalents

	2015	2014
Cash and bank deposits	4 359 853	7 214 447
Total	**4 359 853**	**7 214 447**

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

	2015	2014
Cash and cash equivalents	4 359 853	7 214 447
Total	**4 359 853**	**7 214 447**

10 Share capital and share premium

	No. of shares	Nominal share capital	Share premium	Total
Carrying amount 31.12.14	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
New Capital	1 934 100	9 670 500	5 262 573	14 933 073
Carrying amount 31.12.15	**19 178 100**	**95 890 500**	**79 262 471**	**175 152 971**

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 2015, the number of shares was 17 406 916 of which 162 916 are the company's own shares. In March 2015 Wonga converted one of the convertible loans entered into in October 2014, to 1,934,100 new ordinary shares in the Company. This transaction was approved by Finanstilsynet in March 2015.

11 Other liabilities and accrued expenses and deferred income

	2015	2014
Accounts payable	4 365 865	3 759 356
Govt. charges and special taxes	4 462 038	2 688 200
Salaries owed	142 267	236 273
Accrued expenses	5 108 816	4 769 554
Holiday pay due	2 805 549	2 525 198
Other liabilities	1 666 150	76 736
Approved, invoiced but not paid out loans	418 926	566 230
Total	**18 969 610**	**14 621 547**

12 Loans

	2015	2014
Loans		
Loans from credit institutions (credit facility)	31 615 584	27 187 778
Derivatives	2 910 084	0
Convertible loan	54 115 841	25 464 386
Convertible subordinated loan	29 525 676	0
Total loans	**118 167 185**	**52 652 164**

Loans from credit institutions
Folkefinans 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.

In October 2014 Folkefinans 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 Folkefinans in March 2015. Folkefinans entered into a further convertible loan, tranche three, in March 2015 in the amount of 27,630 TNOK. The loans accrue an interest of 7% pro anno from the drawdown date. The lender has in December 2015 renounced the conversion right on the two remaining loans and they shall be repaid over a two-year term, starting 18th December 2016.

In March 2015 Folkefinans also entered into a subordinated convertible loan in the amount of 3,500 TEUR. The loan accrue an interest of 7% pro anno from the drawdown date. Maturity date is six years after drawdown date.

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

	2015	**2014**
6 months or less	0	0
6-12 months	31 615 584	27 187 778
1-5 years	54 115 841	25 464 386
More than 5 years	32 435 760	0
No agreed maturity date	0	0
Total loans	**118 167 185**	**52 652 164**

Carrying amount and fair value of loans:	**2015**	**2014**
Carrying amount		
Loans from credit institutions (credit facility)	31 615 584	27 187 778
Derivatives	2 910 084	
Convertible loan	54 115 841	25 464 386
Convertible subordinated loan	29 525 676	
Total carrying amount	**118 167 185**	**52 652 164**
Fair value		
Loans from credit institutions (credit facility)	31 615 584	27 187 778
Derivatives	2 910 084	0
Convertible loan	54 115 841	25 464 386
Convertible subordinated loan	29 525 676	0
Total carrying amount	**118 167 185**	**52 652 164**

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

	2015	**2014**
NOK	34 076 833	28 291 912
EUR	3 914 992	2 029 421
SEK	56 076 584	24 906 381

13 Pensions and similar liabilities

	2015	2014
Costs charged to the statement of comprehensive income		
– Pension costs	2 234 046	2 118 808

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 Company and the individual employee. Estonia has no pension cost or pension benefits.

14 Wages and salaries

	2015	2014
Salaries	25 590 256	24 149 642
Employers' national insurance contributions	6 950 489	5 694 527
Pension costs – the year's provisions for defined contribution based pension schemes	2 234 046	2 118 808
Other benefits	1 364 134	628 979
Total wages and salaries	**36 138 926**	**32 591 956**
No. of employees	**40**	**35**

15 Other operating expenses

	2015	2014
External advisors/fees services	1 413 358	1 956 510
Rental expenses	3 376 512	2 779 950
Administrative and other expenses	22 792 140	13 600 905
Total other operating expenses	**27 582 010**	**18 337 366**

16 Financial income and expenses

	2015	2014
Other financial costs	-824 233	-913 461
Gain/loss on current asset	-339 974	0
Interest expenses	-7 740 834	-4 430 465
Currency gain	16 405 096	8 432 156
Currency loss	-15 564 949	-4 574 348
Net financial items	**-8 064 894**	**-1 486 119**

17 Taxes

Tax expense:	2015	2014
Taxes payable on foreign income	2 149 755	128 658
Change in deferred tax	-6 582 029	-1 672 653
Change in deferred tax due to change in tax rate	2 314 203	0
Tax expense	**-2 118 070**	**-1 543 995**
Total tax including OCI	**-2 118 070**	**-1 543 995**
Tax payable	2 083 297	128 658
Total tax payable	**2 083 297**	**128 658**

Reconciliation of the tax expense:	**2015**	**2014**
Profit before taxes	**-25 335 958**	**-12 191 207**
Calculated tax 27 % (28 %)	-6 840 709	-3 291 626
Adjustments related to prior years	0	1 504 421
Permanent differences	258 680	-374 456
Deferred tax (Swedish branch)	0	489 008
Effects from changed tax rates	2 314 203	0
Tax payable on foreign income	2 149 755	128 658
Tax	-2 118 070	-1 543 995
Tax in the statement of comprehensive income	**-2 118 070**	**-1 543 995**
Tax expense in the income statement	-2 118 070	-1 543 995
Tax expense	**-2 118 070**	**-1 543 995**

Deferred tax and deferred tax assets:

Deferred tax assets	**2015**	**2014**
Tax losses carried forward - Norway	29 417 014	24 926 872
Deferred tax assets	**29 417 014**	**24 926 872**
Deferred tax assets		
Intangible assets	489 471	267 154
Deferred tax assets	**28 927 543**	**24 659 718**

Deferred tax assets are capitalized based on future income.

Ordinary tax expense	-2 118 070	-1 543 995
Total tax expense	**-2 118 070**	**-1 543 995**
Taxes payable	2 149 755	128 658
Change in deferred tax	-4 267 825	-1 672 653
Total tax expense	**-2 118 070**	**-1 543 995**

18 Liabilities

a) Guarantees and charges:

Folkefinans has no guarantees or charges in 2015.

b) Operating leases – liabilities where one of the company branches is the lessee

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

	2015	**2014**
Due date within 1 year	2 430 317	2 211 250
Due date between 1 and 5 years into the future	1 679 328	3 677 961
Due date more than 5 years into the future	0	0
Total future minimum lease payments	**4 109 645**	**5 889 211**

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

The Company's operating leases are in Sweden 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 31.12.2015 the total of deposits for office rental is NOK 811 813. The total minimum payments are gross figures (no deduction for deposits).

19 Related parties

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

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):

	2015	**2014**
SMH Management AS	517	727
Total	**517**	**727**

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 Company. There are no guarantees given or received between Folkefinans and SMH Management AS and there are no outstanding accounts as at 31.12.2015 in the statements of the financial position.

c) Remuneration to senior employees

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

	2015	**2014**
Salaries and other short-term employee benefits	9 407	8 233
Severance pay	0	0
Pension benefits	940	917
Other long-term benefits	0	0
Share-based remuneration	0	0
Total	**10 348**	**9 150**

Specification of remuneration to senior employees:

Name	2015 Salary and other short-term benefits	2015 Pension benefits	2014 Salary and other short-term benefits	2014 Pension benefits
Hördur Bender, CEO 1)	1 682	151	1 705	151
-Bonus	310	0	0	0
Other Management	**6 515**	**790**	**5 628**	**766**
Magnus Sjögren, General Counsel	2 102	267	2 129	256
Jens Schau-Hansen, CFO	1 356	188	1 307	188
Anders Linder, Group Head of Collection and Customer Service	1 279	163	1 058	157
Jan Nilsson, CTO	1 780	172	1 134	165
Credit Committee	**50**	**0**	**50**	**0**
Leif Bjørnstad	50	0	50	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**	**650**	**0**
Stig Herbern	250	0	250	0
Raivo Aavisto	100	0	100	0
Leif Bjørnstad	100	0	100	0
Mikko Marttinen	100	0	100	0
Kalle Pykälä	100	0	100	0
Total	**9 407**	**940**	**8 233**	**917**

1) Bonus related to work performed in 2014 was paid out in 2015.

d) Fees to auditors and other related costs	**2015**	**2014**
Statutory audit		
- Deloitte	0	898 184
- PwC	1 247 059	537 094
- other	0	54 242
Tax services		
- Deloitte	0	113 125
- PwC	53 125	0
Other non-assurance services		
- Deloitte	0	194 000
- PwC	25 000	0
Total Deloitte	0	1 205 309
Total PwC	1 325 184	537 094
Total	**1 325 184**	**1 796 645**

Fees include VAT.

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

Mr. Hördur Bender has stepped down from his position as CEO February 4th 2016. Mr. Harald Dahl-Pedersen has been recruited as CEO in the company as of 1 June 2016. The current CFO Mr. Jens Schau-Hansen has been appointed as interim CEO until 31 May 2016.

The board and management has decided to temporary discontinue the sale of new loans and credit cards in Estonia and new loans in Denmark as of Q2 2016 mainly due to low profit generation.

21 Share capital and shareholder information

The share capital in the company as of 31 December 2015 consists of:

	No. of shares	Nominal value	Book value
Shares	19 341 016	5	96 705 080
Total	**19 341 016**		**96 705 080**

All the shares have equal voting rights.

In March 2015 Wonga converted one of the convertible loans entered into in October 2014, to 1,934,100 new ordinary shares in the Company. This transaction was approved by Finanstilsynet in March 2015.

Ownership structure

The largest shareholders in the company as of 31 December 2015	**Shares**	**Ownership share**
WONGA	1 934 100	10,0%
BRENNEN CONSULTING LIMITED	1 740 800	9,0%
CNHL LTD	1 613 850	8,3%
CLEARSTREAM BANKING S.A. *	1 372 662	7,1%
LANDSYN EHF	1 301 974	6,7%
DANSKE BANK A/S *	1 214 100	6,3%
SVENSKA HANDELSBANKEN AB *	1 054 896	5,5%
INTERACTIVE A ISLANDI EHF	911 811	4,7%
NORDNET BANK AB *	793 331	4,1%
BNP PARIBAS SEC. SERVICES S.C.A *	707 575	3,7%
PAATERO	684 373	3,5%
SKANDINAVISKA ENSKILDA BANKEN AB *	628 175	3,2%
NEBRASKA INVEST OY	496 356	2,6%
UBS AG *	433 320	2,2%
FIVADO AS	282 787	1,5%
ARION BANK HF *	275 993	1,4%
HIETALA	248 064	1,3%
BERASCO LIMITED	242 869	1,3%
OÜ VIADELLA INVESTMENTS	242 826	1,3%
DYVI	200 500	1,0%
DYNAMO AS	193 166	1,0%
LEIF BERNHARD BJØRNSTAD	192 097	1,0%
WAHLSTRØM	185 000	1,0%
AGDER TECHNOLOGY AS	184 432	1,0%
Shareholders with at least 1 % ownership	**17 135 057**	**88,6%**

*) Share deposit

Own shares, FOLKEFINANS AS	110 174	0,6%
Own shares, FOLKEFINANS AS NORGE, FILIAL SVERIGE	52 742	0,3%
Remaining ownerships	**2 043 043**	**10,6%**
Number of shareholders:	62	
Number of shares:	**19 341 016**	**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	Director	192 097
Stig Magnus Herbern (2)	Chairman of the Board	25 000
Mikko Marttinen (3)	Director	490 198
Raivo Aavisto (4)	Director	1 305 600
Kalle Pykälä (5)	Director	152 655
Total		**3 077 361**

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

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

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

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

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

(5) Kalle Pykälä owns shares indirectly through Marinium OY

The share capital in the 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**		**87 034 580**

All the shares have equal voting rights.

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, FOLKEFINANS AS	110 174	0,6%
Own shares, FOLKEFINANS 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%**

22 Capital adequacy

Capital adequacy 31 December

Equity and subordinated loan capital

	2015	2014
Share capital	95 890 500	86 220 000
Other equity	63 125 493	48 667 851
Equity	**159 015 993**	**134 887 851**
Subordinated loan	9 600 000	0
Equity and subordinated loan capital	**168 615 993**	**134 887 851**
Deductions:		
Intangible assets	-49 261 024	-52 966 862
Deferred tax assets	-28 927 542	-24 659 718
Core capital	**90 427 427**	**57 261 271**
Net equity and subordinated loan capital	**90 427 427**	**57 261 271**
Minimum requirement equity and subordinated loan capital		
Credit risk		
Of which:		
Covered bond fund	207 544	0
Institutions	78 544	173 792
Mass market commitments	10 437 206	6 933 844
Commitments that have fallen due	1 703 986	2 228 624
Other commitments	3 095 840	1 696 400
Total minimum requirement credit risk	**15 523 120**	**11 032 660**
Settlement risk		
Foreign exchange risk	7 060 856	8 588 882
Total minimum requirement market risk	**7 060 856**	**8 588 882**
Operational risk	**15 975 112**	**15 596 048**
Minimum requirement equity and subordinated loan capital	**38 559 088**	**35 217 590**

Capital adequacy

Capital adequacy ratio	18,8%	13,0%
Core capital adequacy ratio	16,8%	13,0%

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

23 Effects of transition to IFRS

Reconciliation of equity 1 January 2014 (date of transition to IFRS)

Equity 1 January 2014 according to NGAAP	**129 329 063**	**Note**
Effects of transition to IFRS:		
Goodwill	17 266 289	A
Deferred tax asset	-5 422 267	B
Other intangible assets	2 816 178	C
Equity 1 January 2014 according to IFRS	**143 989 262**	

Equity 31 December 2014 according to NGAAP	**136 205 622**	
Effects of transition to IFRS:		
Goodwill	20 274 047	A
Deferred tax asset	-5 586 261	B
Convertible loan	2 575 549	
Other intangible assets	415 799	C
Equity 31 December 2014 according to IFRS	**153 884 757**	

Reconciliation of income and comprehensive income for the year ended 31 December 2014

Result for the year 2014 according to NGAAP	**-11 090 599**
Effects of transition to IFRS:	
Depreciation of goodwill	607 380
Deferred tax	-163 993
OCI	2 072 595
Result for the year 2014 according to IFRS	**-8 574 617**

Note A
In the former NGAAP financial statement, goodwill was amortized over the estimated useful life. In the IFRS financial statement, goodwill is not amortized, but annual impairment tests are being conducted. Amortization of goodwill has thus been reversed in the transition to IFRS.

Note B
The changes from NGAAP to IFRS affect the deferred tax liability in IFRS.

Note C
In accordance with IFRS, intangible assets deemed to have unlimited lifetime are not amortized. These asset values are annually tested for impairment.

To the Annual Shareholders' Meeting of Folkefinans AS

Independent auditor's report

Report on the Financial Statements

We have audited the accompanying financial statements of Folkefinans AS, which comprise the balance sheet as at 31 December 2015, 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 these financial statements 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 company'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.

Opinion

In our opinion, the financial statements are prepared in accordance with the law and regulations and present fairly, in all material respects, the financial position of Folkefinans AS as at 31 December 2015, 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.

0106 Oslo, 22 March 2016
PricewaterhouseCoopers AS

Geir Julsvoll
State Authorised Public Accountant (Norway)

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