2020

Folkefinans

Annual Report 2020

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REPORT OF THE BOARD OF DIRECTORS FOR 2020

GENERAL

Folkefinans AS prepares its financial statements in accordance with IFRS; see section 3-9 of the Norwegian Accounting Act. The directors' report also covers the company's operations; see section 3-3a of the Accounting Act.

ABOUT FOLKEFINANS

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. As of 31 December 2020, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

Folkefinans offers everyday financial services and has since 2016 focused the operation on offering unsecured lending to private individuals in Norway and Sweden. Folkefinans is delivering high customer value through digitalized operations and proprietary risk models to enable easy access to products and services, as well as quick response rates.

Folkefinans' head office is located at Kronprinsens gate 1, NO-0251 Oslo, Norway.

HIGHLIGHTS 2020

- The spread of the Covid-19 virus severely affected the economic activities in the markets where Folkefinans was operating during 2020. Folkefinans has followed the requirements and advices given by the governments by implementing necessary internal measures to secure an efficient and secure operation for the employees.
- The Covid-19 pandemic has however had limited negative effects on lending and customer payment behavior in both Sweden and Norway during 2020
- During 2020 Folkefinans had a decline in lending due to the imposed pause in draw down of additional secured debt by the Wonga Administrator and the need to preserve the company's own cash position. The subordinated loan will be paid back at maturity end of June this year thereby solving the legal issue with the Wonga Administrator.
- Due to the increased market uncertainties and the company's operational loss situation during 2020, the board decided to initiate a restructuring process downsizing the organization with 5 FTEs. The restructuring process was finalized by the end of September.
- During 2020 Folkefinans sold loans to 21 000 unique customers in Sweden, reaching a gross lending of SEK 364 million, compared to SEK 426 million in 2019. In Norway Folkefinans sold

loans to 5 000 unique customers with a gross lending of NOK 55 million, compared to NOK 70 million during 2019.
- Several projects were initiated to improve the credit assessment and overall profitability through implementation of new score cards and the use of bank transaction data when assessing customer quality.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Total comprehensive income for 2020 ended at NOK -26.5 million compared with NOK -50.5 million in 2019. The income and result in 2020 were negatively influenced by the lack of growth due to the legal issue with the Wonga Administrator which was challenging to solve as a consequence of the ongoing pandemic, and the continued need to build up a cash buffer for payback of the subordinated loan. The result for the year after tax is proposed transferred to other equity.

Income

Total income amounted to NOK 107 million in 2020, compared to NOK 106 million in 2019. Lending in 2020 continued to be balanced towards the need to preserve Folkefinans' cash position and the continued imposed pause in draw down of additional secured debt by the Wonga Administrator. This led to a decrease in both lending and outstanding portfolio compared to 2019. The Swedish branch experienced therefore a drop in total income from SEK 96 million in 2019 to SEK 92 million in 2020. The reduction in total income in Sweden were not compensated by the growth in lending from Monetti Flexilån compared to 2019. The income in Norway amounted to NOK 15 mill showing a decline for the Folkia brand compared to 2019.

Operating expenses

Total operating expenses exclusive losses on loans and impairments were NOK 53.8 million in 2020 compared to NOK 51.8 million in 2019. Due to the increased uncertainty surrounding Folkefinans causing continued operational losses during 2020, the board decided to initiate a restructuring process in August downsizing the organization with 5 FTEs. The restructuring process was finalized by the end of September, and a restructuring cost of NOK 3 million including severance packages and legal costs were taken in Q3. Operating expenses excluding restructuring costs in percent of income ended at 47% in 2020.

Loan loss provisions

The company's provision for loan losses were NOK 53 million in 2020 compared to 29.2 MNOK in 2019. The high increase in loan loss provisions comes as a consequence of the implementation of updated loss provision models meeting IFRS 9 requirements, mainly related to Monetti Flexilån in stage 1 and 2 as it is required to identify expected losses at an earlier stage in the loan's life cycle. Folkefinans has so far to a limited extent experienced worsening of the customer's ability to pay back their loans as a direct consequence of Covid-19. All defaulted loans were sold under Forward Flow agreements during 2020 to Arvato Bertelsmann in both Sweden and Norway. The underlying increase in loss levels relate also to higher actual losses for Monetti Flexilån when sold under the existing Forward Flow arrangements. Several projects were initiated to improve the credit assessment and customer profitability through implementation of new score cards and usage of bank transaction data when assessing customers' quality. Further the implementation of the Debt register in Norway where the customers' total unsecured debt exposure are updated, will improve the quality in the credit assessment.

BALANCE SHEET, FINANCING AND LIQUIDITY

Folkefinans' balance sheet total as of 31 December 2020 was NOK 261 million, compared to NOK 271 million in 2019. The growth in lending for Monetti Flexilån did not offset the decline in lending of the loan products in Sweden and Norway due the imposed funding and cash restrictions. The net loans and receivables therefore decreased with NOK 20.4 million to NOK 181 million in 2020. The equity decreased in 2020 due to the negative result giving an equity ratio of 37% in 2020 compared to 45% in 2019 (total equity/total balance).

The company is financed by (i) equity, (ii) a credit line of SEK 200 million with Arvato Bertelsmann and (iii) one subordinated loan of SEK 33.6 million. Part of the subordinated loan is included as Tier 2 capital in the 2020 Annual Report. The subordinated loan falls due in June 2021. An available credit facility with a first tranche of 25 MSEK with a Swedish credit institution has not been utilized during 2020.

The goodwill of NOK 21.1 million is related to the historical acquisition of Folkia AB. The company conducts annually tests to assess the need for impairment of goodwill and intangible assets with unidentified lifetimes. Further Folkefinans has in its statement of financial position recognized deferred tax assets linked to losses and increase in temporary differences. Due to the general market uncertainty caused by the Covid-19 pandemic and Folkefinans financial performance it has been decided to impair the goodwill and the deferred tax assets included with effect in the 2019 financial statement. The deferred tax assets can still be utilized given that Folkefinans future operation turns into a positive tax position.

The subordinated loan was obtained from Wonga who owns 9,9% of Folkefinans, in 2015. As the loan is approved by Finanstilsynet to be included as Tier 2 capital, any changes to the conditions of the loan needs approval by Finanstilsynet. Wonga was put under liquidation in August 2018, and an Administrator for the liquidation process was appointed. The loan agreement includes a negative pledge clause which gives the Administrator the right not to waive any drawdown of additional secured debt. The Administrator used this clause to impose pause in draw down of additional secured debt during the entire 2020. The board and the Administrator have worked during the year together to find a solution, however the uncertainty caused by the Covid-19 pandemic made this process extremely challenging. As the subordinated loan matures by the end of June this year, Folkefinans plans to secure sufficient cash for the repayment by selling the Visa shares. When the subordinated loan has been repaid, Folkefinans furthermore plans to apply for an increased credit line on the existing loan facility to secure growth and profitability in accordance with the latest business plan.

Folkefinans' liquidity situation during 2020 has been strained as there has been a need to level the lending of the non-externally financed loans towards the company's cash position and build up a liquidity buffer to pay back the subordinated loan at maturity. As of 31 December 2020, the company had cash holdings incl. investments in highly liquid assets fund of NOK 27 million. Net cash flow from operations was positive with NOK 4.4 million mainly due to changes in loans to customers. Cash flow from financing activities amounted to NOK 10.4 million as borrowings from credit institutions increased in 2020.

As a Visa Principal Member Folkefinans has obtained shares in Visa Inc. The shares were re-evaluated monthly during 2020 based on the quoted share price at NYSE and represents a value of NOK 20 million. To improve Folkefinans liquidity situation it has been decided to initiate sale of the Visa shares as Visa has confirmed that there are no restrictions related to the membership preventing a sale of the shares.

Folkefinans held an 8% ownership in the Estonian company Wallester which was acquired by an Estonian company in 2020 incurring a negative result impact of NOK -3.2 million.

MARKET AND PRODUCTS

Folkefinans' product offering consists of unsecured consumer loans and revolving credit facilities. Customers are private individuals in Norway and Sweden. Folkefinans serves the market with a diversified brand and product offering. The Monetti brand in Sweden offers revolving credits (Monetti Flexilån) and annuity loans up to SEK 20.000. Kredit365 is offering short-term loans up to SEK 5.000 and Frogtail has flexible larger loans presently up to SEK 40.000 with maturity up to 5 years. Folkia is the Norwegian brand offering annuity loans up to NOK 20.000.

Monetti Flexilån has been the number one product in sales since 2019. Flexilån was the only externally funded product during 2020. To support future growth and to improve product profitability, a limit increase project was implemented during January 2020. However, as Wonga Administrators blocked draw down of additional secured debt, further growth was not possible to achieve during 2020.

Frogtail consumer loans were transformed to non-high cost credit during June 2019, meaning that the efficient yearly interest rate shall not exceed 30%. Short-term loans were removed from the brand and loans between SEK 5.000 and 40.000 in 1-5 years are offered to customers. Folkefinans signed an agreement for external funding of Frogtail loans during 2019, but again, the use of the negative pledge by the Wonga Administrator has postponed the start of co-operation to year 2021. Without external funding available, Folkefinans needed to restrict the sales of Frogtail loans to a minimal level during 2020.

After a challenging 2020, Folkefinans predicts that there will be positive demand for the company´s products during 2021, at least in the Company´s main Swedish market. The first obvious goal is to enable usage of the funding available and to be able to serve more applicants than during 2020.

RISKS AND CAPITAL ADEQUACY

Folkefinans is exposed to various types of financial risks, including credit risk, market risk, operational risk, funding risk, strategic and regulatory risks. The company focus on having risk awareness in all parts of the organization.

The ability to manage risks and conduct capital planning is fundamental for having a profitable and stable company. The company has implemented polices and guidelines to ensure that the business is operated in accordance with accepted risk levels and regulatory requirements.

The Board of Directors is responsible for ensuring that the capital adequacy is in line with the adopted risk profile, regulatory requirements and that Folkefinans has a strong capital management.

The Board of Directors has set up an Audit & Risk Committee consisting of three board members and the CEO, Chief Risk and Financial Officer and Legal Counsel participating from Management. The Committee act as a preparatory body for the Board and supports the Board in carrying out its responsibilities for financial reporting, audits, internal control and overall risk management.

The CEO has executive responsibility for the Board's decisions, the effectiveness of internal controls and ensuring compliance with policies and guidelines.

The credit risk is the largest risk for Folkefinans. The company's main products are small credits with high interest rates and thereby accepting higher risk. The Board has adopted a Credit Policy with guidelines for the credit organization, credit approval process, credit risk exposure and credit governance. Folkefinans has established a Credit Team who is responsible for Credit Management and that the Credit Management is following the Credit Policy within Folkefinans.

The market risk contains mainly currency risks because the company's assets/debt are denominated in SEK/USD/EUR and the reporting currency is NOK. Folkefinans holds some Financial Assets connected to the business operation, but all other free liquidity is placed on secured deposit accounts at larger banks. The Finance Department is responsible for monitoring the market risk and max levels, while the policy concerning financial assets are set by the Board.

The company seeks to optimize use of liquidity to maximize profit. The Board has adopted a Liquidity Policy. The Finance Department is responsible for monitoring and reporting the liquidity risk.

In relation to the company's balance sheet as of 31 December 2020 the foreign exchange risks and credit risks are linked to loans in local currencies in Folkefinans' markets. The Board has established policies to secure a balance of risk taking and control of risks. Pilar I and II risks are described in further detail in the notes to the financial statements. To reduce overall market risk Folkefinans partially hedged its currency exposure during 2020 and will continue to further hedge its currency exposure throughout 2021. Folkefinans' capital adequacy ratio ended at 24.1% in 2020, compared to 26.2 % in 2019.

CORPORATE GOVERNANCE

The Board held 12 board meetings in 2020 both by physical meetings and video conference. Due to the Covid-19 pandemic all meetings as of March 2020 were held by video conference. The key issues discussed were follow-up on profit and loss development, compliance update, business development, solving the legal issue with the Wonga Administrator and securing future financing to support the needed growth in Norway and Sweden in the coming years. In line with what was discussed in the

Annual General Meeting of Folkefinans in April 2020, the Board continued during the year to seek and evaluate opportunities for shareholder value realization.

The Audit & Risk committee, which is a subcommittee of the Board, meets quarterly and reviews the company's various risks and key sustainability indicators.

DECLARATION CONCERNING CORPORATE SOCIAL RESPONSIBILITY

Human rights

Risk management and internal control form an integral part of Folkefinans' strategy and business processes. Operational risk includes events which have a negative impact on Folkefinans, including unethical actions or omissions in breach of human rights. Folkefinans risk management and internal control thus integrate human rights by ensuring that the strategy and business processes are aimed at minimizing operational risk and ensure the implementation of measures in the event of exposure to such risk.

Workers' rights, equality, non-discrimination, social concerns and external environment

Folkefinans believes in being an inclusive and diverse organization where anyone can reach their full potential. Folkefinans has always placed emphasis on giving women and men the same opportunities for professional and personal development, salary and promotion. Folkefinans is well gender distributed as 49 % of Folkefinans' personnel are female.

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.

The working environment is 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 through various activities. Due to Covid-19 these activities have been limited during 2020. 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. The employee survey conducted in 2020 showed that the working environment in Folkefinans is good and in line with the financial services industry average.

The total sickness absence, that was 168 days, has decreased slightly compared to 2019 and equals 1.7 % of the total hours worked. No days of the total sickness absence are related to long term absence. There have been no personal injuries in the workplace in 2020. There are no circumstances relating to the operations, including input factors and products that may result in a significant effect on the external environment.

Furthermore, for Folkefinans it is important to contribute to social and economic benefits in its community. The Company continued with the previous years practice and chose a non-profit organization to which financial contribution was provided. For 2020 financial support was provided to the non-profit organization UNICEF.

Combatting Corruption

Folkefinans has adopted guidelines which stipulate that the operations must be carried out with high standards of ethics and integrity. Folkefinans' ethical guidelines impose requirements on employees, elected representatives and Folkefinans' conduct, including a ban on receiving, requesting or acceptance of offers of undue benefits and a ban on Folkefinans offering financial benefits or gifts to business connections or others which could be perceived as an undue benefit. Requirements are also imposed on employees and elected representatives regarding competence, due diligence and whistleblowing. The guidelines and procedures also include a description of measures and business processes which are intended to prevent acts such as fraud, identity theft and corruption.

MAIN TRENDS

Regulatory pressure on consumer financials continued during 2020, especially in Norway, where implementing the new responsible lending regulations has led to a more challenging lending environment. As a result of these regulations, traditional small loan lenders, such as Folkefinans, need to adapt. By increasing credit size and loan durations, lenders can try to maintain profitability, as margins for small loans have continued to deteriorate. Market niche where Folkefinans is active in, is even more divided to those who have the funding to grow and to those who do not have access to funding.

Folkefinans already increased its outstanding loan portfolio during 2019 and the company believed to stand in a good position to achieve further growth at the start of 2020. Arvato Bertelsmann had proven to be a partner that wants to grow together with Folkefinans and the signing of the additional Swedish funding partner, would have further enhanced Folkefinans ability to grow. The anticipated growth was not possible to achieve, as Wonga Administrators used their legal rights to block any increased use of external funding. In practicality, this meant that Arvato funding stood still for the whole year of 2020 and the rest of the products were dependent on the limited cash that company was able to lend out.

The outbreak of Covid-19 global pandemic has had a major impact on human health and the economy at large. Impact of Covid-19 has been more limited on Folkefinans. The demand for Folkefinans products has been more unstable than before, but overall, the demand for smaller loans was quite positive, at least in Sweden. There has neither been any dramatic change in customers' ability to repay their loans during 2020.

Folkefinans continued the crucial process of changing the technological architecture, with the end goal of moving from the monolithic technical architecture to the Mambu technical platform and microservices. Lot of effort has been put to disassemble the monolith into a set of independent services that are developed, deployed and maintained separately leading to resilient and agile applications that can be copied, scaled-up and replaced without the need of developing all other applications. Even if many of these improvements are not yet "visible", they will change the company´s ability to compete and grow in the future.

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 2020.

The spread of the Covid-19 virus turned into a global pandemic in 2020, and most countries including Norway and Sweden have implemented strict regulation to prevent further spread of the virus. Folkefinans has followed the requirements and advices given by the governments by implementing necessary internal measures to secure an efficient and secure operation for the employees. These measures will be continued in 2021 until all employees have been vaccinated and the risk of being infected is strongly reduced.

Folkefinans has observed limited effects so far from the Covid-19 pandemic on lending and customer payment behavior. There is still considerable uncertainty about economic developments both internationally and in Norway and Sweden. A continued partial lock down in the markets over time will lead to increased unemployment and thereby higher risk of increase in credit losses. Assessment of future prospects like growth opportunities, profitability, regulatory and capital requirements are therefore connected with uncertainty.

The board and management will continue to monitor the development closely going forward with special focus on how the downturn in the economy will impact Folkefinans' capital adequacy, risk exposure and liquidity and take the necessary actions in order to preserve the company's financial position and ensure that the company are operational at all times.

After a very challenging year the board believes that when the subordinated loan is paid back at maturity in June, Folkefinans will be positioned again to turn the focus on growth through Monetti Flexilån and Frogtail consumer loans in the Swedish market and through the initiatives taken within the credit area improve Folkefinans' profitability.

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Oslo, 24th of March, 2021
The Board of Folkefinans AS

Kalle Pykälä
Chairman of the Board

Mikko Marttinen
Director

Veijo Ojala
Director

Raivo Aavisto
Director

Jan Nilsson
Director

Jens Schau-Hansen
CEO

Notes to the financial statements

In NOK (all Financial Statements)

Statement of comprehensive income

	Note	2020	2019
Interest income calculated using the effective interest method		107 360 702	106 047 769
Interest expenses		-11 961 103	-9 167 313
Net interest income	**9**	**95 399 600**	**96 880 456**
Fee and commission expenses		-20 080 265	-20 826 528
Net change in value on securities and currency	7a	1 933 910	5 288 016
Gross margin		**77 253 245**	**81 341 944**
Personnel expenses	15,16	-28 454 576	-23 170 578
General administrative expenses		-14 926 654	-18 944 857
Depreciation and amortisation	5,6	-2 414 079	-3 097 891
Other operating expenses	17	-8 007 020	-6 577 422
Net operating income		**23 450 916**	**29 551 196**
Losses on loans	8	-53 043 294	-29 176 134
Impairment losses	5,6	0	-21 256 042
Profit before tax		**-29 592 378**	**-20 880 980**
Tax	18	0	-28 253 457
Profit after tax		**-29 592 378**	**-49 134 437**

Items to be recycled to profit and loss			
Exchange differences on translating foreign operations		3 067 918	-1 405 132
Sum other comprehensive income		**3 067 918**	**-1 405 132**
Total comprehensive income		**-26 524 460**	**-50 539 570**

Statement of financial position

	Note	2020-12-31	2019-12-31
ASSETS			
Loans and deposits to credit institutions	7a, 7b, 11	27 081 028	11 671 134
Loans to customers	7a, 7b, 8	178 910 187	201 720 371
Investment securities	7a	20 304 901	21 630 043
Derivatives	7a	689 408	898 850
Goodwill	6	0	0
Deferred tax assets	18	0	0
Other intangible assets	6	2 850 062	3 004 713
Tangible assets	5	4 576 966	2 372 865
Other assets	10	14 144 750	10 233 785
Prepaid and deposits	7a	12 333 438	19 405 548
Total assets		**260 890 740**	**270 937 309**
LIABILITIES			
Debt to credit institutions	7a, 14	113 722 932	98 983 763
Derivatives	7a, 14	0	1 102 683
Other liabilities	7a, 13, 19	9 724 192	12 597 249
Accrued expenses	13, 15	6 840 854	4 567 754
Subordinated loan	7a, 14	34 717 031	30 813 416
Total liabilities		**165 005 010**	**148 064 864**
EQUITY			
Share capital	12, 22	96 123 230	96 239 595
Share premium	12	79 262 471	79 262 471
Other paid in equity		5 151 098	5 151 098
Retained earnings		-84 651 068	-57 780 718
Total equity		**95 885 730**	**122 872 445**
Total liabilities and equity		**260 890 740**	**270 937 309**

Oslo, 24th of March 2021
Board of Folkefinans AS

Kalle Pykälä
(Chairman of the Board)

Mikko Marttinen

Raivo Aavisto

Veijo Aulis Ojala

Jan Nilsson

Jens Schau-Hansen
CEO

Statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Equity part of Convertible loan	Total equity
Equity at 1 January 2019		**95 890 500**	**79 262 471**	**-7 405 913**	**5 151 098**	**172 898 156**
Sale of own shares		349 095				349 095
Currency translation difference				164 765		164 765
Exchange differences on translating foreign operations				-1 405 132		-1 405 132
Result for the year				-49 134 437		-49 134 437
Equity at 31 December 2019	12	**96 239 595**	**79 262 471**	**-57 780 718**	**5 151 098**	**122 872 446**
Registered share capital		96 705 080				
-own shares		465 485				
Equity at 1 January 2020		**96 239 595**	**79 262 471**	**-57 780 718**	**5 151 098**	**122 872 446**
Purchase of own shares		-116 365				-116 365
Currency translation difference				-345 890		-345 890
Exchange differences on translating foreign operations				3 067 918		3 067 918
Result for the year				-29 592 378		-29 592 378
Equity at 31 December 2020	12	**96 123 230**	**79 262 471**	**-84 651 068**	**5 151 098**	**95 885 731**
Registered share capital		96 705 080				
-own shares		581 850				

In June 2015 Folkefinans entered into one sub ordinated loan of 3.5 MEUR. The sub ordinated loan which was converted to SEK in October 2017, is partly included as Tier 2 capital.

Statement of cash flow

	Note	2020	2019
Cash flow from operations			
Result before tax		-29 592 378	-20 880 980
Depreciation and impairment of tangible assets	5	1 813 936	1 738 753
Amortization of intangible assets	6	600 143	1 359 138
Impairment of intangible assets	6	0	21 256 042
Adjustment for other entries affecting cash flow		2 329 861	-1 848 401
Net financial expenses/ income		2 598 089	1 101 312
Income tax paid		1 245 271	-2 944 798
Changes in loans to customers		22 810 184	-17 602 916
Changes in other receivables		3 161 146	-3 954 821
Change in other payables		-599 955	844 376
Net cash flow from operations		**4 366 296**	**-20 932 295**
Cash flow from investing activities			
Investments in financial assets	7a	-411 361	-3 299 159
Disposal of financial assets	7a	521 234	1 174 448
Investments in tangible fixed assets	5	-159 107	-117 271
Investments in intangible assets	6	-326 173	-232 601
Net cash flow used for investing activities		**-375 407**	**-2 474 583**
Cash flow from financing activities			
Payments related to lease liabilities		-1 923 339	-1 779 564
Interests paid		-2 464 531	-2 182 036
Borrowing from credit institutions	14	14 739 169	29 952 208
Net cash flow used for financing activities		**10 351 300**	**25 990 608**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**1 067 706**	**-217 695**
Change in cash, cash equivalents		**15 409 895**	**2 366 035**
Cash, cash equivalents as of 1 January	11	11 671 134	9 305 098
Cash, cash equivalents as of 31 December	**11**	**27 081 028**	**11 671 134**

Notes to the financial statements

1. General information

Folkefinans AS and its branches offer simple, everyday financial services at fixed prices and on conditions which are clear to customers. Folkefinans' services primarily consist of provision of revolving credits (Monetti Flexilån) up to 20.000 NOK and small unsecured loans with short term to maturity for temporary needs including more flexible larger loans presently up to 40.000 NOK with maturity up to 5 years.

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, in January 2009 Folkefinans acquired Monetti Oy and DFK Holding ApS with former subsidiaries Monetti AS and Dansk Finansieringskompagni ApS, all of which had 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 per 31 December 2020, the company consisted of the parent company, Folkefinans AS, and its branches in Sweden, Finland and Estonia.

The company's head office is at Kronprinsensgate 1, 0251 Oslo. Folkefinans has a branch office in Stockholm.

The financial statements were approved by the company's board on March 24th, 2021.

Country	Norway	Sweden	Estonia	Finland
Company name	Folkefinans AS	Folkefinans AS Norge, Filial Sverige	Folkefinans AS Eesti filial	Folkefinans AS, Suomen sivuliike
Business area	Bank and finance institution	Bank and finance institution	Bank and finance institution	Bank and finance institution
Gross margin (TNOK)	12 930	54 338	742	-1 748
FTE's	4	21	0,2	0
Profit before tax (TNOK)	-1 487	-24 623	-3 287	-731
Tax	0	0	0	0
Public subsidies	0	0	0	0

Performance Indicator defined as Result / Total Assets came in at -11,3% for 2020

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, if not otherwise commented.

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. The financial statements have been prepared under the historical cost convention, except for the measurement of financial assets measured at fair value through profit and loss (FVPL) and 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 financial statements are disclosed in note 4.

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

No new standards, amendments or interpretations has been adopted by the company during 2020

2.2 Segment reporting

The Company is not subject to any requirement of separate segment reporting as there is only one segment present, i.e., financial services to the consumer market.

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 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 instruments

2.7.1 Initial recognition and derecognition

Financial assets and liabilities are recognised in the balance sheet when the company becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade-date, the date the company commits or sell the asset. At initial recognition, the company measures a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or liability not at fair value through profit and loss, transaction costs that are incremental and directly attributable to the acquisition or issue of the financial asset or liability, such as fees and commissions. Transaction costs of financial assets and liabilities carried at fair value through profit and loss are expensed in profit and loss.

The company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled, or expired.

2.7.2 Classification and subsequent measurement

The company classifies its financial assets in the following measurements categories:
• Amortised cost
• Fair value through profit or loss (FVPL)

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:
• the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

• the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding (“SPPI”).

Business model assessment
The company assess the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed, and information is provided to management. The information considered includes:
• the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management’s strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
• how the performance of the portfolio is evaluated and reported to the Bank’s management;
• the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
• how managers are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
• the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank’s stated objective for managing the financial assets is achieved and how cash flows are realized.
The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case’ scenarios into account. If cash flows after initial recognition are realized in a way that is different from the company’s original expectations, the company does not change the classification of the remaining financial assets held in that business model. It rather incorporates such information when assessing newly originated or newly purchased financial assets going forward.

Assessment whether contractual cash flows are solely payments of principal and interest (“SPPI”)
For the purposes of this assessment, ‘principal’ is defined as the fair value of the financial asset on initial recognition adjusted for accrued effective interest and principal repayments. ‘Interest’ is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the company considers:
• contingent events that would change the amount and timing of cash flows;
• leverage features;
• prepayment and extension terms;
• terms that limit the company’s claim to cash flows from specified assets (e.g. nonrecourse asset arrangements); and
• features that modify consideration of the time value of money – e.g. periodical reset of interest rates.
Financial assets measured at amortised cost consist of loans and deposits from credit institutions and loans to customers and accounts receivable.
Financial assets measured at fair value through profit or loss (FVPL) consist of investment securities and derivatives.

Financial liabilities - classification and subsequent measurement
Financial liabilities are classified and subsequently measured at amortised cost, except for financial derivatives measured at fair value through profit and loss. Financial liabilities measured at amortised cost comprise of debt to credit institutions, accounts payable and other liabilities and subordinated loan.

Impairment
According to IFRS 9 loss provisions are recognized based on a forward-looking expected credit loss (ECL) approach. IFRS 9 requires the company to record an allowance for ECLs for all loans and other debt financial assets not held at FVPL, together with loan commitments and financial guarantee contracts.

The measurement of the impairment provisions for expected loss depends on whether credit risk has increased significantly since initial recognition. Upon initial recognition, and when credit risk has not increased significantly after initial recognition, the impairment provisions is based on 12-month expected credit loss ("Stage 1"). If credit risk has increased significantly since initial recognition but no objective evidence of impairment, the impairment provisions are based on lifetime expected credit loss ("Stage 2"). The accumulated expected credit loss in "Stage 1" and "Stage 2" replaces current collective impairments. If there is objective evidence for impairment the impairment provision is based on lifetime expected credit loss ("Stage 3 ").
The company has applied the presumption in the standard that a significant increase in credit risk has occurred since initial recognition when contractual payments are more than 30 days past due.
If the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, the company reverts to recognise a loss allowance based on 12-months ECL.
Folkefinans sell all loan assets after 3 months so the initial loss forecast is based on the percent of assets forecasted not to be paid in 3 months. This is adjusted with the agreed price of assets, based on the mix of loan assets. If the loss expectation increases or decreases during the 3 months the loss forecast is adjusted. The adjustment is based on the experienced historical payments from due date to asset is sold.
Folkefinans has used the expected credit loss principle since the company was established, so the new IFRS 9 standard does not affect the company's measurement of the quantitative effect of credit risk compared to earlier practice. For loans to and deposits with credit institutions the company has applied a loss ratio model and has not made any provision on this balance sheet item. Credit losses are made for groups of loans depending on status of the receivables, i.e. whether they have been sold, have fallen due, are being monitored, have been sent for debt-collection etcetera.
Loans to customers can be split into three categories: Short term loans with less than one-year duration, long-term loans with up to 5-year duration and a revolving credit line. The revolving credit product was launched in 2018.
Impairments of loans are recognized based on the company’s loan loss models. The models are based on historical information and when no performance data is available, as for new products, the loss expectation is put on same level as for equivalent products.
The model is based on the exposure of defaulted loans at each balance date. The model calculates the probability of default and loss given default for each due day category (1-30, 30-60 and 60-90). After up to 105 days after due date the loans are sold, and loans that are not sold are impaired to zero.
The revolving credit follow same principles, but uses category’s 1st reminder, 2nd reminder and cancellation as triggers for loss given default.
The loans in Class 1 are defined as loans that are performing and is subject to impairment in accordance with IFRS 9 and recognized for 12 months expected loss. The loans are put direct in the Class 2 when the loans have late payments and in Class 3 when loans are more than 90 days past due date.
Loans are terminated if two invoiced are not paid. This triggers a probability of default of 90-95% for the loan.
Regarding payment relief Folkefinans offer customers to maximum delay payment of one invoice for one month. This is considered in loan loss provisions by setting the customer to one-month overdue status when determining class and PD.

2.7.3 Measurement methods and presentation

Financial assets and liabilities measured at amortised cost

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal payments, plus or minus the cumulative amortization using the effective interest method of any differences between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance.

The gross carrying amount of financial asset is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

When the company revises the estimates of future cash flows, the carrying amount of the respective financial assets or liabilities is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss

Under IFRS 9 Interest income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset (when the financial asset is not credit-impaired) or to the amortised cost of the financial liability. When and financial asset become credit impaired the interest income is calculated by applying the effective interest rate to the net amortised cost of the financial asset.

Interest income and expense calculated using the effective interest method is presented within 'Interest income' and 'interest expense' in the statement of comprehensive income.

'Interest income' consist of interest income on loan and deposits with credit institutions and interest on loans to customers. 'Interest expense' consist of interest expense on debt to credit institutions and interest expense from subordinated loan.

Financial assets and liabilities measured at Fair value

Fair value is the price that would be received to sell and asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, expected discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

2.8 Loans to and receivables from credit institutions

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

2.9 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.

2.10 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.

2.11 Liabilities

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

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

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.

2.12 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.

2.13 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 formalised 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.

2.14 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.

2.15 Leases

When entering a contract, Folkefinans assesses whether the contract contains a lease agreement. The contract contains a lease agreement if the contract transfers the right to control the use of an identified asset for a period in exchange for a consideration.
IFRS 16 contains an option to refrain from recognizing the right of use and the lease obligation for a lease agreement if the lease agreement is short-term (less than 12 months) or the underlying asset has a low value. Folkefinans has utilized this exception. For these leases, the cost is recognized on a straight-line basis over the lease term.
For other leases, the bank recognizes a right of use and a lease obligation at the time of implementation.
The lease obligation is measured on initial recognition at the present value of lease payments that have not been paid at the time of the presentation of the accounts. The discount rate used is the company / group's marginal borrowing rate. In subsequent measurements, the leasing obligation is measured at amortized cost using the effective interest method. The lease obligation is measured again when there is a change in future lease payments that arises as a result of a change in an index or if the bank changes its assessment of whether it will exercise extension or termination options. When the lease obligation is measured again in this way, a corresponding adjustment is made to the book value of the right of use or is entered in the result if the book value of the right of use is reduced to zero. Upon initial recognition in the balance sheet, the right of use is measured at acquisition cost, i.e. the lease obligation (present value of the lease payments) plus advance lease and any direct acquisition costs. In subsequent periods, the right of use is measured using an acquisition model. The right of use is included in the line «Property, plant and equipment» while the lease obligation is included in the line «Other debt».

2.16 Cash and cash equivalents

Cash and cash equivalents in cash-flow statement consists of loans to and receivables from credit institutions.

3 Financial risk management

Risk Management ensures compliance with internal and external Risk Management regulations, and strong emphasis is placed on reporting risk to the relevant stakeholders in clear and meaningful manner. 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. 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 income 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 include 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 reduced 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.

- 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.
- 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.

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

- Additional Market risk
- Additional Credit Risk
- Additional Operational Rate Risk
- Liquidity and Funding Risk
- Strategic & Business Risk
- Systemic and Recession Risk
- Reputational Risk
- Political and Regulatory Risk
- Risk posed by Excessive Debt Accumulation

3.1 Pillar I risks

3.1.1 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 average expected lifetime is 5.5 months. Since these loans are to be repaid relatively rapidly the actual amount outstanding loans are thus limited. A loan that is not paid, is sold after 90 days past due date, and the customer will not be able to take a new loan.

Folkefinans has a detailed Credit Framework for each product. The company has rules, scoring and affordability tests to offer loan size and interest for the customers. Folkefinans has both internally developed and external scoring models that is used to determine the credit rating of private customers. Folkefinans continuously monitors the Credit Risk by weekly following repayment rates for different customer groups, products and markets.

In 2020 the loan portfolio is re-classified from "Other Commitments" to "Retail" and risk weight is changed from 100% to 75%.

(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 2020:

Counterpart	**2020**	**2019**
Institutions	5 623	2 576
Retail	140 521	0
Other commitments	51 619	255 368
Total	**197 763**	**257 945**

Region	2020	2019
Sweden	163 294	206 120
Norway	34 165	48 316
Finland	11	5
Estonia	294	3 504
Denmark	0	0
Total	**197 763**	**257 945**

3.1.2 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 assets are denominated in NOK, SEK, EUR and USD and the loan facilities are currently denominated in SEK. The Company's accounts are denominated in NOK, resulting in net short and long NOK to SEK, NOK to EUR and NOK to USD exposure due to discrepancy between the denomination of its assets and liabilities and own equity. The net exposure in USD and Euro is fully hedged, while the SEK exposure hedge is limited.
FX Risk may also rise due to potential divergence between the denomination of income 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 income. Consequently, we find this risk to be negligible.
By 31 December 2020, Folkefinans has a non-hedged foreign exchange exposure of 48,8 MNOK.

Sensitivity analysis

Assessment of the impact of Market risk with currency fluctuations +/- 5%

	Change	Result 2020	Result 2019
NOK/SEK	+/- 5%	+/-1,839	+/-3,419
NOK/EUR	+/- 5%	+/-0,134	+/-0,093
NOK/USD	+/- 5%	+/-0,586	+/-0,060

(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.

Folkefinans has fixed interest rate on all external loans, so no risk of fluctuation in interest rates.

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 funding risks

Liquidity Risk is the risk of not having sufficient liquidity to meet obligations when these falls due, or to meet liquidity commitments only at increased cost. The Funding Risk relates to Folkefinans' inability to raise additional funds to cover its forecasted growth and planned new product launches.

Funding Risk in the Company is connected primarily to the Company's funding from the external financing providers and the risk that the Provider(s) eliminates further financing with short notice. Folkefinans has several liquidity sources; both credit facilities and equity. In addition Folkefinans has products with short tenors that secure a high share of payback on loans in short time.

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

In order to minimize the funding risk, the Company is using different sources of funding. Currently Folkefinans' debt financing is through a subordinated loan and credit lines. The credit line with Arvato Bertelsmann is directly linked to the loan volume for the Revolving Credit Product. A credit line with a first tranche of 25MSEK is secured with a Swedish credit institution. To secure the growth and profitability in Folkefinans' business plan for the coming years it will be a continued process for the Board and Management to strengthen the company's debt financing.

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.

At 31 December 2020	Between 3 months and 1 year	Between 1 and 5 years
Subordinated loan	35 324 579	0
Loans	6 396 915	113 2 932

3.2.2 Business & Strategic risk

Strategic Risk refers to Board and Management's ability to plan, organize, and in general control the Company's 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 does not meet customer's expectations.

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 does not meet customer's expectations.

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 income 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.

3.2.3 Systemic & Recession Risk

Folkefinans is to some extent exposed to speculative cycles and is affected negatively by recessions. Recession Risk thus tries to capture how Folkefinans will be affected by changes to these cycles.

Folkefinans/Folkia has followed its loss ratios from 2008 and has not been able to see a clear connection between recessions and loss ratios in the Company. Through marketing and credit scoring, the company can govern its recession risk.

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 geographical multi country presence also reduces this risk.

3.2.5 Reputational risk

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

To reduce the risk of losses caused of reputation in the market, Folkefinans as a licenced company, follow up all Guidelines from Authorities, in all the markets the company operates. The company follows the principles of Responsible lending.

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 behaviour 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 will actively work to strengthen its relationship with the Governmental Authorities in all countries.

3.2.6 Risk posed by Excessive Debt Accumulation

This is the risk of having too much debt vs equity. Leverage ratio is indicator of risk.

Folkefinans seeks to have a good balance between equity and debt. 37% of the balance sheet in 2020 is financed with Equity.

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 2020 includes 93 MNOK of Tier 1 Capital and 3.5 MNOK Tier 2 Capital. The capital adequacy ratio is 24,1%.

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. Due to the general market uncertainty caused by the Covid-19 pandemic and Folkefinans financial performance it has been decided to impair the goodwill. The goodwill should have been written down in 2019. Thus, the goodwill has been written down as impairment losses in the 2019 comparable figures with 21 117 972 NOK and with the same amount under retained earnings in the statement of financial position.

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 possess to make the analyses and level of the provisions.

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

Deferred tax assets
The 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. The deferred tax asset should have been written down in 2019. As with the assessment of goodwill it has for similar reasons been decided to impair the deferred tax assets. Thus, the deferred tax asset has been written down as tax expense in the 2019 comparable figures with 27 264 595 NOK and with the same amount under retained earnings in the statement of financial position.

5 Tangible fixed assets

	Right-of-use asset	Machinery, fixtures, fittings and vehicles	Total
2019 financial year			
Carrying amount 01.01.19		**204 345**	**204 345**
Recognised upon implementation of IFRS 16	3 206 228		
Adjusted carrying amount 01.01.2019	**3 206 228**	**204 345**	**3 410 573**
Additions	605 393	117 271	722 665
Translation differences	-15 905	-5 716	-21 621
Disposals	0	-1 029 509	-1 029 509
Impairment during the year	0	0	0
Depreciation during the year	-1 597 883	-140 870	-1 738 753
Disposals depreciation and impairment	0	1 029 509	1 029 509
Carrying amount 31.12.19	**2 197 834**	**175 031**	**2 372 865**
As at 31 December 2019			
Original cost	3 811 621	1 946 151	5 757 773
Accumulated impairment	0	0	0
Accumulated depreciation	-1 613 788	-1 771 120	-3 384 908
Carrying amount 31.12.19	**2 197 834**	**175 031**	**2 372 865**

	Right-of-use asset	Machinery, fixtures, fittings and vehicles	Total
2020 financial year			
Carrying amount 01.01.20	**2 197 834**	**175 031**	**2 372 865**
Additions	3 709 136	159 107	3 868 243
Translation differences	135 665	14 129	149 794
Disposals	0	-95 145	-95 145
Impairment during the year	0	0	0
Depreciation during the year	-1 696 226	-117 710	-1 813 936
Disposals depreciation and impairment	0	95 145	95 145
Carrying amount 31.12.20	**4 346 409**	**230 557**	**4 576 966**
As at 31 December 2020			
Original cost	7 795 796	2 166 767	9 962 562
Accumulated impairment	0	0	0
Accumulated depreciation	-3 449 387	-1 936 209	-5 385 597
Carrying amount 31.12.20	**4 346 409**	**230 557**	**4 576 966**

Depreciation is charged on a straight-line basis. Estimated useful life is between 3 and 5 years. Depreciation period for right-of-use assets is 1.5 years.

6 Intangible assets

	Goodwill	Software (incl. scoring model and licenses)	Customer relationships	Trademarks	Total
2019 financial year					
Carrying amount 01.01.19	21 117 972	2 952 305	0	1 386 000	25 456 277
Additions	0	232 601	0	0	232 601
Disposals	0	-1 078 195	0	0	-1 078 195
Translation differences	0	-53 908	0	0	-53 908
Impairment during the year	-21117972	-138 070	0	0	-21 256 042
Amortization during the year	0	-1 359 138	0	0	-1 359 138
Disposals depreciation		1 063 118	0		1 063 118
Carrying amount 31.12.19	**0**	**1 618 713**	**0**	**1 386 000**	**3 004 713**
As of 31 December 2019					
Original cost	45 889 905	21 789 471	13 332 762	10 134 617	91 146 755
Accumulated impairment	-45 889 905	-120 952	0	-8 748 617	-54 759 474
Accumulated amortization	0	-20 049 805	-13 332 762	0	-33 382 567
Carrying amount 31.12.19	**0**	**1 618 713**	**0**	**1 386 000**	**3 004 713**
2020 financial year					
Carrying amount 01.01.20	0	1 618 713	0	1 386 000	3 004 713
Additions	0	326 173	0	0	326 173
Disposals	0	-1 217 260	0	0	-1 217 260
Translation differences	0	90 010	0	0	90 010
Impairment during the year	0	0	0	0	0
Amortization during the year	0	-600 143	0	0	-600 143
Disposals depreciation	0	1 246 569	0	0	1 246 569
Carrying amount 31.12.20	**0**	**1 464 062**	**0**	**1 386 000**	**2 850 062**
As of 31 December 2020					
Original cost	45 889 905	22 738 281	13 332 762	10 134 617	92 095 564
Accumulated impairment	-45 889 905	0	0	-8 748 617	-54 638 522
Accumulated amortization	0	-21 274 218	-13 332 762	0	-34 606 980
Carrying amount 31.12.20	**0**	**1 464 062**	**0**	**1 386 000**	**2 850 062**
Amortisation rate	**0%**	**20%**	**20%**	**0%**	

Impairment tests for goodwill

The goodwill of 21 MNOK is related to the historical acquisition of Folkia AB. The company has conducted annually tests to assess the impairment of goodwill and intangible assets with unidentified lifetimes. Due to the general market uncertainty caused by the Covid-19 pandemic and Folkefinans financial performance it has been decided to impair the goodwill.

7a Financial instruments by category

As of 31 December 2020	Amortised cost	Financial assets at fair value through P&L	Total
Assets			
Loans to and receivables from credit institutions	27 081 028		27 081 028
Loans to customers	178 910 187		178 910 187
Investment securities		20 304 901	20 304 901
Derivatives	689 408		689 408
Prepaid and deposits	12 333 438		12 333 438
Total	**219 014 061**	**20 304 901**	**239 318 963**

As of 31 December 2020	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities			
Liabilities to credit institutions		113 722 932	113 722 932
Derivatives	0		0
Other financial obligations		9 489 135	9 489 135
Subordinated loan		34 717 031	34 717 031
Total	**0**	**157 929 098**	**157 929 098**

Folkefinans' Visa Europe Principal Membership, Folkefinans' shares in Visa Inc. are re-evaluated monthly based on the quoted share price at NYSE and represents a value of 19 985 TNOK. Folkefinans held an 8% ownership in the Estonian company Wallester that was acquired in 2020. The value of the shares was therefore written down with 3 211 TNOK.

To be compliant with FSA short term liquidity standards (LCR) Fokefinans invests in funds comprised of highly liquid assets. As per 31.12.20 Folkefinans owned shares valued at 283 TNOK in "Carnegie Obligasjonsfond" and shares valued at 32 TNOK in "KLP Statsobligasjon". The funds are traded in an active market and fair value is based on quoted market prices at the end of the reporting period. The fund investments are classified as investment securities.

The fair value of derivatives is equal to its carrying value. The fair value is within level 3 of the fair value hierarchy. The value of the underlying call option is calculated by using the Black-Scholes model where the variables current underlying price, option strike price, time until expiration, implied volatility and risk-free interest rate are taken into consideration. As of May 2020 the subordinated loan was no longer convertible, and a value for the derivate is therefore not calculated in 2020.

As of 31 December 2019	Amortised cost	Financial assets at fair value through P&L	Total
Assets			
Loans to and receivables from credit institutions	11 671 134		11 671 134
Loans to customers	201 720 371		201 720 371
Investment securities		21 630 043	21 630 043
Derivatives	898 850		898 850
Prepaid and deposits	19 405 548		19 405 548
Total	**233 695 903**	**21 630 043**	**255 325 946**

As of 31 December 2019	Financial liabilities at fair value through profit or loss	Other financial liabilities at amortised cost	Total
Liabilities			
Liabilities to credit institutions		98 983 763	98 983 763
Derivatives	1 102 683		1 102 683
Other financial obligations		11 335 544	11 335 544
Subordinated loan		30 813 416	30 813 416
Total	**1 102 683**	**141 132 723**	**142 235 406**

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.

	2020	2019
Accounts receivable		
Loans to customers	178 910 187	201 720 371
Total accounts receivable	**178 910 187**	**201 720 371**

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.

	2020	2019
Bank deposits		
AA-	1 746 431	574 371
A+	24 674 397	11 084 591
A -	0	0
A	706	-849
Undefined/no rating available	659 494	13 020
Total bank deposits	**27 081 028**	**11 671 134**

8 Loans and other receivables

	2020	2019
Gross lending to the customers	211 897 436	217 506 611
Impairment due to probable losses on loans	-33 281 800	-16 293 344
Accrued income - Revolving credit	294 551	507 104
Lending to the customers	**178 910 187**	**201 720 371**

The carrying value of loans to the customers is equal to their fair values.

Ageing of loans to customers	2020	2019
Not fallen due	170 751 540	169 789 921
1 – 30 days after the due date	17 745 918	22 313 095
31 - 60 days after the due date	9 595 573	12 010 611
61 - 90 days after the due date	7 516 732	8 500 134
> 91 days after the due date	6 582 225	5 399 954
Gross lending to the customers	**212 191 987**	**218 013 715**

Recognised value of the Company's gross lending to the customers, per geographical market in NOK as of 31 December 2020:

	Sweden	Norway	Estonia	Finland	Total
Not fallen due	161 624 095	9 127 445	0	0	170 751 540
1 – 30 days after the due date	14 952 133	2 793 786	0	0	17 745 918
31 - 60 days after the due date	8 969 454	626 119	0	0	9 595 573
61 - 90 days after the due date	7 290 017	226 715	0	0	7 516 732
> 91 days after the due date	6 211 480	370 745	0	0	6 582 225
Gross lending to the customers	**199 047 178**	**13 144 809**	**0**	**0**	**212 191 987**

Recognised value of the Company's gross lending to the customers, per currency in NOK:

	2020	2019
SEK	199 047 178	194 816 374
NOK	13 144 809	23 197 341
Gross lending to the customers	**212 191 987**	**218 013 715**

The change in the allowance for the impairment of the lending to the customers is as follows:

	2020	2019
As at 1 January	**16 293 345**	**18 428 674**
Provision during the year	9 920 010	-5 385 578
Gross lending that have been written off as losses during the year	5 199 907	3 125 854
Reversed provision due to portfolio sales	0	590 365
Reversal of unused amounts	-28 204	-94 067
Currency translations	1 896 743	-371 903
As at 31 December	**33 281 801**	**16 293 345**

	2020	2019
Loan losses	20 267 572	685 304
Loss due to sale of portfolios	32 775 722	28 490 830
Unspecified loan loss provisions	**53 043 294**	**29 176 134**

Change in Gross Loans in 2020	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Gross Loans 31.12.2019	**183 441 310**	**21 324 467**	**13 247 938**	**218 013 715**
Transfers				
Transfer from Stage 1 to Stage 2	-6 849 638	11 444 246		4 594 608
Transfer from Stage 1 to Stage 3	-4 823 181		5 401 046	577 865
Transfer from Stage 2 to Stage 3		-964 643	699 683	-264 960
Transfer from Stage 3 to Stage 2		123 454	-103 559	19 895
Transfer from Stage 3 to Stage 1	91 616		-248 481	-156 865
Transfer from Stage 2 to Stage 1	1 622 431	-2 045 195		-422 764
Change due to new / increased loan	96 124 868	11 333 375	6 204 564	113 662 807
Change due to reduced loan (down payment, sold, written off)	-82 349 141	-22 955 876	-18 527 284	-123 832 301
Change due to updated model parameters	-16 639 620	5 907 473	10 732 147	0
Gross Loans 31.12.2020	**170 618 645**	**24 167 301**	**17 406 054**	**212 192 000**

Change in Loss Reserve in 2020	Stage 1	Stage 2	Stage 3	Total
Loss allowance 31.12.2019	**5 026 517**	**4 363 708**	**6 903 119**	**16 293 034**
Transfers				
Transfer from Stage 1 to Stage 2	-1 027 060	3 505 566		2 478 506
Transfer from Stage 1 to Stage 3	-463 098		2 886 032	2 422 934
Transfer from Stage 2 to Stage 3		-220 963	375 821	154 859
Transfer from Stage 3 to Stage 2		41 292	-41 422	-130
Transfer from Stage 3 to Stage 1	16 422		-92 096	-75 675
Transfer from Stage 2 to Stage 1	254 077	-590 023		-335 946
Change due to new / increased loan	6 021 758	2 377 652	2 579 915	10 979 325
Change due to reduced loan (down payment, sold, written off)	-5 791 545	-4 996 494	-4 440 315	-15 228 354
Change due to updated model parameters	11 978 868	1 936 717	2 677 443	16 593 338
Loss allowance 31.12.2020	**16 015 939**	**6 417 456**	**10 848 497**	**33 281 892**

Risk Distribution of loan Portfolio 2020

Risk Group	PD Range	Gross Outstanding	% of TTL
A	0% - 10%	4 664 331	2%
B	10% - 20%	41 215 910	19%
C	20% - 30%	82 434 745	39%
D	30% - 50%	40 320 928	19%
E	50% - 70%	2 275 298	1%
F	70% - 100%	41 280 788	19%
Total		**212 192 000**	**100%**

Risk groups are defined by the current Probability of Default (PD) calculation for the loan. PD is determined by various factors like credit bureau score and historic payment behaviour of the customer
Folkefinans does not perform enforcement activity on loans that are written off.

Change in Gross Loans in 2019	Stage 1	Stage 2	Stage 3	Total
Gross Loans 31.12.2018	**170 403 961**	**20 048 165**	**12 094 002**	**202 546 129**
Transfers				
Transfer from Stage 1 to Stage 2	-3 321 070	3 551 275	0	230 205
Transfer from Stage 1 to Stage 3	-1 840 614	0	3 491 866	1 651 252
Transfer from Stage 2 to Stage 3	0	-945 773	1 086 943	141 170
Transfer from Stage 3 to Stage 2	0	141 170	-188 945	-47 775
Transfer from Stage 3 to Stage 1	145 097	0	-296 191	-151 094
Transfer from Stage 2 to Stage 1	1 047 041	-2 068 298	0	-1 021 257
Change due to new / increased loan	434 388 045	202 087	40 334	434 630 466
Change due to reduced loan (down payment, sold, written off)	-413 453 896	873 492	-2 744 902	-415 325 306
Gross Loans 31.12.2019	**183 441 310**	**21 324 467**	**13 247 938**	**218 013 715**

Change in Loss Reserve in 2019	Stage 1	Stage 2	Stage 3	Total
Loss allowance 31.12.2018	**5 023 584**	**4 438 751**	**8 966 339**	**18 428 674**
Transfers				
Transfer from Stage 1 to Stage 2	-43 652	828 142	0	784 490
Transfer from Stage 1 to Stage 3	-17 730	0	546 558	528 828
Transfer from Stage 2 to Stage 3	0	-50 297	68 953	18 656
Transfer from Stage 3 to Stage 2	0	3 800	-63 722	-59 923
Transfer from Stage 3 to Stage 1	3 905	0	-99 891	-95 986
Transfer from Stage 2 to Stage 1	28 181	-505 843	0	-477 662
Change due to new / increased loan	15 504 658	-181 662	-2 110 077	13 212 918
Change due to reduced loan (down payment, sold, written off)	-15 370 130	-61 784	-235 836	-15 667 751
Loss allowance 31.12.2019	**5 026 517**	**4 363 708**	**6 903 119**	**16 293 034**

Risk Distribution of loan Portfolio 2019

Risk Group	PD Range	Gross Outstanding	% of TTL
A	0% - 10%	7 607 643	3%
B	10% - 20%	39 051 042	18%
C	20% - 30%	65 186 328	30%
D	30% - 50%	52 844 574	24%
E	50% - 70%	3 360 861	2%
F	70% - 100%	49 963 267	23%
Total		**218 013 715**	**100%**

9 Net Interest Income

	2020	2019
Interest and similar income from loans to and receivables due from credit institutions	2 706	10 930
Interest and similar income on loans to and receivables due from customers	107 357 996	106 036 839
Interest income calculated using the effective interest method	107 360 702	106 047 769
Interest and other expenses on debt to credit institutions	-11 743 387	-8 933 129
Interest expenses on lease liabilities	-217 716	-234 184
Interest expenses	-11 961 103	-9 167 313
Net interest and credit commission income	**95 399 600**	**96 880 456**

10 Other Assets

	2020	2019
Cash collateral - Hedging	2 322 298	1 969 120
Escrow account related to revolving credit funding	12 522 008	7 903 570
Other	-699 556	361 095
Total	**14 144 750**	**10 233 785**

11 Loans and receivables to credit institutions

	2020	2019
Cash and bank deposits	27 081 028	11 671 134
Total	**27 081 028**	**11 671 134**

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

	2020	2019
Cash and cash equivalents	27 081 028	11 671 134
Total	**27 081 028**	**11 671 134**

12 Share capital and share premium

	No. of shares	Nominal share capital	Share premium	Total
Carrying amount 31.12.19	**19 247 919**	**96 239 595**	**79 262 471**	**175 502 066**
Carrying amount 31.12.20	**19 224 646**	**96 123 230**	**79 262 471**	**175 385 701**

The company has used own shares (treasury shares) in connection with the purchase of the subsidiary in Denmark, DFK Holding – closing January 2009. As of 31 December 2020, the number of shares was 19 341 016 of which 116 370 are the company's own shares.

13 Other liabilities and accrued expenses and deferred income

	2020	2019
Accounts payable	3 500 433	7 932 314
Approved, invoiced but not paid out loans	2 003 375	1 729 093
Liabilities to partners and employees	-1 122 188	294 676
Lease liabilities	4 451 828	2 276 673
Govt. charges and special taxes	890 744	364 492
Total Other liabilities	**9 724 192**	**12 597 249**
Accrued Govt. charges and special taxes	677 410	556 621
Accrued expenses	2 803 888	1 920 880
Salaries owed	619 138	0
Holiday pay due	2 740 193	2 090 040
Other accrued expenses	226	213
Total accrued expenses and deferred income	**6 840 854**	**4 567 754**

14 Liabilities

	2020	2019
Liabilities		
Liabilities to credit institutions	113 722 932	98 983 763
Derivatives	0	1 102 683
Subordinated loan	34 717 031	30 813 416
Total loans	**148 439 963**	**130 899 862**

Liabilities to credit institutions

Arvato Bertelsmann is financing the revolving credit product in Sweden. The existing credit line is 200 MSEK and is divided into defined credit limit layers. The credit line has an interest of 7.5%

In June 2015 Folkefinans entered into a subordinated loan in the amount of 3 500 TEUR. The loan accrues an interest of 7% pro anno from the drawdown date. In October 2017 it was agreed to amend the currency of the loan from EUR to SEK. Maturity date is six years after drawdown date. The value of the underlying call option is calculated by using the Black-Scholes model where the variables current underlying price, option strike price, time until expiration, implied volatility and risk-free interest rate are taken into consideration. As of May 2020 the subordinated loan was no longer convertible, and a value for the derivate is therefore not calculated in 2020. At 31.12 2020 the loan amounts to 33 610 TSEK.

A credit line with a first tranche of 25 MSEK was entered into with a Swedish credit institution in July 2019. The credit line will finance Frogtail consumer loans and has an interest of 6.5%. The credit line has not been drawn upon in 2020.

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

	2020	202019
6 months or less	0	0
6-12 months	34 717 031	0
1-5 years	0	31 916 099
More than 5 years	0	0
No agreed maturity date	113 722 932	98 983 763
Total loans	**148 439 963**	**130 899 862**

Carrying amount and fair value of loans:	**2020**	**202019**
Carrying amount		
Liabilities to credit institutions	113 722 932	98 983 763
Derivatives	0	1 102 683
Subordinated loan	34 717 031	30 813 416
Total carrying amount	**148 439 963**	**130 899 862**
Fair value		
Liabilities to credit institutions	113 722 932	98 983 763
Derivatives	0	1 102 683
Subordinated loan	34 717 031	30 813 416
Total fair value	**148 439 963**	**130 899 862**

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

	2020	2019
NOK	0	0
EUR	0	0
SEK	148 439 963	130 899 862

Liquidity risk

As of 31 December 2020	Undefined	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions		2 132 305	6 396 915	113 722 932		122 252 152
Accounts Payable		1 400 173	2 100 260			3 500 433
Derivatives				0		0
Lease Liabilities		480 414	1 441 243	3 172 721		5 094 379
Subordinated loan		607 548	35 324 579			35 932 127
Total Liabilities	**0**	**4 620 441**	**45 262 997**	**116 895 653**	**0**	**166 779 091**

As of 31 December 2019	Undefined	0-3 months	3-12 months	1-5 years	Over 5 years	Total
Liabilities to credit institutions		1 855 946	5 567 837	98 983 763		106 407 545
Accounts Payable		3 172 925	4 759 388			7 932 314
Derivatives				1 102 683		1 102 683
Lease Liabilities		486 693	1 460 079	648 924		2 595 695
Subordinated loan		539 235	1 617 704	34 048 825		36 205 764
Total Liabilities	**0**	**6 054 799**	**13 405 008**	**134 784 194**	**0**	**154 244 000**

		Liabilities to credit institutions	Lease Liabilities	Subordinated loan	Total
	2019-12-31	**98 983 763**	**2 276 673**	**30 813 416**	**132 073 852**
Cash Flows	Amortisation	0	-1 670 173		**-1 670 173**
	Principal increase	2 589 190			**2 589 190**
	Interest Payments	-8 662 052	-213 838	-2 464 531	**-11 340 421**
Non-cash changes	Interest cost	8 662 052		2 464 531	**11 126 583**
	Principal increase	0	3 670 270		**3 670 270**
	FX adjustment	12 149 979	388 895	3 903 615	**16 442 490**
	2020-12-31	**113 722 932**	**4 451 828**	**34 717 031**	**152 891 791**

15 Pensions and similar liabilities

	2020	2019
Costs charged to the statement of comprehensive income		
– Pension costs	2 309 189	1 879 336

In Norway, the minimum defined contribution pensions (compulsory company pensions) are paid as they become due. In Sweden 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.

16 Wages and salaries

	2020	2019
Salaries	21 134 058	16 541 268
Employers' national insurance contributions	4 744 116	4 505 362
Pension costs – the year's provisions for defined contribution-based pension schemes	2 309 189	1 879 336
Other benefits	267 212	244 612
Total wages and salaries	**28 454 576**	**23 170 578**
No. of employees	**26**	**25**

17 Other operating expenses

	2020	2019
External advisors/fees services	1 322 910	1 137 710
Rental expenses	350 406	372 550
Production expenses	5 789 001	4 654 003
Collection expenses	8 945	0
Administrative and other expenses	535 758	413 159
Total other operating expenses	**8 007 020**	**6 577 422**

Fees to auditors and other related costs	2020	2019
Statutory audit		
- PwC	1 036 744	1 098 503
- other	0	0
Tax services		
- PwC	0	47 500
- other	67 447	18 610
Other non-assurance services		
- PwC	11 875	79 625
Total PwC	1 048 619	1 225 628
Total	**1 116 066**	**1 244 238**

Fees include VAT.

18 Taxes

Tax expense:	2020	2019
Taxes payable on foreign income	0	0
Adjustments in respect of prior years	-584 070	-823 522
Change in deferred tax	-5 825 878	1 812 384
Deferred tax not recognized	6 409 948	27 264 595
Change in deferred tax due to change in tax rate		0
Tax expense	**0**	**28 253 457**
Total tax including OCI	**0**	**28 253 457**

Tax payable		0
Advance tax payments	-422 801	-1 985 955
Total tax payable	**-422 801**	**-1 985 955**

Reconciliation of the tax expense:	**2020**	**2019**
Profit before taxes	**-26 524 460**	**-49 134 437**
Calculated tax 25 %	-6 631 115	292 035
Permanent differences	805 237	1 520 349
Effects from changed tax rates	0	0
Adjustments in respect of prior years	-584 070	-823 522
Deferred tax not recognized	6 409 948	27 264 595
Tax payable on foreign income	0	0
Tax	0	28 253 457
Tax in the statement of comprehensive income	**0**	**28 253 457**
Tax expense in the income statement	0	28 253 457
Tax expense	**0**	**28 253 457**

Deferred tax and deferred tax assets:

Deferred tax assets	**2020**	**2019**
Deficit carried forward - Norway	150 658 759	122 819 128
Other temporary differences	5 157 387	-13 760 747
Total temporary differences (deferred tax basis)	**155 816 146**	**109 058 381**
Temp diff not recognised as deferred tax	**-155 816 146**	**-109 058 381**

Deferred tax liability		
Tangible and intangible assets	0	
Deferred tax liability	**0**	**0**

Net deferred tax	**0**	**0**
Ordinary tax expense	0	28 253 457
Total tax expense	**0**	**28 253 457**
Taxes payable	0	0
Change in deferred tax	0	-28 253 457
Total tax expense	**0**	**-28 253 457**

19 Commitments

a) Guarantees and charges:

Folkefinans has no guarantees or charges in 2020.

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:

	2020	2019
Due date within 1 year	1 765 399	1 814 390
Due date between 1 and 5 years into the future	3 347 053	635 037
Due date more than 5 years into the future	0	0
Total future minimum lease payments	**5 112 452**	**2 449 427**

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 for Sweden and 6 months for Norway. As at 31.12.2020 the total of deposits for office rental is 982 981 NOK. The total minimum payments are gross figures (no deduction for deposits).

c) Off balance sheet exposure

Folkefinans launched a revolving credit product (Monetti Flexilån) in Sweden in June 2018. At the end of 2020 total unused credit limit amounted to 31 497 TNOK

20 Related parties

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

Marinium OY - Owned by the Chairman of the board and shareholder Kalle Pykälä

Synvestment OÜ - Owned by the board member and shareholder Jan Nilsson

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):

	2020	2019
Mariniuim OY	112	213
Synvestment OÜ	63	252
Total	**175**	**466**

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

The agreements for purchasing of services from Marinium OY and Synvestment OÜ relates to consultancy services from the Chairman of the board and board member Mr Nilsson. These consultancy services relate 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 the above mentioned companies.

c) Remuneration to senior employees

The senior employees comprise the management and directors. The remuneration to senior employees is shown below: (NOK 1000)

	2020	2019
Salaries and other short-term employee benefits	7 876	8 201
Pension benefits		
Other long-term benefits	969	819
Share-based remuneration	-	-
Total	**8 845**	**9 020**

Specification of remuneration to senior employees:

Name	2020 Salary and other short-term benefits	2020 Pension benefits	2019 Salary and other short-term benefits	2019 Pension benefits
Jens Schau-Hansen, CEO	1 976	312	2 143	266
Other Management	**5 089**	**657**	**5 248**	**553**
Mariko Ragnarsdottir, Head of Technology	932	92	968	83
Janne Kiiha CCO	1 196	184	1 277	163
Kemal Kalkan, Head of Customer Service 2)	851	83	815	71
Triin Öun, Head of Legal & Compliance 2)	59	0	892	77
Solaiman Rony, Head of Legal & Compliance 1)	858	98	0	0
Christer Nilsson, CRO 2)	1 195	201	1 296	159
Audit and Risk Committee	**160**	**0**	**160**	**0**
Jan Nilsson 3)	80		0	
Einar Irgens	0		40	
Kalle Pykälä	40		80	
Veijo Aulis Ojala	40		40	
Board members	**650**	**0**	**650**	**0**
Jan Nilsson	100		100	
Raivo Aavisto	100		100	
Mikko Marttinen	100		100	
Kalle Pykälä	250		250	
Veijo Aulis Ojala	100		100	
Total	**7 876**	**969**	**8 201**	**819**

1) Apointed to the position in 2020

2) Left the position in 2020

3) Apointed to the position in 2019

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

Folkefinans obtained in 2015 a subordinated loan of 33.6 MSEK from Wonga who owns 9,9% of Folkefinans. The loan is approved by Finanstilsynet to be included as Tier II capital. Any changes to the conditions of the loan needs approval by Finanstilsynet. Wonga was put under liquidation in August 2018, and an Administrator for the liquidation process was appointed. The loan agreement includes a negative pledge clause which gives the Administrator the right not to waive any drawdown of additional secured debt. The board and the Administrator have worked during the year together to find a solution, however the uncertainty caused by the Covid-19 pandemic made this process extremely challenging. As the subordinated loan matures by the end of June this year, Folkefinans plans to secure sufficient cash for the repayment by selling the Visa shares. When the subordinated loan has been repaid, Folkefinans furthermore plans to apply for an increased credit line on the existing loan facility to secure growth and profitability in accordance with the latest business plan.

22 Share capital and shareholder information

The share capital in the company as of 31 December 2020 consists of:

	No. of shares	Nominal value	Book value
Shares excluding Folkefinans own shares	19 224 646	5	96 123 230
Total	**19 224 646**	**5**	**96 123 230**

All the shares have equal voting rights.

Ownership structure

The largest shareholders in the company as of 31 December 2020	Shares	Ownership share
WONGA GROUP LIMITED	1 934 100	10,0%
BRENNEN CONSULTING LIMITED	1 740 800	9,0%
CNHL LTD	1 573 850	8,1%
ÍSLANDSBANKI HF.	1 372 662	7,1%
SJÁVARSÝN EHF.	1 301 974	6,7%
DANSKE BANK A/S*	1 214 100	6,3%
INTERACTIVE A ISLANDI EHF	891 811	4,6%
CLEARSTREAM BANKING S.A.*	852 016	4,4%
SVENSKA HANDELSBANKEN AB*	833 000	4,3%
NORDNET BANK AB*	793 331	4,1%
SVENSKA HANDELSBANKEN AB*	719 784	3,7%
PAATERO	684 373	3,5%
SKANDINAVISKA ENSKILDA BANKEN AB*	537 662	2,8%
NEBRASKA INVEST OY	496 356	2,6%
FIVADO AS	282 787	1,5%
HIETALA	248 064	1,3%
BERASCO LIMITED	242 869	1,3%
ILVES	242 826	1,3%
DYVI	200 500	1,0%
DYNAMO AS	193 166	1,0%
BJØRNSTAD	192 097	1,0%
Shareholders with at least 1 % ownership	**16 548 128**	**85,6%**
*) Nominee account		
Own shares, FOLKEFINANS AS	116 370	0,6%
Remaining ownerships	**2 676 518**	**13,8%**
Number of shareholders:	67	
Number of shares:	**19 341 016**	**100,0%**

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

Name	Position	Shares
Jens Schau-Hansen (1)	CEO	43 263
Mikko Marttinen (2)	Director	1 196 126
Raivo Aavisto (3)	Director	1 305 600
Kalle Pykälä (4)	Chairman of the Board	152 655
Jan Nilsson (5)	Director	242 869
Veijo Aulis Kalevi Ojala (6)	Director	377 724
Total		**3 318 237**

(1) Jens Schau-Hansen owns shares directly.

(2) Mikko Marttinen owns shares indirectly through CNHL LTD. Marttinen controls 76 % of CNHL LTD.

(3) Raivo Aavisto owns shares indirectly through BRENNEN CONSULTING LIMITED via BRANDBERG OÜ
Aavisto controls 75% of BRENNEN CONSULTING LIMITED via BRANDBERG OÜ.

(4) Kalle Pykälä owns shares indirectly through Marinium OY

(5) Jan Nilsson owns shares indirectly through Berasco Limited.

(6) Veijo Aulis Kalevi Ojala owns shares indirectly through CNHL LTD. Ojala controls 24 % of CNHL LTD.

The share capital in the company as of 31 December 2019 consists of:

	No. of shares	Nominal value	Book value
Shares excluding Folkefinans own shares	19 247 919	5	96 239 595
Total	**19 247 919**	**5**	**96 239 595**

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 2019	**Shares**	**Ownership share**
WONGA GROUP LIMITED	1 934 100	10,0%
BRENNEN CONSULTING LIMITED	1 740 800	9,0%
CNHL LTD	1 573 850	8,1%
ÍSLANDSBANKI HF.	1 372 662	7,1%
LANDSYN EHF	1 301 974	6,7%
DANSKE BANK A/S*	1 214 100	6,3%
INTERACTIVE A ISLANDI EHF	891 811	4,6%
CLEARSTREAM BANKING S.A.*	852 016	4,4%
SVENSKA HANDELSBANKEN AB*	833 000	4,3%
NORDNET BANK AB*	793 331	4,1%
SVENSKA HANDELSBANKEN AB*	719 784	3,7%
PAATERO	684 373	3,5%
SKANDINAVISKA ENSKILDA BANKEN AB*	537 662	2,8%
NEBRASKA INVEST OY	496 356	2,6%
FIVADO AS	282 787	1,5%
HIETALA	248 064	1,3%
BERASCO LIMITED	242 869	1,3%
ILVES	242 826	1,3%
DYVI	200 500	1,0%
DYNAMO AS	193 166	1,0%
BJØRNSTAD	192 097	1,0%
Shareholders with at least 1 % ownership	**16 548 128**	**85,6%**
*) Share deposit		
Own shares, FOLKEFINANS AS	93 097	0,5%
Own shares, FOLKEFINANS AS NORGE, FILIAL SVERIGE	0	0,0%
Remaining ownerships	**2 699 791**	**14,0%**
Number of shareholders:	67	
Number of shares:	**19 341 016**	**100%**

23 Capital adequacy

Capital adequacy 31 December (Group)

	2020	2019
Share capital	96 123 230	96 239 595
Other equity	-258 494	75 015 418
Deferred tax	0	-27 264 595
Goodwill and other intangible assets	-2 850 062	-24 122 685
Common Equity (CET 1)	**93 014 674**	**119 867 732**
Additional Tier 1 capital	0	0
Tier 1 Capital	**93 014 674**	**119 867 732**
Tier 2 capital	3 498 321	9 281 149
Total Capital	**96 512 994**	**129 148 881**
Institutions	5 623 061	2 576 404
Retail	138 710 298	
Other commitments	51 360 055	255 368 267
Sum Credit Risk	195 693 414	257 944 671
Market Risk	48 806 620	71 481 711
Operational Risk	155 193 318	162 674 467
Total Risk Weighted Assets	**399 693 352**	**492 100 849**
Common Equity (CET 1) %	**23,3%**	**24,4%**
Tier 1 Capital %	**23,3%**	**24,4%**
Total Capital %	**24,1%**	**26,2%**

To the General Meeting of Folkefinans AS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Folkefinans AS, which comprise the balance sheet as at 31 December 2020, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and give a true and fair view of the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 21 in the financial statements and the Board of Directors' report, which indicates that the subordinated loan matures in June 2021 and the Company plans to secure sufficient cash for the repayment by selling the shares in Visa Inc. As set forth these matters indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other information

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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State authorised public accountants, members of The Norwegian Institute of Public Accountants, and authorised accounting firm

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including a true and fair view of the financial statements in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

For further description of Auditor's Responsibilities for the Audit of the Financial Statements reference is made to https://revisorforeningen.no/revisjonsberetninger

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, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on Registration and Documentation

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

Oslo, 24 March 2021
PricewaterhouseCoopers AS

Bjørn Rydland
State Authorised Public Accountant

(This document is signed electronically)

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