Annual Report
2013

FOLKIA™

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REPORT OF THE BOARD OF DIRECTORS FOR 2013

GENERAL

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

ABOUT THE GROUP

The Folkia Group is a Norwegian finance group that provides everyday financial services in the Nordic and Baltic regions. As at 31 December 2013, the group's operations consisted of the parent company, Folkia AS, and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch. Non-operating subsidiary in liquidation, Folkia AB in Sweden, is also part of the group.

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

The company's head office is in Karenslyst alle 8B, NO-0278 Oslo.

REPORT ON THE ANNUAL FINANCIAL STATEMENTS

Operating revenues

The group's operating revenues came to 91 MNOK in 2013, from 113 MNOK in 2012.
The parent company's operating revenues amounted to 88 MNOK in 2013, compared to 114 MNOK in 2012. The main reason for the decline in revenues is due to the introduction of the interest rate cap on micro loans in Finland which Folkia stopped providing at the end of May 2013.

Operating expenses

The group's operating expenses were 117 MNOK in 2013, as against 100 MNOK in 2012.
The parent company's operating expenses came to 113 MNOK in 2013, compared to 105 MNOK in 2012. Folkia continued to invest in its organisation to scale and position the Group for the significant growth expected from Longer Loans and Visa in 2014 onwards. This has brought increased costs and temporarily reduced profitability. In addition the goodwill related to Finland was impaired in 2013.

Research and Development activities

Folkia continually develops its in house system, including our FOSS system (Folkia Operational Service System) and has invested in and launched an updated technical platform for all markets during 2013. Development work is recognized in the balance sheet when it is probable that the future economic benefits linked to the assets will accrue. Folkia has not conducted any research activities that would have any impact on the financial statement. In late Q4 2013 Folkia has initiated a development project regarding Folkia's own credit scoring. The updated scoring model will be deployed in all markets during 2014. With the updated scoring model we estimate to decrease credit losses in the future.

Goodwill impairment

The carrying amount of goodwill in the consolidated financial statements is assessed annually for any impairment in value. The valuation shows that there is no indication of impairment for the group as a whole with the exception of the goodwill related to Finland where the values are impaired in 2013.

Credit losses

The group's losses on loans were 26 MNOK in 2013 compared to 31 MNOK in 2012.

BALANCE SHEET, FINANCING AND LIQUIDITY

The group's balance sheet total as at 31 December 2013 was 210 MNOK, compared to 199 MNOK in 2012.

The group is financed by equity and a credit facility of 80 MNOK with DNB Bank ASA entered into in 2013. The equity ratio was 69 % in 2013 compared to 78% in 2012 (Total equity/Total balance).

The group's liquidity situation is still good. As at 31 December 2013, the group had cash holdings of 17 MNOK. The group's cash flow was satisfactory throughout 2013.

The parent company's balance sheet total as at 31 December 2013 was 195 MNOK, compared to 181 MNOK in 2012. The company had no distributable equity as at 31 December 2013.

MAIN TRENDS

The increased regulatory and political focus that Folkia anticipated and could see already in 2012, for small unsecured loans, has to a great extent materialized and increased further during 2013. Several concrete regulatory measures will continue to affect all actors in the Nordic (and Estonian) microloan markets. Folkia has continued its preparations for the new regulatory landscape.

The new legislation in Finland with interest cap on loans of 0-2000 EUR entered into force 1 June 2013. It has influenced heavily the entire microloan market. We have seen many companies leaving the Finnish market or revising their product offering. Folkia has chosen to be clearly in line with the new legislation, applying best practices in its Finnish operation. During 2013, Folkia has launched a new product range with larger amounts and longer maturity, designed to meet both our customers' needs and the regulator's new requirements – in Finland and our other markets.

The regulatory focus in Sweden has also increased during 2013. The Government has worked on new legislation, which will introduce a license requirement, including 'fit-and-proper test' and supervision by the Swedish Financial Supervisory Authority ("Finansinspektionen"). The new legislation will be applicable for (currently) unlicensed companies, thus other than Folkia. We have already prior to the formal voting for the new act in the Swedish Parliament seen unlicensed companies leaving the Swedish market for small unsecured loans. The new legislation is expected to enter into force 1 July 2014.

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

MARKET AND PRODUCTS

In the first half of 2013, the group's services primarily consisted of the provision of microloans – small unsecured loans with a short term maturity for temporary needs.

During the second half of 2013, Folkia has started to execute a clear strategic move to offer a more flexible product range with larger loans (up to NOK 20.000) with longer maturity (up to 12 months). The most important product achievement for Folkia during 2013 was the launch of the new technical platform serving the new longer loan products. Folkia has also continued to work with its launch strategy for the VISA credit card. The VISA membership together with Folkia's license as a credit- and finance company make it possible to launch credit cards virtually in the entire EU/EEA. The VISA membership will also provide opportunities for new solutions, including applications using hand held devices. With our technology driven organization we are aiming at being one of the first movers in this upcoming market.

The largest growth market during the year was Norway. As of 31 December 2013, Norway is Folkia's second biggest market (after Sweden). The launch of longer loans in Norway in early 2014 will further increase and strengthen our position as an innovative credit provider in our home market Norway.

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

Sweden is still Folkia's biggest market. Since the launch of the new product offering on the new technical platform, Folkia has positioned itself as a more flexible provider of credit. We have seen new customer segments (with higher income) using our products. Recent customer surveys have also shown very positive response to the new product offering with the new technical platform. This positive response comes from both new and existing customers.

In Finland we have had a substantial decrease in sales after the discontinuation of the microloans in June 2013: However, during the second half of 2013, we have gradually seen increased interest in our larger and longer loans. 2013 has to a great extent also been a year of continued preparation and technical pre-testing of the VISA credit card. A greater deal of the costs and investments related to the VISA launch have been taken in 2013 (and 2012), and we foresee that during Q2 2014 we will be launching the new card offering in Finland.

In Estonia we have also been preparing for the launch of the VISA credit card, which shall take place shortly after the launch in Finland. As to the existing non-secured loan products during 2013, we have gradually increased our market share. Throughout the year we have maintained focus on best practices, in particular the sound banking principles launched by the Estonian Financial Supervisory Authority during 2013.

To sum up, during 2013 the Folkia Group has maintained and partly executed its strategic move to provide a fully flexible product offering to our customers, with the launch of the new technical platform with longer loans as one important first step. Phase two during 2014 is to include various credit card offerings, both traditional plastic cards but also technology driven e-solutions.

INVESTMENTS AND FINANCE

The main investments in Folkia during 2013 are (i) the preparation and launch of the new technical platform and longer loans, along with (ii) the implementation of the VISA Principal Membership and the preparations for a launch of credit card in all markets. The new technical platform, the longer loans and the Visa project represents a whole new dimension for Folkia. We will be able to offer our customers a credit card with embedded products that has never been launched in this market segment, including 'My Pages' giving the customer better tools to manage its credit situation.

During 2013 we terminated our long-term financing and collection agreement with our (previous) Swedish financing and collection partner. Folkia has also taken the strategic decision to manage the collection of its own debts, starting in Finland and Sweden. Folkia clearly believes that this is a move in the right direction, being able to assists our customers in all markets in a clear and flexible manner throughout the credit process. All support to the customer – from application to repayment – shall be done in a clear, friendly and respectful manner. Treating your customer well is likely the most important investment of them all.

In the latter half of 2013, a strategic investment and finance move was made by entering a new financing agreement with DnB Bank ASA, with a credit line of 80 MNOK. This provides increased opportunities to serve our customers with even better and more tailored credit solutions. The operating liquidity status of the company is good. During 2013 we have also taken the opportunity to sell some of our old credit portfolio, which has further improved the liquidity of the company.

ORGANIZATION, EMPLOYEES, CULTURE, INTERNAL & EXTERNAL ENVIRONMENT

During 2013 Folkia has strengthened its competence in all markets and in all operational support units. Also the Head office functions have been strengthened during the year with new Chief Financial Officer and new Norwegian Country Manager. The Head office will be further strengthened during 2014 with the Chief Credit Officer and enlarged Head office functions being established in Norway during 2014. During the year, Folkia will also move to new offices in Oslo. This is in line with the strategic long-term growth focus in Folkia's home market Norway.

Folkia has always placed emphasis on giving women and men the same opportunities for professional and personal development, salary and promotion. Folkia has clear policies, staff rules, code of conduct and whistle blowing hotlines to the HR and Compliance-departments, including (i) human rights issues, (ii) internal and external corruption, (iii) fraud and (iv) internal and external working environment. By way of example, during 2013 the Customer Service staff participated in an external training program aiming to strengthen the open climate in the department and the open relation between staff and supervisors.

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

The Folkia Group is also putting strong focus on the physical and cultural well-being of its staff. Folkia provides ample opportunities for physical training, but also staff participation in cultural events. In order to support both the general cultural landscape in all countries of operation and to support the cultural and social well-being of the staff, all Heads of Department are instructed to facilitate staff participation in cultural events, both on ad hoc and regular basis. In this context, it may be mentioned that during 2013, the Company was main sponsor of a large Scandinavian football team.

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

Some 50 % of the personnel in Folkia are female. There are no female directors in Folkia. Some 50% of all recruitments in the Folkia Group during 2013 were staff with heritage from outside Scandinavia or the EU/EEA. Non-discrimination and equal pay for equal work are paramount principles in the Folkia recruitment strategy and remuneration policy.

The total sickness absence was 650 days, which equals 5 % of the total hours worked. Of the total sickness absence 349 days are related to long term absence. No work-related injuries or accidents took place. Each Head of Department and the HR-Department are working closely with regular employee satisfaction surveys and ad hoc interviews regarding social climate and employee well-being.

There are no circumstances relating to the operations, including input factors and products that may result in a significant effect on the external environment. In the future outlook, the Board of Directors are putting even further focus on anti-corruption, fraud, general compliance, staff well-being, non-discrimination and openness to cultural blend. Folkia will continue to recruit the best professionals, regardless of gender, age or ethnic origin. The Board of Directors is constantly monitoring the Folkia Group's Key Performance Indicators, and will continue to do so in 2014.

RISKS AND CAPITAL ADEQUACY

The group is exposed to various types of financial risks. In relation to the group's balance sheet as at 31 December 2013 these are: foreign exchange risks and credit risks linked to loans in local currencies in the group's markets, foreign exchange risks linked to intercompany loans, credit risks linked to excess liquidity and trade debtors, and in part liquidity risks linked to the repayment of loans. The group has implemented routines and policies to handle the various risks and these are described in further detail in the notes to the consolidated financial statements.

The group's capital adequacy ratio was 17,4 % as at 31 December 2013, compared to 21,5 % in 2012. The capital adequacy ratio is significantly higher than the minimum requirement of 9 %.

In Sweden Folkia has taken an active role in the establishment of an Industry Association for creditors providing 'small credits' – 0 to 15.000 SEK with up to 12 months' maturity (Sw: "Svenska Konsumentkreditföretagen Ekonomisk Förening"). Due to its status as licensed company, Folkia has chosen not to be a formal member of the association, but a supporting member. Folkia's General Counsel has been appointed Chairman of the Board of Directors. Under Folkia's chairmanship, the association has introduced best practice industry standards for its members and appointed an independent council, which shall serve as 'Ombudsman' to the consumers. The association is also working closely with the Enforcement Authority to further establish best practices in the Swedish market.

In February 2013, Folkia participated through its General Counsel in a public hearing in the Swedish Parliament ("Civilutskottet"). At the hearing Folkia expressed its clear support to the legislation intitiative to introduce fit-and-proper test and supervision by the Swedish Financial Supervisory Authority – addressed at the (currently) non-licensed creditors in Sweden.

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

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

The judgment was appealed by both parties to the Svea Court of Appeal and the main hearing took place on 17-18th February 2014. In its judgement, which was rendered on 8th April 2014, the Svea Court of Appeal agreed with the District Court that Folksam's trade mark registrations shall remain void. However, as regards Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI the court found that Folkia infringes on FOLKSAM's trademarks and company names in the Swedish market. Folkia has, together with external counsel, initiated preparations for appeal of the judgement to the Supreme Court. It stands to reason that any comprehensive IPR process is consuming both internal time and resources for Folkia as well as costs for external party counsel. We refer to the notes to the financial statements for further description of the carrying values.

CORPORATE GOVERNANCE

The Board, who got a new Chairman during Q2 2013, held 11 meetings in 2013. The key issues discussed were strategy, increased KPI-reporting, increased focus on the home state Norway, the group's developments, structure, transactions, improving efficiency and development projects. The Board also discussed a number of policy issues linked to compliance with the authorities' requirements.

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

FUTURE PROSPECT & CONTINUANCE

The financial statements are prepared on a going concern basis. The financial statements give a true and fair view of the assets, liabilities, financial position and results as of 31 December 2013.

During Q1 2014 Folkia has communicated with the home state supervisor Finanstilsynet regarding certain regulatory demands put on Folkia as a licensed company in Norway. As part of this dialogue, Finanstilsynet has approved a short delivery time extension of the Annual Account reporting from 31st March to 9th April 2014.

Finanstilsynet has also acknowledged that Folkia's strategic focus for Norway during 2014 is to further strengthen Folkia's organizational set up, including new premises and increased staffing and sales activity. The Board of Directors has already in Q4 2013 decided and executed certain concrete actions to increase sales and strengthen the operational and Head Office functions in Norway. With the gradual and ongoing implementation of the strengthened Head Office functions Folkia shall be even better prepared to meet both existing and future regulatory demands. The company will maintain a close dialogue with Finanstilsynet during 2014 to make sure Finanstilsynet is properly informed during Q2 and Q3 when the said phases of Folkia's strategic plan have been executed.

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

Although we are not satisfied with the Group Result by the end of the year, we look forward to 2014 with confidence. In times when the regulatory landscape is being continuously scrutinized and subject to changes, we have acquired further tools not only to manage these changes, but also to turn them into strategic competitive advantages. Folkia will continue to launch new flexible credit solutions to its existing and new customers and will proceed in developing a blue ocean technology driven product range of loans which can be embedded in the credit card infrastructure. This product development will no doubt open up many interesting business possibilities for the Folkia Group in 2014.

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Oslo, 9th of April, 2014
The Board of Folkia AS

Stig Herbern
Chairman of the Board

Mikko Marttinen
Director

Kalle Pykälä
Director

Raivo Aavisto
Director

Leif B. Bjørnstad
Director

Hördur Bender
CEO

In NOK (all Financial Statements)

Consolidated statement of comprehensive income

	Note	2013	2012
Interest and similar income on loans to and receivables due from customers		91 352 960	112 762 955
Other income		58	0
Total interest income and similar income		**91 353 019**	**112 762 955**
Salaries and administrative expenses	16	-23 379 851	-21 314 956
Depreciation intangible assets	6	-3 825 743	-5 637 517
Depreciation tangible fixed assets	5	-451 998	-801 886
Impairment of intangible assets	6	-16 404 805	0
Losses on loans	9	-26 332 476	-31 044 013
Other operating expenses	17	-46 942 858	-41 352 147
Impairment of other receivable		0	0
Impairment of shares available for sale	7a, 8	0	0
Total operating expenses		**-117 337 731**	**-100 150 519**
Operating result		**-25 984 712**	**12 612 436**
Financial income	18	6 417 798	3 656 592
Financial expenses	18	-3 528 295	-5 717 413
Net financial items		**2 889 502**	**-2 060 821**
Result before tax		**-23 095 210**	**10 551 615**
Tax	19	6 044 394	-11 909 503
Result for the year		**-17 050 816**	**-1 357 888**
Other comprehensive income			
Exchange differences on translating foreign operations		5 808 974	-2 038 848
Other comprehensive income for the year		**5 808 974**	**-2 038 848**
Total comprehensive income for the year		-11 241 842	-3 396 736

Consolidated statement of financial position

	Note	2013-12-31	2012-12-31
ASSETS			
Non-current assets			
Tangible fixed assets	5	407 108	723 832
Software and scoring model	6	9 022 813	4 793 332
Trademarks/brands and licences	6	9 542 133	10 134 617
Customer relationships	6	0	2 402 731
Goodwill	6	30 077 584	45 889 905
Deferred tax assets	19	22 987 065	16 942 668
Financial assets available for sale	8	0	-
Loans and deposits	7a, 22	15 764 969	14 075 751
Total non-current assets		**87 801 672**	**94 962 837**
Current assets			
Microloans and other receivables	7a, 7b, 9	101 753 419	75 912 831
Pre-paid costs	9	3 645 217	4 184 440
Income accrued but not received	9	0	-
Cash and cash equivalents	10, 7a, 7b	16 616 414	23 456 874
Total current assets		**122 015 050**	**103 554 146**
Total assets		**209 816 722**	**198 516 983**

	Note	2013-12-31	2012-12-31
EQUITY			
Equity attributable to the company's shareholders			
Share capital	11, 25	87 034 580	87 034 580
Own shares	11, 25	-814 580	-814 580
Share premium	11	73 999 898	73 999 898
Retained earnings	12	-20 052 908	-3 002 137
Foreign currency translation reserve	12	3 836 044	-1 752 348
Total equity		**144 003 033**	**155 465 412**
LIABILITIES			
Current liabilities			
Accounts payable and other current liabilities	7a, 13	6 660 240	16 948 240
Deferred income		1 793 408	5 073 560
Accrued expenses	13, 15	4 627 211	3 766 309
Loans (credit facility)	7a, 14	52 732 829	17 263 461
Total current liabilities		**65 813 688**	**43 051 571**
Total liabilities		**65 813 688**	**43 051 571**
Total equity and liabilities		**209 816 722**	**198 516 983**

Oslo, 9th of April, 2014
Board of Folkia AS

Stig Herbern
(Chairman of the Board)

Mikko Marttinen

Raivo Aavisto

Leif Bjørnstad

Kalle Pykälä

Hördur Bender
CEO

Consolidated statement of changes in equity

	Note	Share capital	Share premium	Retained earnings	Foreign currency translation reserve	Total equity
Equity at 1 January 2012		**86 220 000**	**73 999 898**	**-1 644 249**	**286 500**	**158 862 149**
Currency translation difference					-2 038 848	-2 038 848
Result for the year				-1 357 888		-1 357 888
Equity at 31 December 2012	11,12	**86 220 000**	**73 999 898**	**-3 002 136**	**-1 752 348**	**155 465 412**
Registered share capital		87 034 580				
-own shares		814 580				
Equity at 1 January 2013		**86 220 000**	**73 999 898**	**-3 002 136**	**-1 752 348**	**155 465 412**
Currency translation difference					5 588 437	5 588 437
Result for the year				-17 050 816		-17 050 816
Equity at 31 December 2013	11,12	**86 220 000**	**73 999 898**	**-20 052 952**	**3 836 089**	**144 003 033**
Registered share capital		87 034 580				
-own shares		814 580				

Consolidated statement of cash flows

	Note	2013	2012
Cash flow from operations			
Result before tax		-23 095 210	10 551 615
Ordinary depreciation tangible assets	5	451 998	801 886
Amortization of intangible assets	6	3 825 743	5 637 517
Impairment of intangible assets	6	16 404 805	0
Impairment of shares available for sale	8	0	0
Impairment on other receivable		0	0
Accrued interest affecting cash flow		-3 452 560	1 058 966
Adjustment for other entries affecting cash flow		913 588	108 893
Net financial expenses/ income		1 381 867	1 579 116
Income tax paid		-7 286 650	-4 800 928
Changes in accounts receivables		-25 840 587	19 568 049
Changes in other receivables		-1 149 995	-21 668 577
Changes in accounts payables		3 043 043	1 253 501
Change in other payables		-2 419 250	1 555 722
Net cash flow from operations		**-37 223 209**	**15 645 760**
Cash flow from investing activities			
Investments in tangible fixed assets	5	-82 240	-470 543
Investments in intangible assets	6	-5 172 798	-1 757 532
Net cash flow used for investing activities		**-5 255 037**	**-2 228 075**
Cash flow from financing activities			
Interests paid		-1 427 979	-1 689 341
Interests received		46 112	110 225
Change in credit facility	14	35 469 368	-12 276 165
Net cash flow used for financing activities		**34 087 501**	**-13 855 281**
Effects of exchange rate changes on the balance of cash held in foreign currencies		**1 550 285**	**-571 800**
Change in cash, cash equivalents		**-6 840 460**	**-1 009 396**
Cash, cash equivalents as of 1 January	10	23 456 874	24 466 270
Cash, cash equivalents as of 31 December	**10**	**16 616 414**	**23 456 874**

Notes to the consolidated financial statements

1 General information

Folkia AS (the Company) and its branches and subsidiary (together called the Group) offer simple, everyday financial services at fixed prices and on conditions which are clear to customers. The group's services primarily consist of the provision of microloans – small unsecured loans with a short term to maturity for temporary needs including more flexible larger loans (up to NOK 20.000) with longer maturity (up to 12 months). In the beginning of the year Folkia arranged "Folklån", with terms ranging from one to three years. This product is no longer part of Folkia´s product range.

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

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

As at 31 December 2012, the Group consisted of the parent company, Folkia AS, and its branches in Sweden, Finland and Estonia as well as Folkia AB (non-operating). Denmark is operating via the Swedish branch. DFK Holding ApS and Dansk Finansieringskompagni ApS was liquidated during 2011.

On December 28th 2012, Folkia AB finalized a part distribution to its owner Folkia AS. Folkia AB is scheduled to be liquidated as soon as the legal process with Folksam is completed. For more information, see note 23b.

The company's head office is at Karenslyst Alle 8b, 0278 Oslo. The Head Office is located in Oslo, Norway, with branch Offices in Stockholm, Helsinki, and in Tallinn.

The consolidated financial statements were approved by the company's board on April 9th, 2014.

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

Standards and Interpretations affecting amounts reported in the current period

There are no new or revised interpretations that will have an impact on the Group's financial statements in the current period.

Standards and Interpretations adopted with no effect on the financial statements

The following new and revised or amended Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

Standard/ Interpretation	Title	Date of issue	Applicable to accounting periods commencing on
IAS 1	*Amended by Presentation of Items of Other Comprehensive Income*	2011	July 1 2012
IAS 19	*IAS 19 Employee Benefits (amended 2011) issued*	2011	January 1 2013
IFRS 7	*Disclosures — Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) issued*	2011	January 1 2013
IFRS 10	*Consolidated Financial Statements*	2011	January 1 2013
IFRS 11	*Joint Arrangements*	2011	January 1 2013
IFRS 12	*Disclosure of Interests in Other Entities*	2011	January 1 2013
IFRS 13	*Fair Value Measurement*	2011	January 1 2013

IAS 27	*IAS 27 (2008) is superseded by IAS 27 Separate Financial Statements (2011) and IFRS 10 Consolidated Financial Statements effective 1 January 2013*	2011	January 1 2013
IAS 28	*IAS 28 (2003) is superseded by IAS 28 (2011) Investments in Associates and Joint Ventures*	2011	January 1 2013
IFRS 1, IAS 1, IAS 16, IAS 32, IAS 34	*Annual Improvements 2009–2011 Cycle*	2012	January 1 2013
IFRS 10, IFRS 11, IFRS 12	*Amended by Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance*	2012	January 1 2013

Standards and Interpretations in issue but not yet adopted

At the date of authorisation of these financial statements, the following Standards and Interpretations had been issued by the IASB but were not effective for the financial year ended 31 December 2013.

Management anticipates that these Standards will be adopted in the Group's financial statements for the period beginning 1 January 2014 or later. Effective dates are as applicable for IFRSs as adopted by the European Union as these in some cases may deviate from the effective dates as issued by the IASB. Management has considered the potential impact of the adoption of these new and revised/amended Standards and Interpretations and they should not have any significant impact on the Group's financial statement. Standards and Interpretations that are clearly not relevant for the Group's financial statements have not been included in the below schedule.

Standard/ Interpretation	**Title**	**Date of issue**	**Applicable to accounting periods commencing on**
IAS 32	*Financial Instruments: Presentation*	2011 amendments	January 1 2014
IFRS 10, IFRS 12, IAS 27	*Amended by Investment Entities*	2012	January 1 2014
IAS 36	*Amended by Recoverable Amount Disclosures for Non-Financial Assets (clarification of disclosures required)*	2013	January 1 2014
IAS 39	*Amended by Novation of Derivatives and Continuation of Hedge Accounting*	2013	January 1 2014
IFRS 9	*Financial Instruments*	2012	[1)]
IAS 19	*Defined Benefit Plans: Employee Contributions (Amendments to IAS 19)* issued	2013	[1)]
IFRIC 21	*IFRIC 21 Levies published*	2013	[1)]
	Annual Improvements to IFRSs 2010–2012 Cycle	2013	[1)]
	Annual Improvements to IFRSs 2011–2013 Cycle	2013	[1)]

[1] The standard/revised standard/amendment has as at the date of issue of these financial statements not yet been adopted by the EU

2 Summary of significant accounting policies

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

2.1 Basis for preparation

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

The consolidated financial statements have been prepared under the historical cost convention with the following modifications: - Financial assets available for sale are measured at fair value with changes in fair value recognized in the consolidated statement of comprehensive income

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 judgments in the process of applying the group's accounting policies. Areas that to a large extent contain such discretionary assessments or a high level of complexity or areas in which assumptions and estimates are important to the consolidated financial statements are disclosed in note 4.

2.2 Consolidation principles

Subsidiaries

Subsidiaries are all entities in which the Group has the power to govern the entity's financial and operational policies through owning more than half of the voting capital. Subsidiaries are consolidated from the date when control is transferred to the Group and are excluded from consolidation from the accounting year after the year when control ceases.

Intercompany transactions, balances and unrealised profits have been eliminated.

Business combinations

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

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

2.3 Establishment of branches

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

2.4 Segment reporting

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

2.5 Translation of foreign currencies

(a) *Functional currency and presentation currency*

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

(b) *Transactions and balances*

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

(c) *Group companies*

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

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

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

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

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

2.6 Tangible fixed assets

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

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

Fixtures, fittings and equipment: 3-5years

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

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

2.7 Intangible assets

(a) *Goodwill*

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

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

(b) *Trademarks (brands)*

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

(c) *Contractually regulated customer relationships*

Contractually regulated customer relationships acquired through business combinations are recognised in the statement of financial position at their fair value on the acquisition date. The contractually regulated customer relationships have a limited useful life and are recognised in the statement of financial position at their original cost minus accumulated amortisation. Amortisation takes place in a straight line over the estimated life of the customer relationship.

(d) *Software and licences*

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

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

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

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

2.8 Impairment of non-financial assets

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

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

2.9 Noncurrent assets (or disposal groups) held for sale

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

2.10 Financial assets

2.10.1 Classification

The Group classifies financial assets in the following categories:
• At fair value through profit and loss
• Loans and receivables – applies to microloans, deposits, cash and cash equivalents and interests receivables.
• Assets that are available for sale – applies to a share investment in SIP Nordic 100
The classification depends on the purpose of acquiring the asset. The management classifies financial assets when they are acquired.

(a) *Financial assets at fair value through profit and loss*

Financial assets at fair value through profit and loss are financial assets held for trading purposes. A financial asset is classified in this category if it has primarily been acquired with the aim of providing a profit from short-term price fluctuations. Derivatives are classified as held for trading purposes unless they are part of a hedge. Assets in this category are classified as current assets. Folkia had no derivatives or financial assets at fair value through profit or loss in 2012.

(b) *Loans and receivables*

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

(c) *Financial assets that are available for sale*

Financial assets that are available for sale are non-derivative financial assets that Folkia chooses to place in this category or which are not classified in any other category. They are included in the fixed assets unless the management intends to sell the investment within 12 months after the statement of financial position date.

2.10.2 Recognition and measurement

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

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

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

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

2.11 Account receivables – microloans

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

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

2.12 Cash and cash equivalents

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

2.13 Share capital and share premium

Ordinary shares are classified as equity.

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

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

2.14 Accounts payable

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

2.15 Loans

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

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

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

2.16 Tax payable and deferred tax

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

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

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

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

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

2.17 Pension commitments, bonus schemes and other employee compensation schemes

(a) Pension commitments

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

(b) Other commitments linked to former employees

The Group has no commitment linked to former employees.

(c) Share-based remuneration

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

(d) Severance pay

None of the Group companies has separate severance pay schemes

(e) Profit sharing and bonus plans

The Group has no pre-agreed profit-sharing schemes or bonus plans

2.18 Provisions and credit losses

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

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

2.19 Revenue recognition

(a) Sale of services

In the beginning of 2013 The Group sold services in the form of arranging long-term loans (Folklån), and the Group received an arrangement fee in the form of a profit share from the lender. This agreement ment that commission was not paid until the lender had received interest and charges from the borrower. Thus, the income was not recognized until the commission had been finally accrued and paid. According to a contract with the lender, Folkia had no credit risk linked to the loans which it arranged. This product is no longer part of Folkia's product range.

(b) 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.

(c) Fee revenue

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

2.20 Leases

Leases in which a significant part of the risk and return linked to ownership continues to reside with the lessor are classified as operating leases. Rent paid on operating leases (less any financial incentives provided by the lessor) is charged to expenses on a straight line basis over the lease period.

Leases linked to tangible fixed assets where the Group on the whole has all the risk and return linked to the ownership are classified as finance leases. The Group has no such leases.

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

2.21 Fair value estimation

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

- microloans to customers
- structured product (certificate SIP Nordic)
- credit facility Svea Ekonomi

The fair value of financial instruments traded in active markets (such as securities that are available for sale or held for trading purposes) is based on the market price on the statement of financial position date. The market price used for financial assets is the prevailing bid price; for financial liabilities the prevailing offer price is used.

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

3 Financial risk management

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

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

1) Assessment of each risk category

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

2) Stress testing: Assessment of unforeseen events

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

3) Assessment of how risks are mitigated and controlled

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

Risk factors

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

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

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

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

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

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

3.1 Pillar I risks

3.1.1 Market risk

(I) Foreign exchange rate

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

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

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

By 31st of December 2013, Folkia has a non-hedged foreign exchange exposure of NOK 124.6 m.

Sensitivity analysis

Assessment of the impact of currency fluctuations NOK 1000 as per 31 December 2013

	Change	Result
NOK/SEK	+/- 5%	+/- 3,442
NOK/EUR	+/- 5%	+/- 2,534
NOK/DKK	+/- 5%	+/- 252

(II) Interest rate risk

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

Interest Rate Risk connected to the Group's profitability resides in the Group's cost of funding. An abrupt and lasting interest rate shock could have a negative impact on the Group's financial positions to the extent interest rates and resulting interest expenses on loan facilities are affected by an increase in market interest rates, keeping in mind that the income from the retail loans will remain unchanged. During Q3 2013 Folkia secured a revolving credit facility of NOM 80 m with DNB Bank ASA at a fixed interest rate shifting away from the factoring service provided by SVEA Economy.

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

Interest Rate Fluctuation (%)	-2,0%	-1,0%	1,0%	2,0%
Yearly Impact (kNOK)	-385,62	-192,81	192,81	385,62
Risk Weighted Capital Requirement (kNOK)	-385,62	-192,81	192,81	385,62

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

3.1.2 Credit risk

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

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

These receivables are generated by on-going daily lending transactions to the general public. The tenors for these loan facilities are rather short. Since these loans are to be repaid relatively rapidly the actual amount outstanding loans are thus limited. By looking at monthly statistics for the time period of 2013 ("Time period") the average lending amounted to NOK 40.3 m and NOK 47.5 m was invoiced. According to statistics for Q4 2013 roughly 85 per cent the monthly loan amount is on-going exposure, thus indicating that the customers repay the lager part of the amount rather quickly.

A calculated average monthly credit loss rate of approximately 6.0 per cent[1] results in credit losses of NOK 2.8 monthly and NOK 34.2 m annually.

Folkia has maximum lending limits for it loan facilities; loans are not granted to existing customers until previous loans are repaid. Folkia has developed its own sophisticated scoring model to determine the credit rating of private customers. The Credit Risk Department continuously monitors Folkia's Credit Risk. The Risk Management utilizes inter alia various stress tests in order to determine the required capital buffer in order to cover the credit risk. Moreover, the Financial Department is responsible for managing the counterparty risk and the Risk Management and CFO reports to the Board of Directors on regular basis.

[1] *Average calculated credit provision levels for Sweden, Denmark, and Norway and Finland amounts of 5,72 percent. As Estonia stands for a minor portion of Folkia's operations the total credit provision levels amount to 6 per cent.*

For the FY 2012 the retail exposure was risk weighted by 100%. However, for the FY 2013 Folkia changed the method and the RWA of retail exposure will be calculated by 75% as the result of increased diversification of the Group's loan portfolio. In line with the introduction of "Larger Loans" the diversification of the product portfolio was enhanced. Moreover, as the loans are granted to large number of private customers we find the entire portfolio to be well diversified.

(II) Counterparty Risk from Deposits at Banks

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

Credit risk exposure

Folkia's Credit risk exposure NOK 1000 as per 31 December 2013:

Counterpart	**Exposure**
General Public	110,657
Cash Deposit	32,378
Total	**143,034**

Region	**Exposure**
Sweden	86,972
Norway	9,336
Finland	20,026
Estonia	11,778
Denmark	-
Visa Deposit	14,922
Total	**143,034**

3.1.3 Operational risk

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

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

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

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

(iii) External and internal fraud

(iv) Legal and Compliance risk

(v) Management risk

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

3.2 Pillar II risks

3.2.1 Liquidity and cash flow risks

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

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

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

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

3.2.2 Reputational risk

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

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

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

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

3.2.3 Strategic risk

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

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

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

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

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

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

3.2.4 Political and Regulatory Risk

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

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

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

3.2.5 Remunerations Model Risk (Governance Risk)

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

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

3.2.6 Financing Risk

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

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

3.2.7 Asset Liability Management Risk (ALM Risk)

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

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

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

3.3 Capital adequacy

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

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

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

The current capital base as per 31 December 2013 includes NOK 72.4 million of Tier 1 Capital and no Tier 2 Capital. Total capital requirement for the same period for Pillar I and Pillar II amounts to NOK 34.1 and 25.5m respectively. This sum up to a capital ratio of 2.17 for Pillar I and 1.24 times for Pillar I and II.

4 Critical accounting estimates and judgments

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

Estimated impairment in goodwill and other assets

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

Estimated lifetime of intangible assets

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

Provisions for losses on microloans

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

Credit losses

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

Deferred tax assets

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

5 Tangible fixed assets

	Machinery, fixtures, fittings and vehicles
2012 financial year	
Carrying amount 01.01.12	**1 070 106**
Additions	470 543
Translation differences	-14 931
Disposals	-20 910
Depreciation during the year	-780 976
Carrying amount 31.12.12	**723 832**
As at 31 December 2012	
Original cost	4 328 412
Accumulated depreciation	-3 604 581
Carrying amount 31.12.12	**723 832**
2013 financial year	
Carrying amount 01.01.13	**723 832**
Additions	82 240
Translation differences	53 034
Disposals	-58 789
Depreciation during the year	-393 208
Carrying amount 31.12.13	**407 108**
As at 31 December 2013	
Original cost	4 812 885
Accumulated depreciation	-4 405 779
Carrying amount 31.12.13	**407 108**

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

6 Intangible assets

	Goodwill	Software (incl. scoringmodell and licenses)	Customer relationships	Trademarks	Total
2012 financial year					
Carrying amount 01.01.12	45 889 905	6 124 628	5 054 636	10 134 617	67 203 784
Additions		1 757 532			1 757 532
Translation differences		-103 216			-103 216
Disposals					-
Impairment during the year					-
Amortization during the year		-2 985 612	-2 651 905		-5 637 517
Carrying amount 31.12.12	**45 889 905**	**4 793 332**	**2 402 731**	**10 134 618**	**63 220 586**
As of 31 December 2012					
Original cost	45 889 905	21 146 295	13 332 762	10 413 528	90 782 490
Accumulated impairment		-450 661			-450 661
Accumulated amortization		-15 902 303	-10 930 031	-278 911	-27 111 245
Carrying amount 31.12.12	**45 889 905**	**4 793 332**	**2 402 731**	**10 134 617**	**63 220 584**
2013 financial year					
Carrying amount 01.01.13	45 889 905	4 793 332	2 402 731	10 134 617	63 220 584
Disposals					-
Impairment during the year	-15 812 321			-592 484	-16 404 805
Additions		5 172 798			5 172 798
Translation differences		479 696			479 696
Amortization during the year		-1 423 012	-2 402 731		-3 825 743
Carrying amount 31.12.13	**30 077 584**	**9 022 813**	**0**	**9 542 133**	**48 642 530**
As of 31 December 2013					
Original cost	45 889 905	28 481 375	13 332 762	10 443 641	98 147 683
Accumulated impairment	-15 812 321	-499 317		-592 484	-16 904 122
Accumulated amortization		-18 959 245	-13 332 762	-309 024	-32 601 031
Carrying amount 31.12.13	**30 077 584**	**9 022 813**	**0**	**9 542 133**	**48 642 530**
Amortisation rate	**0%**	**20%**	**20%**	**0%**	

Impairment tests for goodwill

Goodwill is allocated to the Group's cash-flow generating units that are identified as the operations of the Folkia Swedish Branch, Swedish Branch Danish Cash Generating Unit, Folkia AS Norway Finnish Branch, Folkia AS Norway Estonian Branch and Folkia AS Norway. Impairment tests have been carried out in accordance with the prerequisites stated in note 2.7. The recoverable amount is determined on the basis of an estimated value in use. The starting point is projected cash flows based on a budget and forecasts approved by management for a five-year period. Discount rates after tax of 13,1 % for Folkia Swedish Branch, 12,7 % for Swedish Branch Danish Cash Generating Unit, 12,6% for Folkia AS Norway Finnish Branch, 15,4% for Folkia AS Norway Estonian Branch and 12,2% for Folkia AS Norway have been used.

Cash flows in excess of the five-year period are extrapolated using a conservative growth rate of 0 %. The valuation shows that there is no indication of impairment for the group as a whole with the exception of the goodwill related to Finland and trademarks in Denmark where the values are impaired. The goodwill from the Monetti acquisition in Finland is impaired as the revenues and profitability from the old product portfolio are substituted by a new product portfolio including the Visa card in 2014. With reference to note 23 there has arisen uncertainty to the carrying values of the trademarks related to the Swedish branch as a result of the outcome of the judgement in the Folksam court case. The carrying values are however not impaired as Folkia regards the chances both for getting the case admitted for the Supreme Court and achieve a positive outcome as more likely than not.
Management does not believe that any likely changes in the assumptions on which the calculation of recoverable amounts is based will lead to the remaining carrying value after impairment will exceed the recoverable amount.

7a Financial instruments by category

As of 31 December 2013	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Financial assets available for sale				0
Accounts receivable and other receivables (long-term)				0
Microloans and other receivables, excl. advance payments and deposits (short-term)	101 753 419			101 753 419
Interest receivable				0
Deposits	15 764 969			15 764 969
Cash and cash equivalents	16 616 414			16 616 414
Total	**134 134 802**			**134 134 802**

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

As of 31 December 2012	Lending and receivables	Assets measured at fair value through profit and loss (held for trading)	Available for sale	Total
Assets				
Financial assets available for sale				0
Accounts receivable and other receivables (long-term)	276 309			276 309
Microloans and other receivables, excl. advance payments and deposits (short-term)	75 912 831			75 912 831
Interest receivable				0
Deposits	13 799 442			13 799 442
Cash and cash equivalents	23 456 874			23 456 874
Total	**113 445 457**			**113 445 457**

As of 31 December 2012	Liabilities measured at fair value through profit and loss (held for trading)	Other financial liabilities at amortised cost	Total
Liabilities			
Loans (credit facility)		17 263 461	17 263 461
Accounts payable and other liabilities, excl. mandatory liabilities		16 948 240	16 948 240
Total		**34 211 701**	**34 211 701**

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.

	2013	2012
Accounts receivable		
Microloans and other receivable	101 753 419	75 912 831
Total accounts receivable	**101 753 419**	**75 912 831**

The company has maximum lending limits for microloans and standard credit rating requirements and has developed its own scoring model to determine the credit rating of private customers. Loans are not given to existing customers until previous loans have been repaid. The credit risk will thus be limited.

Bank deposits		
AA-	709 992	378 264
A+	14 972 978	23 154 101
A -	639 888	539 681
Undefined/no rating available	293 556	394 224
Total bank deposits	**16 616 414**	**24 466 270**

Financial assets available for sale without an external credit rating		
SIP Nordic 100	0	0

8 Financial assets available for sale

	2013	2012
Carrying amount 01.01	**0**	**0**
Acquisition of assets	-	-
Exchange rate difference	-	-
Impairment	-	-
Carrying amount 31.12	**0**	**0**
Of which classified as fixed assets	-	-
Of which classified as current assets	-	-

The financial assets that are available for sale consist of:

	2013	2012
SIP Nordic 100	0	0

Financial assets that are classified as available for sale are quoted in the following currencies:

	2013	2012
SEK	0	0

The structured product’s value has been set at its market price.

9 Microloans and other receivables

	2013	2012
Microloans	131 867 217	75 685 458
Impairment due to probable losses on microloans	-33 504 382	-14 704 141
Net microloans	**98 362 835**	**60 981 317**
Other receivables	3 390 584	14 931 515
Total microloans and other receivables	**101 753 419**	**75 912 831**
Income accrued but not received	0	0
Pre-paid costs	3 645 217	1 907 294
Deposits	15 764 969	2 277 146
Cash and cash equivalents	16 616 414	23 456 874
Total current assets	**137 780 019**	**103 554 146**

Current assets

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

Microloans that have fallen due for payment but whose due date is less than 46 days in the past are not regarded as being impaired.

	2013	2012
Not fallen due	87 900 945	54 031 930
1 – 30 days after the due date	10 549 409	9 093 215
31 - 60 days after the due date	4 406 157	1 285 956
61 - 90 days after the due date	2 594 448	1 167 139
> 91 days after the due date	26 416 259	10 107 218
Total microloans	**131 867 217**	**75 685 458**

Recognised value of the Group’s microloans net of impairment allowance, per currency in NOK as of 31 December 2013:

	2013	2012
SEK	61 365 691	37 460 452
NOK	7 198 423	4 601 108
EUR	26 808 685	16 691 172
DKK	2 990 035	2 228 585
Net microloans	**98 362 835**	**60 981 317**

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

	2013	2012
As at 1 January	**14 704 141**	**20 107 413**
Provision during the year	29 187 097	28 546 763
Net receivables that have been written off as losses during the year	-13 093 658	-32 658 452
Reversal of unused amounts	1 250 655	-788 077
Currency translations	1 456 146	-503 506
As at 31 December	**33 504 382**	**14 704 141**

Out of the net receivables that has been written down as loss 1 973 329 NOK was interest income.

	2013	2012
Loan loss recognized in the statement of P&L during the period	26 332 476	31 044 013

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

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

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

10 Cash and cash equivalents

	2013	2012
Cash and bank deposits	16 616 414	23 456 874
Total	**16 616 414**	**23 456 874**

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

	2013	2012
Cash and cash equivalents	16 616 414	23 456 874
Total	**16 616 414**	**23 456 874**

Of the bank deposits 2013 416 804 NOK, was restricted for payments of advance tax deductions (191 569 NOK in 2012).

11 Share capital and share premium

	No. of shares	Nominal share capital	Share premium	Total
Carrying amount 31.12.08	**12 031 150**	**60 155 750**	**73 999 898**	**134 155 648**
Contribution in kind (Acquisition of subsidiary)	5 265 592	26 327 960		**26 327 960**
Purchase of treasury shares	-52 742	-263 710		**-263 710**
Carrying amount 31.12.09	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.10	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.11	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.12	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**
Carrying amount 31.12.13	**17 244 000**	**86 220 000**	**73 999 898**	**160 219 898**

The company has used own shares (treasury shares) in connection with the purchase of the subsidiary in Denmark, DFK Holding – closing January 09. As of 31 December 2012, the number of shares was 17 406 916 of which 162 916 are the company's own shares.

12 Retained earnings

As of 1 January 2012	**-1 357 749**
Currency translation difference	-2 038 848
Result for the year 2012	-1 357 888
Carrying amount 31.12.12	**-4 754 486**
As of 1 January 2013	**-4 754 486**
Currency translation difference	5 588 437
Result for the year 2013	-17 050 816
Carrying amount 31.12.13	**-16 216 864**

13 Accounts payable and other current liabilities

	2013	2012
Accounts payable	2 980 740	3 767 021
Govt. charges and special taxes	1 271 780	8 341 560
Salaries owed	123 963	49 734
Accrued expenses	3 235 055	3 322 446
Holiday pay due	2 266 037	1 540 814
Other liabilities	10 144	76 257
Approved, invoiced but not paid out loans	1 399 731	3 616 716
Total	**11 287 451**	**20 714 549**

14 Loans

	2013	2012
Short-term loans		
Loans from credit institutions (credit facility)1	52 732 829	17 263 461
	52 732 829	**17 263 461**

(a) Loans from credit institutions

1) The loan from Svea had a fixed interest rate of 6.75 %. The loan had no maturity date, security was provided in that an amount equal to 5% of the borrowed amount was in an escrow account and there was a charge on microloans for the remaining amount. The loan agreement was terminated and repaid in 2013.

The loan from Svea was replaced by an NOK 80 million credit facility from DNB Bank ASA. The facility has an interest of 1 month NIBOR + 4.2% interest. The credit facility has a maturity of 1 year. Thereafter the loan can be renewed for 1 year at a time.

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

	2013	2012
6 months or less	-	-
6-12 months	-	-
1-5 years	52 732 829	-
More than 5 years	-	-
No agreed maturity date	-	17 263 461
Total loans	**52 732 829**	**17 263 461**

Carrying amount and fair value of loans:	**2013**	**2012**
Carrying amount		
Long-term loans	-	-
Credit facility with a credit institution	52 732 829	17 263 461
Total carrying amount	**52 732 829**	**17 263 461**
Fair value		
Long-term loans	-	-
Credit facility with a credit institution	52 732 829	17 263 461
Total fair value	**52 732 829**	**17 263 461**

The credit facility with a credit institution was linked to an agreement with Svea Ekonomi relating to the collection of microloans. The credit facility was provided at a fixed interest rate of 6.75%. The fair value, ie, the relevant lending terms as of 31 December 2013, will be the same. The fair value of the loan is therefore the same as the carrying value.

The credit facility with Svea Ekonomi relating to the collection of microloans was terminated in 2013. The new credit facility with DNB Bank ASA has an interest of 1 month NIBOR + 4.2% interest. The fair value of the loan is the same as the carrying value.

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

	2013	2012
NOK	50 181 103	-
EUR	0	-
SEK	2 551 726	20 193 544

The Group has the following unutilised borrowing facilities:

	2013	2012
Fixed interest rate – No expiry date agreed on (SEK)	-	8 925 022
Fixed interest rate – No expiry date agreed on (EUR)	-	1 307 206

The loan from Svea was terminated and repaid in 2013. The credit facility from DNB Bank ASA has a maturity of 1 year. Thereafter the loan can be renewed for 1 year at a time.

15 Pensions and similar liabilities

	2013	2012
Statement of financial position - liability:		
– Pension benefits	-	-
Costs charged to the statement of comprehensive income		
– Pension costs	1 533 176	1 108 808

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

As part of their salary contracts, the Group's managers have the opportunity to enter into their own insurance contracts (cash pension premiums) up to a certain percentage of their fixed salary (contributions to the Compulsory Company Pension are deductible). In Norway, this is paid out regularly to an insurance company or the employee and is treated as salary for tax and employers' national insurance contribution/public charges purposes.

16 Wages and salaries

	2013	2012
Salaries	16 810 451	15 184 699
Employers' national insurance contributions	5 023 426	5 021 449
Pension costs – the year's provisions for defined contribution based pension schemes	1 531 368	1 108 808
Other benefits	14 606	-
	23 379 851	**21 314 956**
No. of employees	**25**	**23**

17 Other operating expenses

	2013	2012
External advisors/fees services	13 256 232	9 847 613
Rental expenses	2 408 803	2 213 231
Marketing	17 567 885	16 655 935
Administrative and other expenses	13 709 939	12 635 368
Total other operating expenses	**46 942 858**	**41 352 147**

18 Financial income and expenses

	2013	2012
Interest income –bank deposits	44 824	109 939
Other interest income	1 860	453
Interest expenses	-1 428 368	-1 689 331
Currency gain	6 347 461	3 546 200
Currency loss	-2 076 275	-4 028 082
Net financial items	**2 889 502**	**-2 060 821**

19 Tax - Deferred tax - Deferred tax assets

Tax:	**2013**	**2012**
Tax payable	-	7 286 650
Change in deferred tax	-6 044 394	4 622 853
Total tax on result	**-6 044 394**	**11 909 503**
Total tax including OCI	**-6 044 394**	**11 909 503**

	2013	**2012**
Tax payable for the year	-	7 286 650
Additional payable tax - previous year	-	-
Total tax payable	**0**	**7 286 650**

Reconciliation of the effective tax rate:	**2013**	**2012**
Result before tax including OCI	-23 095 210	10 551 613
Tax calculated at 28%	-6 466 659	2 954 452
Reversal of deferred tax assets previous year	-	3 639 097
Non-deductible costs	77 760	-1 970 696
Other	-488 756	-
Effects from changed tax rates	833 261	-
Not taxable income	-	7 286 650
Tax	-6 044 393	11 909 503
Correction deferred tax 2009	-	-
Change deferred tax due to branchification	-	-
Tax in the statement of comprehensive income	**-6 044 394**	**11 909 503**

Deferred tax and deferred tax assets and specification of the tax effect of temporary differences and losses carried forward:

Deferred tax assets	**2013**	**2012**
Income Adjustment according to IFRS		
Loss carried forward	22 160 307	17 968 329
Receivables	489 008	-
Intangible assets		-
Other		1 080 431
Deferred tax assets	**22 649 315**	**19 048 760**

Deferred tax liability		
Intangible assets	-337 750	2 106 091
Receivables		-
Deferred tax liability - gross	**-337 750**	**2 106 091**
Deferred tax liability - net	**22 987 065**	**16 942 668**

Deferred tax assets are capitalized based on future income.

20 Liabilities

a) Guarantees and charges:

Folkia has no guarantees or charges in 2013.

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

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

	2013	**2012**
Due date within 1 year	1 425 396	1 925 694
Due date between 1 and 5 years into the future	0	1 519 867
Due date more than 5 years into the future	0	0
Total future minimum lease payments	**1 425 396**	**3 445 562**

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

The Group’s operating leases are in Sweden, Finland and Norway, consisting of premises- and support agreements. The most material future payments consist of office rental and can be renewed for 3 years at a time with a 9 month period of notice. As at 31.12.2013 the total of deposits for office rental is 752 300. The total minimum payments are gross figures (no deduction for deposits).

21 Business combinations

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

22 Related parties

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

Nexia DA

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

Formentor Oy

Owned by board member and shareholder Mikko Marttinen.

SMH Management AS

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

a) Sales of goods and services

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

b) Purchase of goods and services

Purchase of services from related parties (in NOK 1000):	**2013**	**2012**
Nexia DA	2 107	2 545
Formentor Oy	465	304
SMH Management AS	187	-
Total	**2 572**	**2 849**

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

The agreement for purchasing of services from Nexia DA relates to consultancy services from the former Chairman and Nexia DA. These consultancy services relates to M&A activities, managing new and existing markets but also relates to operational tasks within the Group. There are no guarantees given or received between Folkia and Nexia DA and there are no outstanding accounts as at 31.12.2013 in the statements of the financial position.

The agreements for purchasing of services from Formentor Oy relates to consultancy services provided by Marttinen. The consultancy services relates to managing existing markets in Finland and Baltic geographical areas , and assist management on operating in these regions. There are no guarantees given or received between Folkia and Formentor Oy and there are no outstanding accounts as at 31.12.2013 in the statements of the financial position.

The agreement for purchasing of services from SMH management AS relates to consultancy services from the Chairman of the board. These consultancy services relates to M&A activities, managing new and existing markets but also relates to operational tasks within the Group. There are no guarantees given or received between Folkia and SMH Management AS and there are no outstanding accounts as at 31.12.2013 in the statements of the financial position.

c) Remuneration to senior employees

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

	2013	**2012**
Salaries and other short-term employee benefits	7 309	6 033
Severance pay	-	-
Pension benefits	738	547
Other long-term benefits	-	-
Share-based remuneration	-	-
Total	**8 047**	**6 580**

Specification of remuneration to senior employees:

Name	2013 Salary and other short-term benefits	2013 Pension benefits	2012 Salary and other short-term benefits	2012 Pension benefits
Hördur Bender, CEO 1)	1 681	187	1 772	179
-Bonus	465	-	690	-
Other Management*	**4 284**	**551**	**2 621**	**368**
Magnus Sjögren, General Counsel	1 944	246		
Jens Schau-Hansen, CFO 2)	587	52		
Anders Linder, COO	1 113	150		
Jan Nilsson, CTO 3)	640	103		
Credit Committee*	**12**	**0**	**50**	**-**
Eilif Bjerke	12	-		
Control Committee*	**200**	**0**	**200**	**-**
Anders Utne	40	-		
Eigil Ulvin Olsen	40	-		
Einar Irgens	80	-		
Morten Egil Haugen	40	-		
Board members *	**667**	**0**	**700**	**-**
Eilif Bjerke	100	-		
Terje Finn Schoyen	100	-		
Stig Herbern	100	-		
Raivo Aavisto	100	-		
Leif Bernhard	100	-		
Mikko Marttinen	100	-		
Tord Bertil Lendau	67	-		
Total Group	**7 309**	**738**	**6 033**	**547**

1) Bonus relates to work performed in 2012.

2) CFO since august 2013

3) CTO since may 2013

**2012 years figures are not specified and 2013 years figures relates to work performed in 2012.*

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

There was no purchase or sale of goods or services with related parties in 2012 or 2013.

e) Loans to related parties

	2013	2012
Loans to the group management (and their families):		
Carrying amount 01.01	**0**	**0**
Loans granted during the year	-	-
Loans repaid during the year	-	-
Interest income	-	-
Interest received	-	-
Carrying amount in SEK	**0**	**0**
SEK/NOK exchange rate 31.12	0,9472	0,8549
Carrying amount 31.12	**0**	**0**

The loans to the group management are on the terms and conditions noted below:

Name and loan amount, all in SEK	**2013**	**2012**
Group Management	0	0
Total	**0**	**0**

Former loans to group management are either repaid or transferred to "Loans to shareholder" as the former group management, also shareholders, no longer work for the company.

	2013	2012
Loans to the shareholders (and their families):		
Carrying amount 01.01	**323 206**	**463 508**
Loans granted during the year	0	0
Loans repaid during the year	-240 006	-150 004
Interest income	5 984	9 702
Interest received	-89 185	0
Carrying amount in SEK	**0**	**323 206**
SEK/NOK exchange rate 31.12	0,9472	0,8549
Carrying amount 31.12	**0**	**276 309**

Terms and conditions

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

Interest rate

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

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

It has not been necessary to make provisions for losses on loans to directors, senior employees or associates in 2013 or previous years.

f) Fees to auditors and other related costs	**2013**	**2012**
Statutory audit		
- Deloitte	1 423 904	1 143 798
- other	72 090	56 613
Other assurance services		
- Deloitte	0	0
- other	0	0
Tax services		
- Deloitte	278 901	321 376
- other	0	0
Other non-assurance services		
- Deloitte	519 774	162 994
- other	0	0
Total Deloitte	2 222 579	1 628 167
Total	**2 294 668**	**1 684 780**

Fees include VAT.

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

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

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

The judgment was appealed by both parties to the Svea Court of Appeal and the main hearing took place on 17-18th February 2014. In its judgement, which was rendered on 8th April 2014, the Svea Court of Appeal agreed with the District Court that Folksam's trade mark registrations shall remain void. However, as regards Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI the court found that Folkia infringes on FOLKSAM's trademarks and company names in the Swedish market. Folkia has, together with external counsel, initiated preparations for appeal of the judgement to the Supreme Court. It stands to reason that any comprehensive IPR process is consuming both internal time and resources for Folkia as well as costs for external party counsel. Folkia considers that the outcome will not affect the reported figures per 31.12.13, and does not affect the assumptions of going concern as basis for the preparation of the financial statements. Refer to note 6 for further description of the carrying values.

24 Share capital and shareholder information

The share capital in the parent company as of 31 December 2013 consists of:

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

All the shares have equal voting rights.

Ownership structure

The largest shareholders in the company as of 31 December 2013	**Shares**	**Ownership share**
BRENNEN CONSULTING LIMITED	1 740 800	10,0%
CNHL LTD	1 740 690	10,0%
CLEARSTREAM BANKING S.A. *	1 372 662	7,9%
INTERACTIVE A ISLANDI EHF	1 361 811	7,8%
LANDSYN EHF	1 301 974	7,5%
DANSKE BANK A/S *	1 214 100	7,0%
SVENSKA HANDELSBANKEN AB *	1 084 672	6,2%
SKANDINAVISKA ENSKILDA BANKEN AB *	538 175	3,1%
RINNE , PAULIINA	500 000	2,9%
NEBRASKA INVEST OY	496 356	2,9%
UBS AG *	433 320	2,5%
PAATERO	381 637	2,2%
NORDNET BANK AB *	343 331	2,0%
FIVADO AS	282 787	1,6%
ARION BANK HF *	275 993	1,6%
HIETALA	248 064	1,4%
BERASCO LIMITED	242 869	1,4%
OÜ VIADELLA INVESTMENTS	242 826	1,4%
ÖHRBERG, FREDRIK	207 575	1,2%
DYVI, JAN ERIK	200 500	1,2%
DYNAMO AS	193 166	1,1%
AS SMÅFINANS	192 097	1,1%
WAHLSTRØM, ERIK	185 000	1,1%
AGDER TECHNOLOGY AS	184 432	1,1%
MARTTINEN, MIKKO	181 939	1,0%
Shareholders with at least 1 % ownership	**15 146 776**	**87,0%**
*) Share deposit		
Own shares, FOLKIA AS	110 174	0,6%
Own shares , FOLKIA AS NORGE, FILIAL SVERIGE	52 742	0,3%
Remaining ownerships	**2 097 224**	**12,0%**
Number of shareholders:	**64**	
Number of shares:	**17 406 916**	**100,0%**

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

Name	Position	Shares
Hördur Bender (1)	CEO	1 361 811
Terje Finn Schøyen (2)	Chairman of the Board, until April 19th 2013	184 432
Leif Bernhard Bjørnstad (3)	Director	192 097
Stig Magnus Herbern (4)	Chairman of the Board, from April 19th 2013	25 000
Eilif Bjerke	Director, until April 19th 2013	49 000
Mikko Marttinen (5)	Director	704 146
Raivo Aavisto (6)	Director	1 305 600
Kalle Pykkala (7)	Director	152 655
Total		**3 822 086**

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

(2) Finn Terje Schøyen owns shares indirectly through AGDER TECHNOLOGY AS.

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

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

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

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

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

(7) Kalle Pykala owns shares indirectly through Marinium OY.

25 Capital adequacy

Capital adequacy 31 December (Group)

Equity and subordinated loan capital (KNOK)

	2013	2012
Share capital	86 220	86 220
Other equity	57 783	69 245
Equity	**144 003**	**155 465**
Deductions:		
Intangible assets	-48 642	-63 221
Deferred tax assets	-22 987	-16 943
Core capital	**72 374**	**75 302**
Net equity and subordinated loan capital	**72 374**	**75 302**

Minimum requirement equity and subordinated loan capital

	2013	2012
Credit risk		
Of which:		
Institutions	263	375
Mass market commitments	5 585	4 266
Commitments that have fallen due	422	613
Other commitments	1 868	2 713
Total minimum requirement credit risk	**8 138**	**7 967**

Settlement risk		
Foreign exchange risk	9 965	6 133
Total minimum requirement market risk	**9 965**	**6 133**
Operational risk	**16 143**	**15 933**
Minimum requirement equity and subordinated loan capital	**34 246**	**30 033**

Capital adequacy		
Capital adequacy ratio	17%	20%
Core capital adequacy ratio	17%	20%

The Capital Adequacy under Pillar I has been calculated in accordance with the Capital Requirement set forth by the Basel II Regulatory Framework. However, the total Capita Requirement has been calculated in line with the Basel III Capital Requirement Regulatory Framework..

26 Residual term to maturity as at 31 December

Assets	Up to 1 month	From 3 to 12 months	From 1 to 5 years	Without an agreed residual term to maturity	Total
Loans to and receivables from credit institutions					
in NOK				1 273 357	**1 273 357**
in foreign currency				15 343 057	**15 343 057**
Loans to and receivables from customers					
in NOK	7 198 423				**7 198 423**
in foreign currency	30 626 017	60 538 395			**91 164 412**
Intangible assets					
in NOK			10 505 840	30 077 584	**40 583 424**
in foreign currency			8 059 106		**8 059 106**
Other assets					
in NOK		496 809	14 030	23 044 231	**23 555 069**
in foreign currency	531 191	6 011 679	393 168	15 703 836	**22 639 874**
Total assets	**38 355 630**	**67 046 883**	**18 972 144**	**85 442 065**	**209 816 722**
in NOK	7 198 423	496 809	10 519 870	54 395 171	**72 610 274**
in foreign currency	31 157 207	66 550 074	8 452 274	31 046 893	**137 206 448**

Equity and liabilities					
Other liabilities					
in NOK	1 490 020	1 649 748		50 181 103	**53 320 871**
in foreign currency	9 553 749	2 939 068			**12 492 817**
Equity					
in NOK				108 366 731	**108 366 731**
in foreign currency				35 636 303	**35 636 303**
Total equity and liabilities	**11 043 769**	**4 588 816**		**194 184 136**	**209 816 722**
in NOK	1 490 020	1 649 748		158 547 834	**161 687 602**
in foreign currency	9 553 749	2 939 068		35 636 303	**48 129 120**
Net liquidity exposure balance sheet items					
in NOK	5 708 403	-1 152 939	10 519 870	-104 152 662	**-89 077 329**
in foreign currency	21 603 458	63 611 006	8 452 274	-4 589 409	**89 077 329**

FINANCIAL STATEMENT

2013-01-01 - 2013-12-31

Folkia AS
990 892 040

Folkia AS
Income Statement

NOTE		2013	2012
	Interest income and similar incomes		
	Interest and similar income from loans to and receivables due from credit institutions	46 113	110 392
	Interest and similar income on loans to and receivables due from customers	87 803 656	114 017 021
	Other interest income and similar incomes	58	0
3	**Total interest and similar income**	**87 849 826**	**114 127 413**
	Interest expenses and similar expenses		
	Other interest expenses and similar expenses	-1 427 979	-1 689 331
	Total interest expenses and similar expenses	**-1 427 979**	**-1 689 331**
	Net interest and credit commission income	**86 421 848**	**112 438 082**
	Commission and similar expenses from banking services		
	Commission and similar expenses from loans to and receivables from credit institutions	-792 192	-171 754
	Total interest expenses and similar expenses	**-792 192**	**-171 754**
	Net change in value and gain/loss on currencies and securities that are current assets		
	Net change in value and gain/loss on shares, currencies and financial derivatives	4 271 186	-481 882
	Total net change in value and gain/loss on currencies and securities that are current assets	**4 271 186**	**-481 882**
	Total other operating revenues	**4 271 186**	**-481 882**
	Salaries and general administrative expenses		
4	Salary etc	-23 379 851	-21 314 956
	- Salary	*-16 912 800*	*-15 184 699*
	- Pension	*-1 310 921*	*-1 108 808*
	- Social fees	*-5 156 130*	*-5 021 449*
	Administrative expenses	-33 584 240	-26 102 526
	Total salaries and general administrative expenses	**-56 964 091**	**-47 417 482**
	Depreciation, etc, of tangible fixed assets and intangible assets		
5,6	Ordinary depreciation	-9 373 462	-11 535 119
	Total depreciation, etc, of tangible fixed assets and intangible assets	**-9 373 462**	**-11 535 119**
	Impairment on tangible and intangible assets		
5,6	Impairment on tangible and intangible assets	-8 350 526	0
	Total Impairment on tangible and intangible assets	**-8 350 526**	**0**
	Other operating expenses		
19	Other operating expenses	-12 468 844	-15 077 861
	Total other operating expenses	**-12 468 844**	**-15 077 861**
	Losses on loans, guarantees, etc		
16	Losses on loans	-26 332 231	-31 044 013
	Total losses on loans, guarantees, etc	**-26 332 231**	**-31 044 013**
	Write down of assets		
7	Write down of shares in group company	0	-2 028 596
	Total write down of assets	**0**	**-2 028 596**
	Result on ordinary operations before tax	-23 588 312	4 681 374
18	Tax on result on ordinary operations	5 981 890	-7 171 520
	RESULT FOR THE YEAR	**-17 606 422**	**-2 490 146**
	TRANSFERS AND ALLOCATIONS		
	Group contribution		0
9	Transferred to (from) other equity	-17 606 422	-2 490 146
	Total transfers and allocations	**-17 606 422**	**-2 490 146**

Folkia AS
Balance sheet at 31 December

NOTE	ASSETS	2013	2012
	Loans to and receivables from credit institutions		
11,12	Loans to and receivables from credit institutions without an agreed term or cancellation period	16 467 221	22 496 315
	Total net loans to and receivables from credit institutions	**16 467 221**	**22 496 315**
	Loans to and receivables from customers		
11,12,16	Repayment loans	131 867 217	75 685 458
11,12,16	Loss reserves	-33 504 382	-14 704 141
	Total net loans to and receivables from customers	**98 362 835**	**60 981 317**
	Ownership interests in group companies		
7	Shares in group companies	135 422	135 422
	Total ownership interests in group companies and other investments	**135 422**	**135 422**
	Intangible assets		
6	Goodwill	12 811 295	25 306 456
18	Deferred tax assets	28 409 332	22 427 442
6	Intangible assets	15 748 768	14 873 105
	Total intangible assets	**56 969 396**	**62 607 003**
	Tangible assets		
5	Tangible assets	407 108	723 832
	Total Tangible assets	**407 108**	**723 832**
	Other assets, deferred expenditure and deferred income		
17	Other assets	3 393 216	16 277 485
	Deferred expenditure/deferred income and deposits	19 407 555	17 698 300
	Total other assets	**22 800 771**	**33 975 785**
	TOTAL ASSETS	**195 142 751**	**180 919 673**

Folkia AS
Balance sheet at 31 December

NOTE	EQUITY AND LIABILITIES	2013	2012
	Liabilities		
20	Liabilities to credit institutions	52 732 829	17 263 461
20	Other liabilities	5 190 645	14 367 734
21	Accrued expenses and deferred income	7 890 214	7 924 921
	Total liabilities	**65 813 688**	**39 556 116**
	Total liabilities	**65 813 688**	**39 556 116**
	Equity		
	Equity contributed		
8,9	Share capital	87 034 580	87 034 580
8,9	Own shares	-814 580	-814 580
9	Share premium account	74 614 565	74 614 565
	Total equity contributed	**160 834 565**	**160 834 565**
	Retained earnings	-31 505 501	-19 471 008
	Total retained earnings	**-31 505 501**	**-19 471 008**
9	**Total equity**	**129 329 063**	**141 363 557**
	TOTAL EQUITY AND LIABILITIES	**195 142 751**	**180 919 673**

Oslo, 9th of April 2014
The Board of Folkia AS

Stig Herbern
Chairman of the Board

Raivo Aavisto

Leif Bjørnstad

Kalle Pykälä

Mikko Marttinen

Hördur Bender
CEO

Folkia AS
Cash flow statement

	2013	2012
CASH FLOW FROM OPERATIONS:		
Profit/(loss) before taxation	-23 588 312	4 681
Depreciation and amortization	9 373 462	11 535
Impairment of intangible assets	8 350 526	
Write down of intangible assets	0	2 028
Loan provisions	26 332 231	31 044
Taxes paid for the period	-6 086 163	-4 556
Net change in value and gain/loss on shares, currencies and financial derivatives	0	481
Change in trade receivables	-56 181 759	-11 475
Change in receivables	12 883 784	
Changes in other current assets	-1 709 255	-15 565
Change in trade payables and other short term liabilities	-3 091 191	-4 362
Changes in other current liabilities	-34 786	
Adjustment for other entries affecting cash flow	-408 228	-704
Net cash flow from operations	**-34 159 692**	**13 106**
CASH FLOW FROM INVESTMENT ACTIVITIES:		
Investments	-5 788 769	
Outflows due to purchases of fixed assets	0	-470
Outflows due to purchases of intangibles	0	-1 757
Net cash flow from investment activities	**-5 788 769**	**-2 228**
CASH FLOW FROM FINANCING ACTIVITIES:		
Change in credit facility	35 469 368	-12 276
Net cash flow from financing activities	**35 469 368**	**-12 276**
Effects of currency rate changes on bank deposits, cash and equivalents	**-1 550 000**	**-571**
Net change in bank deposits, cash and equivalents	-6 029 094	-1 969
Bank deposits, cash and equivalents 01.01	**22 496 315**	**24 466**
Bank deposits, cash and equivalents 31.12	**16 467 221**	**22 496**

Loan provisions were in the financial statements for 2012 included in change in trade receivables. In 2013 loan provis is included separately in its own row. An adjustment for 2012 is therefore made to enable comparison of change in tı receivables and loan provisions.

Folkia AS

Notes to the accounts, year ended 31 December 2013

Note 1 Accounting policies

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

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

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

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

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

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

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

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

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

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

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

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

Accounts receivable - microloans
Short-term lending is measured at fair value for initial balance sheet recognition purposes. In later measurements, microloans are valued at their amortized cost determined using the effective interest rate method (simplified) minus provisions for incurred losses. The provisions for losses are recognised in the financial statements based on separate, individual assessments.

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

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

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

Note 2 Prior year comparison numbers
There has been no changes in the comparison numbers for previous years.

Note 3 Interest and similar income per area of operation

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

Per area of operation 2012:	% of total	From loans to and receivables due from credit institutions	Loans to and receivables due from customers	Other	Total
Norway	5%	88 813	5 567 693	-	5 656 505
Sweden	73%	8 623	82 815 159	-	82 823 782
Finland	17%	9 863	18 972 033	-	18 981 897
Estonia	6%	3 092	6 662 136	-	6 665 229
Total	**100%**	**110 392**	**114 017 021**	**-**	**114 127 413**

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

Payroll costs	2013	2012
Wages and salaries	16 912 800	15 184 699
Social security tax	5 111 506	5 021 449
Pension costs	1 310 921	1 108 808
Recruitment and other social benefits	44 624	-
Total	**23 379 851**	**21 314 956**

The amounts include salaries to senior employees.

Number of man-years employed during the financial year	25	23
Number of employees	30	32

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

Directors' remuneration (kNOK)	Salaries, fees	Pensions
Hördur Bender, CEO 1)	1 681	187
- bonus	465	
Other Management 2)	**4 284**	**551**
Magnus Sjögren, General counsel	1 944	246
Anders Linder, COO	1 113	150
Jens Schau-Hansen, CFO (2)	587	52
Jan Nilsson, CTO (3)	640	103
Credit Commitee	**12**	**-**
Eilif Bjerke	12	-
Control Committee	**200**	**-**
Anders Utne	40	-
Eigil Ulvin Olsen	40	-
Einar Irgens	80	-
Morten Egil Haugen	40	-
Board members	**667**	**-**
Eilif Bjerke	100	-
Terje Finn Schoyen	100	-
Stig Herbern	100	-
Raivo Aavisto	100	-
Leif Bernhard	100	-
Mikko Marttinen	100	-
Tord Bertil Lendau	67	-
Total	**7 309**	**738**

1) Bonus relates to work performed in 2012.
2) CFO since august 2013
3) CTO since may 2013

As at 31.12.2013 there are no loans, or guarantees given to the board members, CEO or other leading officers.

Loans and guarantees to Chief Executive, Directors, Shareholders etc.

	Loan/Guarantees	Amount	Interest rate	Scheduled payment(s)
Shareholder and former employee Marcus Lindström	Loan	-	Government loan + 1%	-
Shareholder and former employee Nickolaus Karlsson	Loan	-	Government loan + 1%	-

These loans have been fully paid in 2013.

Transactions with related parties

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

Formentor Oy

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

Nexia DA

Owned by, among others, the current Chairman of the board and shareholder Finn Terje Schøyen.

SMH Management A/S

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

Purchase of goods and services from related parties	**2013**	**2012**
Formentor Oy	464 774	304 094
Nexia DA	2 106 886	2 544 938
SMH Management A/S	187 000	
Total	**2 571 660**	**2 849 031**

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

Auditor

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

	2013	**2012**
Statutory audit	1 495 993	1 200 411
Other assurance services	0	0
Tax services	278 901	321 376
Other non-assurance services	519 774	162 994
Total	**2 294 668**	**1 684 780**

Note 5 Tangible fixed assets

2013 financial year	**Machinery, fixtures, fittings and vehicles**
Carrying amount 01.01.13	**723 833**
Additions	82 240
Effect of foreign currency exchange differences	53 033
Disposals	-58 789
Depreciation during the year	-393 208
Carrying amount 31.12.2013	**407 108**
As at 31 December 2013	
Original cost	4 812 885
Accumulated depreciation	-4 405 778
Carrying amount 31.12.2013	**407 108**

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

Note 6 Intangible assets

	Goodwill	**Software (including scoringmodell and licenses)**	**Customer relationships**	**Trademarks**	**Total**
Useful life (years)	**10**	**5**	**5**	**20**	
Original cost 01.01.2012	**45 889 905**	**19 873 049**	**13 332 762**	**10 418 487**	**89 514 202**
Additions	**0**	**1 757 532**	**0**	**0**	**1 757 532**
Swedish branch	-	-	-	-	-
Danish branch	-	-	-	-	-
Finnish and Estonian branch	-	1 757 532	-	-	1 757 532
Norway	-	-	-	-	-
Translation differences	-	-	-	-	-
Original cost 31.12.2012	**45 889 905**	**21 630 580**	**13 332 762**	**10 418 487**	**91 271 734**

Accumulated depreciation 01.01.2012	**-15 994 469**	**-13 748 431**	**-8 278 126**	**-2 234 698**	**-40 255 725**
Depreciation during the year	**-4 588 980**	**-2 985 612**	**-2 651 905**	**-506 736**	**-10 733 233**
Swedish branch	-2 111 796	-1 869 630	-249 157	-407 808	-4 638 391
Danish branch	-895 956	-	-344 844	-29 628	-1 270 428
Finnish and Estonian branch	-1 581 228	-533 440	-2 057 904	-69 300	-4 241 872
Norway	-	-582 542	-	-	-582 542
Translation differences	-	-103 205	-	-11	-103 216
Accumulated depreciation and impairment losses 31.12.2012	-20 583 449	-16 837 248	-10 930 031	-2 741 445	-51 092 174
					-
Carrying amount 31.12.2012	**25 306 456**	**4 793 332**	**2 402 731**	**7 677 042**	**40 179 560**
Original cost 01.01.2013	**45 889 905**	**21 146 298**	**13 332 762**	**10 418 487**	**90 787 452**
Additions	**0**	**5 172 798**	**0**	**0**	**5 172 798**
Swedish branch	-	1 894 408	-	-	1 894 408
Danish branch	-	-	-	-	-
Finnish and Estonian branch	-	2 481 891	-	-	2 481 891
Norway	-	796 499	-	-	796 499
Translation differences	-	-	-	-	-
Original cost 31.12.2013	**45 889 905**	**26 319 096**	**13 332 762**	**10 418 487**	**95 960 250**
Accumulated depreciation 01.01.2013	-20 583 449	-16 837 248	-10 930 031	-2 741 445	**-51 092 174**
Depreciation during the year	**-4 588 990**	**-1 423 012**	**-2 402 731**	**-506 731**	**-8 921 464**
Swedish branch	-2 111 797	-978 622	-	-407 807	-3 498 226
Danish branch	-895 961		-344 844	-29 624	-1 270 429
Finnish and Estonian branch	-1 581 232	-143 098	-2 057 887	-69 300	-3 851 517
Norway	-	-301 292			-301 292
Impairment during the year	-7 906 170			-444 356	-8 350 526
Translation differences		968 938		-4 960	963 978
Accumulated depreciation and impairment losses 31.12.2013	-33 078 609	-17 291 322	-13 332 762	-3 697 492	-67 400 186
Carrying amount 31.12.2013	**12 811 295**	**9 027 773**	**-**	**6 720 995**	**28 560 064**

The Board and the management strongly believe that Folkia's goodwill is a vital asset of the company in the long run. Folkia is a well-recognized company in all operating markets and has built up strong positions in the different markets during several years. The impairement valuation shows that there is no indication of impairment for the group as a whole with the exception of the goodwill related to Finland and trademarks in Denmark where the values are impaired. The goodwill from the Monetti acquisition in Finland is impaired as the revenues and profitability from the old product portfolio are substituted by a new product portfolio including the Visa card in 2014. With reference to note 22 there has arisen uncertainty to the carrying values of the trademarks related to the Swedish branch as a result of the outcome of the judgement in the Folksam court case. The carrying values are however not impaired as Folkia regards the chances both for getting the case admitted for the Supreme Court and achieve a positive outcome as more likely than not. Folkia has a long perspective strategy and the board and the management have concluded that Folkia's position motivates a longer useful life period than 5 years for the remaining carrying value after impairement.
Depreciation is charged on a straight-line basis.

Note 7 Subsidiary

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

Company	Equity (carrying amount) as at 31.12.2013	Last annual result as at 31.12.2013
Folkia AB	149 193	-900

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

Related party transactions, profit and loss

Transaction/transaction type	Belongs to P&L line	Counterpart	Relationship to the counterpart	2013	2012
Shareholder contribution	*Group contribution*	*Folkia AB*	Subsidiary		-

Related party balance items

		Accounts receivables		Other receivables	
Counterpart	**Relationship to the counterpart**	**2013**	**2012**	**2013**	**2012**
Folkia AB	Subsidiary		-		782 157

		Accounts payable		Other current liabilities	
Counterpart	**Relationship to the counterpart**	**2013**	**2012**	**2013**	**2012**
Folkia AB	Subsidiary		-		-

Note 8 Share capital and shareholder information

The share capital in the company at 31 December 2013 consists of the following classes:

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

All the shares have equal voting rights.

Ownership structure
Largest shareholders as of 31 December 2013:

	Share	Ownership share	Voting share
BRENNEN CONSULTING LIMITED	1 740 800	10%	10%
CNHL LTD	1 740 690	10%	10%
CLEARSTREAM BANKING S.A. *	1 372 662	8%	8%
INTERACTIVE A ISLANDI EHF	1 361 811	8%	8%
LANDSYN EHF	1 301 974	7%	7%
DANSKE BANK A/S *	1 214 100	7%	7%
SVENSKA HANDELSBANKEN AB *	1 084 672	6%	6%
SKANDINAVISKA ENSKILDA BANKEN AB *	538 175	3%	3%
RINNE , PAULIINA	500 000	3%	3%
NEBRASKA INVEST OY	496 356	3%	3%
UBS AG *	433 320	2%	2%
PAATERO	381 637	2%	2%
NORDNET BANK AB *	343 331	2%	2%
FIVADO AS	282 787	2%	2%
ARION BANK HF *	275 993	2%	2%
HIETALA	248 064	1%	1%
BERASCO LIMITED	242 869	1%	1%
OÜ VIADELLA INVESTMENTS	242 826	1%	1%
ÖHRBERG, FREDRIK	207 575	1%	1%
DYVI, JAN ERIK	200 500	1%	1%
DYNAMO AS	193 166	1%	1%
AS SMÅFINANS	192 097	1%	1%
WAHLSTRØM, ERIK	185 000	1%	1%
AGDER TECHNOLOGY AS	184 432	1%	1%
MARTTINEN, MIKKO	181 939	1%	1%
Total shareholders with minimum 1% ownership	**15 146 776**	**87%**	**87%**
*) Share deposit			
Own shares, FOLKIA AS	110 174	1%	1%
Own shares, FOLKIA AS NORGE FILIAL SVERIGE	52 742	0,3%	0,3%
Total remaining shareholders	**2 097 224**	**12%**	**12%**
Total number of shares	**17 406 916**	**100%**	**100%**

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

Name	Title	Shares
Hördur Bender (1)	CEO	1 361 811
Terje Finn Schøyen (2)	Chairman of the Board, until April 19th 2013	184 432
Leif Bernhard Bjørnstad (3)	Director	192 097
Stig Magnus Herbern (4)	Chairman of the Board, from April 19th 2013	25 000
Eilif Bjerke	Director, until April 19th 2013	49 000
Mikko Marttinen (5)	Director	704 146
Raivo Aavisto (6)	Director	1 305 600
Kalle Pykkala (7)	Director	152 655

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

Note 9 Equity

Paid in equity	**Share capital**	**Share premium**	**Other equity**	**Total equity contributed**
Equity at 1 January 2013	**86 220 000**	**74 614 565**	**-19 471 008**	**141 363 557**
This year's change in equity:				
Profit/(loss) of the year			-17 606 422	-17 606 422
Translation differences			5 571 928	5 571 928
Equity at 31 December 2013	**86 220 000**	**74 614 565**	**-31 505 501**	**129 329 063**

Registered share capital	87 034 580
- own shares	814 580

Note 10 Financial market risk

Folkia's activities entail various types of financial risks. In relation to the Company's balance sheet as of 31st December 2013, these risks are according to the following:

• A currency risk and interest rate risk connected with a fixed rate borrowing in SEK (Sweden), DKK (Denmark) and EUR (Finland and Estonia)
• A credit risk connected with the investment of excess liquidity (Banks) and to receivables with regards to the loan facilities
• An interest rate and credit risk connected with other lending and receivables
• A liquidity risk connected with servicing commitments that have been entered into.

The Company complies with Group's principal risk management plan.

A central Risk Management Department in accordance with guidelines set forth by the Board of Directors manages the Group's Risk Management. The Group's Financial Department identifies, evaluates and hedges the financial risks in close cooperation with different operating units in close collaboration with the Risk Management Unit.

Market Risk

(i) Currency Risk

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

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

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

Credit Risk

A credit risk arises in transactions involving bank deposits, lending to customers. The Company has maximum loan limits for its loan products and standard credit rating requirements, and has developed its own scoring model for the credit rating of private customers. Loans are not given to existing customers until previous loans have been repaid.

For the FY 2012 the retail exposure was risk weighted by 100%. However, for the FY 2013 Folkia changed the method and the RWA of retail exposure will be calculated by 75% as the result of increased diversification of the Group's loan portfolio. In line with the introduction of "Larger Loans" the diversification of the product portfolio was enhanced. Moreover, as the loans are granted to large number of private customers we find the entire portfolio to be well diversified.

Liquidity Risk

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

Pillar I Allocation

NOK 1000	2013	
	RWAs	**Pillar I Capital Resource Requirement**
Credit Risk	101 728	8 138
Market Risk	124 563	9 965
Operational Risk	101 804	15 271
TOTAL CAPITAL REQUIRED	**328 095**	**33 374**
Eligible Capital		72 360
Capital Adequacy Ratio (Capital to RWAs)	**17%**	

Pillar II Allocation

NOK 1000	**2013 Capital Assessment**
Pillar I - Credit Risk	8 138
Pillar I - Market Risk	9 965
Pillar I - Operational Risk	15 271
Market risk	19 140
Credit risk - Loan Operation	4 125
Credit risk - Credit Card	-
Operation risk	-
Liquidity risk	38
Interest rate risk	382
Governance risk	-
Strategic risk	100
Reputation risk	131
Recession risk	-
Political/legal risk	1 054
Financing risk	-
Asset Liability Management (ALM) risk	-
TOTAL CAPITAL REQUIREMENT (PILLAR I&II)	**58 344**
Capital Base (at assessment date)	72 360
% Capital Headroom	24%

Note 11 Residual term to maturity as at 31 December

Assets	Up to 1 month	From 3-12 months	From 1 to 5 years	Without an agreed residual term to maturity	Total
Loans to and receivable from credit institutions					
in NOK				1 273 357	1 273 357
in foreign currency				15 193 864	15 193 864
Loans to and receivables from customers					
in NOK	7 198 423				7 198 423
in foreign currency	30 626 017	60 538 395			91 164 412
Ownership in other Group companies					
in NOK					-
in foreign currency				135 422	135 422
Intangible assets					
in NOK			963 707	19 537 251	20 500 958
in foreign currency			8 059 106		8 059 106
Other assets					
in NOK		496 809	14 030	28 466 498	28 977 336
in foreign currency	531 191	6 011 679	393 168	15 703 836	22 639 874
Total Assets	**38 355 630**	**67 046 883**	**9 430 011**	**80 310 227**	**195 142 751**
in NOK	7 198 423	496 809	977 737	49 277 105	57 950 074
in foreign currency	31 157 207	66 550 074	8 452 274	31 033 122	137 192 677
Equity and liabilities					
Other Liabilities					
in NOK	1 490 020	1 649 748	50 181 103		53 320 871
in foreign currency	8 534 240	3 958 577			12 492 817
Equity					
in NOK				93 692 760	93 692 760
in foreign currency				35 636 303	35 636 303
Total equity and liabilities	**10 024 260**	**5 608 325**	**50 181 102,92**	**129 329 063**	**195 142 751**
in NOK	1 490 020	1 649 748	50 181 102,92	93 692 760	147 013 632
in foreign currency	8 534 240	3 958 577	-	35 636 303	48 129 120
Net liquidity exposure balance sheet items					
in NOK	5 708 403	-1 152 939	-49 203 366	-44 415 655	-89 063 557
in foreign currency	22 622 967	62 591 497	8 452 274	-4 603 181	89 063 557

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

Assets	Up to 1 month	From 1 to 3 months	From 1 to 5 years	Items without interest rate exposure	Total
Loans to and receivable from credit institutions					
in NOK	1 273 357				1 273 357
in foreign currency	15 193 864				15 193 864
Loans to and receivables from customers					
in NOK				7 198 423	7 198 423
in foreign currency				91 164 412	91 164 412
Ownership in other Group companies					
in NOK					-
in foreign currency				135 422	135 422
Intangible assets					
in NOK				20 500 958	20 500 958
in foreign currency				8 059 106	8 059 106
Other Assets					
in NOK				28 977 336	28 977 336
in foreign currency				22 639 874	22 639 874
Total Assets	**16 467 221**	**-**	**-**	**178 675 531**	**195 142 751**
in NOK	1 273 357	-	-	56 676 717	57 950 074
in foreign currency	15 193 864	-	-	121 998 813	137 192 677
Equity and liabilities					
Other Liabilities					
in NOK			50 181 103	3 139 768	53 320 871
in foreign currency			2 551 726	9 941 091	12 492 817
Equity					
in NOK				93 692 760	93 692 760
in foreign currency				35 636 303	35 636 303
Total equity and liabilities			52 732 829	142 409 922	**195 142 751**
in NOK	-	-	50 181 103	96 832 529	147 013 632
in foreign currency	-	-	2 551 726	45 577 393	48 129 120
Net liquidity exposure balance sheet items					
in NOK	1 273 357	-	-50 181 103	-40 155 811	-89 063 557
in foreign currency	15 193 864	-	-2 551 726	76 421 420	89 063 557

Note 13 Currency positions at 31 December

Currency	Assets	Equity and liabilities	Net position
NOK	58 085 496	147 013 632	-88 928 135
SEK	80 299 442	37 006 920	43 292 522
DKK	5 134 289	372 934	4 761 355
EUR	51 623 524	10 749 265	40 874 258
Total	**195 142 751**	**195 142 751**	**0**

Note 14 Capital adequacy requirements at 31 December
Equity and subordinated loan capital (KNOK)

	2013	2012
Share Capital	86 220	86 220
Other Equity	43 110	55 144
Total Equity	**129 330**	**141 364**
Deductions		
Intangible assets	-28 560	-40 180
Deferred tax assets	-28 409	-22 427
Core Capital	**72 361**	**78 757**
Net equity and subordinated loan capital	**72 361**	**78 757**

Minimum requirement equity and subordinated loan capital

Credit risk		
Of which:		
Institutions	263	360
Mass market commitments	5 585	4 266
Commitments that have fallen due	422	613
Other commitments	1 868	2 729
Total minimum requirement market risk	**8 138**	**7 967**
Settlement risk	-	-
Currency risk	9 965	6 060
Total minimum requirement market risk	**9 965**	**6 060**
Operational risk	15 271	10 354
Minimum requirement equity and subordinated loan capital	**33 374**	**24 382**

Capital adequacy

Capital adequacy ratio	17%	26%
Core capital adequacy ratio	17%	26%

Note 15 Secure debt and guarantees, etc.

Folkia AS had no assets provided for book liabilities either in 2013 or 2012.

Note 16 Account receivables (microloans)

	2013	**2012**
Microloans	131 867 217	75 685 458
Impairment for probable losses on microloans	-33 504 382	-14 704 141
Net microloans	**98 362 835**	**60 981 317**

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

The fair value of loans are considered to be equal to book value, as all loans have short term to maturity and probable losses have been written down.
The fallen-due dates of the microloans were as follows at 31 December 2013:

	2013	**2012**
Not fallen due	87 900 945	54 031 930
Fallen due 1-30 days ago	10 549 409	9 093 215
Fallen due 31-60 days ago	4 406 157	1 285 956
Fallen due 61-90 days ago	2 594 448	1 167 139
Fallen due more than 90 days ago	26 416 259	10 107 218
Total	**131 867 217**	**75 685 458**

At 31 December 2013, the provisions were NOK 33 504 382

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

	2013	**2012**
Unspecified loan loss provisions at 1 January	**14 704 141**	**20 107 413**
Ascertained loss during the year for which provisions have previously been made	-13 093 658	-32 658 452
Increased unspecified loan loss provisions during the year	29 187 097	28 546 763
Write-back of specified loan loss provisions during the period	1 250 655	-788 077
Currency translations	1 456 146	-503 505
Unspecified loan loss provisions at 31 December	**33 504 382**	**14 704 141**

Out of the net receivables that has been written down as loss 1 973 329 NOK was interest income.

	2013	**2012**
Loan loss recognized in the statement of P&L during the period	26 332 231	31 044 013

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

Note 17 Other assets

	2013	2012
Intercompany accounts with Group companies	-	784 079
Other receivables	3 393 216	15 493 407
Total other receivables	**3 393 216**	**16 277 485**

Other receivables do not contain impaired assets.
The total intercompany account with Group companies included disbursements Folkia AS had for other Group companies, and other receivables due to the process into branch structure.

Note 18 Tax

The tax payable for the year is calculated as follows:	**2013**	**2012**
Tax payable on foreign revenue	-	-7 263 425
Change in deferred tax asset	-5 981 890	91 906
Reversal deferred tax asset 2010 due to foregn tax payable considered to be a final tax expense - no deduction can be claimed in the future		-
Tax on the result on ordinary operations	**-5 981 890**	**-7 171 520**

Reconciliation from the nominal to the actual tax rate	**2013**	**2012**
Result for the year	-23 588 312	4 681 373
Estimated income tax according to the nominal tax rate	-6 604 727	1 310 784
The tax effect of the following items:		
Non-deductable expenses	77 759	-1 402 690
Tax payable on foreign income	-	7 263 425
Other	-489 008	-
Tax rate change	1 034 086	-
Tax	**-5 981 890**	**7 171 520**
Effective tax rate	**25%**	**153%**

Specification of the tax effect of temporary differences and carry-forward loss:	**2013**	**2012**
Tangible and intangible assets	5 760 016	4 345 402
Accrual bonus	-	113 714
Carry-forward loss	22 649 315	17 968 325
Adjustments for tax paid in branches		-
Total	**28 409 331**	**22 427 442**
Net deferred tax assets in the balance	**28 409 331**	**22 427 442**

The deferred tax assets are stated on the basis of future revenues.

Note 19 Other operating expenses

Specification of other operating expenses	**2013**	**2012**
Leasing of premesis	2 408 803	2 213 727
External provided services	7 625 504	9 076 405
Other costs	2 434 538	3 787 729
Total	**12 468 844**	**15 077 861**

The fees relate to financial and legal assistance in connection with acquisitions, audits, accounting etc.
The leasing of premises relates to the leasing of the office and parking facilities. Folkia AS has entered into a lease in Sweden. This lease expires on 30 September 2014. The annual rent is NOK 1 751 497.

Note 20 Liabilities

Specification of liabilities	2013	2012
Liabilities to credit institutions	52 732 829	17 263 461
Loans from Group companies	-	-
Approved, invoiced but not paid out loans	1 399 731	3 616 716
Accounts payable	3 790 914	10 751 020
Total	**57 923 474**	**31 631 197**

The credit facility was linked to an agreement with Svea Ekonomi both in Sweden and Finland. The loan had a fixed interest rate of 6.75 % (6.75% in 2012). The loan had no maturity date, security was provided in that an amount equal to 5% (5% in 2012) of the borrowed amount was in an escrow account and there was a charge on microloans for the remaining amount. The credit facility with Svea Ekonomi relating to the collection of microloans were terminated in 2013.

The loan with Svea was replaced by a new credit facility of 80 MNOK with DNB Bank ASA has an interest of 1 month NIBOR + 4.2% interest. The credit facility has a maturity of 1 year. Thereafter the loan can be renewed for 1 year at a time.

Note 21 Accrued expenses

Specification of accrued expenses	2013	2012
Govt. charges and special taxes	435 351	407 528
Salaries owed	3 275 405	2 698 328
Other accrued expenses	4 179 458	4 819 065
Total	**7 890 214**	**7 924 921**

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

There have been no subsequent events that have had impact on the financial statements 2013.
On 30 August 2011 Folksam ömsesidig sakförsäkring and Folksam ömsesidig livföräkring (jointly "Folksam") filed a lawsuit against Folkia at the Stockholm District Court for trademark and company name infringement, claiming among other things that Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI infringes on FOLKSAM's trademarks and company names. Folkia contested Folksam's lawsuit in its entirety in Folkia's Statement of Defence. On 26 October 2011 Folkia filed a counterclaim against Folksam. Folkia is of the view that Folkia had not infringed on any of Folksam's trademarks or company names and, consequently, that the legal basis for Folksam's claim was scarce.

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

The judgment was appealed by both parties to the Svea Court of Appeal and the main hearing took place on 17-18th February 2014. In its judgement, which was rendered on 8th April 2014, the Svea Court of Appeal agreed with the District Court that Folksam's trade mark registrations shall remain void. However, as regards Folkia's use of FOLKIA, FOLKLÅN, FOLKGIRO and FOLKONOMI the court found that Folkia infringes on FOLKSAM's trademarks and company names in the Swedish market. Folkia has, together with external counsel, initiated preparations for appeal of the judgement to the Supreme Court. It stands to reason that any comprehensive IPR process is consuming both internal time and resources for Folkia as well as costs for external party counsel. Folkia considers that the outcome will not affect the reported figures per 31.12.13, and does not affect the assumptions of going concern as basis for the preparation of the financial statements. Refer to note 6 for further description of the carrying values.

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Translation from the original Norwegian version

To the Annual Shareholders' Meeting of Folkia AS

INDEPENDENT AUDITOR'S REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of Folkia AS, which comprise the financial statements of the parent company and the financial statements of the group. The financial statements of the parent company comprise the balance sheet as at December 31, 2013, and the income statement and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information. The financial statements of the group comprise the statement of financial position as at December 31, 2013, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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

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

Auditor's Responsibility

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

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

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

Deloitte.

Opinion on the financial statements for the parent company

In our opinion, the financial statements of the parent company are prepared in accordance with the law and regulations and give a true and fair view of the financial position of Folkia AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian accounting act and accounting standards and practices generally accepted in Norway.

Opinion on the financial statements for the group

In our opinion, the financial statements of the group are prepared in accordance with the law and regulations and give a true and fair view of the financial position of the group Folkia AS as at December 31, 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report and the statements on Corporate Governance and Corporate Social Responsibility

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

Opinion on Registration and Documentation

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

Oslo, 15 April 2014
Deloitte AS

Mats Nordal (signed)
State Authorised Public Accountant (Norway)

[Translation has been made for information purposes only]