



Report for second quarter 2014

Folkia provides everyday financial services in the Nordic and Baltic regions. Folkia'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).

The company's financial statements are prepared in accordance with Norwegian Generally Accepted Accounting Principles (NGAAP) and the regulations concerning annual financial statements 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. Folkia also prepares its consolidated financial statements in accordance with IFRS, see section 3-9 of the Norwegian Accounting Act.

Folkia AS consists of the Norwegian legal entity and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch. Non-operating subsidiary Folkia AB in Sweden has filed for voluntary liquidation, until liquidation is completed the subsidiary will be consolidated in the group accounts.

The income in Q2 2014 increased markedly compared to Q1 2013 and also improving compared to Q1 2014 mainly due to the launch of loans with longer maturity up to 12 months in October 2013 in Sweden and February 2014 in Norway. The result before tax for Q2 ended at -3 286 KNOK compared to -2 516 KNOK for the same period in 2013. During 2013 and first half of 2014 Folkia strengthened the organisation to prepare for launch of Visa in the second half of 2014 and handling of future growth which led to increased costs and thus weaker result in Q1 and Q2 compared to the same periods in 2013. Folkia therefore expects further improvement in both income and result in the second half of 2014. Folkia's capital ratio improved compared to Q1 to 17% in Q2 2014, but at a lower level than in 2013 mainly as a result of increase in loan volumes which result in an increased capital requirement.

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Income statement

Folkia AS					NOTE	Folkia AS Group				
2014 Q2	2013 Q2	2014 YTD	2013 Q1-2	2013 YE		2014 Q2	2013 Q2	2014 YTD	2013 Q1-2	2013 YE
-258	5	23	12	46	Interest and similar income from	-258	5	23	12	0
31 182	23 012	59 043	45 937	87 804	Interest and similar income from	31 182	23 012	59 043	45 937	91 353
30 924	23 017	59 066	45 949	87 850	Total interest and similar income	30 924	23 017	59 066	45 949	91 353
-939	-311	-1 897	-568	-1 428	Interest and other expenses on d	-938	-311	-1 897	-569	-1 428
-939	-311	-1 897	-568	-1 428	Total interest expenses and simil	-938	-311	-1 897	-569	-1 428
29 985	22 706	57 169	45 381	86 422	Net interest and credit commissior	29 986	22 705	57 169	45 380	89 925
-318	-49	-648	-103	-792	Commission and similar expenses	-318	-49	-648	-103	-792
-318	-49	-648	-103	-792	Total interest expenses and simil	-318	-49	-648	-103	-792
421	1 005	-221	1 947	4 271	Net gain/loss on foreign exchange	421	1 005	-221	1 947	4 271
421	1 005	-221	1 947	4 271	Total net change in value and gai	421	1 005	-221	1 947	4 271
-8 103	-6 084	-15 968	-12 004	-23 380	Salary etc	-8 103	-6 083	-15 968	-12 004	-23 380
-6 050	-4 384	-11 899	-8 749	-16 913	-Salary	-6 050	-4 384	-11 899	-8 749	-16 913
-412	-274	-848	-560	-1 311	- Pension	-412	-274	-848	-560	-1 311
-1 641	-1 425	-3 221	-2 694	-5 156	- Social fees	-1 641	-1 425	-3 221	-2 694	-5 156
-8 820	-7 545	-18 688	-14 306	-33 584	Administrative expenses	-8 820	-7 545	-18 688	-14 306	-33 584
-16 923	-13 629	-34 656	-26 310	-56 964	Total salaries and general admini	-16 923	-13 629	-34 656	-26 309	-56 964
-1 324	-2 281	-2 634	-4 767	-9 373	Ordinary depreciation	-453	-1 007	-892	-2 219	-4 278
-1 324	-2 281	-2 634	-4 767	-9 373	Total depreciation, etc, of tangib	-453	-1 007	-892	-2 219	-4 278
-5 888	-3 114	-9 067	-6 491	-12 469	Other operating expenses	-5 888	-3 114	-9 067	-6 491	-12 520
-5 888	-3 114	-9 067	-6 491	-12 469	Total other operating expenses	-5 888	-3 114	-9 067	-6 491	-12 520
5 953	4 638	9 943	9 657	11 095	Result before losses on loans	6 825	5 911	11 685	12 204	19 642
-9 239	-7 154	-17 100	-13 135	-26 332	Losses on loans ¹	-9 239	-7 153	-17 100	-13 135	-26 332
-9 239	-7 154	-17 100	-13 135	-26 332	Total losses on loans, guarantees	-9 239	-7 153	-17 100	-13 135	-26 332
0	0	0	0	-8 351	Write down of intangible assets	0	0	0	0	-16 405
0	0	0	0	-8 351	Total write down of assets	0	0	0	0	-16 405
-3 286	-2 516	-7 157	-3 478	-23 588	Result on ordinary operations be	-2 414	-1 243	-5 415	-931	-23 095
1 927	591	1 927	943	5 982	Tax on result on ordinary operatio	1 683	234	1 439	228	6 044
-1 359	-1 925	-5 230	-2 535	-17 606	RESULT FOR THE YEAR	-731	-1 009	-3 976	-703	-17 051

Balance sheet

Folkia AS			NOTE	Folkia AS Group		
2014 Q2	2013 Q2	2013 YE		2014 Q2	2013 Q2	2013 YE
			Assets			
9 921	23 455	16 468	Loans to and receivables from credit institutions	10 065	23 596	16 616
9 921	23 455	16 468	Total net loans to and receivables from credit	10 065	23 596	16 616
174 482	75 748	131 867	Repayment loans	174 482	75 748	135 258
-49 968	-23 808	-33 504	Specified loss reserves	2	-49 968	-33 504
124 514	51 940	98 363	Total net loans to and receivables from customers	124 514	51 940	101 754
135	135	135	Shares in group companies	0	0	0
135	135	135	Total ownership interests in group companies	0	0	0
11 307	23 012	12 811	Goodwill	30 078	45 890	30 078
30 356	24 302	28 409	Deferred tax assets	24 384	18 103	22 987
17 502	14 760	15 749	Intangible assets	21 148	17 471	18 565
59 165	62 074	56 969	Total intangible assets	75 610	81 464	71 630
794	532	407	Tangible assets	794	532	407
794	532	407	Total Tangible assets	794	532	407
1 650	5 916	3 393	Other assets	1 650	5 916	15 765
17 953	19 606	19 408	Prepays and deposits	17 953	19 606	3 645
19 603	25 522	22 801	Total prepaid	19 603	25 522	19 410
214 132	163 658	195 143	TOTAL ASSETS	230 586	183 053	209 817
			EQUITY AND LIABILITIES			
			Liabilities			
72 198	10 504	52 733	Liabilities to credit institutions	72 198	10 504	52 733
8 133	3 587	5 191	Other liabilities	8 133	3 584	6 660
10 399	7 962	7 890	Accrued expenses and deferred income	10 399	7 962	6 421
90 730	22 053	65 814	Total liabilities	90 730	22 050	65 814
			Equity			
87 035	87 035	87 035	Share capital	87 035	87 035	87 035
-815	-815	-815	Own shares	-815	-815	-815
74 615	74 615	74 615	Share premium account	74 000	74 000	74 000
160 835	160 835	160 835	Total equity contributed	160 220	160 220	160 220
-37 433	-19 230	-31 506	Other equity	-20 364	783	-16 217
-37 433	-19 230	-31 506	Total retained earnings	-20 364	783	-16 217
123 402	141 604	129 329	Sum equity	139 856	161 003	144 003
214 132	163 658	195 143	TOTAL EQUITY AND LIABILITIES	230 586	183 053	209 817

Folkia AS notes

	2014-06-30	2013-06-30	2013-12-31
1. Credit losses			
Actual specified credit losses	0	0	0
Write-back of specified credit losses	0	0	-2 855
Provisions during the period	17 100	13 135	29 187
Sum (NOK)	17 100	13 135	26 332
2. Credit losses / Defaulted			
Defaulted loans *	38 716	15 764	24 416
Accumulated provision for credit losses	29 830	23 808	33 504
Net (NOK)	8 886	-8 044	-9 088
*) loans are classified as defaulted 90 days past due			
3. Off balance sheet items			
Undisposed credit (SEK facility)	0	13 794	0
Undisposed credit (EUR facility)	0	6 309	0
Sum (NOK)	0	20 103	0
4. Capital adequacy			
Capital requirement	30 814	28 155	33 374
Capital base	64 238	79 533	72 361
Capital ratio*	17%	23%	17%

*) Current years result has been excluded in the calculation of capital ratio since it has not been audited. This is in line with the guidelines from Norwegian Finanstilsynet.