

Folkefinans

Interim report January-June 2015

Folkia AS changed the company's name to Folkefinans AS in May 2015. Folkefinans provides everyday financial services in the Nordic and Baltic regions. Folkefinans' services primarily consist of provision of small unsecured loans with 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 Visa card was launched in Estonia during Q1 2015.

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. Folkefinans also prepares its consolidated financial statements in accordance with IFRS, see section 3-9 of the Norwegian Accounting Act.

Folkefinans AS consists of the Norwegian legal entity and its branches in Sweden, Finland and Estonia. Denmark is operated via the Swedish branch. The non-operating subsidiary Folkia AB in Sweden has filed for voluntary liquidation. Until the liquidation is completed the subsidiary is consolidated in the group accounts. The liquidation was finalized in July 2015.

The income in Q2 2015 increased compared to both Q2 2014 and Q1 2015, mainly due to the increased sales of loans with longer maturity up to 12 months in Sweden and Norway and revenues from in-house collection for the Swedish market. As a result of the increased sales of larger loans with longer maturity, the receivables and share of defaulted loans increased compared to Q2 2014. As Folkefinans is continuously working to improve the scoring- and collection processes the share of defaulted loans improved compared to Q1 2015. Due to the challenging market situation in Finland the offering of the Visa card was discontinued and the office closed down in May. The appeal to the Supreme Court of the lawsuit against Folkia for trademark and company name infringement was denied in May. Thus the remaining trademark value of 4 010 KNOK related to Folkia Sweden was impaired. Consequently the result before tax for Q2 ended at -6 552 KNOK compared to -3 286 KNOK for the same period in 2014. The capital ratio improved further in Q2 2015 to 17,3% as Folkefinans entered into a subordinated loan of 3,5 MEUR in June 2015. The improvement in the capital base will enable Folkefinans to achieve its future strategy for continued profitable growth in all markets.

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Income statement

| | | Folkefinans AS | | | | | NOTE | Folkefinans AS Group | | | | | |
|----------------|----------------|----------------|----------------|----------------|----------------|--|------|----------------------|----------------|----------------|----------------|----------------|----------------|
| 2015 Q1 | | 2015 Q2 | 2014 Q2 | 2015 YTD | 2014 Q2 | 2014 YE | | 2015 Q2 | 2014 Q2 | 2015 YTD | 2014 Q2 | 2014 YE | |
| 6 | 57 | -258 | 63 | 23 | 82 | Interest and similar income from credit institutions | | 57 | -258 | 63 | 23 | 82 | 6 |
| 29 587 | 32 249 | 31 182 | 61 836 | 59 043 | 117 343 | Interest and similar income from customers | | 32 249 | 31 182 | 61 836 | 59 043 | 117 343 | 29 587 |
| 29 593 | 32 306 | 30 924 | 61 899 | 59 066 | 117 425 | Total interest and similar income | | 32 306 | 30 924 | 61 899 | 59 066 | 117 425 | 29 593 |
| -1 359 | -1 814 | -939 | -3 173 | -1 897 | -4 430 | Interest and other expenses on debt to credit institutions | | -1 814 | -938 | -3 173 | -1 897 | -4 430 | -1 359 |
| -1 359 | -1 814 | -939 | -3 173 | -1 897 | -4 430 | Total interest expenses and similar expenses | | -1 814 | -938 | -3 173 | -1 897 | -4 430 | -1 359 |
| 28 234 | 30 492 | 29 985 | 58 726 | 57 169 | 112 995 | Net interest and credit comission income | | 30 492 | 29 986 | 58 726 | 57 169 | 112 995 | 28 234 |
| -200 | -143 | -318 | -343 | -648 | -913 | Commission and similar expenses from credit institutions | | -143 | -318 | -343 | -648 | -913 | -200 |
| -200 | -143 | -318 | -343 | -648 | -913 | Total interest expenses and similar expenses | | -143 | -318 | -343 | -648 | -913 | -200 |
| -1 950 | 582 | 421 | -1 368 | -221 | 3 858 | Net gain/loss on foreign exchange etc | | 582 | 421 | -1 368 | -221 | 3 858 | -1 950 |
| -1 950 | 582 | 421 | -1 368 | -221 | 3 858 | Total net change in value and gain/loss on currencies etc | | 582 | 421 | -1 368 | -221 | 3 858 | -1 950 |
| -9 160 | -9 799 | -8 103 | -18 959 | -15 968 | -32 592 | Salary etc | | -9 799 | -8 103 | -18 959 | -15 968 | -32 592 | -9 160 |
| -6 564 | -7 176 | -6 050 | -13 740 | -11 899 | -24 150 | -Salary | | -7 176 | -6 050 | -13 740 | -11 899 | -24 150 | -6 564 |
| -582 | -575 | -412 | -1 157 | -848 | -2 119 | - Pension | | -575 | -412 | -1 157 | -848 | -2 119 | -582 |
| -2 014 | -2 048 | -1 641 | -4 062 | -3 221 | -6 323 | - Social fees | | -2 048 | -1 641 | -4 062 | -3 221 | -6 323 | -2 014 |
| -7 463 | -9 102 | -8 820 | -16 565 | -18 688 | -34 836 | Administrative expenses | | -9 102 | -8 820 | -16 565 | -18 688 | -34 836 | -7 463 |
| -16 623 | -18 901 | -16 923 | -35 524 | -34 656 | -67 428 | Total salaries and general administrative expenses | | -18 901 | -16 923 | -35 524 | -34 656 | -67 428 | -16 623 |
| -1 891 | -1 975 | -1 324 | -3 866 | -2 634 | -6 019 | Ordinary depreciation | | -1 188 | -453 | -2 259 | -892 | -2 534 | -1 071 |
| -1 891 | -1 975 | -1 324 | -3 866 | -2 634 | -6 019 | Total depreciation, etc, of tangible fixed assets and intangible assets | | -1 188 | -453 | -2 259 | -892 | -2 534 | -1 071 |
| -6 231 | -6 305 | -5 888 | -12 536 | -9 067 | -18 405 | Other operating expenses | | -6 305 | -5 888 | -12 536 | -9 067 | -18 405 | -6 231 |
| -6 231 | -6 305 | -5 888 | -12 536 | -9 067 | -18 405 | Total other operating expenses | | -6 305 | -5 888 | -12 536 | -9 067 | -18 405 | -6 231 |
| 1 339 | 3 750 | 5 953 | 5 089 | 9 943 | 24 088 | Result before losses on loans | | 4 537 | 6 852 | 6 696 | 11 685 | 27 573 | 2 159 |
| -8 625 | -6 293 | -9 239 | -14 918 | -17 100 | -35 686 | Losses on loans | 1 | -6 293 | -9 239 | -14 918 | -17 100 | -35 685 | -8 625 |
| -8 625 | -6 293 | -9 239 | -14 918 | -17 100 | -35 686 | Total losses on loans, guarantees, etc | | -6 293 | -9 239 | -14 918 | -17 100 | -35 685 | -8 625 |
| 0 | -4 010 | 0 | -4 010 | 0 | -1 201 | Write down of intangible assets | | -4 010 | 0 | -4 010 | 0 | -4 078 | 0 |
| 0 | -4 010 | 0 | -4 010 | 0 | -1 201 | Total write down of assets | | -4 010 | 0 | -4 010 | 0 | -4 078 | 0 |
| -7 286 | -6 552 | -3 286 | -13 838 | -7 157 | -12 799 | Result on ordinary operations before tax | | -5 765 | -2 414 | -12 231 | -5 415 | -12 190 | -6 466 |
| 1 967 | 1 767 | 1 927 | 3 734 | 1 927 | 1 708 | Tax on result on ordinary operations | | 1 767 | 1 683 | 3 734 | 1 439 | 1 543 | 1 967 |
| -5 319 | -4 785 | -1 359 | -10 104 | -5 230 | -11 091 | RESULT FOR THE YEAR | | -3 998 | -731 | -8 497 | -3 976 | -10 647 | -4 499 |

Balance sheet

| Folkefinans AS | | | NOTE | Folkefinans AS Group | | |
|----------------|----------------|----------------|--|----------------------|----------------|----------------|
| 2015 Q2 | 2014 Q2 | 2014 YE | | 2015 Q2 | 2014 Q2 | 2014 YE |
| | | | Assets | | | |
| 40 122 | 9 921 | 7 214 | Loans to and receivables from credit institutions | 40 272 | 10 065 | 7 416 |
| 40 122 | 9 921 | 7 214 | institutions | 40 272 | 10 065 | 7 416 |
| 189 503 | 174 482 | 187 382 | Repayment loans | 189 503 | 174 482 | 187 382 |
| -78 956 | -49 968 | -72 851 | Specified loss reserves | 2 | -78 956 | -49 968 |
| 110 547 | 124 514 | 114 531 | Total net loans to and receivables from customers | 110 547 | 124 514 | 114 531 |
| 0 | 135 | 135 | Shares in group companies | 0 | 0 | 0 |
| 0 | 135 | 135 | Total ownership interests in group companies | 0 | 0 | 0 |
| 8 300 | 11 307 | 9 804 | Goodwill | 30 078 | 30 078 | 30 078 |
| 32 844 | 30 356 | 30 246 | Deferred tax assets | 27 421 | 24 384 | 24 660 |
| 18 180 | 17 502 | 22 473 | Intangible assets | 18 630 | 21 148 | 22 889 |
| 59 324 | 59 165 | 62 523 | Total intangible assets | 76 129 | 75 610 | 77 627 |
| 1 583 | 794 | 714 | Tangible assets | 1 583 | 794 | 714 |
| 1 583 | 794 | 714 | Total Tangible assets | 1 583 | 794 | 714 |
| 33 438 | 1 650 | 1 446 | Other assets | 33 438 | 1 650 | 3 926 |
| 6 015 | 17 953 | 19 492 | Prepays and deposits | 6 015 | 17 953 | 16 960 |
| 39 453 | 19 603 | 20 938 | Total prepaid | 39 453 | 19 603 | 20 886 |
| 251 027 | 214 132 | 206 055 | TOTAL ASSETS | 267 984 | 230 586 | 221 174 |
| | | | EQUITY AND LIABILITIES | | | |
| | | | Liabilities | | | |
| 27 299 | 72 198 | 27 188 | Liabilities to credit institutions | 27 299 | 72 198 | 27 188 |
| 4 081 | 8 133 | 5 540 | Other liabilities | 4 081 | 8 133 | 7 621 |
| 57 218 | | 28 040 | Convertible loan | 57 218 | | 28 040 |
| 8 866 | 10 399 | 9 081 | Accrued expenses and deferred income | 8 866 | 10 399 | 7 000 |
| 97 464 | 90 730 | 69 849 | Total liabilities | 97 464 | 90 730 | 69 849 |
| | | | Equity | | | |
| 96 705 | 87 035 | 87 035 | Share capital | 96 705 | 87 035 | 87 035 |
| -815 | -815 | -815 | Own shares | -815 | -815 | -815 |
| 29 537 | | 16 437 | Subordinated loan | 29 537 | | 16 437 |
| 79 877 | 74 615 | 74 615 | Share premium account | 79 262 | 74 000 | 74 000 |
| 205 304 | 160 835 | 177 272 | Total equity contributed | 204 689 | 160 220 | 176 657 |
| -51 742 | -37 433 | -41 066 | Other equity | -34 169 | -20 364 | -25 332 |
| -51 742 | -37 433 | -41 066 | Total retained earnings | -34 169 | -20 364 | -25 332 |
| 153 562 | 123 402 | 136 206 | Sum equity | 170 520 | 139 856 | 151 325 |
| 251 027 | 214 132 | 206 055 | TOTAL EQUITY AND LIABILITIES | 267 984 | 230 586 | 221 174 |

| | 2015-06-30 | 2014-06-30 | 2014-12-31 |
|---|--------------|---------------|---------------|
| 1. Credit losses | | | |
| Actual specified credit losses | 0 | 0 | 0 |
| Write-back of specified credit losses | 0 | 0 | -120 |
| Provisions during the period | 9 126 | 17 100 | 35 806 |
| Sum (NOK) | 8 625 | 17 100 | 35 686 |
| 2. Credit losses / Defaulted | | | |
| Defaulted loans* | 84 499 | 38 716 | 82 506 |
| Accumulated provision for credit losses | 78 956 | 29 830 | 72 851 |
| Net (NOK) | 5 543 | 8 886 | 9 655 |
| *) loans are classified as defaulted 90 days past due | | | |
| 3. Off balance sheet items | | | |
| Undisposed credit (SEK facility) | 0 | 0 | 0 |
| Undisposed credit (EUR facility) | 0 | 0 | 0 |
| Sum (NOK) | 0 | 0 | 0 |
| 4. Capital adequacy | | | |
| Capital requirement | 33 784 | 30 814 | 34 812 |
| Capital base | 73 152 | 64 238 | 57 400 |
| Capital ratio | 17,3% | 16,7 % | 13,2% |