CONSOLIDATED ANNUAL REPORT

beginning of financial year:	01.01.2019
end of the financial year:	31.12.2019
business name:	Bondora AS
register code:	11483929
street, building, apartment, farm:	A. H. Tammsaare tee 47
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Management report

Bondora (hereinafter also “the Group”) sustained rapid growth in 2019 and ended the financial year with a profit. Revenue increased by 96% driven by sustainable growth in issued loans that itself was supported by product development and marketing improvements aimed at retail investors.

Loans issued reached 156.8 million euro, a 158% increase over the previous financial year.

Sales grew in Estonia by 70% to 10.6 million euros. Sales in foreign markets totaled 9,6 million euros, a 112% improvement year-on-year. The figure includes 171% revenue growth in Spain. Foreign revenues accounted for 47% of our total revenue.

The Group ended the financial year with a net profit of 2.3 million euros driven by a significant increase in turnover and cost-effectiveness achieved through the optimization of its operations.
A total of 175 thousand euros of investments into property, plant, equipment and intangible assets were attributable during the financial year. The number of full-time employees increased from 54 to 65.

The Group launched a new product to retail investors – Go&Grow. The product had a significant role in reaching the record high levels in both loan originations and net inflows from investors during the financial year. The Group will continue to develop and improve the usage of Go&Grow by releasing new updates regularly.
During the financial year, new marketing channels were introduced to actively grow the Group’s retail investor base and acquire new borrowers.

During the financial year, the Group optimized and improved the debt management process, which resulted in a record high recoveries.
The key financial indicators for the Group are as follows:

	2019	2018	Change
Sales revenue	20 258 046	10 311 268	96 %
Profit (-loss) of the financial year	2 283 561	99 984	
Equity	3 364 994	1442 820	133 %
Return on average equity (ROE)	68 %	7 %	
Return on average assets (ROA)	30 %	3 %	

Return on average equity (ROE) = Profit (- loss of the reporting year / Equity
Return on average assets (ROA = Profit (- loss of the reporting year / Assets

The Group is focused on maintaining its growth. An increase in originations and revenue is expected in 2019. Whilst the Group does not currently focus on profitability, the management targets a slight increase in the absolute net profit for 2019.

The continued growth will be driven by improvements to the risk levels of the loan portfolio, increased efficiency of the debt collection process, optimization of marketing channels and product improvements aimed at retail investors.

Pärtel Tomberg
Member of the Management Board

Martha Skirta
Member of the Management Board

The annual accounts

Consolidated statement of financial position

(In Euros)

	31.12.2019	31.12.2018	Note
Assets			
Current assets			
Cash and cash equivalents	3 742 345	1 854 914	2
Financial investments	17 977	409 851	3
Receivables and prepayments	3 435 251	611 241	4
Inventories	1 053	12 823	
Total current assets	**7 196 626**	**2 888 829**	
Non-current assets			
Financial investments	0	722 065	8
Property, plant and equipment	194 877	11 219	9
Intangible assets	176 189	252 530	10
Total non-current assets	**371 066**	**985 814**	
Total assets	**7 567 692**	**3 874 643**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	81 409	376 651	11
Payables and prepayments	4 020 028	1 232 791	12
Total current liabilities	**4 101 437**	**1 609 442**	
Non-current liabilities			
Loan liablities	92 456	481 181	11
Payables and prepayments	0	301 199	12
Provisions	8 805	40 001	13
Total non-current liabilities	**101 261**	**822 381**	
Total liabilities	**4 202 698**	**2 431 823**	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	50 001	50 001	14
Share premium	4 472 129	4 463 738	
Treasury shares	0	-2 090	14
Retained earnings (loss)	-3 440 697	-3 168 813	
Annual period profit (loss)	2 283 561	99 984	
Total equity held by shareholders and partners in parent company	**3 364 994**	**1 442 820**	
Total equity	**3 364 994**	**1 442 820**	
Total liabilities and equity	**7 567 692**	**3 874 643**	

Consolidated income statement
(In Euros)

	2019	2018	Note
Revenue	20 258 046	10 311 268	15
Other income	162 621	121 588	16
Raw materials and consumables used	-5 409 701	-2 616 200	17
Other operating expense	-9 354 386	-5 109 587	18
Employee expense	-3 193 689	-2 353 230	19
Depreciation and impairment loss (reversal)	-162 949	-201 927	9,10
Other expense	-13 636	-29 837	
Operating profit (loss)	**2 286 306**	**122 075**	
Gain (loss) from financial investments	0	-24 129	
Interest income	95 494	264 199	
Interest expenses	-98 239	-262 160	
Other financial income and expense	0	-1	
Profit (loss) before tax	**2 283 561**	**99 984**	
Annual period profit (loss)	**2 283 561**	**99 984**	
Profit (loss) from shareholders and partners in parent company	2 283 561	99 984	

Consolidated statement of cash flows
(In Euros)

	2019	2018	Note
Cash flows from operating activities			
Operating profit (loss)	2 286 306	122 075	
Adjustments			
Depreciation and impairment loss (reversal)	162 949	201 927	9,10
Other adjustments	-436 624	1 858	
Total adjustments	**-273 675**	**203 785**	
Changes in receivables and prepayments related to operating activities	-3 458 105	193 650	
Changes in inventories	11 770	-1 251	
Changes in payables and prepayments related to operating activities	3 507 007	929 677	
Interest received	1 530	2 122	
Interest paid	-5	0	
Total cash flows from operating activities	**2 074 828**	**1 450 058**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-175 255	-271 665	9,10
Other cash payments to acquire other financial investments	0	-754 280	3,8
Other cash inflows from investing activities	322 050	480 720	3,8
Total cash flows from investing activities	**146 795**	**-545 225**	
Cash flows from financing activities			
Repayments of loans received	-334 192	-783 017	11
Total cash flows from financing activities	**-334 192**	**-783 017**	
Total cash flows	**1 887 431**	**121 816**	
Cash and cash equivalents at beginning of period	1 854 914	1 733 098	2
Change in cash and cash equivalents	**1 887 431**	**121 816**	
Cash and cash equivalents at end of period	3 742 345	1 854 914	2

Consolidated statement of changes in equity
(In Euros)

	Equity held by shareholders and partners in parent company				Total
	Issued capital	Share premium	Treasure shares	Retained earnings (loss)	
31.12.2017	50 001	4 463 738	-2 090	-3 168 813	1 342 836
Annual period profit (loss)	0	0	0	99 984	99 984
31.12.2018	50 001	4 463 738	-2 090	-3 068 829	1 442 820
Annual period profit (loss)	0	0	0	2 283 561	2 283 561
Other changes in equity	0	8 391	2 090	-371 868	-361 387
31.12.2019	50 001	4 472 129	0	-1 157 136	3 364 994

Additional information on share capital can be found in Note 14.

Notes

Note 1 Accounting policies

General information

Bondora AS (hereinafter “the Group”) is a company incorporated and domiciled in the Republic of Estonia (registry number 11483929, address: A. H. Tammsaare tee 47, 11316 Tallinn), which is involved in the provision of consumer credit by issuing consumer loans in countries of the euro area.

The Estonian Financial Supervision Authority has granted Bondora AS a license for operating as a credit provider in Estonia. The Group sells the receivables related to loans issued to investors. Sold loans are not held as a financial assets of the Group.

These consolidated financial statements have been prepared and submitted for approval in conformity with the requirements and to meet the obligations set forth in the Estonian Accounting Act and the Estonian Commercial Code.

Under the Estonian Commercial Code, the annual report, which has been prepared by the management board and approved by the supervisory board, must also be approved by the annual general meeting of the shareholders. These financial statements are part of the annual report which needs to be approved by the general meeting and a basis for adopting a resolution on the allocation of profit.

Shareholders may decide not to approve the annual report which has been prepared by the management board and approved by the supervisory board and may demand that a new annual report will be prepared.

These consolidated financial statements are presented in euros, which is the company’s functional and presentation currency. All figures in the report have been rounded to the nearest full euro.

The consolidated financial statements for 2019 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU).

The financial statements have been prepared using the historical cost basis and the accrual basis of accounting.

Management’s estimates and judgements
The preparation of financial statements in accordance with IFRS requires management to make assumptions, estimates and judgements that affect the application of accounting policies and reported amounts of assets and liabilities and income and expenses. Actual results may differ from estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. The effect of a change in an accounting estimate is recognised in the current and any future periods affected by the change.

Areas where management’s judgements and estimates have a significant effect on the financial statements and financial results include the valuation of receivables and capitalization of development expenditures which are described in detail in accounting policies. Further information on relevant accounting policies is provided below.

Areas where management’s judgements and estimates have a significant effect on the financial statements and financial results include the valuation of receivables and capitalization of development expenditures which are described in detail in accounting policies. Further information on relevant accounting policies is provided below.

Management believes that the underlying assumptions are appropriate and the financial statements prepared on the basis of those assumptions present fairly the financial position and financial performance of the company.

Changes in accounting policies or presentation of information

IFRS 16 "Leases"
As of January 01, 2019 the Group started to apply the standard "Leases" using a partially retrospective application method and did not correct figures for 2018 as allowed permitted by the transitional provisions of the standard.

Re-classifications and adjustments arose from the applying the standard were recognized on January 01, 2019.

The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognize a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

Tenants must

- recognize assets and liabilities for all leases of more than 12 months, unless the leased asset is of low value;
- recognize depreciation on leased assets and interest on lease liabilities in the income statement.

On the initial application of standard, the Group has recognized the asset subject to the right of use in respect of leases that were previously classified as operating leases in accordance with IAS 17. The lease liability is measured at the present value of the remaining lease payments and discounted at the alternative borrowing rate as of 1 January 2019. For the initial implementation, the alternative interest rate is 2%.

On the initial application of IFRS 16 the Group has used the following simplifications permitted by the standard:

- a single discount rate has been applied to all leases;
- on the date of initial adopting of the standard, the primary direct costs have been disregarded in estimating the value of the leased assets;
- the period of the lease has been determined based on the terms agreed in the contract.

Lease liabilities recognized in the statement of financial position on initial application (EUR):

Future lease expense under non-cancellable lease contracts for the next 12 months as at 31.12.2018	112 500
Future lease expense under non-cancellable lease contracts for the 1-5 years as at 31.12.2018	337 500
Effect of reducing the period of the lease to 3 years	-168 750
Effect of the discounting (2%)	-7 084
Part of a lease to which IFRS 16 does not apply (utility payments)	-55 145
Lease obligations recognized in the statement of financial position on the initial implementation date 01.01.2019	**219 021**

The change of the standard IFRS 16 affected the items of the financial positions as at 01.01.2019 as follows:

Financial Asset	Impact of the application of IFRS 16 (EUR)
Increase of Tangible assets (Right of use assets)	219 021
Increase of lease obligations	219 021

Standards, interpretations and amendments to published standards that are not yet effective

The following new standards, interpretations and amendments are not yet effective for the annual reporting period ended 31 December 2019 and have not been applied in preparing these consolidated financial statements. The group plans to adopt these pronouncements when they become effective.

Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors

(Effective for annual periods beginning on or after 1 January 2020) The amendments clarify and align the definition of 'material' and provide guidance to help improve consistency in the application of that concept whenever it is used in IFRS Standards.

The group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 9 Financial Instruments, IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures

(Effective for annual periods beginning on or after 1 January 2020)

The amendments are mandatory and apply to all hedging relationships directly affected by uncertainties related to the IBOR reform. The amendments provide temporary relief from applying specific hedge accounting requirements to the hedging relationships with the effect that the

IBOR reform should not generally cause hedge accounting to terminate. The key reliefs provided by the amendments relate to:

- ‘Highly probable’ requirement
- Risk components
- Prospective assessments
- Retrospective effectiveness test (for IAS 39)
- Recycling of the cash flow hedging reserve.

The amendments also require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The group does not expect the amendments to have a material impact on its financial statements when initially applied.

Amendments to IFRS 10 and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
The amendments clarify that in a transaction involving an associate or joint venture, the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business, such that:

- a full gain or loss is recognized when a transaction between an investor and its associate or joint venture involves the transfer of an asset or assets which constitute a business (whether it is housed in a subsidiary or not), while
- a partial gain or loss is recognized when a transaction between an investor and its associate or joint venture involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

The group does not expect that the amendments, when initially applied, will have material impact on the financial statements as the group has no transactions with the subsidiaries that could make up the business.

Amendments to IFRS 3 Business Combinations
(Effective for annual periods beginning on or after 1 January 2020)

The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business.

The group does not expect the amendments to have a material impact on its financial statements when initially applied.

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the group’s financial statements.

Error adjustments

In the reporting period, the data of the 2018 regarding the interest payable have been corrected (Note 12).
By the terms of the bond, interest obligations have been re-classified to long term liabilities.
The effect of the correction is as follows:

Additional item name	**31.12.2018**	**Muutus**	**31.12.2018**
Short-term liabilities	1 533 990	-301 199	1 232 791
Long-term liabilities	0	301 199	301 199
Interest obligations within 12 months	301 199	-301 199	0
Interest obligations within 1-5 years	0	301 199	301 199

Preparation of consolidated statements

In accordance with the IFRS, the notes to consolidated financial statements must include the separate primary financial statements of the parent (the consolidating entity). The separate financial statements have been prepared using the same accounting policies and measurement bases that were used on the preparation of the consolidated financial statements.

These consolidated financial statements comprise the financial statements of Bondora AS and its subsidiaries Bondora Capital OÜ, BC Structured Finance OÜ as an indirect ownership and the Finnish branch Bondora AS Suomen sivuliikke.

In the reporting period a new Parent company of the Group was established - Bondora Group AS. With the division of Bondora AS, Bondora Capital OÜ and it's subsidiary BC Structured Finance OÜ were transferred under Bondora Group AS and will be its subsidiaries.

In the reporting period Bondora Capital OÜ and BC Structured Finance OÜ have been consolidated 8 months until the restructuring the group.

Financial assets

According to IFRS 9 "Financial instruments" financial assets must be classified into three categories:

1. assets classified at restated cost;
2. assets classified at fair value through other comprehensive income;
3. assets classified at fair value through income statement.

Classification of debt instrument depends on company's business model for management of financial assets and class of financial asset's expected cash flow. Equity instruments are always classified at fair value or based on the irrevocable decision of the management to classify at fair value through comprehensive income, assuming that the instrument is not being held for trading purposes. In such case, it will be classified at fair value through profit.

IFRS 9 provides a model for representing loss of value – the expected credit loss model. It is a three phase approach based on the change of credit quality of financial assets after capitalization.

Accounting principles of financial assets and liabilities

Financial assets and liabilities are capitalized when Group becomes a party of contractual provisions of the instrument. Upon capitalization, transaction costs are added to fair value, except with financial assets at fair value through income statement, in which case transaction costs are represented as expenses in the income statement. Financial assets measurable at fair value are represented in the financial position report with trade date.

Group unrecognizes a financial asset when:

1. its contractual rights to the cash flows from the financial asset expire or have been realized; or
2. it transfers substantially all the risks and rewards of ownership of the financial asset.

Classification of financial assets
Group classifies its financial assets into three measuring categories:

1. at fair value through profit;
2. at fair value through other comprehensive income;
3. at amortized cost.

Classification depends on whether the asset is a debt instrument, an equity instrument or a derivative financial instrument.

Debt instrument
Debt instrument is an instrument, that from the perspective of the issuer, is a financial liability.

Classification and further representation depends on:

1. the business model for financial asset management, and
2. the contractual cash flows deriving from the financial asset.

Business model explains how Group governs its financial assets to create cash flow. Group's objective is to create contractual cash flow or collect cash flow both through contractual payments and selling assets. In case neither business model is relevant (financial assets are held for the purpose of being traded, for example), they will be classified as "other" business models and represented at fair value through profit.

Debt instruments are categorized as follows:

1. Financial assets held for the purposes of collecting contractual cash flow with cash flow consisting only of the principal part and the interest calculated based on outstanding principal part, not classified at fair value through profit, represented at restated cost.
2. Financial assets held both for collecting contractual cash flow as well as for trading with cash flow consisting only of the principal part and the interest calculated based on outstanding principal part, not classified at fair value through profit, represented at fair value through comprehensive income.
3. Financial assets that do not comply with the terms of representation at restated cost or at fair value through comprehensive income, represented at fair value through profit.

Group classifies financial assets under loans and claims category. Debt instruments are represented as Financial Investments in the financial position report.

Group's business model with loans is collecting contractual cash flows. Loans are sold only when a significant credit risk arises. Therefore, business model for this asset portfolio is holding assets for collecting contractual cash flow.

Restated cost and effective interest rate

Restated cost is a financial asset's or liability's historical cost, minus the repayments of the principal part, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and that has been restated with a discount deriving from the loss of value of the financial asset.

Effective interest rate is the rate for financial asset's gross carrying amount calculated by discounting the expected payable cash flow during the expected contract period of the financial asset or liability (i.e. restated cost before discount) or the financial liability's historical cost. The calculation does not consider expected credit loss, but includes all costs paid or received between parties of the contract, transaction costs and all other costs or discounts that are an inherent part of the interest rate, such as loan issuance costs.

Deriving from the terms of the Loan Contract and Terms of Use, loans issued to customers are not represented in the Group's statement of financial position because the receivables are resold. Similarly, the funds raised from investors for the acquisition of receivables are not recognized as deposits from customers. Portal owner can only use the User's money transferred to Bondora based on the Terms of Use and Loan Contract and to complete Portal owners' responsibilities deriving from that same document.

As an exception, loan claims acquired through Bondora by a consolidated subsidiary where the parent company has an indirect holding were represented in the Group's statement of financial position. As of the reporting date, these loan claims have been moved out of the Group's statement of financial position together with the indirect ownership.

Equity instrument

Equity instrument is an instrument that, from the perspective of the issuer, meets the definition of equity instrument, which means the instrument does not include any contractual liability for payments and verifies shareholding in company's net assets, i.e. assets after subtraction of all liabilities.

Measurement of financial assets

Group measures expected credit loss of represented debt instruments in restated cost based on future information. An important factor in measuring this is the Group's parent company's experience with loan recovery, based on historical data.

Expected credit loss considers:

1. impartial and probability-weighted amount determined through many different possible outcomes;
2. the time value of money;
3. reasonable and justified information attainable in the end of the report period with reasonable cost and effort about past events, current terms and future economic estimates.

The IFRS 9 credit loss measuring model has three phases that consider change in credit quality from the moment of capitalization. The 12-month phase (phase 1) is applied with all item lines, except where there has been significant increase of credit risk compared to capitalization. Item lines that have had a significant increase of credit risk (phase 2) or decrease of value (phase 3). Item lines that have fallen into phases 2 and 3, have their expected credit risk measured always for the entire contract period.

Fair values of financial assets and liabilities

Fair value is the amount for which it is possible to exchange or account the asset for liability through usual business transactions between independent forces of the market on valuation day. Fair value is estimated based on the assumption that sale of assets or payment of liabilities will take place either

1. in main market conditions of the asset or liability, or
2. in case there is no main market, in market conditions most favorable for the asset.

While determining the fair value of an asset or a liability it is presumed that market forces will consider their own economic interest. To determine fair value, Group will use relevant methods with sufficient data to estimate fair value, while maximizing use of relevant observable inputs and minimizing use of unobservable inputs.

Profits and losses deriving from change of fair value are represented in the income statement under Financial Incomes and Losses.

Cash and cash equivalents

Cash and cash equivalents comprise current accounts and term deposits with a maturity of up to three months.
In the statement of financial position, cash and cash equivalents are measured at fair value by applying the official exchange rates of the European Central Bank as at the reporting date.

Foreign currency transactions and assets and liabilities denominated in a foreign currency

A transaction in a foreign currency is recorded by applying to the foreign currency amount the exchange rate of the European Central Bank at the date of the transaction. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated to euros by applying the exchange rates of the European Central Bank ruling at that date.

Gains and losses on translation are recognised in the net amount in profit or loss (within expenses) in the period in which they arise.

Shares of subsidiaries and associates

A subsidiary is an entity controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account.

The financial statements of the subsidiaries are prepared for the same period as the consolidated financial statements. If a subsidiary uses accounting policies other than those adopted in the consolidated financial statements for like transactions and events, appropriate adjustments are made to its financial statements in preparing the consolidated financial statements.

From the date of acquisition, a subsidiary is recognized in the statement of financial position of the parent and fully consolidated in preparing consolidated financial statements. The date of acquisition is the date on which the Group obtains control of the subsidiary.

A subsidiary is consolidated until the date the Group loses control of it.

Plant, property and equipment and intangible assets

Tangible assets

Property, plant and equipment are tangible items which are used in the Group's own economic activities and have a useful life of more than one year. Assets whose useful life exceeds one year but cost is insignificant are recognised as an expense.

On initial recognition, an item of property, plant and equipment is measured at cost, which consists of the purchase price (including customs duties and other non-recoverable taxes) and any other costs directly attributable to bringing the asset the location and condition necessary. When an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately.

The costs of subsequent improvements to items of property, plant and equipment are added to the carrying amount of the underlying asset or recognised as separate parts of the improved item if they meet the definition of property, plant and equipment and the recognition criteria (including it being probable that the costs will participate in the generation of future economic benefits).

The original cost of the replaced item or a part of it and the related depreciation charge is derecognised. Current maintenance and repair costs are recognised as an expense as incurred.

In the statement of financial position an item of property, plant and equipment is carried at cost less any accumulated depreciation and any impairment losses. At the reporting date, the management of Bondora AS assesses whether there is any indication that an asset may be impaired. If the recoverable amount of an item of property, plant and equipment (the higher of the asset's net selling price and value in use) is lower than its carrying amount, the asset is written down to its recoverable amount.

Depreciation of an asset begins when it is in the location and condition intended by management. Depreciation of an asset ceases when the depreciable amount is fully depreciated or the asset is permanently retired from use. Depreciation of an asset temporarily retired from use does not cease.

At the reporting date the Group assesses whether the depreciation rates assigned to assets correspond to their remaining useful lives. Where necessary, the rates are adjusted. The effect of changes in estimates is recognised in the current and subsequent periods.

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible non-current assets are intangible assets which the Group expects to use for more than one year.

An intangible asset is recognised in the statement of financial position only if the asset is controlled by the Group, it is probable that the expected future economic benefits which are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is measured initially at its cost, which comprises the purchase price and any other directly attributable acquisition costs.

Development expenditure is the expenditure incurred in the application of research findings to the development, design or testing of specific new products, services, processes or systems.

Development expenditure is capitalized and recognised as an intangible asset if all of the following criteria are met:

1. completion of the asset is technically and financially feasible,

2. the Group intends to complete the asset,
3. the Group can use or sell the asset, the future economic benefits expected from # the asset are measurable (this includes the existence of a market for the output of the asset or the asset itself),
4. the development expenditure attributable to the asset can be measured reliably.

At each reporting date, management assesses whether there is any indication that an asset may be impaired. If there is such indication, the asset is tested for impairment by estimating its recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use calculated by applying the discounted cash flow method.

When tests indicate that the recoverable amount of an asset is lower than its carrying amount, the asset is written down to its recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest group of assets to which the asset belongs (the cash-generating unit) is determined. Write-downs (impairment losses) are recognised as an expense in the period in which they are made.

When the test of the recoverable amount of an asset written down in a prior period indicates that the asset's recoverable amount has increased above its carrying amount, the previously recognised impairment loss is reversed and the carrying amount of the asset is increased. The increased carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised.

Minimal acquisition cost 1000

Useful life by assets group (years)

Assets group name	Useful life
Computers and computer systems	4
Other tangible assets	4
Right of use assets	3
Patents, licenses, trademarks	5
Development expenditures	3
Other intangible assets	3

Financial liabilities

According to IFRS 9 "Financial instruments" group capitalizes financial liabilities when it becomes a party of contractual provisions of the instrument. Financial liabilities are capitalized on trade day at fair value, minus the transaction cost deriving from emission of liability, such as service fee. Group's liabilities have been represented at historical cost in the financial reports of the present and the previous year. Financial liabilities (or parts of financial liabilities) are removed from the financial status report only when they have been erased (i.e. liabilities from the contract are either completed, cancelled or have expired).

Except bond discount, which, deriving from the terms of contract, is a discount of financial investments acquired with funds raised from bond emission. Discount is represented as decrease of liability. Discount is calculated based on Group's historical data (including expected recovery rate and state of dis-solvency rate) and information available about the debt instrument at the moment of discount calculation.

Interest costs included in the financial liability are classified depending on the instrument's effective interest rate, on accrual basis, as period costs in the income statement under "Interest costs".

Classification of the financial liability is terminated only when it has been paid out, cancelled or it has expired.

Revenue recognition

Revenue is the increase of the economic benefit through the increase of assets or decrease in liabilities, that results in an increase of equity, excluding contributions by owners to the equity.

Entity must follow five-step model to recognize the revenue:

1. identify contracts with customers
2. identify the separate performance obligation
3. determine the transaction price of the contract

4. allocate the transaction price to each of the separate performance obligations
5. recognize the revenue as each performance obligation is satisfied.

Most of revenue resulted from two services:

1. contract fees charged for the conclusion of loan agreements between investors and loan recipients;
2. monthly loan contract administration fees.

A contract fee is recognized as income when the contract between the Group and the loan recipient has been concluded. The service is paid for at the same time. The service is considered to be rendered when the contract has been signed.

The amanagement fee is recognized as income on a monthly basis over the agreed schedule. Based on the statistics of the debt collection of previous periods, the Group recognizes the revenues regardless of whether the service is paid for on time or with a delay.

All expenses that are related to the generation of the contract fees and administrative fees are recognized as service fees expenses.

To calculate the interest income an effective interest rate is applied to the gross carrying amount of the financial asset or liability, excluding assets of which the value has been fallen at the time of the purchase of issue or whose value has been fallen after the issue of the instrument.

Income from dividends is recognized when the Group has legal right to claim dividends.

Taxation

Corporate income tax

Under the Income Tax Act in force in Estonia, a company's profit for the year is not subject to income tax. Income tax is levied on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenses and adjustments to transfer prices.

The profit distributed as dividends is subject to income tax calculated as 20/80 of the amount distributed as the net dividend.

Starting from January 1, 2019 a change of the corporate income taxation became effective. A reduced tax rate 14/86 can be used to the amounts distributed as net dividends and paid out regularly. Reduced rate can be used with the net dividends paid out on the fourth year. The amount of the dividends must be smaller than or equal to the average distributed profit of the previous three calendar years (starting from the profit of 2018) on which a resident company has paid income tax. The part of the distribute dividends that exceeds the average distributed profit of last three years is taxed with the regular rate 20/80.

The corporate income tax payable on dividends is recognised as a liability and income tax expense in the period in which the dividends are declared, irrespective of the period for which the dividends are declared or the period in which the dividends are actually distributed. The obligation to pay income tax arises on the 10th day of the month following the month in which the dividends were distributed.

Due to the specific nature of the taxation system, there are no differences between the tax bases and carrying amounts of the assets of companies registered in Estonia that could give rise to deferred tax assets or liabilities. The contingent income tax liability that would arise if all of the retained earnings were distributed as dividends is not recognised in the statement of financial position.

Related parties

For the purposes of the consolidated financial statements of Bondora AS, related parties include:

a) owners of the Group;
b) members of the Management Board and Supervisory Board;
c) close family members of and companies under the control or significant influence by persons listed above.

Share-based payments

The option agreements signed with the Group’s key personnel are accounted for as equity-settled share-based payment transactions, i.e. as payment transactions in which the Group receives services in consideration for its own equity instruments. As it is complicated to estimate the fair value of the services received directly, the Group measures the fair value of the services provided by its key personnel by reference to the fair value of the equity instruments granted at their grant date.

An employee may exercise a share option which has been granted within 42 months after the grant date in accordance with the terms of the option agreement by paying the price assigned to the option. Options granted allow the key personnel to acquire shares in the company in proportion to the period they have worked during the life of the agreement. The grant of an equity instrument is conditional upon an employee remaining in the company's employ and at the end of the life of the option the employee may acquire the full amount of shares specified in the option agreement. The agreement also outlines special cases where the exercise terms of the options may change.

The shares repurchased for carrying out the share option plan are reported within equity as Own shares. On the vesting date, the amounts recorded in Own shares and the relevant reserve in equity are offset. Any difference is recognized in retained earnings.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2019	31.12.2018
Bank accounts	3 742 345	1 854 914
Total cash and cash equivalents	**3 742 345**	**1 854 914**

Bank accounts that are accounted for off the statement of financial position.

Debt recovery account

Date	Account Balance (EUR)
31.12.2018	34 038
31.12.2019	0

Debt recovery account is opened for administering the recovery of receivables assigned by the portal administrator (Bondora), which is used for coordinating repayments collected from debtors.

Bailiffs and debt collection agencies transfer the amounts they collect to Bondora's debt recovery account from where they are transferred to investors in the Bondora portal. Bondora AS has the obligation to immediately transfer the amounts paid into the debt recovery account to the accounts of the portal. Accordingly, relevant funds are not part of the portal administrator's bankruptcy estate and no claim can be made on those funds in enforcement proceedings against the portal administrator, nor are the funds recognized in the portal administrator's statement of financial position.

For users this means, above all, that the cash they transfer to the account of Bondora AS does not become the property of Bondora AS but the user retains all the necessary rights for reclaiming the cash in full should Bondora AS run into financial difficulty.

Customer account / Portal administrator's current account

Date	Account Balance (EUR)
31.12.2018	9 537 957
31.12.2019	21 960 959

The cash the users transfer to the Bondora environment under the User Agreement and the Loan Agreement is held in the portal administrator's current account with SEB Pank (also referred to as "portal administrator's current account").

The portal administrator does not pay the users interest on the cash the users have transferred to the portal administrator's current account. The portal administrator may use the cash the users have transferred to the environment of Bondora AS under the User Agreement and the Loan Agreement solely in accordance with the terms of the said agreements and for fulfilling its obligations under those agreements. Thus, the cash transferred by a user constitutes property (an asset) transferred for the performance of a mandate as defined in section 626 of the Law of Obligations Act. By nature, the underlying amount at bank constitutes a claim (against the bank) which the portal administrator has acquired in its own name but for the account of the user and which the portal administrator may use for performing its mandate only. Accordingly, relevant funds are not part of the portal administrator's bankruptcy estate and no claim can be made on those funds in enforcement proceedings against the portal administrator, nor are the funds recognized in the portal administrator's statement of financial position.

For users this means, above all, that the cash they transfer to the account of Bondora AS does not become the property of Bondora AS but the user retains all the necessary rights for reclaiming the cash in full should Bondora AS run into financial difficulty.

Note 3 Current financial investments

(In Euros)

		Total
	Other	
31.12.2017	297 308	297 308
Acquisition	112 543	112 543
31.12.2018	**409 851**	**409 851**
Carried at cost	409 851	409 851
Acquisition	1 140	1 140
Other	-393 014	-393 014
31.12.2019	**17 977**	**17 977**
Carried at cost	17 977	17 977

Financial investments comprise loan claims.
Further information on funds received that are used to invest in loans issued by Bondora provided in note 11.
Information on long-term financial investments can be found in note 8.

Note 4 Receivables and prepayments

(In Euros)

	31.12.2019	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	2 172 611	2 172 611	0	0	
Accounts receivables	4 448 479	4 448 479	0	0	5
Allowance for doubtful receivables	-2 275 868	-2 275 868	0	0	
Receivables from related parties	1 191 906	1 191 906	0	0	
Prepayments	36 831	36 831	0	0	
Deferred expenses	36 831	36 831	0	0	
Other receivables	33 903	33 903	0	0	
Total receivables and prepayments	**3 435 251**	**3 435 251**	**0**	**0**	

	31.12.2018	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Accounts receivable	1 223 218	1 223 218	0	0	
Accounts receivables	2 546 492	2 546 492	0	0	5
Allowance for doubtful receivables	-1 323 274	-1 323 274	0	0	
Tax prepayments and receivables	400	400	0	0	6
Prepayments	15 881	15 881	0	0	
Deferred expenses	15 881	15 881	0	0	
Other receivables	-628 258	-628 258	0	0	
Total receivables and prepayments	**611 241**	**611 241**	**0**	**0**	

Information on balances and transactions with related parties can be found in note 20.

Note 5 Accounts receivable

(In Euros)

	31.12.2019	31.12.2018
Accounts receivables	**4 448 479**	**2 546 492**
Estonia	1 663 215	924 883
Spain	1 089 939	765 588
Finland	1 635 209	803 556
Other countries	60 116	52 465
Total accounts receivable	**4 448 479**	**2 546 492**

Estonia

	31.12.2019	31.12.2018
up to 30 days	882 697	493 486
31-365 days	780 518	431 397

Spain

	31.12.2019	31.12.2018
up to 30 days	207 038	100 625
31-365 days	882 901	664 963

Finland

	31.12.2019	31.12.2018
up to 30 days	1 051 347	495 153
31-365 days	583 862	308 403

Other countries

	31.12.2019	31.12.2018
up to 30 days	9 023	4 167
31-365 days	51 093	48 298

Information about other receivables and prepayments can be found in Note 4. Additional information about discount policy can be found in Note 26.

Note 6 Tax prepayments and liabilities
(In Euros)

	31.12.2019		31.12.2018	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	96 624	0	65 957
Personal income tax	0	35 461	0	29 302
Fringe benefit income tax	0	4 587	0	409
Social tax	0	67 877	0	53 332
Contributions to mandatory funded pension	0	3 656	0	2 831
Unemployment insurance tax	0	4 037	0	3 448
Prepayment account balance	0		400	
Total tax prepayments and liabilities	**0**	**212 242**	**400**	**155 279**

Information about Group's financial liabilities can be found on Note 12.
information about Group's receivables and prepayments can be found in Note 4.

Note 7 Shares of subsidiaries
(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	**Name of subsidiary**	**Country of incorporation**	**Principal activity**	**Ownership interest (%)**	
				31.12.2018	**31.12.2019**
12831019	Bondora Servicer OÜ	Estonia	Debt management	100	0
12831506	Bondora Capital OÜ	Estonia	Supporting activities of group	100	0
14321661	BC Structured Finance OÜ	Estonia	Supporting activities of group	100	0

Shares of subsidiaries, detaild information			
Name of subsidiary	**31.12.2018**	**Other changes**	**31.12.2019**
Bondora Servicer OÜ	2 500	-2 500	0
Bondora Capital OÜ	2 500	-2 500	0
BC Structured Finance OÜ	2 500	-2 500	0
Total shares of subsidiaries, at end of previous period	**7 500**	**-7 500**	**0**

The Parent Company was an indirect shareholder of the BC Structured Finance OÜ
BC Structured OÜ is a subsidiary of Bondora Capital OÜ, which main activity is by The Estonian Classification of Economic Activities (EMTAK): Other activities auxiliary to financial services that are not classified elsewhere (66199).

On the financial year a subsidiary Bondora Servicer OÜ was liquidated. The main activity of the subsidiary, debt management, moved under the parent company, Bondora AS.

As a result of the restructuring, the new parent company Bondora Group AS has been established and a subsidiary Bondora Capital together with its subsidiary BC Structured Finance OÜ are now subsidiaries of Bondora Group AS and not Bondora AS anymore.

In the reporting period Bondora Capital OÜ and BC Structured Finance OÜ have been consolidated 8 months until the restructuring the group.

The core business of the Group has not been changed.

Note 8 Long-term financial investments

(In Euros)

		Total
	Other	
31.12.2017	772 918	772 918
Acquisition	184 111	184 111
Disposal at selling price or redemption	-29 489	-29 489
Profit (loss) from disposal and revaluation	-205 475	-205 475
31.12.2018	**722 065**	**722 065**
		Total
	Other	
31.12.2018	722 065	722 065
Profit (loss) from disposal and revaluation	-369 216	-369 216
Other	-352 849	-352 849
31.12.2019	**0**	**0**

Financial investments comprise loans provided.
Further information on funds received that are used to invest in loans issued by Bondora provided in Note 11.
Information on current financial investments can be found in Note 3.

Note 9 Property, plant and equipment

(In Euros)

					Total
			Machinery and equipment	Other property, plant and equipment	
	Computers and computer systems	Other machinery and equipment			
31.12.2017					
Carried at cost	0	56 061	56 061	0	56 061
Accumulated depreciation	0	-34 234	-34 234	0	-34 234
Residual cost	0	21 827	21 827	0	21 827
Acquisitions and additions	3 716	8 251	11 967	0	11 967
Depreciation	-232	-22 340	-22 572	0	-22 572
Other changes	0	-3	-3	0	-3
31.12.2018					
Carried at cost	3 716	8 251	11 967	0	11 967
Accumulated depreciation	-232	-516	-748	0	-748
Residual cost	3 484	7 735	11 219	0	11 219
Acquisitions and additions	19 839	0	19 839	250 860	270 699
Depreciation	-3 065	-2 064	-5 129	-81 912	-87 041
31.12.2019					
Carried at cost	23 555	8 251	31 806	250 860	282 666
Accumulated depreciation	-3 297	-2 580	-5 877	-81 912	-87 789
Residual cost	20 258	5 671	25 929	168 948	194 877

Other tangible assets include Right of Use Assets.
Acquisition of other tangible assets include the first-time recognition of IFRS 16 that became mandatory for the Company from 01.01.2019.

Note 10 Intangible assets

(In Euros)

				Total
	Development expenditures	**Concessions, patents, licences, trademarks**	**Other intangible assets**	
31.12.2017				
Carried at cost	1 060 033	24 152	0	1 084 185
Accumulated depreciation	-895 101	-16 900	0	-912 001
Residual cost	164 932	7 252	0	172 184
Acquisitions and additions	250 797	3 959	4 943	259 699
Depreciation	-171 900	-7 318	-137	-179 355
Other changes	2	0	0	2
31.12.2018				
Carried at cost	250 797	3 959	4 943	259 699
Accumulated depreciation	-6 966	-66	-137	-7 169
Residual cost	243 831	3 893	4 806	252 530
Acquisitions and additions	132 656	2 192	20 567	155 415
Depreciation	-72 864	-829	-2 215	-75 908
Other changes	-155 848	0	0	-155 848
31.12.2019				
Carried at cost	199 678	6 151	25 510	231 339
Accumulated depreciation	-51 903	-895	-2 352	-55 150
Residual cost	147 775	5 256	23 158	176 189

Note 11 Loan commitments

(In Euros)

	31.12.2019	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Other loan commitments							
Lease liability	173 865	81 409	92 456	0		EUR	2022
Other loan commitments total	173 865	81 409	92 456				
Loan commitments total	**173 865**	**81 409**	**92 456**				

	31.12.2018	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Non-current bonds							
Legal entities	857 832	376 651	481 181	0	floating	EUR	2021
Non-current bonds total	857 832	376 651	481 181	0			
Loan commitments total	**857 832**	**376 651**	**481 181**	**0**			

In 2017 the Group issued debt securities of 2 million euros.
Receivables acquired with funds raised totaled 2 million euros.

In line with the terms and conditions of the contract, credit risk is borne by the investor. Thus, write-downs of financial investments are recognized by reducing financial liabilities.

During the period, the Group recognized an impairment allowance of 42 999 euros (2018: 181 929 euros) (write-down of financial investments) for receivables acquired with funds raised.

From September 2019 due to the restructuring of group a debt security is no longer reflected in the financial positions of Bondora AS.

Note 12 Payables and prepayments
(In Euros)

	31.12.2019	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	1 686 389	1 686 389	0	0	
Employee payables	187 963	187 963	0	0	
Tax payables	212 242	212 242	0	0	6
Other payables	93 068	93 068	0	0	
Other accrued expenses	93 068	93 068	0	0	
Total payables and prepayments	**4 020 028**	**4 020 028**	**0**	**0**	

	31.12.2018	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	806 819	806 819	0	0	
Employee payables	165 705	165 705	0	0	
Tax payables	155 279	155 279	0	0	6
Other payables	389 273	88 074	301 199	0	
Interest payables	301 199	0	301 199	0	
Other accrued expenses	88 074	88 074	0	0	
Total payables and prepayments	**1 533 990**	**1 232 791**	**301 199**	**0**	

Note 13 Provisions
(In Euros)

	31.12.2018	Establishing/Adjustments	Provision used	Interest calculation	31.12.2019
Total provisions	**40 001**	**-31 196**	**0**	**0**	**8 805**
Non-current	**40 001**	**-31 196**	**0**	**0**	**8 805**
Other provisions	40 001	-31 196	0	0	8 805

	31.12.2017	Establishing/Adjustments	Provision used	Interest calculation	31.12.2018
Total provisions	**40 001**	**0**	**0**	**0**	**40 001**
Non-current	**40 001**	**0**	**0**	**0**	**40 001**
Other provisions	40 001	0	0	0	40 001

The provision has been created to cover a possible claim arising out of a litigation.

Note 14 Share capital

(In Euros)

	31.12.2019	31.12.2018
Share capital	50 001	50 001
Number of shares (pcs)	500 014	500 014
Nominal value of shares	0.10	0.10

Bondora has shares of three classes: A, B and C shares.

As at the end of the financial year there were:

Share class	Amount (pcs)
A shares	341 602
B shares	102 303
C shares	56 109

A shares are ordinary voting shares which grant the holder all shareholder rights provided by law. B shares grant the holder all shareholder rights provided by law as well as additional rights provided by the articles of association. C shares carry ordinary voting rights and also grant the holder certain special rights.

Holders of B and C shares have additional rights in the event of the company's liquidation. Upon the liquidation of the company, a holder of a C share will be paid (before any allocations or payments to holders of any other shares) an amount equal to the two-fold price paid for the C share or, if higher, the amount the holder of a C share would have received if the share had been converted into an A share. A holder of a B share will be paid (before any allocations or payments to holders of A shares) an amount which is the higher of the price paid for the B share or the amount which the holder of a B share would have received if the share had been converted into an A share.

Options

The number of shares which can be subscribed for under the option agreements signed by the company during the reporting period differs by person; generally up to 500 shares can be subscribed for.

Each option grants the right to purchase 1 (one) share. The maximum period during which the options can be exercised is 42 months after the grant date. After the end of each year of the life of the option, the holder may subscribe for 1/3 of the shares which have been granted.

Changes in options during the reporting period

Options outstanding as at 31.12.2018	13 264 pcs
Increased options	0 pcs
Granted options	6400 pcs
Exercised options	-625 pcs
Repealed options	-50 pcs
Options transferred during division	-18 989 pcs
Options outstanding as at 31.12.2019	0 pcs

In relation with restructuring of the Bondora group all valid options were transferred to the group's new parent company Bondora Group AS. During the financial year all own shares (total 20727 pcs) to cover the options, have also been transferred to Bondora Group AS. After the transfer, the shares of Bondora Group AS will be issued to the option holders.

In accordance with IFRS 2, share options granted to employees are measured at their fair value at the grant date and their value is subsequently not restated. Share options granted to other persons are measured at the fair value of services received. On granting the share options and determining the conditions for exercising them, the purpose was to ensure that the acquirers of the options would benefit from growth in the company's value only. Therefore, at the grant date the fair value of the options was nil euros.

Note 15 Net sales

(In Euros)

	2019	2018
Net sales by geographical location		
Net sales in European Union		
Estonia	10 644 723	6 274 916
Finland	6 929 366	3 029 717
Spain	2 643 735	977 152
Other European Union net sales	40 222	29 483
Total net sales in European Union	**20 258 046**	**10 311 268**
Total net sales	**20 258 046**	**10 311 268**
Net sales by operating activities		
Management Fee	6 513 669	3 548 678
Origiation Fee	8 381 420	3 517 896
Debt Management Fee	3 184 200	2 067 430
BSecure Fee	1 908 465	960 420
Court Fees Claimed	248 581	209 955
Other	21 711	6 889
Total net sales	**20 258 046**	**10 311 268**

Legal costs ordered to be paid include legal costs received on the basis of judgement and rulings made in favor of the Group.

Note 16 Other operating income

(In Euros)

	2019	2018
Profit from exchange rate differences	141	11
Fines, penalties and compensations	0	38
Other	162 480	121 539
Total other operating income	**162 621**	**121 588**

Note 17 Goods, raw materials and services
(In Euros)

	2019	2018
IT Management	-1 467 782	-989 308
Debt Management	-1 536 117	-1 196 559
Outsourced services	-2 402 264	-407 645
Other	-3 538	-22 688
Total goods, raw materials and services	**-5 409 701**	**-2 616 200**

Note 18 Miscellaneous operating expenses
(In Euros)

	2019	2018
Leases	0	-107 806
Miscellaneous office expenses	-107 535	-39 309
Travel expense	-41 419	-29 297
Training expense	-44 713	-32 149
Allowance for doubtful receivables	-2 284 720	-1 323 274
Marketing and Advertising	-5 737 894	-2 944 368
Outsourced Services	-254 259	-76 742
Bank Account And Payment Processing Fees	-730 745	-428 283
Postal Services	-10 343	-21 181
Transportation	-24 519	-17 050
Other	-118 239	-90 128
Total miscellaneous operating expenses	**-9 354 386**	**-5 109 587**

Note 19 Labor expense
(In Euros)

	2019	2018
Wage and salary expense	-2 217 135	-1 639 975
Social security taxes	-743 896	-614 639
Other benefits for employees and tax expense	-232 658	-98 616
Total labor expense	**-3 193 689**	**-2 353 230**
Average number of employees in full time equivalent units	65	54
Average number of employees by types of employment:		
Person employed under employment contract	59	50
Person providing service under law of obligations, except for self-employed person	4	2
Member of management or controlling body of legal person	2	2

Note 20 Related parties

(In Euros)

Related party balances according to groups

	31.12.2019		31.12.2018	
	Receivables	Liabilities	Receivables	Liabilities
Related Parties	1 191 595	1 037 530	261 583	430 432

Purchases and sales of goods and services

	2019		2018	
	Purchases of goods and services	Sales of goods and services	Purchases of goods and services	Sales of goods and services
Other entities belonging into same consolidation group	4 565 373	70 260	2 248 536	70 260

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2019	2018
Remuneration	175 200	101 426

At the end of the financial year company considered to be related parties:

1. Tomberg Management & Consulting OÜ (owner with significant holdings);
2. Members of the Management Board and Supervisory Board and companies under the control of the mentioned persons;
3. Bondora Group AS;
4. Bondora Capital OÜ (subsidiary until 02.09.2019);
5. BC Structured Finance OÜ (indirect ownership until 02.09.2019);
6. Bondora Solutions OÜ.

Purchases and sales transactions are shown for 12 month for the purpose to get the comparable data.

The amounts of transactions in the period 02.09.2019-31.12.2019 were as follows:
Purchase of services: 1 969 927 EUR.
Sales of services: 23 420 EUR.

Note 21 Events after the reporting date

The consolidated financial statements reflect all significant events affecting the valuation of assets and liabilities that became evident between the reporting date and the date on which the financial statements were authorised for issue but are related to transactions of the reporting or prior periods.

Subsequent events that are indicative of conditions that arose after the reporting date but which will have a significant effect on the result of the next financial year, are disclosed in the notes to the consolidated financial statements.

At the end of 2019, the corona virus COVID-19 has spread around the world, including Estonia. The spread of the virus has caused problems for businesses and the economy.

The impact on macroeconomic forecasts will be taken into account in estimating the Company's expected credit losses of IFRS 9 in 2020.

In 2020, as a result of the restructuring, Bondora AS will become a subsidiary of Bondora Group AS. As of the date of submission of the report the corresponding permission has been obtained from the Financial Supervision Authority.
The restructuring will be completed during the financial year 2020.

In relation with the restructuring, tangible and intangible fixed assets, employment contracts of some employees and contracts of some partners have been
transferred to the companies responsible for the respective areas in the new structure.

Note 22 Non consolidated statement of financial position
(In Euros)

	31.12.2019	31.12.2018
Assets		
Current assets		
Cash and cash equivalents	3 742 345	1 312 136
Financial investments	17 977	16 837
Receivables and prepayments	3 435 251	1 152 004
Inventories	1 053	12 823
Total current assets	**7 196 626**	**2 493 800**
Non-current assets		
Investments in subsidiaries and associates	0	5 000
Property, plant and equipment	194 877	11 219
Intangible assets	176 189	143 906
Total non-current assets	**371 066**	**160 125**
Total assets	**7 567 692**	**2 653 925**
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liablities	81 409	0
Payables and prepayments	4 020 028	1 514 907
Total current liabilities	**4 101 437**	**1 514 907**
Non-current liabilities		
Loan liablities	92 456	333 900
Provisions	8 805	40 001
Total non-current liabilities	**101 261**	**373 901**
Total liabilities	**4 202 698**	**1 888 808**
Equity		
Issued capital	50 001	50 001
Share premium	4 472 129	4 463 738
Treasury shares	0	-2 090
Retained earnings (loss)	-3 296 423	-3 334 544
Annual period profit (loss)	2 139 287	-411 988
Total equity	**3 364 994**	**765 117**
Total liabilities and equity	**7 567 692**	**2 653 925**

Note 23 Non consolidated income statement

(In Euros)

	2019	2018
Revenue	20 236 335	8 026 994
Other income	209 405	729 682
Raw materials and consumables used	-7 922 269	-3 529 004
Other operating expense	-7 557 613	-3 792 145
Employee expense	-2 672 096	-1 608 123
Depreciation and impairment loss (reversal)	-138 125	-188 045
Other expense	-13 279	-29 150
Total operating profit (loss)	**2 142 358**	**-389 791**
Gain (loss) from financial investments	0	-24 129
Interest income	1 203	2 015
Interest expenses	-4 274	-83
Profit (loss) before tax	**2 139 287**	**-411 988**
Annual period profit (loss)	**2 139 287**	**-411 988**

Note 24 Non consolidated statement of cash flows

(In Euros)

	2019	2018
Cash flows from operating activities		
Operating profit (loss)	2 142 358	-389 791
Adjustments		
Depreciation and impairment loss (reversal)	138 125	188 045
Other adjustments	7 608	-1
Total adjustments	**145 733**	**188 044**
Changes in receivables and prepayments related to operating activities	-2 283 246	18 711
Changes in inventories	11 770	1 249
Changes in payables and prepayments related to operating activities	2 505 121	874 770
Interest paid	-5	-83
Total cash flows from operating activities	**2 521 731**	**692 900**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-103 207	-159 938
Other cash payments to acquire other financial investments	0	-16 837
Other cash receipts from sales of other financial investments	0	5 360
Interest received	1 203	2 015
Total cash flows from investing activities	**-102 004**	**-169 400**
Cash flows from financing activities		
Loans received	0	333 900
Proceeds from sales of treasury shares	10 482	0
Total cash flows from financing activities	**10 482**	**333 900**
Total cash flows	**2 430 209**	**857 400**
Cash and cash equivalents at beginning of period	1 312 136	454 736
Change in cash and cash equivalents	**2 430 209**	**857 400**
Cash and cash equivalents at end of period	3 742 345	1 312 136

Note 25 Non consolidated statement of changes in equity
(In Euros)

					Total
	Issued capital	Share premium	Treasure shares	Retained earnings (loss)	
31.12.2017	50 001	4 463 738	-2 090	-3 334 544	1 177 105
Annual period profit (loss)	0	0	0	-411 988	-411 988
31.12.2018	50 001	4 463 738	-2 090	-3 746 532	765 117
Governing and material influence ownership interest value of financial position	0	0	0	-5 000	-5 000
Governing and material influence on the value Of holdings under the e quity method	0	0	0	511 846	511 846
Restated non consolidated equity 31.12.2018	**50 001**	**4 463 738**	**-2 090**	**-3 239 686**	**1 271 963**
Annual period profit (loss)	0	0	0	2 139 287	2 139 287
Other changes in equity	0	8 391	2 090	450 109	460 590
31.12.2019	50 001	4 472 129	0	-1 157 136	3 364 994
Governing and material influence on the value Of holdings under the e quity method				144 273	144 273
Restated non consolidated equity 31.12.2019	**50 001**	**4 472 129**	**0**	**-1 012 863**	**3 509 267**

Note 26 Risk Management

Introduction

Risks which may have a significant impact on the Group’s operation are assessed and daily managed by the parent company’s Management Board. To analyse risks and implement risk mitigation measures, the Group has set up a risk management system which produces risk reports which identify all significant risks and the activities for mitigating those risks. The reports are updated on a quarterly basis: the activities undertaken for managing the risks are evaluated and new targets are set. The reports are also submitted to and reviewed by the Group’s supervisory board. The Group’s management has identified the following significant risks: credit, liquidity, operational, currency, interest rate, and other price risk.

Credit risk

Credit risk is the risk that a counterparty to a transaction will fail, or will not be willing to, discharge an obligation and the collateral provided for the transaction is insufficient for covering the Group’s claims. Credit risk may arise from any transaction which gives rise to an actual or potential claim against a counterparty. The Group’s credit risk exposures result from cash and cash equivalents, trade receivables and other short-term receivables. Since the Group’s available liquid funds are predominantly deposited at banks which belong to banking groups whose credit rating is “A”, these items are not exposed to any significant credit risk.

Cash and cash equivalents by credit rating assigned to the bank where the funds are held:

Bank	Rating	31.12.2019	31.12.2018
SEB Bank AS	Without rating	3 742 345	1 854 914

	TOTAL:	**3 742 345**	**1 854 914**
SEB Bank AS off-balance sheet accounts	Without rating	10 886 792	9 571 994

Although SEB Pank AS has no credit rating, it belongs to SEB Group whose long-term credit rating is Aa2 (Moody's). The rating presented is the most recent long-term credit rating disclosed on the bank's website.

Prior to signing an agreement with a customer, Bondora AS evaluates the customer's creditworthiness and obtains information about the customer's earlier settlement behaviour (credit history). For better selection of customers, the Group cooperates in all its target markets with companies that provide credit information and, where necessary, also debt collection companies.

In addition, Bondora evaluates customers' credit history for the past 6 months and monitors how they discharge their obligations to Bondora AS. Based on that information, Bondora estimates the probability of proper discharge of obligations. Bondora makes sure that the staff authorised to analyse the customers' creditworthiness and settlement behaviour receive adequate training.

On the whole, according to Bondora's estimation the Group's credit risk is considerably lower than its operational risk because Bondora resells its claims (receivables) to investors and loans in which Bondora itself has invested currently account for a small share of the Group's total assets.

On issuing loans, the Group takes into account the situations in the markets where it operates and the distribution of funds available to investors for investment purposes. The loan portfolio is diversified between different countries and the Group monitors the breakdown of the loan portfolio and the revenue structure between countries to ensure stability of operations and avoid excessive reliance on a single market. Since the Bondora AS issues consumer loans to individuals and the maximum loan amount is limited to 10 000 euros, the customer base is sufficiently diversified and the Group's operation is not highly dependent on any single customer.

During the period, trade receivables of 2 275 868 euros (2018: 1 323 274 euros) were classified as doubtful (impaired). Management evaluates the quality of receivables on a monthly basis. According to the write-down policy, receivables which are 30-365 days past due are written down by 60% and receivables past due for more than 365 days are written down in full.

Assets exposured to credit risk (EUR):

	31.12.2019	31.12.2018
Trade receivables	2 172 611	1 223 218
Financial investments	17 977	1 131 916
Other receivables, prepayments	1 262 640	16 281

Detailed information about trade receivables can be found in the Notes 4 and 5.
Detailed information about cash and equivalents can be found in the Note 2

Liquidity risk and capital management

Liquidity risk is the risk that the Group will not be able to meet its obligations on a timely basis without incurring significant expenses. Liquidity risk is also the risk that on raising additional funds the Group will incur a loss or unreasonably large expenses.

In capital management the Group's goal is to ensure its sustainable operation and the availability of sufficient capital for continuing and developing its activities. In setting its capital management targets, the Group takes into account both the regulatory minimum capital requirements and the internally determined capital buffer requirement.

The most important regulatory requirement is the minimum share capital requirement of 50,000 euros set forth in the Creditors and Credit Intermediaries Act. To meet the regulatory minimum capital requirement, the Group has planned its activities so that profitability is achieved over a sufficient time horizon; in addition, the Group continuously assesses opportunities for raising additional capital to make sure that own funds do not decrease below the regulatory minimum.

The Group finances its operations mostly based on own funds and the share of debt capital in the Group's statement of financial position is small. Available cash is held in current accounts and term deposits opened at banks operating in Estonia. Capital management and liquidity planning are embedded in the Group's daily financial activities and management has set liquidity limits which are monitored on a monthly basis.

Detailed information about financial assets and liabilities is provided in Notes 4, 5, 6, 12 and 13.

Operational risk

Operational risk is the risk of direct or indirect loss resulting from people’s activities, inadequate or failed systems, or external events. Operational risk (including legal risk) results from employees, agreements and documentation, technology, infrastructure, natural disasters, external factors and customer relations. Operational risk does not include business risk and reputational risk. Any of the Group’s activities may be a source of operational risk.

The Group pays particular attention to mapping its operational risks on launching new products or product improvements, implementing new IT systems or system upgrades, implementing new hardware, implementing new physical locations, making changes to its organisational structure, accepting new business partners, adopting new agreement templates, and outsourcing services to external service providers.

The impacts of loss events which may arise from the realisation of operational risk are mitigated by developing and updating business continuity plans, applying appropriate and adequate crisis management methods and purchasing insurance where necessary.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Financial assets and liabilities denominated in euros are regarded as items without currency risk.

The Group’s main source of currency risk is purchase transactions conducted in foreign currencies. Since the volume of transactions in foreign currencies is marginal, management believes that currency risk is immaterial and therefore no procedures have been established to mitigate this risk.

As at 31 December 2019, all of the Group’s financial assets and liabilities were denominated in euros.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the Group had no interest-bearing liabilities and interest-bearing receivables had fixed interest rates, which are not exposed to interest rate risk. The Group has currently no interest rate risk exposures. Accordingly, management believes that interest rate risk is currently not material and therefore no procedures have been established to mitigate this risk.

Other price risk

Price risk is the risk which results from fluctuations in market prices. The Group issues loans and, where possible, sells relevant receivables to investors. Therefore, management is of the opinion that the impact of other price risk on the Group’s operations is insignificant.

Fair value

According to the Group’s estimates, as at 31 December 2018 and 31 December 2019 the carrying amounts of its financial assets (Notes 3, 4, 5, 6 and 8) and liabilities (Notes 6, 12, 13) measured in the consolidated statement of financial position at amortised cost did not differ significantly from their fair values.

Trade receivables and trade payables are measured at amortised cost and both trade receivables and payables are short-term items. Accordingly, management estimates that their carrying amount approximates their fair value.