CONSOLIDATED ANNUAL REPORT

beginning of financial year: 01.01.2018
end of the financial year: 31.12.2018

business name: Bondora AS

register code: 11483929

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Management report

Bondora (hereinafter also “the Group”) sustained rapid growth in 2018 and ended the financial year with a profit. Revenue increased by 51% driven by sustainable growth in issued loans that itself was supported by product development and marketing improvements aimed at retail investors.

Loans issued reached 60.8 million euro, a 74% increase over the previous financial year.

Sales grew the most in Estonia where annual revenue improved by 57% to 6.2 million euros. Sales in foreign markets totaled 4 million euros, a 46% improvement year-on-year. The figure includes 94% revenue growth in Finland. Foreign revenues accounted for 40% of our total revenue.

The Group ended the financial year with a net profit of 100 thousand euros driven by a significant increase in turnover and cost-effectiveness achieved through the optimization of its operations.
A total of 272 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 38 to 54.

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:

	2018	2017	Change
Sales revenue	10 311 268	6 840 500	51 %
Profit (-loss) of the financial year	99 984	137 321	
Equity	1 442 820	1 342 836	7%
Return on average equity (ROE)	7%	10%	
Return on average assets (ROA)	3%	4%	

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)

	31.12.2018	31.12.2017	Note
Assets			
Current assets			
Cash and cash equivalents	1 854 914	1 733 098	2
Financial investments	409 851	297 308	3
Receivables and prepayments	611 241	804 891	4
Inventories	12 823	11 572	
Total current assets	**2 888 829**	**2 846 869**	
Non-current assets			
Financial investments	722 065	772 918	8
Property, plant and equipment	11 219	21 827	9
Intangible assets	252 530	172 184	10
Total non-current assets	**985 814**	**966 929**	
Total assets	**3 874 643**	**3 813 798**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	376 651	585 619	12
Payables and prepayments	1 533 990	604 313	13
Total current liabilities	**1 910 641**	**1 189 932**	
Non-current liabilities			
Loan liablities	481 181	1 241 029	12
Provisions	40 001	40 001	14
Total non-current liabilities	**521 182**	**1 281 030**	
Total liabilities	**2 431 823**	**2 470 962**	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	50 001	50 001	15
Share premium	4 463 738	4 463 738	
Treasury shares	-2 090	-2 090	
Retained earnings (loss)	-3 168 813	-3 306 134	
Annual period profit (loss)	99 984	137 321	
Total equity held by shareholders and partners in parent company	**1 442 820**	**1 342 836**	
Total equity	**1 442 820**	**1 342 836**	
Total liabilities and equity	**3 874 643**	**3 813 798**	

Consolidated income statement
(In Euros)

	2018	2017	Note
Revenue	10 311 268	6 840 500	16
Other income	121 588	27 901	17
Raw materials and consumables used	-2 616 200	-1 961 166	18
Other operating expense	-5 109 587	-2 571 102	19
Employee expense	-2 353 230	-1 835 205	20
Depreciation and impairment loss (reversal)	-201 927	-240 123	9,10
Other expense	-29 837	-88 658	
Operating profit (loss)	**122 075**	**172 147**	
Gain (loss) from financial investments	-24 129	-41 719	
Interest income	264 199	45 162	
Interest expenses	-262 160	-38 270	
Other financial income and expense	-1	1	
Profit (loss) before tax	**99 984**	**137 321**	
Annual period profit (loss)	**99 984**	**137 321**	
Profit (loss) from shareholders and partners in parent company	99 984	137 321	

Consolidated statement of cash flows
(In Euros)

	2018	2017	Note
Cash flows from operating activities			
Operating profit (loss)	122 075	172 147	
Adjustments			
Depreciation and impairment loss (reversal)	201 927	240 123	9,10
Other adjustments	1 858	7 594	
Total adjustments	**203 785**	**247 717**	
Changes in receivables and prepayments related to operating activities	193 650	-212 039	4
Changes in inventories	-1 251	-11 572	
Changes in payables and prepayments related to operating activities	929 677	-309 050	13
Total cash flows from operating activities	**1 447 936**	**-112 797**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-271 665	0	9,10
Other cash payments to acquire other financial investments	-754 280	-1 291 159	3
Interest received	2 122	45 162	
Other cash inflows from investing activities	480 720	0	
Total cash flows from investing activities	**-543 103**	**-1 245 997**	
Cash flows from financing activities			
Loans received	0	2 000 000	12
Repayments of loans received	-783 017	0	12
Proceeds from sales of treasury shares	0	2 247	15
Total cash flows from financing activities	**-783 017**	**2 002 247**	
Total cash flows	**121 816**	**643 453**	
Cash and cash equivalents at beginning of period	1 733 098	1 089 645	2
Change in cash and cash equivalents	**121 816**	**643 453**	
Cash and cash equivalents at end of period	1 854 914	1 733 098	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)	
31.12.2016	50 001	4 461 504	-2 103	-3 306 134	1 203 268
Annual period profit (loss)	0	0	0	137 321	137 321
Other changes in equity	0	2 234	13	0	2 247
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

Additional information on share capital can be found in Note 15.

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. Where possible, 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 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.

These consolidated financial statements for 2018 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.

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.

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.

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 and Bondora Servicer OÜ and the Finnish branch Bondora AS Suomen sivuliikke.

The financial statements of the parent and all the subsidiaries under its control are consolidated line by line. All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements except for investments in subsidiaries which in the separate primary financial statements of the parent are measured at acquisition cost.

Financial assets

Applying interpretations of new or amended standards

Amendments to the IFRS 9 standard's "Financial instruments" became mandatory for the Group during the past financial year (effective for annual periods beginning on or after January 1, 2018).

Most important rules of the new standard are: 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 unrevokable 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 new 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 capitalisation.

These changes do not significantly impact Group's financial reports.

The classifications, carrying amounts, changes from the reclassification and reassessment according to the IAS 39 and IFRS 9 as at 01.01.2018 are as follows:

Financial Asset (EUR)	Classification IAS 39	Carrying Amount as at 31.12.2017 IAS 39	Classification IFRS 9	Reclassification	Reassessment	Carrying Amount as at 01.01.2018 IFRS 9
Financial Investments	Amortized cost	1 070 226	amortized cost	0	0	1 070 226
Accounts Receivables	Amortized cost	804 891	Amortized cost	0	0	804 891

Accounting principles of financial assets and liabilities as of 01.01.2018.

Financial assets and liabilities are capitalised when Group becomes a party of contractual provisions of the instrument. Upon capitalisation, 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 derecognises a financial asset when:

1. its contractual rights to the cash flows from the financial asset expire or have been realised; 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 amortised 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 categorised 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 as loans and claims. 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 amortisation 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 recognised 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 are represented in the Group's statement of financial position. The subsidiary's objective, as stated in the bond, is to invest in Bondora loans and raise funds for this purpose through bonds and to service a specific bond.

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 IFRS9 credit loss measuring model has three phases that consider change in credit quality from the moment of capitalisation. The 12-month phase (phase 1) is applied with all item lines, except where there has been significant increase of credit risk compared to capitalisation. 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.

Accounting principles of financial assets and liabilities until 31.12.2017

Group classifies financial assets as loans and claims. Classification depends on the objective of the asset's purchase.

Loans and claims are non-derivative instruments with fixed or determined payments that are not quoted on active market. Loans and claims are carried in the Group's statement of financial position from the day Group passes money to the debtor or signs a finance contract for goods or services, and until these claims are repaid or written off. Loans are recorded at fair value in the statement of financial position and include transaction costs. After capitalisation, Group carries loan claims at restated historical cost (historical cost minus principal payments and discounts), using the effective interest method.

Decrease of value of assets classified at restated cost is measured by the difference between book value and present value of expected future cash flow, of which the financial asset's principal effective interest rate has been discounted. Decrease of value of financial assets available for sale is calculated through their fair value. Decrease of value of material financial assets is tested individually. Other financial assets are tested in groups of similar credit risk. All losses deriving from loss of value are generally represented in the income statement.

As an exception, discount of financial investments acquired with funds raised from bond emission, are represented as decrease of financial liability (deriving from the terms of contract). Discount is calculated based on historical data and information about the debt instrument available for the Group at the time of discount. When loss deriving from decrease of value decreases and this decrease can objectively be linked to having happened after representation of decrease of value, then previously classified loss deriving from decrease of asset's value will be eliminated. Decrease of loss deriving from reflected restated cost of impaired financial assets is represented in the period's income statement, except discount of claims.

Each reporting day, Group evaluates the existence of objective proof to show financial asset's loss of value. Financial asset is deemed to be impaired when there are objective proofs about one or more of the circumstances that have negatively impacted expected future cash flows deriving from the asset.

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 favourable 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 maximising use of relevant observable inputs and minimising 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 recognised 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 IT systems	4
Equipment, devices, machinery	4
Development expenditures	3
concessions, patents, licenses, trademarks	5
Other intangible assets	3

Leases

A lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee is classified as a finance lease. Other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Financial liabilities

Applying interpretations of new or amended standards

Amendments to the IFRS 9 standard's "Financial instruments" became mandatory for the Group during the past financial year (effective for annual periods beginning on or after January 1, 2018).

Effectuation of the amendments of IFRS 9 standard as of 01.01.2018 does not cause changes for the Group in measuring financial liabilities.

Most IAS 39 requirements for classification and measuring of financial liabilities were transferred to IFRS 9 unchanged. The only major change has been that with financial liabilities meant to be classified at fair value through income, entity now needs to classify changes of fair value deriving from credit risk change through comprehensive income.

Another change are the hedge accounting requirements that improve links between hedge accounting and risk management.

Applying of these changes does not impact Group's financial reports.

The classifications, carrying amounts, changes from the reclassification and reassessment according to the IAS 39 and IFRS 9 as at 01.01.2018 are as follows:

Financial Liability (EUR)	Classification IAS 39	Carrying Amount as at 31.12.2017 IAS 39	Classification IFRS 9	Reclassification	Reassessment	Carrying Amount as at 01.01.2018 IFRS 9
Loan Commitments	Amortized cost	1 826 648	amortized cost	0	0	1 826 648

Accounting principles as of 01.01.2018

Group capitalises financial liabilities when it becomes a party of contractual provisions of the instrument. Financial liabilities are capitalised 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 dissolvency rate) and information available about the debt instrument at the moment of discount calculation.

Accounting principles until 21.12.2017

All financial liabilities (debts to suppliers and other liabilities) have been capitalised with their historical cost, which is the fair value of paid amount. Historical cost includes all expenses connected to acquisition. Further representation is carried through the restated cost method using the effective interest method. Restated cost of short term financial liabilities is usually equal to their fair value and therefore, short term financial liabilities are represented in the financial position report as payable amounts. To determine the restated cost of long term financial liabilities, interest rate is calculated for future periods using the effective interest method.

Financial liabilities are categorised as short term when their repayment period is within 12 months from the reporting period or when the entity does not have an unconditional right to defer settlement of the liability for 12 months after the reporting period. Loans with a repayment period of 12 months after reporting period, but refinanced as long term financial liabilities after the reporting period, yet before confirmation of annual report, are classified as short term. Loans that lender could revoke after reporting period for breech of loan contract, are represented as short term liabilities as well.

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

Applying interpretations of new or amended standards

In the reporting period, the amendments to IFRS 15 "Revenue from contracts with customers" became mandatory for the Group.

New standard provides a framework that replaces existing revenue recognition guidance. According to the new principles the entity must follow five-step model to recognise 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. recognise the revenue as each performance obligation is satisfied.

Applying the amended standard does not have the impact to the Group's financial reports. Based on the management's judgement the contract fee is a fee that is for the signing of the contract and does not cover the future maintenance of the loan. The monthly maintenance fee is sufficient and fair compensation for the servicing of borrowers and investors.

Accounting principles as of 01.01.2018

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.

Revenue is recognised on an accrual basis and measured at the fair value of the consideration received or receivable for services provided less any trade discounts and volume rebates allowed. Revenue includes revenue from contracts with customers. Revenue is recognized when an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled.

Revenue from the rendering of services is recognised when the service has been rendered or, if the service is rendered over an extended period, on a straight-line basis over the loan term.

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 recognised 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 administration fee is recognised as income on a monthly basis over the agreed schedule. Based on the statistics of the debt collection of previous periods, the Group recognises 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 recognised 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 recognised when the Group has legal right to claim dividends.

Accounting principles until 21.12.2017

Revenue is recognized on an accrual basis and measured at the fair value of the consideration received or receivable for services provided less any discounts allowed. Revenue from the rendering of services is recognized when the service has been rendered or, if the service is rendered over an extended period, on a straight-line basis over the loan term.

Interest income is recognised on an accrual basis.

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 of the above mentioned persons.

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 recognised in retained earnings.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2018	31.12.2017
Bank accounts	1 854 914	1 733 098
Total cash and cash equivalents	**1 854 914**	**1 733 098**

Bank accounts accounted for off the statement of financial position.

Debt recovery account

As at 31.12.2017: 2 154 euros
As at 31.12.2018: 34 038 euros

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 recognised 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

As at 31.12.2017: 3 647 265 euros
As at 31.12.2018: 9 537 957 euros

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 recognised 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	
31.12.2016	0	0
Acquisition	297 308	297 308
31.12.2017	**297 308**	**297 308**
Carried at cost	297 308	297 308
Acquisition	112 543	112 543
31.12.2018	**409 851**	**409 851**
Carried at cost	409 851	409 851

Financial investments comprise loans provided.
Further information on funds received that are used to invest in loans issued by Bondora provided in note 12.
Information on long-term financial investments can be found in note 8.

Note 4 Receivables and prepayments

(In Euros)

	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	5
Accounts receivables	2 546 492	2 546 492	0	0	
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**	
	31.12.2017	**Allocation by remaining maturity**			**Note**
		Within 12 months	**1 - 5 years**	**Over 5 years**	
Accounts receivable	771 633	771 633	0	0	5
Accounts receivables	1 894 154	1 894 154	0	0	
Allowance for doubtful receivables	-1 122 521	-1 122 521	0	0	
Other receivables	12 128	12 128	0	0	
Interest receivables	12 128	12 128	0	0	
Prepayments	12 913	12 913	0	0	
Deferred expenses	6 955	6 955	0	0	
Other paid prepayments	5 958	5 958	0	0	
Other receivables	5 717	5 717	0	0	
Prepayments to vendors	2 500	2 500	0	0	
Total receivables and prepayments	**804 891**	**804 891**	**0**	**0**	

Note 5 Accounts receivable

(In Euros)

	31.12.2018	31.12.2017	Note
Accounts receivables	**2 546 491**	**1 894 154**	4
Estonia	924 883	679 862	
Spain	765 588	633 691	
Finland	803 555	550 544	
Other countries	52 465	30 057	
Allowance for doubtful receivables	-1 323 274	-1 122 521	
Total accounts receivable	**1 223 217**	**771 633**	

Estonia

	31.12.2018	31.12.2017
up to 30 days	493 486	212 247
31-365 days	431 397	467 615

Spain

	31.12.2018	31.12.2017
up to 30 days	100 625	26 838
31-365 days	664 963	606 853

Finland

	31.12.2018	31.12.2017
up to 30 days	495 152	146 685
31-365 days	308 403	403 859

Other countries

	31.12.2018	31.12.2017
up to 30 days	4 167	1 735
31-365 days	48 298	28 322

Note 6 Tax prepayments and liabilities
(In Euros)

	31.12.2018		31.12.2017	
	Tax prepayments	Tax liabilities	Tax prepayments	Tax liabilities
Value added tax	0	65 957	0	32 746
Personal income tax	0	29 302	0	19 682
Fringe benefit income tax	0	409	0	3 260
Social tax	0	53 332	0	40 859
Contributions to mandatory funded pension	0	2 831	0	2 181
Unemployment insurance tax	0	3 448	0	2 283
Other tax prepayments and liabilities	0	0	0	50
Prepayment account balance	400		0	
Total tax prepayments and liabilities	**400**	**155 279**	**0**	**101 061**

Information about Group’s financial liabilities can be found on Note 13.

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 (%)**	
				31.12.2017	**31.12.2018**
12831019	Bondora Servicer OÜ	Estonia		100	100
12831506	Bondora Capital OÜ	Estonia		100	100
14321661	BC Structured Finance OÜ	Estonia		100	100

Shares of subsidiaries, detaild information		
Name of subsidiary	**31.12.2017**	**31.12.2018**
Bondora Servicer OÜ	2 500	2 500
Bondora Capital OÜ	2 500	2 500
BC Structured Finance OÜ	2 500	2 500
Total shares of subsidiaries, at end of previous period	**7 500**	**7 500**

The Parent Company is 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).

Note 8 Long-term financial investments

(In Euros)

		Total
	Other	
31.12.2016	0	0
Acquisition	993 851	993 851
Profit (loss) from disposal and revaluation	-220 933	-220 933
31.12.2017	**772 918**	**772 918**
Carried at cost	772 918	772 918
		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**

Financial investments comprise loans provided.
Further information on funds received that are used to invest in loans issued by Bondora provided in note 12.
Information on current financial investments can be found in note 3.

Note 9 Property, plant and equipment

(In Euros)

				Total
			Machinery and equipment	
	Computers and computer systems	Other machinery and equipment		
31.12.2017				
Carried at cost	0	56 061	56 061	56 061
Accumulated depreciation	0	-34 234	-34 234	-34 234
Residual cost	0	21 827	21 827	21 827
Acquisitions and additions	3 716	8 251	11 967	11 967
Other acquisitions and additions	3 716	8 251	11 967	11 967
Depreciation	-232	-22 340	-22 572	-22 572
Other changes	0	-3	-3	-3
31.12.2018				
Carried at cost	3 716	8 251	11 967	11 967
Accumulated depreciation	-232	-516	-748	-748
Residual cost	3 484	7 735	11 219	11 219

During the reporting period, total of 56 060 euros of tangible assets was evaluated as fully amortised and was written off.

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

Development expenditures comprise the expenditures incurred in connection with the development of the online environment www.bondora.com administered by the Group.

During the reporting period, total of 1 084 185 euros of intangible assets was evaluated as fully amortised and was written off.

Note 11 Operating lease

(In Euros)

Accounting entity as lessee

	2018	2017
Operating lease expenses	-107 806	-112 081
Future lease expense under non-cancellable lease contracts		
	31.12.2018	**31.12.2017**
Within 12 months	-112 500	-104 136
1 - 5 years	-337 500	-312 408

Operating lease expenses comprises office rental expenses and utilities expenses.

Note 12 Loan commitments
(In Euros)

	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**			

	31.12.2017	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Non-current bonds							
Legal entities	1 826 648	585 619	1 241 029	0	floating	EUR	2021
Non-current bonds total	1 826 648	585 619	1 241 029	0			
Loan commitments total	**1 826 648**	**585 619**	**1 241 029**	**0**			

In 2017 the Group issued debt securities of 2 million euros.
At the end of the reporting period, 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 181 929 euros (2017: 173 352 euros) (write-down of financial investments) for receivables acquired with funds raised.

Note 13 Payables and prepayments
(In Euros)

	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	389 273	0	0	
Interest payables	301 199	301 199	0	0	
Other accrued expenses	88 074	88 074	0	0	
Total payables and prepayments	**1 533 990**	**1 533 990**	**0**	**0**	
	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	283 451	283 451	0	0	
Employee payables	117 037	117 037	0	0	
Tax payables	101 061	101 061	0	0	6
Other payables	102 764	102 764	0	0	
Interest payables	37 888	37 888	0	0	
Other accrued expenses	64 876	64 876	0	0	
Total payables and prepayments	**604 313**	**604 313**	**0**	**0**	

Note 14 Provisions
(In Euros)

	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
	31.12.2016	Establishing/ Adjustments	Provision used	Interest calculation	31.12.2017
Total provisions	**0**	**40 001**	**0**	**0**	**40 001**
Non-current	**0**	**40 001**	**0**	**0**	**40 001**
Other provisions	0	40 001	0	0	40 001

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

Note 15 Share capital
(In Euros)

	31.12.2018	31.12.2017
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: 341 602 of A shares 102 303 of B shares 56 109 of C shares.

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 in Bondora AS. 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 31.12.2017	11 389 pcs
Increased options	0 pcs
Granted options	200 pcs
Excercised options	0 pcs
Repealed options	-1 325 pcs
Options outstanding as at 31.12.2018	13 264 pcs

According to management’s estimates, at the reporting date the fair value of the share options was nil (0) euros. By the reporting date, the company had acquired 21 165 of own shares to cover the options. If the options are exercised, the company will not incur any additional expenses.

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 16 Net sales
(In Euros)

	2018	2017
Net sales by geographical location		
Net sales in European Union		
Estonia	6 274 916	3 995 074
Finland	3 029 717	1 558 773
Spain	977 152	1 174 322
Slovakia	0	31 780
Other European Union net sales	29 483	80 551
Total net sales in European Union	**10 311 268**	**6 840 500**
Total net sales	**10 311 268**	**6 840 500**
Net sales by operating activities		
Management Fee	3 548 678	2 410 346
Origiation Fee	3 517 896	2 018 615
Debt Management Fee	2 067 430	1 232 873
BSecure Fee	960 420	1 100 085
Court Fees Claimed	209 955	77 960
Other	6 889	621
Total net sales	**10 311 268**	**6 840 500**

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

Note 17 Other operating income
(In Euros)

	2018	2017
Profit from exchange rate differences	11	15
Fines, penalties and compensations	38	0
Other	121 539	27 886
Total other operating income	**121 588**	**27 901**

Note 18 Goods, raw materials and services
(In Euros)

	2018	2017
IT Management	-989 308	-773 037
Debt Management	-1 196 559	-887 285
Outsourced services	-407 645	-276 502
Other	-22 688	-24 342
Total goods, raw materials and services	**-2 616 200**	**-1 961 166**

Note 19 Miscellaneous operating expenses

(In Euros)

	2018	2017	Note
Leases	-107 806	-112 081	11
Miscellaneous office expenses	-39 309	-27 266	
Travel expense	-29 297	-21 101	
Training expense	-32 149	-10 260	
Allowance for doubtful receivables	-1 323 274	-1 278 596	
Marketing and Advertising	-2 944 368	-794 394	
Outsourced Services	-76 742	-111 442	
Bank Account And Payment Processing Fees	-428 283	-168 420	
Postal Services	-21 181	-10 826	
Transportation	-17 050	-16 430	
Other	-90 128	-20 286	
Total miscellaneous operating expenses	**-5 109 587**	**-2 571 102**	

Note 20 Labor expense

(In Euros)

	2018	2017
Wage and salary expense	-1 639 975	-1 285 215
Social security taxes	-614 639	-429 379
Other benefits for employees and tax expense	-98 616	-120 611
Total labor expense	**-2 353 230**	**-1 835 205**
Average number of employees in full time equivalent units	54	38
Average number of employees by types of employment:		
Person employed under employment contract	50	32
Person providing service under law of obligations, except for self-employed person	2	4
Member of management or controlling body of legal person	2	2

Note 21 Related parties

(In Euros)

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2018	**2017**
Remuneration	101 426	143 232

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.

Note 22 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.

After the reporting date a subsidiary Bondora Servicer OÜ has been liquidated. The main activity of the subsidiary, debt management, has been moved under the parent company of the Group, Bondora AS.

In addition, a decision of the restructuring the Group has been made.

As a result of the restructuring, the new parent company of the Group will be formed and one additional subsidiary will be formed.

The core business of the Group will not change.

Note 23 Non consolidated statement of financial position

(In Euros)

	31.12.2018	31.12.2017
Assets		
Current assets		
Cash and cash equivalents	1 312 136	454 736
Financial investments	16 837	0
Receivables and prepayments	1 152 004	1 173 215
Inventories	12 823	11 572
Total current assets	**2 493 800**	**1 639 523**
Non-current assets		
Investments in subsidiaries and associates	5 000	5 000
Financial investments	0	29 489
Property, plant and equipment	11 219	21 827
Intangible assets	143 906	161 404
Total non-current assets	**160 125**	**217 720**
Total assets	**2 653 925**	**1 857 243**
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	1 514 907	640 137
Total current liabilities	**1 514 907**	**640 137**
Non-current liabilities		
Loan liablities	333 900	0
Provisions	40 001	40 001
Total non-current liabilities	**373 901**	**40 001**
Total liabilities	**1 888 808**	**680 138**
Equity		
Issued capital	50 001	50 001
Share premium	4 463 738	4 463 738
Treasury shares	-2 090	-2 090
Retained earnings (loss)	-3 334 544	-3 414 589
Annual period profit (loss)	-411 988	80 045
Total equity	**765 117**	**1 177 105**
Total liabilities and equity	**2 653 925**	**1 857 243**

Note 24 Non consolidated income statement

(In Euros)

	2018	2017
Revenue	8 026 994	5 529 046
Other income	729 682	352 964
Raw materials and consumables used	-3 529 004	-2 231 584
Other operating expense	-3 792 145	-1 909 087
Employee expense	-1 608 123	-1 305 704
Depreciation and impairment loss (reversal)	-188 045	-233 956
Other expense	-29 150	-86 806
Total operating profit (loss)	**-389 791**	**114 873**
Gain (loss) from financial investments	-24 129	-41 719
Interest income	2 015	7 272
Interest expenses	-83	-382
Other financial income and expense	0	1
Profit (loss) before tax	**-411 988**	**80 045**
Annual period profit (loss)	**-411 988**	**80 045**

Note 25 Non consolidated statement of cash flows

(In Euros)

	2018	2017
Cash flows from operating activities		
Operating profit (loss)	-389 791	114 873
Adjustments		
Depreciation and impairment loss (reversal)	188 045	233 956
Other adjustments	-1	33
Total adjustments	**188 044**	**233 989**
Changes in receivables and prepayments related to operating activities	18 711	-518 571
Changes in inventories	1 249	-11 572
Changes in payables and prepayments related to operating activities	874 770	-247 375
Total cash flows from operating activities	**692 983**	**-428 656**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-159 938	0
Other cash payments to acquire other financial investments	-16 837	-42 394
Other cash receipts from sales of other financial investments	5 360	0
Interest received	2 015	7 272
Total cash flows from investing activities	**-169 400**	**-35 122**
Cash flows from financing activities		
Loans received	333 900	0
Interest paid	-83	-370
Proceeds from sales of treasury shares	0	2 247
Total cash flows from financing activities	**333 817**	**1 877**
Total cash flows	**857 400**	**-461 901**
Cash and cash equivalents at beginning of period	454 736	916 637
Change in cash and cash equivalents	**857 400**	**-461 901**
Cash and cash equivalents at end of period	1 312 136	454 736

Note 26 Non consolidated statement of changes in equity
(In Euros)

					Total
	Issued capital	Share premium	Treasury shares	Retained earnings (loss)	
31.12.2016	50 001	4 461 504	-2 103	-3 414 589	1 094 813
Annual period profit (loss)	0	0	0	80 045	80 045
Other changes in equity	0	2 234	13	0	2 247
31.12.2017	50 001	4 463 738	-2 090	-3 334 544	1 177 105
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	57 276	57 276
Restated non consolidated equity 31.12.2017	**50 001**	**4 463 738**	**-2 090**	**-3 282 268**	**1 229 381**
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**

Note 27 New and amended IFRS and new interpretat

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 2018 and have not been applied in preparing these consolidated financial statements. The Group plans to adopt these pronouncements when they become effective.

IFRS 16 Leases

(Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 Leases and related interpretations. 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 recognise 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.

The new standard introduces a number of limited scope exceptions for lessees which include:

1. leases with a lease term of 12 months or less and containing no purchase options, and

2. leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained.

The Group does not expect that the new standard, when initially applied, will have a material impact on the cosolidated financial statements because the Group is not party to a contractual arrangement that would be in the scope of IFRS 16.

IFRIC 23 Uncertainty over Income Tax Treatments

(Effective for annual periods beginning on or after 1 January 2019. Early application is permitted)

IFRIC 23 clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. Under IFRIC 23, the key test is whether it is probable that the tax authority will accept the entity's chosen tax treatment. If it is probable that the tax authorities will accept the uncertain tax treatment then the tax amounts recorded in the financial statements are consistent with the tax return with no uncertainty reflected in measuring current and deferred taxes. Otherwise, the taxable income (or tax loss), tax bases and unused tax losses shall be determined in a way that better predicts the resolution of the uncertainty, using either the single most likely amount or expected (sum of probability weighted amounts) value. An entity must assume the tax authority will examine the position and will have full knowledge of all the relevant information.

The Group does not expect that the interpretation, when initially applied, will have a material impact on the consolidated financial statements as the Group does not operate in a complex multinational tax environment and does not have material uncertain tax positions.

Annual Improvements to IFRS 2015-2017 Cycle

(Effective for annual periods beginning on or after 1 January 2019)

The Improvements to IFRSs (2015-2017) contains four amendments to standards. The main changes were to:

1. clarify that the entity remeasures its previously held interest in a joint operation when it obtains control of the business in accordance with IFRS 3 Business Combinations;

2. clarify that the entity does not remeasure its previously held interest in a joint operation when it obtains joint control of the joint operation in accordance with IFRS 11 Joint Arrangements;

3. clarify that the entity should always account for income tax consequences of dividend payments in profit or loss, other comprehensive income or equity according to where the entity originally recognized past transactions or events that generated distributable profits; and

4. clarify that in computing the capitalisation rate for funds borrowed generally, an entity should exclude borrowing costs applicable to borrowings made specifically for obtaining a qualifying asset, only until the asset is ready for its intended use or sale. Borrowing costs related to specific borrowings that remain outstanding after the related qualifying asset is ready for intended use or for sale would subsequently be considered as part of the general borrowing costs of the entity.

None of these changes are expected to have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures

(Effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted.)

An amendment to IAS 28 Investments in Associates and Joint Ventures will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI').

The amendment involves the dual application of IAS 28 and IFRS 9 Financial Instruments. The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain how the standards are to be applied.

These changes are not expected to have a material impact on the consolidated financial statements of the Group.

Amendments to IAS 19 Plan Amendment, Curtailment or Settlement

(Effective for plan amendments, curtailments or settlements that occur on or after 1 January 2019, or the date on which the amendments are first applied. Early adoption is permitted.)

The amendments clarify that:

1. on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and

2. the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI).

These changes are not expected to have a material impact on the consolidated financial statements of the Group.

Other Changes

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.

Note 28 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	31.12.2018	31.12.2017
SEB Bank AS	Without rating	1 854 914	1 733 098

	TOTAL:	**1 854 914**	**1 733 098**
SEB Bank AS off-balance sheet accounts	Without rating	9 571 994	3 647 265

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 11,000 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 1 323 274 euros (2017: 1 278 596 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):

	31.12.2018	31.12.2017
Trade receivables	1 223 218	771 633
Financial investments	1 131 916	1 070 226
Other receivables, prepayments	16 281	15 413

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 2018, 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 2017 and 31 December 2018 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.