CONSOLIDATED ANNUAL REPORT

beginning of financial year:	01.01.2017
end of the financial year:	31.12.2017

business name:	Bondora AS
register code:	11483929
street, building:	A. H. Tammsaare tee 47
city:	Tallinn
county:	Harju maakond
postal code:	11316
web address:	www.bondora.com

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Management report

Bondora (hereinafter also “the Group”) sustained rapid growth and for the first time with its current business model the Group managed to end the financial year with a profit. Revenue increased by 64% driven by sustainable growth in issued loans that itself was supported by product development and marketing improvements aimed at retail investors. Loans issued reached 35 million euro, a 23% increase over previous financial year.

Sales grew the most in Estonia where annual revenue improved by 70% to 4 million euros. Sales in foreign markets totaled 2.8 million euros, a 51% improvement year on year. The figure includes 43% revenue growth in Finland and 65% revenue growth in Spain. Foreign revenues accounted for 41% of our total revenue.

The Group ended the financial year with a net profit of 137 thousand euros driven by rapid increase in turnover and cost-effectiveness achieved through the optimization of its operations. No investments into property, plant and equipment and intangible assets were done during the financial year. The number of full-time employees decreased from 40 to 38.

The Group made substantial improvements to its retail investor business. A new product for investors was developed and introduced - Portfolio Pro. Portfolio Pro addressed the needs of active retail investors who want more granular control over their portfolios. Additionally, new marketing channels were introduced that are used to actively share news about Bondora to its retail investor base.

Bondora Capital OÜ established a subsidiary BC Structured Finance OÜ, who issued through targeted emission bonds in total 2 million euros to institutional investors. The raised funds are invested in loans issued by Bondora AS. The investment process was not completed yet at the end of the financial year and some of the proceeds of the fund raise are still part of the cash position.

During the financial year the process related to the debt process was also significantly enhanced, which resulted in 4 times increase in debt management cost as well as a substantial increase in recoveries.

The key financial indicators for the Group are as follows:

	2017	2016	Change
Sales revenue	6 850 500	4 176 903	64 %
Profit (-loss) of the reporting year	137 321	-1 443 847	
Equity	1 342 836	1 203 268	12 %
Return on average equity (ROE)	10 %	-120 %	
Return on average assets (ROA)	4 %	-68 %	

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 believes its growth is sustainable and similar increase in loan volume and revenue is expected in 2018. Whilst the Group does not currently focus on profitability, the management targets a slight increase in absolute net profit for 2018. The continued growth will be driven by improvements to the risk levels of the loan portfolio, increased efficiency of the debt collection process and new products aimed at retail investors.

Pärtel Tomberg
Board Member

Martha Skirta
Board Member

Consolidated statement of financial position

(In Euros)

	31.12.2017	31.12.2016	Note
Assets			
Current assets			
Cash and cash equivalents	1 733 098	1 089 645	2
Financial investments	297 308	0	3
Trade and other receivables	804 891	563 994	4
Inventories	11 572	0	
Total current assets	**2 846 869**	**1 653 639**	
Non-current assets			
Financial investments	772 918	0	8
Receivables and prepayments	0	28 858	4
Property, plant and equipment	21 827	33 604	9
Intangible assets	172 184	400 530	10
Total non-current assets	**966 929**	**462 992**	
Total assets	**3 813 798**	**2 116 631**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liabilities	585 619	0	12
Payables and prepayments	604 313	913 363	13
Total current liabilities	**1 189 932**	**913 363**	
Non-current liabilities			
Loan liabilities	1 241 029	0	12
Provisions	40 001	0	14
Total non-current liabilities	**1 281 030**	**0**	
Total liabilities	**2 470 962**	**913 363**	
Equity			
Equity held by shareholders in parent company			
Issued capital	50 001	50 001	15
Share premium	4 463 738	4 461 504	
Treasury shares	-2 090	-2 103	
Retained earnings (loss)	-3 306 134	-1 862 287	
Annual period profit (loss)	137 321	-1 443 847	
Total equity held by shareholders in parent company	**1 342 836**	**1 203 268**	
Total equity	**1 342 836**	**1 203 268**	
Total liabilities and equity	**3 813 798**	**2 116 631**	

Consolidated income statement

(In Euros)

	2017	2016	Note
Sales Revenue	6 840 500	4 176 903	16
Other income	27 901	1 456	17
Services and materials purchased for sales	-1 961 166	-1 036 478	18
Other operating expense	-2 571 102	-2 226 862	19
Personnel expense	-1 835 205	-1 979 490	20
Depreciation and impairment loss (reversal)	-240 123	-373 319	9,10
Other expense	-88 658	-2 610	
Operating profit (loss)	**172 147**	**-1 440 400**	
Gain (loss) from financial investments	-41 719	-5 862	
Interest income	45 162	3 257	
Interest expenses	-38 270	-790	
Other financial income and expense	1	-52	
Profit (loss) before tax	**137 321**	**-1 443 847**	
Annual period profit (loss)	**137 321**	**-1 443 847**	
Profit (-loss) from shareholders in parent company	137 321	-1 443 847	

Consolidated statement of cash flows

(In Euros)

	2017	2016	Note
Cash flows from operating activities			
Operating profit (loss)	172 147	-1 440 400	
Adjustments			
Depreciation and impairment loss (reversal)	240 123	373 319	9,10
Other adjustments	7 594	-15 366	
Total adjustments	**247 717**	**357 953**	
Changes in receivables and prepayments related to operating activities	-212 039	-292 923	4
Changes in inventories	-11 572	0	
Changes in payables and prepayments related to operating activities	-309 050	442 041	13
Total cash flows from operating activities	**-112 797**	**-933 329**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	0	-243 289	9,10
Other cash payments to acquire other financial investments	-1 291 159	0	3,4
Interest received	45 162	3 257	
Total cash flows from investing activities	**-1 245 997**	**-240 032**	
Cash flows from financing activities			
Loans received	2 000 000	0	12
Interest paid	0	-841	
Proceeds from issuing shares	0	10 180	
Proceeds from sales of treasury shares	2 247	2 230	15
Proceeds from repurchased treasury shares	0	-432	
Total cash flows from financing activities	**2 002 247**	**11 137**	
Total cash flows	**643 453**	**-1 162 224**	
Cash and cash equivalents at beginning of period	1 089 645	2 251 869	2
Change in cash and cash equivalents	**643 453**	**-1 162 224**	
Cash and cash equivalents at end of period	1 733 098	1 089 645	2

Consolidated statement of changes in equity

(In Euros)

	Equity held by shareholders in parent company				Total
	Issued capital	Share premium	Treasure shares	Retained earnings (-loss)	
31.12.2015	39 821	4 459 293	-1 691	-1 852 783	2 644 640
Annual period profit (loss)	0	0	0	-1 443 847	-1 443 847
Issue of equity	10 180	2 211	0	0	12 391
Other changes in equity	0	0	-412	-9 504	-9 916
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

In 2017, Bondora AS sold 134 pcs of own shares
The nominal value of the own share is 0.10 euros..

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 2017 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 recognized in the current and any future periods affected by the change.

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.

Information about the estimates and assumptions made in applying accounting policies that have the most significant effect on the amounts of assets and liabilities are as follows:

Financial liabilities

Estimates are based on the breakdown of loans issued by the company into risk categories and the total expected credit loss development of the portfolio. Estimates are also based on the parent company’s historical experience with the recovery of loans provided. In line with the terms and conditions of the contract signed with an investor, financial liabilities are written down when the value of associated financial assets decreases. An investor bears the credit risk of persons borrowing through the Bondora portal.

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.

Changes in accounting policies or presentation of information

The presentation of the Group's annual report for 2017 has changed compared with 2016 in terms of format. The annual report for 2017 has been prepared using the option to submit the annual report, including the financial statements prepared in accordance with International Financial Reporting Standards (IFRS), by completing the forms available in the Company Registration Portal of the Estonian Centre of Registers and Information Systems. The reporting forms available in the Company Registration Portal, which comply with the requirements of the Estonian Financial Reporting Standard (EFS), meet, in material respects, the requirements of the IFRS forms.

Minor differences include differences in the titles of the primary financial statements:

Balance sheet (EFS) – Statement of financial position (IFRS).

In addition, the composition of personnel expenses has changed compared with 2016. Other employee benefits and related taxes which previously were reported within other operating expenses are now presented on a separate line within personnel expenses. In other respects, the presentation of the financial statements has not changed.

Additional item name	**31.12.2016**	**Change**	**31.12.2016**
Other operating expense	2 343 997	-117 135	2 226 862
Personnel expenses	1 862 355	117 135	1 979 490

Preparation of consolidated statements

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 unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

In accordance with the Estonian Accounting Act, 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, except for investments in subsidiaries which in the separate primary financial statements of the parent are measured at cost.

Financial assets

Financial assets comprise investments in equity and debt instruments, trade and other receivables, and cash and cash equivalents. The Group classifies financial assets to the category of loans and receivables. On initial recognition, trade and other receivables are measured at their fair value.

After initial recognition, receivables are measured at their amortized cost. The loans issued to customers are not carried in the Group's statement of financial position because the receivables are resold to investors and are thus not recognized as financial assets. Similarly, the funds raised from investors for the acquisition of receivables (issuance of loans) are not recognized as deposits from customers.

Measurement of financial assets

Financial assets and liabilities are offset and the net amount is presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and it intends to exercise that right.

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the expected future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of its expected future cash flows discounted at the original effective interest rate. An impairment loss on an available-for-sale financial asset is measured by determining the change in its fair value.

Individually significant financial assets are assessed for impairment on an individual basis. Other financial assets are included in groups of financial assets with similar credit risk characteristics and tested for impairment collectively. As a rule, all impairment losses are recognized in profit or loss for the period. As an exception, impairment losses on financial investments acquired using the funds raised by issuing debt securities are recognized as a reduction of liabilities (in line with the terms and conditions of the contract).

If the amount of an impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment loss was recognized, the previously recognized impairment loss is reversed. The reversal of impairment losses on financial assets measured at amortized cost, excluding the receivables specified as an exception above, is recognized in profit or loss in the period in which the reversal occurs.

The company derecognizes a financial asset when:

a) Its contractual rights to the cash flows from the financial asset expire or have been realized; or

b) It transfers substantially all the risks and rewards of ownership of the financial asset.

Financial investments

Financial investments comprise loans provided.

At initial recognition, financial investments are measured at cost. At the end of the reporting period, the carrying amount of financial investments is adjusted for any impairment losses recognized.

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.

Gains and losses on changes in fair value are recognized in profit or loss within other finance income and costs.

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 recognized in the net amount in profit or loss (within expenses) in the period in which they arise.

The Group derecognizes a financial asset when its contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows from the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

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.

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 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 recognized 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 recognized 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 derecognized. Current maintenance and repair costs are recognized 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 recognized 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 recognized 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 recognized as an intangible asset if all of the following criteria are met: completion of the asset is technically and financially feasible, the Group intends to complete the asset, 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), and 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 recognized 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 recognized 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 recognized.

Useful life by assets group (years)

Assets group name	**Useful life**
Plant, property and Equipment	3-5
Intangible assets	3-5

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 recognized as an expense on a straight-line basis over the lease term.

Financial liabilities

All financial liabilities (trade payables, borrowings and other liabilities) are initially recognized at cost, which is equal to the fair value of the consideration received plus all directly attributable transaction costs. After initial recognition, financial liabilities are measured at their amortized cost.

The amortized cost of a current financial liability is generally equal to its fair value; therefore, a current financial liability is measured in the statement of financial position at the amount payable. In measuring the amortized cost of non-current financial liabilities, interest expense is calculated using the effective interest method.

A financial liability is classified as current when it is due to be settled within twelve months after the reporting date or the Group does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. Loan liabilities are classified as current when they are due to be settled within twelve months after the reporting date even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorized for issue.

Liabilities that become payable on demand due to breach of contract on or before the reporting date are also classified as current.

Revenue recognition

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.

Most of revenue of the Group is made up of:

a) Contract fees charged for the conclusion of loan contracts between investors and loan recipients;

b) Monthly loan contract administration fees.

A contract fee is recognized as revenue when the contract between the investor 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 recognized as revenue on a monthly basis over the agreed schedule. Revenue is recognized regardless of whether the service is paid for on time or with a delay. Interest income is recognized on an accrual basis.

Interest income is recognized 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. Since 1 January 2015 the profit distributed as dividends has been subject to income tax calculated as 20/80 of the amount distributed as the net dividend. The corporate income tax payable on dividends is recognized 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 recognized in the statement of financial position.

Related parties

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

a) The owners of the Group;

b) The members of the executive and higher management and key personnel;

c) Close family members of and companies under the control or significant influence of the above persons.

Transactions and balances with related parties are disclosed in note 21.

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.

Events after the reporting period

The 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 authorized 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 financial statements.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2017	31.12.2016
Bank accounts	1 733 098	1 089 645
Total cash and cash equivalents	**1 733 098**	**1 089 645**

Bank accounts accounted for off the statement of

financial position. Debt recovery account

As at 31.12.2016: 14 942 euros
As at 31.12.2017: 2 154 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 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

As at 31.12.2016: 3 637 726 euros

As at 31.12.2017: 4 457 682 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 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	
31.12.2016	0	0
Acquisition	297 308	297 308
31.12.2017	**297 308**	**297 308**
Carried at cost	297 308	297 308

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 Trade and other receivables

(In Euros)

	31.12.2017	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade receivable	771 633	771 633	0	0	
Trade receivables	1 894 154	1 894 154	0	0	5
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**	

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade receivable	419 391	419 391	0	0	
Trade receivables	1 418 057	1 418 057			5
Allowance for doubtful receivables	-998 666	-998 666	0	0	
Tax prepayments and receivables	1 600	1 600	0	0	
Other receivables	8 016	8 016	0	0	
Prepayments	102 474	73 616	28 858	0	
Deferred expenses	102 474	73 616	28 858	0	
Total receivables and prepayments	**592 852**	**563 994**	**28 858**	**0**	

Note 5 Trade receivables

(In Euros)

	31.12.2017	31.12.2016	Note
Trade receivables	**1 894 154**	**1 418 057**	4
Estonia	679 862	436 770	
Spain	633 691	468 162	
Finland	550 544	439 596	
Other countries	30 057	73 529	
Allowance for doubtful receivables	-1 122 521	-998 666	
Total Trade receivable	**771 633**	**419 391**	

ESTONIA	31.12.2017	31.12.2016
Up to 30 days	212 247	131 684
30 to 356 days	467 615	305 086

SPAIN	31.12.2017	31.12.2016
Up to 30 days	26 838	40 141
30 to 356 days	606 853	428 021

FINLAND	31.12.2017	31.12.2016
Up to 30 days	146 685	58 251
30 to 356 days	403 859	381 345

OTHER COUNTRIES	31.12.2017	31.12.2016
Up to 30 days	1 735	46 498
30 to 356 days	28 322	27 031

Note 6 Tax prepayments and liabilities

(In Euros)

	31.12.2017	31.12.2016	
	Tax liabilities	**Tax pre payments**	**Tax liabilities**
Value added tax	32 746	0	70 843
Personal income tax	19 682	0	20 157
Fringe benefit income tax	3 260	0	1 148
Social tax	40 859	0	38 255
Contributions to mandatory funded pension	2 181	0	2 179
Unemployment insurance tax	2 283	0	2 366
Other tax prepayments and liabilities	50	0	0
Prepayment account balance		1 600	
Total tax prepayments and liabilities	**101 061**	**1 600**	**134 948**

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 (%)**	
				31.12.2016	**31.12.2017**
12831019	Bondora Servicer OÜ	Estonia	Debt management	100	100
12831506	Bondora Capital OÜ	Estonia	Group supporting activity	100	100
14321661	BC Structured Finance OÜ	Estonia	Group supporting activity	0	100

Shares of subsidiaries, detailed information			
Name of subsidiary	**31.12.2016**	**Acquisition**	**31.12.2017**
Bondora Servicer OÜ	2 500	0	2 500
Bondora Capital OÜ	2 500	0	2 500
BC Structured Finance OÜ	0	2 500	2 500
Total shares of subsidiaries, at end of previous period	**5 000**	**2 500**	**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)

	Other	Total
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

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)

		Machinery and equipment	Total
	Other machinery and equipment		
31.12.2016			
Carried at cost	56 061	56 061	56 061
Accumulated depreciation	-22 457	-22 457	-22 457
Carrying value	33 604	33 604	33 604
Depreciation	-11 777	-11 777	-11 777
31.12.2017			
Carried at cost	56 061	56 061	56 061
Accumulated depreciation	-34 234	-34 234	-34 234
Carrying value	21 827	21 827	21 827

Note 10 Intangible assets

(In Euros)

			Total
	Development expenditures	Concessions, patents, licences, trademarks	
31.12.2016			
Carried at cost	1 060 033	24 152	1 084 185
Accumulated depreciation	-674 699	-8 956	-683 655
Carrying value	385 334	15 196	400 530
Depreciation	-220 402	-7 945	-228 347
Other changes	0	1	1
31.12.2017			
Carried at cost	1 060 033	24 152	1 084 185
Accumulated depreciation	-895 101	-16 900	-912 001
Carrying value	164 932	7 252	172 184

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

Note 11 Operating lease

(In Euros)

Accounting entity as lessee

	2017	2016
Operating lease expenses	-112 081	-107 170
Future lease expense under non-cancellable lease contracts		
	31.12.2017	**31.12.2016**
Within 12 months	-104 136	-107 170
1 - 5 years	-312 408	-321 510

Operating lease expenses comprises office rental expenses and utilities expenses.

Note 12 Loan commitments

(In Euros)

	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				
Loan commitments total	**1 826 648**	**585 619**	**1 241 029**				

	31.12.2016	Allocation by remaining maturity			Interest rate	Base currencies	Due date
		Within 12 months	1 - 5 years	Over 5 years			
Loan commitments total	**0**	**0**	**0**	**0**			

In the reporting period, the Group issued debt securities of 2,000,000 euros. At the end of the reporting period, receivables acquired with funds raised totaled 1.2 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 173 352 euros (write-down of financial investments) for receivables acquired with funds raised.

Note 13 Payables and prepayments

(In Euros)

	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**			

	31.12.2016	Allocation by remaining maturity			Note
		Within 12 months	1 - 5 years	Over 5 years	
Trade payables	499 325	499 325	0	0	
Employee payables	118 789	118 789			
Tax payables	134 948	134 948	0	0	6
Other payables	160 301	160 301	0	0	
Other accrued expenses	160 301	160 301	0	0	
Total payables and prepayments	**913 363**	**913 363**			

Note 14 Provisions

(In Euros)

	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		40 001
	31.12.2015	**Establishing/ Adjustments**	**Provision used**	**Interest calculation**	**31.12.2016**
Total provisions	**0**	**0**	**0**	**0**	**0**
Non-current	**0**	**0**	**0**	**0**	**0**
Other provisions	0	0	0	0	0

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

Note 15 Share capital

(In Euros)

	31.12.2017	31.12.2016
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.

In 2017, the company sold 137 of own shares (at the par value of 0.10 euros per share). As a result of the transactions, share premium increased by 3 234 euros.

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.

Options outstanding as at
31.12.2016: 8 851
Granted options during the year: 5 538
Exercised options during the year: 0
Options outstanding as at 31.12.2017: 14 389

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)

	2017	2016
Net sales by geographical location		
Net sales in European Union		
Estonia	3 995 074	2 306 533
Finland	1 558 773	1 089 292
Spain	1 174 322	711 016
Slovakia	31 780	27 286
Other European Union net sales	80 551	42 776
Total net sales in European Union	**6 840 500**	**4 176 903**
Total net sales	**6 840 500**	**4 176 903**
Net sales by operating activities		
Management Fee	2 410 346	1 479 157
Origination Fee	2 018 615	1 656 485
Debt management Fees	1 232 873	478 627
BSecure fees	1 100 085	519 858
Court Fees Claimed	77 960	42 776
Other	621	0
Total net sales	**6 840 500**	**4 176 903**

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

Note 17 Other operating income

(In Euros)

	2017	2016
Profit from exchange rate differences	15	259
Other	27 886	1 197
Total other operating income	**27 901**	**1 456**

Note 18 Services and materials purchased for sales

(In Euros)

	2017	2016
IT Management	-773 037	-609 920
Debt Management	-887 285	-203 058
Customer administration	0	-82 045
Outsourced services	-276 502	-141 455
Other	-24 342	0
Total goods, raw materials and services	**-1 961 166**	**-1 036 478**

Note 19 Miscellaneous operating expenses

(In Euros)

	2017	2016	Note
Leases	-112 081	-107 170	11
Miscellaneous office expenses	-27 266	-40 924	
Travel expense	-21 101	-28 769	
Training expense	-10 260	-6 383	
Allowance for doubtful receivables	-1 278 596	-687 837	
Marketing and Advertising	-794 394	-956 362	
Outsourced Services	-111 442	-345 746	
Bank Account And Payment Processing Fees	-168 420	-17 181	
Postal Services	-10 826	-21 017	
Transportation	-16 430	-13 477	
Other	-20 286	-1 996	
Total miscellaneous operating expenses	**-2 571 102**	**-2 226 862**	

Note 20 Personnel expense

(In Euros)

	2017	2016
Wage and salary expense	-1 285 215	-1 394 740
Social security taxes	-429 379	-467 615
Other benefits for employees and tax expense	-120 611	-117 135
Total labor expense	**-1 835 205**	**-1 979 490**
Average number of employees in full time equivalent units	38	40
Average number of employees by types of employment:		
Person employed under employment contract	32	34
Person providing service under law of obligations, except for self-employed person	4	4
Member of management or controlling body of legal person	2	2

Note 21 Related parties

(In Euros)

Related party balances according to groups

Purchases and sales

	2017		2016	
	Purchases	**Sales**	**Purchases**	**Sales**
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	0	0	69 361	0

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2017	**2016**
Remuneration	143 232	129 665

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

1. Tomberg Management & Consulting OÜ (owner with significant holdings)
2. Board members

Note 22 Non-consolidated Statement of financial position of the Parent Company

(In Euros)

	31.12.2017	31.12.2016
Assets		
Current assets		
Cash and cash equivalents	454 736	916 637
Trade and other receivables	1 173 215	654 644
Inventories	11 572	0
Total current assets	**1 639 523**	**1 571 281**
Non-current assets		
Investments in subsidiaries and associates	5 000	5 000
Financial investments	29 489	28 858
Property, plant and equipment	21 827	33 604
Intangible assets	161 404	383 583
Total non-current assets	**217 720**	**451 045**
Total assets	**1 857 243**	**2 022 326**
Liabilities and equity		
Liabilities		
Current liabilities		
Payables and prepayments	640 137	927 513
Total current liabilities	**640 137**	**927 513**
Non-current liabilities		
Provisions	40 001	0
Total non-current liabilities	**40 001**	**0**
Total liabilities	**680 138**	**927 513**
Equity		
Issued capital	50 001	50 001
Share premium	4 463 738	4 461 504
Treasury shares	-2 090	-2 103
Retained earnings (loss)	-3 414 589	-1 862 287
Annual period profit (loss)	80 045	-1 552 302
Total equity	**1 177 105**	**1 094 813**
Total liabilities and equity	**1 857 243**	**2 022 326**

Note 23 Non-consolidated income statement of the Parent Company

(In Euros)

	2017	2016
Revenue	5 529 046	3 713 332
Other income	352 964	1 457
Raw materials and consumables used	-2 231 584	-1 868 607
Other operating expense	-1 909 087	-1 445 804
Employee expense	-1 305 704	-1 581 108
Depreciation and impairment loss (reversal)	-233 956	-371 567
Other expense	-86 806	-2 472
Total operating profit (loss)	**114 873**	**-1 554 769**
Gain (loss) from financial investments	-41 719	0
Interest income	7 272	3 257
Interest expenses	-382	-790
Other financial income and expense	1	0
Profit (loss) before tax	**80 045**	**-1 552 302**
Annual period profit (loss)	**80 045**	**-1 552 302**

Note 24 Non-consolidated statement of cash flows of the Parent Company

(In Euros)

	2017	2016
Cash flows from operating activities		
Operating profit (loss)	114 873	-1 554 769
Adjustments		
Depreciation and impairment loss (reversal)	233 956	371 567
Other adjustments	33	0
Total adjustments	**233 989**	**371 567**
Changes in trade and other receivables related to operating activities	-518 571	-383 633
Changes in inventories	-11 572	0
Changes in payables and prepayments related to operating activities	-247 375	456 191
Total cash flows from operating activities	**-428 656**	**-1 110 644**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	0	-199 314
Other cash payments to acquire other financial investments	-42 394	-34 720
Interest received	7 272	3 257
Total cash flows from investing activities	**-35 122**	**-230 777**
Cash flows from financing activities		
Interest paid	-370	-790
Proceeds from issuing shares	0	10 180
Proceeds from sales of treasury shares	2 247	0
Other cash inflows from financing activities	0	2 230
Other cash outflows from financing activities	0	-431
Total cash flows from financing activities	**1 877**	**11 189**
Total cash flows	**-461 901**	**-1 330 232**
Cash and cash equivalents at beginning of period	916 637	2 246 869
Change in cash and cash equivalents	**-461 901**	**-1 330 232**
Cash and cash equivalents at end of period	454 736	916 637

Note 25 Non-consolidated statement of changes in equity of the Parent Company

(In Euros)

	Issued capital	Share premium	Treasure shares	Retained earnings (loss)	Total
31.12.2015	39 821	4 459 293	-1 691	-1 862 287	2 635 136
Annual period profit (loss)	0	0	0	-1 552 302	-1 552 302
Issue of equity	10 180	2 211	0	0	12 391
Other changes in equity	0	0	-412	0	-412
31.12.2016	50 001	4 461 504	-2 103	-3 414 589	1 094 813
Governing and material influence ownership interest value of financial position					-5 000
Restated non-consolidated equity 31.12.2016					**1 089 813**
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					-5 000
Restated non-consolidated equity 31.12.2017					**1 172 105**

Note 26 New and amended IFRS and new interpretations

Standards, interpretations and amendments to published standards that are not yet effective. The following new standards, interpretations and amendments were not yet effective for the annual reporting period ended 31 December 2017 and have therefore not been applied in preparing these financial statements. The Group plans to adopt these pronouncements when they become effective.

IFRS 9 Financial Instruments (2014)

(Effective for annual periods beginning on or after 1 January 2018; to be applied retrospectively with some exemptions. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Early application is permitted.)

This standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

• the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and,

• its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

The impairment model in IFRS 9 replaces the ‘incurred loss’ model in IAS 39 with an ‘expected credit loss’ model, which means that a loss event will no longer need to occur before an impairment allowance is recognized.

It is also possible that a number of equity instruments currently classified as available for sale will be measured at FVTPL under IFRS 9, but this determination will depend on an election to be made by the Group at the date of initial application. The Group has not yet decided how it will classify these instruments.

Although it has not carried out detailed analysis of the impact of the standard, the Group does not expect IFRS 9 (2014) to have a material impact on its financial statements. The classification and measurement of the Group’s financial instruments are not expected to change under IFRS 9 because of the nature of the Group’s operations and the types of financial instruments that it holds. The Group believes that impairment losses are not likely to increase significantly.

IFRS 15 Revenue from Contracts with Customers

(Effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.)

The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognize revenue, and at what amount. The new model specifies that revenue should be recognized when (or as) an entity transfers control of goods or services to a customer at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognized:

• over time, in a manner that depicts the entity’s performance; or

• at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity shall apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

Although the Group has not yet fully completed its initial assessment of the potential impact of IFRS 15 on its financial statements, management does not expect that the new standard, when initially applied, will have a material impact on the Group's financial statements. The timing and measurement of the Group's revenues are not expected to change under IFRS 15 because of the nature of the Group's operations and the types of revenues it earns.

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 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.

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

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

• 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 leases office equipment and hardware under several operating leases where the underlying asset has a low value.

The Group has not yet analyzed the qualitative impact of the new standard.

Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions

(Effective for annual periods beginning on or after 1 January 2018; to be applied prospectively. Early application is permitted.)

The amendments clarify share-based payment accounting on the following areas:

• the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments;

• share-based payment transactions with a net settlement feature for withholding tax obligations; and

• a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of its financial statements because the probability of the realization of share-based payment transactions is low.

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 its financial statements as the Group has no associates or joint ventures.

IFRIC 22 Foreign Currency Transactions and Advance Consideration

(Effective for annual periods beginning on or after 1 January 2018).

The interpretation clarifies how to determine the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration in a foreign currency. In such circumstances, the date of the transaction is the date on which an entity initially recognizes the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The Group does not expect that the interpretation, when initially applied, will have a material impact on its financial statements as the Group uses the exchange rate on the transaction date for the initial recognition of the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

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 its financial statements as the Group does not operate in a complex multinational tax environment.

Annual Improvements to IFRSs 2014-2016 cycle

(Effective for annual periods beginning on or after 1 January 2018 except for the changes to IFRS 12 that shall be applied for annual periods beginning on or after 1 January 2017).

The Improvements to IFRSs (2014-2016) contains 3 amendments to standards. The main changes were to:

• delete short-term exemptions for first-time adopters (IFRS 1 First-time Adoption of International Financial Reporting Standards) relating, inter alia, to transition provisions of IFRS 7 Financial Instruments - Disclosures regarding comparative disclosures and transfers of financial assets, and of IAS 19 Employee Benefits; the exemptions were deleted due to the fact that these reliefs had been available to entities only for reporting periods that had passed;

• clarify that requirements of IFRS 12 Disclosure of Interest in Other Entities (with an exception of disclosure of summarized financial information in accordance with paragraphs B10-B16 of that standard) apply to entities that have an interest in subsidiaries, or joint arrangements, or associates, or unconsolidated structured entities, which are classified as held for sale or discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations; and

• clarify that election of an exemption from applying the equity method per IAS 28 Investments in Associates and Joint Ventures shall be made separately for each associate or joint venture at initial recognition of the associate or joint venture.

None of these changes are expected to have a material impact on the financial statements of the Group because the Group does not have an interest in subsidiaries, joint arrangements, associates or unconsolidated structured entities, which are classified as held for sale or discontinued operations and the Group does not use an exemption from the equity method accounting for its interest in associates and joint ventures.

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:

• 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;

• 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;

• 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

• clarify that in computing the capitalization 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 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 27 Risk Management

Introduction

Risks which may have a significant impact on the Group's operation are assessed by the parent company's management board and daily risk management is the responsibility of the chief financial officer. To analyze 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:

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

Bank	Rating	31.12.2017	31.12.2016
SEB Bank AS	Without rating	1 733 098	1 089 645
	TOTAL:	1 733 098	1 089 645
SEB Bank AS			
off-balance sheet accounts	Without rating	4 457 652	3 637 726

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 behavior (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 authorized to analyze the customers' creditworthiness and settlement behavior 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 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 1,278,596 euros (2016: 687,837 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.

Further information on receivables and their breakdown by maturity and geography is provided in notes 4 and 5. Further information on cash and cash equivalents and items accounted for on and off the statement of financial position is provided in 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 with 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.

Further information on financial assets and liabilities is provided in notes 4, 5, 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 organizational 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 realization 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 2017, 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 interest-bearing liabilities (debt securities and operating leases). Based on the terms and conditions of the debt security, the investor bears interest rate risk.

Interest-bearing receivables have fixed interest rates, which are not exposed to interest rate risk.

Further information on debt securities issued and operating leases is provided in notes 11 and 12.

Further information on interest-bearing receivables (financial investments – loan receivables acquired) is provided in notes 3 and 8.

Accordingly, the Group 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 2016 the carrying amounts of its financial assets (Notes 2, 3 and 7) and liabilities (Notes 11, 12) measured in the consolidated statement of financial position at amortized cost did not differ significantly from their fair values.

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

Signatures

Management Board of Bondora AS (register code: 11483929) has approved the Consolidated Annual Report of the financial year 01.01.2017 - 31.12.2017:

/digitally signed /	*/digitally signed /*
Pärtel Tomberg Board Member	Martha Skirta Board Member
June 28, 2018	June 28, 2018