CONSOLIDATED ANNUAL REPORT

beginning of financial year:	02.09.2019
end of the financial year:	31.12.2020
business name:	Bondora Group AS
register code:	14794392
street, building, apartment, farm:	A. H. Tammsaare tee 47
city:	Tallinn
county:	Harju maakond
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Management report

Bondora helps people make better decisions so that they can build a brighter financial future. We are all about people saving time, enjoying life and having more choices. Bondora has revolutionized investing online and made getting a loan simpler than it's ever been. With already more than 200,000 customers, we're gearing up for growth in Europe and beyond.

Results for the year 2020[1]

Despite an unprecedented situation in the global financial markets, Bondora earned a solid profit in 2020.

Key highlights of 2020

- Revenue increased by 5% to €21.4m.
- Net profit stood at €3.4m and net margin was 16%.
- Loan originations totalled €68.4m.
- Recoveries increased by 50% to €7.9m.
- 44,738 new investors joined Bondora.

Key metrics	**2020**	**2019**	**Change**
Revenue, EUR	21,379,772	20,275,601	5%
EBITDA, EUR	3,945,362	2,577,792	53%
Net profit, EUR	3,427,040	2,396,659	43%
Return on equity	47%	62%	-24%
Return on assets	33%	28%	19%
Average number of employees	77	65	18%

EBITDA – earnings before interest, tax depreciation and amortisation
Return on equity (ROE) = net profit or loss for the period / total equity
Return on assets (ROA) = net profit or loss for the period / total assets

Despite the uncertainty in the market, our loan originations in Estonia remained steady throughout the year, totalling nearly €50m in 2020. At the beginning of the pandemic, we temporarily decided to stop issuing loans in Finland and Spain. Despite demand continuing to increase, Bondora chose to step back and assess the situation. As our risk models are updated continuously, Bondora was able to build any changes in payment behavior into credit risk decisions. In-depth assessment of the loan portfolio performance was essential for long-term sustainability.

At the same time, Bondora was able to cut back significantly on operating expenses to maintain profitability. Specifically, we reduced marketing costs substantially in 2020.

After assessing the data and with high confidence in our understanding of the market situation, Bondora restarted issuing loans in Finland toward the latter end of 2020. Originations in Spain are expected to resume in 2021, together with expanding into a new European market.

Along with sustainable loan origination figures, 2020 was a record year for Bondora in debt recoveries. We recovered close to €8m throughout the year, which is approximately 50% more than in 2019.

[1] Bondora Group AS group was established on 2 September 2019 and this is the group's first annual report. For better assessment of the results, the management report outlines the group's figures for two periods:

1) The year 2020 which is compared against the year 2019, which comprises the consolidated results of all the current subsidiaries of Bondora Group AS for the period 1 January to 1 September 2019 and the consolidated results of Bondora Group AS for the period 2 September to 31 December 2019.
2) The group's first full financial year 2019-2020, which covers the period from 2 September 2019 to 31 December 2020 and does not have a comparative period.

Restructuring and the establishment of Bondora Group AS

Bondora AS was restructured on 2 September 2019. In the course of the restructuring, Bondora Group AS and Bondora Solutions OÜ were demerged from OÜ Bondora AS by way of a spin-off. Bondora AS's subsidiary Bondora Capital OÜ and indirect subsidiary BC Structured Finance OÜ became the subsidiaries of Bondora Group AS during the restructuring. Bondora AS and Bondora Solutions OÜ also became the subsidiaries of Bondora Group AS at the end of the year.

Bondora Group AS structure at 31 December 2020

Company		Business line
Bondora Group AS	Parent	Management, administrative services
Bondora AS	Subsidiary	Originating loans, providing support services to customers, debt management
Bondora Solutions OÜ	Subsidiary	Providing marketing and IT services to group companies
Bondora Capital OÜ	Subsidiary	Raising capital, acquiring loan receivables, providing support services to investors
BC Structured Finance OÜ	Subsidiary	Servicing bonds

Results for the period 2019-2020[2]

The group's main revenue sources are the purchase and sale of receivables and loan administration fees.

In the period 2019-2020, the group generated revenue of €29.71m. Sales in foreign markets accounted for 42% of total revenue.

Loans originated during the period totalled €138.53m. Loans were originated in Estonia, Finland and Spain.

The group's subsidiary Bondora AS holds a creditor's licence issued by the Estonian Financial Supervision and Resolution Authority.

The group ended the financial year with a net profit of €5.00m.

The period's investments in property, plant and equipment and intangible assets totalled €0.57m.

In connection with the restructuring, Bondora Group AS became the holder of the group's non-current assets. During the period, all non-current assets previously acquired by the subsidiaries were transferred to the parent's balance sheet.

The period's average number of employees, converted to the full-time equivalent, was 77.

Key metrics	2019-2020	2019
Revenue, EUR	29,713,092	-
Net profit, EUR	5,007,303	-
Equity, EUR	7,277,000	-
Return on equity (ROE)	69%	-
Return on assets (ROA)	48%	-

Return on equity (ROE) = net profit or loss for the period / total equity

Return on assets (ROA) = net profit or loss for the period / total assets

[2] Bondora Group AS group was established on 2 September 2019 and this is the group's first annual report. For better assessment of the results, the management report outlines the group's figures for two periods:

1) The year 2020 which is compared against the year 2019, which comprises the consolidated results of all the current subsidiaries of Bondora Group AS for the period 1 January to 1 September 2019 and the consolidated results of Bondora Group AS for the period 2 September to 31 December 2019.
2) The group's first full financial year 2019-2020, which covers the period from 2 September 2019 to 31 December 2020 and does not have a comparative period.

The annual accounts

Consolidated statement of financial position

(In Euros)

	31.12.2020	02.09.2019	Note
Assets			
Current assets			
Cash and cash equivalents	4 836 132	0	2
Financial investments	541 605	0	3
Receivables and prepayments	3 997 143	0	4,5
Inventories	7 565	0	
Total current assets	**9 382 445**	**0**	
Non-current assets			
Investments in subsidiaries and associates	0	2 500	7
Property, plant and equipment	657 462	0	8
Intangible assets	410 348	0	9
Total non-current assets	**1 067 810**	**2 500**	
Total assets	**10 450 255**	**2 500**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	258 686	0	10
Payables and prepayments	1 966 935	0	11
Total current liabilities	**2 225 621**	**0**	
Non-current liabilities			
Loan liablities	392 748	0	10
Provisions	554 886	0	12
Total non-current liabilities	**947 634**	**0**	
Total liabilities	**3 173 255**	**0**	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	25 001	25 001	13
Unregistred equity	25 000	0	13
Share premium	4 472 129	0	
Retained earnings (loss)	-2 252 433	-22 501	
Annual period profit (loss)	5 007 303	0	
Total equity held by shareholders and partners in parent company	**7 277 000**	**2 500**	
Total equity	**7 277 000**	**2 500**	
Total liabilities and equity	**10 450 255**	**2 500**	

Consolidated income statement
(In Euros)

	02.09.2019 - 31.12.2020	Note
Revenue	29 713 092	14
Other income	94 438	15
Raw materials and consumables used	-5 434 537	16
Other operating expense	-13 266 664	17
Employee expense	-5 500 895	18
Depreciation and impairment loss (reversal)	-348 204	8,9
Other expense	-15 016	
Operating profit (loss)	**5 242 214**	
Interest income	84 540	20
Interest expenses	-91 823	19
Other financial income and expense	-227 628	21
Profit (loss) before tax	**5 007 303**	
Annual period profit (loss)	**5 007 303**	
Profit (loss) from shareholders and partners in parent company	5 007 303	

Consolidated statement of cash flows

(In Euros)

	02.09.2019 - 31.12.2020	Note
Cash flows from operating activities		
Operating profit (loss)	5 242 214	
Adjustments		
Depreciation and impairment loss (reversal)	-348 204	8,9
Other adjustments	1 580 263	
Total adjustments	**1 232 059**	
Changes in receivables and prepayments related to operating activities	-3 997 144	4
Changes in inventories	-7 565	
Changes in payables and prepayments related to operating activities	3 110 337	11
Interest received	2 205	20
Other cash flows from operating activities	13 503	
Total cash flows from operating activities	**5 595 609**	
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-743 595	8,9
Other cash inflows from investing activities	386 393	3
Total cash flows from investing activities	**-357 202**	
Cash flows from financing activities		
Repayments of loans received	-402 275	10
Total cash flows from financing activities	**-402 275**	
Total cash flows	**4 836 132**	
Change in cash and cash equivalents	**4 836 132**	
Cash and cash equivalents at end of period	4 836 132	2

Consolidated statement of changes in equity

(In Euros)

	Equity held by shareholders and partners in parent company				Total
	Issued capital	Unregistered equity	Share premium	Retained earnings (loss)	
02.09.2019	25 001	0	0	-22 501	2 500
02.09.2019	25 001	0	0	-22 501	2 500
Annual period profit (loss)	0	0	0	5 007 303	5 007 303
Other changes in equity	0	25 000	4 472 129	-2 229 932	2 267 197
31.12.2020	25 001	25 000	4 472 129	2 754 870	7 277 000

Additional information about share capital can be found in Note 13.

Notes

Note 1 Accounting policies

General information

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

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

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

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

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

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

The consolidated financial statements for 2019-2020 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.

The financial statements have been prepared for the period 02.09.2019-31.12.2020.

Although the Bondora Group AS as Group with all subsidiaries was legally formed only at the end of 2020, for the sake of clarity, all subsidiaries are consolidated throughout the reporting period (02.09.2019-31.12.2020).

The annual report for 2019-2020 has been prepared using the opportunity of the Enterprise Portal of Registers and Information Systems to submit the Annual Report in accordance with the International Financial Reporting Standards (IFRS) using the annual report form in the Company Portal. The Estonian Financial Reporting Standard (EFS) forms are used as the reporting basis, which largely comply with the requirements of the IFRS forms.

A small difference, the name of the main report form can be pointed out: Balance Sheet (Estonian Financial Reporting Standard (EFS)) - Statement of Financial Position (IFRS).

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

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

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

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 Group AS and its subsidiaries Bondora AS, Bondora Solutions OÜ, Bondora Capital OÜ, BC Structured Finance 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.

Although the Bondora Group AS as Group with all subsidiaries was legally formed only at the end of 2020, for the sake of clarity, all subsidiaries are consolidated throughout the reporting period (02.09.2019-31.12.2020).

Financial assets

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

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

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

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

Accounting principles of financial assets and liabilities

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

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

Classification of financial assets

Group classifies its financial assets into three measuring categories:

1. at fair value through profit;
2. at fair value through other comprehensive income;
3. at amortized cost. Classification depends on whether the asset is a debt instrument, an equity instrument or a derivative financial instrument.

Debt instrument

Debt instrument is an instrument, that from the perspective of the issuer, is a financial liability. Classification and further representation depends on:

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

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

Debt instruments are categorized as follows:

1. Financial assets held for the purposes of collecting contractual cash flow with cash flow consisting only of the principal part and the interest calculated based on outstanding principal part, not classified at fair value through profit, represented at restated cost.

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

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

Group's business model with loans is collecting contractual cash flows. Loans are sold only when a significant credit risk arises. Therefore, business model for this asset portfolio is holding assets for collecting contractual cash flow. Restated cost and effective interest rate Restated cost is a financial asset's or liability's historical cost, minus the repayments of the principal part, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount and that has been restated with a discount deriving from the loss of value of the financial asset.

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

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

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

Equity instrument

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

Measurement of financial assets

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

Expected credit loss considers:

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

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

Fair values of financial assets and liabilities

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

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

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

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

Cash and cash equivalents

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

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

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

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

Shares of subsidiaries and associates

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

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

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

Plant, property and equipment and intangible assets

Tangible assets

Property, plant and equipment are tangible items which are used in the Group's own economic activities and have a useful life of more than one year. Assets whose useful life exceeds one year but cost is insignificant are recognised as an expense. On initial recognition, an item of property, plant and equipment is measured at cost, which consists of the purchase price (including customs duties and other non-recoverable taxes) and any other costs directly attributable to bringing the asset the location and condition necessary. When an item of property, plant and equipment consists of significant parts that have different useful lives, the parts are accounted for separately.

The costs of subsequent improvements to items of property, plant and equipment are added to the carrying amount of the underlying asset or recognised as separate parts of the improved item if they meet the definition of property, plant and equipment and the recognition criteria (including it being probable that the costs will participate in the generation of future economic benefits). The original cost of the replaced item or a part of it and the related depreciation charge is derecognised. Current maintenance and repair costs are recognised as an expense as incurred. In the statement of financial position an item of property, plant and equipment is carried at cost less any accumulated depreciation and any impairment losses. At the reporting date, the management of Bondora Group AS assesses whether there is any indication that an asset may be impaired. If the recoverable amount of an item of property, plant and equipment (the higher of the asset's net selling price and value in use) is lower than its carrying amount, the asset is written down to its recoverable amount.

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

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

Intangible Assets

Intangible assets are identifiable non-monetary assets without physical substance. Intangible non-current assets are intangible assets which the Group expects to use for more than one year. An intangible asset is recognised in the statement of financial position only if the asset is controlled by the Group, it is probable that the expected future economic benefits which are attributable to the asset will flow to the Group and the cost of the asset can be measured reliably. An intangible asset is measured initially at its cost, which comprises the purchase price and any other directly attributable acquisition costs. Development expenditure is the expenditure incurred in the application of research findings to the development, design or testing of specific new products, services, processes or systems. Development expenditure is capitalized and recognised as an intangible asset if all of the following criteria are met:

1. completion of the asset is technically and financially feasible,
2. the Group intends to complete the asset,

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

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

When tests indicate that the recoverable amount of an asset is lower than its carrying amount, the asset is written down to its recoverable amount. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of the smallest group of assets to which the asset belongs (the cash-generating unit) is determined. Write-downs (impairment losses) are recognised as an expense in the period in which they are made. When the test of the recoverable amount of an asset written down in a prior period indicates that the asset's recoverable amount has increased above its carrying amount, the previously recognised impairment loss is reversed and the carrying amount of the asset is increased. The increased carrying amount may not exceed the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognised.

Minimal acquisition cost 1000

Useful life by assets group (years)

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

Leases

To recognize leases Group applies IFRS standard 16 "Leases".

The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. The standard 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 standard allows a lessee to recognize a right-of-use asset and a lease liability.

Tenants must

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

The lease liability is measured at the present value of the remaining lease payments and discounted at the alternative borrowing rate 2%.

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

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

Financial liabilities

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

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

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

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

Revenue recognition

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

Revenue includes sales revenue from contracts with customers. Revenue is recognized when the service to customers is provided and in an amount that reflects the consideration that the Group expects to receive from providing that service.

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

1. identify contracts with customers
2. identify the separate performance obligation
3. determine the transaction price of the contract
4. allocate the transaction price to each of the separate performance obligations
5. recognize the revenue as each performance obligation is satisfied.

Most of revenue resulted from two services:

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

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

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

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

To calculate the interest income an effective interest rate is applied to the gross carrying amount of the financial asset or liability, excluding assets of which the value has been fallen at the time of the purchase of issue or whose value has been fallen after the issue of the instrument. Income from dividends is recognized when the Group has legal right to claim dividends.

Taxation

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

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

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

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

Related parties

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

1. owners of the Group;
2. members of the Management Board and Supervisory Board;
3. close family members of and companies under the control or significant influence by persons listed above.

Further information on purchase and sales and balances with related parties can be found in Note 22.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2020	02.09.2019
Bank accounts	4 836 132	0
Total cash and cash equivalents	**4 836 132**	**0**

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

Debt recovery account

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 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 does not become the property of Bondora but the user retains all the necessary rights for reclaiming the cash in full should Bondora run into financial difficulty.

Customer account / Portal administrator's current account

Date	Account balance (EUR)
31.12.2019	0
31.12.2020	51 701 305

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 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 does not become the property of Bondora but the user retains all the necessary rights for reclaiming the cash in full should Bondora run into financial difficulty.

Note 3 Current financial investments
(In Euros)

		Total
	Other	
02.09.2019	0	0
02.09.2019	**0**	**0**
Acquisition	2 357	2 357
Other	539 248	539 248
31.12.2020	**541 605**	**541 605**

Financial investments comprise loan claims.
In 2017 a subsidiary BC Structured Finance OÜ issued debt securities totaled 2 000 000 euros.

Funds raised from debt securities have been used to purchase loans from bondora.com platform in accordance of the terms and conditions of the contract.

In relation to the arrival of the deadline of the contract in September 2021, all loan notes purchased under the contract, are recognized as short time financial investments.

Further information on funds raised that are used to invest in loans issued by Bondora provided in Note 10.
Information on interest income can be found in Note 20.

As of 31.12.2020, the accumulated impairment of the financial investments totaled 389 340 euros.

Debt securities and financial investments moved to the statements of the financial positions in relation the restructuring of Bondora group together with subsidiaries Bondora Capital OÜ and BC Structured Finance OÜ.

Note 4 Receivables and prepayments
(In Euros)

	31.12.2020	Within 12 months
Accounts receivable	3 714 015	3 714 015
Accounts receivables	7 497 887	7 497 887
Allowance for doubtful receivables	-3 783 872	-3 783 872
Prepayments	104 165	104 165
Deferred expenses	85 899	85 899
Other paid prepayments	18 266	18 266
Paid deposits	13 746	13 746
Other receivables	165 217	165 217
Total receivables and prepayments	**3 997 143**	**3 997 143**
	02.09.2019	**Within 12 months**
Accounts receivable	0	0
Other receivables	0	0
Prepayments	0	0

Further information on accounts receivables can be found in Note 5.

Note 5 Accounts receivable

(In Euros)

	31.12.2020	02.09.2019
Accounts receivables	**7 497 886**	**0**
Estonia	2 895 376	0
Spain	1 739 581	0
Finland	2 801 816	0
Other countries	61 113	0
Total accounts receivable	**7 497 886**	**0**

Maturity breakdown of gross claims:

Estonia

Time	31.12.2020	02.09.2019
up to 30 days	1 535 052	0
31-365 days	1 360 324	0

Spain

Time	31.12.2020	02.09.2019
up to 30 days	511 400	0
31-365 days	1 228 181	0

Finland

Time	31.12.2020	02.09.2019
up to 30 days	1 556 946	0
31-365 days	1 244 870	0

Other countries

Time	31.12.2020	02.09.2019
up to 30 days	13 261	0
31-365 days	47 853	0

Further information on Receivables and prepayments can be found in Note 4.
Additional information about discount policy can be found in Accounting Policies.

Note 6 Tax prepayments and liabilities

(In Euros)

	31.12.2020	02.09.2019
	Tax liabilities	Tax liabilities
Value added tax	46 744	0
Personal income tax	48 607	0
Fringe benefit income tax	1 643	0
Social tax	85 543	0
Contributions to mandatory funded pension	4 868	0
Unemployment insurance tax	5 583	0
Total tax prepayments and liabilities	**192 988**	

Further information on payables and prepayments can be found in Note 11.

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 (%)	
				02.09.2019	31.12.2020
11483929	Bondora AS	Estonia	Issuance of credit, debt management	0	100
14794373	Bondora Solutions AS	Estonia	Supporting activities of group	0	100
12831506	Bondora Capital OÜ	Estonia	Supporting activities of group	100	100
14321661	BC Structured Finance OÜ	Estonia	Supporting activities of group	100	100

Shares of subsidiaries, detaild information			
Name of subsidiary	02.09.2019	Other changes	31.12.2020
Bondora AS	0	50 001	50 001
Bondora Solutions AS	0	2 510	2 510
Bondora Capital OÜ	100	2 500	2 600
BC Structured Finance OÜ	100	2 500	2 600
Total shares of subsidiaries, at end of previous period	**200**	**57 511**	**57 711**

Bondora Group AS is a indirect shareholder of 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 Property, plant and equipment

(In Euros)

					Total
			Machinery and equipment	Other property, plant and equipment	
	Computers and computer systems	Other machinery and equipment			
02.09.2019					
Carried at cost	0	0	0	0	0
Accumulated depreciation	0	0	0	0	0
Residual cost	0	0	0	0	0
Acquisitions and additions	54 259	4 983	59 242	708 600	767 842
Depreciation	-10 938	-2 208	-13 146	-179 097	-192 243
Other changes	4 190	1 376	5 566	76 297	81 863
31.12.2020					
Carried at cost	54 259	4 983	59 242	708 600	767 842
Accumulated depreciation	-6 748	-832	-7 580	-102 800	-110 380
Residual cost	47 511	4 151	51 662	605 800	657 462

In connection with the restructuring, Bondora Group AS as a parent of the group became the holder of the group's fixed assets.

During the reporting period all previously acquired fixed assets that were accounted under subsidiaries moved to the statement of the financial positions of parent company.

Note 9 Intangible assets

(In Euros)

				Total
	Development expenditures	**Concessions, patents, licences, trademarks**	**Other intangible assets**	
02.09.2019				
Carried at cost	0	0	0	0
Accumulated depreciation	0	0	0	0
Residual cost	0	0	0	0
Acquisitions and additions	450 018	4 845	27 490	482 353
Depreciation	-145 930	-1 361	-8 670	-155 961
Other changes	79 293	712	3 951	83 956
31.12.2020				
Carried at cost	450 018	4 844	27 490	482 352
Accumulated depreciation	-66 637	-648	-4 719	-72 004
Residual cost	383 381	4 196	22 771	410 348

Development expenditures include development works of the internet platform Bondora.com.

During the reporting period all previously acquired fixed assets that were accounted under subsidiaries moved to the statement of the financial positions of parent company.

Note 10 Loan commitments

(In Euros)

	31.12.2020	**Allocation by remaining maturity**			**Interest rate**	**Base currency**	**Due date**
		Within 12 months	**1 - 5 years**	**Over 5 years**			
Non-current loans							
Right of Use Assets	588 517	195 769	392 748	0		EUR	2023
Non-current loans total	588 517	195 769	392 748	0			
Non-current bonds							
Legal Entities	62 917	62 917	0	0	floating	EUR	2021
Non-current bonds total	62 917	62 917	0	0			
Loan commitments total	**651 434**	**258 686**	**392 748**	**0**			

	02.09.2019	**Allocation by remaining maturity**			**Interest rate**	**Base currency**	**Due date**
		Within 12 months	**1 - 5 years**	**Over 5 years**			
Loan commitments total	**0**	**0**	**0**	**0**			

In 2017 a subsidiary BC Structured Finance OÜ issued debt securities totaled 2 000 000 euros.

Funds raised from debt securities have been used to purchase loans from bondora.com platform in accordance of the terms and conditions of the contract.

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 -25 818 euros (2019: 59 876 euros) (impairment of financial investments) for receivables acquired with funds raised.

In relation to the arrival of the deadline of the contract in September 2021, all loan notes purchased under the contract, are recognized as short time financial investments.

Further information on purchased financial investments is provided in Note 3.
Further information on interest expenses can be found in Note 19.

Note 11 Payables and prepayments
(In Euros)

	31.12.2020	Within 12 months
Trade payables	388 105	388 105
Employee payables	278 151	278 151
Tax payables	192 988	192 988
Other payables	612 941	612 941
Interest payables	477 499	477 499
Other accrued expenses	135 442	135 442
Other accrued expenses	494 750	494 750
Total payables and prepayments	**1 966 935**	**1 966 935**
	02.09.2019	**Within 12 months**
Total payables and prepayments	**0**	**0**

Further information on tax payables can be found in Note 6.

Note 12 Provisions
(In Euros)

	02.09.2019	Establishing/ Adjustments	31.12.2020
Total provisions	**0**	**554 886**	**554 886**
Non-current	**0**	**554 886**	**554 886**
Other provisions	0	554 886	554 886

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

Note 13 Share capital

(In Euros)

	31.12.2020	02.09.2019
Share capital	25 001	25 001
Number of shares (pcs)	250 015	250 015
Nominal value of shares	0.10	0.10

Group has shares of three classes: A, B and C shares

As of the end of the financial year there were:

Type of share	Amount (pcs)
A share	341 602
B share	102 303
C share	56 109

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

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

As of the end of the financial year 25 000 euros of share capital was not registered in Commercial Register. At the time of the submission of the report, the entire share capital is registered.

Options

The number of shares which can be subscribed for under the option agreements signed by the company during the reporting period differs by person; generally up to 500 shares can be subscribed for. Each option grants the right to purchase 1 (one) share. The maximum period during which the options can be exercised is 42 months after the grant date. After the end of each year of the life of the option, the holder may subscribe for 1/3 of the shares which have been granted.

Changes in options during the reporting period

Information	Amount (pcs)
Options outstanding as of 02.09.2019	0
Options transferred during restructuring	20 272
Granted options	775
Exercised options	0
Repealed options	-1 683
Options outstanding as of 31.12.2020	19 364

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 20 272 of treasury 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.

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 treasury shares. On the vesting date, the amounts recorded in treasury shares and the relevant reserve in equity are offset. Any difference is recognized in retained earnings.

Note 14 Net sales

(In Euros)

	02.09.2019 - 31.12.2020
Net sales by geographical location	
Net sales in European Union	
Estonia	17 326 754
Finland	7 711 560
Spain	4 555 817
Other European Union net sales	118 961
Total net sales in European Union	**29 713 092**
Total net sales	**29 713 092**
Net sales by operating activities	
Loan Management Fees	11 932 258
Origination Fees	7 021 822
Debt Servicing Fees	6 447 626
Additional Services	3 694 340
Court Fees Claimed	520 685
Other Fees	96 361
Total net sales	**29 713 092**

Court Fees Claimed include legal costs received on the basis of court decisions made in favor of the Group.

Note 15 Other operating income
(In Euros)

	02.09.2019 - 31.12.2020
Other sales	46 564
Court case won	40 001
Other	7 873
Total other operating income	**94 438**

Note 16 Goods, raw materials and services
(In Euros)

	02.09.2019 - 31.12.2020
IT Management	-1 704 896
Debt Management	-2 825 663
Consultancy	-899 072
Other	-4 906
Total goods, raw materials and services	**-5 434 537**

Note 17 Miscellaneous operating expenses
(In Euros)

	02.09.2019 - 31.12.2020
Miscellaneous office expenses	-148 967
Travel expense	-64 867
Training expense	-63 681
Allowance for doubtful receivables	-5 356 958
Advertising and Marketing	-5 760 156
Transportation	-26 006
Pank Service Fees	-1 242 152
Outsourced Services	-448 059
Postal and Communication	-12 007
Other	-143 811
Total miscellaneous operating expenses	**-13 266 664**

Note 18 Labor expense

(In Euros)

	02.09.2019 - 31.12.2020
Wage and salary expense	-3 847 070
Social security taxes	-1 282 829
Other benefits paid to employees, related taxes	-370 996
Total labor expense	**-5 500 895**
Average number of employees in full time equivalent units	77
Average number of employees by types of employment:	
Person employed under employment contract	71
Person providing service under law of obligations, except for self-employed person	3
Member of management or controlling body of legal person	3

Note 19 Interest expenses

(In Euros)

	02.09.2019 - 31.12.2020
Interest expense from bonds	-82 336
Right of Use Assets	-9 487
Total interest expense	**-91 823**

Further information on loan commitments can be found in Note 10.

Note 20 Interest income

(In Euros)

	02.09.2019 - 31.12.2020
Interests on Financial Investments	82 336
Other interest income	2 204
Total Interest income	**84 540**

Further information on financial investments can be found in Note 3.

Note 21 Other financial income and expense

(In Euros)

	02.09.2019 - 31.12.2020
Loss From Re-Evaluation of Financial Assets	-227 628
Total other financial income and expense	**-227 628**

Note 22 Related parties

(In Euros)

Balances with related parties by categories

	31.12.2020	
	Receivables	Liabilities
Subsidiaries	257 035	501 696
Management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence	0	9 750

Purchases and sales of goods and services

	02.09.2019 - 31.12.2020	
	Purchases of goods and services	Sales of goods and services
Subsidiaries	684 359	1 608 647
Management, higher supervisory body and individuals with material ownership interest and the entities under their control or significant influence	110 507	1 000

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	02.09.2019 - 31.12.2020	02.09.2019 - 02.09.2019
Remuneration	247 546	0

At the end of the reporting period company considered to be related parties:

1. Tomberg Management & Consulting OÜ (owner with significant holdings);
2. Members of the Management Board and Supervisory Board and companies under the control of the mentioned persons;
3. Bondora AS (subsidiary);
4. Bondora Solutions OÜ (subsidiary);

5. Bondora Capital OÜ (subsidiary);
6. BC Structured Finance OÜ (indirect ownership).

Purchases from subsidiaries during the reporting period include transfer of the assets related to the restructuring of the Bondora group and redistribution of expenses within the group.

Sales to the subsidiaries include sales of the administrative services and redistribution of expenses within the group

Note 23 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.

There have been no significant events occurred after the reporting date, that would significantly affect the results of the report.

Note 24 Non consolidated statement of financial position

(In Euros)

	31.12.2020	02.09.2019
Assets		
Current assets		
Cash and cash equivalents	32 300	0
Receivables and prepayments	279 597	0
Inventories	7 565	0
Total current assets	**319 462**	**0**
Non-current assets		
Investments in subsidiaries and associates	54 908	2 500
Property, plant and equipment	657 462	0
Intangible assets	410 348	0
Total non-current assets	**1 122 718**	**2 500**
Total assets	**1 442 180**	**2 500**
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liablities	195 769	0
Payables and prepayments	698 520	0
Total current liabilities	**894 289**	**0**
Non-current liabilities		
Loan liablities	392 748	0
Total non-current liabilities	**392 748**	**0**
Total liabilities	**1 287 037**	**0**
Equity		
Issued capital	25 001	25 001
Unregistred equity	25 000	0
Retained earnings (loss)	5 010	-22 501
Annual period profit (loss)	100 132	0
Total equity	**155 143**	**2 500**
Total liabilities and equity	**1 442 180**	**2 500**

Note 25 Non consolidated income statement

(In Euros)

	02.09.2019 - 31.12.2020
Revenue	1 529 602
Other income	27 293
Raw materials and consumables used	-431 889
Other operating expense	-247 860
Employee expense	-588 568
Depreciation and impairment loss (reversal)	-182 384
Other expense	-214
Total operating profit (loss)	**105 980**
Interest income	1
Interest expenses	-5 849
Profit (loss) before tax	**100 132**
Annual period profit (loss)	**100 132**

Note 26 Non consolidated statement of cash flows

(In Euros)

	02.09.2019 - 31.12.2020
Cash flows from operating activities	
Operating profit (loss)	105 980
Adjustments	
Depreciation and impairment loss (reversal)	182 384
Other adjustments	-84 921
Total adjustments	**97 463**
Changes in receivables and prepayments related to operating activities	-279 597
Changes in inventories	-7 565
Changes in payables and prepayments related to operating activities	1 006 141
Interest received	1
Total cash flows from operating activities	**922 423**
Cash flows from investing activities	
Purchase of property, plant and equipment and intangible assets	-890 123
Total cash flows from investing activities	**-890 123**
Total cash flows	**32 300**
Change in cash and cash equivalents	**32 300**
Cash and cash equivalents at end of period	32 300

Note 27 Non consolidated statement of changes in equity

(In Euros)

				Total
	Issued capital	Unregistered equity	Retained earnings (loss)	
02.09.2019	25 001	0	-22 501	2 500
02.09.2019	25 001	0	-22 501	2 500
Governing and material influence ownership interest value of financial position	0	0	-2 500	-2 500
Governing and material influence on the value Of holdings under the e quity method	0	0	0	0
Restated non consolidated equity 02.09.2019	**25 001**	**0**	**-25 001**	**0**
Annual period profit (loss)	0	0	100 132	100 132
Other changes in equity	0	25 000	27 511	52 511
31.12.2020	25 001	25 000	105 142	155 143
Governing and material influence ownership interest value of financial position	0	0	-57 511	-57 511
Governing and material influence on the value Of holdings under the e quity method	0	0	4 907 172	4 907 172
Restated non consolidated equity 31.12.2020	**25 001**	**25 000**	**4 954 803**	**5 004 804**

Note 28 IFRS Standards amendments

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 2020 and have not been applied in preparing these consolidated financial statements. The group plans to adopt these pronouncements when they become effective.

Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform (IBOR) (Phase two)
Effective for annual periods beginning on or after 1 January 2021; to be applied prospectively. Early application is permitted.

The amendments address issues that might affect financial reporting as a result of the interest rate benchmark reform, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate. The amendments provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 relating to:
• changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities; and
• hedge accounting.

Change in basis for determining cash flows:
The amendments will require an group to account for a change in the basis for determining the contractual cash flows of a financial asset or financial liability that is required by interest rate benchmark reform by updating the effective interest rate of the financial asset or financial liability.

Hedge accounting

The amendments provide exceptions to the hedge accounting requirements in the following areas.
• Allow amendment of the designation of a hedging relationship to reflect changes that are required by the reform. This amendment will not result in a discontinuation of the hedge or designation of a new hedging relationship.
• When a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve will be deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.
• When a group of items is designated as a hedged item and an item in the group is amended to reflect the changes that are required by the reform, the hedged items are allocated to sub-groups based on the benchmark rates being hedged.
• If an entity reasonably expects that an alternative benchmark rate will be separately identifiable within a period of 24 months, it can designate the rate as a non-contractually specified risk component if it is not separately identifiable at the designation date.

Disclosure
The amendments will require the group to disclose additional information to enable users to understand the effect of interest rate benchmark reform on an group's financial instruments, including information about the group's exposure to risks arising from interest rate benchmark reform and related risk management activities.

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

Amendments to IAS 1 Presentation of Financial Statements
Effective for annual periods beginning on or after 1 January 2023; to be applied retrospectively. Early application is permitted.
These amendments are not yet endorsed by the EU.

The amendments clarify that the classification of liabilities as current or non-current is based solely on the entity's right to defer settlement at the end of the reporting period. The company's right to defer settlement for at least 12 months from the reporting date need not be unconditional but must have substance. The classification is not affected by management's intentions or expectations about whether and when the entity will exercise its right. The amendments also clarify the situations that are considered settlement of a liability.

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

Amendments to IAS 16 Property, Plant and Equipment
Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted
These amendments are not yet endorsed by the EU.

The amendments to IAS 16 require that the proceeds from selling items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended must be recognised, together with the cost of those items, in profit or loss and that the entity must measure the cost of those items applying the measurement requirements of IAS 2.
The amendments must be applied retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented (if necessary).

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

Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets
Effective for annual periods beginning on or after 1 January 2022; to be applied retrospectively. Early application is permitted
These amendments are not yet endorsed by the EU.

In determining costs of fulfilling a contract, the amendments require an entity to include all costs that relate directly to a contract. The amendments clarify that the cost of fulfilling a contract comprises both: the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.
An entity must apply those amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity will not restate comparative information. Instead, the entity will recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

The group does not expect the amendments to have a material impact on its financial statements when initially applied, because in determining costs of fulfilling a contract the group takes into account both incremental costs and other costs that relate directly to fulfilling contracts.

Annual improvements to IFRS standards 2018-2020
Effective for annual periods beginning on or after 1 January 2022. Early application is permitted
These amendments are not yet endorsed by the EU.
Improvements to IFRS (2018-2020) include three amendments to the standards:
• the amendments to IFRS 9 Financial instruments clarify that, when assessing whether an exchange of debt instruments between an existing borrower and lender is on terms that are substantially different, the fees to include together with the discounted present value of the cash flows under the new terms include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.
• the amendments IFRS 16 Leases remove illustrative example 13 accompanying IFRS 16, which in practice creates confusion in accounting for leasehold improvements for both lessee and lessor. The purpose of the amendment is to remove the illustrative example that creates confusion.
• the amendments to IAS 41 Agriculture removes the requirement to use pre-tax cash flows to measure fair value of agriculture assets. Previously, IAS 41 had required an entity to use pre-tax cash flows when measuring fair value but did not require the use of a pre-tax discount rate to discount those cash flows.

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

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 29 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 are “A” and "B", 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 name	Rating	31.12.2020	02.09.2019
SEB Pank AS	Aa2	329 794	0
LHV Pank AS	Baa1	4 506 337	0
SEB Pank AS (off-balance sheet accounts)	Aa1	32 455 320	0
LHV Pank AS (off-balance sheet accounts)	Baa1	19 245 985	0

Although SEB Pank AS has no credit rating, it belongs to SEB Group whose long-term credit rating is Aa2 (Moody's). LHV Pank AS has the credit rating Baa1 (Moody's). The rating presented is the most recent long-term credit rating disclosed on the bank's websites.

Prior to signing an agreement with a customer, Bondora 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. 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 issues consumer loans to individuals and the maximum loan amount is limited to 10 000 euros, the customer base is sufficiently diversified and the Group's operation is not highly dependent on any single customer.

During the period, trade receivables of 3 783 872 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):

Asset	31.12.2020	02.09.2019
Cash and equivalents	56 537 436	0
Accounts Receivables	3 728 712	0
Financial investments	541 605	0
Other receivables and prepayments	268 432	0

Detailed information about cash and equivalents can be found in the Note 2.
Further information on financial investments can be found in Note 3.
Further information on Accounts Receivables and maturities breakdown can be found in Notes 4 and 5.

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, 10 and 11.

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 of December 31, 2020, 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 of 31 December 2020 the carrying amounts of its financial assets (Notes 3, 4, 5, 6) and liabilities (Notes 6, 10, 11) measured in the consolidated statement of financial position at amorzised cost did not differ significantly from their fair values.