Bondora AS

Consolidated Annual Report 2015

ANNUAL REPORT

Beginning of the financial year	1 January 2015
End of the financial year	31 December 2015
Name	Bondora AS
Registry code	11483929
Address	A. H. Tammsaare tee 47, 11316 Tallinn, Estonia
E-mail	+372 591 10955
Homepage	support@bondora.com
Activity	www.bondora.com
Auditor	Other support activities for financial services
	AS Deloitte Audit Eesti

TABLE OF CONTENTS

CHIEF EXECUTIVE OFFICER'S REVIEW

In 2015 expansion of activities of Bondora („The Company" or „The Group") continued, primarily in export markets and revenue increased by 70%. Active marketing and increase of awareness of Bondora brand enabled to expand our market share in Finland and Spain.

Revenues from export markets increased by 100% and reached 1.2 million euros. From turnover sales in markets other than Estonia reached almost 50% of total. Larges growth was recorded in Finland, where revenue increased by 138%. Key drivers behind achieved revenue growth, in addition to volume increase, were restructuring of fees and introduction of new services.

In loans issued largest growth was again witnessed in Finland, where it increased by 73%, in Spain growth reached 9%. During the year we ceased to issue loans in Slovakia, We did not expand the volume in Estonia, as planned, and compared to 2014 lending volume in Estonia decreased by 11%. Total volume of loans issued increased by 11%.

The Company refined significantly its legal structure and developed investor communication. In July our branch was granted consumer credit provider license in Finland and we finalised preparations to receive credit provider license in Estonia that was granted by Estonian Financial Supervision Authority in March 2016.

Bondora established two daughter companies: Bondora Broker OÜ and Bondora Servicer OÜ. Bondora Broker OÜ is part of the structure in loan process that acquires claims issued by Bondora AS that are on opportunity sold to third parties. Thereby the business risks related to portfolio of loans issued is mitigated. The purpose of establishment of Bondora Servicer OÜ is to provide support services to Bondora AS. In the financial year its activities were not launched.

Merger of the daughter company Social Developments OÜ with Bondora AS was not completed during the financial year and the merger is planned to be finalised in 2016.

During the financial year equity round in total of 4.5 million euros was completed by which the capital base of the Group was significantly strengthened.

Due to fast increase of labour costs and marketing expenses the Company ended the financial year with a loss of 1.85 million euros.

Investments to tangible and intangible assets were 416 thousand euros and number of employees re-based to full time equivalent increased in the financial year from 32 to 47.

In the financial year the service concept was enhanced significantly and the Group renewed its technical base. In the field of activity new ways to find sharper focus were implemented, whereby the Management strives to make the service concept even more user friendly and reachable.

In 2016 we plan to increase volume in the current markets and analyse expansion opportunities to new ones. In addition, structure of the Group is planned to be streamlined in order to gain additional increase in efficiency.

The Company plans also to further strengthen the functions addressed to investors and to bring new investment products to the market. In loan product the focus in the upcoming year will be on development of credit analysis and quality of the loan portfolio.

Development of the Company is described by the following financial ratios:

EUR	2014	2015	Change
Revenue	1 449 489	2 464 849	70%
Net profit (loss)	-1 201 802	-1 852 783	54%
Average equity	821 152	1 570 156	91%
Return on equity (ROAE)	-146%	-118%	
Average assets	1 238 425	2 105 928	70%
Return on assets (ROAA)	-97%	-88%	

Definition of financial ratios

Average equity = (equity at the end of accounting period +equity at the end of previous year)/2

Return on equity (ROAE) = Net profit (loss)/Average equity

Average assets = (assets at the end of financial year + assets at the end of previous financial year)/2

Return on assets (ROAE) = Net profit (loss) /Average assets

Pärtel Tomberg,

Member of the Board

Rein Ojavere

Member of the Board

CONSOLIDATED ANNUAL REPORT

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR)

	31.12.2015	31.12.2014	01.01.2014	Note
Assets				
Current assets				
Cash and equivalents	2 251 869	518 881	1 068 436	2
Accounts receivable and prepayments	271 072	82 394	67 687	3
Total current assets	**2 522 941**	**601 275**	**1 136 123**	
Non-current assets				
Property, plant and equipment	37 853	11 112	19 126	6
Intangible assets	555 169	483 505	225 708	7
Total non-current assets	**593 022**	**494 617**	**244 834**	
Total assets	**3 115 963**	**1 095 892**	**1 380 957**	
Liabilities and equity				
Liabilities				
Current liabilities				
Financial obligations	0	200 000	0	
Accounts payable and prepayments	471 322	400 221	234 325	8
Total current liabilities	**471 322**	**600 221**	**234 325**	
Total liabilities	**471 322**	**600 221**	**234 325**	
Equity				
Equity attributable to owners of the Group				
Share capital	39 821	34 710	26 563	9
Unregistered share capital	0	1 182	8 147	
Treasury shares	-1 691	-1 062	-1 062	
Share premium	4 459 293	1 662 643	1 402 698	
Retained earnings (loss)	0	0	-9 861	
Net profit (loss)	-1 852 783	- 1 201 802	-279 853	
Total equity attributable to owners of the Group	**2 644 641**	**495 671**	**1 146 632**	
Total equity	**2 644 641**	**495 671**	**1 146 632**	
Total liabilities and equity	**3 115 963**	**1 095 892**	**1 380 957**	

Notes to the financial statements on pages 10-33 are inseparable sections of the Consolidated Annual Report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(EUR)

	2015	2014	Note
Revenue	2 464 849	1 449 489	10
Other operating income	3 947	15 386	
Services purchased for resale	-767 254	-593 644	11
Operating expenses	-1 549 968	-1 021 900	12
Labour expenses	-1 663 163	-847 258	14
Depreciation and amortisation	-326 828	-190 500	6,7
Other operating expenses	-10 943	-9 798	
Total operating profit (-loss)	**-1 849 360**	**-1 198 225**	
Interest expenses	-3 420	-3 589	
Other financial income and- expenses	-3	12	
Profit (loss) before tax	**-1 852 783**	**-1 201 802**	
Net loss for the year	**-1 852 783**	**-1 201 802**	
Profit (loss) attributable to the owners of the Group	-1 852 783	-1 201 802	
Total comprehensive loss for the year	**-1 852 783**	**-1 201 802**	

Notes to the financial statements on pages 10-33 are inseparable sections of the Consolidated Annual Report.

CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR)

	2015	2014	Note
Cash flows from operating activities			
Profit (loss)	**-1 849 360**	**-1 198 225**	
Adjustments			
Depreciation and amortization	326 828	190 500	6,7
Loss on sale of property	0	3 549	
Other adjustments	0	173	
Total adjustments	**326 828**	**194 222**	
Changes in receivables and prepayments	-188 677	-14 708	
Changes in payables and prepayments	62 185	164 093	
Interests paid	-1 732	0	
Total cash generated from operating activities	**-1 650 756**	**-854 617**	
Cash flows from investing activities			
Acquisition of tangible and intangible assets	-416 316	-477 194	6,7
Proceeds from sale of property, plant and equipment	0	33 190	
Interests earned	35	12	
Total cash generated from investing activities	**-416 281**	**-443 992**	
Cash flows from financing activities			
Proceeds from new borrowings	0	200 000	15
Repayment of borrowings	-200 000	0	15
Interests paid	-1 726	-1 787	
Proceeds from issue of share capital	4 002 381	550 840	9
Paid for treasury shares	-629	0	9
Total cash generated from financing activities	**3 800 026**	**749 053**	
Total cash flows	**1 732 989**	**-549 556**	
Cash and equivalents at the beginning of the period	518 881	1 068 436	2
Change in cash and equivalents	**1 732 989**	**-549 555**	
Cash and equivalents at the end of the period	2 251 869	518 881	2

Notes to the financial statements on pages 10-33 are inseparable sections of the Consolidated Annual Report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(EUR)

	Share capital	Unregistered share capital	Share premium	Treasury shares	Retained loss	Total equity
31.12.2013	**26 563**	**8 147**	**1 402 698**	**-1 062**	**-289 714**	**1 146 632**
Total comprehensive income (loss)	0	0	0	0	-1 201 802	-1 201 802
Share capital	8 147	-8147	549 658	0	0	549 658
Loss coverage from share premium	0	0	-289 714	0	289 714	0
Changes in equity	0	1 182	0	0	0	1 182
31.12.2014	**34 710**	**1 182**	**1 662 643**	**-1 062**	**-1 201 802**	**495 671**
Total comprehensive income (loss)	0	0	0	0	-1 852 783	-1 852 783
Share capital	5 111	-1 182	3 998 454	0	0	4 002 383
Loss coverage from share premium	0	0	-1 201 802	0	1 201 802	0
Other changes in share capital	0	0	0	-629	0	-629
31.12.2015	**39 821**	**0**	**4 459 293**	**-1 691**	**-1 852 783**	**2 644 641**

According to the shareholders' resolution the loss from the former periods of EUR -1 201 802 was covered from the share premium.

In 2015 the Company sold 133 treasury shares (face value of 0.10 euros per share) and bought back 6420 own shares (face value of 0.10 euros per share).

Additional information is provided in Note 9

Notes to the financial statements on pages 10-33 are inseparable sections of the Consolidated Annual Report.

Notes to the Consolidated Financial Statements

General information

Bondora AS (further on „The Group“, „The Company“) is a company incorporated in and registered in Estonia (registry code 11483929, address: A. H. Tammsaare tee 47, 11316 Tallinn), that is active in provision of consumer credit, issuing loans in the Eurozone countries.

The Consolidated Annual Report of Bondora AS is prepared in accordance with International Financial Reporting Standards (IFRS and IFRIC) as adopted by the European Commission (further on EU IFRS). The current annual report has been prepared and presented for approval according to the requirements of the Accounting Law of the Republic of Estonia and Commercial Code according to the requirements and for fulfilment of obligations.

The consolidated annual report of Bondora AS for the financial year ending 31.12.2015 is signed by the Management on 17.05.2016. According to the Commercial Code of Estonia the annual report prepared by the Management and approved by the Supervisory Council will be finally approved by the general shareholders' meeting. The current annual report is part of the annual report to be approved by the shareholders' meeting and will be the basis for the decision on profit distribution. The shareholders have a right not to approve the report prepared by the Management and approved by the Supervisory Board and they have a right not to approve it and demand preparation of a new report.

Note 1. Accounting policies and basis for preparation

The annual report is prepared in euros that is the functional and representation currency of the Group. All numerical data is rounded to the closest euro.

The Group's 2015 annual report is prepared in accordance with *International Financial Reporting Standards* – IFRS and IFRIC as adopted by the European Commission (further on EU IFRS).

In preparation of consolidated annual report the accrual principle is followed.

Reclassifications of tangible assets

In the 2015 balance sheet receivables and prepayments have been re-classified to cash and equivalents in order to ensure comparability. The reason behind re-classification is the fact that these claims consist of cash on the client account that belongs to Bondora AS that can be withdrawn to the bank account of the Group in every banking day. Representation of claims as cash reflects more accurately the financial status of Bondora AS. Effect of the re-classifications is provided in the following table:

Balance sheet item	Balance 31.12.2014	Effect of changes	Changed balance 31.12.2014	Balance 01.01.2014	Effect of changes	Changed balance 01.01.2014
Cash	492 320	26 561	**518 881**	1 045 580	22 856	**1 068 436**
Accounts receivable and prepayments	108 955	-26 561	**82 394**	90543	-22 856	**67 687**

Re-classification ensures fair representation of cash and equivalents that can be compared against the balance of the bank account.

Subsidiaries

Subsidiary is a Company over which the Group exerts controlling interest. Controlling interest means ability of the Group to set the financing and operating principles of the subsidiary in order to gain economic benefit. In evaluation of controlling interest potential voting power is taken into consideration that is exercisable at the moment. The Consolidated Annual report includes the reports of Bondora AS, Social Developments OÜ, Bondora Broker OÜ and Bondora Servicer OÜ.

Reports of the subsidiaries are prepared for the same period as the consolidated report. In case the subsidiary uses different reporting principles for similar transactions in the same period, the respective adjustments are made to the consolidated accounts.

The subsidiaries are fully consolidated starting from the date of acquisition. The date of acquisition is a date, when the Group obtains controlling interest and consolidation is carried out until the date, when this power ends.

Subsidiaries are recorded in the balance sheet of the mother company at acquisition cost.

Principles of consolidation

In the annual report the financials of the mother company and its subsidiaries are consolidated row by row. All intra-company transactions, claims and liabilities, as well as unrealised income and expenses between the Group companies are eliminated in preparation of the consolidated annual report.

According to the Estonian Accounting Act the standalone financial reports of the consolidating entity (mother company) need to be presented in the notes to the financial statements. In preparation of the financial reports of the mother company the same principles as in the consolidated report are followed, except for investments to daughter companies that in unconsolidated reports are recorded at acquisition costs.

Management assessments and decisions

Preparation of annual report in accordance with the EU IFRS requires formulation of assumptions, assessments and decisions by the Management, that have an effect on the accounting principles used, representation of assets and liabilities, as well as revenues and expenses. Actual results can differ from assumptions.

Assessments and the underlying assumptions are reviewed periodically. Revisions of accounting estimates are recognized in the period when the assessments were changed and in all future periods that the changes have effect on.

Areas in which Management's judgments and estimates have a significant impact on financial statements and the financial performance are evaluation of claims, see Note 3, and useful life of the intangible assets, Note 6 and Note 7.

Financial assets

Financial assets are investments to equity and debt instruments, receivables from clients, other claims, as well as and cash and equivalents. The Group classifies financial assets as loans and claims. Receivables from the clients and other claims are initially booked at fair value. After initial record the claims are presented at adjusted cost.

Cash and equivalents

Cash and equivalents entail balances of the bank accounts and term deposits of up to 3 months. Cash and equivalents on the balance sheet are assessed at fair value that is based on the official exchange rates of the European Central Bank on the balance sheet date. Profit and loss from the changes in fair value are booked to the income statement on the row other financial income and expenses.

Transactions in foreign currency

In recording of transactions in foreign currency the official exchange rates of the European Central Bank on the day of transaction are taken as a basis. Monetary financial assets and liabilities in foreign currency are on the balance sheet date converted to euro based on the official exchange rates of the European Central Bank. Profits and losses from foreign currency transactions are recorded in profit and loss statements as expenses of the period, balanced with respective income.

Recording of financial assets will be ceased, when the Company loses the right to cash flows stemming from the financial asset or transfers the right for the cash flows, as well as related risks and benefits to third parties.

Valuation of financial assets

Financial assets and liabilities are mutually settled and presented in the statement of financial position only if the Company has legal right to settle the assets and liabilities and the Company has intention to exercise this.

The Company estimates at every balance sheet date, whether there is objective proof of decrease in value of the financial assets. The value of financial assets is regarded impaired, if there is objective proof of one or several aspect(s) that has negatively affected the future cash flows.

Decrease in adjusted purchase price is recorded as a difference between the represented value and present value of the estimated cash flows, discounted at initial effective interest rate of the financial asset. Decrease of the value of ready for sale financial asset is calculated through its fair value.

Decrease in value of material financial assets is tested individually. Other financial assets are tested for value decrease in groups with similar credit risk.

All losses from decrease in value of assets are recorded in profit/loss for the period. In case loss from the decrease of value decreases and this decrease can objectively associated with what happens after recording of the value decrease, then previously booked loss from the value decrease is eliminated.

Decrease in loss related to financial assets recorded at acquisition cost is recorded in the profit and loss statement for the period.

Tangible and intangible assets

Tangible assets are the assets used in the economic activity of the Company with sign value of over EUR 320 and useful life of over one year. Assets with useful life of over 1 year, but of immaterial value are booked as costs.

Tangible assets are initially booked at acquisition cost that includes the purchase price (incl. customs duties and other non-refundable fees) and direct expenses related to purchase that are required to bring the asset to operating place and condition. In case the tangible asset consists of separable components with varying useful lives, these components are recorded in accounting as separate assets.

Improvements are added to acquisition value or booked as separate asset in the asset group, if they are in accordance with criteria set for tangible asset and balance sheet representation principles (incl. probable participation in generation of economic benefits in the future). Purchase cost and accumulated depreciation of the replaced asset is taken out from the balance sheet. Current maintenance and repair costs are booked in the income statement.

Tangible assets in the balance sheet are recorded at cost, from which accumulated depreciation and discounts from potential decrease in value are deducted. The Management of Bondora AS has estimated the potential loss of the value of tangible asset. In case the recoverable value (i.e. higher of the following two: net sales value of the assets or the operational value) is lower than its value in the balance sheet, the tangible assets are revalued down to their recoverable value.

In calculation of depreciation linear method is used, based on the following useful lives:

Machinery and equipment	3-5 years

The assets are depreciated starting from the moment they are in the place and condition planned by the Management. Depreciation of assets is finalised after the asset is fully amortised or the asset is removed from use in full. Depreciation of asset temporarily excluded from use is not stopped.

At the balance sheet date the applicability of the depreciation rates is assessed and they are corrected if needed. Effect of the changes in assessments is reflected in the current and future accounting periods.

Intangible assets

Intangible assets are assets without physical substance, non-monetary assets separable from other assets. Intangible are assets that the company plans to use for more than one year and that cost more than 100 euros.

Single intangible asset is recorded in the balance sheet only in cases if the asset is controlled by the Company, it is likely that the Company will receive economic benefit from use of the asset in the future and the purchase value can be reasonably evaluated. Intangible asset is initially booked at acquisition value that entails the purchase price and direct expenses related to it.

Development expenses are costs that are carried in implementation of research results for development of specific products, services, processes or systems. Development expenses are capitalised as intangible assets in case all the following criteria are met: technical and financial conditions and intent for implementation of the project are present, the company is able to use or sell the assets to be created and economic benefit from the intangible asset can be assessed (incl. existence of the market for such products or services); volume of the development expenses can be reliably measured. Useful life of the intangible assets based on management's estimate is 1-3 years.

The Management of the Company estimates on every balance sheet date, whether there are signs that refer to decrease of the value of the asset below the carrying value. In case there are doubts that refer to decrease of the value of the asset below its carrying value, the test on recoverability of the asset will be made. The carrying value is the higher of the following two: fair value of the asset (minus sales expenses) or useful value based on discounted cash flow analysis.

In case the test shows that the carrying value cannot be recovered, the asset will be revalued down to its recoverable value. Where it is not possible to estimate the recoverable amount of an individual asset, the impairment test is carried out on the smallest group of assets (cash generating unit) to which it belongs. Impairment charges are included in profit or loss for the accounting period.

In case of the test of recoverable value shows that the recoverable value has increased above the carrying value, the former discount is abolished and balance sheet value of the asset is increased.

Leases

Capital lease covers the agreements, whereby all relevant risks and benefits related to ownership are transferred to the lessee. Other lease agreements are recorded as financial leases. Payments for financial leases are booked as expense in the income statement by using linear method.

Financial obligations

All financial obligations (accounts payable, loans and other liabilities) are booked at their acquisition cost, which is their fair value. Initial acquisition cost includes also all direct expenses related to purchase. Further representation is based on adjusted acquisition value method.

Fair value of the current liabilities is in general is equal to their face value, therefore they are booked to the balance sheet at the amount payable.

In calculation of adjusted acquisition value of long-term financial obligations the interest expense for the upcoming periods is used by utilizing internal interest rate method.

Financial obligation is classified as short-term, when its repayment date is within twelve months from the balance sheet date or if the company has no irrevocable right to postpone the obligation for more than 12 months after the balance sheet date. Loans with repayment date within 12 months since the balance sheet date that are refinanced with long term facilities after the balance sheet date, but before approval of the annual report, are recorded as short term. Also the liabilities that the lender had a right to revoke at the balance sheet date due to infringement of the terms of the loan contract are considered short-term.

Share based payments

Option agreements concluded with key persons of the company are recorded as remuneration based on share based instruments for services rendered for the Group. Due to complexity of measurement of fair value of the services rendered to the Group by the key employees, the fair value of the services is measured at the fair value of the share based instruments at their date of granting.

The fair value of the share based payments is recorded as labour expense with corresponding increase in reserve on the balance sheet in the period when the employee rendered the services till the transfer date of the share based instruments. As of 31.12.2015 the value of the options granted was estimated 0 euros.

The shares repurchased for options are recorded on the line Treasury shares as equity. On the transfer date the Treasury shares and the corresponding reserve under equity are rebalanced. The difference will be recorded in retained earnings.

An employee has a right to realise the share options in maximum in 42 months since the grant date according to the terms of the agreement by paying the strike price. Shares for options granted can be obtained proportionally to the time of employment according to the tenor of the agreement. Precondition for validity of the agreement is continuation of the employment and at the end of the tenor the options can be obtained in full amount. In the agreement there are also specific conditions stipulated whereby the realisation dates of the options can change.

Corporate income tax

According to the Income Tax Act of Estonia, the profit for the period is not taxed. Income tax is paid on dividends, fringe benefits, gifts, donations, representation cost, payments not related to business activities and corrections of transfer prices. Starting from 01.01.2015, the tax rate for dividends paid is 20/80 of the net sum. Income tax related to dividends paid is recorded as liability and expense in the income statement for the same period the dividends are declared, irrespective of the payment date. Payment obligation of the income tax will materialise on the 10th day of the month following the dividend payment.

Due to the specific nature of the tax system in Estonia, the companies do not have differences in tax accounting of residual values and the respective tax assets and liabilities. Conditional tax liability that would occur from the payment of dividends is not booked to the balance sheet.

Related parties

Related parties in preparation of consolidated financial statements of Bondora AS are the following:

a) Owners of the Group;
b) Management and key personnel;
c) Family members and the companies controlled by them or over which they have significant influence.

Revenues

Revenues are recorded on accrual basis at fair value, i.e. in the money to be received for the services minus discounts.

Revenue for the services is recorded after the time of render or in case the service is provided during longer period then according to the level of completion method.

81% of the revenues consist of two services:

a) Origination fee at conclusion of the agreement between investors and borrowers;
b) Monthly management fee.

Origination fee is booked to revenue after the agreement between the investors and borrowers is signed. Payment for the service occurs at the same moment. The service is regarded to be provided after the agreement is concluded.

Management fee is booked to revenues on monthly basis according to the agreed schedule on the payment date. Revenues are booked disregard of whether the payment occurs at once or in arrears.

Interest income is booked on accrued basis.

Events after the balance sheet date

Important aspects affecting evaluation of assets and liabilities that occurred between the balance sheet date and the date of preparation of the Annual Report, but are related to the transactions carried out during the reporting or previous periods are covered in the Annual Report. Events after the reporting date that are not taken into account in evaluation of assets and liabilities, but will have effect on the results of the following financial year are disclosed in the Annual Report.

Implementation of new or changed standards and interpretations

New or changed standards or interpretations that came to effect on 01.01.2015 did not have any material effect to the financial reports of the Group.

Standards, changes in standards and interpretations that will became obligatory for the Group starting January 1st 2015 or later.

The following changes and interpretations given by IASB and approved by the European Commission came to force during the reporting period:

- Changes to various standards "Additions to IFRS (2011-2013) are related to annual development project of IFRS (IFRS 3, IFRS 13 and IAS 40), whose primary goal is to eliminate contradictions and specify wording-approved by the European Commission on December 18th 2014 (applicable to reporting periods starting on January 1st 2015 or later.

- IFRIC 21 "Taxes" that was adopted by the European Commission on June 13th 2014 (applicable to reporting periods starting June 17th 2014 or later).

Adoption of these changes with standards already in force did not cause changes to the financial statements of the Group.

Changes in standards that are not yet adopted

The following standards were given by IASB and approved by the European Commission on the date of approval of the annual report, but were not yet adopted:

- Changed IAS 27 "Unconsolidated Financial Statements" – with the change the equity method is again allowed in representation of investments in subsidiaries, joint ventures and associated companies in unconsolidated financial statements.

- Changed IFRS 11 "Joint Ventures" – approved by the European Commission on November 14th 2015 (applicable to reporting periods starting January 1st 2016 or later)

- Changed IAS 1 - "Presentation of Financial Statements" – approved by the European Commission on December 18th 2015 (applicable to reporting periods starting January 1st 2016 or later)

- Changed IAS 16 "Tangible Assets" and IAS 38 "Intangible Assets" - approved by the European Commission on December 2nd 2015 (applicable to reporting periods starting January 1st 2016 or later)

- Changed IAS 16 "Tangible Assets" and IAS 41 "Agriculture" - approved by the European Commission on November 23rd 2015 (applicable to reporting periods starting January 1st 2016 or later)

- Changed IAS 19 "Employee Benefits" – defined benefit plans - approved by the European Commission on December 17th 2014 (applicable to reporting periods starting January 1st 2016 or later)

- Changes to various standards "Additions to IFRS (2010-2012)" are related to annual development project IFRS-I (IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16, IAS 24 and IAS 38), whose primary goal is to eliminate contradictions and specify wording – approved by European Commission on December 17th 2014 (applicable to reporting periods starting January 1st 2016 or later)

- Changes to various standards "Additions to IFRS (2012-2014)" are related to annual development project of IFRS (IFRS 5, IFRS 7, IAS 19 and IAS 34), whose primary goal is to eliminate contradictions and specify wording – accepted by the European Commission on December 15th 2015 (applicable to reporting periods starting January 1st 2016 or later).

The Group has not yet assessed the effect of these new standards and changes to the existing standards to its accounting principles and financial statements.

The new and changed standards that the European Commission has not yet approved

At the moment the IFRS-s approved by the European Commission do not differ significantly from the standards approved by the IASB, except for the following new standards and changes to the existing standards that the European Commission had not approved as of March 18th (the given application date is the date of adoption of the full IFRS):

- IFRS 9 "Financial Instruments" (applicable to reporting periods starting January 1st 2018 or later)

- IFRS 14 "Regulatory Deferral Accounts" (applicable to reporting periods starting January 1st 2016 or later) – The European Commission has decided not to launch the approval process of this temporary standard and to wait for the final standards.

- IFRS 15 "Revenue from Contracts with Customers" and additional changes (applicable to reporting periods starting January 1st 2018 or later)

- IFRS 16 "Leases" (applicable to reporting periods starting January 1st 2019 or later)

- Changed IFRS 10 "Consolidated Financial Statements", IFRS 12 "Disclosure of Interests in Other Entities" and IAS 28 "Investments in Associates and Joint Ventures" – Investment companies: exception for non-consolidation (applicable to reporting periods starting January 1st 2016 or later)

- Changed IFRS 10 "Consolidated Financial Statements" and IAS 28 "Investments in Associates and Joint Ventures" – Sale of assets or contribution between investor and her associate or joint venture and additional changes (date of adoption was deferred to unspecified time until completion of the research project on equity method).

The Group has not yet assessed the effect of these new standards and changes to the existing standards to the reporting principles and financial statements.

Note 2. Cash and equivalents

(EUR)

	31.12.2015	31.12.2014
Bank account	2 251 869	518 881
Total cash	**2 251 869**	**518 881**

Off-balance sheet bank accounts:

Account no:	EE121010220119730015
Name:	Debt management account
Balance as of 31.12.2015:	18 527
Balance as of 31.12.2014:	3 162
Currency:	EUR

Debt management account:

The account is created by the Portal for the management of conferred debt claims that is used for coordination of repayments from the debtors. The payments from bailiffs and collection agencies are paid to the account. The payments will be transferred to the investors in Bondora portal. Bondora AS has an obligation to transfer the money immediately to the accounts in the Portal. Therefore the money on this account will not be part of the bankruptcy assets of the Portal, the money cannot be claimed in the bankruptcy procedure and the account is not reflected in the balance sheet of the Portal. For the user this means that by transferring money to the account of Bondora AS, she does not relinquish it to the assets of the Bondora AS, but retains the required rights to get it back in case of economic problems of Bondora AS in full.

Account no:	EE501010220087930015
Name:	Client account
Balance as of 31.12.2015:	3 087 099
Balance as of 31.12.2014:	2 440 654
Currency:	EUR

Client account/Bank account of the Portal:

The money transferred to the Bondora system by the user according to the terms of User Agreement and Loan Agreement is held on the bank account of the Portal in SEB Bank (referred herewith also as „bank account of the Portal“). The users will not be paid interest for the money held on the bank account of the Portal. The Portal may use the money transferred according to User Agreement and Loan Agreements only according to the terms of these agreements and for fulfilment of obligations of the Portal set in these agreements. The money transferred by the User is thereby asset transferred for fulfilment of mandate obligation according to § 626 of the Law of Obligations Act. The money in the bank is thereby in principle a claim against the bank that the Portal has acquired in its name, but on behalf of the User and with the purpose to use it for fulfilment of the mandate.

Therefore the money on this account will not be part of the bankruptcy assets of the Portal, the money cannot be claimed in the bankruptcy procedure and the account is not reflected in the balance sheet of the Portal. For the user this means that by transferring money to the account of Bondora AS, she does not relinquish it to the assets of Bondora AS, but retains the required rights to get it back in case of economic problems of Bondora AS in full.

Note 3. Accounts receivable and prepayments

(EUR)

	31.12.2015	In 12 months	Note
Accounts receivable	187 926	187 926	
Receivables from customers	*566 131*	*566 131*	
Allowance for doubtful trade receivables	*-378 205*	*-378 205*	
Prepaid taxes	1 119	1 119	4
Other claims	3 065	3 065	
Accruals	*3 065*	*3 065*	
Prepayments	78 962	78 962	
Deferred income	*2 857*	*2 857*	
Other prepaid expenses	*76 105*	*76 105*	
Total accounts receivable and prepayments	**271 072**	**271 072**	

	31.12.2014	In 12 months	Note
Accounts receivable	47 439	47 439	
Receivables from customers	*132 196*	*132 196*	
Allowance for doubtful trade receivables	*-84 757*	*-84 757*	
Prepaid taxes	2 778	2 778	4
Other claims	293	293	
Accruals	*293*	*293*	
Prepayments	31 884	31 884	
Deferred income	*261*	*261*	
Other prepaid expenses	*31 623*	*31 623*	
Total accounts receivable and prepayments	**82 394**	**82 394**	

Note 4. Prepaid taxes and taxes payable

(EUR)

	31.12.2015		31.12.2014	
	Prepayment	**Taxes payable**	**Prepayment**	**Taxes payable**
Value added tax	0	8 205	2 691	0
Personal income tax	0	24 862	0	26 199
Fringe benefits	0	1 273	0	427
Social taxes	0	77 599	0	48 091
Mandatory pension contribution	0	2 649	0	2 814
Unemployment insurance	0	3 597	0	3 965
Balance on prepayment account	1 119	0	87	0
Total prepaid taxes and taxes payable	**1 119**	**118 186**	**2 778**	**81 494**

Note 5. Shares in subsidiaries

(EUR)

Shares in subsidiaries, general information

Registry code	Name of subsidiary	Incorporated	Field of activity	Ownership (%)	
				31.12.2014	**31.12.2015**
11948423	Social Developments OÜ	Estonia	Programming	100	100
12831019	Bondora Servicer OÜ	Estonia	Inactive	0	100
12831506	Bondora Broker OÜ	Estonia	Auxiliary activities for the Group	0	100

Shares in subsidiaries at acquisition cost

Name of subsidiary	31.12.2014	31.12.2015
Social Developments OÜ	0	0
Bondora Servicer OÜ	0	2 500
Bondora Broker OÜ	0	2 500
Total	**0**	**5 000**

As of 31.12.2014 and 31.12.2015 investment in Social Developments OÜ was written off in full.

Note 6. Tangible assets
(EUR)

	Machinery and equipment
31.12.2014	
Acquisition value	13 187
Accumulated depreciation	-2 075
Balance	**11 112**
Additions	35 191
Depreciation	-8 450
Disposals (balance)	0
Reclassifications	0
31.12.2015	
Acquisition value	48 378
Accumulated depreciation	-10 525
Balance	**37 853**

Note 7. Intangible assets
(EUR)

	Licenses	Development costs	Total
31.12.2014			
Acquisition value	1 423	709 430	710 853
Accumulated depreciation	-39	-227 309	-227 348
Balance	**1 384**	**482 121**	**483 505**
Additions	16 943	373 097	390 040
Amortisation	-1 578	-316 798	-318 376
31.12.2015			
Acquisition value	18 366	1 082 527	1 100 893
Accumulated amortisation	-1 617	-544 107	-545 724
Balance	**16 749**	**538 420**	**555 169**

Under development costs the cost items related to development of internet portal bondora.com and entry to new markets are booked.

Note 8. Payables and prepayments

(EUR)

	31.12.2015	Distribution by term: 12 months	1-5 years	Over 5 years	Note
Payables to suppliers	239 156	239 156	0	0	
Payables to employees	111 923	111 923	0	0	
Taxes payable	118 186	118 186	0	0	4
Other payables	2 057	2 057	0	0	
Other accruals	*2 057*	*2 057*	*0*	*0*	
Total payables and prepayments	**471 322**	**471 322**	**0**	**0**	

	31.12.2014	Distribution by term: 12 months	1-5 years	Over 5 years	Note
Payables to suppliers	209 953	209 953	0	0	
Payables to employees	74 232	74 232	0	0	
Taxes payable	81 494	81 494	0	0	4
Other payables	34 542	34 542	0	0	
Other accruals	*32 740*	*32 740*	*0*	*0*	
Notional interest	*1 802*	*1 802*	*0*	*0*	
Total payables and prepayments	**400 221**	**400 221**	**0**	**0**	

Note 9. Share capital

(EUR)

	31.12.2015	31.12.2014
Share capital	39 821	34 710
Treasury shares	398 208	347 103
No of shares (pcs.)	0,10	0,10

According to the Shareholders' Resolution the loss of the previous reporting periods was covered in the reporting period from share premium in the amount of EUR -1 201 802.

The number of shares to be issued based on the option agreement differs by individuals, mainly up to 500 shares per person. Every option gives a right to acquire 1 (one) share of Bondora AS. Maximum vesting period is up to 42 months from the granting date. The option holder has a right to subscribe for 1/3 of the shares after each year.

	Number of options
Outstanding options as of 31.12.2014	1 900
Options earned during the reporting period	1 600
Outstanding options as of 31.12.2015	3 500

At the balance sheet date the Management has evaluated the fair value of the share options at 0 euros. The Group has acquired by the end of the reporting period 16 910 own shares to cover the option agreements and realisation of options does not bring additional expenses to the Group.

According to the requirements of IFRS 2 the options granted to the employees that will be realised in shares will be valued at fair value at the time of grant and further re-valuation is not performed. In granting options realisable in shares both to employees and other parties for services rendered and their vesting terms the goal has been that profit will be based on growth in value and the value of the options at the granting date is therefore 0.

28.11.2015 the shareholders decided to increase the share capital by 10 181 euros with subscription period until 15.01.2016.

Increase in share capital was registered in the Commercial Register after the balance sheet date on 17.01.2016, whereby share capital was increased by EUR 10 181. Share capital after the increase is ERU 50 001. Increase in share capital was done by monetary contribution.

Note 10. Revenue
(EUR)

	2015	2014
Revenue by geography		
Revenue from the EU		
Estonia	1 239 749	835 618
Finland	736 584	308 907
Spain	455 287	255 163
Slovakia	32 814	49 629
Other	415	172
Total revenue from the EU	**2 464 849**	**1 449 489**
Total revenue	**2 464 849**	**1 449 489**
Revenue by field of activity		
Origination fee	902 665	714 906
Management fee	1 101 976	526 964
Other	460 208	207 619
Total revenue	**2 464 849**	**1 449 489**

Note 11. Services purchased for sale
(EUR)

	2015	2014
Services purchased for sale	113 225	119 677
IT management	261 779	100 918
VAT expense	0	49 233
Client management	121 463	125 691
Consultation	222 499	182 608
Mail	48 288	15 443
Other	0	74
Total services purchased for sale	**767 254**	**593 644**

Note12. Operating expenses

(EUR)

	2015	2014	Note
Rent and utilities	90 505	60 999	13
Advertising expenses	15 194	396 593	
Marketing	823 745	196 116	
Miscellaneous office expenses	19 434	11 419	
Fixtures	15 296	12 511	
Training	3 012	20 271	
Purchased services	67 180	37 302	
Mail and communication	2 066	7 197	
Other	92 949	18 425	
Equipment rental	33 157	25 483	13
IT Management	3 195	1 575	
Representation and travel expenses	43 759	32 059	
Transportation expenses	20 864	14 480	
Expense from doubtful accounts	319 614	84 697	
VAT expense	0	102 773	
Total operating expenses	**1 549 968**	**1 021 900**	

Item “Rent and utilities„ entails rental payments for office space of EUR 74 528 and utilities costs of EUR 15 977.

Note 13. Financial lease

		Distribution by remaining term	
	2015 expense	**12 months**	**1-5 years**
Lease of equipment	33 157	24 891	0
Rent and utilities	90 500	61 488	0
Total	**123 662**	**86 379**	**0**

The Group leases through financial lease computers, communication – and office equipment and office furniture.

Note14. Labour expenses
(EUR)

	2015	2014
Wages and Salaries	1 244 189	632 997
Social taxes	418 974	214 261
Total labour expenses	**1 663 163**	**847 258**
Average number of employees re-based to full time equivalent	**47**	**32**

Note 15. Related parties
(EUR)

Related parties in preparation of consolidated financial statements of Bondora AS are the following:

a) Owners of the Group;
b) Management and key personnel;
c) Family members and the companies controlled by them or over which they have significant influence.

Parties holding significant influence over Bondora AS are: European Founders Fund GmbH & Co, Tomberg Management & Consulting OÜ and Mosaic Capital Partners Ltd.

Transactions with related parties are recorded as follows:

	2015	2014
Purchased services		
Management, key personnel, private investors with significant holding and companies controlled by them or over which they have significant influence	156 131	64 713
Legal entities with significant shareholding and the companies controlled by them or over which they have significant influence		99 102
Loans received		
Management, key personnel, private investors with significant holding and companies controlled by them or over which they have significant influence	0	200 000
Repayments of loans		
Management, key personnel, private investors with significant holding and companies controlled by them or over which they have significant influence	200 000	0
Accrued interests		
Management, key personnel, private investors with significant holding and companies controlled by them or over which they have significant influence	1 726	1 802

Note 15 (Continued):

	Obligation		Loan obligation		Interest obligation	
	2015	2014	2015	2014	2015	2014
Balances with related parties						
Management, key personnel, private investors with significant holding and companies controlled by them or over which they have significant influence	1345	9600	0	200 000	0	1 802
Legal entities with significant shareholding and the companies controlled by them or over which they have significant influence	0	10 620	0	0	0	0

Note 16. Risk management

Introduction

The Risks that can significantly affect activities of the Group are evaluated by the Management of the Group and Chief Financial Officer is in charge of day to day risk management activities. For assessment of main risks and application of countermeasures a risk management system is created whose output is a risk report, where all the main risks and their countermeasures are formulated. This report is updated quarterly, activities carried out for mitigation of risks are evaluated and next targets defined. This report is provided to the Supervisory Board for review. The Management of the Group has assessed the following risks to be relevant: credit risk, liquidity risk, market risk, operations risk, currency risk and interest rate risk.

Credit risk

Credit risk is the risk that the counterparty of the transaction is not able or willing to fulfil its obligations and the sureties are not sufficient to cover the claims of the Group. Credit risk can occur from any transaction, where there is real or potential claim towards the counterparty.

Cash and bank accounts, accounts receivable and other short term claims are open to credit risk. As the Group holds majority of its liquid assets at a bank with credit rating „A “then there is no significant credit risk to the Group.

Cash and bank accounts by credit rating of the bank:

Name of the bank	**Rating**	**31.12.2015**	**31.12.2014**
SEB	Not rated	2 251 818	518 830
Other banks		51	51
Total		**2 251 869**	**518 881**
SEB (off balance sheet accounts)	Not rated	3 087 099	2 443 816

Although SEB Pank AS does not have a credit rating, it belongs to SEB Group whose long term credit rating is Aa3 (Moody's). The latest long term credit rating presented on the web page of the bank is used.

Bondora AS evaluates the creditworthiness of the client and obtains information on the previous payment history. In order to improve pre-selection of the clients, on the target markets cooperation with credit bureaus and, if needed, also with debt collection companies is exercised.

In addition, Bondora evaluates the payment history of the clients in the last 6 months and surveys the fulfilment of obligations. Based on this data, Bondora evaluates probability of correct credit behaviour. Bondora provides relevant training for the employees dealing with credit assessment and credit behaviour.

In Summary, Bondora estimates the credit risk to be significantly lower than operational risk, as the Group sells the claims from loans immediately further and did not invest into the loans itself during the accounting period.

In the reporting period the doubtful accounts were assessed at EUR 378 2015 (2014: EUR 84 697). The Management evaluates quality of the receivables on a monthly basis. In evaluation of receivables as doubtful the principle that the receivables unpaid by 30-365 days will be provisioned by 60% and receivables unpaid for over 365 days by 100% is used.

More detailed information is provided in Note 3.

Liquidity risk and capital management

Liquidity risk is a risk that the Group is not able to fulfil its obligations in time, without incurring significant expenses. Liquidity risk is a risk that the Group incurs a loss or is forced to cover unreasonably high expenses in attracting additional financing.

The goals of the Group in capital management are to ensure sustainability of operations and sufficient capital base for continuation and development of its activities. In goal setting for capital management both regulative minimum requirements and internally defined buffer are taken into consideration.

Most important regulatory requirement is the minimum amount of share capital stipulated by the Act on Credit Providers and Credit Mediators. For fulfilment of minimum regulatory capital obligation the Group has planned its activities in such a way that during sufficient time horizon profitability will be achieved and in addition alternatives for raising additional capital are constantly evaluated so that own funds will not fall below the required minimum.

Financing of the Group is based primarily on equity and the share of debt in the balance sheet of the Group is low. The Group deposits its liquid assets on the accounts and term deposits in the banks in Estonia. Liquidity planning is included in day to day financial activities and the Management has set the liquidity limits.

The Group does not have any long-term financial liabilities.

Detailed information on financial claims and obligations is provided in Notes 3 and 4.

Market risk

Market risk is a risk derived from changes in market prices. The Group may be open to market risk as credit provider in case the market situation changes between the period of loan issuance and assignment of claims. According to the issuing structure the loan agreement and claim assignment are concluded simultaneously and assignment of claims occurs at the same moment when the loan is issued. Therefore the Group is not open to market risk.

Operational risk

Operational risk is a risk to be directly or indirectly negatively influenced by activities of the people, inadequate operations or breakdown of the systems in expected manner or from the external aspects. Operational risk is a risk (incl. legal risk) that incurs from employees, documentation, agreements, technology, infrastructure, natural disasters, external influences and client relations. Business and reputational risks are not covered under operations risk. All activities of the Group can be the basis for operational risk.

Mapping of operational risks is prioritised in introduction of new products, new versions of the existing products, commissioning of new IT systems or the new versions thereof; application of new hardware; new physical location; new or renewed processes; changing the structure of organization; new cooperation partners and agreements; outsourcing of activities.

Effects of the loss events from the operations risk are mitigated through development and renewal of contingency plans and, implementation of suitable and sufficient crisis management methods and conclusion of insurance agreements, where it is suitable and required.

Currency risk

Currency risk is the risk that fair value of the financial instruments or cash flows will fluctuate in the future due to changes in exchange rates. Financial assets and liabilities denominated in euros are regarded free of currency risk. Primary currency risk of the Group is related to purchases in foreign currencies. As the transactions in foreign currency are of marginal importance for the Group, then the Management is of opinion that the currency risk is not material for the group and currently there is no requirement for specific procedures.

As of 31.12.2015 all financial claims and liabilities of the Group were in euros.

Interest rate risk

Interest rate risk is a risk that fair value of the financial instruments or cash flows will fluctuate in the future due to changes in market interest rates. As of the balance sheet date the Group has no interest bearing liabilities. Accordingly, the Group has no open positions towards market interest rates, the Group does not regard them as material and currently it is not regarded justified to establish procedures for mitigation of interest rate risk.

Fair Value

According to the Group, the balance sheet values of the financial assets (Notes 2 and 3) and liabilities (Note 8) represented in the consolidated balance sheet as of December 31st 2015 and December 31st 2014 at adjusted acquisition value do not differ considerably from their fair value.
Accounts receivable and accounts payable are recorded at adjusted acquisition value and as they are short term, their balance sheet value, according to the Management, is close to their fair value.

Note 17. Consolidated statement of financial position of the mother company

(EUR)

	31.12.2015	31.12.2014
Assets		
Current assets		
Cash and equivalents	2 246 869	518 881
Accounts receivable and prepayments	271 013	82 334
Total current assets	**2 517 882**	**601 215**
Non-current assets		
Financial investments	5 000	0
Property, plant and equipment	37 853	11 112
Intangible assets	545 723	449 088
Total non-current assets	**588 576**	**460 200**
Total assets	**3 106 458**	**1 061 415**
Liabilities and equity		
Liabilities		
Current liabilities		
Short-term financial obligations	0	200 000
Accounts payable and prepayments	471 322	400 221
Total current liabilities	**471 322**	**600 221**
Total liabilities	**471 322**	**600 221**
Equity		
Equity attributable to owners of the Group		
Share capital	39 821	34 710
Unregistered share capital	0	1 182
Treasury shares	4 459 293	1 662 643
Share premium	-1 691	-1 062
Retained earnings (loss)	-34 477	133 741
Net profit (loss)	-1 827 811	-1 370 020
Total equity attributable to owners of the mother company	**2 635 136**	**461 194**
Total equity	**2 635 136**	**461 194**
Total liabilities and equity	**3 106 458**	**1 061 415**

Note 18. Statement of profit or loss of the mother company
(EUR)

	2015	**2014**
Revenue	2 464 849	1 449 489
Other operating income	3 948	14 240
Services purchased for resale	-767 254	-593 548
Operating expenses	-1 549 968	-1 016 137
Labour expenses	-1 663 163	-847 258
Depreciation and amortisation	-301 855	-145 543
Other operating expenses	-10 945	-9 799
Total operating profit (-loss)	**-1 824 389**	**-1 148 556**
Interest expenses	-3 420	-3 589
Other financial income and- expenses	-3	-217 875
Profit (loss) before tax	**-1 827 811**	**-1 370 020**
Net loss for the year	**-1 827 811**	**-1 370 020**
Profit (loss) attributable to owners of the Company	**-1 827 811**	**-1 370 020**

Note 19. Statement of cash flows of the mother company
(EUR)

	2015	2014
Cash flows from operating activities		
Profit (loss)	-1 824 389	-1 148 556
Adjustments		
Depreciation and amortization	301 855	145 543
Loss on sale of property	0	3 549
Other adjustments	0	355
Total adjustments	**301 855**	**149 447**
Changes in receivables and prepayments	-188 677	-51 699
Changes in payables and prepayments	62 185	164 503
Interests paid	-1 730	0
Total cash generated from operating activities	**-1 650 756**	**-886 305**
Cash flows from investing activities		
Acquisition of tangible and intangible assets	-416 316	-477 373
Paid in capital of daughter companies	-5 000	0
Prepayments of loans granted	0	48 088
Interests earned	35	12
Proceeds from sale of property, plant and equipment	0	33 190
Total cash generated from investing activities	**-421 281**	**-396 083**
Cash flows from financing activities		
Proceeds from new borrowings	0	200 000
Repayment of borrowings	-200 000	0
Interests paid	-1 726	-1787
Proceeds from issue of share capital	4 002 380	550 840
Proceeds from purchase of treasury shares	-629	0
Total cash generated from financing activities	**3 800 025**	**749 053**
Total cash generated	**1 727 989**	**-533 335**
Cash and equivalents at the beginning of the period	518 881	1 052 216
Change in cash and equivalents	**1 727 989**	**-533 335**
Cash and equivalents at the end of the period	2 246 869	518 881

Note 20. Statement of changes in equity of the mother company
(EUR)

	Equity attributable to shareholders of the mother company					
	Share capital	Unregistered share capital	Share premium	Treasury shares	Retained loss	Total
Total comprehensive income (loss)	0	0	0	0	-1 370 020	-1 370 020
Share capital	8 147	-8 147	549 658	0	0	549 658
Loss coverage from share premium	0	0	-289 714	0	289 714	0
Changes in equity	0	1 182	0	0	0	**550 841**
31.12.2014	**34 710**	**1 182**	**1 662 643**	**-1 062**	**-1 236 278**	**461 194**
Value of participations under significant influence						0
Value of participations under significant influence						0
Adjusted unconsolidated share capital 31.12.2014						**461 194**
Total comprehensive income (loss)	0	0	0	0	-1 827 811	-1 827 811
Share capital	5 111	-1 1820	3 998 454	0	0	4 002 383
Loss coverage from share premium	0	0	-1 201 802	0	1 201 802	0
Changes in equity	0	0	0	-629	0	-629
31.12.2015	**39 820**	**0**	**4 459 293**	**-1 691**	**-1 862 288**	**2 635 136**
Balance sheet value of participations under significant influence						-5 000
Value of participations under significant influence by equity method						5 000
Adjusted unconsolidated share capital 31.12.2015						**2 635 136**