CONSOLIDATED ANNUAL REPORT

beginning of financial year: 01.01.2023
end of the financial year: 31.12.2023

business name: Bondora Group AS

register code: 14794392

street, building, apartment, farm: A. H. Tammsaare tee 56
city: Tallinn
county: Harju maakond
postal code: 11316

e-mail address: bondora@bondora.com

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Management report

Bondora wishes to help people enjoy the life they desire without worrying about their finances. We offer modern easy-to-use, secure solutions which enable everyone to save, invest and spend their money as they choose and need. Our goal is to be a reliable partner in all financial matters. Bondora`s services are 100% online, making them easy to use and accessible. This allows them to overcome their financial obstacles with ease and security.

We have over 16 years of experience in offering various products in international financial markets. Our credit services are currently available in Estonia, Finland, the Netherlands and Latvia, the majority of the loans are originated in Finland. The majority of the investors on the other hand are from German-speaking countries.

We work daily to diversify our product portfolio and make all our products available to an increasingly wider range of users both in and outside Europe. Our target is to have 1 million active customers in the next few years. Despite the turbulent years we've seen in the international and local fintech landscape, Bondora continues to meet growth targets. With six consecutive years of revenue growth, and consistent profitability, we're satisfied and confident with our growth trajectory.

Results for 2023

Bondora Group AS increased both revenue and net profit in 2023, improving sales in Finland, Estonia, Spain and the Netherlands.

Key highlights of 2023:

- Revenue grew up to €44.4m
- Net profit was €3.4m
- Loans issued totalled €202.5m of which €139m was issued in Finland and €40.2m was issued in Estonia. Bondora's customer base at the end of 2023 comprised 339,275 customers

Key metrics	2023	2022	Change
Revenue, €	44,352,780	36,708,090	21 %
EBITDA, €	4,418,826	3,035,083	45 %
Net profit, €	3,352,462	2,110,877	59 %
Return on equity	17 %	13 %	31 %
Return on assets	13 %	10 %	30 %
Average number of employees	166	138	20 %

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

Our revenue mainly consists of loan origination and administration fees and revenue from the sale of additional products such as insurance and flexibility products. In 2023 we issued in Estonia and Finland loans in total of €179m in total. During the year, we continued with the loan origination operations in the Netherlands, gained profitability on the market and entered the Latvian market. The period's loan origination fees amounted to €7.0m, loan administration fees totalled €23.1m and revenue from the sale of additional products was €13.3m.

Expansion of the customer base and growth in service provision increased our operating expenses in 2023. We strengthened our team in different departments to be able to continuously expand, enter new markets. Our team grew by 28 people in 2023. The period's average number of staff converted to full-time equivalent was 166. Despite additional expenses we ended the financial year with a net profit of €3.4m.

Investments made in property, plant and equipment and intangible assets in 2023 totalled €0.79m.

Bondora Group AS's 2023 year-end balance of cash and cash equivalents was €11.5m. This provides us with sufficient liquidity to carry out our expansion plans in 2024. The start of 2024 looks particularly promising, as we've already noticed growth in the first quarter. In 2024 we will continue with expanding to new markets. While our expansion strategy includes launching in new markets, besides that we're also exploring opportunities to develop new products that will better serve the needs of our customers and we continue to work on acquiring of banking license.

The annual accounts

Consolidated statement of financial position
(In Euros)

	31.12.2023	31.12.2022	Note
Assets			
Current assets			
Cash and cash equivalents	11 489 537	10 693 555	2
Financial investments	0	21 512	
Receivables and prepayments	11 203 257	8 210 800	3
Total current assets	**22 692 794**	**18 925 867**	
Non-current assets			
Financial investments	50 000	0	
Property, plant and equipment	2 891 556	1 059 887	7
Intangible assets	473 667	605 714	8
Total non-current assets	**3 415 223**	**1 665 601**	
Total assets	**26 108 017**	**20 591 468**	
Liabilities and equity			
Liabilities			
Current liabilities			
Loan liablities	569 277	339 781	9
Payables and prepayments	4 504 768	3 687 003	10
Total current liabilities	**5 074 045**	**4 026 784**	
Non-current liabilities			
Loan liablities	1 481 093	400 758	9
Total non-current liabilities	**1 481 093**	**400 758**	
Total liabilities	**6 555 138**	**4 427 542**	
Equity			
Equity held by shareholders and partners in parent company			
Issued capital	50 001	50 001	11
Share premium	4 611 760	4 575 407	
Treasury shares	-1 764	-1 902	11
Retained earnings (loss)	11 540 420	9 429 543	
Annual period profit (loss)	3 352 462	2 110 877	
Total equity held by shareholders and partners in parent company	**19 552 879**	**16 163 926**	
Total equity	**19 552 879**	**16 163 926**	
Total liabilities and equity	**26 108 017**	**20 591 468**	

Consolidated income statement

(In Euros)

	2023	2022	Note
Revenue	44 352 780	36 708 090	12
Other income	2 850	7 300	
Raw materials and consumables used	-7 102 042	-7 337 372	13
Other operating expense	-17 534 694	-15 694 787	14
Employee expense	-15 299 736	-10 622 366	15
Depreciation and impairment loss (reversal)	-922 664	-668 112	7,8
Other expense	-7 332	-17 736	
Operating profit (loss)	**3 489 162**	**2 375 017**	
Interest income	20 730	7 471	
Interest expenses	-62 202	-15 517	
Other financial income and expense	-93 925	-256 094	
Profit (loss) before tax	**3 353 765**	**2 110 877**	
Annual period profit (loss)	**3 353 765**	**2 110 877**	
Profit (loss) from shareholders and partners in parent company	3 352 462	2 110 877	

Consolidated statement of cash flows

(In Euros)

	2023	2022	Note
Cash flows from operating activities			
Operating profit (loss)	3 489 162	2 375 017	
Adjustments			
Depreciation and impairment loss (reversal)	922 664	668 112	7,8
Other adjustments	28 598	-17 566	
Total adjustments	**951 262**	**650 546**	
Changes in receivables and prepayments related to operating activities	-3 055 780	-2 360 379	3,4
Changes in payables and prepayments related to operating activities	230 541	-241 105	10
Interest received	19 423	5 765	17
Interest paid	-62 202	0	16
Total cash flows from operating activities	**1 572 406**	**429 844**	
Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-791 119	-787 178	7,8
Other cash payments to acquire other financial investments	-50 000	0	
Other cash receipts from sales of other financial investments	0	21 635	
Loans given	0	-30 000	
Repayments of loans given	30 000	0	
Other cash inflows from investing activities	21 512	162 731	
Total cash flows from investing activities	**-789 607**	**-632 812**	
Cash flows from financing activities			
Proceeds from sales of treasury shares	36 491	101 375	
Other cash outflows from financing activities	-23 308	0	
Total cash flows from financing activities	**13 183**	**101 375**	
Total cash flows	**795 982**	**-101 593**	
Cash and cash equivalents at beginning of period	10 693 555	10 795 148	2
Change in cash and cash equivalents	**795 982**	**-101 593**	
Cash and cash equivalents at end of period	11 489 537	10 693 555	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	Treasure shares	Retained earnings (loss)	
31.12.2021	50 001	0	4 474 156	-2 027	9 429 543	13 951 673
Annual period profit (loss)	0	0	0	0	2 110 877	2 110 877
Other changes in equity	0	0	101 251	125	0	101 376
31.12.2022	50 001	0	4 575 407	-1 902	11 540 420	16 163 926
Annual period profit (loss)	0	0	0	0	3 352 462	3 352 462
Other changes in equity	0	0	36 353	138	0	36 491
31.12.2023	50 001	0	4 611 760	-1 764	14 892 882	19 552 879

According to articles of association of Bondora Group AS, the company will form in 2024 reserve capital 10% of share capital.

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 56, 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 2023 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 for the period have been prepared for the period 01.01.2023-31.12.2023.

The annual report for 2023 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 Finance 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 unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements except for investments in subsidiaries which in the separate primary financial statements of the parent are measured at acquisition cost

Financial assets

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.

In the statement of financial position of the non-consolidated parent company, subsidiaries are recognized using the acquisition cost method.

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
4. the asset are measurable (this includes the existence of a market for the output of the asset or the asset itself),
5. 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 19.

Events after 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.

Note 2 Cash and cash equivalents

(In Euros)

	31.12.2023	31.12.2022
Bank accounts	11 489 537	10 693 555
Total cash and cash equivalents	**11 489 537**	**10 693 555**

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)
31.12.2023	28 442 297
31.12.2022	46 879 459

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 Receivables and prepayments

(In Euros)

	31.12.2023	**Within 12 months**
Accounts receivable	10 432 884	10 432 884
Accounts receivables	15 620 877	15 620 877
Allowance for doubtful receivables	-5 187 993	-5 187 993
Loan receivables	0	0
Other receivables	45 455	45 455
Accrued income	45 455	45 455
Prepayments	689 878	689 878
Deferred expenses	261 622	261 622
Other paid prepayments	428 256	428 256
Other receivables	29 223	29 223
	5 817	5 817
Total receivables and prepayments	**11 203 257**	**11 203 257**
	31.12.2022	**Within 12 months**
Accounts receivable	7 444 170	7 444 170
Accounts receivables	12 069 006	12 069 006
Allowance for doubtful receivables	-4 624 836	-4 624 836
Loan receivables	30 000	30 000
Other receivables	118 690	118 690
Accrued income	118 690	118 690
Prepayments	217 979	217 979
Deferred expenses	217 979	217 979
Paid deposits	354 854	354 854
Other receivables	26 257	26 257
	18 850	18 850
Total receivables and prepayments	**8 210 800**	**8 210 800**

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

Note 4 Accounts receivable
(In Euros)

	31.12.2023	31.12.2022
Accounts receivables	**15 620 877**	**12 069 006**
Estonia	7 607 451	6 381 625
Spain	1 906 738	1 655 875
Finland	6 055 119	4 015 982
Netherlands	37 873	310
Other countries	13 696	15 214
Allowance for doubtful receivables	-5 187 993	-4 624 836
Total accounts receivable	**10 432 884**	**7 444 170**

Maturity breakdown of gross claims:

Estonia

Balance	31.12.2023	31.12.2022
up to 30 days	2 905 737	4 577 373
31-365 days	4 666 948	1 804 251

Spain

Balance	31.12.2023	31.12.2022
up to 30 days	246 774	834 813
31-365 days	1 659 964	821 063

Finland

Balance	31.12.2023	31.12.2022
up to 30 days	3 708 634	2 444 958
31-365 days	2 346 485	1 571 024

Other countries

Balance	31.12.2023	31.12.2022
up to 30 days	47 013	3 952
31-365 days	4 553	11 571

Further information on Receivables and prepayments can be found in Note 3. Additional information about discount policy can be found in Accounting Policies.

Note 5 Tax prepayments and liabilities
(In Euros)

	31.12.2023	31.12.2022
	Tax liabilities	**Tax liabilities**
Value added tax	158 369	192 333
Personal income tax	163 191	130 815
Fringe benefit income tax	13 024	18 249
Social tax	294 279	240 026
Contributions to mandatory funded pension	13 313	11 396
Unemployment insurance tax	17 464	13 398
Total tax prepayments and liabilities	**659 640**	**606 217**

Further information on payables and prepayments can be found in Note 10.

Note 6 Shares of subsidiaries
(In Euros)

Shares of subsidiaries, general information					
Subsidiary's registry code	**Name of subsidiary**	**Country of incorporation**	**Principal activity**	**Ownership interest (%)**	
				31.12.2022	**31.12.2023**
11483929	Bondora AS	Estonia	Originating loans, providing support services to customers, debt management	100	100
14794373	Bondora Solutions OÜ	Estonia	Providing marketing and IT services to group companies	100	100
12831506	Bondora Capital OÜ	Estonia	Raising capital, acquiring loan receivables, providing support services to investors	100	100
14321661	BC Structured Finance OÜ	Estonia	Supporting activities of group	100	100
16700863	Bondora Finance AS	Estonia	Financial activity	0	100

Shares of subsidiaries, detaild information			
Name of subsidiary	**31.12.2022**	**Other changes**	**31.12.2023**
Bondora AS	500 000		500 000
Bondora Solutions OÜ	2 510		2 510
Bondora Capital OÜ	2 500		2 500
BC Structured Finance OÜ	2 500		2 500
Bondora Finance AS	0	25 000	25 000
Total shares of subsidiaries, at end of previous period	**507 510**	**25 000**	**532 510**

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 7 Property, plant and equipment

(In Euros)

								Total
			Machinery and equipment	Other property, plant and equipment			Unfinished projects and prepayments	
	Computers and computer systems	Other machinery and equipment			Unfinished projects	Prepayments		
31.12.2021								
Carried at cost	79 561	9 245	88 806	943 665	3 612	0	3 612	1 036 083
Accumulated depreciation	-21 625	-2 682	-24 307	-356 940	0	0	0	-381 247
Residual cost	57 936	6 563	64 499	586 725	3 612	0	3 612	654 836
Acquisitions and additions	2 793	4 472	7 265	657 483	0	216 048	216 048	880 796
Acquisition of buildings, new building, renovations					0	216 048	216 048	216 048
Other acquistions and additions	2 793	4 472	7 265	657 483	0	0	0	664 748
Depreciation	-20 066	-4 296	-24 362	-394 321	0	0	0	-418 683
Reclassifications	0	3 612	3 612	0	-3 612	0	-3 612	0
Reclassifications from prepayments	0	3 612	3 612	0	-3 612	0	-3 612	0
Other changes	-3 135	0	-3 135	-53 927	0	0	0	-57 062
31.12.2022								
Carried at cost	75 517	17 329	92 846	1 533 735	0	216 048	216 048	1 842 629
Accumulated depreciation	-37 989	-6 978	-44 967	-737 775	0	0	0	-782 742
Residual cost	37 528	10 351	47 879	795 960	0	216 048	216 048	1 059 887
Acquisitions and additions	1 709	87 576	89 285	2 375 688	0	64 454	64 454	2 529 427
Other acquistions and additions	1 709	87 576	89 285	2 375 688	0	64 454	64 454	2 529 427
Depreciation	-17 783	-16 124	-33 907	-663 851	0	0	0	-697 758
31.12.2023								
Carried at cost	77 226	104 905	182 131	3 909 423	0	280 502	280 502	4 372 056
Accumulated depreciation	-55 772	-23 102	-78 874	-1 401 626	0	0	0	-1 480 500
Residual cost	21 454	81 803	103 257	2 507 797	0	280 502	280 502	2 891 556

Note 8 Intangible assets

(In Euros)

					Total
	Development expenditures	Concessions, patents, licences, trademarks	Other intangible assets	Unfinished projects and prepayments	
31.12.2021					
Carried at cost	512 543	4 844	117 651	0	635 038
Accumulated depreciation	-229 749	-1 620	-21 682	0	-253 051
Residual cost	282 794	3 224	95 969	0	381 987
Acquisitions and additions	41 884	0	181 272	250 000	473 156
Depreciation	-178 092	-972	-70 365	0	-249 429
31.12.2022					
Carried at cost	554 427	4 844	298 923	250 000	1 108 194
Accumulated depreciation	-407 841	-2 592	-92 047	0	-502 480
Residual cost	146 586	2 252	206 876	250 000	605 714
Acquisitions and additions	35 006	0	63 264	0	98 270
Depreciation	-125 430	-971	-103 916	0	-230 317
31.12.2023					
Carried at cost	589 433	4 844	362 187	250 000	1 206 464
Accumulated depreciation	-533 271	-3 563	-195 963	0	-732 797
Residual cost	56 162	1 281	166 224	250 000	473 667

Note 9 Loan commitments

(In Euros)

	31.12.2023	Allocation by remaining maturity		
		Within 12 months	1 - 5 years	Over 5 years
Finance lease obligations total	2 050 370	569 277	1 481 093	0
Loan commitments total	**2 050 370**	**569 277**	**1 481 093**	**0**
	31.12.2022	**Allocation by remaining maturity**		
		Within 12 months	**1 - 5 years**	**Over 5 years**
Finance lease obligations total	740 539	339 781	400 758	0
Loan commitments total	**740 539**	**339 781**	**400 758**	**0**

Note 10 Payables and prepayments
(In Euros)

	31.12.2023	Within 12 months
Trade payables	1 286 701	1 286 701
Employee payables	1 597 690	1 597 690
Tax payables	659 640	659 640
Other payables	463 617	463 617
Other accrued expenses	463 617	463 617
Total payables and prepayments	**4 504 768**	**4 504 768**
	31.12.2022	**Within 12 months**
Trade payables	1 266 001	1 266 001
Employee payables	589 183	589 183
Tax payables	606 217	606 217
Other payables	365 817	365 817
Other accrued expenses	365 817	365 817
Vacation reserve	180 269	180 269
Other liabilities	679 516	679 516
Total payables and prepayments	**3 687 003**	**3 687 003**

Note 11 Share capital
(In Euros)

	31.12.2023	31.12.2022
Share capital	50 001	50 001
Number of shares (pcs)	500 014	500 014
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.

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 31.12.2022	22 264
Granted options	1267
Exercised options	-1382
Repealed options	-6 919
Options outstanding as of 31.12.2023	15 230

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 17 640 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 12 Net sales
(In Euros)

	2023	2022
Net sales by geographical location		
Net sales in European Union		
Estonia	21 268 057	20 739 716
Finland	19 675 797	13 359 208
Spain	2 540 150	2 450 405
Netherlands	780 709	9 855
Other European Union net sales	88 067	148 906
Total net sales in European Union	**44 352 780**	**36 708 090**
Total net sales	**44 352 780**	**36 708 090**
Net sales by operating activities		
Loan Management Fees	23 104 148	20 181 903
Origination Fees	7 041 625	7 232 628
Additional Services	13 113 449	8 840 516
Court Fees Claimed	294 332	304 806
Other Services	86 792	148 237
Interest income	712 434	0
Total net sales	**44 352 780**	**36 708 090**

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

Note 13 Goods, raw materials and services
(In Euros)

	2023	2022
IT Management	-2 982 504	-2 860 205
Debt Management	-2 027 298	-2 069 609
Consultancy	-2 092 240	-2 407 558
Total goods, raw materials and services	**-7 102 042**	**-7 337 372**

Note 14 Miscellaneous operating expenses

(In Euros)

	2023	2022
Leases	-42 431	-80 228
Miscellaneous office expenses	-392 078	-252 464
Travel expense	-181 244	-142 383
Training expense	-221 026	-214 393
Allowance for doubtful receivables	-5 617 799	-3 870 593
Advertising and Marketing	-8 450 160	-9 368 237
Transportation	-40 061	-33 926
Pank Service Fees	-249 057	-672 672
Outsourced Services	-2 001 759	-824 818
Postal and Communication	-24 413	-19 768
Other	-314 666	-215 305
Total miscellaneous operating expenses	**-17 534 694**	**-15 694 787**

Note 15 Labor expense

(In Euros)

	2023	2022
Wage and salary expense	-10 460 874	-7 518 445
Social security taxes	-3 875 874	-2 393 119
Other benefits paid to employees, related taxes	-962 988	-710 802
Total labor expense	**-15 299 736**	**-10 622 366**
Average number of employees in full time equivalent units	166	138
Average number of employees by types of employment:		
Person employed under employment contract	156	125
Person providing service under law of obligations, except for self-employed person	1	4
Member of management or controlling body of legal person	9	9

Labor expenses include also salaries and all related costs employees hired outside Estonia through employment mediation company.

Note 16 Interest expenses

(In Euros)

	2023	2022
Right of Use Assets	-62 202	-15 517
Total interest expense	**-62 202**	**-15 517**

Note 17 Interest income

(In Euros)

	2023	2022
Interest income from loans	2 254	560
Other interest income	18 476	6 911
Total Interest income	**20 730**	**7 471**

Note 18 Other financial income and expense

(In Euros)

	2023	2022
Loss From Re-Evaluation of Financial Assets	-93 925	-256 094
Total other financial income and expense	**-93 925**	**-256 094**

Note 19 Related parties

(In Euros)

BOUGHT	**2023**	**2022**
	Services	**Services**
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	97 282	60 000
Total bought	**97 282**	**60 000**

Remuneration and other significant benefits calculated for members of management and highest supervisory body		
	2023	**2022**
Remuneration	980 111	826 766

At the end of the reporting period Bondora Group AS 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. Bondora Finance AS (subsidiary);
7. BC Structured Finance OÜ (indirect ownership).

The numbers in above tables are consolidated meaning that transactions and balances within the group have been eliminated.

Note 20 Long-term financial investments

(In Euros)

		Total
	Shares	
31.12.2022	0	0
Acquisition	50 000	50 000
31.12.2023	**50 000**	**50 000**
Carried at fair value	50 000	50 000

Note 21 Events after the reporting date

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

Note 22 Non consolidated statement of financial position

(In Euros)

	31.12.2023	31.12.2022
Assets		
Current assets		
Cash and cash equivalents	252 930	171 415
Receivables and prepayments	1 765 181	2 375 364
Inventories	0	15 768
Total current assets	**2 018 111**	**2 562 547**
Non-current assets		
Investments in subsidiaries and associates	529 030	504 030
Financial investments	50 000	0
Property, plant and equipment	2 891 556	1 059 887
Intangible assets	223 667	355 714
Total non-current assets	**3 694 253**	**1 919 631**
Total assets	**5 712 364**	**4 482 178**
Liabilities and equity		
Liabilities		
Current liabilities		
Loan liablities	569 277	339 781
Payables and prepayments	1 960 663	2 558 674
Total current liabilities	**2 529 940**	**2 898 455**
Non-current liabilities		
Loan liablities	1 481 093	400 758
Total non-current liabilities	**1 481 093**	**400 758**
Total liabilities	**4 011 033**	**3 299 213**
Equity		
Issued capital	50 001	50 001
Share premium	589 630	553 276
Treasury shares	-1 764	-1 902
Retained earnings (loss)	581 590	265 733
Annual period profit (loss)	481 874	315 857
Total equity	**1 701 331**	**1 182 965**
Total liabilities and equity	**5 712 364**	**4 482 178**

Note 23 Non consolidated income statement

(In Euros)

	2023	2022
Revenue	9 931 781	6 534 680
Other income	621	4 488
Raw materials and consumables used	-1 377 080	-1 299 158
Other operating expense	-2 761 076	-1 447 483
Employee expense	-4 333 691	-2 783 267
Depreciation and impairment loss (reversal)	-922 664	-668 112
Other expense	-2 126	-9 967
Total operating profit (loss)	**535 765**	**331 181**
Interest income	8 311	193
Interest expenses	-62 202	-15 517
Profit (loss) before tax	**481 874**	**315 857**
Annual period profit (loss)	**481 874**	**315 857**

Note 24 Non consolidated statement of cash flows
(In Euros)

	2023	2022
Cash flows from operating activities		
Operating profit (loss)	535 765	331 181
Adjustments		
Depreciation and impairment loss (reversal)	922 664	668 112
Other adjustments	35 892	3 157
Total adjustments	**958 556**	**671 269**
Changes in receivables and prepayments related to operating activities	656 183	-1 050 729
Changes in payables and prepayments related to operating activities	-1 138 167	613 429
Interest received	7 008	193
Interest paid	-62 202	-15 517
Total cash flows from operating activities	**957 143**	**549 826**
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-791 119	-537 178
Other cash payments to acquire subsidiaries	-25 000	0
Other cash payments to acquire other financial investments	-50 001	0
Loans given	-76 000	-30 000
Repayments of loans given	30 000	0
Total cash flows from investing activities	**-912 120**	**-567 178**
Cash flows from financing activities		
Proceeds from sales of treasury shares	36 492	101 375
Total cash flows from financing activities	**36 492**	**101 375**
Total cash flows	**81 515**	**84 023**
Cash and cash equivalents at beginning of period	171 415	87 392
Change in cash and cash equivalents	**81 515**	**84 023**
Cash and cash equivalents at end of period	252 930	171 415

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

						Total
	Issued capital	Unregistered equity	Share premium	Treasure shares	Retained earnings (loss)	
31.12.2021	50 001	0	2 027	-2 027	265 733	315 734
Annual period profit (loss)	0	0	0	0	315 857	315 857
Other changes in equity	0	0	551 249	125	0	551 374
31.12.2022	50 001	0	553 276	-1 902	581 590	1 182 965
Governing and material influence ownership interest value of financial position	0	0	0	0	-507 510	-507 510
Governing and material influence on the value Of holdings under the e quity method	0	0	0	0	1 795 019	1 795 019
Restated non consolidated equity 31.12.2022	**50 001**	**0**	**553 276**	**-1 902**	**1 869 099**	**2 470 474**
Annual period profit (loss)	0	0	0	0	481 874	481 874
Other changes in equity			36 354	138		36 492
31.12.2023	50 001		589 630	-1 764	1 063 464	1 701 331

Note 26 Risk Management

Introduction

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

Credit risk

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

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 15 000 euros, the customer base is sufficiently diversified and the Group's operation is not highly dependent on any single customer.

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.

Detailed information about cash and equivalents can be found in the Note 2.

Further information on Accounts Receivables and maturities breakdown can be found in Notes 3 and 4.

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.

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. 2023, 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.

KPMG Baltics OÜ
Narva mnt 5
Tallinn 10117
Estonia

Telephone +372 6 268 700
Fax +372 6 268 777
Internet www.kpmg.ee

Independent Auditors' Report

(Translation of the Estonian original)

To the Shareholders of Bondora Group AS

Opinion

We have audited the consolidated financial statements of Bondora Group AS (the Group), which comprise the consolidated statement of balance sheet as at 31 December 2023, the consolidated statement of profit or loss, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 December 2023, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (Estonia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the Code of Ethics for Professional Accountants (Estonia) (including Independence Standards) and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

Management is responsible for the other information. The other information comprises the management report, but does not include the consolidated financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. In addition, our responsibility is to state whether the information presented in the management report has been prepared in accordance with the applicable legal and regulatory requirements.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard and we state that the information presented in the management report is materially consistent with the consolidated financial statements and in accordance with the applicable legal and regulatory requirements.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (Estonia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (Estonia), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG Baltics OÜ
Licence No 17

digitally signed

Eero Kaup

Certified Public Accountant, Licence No 459

Tallinn, 29 March 2024