

BASE PROSPECTUS

Dated 14 December 2016

€60,000,000

**BOND ISSUANCE PROGRAMME
OF A NOMINAL VALUE OF €100,000 PER BOND**



FERRATUM BANK P.L.C.

(duly incorporated under the laws of Malta under registration number C-56251)

Guaranteed by

FERRATUM OYJ

(duly incorporated under the laws of Finland under registration number 1950969-1)

An Application has been made to the Listing Authority in Malta, which is the Maltese competent authority for the purposes of the Prospectus Directive for the approval of this Base Prospectus. Application will also be made to the Listing Authority for each Series of the Bonds issued under this Programme to be admitted for trading on the EWSM. There may also be applications to admit the Bonds issued under this Programme for trading on the Stockholm Stock Exchange and on the Frankfurt Stock Exchange.

Prospective investors are to refer to the Guarantee contained in Annex A of this Document for a description of the scope, nature and terms of the Guarantee. Reference should also be made to the section entitled "Risk Factors" for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by Ferratum Oyj.

THE ACCEPTANCE BY THE LISTING AUTHORITY IN MALTA FOR THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS ACCEPTANCE, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH ACCEPTANCE SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

TABLE OF CONTENTS

IMPORTANT INFORMATION	5
1 Definitions	7
2 Persons responsible.....	9
3 Risk factors	10
3.1 Introduction.....	10
3.2 Risks concerning the Issuer and the Guarantor.....	10
3.3 Risks relating to the Bonds	22
3.4 Forward looking.....	25
4 General description of the programme.....	27
5 Information on the Issuer and the Guarantor	28
5.1 Historical development of the Issuer	28
5.2 Historical development of the Guarantor	29
6 Business overview	30
6.1 Overview.....	30
6.2 The Group's Strategy	30
6.3 Overview of the Process Credit Scoring, Delivery and Collection of Loans	32
6.4 Products.....	35
6.5 Certain Information on the Group's credit portfolio	37
6.6 Information on the Markets the Group operates in.....	39
6.7 Commitment to Responsible Lending	42
6.8 Customers.....	42
6.9 Employees	42
6.10 Sales and marketing	43
6.11 Material Contracts.....	43
6.12 Insurance	43
6.13 Properties	43
6.14 Legal and arbitration proceedings.....	43
7 Organisational structure.....	45
8 Financial Performance and Trend Information	46
8.1 Trend Information	46
8.1.1 Trading prospects of the Issuer	46
8.1.2 Trading prospects of the Guarantor	46
8.2 Use of proceeds.....	47

8.3	Key Financial Review	48
8.3.1	Financial review of the Issuer	48
8.3.2	Half Year Financial Figures of the Issuer	102
8.3.3	Financial Review of the Guarantor	105
8.3.4	Interim Financial Review of the Guarantor for the nine months ended 30 September 2016.....	157
9	Identity of Directors, Senior Management, Advisors, Auditors and Objectives of the Issuer and Guarantor	168
9.1	Directors	168
9.2	Senior Management	170
9.3	Conflicts of interest	171
9.4	Listing Agent to the Issuer and the Guarantor and Trustee to the Bondholders	171
9.5	Statutory auditors.....	171
9.6	Objectives of the Issuer and Guarantor.....	171
10	Corporate Governance Practices	173
10.1	The Issuer	173
10.2	The Guarantor	174
11	Major shareholders	175
11.1	Shareholders' equity of Issuer	175
11.2	Guarantor Shareholding	175
12	Financial information concerning the Issuer's and Guarantor's assets and liabilities, financial position and profits and losses	176
12.1	Historical financial information	176
12.2	Age of latest financial information	176
12.3	Significant change in the Issuer's or Guarantor's financial or trading position	176
13	Information concerning the Bonds.....	177
13.1	Introduction.....	177
13.2	Definitions and Construction.....	177
13.3	Status of the Bonds.....	184
13.4	Use of Proceeds	185
13.5	Conditions Precedent	185
13.6	Bonds in Book-Entry Form.....	186
13.7	Right to Act on Behalf of a Bondholder	187
13.8	Payments in Respect of the Bonds	187
13.9	Interest	188
13.10	Redemption and Repurchase of the Bonds	188
13.11	Information to Bondholders	190

13.12	Financial Undertakings	191
13.13	General Undertakings.....	191
13.14	Events of Default and Acceleration of the Bonds.....	193
13.15	Distribution of Proceeds.....	195
13.16	Decisions by Bondholders.....	196
13.17	Bondholders' Meeting	198
13.18	Written Procedure	199
13.19	Amendments and Waivers	199
13.20	Appointment and Replacement of the Trustee.....	200
13.21	Appointment and Replacement of the Issuing Agent and the Paying Agent	203
13.22	No Direct Actions by Bondholders.....	203
13.23	Prescription	203
13.24	Notices and Press Releases.....	204
13.25	Governing Law and Jurisdiction.....	205
13.26	Method of Publication of the Base Prospectus and of the Final Terms	205
13.27	Final Terms	205
14	Form of Final Terms.....	206
	PART A – CONTRACTUAL TERMS	206
	PART B – OTHER INFORMATION	208
15	Taxation.....	209
15.2	Malta Tax on Interest	209
15.3	Malta Capital Gains on Disposals or Redemptions of Securities	210
15.4	Malta Duty on Documents and Transfers.....	210
16	General Information.....	211
16.1	Admission to Trading Information.....	211
16.2	Authorisations	211
16.3	Third party information	211
17	Documents on display	212
	Annex A.....	213

IMPORTANT INFORMATION

THIS BASE PROSPECTUS SHOULD BE READ AND CONSTRUED IN CONJUNCTION WITH THE REFERENCE DOCUMENTS. FULL INFORMATION ON THE ISSUER, GUARANTOR AND THE BONDS IS ONLY AVAILABLE ON THE BASIS OF THE BASE PROSPECTUS, AS SUPPLEMENTED FROM TIME TO TIME, TOGETHER WITH THE REFERENCE DOCUMENTS, AND THE APPLICABLE FINAL TERMS.

THIS DOCUMENT CONSTITUTES A BASE PROSPECTUS AND HAS BEEN DRAWN UP IN ACCORDANCE WITH THE REQUIREMENTS OF THE GUIDELINES FOR LISTING AND TRADING ON THE EWSM, AND THE COMMISSION REGULATION (EC) NO. 809/2004 OF THE 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES, AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY DIRECTIVE 2010/73/EU OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AND COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012, COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013, COMMISSION DELEGATED REGULATION (EU) NO. 382/2014 OF 7 MARCH 2014) AND COMMISSION REGULATION (EU) 2016/301 OF 30 NOVEMBER 2015 SUPPLEMENTING DIRECTIVE 2003/71/EC AND AMENDING COMMISSION REGULATION (EC) NO 809/2014.

THE BASE PROSPECTUS HAS BEEN APPROVED BY THE LISTING AUTHORITY (MEANING THE MALTA FINANCIAL SERVICES AUTHORITY ('MFSA') ACTING IN ITS CAPACITY AS LISTING AUTHORITY IN TERMS OF THE FINANCIAL MARKETS ACT, CHAPTER 345 OF THE LAWS OF MALTA) AS COMPETENT AUTHORITY UNDER THE PROSPECTUS DIRECTIVE. THE LISTING AUTHORITY ONLY APPROVES THIS BASE PROSPECTUS AS MEETING THE DISCLOSURE REQUIREMENTS IMPOSED UNDER MALTESE AND EUROPEAN UNION LAW PURSUANT TO THE PROSPECTUS DIRECTIVE.

THIS BASE PROSPECTUS IS VALID FOR 12 MONTHS FROM THE DATE OF PUBLICATION AND THIS BASE PROSPECTUS AND ANY SUPPLEMENT HERETO AS WELL AS ANY FINAL TERMS REFLECT THEIR STATUS AS AT THEIR RESPECTIVE DATES OF ISSUE. THE BASE PROSPECTUS AND/OR ANY FINAL TERMS AND THE OFFERING, SALE OR DELIVERY OF ANY BONDS MAY NOT BE TAKEN AS: (A) AN IMPLICATION THAT THE INFORMATION CONTAINED IN SUCH DOCUMENTS IS ACCURATE AND COMPLETE SUBSEQUENT TO THEIR RESPECTIVE DATES OF ISSUE; OR (B) THAT THERE HAS BEEN NO ADVERSE CHANGE IN THE FINANCIAL CONDITION OF THE ISSUER AND THE GUARANTOR SINCE SUCH DATES; OR (C) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROGRAMME IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

EACH AND ALL OF THE DIRECTORS OF THE ISSUER AND THE GUARANTOR WHOSE NAMES APPEAR UNDER THE HEADING "IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS" IN SECTION 9.1 OF THE BASE PROSPECTUS ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THE BASE PROSPECTUS. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE, THE INFORMATION CONTAINED IN THE BASE PROSPECTUS IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

THE ISSUER UNDERTAKES TO SUPPLEMENT THE BASE PROSPECTUS OR PUBLISH A NEW BASE PROSPECTUS AT ANY TIME AFTER SUBMISSION OF THE BASE PROSPECTUS FOR APPROVAL TO THE LISTING AUTHORITY, IF AND WHEN, THE INFORMATION HEREIN SHOULD BECOME MATERIALLY INACCURATE OR INCOMPLETE IN THE EVENT OF ANY NEW SIGNIFICANT FACTOR THAT IS CAPABLE OF AFFECTING THE ASSESSMENT OF THE BONDS BY POTENTIAL INVESTORS. THE LISTING AUTHORITY IS NOT REQUIRED TO APPROVE ANY FINAL TERMS ISSUED BY THE ISSUER PURSUANT TO THIS BASE PROSPECTUS.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE BASE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN IN CONNECTION, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS.

THE BASE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE "U.S.") OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN "REGULATION S" OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE GUIDELINES FOR LISTING AND TRADING ON THE EWSM AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES, IN ACCORDANCE WITH THE REQUIREMENTS OF THE COMPANIES ACT.

STATEMENTS MADE IN THE BASE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THE BASE PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

1 Definitions

All terms not otherwise defined in this Base Prospectus shall have the meaning as set out in the 'Terms and Conditions' of the Bonds. In addition to the defined terms used in the section of this Base Prospectus entitled 'Terms and Conditions', the following capitalised terms shall have the meaning attributed hereunder:

"Bond/s" or "Security/ies"	the bonds issued or to be issued in terms of the Programme;
"Bondholder"	a holder of Bonds issued by Ferratum Bank;
"Bond issue"	the issue of the Bonds;
"Clearstream"	Clearstream Banking <i>société anonyme</i>
"Companies Act" or "Act"	the Companies Act (Cap. 386 of the Laws of Malta);
"Company" or "Issuer" or "Bank" or "Ferratum Bank"	Ferratum Bank p.l.c., a company registered under the laws of Malta having its registered office at Tagliaferro Business Centre, Level 6, 14 High Street, Sliema, SLM 1551, Malta and bearing company registration number C-56251;
"CSD"	the central securities depository of the Malta Stock Exchange (MSE) established pursuant to article 24 of the Financial Markets Act (Cap. 345 of the laws of Malta), and situated at Garrison Chapel, Castille Place, Valletta, VLT 1063, Malta;
"Euro" or "EUR" or "€"	the lawful currency of the Republic of Malta;
"Ferratum Group" or "the Group"	Ferratum Oyj and its subsidiaries form the Ferratum Group;
"Guarantee"	the irrevocable guarantee for each respective series of the Bonds granted by the Company under the Deed of Guarantee, under which the Company guarantees the due and punctual payment of all sums from time to time payable by the Issuer in respect of the Bonds;
"Guarantor" or "Ferratum Oyj"	Ferratum Oyj, a company registered under the Laws of Finland, having its registered office at Ratamestarinkatu 11A, 00520 Helsinki, Finland and bearing company registration number 1950969-1;
"EWSM"	the EWSM, European Wholesale Securities Market, is a 'regulated market' as defined in Article 4(1), point 14, of the Directive on Markets in Financial Instruments (2004/39/EC). The EWSM is authorised and regulated by the Malta Financial Services Authority;
"Listing Authority"	the Malta Financial Services Authority ('MFSA'), appointed as Listing Authority for the purposes of the Financial Markets Act (Chapter 345 of the Laws of Malta) by virtue of Legal Notice 1 of 2003;
"Listing Rules"	the listing rules issued by the Listing Authority, as may be amended from time to time;
"Offering" or "Shares"	the offering of 6,517,188 ordinary shares of the Guarantor on the regulated market of the Frankfurt Stock Exchange;
"Offer Price"	the offer price for the Shares issued by Ferratum Oyi in January 2015, with a price per share of €17;
"Person"	any person, firm, company, corporation, government, state, or agency of a state or any association, trust or partnership (whether or not having separate

	legal personality) of two or more of the foregoing;
"Programme"	the Bond Issuance Programme being made by the Issuer pursuant to this Base Prospectus;
"Prospectus Directive"	Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 on the Prospectus to be published when securities are offered to the public or admitted to trading and amending Directive 2001/34/EC, as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010;
"Reference Documents"	any supplement to the Base Prospectus, together with any document on display;
"Regulation"	Commission Regulation (EC) No 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in the Prospectus as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements;
"Series"	one or more Tranches, which are expressed to be consolidated and forming a single series and identical in all respects, except for issue dates, interest commencement dates and/or issue price;
"Terms and Conditions" or "Conditions"	the terms and conditions contained in section 13 of this Base Prospectus; and
"Tranche"	each tranche of Bonds is identical in all respects, except for issue dates, interest commencement dates and/or issue prices, issued in accordance with the provisions of this Base Prospectus as may be amended, supplemented and updated from time to time and the applicable Final Terms.

All references in the Base Prospectus to "Malta" are to the "Republic of Malta".

A reference in this Base Prospectus to a provision of law is a reference to that provision as amended or re-enacted.

References in this Base Prospectus to a company or entity shall be deemed to include a reference to any successor or replacement thereto.

2 Persons responsible

This Document includes information prepared in compliance with the Guidelines for Listing and Trading on the EWSM for the purpose of providing prospective investors with information regarding the Issuer and the Guarantor. All of the Directors of the Issuer, whose names appear under the heading "**Identity of Directors, Senior Management, Advisors and Auditors**" in Section 9.1.1 (Directors of the Issuer) of the Document, accept responsibility for the information contained in this Document.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer and the Guarantor accept responsibility accordingly.

3 Risk factors

PROSPECTIVE INVESTORS SHOULD CAREFULLY REVIEW AND CONSIDER THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS BASE PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S AND/OR THE GUARANTOR'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE ISSUER AND/OR THE GUARANTOR TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY IT FROM TIME TO TIME. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER AND THE GUARANTOR FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER AND/OR THE GUARANTOR THAT COULD LEAD TO A DECLINE IN VALUE OF THE SECURITIES.

NEITHER THE BASE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS BASE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER.

PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

3.1 Introduction

Ferratum Bank p.l.c. (the "**Issuer**") forms part of the Ferratum Group, a group of companies independent of any other business groups in the financial or commerce sector. The Group is mainly capitalised by Ferratum Oyj (the "**Guarantor**").

Considering that the Issuer and the other companies within the Group operate mainly within the same line of business (i.e. that of providing consumer loans distributed either via a highly developed mobile phone solution or the internet) the risks mentioned hereunder in section 3.2 concern the Group as a whole, including the Issuer.

3.2 Risks concerning the Issuer and the Guarantor

3.2.1 Economic risk

Changing economic conditions have a strong influence on the consumer credit and microloans credit markets. The Group's business depends on the demand for consumer loans, as well as on access to capital. Any period of regional or global economic downturn could result in a lower demand for the Group's products, a reduction in the potential customers who qualify for the Group's consumer loan products, or more difficult access to capital. In addition, periods of economic downturn could pressure the Group's existing and potential customers. As a result, the Group credit business could experience an increase in defaults, credit extension requests, or a higher frequency and severity of credit losses. Difficulties in access to capital may result in a decreased ability to arrange as many microloans as demanded by the market. In turn, this may cause the Group to lose the momentum of its market

growth and market share and, thereby, have a material adverse effect on its business, financial standing, results from operations and prospects.

3.2.2 Fraud risk

The Group is exposed to fraud risk due to possible intentional misconduct from its customers and potential customers, acting maliciously for their own gain or that of connected third parties. The most common fraud risk concerns identity theft, which involves the assumption of another person's identity in order to gain access to resources from the Group. To minimize fraud risk, the Group has implemented regulatory procedures pertaining to customer identification and verification, complementing requirements for the prevention of money laundering and financing of terrorism, which are in turn based on the legislation of each country. Nevertheless, full assurance that fraud would not cause any losses to the Group cannot be provided. The Group uses fraud risk management as an internal control system, which includes such tools as the identification of fraud levels through default rate monitoring systems, 'bad debt' databases, business intelligence information, and adequate customer due diligence.

It is relevant to mention that the fraud risk may have a negative impact on the Group's net income, business prospects, or financial condition. In the case of materialization of fraud risk, the Group would also have to create additional reserves to cover potential fraud losses.

3.2.3 Liquidity risk

Cash flow efficiency and cash collection is highly relevant for the Group's growth rate. Considering the Group's business model and the path of implementation of its expansion strategy in new countries, based on the best practices it has developed and tested, the Group is exposed to related liquidity risks. Liquidity risk arises from an institution's inability to meet both expected and unexpected current and future obligations as and when they fall due, without incurring significant losses.

Lack of liquidity may occur in numerous scenarios, including but not limited to two specific potential risk scenarios: the first concerns the situation of unexpected increase in rates of delinquencies or defaults on provided loans due to serious financial problems from a segment of the Group's customers. The second is connected with the growth of business in new countries. New countries' businesses are incapable of financing themselves at the very beginning. Consequently, the Group has to provide the liquidity required for the new business. If the Group is unable to meet such cash requirements, its growth in new markets may be adversely affected. Decreasing cash inflows from existing operations, and/or increasing cash outflows associated with new business, could result in material adverse effects on the Group's business, financial standings, results of operations, and prospects.

3.2.4 Risk of limited access to capital

The Group depends on external funding from credit and capital markets in order to support its fast growth and rapid geographic expansion. If such external funds are not available under affordable terms, as a possible result of disturbances in the banking and financial sector, the Group could be negatively affected by an increased cost of capital. A limited availability of credit and limitations in access to financial and capital markets, combined with rising credit costs, may slow down, deteriorate, or even prevent the growth and further expansion of the Group entirely. The limitations may undermine the Group's potential to remain profitable, which may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.5 Credit loss risk

The Group is a financing party to bilateral microloan and customer credit product agreements and therefore may be exposed to fluctuating quality of the customers' creditworthiness and associated risks. The Group's customers generally have a higher frequency of delinquencies, higher risk of non-payment and, ultimately higher credit losses than consumers who are generally served by more traditional providers. The worsening quality of customers' creditworthiness may materialize when the Group's customers fail to pay their microloan and customer credit products as a result of deterioration in their own economic standing. A poor financial standing of the Group's customers may, in turn, adversely influence the financial and economic condition of the Group due to a growing rate of irregular receivables in the Group's consolidated balance sheet resulting from the customers' inability to fulfil their liabilities towards the Group under microloan and customer credit product agreements, as well as due to increasing past-due payments and defaults in the customer base. Moreover, the negative standing of the Group's customers may cause losses and shortfalls of cash on the side of the Group and result in an increase of the Group's financial costs caused by accruing provisions for deteriorating financial revenues. The credit loss risk may increase if the microloans portfolio is not adequately diversified (country and social status diversification) and if the customer base is fairly uniform. In such a situation, a deterioration of economic conditions or an economic slowdown would impact the Group's large customer base in the same way.

To mitigate and control the above mentioned credit risks, the Group operates according to established credit risk policies, uses computer-aided loan approval algorithms, and follows regularly reviewed ethical and good crediting principles. In addition, the Group uses its own software-based scoring procedure to rate the creditworthiness of new and existing customers. The software-based scoring procedure combines the Group's historical data from all markets it operates in with current information regarding the specific market and customer. Although the Group's credit policies and software-based scoring procedure are refined and updated on an on-going basis, they may prove insufficient. In a rapidly changing economic environment there might arise a situation where current policies and procedures are not sufficient or are subject to a procedural 'time lag'. A potential deterioration of economic conditions or an economic slowdown may additionally exacerbate the credit risk. As a result, the Group might be vulnerable to credit loss risks and deterioration in portfolio quality. Insufficient risk management procedures might also have a material adverse effect on the Group's overall financial and operational results or prospects.

3.2.6 Risk of unsuccessful strategy implementation

There can be no assurance that the Group strategy will be successfully implemented. One of the key elements of this strategy is the geographical expansion of the business through the setting up of new business units in different jurisdictions. The pace of the success of this strategy is largely contingent upon the ability of the Group to raise needed funds.

In some countries, certain consumer loan products of the Group may not be offered in the same manner as in other countries due to more restrictive bank and consumer regulation. For instance, there are countries in which consumers cannot instantly access the Group's mobile consumer loan products. Under these circumstances, the business success of the Group depends on its ability to offer consumers alternative and equally attractive products. Failure to offer such alternative products may result in lower revenues of the Group in respective markets.

In the past, the Group has expanded its product portfolio, which now consists of traditional microloans, instalment loans (so called PLUS Loans), a Credit Limit product, a online market place for investments in

consumer loans (Ferratum P2P) as well as small business loans (Ferratum Business) and invested in further development of scoring capabilities by founding a dedicated company (Personal Big Data Oy) and acquiring software that enables the analysis of a broad set of customer data. Product variations provide the Group with a diversified product portfolio. Nonetheless, the launch of new products – even when based on the same processes, systems, and scoring as the existing products – involves additional investments and carries the risk of product failure or implementation delays. Intensified investment costs and product introduction failure or delays may have a material adverse effect on the Group's business, financial condition, or results of operations.

In addition, in 2015 the Group started its drive to become a leading mobile bank. In this regard, the Group has already and is further making significant investments into its internal operational structure and production offerings, including a mobile banking platform, its deposit taking operations, as well as investments, enhancements and modifications to its anti-money laundering risk, foreign exchange risk, liquidity risk, operational risk and fraud risk systems and processes. Should the Group be unsuccessful to establish itself as a mobile bank or if this strategy is delayed or more costly than expected, this could jeopardize return on investments, reduce profitability, lead to lost investments and thus could have a material adverse effect on the Group's business, financial condition, or results of operations.

Organic growth, product variations, and geographical expansion are core components of the Group's growth strategy. However, growth through acquisitions (through the acquisition of a competing business or a loan portfolio or customer database) may also comprise part of the Group's strategy. Such acquisitions are accompanied by respective transactional risks. Any future acquisition may require significant financial resources (including cash). If the Group experiences any difficulties in integrating acquired operations into its business, the Group may incur higher than expected costs and may not realize all the benefits of such acquisitions. This could lead to adverse accounting and financial consequences, such as the need to write down acquired assets, which may have a material adverse effect on the Group's business prospects, financial condition or results of operations.

3.2.7 Risk of losing diversification ability

The international business operations of the Group allow it to mitigate the risk of lack of microloan portfolio diversification. Nonetheless, several countries that the Group operates in, such as the Netherlands, the United Kingdom, Poland, the Czech Republic, Denmark, Finland Sweden or Poland, create more revenues than others and, simultaneously, are more important and more risky from a diversification point of view. As a result, the Group is exposed to country-specific risks with respect to such national markets. It is noteworthy that the microloan portfolio is built on microloans lent to customers from different social backgrounds. The different socio-economic 'clusters' of the Group's customers allow it to keep the microloan portfolio diversified. If the Guarantor would not be able to successfully diversify its microloan portfolio, then it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

3.2.8 Regulatory risk concerning Group business and strategy

Operating in many different countries with different regulations requires managing the legal environment challenges and rules in varied fields, amongst which the most important are: (i) licence requirement regulations, (ii) maximum interest rate regulations, (iii) distance contracts regulations, and (iv) consumer protection requirement regulations. Such a legal environment brings along many legal risks, including, but not limited to:

The legal requirements for opening business in new countries vary significantly: (i) some jurisdictions have no registration / licence requirement and (ii) some jurisdictions have strict licensing requirements (e.g. banking licence). Entering new countries presents challenging legal requirements and rules on a local level. Failures of the Group's legal check, whether systemic or based on merit, in new countries may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

The EU Consumer Credit Directive (2008/48/EC) was adopted in April 2008 and entered into force in May 2008. The Member States were obliged to harmonise their legislation by 12 May 2010. Most of the EU Member States have already implemented the Directive. The main points of the Directive are:

- The Directive provides a list of information that the consumer shall receive from the creditor before entering into a credit agreement and the same information shall be stated in the credit agreement;
- This pre-contractual information shall be presented to the consumer by filling the Standard European Consumer Credit Information form;
- Consumer credit advertisements shall state the annual percentage rate of the loan;
- The mandatory pre-contractual information shall be forwarded to the consumer immediately after concluding the loan contract;
- A right of withdrawal, exercisable within 14 calendar days;
- If the consumer uses the right of withdrawal, the creditor may not require other charges from the consumer, except for the interest for the period the loan amount was used by the consumer.

To serve the purposes of consumer protection and credit transparency, the EU Consumer Credit Directive mandates disclosure of a standardized annual percentage rate (APR) figure for all consumer credit products. Due to the nature of the Group's business model, whereby in most countries where the Group operates, small loan amounts are offered for very short periods of time, the extrapolated APRs may appear to be far higher than standard market APRs offered by other consumer credit companies and may therefore create an incorrect impression of the actual business relationship between the Group and its customers. The disclosure of high APRs may thus mislead consumers, consumer protection organizations, courts, or regulatory agencies in the belief that the Group is in violation of EU or local consumer protection and consumer credit regulations, specifically regarding interest rate caps. It is thus possible that legal or regulatory challenges may be brought against the Group regarding noncompliance with existing, amended, or new consumer protection or consumer credit laws. Adverse judgments based on such findings could result in legal claims and reputational damage against the Group. In addition, regulatory authorities have in recent times increased their inquiries as to compliance with European and local consumer protection laws, which, if this intensifies, could further increase the burden on the Group's compliance, legal and business departments managing communication with authorities.

To mitigate the possible risks arising from legislative changes at EU level, the Group has adjusted its business activities in accordance with the requirements of the Directive and with the local legislative requirements. Nevertheless, unexpected changes with regard to the legislation at EU level or country-level may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.9 Compliance with consumer protection laws and other local legal requirements

Whilst the Group takes intensive measures to inform itself about the legal environment and requirements in the jurisdictions it operates in, it cannot be excluded that the services the Group offers are held to be in violation of local legal requirements, such as maximum interest rate provisions or transparency requirements, by local courts. Adverse judgements based on such findings could lead to the Group being exposed to damage claims and reputational damage. Further, existing microloan agreements might be held null and void. As a consequence, the Group may be limited from offering its microloan business successfully in certain jurisdictions or may be forced to terminate its business in certain jurisdictions. This could have material adverse impacts on the financial and market position of the Guarantor.

3.2.10 The Group may lose required licences to operate the Group's mobile consumer loan business or face challenges to renew such licences.

The local financial authorities of some jurisdictions additionally require licenses to operate a consumer loan business. There can be no assurance that, where a license is required, the Group will in all scenarios be able to maintain its licenses on commercially favourable terms or at all. Accordingly, there is a risk of delay in obtaining the required licenses, which may lead to operational delays. The loss of a license or such operational delays may in turn have a material adverse effect on the Group's business, financial condition, or results of operations.

3.2.11 Risks connected with licence and agreements required for running microloans business

Changes to local legislation require the Group's respective local subsidiaries to adapt operations to ensure compliance with such changes. Failure to timely implement procedures that comply with new rules may have a material adverse effect on the Group's business, financial condition, or results of operations. While the Group takes comprehensive measures to comply with the legal framework and specific local regulatory requirements of each jurisdiction, it remains possible that local courts, regulatory agencies and financial supervisory authorities, including the Company's home country regulator FIN-FSA, issue new regulations or interpretations or find the Group's services to be in violation of local or EU-wide legal requirements such as license requirements, maximum interest rate provisions, transparency requirements or other regulatory requirements. For instance, there is no assurance that the FIN-FSA would not in the future be of the view that or issue an interpretation to the effect that the Group's operations would be considered to require an authorisation or licence in Finland which the Group does not currently hold. In such case, the Company or the Group would need either to apply for such authorisation or license or to restructure the business in such manner that it is in compliance with the new requirements. Adverse judgments based on such findings or new regulations or interpretations could result in legal claims, administrative sanctions and reputational damage against the Group, need for restructuring or new licensing of the Group or alterations to the business carried out by the Group. Further, existing loan agreements might be held null and void by local courts. As a consequence, the Group may be restricted in successfully offering its services in certain jurisdictions or may be forced to terminate its business in certain jurisdictions. This could have material adverse impacts on the financial and market position of the Group.

In the past, the Group has adapted its business model and product offerings in several countries as a result of regulatory changes. Although the Group strives to adapt its business model and products to all changes in the regulatory requirements in the various countries it operates in, future regulatory changes may be too burdensome to comply with or may result in its business model in a particular

jurisdiction becoming unprofitable. Such developments could have a material adverse impact on the financial and market position of the Group.

3.2.12 Risk connected to changes in national law in countries of business operations of the Group

Crucial legislative changes in a specific country shall effect the business operations of the Group subsidiary. Such changes can include the introduction of extremely restrictive maximum interest rate caps and prohibitive requirements on the conclusion of distance contracts, creating the obligation to conclude all consumer agreements 'face-to-face'. A failure in updating the Group's legal information and reorganizing business activities due to changes in the legal environment may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

The Group has operations in the UK. On 23 June 2016, a referendum on the continued membership of the UK in the European Union resulted in a majority for leaving the European Union. While the Group operates under a local British license in the UK and does not expect any material impact on its operating business in the UK, the exit of the UK from the European Union may, under certain circumstances, still require changes to the Group's business model in the UK or increased management attention.

3.2.13 Risk of compliance procedure initiated by a Local Authority

The local authorities are entitled to screen and monitor the business activities of the Group in a specific country. In case there are any suspicions on behalf of the local authority, the Group subsidiary is usually required to provide additional information about its activities and procedures. It is possible for the local authority to suspend the business of the Group subsidiary for further clarification. Undergoing such procedures may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.14 Reputation risk

The Group is exposed to the risk of severe damage of its reputation based on unfavourable media coverage or measures taken by consumer protection bodies. The Group has a strong commitment to ethical standards as exhibited by leading the development of self-regulation (e.g. the Finnish Micro Loan Association and similar organisations in other countries of operation). An inaccurate or unjustified negative perception of the Group's corporate behaviour or the industry as a whole may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.15 Competition risk

The Guarantor faces increasing competition in all countries of its operations. The Group remains competitive due to its superior operational efficiency and fine-tuned, constantly developing processes. The highest risk of competition is experienced in mature markets where there is high saturation. In the past, intensive competition has pushed prices downward in some markets, which, if competition further intensifies, could erode the profit margins and the net income of the Group. The Group believes that the consumer loan market may become even more competitive as the industry consolidates. Some of the Group's competitors may have larger and more established customer base and substantially greater financial, marketing and other resources than the Group has. As a result, the Group could lose market share and its revenues could decline, thereby affecting the Group's ability to generate sufficient cash flow to fund expansion of its operations and to service its indebtedness. A deterioration of the Group's position in all countries of its operations may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.16 Risk relating to rapid growth and internalisation

Fast growth in microloan volumes in current countries of operation and the establishment of operations in new market areas require on-going development of monitoring and control systems within the Group. The Group implements high quality business and management processes and standards in new countries of operations. "Best practices" are constantly being developed and implemented into operative day-to-day business. Nonetheless, due to its level of growth and future global presence, the Guarantor is exposed to certain risks related to structuring and managing a global company. Diminished operational standards at the Group level or failures to implement properly procedures in new countries of operation may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.17 The Group's Maltese banking subsidiary and its German banking subsidiary may fail to comply with all regulations it is subject to and such failures could materially impact its operations and strategy.

The Group operates in several markets making use of Ferratum Bank plc's EU credit institution license issued in September 2012 by the Malta Financial Services Authority, namely Slovakia, Poland, Estonia, Latvia, Germany, Bulgaria, the Czech Republic, Norway, France, Sweden, Croatia and Spain. This EU banking licence is required or may be required to conduct business in a number of existing and potential future markets. Ferratum Bank plc's banking license also provides the Group with the benefits of increased levels of trustworthiness vis-à-vis its customers, access to pertinent databases to further enhance scoring models, and funding options linked to accepting deposits to support profit growth. However, under Maltese law, the credit institution license may be revoked or restricted at any time by the Malta Financial Services Authority ("**MFSA**") for a variety of reasons including, but not limited to, the Group's non-compliance with existing or new regulatory requirements. Such a restriction or revocation of the credit institution license would require the Group to comply with the existing or new regulatory requirements of the MFSA or obtain a banking license from the relevant regulatory authority of another EU Member State.

The MFSA will have to be informed in case a new shareholder accumulates a shareholding of 5% or more; whilst a new shareholder attaining a shareholding level of 10% or more will have to be approved by the MFSA so that the Group's Maltese banking subsidiary remains in compliance with Maltese laws and regulations.

These factors could impair the Group's swift entry into new European markets and/or result in operational delays that could have a material adverse effect on the Group's business, financial condition, or results of operations.

3.2.18 Market risk

The Group takes on exposure to market risks, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

3.2.19 Interest rate risk

Changes to interest rates and parameters of financial markets have affected and will continue to affect the Group. Interest rates are highly sensitive to many factors, including international and domestic economic and political conditions, and other factors beyond the Group's control. Fluctuations in

interest rates may result in increases to financial costs which may not always be covered by increases in financial revenues from microloan agreements. In particular, the Group is exposed to the interest rate risk resulting from microloan agreements being based on fixed costs of loaned money (including floating charges based on interest rate) and external financing being partly based on floating interest rates. Differences between fixed and floating financial charges create a risk of wider spreads between financial (microloan) revenues and financial (borrowed money) costs which, if negative for the Group, may lead to losses on financial activity. Increased costs of borrowings have a material impact on the cost base of the Group, the impact of which is difficult to offset or partially transfer to customers through increased service costs.

The rise of interest rates may expose the Guarantor's Group to an erosion of margins, because the Group will be required to commit a greater proportion of its revenues to pay interest expenses on its floating-rate debt and on any new debt or other market-rate security that the Group may issue. There can be no assurance that the Group will not be affected by interest rate changes in the future which may have a material adverse effect on its business, financial results, results of operations and prospects.

3.2.20 Foreign exchange risk

The Group's business is operated internationally and, thereby, exposed to fluctuations of exchange rates due to the collection of microloan instalments in various currencies. Fluctuations of exchange rates are caused by events that are beyond the Group's control. Adverse foreign exchange rate fluctuations against the Euro currency (the functional currency of the Group) could have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.21 IT or external telecommunication infrastructure risks

IT systems are an essential part in the conduct of the Group's business due to the high level of automation in different processes and controls. The Group has acquired industry leading IT professionals for improvements to current systems, development of new systems, and the maintenance of existing systems. The Group's loan handling system is built "in-house", which provides total control and autonomy in conducting the day-to-day business. Due to the open nature of the Internet, all web-based services are inherently subject to risks such as online theft through inappropriate use of access codes, user IDs, username, PIN, passwords, virus attacks, hacking, unauthorised access, and fraudulent transactions. The Group has implemented the industry standard necessary security practices and measures to mitigate each of these risks.

The online applications have two audit logs:

- Technical log: Contains all the necessary technical failure data and is stored in the application server log file. The log can be "cleaned up".
- Transaction audit log: Contains all the transactions made by the customers and Issuer's personnel, including information allowing the identification of all operations performed by the customer in the online application, the customer's unique identifier, and a timestamp of operation.

The online applications are tested against well-known attacks (XSS, SQL injection etc.).

A security audit covering all IT systems is performed by an independent third party specialist. Thus, a malfunction in IT systems or a break in operations due to IT updates means potentially severe exposure of the Group to IT risk. A deterioration of the Group's IT systems and software or a failure to protect its data against any cyber-attack may have a material adverse effect on the Group's business, financial

standing, results of operations and prospects. Additional hosting and back-up solutions have been put in place. Production systems have been transferred from AWS to COLT, which is one of the leading banking systems hosting provider.

The Group relies on telecommunications, the internet, as well as mobile and online banking services worldwide in order to conduct its operations and offer its services to customers. To access the Group's online consumer loan portals, the Group's customers need to have an internet access or a mobile data connection. Disruption of such or similar telecommunications and internet services in the respective countries of operation due to equipment or infrastructure failures, strikes, piracy, terrorism, weather-related problems, or other events, could temporarily impair the Group's ability to supply its product portfolio to its customers, which in turn could have a material adverse effect on the Group's business, financial condition, or results of operations.

3.2.22 Risk relating to the EU Bank Recovery and Resolution Directive

The EU Bank Recovery and Resolution Directive (the "BRRD" or "the directive"), which sets common rules across the EU for dealing with failing banks and large investment firms, came into force on 1 January 2015. The BRRD lays out a comprehensive set of measures that ensure that both banks and authorities make adequate preparation for crises, by empowering national authorities to intervene in troubled institutions at a sufficiently early stage to address developing problems, and to take rapid and effective action when bank failure cannot be avoided.

The directive also establishes a bail-in system. In Malta, bail-in was immediately applicable to junior debt holders as from 1 January 2015 and applicable to senior debt holders as from 1 January 2016. The purpose of the bail-in system is to stabilise a failing bank so that its essential services can continue, without the need for bail-out by public funds. The tool enables authorities to recapitalise a failing bank through the write-down of liabilities and/or their conversion to equity so that the bank can continue as a going concern, giving authorities time to reorganise the bank or wind down parts of its business in an orderly manner. In the process, directors and senior management may be removed or replaced if those persons are found unfit to perform their duties.

The application of the bail-in system requires the prior evaluation as to whether certain conditions are met. In particular, the following pre-requisites would need to be satisfied:

- (a) a determination by the competent authority or Resolution Authority that a bank is failing or is likely to fail;
- (b) no reasonable prospect that any alternative private sector measures or supervisory action would prevent the failure of the bank within a reasonable timeframe; and
- (c) a bail-in is necessary in the public interest.

Bail-in would apply to any liabilities of Ferratum Bank not backed by assets or collateral. It would not apply to deposits protected by a deposit guarantee scheme, short-term inter-bank lending or claims of clearing houses and payment and settlement systems with a remaining maturity of seven days, client assets, or liabilities such as salaries, pensions, or taxes.

After shares and other similar instruments, bail-in will first, if necessary, impose losses evenly on holders of subordinated debt and then evenly on senior debt-holders. Deposits from SMEs and natural persons, including those in excess of EUR100,000, will be preferred to senior creditors.

The tool has become applicable as of 1 January 2015 to all outstanding and newly issued debt of Ferratum Bank. Accordingly, in the event that Ferratum Bank meets the trigger conditions for entry into resolution, any portion of the Bonds, including both principal and accrued interest, that will not be backed by collateral could become subject to a write down or otherwise converted to equity as determined by the Resolution Authority. The write-down of liabilities and/or their conversion to equity will be beyond the Issuer's control. The write-down or conversion would follow the ordinary allocation of losses and ranking in insolvency. Equity has to absorb losses in full before any debt claim is subject to write-down or conversion. The determination by the Resolution Authority shall not constitute an event of default and bondholders will not have any further claims in respect of any amount so written off, converted to equity or otherwise applied to absorb losses. As a result, bondholders may lose all or part of their investment.

The term 'Resolution Authority', as utilised in this section, refers to the public administrative authority appointed within the jurisdiction of Malta and empowered to apply the resolution tools and exercise the resolution powers described in the BRRD. The resolution authority in Malta is the Malta Financial Services Authority.

3.2.23 Human resources risk

The Group's activities depend on its employees.

Employees' expert knowledge of internal processes and issues relating to their areas of specialization is a critical factor in the efficiency of the Guarantor's business operations. The Guarantor takes various approaches to mitigate the risk of losing this expertise and to increase its employees' loyalty to the Group, including attractive compensation models, challenging jobs and international career options. However, it cannot be ruled out that the Group may not be able to attract and retain suitable personnel and thus may not be able to pursue its business operations as planned.

The Group is especially dependent on the expert knowledge of its CEO and majority shareholder Jorma Jokela as well as key management members in IT, legal, operational, financial as well as risk and analysis positions. If any of the key managers or other critical employees were to leave the Group or join a competitor, the Group may be unable to attract and retain suitable replacements. As a result, the Group may be unable to pursue its business operations as planned and this may have a material adverse effect on the Group's business, financial condition, or result of operations.

3.2.24 The Group may incur property, casualty or other losses not covered by insurance

The Group considers its insurance coverage to conform to market practice for companies in the mobile consumer loan market. However, insurance fully covering political risks and many other risks relating to the Group's business is not generally available to the Group or to other companies in the industry. No assurance can be given that any insurance policies will continue to be available, or that they will be available at economically feasible premiums.

The actual losses suffered by the Group may exceed the Group's insurance coverage and would be subject to limitations and excesses, which could be material. The realization of one or more damaging event for which the Group has no or insufficient insurance coverage may have a material adverse effect on the Group's business, financial condition, or results of operations.

3.2.25 The nature of the Group's business as a provider of mobile consumer loans may be misunderstood by customers, consumer protection organizations and other people, which may have an adverse effect on our reputation.

The Group cannot rule out the possibility that consumers, consumer protection organizations, or journalists misunderstand the nature or scope of the Group's products, which may result in reviews, articles, or complaints regarding the Group, the Group's products, or the industry. Such legal claims and negative publicity may have a material adverse effect on the Group's business, reputational standing, financial condition, or results of operation.

3.2.26 A reduction in demand for the Group's products, and failure by the Group to develop innovative and attractive products, could adversely affect the Group's business and results of operations.

About a third of the Group's revenues are generated through its mobile microloan product, while the remainder is generated by the Group's more recently introduced products such as the Credit Limit and PLUS Loan products. The demand for a particular product the Group offers may be reduced due to a variety of factors, such as regulatory restrictions that decrease customer access to particular products, the availability of competing products, changes in customers' preferences or financial conditions. Furthermore, any changes in economic factors that adversely affect consumer purchase behaviour and employment could reduce the volume or type of loan products the Group provides and have an adverse effect on the Group's revenues and result of operations. Should the Group fail to adapt to significant changes in consumers' demand for, or access to, the microloan products, the Group's revenues could decrease significantly and operations could be harmed. Each modification, new products and alternative method of conducting business is subject to risk and uncertainty and requires significant investment in time and capital, including additional marketing expenses, legal costs and other incremental start-up costs. Even if the Group does make changes to existing products or introduce new products to meet customer demand, customers may resist or may reject such products.

A significant part of the Group's revenues stems from new customers as well as from new products introduced in recent years to complement the Group's core microloan product such as its PLUS Loans, its Credit Limit product and the small business loans. Additionally, the Group's strategy is to continue to evolve its product offerings to other bank products and to further establish itself as a mobile bank. If the Group is not able to further diversify and expand its product portfolio or if it fails to establish itself as a mobile bank, expand its customer base or reach enough deposits volume from customers and operate its planned common mobile bank application, this could have a material adverse effect on the Group's business, financial condition, or results of operations.

The Group's future growth may depend on its ability to foresee the direction of the commercial and technological development of production processes and technologies in all of its key markets. Future growth and the Group's ability to reach its innovation targets will also depend upon the Group's ability to successfully develop new and improved consumer loan products and services, using its existing or new technological and servicing capabilities, and to successfully market the products in changing economic environments.

There is no assurance that the Group will be successful in continuing to meet its customers' needs through innovation or in developing new products and/or technologies, or that, if developed, any such new products will be accepted by the Group's customers. The Group may not be able to recover investments that it has made in order to develop these new products or processes, and may not have sufficient resources to keep pace with technological developments. The failure of the Group to keep

pace with the evolving technological innovations in its markets and adequately predict customer preferences could have a material adverse effect on the Group's business, product portfolio, financial condition, or results of operations.

3.2.27 The Group is subject to accounting and management risk.

Preparation of the Group's financial statements requires the Group's management to make estimates, assumptions, and forecasts regarding the future. These estimates, assumptions, and forecasts may be inaccurate and are inherently subject to uncertainties. Future developments may deviate significantly from the assumptions made if changes occur in the business environment and/or business operations. Furthermore, the Group's management is required to use its judgement in the application of the accounting principles in the preparation of the financial statements. Group companies and subsidiaries vary by their size and they are located in different parts of the world. The nature of the Group's global operations involves arrangements that often require the judgement of the Group's management in the application of accounting policies. Inadvertent errors in accounting and/or management decisions could have a material adverse effect on the Group's business, financial condition, or results of operations.

3.2.28 The Group is subject to a diverse set of tax regimes in the jurisdictions it operates in and changes in such tax regimes could materially impact its business, financial condition, or results of operations.

The Group operates in 23 different countries with diverse sets of tax regimes and operates its banking subsidiary in Malta subject to Maltese tax law. Corporate income tax, value added tax or sales taxes and other taxes levied upon on the Group's business are subject to change and can be increased, changed or completely restructured at any time. While the Group monitors tax changes consistently and is from time to time subject to tax audits, the Group has not faced any significant tax challenges or tax disputes with tax authorities in the past three years. Changes to local tax regimes or challenges to the current tax structures of the Group's business could have a material adverse effect on the Group's business, financial condition, or results of operations.

3.2.29 Certain tax positions taken by the Group requires the judgment of management and could turn to be inefficient or challenged by tax authorities.

The Group's main tax risks are related to changes to or possible erroneous interpretations of tax legislation. Such changes or erroneous interpretations could lead to tax increases or other financial losses. Realization of such risks might have a material adverse effect on the Group's business, financial condition, or results of operations.

It is possible that the Group has made interpretations on the tax provisions that differ from those of the tax authorities in the various countries in which the Group operates, and that as a result, the tax authorities will impose taxes, tax rate increases, administrative penalties, or other consequences on the Group's companies. This could have a material adverse effect on the Group's business, financial condition, or results of operations.

3.3 Risks relating to the Bonds

An investment in the Bonds involves certain risks including, but not limited to, those described below:

3.3.1 Bonds may not be a suitable investment for all investors

Each potential investor in Bonds must determine the suitability of that investment in light of their own circumstances. In particular, each potential investor should:

- a. have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds as set out in this Base Prospectus;
- b. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;
- c. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including cases in which the currency for principal or interest payments is different from the potential investor's currency;
- d. understand thoroughly the terms of the Bonds and the content of this Base Prospectus; and
- e. be able to evaluate, either alone or with the help of a financial adviser, possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.3.2 Liquidity risk

There is currently no market for the Securities and, notwithstanding that the Securities shall be admitted to trading at the EWSM, the Stockholm Stock Exchange and the Frankfurt Stock Exchange, there can be no assurance that any secondary market for the Securities will develop or, if a secondary market does develop, that it will provide investors with liquidity of investment or that it will continue for the life of the Securities. Consequently, an Investor must be prepared to hold such Securities for an indefinite period of time. Even if a secondary market for the Securities does develop, it is not possible to predict the prices at which the Securities will trade in such secondary market. Such prices may not accurately reflect the theoretical value of the Securities.

The Issuer is under no obligation to make a market in the Securities. Therefore, investors may not be able to sell their Securities easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. No assurance is given that the Securities shall remain listed indefinitely. A lack of liquidity in the secondary market for the Securities may have a severely adverse effect on the market value of Securities and may result in investors: (i) being unable to sell their Securities on the secondary market, or (ii) receiving less than the initial price paid for the Securities. The liquidity of such Securities may also be affected by restrictions on offers and sales of such Securities in some jurisdictions.

3.3.3 Interest rate risk

The Bonds have a floating interest rate. Accordingly, investment in the Bonds involves the risk that market interest changes.

3.3.4 Risk of early redemption of bonds

The Bonds may be redeemed at the option of the Issuer (in whole, but not in part) at a certain price (as defined in the Terms and Conditions) plus accrued interest to the date fixed for redemption, (i) for reasons of taxation, as more fully described in the Terms and Conditions or (ii) and at any time at the make-whole price (as set out in the Terms and Conditions) and after 21 months from the Issue Date at a fixed price above the nominal amount of the bonds (staggered based on how many months have passed since the Issue Date). In the event that the Issuer exercises the option to redeem the Bonds, the Bondholders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

3.3.5 Changes in laws and regulations

The Bonds are based on the requirements of the Listing Rules of the Listing Authority, the Companies Act, Commission Regulation EC No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council, and Commission Regulation (EU) 2016/301 of 30 November 2015 supplementing Directive 2003/71/EC and amending Commission Regulation (EC) No 809/2014, in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Base Prospectus.

3.3.6 Creditworthiness of the Guarantor

If, because of the materialisation of any of the risks regarding the Group, the likelihood that the Guarantor will be in a position to fully perform all obligations under the Bonds when they fall due decreases, the market value of the Bonds will suffer. In addition, even if the likelihood that the Guarantor will be in a position to fully perform all obligations under the Bonds when they fall due actually has not decreased, market participants could nevertheless have a different perception. In addition, the market participants' estimation of the creditworthiness of corporate debtors in general or debtors operating in the same business as the Group could adversely change.

Further, a downgrade of the Guarantor's rating may – irrespective of the actual creditworthiness of the Issuer – lead to a decrease of the exchange price of the Bonds.

If any of these risks occur, third parties would only be willing to purchase Bonds for a lower price than before the materialisation of said risk. Under these circumstances, the market value of the Bonds will decrease.

3.3.7 Exchange Rate Risk

An investor in the Bonds will bear the risk of any fluctuations in exchange rates between the currency of the denomination of the Bonds (the Euro '€') and the investor's currency of reference if different.

3.3.8 Changes in Circumstances

No prediction can be made about the effect which any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time. If such changes take place they could have an adverse effect on the market price for the Bonds.

3.3.9 Further Bond issues

No prediction can be made about the effect which any future offerings of the Issuer's securities and Guarantor's securities will have on the market price of the Bonds prevailing from time to time.

3.3.10 Credit Rating

The Issuer has not sought, nor does it intend to seek, the credit rating of an independent rating agency and there has been no assessment by any independent rating agency of the Bonds.

3.3.11 Market price risk

The development of market prices of the Bonds depends on various factors, such as the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Bonds. The Bondholders are therefore exposed to the risk of an unfavourable development of market prices of their Bonds, which would materialise if the Bondholders sell the Bonds prior to the final

maturity. If a Bondholder decides to hold the Bonds until final maturity, the Bonds will be redeemed at the Redemption price.

3.3.12 Taxation

Potential investors should be aware that they may be required to pay stamp duty or other documentary taxes or charges in accordance with the laws and practices of the country where the Securities are acquired or transferred.

Investors will not receive grossed-up amounts to compensate for any withholding or other tax or duties suffered.

Any change in the Issuer's (as appropriate) tax status or in taxation legislation in Malta or any other tax jurisdiction could affect the value of the Bonds or affect the Issuer's ability to achieve its investment objective for the Securities or alter the post-tax returns to investors. If, on the occasion of a payment due in respect of the Securities, the Issuer would be required by law to withhold or account for tax or would suffer tax in respect of its income so that it would be unable to make payment of the full amount due, the Issuer will use all reasonable endeavours to arrange the substitution of a company incorporated in another jurisdiction as the principal obligor or to change its residence for taxation purposes or, to the extent permitted by law, change its domicile to another jurisdiction.

Investors should be aware that tax regulations and their application by the relevant taxation authorities are subject to change, possibly with retrospective effect, and that this could negatively affect the value of the Securities. Any such change may cause the tax treatment of the Securities to change from the tax position at the time of purchase. It is not possible to predict the precise tax treatment which will apply at any given time and changes in tax law may give the Issuer the right to amend the Terms & Conditions of the Securities, or redeem the Securities.

The US Foreign Account Tax Compliance Act, 2010 ("**FATCA**") is particularly complex and its application as regards the Issuer is uncertain at this time. Investors should consult their own tax advisers to obtain a more detailed explanation of FATCA and to learn how this legislation might affect each Investor in his or her particular circumstance, including how FATCA may apply to payments received under the Securities.

3.4 Forward looking

This Base Prospectus contains various "forward-looking statements" that reflect management's current view with respect to future events and anticipated financial and operational performance. Forward-looking statements as a general matter are all statements other than statements as to historical fact or present facts or circumstances. The words "aim", "anticipate", "assume", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "potential", "predict" "projected", "risk", "should", "will" and similar expressions or the negatives of these expressions are intended to identify forward-looking statements. Other forward-looking statements can be identified in the context in which the statements are made. Forward-looking statements occur in a number of places in this document.

Although the Issuer believes that the expectations reflected in such forward-looking statements are reasonable, it can provide no assurances that such expectations will prove to be correct, and such statements are not guarantees of future performance because they are based on numerous assumptions. Any forward-looking statements speak only as of the date on which it is made and the

Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless as required by law or regulation.

4 General description of the programme

Under this €60,000,000 Bond Issuance Programme, the Issuer may issue Bonds from time to time. The maximum aggregate principal amount of the Bonds from time to time outstanding under the Programme will not exceed €60,000,000 (or its equivalent in any other currency).

The Bonds may be issued on a continuing basis and may be distributed by way of public or private placements. The method of distribution of each Tranche will be stated in the applicable Final Terms.

Subject to the restrictions and conditions set out in this Base Prospectus, the categories of potential investors to which the Securities are intended to be offered are institutional investors. A percentage of any Tranche may be reserved for specific institutional investors, details of which shall be included in the Final Terms.

Bonds will be issued in Tranches, each Tranche consists of a series of Bonds which are identical in all respects except for issue dates, interest commencement dates and/or issue prices. One or more Tranches, which are expressed to be consolidated and forming a single Series and identical in all respects, except for issue dates, interest commencement dates and/or issue prices, may form a Series of Bonds. Further Bonds may be issued as part of an existing Series. The specific terms governing each Tranche will be set forth in the applicable Final Terms.

The Issuer shall notify potential investors of publication of the Final Terms by means of electronic publication on the website of the Listing Authority (www.mfsa.com.mt), or, in addition, and at the option of the Issuer, on the website of the Issuer (www.ferratumbank.com). Any notice so given will be deemed to have been validly given on the date of such publication. Bonds will be issued in such denominations as may be determined by the Issuer and as indicated in the applicable Final Terms.

Bonds will be issued bearing a fixed rate of interest throughout the entire term of the Bonds and will be payable on that basis (as specified in the applicable Final Terms). Bonds may be issued at an Issue Price which is at par or at a discount to, or a premium over, par.

The Issuer's payment obligations with respect to both the principal amount and the interest due shall be guaranteed by the Guarantor under an unsubordinated corporate Guarantee. Application will be made for each Series of the Bonds to be admitted to trading on the EWSM, a regulated market supervised by the Listing Authority. The Bonds shall be issued in terms of applicable Maltese law, including the Companies Act, Cap 386 of the laws of Malta.

5 Information on the Issuer and the Guarantor

5.1 Historical development of the Issuer

Full legal and commercial name of the Issuer:	Ferratum Bank p.l.c.
Registration Address:	Tagliaferro Business Centre Level 6, 14 High Street, Sliema SLM 1551
Place of Registration and domicile:	Malta
Registration Number:	C 56251
Date of incorporation:	9 May 2012
Legal form:	The Issuer is lawfully existing and registered as a Public Limited Company in terms of the Act
Telephone number:	+356 2092 7700
Fax number:	+356 2092 7710
E-mail address:	info@ferratumbank.com
Website:	www.ferratumbank.com

Ferratum Bank p.l.c., the Issuer, a subsidiary of the Guarantor, was incorporated on 9 May 2012 and was granted a credit institution licence by the Malta Financial Services Authority in September 2012. In January 2014, the Issuer obtained an extension to the banking licence allowing it to be able to undertake guarantees and commitments.

The Issuer's principal activity comprises the provision of unsecured consumer loans and other consumer and business orientated financial products, distributed through a mobile phone platform and through the internet. The attainment of this credit institution licence enabled the Group to start offering microloan services in certain EU Member States, by providing cross-border services directly in those Member States. Ferratum Bank is currently providing services in Poland, Slovakia, Estonia, Latvia, the Czech Republic, Germany, Bulgaria, Sweden, Norway, France, Spain and Croatia.

As from the fourth quarter of 2015, the Issuer also commenced offering deposit products, which primarily consist of savings and time deposits, to its customers in Sweden. In the course of 2016 these products were also made available to its customers in Norway and Germany.

5.2 Historical development of the Guarantor

Full legal and commercial name of the Issuer:	Ferratum Oyj
Registration Address:	Ratamestarinkatu 11A, 00520 Helsinki
Place of Registration and domicile:	Finland
Number in the pertinent trade register:	1950969-1
Date of incorporation:	8 March 2005
Legal form:	The Guarantor is lawfully existing and registered as a Finnish public limited liability company
Telephone number:	+358 20 741 1611
Fax number:	+358 20 741 1612
E-mail address:	clemens.krause@ferratum.com
Website:	www.ferratumgroup.com

The Guarantor is an international provider of unsecured mobile consumer loans and small business loans headquartered in Helsinki, Finland. The Guarantor is the parent company of the Group. The Guarantor was originally incorporated in 2005 as a private limited liability company under Finnish law and was later converted to a Finnish public limited liability company.

The Guarantor initially focused the Group's business on Finland, Sweden, and the Baltic countries. In 2007 and 2008 the Group expanded into Central and Eastern Europe as well as certain Western countries where entry in the microlending market was possible without a banking license. In 2011, the Group decided to expand internationally and enter the markets in New Zealand and Australia as well in 2012 in Russia. With the banking license being granted to the Issuer in 2012 and the start of operations of such bank in 2013, the Group could further expand into EU countries where a banking license is required for consumer lending activities.

At the beginning of 2015, the Group successfully completed an initial public offering and listing of the shares of the Guarantor on the regulatory market (Prime Standard) of the Frankfurt Stock Exchange and used the proceeds from the offering to further expand the business and enter Canada, France, Norway and Mexico as well as diversify the product portfolio to small business loans.

Ferratum Oyj has guaranteed several bonds issued by its subsidiaries, including bond issuances by Ferratum Capital Poland S.A. in Poland between 2011 and 2014, bond issuances by Ferratum Capital Germany GmbH in 2013 and 2016 in Germany and bond issuances by the Issuer under a €30,000,000 2015 bond programme.

6 Business overview

6.1 Overview

Since its inception, the Group has grown rapidly and has expanded its operations to 23 countries in Europe, Asia-Pacific and North America. As of 30 September 2016, the Group had 1.5 million active customers and former customers who have been granted one or more loans in the past and 4.2 million total user accounts in its database. Its business is designed for easy and transparent loans to consumers and small businesses and can be accessed through the internet or mobile devices with loan approval within minutes after a multitude of financial background checks and profiling.

The Group's annual revenues in 2015 amounted to €111.0 million, and the operating profit totalled €16.5 million with a pre-tax profit of €12.4 million (pre-tax profit margin of 11.2%). The Group categorizes its business into two geographical regions, West (including New Zealand, Australia and Canada) with €66.9 million in revenue in 2015 and East (including Mexico) with €44.1 million in revenue in 2015.

In the last twelve months ended 30 June 2016, the Issuer realised a revenue of €52 million (40% of the Group's total revenue), with assets amounting to €89 million (45% of the Group's total assets).

The Group's revenues in the first nine months of 2016 amounted to €108.6 million (up from €79.2 million in the first nine months of 2015), and its operating profit totalled €14.2 million (up from €12.2 million in the first nine months of 2015) with a pre-tax profit of €9.5 million (up from €9.4 million in the first nine months of 2015). As of 30 September 2016, the Group had cash and cash equivalents of €71.8 million and loans and current receivables of €153.6 million outstanding on its balance sheet and employed 596 employees.

6.2 The Group's Strategy

The Group's strategy is fundamentally based on the aim to focus on organic growth, further geographic expansion, product portfolio expansion and the Group's vision to establish a leading mobile bank.

6.2.1 Further growth through geographical expansion.

The Group has rapidly expanded its business to 23 countries since it started operating in 2005. Most recently, the Group expanded to France, Norway, Canada and Mexico. The Group's mid-term goal is to expand its operations to a total of 30 countries. This expansion strategy, which is at the core of the Group's business strategy, involves a diversification of its geographic presence by expanding to further countries in Europe and internationally. The Group believes the banking license of the Issuer granted in Malta in 2012 will help the Group to expand to further European countries and become a leading mobile bank.

6.2.2 Expansion and diversification of the Group's product portfolio as well as the geographic rollout of the Group's existing products in most or all of the countries where the Group operates.

A third of the Group's revenues are generated through mobile microloans with a principal amount per customer of below €1,000 with typical loans between €300 and €500. In the last several years, the Group started to diversify its product portfolio by introducing a Credit Limit product, a PLUS Loan product, Ferratum P2P and Ferratum Business. All these products are only available in select countries at the moment, Credit Limit is available in nine countries, PLUS Loans are available in 11 countries,

Ferratum Business is available in five countries and Ferratum P2P has only been launched in one country. The Group aims to further roll out its existing products to countries where it has operations, thus significantly further diversifying its revenue sources.

6.2.3 Provision of banking services as a mobile bank

Initially, the Group principally viewed itself as a provider of mobile microloans. In 2014, the Group expanded its strategic focus and established a vision to grow into a leading mobile bank. The Group's mobile banking application has been launched in Sweden, Norway and Germany. This new multi-banking application is planned to eventually offer all the same functions and products offered in all the countries the Group operate in with only slight regional variations.

As part of the Group's strategy to become a leading mobile bank, the Group added deposit taking services for its customers in Germany in 2016. Deposit taking in Germany and in the future other countries in the European Union will allow the Group to further grow its business at favourable interest rates.

Through the new banking application, the Group also aims to provide new products in addition to its current product portfolio. For instance, the Group aims to offer its mobile banking services as part of Ferratum Business and offer current accounts and deposit products also to businesses. Furthermore the Group intends to offer third party services and products accessible over its new multi-banking application which the Group targets to introduce to jurisdictions in which the Group operates in.

6.2.4 Further refining the Group's financing strategy based on a two spheres structure

In 2015, the Group introduced a new financing strategy, dividing the Group into two spheres. In sphere one, the Group pooled all operations in countries in which the Group operates with the Issuer's credit institution license: Slovakia, Poland, Estonia, Latvia, Germany, Bulgaria, the Czech Republic, Norway, France, Sweden, Croatia and Spain. This first sphere is currently principally financed via the €20 million bond issued in July 2015 by the Issuer under the €30 million Maltese debt programme. Furthermore, the Group aims to further fund the first sphere with the deposits which it is currently taking in Sweden, Norway and Germany. Deposit products shall be offered in other countries as well as part of the mobile bank strategy. These deposits shall provide the principle source of financing for the Group's operations in the first sphere. The proceeds from the issue of Bonds under this Programme shall be used to refinance the €20 million bond issued in July 2015 and also to finance further growth in the first sphere.

In sphere two, the Group pools all operations in countries where it does not use the Issuer's EU credit license, i.e. all operations outside of the European Economic Area (New Zealand, Australia, Russia, Canada and Mexico) and in certain European jurisdictions where the Group currently does not operate under the Issuer's banking credit license (Denmark, Finland, the Netherlands, the UK, Lithuania, Romania). The Group is considering shifting some of the jurisdictions for sphere two to sphere one over time. In April 2016 the Group expanded its Nordea credit line from €15 million to €35 million which is principally used to finance growth in sphere two.

6.2.5 Implementation of the 2016 Growth Acceleration Program

The Group has set up a Growth Acceleration Program. The program includes changes in the organization which is now oriented towards products, instead of regions. In addition, the number of the directors team members has been reduced. The Group wants to use the existing capacities more efficiently than before. An additional aspect of the program is to discontinue products which are not profitable; the Group has thus decided to suspend FerBuy. Furthermore, the Group decided to repeal

the intended takeover of FCB Firmen-Credit Bank GmbH. The IT strategy has also undergone adjustments in order to achieve a more efficient IT architecture and systems.

6.3 Overview of the Process Credit Scoring, Delivery and Collection of Loans

6.3.1 Overview

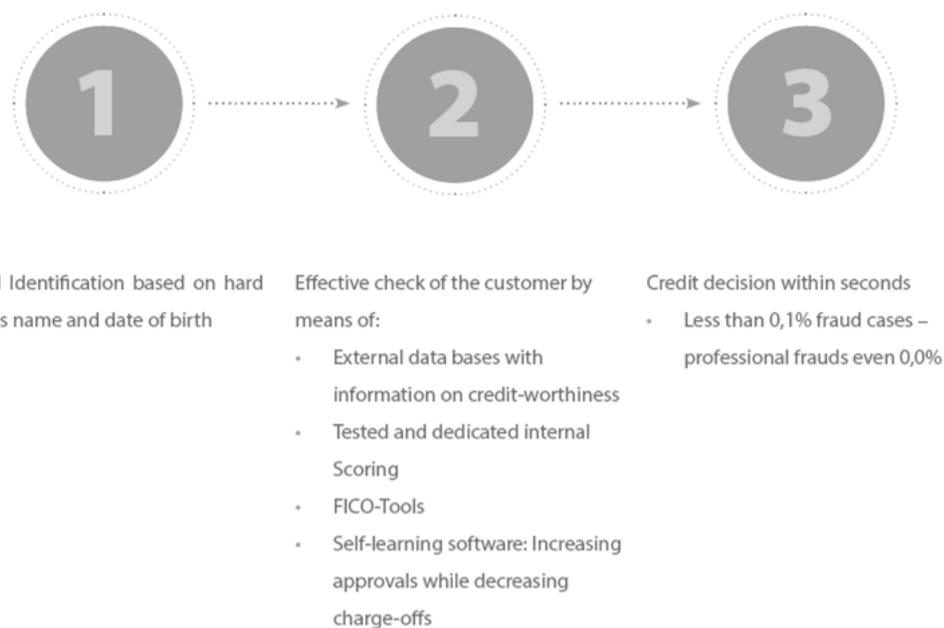
The following provides an overview of the total customer's view of the process from the first loan application to loan repayment:



* A large number of loans is not approved and the process is stopped after such credit decision; ** Subject to local characteristics

6.3.2 Identification and credit scoring

The following provides an overview of the steps from digital identification of the customer to the Group's credit decision.



The Group's approach to identification and credit scoring balances the evaluation of credit risk from its perspective with market acceptability from the customer's perspective. The Group's identification process is primarily based on (i) mobile technology, (ii) online banking, and (iii) face-to-face ID

verification. The identification process required in some countries can result in an initial delay of several days to receive a loan as the identity check process is completed.

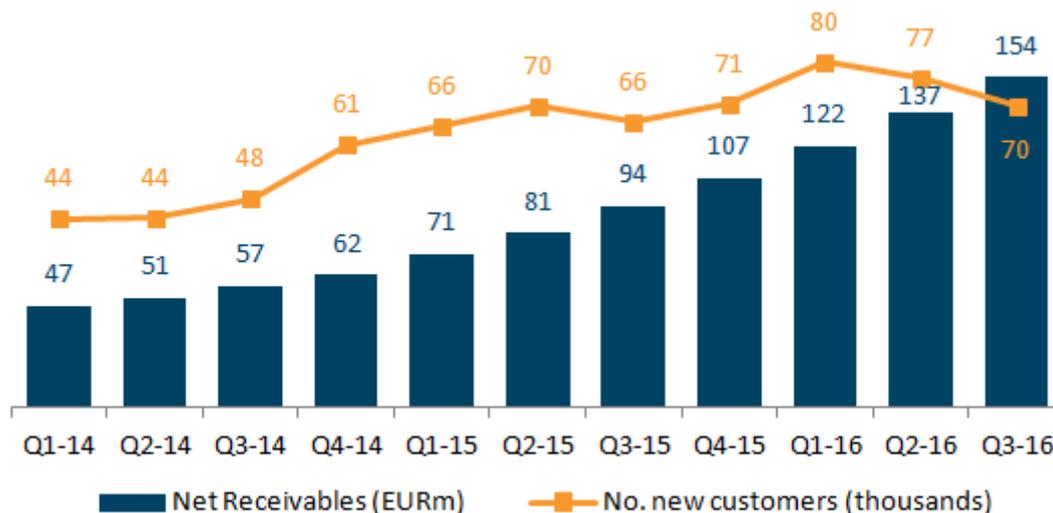
To support the Group's credit scoring system, i.e., the process of assessing the creditworthiness of a potential customer, the Group founded its own dedicated technology company, Personal Big Data Oy, for the purposes of further researching and developing the Group's credit scoring technology. The internal credit scoring model ranks potential and existing customers based on their respective credit risk. The IT software for credit scorecard building and customer evaluation, Model Builder 7.1, was purchased from FICO Company (USA), a global leader of scoring software. As from 2014, the Group started to use the software company's scoring engine for more sophisticated models.

Scoring and credit policies are centrally steered by the Group's risk team. The Group measures and monitors the performance of each credit portfolio's actual risk key performance indicators on different aggregation levels at daily, weekly, and monthly cycles. The risk team considers the following principles as part of the Group's operations:

- Credit risk is managed and controlled on the basis of established credit processes, and within the framework of a clearly established Group credit policy.
- Credit decisions are based on the ethical principles set by the central risk team, the business credit policy, as well as the scoring. Every loan dispersal requires a specific individualized decision. To assess a potential customer's creditworthiness, the credit score is calculated for each new application received. An application scorecard is used to assess new customers and a behaviour scorecard is used to assess repeated customers. Based on this credit score, customers are grouped into risk classes that ultimately affect the credit decision.
- Individualized credit decisions are also combined with an assessment and estimation of credit losses at the Group's global level.
- Credit scoring and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality, once loans have been provided to customers.

The access to third-party banking scoring databases allowed the Group to increase its scoring and analytic in-house software as availability of relevant parameters increased drastically in recent times from about 400 to 10,000.

For consumer loans, the Group operates with a relatively high rejection rate for loan applications (more than 75% in the first nine months of 2016). The reasons for the relatively high rejection rate are scoring and optimized risk guidelines in order to minimize the rate of loans that customers cannot pay back. Minimizing this so-called "credit loss rate" allows the Group to optimize the process of further building up its customer base, as it is not only important to reduce the Group's operating expenses, of which credit losses are a large portion, but also to retain repeat customers. This can only be achieved if the Group reject applications that indicate a high chance of eventual loan default. In some instances, the Group also initially denies a loan application for a certain amount of money, but approve a loan application for the same customer for a lower amount. The following graph illustrates the net receivables and the number of new customers reported on a quarterly basis between the first quarter of 2015 and the third quarter of 2016:



Credit scoring models allow the Group to create a customer default and risk profile for every single customer any time they request a loan. In order to strengthen credit scorecards, the Group uses its own customer database, collection companies' databases, and access to public databases, national credit losses registers, statistics databases, and public tax databases if available.

To mitigate credit risks, the Group also use the following methods:

- **Tightening.** Credit risk is mitigated by reducing the amount of credit extended, either in total or to certain customers, and by reducing maturity periods, e.g., from 45 days to 30 days.
- **Diversification.** If the Group faces a high degree of unsystematic credit risk related to certain customer groups (concentration risk), credit risks can be mitigated by diversifying the customer pools.

The Group calculates reserve requirements for its overall accounting purposes centrally and supports its subsidiaries in calculating their local reserve requirements. These are calculated based on certain models, which measure the probability of delinquency based on payment behaviour and calculate the required risk provisions for impairment of loan receivables (reserves) accordingly. The need for a provision based on the reserve model may be adjusted, by taking into account the market value of impaired receivables, i.e. expected or recent sales prices for overdue loans.

6.3.3 Delivery

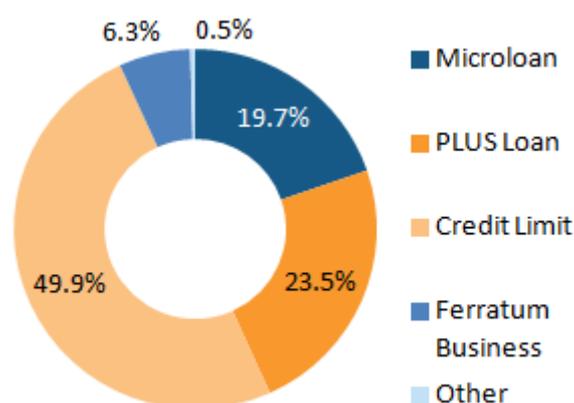
The Group delivers consumer loans to its customers through a variety of distribution channels, primarily via bank account money transfer within minutes of loan approval. It operates more than 180 bank accounts with a large number of banks and distributed capital among these accounts through an automated algorithm. While this is costly and accounts for approximately 6-7% of sales, this allows the Group to pay out loans in a very short period of time. For existing customers, the mobile channel is the main distribution channel, whereby consumer loan amounts are paid directly into the customer's bank account. The specific distribution channels employed depend on the regulatory, operational, and logistical characteristics of each country of operations. In the majority of cases, customers will already see the money which was applied for on the customer's bank account within minutes, except for some cases when it the money appears on the account on the next banking day.

6.3.4 Collection and disposal

Collection processes vary by country depending on local legislation, customer database size, and payment culture. The Group primarily conducts collection ourselves by employing a series of text messages, letters, and phone calls to encourage customer payment. The collection method, number of communication attempts and frequency are country-specific. When economically feasible, the Group also cooperates with external debt collection partners and outsourced collection services. External collection practices also differ across markets, e.g., external collection may start as early as one day after maturity, but usually starts later on up to sixty days after maturity - depending on the country the Group is also performing collection internally or later than sixty days after maturity. Impaired loans may also be sold to third parties. These process decisions are based on a cost-benefit analysis and are country-specific. Collection practices include default risks that some customers may not repay their loans. The key indicator of this risk is the credit loss ratio, expressed as a percentage of credit losses to gross receivables.

6.4 Products

The following graph provides an overview of the Group's product portfolio as of 30 September 2016:



6.4.1 Microloans

Short-term microloans with a nominal value below €1,000 have been the Group's core product since it started operations in 2005 and contributed 52% to the Group's revenues in the financial year 2015. In the last nine months ended 30 September 2016, microloans contributed 35.8% to the Group's revenues (compared to 55.4% in the nine months ended 30 September 2015).

The Group currently offer microloans in the range of typically €50–1,000 with maturity periods of typically 7–90 days, depending on the loan amount and the regulatory framework of the customer's country. In 2015, the average loan amount totalled €255 and the average loan maturity period was 29 days. The microloans are unsecured, but under the Group's guarantee model may be guaranteed.

The microloan business model is based on mobile phone technology and electronic bank account debiting, whereby customers are able to obtain microloans in most cases within minutes through the use of the Group's mobile phone application. The markets in which the Group operates in are highly diverse in terms of operational and financial circumstances, regulatory requirements, payment cultures, and credit risks. This broad spectrum of country-specific operational, financial, and legal circumstances necessitates the use of customized microloan interest rates, fee structures, and terms and conditions of the microloans depending on each respective market's unique features, advantages, challenges, and

risks. Accordingly the specific provisions for customer default, loan modification, technical repayment processes, and additional customer obligations differ from country to country.

In a few countries that the Group operates in, the customers are required to provide an additional security – a guarantee. They can do so by choosing a personal guarantor, for instance another individual who guarantees the performance of the debtor's obligations under the loan agreement. Alternatively, the customers can choose to use a guarantee service provided by an external guarantor. At the moment the guarantee model is only in use for the microloans. However, due to higher amounts of loans in Credit Limit product, the Group also considers demanding additional security from customers for this product in certain markets.

6.4.2 Credit Limit

In June 2013, the Group launched its Credit Limit product in Finland. The Group currently offer its Credit Limit product in nine countries, Finland, Denmark, Sweden, Estonia, Latvia, Poland, the Czech Republic, Spain and Norway and have seen strong growth revenues from this product. The Credit Limit product contributed 36% to the Group's revenues as of 31 December 2015. In the last nine months ended 30 September 2016, Credit Limit contributed 42.5% to the Group's revenues (compared to 34% in the nine months ended 30 September 2015).

In 2015, the average revenue per customer per annum for the Group's Credit Limit product was approximately €750. A credit limit works like a flexible revolving overdraft facility by which the Group's customers can withdraw money within a certain limit (limits offered to customers range up to €3,000) over a one month's period. Customer can flexibly choose which amount to pay back at the end of each month. Customers can flexibly choose the end of a month, which does not necessarily have to be a calendar month.

6.4.3 PLUS Loans

PLUS Loans were introduced several years ago to complement the Group's core microloan business to offer certain customers a more flexible loan product outside the typical range of microloans. The PLUS Loan products are offered in larger amounts (typically €300–5,000) with longer maturity periods (typically 2–36 months). Plus Loans contributed 12% to the Group's revenues in the financial year 2015. In the last nine months ended 30 September 2016, PLUS Loans contributed 19.1% to the Group's revenues (compared to 10.5% in the nine months ended 30 September 2015).

In 2015, the average revenue per customer per annum for the Group's Plus Loan product was approximately €475 and the average loan maturity was 303 days. PLUS Loans involve instalment repayment plans, which further distinguish them from the Group's traditional microloan product.

PLUS Loans are offered only to select customer groups, who must apply separately using a simple online application. The PLUS Loans are currently in development, testing, and roll-out phases in several key markets.

6.4.4 Ferratum P2P

Ferratum P2P was introduced in 2016 and is the latest addition to the products that the Group offers. Ferratum P2P offers investments in credit portfolios and acts as sole underwriter and bundles credit portfolios on its platform. This enables investors to participate in a particular portfolio instead of a single credit which allows for risk diversification.

Ferratum handles all payments and collects overdue payments. In addition, Ferratum guarantees to buy back payments that are 60 days past due. Thus, the system secures typically around 85% of outstanding loans for investors. The investor's return depends on the performance of the particular portfolio which such investor is invested in. Currently, investors can participate in Czech consumer loans, but is planned to be expanded into other countries during 2017. The minimum investment amount is €25. The loans provided on the platform usually range in between approximately €400 and €1,000 with a payment term of 6 to 12 months.

6.4.5 Small Business Loans (Ferratum Business)

In 2015, the Group introduced Ferratum Business in Finland and Sweden and then further expanded it to Lithuania. In February 2016, it was also launched in Denmark and in May 2016 in the Netherlands. In the last nine months ended 30 September 2016, Ferratum Business contributed 2.3% to the Group's revenues (compared to 0.1% in the nine months ended 30 September 2015).

Ferratum Business offers established small businesses with a strong track record of at least two years loans to finance working capital with a term of six to twelve months. E.g. in Finland these loans can be applied in the amount of EUR 2,000 to EUR 100,000 by means of a simple and short application process, which usually only takes minutes to complete.

6.4.6 Deposit taking

The Issuer applied for a credit institution license in 2011 and was granted an EU Credit Institution license in September 2012 by the Malta Financial Services Authority.

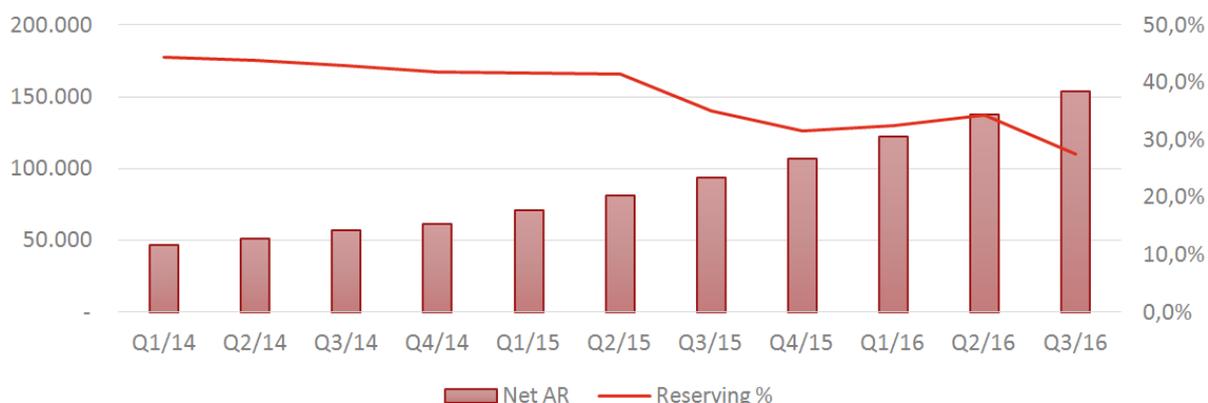
The Issuer's credit license allows it to take deposits guaranteed by national deposit schemes up to €100,000 per account.

Currently, the Group takes deposits in Sweden, Germany and Norway, with an average interest rate of approximately 1%.

6.5 Certain Information on the Group's credit portfolio

6.5.1 Portfolio Quality

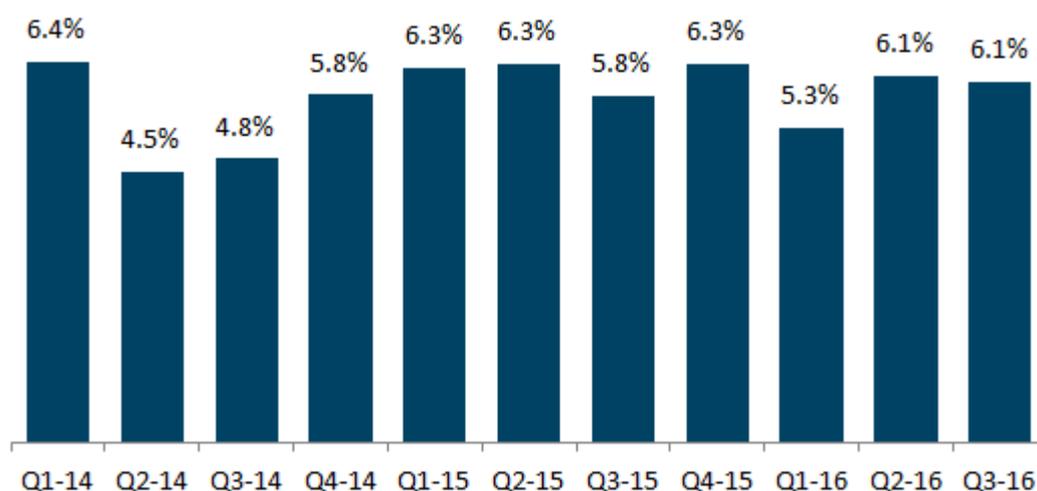
The Group actively manages its loan portfolio. Over the last years it has managed to significantly increase the quality of the credit portfolio as shown in the next graph which shows the reserves as a percentage of the loan portfolio and the loan portfolio in thousands of Euros for the periods from the first quarter of 2014 to the third quarter of 2016:



The following table shows the portfolio quality as loans not overdue and overdue based on how long they are overdue as of 30 September 2016:

<i>In thousand €</i>	GBV	Impairments	NBV	Coverage ratio (%)
Not overdue	124,939	(6,038)	118,901	4.8
1-90 days due	18,078	(4,823)	13,255	26.7
91-180 days due	14,772	(6,687)	8,085	45.3
>181 days due	54,275	(40,901)	13,374	75.4
Total	212,064	(58,448)	153,615	27.6

Credit losses as described by quarterly impairments as percentage per corresponding point in time have been stable at approximately 6% between 2015 and 2016. The following table shows the Credit losses as % impairment of the Gross Receivables:



6.5.2 Bonds issued and deposits

As of the date of this prospectus, the Group has four bonds outstanding. In addition, as of 30 September 2016, the Group had €88.7 million in deposits. The following table provides an overview over these funding sources:

Instrument	Nominal amount	Coupon	Maturity
Ferratum Capital Germany 2013	€25 million	8.0%	10/2018

Ferratum Capital Germany 2016	€25 million	4.875%	06/2019
Ferratum Bank	€20 million	4.9%	01/2017
Ferratum Capital Poland	PLN 20.5 million	6.5%	05/2017
Deposits (30 September 2016)	€88.7 million	varies	varies

Interest and tenor of the Group's customers deposits varies but averages at approximately 1%, with an average tenor of a few months.

6.6 Information on the Markets the Group operates in

6.6.1 Overview

The Group operates in the mobile consumer credit market, in particular the segment for smaller credits, as well as starting in 2015 in the small business loan market. Apart from small mobile consumer loans, other common forms of consumer credit include payday-loans, unsecured consumer loans, pawn loans, overdrafts, credit cards, retail finance, invoice financing, home lending, microfinance/social lending, car financing and peer-to-peer lending. Each of these products has specific characteristics that differ in regards to distribution channel (e.g., credit obtained via the internet, mobile phone, or visiting "bricks and mortar" locations) and attributes of consumer credit (e.g., secured versus unsecured credit or loan duration). Additional characteristics differentiating consumer credit sub-markets are the loan recipient's credit record, loan duration, loan amount, interest rate, duration of loan application, retailer dependency, or product and sales channel.

Based on these characteristics, companies operating in the consumer credit market and small business loan market have created a variety of products in response to market demand that reflect the financial solvency, needs, and creditworthiness of customers. Customer needs and preferences are the most important market drivers as customers may prefer to use one or several credit products at one time.

The Group segments its business into operations into four geographies, Nordics, CN, Northeast and Other. The Nordics include Finland, Sweden, Denmark and Norway while the CN includes Netherlands, UK, New Zealand, Australia and Canada. The Northeast consists of Estonia, Latvia, Lithuania, Poland, Czech, Slovakia and Russia while Other consists of Bulgaria, Romania, Croatia, Spain, Germany, France and Mexico. In certain parts of Eastern Europe and other emerging and developing countries, consumer loans are often provided to under banked households and are generally regarded as improving livelihoods, reducing vulnerability to economic, social, and political risks, and improving social and economic developing. In Western Europe, Australia, New Zealand, and other developed countries as well as certain Eastern European countries such as Poland or the Baltic countries, consumer loans serve a similar function as in Eastern Europe, but are also a fast and economical means to deliver small consumer credit amounts to meet customers' short-term financial needs, while avoiding the formal often burdensome procedures of traditional banks.

Mobile consumer loans are the newest consumer credit market segment. Mobile lending is a modern way of granting small loans by utilizing mobile telecommunications and online technology to enable fast, easy, and confidential loan services.

6.6.2 Geographic Overview of the Small Consumer Loan Market

Nordic Countries

The Group first launched operations in Finland in 2005 and was one of the first companies entering the small consumer loan market, especially focusing on offering such loans via mobile devices. The Group has experienced an expanded demand for short-term mobile consumer loans in Nordic countries since the Group launched more than ten years ago. Only a few competitors in Nordic countries are currently operating internationally. Current market saturation requires competitors to differentiate themselves for customers. For instance, responsible lending principles have lately, in the Group's management's estimate, become a differentiating factor among countries operating in the small consumer loan market, because consumers take the reputation and stated principles of companies into account before taking out consumer loans. Despite the mature status of the Nordic market, mobile lending continues to grow steadily, mainly through new product innovations and variations. Starting in Finland in June 2013, a few companies in the small consumer loan industry, have introduced highly sophisticated digital revolving credit lines. The Group was one of the first companies which introduced such revolving credit lines and management.

Baltic States

The Group was the first mobile consumer loan company entering the Baltic countries Estonia, Latvia, and Lithuania in 2006 and 2007. Since then, competition in these markets has increased and the product offerings have adapted to a changing environment. The Group believes that the most notable difference between the Nordic and Baltic markets is the Baltic customers' frequent use of loan extension features. Despite the small Baltic population, these markets are an important testing ground for new products and market strategies.

Eastern Europe

Eastern European countries have fast growing online markets. Certain Eastern European countries, such as Poland or the Czech Republic, have well developed banking systems and high mobile phone penetration with a fast growing smartphone growth rate. In other Eastern European countries with a lower GDP, the banking system is still dynamically changing and the smartphone penetration growing fast from a lower level than in Western Europe. This dynamic has created opportunities to establish mobile lending as a compelling choice for consumers' needs for short-term financing in these countries.

Western Europe

Although Western European countries are highly-developed with high online usage, they have fairly underdeveloped consumer credit markets. Many small loan providers operate in the Western European markets, but most restrict their operations to single countries and the Group believes that no other Western European small consumer loan provider has a pan-European presence comparable to that of the Group. For example, the UK market is home to many online microloan providers with an active competitive landscape consisting of several dozen market participants. The market potential remains significant in the UK and the Group expects further consolidation in this market. Following the 2014 entry into the German market, the Group additionally launched operations in 2015 in France and Norway. Entry barriers to these markets are very high, e.g., in Germany due to regulatory requirements (bank license) and the number of competitors is thus comparatively low.

Asia Pacific

In 2011, the Group expanded its business to New Zealand and Australia. These markets are highly-developed with high mobile and online usage. However, they have a fairly underdeveloped mobile consumer credit markets. Competitors in the Asia-Pacific region primarily offer loan amounts above the

average microloan amounts that the Group provides to the Group's European customers and thus there exists high potential for further market penetration.

Americas

In 2015, the Group launched its business in Canada and Mexico offering microloans. The Canadian consumer finance market is a developed market which has similarities to the Western European market. There are several local as well as international consumer financing companies located in Canada which the Group competes with. In Mexico, the market is more comparable to Eastern Europe and is expanding rapidly although with generally lower amounts borrowed and higher default rates.

6.6.3 The Small Business Loan Market

In 2015, the Group started to offer small business loans in Sweden and have extended this product (Ferratum Business) to Finland and Lithuania and in 2016 to Denmark and the Netherlands. In the small business loan market the Group principally competes with traditional banks which provide liquidity and working capital facilities for small companies as well as with certain FinTech companies which are also starting to approach this market. Ferratum seeks to differentiate from traditional lenders by offering innovative, fast and easy lending processes like it already does successfully for many years in consumer lending. In this area of innovative lending the competition is still moderate.

6.6.4 Revenue by Geography

Geographically, the Group's Nordic region (Finland, Sweden, Denmark and Norway) have historically contributed the highest share of revenue. The following breakdown illustrates the Group's revenue by geography in the first nine months of 2016:

- Nordics contributed 39.6% of the Group's revenue;
- Northeast (Estonia, Latvia, Lithuania, Poland, Czech Republic, Slovakia, Russia) contributed 30.3%;
- BCN (Netherlands, UK, New Zealand, Australia, Canada) contributed 16.6%; and
- Other (Bulgaria, Romania, Croatia, Spain, Germany, France and Mexico) contributed 13.5%.

6.6.5 Competition

The EU consumer credit market is highly fragmented with many new suppliers entering the small consumer loan market. The Group's key competitors are small local microloan companies with a limited customer database and limited international activities (i.e., operations in only 1–3 countries). The Group also faces multi-segment competition from larger consumer credit companies, i.e., companies offering loans above €1,000 that often operate internationally. Such companies often offer a broad product portfolio, such as payday loans as well as pawn broking. The upper segment of the market is controlled by the consumer finance divisions of global banks, which offer loans in excess of €2,000 or often €5,000.

Competition in the mobile consumer loan market has increased steadily as mobile loan products have become established as a reliable source of consumer financing. The Group believes that its principal competitors in Europe are Enova Finance, 4 Finance / Vivus, DFC Global, Kreditech, Wonga and Klarna.

While the Group does not focus on larger consumer loans above €5000, in this segment competitors are many of the larger consumer banks such as Santander, Swedbank, Citibank or Sberbank.

The Group started to take deposits in Sweden, Germany and Norway in 2016. Deposit taking is principally a source of additional financing for the Group in countries where the Group operates under the Issuer's banking license. In Sweden, the Group has taken deposits for several years and have recently brought such deposits under the umbrella of the banking license. Generally, the Group competes with the traditional consumer banks in deposit taking, but even more so with direct banks which offer deposit rates above traditional consumer banks such as ING DIBA, VW Bank, Consors, Comdirect and others. This market is highly liquid and very sensitive to interest rate changes.

Additionally, there are a wide range of smaller competitors which operate locally in Europe and Asia Pacific. Some markets such as the UK have dozens of small competitors while countries such as Germany, which have higher regulatory requirements and require a banking licence for a consumer loan business, have much fewer direct competitors which operate locally.

6.7 Commitment to Responsible Lending

Beyond the Group's compliance with the legal and regulatory frameworks governing microlending on the EU and national levels, the Group is committed to its ethical principles of responsible lending. The Group exercises this commitment by providing transparent contractual terms, ensuring maximum customer data security, and treating all borrowers fairly and reasonably. The Group considers this commitment to be an obligation to its shareholders, its customers, and the overall industry.

The Group bases its lending decisions on a careful assessment of (i) the borrower's financial position, (ii) the borrower's capacity to repay loans, and (iii) whether the borrower's requirements and objectives will be met by the loan. The Group only issues loans when it believes, on the information available to it, that the borrower can reasonably afford to repay the loan. For PLUS Loans, the Group also independently checks the information provided by customers within the scope of a formal loan application. When processing the application, the Group is committed to the highest standards of disclosure and procedural fairness, including complete transparency of all interest, fees, and charges as well as information regarding repayment.

6.8 Customers

As of 30 September 2016, the Group had a total of 1.5 million active customers and former customers who have received one or more loans in the past. The Group's customer base comprises a wide cross-section of the markets' populations. In the past, the Group's customers were nearly equally divided between men and women.

6.9 Employees

As of 30 September 2016, the Group had 596 employees. The cost of salaries and wages in 2015 amounted to €12.5 million. While the Group is headquartered in Helsinki, Finland, most of its employees (89% as of 31 December 2015) are based outside of Finland. The Group's success is built on the technical, business, legal, finance, IT and risk & data analysis expertise of its employees.

The employees of the Group are not unionized. There have been no strikes or threatened strikes or other labour disputes in the last three years.

6.10 Sales and marketing

Selling and marketing expenses are the second largest class of expense within administrative expenses with €16.2 million expensed in 2015. The Group principally uses online marketing tools similar to those employed by other mobile and internet companies, such as search engine marketing (SEM), search engine optimization (SEO), paid online advertisements and social media optimization (SMO). SEM principally involves paid search engine or pay-per-click advertisements, where the Group for instance uses AdWords, Google's marketing tool for advertisers. In line with the Group's SEO activities, it also optimizes its online presence. Additionally, the Group also works with affiliate online partners to attract customers, usually through paid advertisements (pay-per-click). Lastly, the Group's social media optimization involves activities on Facebook and other social media tools commonly used by its customers. All its online marketing efforts are based on a statistical analysis of the data it accumulates which allows it to make real-time changes to its marketing strategy to optimize the funds used to attract new customers in the different markets it operates in.

In addition to its online marketing efforts, to a lesser extent, the Group also engages in offline marketing through television, radio and newspaper advertisements. The Group has, particularly in Eastern Europe, also engaged local credit point partners to attract new customers and to increase its brand awareness.

As a general matter, customer generation can be broken down to 17% online marketing, 6% offline marketing and 77% repeat customers as of 2016.

6.11 Material Contracts

Other than the financing contracts and the bonds which are currently outstanding, there are no contracts the Group has entered into that would result in any obligation or entitlement that is material to the Group's business, financial standing, or results of operation.

6.12 Insurance

The Group maintains customary insurance policies for its offices as well as D&O insurance policies. The Group is insured against banking risks, asset losses, professional indemnity, and directors' and officers' claims at a level of cover that the Group's management believes is adequate. The Group assesses insurable risks and purchase insurance coverage from appropriate insurance companies. Review of new insurance policies and annual review of existing policies is conducted by the finance department.

6.13 Properties

The Group owns its office space in Helsinki (Headquarter) and leases office space for customer service throughout Europe, North America and the APAC region. The Group also leases its IT Headquarter in Bratislava, which is one of its main premises. In total, the Group, due to its international presence, leases properties in a large number of countries.

6.14 Legal and arbitration proceedings

As of the date of this prospectus, the Guarantor and the Issuer are not and have not been in the past year, party to any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Guarantor and Issuer are aware) which may have, or have had in the recent past, significant effect on the Guarantor's and Issuer's financial position or profitability.

In the ordinary course of business, the Group has been involved in disputes during the past year that have not, and in the opinion of the Guarantor's and the Issuer's Board of Directors and will not have a significant effect on the Issuer's or the Guarantor's financial position or profitability.

7 Organisational structure

The immediate parent company of the Issuer is Ferratum (Malta) Holding Limited, a company registered in Malta, which owns 99.99% of the shares of the Bank. Ferratum (Malta) Holding Limited, is in turn fully owned by Ferratum Oyj (the Guarantor). The Guarantor, Ferratum Oyj, is the parent company of the Group providing financing and other services to its subsidiaries, executing its business plan, and engaged in business activities through the subsidiaries, which are globally active in the business of providing microloans and consumer credits to private individuals. The following table provides an overview of the Group's subsidiaries, their country of incorporation, and the ownership percentage:

Name	Country of incorporation	Group share of holding	Parent company share of holding
Ferratum Finland Oy	Finland	100%	100%
Baltic Skyways OÜ	Estonia	100%	0%
Ferratum Latvia SIA	Latvia	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferbuy Poland Sp. Z.o.o.	Poland	100%	100%
Ferratum Spain SL.....	Spain	100%	100%
Ferratum Bulgaria EOOD.....	Bulgaria	100%	100%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Denmark ApS.....	Denmark	100%	100%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Ferratum d.o.o.	Croatia	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Australia Pty Ltd	Australia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
OOO MFI Ferratum Russia	Russia	100%	100%
Rus-Kredit OOO.....	Russia	100%	100%
Ferratum Bank p.l.c.	Malta	100%	0.00001%
Ferratum (Malta) Holding Limited	Malta	100%	99.999999%
Ferbuy Singapore Pte. Ltd. ⁽²⁾	Singapore	90%	90%
Swespar AB	Sweden	100%	100%
Nereida Spain S.L.	Spain	100%	100%
Ferratum Capital Germany GmbH.....	Germany	100%	100%
Ferratum Germany GmbH	Germany	100%	100%
Ferratum Romania I.F.N.S.A. ⁽²⁾	Romania	99,88%	99,88%
Personal Big Data Oy	Finland	100%	100%
Sideways Sp z.o.o.	Poland	100%	0%
Highways Sp z.o.o.	Poland	100%	0%
Highways Sp. Z.o.o. Sp. k.	Poland	100%	0%
Ferratum Canada Inc	Canada	100%	100%
Ferratum Kredi Finansmani A.S.....	Turkey	100%	100%
Ferratum Georgia LLC.....	Georgia	100%	100%
Ferratum Mexico S.de R.L. de C.V.....	Mexico	100%	99%
UAB Ferratum Finance.....	Lithuania	100%	100%
Ferratum Chile Ltda ⁽²⁾	Chile	100%	99%
Pactum Collections GmbH	Germany	100%	100%
Ferratum Peru S.A.C.	Peru	100%	99%
Ferratum Brazil Servicos De Correspondente Bancario Ltda	Brazil	100%	99%

(2) Jorma Jokela holds 10% in Ferbuy Singapore Pte. Ltd and 0,12% in Ferratum Romania I.F.N.S.A.

8 Financial Performance and Trend Information

8.1 Trend Information

There has been no material adverse change in the prospects of the Issuer and/or Guarantor since the date of publication of their latest audited financial statements.

At the date of publication of the Base Prospectus, the Directors consider that the Issuer and the Guarantor will be subject to the normal risks associated with the business of the Group and do not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the Issuer and Guarantor's business for at least up to the end of the next financial year. However, investors are strongly advised to carefully read the risk factors in the Base Prospectus.

The following is an overview of the trading prospects of the Issuer and the Guarantor in the foreseeable future.

8.1.1 Trading prospects of the Issuer

The Issuer's strategy is in line with that of the Group, whereby the Issuer intends to capitalise on the potential of the mobile microloans market as well as the Group's established position in the industry.

As described in Section 6, the Group has already established operations in multiple countries, which will allow the Issuer to develop its operations further through country expansion. During 2015, the Issuer began to provide micro lending services in Norway and France, whilst in 2016 it commenced operations in Spain and Croatia.

In Bulgaria the Bank started offering services as a guarantor to third-party loans, rather than as the provider of micro loans. Micro loans, which are backed by a guarantee, secure the loan amount and are referred to by segments of the industry as Guarantor Loans. Although Guarantor Loans are a relatively new concept within the unsecured micro loan market, it is not uncommon for customers within the sector to be asked to provide a guarantee. When providing this type of service, the Issuer is selecting the customers entitled to obtain a guarantee via the scoring model and agreeing, against the payment of a fee, to repay the borrower's debt should the customer default. This gives rise to the same level of exposure should the Issuer grant the loan directly.

Throughout the coming year the Issuer expects to provide loans and advances to customers in fourteen countries. Additionally, the Issuer intends to further capitalise on its position within the countries in which it currently operates by retaining its existing customers and further attracting new customers to increase its market share.

As part of its strategy, the Bank intends to adopt various initiatives to build a solid deposit base through further developments in the Mobile Bank platform, with plans for the reinvestment of excess liquidity.

8.1.2 Trading prospects of the Guarantor

The Group further rolled out its deposit strategy, taking deposits in Germany starting in early 2016.

Ferratum continued its product roll out into new geographies by introducing the Credit Limit product in Poland and introducing Ferratum Business in Denmark in the first quarter of 2016. Additionally,

Ferratum Bank plc also took over the operations in Spain in early 2016, which had previously been working under local licenses and are now operating under the Group's EU credit license. The Group further focused on the introduction of the Group's mobile bank into the European market in 2016, which the Group considers the most important strategic goal for 2016.

In April 2016, the Group's credit line with Nordea was increased from €15 million to €35 million to use as a refinancing facility for the Group's further growth of its non bank operational sphere.

In May 2016, Ferratum launched Ferratum Business in the Netherlands.

In August 2016, Ferratum Bank p.l.c. launched its operation in Croatia. Until then, Ferratum had operated its lending business in Croatia based on a local license.

The Guarantor's strategy in the foreseeable future is to continue enhancing profit arising from its product portfolio and growth in the consumer finance market. In November 2016, Ferratum announced its new Growth Acceleration Program (see for further details, Section 6.2.5 above).

8.2 Use of proceeds

In connection with the Bond Issuance Programme, the Issuer will receive proceeds of approximately €60,000,000. The proceeds net of the expenses incurred by the Issuer in connection with the issue of the bonds include a success fee of 2.5% for the bookkeeper. These proceeds are intended to be used for the refinancing of the €20 million bond issued in July 2015 by Ferratum Bank and in addition for the operation of Ferratum Bank in Malta, the Group's first sphere operations as well as for its general business purposes.

8.3 Key Financial Review

The financial information about the Issuer and the Guarantor is included in their respective audited financial statements for each of the financial years ended 31 December 2014 and 2015. The said statements are available on display at the Issuer's registered address. Set out below are highlights extracted from the audited financial statements of the Issuer and the audited consolidated financial statements of the Guarantor for the years ended 31 December 2014 and 2015.

8.3.1 Financial review of the Issuer

Statement of Comprehensive Income

	Year ended 31 December	
	2015	2014
	€	€
Interest and similar income	42,788,395	18,348,726
Interest and similar expense	(1,442,398)	(254,502)
Net interest income	41,345,997	18,094,224
Fee and commission income	344,210	207,742
Fee and commission expense	(2,729,103)	(701,861)
Net fee and commission expense	(2,384,893)	(494,119)
Operating profit	38,961,104	17,600,105
Employee compensation and benefits	(4,535,017)	(2,422,074)
Other operating costs	(13,169,722)	(6,133,653)
Depreciation and amortisation	(33,960)	(20,989)
Net impairment losses	(13,835,065)	(5,280,841)
Profit before tax	7,387,340	3,742,548
Tax expense	(2,585,569)	(1,309,892)
Profit for the year - total comprehensive income	4,801,771	2,432,656

Statement of Financial Position

	As at 31 December	
	2015	2014
	€	€
ASSETS		
Balances with Central Bank of Malta	182	-
Loans and advances to banks	3,704,583	3,043,304
Loans and advances to customers	43,203,453	16,370,257
Loans and advances to group companies	-	1,360,845
Property, plant and equipment	165,147	101,215
Intangible asset	360,268	-
Other assets	2,535,666	327,638
Total assets	49,969,299	21,203,259
EQUITY AND LIABILITIES		
Equity		
Share capital	10,000,000	10,000,000
Other reserves	535,605	96,608
Retained earnings	4,362,774	2,345,324
Total equity	14,898,379	12,441,932
Liabilities		
Borrowed funds	345,484	4,218,723
Amounts owed to customers	2,783	-
Debt securities in issue	20,143,271	-
Loans and advances from group companies	3,556,593	-
Other liabilities	7,132,099	3,230,264
Current tax liabilities	3,890,690	1,312,340
Total liabilities	35,070,920	8,761,327
Total equity and liabilities	49,969,299	21,203,259
MEMORANDUM ITEMS		
Commitments	1,496,947	1,473,542

Statement of cash flows

	Year ended 31 December	
	2015 €	2014 €
Cash flows from operating activities		
Interest and commission receipts	43,132,605	18,556,468
Interest and commission payments	(4,028,230)	(1,006,440)
Tax payments	(7,219)	-
Cash payments to employees and suppliers	(17,554,974)	(6,480,387)
Cash flows from operating profit before changes in operating assets and liabilities	21,542,182	11,069,641
Changes in operating assets and liabilities:		
Loans and advances to group companies	4,917,438	(1,360,845)
Loans and advances to customers	(40,665,478)	(17,285,465)
Borrowed funds	(3,301,282)	-
Net cash used in operating activities	(17,507,140)	(7,576,669)
Cash flows from investing activities		
Purchase of property, plant and equipment	(97,892)	(53,335)
Purchase of intangible asset	(360,268)	-
Net cash used in investing activities	(458,160)	(53,335)
Cash flows from investing activities		
Issue of debt securities	20,000,000	-
Net increase/(decrease) in cash and cash equivalents	2,034,700	(7,630,004)
Cash and cash equivalents at beginning of year	1,324,581	8,954,585
Cash and cash equivalents at end of year	3,359,281	1,324,581

Statement of Changes in Equity

	Share capital €	Other reserves €	Retained earnings €	Total equity €
Balance at 1 January 2014	10,000,000	-	9,276	10,009,276
<hr/>				
Comprehensive income				
Profit for the year	-	-	2,432,656	2,432,656
Other comprehensive income				
Transfers and other movements	-	96,608	(96,608)	-
<hr/>				
Total comprehensive income for the year	-	96,608	2,336,048	2,432,656
<hr/>				
Balance at 31 December 2014	10,000,000	96,608	2,345,324	12,441,932
<hr/>				
Comprehensive income				
Profit for the year	-	-	4,801,771	4,801,771
Other comprehensive income				
Transfers and other movements	-	438,997	(438,997)	-
<hr/>				
Total comprehensive income for the year	-	438,997	4,362,774	4,801,771
<hr/>				
Transactions with owners				
Dividends	-	-	(2,345,324)	(2,345,324)
<hr/>				
Balance at 31 December 2015	10,000,000	535,605	4,362,774	14,898,379

Notes to the financial statements of the Issuer

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below.

1.1 Basis of preparation

The Bank's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995. These financial statements are prepared under the historical cost convention, as modified by the fair valuation of financial assets and financial liabilities carried at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgment in the process of applying the Bank's accounting policies (see Note 3 – Critical accounting estimates, and judgments in applying accounting policies).

Standards, interpretations and amendments to published standards effective in 2015

In 2015, the Bank adopted new standards, amendments and interpretations to existing standards that are mandatory for the Bank's accounting period beginning on 1 January 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Bank's accounting policies.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2015 reporting periods and have not been early adopted by the Bank. These principally comprise IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

The classification and measurement of financial assets will depend on the Bank's business model for their management and their contractual cash flow characteristics and result in financial assets being measured at amortised cost, fair value through other comprehensive income ('FVOCI') or fair value through profit or loss. In many instances, the classification and measurement outcomes will be similar to IAS 39, although differences will arise, for example, since IFRS 9 does not apply embedded derivative accounting to financial assets and equity securities will be measured at fair value through profit or loss or, in limited circumstances, at fair value through other comprehensive income. The combined effect of the application of the business model and the contractual cash flow characteristics tests may result in some differences in the population of financial assets measured at amortised cost or fair value compared with IAS 39. The classification of financial liabilities is essentially unchanged, except that, for certain liabilities measured at fair value, gains or losses relating to changes in an entity's own credit risk are to be included in other comprehensive income.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12 month ECL'). In the event of a significant increase in credit risk, allowance (or provision) is required

for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL').

The assessment of whether credit risk has increased significantly since initial recognition is performed for each reporting period by considering the change in the risk of default occurring over the remaining life of the financial instrument, rather than by considering an increase in ECL.

The assessment of credit risk, and the estimation of ECL, are required to be unbiased and probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12 month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

The general hedge accounting requirements aim to simplify hedge accounting, creating a stronger link with risk management strategy and permitting hedge accounting to be applied to a greater variety of hedging instruments and risks. The standard does not explicitly address macro hedge accounting strategies, which are being considered in a separate project. To remove the risk of any conflict between existing macro hedge accounting practice and the new general hedge accounting requirements, IFRS 9 includes an accounting policy choice to remain with IAS 39 hedge accounting.

The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. Hedge accounting is generally applied prospectively from that date.

The mandatory application date for the standard as a whole is 1 January 2018, but it is possible to apply the revised presentation for certain liabilities measured at fair value from an earlier date. The Bank is yet to assess IFRS 9's full impact.

1.2 Foreign currency transactions and balances

Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Bank's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.3 Financial assets

The Bank classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Throughout the financial period and as at the end of the reporting period, the Bank only held loans and receivables.

Initial recognition and derecognition

The Bank recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the Bank commits to purchase or sell the asset. Accordingly, the Bank uses trade date accounting for regular way contracts when recording financial asset transactions.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Bank has transferred substantially all risks and rewards of ownership or the Bank has not retained control of the asset.

Financial assets at fair value through profit or loss

This category comprises two sub-categories: financial assets classified as held-for-trading, and financial assets designated by the Bank as at fair value through profit or loss upon initial recognition.

A financial asset is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

Derivatives are also categorised as held-for-trading unless they are designated and effective as hedging instruments. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

Financial instruments included in this category are recognised initially at fair value; transaction costs are taken directly to the profit or loss. Gains and losses arising from changes in fair value are included directly in the profit or loss and are reported as 'Net gains/(losses) on financial instruments classified as held-for-trading'. Interest income and dividend income on financial assets held-for-trading are included in 'Net interest income' or 'Dividend income', respectively.

The Bank may designate certain financial assets upon initial recognition as at fair value through profit or loss (fair value option). This designation cannot subsequently be changed.

According to IAS 39, the fair value option is only applied when the following conditions are met:

- the application of the fair value option reduces or eliminates an accounting mismatch that would otherwise arise; or
- the financial assets are part of a portfolio of financial instruments which is risk managed and reported to senior management on a fair value basis; or
- the financial assets consist of debt hosts and embedded derivatives that must be separated.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the Bank intends to sell immediately or in the short term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Bank upon initial recognition designates as available-for-sale; or
- (c) those for which the holder may not recover substantially all of their initial investment, other than because of credit deterioration.

Loans and receivables arise when the Bank provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets except for maturities greater than twelve months after the end of the reporting period. The latter are classified as non-current assets. Loans and receivables mainly consist of loans and advances to banks, customers and group companies and other assets.

Loans and receivables are initially recognised at fair value – which is the cash consideration to originate or purchase the loan including any transaction costs – and measured subsequently at amortised cost using the effective interest rate method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Interest on loans and receivables is included in profit or loss and is reported as ‘Interest and similar income’.

In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the loan and receivable and recognised in profit or loss as ‘Net impairment losses’.

Held-to-maturity financial assets

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Bank’s management has the positive intention and ability to hold to maturity, other than:

- (a) those that the Bank upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Bank designates as available-for-sale; and
- (c) those that meet the definition of loans and receivables.

These are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost, using the effective interest method.

Interest on held-to-maturity investments is included in profit or loss and reported as ‘Interest and similar income’. In the case of an impairment, the impairment loss is reported as a deduction from the carrying value of the investment and recognised in profit or loss.

Available-for-sale financial assets

Available-for-sale investments are financial assets that are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months of the end of the reporting period.

Available-for-sale financial assets are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value with gains and losses being recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses (in case of monetary assets), until the financial asset is derecognised. If an available-for-sale financial asset is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income is reclassified to profit or loss. Interest income on available-for-sale assets is calculated using the effective interest method, and is recognised in profit or loss as are foreign currency gains and losses on monetary assets classified as available-for-sale. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income. Dividends on available-for-sale equity instruments are recognised in profit or loss in 'Dividend income' when the Bank's right to receive payment is established.

1.4 Impairment of financial assets

Assets carried at amortised cost

The Bank assesses at each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Bank uses to determine that there is objective evidence of an impairment loss include:

- (a) significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- (d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- (e) the disappearance of an active market for that financial asset because of financial difficulties; or
- (f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Bank first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Bank determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that is, on the basis of the Bank's grading process that considers asset type, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Bank and historical loss experience for assets with credit risk characteristics similar to those in the Bank. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist.

Estimates of changes in future cash flows for groups of assets reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, payment status, or other factors as applicable which are indicative of changes in the probability of losses in the Bank and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Bank to reduce any differences between loss estimates and actual loss experience.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

Loans and advances to customers

Losses for impaired loans are recognised promptly when there is objective evidence that impairment of a loan or portfolio of loans has occurred. Impairment allowances are calculated on individual loans and on groups of loans assessed collectively. Impairment losses are recorded as charges to the statement of comprehensive income. The carrying amount of impaired loans on the statement of financial position is reduced through the use of impairment allowance accounts. Losses which may arise from future events are not recognised.

The Bank's loan portfolio is assessed for impairment on a collective basis, according to the loan type, as the underlying loan portfolio consist of a large pool of homogeneous loans which by nature cannot be considered individually significant. The loan portfolio consists of short-term micro-loans, other medium-term credit products and revolving micro-credit facilities.

Collectively assessed loans and advances

Impairment is assessed on a collective basis for homogeneous groups of loans that are not considered individually significant.

Homogeneous groups of loans and advances

Statistical methods are used to determine impairment losses on a collective basis for homogeneous groups of loans that are not considered individually significant, because individual loan assessment is impracticable. Losses in these groups of loans are recorded on an individual basis when individual loans are written off, at which point they are removed from the group. The methods that are used to calculate allowances on a collective basis are as follows:

When appropriate empirical information is available, the Bank utilises roll-rate methodology. This methodology employs statistical analysis of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of the events occurring before the reporting date which the Bank is not able to identify on an individual loan basis, and that can be reliably estimated. This methodology is applied at territory or country level with adaptations to reflect the different nature of the respective markets in which the Bank operates. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable. In applying this methodology, adjustments are made to estimate the periods of time between a loss event occurring and its discovery, for example through a missed payment, (known as the emergence period) and the period of time between discovery and write-off (known as the outcome period). Current economic conditions are also evaluated when calculating the appropriate level of allowance required to cover inherent loss. The estimated loss is the difference between the present value of expected future cash flows, discounted at the original effective interest rate of the portfolio, and the carrying amount of the portfolio. Expected future cash flows take into account expected portfolio sales prices.

The inherent loss within the portfolio is assessed on the basis of statistical models using historical data observations, which are updated periodically to reflect recent payment and economic trends. In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within the portfolio. In certain circumstances, historical loss experience provides less relevant information about the inherent loss in the portfolio at the reporting date. When the most recent trends arising from changes in economic, regulatory or behavioural conditions are not fully reflected in the statistical models, they are taken into account by adjusting the impairment allowances derived from the statistical models to reflect these changes as at the balance sheet date.

These additional portfolio risk factors may include recent loan portfolio growth and product mix, unemployment rates, bankruptcy trends, geographic concentrations, loan product features, economic conditions such as national and local trends in interest rates, seasoning, account management policies and practices, current levels of write-offs, changes in laws and regulations and other factors which can affect customer payment patterns on outstanding loans, such as natural disasters. These risk factors, where relevant, are taken into account when calculating the appropriate level of impairment allowances by adjusting the impairment allowances derived solely from historical loss experience.

Roll rates are regularly benchmarked against actual outcomes to ensure they remain appropriate.

Forborne loans

Granting a concession to customers that the Bank would not otherwise consider, as a result of their financial difficulty, is objective evidence of impairment and impairment losses would be measured accordingly.

A forborne loan is categorised as impaired when:

- there has been a change in contractual cash flows as a result of a concession which the Bank would otherwise not consider; and
- it is probable that without the concession, the borrower would be unable to meet contractual payment obligations in full.

Forbearance activity is generally undertaken where it has been identified that repayment difficulties against the original terms have already materialised, or are very likely to materialise. The Bank might consider the application of rescheduling to selected loans and advances, which process commences when a customer applies to extend the repayment date. The upfront payment of a rescheduling fee is a pre-condition for rescheduling to be granted and for the loan term to be extended. This upfront payment requirement is not deemed consistent with the profile of a customer which cannot meet the current contractual payment obligations.

Moreover, upon rescheduling the Bank does not revise the key substantive terms and conditions of the respective loan in order to facilitate recoverability after taking into consideration the individual's financial situation, but simply provides the individual customer with a standard extension to the maturity date. The significant terms and conditions of the loan are not altered, for instance, through moratorium on fees or waiver of fees. A significant level of individual customers apply for and request the extension of the loan term and considering that each loan transaction is individually insignificant, the monitoring of each individual customer's financial situation is impracticable. Management considers historical experience and other factors when determining whether rescheduled loans are forborne loans. Such historical experience demonstrates that very high repayment rates are associated with rescheduled loans.

Taking cognisance of the principles highlighted above, rescheduling of loans granted by the Bank is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit.

Assets classified as available-for-sale

The Bank assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is objective evidence of impairment resulting in the recognition of an impairment loss. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost (or amortised cost, if applicable) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments are not reversed through profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

Throughout the financial period and as at the end of the reporting date, the Bank did not hold assets classified as available-for-sale.

1.5 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.6 Intangible asset

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised on the basis of the expected useful lives once the software has been put into use.

1.7 Property, plant and equipment

All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial year in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	%
Furniture and fittings	12.5
Computer hardware	25
Office equipment	25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.8 Impairment of non-financial assets

Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably.

1.9 Other receivables

Other receivables are amounts due to the Bank for services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provisions for impairment. A provision for impairment is established when there is objective evidence that the Bank will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited in profit or loss.

1.10 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority.

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.12 Financial liabilities

The Bank recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Bank's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The Bank derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

Financial liabilities measured at amortised cost comprise principally debt securities in issue, borrowed funds and other liabilities (Note 1.13).

1.13 Other liabilities

Other liabilities comprise obligations to pay for goods or services that have been acquired in the ordinary course of business. Other liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

Other liabilities are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are issued by the Bank to financial institutions and other entities on behalf of customers to secure micro-loans and other credit related products.

Financial guarantees issued are initially recognised in the financial statements at fair value, which is normally evidenced by the amount of fees received, on the date the guarantee was given. Subsequent to initial recognition, the Bank's liabilities under such guarantees are measured at the higher of (i) the initial measurement amount less amortisation calculated to recognise in the income statement the fee income earned over the life of the guarantee and (ii) the best estimate of the expenditure required to settle any financial obligation arising out of the commitment at the end of each reporting period. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgment of the Bank's management. Any increase in the liability relating to financial guarantee contracts is reflected in profit or loss.

1.15 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Loan origination fees received by the Bank for loans which are probable of being drawn down, are an integral part of generating an involvement with the resulting financial instrument and, together with the related direct costs, are deferred and recognised as an adjustment to the effective interest rate on the loan using the effective interest method.

The Bank's income streams consist of process fees, rescheduling fees (charged when a customer applies to extend the repayment date) reminder fees (charged reminder actions effected with respect to a loan) and other fees charged on revolving credit products. All these fees are considered to be an integral part of the effective interest rate of the loans and advances taking cognisance of the nature of these fees, the purposes for which these fees are assessed and the substance of the services provided. Accordingly these fees are amortised to profit or loss using the effective interest method over the expected term of the instruments and presented within 'Interest and similar income'.

1.16 Fees and commissions

Fees and commissions are generally recognised on an accrual basis when the service has been provided. Fee and commission expense, relating mainly to transaction and service fees and sales commissions, are expensed as the services are rendered.

1.17 Leases

The Bank is the lessee

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

1.18 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less, together with borrowed funds having the same maturity.

1.19 Dividend distribution

Dividend distribution to the group's shareholders is recognised as a liability in the Bank's financial statements in the period in which the obligation to pay a dividend is established.

2. Financial risk management

2.1 Financial risk factors

The Bank's activities expose it to a variety of financial risks and these activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. The Bank's aim is to achieve an appropriate balance between risk and return and minimise potential adverse effects on the entity's financial performance.

The Board of directors oversees credit, market, funding and liquidity, operational and strategic business risks. The Bank has developed an integrated risk management framework to identify, assess, manage and report risks and risk adjusted returns.

The Bank's risk management policies are designed to identify and analyse risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date information systems. The Board is responsible for the overall effectiveness of the risk management function, which function is however carried out by the members of the Bank's management team.

The Bank's ALCO function, covered by the Bank's Executive Committee, is responsible for managing assets, liabilities and the overall financial position and is also responsible for the management of funding and liquidity risks. The Bank's risk management function has the overall responsibility for the development of the entity's risk strategy and the implementation of risk principles, framework, policies and related limits.

(a) Credit risk

The Bank takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Bank by failing to discharge an obligation. Credit risk is the most important risk for the Bank's business; accordingly management carefully manages its exposure to this risk. Credit exposures arise principally through the Bank's lending activities in various European countries, together with the placement of liquidity with banks domiciled in Malta and other European countries. The Bank is also exposed to credit risk arising from the issuance of financial guarantee contracts to entities granting micro-loans and other related credit products to individuals located in certain European countries. Credit exposures through advances to group undertakings located in Finland also give rise to credit risk.

The Bank's principal credit risk exposures relating to on-balance sheet financial assets analysed by IAS 39 categorisation, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	2015	2014
	€	€
Loans and receivables:		
Balances with Central Bank of Malta (Note 4)	182	
Loans and advances to banks (Note 5)	3,704,583	3,043,304
Loans and advances to customers (Note 6)	43,203,453	16,370,257
Loans and advances to group companies (Note 7)	-	1,360,845
Other financial assets (Note 10)	2,457,861	311,380
	49,366,079	21,085,786

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2015 and 2014, without taking account of any collateral held or any other credit enhancements attached.

Off-balance sheet instruments - Credit related commitments

The Bank, through its credit granting operations in certain territories, issues financial guarantee contracts, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a loan instrument. Such financial guarantees are issued by the Bank to financial institutions and other entities on behalf of customers to secure micro-loans and other credit related products. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. At 31 December 2015, financial guarantee contracts issued and still outstanding covered loan assets with an amount of €1,157,277 (2014 €1,294,452).

Credit risk management principles for significant financial assets and risk concentrations

In order to manage its principal risk exposures arising from its activities the Bank compiles and updates due diligence reports in respect of individually significant financial assets, particularly with respect to loans and advances to banks and group companies. The creditworthiness of individually significant counterparties or customers is formally evaluated and appropriate exposure limits are established in this respect. Credit review procedures are designed to identify at an early stage individually significant exposures which require more detailed monitoring and review. Exposure to credit risk is managed through regular analysis of the ability of such counterparties and potential counterparties to meet interest and capital repayment obligations and by changing the exposure limits where deemed appropriate. The Bank manages adherence to limits by reference to reporting mechanisms covering exposures, and controls concentrations of risk wherever they are identified.

The Bank monitors significant exposures on an individual basis throughout the different stages of the cycle from approval upon origination to ongoing monitoring until maturity. The Bank focuses on the compilation, together with ongoing and event-driven updating, of due diligence analyses taking cognisance of actual account developments, repayment history, ability to meet commitments and collateral measurement if applicable.

The geographical concentration of the Bank's financial assets as at the end of the reporting period is analysed below. For the purposes of this analysis, the Bank has allocated exposures to regions based on the country of domicile of the respective customers or counterparties. At 31 December 2015, loans and advances to banks were placed with banks domiciled in the following countries:

	2015 €	2014 €
Malta	1,858,613	2,032,864
Czech Republic	540,487	375,930
Slovakia	293,416	315,346
Latvia	261,868	-
Germany	234,393	-
Poland	202,545	319,164
France	150,950	-
Bulgaria	60,215	-
Estonia	59,996	-
Finland	42,100	-
	3,704,583	3,043,304

The Bank's loans and advances to customers as at 31 December 2015 are principally linked to lending and related operations in Poland (41%) (2014: 48%), Sweden (22%) (2014: 10%), Czech Republic (17%) (2014: 17%) and Latvia (12%) (2014: 10%). The remaining exposures arise in other European countries, namely Estonia, Slovakia, Bulgaria, Germany, Norway and France.

At 31 December 2015 and 2014, loans and advances to and from group companies consisted of advances with an undertaking registered in Finland.

Loans and advances to customers

The Bank's lending activities comprise the granting of short-term micro-loans, other medium-term credit products and revolving micro-credit facilities (mainly unsecured) to individual customers in specific European jurisdictions. All loans to customers are granted on the basis of the outcome of the scoring model, depending on the loan type, and the rules embedded within the credit policy. Each lending transaction and the related agreement are determined on the strength of an individual credit decision. All credit decisions are handled and processed within the Bank's internal loan handling system through the application of both automated and manual processes. The creditworthiness of potential customers is assessed by reference to the calculation of a credit score for each loan application received. The relevant credit score is computed through the application scorecard for first time customers and through the behaviour scorecard for repeat customers. Based on the credit score registered, customers are grouped into risk classes. The respective risk class determines the maximum credit amount allowable for each customer. The scoring model and linked scorecards are developed and maintained centrally by the management team of the Bank. These are applied in all jurisdictions in which the Bank operates with specific adaptations at country level taking cognisance of the different characteristics of each market; with the adaptations being centrally approved.

The scorecards are reviewed on a monthly basis by the management team of the Bank and updated according to market trends, political circumstances in the particular jurisdiction, legislative and socio-economic changes.

Prior to generation of internal scores, automated credit policy checks or underwriting actions are carried out within the loan handling system referring to factors emanating from the Bank's credit policy rules such as applicant's age, number of outstanding loans, existence of duplicate applications, reference to Bank's internal customer blacklist, previous loan repayment behaviour and linkage to external collection company information. These automated underwriting actions generate an internal credit score for the customer. Subsequently, specifically designed manual underwriting actions are carried out to finalise the loan application review and decision making process. These manual underwriting actions comprise requests for checks in relation to existence of bad debts reported by credit agencies, requests for external credit scoring checks with a view to checking external sources of credit information about the client, and requests for additional checks in respect of certain customer details. The outcome of these manual underwriting actions is automatically reflected in the loan handling system and updates the scorecard in an automated manner. If the scored or approved amount is higher than or equal to the requested amount, the loan is then automatically approved. Otherwise, the loan is automatically approved up to the scored amount. The latter decision can be exceptionally overridden by management in specific circumstances and subject to certain conditions such that the amount granted is higher than the scored amount.

The Bank's loan portfolio is assessed for impairment on a collective basis as the portfolio consists of a large pool of homogeneous loans according to loan type which by nature cannot be considered individually significant. The Bank utilises roll-rate methodology employing statistical analyses of historical data and experience of delinquency and default to estimate the amount of loans that will eventually be written off as a result of the events occurring before the reporting date. Under this methodology, loans are grouped into ranges according to the number of days past due and statistical analysis is used to estimate the likelihood that loans in each range will progress through the various stages of delinquency, and ultimately prove irrecoverable. The estimated loss is the difference between the present value of expected future cash flows, taking cognisance of expected portfolio sales prices, and the carrying amount of the portfolio.

Loan rescheduling is a concession which could be granted by the Bank, in certain circumstances, in response to a customer's request. Under certain specified conditions, the Bank provides loan rescheduling to borrowers by agreeing to modify the contractual payment terms of loans in order to improve the management of customer relationships, maximise collection opportunities and, if possible, avoid default. Rescheduling occurs when a customer applies to extend the loan repayment date, subject to the immediate payment of a rescheduling fee. Rescheduling is only granted in situations where the customer has showed a willingness to repay the loan and is expected to be able to meet the obligation following the extension of the credit period. The Bank's credit policy sets out restrictions on the number of rescheduling measures together with the minimum period of the Bank's relationship with the customer before a rescheduling measure can be considered. Rescheduling usually takes place before due date, but the rescheduling option is also available after the due date.

The Bank has a formal rigorous debt collection policy outlining the manner in which the Bank deals with past due loans and advances. This policy has been approved by the Bank for use within the operations in the respective territories with formal documented adaptations for the respective territories. The policy highlights the prescribed actions, channels and mechanisms utilised to follow up on outstanding exposures indicating the precise point in time at which the respective actions are taken and allocating roles and responsibilities within the Bank in this respect. The collection policy focuses on the extent to which collection activities are carried out by the Bank and the stage or phase at which external collection companies are utilised.

The revised Banking Rule BR/09: Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions Authorised under the Maltese Banking Act, 1994 requires banks to allocate funds to the General Banking Risks reserve for cover against potential risks linked to the Bank's non-performing loans and advances. This allocation is to occur over a three-year period, with a 30% allocation during the financial year ended 31 December 2013, and a 30% allocation both in the financial years ended 31 December 2014 and 31 December 2015. The current year allocation amounted to €438,997 (2014: €91,382) taking cognisance of the non-performing portion of the loans portfolio at 31 December 2015.

Information on credit quality of loans and advances to customers

The Bank reviews and grades advances to customers using the following internal risk grades:

Performing

- Regular
- Watch
- Substandard

Non-performing

- Doubtful
- Loss

Regular

The Bank's loans and advances to customers which are categorised as 'Regular' are principally debts in respect of which payment is not overdue by 30 days and no recent history of customer default exists. Management does not expect any losses from non-performance by these customers, which are considered as fully performing.

Watch

Loans and advances that attract this category principally comprise those where payment becomes overdue by 30 days and over but not exceeding 60 days.

Substandard

Exposures that are categorised within this category comprise those where payment becomes overdue by 60 days and over but not exceeding 90 days.

Doubtful

Loans and advances which attract a 'Doubtful' grading are principally those assets in respect of which repayment becomes overdue by 90 days and over but not exceeding 180 days.

Loss

Loans and advances in respect of which payment becomes overdue by 180 days.

Gross loans and advances to customers analysed by internal ratings:

	2015	2014
	€	€
Regular	34,339,137	7,609,902
Watch (up to 60 days past due)	1,865,988	3,431,809
Substandard (between 60 and 90 days past due)	2,347,464	916,100
Doubtful (between 90 and 180 days past due)	5,272,742	1,925,201
Loss (over 180 days past due)	17,569,882	9,115,739
	61,395,213	22,998,751

As outlined previously, the Bank's loan portfolio is assessed for impairment on a collective basis as the portfolio consists of a large pool of homogeneous loans which by nature cannot be considered individually significant. The collective assessment is carried out at country or territory level taking cognisance of the different characteristics of the respective markets. No specific provisions for impairment have been recognised during the current and preceding financial periods accordingly.

As at 31 December 2015, loans and advances to customers amounting to €27,056,076 (2014: €15,388,849) were deemed to be past due (and not deemed individually impaired), taking cognisance of the manner in which the Bank practically manages its collection activities. A financial asset is past due when a customer has failed to effect payment when contractually due, but normally, given the nature of the Bank's loan portfolio, the past due status is not formally assigned until the exposure is more than 60 days past due. An ageing analysis of these past due loans and advances is accordingly presented within the table above.

The Bank held renegotiated or rescheduled loans and advances to customers amounting to €6,512,147 (2014: €3,188,565) as at the end of the reporting period. These are analysed below by ageing and geographical location:

	2015	Still outstanding at 28 April 2016
	€	€
Up to 60 days past due	3,717,724	939,749
Between 60 and 90 days past due	367,295	244,670
Between 90 and 180 days past due	899,313	755,057
Over 180 days past due	1,527,815	1,408,702
	6,512,147	3,348,178

	2014	Still outstanding at 13 May 2015
	€	€
Up to 60 days past due	880	80
Between 60 and 90 days past due	35,810	7,191
Between 90 and 180 days past due	1,828,252	534,929
Over 180 days past due	1,323,623	1,127,327
	3,188,565	1,669,527

	2015	2014
	€	€
Poland	2,037,869	1,091,360
Czech Republic	2,231,067	843,858
Sweden	224,038	28,745
Slovakia	1,732,787	1,024,290
Latvia	266,312	159,982
Estonia	20,074	40,330
	6,512,147	3,188,565

In view of the nature of the Bank's loan portfolio, as at 31 December 2015, no loans and advances to customers were deemed to be large exposures, prior to any eligible exemptions, in accordance with the requirements of Part Four of the Capital Requirements Regulations (CRR), Large Exposures.

Use of collateral

With respect to loans and advances originating from the Bank's lending activities in a particular country, which loans comprise approximately 1.0% (2014: 5%) of the Bank's loan portfolio as at 31 December 2015, the Bank is the holder of financial guarantee contracts issued by other parties. These financial guarantee contracts require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due. Since a financial guarantee contract represents a guarantee on an individual loan entered into with the loan contract and is essentially a pre-condition for granting the respective loan, the guarantee effectively forms part of the terms of the loan. Impairment charges are calculated on such loans in accordance with the Bank's accounting policy, but any impairment charges are reflected net of the financial guarantee reimbursement. This reimbursement gives rise to the recognition of a receivable from the issuer of the financial guarantee contract.

Loans and advances to banks

In the normal course of business, the Bank places funds and carries out transactions through correspondent accounts with high credit quality local listed banks and international banks having a very high credit rating, subject to the operational requirements and the application of a limit framework. Accordingly, such exposures are monitored through the practical use of exposure limits. In certain countries, the Bank had to utilise unrated banks for placement of surplus liquidity, in view of the profile of the banking sector in those territories. The Bank would carry out a comprehensive due diligence on such banks, prior to engaging with such banks and on an event-driven basis throughout the term of the relationship. The tables below present an analysis of the Bank's loans and advances to banks by rating agency designation at 31 December 2015 and 2014, based on Fitch credit ratings or their equivalent:

	Loans and advances to banks
2015	€
AA-	42,100
A	134,404
A-	495,044
BBB+	1,009,399
BBB-	52,583
BB+	159,663
Unrated	1,811,390
Total	3,704,583
	<hr/>
2014	€
A+	9,168
A	182,150
A-	15,294
BBB+	1,508,557
BBB-	99,858
D+	62,051
Unrated	1,166,226
Total	3,043,304
	<hr/>

Loans and advances (from)/to group companies

The advances (from)/to a group undertaking, Ferratum Capital Oy, which were outstanding at 31 December 2015 and 2014, and which were deemed to be fully performing, were considered to be a large exposure for regulatory reporting purposes, prior to any eligible exemptions, in accordance with the requirements of Part Four of the Capital Requirements Regulations (CRR), Large Exposures. These advances were primarily secured against the entire micro loan portfolio of all group companies that operate in the micro finance business. Under the terms of the funding arrangement in place with the group company, the Bank effects advances denominated in euro to the group entity with respect to the Bank's surplus liquidity and borrows funds denominated in Polish Zloty, Czech Koruna, Swedish Krona and Norwegian Krona for the purposes of funding the Bank's lending activities in specific territories giving rise to exposures in those foreign currencies. The funding arrangement contemplates an offsetting process between the Bank's euro loans to, and its foreign currency borrowings from, the group company. The euro loans are subject to a fixed interest rate of 3% per annum, whereas borrowings denominated in Polish Zloty Czech Koruna, Swedish Krona and Norwegian Krona are subject to a fixed interest rate of 8% (2014: 11%) per annum. Under the terms of the Bank's funding arrangement with the group company, referred to above, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies.

Credit related commitments

The Bank issues financial guarantee contracts to other parties that grant micro-loans and other short-term credit products. Financial guarantees represent irrevocable assurances to make payments in the event that a customer cannot meet its obligations to third parties, and carry the same credit risk as loans. The Bank's credit risk management framework applied to issuance of micro-loans and related products, described in detail in the preceding sections, is utilised for management of issuance of guarantee contracts. The entire micro-loan underwriting cycle from approval to monitoring is considered appropriate for financial guarantee contracts as in substance the issuance of such guarantees, covering micro-lending, is essentially considered to be micro-lending.

(b) Market risk

The Bank takes on exposure to market risk, which is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in currency and interest rate products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as foreign exchange rates and interest rates.

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk arises when financial assets or liabilities are denominated in currencies that are different from the Bank's functional currency (euro), principally in Polish Zloty, Czech Koruna, Swedish Krona, Norwegian Krona and Bulgarian Lev. However, the Bank is not in substance exposed to fluctuations in exchange rates with respect to the Bulgarian Lev as this currency is pegged to the euro. During the financial year ended 31 December 2015, the Bank extended its lending and other credit related activities to a number of other European countries which have the Euro as their functioning currency.

The Bank manages its currency risk on an ongoing basis by ensuring that foreign currency liabilities are utilised to fund assets denominated in the same foreign currency thereby matching asset and liability positions as much as is practicable. In relation to the resultant asset and liability foreign currency position mismatching, the Bank has entered into an agreement with a group company to provide cover to the Bank from realised and unrealised exchange differences.

The Bank's exposures to Polish Zloty, Czech Koruna, Swedish Krona and Norwegian Krona arise from its lending and credit related activities in Poland, Czech Republic, Sweden and Norway respectively, as the loans and other credit related instruments are denominated in that currency. The Bank's overall objective is to fund the activities in these countries in the same local currency. Accordingly the Bank has entered into a funding arrangement with a group company, whereby the group company committed to provide advances to the Bank in foreign currencies to fund the Bank's credit activities denominated in specific foreign currencies in particular territories. Under the terms of the same agreement, the Bank effects advances denominated in euro to the group company; the arrangement contemplates the offsetting of these euro advances against the foreign currency loan liabilities referred to above. The Bank also has a funding arrangement with a third party corporate with respect to borrowings in a specific currency to fund the lending activities in a particular country.

The Bank's financial assets and liabilities at the end of the reporting periods are analysed into the respective currencies in the following tables.

	Total	EUR	PLN	SEK	CZK	BGL	NOK	Other
	€	€	€	€	€	€	€	€
As at 31 December 2015								
Financial assets								
Balances with Central Bank of Malta	182	182	-	-	-	-	-	-
Loans and advances to banks	3,704,583	1,609,754	213,598	1,121,948	551,531	60,215	53,519	94,018
Loans and advances to customers	43,203,453	8,115,138	17,816,295	9,314,816	7,324,849	410,386	221,969	-
Other assets	2,535,666	959,012	-	899,944	253,334	423,376	-	-
Total financial assets	49,443,884	10,684,086	18,029,893	11,336,708	8,129,714	893,977	275,488	94,018
Financial liabilities								
Borrowed funds	345,484	119,408	-	226,076	-	-	-	-
Amounts owed to customers	2,783	2,126	-	542	-	-	-	115
Debt securities in issue	20,143,271	20,143,271	-	-	-	-	-	-
Loans and advances from/(to) group companies	3,556,593	(12,784,179)	2,575,562	9,656,449	3,816,375	-	292,386	-
Other liabilities	7,132,099	5,058,010	1,567,180	203,956	288,309	-	14,644	-
Total financial liabilities	31,180,230	12,538,636	4,142,742	10,087,023	4,104,684	-	307,030	115
Net currency exposure in financial assets/liabilities	18,263,654	(1,854,550)	13,887,151	1,249,685	4,025,030	893,977	(31,542)	93,903
Commitments and contingent liabilities	1,496,947	339,670	-	-	-	1,157,277	-	-

	Total	EUR	PLN	SEK	CZK	BGL	Other
	€	€	€	€	€	€	€
As at 31 December 2014							
Financial assets							
Loans and advances to banks	3,043,304	1,804,211	319,164	535,130	375,631	9,168	-
Loans and advances to customers	16,370,257	3,995,515	7,859,960	1,672,958	2,741,316	100,508	-
Loans and advances to/(from) group companies	1,360,845	4,671,786	(907,841)	-	(2,403,100)	-	-
Other assets	327,638	144,237	30,771	885	57,415	94,330	-
Total financial assets	21,102,044	10,615,749	7,302,054	2,208,973	771,262	204,006	-
Financial liabilities							
Borrowed funds	4,218,723	2,653,357	-	1,565,366	-	-	-
Other liabilities	3,230,264	1,243,331	682,172	765,083	531,177	-	8,501
Total financial liabilities	7,448,987	3,896,688	682,172	2,330,449	531,177	-	8,501
Net currency exposure in financial assets/liabilities	13,653,057	6,719,061	6,619,882	(121,476)	240,085	204,006	(8,501)
Commitments and contingent liabilities	1,473,542	352,354	-	-	-	1,121,188	-

Under the scenario that the euro appreciates by 5% (2014: 5%) against all relevant currencies, the effect would be a decrease of €1,001,000 (2014: €337,000) in the carrying amount of the net financial assets with the adverse impact recognised in profit or loss. Should the euro depreciate against all relevant currencies by 5% (2014: 5%), the effect would be a gain of €1,001,000 (2014: €337,000) in the carrying amount of the net financial assets and the favourable impact would be recognised in profit or loss.

The ALCO function, through the Executive Committee, actively monitors the Bank's net exposures to foreign currencies by currency, by analysing the information on financial instruments as reflected in the tables above and by performing sensitivity analysis, given the significance of such risk to the financial performance of the Bank. Under the terms of the Bank's funding arrangement with the group company, referred to above, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies. During the year, the Bank incurred net foreign exchange losses amounting to €74,203 (2014: €161,130), which were borne by the group company.

Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

The Bank's exposures to interest rate risk as at 31 December are analysed below:

	Floating rates €	Fixed rates €	Non-interest bearing €	Total €
At 31 December 2015				
Loans and receivables:				
Balances with Central Bank of Malta	-	-	182	182
Loans and advances to banks	226,265	-	3,478,318	3,704,583
Loans and advances to customers	-	43,203,453	-	43,203,453
	<u>226,265</u>	<u>43,203,453</u>	<u>3,478,500</u>	<u>46,908,218</u>
Borrowed funds	-	(226,076)	(119,408)	(345,484)
Amounts owed to customers	-	(204)	(2,579)	(2,783)
Debt securities in issue	-	(19,705,627)	(437,644)	(20,143,271)
Loans and advances from group companies	-	(3,110,954)	(445,639)	(3,556,593)
	<u>-</u>	<u>(23,042,861)</u>	<u>(1,005,270)</u>	<u>(24,048,131)</u>
Net exposure	<u>226,265</u>	<u>20,160,592</u>	<u>2,473,230</u>	<u>22,860,087</u>

	Floating rates €	Fixed rates €	Non-interest bearing €	Total €
At 31 December 2014				
Loans and receivables:				
Loans and advances to banks	1,398,210	-	1,645,094	3,043,304
Loans and advances to customers	-	16,370,257	-	16,370,257
Loans and advances to group companies	-	1,360,845	-	1,360,845
	<u>1,398,210</u>	<u>17,731,102</u>	<u>1,645,094</u>	<u>20,774,406</u>
Borrowed funds	<u>(2,500,000)</u>	<u>(1,565,366)</u>	<u>(153,357)</u>	<u>(4,218,723)</u>
Net exposure	<u>(1,101,790)</u>	<u>16,165,736</u>	<u>1,491,737</u>	<u>16,555,683</u>

Financial instruments issued at fixed rates potentially expose the Bank to fair value interest rate risk. However, the Bank's loans and advances to customers, loans and advances to group companies and borrowed funds are measured at amortised cost and are therefore not subject to fair value interest rate risk. Also, the Bank's loan portfolio consists of micro-loans, revolving loans and similar credit products, and accordingly the short-term nature of these assets mitigates the Bank's exposures to interest rate risk.

As reflected above, the Bank is exposed to cash flow interest rate risk in respect of certain financial assets and liabilities which are subject to floating interest rates. Taking cognisance of the nature of the Bank's financial assets and liabilities as described above, under the requirements of IFRS 7, a sensitivity analysis in respect of interest rate changes is required in relation to the Bank's net floating rate instruments. These instruments are the net resultant of floating rate assets, which mainly constitute the Bank's surplus liquidity placed with banks, and floating rate liabilities, consisting of funds borrowed from financial institutions, if applicable.

Management monitors the level of floating rate net instruments as a measure of cash flow risk taken on. Exposure to such risk was not deemed to be significant by the directors since the Bank's floating rate assets and liabilities are of a short term nature. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date.

At the end of the reporting periods, if interest rates had increased/decreased by 100 basis points (assuming a parallel shift of 100 basis points in yields) with all other variables held constant, the pre-tax result for the year would change by the following amounts determined by applying the shift to the net variable interest exposure of the Bank at the end of the reporting periods:

	2015 €	2014 €
(+) 100 bp	2,200	(11,018)
(-) 100 bp	(200)	2,200

The table below further analyses the Bank's exposures to interest rate risk. It includes the entity's financial instruments at carrying amounts, categorised by re-pricing dates, taking cognisance of the instruments' interest rate or maturity terms. For interest bearing assets and liabilities which are subject to fixed interest rates, the re-pricing periods are equivalent to the remaining period to maturity.

	Within three months €	Within one year but over three months €	More than one year €	Total €
As at 31 December 2015				
Financial assets				
Balances with Central Bank of Malta	182	-	-	182
Loans and advances to banks	3,704,583	-	-	3,704,583
Loans and advances to customers	24,653,862	16,494,246	2,055,345	43,203,453
	28,358,627	16,494,246	2,055,345	46,908,218
Financial liabilities				
Borrowed funds	(345,484)	-	-	(345,484)
Amounts owed to customers	(2,783)	-	-	(2,783)
Debt securities in issue	-	(437,644)	(19,705,627)	(20,143,271)
Loans and advances from group companies	-	-	(3,556,593)	(3,556,593)
	(348,267)	(437,644)	(23,262,220)	(24,048,131)
Interest rate gap	28,010,360	16,056,602	(21,206,875)	
Cumulative gap	28,010,360	44,066,962	22,860,087	

	Within three months €	Within one year but over three months €	Total €
As at 31 December 2014			
Financial assets			
Loans and advances to banks	3,043,304	-	3,043,304
Loans and advances to customers	11,466,027	4,904,230	16,370,257
Loans and advances to group companies	1,360,845	-	1,360,845
	<u>15,870,176</u>	<u>4,904,230</u>	<u>20,774,406</u>
Financial liabilities			
Borrowed funds	<u>(1,718,723)</u>	<u>(2,500,000)</u>	<u>(4,218,723)</u>
Interest rate gap	<u>14,151,453</u>	<u>2,404,230</u>	
Cumulative gap	<u>14,151,453</u>	<u>16,555,683</u>	

(c) Liquidity risk

Liquidity risk is the risk that the Bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay creditors and fulfil commitments.

The Bank manages this risk, by maintaining a strong base of shareholders' capital considering the initial stages of its operations. The Bank manages its asset base with liquidity in mind, and monitors future cash flows and changes in available liquidity on a regular basis. As at 31 December 2015 and 2014, the Bank's pool of liquid assets consists of balances and placements with banks. The Bank's financial liabilities comprise predominantly borrowed funds, debt securities in issue and other funding arrangements with financial institutions. The Bank's objective is to maintain a comfortable level of liquid assets by reference to outflows expected in relation to borrowed funds, debt securities in issue and other liabilities.

Liquidity is managed by the Bank's treasury function and the Bank's liquidity management process includes:

- monitoring of day to day funding, managed by monitoring future cash flows to ensure that requirements attributable to financial liabilities can be met;
- monitoring liquidity ratios and benchmarks against internal and regulatory requirements;
- placing its liquid assets as short-term deposits with other credit and financial institutions taking cognisance of the level of commitments and outflows relating to the Bank's financial liabilities; and
- ensuring that the level of the Bank's liquid financial assets exceeds with a comfortable margin the expected cash outflows from the Bank's financial liabilities over a specified time horizon.

Monitoring takes the form of cash flow projections for the next day, week and month respectively, as these are key periods for liquidity management. Management ensures that it maintains a prudent measure of anticipated total net cash outflows in high quality liquid assets for the purposes of securing a healthy liquidity margin, taking cognisance of the nature of its financial liabilities.

The following table discloses financial assets and liabilities at the end of the reporting period by remaining period to maturity.

	Within three months €	Within one year but over three months €	More than one year €	Total €
As at 31 December 2015				
Financial assets				
Balances with Central Bank of Malta	182	-	-	182
Loans and advances to banks	3,704,583	-	-	3,704,583
Loans and advances to customers	24,653,862	16,494,246	2,055,345	43,203,453
Other assets	2,457,861	-	-	2,457,861
	30,816,488	16,494,246	2,055,345	49,366,079
Financial liabilities				
Borrowed funds	(345,484)	-	-	(345,484)
Amounts owed to customers	(2,783)	-	-	(2,783)
Debt securities in issue	-	(437,644)	(19,705,627)	(20,143,271)
Loans and advances from group companies	-	-	(3,556,593)	(3,556,593)
Other liabilities	(7,132,099)	-	-	(7,132,099)
	(7,480,366)	(437,644)	(23,262,220)	(31,180,230)
Maturity gap	23,336,122	16,056,602	(21,206,875)	
Cumulative gap	23,336,122	39,392,724	18,185,849	

	Within three months €	Within one year but over three months €	Total €
As at 31 December 2014			
Financial assets			
Loans and advances to banks	3,043,304	-	3,043,304
Loans and advances to customers	11,466,027	4,904,230	16,370,257
Loans and advances to group companies	1,360,845	-	1,360,845
Other assets	311,380	-	311,380
	<u>16,181,556</u>	<u>4,904,230</u>	<u>21,085,786</u>
Financial liabilities			
Borrowed funds	(1,718,723)	(2,500,000)	(4,218,723)
Other liabilities	(3,230,264)	-	(3,230,264)
	<u>(4,948,987)</u>	<u>(2,500,000)</u>	<u>(7,448,987)</u>
Maturity gap	<u>11,232,569</u>	<u>2,404,230</u>	
Cumulative gap	<u>11,232,569</u>	<u>13,636,799</u>	

The table below analyses the Bank's principal financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the tables are the contractual undiscounted cash flows.

	Within three months €	Within one year but over three months €	More than one year €	Total €	Carrying amount €
As at 31 December 2015					
Borrowed funds	349,701	-	-	349,701	345,484
Amounts owed to customers	2,783	-	-	2,783	2,783
Debt securities in issue	-	981,196	20,492,832	21,474,028	20,143,271
Loans and advances from group companies	-	-	5,277,029	5,277,029	3,556,593
Other liabilities	7,132,099	-	-	7,132,099	7,132,099
	7,484,583	981,196	25,769,861	34,235,640	31,180,230
As at 31 December 2014					
Borrowed funds	1,903,876	2,594,070	-	4,497,946	4,218,723
Other liabilities	3,230,264	-	-	3,230,264	3,230,264
	5,134,140	2,594,070	-	7,728,210	7,448,987

(d) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Bank's Board of directors is primarily responsible for the development and implementation of policies and procedures to ensure that operational risks are managed effectively. The Bank mitigates the possibility of impact risk events impacting the entity through the implementation of a business continuity plan, which encompasses risk mitigation achieved through back-up information security infrastructures, back-up disaster recovery sites and insurance covers over particular business risks. Such mechanisms enable the Bank to operate on an ongoing basis and limit losses in the event of severe business disruption.

The Bank currently uses the Basic Indicator Approach to assess its operational risk capital requirements and accordingly allocates 15% of average projected gross income for a three year period in accordance with the requirements of this approach.

2.2 Capital risk management

The Bank's objectives when managing capital, which is a broader concept than 'equity' as presented in the statement of financial position, are:

- to comply with the capital requirements set by the Malta Financial Services Authority (MFSA);
- to safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored on an ongoing basis by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee and the European Union Directives, as implemented by the MFSA for supervisory purposes. The level of Own funds represents the Bank's available capital and reserves for the purposes of assessing capital adequacy from a regulatory perspective. The capital adequacy ratio is a measure of the long-term financial strength of a bank, usually expressed as a ratio of its own funds or capital to the measure of the Bank's assets or exposures. The Authority requires a bank to maintain a ratio of total regulatory capital to risk-weighted assets and instruments (the Capital requirements ratio) at or above the prescribed minimum of 8%. The Bank has processes to ensure that the minimum regulatory requirements in relation to own funds are met at all times.

The capital requirements ratio expresses own funds as a proportion of risk weighted assets and off-balance sheet items in relation to credit risk together with notional risk weighted assets in respect of operational risk and market risk.

The risk-weighted assets are measured by means of a hierarchy of risk weights classified according to the nature of – and reflecting an estimate of credit, market and other risks associated with – each asset and counterparty, taking into account any eligible collateral or guarantees. A similar treatment is adopted for off-balance sheet exposures, with some adjustments to reflect the more contingent nature of the potential losses. Accordingly, risk-weighted assets are measured using the "Standardised approach" for credit risk with risk weights being assigned to assets and off-balance sheet instruments according to their asset class and credit risk mitigation. For the determination of credit assessments, reference is made to independent rating agencies where applicable.

The following table shows the components of own funds and accordingly the basis of calculation of the Bank's capital adequacy ratio:

	2015	2014
	€	€
Share capital	10,000,000	10,000,000
Other reserves		
Reserve for General Banking Risks	535,605	96,608
Retained earnings	4,362,774	2,345,324
Less:		
Intangible assets	(360,268)	-
Total original own funds/Total own funds	14,538,111	12,441,932

The table below summarises the computation of the regulatory capital ratio of the Bank as at the end of the reporting period. During the financial year under review, the Bank complied with all the externally imposed capital requirements to which it was subject with a significant buffer over and above the prescribed minimum.

	Notional amount €	Risk weighted assets €
As at 31 December 2015		
Credit risk:		
Balances with Central Bank of Malta	182	-
Loans and advances to banks	3,704,583	1,390,726
Loans and advances to customers	43,203,453	32,402,592
Other assets	3,061,081	3,061,081
Off-balance sheet items	1,157,277	867,958
	51,126,576	37,722,357
Operational risk		48,947,514
Total risk weighted assets		86,669,871
Own funds		14,538,111
Capital requirements ratio		16.77%
	Notional amount €	Risk weighted assets €
As at 31 December 2014		
Credit risk:		
Loans and advances to banks	3,043,304	864,545
Loans and advances to customers	16,370,257	12,277,693
Loans and advances to group companies	1,360,845	1,360,845
Other assets	428,853	428,853
Off-balance sheet items	1,294,452	970,839
	22,497,711	15,902,775
Operational risk		37,912,514
Total risk weighted assets		53,815,289
Own funds		12,441,932
Capital requirements ratio		23.1%

2.3 Fair value of financial instruments

At 31 December 2015 and 2014, the carrying amounts of loans and advances to banks, loans and advances to customers, other assets, borrowed funds, amounts owed to customers, debt securities in issue, loans and advances from group companies and other liabilities reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the short period of time between the origination of the instruments and their expected realisation or liquidation.

3. Critical accounting estimates, and judgments in applying accounting policies

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, other than those related to calculating loan impairment allowances on collectively assessed loans and advances. The directors believe there are no areas involving a higher degree of judgment that have the most significant effect on the amounts recognised in the financial statements; and there are no key assumptions and other key sources of estimation uncertainty relating to estimates that require directors' most difficult, subjective or complex judgments, other than as highlighted below.

3.1 Impairment of loans and advances

The Bank's accounting policy for losses arising from the impairment of customer loans and advances is described in accounting policy Note 1.4 to the financial statements. Loan impairment allowances represent management's best estimate of losses incurred in the loan portfolio at the reporting date. Management is required to exercise judgement in making assumptions and estimates when calculating loan impairment allowances on collectively assessed loans and advances.

The methods used to calculate collective impairment allowances on homogeneous groups of loans and advances that are not considered individually significant are disclosed in accounting policy Note 1.4 to the financial statements. They are subject to estimation uncertainty, in part because it is not practicable to identify losses on an individual loan basis in view of the large number of individually insignificant loans in the portfolio.

The estimation methods include the use of statistical analysis of historical information, supplemented with significant management judgement, to assess whether current economic and credit conditions are such that the actual level of incurred losses is likely to be greater or less than that suggested by historical experience. In normal circumstances, historical experience provides the most objective and relevant information from which to assess inherent loss within the portfolio.

In certain circumstances, historical loss experience provides less relevant information about the inherent loss in the portfolio at the reporting date, especially where changes in economic, regulatory or behavioural conditions influence the most recent trends in portfolio risk. These factors will not be fully reflected in the statistical models, since the statistical model is based on historical experience. Such risk factors are taken into account by adjusting the impairment allowances derived solely from historical loss experience.

Risk factors include loan portfolio growth, unemployment rates, bankruptcy trends, geographical concentrations, loan product features, economic conditions such as national and local trends, the level of interest rates, account management policies and practices, changes in laws and regulations, and other influences on customer payment patterns. Different factors are applied in different countries or territories to reflect the effect of local economic conditions, and laws and regulations. The methodology and the assumptions used in calculating impairment losses are reviewed regularly in the light of differences between loss estimates and actual loss experience. For example, roll rates are regularly benchmarked against actual outcomes to ensure they remain appropriate.

However, the exercise of judgement requires the use of assumptions which are highly subjective and very sensitive to the risk factors, in particular to changes in economic and credit conditions across geographical areas. Many of the factors have a high degree of interdependency and there is no single factor to which loan impairment allowances as a whole are sensitive, though they are particularly sensitive to general economic and credit conditions. It is possible that the outcomes within the next financial year could differ from the assumptions used, and this could result in a material adjustment to the carrying amount of loans and advances.

4. Balances with Central Bank of Malta

	2015 €	2014 €
Mandatory reserve deposit with Central Bank of Malta	182	-

5. Loans and advances to banks

	2015 €	2014 €
Current:		
Repayable on call and at short notice	3,704,583	3,043,304

Loans and advances with a contractual maturity of three months or less are included in cash and cash equivalents for the purposes of the statement of cash flows (Note 26).

6. Loans and advances to customers

	2015 €	2014 €
Current:		
Term loans and advances to customers	43,203,453	16,370,257

Loans and advances to customers consist of loans granted to individuals and are principally unsecured. The loans and advances are effectively subject to a fixed interest rate as all Bank's revenue streams (process, rescheduling, reminder fees and other fees attributable to revolving credit facilities) are amortised over the expected term of the loan using the effective interest method. Process, reminder and other revolving credit fees due are reflected as part of the carrying amount of the loans receivable up to the extent of amounts amortised and recognised in profit or loss. The amount of rescheduling fees received but not yet amortised and recognised in profit or loss are deducted from the carrying amount of the loans receivable. The carrying amount of loans and advances to customers is further analysed as follows:

	2015	2014
	€	€
Face value of loans and advances	47,423,530	17,437,392
Amortised process and reminder fees	14,133,058	5,783,097
Unamortised rescheduling fees	(161,375)	(221,738)
Collective impairment allowances	(18,191,760)	(6,628,494)
Carrying amount	43,203,453	16,370,257

The movements in collective impairment allowances with respect to loans and advances to customers are analysed as follows:

	2015	2014
	€	€
At beginning of the year	6,628,494	1,420,422
Increase in allowances - charge to profit or loss	13,835,065	5,280,841
Loans and advances to customers written off during the year	(2,215,103)	-
Exchange differences	(56,696)	(72,769)
At end of the year	18,191,760	6,628,494

7. Loans and advances (from)/to group companies

	2015 €	2014 €
Current:		
Advances (from)/to group company	(3,556,593)	1,360,845

The movements in the loans and advances are analysed below:

	2015 €	2014 €
At beginning of the year	1,360,845	-
Net advances effected (from)/to group companies	(1,580,408)	7,066,732
Repayments	(3,337,030)	(5,705,887)
At end of the year	(3,556,593)	1,360,845

During the financial years ended 31 December 2015 and 2014, the Bank effected financing transactions, comprising advances and repayments thereof with a group company, Ferratum Capital Oy, in terms of a funding arrangement entered into with this entity. These advances were primarily secured against the entire micro loan portfolio of all group entities that operate in the micro finance business. This security was held by the Bank as a continuing security for the payment of all sums of money which became due and payable by Ferratum Capital Oy. These advances are repayable in December 2017, however the Bank may demand repayment at any time.

Under the terms of the funding arrangement in place with the group company, the Bank effects advances denominated in euro to the group company with respect to the Bank's surplus liquidity and borrows funds denominated in Polish Zloty, Czech Koruna, Swedish Krona and Norwegian Krona for the purposes of funding the Bank's lending activities in specific territories giving rise to exposures in those foreign currencies.

The latter borrowings constitute repayments of the euro advances effectively. The funding arrangement contemplates an offsetting process between the Bank's euro loans to, and its foreign currency borrowings from, the group company. The euro loans are subject to a fixed interest rate of 3% per annum, whereas borrowings denominated in Polish Zloty, Czech Koruna, Swedish Krona and Norwegian Krona are subject to a fixed interest rate of 8% (2014: 11%) per annum. An offsetting arrangement is also contemplated with respect to these interest flows. Under the terms of the Bank's funding arrangement with the group company, referred to above, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies.

As at 31 December 2015, the Bank had a balance payable to Ferratum Capital Oy, under the funding arrangement referred to above.

8. Property, plant and equipment

	Furniture and fittings €	Computer hardware €	Office equipment €	Total €
At 1 January 2014				
Cost	38,369	31,205	8,270	77,844
Accumulated depreciation	(2,303)	(5,089)	(1,583)	(8,975)
Net book amount	36,066	26,116	6,687	68,869
Year ended 31 December 2014				
Opening net book amount	36,066	26,116	6,687	68,869
Additions	17,393	35,942	-	53,335
Depreciation charge	(6,440)	(12,482)	(2,067)	(20,989)
Closing net book amount	47,019	49,576	4,620	101,215
At 31 December 2014				
Cost	55,762	67,147	8,270	131,179
Accumulated depreciation	(8,743)	(17,571)	(3,650)	(29,964)
Net book amount	47,019	49,576	4,620	101,215
Year ended 31 December 2015				
Opening net book amount	47,019	49,576	4,620	101,215
Additions	28,256	57,864	11,772	97,892
Depreciation charge	(8,067)	(23,365)	(2,528)	(33,960)
Closing net book amount	67,208	84,075	13,864	165,147
At 31 December 2015				
Cost	84,018	125,011	20,042	229,071
Accumulated depreciation	(16,810)	(40,936)	(6,178)	(63,924)
Net book amount	67,208	84,075	13,864	165,147

9. Intangible asset

	2015 €
Year ended 31 December 2015	
Additions	360,268
Closing net book amount	360,268
At 31 December 2015	
Cost	360,268
Net book amount	360,268

10. Other assets

	2015	2014
	€	€
Current:		
Amount due from immediate parent company	12,000	7,000
Amount due from group companies	1,582,420	266,692
Other receivables	863,441	37,688
Prepayments	77,805	16,258
	<hr/> 2,535,666	<hr/> 327,638

Amounts due from immediate parent company and from group companies are repayable on demand, unsecured and bear no interest.

11. Share capital

	2015	2014
	€	€
Authorised, issued and fully paid		
10,000,000 Ordinary shares of €1 each	<hr/> 10,000,000	10,000,000

12. Other reserves

	2015	2014
	€	€
Reserve for General Banking Risks	<hr/> 535,605	96,608

The Reserve for General Banking Risks refers to the amount allocated by the Bank from its retained earnings to a non-distributable reserve against potential risks linked to the Bank's non-performing loans and advances. This allocation is to occur over a three-year period, with a 40% allocation during the financial year ended 31 December 2013, and a 30% allocation both in the financial year ended 31 December 2014 and in that ended 31 December 2015. The current year allocation amounted to €438,997 (2014: €91,382).

13. Borrowed funds

	2015	2014
	€	€
Current:		
Amounts owed to credit institution	119,408	153,357
Amounts owed to corporate entity	226,076	1,565,366
Amounts owed to other financial institution	-	2,500,000
	<hr/>	<hr/>
	345,484	4,218,723

Amounts owed to credit institution constitutes a funding facility which is repayable on demand, unsecured and not subject to interest.

Amounts owed to corporate entity reflect funding for the Bank's lending activities in a specific territory, which funding is repayable within a three month period from origination and is subject to a fixed interest rate of 7.4% per annum. The loan is secured by the lending portfolio attributable to the specific jurisdiction.

Amounts owed to other financial institution comprised funding which was not subject to a contractual maturity date and could be terminated subject to a six-month notice period. The borrowing, which was repaid during 2015, was subject to a floating interest rate of six months Euribor plus 7.5%.

14. Amounts owed to customers

	2015	2014
	€	€
Current:		
Call accounts	2,783	-
	<hr/>	<hr/>

Amounts owed to customers are classified as liabilities at amortised cost and are subject to fixed interest rates.

15. Debt securities in issue

	2015	2014
	€	€
Non-current:		
4.90% euro debt securities	20,000,000	-
Issue costs	(440,000)	-
Amortisation of issue costs	145,627	-
Accrued interest expense on securities	437,644	-
	<hr/>	<hr/>
	20,143,271	-

As part of its €30,000,000 Bond Issuance Programme, on 22 July 2015, by virtue of a base prospectus dated 17 July 2015, the Bank issued the first tranche of its bond offering, amounting to 200 bonds with a nominal value of €100,000 per bond, listed on the European Securities Wholesale Market. The bonds are subject to fixed interest of 4.90% per annum payable on 21 July 2016 and 21 January 2017. All bonds are redeemable at par and shall become due for final redemption on 21 January 2017, however, the Bank reserves the right to redeem the bond in particular circumstances specified in the base prospectus dated 17 July 2015.

The principal and interest repayments on the bonds are guaranteed by the Bank's ultimate parent company, Ferratum Oyj.

16. Other liabilities

	2015	2014
	€	€
Current:		
Dividend payable	2,345,324	-
Amounts due to group companies	2,845,808	1,567,838
Other payables	462,983	597,980
Other accruals	1,477,984	1,064,446
	7,132,099	3,230,264

Amounts due to group companies are repayable on demand, unsecured and bear no interest.

17. Commitments

Credit related commitments

	2015	2014
	€	€
Financial guarantee contracts issued	1,157,277	1,294,452

Financial guarantee contracts issued, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. The Bank issues financial guarantee contracts in respect of micro-loans and other credit products originated by other parties. At the end of each reporting period, these commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition (fees received) and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period.

With respect to revolving credit facilities that are issued to customers, the Bank has undrawn credit lines that are considered revocable. With respect to credit risk on commitments to extend credit, the Bank is potentially exposed to loss in an amount equal to the total unused commitments, if the unused amounts were to be drawn down. However, commitments to extend credit are in all circumstances contingent upon customers maintaining specific credit standards under the terms of this product.

Operating lease commitments – where the Bank is the lessee

The future aggregate minimum lease payments payable under non-cancellable operating leases, mainly relating to the lease of office premises by the Bank subject to normal commercial terms and conditions, are as follows:

	2015	2014
	€	€
Less than one year	251,569	174,865
More than one year and less than five years	88,101	4,225
	<hr/> 339,670	<hr/> 179,090

18. Interest and similar income

	2015	2014
	€	€
On loans and advances to banks	2,557	6,697
On loans and advances to customers	42,578,542	18,342,029
On loans and advances to group company	207,296	-
	<hr/> 42,788,395	<hr/> 18,348,726

19. Interest and similar expense

	2015	2014
	€	€
On borrowed funds	253,022	205,124
On loans and advances from group company	751,732	49,378
On debt securities in issue	437,644	-
	<hr/> 1,442,398	<hr/> 254,502

Interest and similar expense includes a net interest cost incurred on the funding arrangement with a group company, as described in Note 7, amounting to €544,436 (2014: €49,378).

20. Fee and commission income and expense*(a) Fee and commission income*

	2015	2014
	€	€
Fee income	344,210	207,742

(b) Fee and commission expense

	2015	2014
	€	€
Commission charges payable to a related party	33,076	-
Interbank transaction fees	2,507,565	675,766
Other fees	188,462	26,095
	2,729,103	701,861

21. Net trading gains

	2015	2014
	€	€
Net foreign exchange gains	-	-

Under the terms of the Bank's funding arrangement with the group company, referred to in Note 7, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies. During the year, the Bank incurred net foreign exchange losses amounting to €74,203 (2014: €161,130) which were borne by the group company.

22. Expenses by nature

	2015 €	2014 €
Employee benefit expense (Note 23)	4,535,017	2,422,074
Annual statutory audit remuneration	47,200	47,200
Depreciation of property, plant and equipment (Note 8)	33,960	20,989
Information technology costs	175,373	161,837
Property rental expenses	239,749	163,801
Consultancy and business development costs	6,710,128	3,767,178
Other administrative expenses	5,997,272	1,993,637
	17,738,699	8,576,716

Other administrative expenses comprise services or expense items which are incurred in the course of the Bank's operations.

Auditor's remuneration

Fees charged by the auditor for services rendered during the financial year relates to the following:

	2015 €	2014 €
Annual statutory audit	47,200	47,200
Other non-audit services	159,000	127,000
	206,200	174,200

23. Employee benefit expense

	2015 €	2014 €
Wages and salaries (including executive directors' remuneration)	3,857,879	2,102,653
Social security costs	617,138	258,908
	4,475,017	2,361,561

The average number of persons employed by the Bank during the period:

	2015	2014
- Senior managerial	9	6
- Operational/administrative	163	95
	172	101

24. Directors' emoluments

	2015	2014
	€	€
Salaries, fees and other emoluments	318,540	318,513

25. Tax expense

	2015	2014
	€	€
Current tax expense	2,585,569	1,309,892

The tax on the profit before income tax is equivalent to the theoretical amount that would arise using the tax rate applicable as follows:

	2015	2014
	€	€
Profit before tax	7,387,340	3,742,548
Tax charge for the year	2,585,569	1,309,892

26. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise balances with contractual maturity of not more than three months, which form an integral part of the Bank's cash management:

	2015 €	2014 €
Cash and balances with Central Bank of Malta (Note 4)	182	-
Loans and advances to banks (Note 5)	3,704,583	3,043,304
Borrowed funds (Note 13)	(345,484)	(1,718,723)
	<hr/> 3,359,281	<hr/> 1,324,581

Borrowed funds, which are repayable on demand or within three months from origination, are treated as cash equivalents as they form an integral part of the Bank's cash management.

27. Dividends

	2015 €	2014 €
Dividends declared by the Bank	2,345,324	-
euro cent per share - net	<hr/> 23.5	<hr/> -

During the year ended 31 December 2015, the Bank declared a final net dividend of 23.5 euro cent per share (gross dividend of 36 euro cent per share).

28. Related party transactions

Ferratum Oyj is the Bank's ultimate parent company (refer to Note 29), previously known as JT Family Holding Oy. All entities, which are ultimately controlled by Ferratum Oyj, are considered by the directors to be related parties. The ultimate controlling party of Ferratum Bank plc is Mr Jorma Jokela, who holds a majority stake in the share capital of Ferratum Oyj.

During the financial years ended 31 December 2015 and 2014, the Bank effected financing transactions, comprising advances and repayments thereof with a group company, Ferratum Capital Oy, in terms of a funding arrangement entered into with this entity. Transactions entered into under this agreement are disclosed within Note 7, as are the terms and conditions, including maturity, interest and collateral terms, of all such transactions. Under the arrangement with Ferratum Capital Oy, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies. During the year, the Bank incurred net foreign exchange losses amounting to €74,203, which were borne by the group company (refer to Note 21). Interest income and expense attributable to these loans and advances is presented in the following table.

The following principal transactions were carried out with related parties, comprising mainly group companies:

	2015	2014
	€	€
Interest receivable from group company (Note 18)	207,296	-
Interest payable to group company (Note 19)	(751,732)	(49,378)
Recharge of expenses from ultimate parent company:		
Information technology costs, marketing fees and other costs	(1,531,452)	(441,797)
Recharge of marketing and staff training expenses from other group companies	(1,572,946)	(840,946)
Consultancy services provided by key management personnel	(113,365)	(108,678)
Dividend payable to group company (Note 27)	(2,345,324)	-

Amounts owed from/to group companies are disclosed in Notes 10 and 16.

The Bank's directors are deemed to be its key management personnel taking cognisance of the Bank's activities. Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 24.

29. Statutory information

Ferratum Bank plc is a limited liability company and is incorporated in Malta.

The immediate parent company of Ferratum Bank plc is Ferratum (Malta) Holding Limited, a company registered in Malta, with its registered address at Tagliaferro Business Centre, Level 6, 14, High Street, Sliema, Malta. The immediate parent company is the holder of the entire ordinary share capital of the Bank, with the exception of one ordinary share which is held by Ferratum Oyj, previously known as JT Family Holding Oy.

The ultimate parent company of Ferratum Bank plc is Ferratum Oyj, a company registered in Finland, with its registered address at Ratamestarinkatu 11 A, Helsinki 00520, Finland. The financial statements of Ferratum Bank plc are included in the consolidated financial statements prepared by Ferratum Oyj, which consolidated financial statements are available from the ultimate parent company's registered address.

Independent auditor's report on the Financial Statements of the Issuer for the year ended 31 December 2015



Independent auditor's report

To the Shareholders of Ferratum Bank plc

Report on the Financial Statements for the year ended 31 December 2015

We have audited the financial statements of Ferratum Bank plc on pages 5 to 54 which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements:

- give a true and fair view of the financial position of the Bank as at 31 December 2015, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995.



Independent auditor's report - continued

To the Shareholders of Ferratum Bank plc - continued

Report on Other Legal and Regulatory Requirements for the year ended 31 December 2015

Opinion on other matters prescribed by the Maltese Banking Act, 1994

In our opinion:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- iii) the Bank's financial statements are in agreement with the books of account; and
- iv) to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Proper returns adequate for our audit have not been received from branches not visited by us.
- If certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Fabio Axisa
Partner

28 April 2016

Independent auditor's report on the Financial Statements of the Issuer for the year ended 31 December 2014



Independent auditor's report

To the Shareholders of Ferratum Bank Limited

Report on the Financial Statements for the year ended 31 December 2014

We have audited the financial statements of Ferratum Bank Limited on pages 5 to 50 which comprise the statement of financial position as at 31 December 2014 and the statements of comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Bank as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995.



Independent auditor's report - continued

To the Shareholders of Ferratum Bank Limited

Report on Other Legal and Regulatory Requirements for the year ended 31 December 2014

In our opinion:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- ii) proper books of account have been kept by the Bank, so far as appears from our examination of those books;
- iii) the Bank's financial statements are in agreement with the books of account; and
- iv) to the best of our knowledge and according to the explanations given to us, the financial statements give the information required by any law in force in the manner so required.

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- the information given in the directors' report is not consistent with the financial statements.
- proper returns adequate for our audit have not been received from branches not visited by us.
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

A handwritten signature in black ink, appearing to read 'Fabio Axisa'.

Fabio Axisa
Partner

13 May 2015

8.3.2 Half Year Financial Figures of the Issuer

Statement of Comprehensive Income

	Half Year Ended 30 June	Half Year Ended 30 June
	2016	2015
	€ thousands	€ thousands
	(unaudited)	(unaudited)
Interest and similar income	28,472	18,865
Interest and similar expense	-1,315	-452
Net interest income	27,158	18,413
Fee and commission income	381	155
Fee and commission expense	-2,403	-1,177
Net fee and commission expense	-2,022	-1,021
Net trading gains	699	40
Operating profit	24,436	17,431
Employee compensation and benefits	-3,310	-2,020
Other operating costs	-8,589	-5,493
Depreciation and amortisation	-27	-15
Net impairment losses	-11,021	-6,507
Profit before tax	1,490	3,395
Tax expense	-521	-1,188
Profit for the period	968	2,207

Balance Sheet

	As at 30 June	As at 31 December
	2016	2015
	€ thousands	€ thousands
	(unaudited)	(unaudited)
ASSETS		
Balances with Central Bank of Malta	2,416	-
Loans and advances to banks	20,017	3,705
Loans and advances to customers	62,462	43,203
Loans and advances to group companies	-	-
Property, plant and equipment	186	165
Intangible asset	521	360
Other assets	3,841	2,536
Total assets	89,443	49,969
EQUITY AND LIABILITIES		
Equity		
Share capital	10,000	10,000
Other reserves	536	536
Retained earnings	5,331	4,363
Total equity	15,867	14,898
Liabilities		
Borrowed funds	158	345
Amounts owed to customers	30,201	3
Debt securities in issue	20,777	20,143
Loans and advances from group companies	9,305	3,557
Other liabilities	10,024	7,132
Current tax liabilities	3,111	3,891
Total liabilities	73,576	35,071
Total equity and liabilities	89,443	49,969
MEMORANDUM ITEMS		
Commitments	1,407	1,497

Statement of cash flows

	Half Year Ended 30 June	Year ended 31 December
	2016 € (unaudited)	2015 € (unaudited)
Cash flows from operating activities		
Interest and commission receipts	28,853	43,133
Interest and commission payments	-3,083	-4,028
Net trading income	-699	-
Tax payments	-1,306	-7
Cash payments to employees and suppliers	-10,307	-17,555
Cash flows from operating profit before changes in operating assets and liabilities	13,456	21,542
Changes in operating assets and liabilities:		
Loans and advances to group companies	5,749	4,917
Loans and advances to customers	-81	-40,665
Borrowed funds	-	-3,301
Net increase/decrease in balances with Central Bank	-1,125	-
Net cash used in operating activities	17,999	-17,507
Cash flows from investing activities		
Purchase of property, plant and equipment	-48	-98
Purchase of intangibles	-1,291	-
Purchase of intangible asset	-161	-360
Net cash used in investing activities	-1,499	-458
Cash flows from investing activities		
Issue of debt securities	-	20,000
Net increase/(decrease) in cash and cash equivalents	-	20,000
Increase in cash and cash equivalents for the period	16,499	2,035
Cash and cash equivalents at beginning of year	3,359	1,325
Cash and cash equivalents at end of year	19,859	3,359

8.3.3 Financial Review of the Guarantor

Consolidated Income Statement for the Period 1 January to 31 December 2015

		Year ended 31 December			
	Note	2015 before IPO related items €	2015 IPO related items* €	2015 Total €	2014 €
Revenue	5	111,008		111,008	70,508
Other income		47		47	157
Impairments on loans		(34,687)		(34,687)	(20,372)
Operating expenses:					
Personnel expenses	6	(17,010)		(17,010)	(11,768)
Selling and marketing expenses		(16,200)		(16,200)	(9,608)
Lending costs		(7,116)		(7,116)	(4,569)
Other administrative expenses		(5,097)		(5,097)	(3,033)
Depreciations and amortization	7	(1,309)		(1,309)	(628)
Other operating expenses	8	(12,669)	(489)	(13,158)	(10,076)
Operating profit		16,967	(489)	16,478	10,611
Financial income	9	95		95	99
Finance costs	10	(4,154)		(4,154)	(4,180)
Finance costs – net		(4,059)		(4,059)	(4,081)
Profit before income tax		12,908	(489)	12,419	6,531
Income tax expense	11	(1,491)	-	(1,491)	(911)
Profit for the period		11,417	(489)	10,928	5,619
Earnings per share, basic	12	0.54		0.51	0.30
Earnings per share, diluted	12	0.53		0.51	0.26
Profit attributable to:					
Owners of the parent company				10,928	5,619
Non-controlling interests (NCI)				0	0

*During the year ended 31 December 2014, IPO-related expenses amounted to EUR 1,176 thousand

Consolidated Statement of Comprehensive Income for the Period 1 January to 31 December 2015

	Year ended 31 December	
	2015	2014
Note	€	€
Profit for the period	10,928	5,619
Other comprehensive income		
Items that may be subsequently reclassified to profit or loss		
Translation difference	(134)	(232)
Total items that may be subsequently reclassified to profit or loss	(134)	(232)
Total comprehensive income	10,795	5,387
Allocation of total comprehensive income to:		
Owners of the parent company	10,795	5,387
Non-controlling interests (NCI)	0	0

The notes 1 - 27 are an integral part of these financial statements.

Consolidated Income Statement Quarterly Overview

	2015 Q4 €	2015 Q3 €	2015 Q2 €	2015 Q1 (i) €	2014 Q4 (ii) €	2014 Q3 €	2014 Q2 €	2014 Q1 €
Revenue	31,829	29,384	26,763	23,033	21,079	18,598	16,177	14,655
Other income	(1)	34	(138)	153	77	(210)	21	269
Impairments on loans	(9,884)	(8,359)	(8,775)	(7,669)	(6,165)	(4,718)	(4,107)	(5,382)
Operating expenses:								
Personnel expenses	(5,296)	(4,279)	(3,765)	(3,670)	(3,915)	(2,848)	(2,470)	(2,534)
Selling and marketing expenses	(5,047)	(4,340)	(3,584)	(3,229)	(3,436)	(2,301)	(2,152)	(1,720)
Lending costs	(2,092)	(1,722)	(1,786)	(1,516)	(1,401)	(1,316)	(1,023)	(830)
Other administrative expenses	(1,761)	(931)	(1,447)	(957)	(822)	(996)	(691)	(524)
Depreciations and amortization	(357)	(464)	(292)	(196)	(194)	(163)	(136)	(135)
Other operating expenses	(3,125)	(3,398)	(3,270)	(3,365)	(3,078)	(2,897)	(2,276)	(1,825)
Operating profit	4,266	5,924	3,705	2,583	2,145	3,149	3,343	1,975
Financial income	(190)	(554)	(134)	973	27	(281)	297	56
Finance costs	(1,052)	(1,144)	(953)	(1,006)	(1,435)	(706)	(1,119)	(920)
Finance costs – net	(1,242)	(1,698)	(1,087)	(32)	(1,408)	(987)	(823)	(864)
Profit before income tax	3,024	4,226	2,619	2,551	737	2,162	2,520	1,111
Income tax expense	(363)	(507)	(258)	(362)	285	(579)	(395)	(222)
Profit for the period	2,660	3,719	2,361	2,188	1,022	1,583	2,125	889
Profit attributable to:								
Owners of the parent company	2,660	3,719	2,361	2,188	1,022	1,583	2,125	889
Non-controlling interests	0	0	0	0	0	0	0	0

(i) Including IPO related costs in the amount of EUR 488,941 recognized as operating expenses in the first quarter of 2015

(ii) Including IPO related costs in the amount of EUR 1,176,242 recognized as operating expenses in the fourth quarter of 2014

Consolidated Statement of Comprehensive Income Quarterly Overview

	2015 Q4 €	2015 Q3 €	2015 Q2 €	2015 Q1 €	2014 Q4 €	2014 Q3 €	2014 Q2 €	2014 Q1 €
Profit for the period	2,660	3,719	2,361	2,188	1,022	1,583	2,125	889
Other comprehensive income								
Items that may be subsequently reclassified to profit or loss								
Translation differences	218	182	(430)	(103)	(104)	(34)	(34)	(60)
Total items that may be subsequently reclassified to profit or loss	218	182	(430)	(103)	(104)	(34)	(34)	(60)
Total comprehensive income	2,878	3,901	1,930	2,086	918	1,549	2,091	829
Allocation of total comprehensive income to:								
Owners of the parent company	2,878	3,901	1,930	2,086	918	1,549	2,091	829
Non-controlling interests	0	0	0	0	0	0	0	0

Consolidated Statement of Financial Position

	Note	As at 31 December	
		2015 €	2014 €
Assets			
Non-current assets			
Property, plant and equipment	13	560	294
Intangible assets	14	8,232	4,383
Deferred income tax assets	15	2,692	2,711
Total non-current assets		11,484	7,388
Current assets			
Accounts receivable – consumer loans	16	106,758	61,529
Other receivables		4,309	2,194
Income tax assets		124	668
Cash and cash equivalents (excluding bank overdrafts)	17	17,452	8,026
Total current assets		128,643	72,417
Total assets		140,127	79,805
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	18	10,134	7,300
Treasury shares	18	(142)	(142)
Reserves	18	(638)	(392)
Unrestricted equity reserve	18	44,708	2,373
Retained earnings		23,577	12,305
Total equity		77,638	21,443
of which related to non-controlling interests			
Liabilities			
Non-current liabilities			
Borrowings	19	48,739	28,719
Other payables		4	11
Deferred income tax liabilities	15	184	155
Total non-current liabilities		48,927	28,885
Current liabilities			
Income tax liabilities		1,002	1,634
Borrowings	19	3,543	20,233
Trade payables	20	2,727	4,401
Other current liabilities	20	6,290	3,209
Total current liabilities		13,562	29,477
Total liabilities		62,489	58,362
Total equity and liabilities		140,127	79,805

Consolidated Statement of Cash Flow

	Year ended 31 December	
	2015 €	2014* €
Cash flows from operating activities		
PROFIT/LOSS FOR THE PERIOD	10,928	5,619
Adjustments for:		
Depreciation and amortization	1,309	628
Finance costs, net	4,059	4,081
Tax on income from operations	1,491	911
Transactions without cash flow	(324)	(406)
Working capital changes:		
Increase (-) /decrease(+) in interests accrued	(28,123)	(20,685)
Increase (+) /decrease(-) in allowances for doubtful current trade receivables	34,687	20,372
Increase (-) /decrease(+) in other current receivables	(2,115)	1,769
Increase (+) / decrease (-) in trade payables and other current liabilities	939	(2,063)
Interest paid	(3,313)	(4,309)
Interest received	20	92
Other financing items	(121)	(77)
Income taxes paid	(1,206)	(923)
Taxes received back		1,622
Deposits received	873	1,026
Net cash from operating activities before movements in the portfolio	19,104	7,657
Loans granted	(266,324)	(174,873)
Proceeds from repayments of loans	214,530	158,340
Net cash from operating activities	(32,690)	(8,876)
Cash flows from investing activities		
Purchase of tangible and intangible assets	(5,455)	(1,930)
Proceeds from the sale of tangible and intangible assets		12
Proceeds from the sale of other assets	5	
Net cash used in investing activities	(5,450)	(1,918)
Cash flows from financing activities		
Proceeds from shares issue	48,171	-
Expenses related to share issue	(1,923)	-
Proceeds from short-term borrowings	-	8,990
Repayment of short-term borrowings	(17,563)	(1,758)
Proceeds from long-term borrowings	20,020	4,935
Repayment of long-term borrowings	-	(9,750)
Dividends paid / distribution of equity reserve	(1,079)	(695)
Net cash used in financing activities	47,625	1,722
Net increase/decrease in cash and cash equivalents	9,485	(9,071)
Cash and cash equivalents at the beginning of the period	8,026	17,528
Exchange gains/(losses) on cash and cash equivalents	(59)	(431)
Net increase/decrease in cash and cash equivalents	9,485	(9,071)
Cash and cash equivalents at the end of the period	17,452	8,026

* Deposits received (2014: EUR 1,026) were moved from cash flow from financing activities to cash flow from operating activities

Consolidated Statement of Changes in Equity

Changes in equity Jan – Dec 2014	Share capital €	Treasury shares €	Unrestricted equity reserve €	Other reserves €	Translation differences €	Retained earnings €	Equity holders of parent €	NCI €	Total equity €
Opening balance 1 Jan. 2014	10	(142)	3,068	2	(173)	12,915	15,679	0	15,679
Comprehensive income									
Profit or loss						5,619	5,619	0	5,619
Other comprehensive income									
Currency translation difference:				(0)	(221)	(11)	(232)	0	(232)
Total comprehensive income				(0)	(221)	5,608	5,387	0	5,387
Transactions with owners									
Distribution of equity reserve			(695)				(695)	0	(695)
Increase of share capital(i)	7,290					(7,290)	0	0	0
Share-based payments						1,072	1,072	0	1,072
Total transactions with owners	7,290		(695)			(6,218)	378	0	378
Total equity 31 December 2014	7,300	(142)	2,373	2	(394)	12,305	21,443	0	21,443

Changes in equity Jan – Dec 2015	Share capital €	Treasury shares €	Unrestricted equity reserve €	Other reserves €	Translation differences €	Retained earnings €	Equity holders of parent €	NCI €	Total equity €
Opening balance 1 Jan. 2015	7,300	(142)	2,373	2	(394)	12,305	21,443	0	21,443
Comprehensive income									
Profit or loss						10,928	10,928	0	10,928
Other comprehensive income									
Currency translation difference:				(0)	(252)	118	(134)	0	(134)
Total comprehensive income				(0)	(252)	11,047	10,795	0	10,795
Transactions with owners									
Proceeds from share issue	2,834		45,337				48,171	0	48,171
Expenses related to share issue			(1,923)				(1,923)	0	(1,923)
Distribution of funds			(1,079)				(1,079)	0	(1,079)
Share-based payments						225	225	0	225
Other changes				7			7	0	7
Total transactions with owners	2,834		42,335	7		225	45,400	0	45,400
Total equity 31 December 2015	10,134	(142)	44,708	9	(646)	23,577	77,638	0	77,638

1. General information

Ferratum Group is one of the leading providers of mobile consumer loans globally. It is an independent Group and does not belong to any other Group in the financial or commercial sector. Ferratum Group operates under generally accepted ethical principles, is one of the leading players in developing the credibility of mobile consumer lending and common industry processes, and has developed its business model and processes to be efficient and customer-oriented. The identification and scoring of customers are key factors in the business globally.

The parent company, Ferratum Oyj (business identity code 1950969-1), is headquartered in Helsinki, Finland. The registered address is Ratamestarinkatu 11 A, FI-00520 Helsinki.

The financial year for all Group companies is the calendar year and it ended on 31 December 2015. The Board of Directors of Ferratum Group approved these financial statements for publication on 24 March 2016. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

A copy of the consolidated financial statements can be obtained from the head office of Ferratum Group at Ratamestarinkatu 11 A, FI-00520 Helsinki.

2. Summary of significant accounting policies

2.1 Basis of preparation

Ferratum Group's financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

During the year ended 31 December 2015, there have been some amendments to existing standards. None of the new or revised standards or amendments had an impact on the reported income statement and the statement of financial position.

The preparation of financial statements in accordance with IFRS requires the management to use certain critical accounting estimates. The application of the company's accounting policies also requires the management to make assumptions and exercise its judgment in the process of applying the Group's accounting policies. Areas that to a large extent contain such discretionary assessments or a high level of complexity or areas in which assumptions and estimates are important to the consolidated financial statements are disclosed in note 4: Critical accounting estimates and judgments.

Standards, interpretations and amendments to published standards which are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorization for issue of these financial statements, but have not yet become effective. Ferratum Group has not early adopted these revisions to the requirements of IFRSs as approved by the EU and the Group's directors are of the opinion that, with the exception of IFRS 9, 'Financial instruments,' there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 9 Financial instruments (effective date for annual periods beginning on or after 1 January 2018)

The complete version of IFRS 9 replaces most of the guidance in IAS 39. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income and fair value through income statement. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39.

For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income for liabilities designated at fair value, through profit or loss.

IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually uses for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39.

IFRS 15 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 replaces the IAS 18 Revenue and establishes a new comprehensive framework for recognition of revenue arising from contracts with customers. The core principle of the new framework is that an entity should recognize revenue representing the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 Revenue from Contracts with Customers applies to all contracts with customers except for: leases within the scope of IAS 17 Leases; financial instruments and other contractual rights or obligations within the scope of IFRS 9 Financial Instruments, IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IAS 27 Separate Financial Statements and IAS 28 Investments in Associates and Joint Ventures; insurance contracts within the scope of IFRS 4 Insurance Contracts; and non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers. [IFRS 15:5]

IFRS 15 introduces a five-step model for revenue recognition that focuses on the "transfer of control" rather than current "transfer of risks and rewards." The new model consists of the following steps:

- identify the contract with a customer;
- identify the performance obligations in the contract;
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract;
- recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 should have no significant impact on Ferratum Group's financial statements, since the Group's revenue is fully related to interest income recognized mainly according to the effective interest rate within the scope of IFRS 9 Financial Instruments.

IFRS 16 Leases issued in January 2016 (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases. The standard introduces a single lessee accounting model that requires lessees to recognize assets and liabilities

for all leases unless the lease term is 12 months or less or the underlying asset has a low value. At the same time, the standard has no substantial changes to lessor accounting. Lessors continue to classify leases as operating or finance. The adoption of the new standard should have no significant impact on Ferratum Group's financial statements.

2.2 Consolidation

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. Ferratum Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to Ferratum Group's accounting policies.

Business combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Ferratum Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the senior management team that makes strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

The financial statements of the individual entities in the Group are prepared using the currency which is mainly used in the economic environment in which the entity operates (functional currency). The consolidated financial statements are presented in euro (EUR), which is both the functional currency and the presentation currency of the parent company.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses

resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement.

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in the income statement or other comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are recognized in the financial statements at their cost of acquisition less depreciation (carrying amount). The cost of acquisition includes costs directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Fixed assets are depreciated according to the straight-line method, so that the assets' original cost is depreciated to the residual value over the estimated useful life, which is:

Fixtures, fittings and equipment: 3 – 8 years

Vehicles: 3 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within other operating (expenses)/income (net) in the income statement.

2.6 Intangible assets

Intangible assets of Ferratum Group are mainly immaterial rights (licenses, trademarks, etc.) and capitalized software development costs.

Separately acquired trademarks and licenses are shown at historical cost. Trademarks and licenses acquired in a business combination are recognized at fair value at the acquisition date. Amortization is calculated using the straight-line method to allocate the cost of trademarks and licenses over their estimated useful lives, which are:

IT software:	2 – 10 years
Trademarks:	3 – 5 years
Licenses:	– 10 years
Development costs:	2 – 5 years

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by Ferratum Group are recognized as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognized as an expense incurred. Development costs recognized as assets are amortized over their estimated useful lives.

2.7 Impairment of non-financial assets

Intangible assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

2.8 Financial assets

2.8.1 Classification

Ferratum Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'account receivables – consumer loans,' 'other receivables' and 'cash and cash equivalents' in the balance sheet.

2.8.2 Recognition and measurement

Regular purchases and sales of financial assets are recognized on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognized at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.9 Impairment of financial assets

Ferratum Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortized cost (account receivable – consumer loans)

The criteria that Ferratum Group uses to determine that there is objective evidence of impairment loss include:

- (a) a significant financial difficulty of the issuer or obligor;
- (b) a breach of contract, such as a default or delinquency in interest or principal payments;
- (c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider or
- (d) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
 - (i) adverse changes in the payment status of borrowers in the portfolio; and
 - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

Ferratum Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually

assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (that consider on the basis of the Group's grading process asset type, past-due status and other relevant factors). Each entity of Ferratum Group tracks its historical data of collected amounts and unpaid amounts on receivables. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

The provision for impairment of loan receivables is recognized in the financial statements based on historical trends and collective assessment of groups of microloans with similar credit risk characteristics. These loan receivables include the loan principal amount as well as related accrued fees (processing, prolonging, reminders and overdue fees). When receivables are impaired, the receivable's carrying amount is reduced to the receivable's recoverable amount. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed by adjusting the allowance account through profit or loss for the year. When the loans have been 100% impaired, they are written off.

2.10 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

2.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

Where any Ferratum Group company purchases the company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the company's equity holders until the shares are cancelled or reissued. Where such ordinary shares are subsequently reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the company's equity holders.

2.12 Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.13 Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs, after which it is included in the amortized cost of the loan. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

2.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

Deferred tax is recognized using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognized if they arise from the initial recognition of goodwill; deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realized or the deferred tax liability is settled.

Deferred tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.15 Revenue recognition

Ferratum Group generates its revenue from its lending activities by charging one or more of the following fees to the customer: processing fee (representing interest yield on the initial loan period), prolonging fees (representing interest yield for any extension of the repayment date for the original maturity date of the loan), reminder fees and overdue fees. The fees mentioned are an integral part of the creation of the financial asset (accounts receivable – consumer loans) and represent interest income by nature.

Revenues are recognized when:

- (a) it is probable that the economic benefits associated with the transaction will flow to the entity; and
- (b) the amount of the revenue can be measured reliably.

The recognition of revenues is based on the effective interest method. The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly

discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

After signing the contract with the customer, the Group first assesses the probability that the fees charged can be recovered and that the economic benefits from the fees (i.e. the effective interest income accrued on the basis of the contractual fees) will flow to the Group. This assessment involves uncertainty estimation as it is based on the Group's statistics and historical information on customer behavior. The identification and credit scoring model allows the Group to create a customer default and risk profile for every single customer any time a loan request comes in. This is a critical step in the assessment of whether or not the economic benefits associated with the issuance of the consumer loan will flow to the Group, as the scoring model rejects non-creditworthy loan requests.

After this assessment, when it has been concluded that it is probable that economic benefits will flow to the Group, the Group assesses whether the amount of revenue can be measured reliably. The loan contracts comprise explicit terms for the loans granted i.e. the loan amount, maturity and repayment schedules and the associated fees which are used as a basis for revenue recognition. Given that the cash flows are contractually based, the amount of revenue can be measured reliably.

Revenue recognition using the effective interest rate calculations starts on day zero based on the estimated cash flows and payment dates in accordance with what is agreed in the contract. On the day when the loan is issued, the revenue recognition method accounts for the interest accrual for the first day, and subsequently, on a day to day basis. The effective interest rate is based on the number of days between the day on which the loan is paid out and the day on which the loan is contractually due.

2.16 Financial income and costs

Interest income and expense for all interest-bearing financial instruments, except microloans, are recognized within 'finance income' and 'finance costs' in profit or loss using the effective interest method.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options), but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

2.17 Other income from operations

Revenues that are not part of actual net sales, such as revenue from the sale of non-current assets, are recorded under other income from operations.

2.18 Share-based payments

Over time, certain individuals and employees have been offered the opportunity to invest in the shares of the parent company of Ferratum Group. The individuals have purchased the shares at their fair value. According to IFRS 2 (Share-based payment), due to the fact that these individual investors are also employed by Ferratum Group, certain expenses need to be recorded in the income statement as equity settled share-based payments although the share ownership doesn't have any expense or cash impact on the company. These expenses reflect the potential upside for the minority shareholders in terms of a value increase of the shares. The fair value of this potential increase calculated is recognized annually as expenses over the vesting period. The valuation of the shares is made on the date of the grant using the Black and Scholes model, adjusted to take into account the terms and conditions upon which the shares were granted (except for vesting conditions).

2.19 Derivative instruments

The derivative contracts are initially recognized at fair value on the date they enter into operation. Subsequent measurement is also based on their fair value. The fair value of derivatives is calculated by discounting the future cash flows at the current interest rate on the balance sheet date. Interest rate and foreign exchange swaps are part of the Group's risk management policy, but the Group does not apply hedge accounting under IAS 39 to derivative instruments. The derivatives are included in the balance sheet as other receivables and payables. Unrealized and realized gains and losses arising from changes in fair value are recognized in the income statement in financial income and expenses in the period during which they arise. Accumulated interest income or expenses from interest rate swaps that have taken place during the financial period are also recognized in the income statement under financial items.

3. Financial risk management

3.1 Financial risk factors

Ferratum Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. Ferratum Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Ferratum Group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close cooperation with the Group's operating units. The Board is responsible for the overall effectiveness of the risk management function, whose function is, however, carried out by all of the members of the Group's management.

(a) Credit risk

Ferratum Group takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge an obligation. Credit risk is the most important risk for the Group's business; accordingly management carefully manages its exposure to this risk. Credit exposures arise principally through the Group's participation in short-term lending. The Group's principal credit risk exposures relating to on-balance sheet financial assets analyzed by class and IAS 39 categorization, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

	31 December 2015	31 December 2014
	€	€
Loans and receivables:		
Cash and cash equivalents (i)	17,452	8,026
Accounts receivable – consumer loans	106,758	61,529
Other receivables	4,309	2,194
	128,519	71,749

(i) The balance is broadly diversified with over 200 bank accounts in 25 countries

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The fair value of loans and receivables are equivalent to their carrying amounts. The table represents a worst case scenario of credit risk exposure to the Group on 31 December 2015, and 2014, without taking account of any collateral held or any other credit enhancements attached.

LOANS AND ADVANCES TO CUSTOMERS

Credit risk is managed centrally. Scoring and credit policies are steered centrally by the risk team. Measuring and monitoring the performance of the countries' credit portfolio's actual risk KPIs is done on different aggregation levels on a daily, weekly and monthly rhythm. Credit risk is managed and controlled on the basis of established credit processes, and within a framework of credit policy. Credit grading and monitoring systems are in place to accommodate the early identification and management of deterioration in loan quality. Credit decisions are always based on the ethical principles set by the central risk team and the business credit policy as well as being in accordance with the rules of crediting. Every agreement of crediting requires an individually shaped decision. To assess the potential customers' creditworthiness, the credit score is calculated for each new application received. An application scorecard is used for the assessment of new customers and a behavior scorecard is used for the assessment of repeat customers. Based on the credit score obtained, customers are grouped into risk classes that determine the possible credit decision.

Ferratum Group calculates reserving needs centrally for Group accounting purposes and also supports subsidiaries in calculating their local reserving requirements. The reserving requirements are calculated based on the Gross Roll Rate Model and Transition Matrices (mathematical model of Markov Chains), which measures the probability of delinquency based on payment behavior and calculates the required risk provisions for impairment of loan receivables (reserves) accordingly. The reserving needs based on the reserve model are impaired with the market value of bad debt, i.e. expected or recent sales prices for overdue loans.

(b) Market risk

Ferratum Group takes on exposure to market risks, which are the risks that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates and foreign exchange rates.

FOREIGN EXCHANGE RISK

Ferratum Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Transaction risk arises from future commercial transactions, recognized assets and liabilities. Translation risk arises from net investments in foreign operations.

Ferratum Group treasury's risk management policy is to hedge the main FX exposures in non-euro currencies. Management has set up a policy to require Ferratum Group companies to manage their foreign exchange risk against their functional currency. The Group companies are required to hedge their entire foreign exchange risk exposure with the Group treasury. On the reporting date, the Group companies mainly had transactions in their respective functional currencies, and accordingly, the transaction risk in the Group companies was minimal.

The Group has several investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Intra-group loans between the parent and other Group companies are usually denominated in the Group companies' functional currencies, which creates some transaction risk that is not eliminated in consolidation.

As a result of intra-group borrowings, main foreign exchange risk arises from the Polish zloty. On 31 December 2015, if the euro had weakened/strengthened by 10% against the Polish zloty with all other variables held

constant, pre-tax profit for the period would have been EUR 1,267 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2014: EUR 483 thousand).

Based on the various scenarios, the Group occasionally manages its cash flow foreign exchange risk by using foreign exchange swaps. As per 31 December 2015, part of the foreign exchange risk arising from the net assets denominated in Polish zloty (PLN) was hedged by using a PLN-EUR foreign exchange swap. The swap's nominal value was EUR 5,000,000, covering 29% of the Group's net assets denominated in Polish zloty.

CASH FLOW AND FAIR VALUE INTEREST RATE RISK

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates.

Ferratum Group's main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose Ferratum Group to cash flow interest rate risk which is partially offset by having a short term loan portfolio as a main asset in the Group. Increasing refinancing cost can be potentially covered by according price changes in new lending whereby the spread between lending interest and borrowing interest is comparably high. During the year ended 31 December 2015, and the year ended 31 December 2014, Ferratum Group's borrowings at a variable rate were denominated in PLN and EUR.

	31 December 2015	31 December 2014
	€	€
Fixed interest rate borrowings	46,950	33,404
Variable interest rate borrowings	5,332	15,548
Total borrowings	52,281	48,952

Ferratum Group analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Ferratum Group calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Based on the various scenarios, the Group occasionally manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. As per 31 December 2015, part of the interest rate risk arising from the credit line from Nordea was hedged using a floating-to-fixed interest rate swap. The swap's nominal value was EUR 5,000,000 covering 94% of the Group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

On 31 December 2015, if interest rates on that date had been 100 basis points lower/higher with all other variables held constant, pre-tax profit for the period would have been EUR 45 thousand higher/lower, mainly as a result of lower/higher interest expense on variable interest liabilities. **(c) Liquidity risk** Cash flow forecasting is performed in the operating entities of Ferratum Group and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, currency restrictions, for example. Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the

Group treasury. Ferratum Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. On the reporting date, the Group had unused credit lines amounting to EUR 7,611 thousand.

Ferratum Group has entered into one factoring agreement in Finland, whereby a portfolio of loan receivables is transferred to a counterparty against a cash payment. The risks and benefits related to the transferred assets are not, however, transferred given that the Group has a repurchase obligation in case of the customer's default. Accordingly, the transferred assets continue to be presented as the Group's accounts receivables, and a financial liability to the transferee is recognized.

The repayment schedule for financial liabilities as of 31 December 2015, including future interest payments, is as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date. The amounts are undiscounted.

31 December 2015	Less than 12 months	Between 1 – 2 years	Between 2-5 years	Over 5 years
Bank borrowings	533	44		11
Interest	443			
Bonds issued		24,808	25,000	
Interest	3,378	2,689	2,000	
Deposits from customers	3,009			
Derivatives	32	32	64	
Trade payables and other current liabilities	9,017			
	16,412	27,573	27,064	11

31 December 2014	Less than 12 months	Between 1 – 2 years	Between 2-5 years	Over 5 years
Bank borrowings	10,681			111
Interest	445	2	6	2
Corporate loan	5,000			
Interest	262			
Bonds issued	2,416		28,715	
Interest	2,554	2,443	4,221	
Deposits from customers	2,137			
Derivatives	24	24	72	
Trade payables and other current liabilities	7,610			
	31,128	2,469	33,014	113

3.2 Capital management

Ferratum Group's objectives when managing capital are to safeguard Ferratum Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for the Group's stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, Ferratum Group may adjust the amount of dividends paid to shareholders, issue new bonds or sell assets to reduce debt.

Ferratum Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total liabilities (including 'current and non-current liabilities' as shown in the consolidated balance sheet) less cash and cash equivalents.

During the year ended 31 December 2015, Ferratum Group's strategy, which was unchanged from 2014, was to maintain the gearing ratio below 3.

	31 December 2015	31 December 2014
Net debt to equity ratio		
Total liabilities	62,489	58,362
Less: cash and cash equivalents	17,452	8,026
Net debt	45,037	50,336
Total equity	77,638	21,443
Net debt to equity ratio	0.58	2.35

3.3 Carrying values and fair values of financial instruments

Financial assets and liabilities valued at fair value, and for which fair value is disclosed in the notes, are classified on three levels, depending on the estimated reliability of the valuation method:

Level 1: A quoted market price for identical instruments in an active market where the Group can access on the measurement date.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table shows the carrying amounts and fair values of the Group's financial instruments and their level of measurement, where the carrying amount is not a reasonable approximation of the fair value due to the short maturity:

Financial instruments	31 December 2015	31 December 2015	31 December 2014	31 December 2014	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
	€	€	€	€	€
Financial assets					
Items recognized at fair value through profit and loss Foreign exchange derivative	176	176	n/a	n/a	Level 2
Financial liabilities					
Items recognized at amortized cost Loans from financial institutions	577	577	10,681	10,916	Level 3
Bonds	48,695	52,913	36,131	36,623	Level 1
Items recognized at fair value through profit and loss Interest derivative	129	129	119	119	Level 2

Derivatives consist of interest rate swaps whose fair value is calculated as the present value of the estimated future cash flows based on observable yield curves.

Bonds are measured directly by reference to their market price in an active market.

Loans from financial institutions are fair valued based on the present value of the estimated future cash flows using the approximate interest rate for which Ferratum Group would get the loan on the reporting date. These are categorized within level 3, given that credit spread is a significant unobservable input based on management's estimation.

Carrying values for the Group's loans and receivables and trade and other short term liabilities are a reasonable approximation of their fair value and accordingly, fair value is not presented.

4. Critical accounting estimates and judgments

The amounts recognized in the financial statements are sensitive to the accounting policies, assumptions and estimates that underlie the preparation of financial statements. The judgements made by management in applying the Group's accounting policies that have the most significant effect on the amounts recognized in the financial statements, together with information about the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are either disclosed below or in the remaining notes to the financial statements.

4.1 Impairment losses on loan and advances

Ferratum Group reviews its loan portfolio on an on-going basis to assess whether there is any objective evidence of impairment. Objective evidence that individual loans and advances are impaired includes observable data that comes to the attention of the Group about loss events, such as repayments falling into arrears. Objective evidence that a group of loans and receivables may be impaired includes probabilities of default associated with the credit status of that group and measurable economic conditions which may influence future cash flows from the assessed loans. Management uses estimates based on historical loss experience for assets with credit risk characteristics similar to those in the assessed group when forecasting future cash flows. The methodology and assumptions for estimating the amount and timing of future cash flows are reviewed regularly in the light of actual loss experience.

4.2 Share-based payments

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date on which they are granted. Estimating fair value for share-based payments transactions requires determination of the most appropriate valuation model, which is dependent on the terms and conditions of the grant. The assumptions and models used for estimating fair value for share-based payments transactions are disclosed in Note 23.

5. SEGMENT INFORMATION

Ferratum Group has two operating reportable segments. Operating segments are based on the Group's management structure which consists of two geographical regions: West and East. The West region includes Australia, New Zealand, Canada, the UK, Spain, the Netherlands, Mexico, Sweden, Denmark, Germany and Finland. The East region includes Estonia, Lithuania, Latvia, Poland, the Czech Republic, Slovakia, Croatia, Bulgaria, Russia, Romania and Turkey.

5.1 Business segments in 2015

	Year ended 31 December			
	West	East	Other*	Group
	€	€	€	€
Revenue	66,906	44,102	-	111,008
Other income	34	11	2	47
Impairments on loans	(19,919)	(14,769)	-	(34,687)
Operating expenses:				
Selling, marketing and administration	(24,742)	(17,745)	(2,937)	(45,424)
Depreciations and amortization	(271)	(531)	(507)	(1,309)
Other operating expenses	(4,318)	(2,945)	(5,894)	(13,158)
Operating profit	17,690	8,123	(9,335)	16,478
Total segment assets	79,537	53,730	6,861	140,127
Total segment liabilities	32,719	27,866	1,904	62,489

* Includes administration and other services of the parent company, as well as all other income and expenses, assets and liabilities not allocated to operating segments.

5.2 Business segments in 2014

	Year ended 31 December			
	West	East	Other*	Group
	€	€	€	€
Revenue	42,377	28,131	-	70,508
Other income	139	112	(94)	157
Impairments on loans	(11,273)	(9,099)	-	(20,372)
Operating expenses:				
Selling, marketing and administration	(15,344)	(11,053)	(2,581)	(28,978)
Depreciations and amortization	(242)	(118)	(268)	(628)
Other operating expenses	(2,825)	(3,124)	(4,127)	(10,076)
Operating profit	12,832	4,849	(7,070)	10,611
Total segment assets	45,138	31,028	3,639	79,805
Total segment liabilities	38,890	15,121	4,350	58,362

* Includes administration and other services of the parent company, as well as all other income and expenses, assets and liabilities not allocated to operating segments.

5.3 Geographical areas

	2015	2014
	€	€
Revenue, abroad	84,730	55,364
Revenue, domestic	26,278	15,144
Total revenue	111,008	70,508

5.4 Revenue structure by products

	2015	2014
	€	€
Microloans	58,510	52,189
PlusLoans, incl. SME	13,051	3,867
Credit limits, incl. Ferbuy	39,447	14,453
Total revenue	111,008	70,508

6. PERSONNEL EXPENSES

	2015	2014
	€	€
Salaries and other employee benefits (incl. bonuses)	(12,533)	(8,622)
Employee pension expenses	(479)	(311)
Other personnel expenses	(3,773)	(1,763)
Share-based payments equity settled (i)	(225)	(1,072)
Total personnel expenses	(17,010)	(11,768)

(i) The major part of these expenses in 2014 (EUR 977,027) were incurred as part of IPO related costs, the remaining part (EUR 95,351) related to old share-based programs to employees launched during 2011-2012. There were no cash-settled share-based payments. The share-based payments reflect the calculated benefit of options granted and shares sold to employees from major shareholder and are not cash relevant for Ferratum Group.

7. Depreciation and amortisation

	2015	2014
	€	€
Tangible assets		
Machinery & Equipment	(138)	(113)
Other tangible assets	(9)	(4)
Total tangible assets	(147)	(118)
Intangible assets		
Trademarks and licenses	(220)	(220)
Internally generated software development costs	(469)	-
IT Software	(473)	(290)
Total intangible assets	(1,162)	(510)
Total depreciation and amortization	(1,309)	(628)

8. Other operating expenses

	2015	2014
	€	€
Rent and other office expenses	(2,093)	(1,568)
Travel expenses	(1,611)	(1,233)
Professional fees (excl. Audit)	(4,278)	(3,084)
IPO related items	(489)	(199)
Audit fees	(329)	(348)
Other expenses	(4,358)	(3,642)
Total other operating expenses	(13,158)	(10,076)

Audit fees and other services from audit companies:

	2015	2014
	€	€
PwC		
Audit fees	265	238
Non-audit fees:		
Tax advice	16	46
Other services	502	573
Other audit companies		
Audit fees	64	110
Non-audit fees:		
Other services	51	8
Total audit fees	329	348
Total non-audit fees	568	627

9. Finance income

	2015	2014
	€	€
Interest income from cash and cash equivalents	95	99
Derivatives held for trading – net gain / (loss)		
Foreign exchange gain, realized		
Total finance income	95	99

10. Finance costs

	2015	2014
	€	€
Interest on borrowings	(4,010)	(4,121)
Derivatives held for trading – net gain / (loss)	(9)	(74)
Other finance expenses paid on borrowings	(38)	(12)
Foreign exchange loss on liabilities, realized	(97)	27
Total finance costs	(4,154)	(4,180)

11. Income tax expenses

	2015	2014
	€	€
Current tax:		
Current tax on profits for the year	(1,492)	(1,504)
Adjustments in respect of prior years	83	(253)
Other direct taxes	(1)	(0)
Total current tax	(1,411)	(1,757)
Deferred tax:		
Origination and reversal of temporary differences	(96)	941
Impact of change on the corporate tax rates	16	(95)
Total deferred tax	(80)	846
Total income tax expense	(1,491)	(911)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	2015	2014
	€	€
Profit before tax	12,419	6,531
Tax calculated at Finnish tax rate	(2,494)	(1,306)
Tax effects of:		
– Difference between Finnish tax rate and rates in other countries	(541)	(187)
– Income not subject to tax	3,520	2,279
– Expenses not deductible for tax purposes	(1,901)	(1,120)
– Utilization of previously unrecognized tax losses	472	918
– Tax losses for which no deferred income tax asset was recognized	(798)	(8)
Reassessment of recoverability of deferred tax assets	154	813
Re-measurement of deferred tax – change in corporate tax rates*	16	(95)
Changes in tax provisions	-	(1,953)
Adjustment in respect of prior years	83	(253)
Other direct taxes	(1)	(0)
Tax charge	(1,491)	(911)

*The corporate income tax rate decreased in Denmark from 24.5% to 23.5%, in the United Kingdom from 21% to 20% and in Spain from 30% to 28% in 2015. The corporate income tax rate increased in Germany from 29.58% to 29.65% in 2015. As a result, deferred tax assets and liabilities relating to operations in these countries have been valued at the new tax rate. The full effect of the change has been recorded in the income statement.

	2015	2014
	€	€
Losses on carried forward balance on 31 December	10,634	8,526
of which		
- expires in one year	570	1,337
- expires in two years' time	803	379
- expires in later than two years	9,262	6,810

12. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares. The Group does not have any instruments that would have a dilutive impact on the earnings per share.

The weighted average number of ordinary shares in issue has been calculated taking into account the share split that was registered on 26 September 2014. The share split ratio was 1:1700.

	2015	2014
	€	€
Profit for the reporting period attributable to owners of the parent	10,928,310	5,619,425
Weighted average number of ordinary shares in issue	21,290,522	18,744,200
Earnings per share, basic	0,51	0,30
Earnings per share, diluted	0,51	0,26

Taking into account the new number of shares after the IPO (21,577,760 – treasury shares excluded) completed on 6 February 2015, the earnings per share based on profit for the year ended 31 December 2015 were EUR 0.51 (2014: EUR 0.26). Before the IPO related items, the earnings per share were EUR 0.54 based on 21,290,522 shares (2014: EUR 0.36 based on 18,744,200 shares) and EUR 0.53 (2014: EUR 0.31) based on 21,577,760 shares.

13. Property, plant and equipment

	Machinery & Equipment	Other tangible assets	Total
	€	€	€
Cost, opening balance, as of 1 January 2014	486	1	487
Year ended 31 December 2014:			
Additions of the period	92	49	141
Disposals of the period	(27)		(27)
Reclassification during the period			
Cost, closing balance, as of 31 December 2014	551	50	601
Cumulative depreciation, opening balance, as of 1 January 2014	(205)	(0)	(205)
Year ended 31 December 2014:			
Cumulative depreciation of disposals	15		15
Depreciation for the period	(113)	(5)	(118)
Cumulative depreciation, closing balance, as of 31 December 2014	(303)	(5)	(308)
Net book amount, opening balance	281	1	282
Net book amount, closing balance	248	45	294
Cost, opening balance, as of 1 January 2015	551	50	601
Year ended 31 December 2015:			
Additions of the period	364	76	440
Disposals of the period	(66)		(66)
Reclassification during the period			
Cost, closing balance, as of 31 December 2015	849	126	976
Cumulative depreciation, opening balance, as of 1 January 2015	(303)	(5)	(308)
Year ended 31 December 2015:			
Cumulative depreciation of disposals	39		39
Depreciation for the period	(138)	(9)	(147)
Cumulative depreciation, closing balance, as of 31 December 2015	(402)	(14)	(416)
Net book amount, opening balance	248	45	294
Net book amount, closing balance	447	113	560

14. Intangible assets

	Immaterial rights €	Internally generated software development costs €	Computer Software €	Total €
Cost, opening balance, as of 1 January 2014	1,104	1,753	1,378	4,235
Year ended 31 December 2014:				
Additions of the period		1,789		1,789
Disposals of the period				
Cost, closing balance, as of 31 December 2014	1,104	3,542	1,378	6,023
Cumulative depreciation, opening balance, as of 1 January 2014	(662)		(468)	(1,130)
Year ended 31 December 2014:				
Cumulative depreciation of disposals				
Depreciation for the period	(220)		(290)	(510)
Cumulative depreciation, closing balance, as of 31 December 2014	(882)		(758)	(1,640)
Net book amount, opening balance	442	1,753	910	3,105
Net book amount, closing balance	222	3,542	620	4,384
Cost, opening balance, as of 1 January 2015	1,104	3,542	1,378	6,023
Year ended 31 December 2015:				
Additions of the period		3,103	1,907	5,010
Disposals of the period				
Cost, closing balance, as of 31 December 2015	1,104	6,644	3,285	11,034
Cumulative depreciation, opening balance, as of 1 January 2015	(882.29)		(758)	(1,640)
Year ended 31 December 2015:				
Cumulative depreciation of disposals				
Depreciation for the period	(220)	(469)	(473)	(1,162)
Cumulative depreciation, closing balance, as of 31 December 2015	(1,102)	(469)	(1,231)	(2,802)
Net book amount, opening balance	222	3,542	620	4,384
Net book amount, closing balance	2	6,175	2,054	8,232

15. Deferred income tax assets and liabilities

CHANGES IN DEFERRED TAXES DURING THE FINANCIAL YEAR 2015

	on 1 Jan. 2015	Recognized in income statement	Recognized in Equity	Translation difference	on 31 December 2015
	€	€	€	€	€
Deferred tax assets					
Tax losses carried forward	1,817	(481)	0	41	1,377
Deferred revenue and credit loss reserve	868	423	0	(1)	1,290
Derivative	26	(1)	0		26
Total	2,711	(59)	0	40	2,692
Deferred tax liabilities					
Discretionary provisions	155	29	0	0	184
Deferred tax net	2,556	(88)	0	40	2,508

CHANGES IN DEFERRED TAXES DURING THE FINANCIAL YEAR 2014

	on 1 Jan. 2014	Recognized in income statement	Recognized in Equity	Translation difference	on 31 December 2014
	€	€	€	€	€
Deferred tax assets					
Tax losses carried forward	1,123	688	0	6	1,817
Deferred revenue and credit loss reserve	731	135	0	2	868
Derivative	12	15	0		26
Total	1,866	838	0	8	2,711
Deferred tax liabilities					
Discretionary provisions	155	(0)	0	0	155
Deferred tax net	1,711	838	0	8	2,556

16. Accounts receivable – consumer loans

	31 December 2015 €	31 December 2014 €
Accounts receivable – consumer loans (gross)	155,890	105,710
Less: provision for impairment of loan receivables	(49,131)	(44,181)
Accounts receivable – consumer loans (net)	106,758	61,529

The Group does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables which are collectively assessed for impairment is as follows:

	31 December 2015				31 December 2014			
	GBV €	Impairments €	NBV €	Impaired loan coverage ratio in %	GBV €	Impairments €	NBV €	Impaired loan coverage ratio in %
Not due	81,686	(3,991)	77,695	4.9	37,376	(2,395)	34,981	6.4
1-90 days due	16,800	(4,769)	12,031	28.4	18,330	(4,987)	13,344	27.2
91-180 days due	11,832	(5,661)	6,172	47.8	6,956	(3,485)	3,471	50.1
> 181 days due	45,571	(34,711)	10,860	76.2	43,048	(33,315)	9,733	77.4
Total	155,890	(49,131)	106,758	31.5	105,710	(44,181)	61,529	41.8

The Group uses an allowance account to recognize the impairment losses on consumer loans. Reconciliation of movements in the allowance account is as follows:

	2015 €	2014 €
Provision for impairment on 1 January	(44,181)	(37,688)
Provisions accruals	(34,687)	(20,372)
Amounts fully reserved and booked out	29,737	13,879
Provision for impairment on 31 December	(49,131)	(44,181)

17. Cash and cash equivalents

	31 December 2015 €	31 December 2014 €
Cash at bank and in hand	17,452	8,026
Short-term bank deposits		
Cash and cash equivalents (excluding bank overdrafts)	17,452	8,026

18. Share capital and other reserves and distributions to equity holders of the parent

	Number of shares (i) €	Share capital €	Treasury share €	Unrestricted equity reserve €	Other reserves €
On 1 January 2014	18,890,400	10,000	(142)	3,068	(171)
Share issue					
Distribution of equity reserve				(695)	
Increase of share capital		7,290			
Currency translation differences					(221)
On 31 December 2014	18,890,400	7,300	(142)	2,373	(392)
Share issue	2,833,560	2,834			
Share premium				43,414	
Distribution of equity reserve				(1,079)	
Currency translation differences					(252)
Other changes					7
On 31 December 2015	21,723,960	10,134	(142)	44,708	(638)

(i) A share split was registered on 26 September 2014, with a split ratio of 1:1700. The number of shares presented in the table reflects this split on each reported date, i.e. instead of 11,112 shares actually available on 1 January 2014, 18,890,400 shares are presented in the table on 1 January 2014.

The cumulative translation differences of EUR -252 thousand in the statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-euro area business units.

On 31 December 2015, Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.8% of the share capital and voting rights. No consideration is paid to the treasury shares in a distribution of equity.

The unrestricted equity reserve contains the amount paid for shares in a share issue and the amount when converting convertible capital notes to shares. Other reserves include legal reserves in Ferratum Group companies.

19. Interest bearing liabilities

	31 December 2015 €	31 December 2014 €
Non-current interest bearing liabilities		
Bank borrowings	44	
Bonds issued	48,695	28,719
Total non-current interest bearing liabilities	48,739	28,719
Current interest bearing liabilities		
Bank borrowings	533	10,681
Bonds issued		7,416
Deposits from customers	3,009	2,137
Total current interest bearing liabilities	3,543	20,233
Total interest bearing liabilities	52,281	48,952

20. Current non-interest bearing liabilities

	31 December 2015 €	31 December 2014 €
Current tax liabilities	1,002	1,634
Trade payables	2,727	4,401
Factoring trade payables	0	714
Other trade payables	2,727	3,686
Other current liabilities	6,290	3,209
Derivatives	129	119
Interest liabilities	931	463
Accrued employee expenses	1,214	866
Other current accrued liabilities on expenses, interest-free	4,016	1,760
Total current non-interest bearing liabilities	10,019	9,244

21. Related party disclosure

Ferratum Group is controlled by Jorma Jokela, who owns 57% of the parent company's shares. The remaining shares are held by investors and key management personnel.

Related parties of Ferratum Group are members of the board, senior management team, their close family members and the companies in which the member of the board or senior management team has significant influence.

Transactions with Related Parties

	2015 €	2014 €
Purchase of goods from related parties – Entity controlled by key management personnel		
Purchase of services from related parties – Entity controlled by key management personnel	776	1,076
	776	1,076

Ferratum Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services, IT services, legal counseling,

flight travel services and warehousing services. Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services.

Option plans have been introduced for key management employees in 2014 and 2015. The terms and conditions of the options granted in 2015 are the same for the management and key employees. The terms and conditions of options granted to the select key management employees in 2014 are described in disclosure 23. The fair value of options is determined using the principles described in disclosure 23. The summary of options granted to key management employees in 2014 and 2015 is the following:

	2015	2014
Options granted during the year	40,800	238,000
Of which exercisable on 31 December 2015	-	178,500
Fair value in total (EUR '000)	262	977
Total number of shares the option rights are entitled to	40,800	238,000

Key Management Compensation

	2015	2014
	€	€
Compensation to key management (that consists of the Board of Directors and the senior management team)		
Salaries and other short-term employee benefits	1,337	1,139
Share-based payments	262	1,072
Total	1,599	2,211
Compensation for members of the Board of Directors and CEO		
Jorma Jokela, CEO, Member of the Board of Directors		
Salaries and other short-term employee benefits	225	198
Erik Ferm, Chairman of the Board of Directors		
Salaries and other short-term employee benefits	12	15
Share-based payments	0	65
Juhani Vanhala, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	18*
Statutory pension cost	3	3*
Lea Liigus, Member of the Board of Directors		
Salaries and other short-term employee benefits	0	0
Pieter van Groos, Member of the Board of Directors		
Salaries and other short-term employee benefits	9	n/a
Total	267	297*

*restated

22. Commitments

	31 December 2015	31 December 2014
	€	€
Credit limit agreement		
Total amount of limits granted to Ferratum	7,611	7,611
Limit in use	0	7,263
Collateral on own debt		
Guarantees	49,808	32,200
Corporate pledge	10,000	10,000
Pledged subsidiary shares	11	11
Pledged investments	5	5
Operating lease		
Lease liabilities due within the next 12 months	340	215
Lease liabilities due after the next 12 months	28	14
Total operating lease liabilities	368	229
Total office rent costs	896	603

23. Share-based payments

Share purchase programs 2007 - 2012

During 2007-2012, select individuals and employees have been offered the opportunity to invest in the shares of the parent company of Ferratum Group. The individuals have purchased the shares at their fair value. According to IFRS 2 (Share-based payment) and the fact that these individual investors are also employed by Ferratum Group, certain expenses need to be recorded in the income statement as equity settled share-based payments although the share ownership doesn't have any cash impact on the company. These expenses reflect the potential upside for the minority shareholders in terms of value increase of the shares. The fair value of this potential increase calculated is recognized as expenses over the vesting period. The valuation of the shares was made on the date of the grant using the Black and Scholes model, adjusted to take into account the terms and conditions upon which the shares were granted (except for vesting conditions). Based on Ferratum Group's decision in Q4 2014 to list its shares, the vesting period changed to end on the date of the IPO. All remaining expenses were recognized over the accelerated vesting period. The total cost recognized as share-based compensation expense in the Company's profit or loss in 2014 amounted to EUR 95,351. The share purchase programs 2007-2012 will not have any further impact after the financial year 2014.

Employee option plan 2014

During October 2014, select key management employees were granted options to purchase a total of 238,000 shares of the company from Jorma Jokela. The exercise period starts on 15 January 2015, and ends on 15 June 2016, and there are no vesting conditions attached to the options or shares. In first quarter of 2015, the exercise period for 170,000 of these options was extended to 31 December 2017. The total fair value of the options on the grant date is approximately EUR 977,027 and the valuation of the share options is made using the Black and Scholes model taking into consideration the terms and conditions of the grant and the absence of a liquid market for the company's shares. Given that there are no vesting conditions attached to the shares, the total fair value is recognized as share-based compensation expense in the company's profit or loss with a respective entry to equity on day one. This expense has no cash impact on the company. Members of select key management exercised options to purchase a total of 59,500 shares in 2015.

Employee option plans 2015

New employee option plans were introduced in April and August 2015, designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants are granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share.

The share subscription price for each option shall be EUR 11.90, which constitutes 70% of the initial public offering price of the company's share on Frankfurt Stock Exchange on 6 February 2015. The total fair value of the options on the grant date is approximately EUR 1,415 thousand (EUR 6.46 per option). The fair value on the grant date is independently determined using the Black and Scholes model taking into consideration the terms and conditions of the grant. The material model inputs for options granted during the year ended 31 December 2015, includes the exercise price, the term of the option, the share price on the grant date and the expected price volatility of the underlying shares. The expected dividend yield and the risk free interest rate for the term of the option did not have a material effect on the option value on the grant date.

The main parameters used in defining the fair value of the option programs 2014 and 2015 are:

	2015	2014
	€	€
Share price on the date of issue, EUR*	22.47	6.75
Original subscription price, EUR	11.9	2.65
Duration (years)	4	4
Expected volatility, %	40	40
Fair value of option on the date of issue, EUR	6.46	4.11

* 2015: weighted average value of 192,100 options with a share price of EUR 22.50 on the date of issue and 26,860 options with a share price of EUR 22.265 on the date of issue; 2014: pre-IPO valuation based on Black and Scholes model assumptions

Share options outstanding at the end of the year ended 31 December 2015:

Grant date	Number of options granted	Number of employees	Share price on grant date €	Unexercised options	Exercise price €	Share subscription period
31 October 2014	238,000	3	6.75	178,500	2.65	15 Jan. 2015 – 15 June 2016
10 April 2015	192,100	35	22.50	192,100	11.90	1 May 2019 – 30 Apr. 2021
1 August 2015	26,860	3	22.27	26,860	11.90	2 Aug. 2019 – 31 July 2021
Total	456,960	41		397,460		

On 31 December 2015, the vesting period left for the options granted in April 2015 is 3.3 years and for the options granted in August 2015 3.6 years.

Changes in the number of options outstanding during the years ended 31 December 2015, and 2014:

	2015		2014	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Number of options outstanding on 1 January	2.65	238,000		0
Granted options during the year	11.90	218,960	2.65	238,000
Exercised options during the year	2.65	(59,500)		-
Forfeited options during the year		-		-
Number of options outstanding on 31 December	7.75	397,460	2.65	238,000
Vested and exercisable options on 31 December	2.65	178,500	2.65	238,000

Total expenses arising from share-based payment transactions recognized during the years ended 31 December 2015, and 2014 as part of employee benefit expense were as follows:

	2015	2014
	€	€
Share purchase programs 2007 – 2012	-	95,351
Employee option plan 2014	-	977,027
Employee option plans 2015	225,186	-
Total expenses of share-based payment transactions	225,186	1,072,378

24. Group companies

Ownership in Group companies	Country	Group share of holding	Parent company share of holding
Ferratum Finland Oy	Finland	100%	100%
Ferratum Estonia OÜ	Estonia	100%	0%
Ferratum Latvia SIA	Latvia	100%	100%
UAB Ferratum	Lithuania	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferbuy Poland Sp. Z.o.o.	Poland	100%	100%
Ferratum Spain SL	Spain	100%	100%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Ferratum d.o.o.	Croatia	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Finance B.V.	Netherlands	100%	100%
Pelegrat B.V.	Netherlands	100%	100%
Ferratum Australia Pty Ltd	Australia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
OOO Ferratum Russia	Russia	100%	100%
Rus-Kredit OOO	Russia	100%	100%
Ferratum Bank Ltd	Malta	100%	0.00001%
Ferratum (Malta) Holding Limited	Malta	100%	99.99999%
Ferbuy Singapore Pte. Ltd.	Singapore	90%	90%
Swespar AB	Sweden	100%	100%
Nereida Spain S.L.	Spain	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Germany GmbH	Germany	100%	100%
Ferratum Romania I.F.N.S.A.	Romania	99%	99%
Personal Big Data Oy	Finland	100%	100%
Sideways Sp Z.o.o.	Poland	100%	0%
Highways Sp Z.o.o.	Poland	100%	0%
Highways Sp. Z.o.o. Sp. k.	Poland	100%	0%
Ferratum Canada Inc	Canada	100%	100%
Ferratum Kredi Finansmani A.S	Turkey	100%	100%
Ferratum Georgia LLC	Georgia	100%	100%
Ferratum Mexico S. de R.L. de C.V.	Mexico	100%	99%
UAB "Inkasso Plus"	Lithuania	100%	100%

25. Parent company statements 2015

25.1 Ferratum Oyj Income statement

	Note	Year ended 31 December	
		2015	2014
		€	€
Other operating income	2	2,705	1,379
Personnel expenses	4	(1,461)	(1,329)
Depreciation, amortization and impairment	6	(507)	(268)
Other operating expenses	7	(8,915)	(4,196)
Operating profit		(8,178)	(4,414)
Financial income and expenses	8	312	(62)
Profit/loss before extraordinary items		(7,866)	(4,476)
Extraordinary items	9	11,137	13,864
Profit/loss after extraordinary items		3,271	9,388
Income tax		-	(0)
Profit for the year		3,271	9,387

25.2 Ferratum Oyj Statement of Financial Position

	Note	31 December 2015	31 December 2014
		€	€
Assets			
Non-current assets			
Intangible assets	10	3,551	2,085
Tangible assets	11	119	96
Investments	12	18,252	14,422
Total non-current assets		21,923	16,603
Current assets			
Non-current receivables	13	45,427	15,070
Current receivables	14	31,958	21,981
Cash and bank		3,054	21
Total current assets		80,439	37,072
Total assets		102,362	53,675
Equity and liabilities			
Equity			
Share capital		10,134	7,300
Treasury shares		(142)	(142)
Other reserves total		44,708	2,373
Retained earnings		3,703	(5,685)
Profit/loss for the period		3,271	9,387
Total equity	16-17	61,673	13,233
Liabilities			
Non-current liabilities, interest-bearing	18	28,695	27,855
Current liabilities, interest-bearing	19	3,604	8,551
Current liabilities, interest-free	19	8,391	4,036
Total liabilities		40,690	40,442
Total equity and liabilities		102,362	53,675

25.3 Ferratum Oyj Cash Flow Statement

	Year ended 31 December	
	2015	2014
	€	€
Cash flows from operating activities		
Profit / Loss for the period	3,271	9,387
Adjustments for:		
Depreciation, amortization & impairment loss	507	268
Financial income and expenses	(312)	62
Tax on income from operations	-	0
Other adjustments	(11,089)	(14,335)
Operating profit before working capital changes	(7,623)	(4,617)
Working capital changes:		
Increase (-) / decrease(+) in trade and other receivables	(4,737)	(8,312)
Increase (+) / decrease (-) in trade payables	3,781	1,571
Cash generated from operations	(8,578)	(11,358)
Interest paid	(2,893)	(2,719)
Dividends received	4,210	1,120
Interest received	2,704	3,906
Other financing items	(143)	164
Income taxes paid	-	(0)
Cash flow before extraordinary items	(4,699)	(8,887)
Net cash from operating activities	(4,699)	(8,887)
Cash flows from investing activities		
Purchase of tangible and intangible assets	(2,025)	(545)
Proceeds from the sale of tangible and intangible assets	7	-
Acquisition of subsidiaries	(3,862)	(773)
Disposal of subsidiaries	5	6,800
Loans granted (-) / Repayments of loans (+)	(30,018)	6,985
Net cash used in investing activities	(35,893)	12,467
Cash flows from financing activities		
Proceeds from issue of share capital	48,171	-
Costs related to issue of share capital	(1,923)	-
Proceeds from borrowings (+) / Repayment (-)	(4,107)	(3,017)
Dividends paid	(1,079)	(695)
Group contribution received (+) / paid (-)	2,564	24
Net cash used in financing activities (C)	43,625	(3,688)
Net increase/decrease in cash and cash equivalents	3,033	(108)
Cash and cash equivalents at the beginning of the period	21	129
Net increase/decrease in cash and cash equivalents	3,033	(108)
Cash and cash equivalents at the end of the period	3,054	21

25.4 Notes to the financial statements of the parent company

1. NOTES TO FINANCIAL STATEMENT OF PARENT COMPANY

Parent company information

Ferratum Oyj, registered in Helsinki, is the parent company of Ferratum Group. Copies of the consolidated financial statements can be obtained from Ferratum Oyj, located in Ratamestarinkatu 11 A, 00520 Helsinki.

Valuation methods

Tangible assets have been valued at acquisition cost.

Allocation principles and methods

The acquisition cost of tangible assets is depreciated according to plan. The difference between the acquisition cost and residual value of the asset is booked as depreciation over the economic period of the asset.

Depreciation periods

Investments for rental premises - 4 years

Immaterial rights - 3 to 10 years

Tangible assets - 25% declining depreciation

Comparative data

The length of the financial year is 12 months (1 Jan. 2015 – 31 December 2015).

Foreign currency valuation

Foreign currency receivables and payables are valued at the purchase and sales exchange rates quoted by the Finnish National Bank at the end of the financial year.

Exceptional items

Extraordinary items consist of recurring restructuring costs related to operations and group contributions received from Ferratum Finland Oy.

Share capital

The share capital of the company is EUR 10,133,560 and the number of shares is 21,723,960. The shares have no nominal value. All the shares are attached with equal voting rights and equal right when distributing dividend.

25.5 Notes to the income statement of the parent company

2. Other operating income	2015	2014
	€	€
Other operating income	2,705	1,379
3. Average personnel	2015	2014
	€	€
During financial year	15	15
4. Personnel expenses	2015	2014
	€	€
Wages and salaries	(1,226)	(1,095)
Pension expenses	(194)	(182)
Other social expenses	(41)	(53)
Personnel expenses, total	(1,461)	(1,329)
5. Management compensation	2015	2014
	€	€
Board of directors and CEO	151	132

6. Depreciation and amortization by asset class category	2015	2014
	€	€
Intangible assets		
Other capitalized expenditure	(441)	(206)
Tangible assets		
Machinery and equipment	(66)	(62)
Total depreciation and amortization	(507)	(268)
7. Other operating expenses	2015	2014
	€	€
Selling, marketing and administration	(8,795)	(4,127)
Audit fees	(120)	(69)
8. Financial income and expenses	2015	2014
	€	€
Financial income		
Intra-group dividend income	1,103	1,185
Intra-group dividend income, total	1,103	1,185
Other intra-group interest and financial income	3,119	2,185
Other interest and financial income from others	1	4
Other financial income	3,120	2,189
Financial income, total	4,222	3,373
Financial expenses		
Other intra-group interest and financial expenses	(3,337)	(3,383)
Other interest and financial expenses from others	(574)	(52)
Financial expenses, total	(3,910)	(3,436)
Financial income and expenses, total	312	(62)
Foreign exchange gains and losses, total	(444)	285
9. Extraordinary items	2015	2014
	€	€
Other extraordinary income	-	6,797
Other extraordinary expenses	-	(479)
Group contributions received	11,137	7,545
Extraordinary items, total	11,137	13,864

25.6 Notes to the statement of financial position of the parent company

10. Intangible assets	Other capitalized expenditures €
Acquisition cost on 1 January 2015	2,691
Additions during the year ended 31 December 2015	1,907
Acquisition cost on 31 December 2015	4,598
Accumulated depreciation on 1 January 2015	(606)
Depreciation during the year ended 31 December 2015	(441)
Accumulated depreciation on 31 December 2015	(1,047)
Net Book value on 31 December 2015	3,551
Net Book value on 1 January 2015	2,085

11. Tangible assets	Machinery and equipment €	Other tangible assets €	Total €
Acquisition cost on 1 January 2015	236	1	237
Additions during the year ended 31 December 2015	118	-	118
Disposals during the year ended 31 December 2015	(63)	-	(63)
Acquisition cost on 31 December 2015	291	1	292
Accumulated depreciation on 1 January 2015	(141)	-	(141)
Accumulated depreciation of disposals	34	-	34
Depreciation during the year ended 31 December 2015	(66)	-	(66)
Accumulated depreciation at 31 December 2015	(173)	-	(173)
Net Book value on 31 December 2015	119	1	119
Net Book value on 1 January 2015	95	1	96

12. Investments	Other shares and equity interests €
Acquisition cost on 1 January 2015	14,422
Additions during the year ended 31 December 2015	3,862
Disposals during the year ended 31 December 2015	(32)
Acquisition cost on 31 December 2015	18,252
Book value on 31 December 2015	18,252
Book value on 1 January 2015	14,422

13. Non-current receivables	31 December 2015 €	31 December 2014 €
Receivables from intra-group companies	45,424	15,065
Permanent receivables from employees	4	5

14. Current receivables	31 December 2015	31 December 2014
	€	€
Other receivables	98	265
Receivables from intra-group companies	30,283	20,186
Accruals	1,577	1,530
Current receivables, total	31,958	21,981

15. Accruals	31 December 2015	31 December 2014
	€	€
Other accruals	1,581	1,535

16. Change in equity 2014	Share capital	SVOP reserve	Retained earnings	Equity total
	€	€	€	€
Total Equity on 1 January 2014	10	3,068	1,463	4,541
Distribution of unrestricted equity		(695)		(695)
Reclassifications between items	7,290		(7,290)	-
Profit/loss for the period			9,387	9,387
Total equity on 31 December 2014	7,300	2,373	3,560	13,233

17. Change in equity 2015	Share capital	SVOP reserve	Retained earnings	Equity total
	€	€	€	€
Total Equity on 1 January 2015	7,300	2,373	3,560	13,233
Share issue	2,834	45,337	-	48,171
Costs related to share issue	-	(1,923)	-	(1,923)
Distribution of unrestricted equity	-	(1,079)	-	(1,079)
Profit/loss for the period	-	-	3,271	3,271
Total equity on 31 December 2015	10,134	44,708	6,831	61,637

18. Non-current liabilities	31 December 2015	31 December 2014
	€	€
Loans from financial institutions	44	4
Non-current intra-group debts	28,651	27,850
Total non-current liabilities	28,695	27,855

19. Current liabilities	31 December 2015	31 December 2014
	€	€
Loans from financial institutions	23	2,521
Trade payables	594	1,228
Other liabilities	460	100
Accruals	784	378
Intra-group liabilities	10,135	8,361
Total current liabilities	11,995	12,587

	31 December 2015	31 December 2014
20. Accruals (non-current and current)	€	€
Accruals of personnel expenses	229	182
Other accruals	555	196
Total accruals (non-current and current)	784	378
	31 December 2015	31 December 2014
21. Other rental liabilities	€	€
Current rental liabilities	17	17
	31 December 2015	31 December 2014
22. Commitments	€	€
Corporate pledge	7,500	7,500
Pledged subsidiary shares, book value	11	11
Commitments for intra-group companies	49,808	32,200

Ferratum Oyj is the guarantor of the bonds issued by Ferratum Capital Germany GmbH, Ferratum Capital Poland and Ferratum Bank Malta. The funds from the bond issues have in accordance with the intercompany loan agreements been lent to Ferratum Oyj.

23. Related party transactions

No loans and or any other commitments were issued to any related parties in 2015.

26. List of accounting ledgers

Income statement	Electric format
Balance sheet	Electric format
General ledger	Electric format
Daily journal	Electric format
Accounting documents	Electric format
Chart of accounts	Electric format
Annual report	Paperback

27. Approval of the annual report

The Ferratum Group Annual Report 2015 is approved and submitted by the company's Management Board composed of:

Erik Ferm

Chairman of the Board

Lea Liigus

Member of the Board

Jorma Jokela

CEO, Member of the Board

Pieter van Groos

Member of the Board

Juhani Vanhala

Member of the Board

Our auditor's report has been issued today

Helsinki, 23 March 2016

PricewaterhouseCoopers Oy

Authorized Public Accountants

Mikko Nieminen, Authorized Public Accountant

Contact Persons

Ferratum Group

Paul Wasastjerna

Head of Investor Relations

T: +358 (0)40 724 8247

F: +358 (0)20 741 1614

M: paul.wasastjerna@ferratum.com

Ferratum Group

Dr. Clemens Krause

CFO

T: +49 (0)30 88715 308

F: +49 (0)30 88715 309

M: clemens.krause@ferratum.com

Independent auditor's report on the Consolidated Financial Statements of Guarantor for the year ended 31 December 2015



Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Ferratum Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Ferratum Oyj for the year ended 31 December, 2015. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone +358 20 787 7000, fax +358 20 787 8000, www.pwc.fi
Reg. Domicile Helsinki, Business ID 0486406-8*



Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 23 March 2016

PricewaterhouseCoopers Oy
Authorised Public Accountants

A handwritten signature in blue ink, appearing to read 'Mikko Nieminen', is written over a light blue horizontal line.

Mikko Nieminen
Authorised Public Accountant



Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of Ferratum Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Ferratum Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the preparation of financial statements and the report of the Board of Directors that give a true and fair view in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. The Auditing Act requires that we comply with the requirements of professional ethics. We conducted our audit in accordance with good auditing practice in Finland. Good auditing practice requires that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and the report of the Board of Directors are free from material misstatement, and whether the members of the Board of Directors of the parent company or the Managing Director are guilty of an act or negligence which may result in liability in damages towards the company or whether they have violated the Limited Liability Companies Act or the articles of association of the company.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*PricewaterhouseCoopers Oy, Authorised Public Accountants, P.O. Box 1015 (Itämerentori 2), FI-00101 HELSINKI
Phone +358 20 787 7000, fax +358 20 787 8000, www.pwc.com/fi
Reg. Domicile Helsinki, Business ID 0486406-8*



Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 27 March 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

A handwritten signature in blue ink, appearing to read 'Mikko Nieminen', is written over a faint, circular stamp or watermark.

Mikko Nieminen
Authorised Public Accountant

8.3.4 Interim Financial Review of the Guarantor for the nine months ended 30 September 2016

Consolidated Income Statement for the Period 1 January to 30 September 2016

EUR '000	Nine months ended September 30	
	2016 (unaudited)	2015 (restated unaudited)
	€	€
Revenue	108,645	79,179
Other income	113	49
Impairments on loans	(35,232)	(24,803)
Operating expenses:		
Personnel expenses	(17,672)	(11,714)
Selling and marketing expenses	(20,990)	(13,845)*
Lending costs	(5,801)	(5,024)
Other administrative expenses	(1,457)	(643)*
Depreciations and amortization	(1,304)	(952)
Other operating expenses	(12,072)	(10,033)
Operating profit	14,231	12,212
Financial income	49	285
Finance costs	(4,823)	(3,102)
Finance costs – net	(4,774)**	(2,817)**
Profit before income tax	9,456	9,395
Income tax expense	(1,135)	(1,127)
Profit for the period	8,322	8,268
Earnings per share, basic	0.39	0.39
Earnings per share, diluted	0.39	0.38

Profit attributable to:

EUR '000

	Nine months ended September 30	
	2016 (unaudited)	2015 (restated unaudited)
	€	€
Owners of the parent company	8,322	8,268
Non-controlling interests (NCI)	0	0

*Sales commissions of EUR 2,693 thousand during the nine months ended September 30, 2015 were classified from Other administrative expenses to Selling and Marketing expenses.

**Including foreign exchange losses of EUR 1,053 thousand during the nine months ended September 30, 2016, and EUR 116 thousand during the nine months ended September 30, 2015

Consolidated Statement of Financial Position

EUR '000	Nine months ended September 30	
	30-Sep-2016 (unaudited)	31-Dec-2015 (audited)
	€	€
Assets		
Non-current assets		
Property, plant and equipment	2606	560
Intangible assets	10,911	8,232
Government stocks	8,506	-
Deferred income tax assets	2,654	2,692
Total non-current assets	24,678	11,484
Current assets		
Accounts receivable – consumer loans	153,615	106,758
Other receivables	6,217	4,309
Income tax assets	510	124
Cash and cash equivalents (excluding bank overdrafts)	71,765	17,452
Total current assets	232,108	128,643
Total assets	256,785	140,127
Equity and liabilities		
Equity attributable to owners of the parent		
Share capital	40,134	10,134
Treasury shares	(142)	(142)
Reserves	(1,732)	(638)
Unrestricted equity reserve	14,708	44,708
Retained earnings	30,283	23,577
Total equity	83,250	77,638

EUR '000	Nine months ended September 30	
	30-Sep-2016 (unaudited)	31-Dec-2015 (audited)
	€	€
of which related to non-controlling interests		
Liabilities		
Non-current liabilities		
Borrowings	47,673	48,739
Other payables	-	4
Deferred income tax liabilities	238	184
Total non-current liabilities	47,673	48,927
Current liabilities		
Income tax liabilities	1,485	1,002
Deposits from customers*	88,661	3,009
Borrowings	22,181	533
Trade payables	3,919	2,727
Other current liabilities	9,615	6,290
Total current liabilities	125,862	13,562
Total liabilities	173,535	62,489
Total equity and liabilities	256,785	140,127

* In previous published reports Deposits from customers were included in Borrowings

Consolidated Statement of Cash Flow

	Nine months ended September 30	
	2016 (unaudited)	2015 (unaudited)
	€	€
<u>Cash flows from operating activities</u>		
PROFIT/LOSS FOR THE PERIOD	8.322	8,268
<u>Adjustments for:</u>		
Depreciation and amortization	1,304	952
Finance costs, net	4,774	2,817
Tax on income from operations	1,135	1,127
Transactions without cash flow	(645)	(103)
<u>Working capital changes:</u>		
Increase (-) /decrease(+) in other current receivables	(12,290)	(892)
Increase (+) / decrease (-) in trade payables and other current liabilities	4,517	(978)
Interest paid	(1,515)	(896)
Interest received	232	12
Other financing items	(155)	(98)
Income taxes paid	(668)	(317)
Net cash from operating activities before movements in the portfolio and deposits received	40,242	34,698
Deposits received	85.652	709
<u>Movements in the portfolio</u>		
Movements in gross portfolio	(56,174)	(38,212)
Fully impaired portfolio write-offs	(25,915)	(18,695)
Net cash from operating activities	43,806	(21,501)
<u>Cash flows from investing activities</u>		
Purchase of tangible and intangible assets	(6,038)	(2,345)
Proceeds from the sale of tangible and intangible assets	-	-

	Nine months ended September 30	
	2016 (unaudited)	2015 (unaudited)
	€	€
Proceeds from the sale of other assets	-	5
Net cash used in investing activities	(6,038)	(2,340)
<u>Cash flows from financing activities</u>		
Proceeds from shares issue	-	48,171
Expenses related to share issue	-	(1,923)
Proceeds from short-term borrowings	-	-
Repayment of short-term borrowings	(2,800)	(17,540)
Proceeds from long-term borrowings	23,321	20,062
Repayment of long-term borrowings	(406)	-
Dividends paid / distribution of equity reserve	(2,158)	(1,079)
Net cash used in financing activities	17,958	47,690
Net increase/decrease in cash and cash equivalents	55,726	23,849
Cash and cash equivalents at the beginning of the period	17,452	8,026
Exchange gains/(losses) on cash and cash equivalents	(1,413)	(603)
Net increase/decrease in cash and cash equivalents	55,726	23,849
Cash and cash equivalents at the end of the period	71,,765	31,274

Business Segments In the Nine Months ended 30 September 2016

EUR '000	Microloan	PLUS Loan	Credit Limit	Ferratum Business (SME)	Other*	Total
Revenue	38,935	20,776	46,180	2,541	213	108,645
Shares in Revenue, %	35.8	19.1	42.5	2.3	0.2	100.0
<u>Directly attributable costs</u>						
Impairments	(15,545)	(7,204)	(11,714)	(540)	(229)	(35,232)
Marketing	(4,354)	(5,112)	(9,557)	(972)	(994)	(20,990)
Attributable Product Margin	19,036	8,459	24,909	1,029	(1,010)	52,423
<u>Non-directly attributable costs</u>						
Personnel expenses	(6,122)	(3,267)	(7,261)	(400)	(622)	(17,672)
Lending costs	(2,083)	(1,111)	(2,471)	(136)	-	(5,801)
Other administrative expenses	(506)	(270)	(600)	(33)	(49)	(1,457)
Depreciation and amortization	(306)	(163)	(363)	(20)	(453)	(1,304)
Other operating expenses	(3,670)	(1,958)	(4,353)	(239)	(1,739)	(11,959)
Total Non-directly attributable costs	(12,686)	(6,769)	(15,047)	(828)	(2,862)	(38,193)
Gross Product Margin	6,350	1,690	9,862	201	(3,872)	14,231
Gross Product Margin, %	16.3	8.1	21.4			
Unallocated finance income						49
Finance expenses	(735)	(878)	(1,862)	(237)	(17)	(3,729)
Unallocated finance expenses	-	-	-	-	-	(1,094)
Finance Costs, net	(735)	(878)	(1,862)	(237)	(17)	(4,774)

Net product margin	5,614	812	8,000	(36)	(3,889)	9,456
Net product margin, %	14.4	3.9	17.3			
Accounts receivable – consumer loans	30,301	36,154	76,707	9,750	704	153,615
Unallocated assets						103,170
Unallocated liabilities						173,535

*Includes Mobile Bank, FerBuy and Ferratum P2P

Business Segments In the Nine Months ended 30 September 2015

EUR '000	Microloan	PLUS Loan	Credit Limit	Ferratum Business (SME)	Other*	Total
Revenue	43,877	8,279	26,889	105	28	79,179
Shares in Revenue, %	55.4	10.5	34.0	0.1	0.0	100.0
<u>Directly attributable costs</u>						
Impairments	(17,166)	(2,312)	(5,195)	(75)	(56)	(24,803)
Marketing	(4,054)	(2,181)	(6,784)	(9)	(818)	(13,845)
Attributable Product Margin	22,657	3,786	14,911	21	(845)	40,530
<u>Non-directly attributable costs</u>						
Personnel expenses	(6,325)	(1,194)	(3,876)	(15)	(303)	(11,714)
Lending costs	(2,785)	(526)	(1,707)	(7)	-	(5,024)
Other administrative expenses	(344)	(65)	(211)	(1)	(23)	(643)
Depreciation and amortization	(528)	(100)	(323)	(1)	(0)	(952)
Other operating expenses	(5,357)	(1,011)	(3,283)	(13)	(320)	(9,984)
Total Non-directly attributable costs	(15,340)	(2,894)	(9,401)	(37)	(647)	(28,318)
Gross Product Margin	7,318	892	5,511	(15)	(1,492)	12,212
Gross Product Margin, %	16.7	10.8	20.5			
Unallocated finance income						285
Finance expenses	(1,025)	(335)	(1,584)	(40)	(2)	(2,986)
Unallocated finance expenses						(116)
Finance Costs, net	(1,025)	(335)	(1,584)	(40)	(2)	(2,817)
Net product margin	6,293	557	3,926	(56)	(1,494)	9,395
Net product margin, %	14.3	6.7	14.6			
Accounts receivable – consumer loans	32,136	10,498	49,674	1,265	60	93,633
Unallocated assets						43,488
Unallocated liabilities						62,452

*Includes Mobile Bank, FerBuy and Ferratum P2P

Revenue Domestic

EUR '000	Jan-Sept 2016	Jan-Sept 2015
Revenue international	84,538	60,452
Revenue, domestic	24,107	18,727
Total Revenue	108,645	79,179

Revenue Of Business Segments Geographically

Additionally to operating segments represented by different types of products the management of Ferratum Group continues analysis of revenue by geographical principle. All the countries where the Group has operating activities are combined into the following four regions: Nordics, BCN, Northeast, Southeast and West. The detailed list of countries within each region together with the total regions' revenues for the nine months ended September 30, 2016 and nine months ended September 30, 2015 are presented in the following table:

EUR '000		Jan-Sept 2016	Jan-Sept 2015
Nordics	Finland, Sweden, Denmark, Norway	43,072	27,756
BCN	Netherlands, UK, New Zealand, Australia, Canada	18,010	15,880
Northeast	Estonia, Latvia, Lithuania, Poland, Czech, Slovakia, Russia Bulgaria, Romania, Croatia, Spain, Germany, France,	32,913	27,880
Other (Southeast, West)	Mexico	14,650	7,664
Total Revenue		108,645	79,179

Account Receivable – Consumer Loans

EUR '000	Sept 30, 2016	Dec 31, 2015
Accounts receivable – consumer loans (gross)	212,064	155,890
Less: provision for impairment of loan receivables	(58,448)	(49,131)
Accounts receivable – consumer loans (net)	153,615	106,758

The Group does not have a material amount of individually impaired loan receivables. The ageing analysis of loan receivables that are collectively assessed for impairment is as follows:

EUR '000	Sept. 30, 2016				Dec. 31, 2015			
	GBV	Impairments	NBV	Impaired loan coverage ratio in %	GBV	Impairments	NBV	Impaired loan coverage ratio in %
Not due	124,939	(6,038)	118,901	4.8	81,686	(3,991)	77,695	4.9
1-90 days due	18,078	(4,823)	13,255	26.7	16,800	(4,769)	12,031	28.4
91-180 days due	14,772	(6,687)	8,085	45.3	11,832	(5,661)	6,172	47.8
> 181 days due	54,275	(40,901)	13,374	75.4	45,571	(34,711)	10,860	76.2
Total	212,064	(58,448)	153,615	27.6	155,890	(49,131)	106,758	31.5

The Group uses an allowance account to recognise the impairment losses on consumer loans. Reconciliation of movements in the allowance account is as follows:

EUR '000	Jan-Sept 2016	Jan-Sept 2015
Provision for impairment as of January 1	(49,131)	(44,181)
Provisions accruals	(35,232)	(24,803)
Amounts fully reserved and booked out	25,915	18,695
Provision for impairment as of September 30 (58,448)	(58,448)	(50,289)

9 Identity of Directors, Senior Management, Advisors, Auditors and Objectives of the Issuer and Guarantor

9.1 Directors

9.1.1 Directors of the Issuer

The Issuer is currently managed by a board of four directors entrusted with the overall direction and management of the Issuer. The Board currently consists of the Chairman, one Executive Director and two Non-Executive Directors. The business address of each Director is the registered address of the Issuer.

Jorma Jokela, CEO Ferratum Group, since 2005 and the Chairman of the Board of Ferratum Bank p.l.c., since 2012

1998 Founder of staffing services company Jokela Capital
(acquired by CapMan in 2004)

Holds approximately 57.43% of Ferratum Oyj's shares

Lea Liigus, Head of Legal & Compliance of the Ferratum Group, since 2006 and CEO and Executive Director of Ferratum Bank p.l.c., since 2012

Previously a lecturer at the Estonian Business School in Tallinn and as an attorney-at-law specialized in commercial, financial law and EU law at Sorainen OÜ in Estonia.

Tonio Fenech, Non-Executive Director, since 2014

Served in the Government of Malta as Minister of Finance, Economy and Investment from March 2008 till March 2013. Before entering politics, he was a Senior Consultant within the management consultancy practice of PwC Malta.

Esa Tapani Teravainen, Non-Executive Director, since 2012

President and Chairman of the Board of Management of ZAO Svenska Handelsbanken in Moscow since November 2008. Previously Head Corporate Banking International of the Russian subsidiary bank Orgresbank of Nordea Bank PLC.

9.1.2 Directors of the Guarantor

Guarantor's Board of Directors consists of the following persons:

Pieter van Groos, Non-Executive Director since 2015 and Chairman since 2016

Pieter van Groos was born in 1961 in the UK. He studied Business Economics and Law at the Erasmus University, Rotterdam, the Netherlands. He has a strong international business leadership track record in industry, management consulting and financial services with Exxon-Mobil (1986-1994), McKinsey & Company (1994-1998), General Electric (1998-2008), private equity and ventures. In banking, he served as Chairman and CEO of GE Money Bank Czech Republic, CEO of GE Money Bank Austria and held a variety of board positions of financial institutions in Switzerland and Eastern Europe.

Jorma Jokela, Executive Director and CEO, since 2005

Jorma Jokela is the CEO and the founder of the Group. He studied accounting at the Commercial College of Kuopio and the Finnish Business School. He is the founder of Jorma Capital Oy in Helsinki, where he headed the company as CEO from 1998 to 2000. He subsequently sold the Jokela Capital business in 2004. In 2005, he founded the Group and has been its CEO since then.

Lea Liigus, Executive Director and Head of Legal & Compliance, since 2006

Lea Liigus is the head of the legal department of the Group and is the CEO of the Issuer. She studied law at the University of Tartu in Estonia and completed a master of law (LL.M) program in contract and commercial law at the University of Helsinki in Finland. Before she joined the Group in 2006, she worked as a lecturer for commercial law and EU law at the Estonian Business School in Tallinn and as an attorney-at-law specialized in commercial, financial law and EU law at Sorainen OÜ in Estonia.

Juhani Vanhala, Non-Executive Director, since 2006, Board Chairman 2009-2012

Juhani Vanhala has been a member of the Board of Directors since 2005. He studied engineering in Finland between 1974 and 1981. His management experience includes serving as the head of the reliability unit at Teollisuuden Voima Oy from 1984 to 1986, as director of risk management from 1986 to 1990 at Tapiola Insurance Company, as director of Ekono Engineering Oy from 1990 to 1993, as president and partner of RAMSE Consulting Oy between 1993 and 2011, as president of Savcor One Oy from 2001 to 2003, as CEO of VIA Group Oy and as CEO of Respace Oy between 2003 and 2006 and as Chief Development Officer at Empower Group Oy. Currently, he works at Empower Oy as Business line director for centralized and professional services.

Erik Ferm, Chairman and Non-Executive Director, since 2012, Board Chairman 2012-2016

Erik Ferm is the chairman of the Board of Directors. He studied business administration at the Stockholm School of Economics in Sweden from 1986 to 1990. After graduating from university, he was a manager at PwC from 1991 to 1993, a partner at Maizels, Westerberg & Co in London from 1993 to 2000, an investment director at UBS Capital in London, a partner at Palamon Capital Partners in London until 2012 and since then, has been working as a director and a board member of GP Chambers. He joined the board of the Group in 2012.

Jouni Hakanen, Non-Executive Director, since 2016

Jouni Hakanen has been appointed to the board in 2016. He has vast expertise in digital business and technology strategy, obtained in the course of both leading and building multiple international businesses and consulting companies. For the past 15 years he has been employed by Accenture, during which time he has held several leadership positions. Before his consulting career Jouni Hakanen has acted as managing director for international packaging companies such as Polarcup Singapore Pte Ltd and for the pharmaceutical company Leiras Singapore Pte Ltd. In his earlier career he has occupied several corporate leadership roles in international companies such as Huhtamäki Oyj and Nokia Oyj. He has an academic major in Economics and International Management from the Anderson School of Management at the University of New Mexico, as well as an MBA from the

Finnish Institute of Export.

The business address of each Director is the registered office of the Guarantor.

9.2 Senior Management

9.2.1 Senior Management of the Issuer

The Issuer's Board chairman, Jorma Jokela, is one of the pioneers of consumer lending and has continuously driven the performance and innovation of the Group since 2005. As the ultimate majority shareholder of the Issuer, Jorma Jokela is committed to remaining a driving force in its future growth, and intends to remain the majority shareholder in the long-term.

Lea Liigus, the Bank's CEO, joined the Group in 2006, and also heads its legal function. The Bank's CEO leads the Executive Committee of the Bank, with all functional managers within the Bank reporting to her. The CEO is ultimately responsible for all executive matters as she is entrusted by the Board to execute the Issuer's strategy.

In addition, the Issuer's key management consists of highly-experienced operational, IT, compliance, legal and finance specialists, as well as risk and data management experts which have different functional responsibilities and are responsible for leading the respective functions. The expertise of the Issuer's management team is an important factor for further growth and for the continuous optimization of the business model.

9.2.2 Senior Management of the Guarantor

The senior management team of the Guarantor consists of the following:

Jorma Jokela, CEO Ferratum Group, since 2005

1998 Founder of staffing services company Jokela Capital (acquired by CapMan in 2004)

Holds 57.43% of Ferratum's shares

Dr. Clemens Krause, CFO Ferratum Group, since 2012

Managing Director Ferratum Deutschland GmbH, since 2013. Formerly in management positions at Commerzbank, GE-Money, E-Loan, E*Trade, Deutsche Bahn, Bankgesellschaft Berlin

Lea Liigus, Head of Legal & Compliance since 2006

Previously lawyer at Sorainen, lecturer at Estonian Business School

Saku Timonen, Head of Regions, since 2009

M.Sc. (Econ.) Previously manager at GE Money and product and account Manager at Sampo Bank

Ari Tiukkanen, Commercial Directors, since 2015

BSc (engineering). Head of Building & Industry business at Metsä Wood, CEO of Icare Finland / Revenio Group, commercial director of Paloheimo Group, head of Building Products business line at Finnforest.

9.3 Conflicts of interest

The Board of Directors and the Senior Management of the Issuer and the Guarantor have declared that they do not have any interests outside the Issuer and/or Guarantor, which would conflict the interests of the Issuer and/or the Guarantor.

9.4 Listing Agent to the Issuer and the Guarantor and Trustee to the Bondholders

9.4.1 Listing Agent

Full legal and commercial name: ISE Listing Services
Registered Address: 28, Anglesea Street, Dublin 2, Ireland

ISE Listing Services is acting on behalf of the Issuer.

9.4.2 Trustee

Full legal and commercial name: Nordic Trustee Oy
Registered Address: Mikonkato 1b, 00100, Helsinki, Finland

Nordic Trustee Oy is acting on behalf of the Bondholders in accordance with Clause 13.20 (Appointment and Replacement of the Trustee).

9.5 Statutory auditors

9.5.1 The financial statements of the Issuer for the periods ended 31 December 2014 and 31 December 2015 have been audited by PwC Malta of 78, Mill Street, Qormi, QRM3101, Malta. PwC Malta is a firm of certified public accountants holding a practicing certificate to act as auditors in terms of the Accountancy Profession Act, 1979 (Chapter 281 of the laws of Malta) and is registered with the Accountancy Board (registration number AB/26/84/38).

9.5.2 The financial statements of the Guarantor for the years ended 31 December 2014 and 31 December 2015 have been audited by PricewaterhouseCoopers Oy of Itämerentori 2, FI-00101 Helsinki, Finland. PricewaterhouseCoopers Oy are members of the Finnish Institute of Authorised Public Accountants (KHT-yhdistys) having a business identification number of 0486406-8.

9.6 Objectives of the Issuer and Guarantor

9.6.1 The objects of the Issuer, as per its Memorandum of Association, are the undertaking of the business of banking, as defined and in accordance with the Banking Act (Chapter 371 of the Laws of Malta) and to execute all kinds of banking and financial operations in all currencies with any person, company, firm partnership or other entity, whether in Malta or elsewhere, in accordance the applicable licence conditions issued by the competent authority. The Issuer's objects accordingly include the business of accepting deposits of money from the public, withdrawable or repayable on demand or after a fixed period or after notice and borrowing or raising money from the public, in either case for the purpose of employing such money in whole or in part by lending to others or otherwise investing for the account and at the risk of the Issuer.

9.6.2 According to Article 2 to the Articles of Association of the Guarantor, the line of business of the Guarantor is to provide financing services, such as the provision of consumer credit, microloans and other loans as well as other financing. The Guarantor may conduct its business directly on its own or through subsidiaries or associated companies. The Guarantor may, as the parent company of the Group, offer its subsidiaries and affiliate companies financing services and administrative services.

10 Corporate Governance Practices

10.1 The Issuer

The Issuer's governance structure comprises two Board Committees and one Management Committee, namely the Audit Committee, the Risk Management Committee and the Executive Committee, respectively. Specific responsibilities are delegated to each Committee.

10.1.1 The Audit Committee

The purpose of the Audit Committee, which is composed of two independent non-executive Directors, is to oversee the quality and integrity of the Issuer's financial reports, particularly, the key financial judgments within them. The Audit Committee also reviews accounting policies and financial statement disclosures, the Issuer's compliance with legal and regulatory requirements, the qualifications, performance and independence of the external auditor and the quality of the Issuer's internal controls. To date the Issuer has not yet appointed an internal auditor, and consequently this committee has not approved an internal audit plan.

The Audit Committee reports on the work performed and on any matters of substance, which comes to their attention during the next Board meeting through the Chairman of the Committee.

10.1.2 The Risk Management Committee

The Risk Management Committee is responsible for overseeing the policy and framework for all banking and operational risks. The Committee is responsible for developing and overseeing the risk management framework, including the Bank's risk appetite and tolerance, and for ensuring on-going execution of all risk policies.

The Risk Committee specifically monitors, inter alia, credit risk, quarterly reporting relating to regulatory requirements, operational risk, currency risk, the Issuer's liquid asset requirement, as well as its capital adequacy ratio.

10.1.3 The Executive Committee

The Board delegates the responsibility for the day-to-day management of the Issuer to the Executive Committee. The CEO chairs the Executive Committee, which is responsible for ensuring that the Issuer is operating effectively. The Executive Committee considers the Issuer's strategic progress, and is directly responsible for its credit risk and asset and liability management.

The Issuer's current size and structure does not require a fully-fledged Nominations and Remunerations Committee. Accordingly, the Board assumes responsibility for reviewing the composition of the Board Committees and for reviewing remuneration levels across the Issuer.

10.1.4 The Assets and Liabilities Committee (ALCO)

The ALCO is currently responsible to monitor the liquidity position of the Issuer and liquidity management activities undertaken by the Issuer, including wholesale funding activities, maturity terms for new deposits and loans, contingency funding and any other relevant liquidity measurements the ALCO deems advisable or appropriate. Additionally, the ALCO, ensures that Management has established processes and procedures to meet current and anticipated funding needs, that contingency plans are in place to meet unexpected funding requirements, and that such arrangements are tested regularly.

10.2 The Guarantor

The Guarantor has established three permanent committees: the Audit Committee, the Remuneration Committee and the Risk Committee. The Guarantor's Board of Directors has confirmed rules of procedure for these committees in accordance with the Finnish Corporate Governance Code.

The Audit Committee is composed of Pieter van Groos (chairman), Juhani Vanhala and Erik Ferm. All members of the audit committee are independent of the Guarantor and independent of significant shareholders.

The Remuneration Committee is formed by Juhani Vanhala (chairman), Lea Liigus and Pieter van Groos. Juhani Vanhala and Pieter van Groos are independent of the significant shareholders and are independent of the Guarantor.

The Risk Committee is composed of Erik Ferm (chairman), Clemens Krause and Lilita Gribonka. Erik Ferm is independent of significant shareholders and is independent of the Guarantor.

11 Major shareholders

11.1 Shareholders' equity of Issuer

The Issuer's current authorised and issued share capital is €10,000,000 divided into 10,000,000 ordinary shares of €1.00 each, fully paid up. The issued share capital of the Issuer is divided as follows: Ferratum (Malta) Holding Limited holds 9,999,999 ordinary shares of €1.00 each, and Ferratum Oyj holds 1 ordinary share of €1.00.

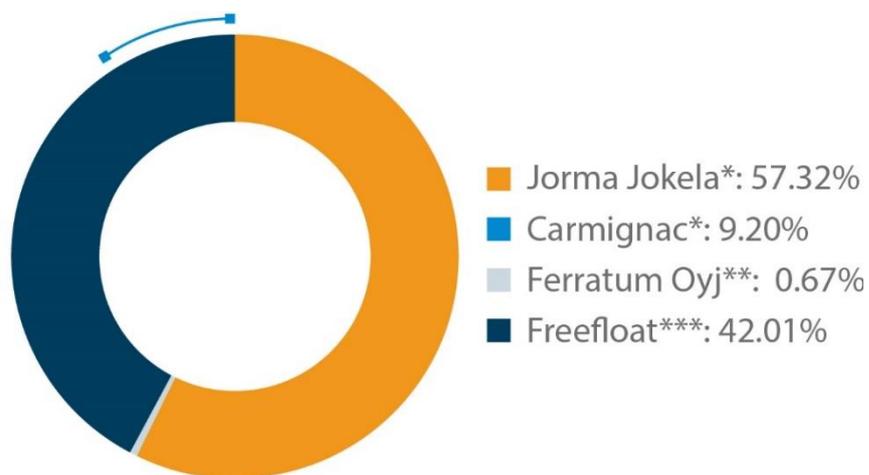
There are no classes of shares and each share confers the right to one (1) vote at general meetings of the Issuer.

The authorised share capital of the Issuer may be increased by an ordinary resolution of the shareholders in general meeting. In terms of the Issuer's Memorandum and Articles of Association none of the capital shall be issued in such a way as would effectively alter the control of the Issuer or nature of its business, without the prior approval of the Issuer in general meeting.

The shares of the Issuer are not listed on any stock exchange, and no application for such listing has been made to date.

11.2 Guarantor Shareholding

The share capital of the Guarantor amounts to EUR 10,133,560. A total of 21,723,960 ordinary shares have been issued. The chart below portrays the current shareholder structure:



* Shareholders holding above 5% of the shares, based on the latest shareholder notifications received

** Treasury shares

*** Free float includes shares held by Carmignac as well as shares from employees and management

12 Financial information concerning the Issuer's and Guarantor's assets and liabilities, financial position and profits and losses

12.1 Historical financial information

The historical financial information for the two financial periods ended 31 December 2014 and 31 December 2015 as audited by PwC in Malta (in the case of the Issuer) and PricewaterhouseCoopers Oy in Helsinki, Finland (in the case of the Guarantor) are set out in the financial statements of the Issuer and in the consolidated financial statements of the Guarantor. Such financial statements are both available on display at the Issuer's registered address.

12.2 Age of latest financial information

The latest audited financial statements available in respect of the Issuer relate to the financial year ended 31 December 2015 as approved for issuance by the Board of Directors on the 15 April 2016.

The latest audited consolidated financial statements available in respect of the Guarantor relate to the financial year ended 31st December 2015 as approved for issuance by the Board of Directors on 23 March 2016.

12.3 Significant change in the Issuer's or Guarantor's financial or trading position

There has not been any significant change in the Issuer's or Guarantor's financial or trading position since 30 September 2016.

13 Information concerning the Bonds

This section sets out the Terms and Conditions of the Bonds, subject to completion and should be read in conjunction with the relevant Final Terms.

All capitalised terms that are not defined in these Terms and Conditions will have the meanings given to them in the relevant Final Terms.

13.1 Introduction

13.1.1 Ferratum Bank p.l.c. (the "**Issuer**") has established a Bond Issuance Programme (the "**Programme**") to issue up to EUR 60,000,000 in aggregate principal amount of Bonds.

13.1.2 Bonds will be issued in Tranches, each Tranche consisting of Bonds which are identical in all respects except for issue dates, interest commencement dates and/or issue prices. Each Tranche is subject to the Final Terms. The first Tranche will be called the "Initial Bond" as defined in Clause 13.2 and each subsequent Tranche is called a "Subsequent Bond" also as defined in Clause 13.2. The Terms and Conditions applicable to any particular Tranche of Bonds are these Terms and Conditions as completed by the relevant Final Terms.

13.2 Definitions and Construction

13.2.1 Definitions

In these Terms and Conditions:

"**Accounting Principles**" means international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time/as in force on the First Issue Date).

"**Additional Amount**" has the meaning set forth in Clause 13.8(e).

"**Adherence**" means the undertaking by the Guarantor, pursuant to the Guarantee and Adherence Agreement, to comply with any undertakings of the Guarantor set out in these Terms and Conditions.

"**Adjusted Nominal Amount**" means the Total Nominal Amount less the Nominal Amount of all Bonds owned by a Group Company or an Affiliate, irrespective of whether such person is directly registered as owner of such Bonds.

"**Affiliate**" means (i) an entity controlling or under common control with the Issuer, other than a Group Company, and (ii) any other person or entity owning any Bonds (irrespective of whether such person is directly registered as owner of such Bonds) that has undertaken towards a Group Company or an entity referred to in item (i) to vote for such Bonds in accordance with the instructions given by a Group Company or an entity referred to in item (i). For the purposes of this definition, "**control**" means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of an entity, whether through ownership of voting securities, by agreement or otherwise.

"**Agency Agreement**" means the agency agreement entered into on or before the First Issue Date, between the Issuer and the Trustee, or any replacement agency agreement entered into after the First Issue Date between the Issuer and a trustee.

"**Applicable Premium**" means the higher of:

- (a) the present value on the relevant record date of 103.125 per cent. of the Nominal Amount as if such payment originally should have taken place on the Interest Payment Date falling the First Call Date; and
- (b) the present value on the relevant record date of the remaining coupon payments (assuming that the Interest Rate will be equal to the interpolated EUR mid-swap rate plus the Margin), less any accrued but unpaid interest, through and including the First Call Date,

each calculated by using a discount rate of 50 basis points over the comparable German government bond rate (i.e. comparable to the remaining duration of the Bonds until the First Call Date) (plus accrued interest on redeemed amount) and where "relevant record date" shall mean a date agreed upon between the Trustee, the CSD and the Issuer in connection with such repayment.

"Bondholder" means the person who is registered in the register maintained by the CSD pursuant to Clause 2 of Section 3 of Chapter 6 of the Book-Entry System Act as direct registered owner (*omistaja*) or nominee (*hallintarekisteröinnin hoitaja*) with respect to a Bond.

"Bondholders' Meeting" means a meeting among the Bondholders held in accordance with Clause 13.17 (*Bondholders' Meeting*).

"Bond" means a debt instrument for the Nominal Amount and of the type referred to in Clause 1 of Section 34 of the Act on Promissory Notes (*Velkakirjalaki 622/1947, as amended*) (*joukkovelkakirja*) and which are governed by and issued under these Terms and Conditions, including the Initial Bonds and any Subsequent Bonds.

"Book-Entry Securities System" means the Infinity system being part of the book-entry register maintained by the CSD or any other replacing book-entry securities system.

"Book-Entry System Act" means the Finnish Act on Book-Entry System and Clearing Operations (*Laki arvo-osuusjärjestelmästä ja selvitystoiminnasta 749/2012, as amended*).

"Business Day" means a day on which the deposit banks are generally open for business in Helsinki.

"Business Day Convention" means the first following day that is a CSD Business Day unless that day falls in the next calendar month, in which case that date will be the first preceding day that is a CSD Business Day.

"Capital Adequacy Report" means the latest regulatory capital adequacy report filed by the Issuer with the relevant financial supervisory authority.

"Capital Cover Ratio" means the ratio of (A) the Issuer and its Subsidiaries total capital ratio, defined as its own funds (consisting of CET1 capital, additional tier 1 capital and tier 2 capital) as defined in article 72 of CRR, as amended or replaced from time to time, expressed as a percentage of the total risk exposure amount as defined in article 92.3 of CRR, as amended or replaced from time to time, as reported by the Issuer to the relevant financial supervisory authority in accordance with applicable legal requirements in its most recent quarterly regulatory capital adequacy report on a consolidated basis, to (B) the legal minimum requirement set out in article 92.1(c) of CRR, as amended or replaced from time to time.

"Capital Market Indebtedness" means any present or future indebtedness (whether being principal, premium, interest or other amounts) in respect of borrowed money which is in the form of, or represented by, bonds, notes or any similar securities which are or are capable of being quoted, listed or traded on any stock exchange or other recognized and regulated securities market or certificates of indebtedness, where the repayable amount exceeds EUR 2,000,000.

"Change of Control Event" means the occurrence of an event or series of events whereby:

- (a) Jorma Jokela ceases to own and control more than fifty (50) per cent. of the share capital and votes in the Guarantor, or
- (b) in case of a new share issue following the First Issue Date (i) Jorma Jokela ceases to own and control more than thirty-five (35) per cent. of the share capital and votes in the Guarantor, and (ii) one or more persons acting together acquire control over the Guarantor and where **"control"** means (A) acquiring or controlling, directly or indirectly, more than fifty (50) per cent. of the voting shares of the Guarantor, or (B) the right to, directly or indirectly, appoint or remove the whole or a majority of the directors of the board of directors of the Guarantor.

"Compliance Certificate" means a certificate, in form and substance reasonably satisfactory to the Trustee, signed by the Guarantor and the Issuer certifying that so far as it is aware no Event of Default is continuing or, if it is aware that such event is continuing, specifying the event and steps, if any, being taken to remedy it. If the Compliance Certificate is provided in connection with the Maintenance Test, the certificate shall include calculations and figures in respect of the Maintenance Test for the relevant Reference Date, including the Issuer's Capital Adequacy Report as well as the calculation of the Capital Cover Ratio.

"CRR" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms, as amended or replaced from time to time.

"CSD" means the Issuer's central securities depository and registrar in respect of the Bonds, from time to time, initially Euroclear Finland Oy, business identity code 1061446-0, Urho Kekkosen katu 5 C, P.O. Box 1110, 00101 Helsinki.

"CSD Business Day" means a day on which the Book-Entry Securities System is open in accordance with the regulations of the CSD.

"EBIT" means, in respect of the Relevant Period, the consolidated operating profit of the Group from ordinary activities according to the latest Financial Report(s):

- (a) before deducting any amount of tax on profits, gains or income paid or payable by any member of the Group;
- (b) before deducting any interest payments in respect of Financial Indebtedness;
- (c) before taking into account any restructuring costs or any extraordinary items or non-recurring items which are not in line with the ordinary course of business; and
- (d) before taking into account any Transaction Costs.

"Euro" and **"EUR"** means the single currency of the participating member states in accordance with the legislation of the European Community relating to Economic and Monetary Union.

"EURIBOR" means:

- (a) the applicable percentage rate per annum displayed on Reuters screen EURIBOR01 (or through another system or website replacing it) as of or around 11.00 a.m. (Brussels time) on the Quotation Day for the offering of deposits in Euro and for a period comparable to the relevant Interest Period; or
- (b) if no screen rate is available for the relevant Interest Period, the arithmetic mean of the rates (rounded upwards to four decimal places), as supplied to the Issuing Agent at its request quoted by leading banks in the Helsinki interbank market reasonably selected by the Issuing Agent, for deposits of EUR 10,000,000 for the relevant period; or

- (c) if no quotation is available pursuant to paragraph (b), the interest rate which according to the reasonable assessment of the Issuing Agent best reflects the interest rate for deposits in Euro offered for the relevant period; and

if any such rate is below zero, EURIBOR will be deemed to be zero.

"Event of Default" means an event or circumstance specified in any of the Clauses 13.14.1 (*Non-Payment*) to and including Clause 13.14.9 (*Continuation of the Business*).

"Equity" means the equity as reported in the Group's balance sheet in accordance with the Accounting Principles of the Group.

"Existing Bond" means the EUR 20,000,000 outstanding bond with ISIN: MT0000911207, as issued by the Issuer on 22 July 2015.

"Final Maturity Date" means 15 March 2020.

"Finance Documents" means these Terms and Conditions, the Guarantee and Adherence Agreement, the Agency Agreement and any other document designated by the Issuer and the Trustee as a Finance Document.

"Financial Indebtedness" means:

- (a) monies borrowed or raised (including any bank financing or Capital Market Indebtedness);
- (b) the amount of any liability under any finance leases (a lease which in accordance with the Accounting Principles applicable on the First Issue is treated as an asset and a corresponding liability) and for the avoidance of doubt, any leases treated as operating leases under the Accounting Principles applicable to the Group as of the First Issue Date shall not, regardless of any subsequent changes or amendments of the accounting principles, be considered as finance or capital leases;
- (c) receivables sold or discounted (other than on a recourse basis provided that the requirements for de-recognition under the Accounting Principles are met);
- (d) any amount raised pursuant to any note purchase facility or the issue of any bond or note or similar instrument;
- (e) any other transaction (including any forward sale or purchase agreement) having the commercial effect of a borrowing or otherwise being classified as borrowing under the Accounting Principles;
- (f) the market to market value derivative transactions entered into in connection with protection against or benefit from fluctuation in any rate or price (if any actual amount is due as a result of a termination or a close-out, such amount shall be used instead);
- (g) counter-indemnity obligations in respect of guarantees, indemnity, bond, standby or documentary letter of credit or other instruments issued by a bank or financial institution; and
- (h) (without double counting) liabilities under guarantees or indemnities for any of the obligations referred to in paragraphs (a) to (g) above.

"Financial Report" means the Issuer's and the Group's annual audited consolidated financial statements or quarterly interim unaudited reports of the Issuer and the Group, which shall be prepared and made available in accordance with Clause 13.11.1(a)(i) and Clause 13.11.1(a)(ii).

"First Call Date" means the date falling twenty-one (21) months after the First Issue Date.

"First Issue Date" means 15 December 2016.

"Guarantor" means Ferratum Oyj, a public limited liability company incorporated under the laws of Finland, with Reg. No. 1950969-1.

"Group" means the Guarantor and its Subsidiaries (including the Issuer) from time to time (each a **"Group Company"**).

"Guarantee" means the irrevocably and unconditionally, jointly and severally, as principal obligor, guarantee provided by the Guarantor in relation to the punctual performance by the Issuer of all of the amounts outstanding under the Finance Documents, including, but not limited to, the Bonds, plus accrued interest and expenses, on the terms set out in the Guarantee and Adherence Agreement.

"Guarantee and Adherence Agreement" means the agreement between the Guarantor and the Trustee relating to the Guarantee and the Adherence granted and provided for by the Guarantor.

"Initial Bonds" means the Bonds issued on the First Issue Date.

"Insolvent" means, in respect of a relevant person, that it is deemed to be insolvent within the meaning of Section 1 of Chapter 2 of the Finnish Bankruptcy Act (*Konkurssilaki 120/2004*, as amended) (or its equivalent in any other jurisdiction), admits inability to pay its debts as they fall due, suspends making payments on any of its debts, (iv) by reason of actual financial difficulties commences negotiations with its creditors (other than the Bondholders) with a view to rescheduling any of its indebtedness (including company reorganisation under the Finnish Act on Company Reorganisation (*Laki yrityksen saneerauksesta 47/1993*, as amended) (or its equivalent in any other jurisdiction)) or is subject to involuntary winding-up, dissolution or liquidation.

"Interest" means the interest on the Bonds calculated in accordance with Clauses 13.9(a) to 13.9(c).

"Interest Payment Date" means 15 March, 15 June, 15 September and 15 December of each year or, to the extent such day is not a CSD Business Day, the CSD Business Day following from an application of the Business Day Convention. The first Interest Payment Date for the Bonds shall be 15 March 2017 and the last Interest Payment Date shall be the relevant Redemption Date.

"Interest Period" means (i) in respect of the first Interest Period, the period from (and including) the First Issue Date to (but excluding) the first Interest Payment Date, and (ii) in respect of subsequent Interest Periods, the period from (and including) an Interest Payment Date to (but excluding) the next succeeding Interest Payment Date (or a shorter period if relevant).

"Interest Rate" means EURIBOR (3 months) plus the Margin.

"Issuer" means Ferratum Bank p.l.c., a public limited liability company incorporated under the laws of Malta with Reg. No. C56251.

"Issuing Agent" means the issuing agent (*liikkeeseenlaskijan asiamies*) of the Bonds, being Nordea Bank Finland Plc, or another party replacing it as Issuing Agent in accordance with the regulations of the CSD.

"Maintenance Test" means the Guarantor's test of its Net Debt to Equity in accordance with Clause 13.12(a) and the Issuer's test of its Capital Cover Ratio in accordance with Clause 13.12(b).

"Margin" means 6.25 per cent. *per annum*.

"Material Adverse Effect" means a material adverse effect on (a) the business, financial condition or operations of the Group taken as a whole, (b) the Issuer's or the Guarantor's ability to perform and comply

with its payment obligations under these Terms and Conditions, or (c) the validity or enforceability of these Terms and Conditions.

"Material Group Company" means the Guarantor, the Issuer and any Subsidiary representing more than ten (10) per cent. of the Total Assets or EBIT of the Group on a consolidated basis according to the latest Financial Report.

"Net Debt" means the total liabilities less cash and cash equivalents as reported in the Group's balance sheet in accordance with the Accounting Principles of the Group.

"Net Proceeds" means the proceeds from the issuance of the Initial Bonds after deduction has been made for the Transaction Costs payable by the Issuer.

"Nominal Amount" has the meaning set forth in Clause 13.3(c).

"Paying Agent" means, initially Nordea Bank Finland Plc, or any other party replacing the same as Paying Agent in accordance with the regulations of the CSD.

"Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organisation, government, or any agency or political subdivision thereof or any other entity, whether or not having a separate legal personality.

"Permitted Security" means:

- (a) any Security provided under the Finance Documents;
- (b) any Security arising by operation of law, retention of title arrangements relating to prepayments or similar arrangements in the ordinary course of business and not arising as a result of any default or omission;
- (c) any Security for, or payment or close-out netting or set-off arrangement in respect of, derivative transactions or clearing activities;
- (d) any Security or quasi-security in respect of repo transactions entered into by the Issuer in the ordinary course of its business, provided that the Security or quasi-security for each such repo transaction is discharged within six (6) months of the granting thereof;
- (e) any netting or set-off arrangement entered into in the ordinary course of its banking arrangements for the purpose of netting debit and credit balances;
- (f) any Security provided for foreign exchange transactions or interest rate hedging transactions; and
- (g) any Security provided for any guarantees or counter-indemnity obligations issued by the Issuer in the ordinary course of business.

"Proceeds Account" means a bank account of the Issuer held with a reputable bank, into which the Net Proceeds will be transferred and which has been pledged in favour of the Trustee and the Bondholders (represented by the Trustee) under the Proceeds Account Pledge Agreement.

"Proceeds Account Pledge Agreement" means the pledge agreement entered into between the Issuer and the Agent on or about the First Issue Date in respect of a first priority pledge over the Proceeds Account and all funds held on the Proceeds Account from time to time, granted in favour of the Trustee and the Bondholders (represented by the Trustee).

"Quotation Day" means, in relation to any period for which an interest rate is to be determined, two (2) Business Days before the first day of that period.

"Record Date" means:

- (a) in relation to a payment of Interest, default interest and/or redemption of the Bonds when such payment is made through the Book-Entry Securities System, the end of the first CSD Business Day prior to, as applicable, (i) an Interest Payment Date, (ii) the day on which default interest is paid, (iii) a Redemption Date or (iv) a date on which a payment to the Bondholders is to be made under Clause 13.15 (Distribution of Proceeds);
- (b) in relation to a Bondholders' Meeting and Written Procedure, the end of the CSD Business Day specified in the communication pursuant to Clause 13.17(c) or Clause 13.18(c), as applicable; and
- (c) otherwise, the end of the fifth CSD Business Day prior to another relevant date.

"Reference Dates" means 31 March, 30 June, 30 September and 31 December in each year. The first Reference Date shall be 31 March 2017.

"Redemption Date" means the date on which the relevant Bonds are to be redeemed or repurchased in accordance with Clause (d) (*If the Issuer fails to pay* any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate from (and including) the date such payment was due up to (but excluding) the date of actual payment. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Trustee or the CSD, in which case the Interest Rate shall apply instead.

Redemption and Repurchase of the Bonds).

"Regulated Market" means any regulated market (as defined in Directive 2004/39/EC on markets in financial instruments).

"Secured Parties" means the Bondholders and the Trustee (including in its capacity as Trustee under the Agency Agreement).

"Securities Act" means the U.S. Securities Act of 1933, as amended.

"Security" means a mortgage, charge, pledge, lien, security assignment or other security interest securing any obligation of any person, or any other agreement or arrangement having a similar effect.

"Subsequent Bonds" means any Bonds issued under this Programme after the First Issue Date on one or more occasions.

"Subsidiary" means, in respect of which such person, directly or indirectly, (i) owns shares or ownership rights representing more than fifty (50) per cent. of the total number of votes held by the owners, (ii) otherwise controls more than fifty (50) per cent. of the total number of votes held by the owners, (iii) has the power to appoint and remove all, or the majority of, the members of the board of directors or other governing body, or (iv) exercises control as determined in accordance with the international financial reporting standards (IFRS) within the meaning of Regulation 1606/2002/EC (or as otherwise adopted or amended from time to time)

"Total Assets" means the total assets as reported in the Group's balance sheet in accordance with the Accounting Principles of the Group.

"Total Nominal Amount" means the total aggregate Nominal Amount of the Bonds outstanding at the relevant time.

"Transaction Costs" means all fees, costs and expenses, stamp, registration and other taxes incurred by the Issuer or any other member of the Group in connection with (i) the issuance of the Initial Bonds and (ii) the listing of the Initial Bonds.

"Trustee" means Nordic Trustee Oy, business identity code 2488240-7, Mikonkatu 1b, 00100 Helsinki, Finland or another party replacing it, as Trustee, in accordance with these Terms and Conditions.

"Withholding Tax Event" means an event whereby the Issuer is obliged to pay any Additional Amounts in accordance with Clause 13.8(d).

"Written Procedure" means the written or electronic procedure for decision making among the Bondholders in accordance with Clause 13.18 (*Written Procedure*).

13.2.2 Construction

- (a) Unless a contrary indication appears, any reference in these Terms and Conditions to:
- (i) "assets" includes present and future properties, revenues and rights of every description;
 - (ii) any agreement or instrument is a reference to that agreement or instrument as supplemented, amended, novated, extended, restated or replaced from time to time;
 - (iii) a "regulation" includes any regulation, rule or official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
 - (iv) an Event of Default is continuing if it has not been remedied or waived;
 - (v) a provision of law is a reference to that provision as amended or re-enacted; and
 - (vi) a time of day is a reference to Helsinki time.
- (b) When ascertaining whether a limit or threshold specified in EUR has been attained or broken, an amount in another currency shall be counted on the basis of the rate of exchange for such currency against EUR for the previous Business Day, as published by the European Central Bank on its website (www.ecb.int). If no such rate is available, the most recently published rate shall be used instead.
- (c) A notice shall be deemed to be sent by way of press release if it is made available to the public within the European Economic Area promptly and in a non-discriminatory manner.
- (d) No delay or omission of the Trustee or of any Bondholder to exercise any right or remedy under the Finance Documents shall impair or operate as a waiver of any such right or remedy.

13.3 Status of the Bonds

- (a) The Bonds are denominated in Euro, and each Bond is constituted by these Terms and Conditions. The Issuer undertakes to make payments in relation to the Bonds and to comply with these Terms and Conditions.

- (b) By subscribing for Bonds, each initial Bondholder agrees that the Bonds shall benefit from and be subject to the Finance Documents and by acquiring Bonds, each subsequent Bondholder confirms such agreement.
- (c) The nominal amount of each Initial Bond is EUR 100,000 (the "**Nominal Amount**"). The maximum total nominal amount of the Initial Bonds is EUR 25,000,000. All Initial Bonds are issued on a fully paid basis at an issue price of 100 per cent. of the Nominal Amount. The issue price of any Subsequent Bond shall be set out in the relevant Final Terms.
- (d) Provided that no Event of Default is continuing or would result from such issue, the Issuer may, at one or several occasions, issue Subsequent Bonds. Subsequent Bonds shall benefit from and be subject to the Finance Documents, and, for the avoidance of doubt, the ISIN, the interest rate, the nominal amount and the final maturity applicable to the Initial Bonds shall apply to Subsequent Bonds. The price of the Subsequent Bonds may be set at a discount or at a premium compared to the Nominal Amount. The maximum total nominal amount of the Bonds (the Initial Bonds and all Subsequent Bonds) may not exceed EUR 60,000,000 unless a consent from the Bondholders is obtained in accordance with Clause 13.16(e)(i). Each Subsequent Bond shall entitle its holder to Interest in accordance with Clause 13.9(a), and otherwise have the same rights as the Initial Bonds.
- (e) The Bonds constitute direct, unconditional, unsubordinated and unsecured obligations of the Issuer and shall at all times rank at least *pari passu* with all direct, unconditional, unsubordinated and unsecured obligations of the Issuer, except obligations which are mandatorily preferred by law, and without preference among them.
- (f) The Bonds are freely transferable but the Bondholders may be subject to purchase or transfer restrictions with regard to the Bonds, as applicable, under local laws to which a Bondholder may be subject. Each Bondholder must ensure compliance with such restrictions at its own cost and expense.
- (g) No action is being taken in any jurisdiction that would or is intended to permit a public offering of the Bonds or the possession, circulation or distribution of any document or other material relating to the Issuer or the Bonds in any jurisdiction, where action for that purpose is required. Each Bondholder must inform itself about, and observe, any applicable restrictions to the transfer of material relating to the Issuer or the Bonds.

13.4 Use of Proceeds

The Issuer shall use the proceeds from the issue of the Initial Bonds, less the costs and expenses incurred by the Issuer in connection with the issue of the Initial Bonds, to refinance the Existing Bond through settlement in cash or in kind against Initial Bonds, and for general corporate purposes.

13.5 Conditions Precedent

- (a) The payment of the Net Proceeds to the Proceeds Account is subject to the Trustee having received documents and evidence of the Proceeds Account Pledge Agreement being duly executed and perfected.
- (b) The Issuer shall provide, or procure the provision of, to the Trustee:
 - (i) certificates of registration, articles of association of the Issuer and each other party to a Finance Document;
 - (ii) copies of necessary corporate resolutions of the Issuer and each other party to a Finance Document;

- (iii) evidence that each relevant Finance Document has been duly executed;
 - (iv) a legal opinion on the capacity, due execution validity and enforceability of the Finance Documents issued by a reputable law firm; and
 - (v) evidence that the Net Proceeds will be applied in accordance with Clause 13.4 (Use of Proceeds).
- (c) When the conditions precedent for disbursement set out in Clause 13.5(b) have been received by the Trustee, the Trustee shall instruct the bank (with which the Issuer holds the Proceeds Account) to transfer the funds from the Proceeds Account for the purpose of payments in accordance with Clause 13.4 (*Use of Proceeds*), and the Trustee shall thereafter or in connection therewith release the pledge over the Proceeds Account. The Trustee is not responsible for reviewing the documents and evidence referred to in Clause 13.5(b) from a legal or commercial perspective on behalf of the Bondholders.
- (d) If the conditions precedent for disbursement set out in Clause 13.5(b) have not been received by the Trustee within thirty (30) Business Days from the First Issue Date, the Issuer shall repurchase all Bonds at a price equal to 100 per cent. of the Nominal Amount together with any accrued Interest. Any funds distributed by the Trustee to the Bondholders in accordance with the Proceeds Account Pledge Agreement shall be deemed to be paid by the Issuer for the redemption under this Clause 13.5(d). The repurchase date shall fall no later than thirty (30) Business Days after the ending of the thirty (30) Business Days period referred to above.

13.6 Bonds in Book-Entry Form

- (a) The Bonds will be issued in dematerialised form in the Book-Entry Securities System in accordance with the Book-Entry System Act and regulations of the CSD and no physical notes will be issued.
- (b) Each Bondholder consents to the Issuer having a right to obtain information on the Bondholders, their contact details and their holdings of the Bonds registered in the Book-Entry Securities System, such as information recorded in the lists referred to in Clauses 2 and 3 of Section 3 of Chapter 6 of the Book-Entry System Act kept by the CSD in respect of the Bonds and the CSD shall be entitled to provide such information upon request. At the request of the Trustee, the Issuing Agent or the Paying Agent, the Issuer shall (and shall be entitled to do so) promptly obtain such information and provide it to the Trustee, the Issuing Agent or the Paying Agent, as applicable.
- (c) The Trustee, the Issuing Agent and the Paying Agent shall have the right to obtain information referred to in Clause 13.6(b) from the CSD in respect of the Bonds if so permitted under the regulation of the CSD. The Issuer agrees that each of the Trustee, the Issuing Agent and the Paying Agent is at any time on its behalf entitled to obtain information referred to in Clause (b) from the CSD in respect of the Bonds.
- (d) The Issuer shall issue any necessary power of attorney to such persons employed by the Trustee or the Paying Agent, as notified by the Trustee or the Paying Agent, in order for such individuals to independently obtain information directly from the debt register kept by the CSD in respect of the Bonds. The Issuer may not revoke any such power of attorney given to the Trustee unless directed by the Agent or unless consent thereto is given by the Bondholders.
- (e) The Issuer, the Trustee, the Issuing Agent and the Paying Agent may use the information referred to in Clause 13.6(b) only for the purposes of carrying out their duties and exercising their rights in accordance with these Terms and Conditions with respect to the Bonds and shall not disclose such information to any Bondholder or third party unless necessary for the before-mentioned purposes.

13.7 Right to Act on Behalf of a Bondholder

- (a) If any person other than a Bondholder wishes to exercise any rights under the Finance Documents, it must obtain a power of attorney or other proof of authorisation from the Bondholder or a successive, coherent chain of powers of attorney or proofs of authorisation starting with the Bondholder and authorising such person.
- (b) A Bondholder may issue one or several powers of attorney to third parties to represent it in relation to some or all of the Bonds held by it. Any such representative may act independently under the Finance Documents in relation to the Bonds for which such representative is entitled to represent the Bondholder and may further delegate its right to represent the Bondholder by way of a further power of attorney.
- (c) The Trustee shall only have to examine the face of a power of attorney or other proof of authorisation that has been provided to it pursuant to Clause 13.7(b) and may assume that it has been duly authorised, is valid, has not been revoked or superseded and that it is in full force and effect, unless otherwise is apparent from its face.

13.8 Payments in Respect of the Bonds

- (a) Any payment or repayment under the Finance Documents, or any amount due in respect of a repurchase of any Bonds, shall be made to such person who is registered as a Bondholder on the Record Date prior to an Interest Payment Date or other relevant due date in accordance with the Finnish legislation governing the Book-Entry Securities System and book-entry accounts as well as the regulations of the CSD.
- (b) If, due to any obstacle for the CSD, the Issuer cannot make a payment or repayment, such payment or repayment may be postponed until the obstacle has been removed. Interest shall accrue in accordance with Clause 13.9(d) during such postponement.
- (c) If payment or repayment is made in accordance with this Clause 13.8, the Issuer and the CSD shall be deemed to have fulfilled their obligation to pay, irrespective of whether such payment was made to a person not entitled to receive such amount.
- (d) All amounts payable by the Issuer to the Bondholders shall be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature imposed or levied by or on behalf of Finland or any authority thereof or therein unless such withholding or deduction is required by law or regulation or the interpretation or application of such laws or regulations. If such withholding or deduction is required, the Issuer will at the request of the relevant Bondholder pay such additional amounts (the "**Additional Amounts**") as are necessary in order that the net amount received by the relevant Bondholder, after such withholding or deduction, shall be equal to the respective amounts which would otherwise have been receivable in the absence of such withholding or deduction.
- (e) Notwithstanding Clause 13.8(d), no Additional Amounts shall be payable on account of any taxes or duties which:
 - (i) are payable by reason of any relevant person having, or having had, some connection with Finland other than the mere holding of the Bond(s);
 - (ii) would not be payable if a relevant person made a declaration of non-residence or similar claim for exemption to the relevant tax authority;
 - (iii) would not be payable if a relevant person could claim an exemption under a tax treaty;

- (iv) are withheld or deducted pursuant to any European Union Directive or Regulation concerning the taxation of interest income or any provision of law implementing or complying with such Directive or Regulation; or
- (v) gives rise to a tax credit that may be effectively used by a relevant person.

13.9 Interest

- (a) Each Initial Bond carries Interest at the Interest Rate from (and including) the First Issue Date up to (but excluding) the relevant Redemption Date. Any Subsequent Bonds will carry Interest at the Interest Rate from (and including) the Interest Payment Date falling immediately prior to its issuance up to (and excluding) the relevant Redemption Date.
- (b) Interest accrues during an Interest Period. Payment of Interest in respect of the Bonds shall be made to the Bondholders on each Interest Payment Date for the preceding Interest Period.
- (c) Interest shall be calculated on the basis of the actual number of days in the Interest Period in respect of which payment is being made divided by 360 (actual/360-days basis).
- (d) If the Issuer fails to pay any amount payable by it on its due date, default interest shall accrue on the overdue amount from (but excluding) the due date up to (and including) the date of actual payment at a rate which is two (2) per cent. higher than the Interest Rate from (and including) the date such payment was due up to (but excluding) the date of actual payment. Accrued default interest shall not be capitalised. No default interest shall accrue where the failure to pay was solely attributable to the Trustee or the CSD, in which case the Interest Rate shall apply instead.

13.10 Redemption and Repurchase of the Bonds

13.10.1 Redemption at maturity

The Issuer shall redeem all, but not only some, of the outstanding Bonds in full on the Final Maturity Date with an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest. If the Final Maturity Date is not a CSD Business Day, then the redemption shall occur on the CSD Business Day determined by application of the Business Day Convention.

13.10.2 Issuer's purchase of Bonds

The Issuer and each other Group Company may, subject to applicable law, at any time and at any price purchase Bonds on the market or in any other way, provided that any Bond purchased by a Group Company (other than the Issuer) will be promptly surrendered to the Issuer. The Bonds held by the Issuer may at the Issuer's discretion be retained, sold or cancelled by the Issuer.

13.10.3 Voluntary total redemption (call option)

- (a) The Issuer may redeem all, but not some only, of the outstanding Bonds in full on a CSD Business Day:
 - (i) any time prior to the First Call Date, at an amount per Bond equal to 100 per cent. of the Nominal Amount together with accrued but unpaid Interest, plus the Applicable Premium;
 - (ii) any time from and including the First Call Date to, but excluding, the first Business Day falling twenty-seven (27) months after the First Issue Date at an amount per Bond equal to 103.125 per cent. of the Nominal Amount, together with accrued but unpaid Interest;
 - (iii) any time from and including the first Business Day falling twenty-seven (27) months after the First Issue Date to, but excluding, the first Business Day falling thirty-three (33)

months after the First Issue Date at an amount per Bond equal to 101.875 per cent. of the Nominal Amount, together with accrued but unpaid Interest; and

(iv) any time from and including the first Business Day falling thirty-three (33) months after the First Issue Date to, but excluding, the Final Maturity Date at an amount per Bond equal to 100.625 per cent. of the Nominal Amount, together with accrued but unpaid Interest.

(b) Redemption in accordance with Clause 13.10.3(a) shall be made by the Issuer giving not less than fifteen (15) Business Days' notice to the Bondholders and the Trustee and in accordance with the instructions of the Issuer, the Paying Agent or the Issuing Agent, as applicable.. Any such notice is irrevocable but may, at the Issuer's discretion, contain one or more conditions precedent. Upon expiry of such notice and the fulfillment of the conditions precedent (if any), the Issuer is bound to redeem the Bonds in full at the applicable amounts.

13.10.4 Early redemption due to a Withholding Tax Event (call option)

(a) The Issuer may redeem all, but not some only, of the outstanding Bonds at an amount per Bond equal to the Nominal Amount together with accrued but unpaid Interest and the relevant Additional Amount if an Withholding Tax Event occurs and the obligation to pay Additional Amounts cannot be avoided by reasonable measures available to the Issuer.

(b) The Issuer shall give notice of any redemption pursuant to Clause 13.10.4(a) no later than ten (10) Business Days after having received actual knowledge of the Withholding Tax Event (after which time period such right shall lapse). The redemption date shall occur within twenty (20) Business Days after the expiration of the aforementioned time period of ten (10) Business Days.

(c) A notice of redemption in accordance with Clause 13.10.4(a) is irrevocable and, on the date specified in such notice, the Issuer is bound to redeem the Bonds in full at the applicable amounts.

13.10.5 Mandatory repurchase due to a Change of Control Event (put option)

(a) Upon a Change of Control Event occurring, each Bondholder shall have the right to request that all, or some only, of its Bonds be repurchased at a price per Bond equal to 101 per cent. of the Nominal Amount together with accrued but unpaid Interest, during a period of sixty (60) days following a notice from the Issuer of the Change of Control Event pursuant to Clause 13.11.1(b) (after which time period such right shall lapse). However, such period may not start earlier than upon the occurrence of the Change of Control Event.

(b) The notice from the Issuer pursuant to Clause 13.11(b) shall specify the repurchase date and include instructions about the actions that a Bondholder needs to take if it wants Bonds held by it to be repurchased. If a Bondholder has so requested, and acted in accordance with the instructions in the notice from the Issuer, the Issuer, shall repurchase the relevant Bonds and the repurchase amount shall fall due on the repurchase date specified in the notice given by the Issuer pursuant to Clause 13.11(b). The repurchase date must fall no later than twenty (20) Business Days after the end of the period referred to in Clause 13.10.5(a).

(c) The Issuer shall comply with the requirements of any applicable securities laws or regulations in connection with the repurchase of Bonds. To the extent that the provisions of such laws and regulations conflict with the provisions in this Clause 13.10.4, the Issuer shall comply with the applicable securities laws and regulations and will not be deemed to have breached its obligations under this Clause 13.10.4 by virtue of the conflict.

(d) Any Bonds repurchased by the Issuer pursuant to this Clause 13.10.4 may at the Issuer's discretion be retained, sold or cancelled.

13.11 Information to Bondholders

13.11.1 Information from the Issuer and the Guarantor

- (a) The Issuer and the Guarantor will make the following information available in the English language to the Bondholders by way of press release and by publication on its website:
- (i) as soon as the same become available, but in any event within four (4) months after the end of each financial year, its audited consolidated financial statements for that financial year, each including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's and the Guarantor's, as applicable, board of directors;
 - (ii) as soon as the same become available, but in any event within two (2) months after the end of each quarter of its financial year, its quarterly interim unaudited consolidated reports for such period, each including a profit and loss account, a balance sheet, a cash flow statement and management commentary or report from the Issuer's and the Guarantor's, as applicable, board of directors;
 - (iii) any other information required by the Finnish Securities Markets Act (*Arvopaperimarkkinalaki 746/2012*) and the rules and regulations of the Regulated Market on which the Bonds are listed.
- (b) When the Bonds have been listed, the reports referred to in Clause 13.11(a)(i) and Clause 13.11.1(a)(ii) shall be made available in accordance with the rules and regulations of Nasdaq Stockholm (as amended from time to time) and the Swedish Securities Market Act (*lag (2007:582) om värdepappersmarknaden*).
- (c) The Issuer shall promptly notify the Bondholders and the Trustee upon becoming aware of the occurrence of a Change of Control Event. Such notice may be given in advance of the occurrence of a Change of Control Event, conditioned upon the occurrence of such Change of Control Event, if a definitive agreement is in place providing for a Change of Control Event. The Issuer shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such request.
- (d) When a Financial Report and other information are made available to the Bondholders pursuant to Clause 13.11.1(a), the Issuer shall send copies of such Financial Report and other information to the Trustee.
- (e) The Issuer shall submit a duly executed Compliance Certificate to the Trustee:
- (i) together with a Financial Report;
 - (ii) at the Trustee's request, within twenty (20) days from such request.
- (f) The Issuer shall promptly notify the Trustee (with full particulars) upon becoming aware of the occurrence of any event or circumstance which constitutes an Event of Default, or any event or circumstance which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of any of the foregoing) constitute an Event of Default, and shall provide the Trustee with such further information as it may reasonably request in writing following receipt of such notice. Should the Trustee not receive such information, the Trustee is entitled to assume that no such event or circumstance exists or can be expected to occur, provided that the Trustee does not have actual knowledge of such event or circumstance. The Issuer shall provide the Trustee with such further information as the Trustee may request (acting reasonably) following receipt of such request.

- (g) The Issuer is only obliged to inform the Trustee according to this Clause 13.11.1 if informing the Trustee would not conflict with any applicable laws or, when the Bonds are listed, the Issuer's registration contract with the Regulated Market. If such a conflict would exist pursuant to the listing contract with the Regulated Market or otherwise, the Issuer shall however be obliged to either seek approval from the Regulated Market or undertake other reasonable measures, including entering into a non-disclosure agreement with the Trustee, in order to be able to timely inform the Trustee according to this Clause 13.11.1.
- (h) The Issuer shall, subject to the regulations of the CSD and applicable laws, be entitled to obtain information of the Bondholders from the CSD and the CSD shall be entitled to provide such information to the Issuer. Furthermore, the Issuer shall, subject to the regulations of the CSD and applicable laws, be entitled to acquire from the CSD a list of the Bondholders, provided that it is technically possible for the CSD to maintain such a list.

13.11.2 Information from the Trustee

Subject to the restrictions of any applicable law or regulation, the Trustee is entitled to disclose to the Bondholders any event or circumstance directly or indirectly relating to the Issuer or the Bonds. Notwithstanding the foregoing, the Trustee may if it considers it to be beneficial to the interests of the Bondholders delay disclosure or refrain from disclosing certain information other than in respect of an Event of Default that has occurred and is continuing.

13.11.3 Publication of Finance Documents

- (a) The latest version of these Terms and Conditions (including any document amending these Terms and Conditions) shall be available on the websites of the Group and the Trustee.
- (b) The latest versions of the Finance Documents shall be available to the Bondholders at the office of the Trustee during normal business hours.

13.12 Financial Undertakings

- (a) Pursuant to the terms of the Guarantee and Adherence Agreement, the Guarantor shall ensure that, on each Reference Date, the ratio of Net Debt to Equity shall not exceed 3.00, based on the most recently delivered Financial Reports for the Guarantor.
- (b) The Issuer shall ensure that, on each Reference Date, the Capital Cover Ratio is not less than 1.30, based on the most recently delivered Financial Reports and Capital Adequacy Reports for the Issuer.

13.13 General Undertakings

13.13.1 General

The Issuer shall and the Guarantor shall pursuant to the terms of the Guarantee and Adherence Agreement, undertake to (and shall, where applicable, procure that each other Group Company will) comply with the undertakings set out in this Clause 13.13 for as long as any Bonds remain outstanding.

13.13.2 Distributions

Pursuant to the terms of the Guarantee and Adherence Agreement, the Guarantor shall not, and shall procure that none of its Subsidiaries will (i) pay any dividend in respect of its shares, (ii) repurchase any of its own shares, (iii) redeem or reduce its share capital or other restricted equity with repayment to shareholders, or (iv) make any other similar distribution or transfers of value to the Guarantor's, or its Subsidiaries', direct and indirect shareholders or the Affiliates of such direct and indirect shareholders (items (i)-(iv) above are together and individually referred to as a "**Restricted Payment**"), provided however that any such Restricted Payment can be made by any Subsidiary of the

Guarantor if such Restricted Payment is made to the Guarantor or any of the wholly-owned Subsidiaries of the Guarantor and, if made by a Subsidiary which is not directly or indirectly wholly-owned by the Guarantor, is made on a *pro rata* basis, provided that any distributions made by the Issuer shall be re-transferred to the Issuer within twelve (12) months of the distribution in form of a share capital increase or other restricted equity increase of the Issuer.

Notwithstanding the above, a Restricted Payment may be made by the Guarantor, if at the time of the payment:

- (a) no Event of Default is outstanding or would occur when making the relevant Restricted Payment; and
- (b) the aggregate amount of all Restricted Payments of the Guarantor in any fiscal year does not exceed twenty-five (25) per cent. of the Guarantor's consolidated net profit for the previous fiscal year.

13.13.3 Nature of Business

Pursuant to the terms of the Guarantee and Adherence Agreement, the Guarantor shall procure that no substantial change is made to the general nature of the business carried on by the Group if such substantial change would have a Material Adverse Effect.

13.13.4 Disposal of Assets

- (a) The Issuer shall not, and shall procure that no Subsidiary, under a single transaction or several transactions sell or otherwise dispose of shares in any Subsidiary or of all or substantially all of its or any Subsidiary's assets or operations to any person not being the Issuer or any of the Guarantor's wholly-owned Subsidiaries and the total amount for which a given element of assets is sold varies from market value by an amount of at least EUR 2,000,000 and provided that it does not have a Material Adverse Effect. The Issuer shall notify the Trustee of any such transaction or series of transactions and, upon request by the Trustee, provide the Trustee with any information relating to the transaction which the Trustee deems necessary (acting reasonably).
- (b) The Guarantor shall, pursuant to the terms of the Guarantee and Adherence Agreement, not dispose of any shares in the Issuer and shall (and shall procure that each Subsidiary) comply with the undertaking set out in Clause 13.13.4(a).

13.13.5 Dealings with Related Parties

- (a) The Issuer shall, and shall procure that its Subsidiaries, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders on arm's length terms.
- (b) Pursuant to the terms of the Guarantee and Adherence Agreement, the Guarantor shall, and shall procure that its Subsidiaries, conduct all dealings with the direct and indirect shareholders of the Group Companies (excluding other Group Companies) and/or any Affiliates of such direct and indirect shareholders on arm's length terms.

13.13.6 Negative Pledge

- (a) The Issuer shall not, and shall procure that no Subsidiary, provide, prolong or renew any security over any of its/their assets (present or future) for the purpose of:
 - (i) in relation to the Guarantor and its Subsidiaries (other than the Issuer), to secure any Capital Markets Indebtedness; and
 - (ii) in relation to the Issuer, to secure any loan or other indebtedness,

provided however that the Issuer may provide, prolong and renew any Permitted Security.

- (b) Pursuant to the terms of the Guarantee and Adherence Agreement, the Guarantor shall, and shall procure that each Subsidiary, comply with the undertaking set out in Clause 13.13.6(a).

13.13.7 Listing

- (a) The Issuer shall ensure that the Bonds are listed at the EU-regulated European Wholesale Securities Market ("EWSM") in Malta and co-listed at the corporate bond list on Nasdaq Stockholm not later than sixty (60) calendar days after the First Issue Date and with an intention to complete such listing within thirty (30) calendar days after the First Issue Date. In addition, the Issuer shall ensure that the Bonds are listed at the Frankfurt Stock Exchange Open Market (*Freiverkehr*) on or about the First Issue Date.
- (b) Once the Bonds are listed on EWSM, Nasdaq Stockholm and the Frankfurt Stock Exchange Open Market, the Issuer shall ensure that the Bonds continue being listed on EWSM, Nasdaq Stockholm and the Frankfurt Stock Exchange Open Market for as long as any Bond is outstanding (however, taking into account the rules and regulations of EWSM, Nasdaq Stockholm, the Frankfurt Stock Exchange Open Market and the CSD (as amended from time to time) preventing trading in the Bonds in close connection to their redemption).

13.13.8 Compliance with laws

- (a) The Issuer shall, and shall procure that the Subsidiaries, (i) comply in all material respects with all laws and regulations applicable from time to time and (ii) obtain, maintain and in all material respects comply with the terms and conditions of any authorisation, approval, license (including all relevant banking licenses) or other permit required for the business carried out by each respective Group Company.
- (b) Pursuant to the terms of the Guarantee and Adherence Agreement, the Guarantor shall, and shall procure that its Subsidiaries, (i) comply in all material respects with all laws and regulations applicable from time to time and (ii) obtain, maintain and in all material respects comply with the terms and conditions of any authorisation, approval, license (including all relevant banking licenses) or other permit required for the business carried out by each respective Group Company.

13.14 Events of Default and Acceleration of the Bonds

Each of the events or circumstances set out in this Clause 13.14 (other than Clause 13.14.10 (*Acceleration of the Bonds*)) is an Event of Default.

13.14.1 Non-Payment

The Issuer or the Guarantor fails to pay an amount on the date it is due in accordance with the Finance Documents unless its failure to pay is caused by administrative or technical error and payment is made within five (5) Business Days of the due date.

13.14.2 Other Obligations

The Issuer or the Guarantor does not comply with its obligations under the Finance Documents, in any other way than as set out under (a) above, provided that the Trustee has requested the Issuer and the Guarantor in writing to remedy such failure and the Issuer or the Guarantor (as applicable) has not remedied the failure within twenty-five (25) Business Days from such request (if the failure or violation is not capable of being remedied, the Trustee may declare the Bonds due and payable without such prior written request).

13.14.3 Cross-Default

The occurrence of the following circumstances constitutes a cross-default:

- (a) if any Financial Indebtedness of a Material Group Company is not paid when due as extended by any originally applicable grace period;
- (b) if any Financial Indebtedness of a Material Group Company is declared to be due and payable prior to its specified maturity as a result of an event of default (however described);
- (c) if any commitment for any Financial Indebtedness of a Material Group Company is cancelled or suspended by a creditor of any Material Group Company as a result of an event of default (however described); or
- (d) if any creditor of any Material Group Company becomes entitled to declare any Financial Indebtedness of a Material Group Company due and payable prior to its specified maturity as a result of an event of default (however described),

provided that no Event of Default will occur under this Clause 13.14.3 if the aggregate amount of Financial Indebtedness or commitment for Financial Indebtedness falling within paragraphs (a) to (d) above is less than EUR 3,000,000 (or its equivalent in any other currency or currencies) and provided that this Clause 13.14.3 does not apply to any Financial Indebtedness owed to a Group Company.

13.14.4 Insolvency

- (a) Any Material Group Company is unable or admits inability to pay its debts as they fall due or is declared to be unable to pay its debts under applicable law, suspends making payments on its debts generally or, by reason of actual or anticipated financial difficulties, commences negotiations with its creditors generally (except for holders of Bonds) with a view to rescheduling its Financial Indebtedness; or
- (b) a moratorium is declared in respect of the Financial Indebtedness of any Material Group Company.

13.14.5 Insolvency Proceedings

Any corporate action, legal proceedings or other procedures are taken (other than (i) proceedings or petitions which are being disputed in good faith and are discharged, stayed or dismissed within sixty (60) days of commencement or, if earlier, the date on which it is advertised and (ii), in relation to Subsidiaries, solvent liquidations) in relation to:

- (a) the suspension of payments, winding-up, dissolution, administration or reorganisation (by way of voluntary agreement, scheme of arrangement or otherwise) of any Material Group Company; and
- (b) the appointment of a liquidator, receiver, administrator, administrative receiver, compulsory manager or other similar officer in respect of any Material Group Company or any of its assets or any analogous procedure or step is taken in any jurisdiction in respect of any Material Group Company.

13.14.6 Mergers and Demergers

A decision is made that any Material Group Company shall be demerged or merged if such merger or demerger is likely to have a Material Adverse Effect, provided that a merger involving the Issuer, where the Issuer is not the surviving entity, shall always be considered an Event of Default and provided that the Issuer may not be demerged.

13.14.7 Creditors' Process

Any expropriation, attachment, sequestration, distress or execution or any analogous process in any jurisdiction affects any asset or assets of any Material Group Company having an aggregate value of an amount equal to or exceeding EUR 3,000,000 and is not discharged within sixty (60) days.

13.14.8 Impossibility or Illegality

It is or becomes impossible or unlawful for the Issuer or the Guarantor to fulfil or perform any of the provisions of the Finance Documents or if the obligations under the Finance Documents are not, or cease to be, legal, valid, binding and enforceable.

13.14.9 Continuation of the Business

The Issuer or any other Material Group Company ceases to carry on its business if such discontinuation is likely to have a Material Adverse Effect.

13.14.10 Acceleration of the Bonds

- (a) Upon the occurrence of an Event of Default which is continuing, the Trustee is entitled to, and shall, following an instruction given pursuant to Clause 13.14.10(d), on behalf of the Bondholders (i) by notice to the Issuer, declare all, but not some only, of the outstanding Bonds due and payable together with any other amounts payable under the Finance Documents, immediately or at such later date as the Trustee determines, and (ii) exercise any or all of its rights, remedies, powers and discretions under the Finance Documents.
- (b) The Trustee may not accelerate the Bonds in accordance with Clause 13.14.10(a) by reference to a specific Event of Default if it is no longer continuing or if it has been decided, on a Bondholders Meeting or by way of a Written Procedure, to waive such Event of Default (temporarily or permanently).
- (c) The Trustee shall notify the Bondholders of an Event of Default within five (5) Business Days of the date on which the Trustee received actual knowledge of that an Event of Default has occurred and is continuing. The Trustee shall, within twenty (20) Business Days of the date on which the Trustee received actual knowledge of that an Event of Default has occurred and is continuing, decide if the Bonds shall be so accelerated. If the Trustee decides not to accelerate the Bonds, the Trustee shall promptly seek instructions from the Bondholders in accordance with Clause 13.16 (*Decisions by Bondholders*). The Trustee shall always be entitled to take the time necessary to consider whether an occurred event constitutes an Event of Default.
- (d) If the Bondholders instruct the Trustee to accelerate the Bonds, the Trustee shall promptly declare the Bonds due and payable and take such actions as may, in the opinion of the Trustee, be necessary or desirable to enforce the rights of the Bondholders under the Finance Documents, unless the relevant Event of Default is no longer continuing.
- (e) If the right to accelerate the Bonds is based upon a decision of a court of law or a government authority, it is not necessary that the decision has become enforceable under law or that the period of appeal has expired in order for cause of acceleration to be deemed to exist.
- (f) In the event of an acceleration of the Bonds in accordance with this Clause 13.14.10, up to, but excluding, the First Call Date the Issuer shall redeem all Bonds at an amount per Bond equal to 100 per cent. of the Nominal Amount plus the Applicable Premium and thereafter, as applicable considering when the acceleration occurs, the redemption amount specified in Clause 13.10.3 (*Voluntary total redemption (call option)*).

13.15 Distribution of Proceeds

- (a) All payments by the Issuer or the Guarantor relating to the Bonds and the Finance Documents following an acceleration of the Bonds in accordance with Clause 13.14 (*Events of Default and Acceleration of the Bonds*) shall be distributed in the following order of priority, in accordance with the instructions of the Trustee:
 - (i) first, in or towards payment pro rata of (i) all unpaid fees, costs, expenses and indemnities payable by the Issuer to the Trustee in accordance with the Agency

Agreement (other than any indemnity given for liability against the Bondholders), (ii) other costs, expenses and indemnities relating to the acceleration of the Bonds, or the protection of the Bondholders' rights as may have been incurred by the Trustee, (iii) any costs incurred by the Trustee for external experts that have not been reimbursed by the Issuer in accordance with Clause 13.20.2(e), and (iv) any costs and expenses incurred by the Trustee in relation to a Bondholders' Meeting or a Written Procedure that have not been reimbursed by the Issuer in accordance with Clause 13.16(c);

- (ii) secondly, in or towards payment pro rata of accrued but unpaid Interest under the Bonds (Interest due on an earlier Interest Payment Date to be paid before any Interest due on a later Interest Payment Date);
- (iii) thirdly, in or towards payment pro rata of any unpaid principal under the Bonds; and
- (iv) fourthly, in or towards payment pro rata of any other costs or outstanding amounts unpaid under the Finance Documents.

Any excess funds after the application of proceeds in accordance with paragraphs (i) to (iv) above shall be paid to the Issuer or the Guarantor.

- (b) If a Bondholder or another party has paid any fees, costs, expenses or indemnities referred to in Clause 13.15(a)(i), such Bondholder or other party shall be entitled to reimbursement by way of a corresponding distribution in accordance with Clause 13.15(a)(i).
- (c) Funds that the Trustee receives (directly or indirectly) in connection with the acceleration of the Bonds constitute escrow funds and must be held on a separate interest-bearing account on behalf of the Bondholders and the other interested parties. The Trustee shall arrange for payments of such funds in accordance with this Clause 13.15 as soon as reasonably practicable.
- (d) If the Issuer, the Guarantor or the Trustee shall make any payment under this Clause 13.15, the Issuer, the Guarantor or the Trustee, as applicable, shall notify the Bondholders of any such payment at least fifteen (15) Business Days before the payment is made. Such notice shall specify the Record Date, the payment date and the amount to be paid. Notwithstanding the foregoing, for any Interest due but unpaid the Record Date specified in Clause 13.8(a) shall apply.

13.16 Decisions by Bondholders

- (a) A request by the Trustee for a decision by the Bondholders on a matter relating to the Finance Documents shall (at the option of the Trustee) be dealt with at a Bondholders' Meeting or by way of a Written Procedure.
- (b) Any request from the Issuer or a Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount (such request may only be validly made by a person who is a Bondholder on the Business Day immediately following the day on which the request is received by the Trustee and shall, if made by several Bondholders, be made by them jointly) for a decision by the Bondholders on a matter relating to the Finance Documents shall be directed to the Trustee and dealt with at a Bondholders' Meeting or by way a Written Procedure, as determined by the Trustee. The person requesting the decision may suggest the form for decision making, but if it is in the Trustee's opinion more appropriate that a matter is dealt with at a Bondholders' Meeting than by way of a Written Procedure, it shall be dealt with at a Bondholders' Meeting.
- (c) The Trustee may refrain from convening a Bondholders' Meeting or instigating a Written Procedure if (i) the suggested decision must be approved by any person in addition to the

Bondholders and such person has informed the Trustee that an approval will not be given, or (ii) the suggested decision is not in accordance with applicable laws.

(d) Only a person who is, or who has been provided with a power of attorney pursuant to Clause 13.7 (Right to Act on Behalf of a Bondholder) from a person who is, registered as a Bondholder:

- (i) on the Record Date prior to the CSD Business Day of the Bondholders' Meeting, in respect of a Bondholders' Meeting, or
- (ii) at the Record Date on the CSD Business Day specified in the communication pursuant to Clause 13.18(c), in respect of a Written Procedure,

may exercise voting rights as a Bondholder at such Bondholders' Meeting or in such Written Procedure, provided that the relevant Bonds are included in the definition of Adjusted Nominal Amount.

(e) The following matters shall require the consent of Bondholders representing at least sixty-six and two thirds ($66 \frac{2}{3}$) per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 13.18(c):

- (i) waive a breach of or amend an undertaking set out in Clause 13.13 (General Undertakings);
- (ii) reduce the principal amount, interest rate or interest amount which shall be paid by the Issuer;
- (iii) amend any payment day for principal or interest amount or waive any breach of a payment undertaking, or
- (iv) amend the provisions regarding the majority requirements under these Terms and Conditions.

(f) Any matter not covered by Clause 13.16(e) shall require the consent of Bondholders representing more than fifty (50) per cent. of the Adjusted Nominal Amount for which Bondholders are voting at a Bondholders' Meeting or for which Bondholders reply in a Written Procedure in accordance with the instructions given pursuant to Clause 13.18(c). This includes, but is not limited to, any amendment to, or waiver of, the terms of any Finance Document that does not require a higher majority (other than an amendment permitted pursuant to Clause 13.19(a)(i) or 13.19(a)(ii)) or an acceleration of the Bonds.

(g) Quorum at a Bondholders' Meeting or in respect of a Written Procedure only exists if a Bondholder (or Bondholders) representing at least fifty (50) per cent. of the Adjusted Nominal Amount in case of a matter pursuant to Clause 13.16(e), and otherwise twenty (20) per cent. of the Adjusted Nominal Amount:

- (i) if at a Bondholders' Meeting, attend the meeting in person or by telephone conference (or appear through duly authorised representatives); or
- (ii) if in respect of a Written Procedure, reply to the request.

(h) If a quorum does not exist at a Bondholders' Meeting or in respect of a Written Procedure, the Trustee or the Issuer shall convene a second Bondholders' Meeting (in accordance with Clause 13.17(a)) or initiate a second Written Procedure (in accordance with Clause 13.18(a)), as the case may be, provided that the relevant proposal has not been withdrawn by the person(s)

who initiated the procedure for Bondholders' consent. The quorum requirement in Clause 13.16(g) shall not apply to such second Bondholders' Meeting or Written Procedure.

- (i) Any decision which extends or increases the obligations of the Issuer or the Trustee, or limits, reduces or extinguishes the rights or benefits of the Issuer or the Trustee, under the Finance Documents shall be subject to the Issuer's or the Trustee's consent, as appropriate.
- (j) A Bondholder holding more than one Bond need not use all its votes or cast all the votes to which it is entitled in the same way and may in its discretion use or cast some of its votes only.
- (k) The Issuer may not, directly or indirectly, pay or cause to be paid any consideration to or for the benefit of any Bondholder for or as inducement to any consent under these Terms and Conditions, unless such consideration is offered to all Bondholders that consent at the relevant Bondholders' Meeting or in a Written Procedure within the time period stipulated for the consideration to be payable or the time period for replies in the Written Procedure, as the case may be.
- (l) A matter decided at a duly convened and held Bondholders' Meeting or by way of Written Procedure is binding on all Bondholders, irrespective of them being present or represented at the Bondholders' Meeting or responding in the Written Procedure. The Bondholders that have not adopted or voted for a decision shall not be liable for any damages that this may cause other Bondholders.
- (m) All costs and expenses incurred by the Issuer or the Trustee for the purpose of convening a Bondholders' Meeting or for the purpose of carrying out a Written Procedure, including reasonable fees to the Trustee, shall be paid by the Issuer.
- (n) If a decision shall be taken by the Bondholders on a matter relating to the Finance Documents, the Issuer shall promptly at the request of the Trustee provide the Trustee with a certificate specifying the number of Bonds owned by Group Companies or (to the knowledge of the Issuer) Affiliates, irrespective of whether such person is directly registered as owner of such Bonds. The Trustee shall not be responsible for the accuracy of such certificate or otherwise be responsible to determine whether a Bond is owned by a Group Company or an Affiliate.
- (o) Information about decisions taken at a Bondholders' Meeting or by way of a Written Procedure shall promptly be sent by notice to the Bondholders and published on the websites of the Group and the Trustee, provided that a failure to do so shall not invalidate any decision made or voting result achieved. The minutes from the relevant Bondholders' Meeting or Written Procedure shall at the request of a Bondholder be sent to it by the Issuer or the Trustee, as applicable.

13.17 Bondholders' Meeting

- (a) The Trustee shall convene a Bondholders' Meeting by sending a notice thereof to the CSD and each Bondholder no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons).
- (b) Should the Issuer want to replace the Trustee, it may convene a Bondholders' Meeting in accordance with Clause 13.17(a) with a copy to the Trustee. After a request from the Bondholders pursuant to Clause 13.20.4(c), the Issuer shall no later than five (5) Business Days after receipt of such request (or such later date as may be necessary for technical or administrative reasons) convene a Bondholders' Meeting in accordance with Clause 13.17(a).
- (c) The notice pursuant to Clause 13.17(a) shall include (i) time for the meeting, (ii) place for the meeting, (iii) agenda for the meeting (including each request for a decision by the Bondholders),

- (iv) a specification of the CSD Business Day at the end of which a person must be registered as a Bondholder in order to be entitled to exercise voting rights at the meeting, and (v) a form of power of attorney. Only matters that have been included in the notice may be resolved upon at the Bondholders' Meeting. Should prior notification by the Bondholders be required in order to attend the Bondholders' Meeting, such requirement shall be included in the notice.
- (d) The Bondholders' Meeting shall be held no earlier than fifteen (15) Business Days and no later than thirty (30) Business Days from the notice.
- (e) Without amending or varying these Terms and Conditions, the Trustee may prescribe such further regulations regarding the convening and holding of a Bondholders' Meeting as the Trustee may deem appropriate. Such regulations may include a possibility for Bondholders to vote without attending the meeting in person.

13.18 Written Procedure

- (a) The Trustee shall instigate a Written Procedure (which may be conducted electronically in a manner determined by the Trustee) no later than five (5) Business Days after receipt of a request from the Issuer or the Bondholder(s) (or such later date as may be necessary for technical or administrative reasons) by sending a communication to each such person who is registered as a Bondholder on the Business Day prior to the date on which the communication is sent.
- (b) Should the Issuer want to replace the Trustee, it may send a communication in accordance with Clause 13.18(a) to each Bondholder with a copy to the Trustee.
- (c) A communication pursuant to Clause 13.18(a) shall include (i) each request for a decision by the Bondholders, (ii) a description of the reasons for each request, (iii) a specification of the CSD Business Day on which a person must be registered as a Bondholder in order to be entitled to exercise voting rights, (iv) instructions and directions on where to receive a form for replying to the request (such form to include an option to vote yes or no for each request) as well as a form of power of attorney, and (v) the stipulated time period within which the Bondholder must reply to the request (such time period to last at least fifteen (15) Business Days from the communication pursuant to Clause 13.18(a)). If the voting shall be made electronically, instructions for such voting shall be included in the communication.
- (d) When the requisite majority consents of the total Adjusted Nominal Amount pursuant to Clauses 13.16(e) and 13.16(f) have been received in a Written Procedure, the relevant decision shall be deemed to be adopted pursuant to Clause 13.16(e) or 13.16(f), as the case may be, even if the time period for replies in the Written Procedure has not yet expired.

13.19 Amendments and Waivers

- (a) The Issuer and the Trustee (acting on behalf of the Bondholders) may agree to amend the Finance Documents or waive any provision in a Finance Document, provided that:
- (i) such amendment or waiver is not detrimental to the interest of the Bondholders, or is made solely for the purpose of rectifying obvious errors and mistakes;
 - (ii) such amendment or waiver is required by applicable law, a court ruling or a decision by a relevant authority; or
 - (iii) such amendment or waiver has been duly approved by the Bondholders in accordance with Clause 13.16 (*Decisions by Bondholders*).

- (b) The consent of the Bondholders is not necessary to approve the particular form of any amendment to the Finance Documents. It is sufficient if such consent approves the substance of the amendment.
- (c) The Trustee shall promptly notify the Bondholders of any amendments or waivers made in accordance with Clause 13.19(a), setting out the date from which the amendment or waiver will be effective, and ensure that any amendments to the Finance Documents are published in the manner stipulated in Clause 13.11.3 (*Publication of Finance Documents*). The Issuer shall ensure that any amendments to the Finance Documents are duly registered with the CSD and each other relevant organisation or authority.
- (d) An amendment to the Finance Documents shall take effect on the date determined by the Bondholders Meeting, in the Written Procedure or by the Trustee, as the case may be.

13.20 Appointment and Replacement of the Trustee

13.20.1 Appointment of Trustee

- (a) By subscribing for Bonds, each initial Bondholder appoints:
 - (i) the Trustee to act as its agent in all matters relating to the Bonds and the Finance Documents, and authorises the Trustee to act on its behalf (without first having to obtain its consent, unless such consent is specifically required by these Terms and Conditions) in any legal or arbitration proceedings relating to the Bonds held by such Bondholder and to exercise such rights, powers, authorities and discretions as are specifically delegated to the Trustee by these Terms and Conditions and the Finance Documents together with all such rights, powers, authorities and discretions as are incidental thereto; and
 - (ii) agrees to and accepts that, upon the Trustee delivering an acceleration notice in accordance with Clause 13.14.10 (*Acceleration of the Bonds*), it will be considered to have irrevocably transferred to the Trustee all its procedural rights and legal authority to claim and collect any and all receivables under the Bonds, enforce any Finance Document and to receive any funds in respect of the Bonds or under the Finance Documents (prokurasiirto) as a result of which transfer, the Trustee shall be irrevocably entitled to take all such action in its own name but on behalf of and for the benefit of each Bondholder (at the expense of the Bondholders).
- (b) By acquiring Bonds, each subsequent Bondholder confirms the appointment and authorisation for the Trustee to act on its behalf, as set forth in Clause 13.20.1(a).
- (c) Each Bondholder shall immediately upon request provide the Trustee with any such documents, including a written power of attorney (in form and substance satisfactory to the Trustee), that the Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents. The Trustee is under no obligation to represent a Bondholder which does not comply with such request.
- (d) The Issuer shall promptly upon request provide the Trustee with any documents and other assistance (in form and substance satisfactory to the Trustee), that the Trustee deems necessary for the purpose of exercising its rights and/or carrying out its duties under the Finance Documents.
- (e) The Trustee is entitled to fees for its work and to be indemnified for costs, losses and liabilities on the terms set out in the Finance Documents and the Agency Agreement and the Trustee's

obligations as Trustee under the Finance Documents are conditioned upon the due payment of such fees and indemnifications.

- (f) The Trustee may act as agent and/or trustee for several issues of securities issued by or relating to the Issuer and other Group Companies notwithstanding potential conflicts of interest.

13.20.2 Duties of the Trustee

- (a) The Trustee shall represent the Bondholders in accordance with the Finance Documents. Except as specified in Clause 13.5 (*Conditions Precedent*), the Trustee is not responsible for the execution or enforceability of the Finance Documents.
- (b) When acting in accordance with the Finance Documents, the Trustee is always acting with binding effect on behalf of the Bondholders. The Trustee shall carry out its duties under the Finance Documents in a reasonable, proficient and professional manner, with reasonable care and skill.
- (c) The Trustee is entitled to delegate its duties to other professional parties, but the Trustee shall remain liable for the actions of such parties under the Finance Documents.
- (d) The Trustee shall treat all Bondholders equally and, when acting pursuant to the Finance Documents, act with regard only to the interests of the Bondholders and shall not be required to have regard to the interests or to act upon or comply with any direction or request of any other person, other than as explicitly stated in the Finance Documents.
- (e) The Trustee is entitled to engage external experts when carrying out its duties under the Finance Documents. The Issuer shall on demand by the Trustee pay all costs for external experts engaged after the occurrence of an Event of Default, or for the purpose of investigating or considering (i) an event which the Trustee reasonably believes is or may lead to an Event of Default or (ii) a matter relating to the Issuer which the Trustee reasonably believes may be detrimental to the interests of the Bondholders under the Finance Documents. Any compensation for damages or other recoveries received by the Trustee from external experts engaged by it for the purpose of carrying out its duties under the Finance Documents shall be distributed in accordance with Clause 13.15 (*Distribution of Proceeds*).
- (f) Notwithstanding any other provision of the Finance Documents to the contrary, the Trustee is not obliged to do or omit to do anything if it would or might in its reasonable opinion constitute a breach of any law or regulation.
- (g) If in the Trustee's reasonable opinion the cost, loss or liability which it may incur (including reasonable fees to the Trustee) in complying with instructions of the Bondholders, or taking any action at its own initiative, will not be covered by the Issuer, the Trustee may refrain from acting in accordance with such instructions, or taking such action, until it has received such funding or indemnities (or adequate Security has been provided therefore) as it may reasonably require.
- (h) The Trustee shall give a notice to the Bondholders (i) before it ceases to perform its obligations under the Finance Documents by reason of the non-payment by the Issuer of any fee or indemnity due to the Trustee under the Finance Documents or the Agency Agreement or (ii) if it refrains from acting for any reason described in Clause 13.20.2(g).

13.20.3 Limited liability for the Trustee

- (a) The Trustee will not be liable to the Bondholders for damage or loss caused by any action taken or omitted by it under or in connection with any Finance Document, unless directly caused by its negligence or wilful misconduct. The Trustee shall never be responsible for indirect loss.
- (b) The Trustee shall not be considered to have acted negligently if it has acted in accordance with advice from or opinions of reputable external experts engaged by the Trustee or if the Trustee

has acted with reasonable care in a situation when the Trustee considers that it is detrimental to the interests of the Bondholders to delay the action in order to first obtain instructions from the Bondholders.

- (c) The Trustee shall not be liable for any delay (or any related consequences) in crediting an account with an amount required pursuant to the Finance Documents to be paid by the Trustee to the Bondholders, provided that the Trustee has taken all necessary steps as soon as reasonably practicable to comply with the regulations or operating procedures of any recognised clearing or settlement system used by the Trustee for that purpose.
- (d) The Trustee shall have no liability to the Bondholders for damage caused by the Trustee acting in accordance with instructions of the Bondholders given in accordance with Clause 13.16 (*Decisions by Bondholders*) or a demand by Bondholders given pursuant to Clause 13.14.10 (*Acceleration of the Bonds*).
- (e) Any liability towards the Issuer which is incurred by the Trustee in acting under, or in relation to, the Finance Documents shall not be subject to set-off against the obligations of the Issuer to the Bondholders under the Finance Documents.

13.20.4 Replacement of the Trustee

- (a) Subject to Clause 13.20.4(f), the Trustee may resign by giving notice to the Issuer and the Bondholders, in which case the Bondholders shall appoint a successor Trustee at a Bondholders' Meeting convened by the retiring Trustee or by way of Written Procedure initiated by the retiring Trustee.
- (b) Subject to Clause 13.20.4(f), if the Trustee is Insolvent, the Trustee shall be deemed to resign as Trustee and the Issuer shall within ten (10) Business Days appoint a successor Trustee which shall be an independent financial institution or other reputable company which regularly acts as agent and/or trustee under debt issuances.
- (c) A Bondholder (or Bondholders) representing at least ten (10) per cent. of the Adjusted Nominal Amount may, by notice to the Issuer (such notice may only be validly given by a person who is a Bondholder on the Business Day immediately following the day on which the notice is received by the Issuer and shall, if given by several Bondholders, be given by them jointly), require that a Bondholders' Meeting is held for the purpose of dismissing the Trustee and appointing a new Trustee. The Issuer may, at a Bondholders' Meeting convened by it or by way of Written Procedure initiated by it, propose to the Bondholders that the Trustee be dismissed and a new Trustee appointed.
- (d) If the Bondholders have not appointed a successor Trustee within ninety (90) days after (i) the earlier of the notice of resignation was given or the resignation otherwise took place or (ii) the Trustee was dismissed through a decision by the Bondholders, the Issuer shall appoint a successor Trustee which shall be an independent financial institution or other reputable company which regularly acts as Trustee under debt issuances.
- (e) The retiring Trustee shall, at its own cost, make available to the successor Trustee such documents and records and provide such assistance as the successor Trustee may reasonably request for the purposes of performing its functions as Trustee under the Finance Documents.
- (f) The Trustee's resignation or dismissal shall only take effect upon the appointment of a successor Trustee and acceptance by such successor Trustee of such appointment and the execution of all necessary documentation to effectively substitute the retiring Trustee.
- (g) Upon the appointment of a successor, the retiring Trustee shall be discharged from any further obligation in respect of the Finance Documents but shall remain entitled to the benefit of the

Finance Documents and remain liable under the Finance Documents in respect of any action which it took or failed to take whilst acting as Trustee. Its successor, the Issuer and each of the Bondholders shall have the same rights and obligations amongst themselves under the Finance Documents as they would have had if such successor had been the original Trustee.

- (h) In the event that there is a change of the Trustee in accordance with this Clause 13.20.4, the Issuer shall execute such documents and take such actions as the new Trustee may reasonably require for the purpose of vesting in such new Trustee the rights, powers and obligation of the Trustee and releasing the retiring Trustee from its further obligations under the Finance Documents and the Agency Agreement. Unless the Issuer and the new Trustee agrees otherwise, the new Trustee shall be entitled to the same fees and the same indemnities as the retiring Trustee.

13.21 Appointment and Replacement of the Issuing Agent and the Paying Agent

- (a) The Issuer appoints the Issuing Agent and the Paying Agent to manage certain specified tasks under these Terms and Conditions and in accordance with the legislation, rules and regulations applicable to and/or issued by the CSD and relating to the Bonds.
- (b) The Issuing Agent and the Paying Agent may retire from their respective assignment or be dismissed by the Issuer, provided that the Issuer has approved that a commercial bank or securities institution approved by the CSD accedes as new Issuing Agent at the same time as the old Issuing Agent retires or is dismissed. If the Issuing Agent or the Paying Agent is Insolvent, the Issuer shall immediately appoint a new Issuing Agent or Paying Agent, which shall replace the old Issuing Agent or Paying Agent in accordance with these Terms and Conditions.

13.22 No Direct Actions by Bondholders

- (a) A Bondholder may not take any steps whatsoever against the Issuer or the Guarantor to enforce or recover any amount due or owing to it pursuant to the Finance Documents, or to initiate, support or procure the winding-up, dissolution, liquidation, company reorganisation (*yritysaneeraus*) or bankruptcy (*konkurssi*) (or its equivalent in any other jurisdiction) of the Issuer or the Guarantor in relation to any of the liabilities of the Issuer under the Finance Documents.
- (b) Clause 13.22 shall not apply if the Trustee has been instructed by the Bondholders in accordance with the Finance Documents to take certain actions but fails for any reason to take, or is unable to take (for any reason other than a failure by a Bondholder to provide documents in accordance with Clause 13.20.1(c)), such actions within a reasonable period of time and such failure or inability is continuing. However, if the failure to take certain actions is caused by the non-payment by the Issuer of any fee or indemnity due to the Trustee under the Finance Documents or the Agency Agreement or by any reason described in Clause 13.20.2(g), such failure must continue for at least forty (40) Business Days after notice pursuant to Clause 13.20.2(h) before a Bondholder may take any action referred to in Clause 13.22.
- (c) The provisions of Clause 13.22 shall not in any way limit an individual Bondholder's right to claim and enforce payments which are due to it under Clause 13.8(d), Clause 13.10.5 (*Mandatory repurchase due to a Change of Control Event (put option)*) or other payments which are due by the Issuer to some but not all Bondholders.

13.23 Prescription

- (a) The right to receive payment of the principal of or interest on the Bonds shall be prescribed and become void three (3) years from the date on which such payment became due.

- (b) If a limitation period is duly interrupted in accordance with the Finnish Act on Limitations (Laki velan vanhentumisesta 728/2003, as amended), a new limitation period of at least three (3) years will commence.

13.24 Notices and Press Releases

13.24.1 Notices

- (a) Any notice or other communication to be made under or in connection with the Finance Documents:
 - (i) if to the Trustee, shall be given at the address registered with the Finnish Trade Register on the Business Day prior to dispatch;
 - (ii) if to the Issuer, shall be given at the address registered with the Malta Companies Registration Office on the Business Day prior to dispatch; and
 - (iii) if to the Bondholders, shall be given at their addresses as registered with the CSD, on the Business Day prior to dispatch, and by either courier delivery or letter for all Bondholders. A Notice to the Bondholders shall also be published on the websites of the Group and the Trustee.
- (b) Any notice or other communication made by one person to another under or in connection with the Finance Documents shall be sent by way of courier, personal delivery or letter and will only be effective, in case of courier or personal delivery, when it has been left at the address specified in Clause 13.24.1(a) or, in case of letter, three (3) Business Days after being deposited postage prepaid in an envelope addressed to the address specified in Clause 13.24.1(a).
- (c) Failure to send a notice or other communication to a Bondholder or any defect in it shall not affect its sufficiency with respect to other Bondholders.
- (d) If an Event of Default is continuing, any notice or other communication made by the Trustee to the Issuer under or in connection with the Finance Documents may, provided that the Trustee deems it necessary in order to preserve the Bondholders' rights under the Finance Documents, be sent by email and will be effective on the day of dispatch (unless a delivery failure message was received by the Trustee), save that any notice or other communication sent by email that is sent after 5.00 p.m. in the place of receipt shall be deemed only to become effective on the following day. Any notice or other communication to be sent by email by the Trustee to the Issuer in accordance with this paragraph (c) shall be sent to the CFO or the CEO of the Issuer, to the email addresses most recently notified by the Issuer to the Trustee.

13.24.2 Press releases

- (a) Any notice that the Issuer or the Trustee shall send to the Bondholders pursuant to Clauses 13.10.3 (*Voluntary total redemption (call option)*), Clause 13.10.4 (*Early redemption due to a Withholding Tax Event (call option)*), 13.11.1(c), 13.14.10(c), 13.16(o), 13.17(a), 13.18(a) and 13.19(c) shall also be published by way of press release by the Issuer or the Trustee, as applicable.
- (b) In addition to Clause 13.24.2(a), if any information relating to the Bonds or the Group contained in a notice the Trustee may send to the Bondholders under these Terms and Conditions has not already been made public by way of a press release, the Trustee shall before it sends such information to the Bondholders give the Issuer the opportunity to issue a press release containing such information. If the Issuer does not promptly issue a press release and the Trustee considers it necessary to issue a press release containing such information before it can lawfully send a notice containing such information to the Bondholders, the Trustee shall be entitled to issue such press release.

13.25 Governing Law and Jurisdiction

- (a) These Terms and Conditions, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Finland.
- (b) The Issuer submits to the non-exclusive jurisdiction of the Finnish courts with the District Court of Helsinki (*Helsingin käräjäoikeus*) as the court of first instance.
- (c) Clause 13.25(a) and 13.25(b) above shall not limit the right of the Agent (or the Bondholders, as applicable) to take proceedings against the Issuer in any court which may otherwise exercise jurisdiction over the Issuer or any of its assets.

13.26 Method of Publication of the Base Prospectus and of the Final Terms

This Base Prospectus will be published on the websites of (a) the Maltese Listing Authority (www.mfsa.com.mt) during a period of twelve (12) months from the date of this Base Prospectus and (b) the Issuer (www.ferratumbank.com). The Final Terms related to Bonds (i.e. the Initial Bond and each Subsequent Bond) admitted to trading on any Regulated Market will be published on the websites of (a) the Maltese Listing Authority (www.mfsa.com.mt) and (b) the Issuer (www.ferratumbank.com).

13.27 Final Terms

These Conditions shall be completed in relation to the Initial Bond and any Subsequent Bond by the terms of the relevant Final Terms in relation to such Series.

14 Form of Final Terms

Final Terms dated [•]



€60,000,000 Bond Issuance Programme
of a nominal value of €100,000 per Bond

Tranche No: [•]

€[•],000,000 Guaranteed Notes

Issued by: Ferratum Bank p.l.c. (the Issuer)
Guaranteed by: Ferratum Oyj (the Guarantor)

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Bonds. Accordingly any person making or intending to make an offer of the Bonds may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

The Issuer has not authorised, nor does it authorise, the making of any offer of Bonds in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 14 December 2016 which was approved by the Listing Authority in Malta on the 14 December 2016 which constitutes a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 to the extent that such amendments have been implemented in a relevant Member State) (the "**Prospectus Directive**").

This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus.

The Base Prospectus is available for viewing at the registered address of the Issuer and on the websites of (a) the Listing Authority during a period of twelve months from the date of the Base Prospectus and (b) the Issuer

(www.ferratumbank.com) and copies may be obtained free of charge from the registered address of the Issuer (Tagliaferro Business Centre, Level 6, 14 High Street, Sliema SLM 1551, Malta).

1.	Issuer	Ferratum Bank p.l.c. (duly incorporated under the laws of Malta under registration number C-56251)
2.	Guarantor	Ferratum Oyj (duly incorporated under the laws of Finland under registration number 1950969-1)
3.	Tranche Number	[•]
4.	Aggregate Nominal Amount: (i) Tranche	[•]
5.	(i) Issue Price of Tranche (ii) Total Proceeds	[•] [•]
6.	First Issue Date [<i>in relation to the Initial Bond issued under the Base Prospectus this equals the Issue Date</i>]	[•]
7.	(i) Issue Date (ii) Interest Commencement Date	[•][<i>specify/Issue Date</i>]
REDEMPTION		
8.	Early redemption option	As stated in the Terms and Conditions of the Base Prospectus
GENERAL PROVISIONS		
9.	Taxation	As stated in the Terms and Conditions of the Base Prospectus

PURPOSE OF FINAL TERMS

These Final Terms comprise the Final Terms required for the admission to trading on the Official List of the EWSM of the Bonds described herein pursuant to the €60,000,000 Bond Issuance Programme of Ferratum Bank p.l.c.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The audit report has been extracted from the audited financial statements. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published thereby, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Ferratum Bank p.l.c.
Duly represented by:

Lea Liigus
Chief Executive Officer
Ferratum Bank p.l.c.

PART B – OTHER INFORMATION

1. ADMISSION TO TRADING AND LISTING	
(i) Listing	EWSM, Stockholm, Frankfurt
(ii) Admission to trading	Trading of the Bonds can be executed Over The Counter as from [<i>specify/Issue Date</i>].
2. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER	
Save for the fees payable to the Manager in connection with the Issue of Bonds, so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer. The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.	
3. YIELD	
(i) Indication of Yield	[•]
(ii) Method of Calculating the Yield	[•]
4. OPERATIONAL INFORMATION	
(i) ISIN Code	SE0009357064
(ii) Delivery	Delivery against payment
(iii) Names and addresses of Paying Agent	Malta Stock Exchange Garrison Chapel Castille Place Valletta VLT1063 Malta

15 Taxation

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Securities, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to investors insofar as taxation in Malta is concerned.

The information below is being given solely for the general information of investors and does not constitute legal or tax advice and does not purport to be exhaustive.

The said information is based on an interpretation of tax laws and practices relative to the applicable legislation, as known to the Issuer at the date of this Base Prospectus. Investors are reminded that tax laws and practices and their interpretation may change from time to time.

15.2 Malta Tax on Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder falls within the definition of "recipient" in terms of article 41(c) of the Income Tax Act, (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a "recipient" do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply. For the purpose of the above, a "recipient" is generally a person who is resident in Malta during the year in which investment income is payable to him or other persons or entities acting on behalf of such resident person or a trustee or foundation pursuant to or by virtue of which any money or other property whatsoever shall be paid or applied to or for the benefit of such resident persons.

The withholding tax is considered a final tax and a Maltese resident individual bondholder need not declare the interest so received in his income tax return. No person shall be charged further tax in respect of such income. Furthermore, any such tax withheld shall not be available as a credit against the bondholders tax liability, or for a refund, as the case maybe, for the relevant year of assessment.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the progressive rate/s applicable to that person at that time. Additionally, in this latter case, the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary does not qualify as a "recipient" in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta). Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act, (Cap. 123 of the laws of Malta).

In terms of article 12(1)(c) of the Income Tax Act, (Cap. 123 of the laws of Malta), Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/ evidence being provided to the Issuer in terms of law.

15.3 Malta Capital Gains on Disposals or Redemptions of Securities

To the extent that the Securities would not fall to be characterised as constituting chargeable 'securities' in terms of the provisions of Article 5(1)(b) of the Income Tax Act, (Cap. 123 of the laws of Malta), any disposal or redemption of Securities would not trigger Malta tax on capital gains.

Chargeable 'securities' are defined in Article 5(1)(b) of the Income Tax Act, (Cap. 123 of the laws of Malta) as comprising "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return".

At any rate, no Malta tax would be chargeable on any disposal of Securities by an Investor who is not resident in Malta and provided that:

- i. the Investor is not owned and controlled by, directly or indirectly, nor acts on behalf of an individual or individuals who are ordinarily resident and domiciled in Malta; and
- ii. the Issuer shall not own immovable property situated in Malta or any real rights thereon or, directly or indirectly, shares or other interests in any entity or person, which owns immovable property situated in Malta or any real rights thereon where five percent (5%) or more of the total value of the said shares or other interests so held is attributable to such immovable property or rights.

Furthermore, no Malta tax may be chargeable on any disposal of Securities listed on the EWSM in terms of the provisions of Article 5(6)(b) of the Income Tax Act, (Cap. 123 of the laws of Malta).

Unless otherwise exempt from Malta tax on capital gains, a disposal or redemption of Securities would trigger a Malta tax liability on the gains derived as a result. Such gains would be computed by the deduction of the transferring Bondholder's cost of acquisition of the Securities from the consideration received therefor.

15.4 Malta Duty on Documents and Transfers

In terms of Article 50 of the Financial Markets Act, Chapter 345 of the laws of Malta, a disposal or redemption of the Securities listed on the EWSM should be wholly exempt from Maltese duty which may otherwise be chargeable in terms of the Duty on Documents and Transfers Act, Chapter 364 of the laws of Malta.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF SECURITIES MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED MALTA TAX TREATMENT APPLICABLE TO THE SECURITIES AND TO INVESTORS.

THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO INVESTORS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

16 General Information

16.1 Admission to Trading Information

Application will be made for each Series of the Bonds to be admitted to trading on the EWSM. The EWSM is a regulated market in terms of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

16.2 Authorisations

The issue of the Bonds has been authorised by means of a resolution of the Board of Directors of the Issuer adopted on the 1 December 2016. The guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the Board of Directors of the Guarantor dated 1 December 2016.

This Base Prospectus has been authorised by means of a resolution of the Board of Directors of the Issuer adopted on 1 December 2016.

16.3 Third party information

The audit report extracted from the audited financial statements has been accurately reproduced, and, as far as the Issuer and Guarantor are aware and are able to ascertain from information published thereby, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17 Documents on display

The following documents or certified copies thereof, where applicable, are available for inspection by electronic means on the Issuer's website (www.ferratumbank.com) for the lifetime of the Base Prospectus:

- i. The Memorandum and Articles of Association of the Issuer and the Guarantor;
- ii. The audited financial statements of the Issuer for the financial years ended 31 December 2014 and 31 December 2015;
- iii. The audited consolidated annual financial statements of the Ferratum Group for the financial years ended 31 December 2014 and 31 December 2015;
- iv. The Base Prospectus and each set of Final Terms issued thereunder.
- v. The Guarantee document which is also set out in Annex A of the Base Prospectus

Annex A

FORM OF THE GUARANTEE AND ADHERENCE AGREEMENT

This **Guarantee and Adherence Agreement** (this "**Agreement**") is dated [•] December 2016 and made between:

- (a) **Ferratum Bank p.l.c.**, Maltese Reg. No. C56251, a public limited liability company incorporated under the laws of Malta (the "**Company**");
- (b) **Ferratum Oyj**, Finnish Reg. No. 1950969-1, a public limited liability company incorporated under the laws of Finland (the "**Guarantor**"); and
- (c) **Nordic Trustee Oy**, acting for itself and as agent for the Secured Parties (as defined below) (the "**Agent**").

Background

- A. The Company and the Agent have entered into the terms and conditions for the Company's senior unsecured floating rate bonds 2016/2020 (ISIN: SE0009357064) (the "**Terms and Conditions**") dated [•] December 2016 pursuant to which the Company has issued debt instruments in the aggregate amount of up to EUR 60,000,000.
- B. The Guarantor has agreed to irrevocably and unconditionally, jointly and severally, as principal obligor (Fi. *omavelkainen takaus*) guarantee the punctual performance by the Company of all of the amounts outstanding under the Finance Documents.
- C. The Agent shall hold the guarantee created hereunder for itself as security agent and for the Secured Parties.

1. DEFINITIONS AND CONSTRUCTION

1.1 Definitions

"**Finance Documents**" shall have the meaning ascribed thereto in the Terms and Conditions.

"**Group**" means the Guarantor and its Subsidiaries from time to time.

"**Guarantee**" means the guarantee granted by the Guarantor pursuant to Clause 2 (*Guarantee*).

"**Guaranteed Obligations**" means all present and future payment obligations and liabilities (whether actual and contingent, whether owed jointly, severally or in any other capacity whatsoever and whether originally incurred by a member of the Group or by some other person) of the Company under the Finance Documents.

"**Secured Parties**" shall have the meaning ascribed to such term in the Terms and Conditions.

1.2 Construction

Unless otherwise defined in this Agreement, terms defined in the Terms and Conditions shall have the same meanings when used in this Agreement and the rules of construction set out in the Terms and Conditions shall apply also to this Agreement.

2. GUARANTEE

- (a) The Guarantor irrevocably and unconditionally jointly and severally guarantees, as principal obligor as for its own debt (Fi. *omavelkainen takaus*), to each Secured Party and their successors and assigns:
 - (ii) the full and punctual payment and performance within applicable grace periods of all Guaranteed Obligations, including the payment of principal and premium, if any, and interest under the Finance Documents when due, whether at maturity, by acceleration, by redemption or otherwise, and interest on any such obligation which is overdue, and of all other monetary obligations of the Guarantor to the Secured Parties under the Finance Documents; and
 - (iii) the full and punctual performance within applicable grace periods of all other obligations and liabilities of the Guarantor under the Finance Documents.
- (b) The Guarantor agrees to indemnify each Secured Party against any loss incurred by such Secured Party arising out of the non-payment, invalidity or unenforceability of the Guaranteed Obligations, in each case, all in accordance with the terms of the Finance Documents.
- (c) The Guarantor further agrees that the Guaranteed Obligations may be extended or renewed, in whole or in part, without notice or further assent from the Guarantor and that the Guarantor will remain bound under this Agreement notwithstanding any extension or renewal of any Guaranteed Obligation.
- (d) The obligations of the Guarantor hereunder shall not be affected by:
 - (i) the failure of any Secured Party to assert any claim or demand or to enforce any right or remedy against the Guarantor or any other person under the Finance Documents or any other agreement or otherwise;
 - (ii) any extension or renewal of any of the Finance Documents;
 - (iii) any rescission, waiver, amendment or modification of any of the terms or provisions of the Finance Documents or any other agreement;
 - (iv) any repayment of any amount owed by the Guarantor under the Finance Documents;
 - (v) the release of any Bond held by any Bondholder (both as defined in the Terms and Conditions) for the Guaranteed Obligations or any of them;
 - (vi) the failure of any Secured Party to exercise any right or remedy against any other guarantor of the Guaranteed Obligations; or
 - (vii) any change in the ownership of such Guarantor.

- (e) Until all of the Guaranteed Obligations have been irrevocably paid and discharged in full, the Agent may:
- (i) refrain from applying or enforcing any other security, moneys or rights held or received by them in respect of such amounts or apply and enforce the same in such manner and order as they see fit (whether against such amounts or otherwise), however always in accordance with the terms of the Finance Documents, and the Guarantor shall not be entitled to the benefit of the same; and
 - (ii) place in an interest-bearing suspense account any moneys received from the Guarantor or on account of the Guarantor's liability hereunder.
- (f) Except as expressly set forth in Clause 8 (*Release of Guarantor*), the obligations of the Guarantor hereunder shall not be subject to any reduction, limitation, impairment or termination for any reason, including any claim of waiver, release, surrender, alteration or compromise, and shall not be subject to any defence of set-off, counterclaim, recoupment or termination whatsoever or by reason of the invalidity, illegality or unenforceability of the Guaranteed Obligations, any Guarantee or otherwise. Without limiting the generality of the foregoing, the obligations of the Guarantor herein shall not be discharged or impaired or otherwise affected by the failure of any Secured Party to assert any claim or demand or to enforce any remedy under the Finance Documents or any other agreement.
- (g) The Guarantor further agrees that its Guarantee herein is a continuing guarantee and shall extend to the ultimate balance of the Guaranteed Obligations and shall continue to be effective or be reinstated in full force and effect, as the case may be, if at any time any payment, or any part thereof, by the Guarantor to any Secured Party of any Guaranteed Obligation, whether for principal or interest or otherwise, is rescinded or must otherwise be restored or returned, upon the bankruptcy, insolvency or reorganization of the Guarantor or otherwise, by any Secured Party to the Guarantor or any custodian, trustee, administrator, liquidator or other similar official acting in relation to the Guarantor or its property.
- (h) The Guarantor agrees that it shall not be entitled to any right of subrogation or contribution in respect of any Guaranteed Obligations guaranteed hereby until payment in full of all Guaranteed Obligations.
- (i) Payments to be made by the Guarantor hereunder shall be made in immediately available funds in the same currency in which the corresponding obligations are payable by the Guarantor to such account as the Agent may specify.

3. **ADHERENCE**

The Guarantor undertakes to adhere to and comply with any undertakings and obligations set out in the Finance Documents, which is specified to apply to the Guarantor.

4. **SUCCESSORS AND ASSIGNS**

This Agreement shall be binding upon the Guarantor and its successors and assigns and shall enure to the benefit of the successors and assignees of the Secured Parties and, in the event

of any transfer or assignment of rights by any Secured Party, the rights and privileges conferred upon that party in the Finance Documents shall automatically extend to and be vested in such transferee or assignee, all subject to the Terms and Conditions.

5. NO WAIVER

Neither a failure nor a delay on the part of either, the Secured Parties in exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, nor shall a single or partial exercise thereof preclude any other or further exercise of any right, power or privilege. The rights, remedies and benefits of the Secured Parties herein expressly specified are cumulative and not exclusive of any other rights, remedies or benefits which either may have under this Agreement, by law or otherwise.

6. WAIVER OF STATUTORY RESTRICTIONS

The Act on Guarantees and Collateral for Third Party Debt (Fi: *laki takauksesta ja vierasvelkapanttauksesta, 361/1999*), to the extent it concerns the creditor's information duties, shall not apply to the Guarantee or to this Agreement and the Guarantor waives any rights and defences under the said acts against the Secured Parties.

7. MODIFICATIONS

No modification, amendment or waiver of any provision of this Agreement shall in any event be effective unless the same shall be in writing and signed by the Agent, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice to or demand on the Guarantor in any case shall entitle the Guarantor to any other or further notice or demand in the same, similar or other circumstances.

8. RELEASE OF GUARANTOR

- (a) The Guarantee of the Guarantor will be deemed released from all obligations under this Agreement without any further action required on the part of any Secured Party upon the irrevocable payment in full in cash of all obligations under the Finance Documents.
- (b) The Agent shall, at the request and at the sole cost and expense of the Company deliver an appropriate instrument evidencing such release referred to in paragraph (a) above.

9. SEVERABILITY

In case any provision of this Agreement shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

10. INDEMNITY

The Guarantor shall, on demand indemnify each Secured Party and each agent or attorney appointed under or pursuant to this Agreement, any other Finance Document or any other document related to the Finance Documents in respect of all liabilities and evidenced expenses (including legal fees) incurred by any of them in connection with:

- (a) any actual or proposed amendment, variation, supplement, waiver or consent under or in connection with this Agreement;
- (b) any discharge or release of this Agreement;
- (c) any breach by the Guarantor of any of the provisions of this Agreement; and
- (d) the preservation or exercise (or attempted preservation or exercise) and the enforcement (or attempted enforcement) of any rights under or in connection with this Agreement.

11. NOTICES

- (a) Any communication to be made under or in connection with this Agreement, and any consent or waiver to be given thereunder, must be in English and shall be made in writing and, unless otherwise stated, may be made by e-mail or letter.
- (b) The address of each party for any communication under or in connection with this Agreement is:

Ferratum Bank p.l.c.:

Address: Ferratum Bank p.l.c.
Attn. Paul Wasastjerna and Lea Liigus
Tagliaferro Business Centre
Level 6,14 High Street,
SLM 1551 Sliema, Malta

E-mail: paul.wasastjerna@ferratum.com
lea.liigus@ferratumbank.com

Ferratum Oyj:

Address: Ferratum Oyj
Attn. Paul Wasastjerna and Lea Liigus
Ratamestarinkatu 11 A
00520 Helsinki, Finland

E-mail: paul.wasastjerna@ferratum.com
lea.liigus@ferratumbank.com

Nordic Trustee Oy:

Address: Nordic Trustee Oy
Attn. Alexander Liyman
Mikonkatu 1b
FI 00100 Helsinki

E-mail: mail@nordictrustee.fi

or any substitute address as a party may notify to the other parties by not less than five (5) Business Days' notice

(c) Any communication or document made or delivered by one person to another under or in connection with this Agreement will only be effective:

(i) if by way of e-mail, when received in readable form; or

(ii) If by way of letter, when it has been left at the relevant address or five (5) Business Days after being deposited in the post postage prepaid in an envelope addressed to it at that address;

and, if a particular department or officer is specified as part of its address details, if addressed to that department or officer.

(d) Any notice received on a non-working day or after business hours in the place of receipt will only be deemed to be given on the next working day in that place.

12. **GOVERNING LAW AND JURISDICTION**

(a) This Agreement, and any non-contractual obligations arising out of or in connection therewith, shall be governed by and construed in accordance with the laws of Finland.

(b) The Parties agree that the courts of Finland, with the District Court of Helsinki as court of first instance, shall have the exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Agreement and, for those purposes, irrevocably submit to the jurisdiction of such court.

(c) This Clause is for the benefit of the Secured Parties only and shall not limit the right of the Secured Parties to bring proceedings against the Guarantor or the Company in connection with this Agreement in any other court of competent jurisdiction or concurrently in more than one jurisdiction.
