ANNUAL REPORT 2018

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INTRODUCTION

Building the bank of the future

Ferratum is a pioneer in digital and mobile lending, working to realise a vision of a global financial ecosystem where paper is redundant and physical visits to banks are unnecessary.

Our data-driven approach to credit scoring and knowing our customers puts us at the forefront of the smart, paperless, real-time banking revolution.

Our mission is to provide "more than money to everyone", which means fast and easy solutions for our customers that best meet their needs at the time that they need them. We want to offer the best possible customer experience for lending and banking through transparent and reliable service; and 24/7 personal customer service online and by phone. In short, we are there for our customers whenever and wherever they need us.

We are the future of banking. **Today.**

Committed to responsible lending

Ferratum is committed to ensuring its marketing practices and lending decisions are clear, consistent and transparent. We have put rigorous procedures in place in order to lend only to those customers whom we believe will be able to repay a loan in full and on time. Over our 14 years of operating in the lending business, we have developed sophisticated and automated processes which yield more than 10,000 data points for assessing each customer's ability to repay their loans. Potential customers whom we believe would not be able to pay back their loans are rejected; our rejection rate is approx. 87% of all applications received across the 25 markets in which we globally lend.

Ferratum has several procedures and processes in place which are designed to reduce the risk of granting loans to individuals or households that cannot afford them. The processes and procedures vary from country to country, as well as the specific product on offer, but they all include a range of controls, such as independent credit-worthiness checks on public and private databases and credit bureaus with the consent of the customer. In addition, monthly loan repayments are checked against household or personal income, as well as any other financial commitments or insolvency proceedings affecting the loan applicants.

Furthermore, Ferratum applies a number of rules to its lending activities, which include prohibitions on granting more than one loan to the same customer at the same time, disclosing to borrowers the potential implications of short-term borrowing and the long term use of such borrowing, and a one day 'cooling off' period before granting of a new loan after a previous loan has been paid in full. The ongoing relevance of these rules is checked on a regular basis.

Ferratum has marketing guidelines in place which are reviewed regularly to ensure that they remain appropriate. Though there are a number of country-specific requirements, the internal guidelines focus on matters of general principle, such as the obligation not to advertise any of our services in a misleading, false or deceptive manner, and the importance of clearly detailing all relevant information to consumers, such as interest rate and fee information.

In addition, Ferratum supports a zero-tolerance approach concerning money laundering and terrorist financing, and AML directives are welcomed and incorporated in all operational countries.

Ferratum at a glance

Consumer loans
91% of FY 2018 revenues

Business loans
8% of FY 2018 revenues

Mobile bank
1% of FY 2018 revenues

14 Years of profitable growth

2.0m Total active and former customers

25 Countries

€262m FY 2018 revenue

+18% Year-on-year revenue growth

+19% Year-on-year profit growth

Founded in Finland in 2005 & headquartered in Helsinki

EU Banking Licence

Frankfurt Prime Standard

THE MARKETS WE ARE IN

Digital Lending

Improving access to finance is where we started in 2005. Today, we have a range of lending products for individuals and SMEs, providing them with the finance to pursue their ambitions.

By offering a variety of lending products, we give our customers more freedom to finance their lifestyles or businesses on their own terms, with financing solutions that are appropriate to individual or professional financial circumstances. What all Ferratum products have in common - and that our customers value - is that they are easy, fast and fully online.

Mobile Banking

Smartphones are at the heart of people's financial lives and today´s customer expects to be able to do everything from their mobile device.

From payments and money transfers, to managing bank accounts and savings, the Ferratum Mobile Bank has been developed for this very reason.

The Ferratum Mobile Bank account offers a multicurrency account for the whole of Europe. It is the only account you need across Europe, and is perfect for travellers, adventurers, and explorers. A free account can be opened in under 10 minutes, and key features include:

- Open and manage multiple accounts and currencies real-time
- Availability of all major European currencies
- Integrated currency converter

The bank account is currently offered in five markets in Europe: Sweden, Germany, Norway, Spain and France.

Petri Rahja, Head of Mobile Bank &
Jorma Jokela, Founder & CEO

LETTER TO SHAREHOLDERS

Dear Shareholders,

At the time of our formation in 2005, we were a small group of people with an ambitious vision of creating financial services that are truly easy to use, fully online and mobile and available in real-time. Since the beginning of our journey, we have offered our customers the fastest, easiest and most convenient loans through a business model which has delivered both profit and growth in every quarter.

Since our IPO as the first FinTech listing in Germany four years ago, we have nearly quadrupled our revenues, added five more countries to our geographic footprint, as well as doubled the number of countries operating under our banking licence. This gives us not only more credibility in those markets, but also regulatory and operational discipline, which has enabled us to reduce our cost of funding significantly from 8.0% in 2015 to 3.6% in 2018. This lower funding cost enables us to enlarge our addressable markets over time through lower yield lending and a diversification in our product range to be relevant for these broader audiences.

From our roots in offering Microloans, a product which has enabled us to quickly enter new countries and rapidly understand local risk profiles and payment behaviour, we have gone on to launch larger, more flexible loan products such as Credit Limit and PlusLoan which generate an ever-greater customer lifetime value for Ferratum. We also offer Primeloans in two markets, which are substantially larger loans of up to ten years in term, and are actively managing down the proportion of Microloans in our product portfolio. We now focus on Credit Limit and PlusLoan, and increasingly Primeloan and lending to SME customers, as our core and future drivers of revenue and profitability.

According to research that we conducted across all markets we operate in, people see Ferratum above all as trustworthy and transparent. What our customers value most about our product offering is speed, reliability and availability when the need arises. Our customer service is seen as one of our key advantages with existing customers and is described as efficient, helpful and flexible. I am proud of our whole team for these results and we will ensure Ferratum stays on this path.

In the future, I believe we can extend our commercial principles beyond lending to a far broader financial field. To achieve this, we continue to invest heavily in ensuring the best possible customer experience, supported by the most scalable technology and rigorous, automated processes of data analysis and risk assessment. The first visible step towards offering a global financial platform was the launch of our Mobile Bank in 2016, which enabled our customers to bank whenever and wherever they wanted, now to be followed by the next generation of the Mobile Bank in 2019, which will unlock further opportunities to grow our platform and business through a standardized API architecture. These scalable connections deliver 'plug-and-play' solutions, enabling the seamless integration of third-party components and widgets that will build an ecosystem of digital financial products and services accessible globally over time. Through Ferratum´s platform, we can create a 'win-win-win' outcome for our customers, partners and Ferratum. The customers win, as they have access to a broader service offering; our partners win, as they have access to larger audiences and addressable markets; and ultimately Ferratum and our shareholders win, as we can leverage multiple revenue streams, grow our global presence and market penetration more quickly through partnerships, while broadening the addressable markets for our own lending products due to the increased pull of customers onto our platform.

2018 was a year of many learnings for us, out of which we seized opportunities to optimize and further automate our business. While certain adjustments to our scoring algorithms early in the year had some unintended consequences for our loan approval rates, we moved swiftly to address our risk management processes and customer services to restore the intake of new customers and retain more of the good customers already with us. At the same time, we reshaped our organisation, rebalanced resources and reviewed our operations and geographies carefully. After more than 14 years of tremendous growth, it was inevitable that a time like this would come, when one needs to streamline operations, and I can now look confidently to the future with a decreased cost base, streamlined operations, heading towards further automation and having a new, enlarged Leadership Team by my side to run our business towards further growth and profit.

We continue to believe that people do not need banks, but people do need banking services; and Ferratum is uniquely positioned to expand its lending operations into broader financial services. Ferratum has always aimed for a global presence and, after more than 13 years of operation, we deliver digital lending services to consumers and SMEs in 25 countries on five continents, with further expansion to come.

Our future expansion and evolution will be supported by Ferratum´s two partnership models: Lending-as-a-Service (LaaS) and Banking-as-a-Service (BaaS). Until today, Ferratum´s growth has been solely organic, however, a few smaller, recent pilots and partnerships have generated great insight into these new growth models. They will over time enable Ferratum to extend its global reach and market penetration through leveraging collaborative agreements with complementary brands and consumer service providers. We have been able to test the building blocks of such partnerships, evolved our approach to partnering, and through these learnings are confident that we will be able to expand our partnering and scale our business at a pace that would not be possible for us solely on our own.

We hope that you will continue to accompany us as shareholders on this exciting journey. My special thanks go to our employees, who have made such a huge contribution to taking our vision further through their curiosity, tireless commitment, and belief in the potential for our business.

Jorma Jokela
CEO and Founder, Ferratum Group

FINANCIAL COMMENTARY

Financial Highlights

+18.3%	Record FY 2018 revenue of EUR 262.2 million - up 18.3% year-on-year
+18.7%	Record Q4 2018 revenue of EUR 72.0 million - up 18.7% year-on-year
+18.7%	Record FY 2018 operating profit (EBIT) of EUR 37.8 million (margin 14.4%) - up 18.7% year-on-year
-3.9%	Profit before tax (EBT) of EUR 22.3 million - down 3.9% year-on-year due to higher financing costs and FX losses of EUR 2.8 million
€0.89	Diluted EPS unchanged year-on-year at EUR 0.89 per share
€115.6m	Group remains well-funded with liquidity of EUR 115.6 million in cash as at 31 December 2018

Operational Highlights

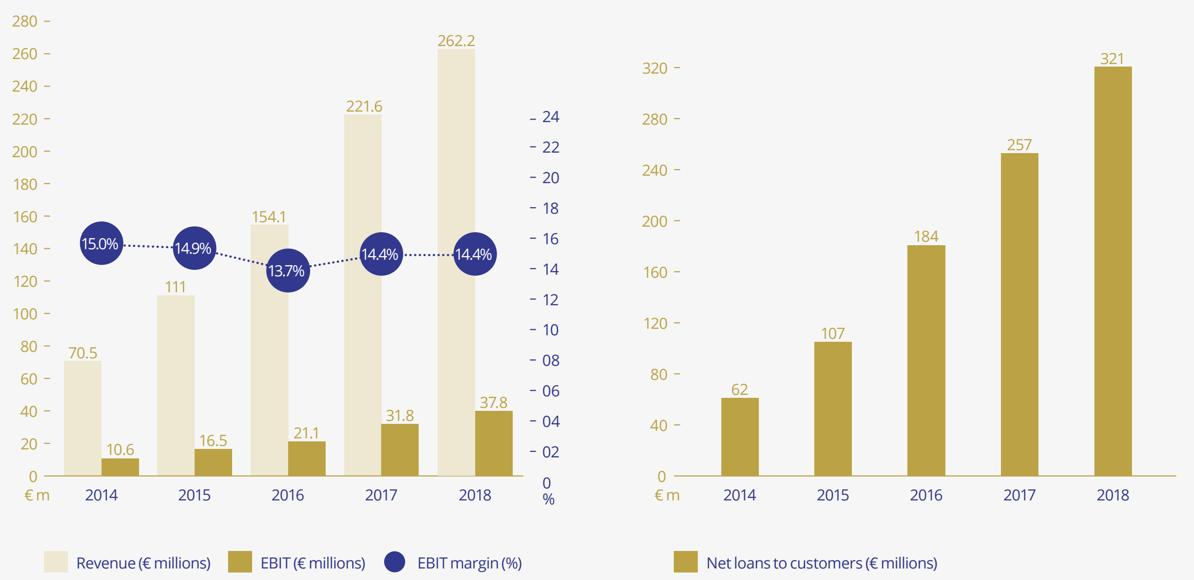
Gross book value of loan portfolio increased 39.1% to 467.8 million (31 December 2017: EUR 336.2 million)

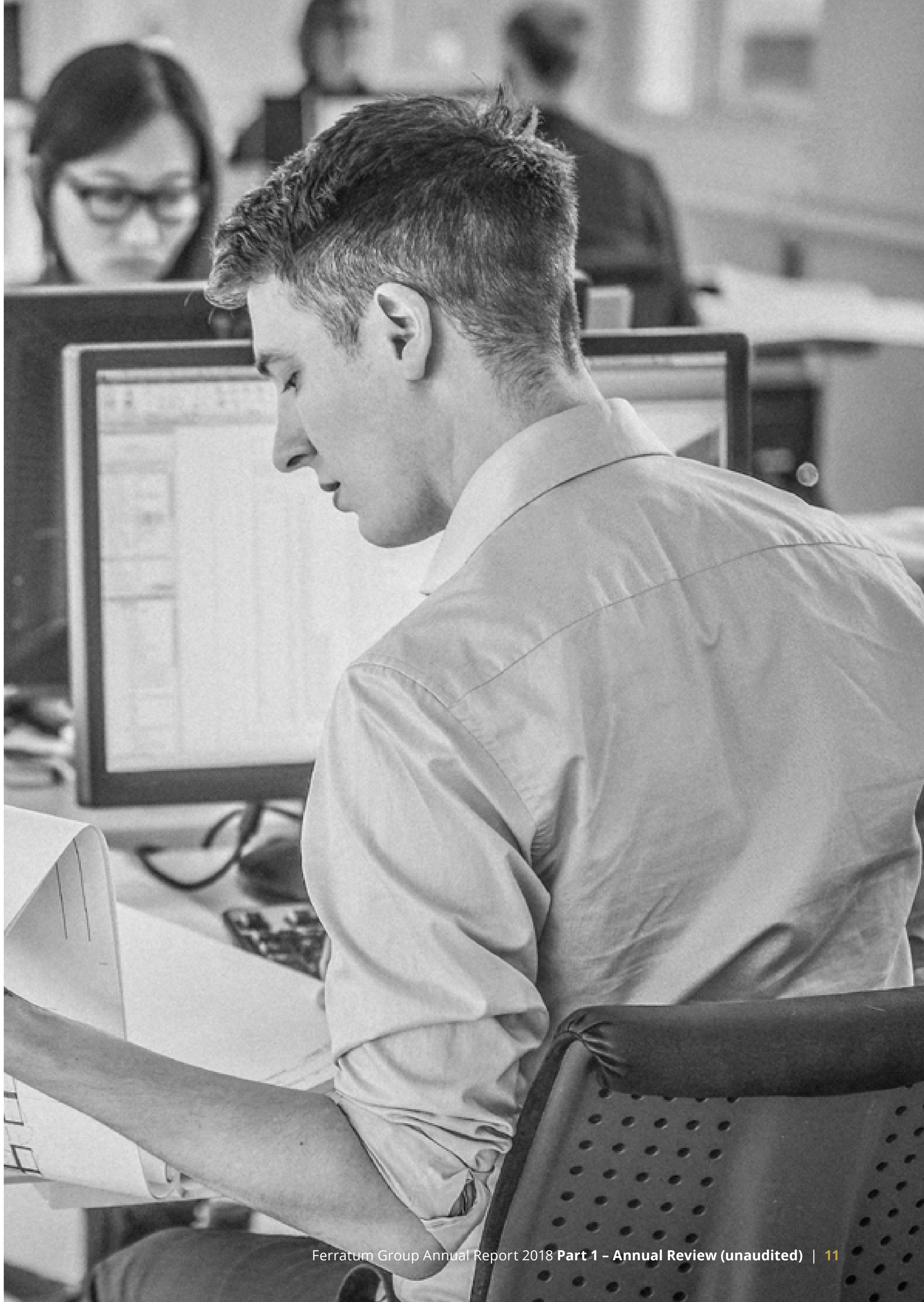
Net book value of loan portfolio up 35.5% to EUR 320.5 million (1 January 2018: EUR 236.5 million)

Loan coverage ratio increased to 31.5% (1 January 2018: 29.3%)

Customer deposits stable with FY 2018 EUR 183.4 million (31 December 2017: EUR 174.3 million)

Growth in revenue and credit volume





DIGITAL LENDING

In 2018, the trend from Microloans towards revolving and instalment loans continued. Microloans decreased in revenue by five percentage points y-o-y with an average loan term of 29 days and average loan amount of EUR 210. PlusLoans increased in revenue by 8.8% y-o-y with an average loan term of 355 days and average loan amount of EUR 753, while revenues of Credit Limit as a revolving loan increased by 27.5% y-o-y with an average loan amount of EUR 1,269. Growing our presence and revenues for the longer term, the near-prime segment was a strategic priority in 2018 and will become more and more important over the coming years. The first 'Primeloan countries' launched have been Finland and Germany. With loan amounts up to EUR 20,000 over a term of up to 10 years, these are significantly higher than Microloans. Also, underwriting is a crucial part of being successful in this potentially huge mass market. The revenues of Primeloans increased by 177.5% y-o-y with an average loan term of 4.9 years and average loan amount of EUR 6,004. We have taken a careful, step by step approach to make sure that we are attracting the right customers for our newest, Primeloan products.

Markets are under constant review and if in some markets we cannot see a bright future, Ferratum closes those operations in order to refocus investment and resources on more promising markets. Such a decision we made recently, as we suspended lending to new customers in Russia. Ferratum also regularly evaluates its product offering including the optimal loan amounts, pricing, risk assessment and approval processes to ensure that everything fits smoothly together to be able to offer solid customer experience and attract right segments with right products.

In order to introduce greater transparency, shared goals and accountability across the Group, we implemented a new management model in 2018, the 'five-cylinder model', to coordinate our business and integrate our countries of operation and central functions (marketing/risk) with common and individual KPI targets. The cylinder model is an analogy of an engine with five cylinders - to ensure the best performance of the engine, all cylinders must work both individually, but also together. Our cylinder owners, the designated managers running each of our five cylinders are responsible for their respective cylinder performing in each country against Group-wide KPIs.

Through automated tools with dashboards, we monitor all relevant performance metrics for these cylinders throughout the whole customer journey. The purpose of this management model is not only to improve the offering for the customer, but also to enhance our marketing efficiency, data and ensure we continue to grow our active customer base. This is done by increasing the number of new customers, but also ensuring that we keep the good, existing customers. The model has proven to be working well and to bring benefits to the organisation through increased clarity of responsibilities and a shortened time to react on adverse changes in the metrics. Our dashboards with all relevant KPIs for each cylinder show us at all times how our performance is against our plans and budget with a traffic light system. If one of the KPIs become yellow or red, the cylinder owner will get together with our country management and ensure that appropriate actions are taken to get it back to green.

Our 5 Cylinder Model

Lead generation, being responsible for getting leads onto our web pages

Conversion funnel, being responsible for the leads being converted into applications

Underwriting & collection, ensuring that we approve the right customers and these paying us back

CRM, focusing on good customer retention

Products & pricing, ensuring the right features and terms for all our products to serve our customers and our business in the best possible way

Saku Timonen
Chief Commercial Officer

Scott Donnelly
Business Unit Director,
SME Lending

Business lending update

Ferratum Business, the offering of Ferratum to small and medium-sized enterprises (SMEs), provides fast and easy working capital loans of up to EUR 250,000 for periods of between 6 and 24 months. The average loan in 2018 was EUR 13.503 with an average maturity of 420 days. Ferratum Business generated revenues of EUR 21 million, representing 8% of total Group revenues for 2018 and growth in lending to SMEs of 60% year-on-year. Currently, Ferratum Business operates in Finland, Sweden, Denmark, Lithuania, Netherlands, Czech Republic, UK, Australia and Poland.

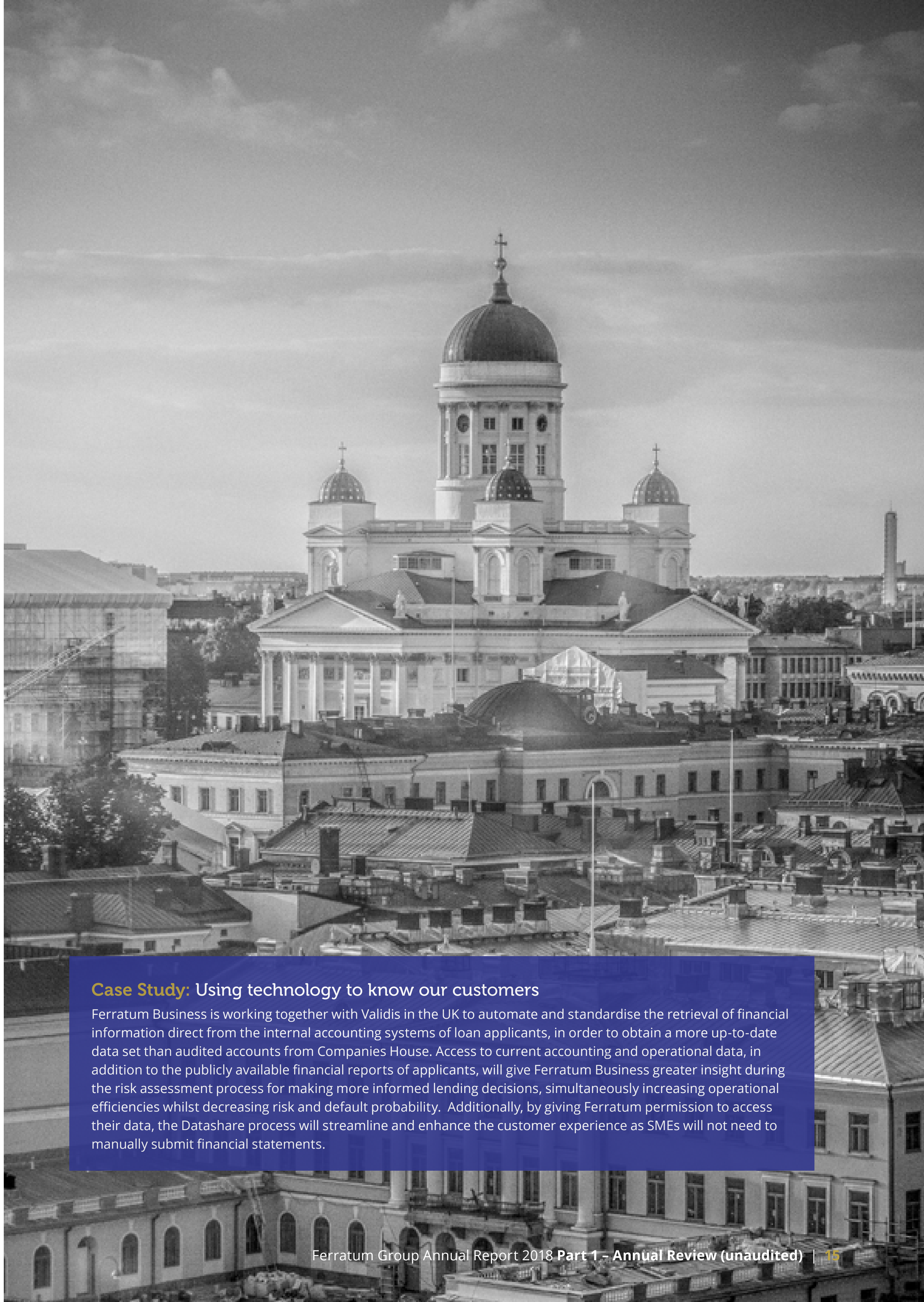
Compared with traditional banks, Ferratum Business loans offer an attractive alternative in terms of user experience, speed and convenience. The application is filled in online in as little as five minutes, with basic questions on the person, the business and the intended use for the loan. Based on the information provided, our algorithms and automated external data base checks, we can immediately pre-approve the customer, or directly decline the loan.

Loan decisions are mainly based on cash flow of the company. Typically a loan can cover one month´s cash flow, and a company will need to have been operational for at least 6 to 12 months, generating annual revenues of at least EUR 50,000. The management needs to be resident and have a bank account in the country of operation and loan application. In addition, a phone conversation with one of our sales agents may be needed to further understand the business and the need for the loan. The application of sophisticated data search technology enables Ferratum to gather enormous volumes of relevant data points from publicly available sources and the proprietary systems of accountancy firms to help Ferratum build the most comprehensive database of each applicant’s financial circumstances and history. With the consent of the entrepreneur, we use this technology to upload and interpret accounting data from multiple sources and utilize it for even more precise and informed underwriting and lending decisions. This also helps the entrepreneur verify to us that he or she has appropriate financial strength to justify a working capital loan, confirming that the approved loan is truly tailored to the applicant’s financial needs, meaning that everyone wins.

Once the application is submitted and a loan has been approved and accepted, the entrepreneur will usually have the money on his or her account during the same business day, which is a major competitive advantage over other financing providers, including traditional banks. The loans are unsecured, however the entrepreneur has a personal liability on the loan and its repayment.

Ferratum recently announced the launch of invoice-based lending in Poland, which gives Ferratum Business an exciting new kind of opportunity in the SME segment. Some companies prefer the flexibility of invoice-based lending, rather than taking on a large, fixed loan with monthly instalments, and we want to be able to serve this need, consistent with our core principles of offering fast, flexible and convenient lending solutions.

Looking forward, partnerships are a great opportunity to enhance the scale and growth potential for lending to SMEs at Ferratum, either via a commercial partner or by partnering with a technology provider, e.g. to enhance Ferratum’s ability to access and analyse a broader set of relevant data which, with the consent of the customer, Ferratum can utilize for more informed underwriting and therefore risk-based lending to SMEs.



Case Study: Using technology to know our customers

Ferratum Business is working together with Validis in the UK to automate and standardise the retrieval of financial information direct from the internal accounting systems of loan applicants, in order to obtain a more up-to-date data set than audited accounts from Companies House. Access to current accounting and operational data, in addition to the publicly available financial reports of applicants, will give Ferratum Business greater insight during the risk assessment process for making more informed lending decisions, simultaneously increasing operational efficiencies whilst decreasing risk and default probability. Additionally, by giving Ferratum permission to access their data, the Datashare process will streamline and enhance the customer experience as SMEs will not need to manually submit financial statements.

Petri Rahja
Head of Mobile Bank

BUILDING THE BANK OF THE FUTURE

Mobile Bank update

The global financial industry is being overhauled with digital innovators, but even though a proliferation of digital challengers means that customers are now spoilt for choice, this disruption is still largely in its infancy. While there has been a lot of buzz in the Fintech arena about the long-term consequences of this disruption for traditional banks and financial services providers, we have yet to witness a fundamental paradigm shift in financial services. Financial technology and innovation is essentially delivering better, more customer friendly versions of banks and financial services, but nothing that could be described as true disruption. Ferratum believes that solving customer problems is the key criterion against which disruption and success should be judged, and at Ferratum we work every day to make our customers' lives easier.

The best bank is the one that is there whenever and wherever needed; a fully automated, mobile companion to address all of the financial needs of the customer continuously and instantly. During 2018 Ferratum has been defining the future of its customer-centric financial services business model, delivered to customers through one channel – mobile.

Our current Mobile Bank provides fully digitised, branchless banking services and helps Ferratum understand, learn and respond to customer needs without the need for face-to-face interaction. Our Mobile Bank is currently available in five markets with deposits of more than EUR 180 million. The term deposits are also a key component of a diversified funding strategy and contribute to a lower overall funding cost for the Group.

During 2018 we ran a pioneering Banking-as-a-Service partnership venture to test how a leading non-financial brand could leverage Ferratum's open Application Processing Interface ("API") architecture to offer financial services for holiday-makers. This project was a successful real-world proof of concept for both Ferratum's Banking-as-a-Service ("BaaS") model and open API mobile financial platform, and with the learnings from this partnership we have developed new partnering models and services that will advance our discussions with potential commercial partners during 2019 and beyond.

Our ultimate goal is to solve the problems of customers underserved and overcharged by the traditional financial services industry. Building on our roots and experience in digital lending, our ambition is to usher in a new digital era in financial services, where mobile can fully democratise the availability of financial services through a digital ecosystem that is available to all, whenever and wherever the need.

We will continue on this journey by refreshing our Mobile Bank app during 2019 with new technologies and several new features, including 'light' onboarding to access basic app features quicker and more conveniantly, and our app thus attracting more customers. We will further implement new payment and card solutions, and account top ups. Additionally, we will integrate the ability to apply for Credit Limit and Instalment Loans (Primeloans) through the app for our old and new customers, and provide the functionality to manage existing loans within the app. This will increase the visibility of our full product range to mobile banking customers, as well as greater use of the Mobile Bank app by our loan customers.

Antti Kumpulainen
Business Unit Director, Instalment Loans and Ferratum Bank CCO

Ari Tiukkanen
Chief Operations Officer

IT and Operations Update

The core strategic focus of 2018 was the technological upgrades to our IT infrastructure. The new scoring process and tools now enable our risk team to create and change scorecards without any IT support, contrary to previous processes, which required hard coding by our developers. This progress and the application of more intelligent tools lower our future development costs and the time needed to change, test and implement score cards according to market needs.

The introduction of GDPR was also a key driver of IT enhancements in 2018, which required us to ensure all systems are compliant and that we have consent management from our customers in line with the new regulations. The project was run as a separate initiative and accumulated to a lower mid six figure amount as a one off cost.

We have successfully migrated all our data into one data centre, which was a substantial project and is testimony to the immense expertise and commitment from our team. The migration materially reduces our hosting costs and we achieved a significant technical upgrade in the automation and management of data by hosting in a new 'internal cloud', which gives us greater visibility of data processes and control over application and infrastructure monitoring. The automation not only reduces cost in terms of personnel, but also makes processes faster and more reliable.

The launch of our new IT platform is an important enabler for our future growth. Our new IT platform, the FerraOS (Operating System) as part of our Smart IT programme, is a next generation IT foundation, on which we will run our current and future business. It was successfully rolled out in pilot phase in October in New Zealand and is working well. As a next step, we have launched Credit Limit as a new product in New Zealand using the new platform. We will conduct thorough testing on all aspects before we roll out the platform more broadly.

When asked to describe the new IT platform and what benefits it brings, our Chief Architect, David Kalosi, said:

"Up to 90% of the platform is common and reusable because of its microservice based architecture. You can think of what we built as a box of Lego bricks, you can put different bricks together to build different shapes and they always fit. In our case the bricks are standardized IT components and integrations. As a result of this process, we were able to reduce IT development needs, increase our agility in delivering new products and solutions, and by introducing extensive automation within all areas of our IT department, cut down on operational and maintenance tasks."

We have also upgraded the contact centre platform for all our countries and their respective customer communication capabilities, improving the speed with which we can respond to customer enquiries and also introducing better documentation of our contact with customers, which in turn enables us to serve them better. The Salesforce Service Cloud implementation to all countries gives our customer service teams a 360 overview of the customer and helps them serve customers better.

PARTNERSHIPS

Our passion is lending – it is where we come from, it is our core competency and it is where we see the greatest long-term growth potential. Over the past 14 years we have become experts in two things: utilizing big data analytics to understand risk; and making informed credit decisions without the need for physical meetings, checks and paperwork. These skills deliver a sustainable competitive advantage over the traditional banking model, as we can serve and know our customers remotely rather than requiring physical engagement and interaction. This is fundamental for realising a truly customer-centric, rather than bank-centric, business model. Our ambition is clear; we want to become the world´s leading mobile service provider in money matters.

The scope to enlarge the scale of our addressable markets, and our ability to penetrate those markets, is enhanced and accelerated by collaborating with partners who possess complementary technology, services and/or immediate access to new customer audiences that Ferratum would take time and investment to access alone. The first commercial test of our Banking-as-a-Service ("BaaS") partnership model was a project with Thomas Cook Money, to offer a fully functional and regulated mobile consumer finance app to help their customers in Sweden to plan and pay for holidays. The project launched in December 2017 and concluded at the end of February 2019 with the scope for future collaboration remaining open. The project proved the concept of BaaS from a technical perspective and the learnings are helping Ferratum to advance discussions with potential partners.

We have also implemented the concept of Lending-as-a-Service ("LaaS"), where we invite global brands and complementary technology partners to join us, for pursuing commercial opportunities together.

The first commercial example of LaaS was launched in September 2017 when we partnered with Interswitch Limited to offer our Microloan product in Nigeria. Based in Lagos, Interswitch builds and manages transaction infrastructure and provides secure electronic payment solutions. Partnering with Interswitch provides us with a platform to offer accessible credit in Nigeria for individuals traditionally underserved by mainstream finance. The partnership is strong and developing steadily.

Lea Liigus
Head of Legal and Compliance

Legal and regulatory environment

In the course of 2018 the Ferratum Group has continued to make significant investments in technology and infrastructure, making the Group more effective and robust in the process. The Group's Legal and Compliance function was no exception to this, and during 2018 a number of changes were made to its organisation and modus operandi in order to strengthen its capability to support the Group's development, while concurrently promoting a strong compliance culture – including in the field of anti-financial crime – at all levels of the organisation.

Substantial resources were allocated throughout the year to a dedicated compliance team, which was partly driven by more onerous regulatory requirements at both supra-national (particularly within the EU) and national levels. Adjustment to an ever-changing regulatory environment is crucial to allow the organisation to not only keep up-to-speed with developments to the applicable rules, but also to identify opportunities in an evolving landscape.

One instance where changes to the EU legal framework impacted the Group is the revised Payment Services Directive (PSD2). The PSD2 came into effect on 13 January 2018 and applies to banks and payment service providers within the European Economic Area (EEA) with the goal of making payments safer for customers, increase consumer protection, and foster innovation and competition.

Without prejudice to the date of application of the PSD2, the task of implementing several of the provisions of the PSD2 has been delegated to the European Banking Authority (EBA) and a different date of application is foreseen for the new security measures – strong customer authentication and standards for secure communication – including Third Party Payment (TPP) communication through APIs. Besides the work done to be compliant with the applicable requirements of the PSD2 by January 2018, Ferratum Bank p.l.c., as part of the Ferratum Group, is currently working on the implementation of these additional measures as they shall apply 18 months after the adoption of the regulatory technical standards developed by the European Banking Authority and adopted by the Commission – namely September 2019.

Adapting and responding to regulatory change

Ferratum proactively complies with legal and regulatory changes in its countries of operation and throughout the years has consistently evolved its activities and services without undermining its customers' experience.

Ferratum has actively monitored and dedicated resources in anticipation of the following country-specific legal changes:

Sweden
A new law came into force in Sweden on 1 September 2018 capping effective interest rates for high cost loans at 40%. In line with its overall business strategy, Ferratum has stopped selling Microloans in Sweden and switched to products with higher loan principals, which can be offered at lower rates of interest in line with the new capping.

Latvia
A number of legislative changes were enacted in October 2018, which included rules on creditworthiness assessments. Ferratum offers loans in compliance with these rules, whilst it is also planning further changes in order to comply with additional changes – which will come into force on 1 July 2019 – capping the daily total costs of loans and others which purport to limit certain advertising of loans.

Norway
A new law was passed in February 2019 (coming into force in May 2019), the main focus of which are creditworthiness assessments of consumers. Ferratum is working on implementing changes to its processes in order to meet these new requirements.

Poland
Ferratum is closely monitoring news that new laws will be enacted in Poland in 2019 aimed at regulating consumer lending, primarily in order to ensure Ferratum is ready to implement any changes necessary to its business and to continue adhering to the regulatory requirements.

Romania
The National Bank of Romania has adopted adjustments to the relevant debt to income ratio, which are applicable from 1 January 2019. Ferratum has adapted its processes in order to adhere to these legislative changes.

Finland
A new legislation has been approved and will enter into force in September 2019. The amendments concern the maximum interest rates that may be charged to consumers, as well as a cap on overall costs.

Ferratum is planning the implementation of the required changes to its processes in order to meet these new requirements.

Ferratum Bank p.l.c. ("the Bank"), one of the subsidiaries within the Group, accepts deposits from retail customers, and is accordingly subject to tighter regulatory requirements that are designed, among others, to provide a very high level of protection for depositors.

The EU's General Data Protection Regulation ("GDPR") entered into force in May 2018, providing a modernized, accountability-based compliance framework for data protection in Europe. The Ferratum Group set up a cross-function data governance team long before the date of entry into force of the GDPR in order to facilitate the implementation of the relevant processes and procedures within the organization.

During 2018 the Data Protection Officer's function was also established within Ferratum, and this has facilitated compliance through various means, including internal reviews, compliance monitoring, the provision of information and advice, as well as ongoing training.

In the course of 2019 the resources available to the Legal and Compliance function, particularly within the anti-financial crime team, will be proactively increased further, whilst concurrently it will be streamlining its activities in order to make its work more efficient and cost-effective.

Finally, all required support is being provided to the Group in monitoring developments arising from Brexit so as not to affect our UK business, while preparing for contingency plans that factor in the persistent uncertainty that this situation has created to entities and institutions, both within and outside of the UK. As Ferratum Group holds a lending licence in the UK, we do not foresee any major challenges in case of a hard Brexit.

The Group will continue to monitor the global regulatory environment, in close co-operation with its local advisors, in every country in which it is active to ensure the Group's ongoing compliance with all applicable laws and regulations.

CORPORATE RESPONSIBILITY AT FERRATUM

Ferratum´s corporate strategy and entire business model is intended to have a positive impact on people´s financial lives globally, so the Group is fully committed to understanding how all of the Group´s operations and activities can contribute positively to the broader environment and society as a whole. Ferratum´s corporate responsibility (CR) credentials are defined by four core values and material topics. These shape the Group´s CR activities across all markets, and frame Ferratum´s reporting and communications.

What are Ferratum's Values?

Ferratum's core values define the character of our business and the building blocks upon which we account for success. Our values form the foundations upon which we are judged as a commercial enterprise, and through which we are rewarded by the support and loyalty of all our stakeholders.

We summarise these values in four ways:

Ethics - we hold ourselves to the highest ethical standards with a commitment to transparency and openness in our dealings with all of our stakeholders.

Professionalism - we operate to strict professional codes of conduct in all of our markets, with clear lines of responsibility. As an organisation, we are constantly learning, and our operational model ensures that our employees are empowered to act with integrity.

Innovation - this is at the heart of Ferratum's corporate strategy and drives our ambition to be at the forefront of the digital banking revolution. In order to innovate, we actively encourage new ideas and foster a culture of learning through trial and error.

Profitability - profit should not be an end in itself and at Ferratum we believe in growth with a sense of proportion to deliver sustainable profitability. We assess every opportunity, every innovation, every new market against strict criteria to ensure that every decision is results-driven and consistent with our ambition of building scalable solutions. We do not invest for the sake of it, we empower our people to grow our presence and profile in every market with a clear understanding that the speed with which we move is closely aligned with each market opportunity.

We believe everyone at Ferratum has a responsibility to uphold these values, across all levels of the Group. Our clear operational model and dedication to adapting and improving our CR framework enables us to drive innovation, encourage new ideas and scalable solutions that drive the profitability of the Group.

Emmi Kyykkä
Head of Group Communications and Investor Relations

Stakeholder engagement is at the heart of our value creation

Creating value for our stakeholders has been our guiding principle since Ferratum was founded in 2005, but the value that we create is itself the product of involving a wide range of stakeholders.

While customers, employees and investors are at the core of our day-to-day business, Ferratum´s broader stakeholders include partners, regulatory officials and media commentators, who collectively shape the range, quality, and appeal of solutions for our customers.

A two-way process of engagement reinforces our commitment to transparency and openness in our dealings with all of our stakeholders.

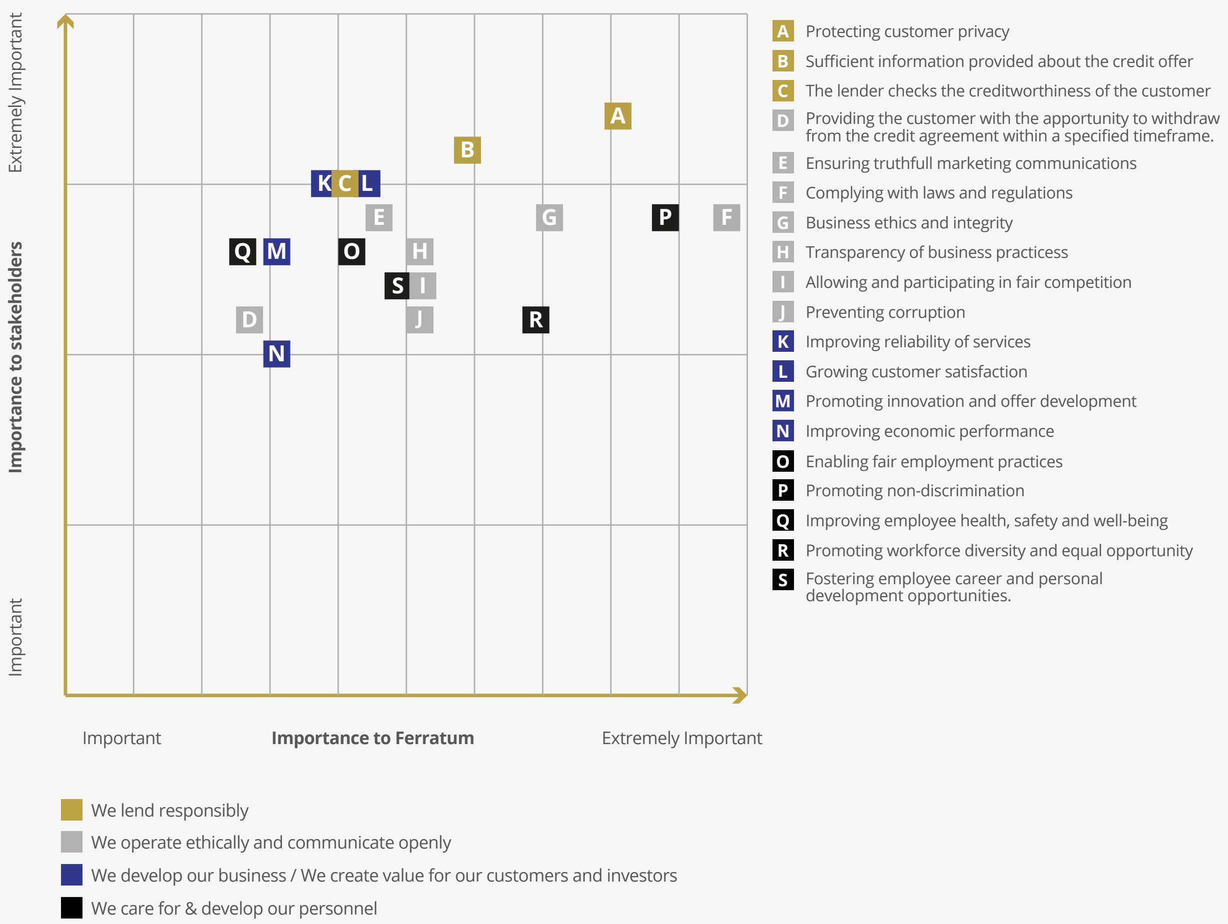
Stakeholder group	Expectations	How we respond to their expectations	Engagement channels
Customers	• Offering trustworthy and transparent lending services • Fast, hassle-free, paperless, real-time lending processes resulting in good customer experience • Fair assessment of ability to repay • Protecting customer privacy • Accessible customer service	• Provide customers with transparent, flexible, automated, secure and trustworthy lending services and systems • Fully online, real time services • Fair assessment of credit worthiness • Complying with all data protection regulations • Professional customer support 24/7	• Customer support (phone, chat, email) • Websites • Social media • Marketing channels • Newsletters
Employees	• Trustworthy, secure and transparent working environment • Opportunities for professional development • Dynamic, ambitious and exciting company with appropriate incentivisation • Ensuring employee health, safety and well-being • Equal opportunities	• Open and inclusive communication globally • Formal training and development programmes • Competitive remuneration and incentivisation packages • Flexible working arrangements • Internal opportunities to grow and develop internationally (location agnostic) • Team building culture and activities • Healthy catering • Equal opportunities policies, promoting diversity	• Team meetings, internal communications and quarterly meetings, led by management in-person and online • Internal channels (Internal communications page, newsletters and Yammer) • Informal office gatherings led by Group leaders • Whistleblowing channel
Investors	• Offering trustworthy, consistent and transparent IR communications • Clear understanding of the investment case • Complying with laws and regulations	• Active and transparent IR communications • Appropriate,informative and insightful reporting and presenting • Easily accessible and responsive IR • Ensuring all regulations and laws related to IR communications are complied with	• Regulatory reporting • Website • Stock Exchange releases • Conferences • Roadshows • 1-to-1 meetings • IR Newsletter
Partners	• Active collaboration and transparent communication • Reliability of delivery • Commercial opportunities	• Dedicated team to handle partnerships and designated contact people • Value-added, innovative thinking	• Events & conferences • Media • Website • Meetings (in person or virtual) • Email & phone • Secondments
Regulatory officials	• Complying with laws and regulations	• Complying with laws and regulations	• Regulatory reporting • Stock Exchange releases • Website • Dialogue with regulator and stock exchanges
Media	• Transparent, professional communications • Good reactiveness and responsiveness • Access to management	• Professional and timely responses to enquiries • Actively informing about relevant developments • Personal interview opportunities and access to management	• Press releases and briefings • Website • Email / Phone • Personal meetings • Regulatory reporting

CR priorities based on materiality analysis

In 2017, Ferratum initiated a materiality analysis to frame its CR work by launching an online survey for its internal and external stakeholders. This survey invited feedback from stakeholders on where Ferratum should concentrate its efforts on CR. The areas assessed included: (i) economic, societal and governance topics (ii) procurement; (iii) environmental topics; (iv) social issues; and (v) responsible lending. In addition to the online survey, there were additional in-depth interviews conducted with employees, investors, partners and customers. The responsibility materiality matrix displays the importance of the topics to stakeholders and management respectively.

In 2018 the materiality matrix was updated according to the Global Reporting Initiative's (GRI) new requirements. Now the matrix considers the full picture of Ferratum's significant external impacts on the economy, the environment, and society – not only those impacts that have immediate consequences from the business perspective.

Ferratum's responsibility materiality matrix



Kristjan Kajakas
Business Unit Director,
Revolving Loans

Ferratum´s material topics

The key topics identified from the materiality analysis have been categorised as follows:

- Responsible lending
- Employee well-being and development
- Ethical business practices and transparent communications
- Value for customers and investors

Together with our four core values these four topics drive Ferratum´s CR activities.

Responsible lending

Ferratum is committed to ensuring its marketing practices and lending decisions are clear, consistent and transparent. Our priority is to protect our customers' data and privacy, ensuring that sufficient and relevant information is securely obtained and provided to customers when they apply for and access any of our lending products. Our sophisticated loan scoring system, that accesses internal and publicly available data with our customers consent, combined with our self-learning algorithms, assesses customer affordability and product suitability. This technology is at the heart of our decision-making processes and ensures we are providing only the most suitable products to our customers. Within Ferratum, responsible lending is a collective responsibility spanning all operating countries and all different levels.

Guidelines to ensure reasonable loans

Ferratum has several procedures and processes in place that are designed to reduce the risk of unaffordable loans being granted to individuals, SMEs or households. The processes and procedures vary from country to country, as well as the specific product on offer, but they all include a range of controls, such as independent credit-worthiness checks on public and private databases and credit bureaus. In addition, monthly loan repayments are checked against household or personal income, as well as any other financial commitments or insolvency proceedings affecting the loan applicants.

Furthermore, Ferratum applies a number of rules to its lending activities, which include prohibitions on granting more than one loan to the same customer at the same time, disclosing to borrowers the potential implications of short-term borrowing and the long term use of such borrowing, and a one day 'cooling off' period before granting of a new loan after a previous loan has been paid in full. The ongoing relevance of these rules is checked on a regular basis.

Ferratum has marketing guidelines in place that are reviewed periodically to ensure that they remain appropriate. Though there are a number of country-specific requirements, the internal guidelines focus on matters of general application, such as the obligation not to advertise any of our services in a misleading, false or deceptive manner, and the importance of clearly detailing all relevant information to consumers, such as updated interest rate and fee information.

In addition, Ferratum supports a zero-tolerance approach concerning money laundering and terrorist financing, and AML directives are welcomed and incorporated in all operational countries.

Employee development

Ferratum is an international, multicultural, and multilingual organisation, employing around 880 people across 26 offices in Europe, North America, South America, Africa and the Asia-Pacific region, with key operational offices in Finland, Malta, Slovakia and Germany. The Group HR team consists of 10 employees working in Estonia, Germany, Malta and Slovakia.

The Group believes in inspiring and developing its people and is committed to creating an environment where all colleagues feel respected and have the opportunity to deliver their best. As part of this approach, Ferratum would like to establish itself as the employer of choice within the industry, one that is able to attract and nurture new talent from the banking sector.

Ferratum also actively encourages and promotes people within the organisation to grow and develop into new positions in the Group and has several examples of employees having progressed from entry level positions into senior management positions.

Guidelines for HR

Ferratum has appropriate Human Resources policies in place to support the management and development of its people. There are formal, internal policies, procedures and guidelines on recruitment, change situations, training/development, equal opportunities and security. Employee handbooks have been developed to provide guidance on corporate communication, equality and actions against bullying and are freely available to all employees through the internal communications page of the Group.

Employee engagement

In 2018, Ferratum conducted its second group-wide employee satisfaction survey, resulting in an 88% participation rate. The best overall results were received for the quality of work-life balance, the satisfaction with colleagues and closest managers and acknowledging and committing to Group values. However, there is on-going work on building career paths and the image of Ferratum as a preferred employer.

The results of the survey have been presented to all teams and each team has a chance to create their team-specific plans for improving employee satisfaction further. The results will be used in HR´s and our leaders current and future work and as a source of information in day-to-day decision making.

Taking care of employees' well-being

Ferratum acknowledges the shift in modern working habits and is committed to helping its people achieve a better work-life balance and healthier lifestyle. The Group currently runs a number of initiatives to support the well-being and professional development of its people. These include:

- Providing the option of flexible hours or working remotely
- Supporting physical health and social well-being, offering discounts to gyms and sports clubs
- Providing occupational healthcare, such as private health insurance or subsidizing healthcare expenses

Ferratum is continuously reviewing the benefits it offers to its employees to ensure they remain fit for today's working environment.

Compulsory trainings are organized across all country offices on health and safety issues. Every now and then extra trainings are organized for bigger groups on specific needs, such as first-aid. In 2018 there were no work-related injuries at Ferratum.

Ferratum incentivises its employees in all levels of the organisation. Different incentive programmes are available throughout the organisation, including stock options and bonus schemes.

Developing employees and leadership

The continuous professional development of individuals is heavily encouraged, through the provision of:

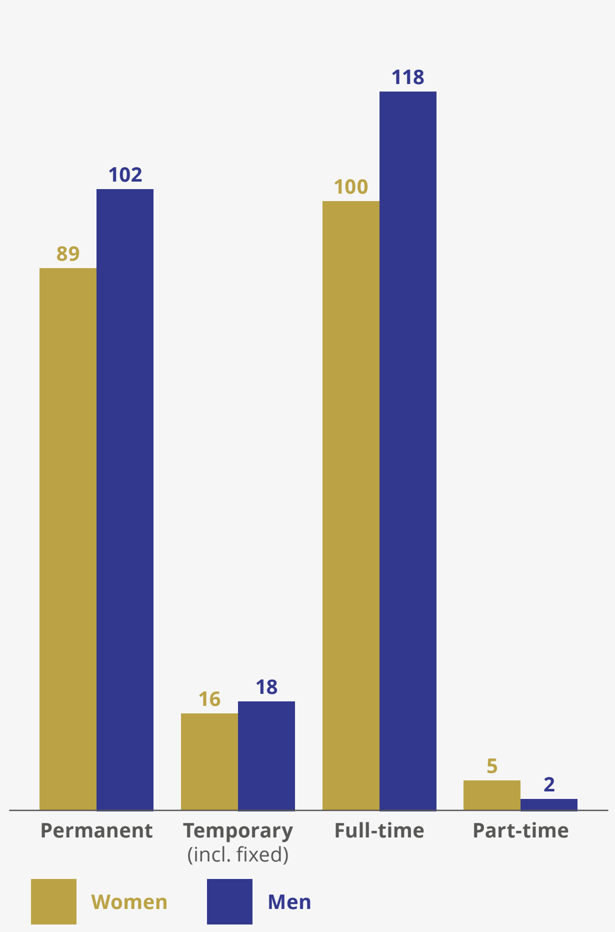
- Formal training and development programmes via seminars, classroom training and online courses
- On-the-job learning and more informal teaching
- Offering challenging tasks and projects
- Mentoring and line management

In addition, there are regular team meetings, internal communications and quarterly meetings in-person, as well as online led by the management in order to foster an open and inclusive working culture. Formal professional development reviews were first launched in 2016, where targets and objectives are agreed between employees and their line managers. Full year and mid-year reviews of employee performance is conducted for all staff.

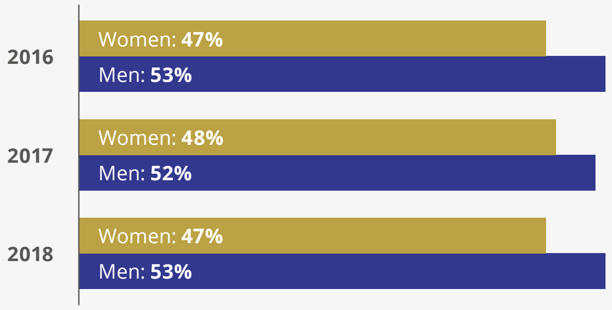
In 2018, Ferratum continued its leadership training for line managers and team leaders, focusing on improving project and team management skills, data protection and excellence in internal employee-related processes.

Employee well-being and development, graphs

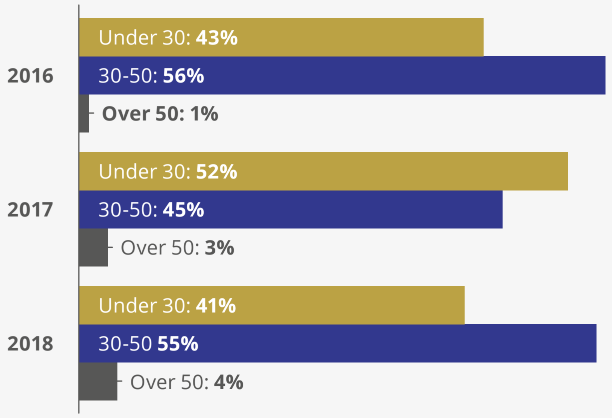
Graph 1
New hires in 2018 by employment contract type



Graph 2
New employee hires by gender



Graph 3
New employee hires by age-groups



2019 development plans

Ferratum is continuing to improve its human resources function, continuously reviewing policies and procedures in place to better reflect the modern working environment. In 2019, the key focus areas will be enhancing the Group-wide recruitment process and enhancing our talent management processes and systems. Actions will also be continued to support employee growth and development.

Ethical business practices and transparent communications

We believe clear and transparent communication is the foundation of building long-term, trusted relationships with customers, employees and investors. Complying with laws and regulations is the minimum standard for us. Conducting business in a fair and ethical manner, operating with integrity and proactively participating fairly in competitive markets is what we do every day. Ethics is also a core part of our values. We hold ourselves to the highest ethical standards with a commitment to transparency and openness in our dealings with all our stakeholders.

At Ferratum, the Head of Legal and Compliance is in charge that the company operates ethically Group-wide. In order to ensure compliance throughout the different operational countries, weekly meetings are held with regional lawyers.

Ferratum has developed a formal process for complaints and whistleblowing, to ensure management is made aware quickly and effectively of any relevant issues. No incidents of acting against laws and regulations or company policies were reported through Ferratum's internal whistleblowing channel in 2018. In addition, there were no cases of corruption or legal actions for anti-competitive behavior, anti-trust or monopoly practices at Ferratum.

All employees also have the opportunity to submit feedback or ideas through the internal communications page of the Group and can choose to do so anonymously.

Ferratum is planning to start building a Code of Conduct for the Group in 2019.

Value for customers and investors

Financial responsibility and conducting our business in a responsible way is the cornerstone and prerequisite for social and environmental responsibility. Ferratum has delivered over 14 years of profitable growth and a variety of operations, offering a diversity of products to customers with different needs across 25 countries of operation. Ferratum has reached sustainable profit since its formation in 2005, and we are committed to maintain our solid performance and returns for investors.

Smooth and safe services for customers

Ferratum has developed a diverse range of products and services to suit the financial needs of consumers and businesses. Ferratum makes sure that the customer needs are met through 24/7 customer service and online surveys that are sent after each service contact. In 2018 customer satisfaction levels improved significantly. Special thanks were especially received from reachability and the friendliness of the representatives. However, work still needs to be done on solving the customer's needs in one session.

Effective IT platforms and trustworthy service go hand in hand. Ferratum conducts defect surveillance and monitors its servers constantly. In 2018 customer experience was improved by changing the release process and setting up two new server monitors for real time monitoring.

In 2018 the General Data Protection Regulation (GDPR) came into force. Ferratum's policies have been lined up with the new regulation. Ferratum has updated its policies and the customer journey processes in accordance with the requirements, including privacy notices and data subjects' consent. Ferratum welcomes the regulation as an awaited change that clarifies the market.

EUR 11.5 million invested into research and development

According to Ferratum´s values, innovation means encouraging new ideas, supporting trial and error, and focusing on scalable solutions to ensure continued competitiveness. Innovations are rolled out in each country of operation and business area every year. EUR 11.5 million was invested into research and development work (4.5% of revenues) in year 2018. However, new ideas are rolled out with caution and by keeping quality in mind.

Financial value created in 2018

EUR 32 million in salaries and EUR 11.8 million in other benefits

EUR 3.1 million in taxes

EUR 1.2 million in interest paid on customer deposits

EUR 3.9 million paid as dividends to shareholders

EUR 15.6 million of financing costs

Development plans for 2019

In 2019, Ferratum is looking forward to continuing the improvement of speed and reliability of its services by increasing automatisation by taking into use a new IT platform that will affect all Ferratum's services. Ferratum is also looking into payment network consolidation and AI development.

Next steps for Corporate Responsibility

Contrary to last year's report´s assurance, Ferratum was unable to determine all the key performance indicators (KPIs) in 2018. Work to get all KPIs and targets confirmed by the Board of Directors will continue in 2019. Work will also continue to better reporting against GRI Standards.

GRI Content Index

This is Ferratum´s first GRI based report and does not cover all requirements of a core option report. Ferratum intends to comply with the full 'GRI Standards: Core option' in the future.

GRI Standard		On page	Additional Information
Organizational profile			
102-1	Name of the organization	Cover page	
102-2	Activities, brands, products, and services	p. 4-5	
102-3	Location of headquarters	p. 40	
102-4	Location of operations	p. 40, 132	
102-5	Ownership and legal form	p. 40	
102-6	Markets served	p. 6	
102-7	Scale of the organization	p. 4-6, 32, 40	
102-8	Information on employees and other workers	p. 28-29	
102-9	Supply chain	Not reported	Due to the nature of Ferratum´s operations, this has not been recognised as a material issue.
102-10	Significant changes to the organization and its supply chain	p. 6-9	
102-11	Precautionary Principle or approach	GRI Index	Due to the nature of Ferratum´s operations, this has not been recognised as a material issue.
102-12	External initiatives	GRI Index	None
102-13	Membership of associations	GRI Index	Ferratum is included in some country specific associations. A full list will be provided in future annual reports.
Strategy			
102-14	Statement from senior decision-maker	p. 8-9	
102-15	Key impacts, risks, and opportunities	p. 8-9, 45-46, 86, 69, 78-79, 132, 43, 49	
Ethics and integrity			
102-16	Values, principles, standards, and norms of behavior	p. 24	
102-17	Mechanisms for advice and concerns about ethics	p. 32-33	

GRI Standard		On page	Additional Information
Governance structure			
102-18	Governance structure	www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement	
102-19	Delegating authority	www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement	
102-20	Executive-level responsibility for economic, environmental, and social topics	www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement	
102-21	Consulting stakeholders on economic, environmental, and social topics	p. 26-27	
102-22	Composition of the highest governance body and its committees	www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement	
102-23	Chair of the highest governance body	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-24	Nominating and selecting the highest governance body	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-25	Conflicts of interest	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-26	Role of highest governance body in setting purpose, values, and strategy	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-27	Collective knowledge of highest governance body	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-28	Evaluating the highest governance body's performance	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-29	Identifying and managing economic, environmental, and social impacts	p. 28, 30	
102-30	Effectiveness of risk management processes	p. 45, 49	
102-31	Review of economic, environmental, and social topics	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-32	Highest governance body's role in sustainability reporting	GRI Index	The Board of Directors approves the non-financial information of this report.
102-33	Communicating critical concerns	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-34	Nature and total number of critical concerns	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-35	Remuneration policies	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	
102-36	Process for determining remuneration	https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	

GRI Standard		On page	Additional Information
102-37	Stakeholders' involvement in remuneration	GRI Index, https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement	Investors have the opportunity to discuss remuneration related matters at the Annual General Meeting
Stakeholder engagement			
102-40	List of stakeholder groups	p. 26-27	
102-42	Identifying and selecting stakeholders	p. 26-27	
102-43	Approach to stakeholder engagement	p. 26-27	
102-44	Key topics and concerns raised	p. 26-27	
Reporting practice			
102-47	List of material topics	p. 28-30	
102-48	Restatements of information	p. 8-9, 62-66	
102-49	Changes in reporting	p. 28, 62-66	
102-50	Reporting period	p. 137	
102-51	Date of most recent report	GRI Index	https://www.ferratumgroup.com/investors/results-reports-and-publications/2018
102-52	Reporting cycle	p. 137	
102-53	Contact point for questions regarding the report	p. 137	
102-54	Claims of reporting in accordance with the GRI Standards	GRI Index	This is Ferratum´s first GRI based report and does not cover all requirements of a core option report. Ferratum intends to comply with the full 'GRI Standards: Core option' in the future.
102-55	GRI content Index	p. 31-33	
102-56	External assurance	p. 53, GRI Index	Audited and unaudited sections marked in the footer of the Financial Review.
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	p. 28-30	
103-2	The management approach and its components	p. 30-33	
GRI 103: Management approach			
103-1	Explanation of the material topic and its Boundary	p. 28-30	
103-2	The management approach and its components	p. 30-33	
Economic standards			
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	p. 33	

GRI Standard		On page	Additional Information
Economic standards			
GRI 201: Economic performance			
201-1	Direct economic value generated and distributed	p. 33	
GRI 205: Anti-corruption			
205-2	Communication and training about anti-corruption policies and procedures	p. 133	
205-3	Confirmed incidents of corruption and actions taken	p. 133	
Environmental standards			
GRI 307: Environmental compliance			
307-1	Non-compliance with environmental laws and regulations	p. 132	
Social standards			
GRI 401: Employment			
401-1	New employee hires and employee turnover	GRI Index	Employee turnover was 40%.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	GRI Index	3.1% of the Group's employees have a temporary contract. Employee benefits vary from country to country, depending on local legislation. In European countries, differentiated benefits are not typically provided to employees on the basis of contract type. Certain differences in benefits may exist in relation to length of employment.
GRI 404: Training and education			
404-1	Average hours of training per year per employee	GRI Index	13 hours p.a.
404-3	Percentage of employees receiving regular performance and career development reviews	GRI Index	Nearly 100%
GRI 405: Diversity and equal opportunity			
405-1	Diversity of governance bodies and employees	p. 32, https://www.ferratumgroup.com/investors/corporate-governance/corporate-governance-statement,	
GRI 406: Non-discrimination			
406-1	Incidents of discrimination and corrective actions taken	GRI Index	No cases of discrimination reported in 2018.
GRI 417: Marketing and labeling			
417-3	Incidents of non-compliance concerning marketing communications	GRI Index	Two incidents in 2018.
GRI 418: Customer privacy			
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	GRI Index	No complaints in 2018.
GRI 419: Socioeconomic compliance			
419-1	Non-compliance with laws and regulations in the social and economic area	GRI Index	Ferratum recieved one fine in 2018.

BOARD OF DIRECTORS' REPORT 2018 UNAUDITED

Company structure and business model

Ferratum Oyj and its subsidiaries form Ferratum Group ("Ferratum" or the "Group") which is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Ferratum, headquartered in Helsinki, Finland was founded in May 2005 and has expanded its operations across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum is a pioneer in digital and mobile financial services technology, currently operating in 25 countries, offering a variety of financial services including: digital consumer and business lending, mobile banking services and white label and partner solutions. Ferratum has more than 792,000 active customers (as at 31 December 2018).

Ferratum Bank p.l.c. is a wholly owned subsidiary of Ferratum Oyj and a credit institution licensed by the Malta Financial Services Authority (MFSA), allowing all Ferratum's products and services to be passported to EEA member states. This licence has been passported to 12 (Bulgaria, Croatia, Czech Republic, Estonia, France, Germany, Latvia, Norway, Poland, Slovakia, Spain and Sweden) of the 25 countries the Group operates in.

As a digital lender, Ferratum offers a comprehensive product portfolio to retail customers, who are able to apply for consumer credit in amounts varying between EUR 25 and EUR 20,000 and small businesses instalment loans up to EUR 250,000 with a term of six to twenty four months.

Ferratum's innovative Mobile Bank, launched in 2016, offers a range of banking services, including real time digital payments and transfers, within a single app. It is currently available in five European markets and customer deposits totalled EUR 183.4 million as at 31 December 2018.

The Mobile Financial Platform is at the heart of Ferratum's growth strategy. The technology and infrastructure developed means the platform is ready-made and can be offered as a fully functional and regulated 'bolt-on' consumer finance service, allowing Ferratum's partners to effectively 'plug-and-play' a bespoke range of financial services via mobile. This offer of 'Banking-as-a-Service' means that any company, irrespective of sector and including non-financial brands, can offer banking services to its customers.

Ferratum Group is listed on the Prime Standard of Frankfurt Stock Exchange under the symbol 'FRU'.

Pieter van Groos,
Chairman of the Board

Financial highlights

Financial highlights, EUR '000	Jan - Dec 2018	Jan - Dec 2017
Revenue	262,148	221,638
Operating profit	37,799	31,838
Profit before tax	22,333	23,244
Net cash flows from operating activities before movements in loan portfolio and deposits received	122,010	109,148
Net cash flow from operating activities	(40,363)	33,324
Net cash flow from investing activities	(16,802)	(11,329)
Net cash flow from financing activities	44,003	38,990
Net increase in cash and cash equivalents	(13,162)	60,985
Profit before tax %	8.5	10.5

Financial highlights, EUR '000	Jan - Dec 2018	31 Dec 2017
Accounts receivable - loans to customers (net)	320,538	257,406
Deposits from customers	183,405	174,301
Cash and cash equivalents	115,559	131,832
Total assets	500,192	436,595
Non-current liabilities	138,276	64,167
Current liabilities	254,536	267,185
Total equity	107,380	105,243
Equity ratio %	21.5	24.1
Net debt to equity ratio	2.58	1.90

Calculation of key financial ratios

$$\text{Equity ratio (\%)} = 100 \times \frac{\text{Total equity}}{\text{Total assets}}$$

$$\text{Net debt to equity ratio} = \frac{\text{Total liabilities – cash and cash equivalents}}{\text{Total equity}}$$

$$\text{Profit before tax (\%)} = 100 \times \frac{\text{Profit before tax}}{\text{Revenue}}$$

Key developments and progress

Ferratum Group delivered further growth in 2018, building on the record performance of 2017 while implementing a number of important operational improvements and structural changes to ensure that the Group is well positioned to deliver continued revenue growth and improved Group performance in 2019 and beyond.

Operating profit (EBIT) for 2018 increased by 18.7% year-on-year to EUR 37.8 million. The EBIT margin stood at 14.4% (2017:14.4%) and is within the 2018 guidance range of 13%-16%.

Profit before income tax reduced from EUR 23.2 million in 2017 to EUR 22.3 million in 2018 due to higher financing costs and primarily impacted by foreign exchange losses of EUR 2.8 million. Foreign exchange risk, mainly arising from fluctuations of the Polish Zloty, Swedish Krona and Czech Koruna against the euro, has been partially managed by using derivative instruments.

Group revenues increased by 18.3% to EUR 262.2 million (2018 revised guidance range EUR 260m - EUR 265m), with Ferratum's premium, higher value products such as Credit Limit and PlusLoan together representing 76% of this result. Microloan revenues of EUR 41.7 million continued to represent a diminishing proportion of Group turnover, being 5 percentage points lower than Microloan revenue for 2017. The ongoing decline is reflective of the Group's successful strategy of positioning Microloan as an initial 'beachhead' to understand customer behaviour, then prioritising longer term lending products for growth as Ferratum's brand becomes more established in each country.

Business lending to small and medium-sized enterprises (SMEs) is becoming an increasingly material customer segment for the Group, generating EUR 21.0 million of revenue in 2018, a 60% increase on SME revenues for 2017.

Q4 2018 revenue growth rates demonstrate that the adjusted credit scoring processes in the second half of 2018 have improved approval rates and, as a result, Group revenue growth has recovered over the course of the year. In most markets, loan approval rates have now recovered, with revenue growth for Q4 vs Q3 2018 in Credit Limit and PlusLoan of 9.6% and 14.8% respectively. In Q4 2018, combined revenues for Credit Limit and PlusLoan were up by 24% year-on-year to EUR 55.7 million, representing 77.4% of Group revenues.

Dr. Clemens Krause, CFO and CRO, commented:
"I consider our 2018 risk management challenges to be resolved and we expect to achieve new standards of quality in our risk management in the future."

Revenue per quarter

Credit Limit quarterly revenue growth has shown a marked recovery since Q2 2018 and is now growing at similar levels to 2017. Revenue growth for the PlusLoan segment indicates improving payment behaviour since implementation of changes to the Group's credit risk assessment algorithms in the middle of 2018, and loan approval rates have recovered to historic levels.

Recent country launches in SME business lending (mainly UK and Australia) also required corrective action on credit scoring in Q2 2018 due to suboptimal payment behaviour, but underlying SME lending growth across markets overall remains strong and is expected to continue as Ferratum introduces additional products and services for SME customers in 2019.

Since Q2 2018, approval rates and credit losses have normalized and all underwriting and scoring processes in the Group have been reviewed while all identified issues have been addressed. Furthermore, a three-year risk improvement plan has been established emphasizing the real time usage of additional data sources which will be enabled by the required IT improvements.

As previously communicated, the Group expects only modest contributions from the Mobile Bank and Partnerships for the time being, while Ferratum continues to develop its suite of Mobile Bank services and advance discussions with new potential partners.

Adam Tönning (Left)
Head of Financial Planning and Analysis

Dr Clemens Krause (Right)
CFO & CRO

Operational improvements

Ferratum has taken a number of additional management actions to improve performance, including the strengthening of top management, staff streamlining, the rebalancing of resources to prioritise enhanced risk management and automation of lending processes in existing markets, and continues to monitor the Group's performance across all geographies.

A new, enlarged Leadership Team was announced in September 2018 with a significant strengthening of the structure, promoting eight employees into senior leadership positions in addition to the six existing members. The employees promoted to join the Leadership Team were: Adam Tönning, Head of Financial Planning & Analysis; Scott Donnelly, Business Unit Director SME Lending; Kristjan Kajakas, Business Unit Director for Revolving Loans; Antti Kumpulainen, Business Unit Director for Instalment Loans and Ferratum Bank CCO; Marius Solescu, Head of Human Resources; Sami Kalliola, Head of Strategic Partnerships; Outi Ellilä, Head of Marketing and Customer Experience and Emmi Kyykkä, at the time Deputy Head of Investor Relations.

In addition, Dr. Clemens Krause, Chief Financial Officer, took on new responsibilities as Chief Risk Officer. He will continue serving as CFO until a new CFO has been appointed and shift his focus to the risk function. He continues to serve on the Leadership Team along with the existing members Jorma Jokela, Founder and Chief Executive Officer of the Group; Lea Liigus, Head of Legal and Compliance; Ari Tiukkanen, Chief Operating Officer; Saku Timonen, Chief Commercial Officer and Jussi Mekkonen, Chief Executive Officer of Ferratum Bank p.l.c.

In January 2019, Outi Ellilä, Head of Marketing and Customer Experience and a member of the Leadership Team of Ferratum Group, decided to leave Ferratum to pursue other opportunities. Outi's responsibilities have been taken over by Saku Timonen, Chief Commercial Officer, on an interim basis.

In February 2019, Jussi Mekkonen stepped down as CEO of Ferratum Bank p.l.c. and left the Group. Antti Kumpulainen, an existing member of the Leadership Team of Ferratum Group, has been appointed Deputy CEO of Ferratum Bank p.l.c. with effect from 1 March 2019 and will work in close cooperation with Charles Borg, Chairman of Ferratum Bank p.l.c. Antti joined Ferratum in 2016 and is both the Group's Business Unit Director, Instalment Loans and Chief Commercial Officer for Ferratum Bank p.l.c. He will also continue with these responsibilities. The search for a new Ferratum Bank CEO is already under way.

From January 2019, Emmi Kyykkä took over the corporate communications function including PR, investor relations and internal communications as Head of Group Communications and Investor Relations.

As part of the management actions announced with the H1 results to increase cost efficiency and streamline staffing, the overall headcount in the Group has been reduced to 880 at the end of Q4, versus the peak of 958 reported in Q2. The biggest movements in personnel have been the decrease in customer service and back office staff due to an increase in automation in loan handling and pay-outs, while maintaining portfolio and service quality. Numbers of personnel within the risk function have also increased this year, with Dr Clemens Krause taking over the lead of the function supports the planned rebalancing and ensuring increased focus to be put on risk. A significant decrease in country related, local organizations was enabled by the central functions taking over tasks that previously were handled locally. The Group reduced its headcount to 880 by the end of 2018 and for the newly optimized cost structure, including staff costs, to be in place in Q1 2019.

In 2018, the Group has further centralized its operations in order to improve cost efficiency. Customer service operations for 21 countries and the collection operations for 18 countries have been centralized.

A new management model within Ferratum, which we characterize as a "five-cylinder model" has been fully implemented. The cylinders are lead generation, conversion funnel, underwriting & collections, CRM and product & pricing. The model is enabled by the centralization of functions and ensures stronger internal controls over each part of the lending process due to designated teams and accountabilities for each cylinder with clear KPIs, which are being monitored on a daily basis.

In 2018, the Group has conducted a thorough performance review of all its geographies, evaluating the future potential of them and whether a higher profitability can be reached by allocating resources to other operations. As a result of this review, it was decided to suspend lending to new customers in Russia.

During 2018 there have been the following developments in the Group's product segments. Microloan was discontinued in Canada, Estonia, Sweden, Latvia, Finland, Spain and Norway. This was a decision in line with Group strategy to decrease Microloan's presence, as higher customer lifetime value (CLV) can be achieved with other products. PlusLoan is now being offered in 10 countries with Canada the latest launch, while the product was discontinued in Finland. Primeloan was successfully launched in Germany in October, becoming the second country with this product. In December 2018, Ferratum announced its intention to restructure FerratumP2P, its peer-to-peer lending and investment platform. The operations and performance of FerratumP2P, which allow retail customers to invest in approved, active Ferratum Group business and consumer loans, were reviewed in 2018. As a result, Ferratum decided to close the P2P platform to new retail customers and to buy back the portfolio from existing customers at remaining principal plus accrued interest on their individual investments to 28 February 2019. The buyback did not have a material impact on the current funding costs for the Group.

The current Mobile Bank app has received some operational performance updates, which improve the usage and reduce loading times. Furthermore, Ferratum Bank is focused on the development of a new, enhanced Mobile Bank app, which is expected to go live in H1 2019.

Revisions to IFRS 9 reserve calculations

During the 2018 annual closing, the Group carried out a full review of the implemented credit loss provisioning model and came to the conclusion that the model has to be enhanced to be more accurate in the following aspects:

1. The parameters of default definition has been tightened from 91 to 61 days past due date for Prime Loans, SME Loans and PlusLoans, therefore aligning with the parameters set for Credit Limit.

2. Data extraction, discounting and mathematical modelling for Credit Limit, Primeloan, SME loans and Plus Loans has been corrected for accuracy.

The restated credit loss provisions increase the one-off accounting adjustment of the credit loss provisions from EUR 9.3 million by EUR 11.6 million to EUR 20.9 million. The overall impact of the IFRS 9 adoption on equity is lower than the increased risk provision, as it is offset by the deferred taxes reflecting the timing difference of these reserve changes on profitability. After deducting deferred tax effects of EUR 5.8 million an adjustment of EUR 15.1 million is to be debited directly to the equity of the Group as per 1 January 2018 instead of the previously reported EUR 7.6 million.

Following these adjustments to the risk provisioning model, each of the interim reports published for 2018 are restated for the application of IFRS 9 and published in a separate release which can be found on the Group website.

www.ferratumgroup.com

Revised guidance achieved

The Board of Ferratum is pleased to confirm that the enhancements to the Group's risk assessment algorithms and operational improvements implemented during 2018 enabled the Group to generate total revenue of EUR 262.2 million, in the middle of revised revenue guidance of EUR 260 million to EUR 265 million for fiscal year 2018. Group EBIT margin of 14.4% was also in the middle of revised EBIT margin guidance of 13-16%.

Treasury update

Ferratum maintained a strong cash position of EUR 115.6 million (31 December 2017: EUR 131.8 million) in the year ending 2018. Ferratum continued to strengthen its funding base through the issue of a new bond to replace bonds due to mature in October 2018. In May 2018, Ferratum Capital Germany GmbH issued a EUR 100 million senior unsecured bond with a coupon of 3 months Euribor plus 5.5% p.a. due May 2022 (with a tap option for an additional EUR 50 million). Following the successful placement of the new EUR 100 million bond, in October 2018 maturing bearer bonds of EUR 20 million paying 4% p.a. (ISIN: DE000A2GS104) and EUR 25 million paying 8% p.a. (ISIN: DE000A1X3VZ3) were repaid through an exchange offer and actual repayment. Remaining proceeds will principally be used to finance Ferratum's lending activities globally and for general corporate purposes. The most recent bond is the first bond of EUR 100 million for Ferratum, and thus the first Ferratum bond to be qualified to be listed on the Frankfurt Stock Exchange Prime Standard market with ISIN: SE0011167972. The bond is also listed in Nasdaq Stockholm.

Ferratum now offers deposit products in five European countries: France, Germany, Norway, Spain and Sweden. As at 31 December 2018, total customer deposits had increased by 5.2% to EUR 183.4 million (31 December 2017: EUR 174.3 million). In addition to the strong cash position, the Group had unused credit lines amounting to EUR 15 million as at 31 December 2018.

On 13 March, Ferratum Oyj announced that Fitch Ratings ("Fitch") has assigned the Group a Long-Term Issuer Default Rating of 'BB-'/Outlook Stable (the "Rating"). The Rating is assigned at holding company level on the basis of Ferratum's consolidated financial statements, which include Ferratum Bank p.l.c. In view of this and with Ferratum being majority owned by Jorma Jokela, Group founder and CEO, no institutional support was factored into the Rating. Consequently, the Rating is based on Fitch's standalone assessment of the Group.

Dr. Clemens Krause, Chief Financial Offer and Chief Risk Officer, commented: "We are delighted to receive a credit rating assessed to international statistical standards by one of the top three global credit rating agencies. The rating reflects Fitch's favourable assessment of Ferratum's through-the-cycle profitability, capital adequacy and approach to risk provisioning for a diversified business of online and mobile consumer loans spanning more than 20 countries."

Creditreform AG also reiterated its existing rating of BBB+ with a stable outlook for Ferratum in March 2019.

Foreign exchange risk, mainly arising from fluctuations of the Polish Zloty, Swedish Krona and Czech Koruna against the euro, has been managed by using derivative instruments.

Customer base

	Jan - Dec 2018	Jan - Dec 2017	Growth in %
Total customers*	2,001,294***	1,876,144	6.7
New customers including GDPR related deletions	125,150***	314,457	-60.2
New customers excluding GDPR related deletions	274,015***	314,457	-12.9
Active customers**	792,080	782,220	1.3

*Active and former customers who have been granted one or several loans in the past or has an open Mobile Bank account.
** Customers with a Mobile Bank account and lending customers who have had an open balance in the last 12 months. If loans are >24m overdue, the customer is not considered active.
*** Decline from reported Q2 2018 total figure is due to GDPR related deletions of 149,000 former customer records.

Personnel

At the end of 2018 Ferratum employed 880 people (853 Full Time Equivalents) compared with 857 people in 2017. The average number of personnel in 2018 was 903 (2017: 738). Payroll expenses amounted to EUR 43.8 million (2017: EUR 35.4 million).

Significant investments

The primary use of funds in Ferratum is for the growth of the lending portfolio which increased from EUR 257.4 million to EUR 320.5 million, an increase of EUR 84.0 million taking IFRS 9 equity adjustments of EUR 20.9 million into consideration. Furthermore, Ferratum has continued to invest in its IT platform and infrastructure with intangible assets increasing from EUR 20.0 million for 2017 to EUR 30.2 million for 2018.

Risk factors and risk management

Ferratum takes moderate and calculated risks in conducting its business. The prudent management of risks minimizes the probability of unexpected losses and threats to the reputation of the Group. Therefore, it can enhance profitability and shareholder value.

The Board of Directors monitors operations regularly and is ultimately responsible for adequate risk management and ensuring that the Group has access to the appropriate software, including instructions on controlling and monitoring risks. The CEO of Ferratum Group is responsible for the daily operations of the Group. Each member of the Leadership Team ultimately bears responsibility for identifying and controlling the risks related to their functions in line with instructions from the Board.

Ferratum proactively follows all legal changes that might occur in the countries it operates in and adjusts its operations accordingly, while always considering customer and user experience.

The risks of Ferratum's operations can be divided into three main categories: credit risks (receivables from customers), market risks (including foreign exchange risks, interest rate risks and other price risks) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

Exposure to credit risks arises principally from Ferratum's short-term lending activities. The risk is managed by proprietary risk management tools which assist subsidiaries in evaluating the payment behaviour of customers. These tools which are continuously updated and refined, ensure that only solvent customers are accepted, thereby controlling the level of credit losses. The scoring system and the credit policies of the Group's subsidiaries are managed by the central risk department. The risk department is also responsible for the measurement of the payment behaviour of the credit portfolio on a daily, weekly and monthly basis. Risk provisioning and the calculation of the impairments are independently managed by the central finance department.

Market risks arise from open positions in interest rate and currency products. They are managed by the central treasury department, which is also responsible for Group cash flow planning and ensures the necessary liquidity level for all Group entities. Ferratum uses derivative financial instruments to hedge certain risk exposures *(see note 3: Financial Risk Management).*

Operational risks, IT risks as well as legal and regulatory risks are of high relevance for Ferratum. Regulatory and legal risks are managed centrally by the Group's legal function in close cooperation with the authorities in the respective countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are analyzed on an ongoing basis and any necessary modifications to Ferratum's operations are implemented proactively.

Shares of the company

Largest shareholders

The following table summarizes the largest shareholders excluding nominee registered shareholders not exceeding five percent ownership in Ferratum Oyj on December 31, 2018:

Largest shareholders	Shares	% of shares	% of voting rights
Jokela, Jorma*	11,958,470	55.05%	55.42%
Dorval AM**	1,105,012	5.09%	5.12%
Taaleritehdas	255,000	1.17%	1.18%
Ferratum Oyj	146,200	0.67%	0.00%
Vanhala, Juhani	84,458	0.39%	0.39%
Jokisaari, Milla	27,417	0.13%	0.13%
Pääkkönen, Roope	21,645	0.10%	0.10%
Sjöman, Caj-Eric	13,860	0.06%	0.06%
Kuikka, Sylvi	11,645	0.05%	0.05%
OP-Henkivakuutus	4,206	0.02%	0.02%
Gylfe, Ernst	4,000	0.02%	0.02%
Total	**13,631,913**	**62.75%**	**62.50%**

* Jokela, Jorma holds directly 155,500 shares (0.72%), through European Recruitment Company OÜ 5,744,235 shares (26.44%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 11,958,470 shares which corresponds to 55.05% of all shares of the company. The shares held by European Recruitment Company OÜ and JT Capital Limited are nominee-registered.
** according to latest notification of major shareholdings.

Holdings of the Board of Directors in Ferratum Oyj on December 31, 2018**

Name		Holdings	% of holdings
van Groos, Pieter	Chairman	36,300	0.17%
Ferm, Erik	Member	29,355	0.14%
Vanhala, Juhani	Member	86,708	0.40%
Jokela, Jorma*	Member	11,958,470	55.05%
Liigus, Lea	Member	170,037	0.78%
Wang, Christopher	Member	0	0.00%
Total		**12,280,870**	**56.55%**

*Jokela, Jorma holds directly 155,500 shares (0.72%), through European Recruitment Company OÜ 5,744,235 shares (26.44%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 11,958,470 shares which corresponds to 55.05% of all shares of the company. The shares held by European Recruitment Company OÜ and JT Capital Limited are nominee-registered.
** Includes shares and options.

Holdings of the Leadership Team in Ferratum Oyj on December 31, 2018**

Name		Holdings	% of holdings
Jokela, Jorma*	Chief Executive Officer	11,958,470	55.05%
Liigus, Lea	Head of Legal and Compliance	170,037	0.78%
Timonen, Saku	Chief Commercial Officer	147,301	0.68%
Krause, Clemens	Chief Financial Officer and Chief Risk Officer	112,000	0.52%
Tiukkanen, Ari	Chief Operations Officer	79,000	0.36%
Mekkonen, Jussi	Chief Executive of Ferratum Bank p.l.c.	0	0.0%
Kalliola, Sami	Head of Strategic Partnerships	20,950	0.10%
Hansson-Tönning, Adam	Head of Financial Planning and Analysis	18,765	0.09%
Ellilä, Outi	Head of Marketing and Customer Experience	0	0.0%
Kajakas, Kristjan	Business Unit Director, Revolving Loans	13,739	0.06%
Donnelly, Scott	Business Unit Director, SME Lending	12,925	0.06%
Solescu, Marius	Head of Human Resources	10,675	0.05%
Kyykkä, Emmi	Head of Group Communications and Investor Relations	10,310	0.05%
Kumpulainen, Antti	Business Unit Director, Instalment Loans	10,125	0.05%
Total		**12,564,567**	**57.85%**

*Jokela, Jorma holds directly 155,500 shares (0.72%), through European Recruitment Company OÜ 5,744,235 shares (26.44%) and through JT Capital Limited 6,058,735 shares (27.89%). In total Jorma Jokela's shareholding is 11,958,470 shares which corresponds to 55.05% of all shares of the company. The shares held by European Recruitment Company OÜ and JT Capital Limited are nominee-registered.
** Includes shares and options.

Distribution of holdings by number of shares held on December 31, 2018

Lower Limit	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	10	27.03%	317	0.00%
101-500	11	29.73%	2,530	0.01%
501-1 000	1	2.70%	750	0.00%
1 001-5 000	2	5.41%	8,206	0.04%
5 001-10 000	1	2.70%	7,625	0.04%
10 001-50 000	5	13.51%	93,567	0.43%
50 001-100 000	1	2.70%	84,458	0.39%
100 001-500 000	5	13.51%	898,014	4.13%
500 001 and over	1	2.70%	20,628,493	94.96%
Total	**37**	**100.00%**	**21,723,960**	**100.00%**
Nominee registered	5		20,996,432	96.65%
Treasury shares held by Ferratum Oyj	1		146,200	0.67%

Distribution of holdings by group on December 31, 2018

Sector	Total number of shares (book-entries)		Total number of shares (nominee-registered)		Total number of shares	% of share capital
Non-financial corporations	401,880	1.85%	0	0.00%	401,880	1.85%
Financial and insurance corporations	4,206	0.02%	360,314	1.66%	364,520	1.68%
Households	317,442	1.46%	0	0.00%	317,442	1.46%
Shares registered in the member states of the Euro area	0	0.00%	20,636,118	94.99%	20,636,118	94.99%
Rest of the world	4,000	0.02%	0	0.00%	4,000	0.02%
Total	**727,528**	**3.35%**	**20,996,432**	**96.65%**	**21,723,960**	**100.00%**

Board of Directors' Proposals for Profit Distribution

The loss for the 2018 financial year of Ferratum Oyj amounted to EUR 2,548,522. Distributable equity of the parent company at the end of the financial year stood at EUR 46,701,246.

The Board of Directors proposes to the Annual General Meeting that, for the financial year ended 31 December, 2018, the company will distribute a per share dividend of EUR 0.18 to a total of EUR 3,883,997 after which distributable equity would stand at EUR 42,817,249.

Compared with year-end 2018, no significant changes in the company's financial position have taken place. The liquidity of the company is sound and, according to the Board, the proposed dividend distribution does not jeopardize the solvency of the company.

Corporate Governance Statement

Ferratum's Corporate Governance Statement has been prepared in accordance with the reporting requirements set out by the Corporate Governance Code 2015 issued by the Finnish Securities Market Association. The Corporate Governance Statement is published separately from the Board of Directors' report and it is available on Ferratum's website at: www.ferratumgroup.com/en/about-us/corporate-governance/corporate-governance-statement

Company Management and Auditor

Pieter van Groos served as Chairman of the Board. Other members of the Board were Jorma Jokela, Lea Liigus, Juhani Vanhala, Jouni Hakanen, Christopher Wang and Erik Ferm. Jouni Hakanen stepped down from the Board in April 2018 after the 2018 Annual General Meeting.

The Chief Executive Officer is Jorma Jokela. The 2018 Annual General Meeting re-appointed PricewaterhouseCoopers Oy as the company's auditor, with APA Mikko Nieminen as the auditor with principal responsibility.

FINANCIAL STATEMENTS 2018 AUDITED

Consolidated income statement for the period 1 January to 31 December, 2018

EUR '000	Note	2018	2017
		Year ended 31 December	
Revenue	5	262,148	221,638
Other income		241	534
Impairments on loans	16	(88,496)	(75,629)
Operating expenses:			
Personnel expenses	6	(43,799)	(35,375)
Selling and marketing expenses		(41,388)	(37,184)
Lending costs		(12,971)	(10,145)
Other administrative expenses		(2,350)	(2,205)
Depreciations and amortization	7	(5,223)	(2,811)
Other operating expenses	8	(30,363)	(26,986)
Operating profit		**37,799**	**31,838**
Finance income	9	124	97
Finance costs	10	(15,590)	(8,691)
Finance costs – net		(15,466)	(8,594)
Profit before income tax		**22,333**	**23,244**
Income tax expense	11	(3,060)	(3,185)
Profit for the period		**19,274**	**20,058**
Earnings per share, basic	12	0.89	0.93
Earnings per share, diluted	12	0.89	0.92
Profit attributable to:			
– owners of the parent company		19,274	20,058
– non-controlling interests (NCI)		0	0

Consolidated statement of comprehensive income for the period 1 January to 31 December, 2018

EUR '000	Note	2018	2017
		Year ended 31 December	
Profit for the period		19,274	20,058
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation difference		149	(1,359)
Total items that may be subsequently reclassified to profit or loss		149	(1,359)
Total comprehensive income		**19,422**	**18,699**
Allocation of total comprehensive income to:			
– owners of the parent company		19,422	18,699
– non-controlling interests (NCI)		0	0

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

Consolidated statement of financial position

EUR '000	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Property, plant and equipment	13	4,155	3,482
Intangible assets	14	30,227	20,037
Government stocks		8,533	8,851
Deferred tax assets	15	10,622	3,757
Loans receivable		178	0
Total non-current assets		**53,714**	**36,128**
Current assets			
Accounts receivable - loans to customers	16	320,538	257,406
Other receivables		9,399	10,554
Derivative assets		21	156
Current tax assets		961	519
Cash and cash equivalents	17	115,559	131,832
Total current assets		**446,478**	**400,468**
Total assets		**500,192**	**436,595**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	18	40,134	40,134
Treasury shares	18	(142)	(142)
Reserves	18	(2,211)	(2,240)
Unrestricted equity reserve	18	14,708	14,708
Retained earnings		54,892	52,783
Total equity		**107,380**	**105,243**
Liabilities			
Non-current liabilities			
Borrowings	19	137,695	64,049
Deferred tax liabilities	15	581	118
Total non-current liabilities		**138,276**	**64,167**
Current liabilities			
Current tax liabilities	20	3,372	1,867
Deposits from customers	19	183,405	174,301
Borrowings	19	44,882	69,741
Derivative liabilities		479	790
Trade payables	20	10,522	9,838
Other current liabilities	20	11,877	10,648
Total current liabilities		**254,536**	**267,185**
Total liabilities		**392,812**	**331,352**
Total equity and liabilities		**500,192**	**436,595**

Consolidated statement of cash flow

Year ended 31 December

EUR '000	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**19,274**	**20,058**
Adjustments for:		
Depreciation and amortization	5,223	2,811
Finance costs, net	15,466	8,594
Tax on income from operations	3,060	3,185
Transactions without cash flow	2,429	1,263
Impairments on loans	88,496	75,629
Working capital changes:		
Increase (-) / decrease (+) in other current receivables and government stocks	1,608	(813)
Increase (+) / decrease (-) in trade payables and other current liabilities (excl. Interest liabilities)	1,543	6,991
Interest paid	(11,176)	(6,892)
Interest received	82	41
Income taxes paid	(3,994)	(1,720)
Net cash from operating activities before movements in loan portfolio and deposits received	**122,010**	**109,148**
Deposits received	9,104	72,865
Movements in the portfolio:		
Movements in gross portfolio	(131,568)	(89,233)
Fully impaired portfolio write-offs	(39,909)	(59,456)
Net cash (used in) / from operating activities	**(40,363)**	**33,324**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(16,085)	(10,863)
Purchase of investments and other assets	(717)	(466)
Net cash used in investing activities	**(16,802)**	**(11,329)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term borrowings	20,000	24,817
Repayment of short-term borrowings	(24,983)	(100)
Proceeds from long-term borrowings	98,013	35,000
Repayment of long-term borrowings	(45,138)	(18,133)
Dividends paid / distribution of funds	(3,890)	(2,594)
Net cash from financing activities	**44,003**	**38,990**
Net (decrease) / increase in cash and cash equivalents	**(13,162)**	**60,985**
Cash and cash equivalents at the beginning of the period	131,832	73,059
Exchange gains/(losses) on cash and cash equivalents	(3,111)	(2,212)
Net increase/decrease in cash and cash equivalents	(13,162)	60,985
Cash and cash equivalents at the end of the period	**115,559**	**131,832**

Consolidated statement of changes in equity

Changes in equity Jan-Dec 2017 (EUR '000)	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan 2017	40,134	(142)	14,708	544	(1,746)	34,377	87,875	0	87,875
Comprehensive income									
Profit or loss						20,058	20,058	0	20,058
Other comprehensive income									
Currency translation difference					(1,212)	(148)	(1,359)	0	(1,359)
Total comprehensive income					**(1,212)**	**19,910**	**18,699**	**0**	**18,699**
Transactions with owners									
Increase of share capital									
Distribution of funds						(2,594)	(2,594)	0	(2,594)
Transfers between items				173		(173)	0	0	0
Share-based payments (Note 23)						1,263	1,263	0	1,263
Other changes									
Total transactions with owners				**173**		**(1,504)**	**(1,331)**	**0**	**(1,331)**
Total equity 31 Dec 2017 (Note 18)	**40,134**	**(142)**	**14,708**	**717**	**(2,957)**	**52,783**	**105,243**	**(0)**	**105,243**

Changes in equity Jan-Dec 2018 (EUR '000)	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance 1 Jan 2018	**40,134**	**(142)**	**14,708**	**717**	**(2,957)**	**52,783**	**105,243**	**(0)**	**105,243**
Changes on initial application of IFRS 9						(15,163)	(15,163)	0	(15,163)
Restated balance at 1 Jan 2018						**37,621**	**90,080**	0	**90,080**
Comprehensive income									
Profit or loss						19,274	19,274	**0**	19,274
Other comprehensive income									
Currency translation difference					(739)	887	149	**0**	149
Total comprehensive income					(739)	**20,161**	**19,422**	0	**19,422**
Transactions with owners									
Increase of share capital									
Distribution of funds						(3,890)	(3,890)	**0**	(3,890)
Transfers between items				767		(767)	0	**0**	0
Share-based payments (Note 23)						2,429	2,429	**0**	2,429
Other changes						(662)	(662)	**0**	(662)
Total transactions with owners				**767**		**(2,890)**	**(2,123)**	**0**	**(2,123)**
Total equity 31 Dec 2018 (Note 18)	**40,134**	**(142)**	**14,708**	**1,484**	**(3,696)**	**54,892**	**107,380**	**0**	**107,380**

1. GENERAL INFORMATION

Ferratum Group is one of the leading international providers of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. 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 December 31, 2018. The Board of Directors of Ferratum Group approved these financial statements for publication on March 26, 2019. 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.

The consolidated financial statements are presented in thousands EUR, except as otherwise indicated.

During the year ended December 31, 2018, there have been some amendments to existing standards. Of the new or revised standards or amendments IFRS 9, 'Financial instruments' 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 assumption and estimates are important to the consolidated financial statements are disclosed in Note 4: Critical accounting estimates and judgments.

New and amended standards adopted by Ferratum Group

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

In 2018, Ferratum Group has adopted IFRS 9 as issued by the IASB in July 2014 with a date of transition of 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements. The Group did not early adopt any of IFRS 9 in previous periods.

As permitted by the transitional provisions of IFRS 9, Ferratum Group has elected not to restate comparative figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained earnings of the current period.

Consequently, for notes disclosures, the consequential amendments to IFRS 7 disclosures have also only been applied to the current period. The comparative period notes disclosures repeat those disclosures made in the prior year.

The adoption of IFRS 9 has resulted in changes in our accounting policies for classification of financial assets and financial liabilities and impairment of financial assets. IFRS 9 also significantly amends particularly financial instruments such as IFRS 7 'Financial Instruments: Disclosures'.

Set out below are disclosures relating to the impact of the adoption of IFRS 9 on Ferratum Group. Further details of the specific IFRS 9 accounting policies applied in the current period (as well as the previous IAS 39 accounting policies applied in the comparative period) are described in more detail in Note 2.8.

The measurement category and the carrying amount of the Group's financial assets and liabilities in accordance with IAS 39 and IFRS 9 at 1 January 2018 taking into account the adjustment for IFRS 9 impairment model are compared as follows:

	IAS 39		IFRS 9	
	Measurement category	**Carrying amount**	**Measurement category**	
Financial assets		**€ 000**		**€ 000**
Cash and cash equivalents	Amortised cost (Loans and receivables)	131,832	Amortised cost	131,832
Accounts receivable - loans to customers	Amortised cost (Loans and receivables)	257,406	Amortised cost	236,495
Government Stocks	Amortised cost (Held-to-Maturity)	8,851	Amortised cost	8,851

Instruments which were previously classified as Held-to-Maturity or Loans and Receivables are now classified as measured at amortised cost with no changes to their measurement basis.

Ferratum Group held no financial assets previously classified as available-for-sale or fair value through profit or loss (other than derivative instruments) and no financial assets have been designated as such upon initial adoption of IFRS 9.

There were no changes to the classification and measurement of financial liabilities.

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

Ferratum Group performed a detailed analysis of its business models for managing financial assets and analysis of their cash flow characteristics. Please refer to Note 2.8 for more detailed information regarding the new classification requirements of IFRS 9.

The following table reconciles the carrying amounts of financial assets, from their previous measurement category in accordance with IAS 39 to their new measurement categories upon transition to IFRS 9 on 1 January 2018:

Reconciliation of statement of financial position balances from IAS 39 to IFRS 9

	IAS 39 carrying amount 31-Dec-17 EUR '000	Remeasurements EUR '000	IFRS 9 carrying amount 01-Jan-18 EUR '000
Amortised cost			
Cash and cash equivalents	131,832	0	131,832
Accounts receivable - loans to customers	257,406	-20,911	236,495
Government Stocks	8,851	0	8,851
Total financial assets measured at amortised cost	**398,089**	**-20,911**	**377,178**

Remeasurement loss of EUR 15.1 relates to impairment loss allowance recognised in opening retained earnings on 1 January 2018 upon transition to IFRS 9 representing:

- a reduction of approximately EUR 20.9 million related to impairment requirements; and
- an increase of approximately EUR 5.8 million related to deferred tax impacts.

The following table reconciles the prior period's closing impairment allowance measured in accordance with the IAS 39 incurred loss model to the new impairment allowance measured in accordance with the IFRS 9 expected loss model at 1 January 2018:

Reconciliation of impairment allowance balance from IAS 39 to IFRS 9. Impact to other items on the balance sheet than accounts receivable – loans to customers was considered immaterial by the management.

	Loan loss allowance under IAS 39 EUR m	Remeasurements EUR m	Loan loss allowance under IFRS 9 EUR m
Loans and receivables (IAS 39) / Financial assets at amortised cost (IFRS 9)			
Accounts receivable - loans to customers	78.9	20.9	99.7
Total	**78.8**	**20.9**	**99.7**

Only accounts receivable - loans to customers, which are presented as accounts receivable on the balance sheet, are impacted. ECL allowances on undrawn commitments to lend are incorporated within the ECL allowances on accounts receivable - loans to customers so as not to distort the ECL-related disclosures.

Further information on the measurement of the impairment allowance under IFRS 9 can be found in note 3.2.

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, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

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

IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases. The standard introduces a single lessee accounting model requiring 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. The below IFRS 16 assessment is preliminary and actual impact of adopting IFRS 16 on January 1, 2019 may change as the new accounting policies, assumptions, judgements and estimation techniques employed are subject to change until Ferratum Group finalises its first financial statements that include the date of initial application.

At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Ferratum Group has assessed the impact upon adoption of the new standard, which mainly impacts the group's operating leases. These operating leases impacted by the IFRS 16 adoption are mainly related to the Group's office rent agreements with an average lease term of 36 months. The Group expects an increase in the balance sheet of approximately EUR 8.0 million related to the recognition of right of use assets and corresponding lease liabilities. As a result of adoption of IFRS 16 the Group assesses that profit after tax for the period will decrease by approximately EUR 0.2 million in 2019. The new standard requires that lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Operating profit used to measure segment results is expected to increase by approximately EUR 0.1 million, as the operating lease payments were included in operating profit, but the interest on the lease liability are excluded from this measure. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events (e.g., a change in the lease term). The lessee will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

Ferratum Group will adopt IFRS 16 from its mandatory adoption date of January 1, 2019. The group intends to apply the modified retrospective approach and will not restate comparative figures for prior periods.

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.

Intercompany 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 can be for Machinery and Equipment, as well as for Other tangible assets between 3 – 8 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:	**2 – 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

From 1 January 2018, the Group has applied IFRS 9 and classifies its financial assets in the following measurement categories:

- Fair Value through profit or loss (FVPL)
- Fair value through other comprehensive income (FVOCI); or
- Amortised cost

Debt Instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

With effect from 1 January 2018, classification and subsequent measurement of debt instruments depend on:

(i) the Group's business model for managing the asset; and

(ii) the cash flow characteristics of the asset.

Based on these factors the Group classifies its debt instruments into one of the following three measurement categories:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI') and that are not designated at FVPL, are measured at amortised cost. The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured as described in [Note 2.9]. Interest income from these financial assets is included in Revenue in the income statement.
- **Fair value through other comprehensive income (FVOCI):** Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at FVPL, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in 'Net Investment income'. Interest income from these financial assets is recognised using the effective interest rate method. The Group does not have any items at FVOCI.
- **Fair value through profit or loss (FVPL):** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss.

The amortised cost is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance, except for impaired financial assets in Stage 3 in the impairment model, for which the interest income is recognised from the net amount) or to the amortised cost of a financial liability.

The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees and points paid or received that are integral to the effective interest rate, such as origination fees.

When the Group revises the estimates of future cash flows, the carrying amount of the respective financial assets or financial liability is adjusted to reflect the new estimate discounted using the original effective interest rate. Any changes are recognised in profit or loss.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The reclassification takes place from the start of the first reporting period following the change. Such changes are expected to be very infrequent and none occurred during the period.

a) Business model assessment

Key management personnel determine the Group's business models by considering the way financial instruments are managed in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from the sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of 'other' business model and measured at FVPL. Such assessment is performed at a 'portfolio level' as it best reflects the way the business is managed and information is provided to management.

The information that will be considered in such assessment includes:

- the objectives for the portfolio including whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of assets;
- the method for the evaluation of the performance of the portfolio and how such performance is reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading and those that are managed and whose performance is evaluated on a fair value basis will be measured at FVPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking.

The Group may also irrevocably designate financial assets at fair value through profit or loss if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Currently the Group has not made any such designations.

(b) Cash flows that represent solely payment of principal and interest (SPPI)

In respect of assets where the intention of the business model is to hold the financial assets to collect the contractual cash flows or to hold to collect and to sell, the Group assesses whether the financial instruments' cash flows represent solely payments of principal and interest (the 'SPPI test'). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending agreement. 'Principal' is the fair value of the financial asset at initial recognition. It is not the amount that is due under the contractual terms of an instrument. 'Interest' is the compensation for time value of money and credit risk of a basic lending-type return. A basic lending-type return could also include consideration for other basic lending risks (for example, liquidity risk) and consideration for costs associated with holding the financial asset for a particular period of time (for example, servicing or administrative costs) and/or a profit margin. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

Unlike the business model assessment, the SPPI assessment is performed for each individual product or portfolio of products. The following considerations are made when assessing consistency with SPPI:

- contingent events that would change the amount and timing of cash flows such as contractual term resetting interest to a higher amount in the event of a missed payment;
- leverage features, being contractual cash flow characteristics that increase the variability of the contractual cash flows with the result that they do not have economic characteristics of interest;
- contractual terms that allow the issuer to prepay (or the holder to put a debt instrument back to the issuer) before maturity and the prepayment amount substantially represents unpaid amounts of principal and interest, which may include reasonable compensation for early termination of the contract;
- contractual terms that allow the issuer or holder to extend the contractual term and the terms of the extension option result in contractual cash flows during the extension period that are solely payments of principal and interest, which may include reasonable compensation for the extension of the contract; and
- features that modify consideration for the time value of money (for example, periodic reset of interest rates).

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2.8.2 Classification under IAS 39 (applicable until 31 December 2017)

Under IAS 39, the Group classified its financial assets in the following categories: at fair value through profit or loss, loans and receivables and held-to-maturity 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.

(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 – loans to customers', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

(c) Held-to-maturity investments

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

(a) *those that upon initial recognition are designated as at fair value through profit or loss;*

(b) *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.

2.8.3 Recognition, derecognition and measurement of financial assets

Ferratum Group recognizes a financial asset or financial liability in its statement of financial position when it becomes a party to the contractual rights or obligations.

Ferratum Group derecognizes a financial asset or a portion of financial asset when it loses control of the contractual rights that comprise the financial asset or a portion of the financial asset. Ferratum Group derecognizes a financial liability when a liability is extinguished, that is when the obligation specified in the contract is discharged, cancelled or expires. The evaluation of the transfer of risks and rewards of ownership precedes the evaluation of the transfer of control for derecognition transactions.

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.

2.9 Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses ('ECLs') associated with its debt instruments carried at amortised cost. The measurement of ECLs reflects:

I. An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;

II. The time value of money; and

III. Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Note 3.2 provides more detail of how the expected credit loss allowance is measured.

Expected credit loss allowances are presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial instrument with both a drawn and undrawn component, whereby the Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: the Group presents a combined loss allowance for both components, as a deduction from the gross carrying amount of the drawn component

Until 31 December 2017 Ferratum Group assessed financial asset impairment as noted below (under IAS 39):

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
(accounts receivable – loans to customers)
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 loans 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.

The mentioned above principles are applied to all different types of loans provided by Ferratum Group to its customers.

2.10 Modification of financial assets

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

The Group renegotiates accounts receivable - loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default.

Under its rescheduling policy, the Group 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.

When modification happens, the Group assesses whether or not the new terms are substantially different to the original terms. In this regard, upon rescheduling the Group 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 Group is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit. Moreover, given that the terms are not substantially different, the renegotiation or modification is not expected to result in derecognition, and the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a 'new' asset at fair value, and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. However, the Group also assesses whether the new financial asset recognised is deemed to be credit-impaired at initial recognition, especially in circumstances where the renegotiation was driven by the debtor being unable to make the originally agreed payments. Differences in the carrying amount are also recognised in profit or loss as a gain or loss on derecognition.

The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate (or credit-adjusted effective interest rate for purchased or originated credit-impaired financial assets).

2.11 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.

2.12 Share capital

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.

2.13 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.

2.14 Borrowings and deposits from customers

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.

Ferratum Group recognises deposits from customers as a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. Deposits to customers are recognised initially at fair value, being the fair value of consideration received, and are subsequently measured at amortised cost. Ferratum Group derecognises deposits from customers from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

2.15 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.

2.16 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 - loans to customers) 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.

2.17 Finance 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.

2.18 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.

2.19 Share-based payments

Option plans, introduced in 2015, 2016, 2017 and 2018, are 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 fair value of the options is independently determined on the grant date using the Black and Scholes model taking into consideration the terms and conditions of the grant. The material model inputs for options 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 options granted are booked as an employee benefit expense and as an increase in equity. This expense is recognized in income statement over the service period and has no cash impact on the company. The number of options is checked on each financial statement date and any changes to original amounts are recorded in the income statement and a corresponding adjustment is made to the equity.

2.20 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 and futures contracts 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 swaps and futures contracts 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 co-operation 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.

3.2 Credit risk

3.2.1 Credit risk management

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, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements, are as follows:

EUR '000	31 Dec 2018	31 Dec 2017
Loans and receivables:		
Cash and cash equivalents	115,559	131,832
Accounts receivable - loans to customers	320,538	257,406
Government stocks	8,533	8,851
Derivative assets	21	156
Other receivables	9,399	10,554

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 Group on December 31, 2018, and 2017.

Other receivables consist usually of still open receivables from bad debts sales and prepayments for services, e.g. IT maintenance, IT hosting, license and insurance prepayments etc. For OTC (over-the-counter) derivative financial instrument contracts, Ferratum Group has derivative master framework agreements with the main counterparties concerning currency and interest rate derivative financial instruments. These agreements permit netting and allow for termination of the contract on the occurrence of certain events of defaults and termination events.

Cash and cash equivalents are broadly diversified with over 200 bank accounts in about 25 countries, which had the following Fitch ratings:

EUR '000	31 Dec 2018	31 Dec 2017
AA	65	168
AA-	9,085	10,402
A+	76,025	77,679
A	3,231	5,243
A-	2,386	1,463
BBB+	4,948	8,382
BBB	10,606	14,371
BBB-	576	852
BB+	0	7
B	26	13
B-	117	0
No rating available	8,495	13,251
Total	**115,559**	**131,832**

Accounts receivable - loans 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.

The measurement of credit exposure for risk management purposes considers that an exposure varies with changes in market conditions, expected cash flows and the passage of time. The assessment of credit risk of a portfolio of assets entails further estimations as to the likelihood of defaults occurring, of the associated loss ratios and of default correlations between counterparties. Ferratum Group measures expected credit losses using Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD).

3.2.2 Credit risk measurement

(a) Accounts receivable - loans to customers

The Group uses internal credit risk gradings to reflect its assessment of the probability of default of individual counterparties. Internal credit risk gradings are based on payment behaviour, loan specific information and expert judgement. Information considered by the Group when determining the internal credit risk grades include the payment behaviour of the borrower and other information about borrowers which impact their creditworthiness, including level of income and/or financial performance.

Short-term consumer lending exposures
At onboarding stage, any known information about a borrower which impacts their creditworthiness - such as unemployment and previous delinquency history - is assessed during the initial credit assessment. After the date of initial recognition, for short-term consumer lending facilities, the payment behaviour of borrowers is monitored on an ongoing basis at a collective portfolio level.

(b) Other financial assets

Other financial assets include cash and cash equivalents and government stocks. The Group uses external risk grades to reflect its assessment of the probability of default of individual counterparties. These published grades are continuously monitored and updated. The PDs associated with each grade are determined based on realised default rates over the prior 12 months, as published by rating agencies.

In determining the probability of default of individual counterparties, the Group distinguishes between exposures considered 'investment-grade' defined by recognized external rating agencies as a rating between AAA-BBB- (Standard & Poor's, F) and Aaa-Baa3 (Moody's), and 'non-investment grade' exposures.

3.2.3 Categorisation of accounts receivable - loans to customers for ECL measurement

The Group's expected credit loss allowances on accounts receivable - loans to customers are modelled on a collective basis. As a result, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group of financial assets are homogenous. In performing this grouping, the Group ensures that there is sufficient information for the group of financial assets to be statistically credible. In this respect, the Group considers the following categories for ECL measurement of accounts receivable - loans to customers:

I. Micro-credit portfolios (e.g segments: Microloans, PlusLoans, SME and Mobile bank) which are subject to bullet and installment repayment characteristics; and

II. Micro-credit portfolios (e.g segments: Credit Limit) with instalment repayment features and revolving micro-credit facilities.

3.2.4 Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

i. A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Group.

ii. If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit - impaired. Please refer to 3.2.5 for a description of how the Group determines when a significant increase in credit risk has occurred.

iii. If the financial instrument is credit-impaired, the financial instrument is then moved to 'Stage 3'. Please refer to 3.2.6 for a description of how Ferratum Group defines credit-impaired and default.

iv. Financial instruments in 'Stage 1' have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in 'Stages 2' or 3 have their ECL measured based on expected credit losses on a lifetime basis. Please refer to 3.2.7 for a description of inputs, assumptions and estimation techniques used in measuring the ECL.

v. A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward looking information. 3.2.8 includes an explanation of how the Group has incorporated this in its ECL models.

Further explanation is also provided in respect of how Ferratum Group determines appropriate groupings of accounts receivable - loans to customers for ECL measurement (refer to 3.2.11).

The expected credit loss requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for 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, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ("lifetime ECL"). Financial assets where 12-month ECL is recognised are considered 'stage 1'. Financial assets which are considered to have experienced a significant increase in credit risk would be classified as 'stage 2' and financial assets for which there is objective evidence of impairment, thus considered to be in default or otherwise credit-impaired, would be classified as 'stage 3'.

Ferratum Group recognises loss allowances at an amount equal to 12-month ECL for debt investment securities that are determined to have low credit risk at the reporting date. The Group considers a debt security to have low credit risk when it is considered 'investment-grade', defined by recognised external rating agencies as a rating between AAA to BBB- (Standard & Poor's and Fitch) and Aaa-Baa3 (Moody's).

The following diagram summarises the impairment requirements under IFRS 9 (other than purchased or originated credit-impaired financial assets):

Change in credit quality since initial recognition

Stage 1	Stage 2	Stage 3
(Initial recognition)	(Significant increase in credit risk since initial recognition)	(Credit-impaired financial assets)
12-month expected credit losses	Lifetime expected credit losses	Lifetime expected credit losses

3.2.5 Significant increase in credit risk

To determine whether the credit risk (i.e. risk of default) on a financial instrument has increased significantly since initial recognition, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort, including both quantitative and qualitative information. Such analysis is based on the Group's historical experience, credit assessment and forward-looking information.

The Group's short-term consumer lending exposures are not managed on a credit-by-credit basis due to the high volume of relatively low value and homogeneous exposures. As a result, it is not feasible to include qualitative information based on an expert credit assessment performed on an individual credit basis. On this basis, Ferratum Group adopts a retail portfolio methodology which takes into account the nature of the short-term consumer lending exposures and the underlying credit risk management practices of the Group.

The short-term consumer lending portfolio comprises of micro-credit facilities with bullet repayment or instalment loan characteristics, as well as, revolving micro-credit facilities. Given how such retail facilities are originated and managed for internal risk management purposes, short-term consumer loans within a particular portfolio are expected to have similar credit risk characteristics.

As a result, for accounts receivable - loans to customers, which are managed on a portfolio basis for credit risk purposes, the Group measures a significant increase in credit risk based on a quantitative assessment driven by the delinquency status of borrowers (days past due). The Group presumptively considers that a significant increase in credit risk occurs when an asset is more than 30 days past due, in line with the backstop indicator established under IFRS 9. The Group determines days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received.

In the case of other financial assets (cash and cash equivalents and investments in debt securities), the Group applies the low credit risk simplification to all its exposures considered 'investment-grade', thus they are not subject to the SICR assessment. Moving from 'investment-grade' to 'non-investment grade' does not automatically mean that there has been a SICR.

3.2.6 Definition of default and credit-impaired assets

Ferratum Group's assessment to determine the extent of increase in credit risk of a financial instrument since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the financial instrument.

IFRS9 does not specifically define default, but requires it to be applied on a consistent basis with internal credit risk management practice for the relevant instruments and requires consideration of qualitative factors where appropriate. In addition, IFRS9 also introduces a rebuttable presumption that default does not occur later than when a financial asset is 90 days past due unless there is reasonable and supportable information to demonstrate that a more lagging criterion is appropriate.

In this respect, the Group defines a financial instrument as in default, when it meets one or more of the criteria below.

i. with respect to micro-credit facilities with bullet repayment characteristics, exposures are considered defaulted where the borrower is more than 90 days past due on any material credit obligation to the Group; and

ii. with respect to micro-credit facilities with instalment loan characteristics or revolving micro-credit facilities, exposures are considered defaulted once the customer is overdue on minimum monthly payments by 60 days or more.

Therefore, the definitions of credit-impaired and default are aligned so that stage 3 represents all loans which are considered defaulted or credit-impaired.

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and loss given default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have been cured) when it no longer meets any of the default criteria for a consecutive period of three months. This period has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

The Group considers other financial assets, mainly cash and cash equivalents and investments in debt securities respectively, to be in default when a payment due (including a coupon payment) is not affected.

3.2.7 Measuring ECL – Explanation of inputs, assumptions and estimation techniques

The Expected Credit Loss (ECL) is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD).

The ECL is determined by projecting the PD, EAD and LGD at a collective portfolio level as allowable under IFRS 9 in the case of retail portfolios comprising individually insignificant exposures that are homogenous in nature. These three components are multiplied together effectively calculating the forward-looking ECL, which is then discounted back to the reporting date. The discount rate used in the ECL calculation is the originated effective interest rate or an approximation thereof.

The 12-month ECL is calculated by multiplying the 12-month PD, LGD, and EAD. Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The PD, EAD and LGD parameters are derived from internally developed statistical models and other historical data, adjusted to reflect forward-looking information as described below.

The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the instrument, respectively.

In the case of micro lending facilities with bullet repayment characteristics, the Group utilises roll-rate methodology in order to estimate its PDs. 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 unrecoverable. This methodology is applied at territory or country level with adaptations to reflect the different nature of the respective markets in which the Group 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 (PD).

In the case of micro-credit facilities with characteristics similar to instalment loans or revolving facilities, the Group utilises curve-stitching methodology in order to estimate its PDs. Under this approach, an analysis of historical default data is carried out in order to estimate cumulative monthly loss rates at various snapshot dates. Subsequently, statistical analysis is employed in order to combine curves with different historical performance windows into a single PD curve over the expected lifetime of the micro-credit exposures. This methodology is also applied at territory or country level in order to incorporate adaptations to reflect the nature of the different markets in which the Group operates. Under this approach, loans are also grouped into ranges according to the number of days past due, with an individual lifetime PD curve being calculated for each range.

The conditional PD is adjusted to consider forward-looking information through macroeconomic modelling.

EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). EAD represents the expected exposure in the event of a default (including any expected drawdowns of committed facilities).

The 12-month and lifetime EADs are determined based on the total balance of loans receivable at the reporting date, taking into account the total amount receivable from borrowers inclusive of principal and interest. This is deemed an adequate representation of the expected balance at default in the case of the Group's micro-credit facilities given that Ferratum Group models its ECLs on a collective portfolio level with the modelling of the EAD for each future month at an individual loan-by-loan basis not being deemed practical. Additionally, in the case of revolving credit facilities the Group also factors in expected drawdowns of committed facilities.

The Loss Given Default (LGD) represents the Group's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of collateral values (if any) at the time it is expected to be realised and the time value of money. The 12-month and lifetime LGD are determined based on the factors which impact the recoveries made post default.

Given that its short-term micro-credit facilities are unsecured in nature, the Group estimates LGD parameters based on the history of recovery rates of claims against defaulted counterparties which are highly influenced by collective debt recovery strategies. Moreover, the Group's LGD incorporates elements in relation to the Group's ability to dispose of overdue loan facilities to third parties in certain territories at a price that is dependant on the credit quality of the portfolio, current investor appetite in the market and the economic trends in the particular country or territory. Recoveries from loan portfolio sales are calculated on a discounted cash flow basis using the contractual interest rate as the discounting factor.

The ECL is measured from the initial recognition of the financial asset. The maximum period considered when measuring ECL (be it 12-month or lifetime ECL) is the maximum contractual period over which the Group is exposed to credit risk. With respect to non-revolving credit facilities, the contractual life of the facility is considered. In the case of revolving credit facilities, provided that such facilities do not have a fixed term or repayment structure, the Group defines the lifetime of such exposures as 24 months in line with observed borrower behaviour in specific territories. The lifetime of revolving credit facilities is re-assessed by the Group at a territory level based on more recent borrower behaviour patterns on a periodic basis.

Forward-looking economic information is also included in determining the 12-month and lifetime PD and LGD.

There have been no significant changes in estimation techniques or significant assumptions made during the reporting period.

3.2.8 Forward-looking information incorporated in the ECL model

The calculation of ECL incorporates forward-looking information. Ferratum Group performs a historical analysis to identify the key economic variables affecting credit risk and expected credit losses for each product portfolio at a territory level. These economic variables and their associated impact on the PD, EAD and LGD may vary by portfolio or territory.

In this respect, the Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and, using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. The key driver is predominantly Eurozone unemployment.

The impact of this economic variables on the PD have been determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates.

Three possible scenarios are considered to capture non-linearity across credit portfolios. The 'base line' scenario represents the most-likely outcome. It is based on authoritative sources forecasting these economic variables referred to above and providing the best estimate view of the European economy. Apart from the 'base line' scenario, the Group considers two other macro-economic scenarios – Upside and Downside scenarios – which respectively represent a more optimistic and a more pessimistic outcome. Such scenarios reflect the current top and emergent risks and opportunities. The more optimistic and more pessimistic scenarios are economically plausible and will not necessarily be as severe as scenarios used in stress testing.

Each scenario is weighted by a probability of occurrence, determined by a combination of macroeconomic research and expert credit judgment, taking account the range of possible outcomes each chosen scenario represents. The Group measures ECL as either a probability weighted 12-month ECL (Stage 1), or a probability weighted lifetime ECL (Stages 2 and 3). These probability-weighted ECLs are determined by running each scenario through the relevant ECL model and multiplying it by the appropriate scenario weighting (as opposed to weighting the inputs).

As with any macro-economic forecasts, the projections and likelihoods of occurrence are subject to a high degree of uncertainty and therefore, the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes.

The most significant period-end assumptions used for the ECL estimate as at 31 December 2018, together with the comparative as of 1 January 2018, are set out below. The 'base', 'upside' and 'downside' scenarios were used for all portfolios.

- The 'Base' Scenario captures business-as-usual macroeconomic expectations, whereby the current rhythm of economic activity is maintained;
- The 'Downside' Scenario is based on a subdued level of economic activity hypothesized to correspond to an economic recession;
- The 'Upside' Scenario is based on the assumption that it would be possible to marginally improve further over the already benign economic conditions.

The Group has identified key drivers of credit risk and credit losses for each portfolio of financial instruments and using an analysis of historical data, has analysed relationships between macro-economic variables, credit risk and credit losses. This analysis was conducted at a territory and sub-portfolio level in order to take into consideration possible differences in customer behaviour and default experience arising from different product characteristics. The key driver is predominantly Eurozone unemployment in the majority of the Group's territories of operation. In those territories were due to certain risk data limitations, statistical relationships to macro-economic variables were not deemed to be statistically significant (e.g. in those territories where the Group has recently launched new products resulting in limited available historical default experience), the Group has utilised proxy statistical data available in other territories with close geographical and demographic similarities.

As of 31 December 2018

	2019	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	7.6	7.5	7.3	7.1	6.9
Upside	7.4	7.0	6.5	6.2	6.1
Downside	7.7	7.6	7.4	7.2	7.1

As of 1 January 2018

	2019	2020	2021	2022	2023
Eurozone-Av. Unemployment					
Base	8.3	7.9	7.6	7.5	7.3
Upside	8.3	7.7	7.2	6.8	6.3
Downside	8.4	8.2	8.0	8.0	8.0

*YoY = year on year % change

The weightings assigned to each economic scenario were 60% for the 'Base' scenario, 20% for the 'Downside' scenario and 20% for the 'Upside' scenario. The number of scenarios used is based on the analysis of each major product type to ensure that non-linearities are captured. The number of scenarios and their attributes are reassessed at each reporting date.

The effect of different scenarios on customer payment behavior for Ferratum group financials would be as follows:

- If the forward looking information was 100% based on the Base Case, the provision for loans to customers as of 31 December 2018 would have no change
- If the forward looking information was 100% based on the Upside Case, the provision for loans to customers as of 31 December 2018 would have decreased by 7%
- If the forward looking information was 100% based on the Downside Case, the provision for loans to customers as of 31 December 2018 would have increased by 7%

Such weightings take into account the current strong performance of the European economy over the foreseeable future and that at this relatively strong level of performance, further ameliorations would be affected by the law of diminishing returns. The Board considers that the probability weightings assigned to the respective scenarios reflect an unbiased evaluation of range of possible outcomes.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have also been considered, but are not deemed to have a material impact and therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness on an ongoing basis.

The most significant assumption affecting the ECL allowance are GDP and Unemployment, given the significant impact they have on the performance of retail consumer borrowers.

3.2.9 Maximum exposure to credit

An 'exposure' is defined as the amount at risk arising from the Group's assets and off-balance sheet items. The Group's maximum credit risk with respect to on- and off-balance sheet items can be classified into the following categories:

- Financial assets recognised on-balance sheet comprising principally balances with cash and cash equivalents, government stocks and accounts receivable - loans to customers. The maximum exposure to credit risk of these financial assets equals their gross carrying amounts.
- Loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities. The maximum exposure to credit risk is the full amount of the committed facilities. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards. These exposures are monitored in the same manner in respect of loans and advances and predominantly arise on revolving micro-credit facilities.

Ferratum Group's credit risk exposures relating to on-balance sheet assets and off-balance sheet instruments, reflecting the maximum exposure to credit risk before collateral held or other credit enhancements include the following:

	31 December 2018 Gross exposure	ECL allowance	1 January 2018 Gross exposure	ECL allowance
	EUR '000	EUR '000	EUR '000	EUR '000
Credit risk exposures relating to on-balance sheet assets:				
Subject to IFRS 9 impairment allowances				
Financial assets measured at amortised cost:				
Cash and cash equivalents (excluding bank overdrafts)	115,559	0	131,832	0
Accounts receivable - loans to customers	467,811	147,273	336,243	99,749
Government Stocks	8,533	0	8,851	0
Credit risk exposure	**591,903**	**147,723**	**476,926**	**99,749**

3.2.10 Credit concentration risk

Within the Group, concentration risk of losses results from inadequate diversification of the credit exposures. This risk is managed by actively measuring, reporting and monitoring on a regular and ongoing basis risk concentration levels against reasonable thresholds for counterparties, products, and territories.

Credit concentration risk for counterparties
Ferratum Group's accounts receivable - loans to customers comprise of retail exposures which are individually insignificant.

The Group's loans and advances comprise a large number of customers accounts. Nonetheless, these exposures are monitored and reported frequently and rigorously.

Credit concentration risk by geographical region
The geographical concentration of the Group's financial assets as at the end of the reporting period has been analysed. For the purposes of this analysis, the Group has allocated exposures to regions based on the country of domicile of the respective customers or counterparties. At 31 December 2018, loans and advances to banks were placed with banks domiciled in the following countries: Finland, Sweden, Poland and the United Kingdom.

3.2.11 Information on credit quality of accounts receivable - loans to customers

Ferratum Group manages the credit quality of its accounts receivable - loans to customers by using internal risk grades, which provide a progressively increasing risk profile ranging from 'Regular' (best quality, less risky) to 'Loss'. These risk grades are an essential tool for the Group to identify both non-performing exposures and better-performing customers. The internal risk grades used by the Group are as follows:

- Performing: Internal grade 'Regular'
- Under performing: Internal grades 'Watch' and 'Substandard'; and
- Non-performing: Internal grades 'Doubtful' and 'Loss'.

Regular
The Group's accounts receivable - loans 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, but does not exceed 60 days for micro loans, and does not exceed 45 days for plus loans, credit limit and prime loans.

Substandard
Exposures that are categorised within this category comprise those where payment becomes overdue by 61 days and over but not exceeding 90 days for micro loans, and where payment becomes overdue by 46 days but does not exceed 60 days for plus loan, credit limit and prime loans.

Doubtful
Loans and advances which attract a 'Doubtful' grading are principally those assets in respect of which repayment becomes overdue by 61 days and over but not exceeding 180 days for plus loans, credit limit and prime loans, and 91 days and over but not exceeding 180 days for micro loans.

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

	2018				2017
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Total
	EUR '000	EUR '000	EUR '000	EUR '000	EUR '000
Accounts receivable - loans to customers					
Regular	262,280	0	0	262,280	228,672
Watch	0	12,783	0	12,783	5,256
Substandard	0	11,576	0	11,576	4,208
Doubtful	0	0	35,173	35,173	29,651
Loss	0	0	145,998	145,998	68,456
Gross carrying amount	**262,280**	**24,359**	**181,172**	**467,811**	**336,243**
Loss allowance	22,325	7,351	117,597	147,273	78,837
Carrying amount	**239,955**	**17,008**	**63,575**	**320,538**	**257,406**

3.2.12 Modification of financial assets

The Group sometimes modifies the terms of loans provided to customers with a view to maximimising recovery. As explained previously, rescheduling of loans granted by the Group is not deemed to constitute a forbearance measure in relation to customers experiencing difficulties in repaying the micro-credit.

More specifically, loan rescheduling is a concession which could be granted by the Group, in certain circumstances, in response to a customer's request. Under certain specified conditions, the Group 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 Group's credit policy sets out restrictions on the number of rescheduling measures together with the minimum period of the Group'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 Group monitors the subsequent performance of modified assets. Given that the Group's rescheduling of facilities is not deemed to constitute a forbearance measure, this is not deemed to represent a qualitative indicator of a significant increase in credit risk.

The risk of default of modified assets is assessed at the reporting date and compared with the risk under the original terms at initial recognition, when the modification is not substantial it does not result in derecognition of the original asset. (Refer to Note 2.10).

3.2.13 Loss Allowance

Loss allowance under IFRS 9 (applicable from 1 January 2018)

Reconciliation of 12-month and lifetime ECL provision

The loss allowance recognised in the period is impacted by a variety of factors, as described below:

- Transfers between 'Stage 1' and 'Stages 2' or 3 due to financial instruments experiencing significant increases (or decreases) of credit risk or becoming credit-impaired in the period, and the consequent "step up" (or "step down") between 12-month and Lifetime ECL;
- Additional allowances for new financial instruments recognised during the period, as well as releases for financial instruments derecognised in the period;
- Impact on the measurement of ECL due to changes in PDs, EADs and LGDs in the period, arising from regular refreshing of inputs to models;
- Impacts on the measurement of ECL due to changes made to models and assumptions;
- Discount unwind within ECL due to the passage of time, as ECL is measured on a present value basis;
- Foreign exchange retranslations for assets denominated in foreign currencies and other movements; and
- Financial assets derecognised during the period and write-offs of allowances related to assets that were written off during the period.

The following tables explain the changes in the loss allowance between the beginning and the end of the annual period:

	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total
	EUR '000	EUR '000	EUR '000	EUR '000
Accounts receivable - loans to customers at amortised cost				
Loss allowance as at 1 January 2018	**15,521**	**5,821**	**78,406**	**99,748**
Transfers of financial instruments				
Transfer from Stage 1 to Stage 2	-471	2,573		2,102
Transfer from Stage 1 to Stage 3	-1,977		26,434	24,457
Transfer from Stage 2 to Stage 1	-48	-204		-156
Transfer from Stage 2 to Stage 3		-2,815	5,442	2,627
Transfer from Stage 3 to Stage 1	37		-307	-270
Transfer from Stage 3 to Stage 2		7	-18	-11
Other transfers - Aging change	-1,109	-1,141	-6,883	-9,132
Total remeasurement of loss allowance arising from transfers in stages	**-3,471**	**-1,581**	**24,668**	**19,616**
New financial assets originated or purchased	17,109	5,073	39,239	61,421
Changes to risk parameters (model inputs PDs/LGDs/EADs)	-1,352	-287	13,865	12,226
Financial assets derecognised during the year	-5,416	279	-31,766	-36,904
Write-offs	0	0	-5,820	-5,820
Unwind of discount				0
FX and Other movements	-155	-1,955	-995	-3,105
Total net P&L charge during the year	10,185	3,111	14,523	27,819
Other movements				
Write-offs				
Loss allowance as at 31 December 2018	**22,235**	**7,351**	**117,597**	**147,273**

	Stage 1 12-month ECL EUR '000	Stage 2 Lifetime ECL EUR '000	Stage 3 Lifetime ECL EUR '000	Total EUR '000
Accounts receivable - loans to customers at amortised cost				
Gross carrying amount as at 1 January 2018	**185,581**	**17,821**	**132,841**	**336,243**
Transfers from stage 1 to stage 2	-8,945	8,945		0
Transfers from stage 1 to stage 3	-37,562		37,562	0
Transfers from stage 2 to stage 1	561	-561		0
Transfers from stage 2 to stage 3		-7,733	7,733	0
Transfers from stage 3 to stage 1	436		-436	0
Transfers from stage 3 to stage 2		26	-26	0
Total changes in gross carrying amounts arising from transfers in stages	**-45,510**	**677**	**44,833**	**0**
New financial assets originated or purchased	197,933	13,533	54,641	266,107
Financial assets derecognised during the year	-73,813	-1,060	-35,015	-109,888
Write-offs	0	0	-35,983	-35,983
FX and Other Movements	-1,910	-6,611	19,854	11,332
Total net change during the year	76,699	6,538	48,331	131,568
Gross carrying amount as at 31 December 2018	**262,280**	**24,359**	**181,172**	**467,811**
	0	0	0	0

Changes in gross carrying amount arising from a foreign-exchange and other movements were not deemed significant.

3.2.14 Write-off Policy

The Group writes off accounts receivable - loans to customers when it determines that these are uncollectible and it has exhausted all practical recovery efforts. This is generally the case when the Group has applied debt recovery strategies for a significant period of time and has concluded there is no reasonable expectation of recovery.

In those cases where it has no reasonable expectation of full or partial recovery from overdue micro-credit facilities, the Group may opt to conduct one-off loan portfolio sales with third parties or group companies. Subsequent to the conduct of such sales, the Group writes-off any unrecovered amounts (after taking into account expected credit losses originally reserved against the portfolio).

3.2.15 Collateral

The Group's short-term consumer lending portfolio is generally unsecured, in line with the typical nature and characteristics observed for short-term retail portfolios.

3.3 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.

(a) 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 monetary transactions in foreign currencies is managed primarily through foreign exchange swaps and futures contracts.

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 December 31, 2018, 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 978 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2017: EUR 2,248 thousand).

Based on the various scenarios, the Group occasionally manages its cash flow foreign exchange risk by using foreign exchange swaps and futures contracts. As per December 31, 2018, 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 futures contracts. The futures contract's nominal value was EUR 35,368 thousand, covering 78% of the Group's net assets denominated in Polish zloty.

(b) 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 December 31, 2018, Ferratum Group's borrowings at a variable rate were denominated in EUR.

EUR '000	31 Dec 2018	31 Dec 2017
Fixed interest rate borrowings	24,882	69,400
Variable interest rate borrowings	157,695	64,390
Total borrowings	**182,577**	**133,790**

Ferratum Group analyzes its interest rate exposure on a continuous 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 December 31, 2018, part of the interest rate risk arising from the credit Group's variable rate borrowings were hedged using a floating-to-fixed interest rate swap. The swap's nominal value was EUR 5,000,000 covering 3% 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, 2018, 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 1,600 thousand higher/lower, mainly as a result of lower/higher interest expense on variable interest liabilities.

3.4 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 15 million. Ferratum Group has entered into forward flow agreements in Denmark, Estonia, Finland, Latvia and Sweden, whereby a portfolio of overdue loan receivables is transferred to a counterparty against a cash payment.

The repayment schedule for financial liabilities as of December 31, 2018, including future interest payments, is as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date.

31 Dec 2018 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	20,000			
Interest	2,000			
Bonds issued	25,000	40,000	100,000	
Interest	8,609	6,125	7,792	
Deposits from customers	183,405			
Interest	2,731			
Trade payables and other current liabilities	22,399			
Total, without derivatives	**264,144**	**46,125**	**107,792**	**0**
Interest rate derivatives	(47)			
Gross settled foreign exchange futures contracts				
- Inflow(-)	(66,785)			
- Outflow	67,269			

31 Dec 2017 EUR '000	Less than 12 months	Between 1-2 years	Between 2-5 years	Over 5 years
Bank borrowings	24,983			
Interest	1,068			
Bonds issued	45,000	25,000	40,000	
Interest	5,920	2,978	592	
Deposits from customers	174,301			
Interest	2,514			
Trade payables and other current liabilities	20,486			
Total, without derivatives	**274,273**	**27,978**	**40,592**	**0**
Interest rate derivatives	(43)	(43)		
Gross settled foreign exchange futures contracts				
- Inflow(-)	(49,784)			
- Outflow	50,582			

3.5 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 December 31, 2018, Ferratum Group's strategy, which was unchanged from 2017, was to maintain the gearing ratio below 3.

Net debt to equity ratio EUR '000	31 Dec 2018	31 Dec 2017
Cash and cash equivalents	115,559	131,832
Government stocks	8,533	8,851
Borrowings due within 1 year	(228,287)	(244,042)
Borrowings due after 1 year	(137,695)	(64,049)
Net debt	**(241,890)**	**(167,408)**
Cash and Government stocks	124,092	140,682
Gross debt - fixed interest rates	(208,287)	(243,701)
Gross debt - variable interest rates	(157,695)	(64,390)
Net debt	**(241,890)**	**(167,408)**

EUR '000	Cash and Cash Equivalents	Government Stock	Borrowings due within 1 year	Borrowings due after 1 year	Total
Net debt as at 1 January 2017	73,059	11,450	(119,904)	(72,246)	(107,642)
Cash flow	60,985	(2,599)	(124,137)	8,197	(57,555)
Foreign exchange adjustments	(2,212)				(2,212)
Net debt as at 31 December 2017	**131,832**	**8,851**	**(244,042)**	**(64,049)**	**(167,408)**
Cash flow	(13,162)	(317)	15,755	(73,646)	(71,371)
Foreign exchange adjustments	(3,111)				(3,111)
Net debt as at 31 December 2018	**115,559**	**8,533**	**(228,287)**	**(137,695)**	**(241,890)**

3.6 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, EUR '000	31 Dec 2018	31 Dec 2018	31 Dec 2017	31 Dec 2017	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial assets					
Items recognized at amortized cost					
Government stocks	8,533	8,551	8,851	8,867	Level 1
Items recognized at fair value through profit and loss					
Foreign exchange derivative	21	21	156	156	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	20,000	20,000	24,983	24,983	Level 3
Bonds	162,577	161,428	108,807	114,475	Level 1
Deposits from customers	183,405	183,405	174,301	174,301	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative	432	432	705	705	Level 2
Interest derivative	47	47	85	85	Level 2

The fair value of foreign exchange and interest derivatives 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 JUDGEMENTS

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

The measurement of the expected credit loss allowance for financial assets measured at amortised cost is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour (e.g. the likelihood of customers defaulting and the resulting losses). The estimation of ECL is complex and requires the use of models. The statistical model used to calculate loss allowance are based on macro-economic scenarios. Explanation of the inputs, assumptions and estimation techniques used in measuring ECL is further detailed in note 3.2.7.

The Group develops three scenarios to derive the unbiased and probability weighted ECL. In the process, management judgement is applied in determination of scenario setting and assignment of probability weighting for each scenario, with quantitative analysis of historical economic performance and qualitative analysis of macroeconomic environment. Explanation of how forward-looking information is corporate in the ECL model is further detailed in note 3.2.8.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing groups of similar financial assets for the purposes of measuring ECL.

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's operating segments are based on the major product types provided by Ferratum: Microloans, PlusLoans, Credit Limit, Ferratum Business (SME) and Mobile bank (incl. Mobile Bank, FerBuy, Primeloan and Ferratum P2P).

Attributable product margin is defined and calculated as a difference between the revenue, other income and directly attributable costs of each product segment. Non-directly attributable costs are allocated according the share in revenue and finance costs are allocated according the portfolio size of related types of products, i.e. their share in total accounts receivable - loans to customers.

5.1 Business segments in 2018

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Mobile bank*	Total
Revenue	41,709	65,641	132,321	21,008	1,468	262,148
Share in revenue, %	15.9	25.0	50.5	8.0	0.6	100.0
Other income	39	61	123	19	-	241
Directly attributable costs:						
Impairments	(19,692)	(20,477)	(40,720)	(5,739)	(1,868)	(88,496)
Marketing	(4,192)	(9,219)	(21,318)	(4,558)	(2,101)	(41,388)
Attributable profit margin	**17,863**	**36,005**	**70,406**	**10,731**	**(2,501)**	**132,505**
Attributable profit margin, %	42.8	54.9	53.2	51.1		50.5
Non-directly attributable costs:						
Personnel expenses	(6,726)	(10,586)	(21,339)	(3,388)	(1,759)	(43,799)
Lending costs	(2,075)	(3,266)	(6,584)	(1,045)	-	(12,971)
Other administrative expenses	(232)	(366)	(737)	(117)	(897)	(2,350)
Depreciation and amortization	(627)	(986)	(1,988)	(316)	(1,307)	(5,223)
Other operating income and expenses	(4,679)	(7,364)	(14,844)	(2,357)	(1,120)	(30,363)
Total non-directly attributable costs	**(14,339)**	**(22,567)**	**(45,492)**	**(7,223)**	**(5,084)**	**(94,706)**
Operating profit	**3,524**	**13,438**	**24,913**	**3,509**	**(7,584)**	**37,799**
Gross profit margin, %	8.4	20.5	18.8	16.7		14.4
Unallocated finance income						124
Finance expenses	(1,031)	(2,861)	(5,410)	(1,713)	(271)	(11,286)
Unallocated finance expense						(4,304)
Finance costs, net	(1,031)	(2,861)	(5,410)	(1,713)	(271)	(15,466)
Profit before income tax	**2,493**	**10,577**	**19,503**	**1,795**	**(7,856)**	**22,333**
Net profit margin, %	6.0	16.1	14.7	8.5		8.5
Accounts receivable - loans to customers	29,273	81,251	153,650	48,654	7,710	320,538
Unallocated assets						179,654
Unallocated liabilities						392,812

*Includes Mobile Bank, FerBuy, Primeloan and Ferratum P2P

5.2 Business segments in 2017

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Mobile bank*	Total
Revenue	43,886	60,315	103,774	13,135	529	221,638
Share in revenue, %	19.8	27.2	46.8	5.9	0.2	100.0
Other income	37	50	86	11	350	534
Directly attributable costs:						
Impairments	(21,822)	(22,880)	(27,534)	(3,078)	(315)	(75,629)
Marketing	(5,527)	(9,807)	(17,480)	(3,202)	(1,168)	(37,184)
Attributable profit margin	**16,574**	**27,679**	**58,846**	**6,865**	**(604)**	**109,359**
Attributable profit margin, %	37.8	45.9	56.7	52.3		49.3
Non-directly attributable costs:						
Personnel expenses	(6,657)	(9,149)	(15,741)	(1,992)	(1,836)	(35,375)
Lending costs	(2,014)	(2,767)	(4,761)	(603)		(10,145)
Other administrative expenses	(319)	(438)	(754)	(95)	(598)	(2,205)
Depreciation and amortization	(376)	(517)	(889)	(113)	(916)	(2,811)
Other operating income and expenses	(4,879)	(6,706)	(11,538)	(1,460)	(2,403)	(26,986)
Total non-directly attributable costs	**(14,245)**	**(19,577)**	**(33,684)**	**(4,263)**	**(5,752)**	**(77,521)**
Operating profit	**2,329**	**8,101**	**25,163**	**2,602**	**(6,357)**	**31,838**
Gross profit margin, %	5.3	13.4	24.2	19.8		14.4
Unallocated finance income						97
Finance expenses	(1,099)	(2,358)	(4,137)	(1,086)	(12)	(8,691)
Unallocated finance expense						
Finance costs, net	(1,099)	(2,358)	(4,137)	(1,086)	(12)	(8,594)
Profit before income tax	**1,230**	**5,743**	**21,026**	**1,516**	**(6,369)**	**23,244**
Net profit margin, %	2.8	9.5	20.3	11.5		10.5
Accounts receivable - loans to customers	32,541	69,829	122,520	32,148	368	257,406
Unallocated assets						179,189
Unallocated liabilities						331,352

*Includes Mobile Bank, FerBuy, Primeloan and Ferratum P2P

5.3 Revenue domestic

EUR '000	2018	2017
Revenue, international	216,077	180,435
Revenue, domestic	46,071	41,203
Total revenue	**262,148**	**221,638**

5.4 Revenue of business segments geographically

In addition 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 four regions. The detailed list of countries within each region together with the total regions' revenues for the year ended 31 December 2018 and the year ended 31 December 2017 are presented in the following table.

EUR '000		2018	2017
Northern Europe	Finland, Sweden, Denmark, Norway	111,884	88,726
Western Europe	France, Germany, Netherlands, Spain, UK	56,899	50,882
Eastern Europe	Bulgaria, Croatia, Czech, Estonia, Latvia, Lithuania, Poland, Romania, Russia, Slovakia	83,344	71,986
Rest of the World	Australia, Brazil, Canada, Mexico, New Zealand, Nigeria	10,021	10,045
Total revenue		**262,148**	**221,638**

6. PERSONNEL EXPENSES

EUR '000	2018	2017
Salaries and other employee benefits (incl. bonuses)	(32,031)	(26,172)
Statutory pension costs	(1,052)	(882)
Other personnel expenses	(8,286)	(7,057)
Share-based payments equity settled	(2,429)	(1,263)
Total personnel expenses	**(43,799)**	**(35,375)**

7. DEPRECIATION AND AMORTISATION

EUR '000	2018	2017
Tangible assets		
Machinery & Equipment	(422)	(262)
Other tangible assets	(167)	(81)
Total tangible assets	**(588)**	**(343)**
Intangible assets		
Trademarks and licenses	(2)	(2)
Internally generated software development costs	(3,352)	(1,018)
IT Software	(1,280)	(1,447)
Total intangible assets	**(4,634)**	**(2,467)**
Total depreciation and amortization	**(5,223)**	**(2,811)**

8. OTHER OPERATING EXPENSES

EUR '000	2018	2017
Rent and other office expenses	(4,829)	(4,087)
Travel expenses	(1,665)	(2,378)
Professional fees (excl. Audit)	(9,900)	(9,536)
Audit fees	(480)	(564)
Other expenses	(13,489)	(10,421)
Total other operating expenses	**(30,363)**	**(26,986)**

Audit fees and other services from audit companies

EUR '000	2018	2017
PwC		
Audit fees	360	480
Non-audit fees:		
Audit related services	26	11
Tax advice	41	47
Other services	51	728
Other audit companies		
Audit fees	120	84
Non-audit fees:		
Tax advice	258	
Other services	30	172
Total audit fees	**480**	**564**
Total non-audit fees	**407**	**958**

PricewaterhouseCoopers Oy has provided non-audit services to entities of Ferratum Group in total 26 thousand euros during the financial year 2018. These services included auditors' statements (20 thousand euros) and other services (6 thousand euros).

9. FINANCE INCOME

EUR '000	2018	2017
Interest income from cash and cash equivalents	86	38
Derivatives held for trading – net gain	38	59
Total finance income	**124**	**97**

10. FINANCE COSTS

EUR '000	2018	2017
Interest on borrowings	(11,286)	(7,917)
Derivatives held for trading – net gain / (loss)	0	(8)
Other finance expenses paid on borrowings	(1,517)	(1,151)
Foreign exchange loss on liabilities, realized	(2,787)	384
Total finance costs	**(15,590)**	**(8,691)**

11. INCOME TAX EXPENSES

EUR '000	2018	2017
Current tax:		
Current tax on profits for the year	(4,026)	(3,982)
Adjustments in respect of prior years	536	606
Other direct taxes	(319)	(56)
Total current tax	**(3,809)**	**(3,433)**
Deferred tax:		
Origination and reversal of temporary differences	770	270
Transfer to distributable funds	(20)	0
Impact of change on the corporate tax rates	0	(22)
Total deferred tax	**750**	**248**
Total income tax expense	**(3,060)**	**(3,185)**

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:

EUR '000	2018	2017
Profit before tax	**22,333**	**23,244**
Tax calculated at Finnish tax rate	(4,467)	(4,649)
Tax effects of:		
– Difference between Finnish tax rate and rates in other countries	3,260	3,263
– Income not subject to tax	547	562
– Expenses not deductible for tax purposes	(2,198)	(1,569)
– Utilization of previously unrecognized tax losses	375	498
– Tax losses for which no deferred income tax asset was recognized	(782)	(1,819)
– Tax assets recognised from previously unrecognised Tax losses	(3)	0
– Write down of previously recognised tax losses	(9)	0
Re-measurement of deferred tax – change in corporate tax rates*	0	(22)
Changes in tax provisions	0	0
Adjustment in respect of prior years	536	606
Other direct taxes	(319)	(56)
Tax charge	**(3,060)**	**(3,185)**

* The corporate income tax increased in Latvia from 15% to 20% and decreased in Croatia from 20% to 18%. As there were no deferred tax assets and liabilities recognized as at Jan 1, 2018 in these countries, the corporate income tax rate change had no impact on deferred tax assets and liabilities as at Dec 31, 2018.

EUR '000	2018	2017
Losses on carried forward balance on 31 December	**15,856**	**15,064**
of which		
– expires in one year	4,596	17
– expires in two years' time	886	4,574
– expires in later than two years	10,375	10,473

The company has in total EUR 1,404,888 of losses carried forward for which no deferred tax assets has been recognized with maturity of 5 years.

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.

Diluted earnings per share are calculated by adjusting the weighted average number of all shares to assume conversion of all options granted to employees. Options are considered to be potential ordinary share since each option may be converted into one ordinary share

EUR '000	2018	2017
Profit for the reporting period attributable to owners of the parent	19,274	20,058
Weighted average number of ordinary shares in issue	21,578	21,578
Adjustment for calculation of diluted earnings per share:		
Options	134	174
Diluted weighted average number of ordinary shares in issue	21,712	21,752
Earnings per share, basic, EUR	**0.89**	**0.93**
Earnings per share, diluted, EUR	**0.89**	**0.92**

13. PROPERTY, PLANT AND EQUIPMENT

EUR '000	Machinery & Equipment	Other tangible assets	Total
Cost, opening balance, as of 1 January 2017	**1,238**	**2,204**	**3,442**
Year ended 31 December 2017			
Additions of the period	650	426	1,077
Disposals of the period	(7)		(7)
Reclassification during the period			
Cost, closing balance, as of 31 December 2017	**1,881**	**2,630**	**4,512**
	-	-	-
Cumulative depreciation, opening balance, as of 1 January 2017	**(596)**	**(85)**	**(681)**
Year ended 31 December 2017			
Cumulative depreciation of disposals			
Depreciation for the period	(262)	(81)	(343)
Impairment	(5)		(5)
Cumulative depreciation, closing balance, as of 31 December 2017	**(863)**	**(166)**	**(1,029)**
Net book amount, opening balance	**642**	**2,119**	**2,761**
Net book amount, closing balance	**1,018**	**2,464**	**3,482**
Cost, opening balance, as of 1 January 2018	**1,881**	**2,630**	**4,512**
Year ended 31 December 2018			
Additions of the period	1,208	53	1,261
Disposals of the period	(1)		(1)
Reclassification during the period			
Cost, closing balance, as of 31 December 2018	**3,088**	**2,683**	**5,771**
Cumulative depreciation, opening balance, as of 1 January 2018	**(863)**	**(166)**	**(1,029)**
Year ended 31 December 2018			
Cumulative depreciation of disposals			
Depreciation for the period	(422)	(167)	(588)
Impairment	1	-	1
Cumulative depreciation, closing balance, as of 31 December 2018	**(1,284)**	**(333)**	**(1,616)**
Net book amount, opening balance	**1,018**	**2,464**	**3,482**
Net book amount, closing balance	**1,804**	**2,350**	**4,155**

14. INTANGIBLE ASSETS

EUR '000	Immaterial rights	Internally generated software development costs	Computer Software	Total
Cost, opening balance, as of 1 January 2017	**1,104**	**9,734**	**5,994**	**16,833**
Year ended 31 December 2017				
Additions of the period	5	10,330		10,335
Disposals of the period		(1,328)		(1,328)
Cost, closing balance, as of 31 December 2017	**1,109**	**18,736**	**5,994**	**25,840**
Cumulative depreciation, opening balance, as of 1 January 2017	**(1,104)**	**(985)**	**(2,008)**	**(4,097)**
Year ended 31 December 2017				
Cumulative depreciation of disposals		762		762
Depreciation for the period	(2)	(1,018)	(1,447)	(2,467)
Cumulative depreciation, closing balance, as of 31 December 2017	**(1,106)**	**(1,241)**	**(3,455)**	**(5,802)**
Net book amount, opening balance	**0**	**8,749**	**3,987**	**12,736**
Net book amount, closing balance	**3**	**17,495**	**2,539**	**20,037**
Cost, opening balance, as of 1 January 2018	**1,109**	**18,736**	**5,994**	**25,840**
Year ended 31 December 2018				
Additions of the period	0	10,488	4,289	14,777
Disposals of the period				
Cost, closing balance, as of 31 December 2018	**1,109**	**29,224**	**10,284**	**40,617**
Cumulative depreciation, opening balance, as of 1 January 2018	**(1,106)**	**(1,241)**	**(3,455)**	**(5,802)**
Year ended 31 December 2018				
Cumulative depreciation of disposals		47		47
Depreciation for the period	(2)	(3,352)	(1,280)	(4,634)
Cumulative depreciation, closing balance, as of 31 December 2018	**(1,109)**	**(4,546)**	**(4,735)**	**(10,390)**
Net book amount, opening balance	**3**	**17,495**	**2,539**	**20,037**
Net book amount, closing balance	**1**	**24,678**	**5,549**	**30,227**

Ferratum Group has neither tangible nor intangible assets pledged as securities for any borrowings.

15. DEFERRED TAX ASSETS AND LIABILITIES

Changes in deferred taxes during the financial year 2018

EUR '000	on 1 Jan 2018	Recognized in income statement	Recognized in Equity	Translation difference	on 31 Dec 2018
Deferred tax assets					
Tax losses carried forward	2,301	250	0	(121)	2,429
Deferred revenue and credit loss reserve	1,431	987	5,749	(1)	8,167
Derivative	26				26
Total	**3,757**	**1,237**	**5,749**	**(122)**	**10,622**
Deferred tax liabilities					
Discretionary provisions	118	466	0	(3)	581
Deferred tax net	**3,639**	**771**	**5,749**	**(118)**	**10,041**

Changes in deferred taxes during the financial year 2017

EUR '000	on 1 Jan 2017	Recognized in income statement	Recognized in Equity	Translation difference	on 31 Dec 2017
Deferred tax assets					
Tax losses carried forward	2,258	138	0	(94)	2,301
Deferred revenue and credit loss reserve	1,196	236	0	(2)	1,431
Derivative	26				26
Total	**3,480**	**374**	**0**	**(96)**	**3,757**
Deferred tax liabilities					
Discretionary provisions	(0)	118	0	0	118
Deferred tax net	**3,480**	**255**	**0**	**(96)**	**3,639**

16. ACCOUNTS RECEIVABLE – LOANS TO CUSTOMERS

EUR '000	31 Dec 2018	31 Dec 2017
Accounts receivable – loans to customers (gross)	467,811	336,243
Less: provision for impairment of loan receivables	(147,273)	(78,837)
Accounts receivable – loans to customers (net)	**320,538**	**257,406**

The Group does not have a material amount of individually impaired loan receivables. The aging analysis of loan receivables which are collectively assessed for impairment is presented under IAS 39 ageing structure as follows:

EUR '000	31 Dec 2018				31 Dec 2017			
	GBV*	Provision for Impairment	NBV**	ILCR***, %	GBV*	Provision for Impairment	NBV**	ILCR***, %
Not overdue	205,616	(13,898)	191,718	6.8	216,988	(10,159)	206,829	4.7
1-90 days due	92,962	(21,127)	71,835	22.7	29,895	(7,668)	22,227	25.6
91-180 days due	23,234	(13,252)	9,982	57.0	20,904	(9,228)	11,676	44.1
> 181 days due	145,998	(98,996)	47,002	67.8	68,456	(51,782)	16,674	75.6
Total	**467,811**	**(147,273)**	**320,538**	**31.5**	336,243	(78,837)	257,406	23.4

*GBV = Gross book value. **NBV = Net book value. ***Impaired loan coverage ratio

The adoption of IFRS 9 has resulted in changes in our accounting policies for recognition, classification and measurement of financial assets and financial liabilities and impairment of financial assets. Refer to Note 3.2 for more detail regarding 2018 analysis and measurement of loan receivables.

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

EUR '000	2018	2017
Provision for impairment on January 1	(78,837)	(62,664)
IFRS 9 implementation	(20,912)	0
Impairments on loans	(88,496)	(75,629)
Amounts written-off as fully impaired	40,971	59,456
Provision **for impairment on 31 December**	**(147,273)**	(78,837)

17. CASH AND CASH EQUIVALENTS

EUR '000	31 Dec 2018	31 Dec 2017
Cash at bank and in hand	115,559	131,832
Short-term bank deposits	0	0
Cash and cash equivalents (excluding bank overdrafts)	115,559	131,832

18. SHARE CAPITAL AND OTHER RESERVES AND DISTRIBUTIONS TO EQUITY HOLDERS OF THE PARENT

EUR '000	Number of shares	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
On 1 Jan 2017	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,202)**
Increase of share capital					
Distribution of funds					
Currency translation differences					(1,212)
Transfers between items					173
On 31 Dec 2017	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,240)**
Increase of share capital					
Distribution of funds					
Currency translation differences					(739)
Transfers between items					767
On 31 Dec 2018	**21,723,960**	**40,134**	**(142)**	**14,708**	**(2,211)**

The par value of each share is 1 EUR. The cumulative translation differences of EUR -739,000 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 2018, Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.7% of the share capital. 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. The lock-up period on the shares related to share purchase programme 2007-2012 ended on 7 February, 2017, that is 24 months after the IPO. These programmes had no any impact after the 2014 financial year.

19. INTEREST BEARING LIABILITIES

EUR '000	31 Dec 2018	31 Dec 2017
Non-current interest bearing liabilities		
Bank borrowings		
Bonds issued	137,695	64,049
Total non-current interest bearing liabilities	**137,695**	**64,049**
Current interest bearing liabilities		
Bank borrowings	20,000	24,983
Bonds issued	24,882	44,758
Deposits from customers	183,405	174,301
Total current interest bearing liabilities	**228,287**	**244,042**
Total interest bearing liabilities	**365,982**	**308,091**

2018: In May 2018 Ferratum Group has successfully issued EUR 100 million bond with a tap option of EUR 50 million due in May 2022. During the year ended 31 December 2018 Ferratum Group has repaid it's bond liabilities due in October 2018 of EUR 20.0 million and EUR 25.0 million. 2017: In June 2017 Ferratum Group has successfully concluded a tap issue of EUR 15 million of the bonds due March 2020 from the existing EUR 60 million bond issuance programme of its subsidiary, Ferratum Bank p.l.c. In July 2017, Ferratum Group issued a EUR 20 million bond due October 2018. During the year ended 31 December 2017 Ferratum Group has repaid it's bond liabilities due in January 2017 of EUR 13.5 million and due in May 2017 of PLN 20.5 million.

20. CURRENT NON-INTEREST BEARING LIABILITIES

EUR '000	31 Dec 2018	31 Dec 2017
Current tax liabilities	**3,372**	**1,867**
Trade payables	**10,522**	**9,838**
Other current liabilities	**11,877**	**10,648**
Interest liabilities	1,455	1,397
Accrued employee expenses	2,551	2,323
Other current accrued liabilities on expenses, interest-free	7,871	6,929
Total current non-interest bearing liabilities	**25,771**	**22,353**

21. RELATED PARTY DISCLOSURE

Ferratum Group is controlled by Jorma Jokela, who owns 55.05% of the parent company's shares. The company also holds treasury shares.

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 and their close family members has significant control or joint control. Also companies where Ferratum's controlling individual has control, joint control or significant influence is considered to be a related party of Ferratum Group.

Transactions with related parties

EUR '000	2018	2017
Purchase of services from related parties – Entity controlled by key management personnel	1,136	940

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services, legal counselling, flight travel services and warehousing services. The Group has bought the security and recruiting services (EUR 157 thousand) from the companies which are controlled by the Managing Director and legal and financial consultancy services (EUR 979 thousand) from the companies which are controlled by the Board Members and the senior Management team members. 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 2017. The terms and conditions of these options are the same for the management and key employees. The fair value of options is determined using the principles described in disclosure 23. The summary of options granted to key management employees in 2018 and 2017 is the following:

	2018	2017
Options granted during the year	0	85,000
Of which exercisable on 31 December 2018	-	-
Fair value in total (EUR '000)	0	190
Total number of shares the option rights are entitled to	**0**	**85,000**

The retirement age of CEO is 65 years and he has no pension plan.

Key management compensation

EUR '000	2018	2017
Compensation to key management (consisting of the Board of Directors and the senior management team)		
Salaries and other short-term employee benefits	2,618	1,486
Statutory pension costs	178	127
Share-based payments	298	172
Total	**3,094**	**1,784**
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	208	211
Erik Ferm, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	18
Share-based payments	5	3
Juhani Vanhala, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	18
Share-based payments	5	3
Jouni Hakanen, Member of the Board of Directors		
Salaries and other short-term employee benefits	8	18
Share-based payments	5	3
Christopher Wang, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	10
Lea Liigus, Member of the Board of Directors		
Share-based payments	206	91
Pieter van Groos, Chairman of the Board of Directors		
Salaries and other short-term employee benefits	24	24
Share-based payments	97	71
Total	**612**	**471**

22. COMMITMENTS

EUR '000	31 Dec 2018	31 Dec 2017
Credit limit agreement		
Total amount of limits granted to Ferratum	35,111	35,111
Limit in use	20,000	24,538
Collateral on own debt		
Guarantees	165,000	110,000
Corporate pledge	20,000	20,000
Pledged subsidiary shares	11	11
Pledged investments	0	5
Operating lease		
Lease liabilities due within the next 12 months	1,728	773
Lease liabilities due after the next 12 months	1,671	824
Total operating lease liabilities	**3,399**	**1,597**
Total office rent costs	**2,690**	**1,823**

23. SHARE-BASED PAYMENTS

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 started on 15 January, 2015, and ended on 15 June, 2016, and there are no vesting conditions attached to the options or shares. The exercise period for 170,000 of these options was extended to 31 December 2017, of which 84,500 were further extended to 31 December 2019. 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- 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 34,000 shares in 2016, 59,500 shares in 2015, 60,000 shares in 2017 and 84,500 shares in 2018.

Employee option plans 2015, 2016, 2017 and 2018

New employee option plans were introduced in April and August 2015, in April and December 2016 and in January, September and November 2017 and in April 2018 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 issued in 2015, 2016 and 2017 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 share subscription price for each option issued in 2018 shall be 13,50, which constitutes approximately 50% of the price of the Company's share in Frankfurt Stock Exchange on the date of approval of the issued shares. The total fair value of the options issued in 2015 on the grant date is approximately EUR 1,415 thousand (EUR 6.46 per option). The total fair value of the options issued in 2016 on the grant date is approximately EUR 1,251 thousand (EUR 5.78 per option). The total fair value of the options issued in 2017 on the grant date is approximately EUR 2,666 thousand (EUR 8.29 per option). The total fair value of the options issued in 2018 on the grant date is approximately EUR 1.937 thousand (EUR 10.76 per option). The fair value on the grant date is independently determined using the Black-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, the year ended 31 December 2016, the year ended 31 December 2017 and the year ended 31 December 2018, 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 2018, 2017, 2016, 2015, 2014 are:

	2018	2017	2016	2015	2014
Share price on the date of issue, EUR *	27.20	21.68	20.76	22.47	6.75
Original subscription price, EUR	13.5	11.9	11.9	11.9	2.65
Duration (years)	1-4	1-4	4	4	4
Expected volatility, %	40	40	40	40	40
Fair value of option on the date of issue, EUR	10.76	8.29	5.78	6.46	4.11

*2018: weighted average value of 180,000 options with a share price of EUR 27.20 on the date of issue. 2017: weighted average value of 158,500 options with a share price of EUR 17.20 on the date of issue, 113,000 options with a share price of EUR 25.74 on the date of issue and 50,000 options with a share price of EUR 26.72 on the date of issue; 2016: weighted average value of 144,875 options with a share price of EUR 23.62 on the date of issue and 71,500 options with a share price of EUR 14.99 on the date of issue; 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 22.27 on the date of issue; 2014: pre-IPO valuation based on Black-Scholes model assumptions.

Share options outstanding at the end of the year ended 31 December 2018

Grant date	Number of options granted	Number of employees	Share price on grant date, EUR	Unexercised options	Exercise price, EUR	Share subscription period
31 October, 2014	238,000	3	6.75	0	2.65	15 Jan, 2015 – 31 Dec, 2019
10 April, 2015	192,100	35	22.50	112,880	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
1 April, 2016	144,875	85	23.62	104,875	11.90	2 Apr, 2020 – 30 Mar, 2022
1 December, 2016	71,500	7	14.99	71,500	11.90	2 Dec, 2020 – 30 Nov, 2022
1 January, 2017	158,500	98	17.20	141,000	11.90	2 Jan, 2021 – 31 Dec, 2022
25 September, 2017	113,000	7	25.74	99,000	11.90	26 Sep, 2018 – 24 Sep, 2023
1 November, 2017	50,000	1	26.72	0	11.90	2 Nov, 2018 – 31 Oct, 2023
18 April, 2018	180,000	86	27.20	159,500	13.50	April 19, 2019 - April 17, 2024
Total	**1,174,835**			**715,615**		

Share options outstanding at the end of the year ended 31 December 2018

On 31 December 2018 the vesting period left for the options granted in April 2015 is 0.3 years, for the options granted in August 2015 it is 0.6 years, for the options granted in April 2016 it is 1.3 years, for the options granted in December 2016 and January 2017 it is 2 years. The options granted in September and November 2017 and April 2018 have 4 different vesting periods: 1 year, 2 years, 3 years and 4 years.

Change in the number of options outstanding during the years ended 31 December 2018, and 2017:

	2018		2017	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Number of options outstanding on January 1	10.85	742,960	9.23	500,755
Granted options during the year	13.50	180,000	11.90	321,500
Exercised options during the year	2.65	(84,500)	2.65	(60,000)
Forfeited options during the year	12.17	(122,485)	11.90	(19,295)
Number of options outstanding on 31 December	**12.26**	**715,615**	**10.85**	**742,960**
Vested and exercisable options on 31 December	11.90	19,800	2.65	84,500

Total expenses arising from share-based payment transactions recognized during the years ended 31 December 2018, and 2017 as part of employee benefit expense were as follows:

	2018	2017
Employee option plans 2015	470,836	542,165
Employee option plans 2016	535,085	330,495
Employee option plans 2017	706,034	390,707
Employee option plans 2018	717,199	0
Total expenses of share-based payment transactions	**2,429,154**	**1,263,367**

24. GROUP COMPANIES

Ownership in Group companies	Country	Group share of holding	Parent company share of holding
Auxilium Limited	Malta	100%	0%
Baltic Skyways OÜ	Estonia	100%	0%
Bidellus Bangladesh Ltd	Bangladesh	100%	0%
Bidellus Nigeria Limited	Nigeria	100%	0%
Ferratum (Malta) Holding Limited	Malta	100%	99.99999%
Ferratum Australia Pty Ltd	Australia	100%	100%
Ferratum Bank p.l.c.	Malta	100%	0.00001%
Ferratum Brazil Servicos De Correspondente Bancario Ltda	Brazil	100%	99%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Canada Inc	Canada	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Ferratum Capital Poland S.A. (in liquidation)	Poland	100%	100%
Ferratum Chile Ltda	Chile	100%	99%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferratum d.o.o. in liquidation	Croatia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum Finland Oy	Finland	100%	100%
Ferratum Georgia LLC	Georgia	100%	100%
Ferratum Germany GmbH	Germany	100%	100%
Ferratum International Services Oy	Finland	100%	100%
Ferratum Latvia SIA	Latvia	100%	100%
Ferratum Mexico S. de R.L. de C.V.	Mexico	100%	99.99%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Peru S.A.C.	Peru	100%	99%
Ferratum Romania I.F.N.S.A.	Romania	99.93%	99.93%
Ferratum Services Limited	Malta	100%	0%
Ferratum Spain SL	Spain	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Vakuutus Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Global IT Services s.r.o.	Slovakia	100%	100%
Inari Serviços Financeiros Ltda	Brazil	100%	99%
Microfinance Company Ferratum Russia LLC	Russia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
Pactum Collections GmbH	Germany	100%	100%
Pactum Poland Sp. z.o.o.	Poland	100%	100%
Rus-Kredit OOO	Russia	100%	100%
Swespar AB	Sweden	100%	100%
UAB "Ferratum Finance"	Lithuania	100%	100%

25. PARENT COMPANY STATEMENTS 2018

25.1 Ferratum Oyj Income Statement

EUR '000	Note	2018	2017
Other operating income		10,216	7,439
Material and services		(69)	(90)
Personnel expenses	3	(4,385)	(3,641)
Depreciation, amortization and impairment	5	(1,464)	(1,275)
Other operating expenses	6	(13,026)	(14,115)
Operating profit		(8,729)	(11,681)
Financial income			
Intra-group dividend income		-	11,893
Other interest and financial income Group companies		6,652	5,468
Other interest and financial income from others		0	0
Financial income total		6,652	17,362
Financial expenses			
Other interest and financial expenses Group companies		(8,306)	(4,752)
Other interest and financial expenses from others		(1,706)	(1,121)
Financial expenses total		(10,011)	(5,873)
Financial income and expenses		(3,359)	11,489
Profit/loss before appropriations and taxes		(12,088)	(192)
Appropriations			
Group Contribution		9,500	20,270
Income tax		39	(1,609)
Profit (loss) for the year		**(2,549)**	**18,470**

25.2 Ferratum Oyj Statement of Financial Position

EUR '000	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	7	14,673	11,127
Tangible assets	8	1,447	1,424
Investments	9	111,564	59,625
Non-current receivables	10	42,653	53,636
Total non-current assets		**170,336**	**125,812**
Current assets			
Current receivables	11	51,022	51,673
Cash and bank		107	143
Total current assets		**51,129**	**51,816**
Total assets		**221,466**	**177,627**
EQUITY AND LIABILITIES			
Equity			
Share capital		40,134	40,134
Treasury shares		(142)	(142)
Other reserves total		14,708	14,708
Retained earnings		34,684	20,104
Profit/loss for the period		(2,549)	18,470
Total equity	**12-13**	**86,835**	**93,273**
Liabilities			
Non-current liabilities, interest-bearing	14	122,337	70,990
Current liabilities, interest-bearing	15	-	21
Current liabilities, interest-free	15	12,294	13,343
Total liabilities		**134,631**	**84,354**
Total equity and liabilities		**221,466**	**177,627**

25.3 Ferratum Oyj Cash Flow Statement

EUR '000	31 Dec 2018	31 Dec 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / Loss for the period	(2,549)	18,470
Adjustments for:		
Depreciation, amortization & impairment loss	1,464	1,275
Financial income and expenses	3,359	(11,489)
Other adjustments	(9,688)	(18,661)
Operating profit before working capital changes	**(7,414)**	**(10,406)**
Working capital changes:		
Increase (-) /decrease(+) in trade and other receivables	(3,792)	(6,074)
Increase (+) / decrease (-) in trade payables	3,016	3,187
Cash generated from operations	**(8,190)**	**(13,293)**
Interest paid	(4,249)	(3,401)
Dividends received	1,730	(5,541)
Interest received	9,424	3,854
Other financing items	(2,091)	(1,119)
Income taxes paid		
Net cash from operating activities	**(3,376)**	**(19,500)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(5,033)	(5,342)
Acquisition of subsidiaries	(53 986)	(20,528)
Disposal of subsidiaries	2,047	-
Loans granted (-) / Repayments of loans (+)	5,757	8,178
Net cash used in investing activities	**(51,214)**	**(17,691)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital		
Costs related to issue of share capital		
Proceeds from borrowings (+) / Repayment (-)	51,326	13,929
Dividends paid	(3,890)	(2,589)
Group contribution received (+) / paid (-)	7,118	25,087
Net cash used in financing activities (C)	**54,554**	**36,426**
Net increase/decrease in cash and cash equivalents	**(36)**	**(765)**
Cash and cash equivalents at the beginning of the period	143	908
Net increase/decrease in cash and cash equivalents	(36)	(765)
Cash and cash equivalents at the end of the period	107	143

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
Intangible assets - 3 to 10 years
Tangible assets - 25% declining depreciation

Comparative data
The length of the financial year is 12 months (1 Jan 2018 – 31 Dec 2018).

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.

Share capital
The share capital of the company is EUR 40,133,560 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. Average personnel	2018	2017
During financial year	43	35

3. Personnel expenses, EUR '000	2018	2017
Wages and salaries	(3,690)	(3,049)
Pension expenses	(611)	(512)
Other social expenses	(84)	(80)
Total Personnel expenses	**(4,385)**	**(3,641)**

4. Management compensation, EUR '000	2018	2017
Board of directors and CEO	294	206

5. Depreciation and amortization by asset class category, EUR '000	2018	2017
Intangible assets		
Other capitalized expenditure	(1,394)	(1,138)
Tangible assets		
Machinery and equipment	(70)	(137)
Total depreciation and amortization	**(1,464)**	**(1,275)**

6. Other operating expenses, EUR '000	2018	2017
Selling, marketing and administration	(12,911)	(13,981)
Audit fees	(115)	(134)
Total other operating expenses	**(13,026)**	**(14,115)**

Audit fees and other services from audit companies EUR '000	2018	2017
PwC		
Audit fees	115	134
Non-audit fees:		
Audit related services	20	11
Tax advice	0	0
Other services	6	135
Other audit companies		
Audit fees	0	0
Non-audit fees:		
Tax advice	249	0
Other services	0	0
Total audit fees	**115**	**134**
Total non-audit fees	**275**	**146**

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

7. Intangible assets, EUR '000	Other capitalized expenditures
Acquisition cost on 1 January 2018	13,367
Additions during the year ended 31 December 2018	4,941
Acquisition cost on 31 December 2018	**18,308**
Accumulated depreciation on 1 January 2018	(2,240)
Depreciation during the year ended 31 December 2018	(1,394)
Accumulated depreciation on 31 December 2018	**(3,635)**
Net Book value on 31 December 2018	**14,673**
Net Book value on 1 January 2018	**11,127**

7b. Intangible assets, EUR '000	Other capitalized expenditures
Acquisition cost on 1 January 2017	8,103
Additions during the year ended 31 December 2017	5,264
Acquisition cost on 31 December 2017	**13,367**
Accumulated depreciation on 1 January 2017	(1,732)
Depreciation during the year ended 31 December 2017	(508)
Accumulated depreciation on 31 December 2017	**(2,240)**
Net Book value on 31 December 2017	**11,127**
Net Book value on 1 January 2017	**6,372**

8 Tangible assets, EUR '000	Real estate	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 January 2018	1,241	471	1	1,713
Additions during the year ended 31 December 2018		92		92
Acquisition cost on 31 December 2018	1,241	563	1	1,805
Accumulated depreciation on 1 January 2018		(289)		(289)
Depreciation during the year ended 31 December 2018		(70)		(70)
Accumulated depreciation at 31 December 2018		(358)		(358)
Net Book value on 31 December 2018	**1,241**	**205**	**1**	**1,447**
Net Book value on 1 January 2018	**1,241**	**182**	**1**	**1,424**

8b. Tangible assets, EUR '000	Real estate	Machinery and equipment	Other tangible assets	Total
Acquisition cost on 1 January 2017	1,241	393	1	1,635
Additions during the year ended 31 December 2017		78		78
Acquisition cost on 31 December 2017	1,241	471	1	1,713
Accumulated depreciation on 1 January 2017		(235)		(235)
Depreciation during the year ended 31 December 2017		(54)		(54)
Accumulated depreciation at 31 December 2017		(289)		(289)
Net Book value on 31 December 2017	**1,241**	**182**	**1**	**1,424**
Net Book value on 1 January 2017	**1,241**	**158**	**1**	**1,400**

9. Investments, EUR '000	Other shares and equity interests
Acquisition cost on 1 January 2018	59,625
Additions during the year ended 31 December 2018	53,986
Disposals during the year ended 31 December 2018	(2,047)
Acquisition cost on 31 December 2018	111,564
Book value on 31 December 2018	**111,564**
Book value on 1 January 2018	**59,625**

9b. Investments, EUR '000	Other shares and equity interests
Acquisition cost on 1 January 2017	39,097
Additions during the year ended 31 December 2017	20,528
Disposals during the year ended 31 December 2017	0
Acquisition cost on 31 December 2017	59,625
Book value on 31 December 2017	**59,625**
Book value on 1 January 2017	**39,097**

10. Non-current receivables, EUR '000	31 Dec 2018	31 Dec 2017
Receivables from intra-group companies	42,650	53,633
Permanent receivables from employees	3	3
Total Non-current receivables	**42,635**	**53,636**

11. Current receivables, EUR '000	31 Dec 2018	31 Dec 2017
Other receivables	715	812
Receivables from intra-group companies	46,770	49,255
Accruals	3,538	1,606
Total Current receivables	**51,022**	**51,673**

12. Change in equity 2018, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total Equity on 1 January 2018	**40,134**	**14,708**	**38,431**	**93,273**
Dividend distribution			(3,890)	(3,890)
Reclassifications between items				
Profit/loss for the period			(2,549)	(2,549)
Total equity on 31 December 2018	**40,134**	**14,708**	**31,993**	**86,835**

13. Change in equity 2017, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total equity on January 1 2017	**40,134**	**14,708**	**22,551**	**77,392**
Dividend distribution			(2,589)	(2,589)
Reclassifications between items				
Profit/loss for the period			18,470	18,470
Total equity on 31 December 2017	**40,134**	**14,708**	**38,431**	**93,273**

14. Non-current liabilities, EUR '000	31 Dec 2018	31 Dec 2017
Non-current intra-group debts	122,337	70,990
Total non-current liabilities	**122,337**	**70,990**

15. Current liabilities, EUR '000	31 Dec 2018	31 Dec 2017
Loans from financial institutions	-	21
Trade payables	1,883	3,970
Other liabilities	701	592
Accruals	1,067	1,992
Intra-group liabilities	8,643	6,789
Total current liabilities	**12,294**	**13,364**

16. Accruals (current), EUR '000	31 Dec 2018	31 Dec 2017
Accruals of personnel expenses	569	470
Other accruals	497	510
Total accruals (current)	**1,067**	**979**

17. Other rental liabilities, EUR '000	31 Dec 2018	31 Dec 2017
Current rental liabilities	5	3

18. Commitments, EUR '000	31 Dec 2018	31 Dec 2017
Corporate pledge	20,000	15,000
Pledged subsidiary shares, book value	11	11
Commitments for intra-group companies	165,000	99,648

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

19. Related party transactions

No loans and or any other commitments were issued to any related parties in 2018.

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 FINANCIAL STATEMENTS AND THE BOARD OF DIRECTORS REPORT

Helsinki, 26 March, 2019

Pieter van Groos
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Erik Ferm
Member of the Board

Juhani Vanhala
Member of the Board

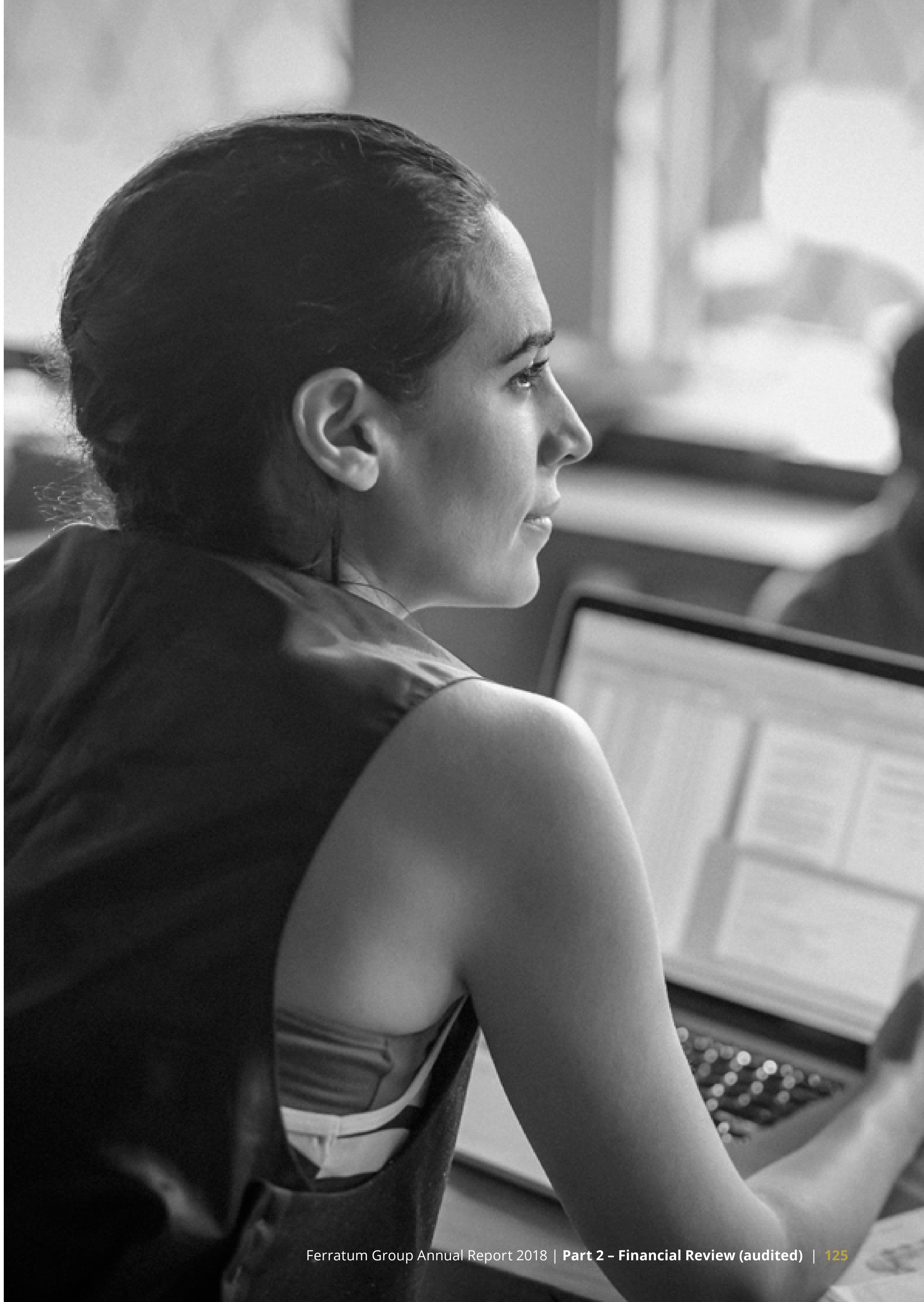
Christopher Wang
Member of the Board

The Auditor's Note
A report on the audit performed has been issued today

Helsinki, March 27, 2019

PricewaterhouseCoopers Oy
Authorized Public Accountants

Mikko Nieminen, Authorized Public Accountant



FERRATUM NON-FINANCIAL INFORMATION STATEMENT (UNAUDITED)

Business model

Ferratum Oyj and its subsidiaries form Ferratum Group ("Ferratum" or the "Group") which is an international provider of mobile banking and digital consumer and small business loans, distributed and managed by mobile devices. Ferratum, headquartered in Helsinki, Finland was founded in May 2005 and has expanded its operations across Europe, North America, South America, Africa and the Asia-Pacific region.

Ferratum currently operates in 25 countries, offering a variety of financial services including: digital consumer and business lending and mobile banking services.

Ferratum Bank p.l.c., a wholly owned subsidiary of Ferratum Oyj, is a credit institution licensed by the Malta Financial Services Authority (MFSA). Ferratum Bank p.l.c. provides Ferratum with a framework through which it can offer banking services to its customers on a cross-border basis within the EEA. Ferratum Group has more than 792,000 active customers (as at 31 December 2018) positioning it as a market leading provider of consumer and small business loans.

As a pioneer in digital and mobile financial services technology, Ferratum offers a comprehensive loan product portfolio, with retail customers able to apply for consumer credit in amounts varying between EUR 25 and EUR 20,000 and small businesses instalment loans up to EUR 250,000 with a term of six to 24 months.

Ferratum's Mobile Bank, launched in 2016, is an innovative mobile banking solution, offering a range of banking services, including real time digital payments and transfers, within a single application. Available in five European markets, customer deposits had reached EUR 183.4 million as at 31 December 2018.

The mobile financial platform is at the heart of Ferratum´s growth strategy. The technology and infrastructure developed means the platform is ready-made and can be offered as a fully functional and regulated 'bolt-on' consumer finance service, allowing Ferratum´s partners to effectively 'plug-and-play' a bespoke range of financial services via mobile. This offer of 'Banking-as-a-Service' means that any company, irrespective of sector and including non-financial brands, can offer banking services to its customers.

Ferratum's risk management is the duty of the Board of Directors and the risk committee. Ferratum's risk management is based on prudent operational principles which aim to identify and manage the major risks that Ferratum may face in its credit business.

Material topics for corporate social responsibility

Ferratum is required by Finnish law to report on its activities and how we meet the relevant standards of corporate responsibility. In addition to this, Ferratum is committed to establishing a set of responsibility measures that not only represent internal standards for the Group to meet but that also sets an example for others in the industry to aspire to.

In 2017, Ferratum carried out a focused materiality assessment that consulted with group-level stakeholders in order to renew its responsibility programme. The key criteria are as follows:

- Responsible lending
- Employee well-being and development
- Ethical business practices and transparent communications
- Value for customers and investors

In 2018 work was continued along these lines. Ferratum is also reporting voluntarily on how its operations and internal controls ensure it is a responsible lender. Read more about Ferratum´s corporate responsibility work in 2018 earlier in this Annual Report.

Environmental protection

Although Ferratum does not have a formal environmental policy, it is committed to reducing its impact on the environment by taking positive action and raising awareness about environmental issues. Examples of this include promoting video and phone conferencing and encouraging paperless work and using recyclable office supplies, where possible. Office managers are also encouraged to communicate energy-saving measures, such as turning off lights and managing air-conditioning more effectively.

Ferratum acknowledges that setting up offices always has some environmental impact. Particular attention is given to establishing offices with open spaces that make efficient use of central heating and lighting. Where possible, offices are selected so that they are near public transport, to reduce the use of private cars and transport.

No risks related to environmental matters have been identified in the risk management process.

Social responsibility and treatment of employees

Ferratum is an international, multicultural, and multilingual organisation, employing approximately 880 people across 27 offices in Europe, North America, South America, Africa and the Asia-Pacific region, with key operational offices in Helsinki, Malta, Slovakia and Germany. The group HR team consists of 10 employees working in Estonia, Germany, Malta and Slovakia.

Ferratum has relevant Human Resources policies in place to support the management and development of its people. There are formal, internal policies, procedures and guidelines on recruitment, change situations, training/ development and security. Employee handbooks have been developed to provide guidance on corporate communication, equality and actions against bullying.

Employee related risks have been identified in Ferratum's risk management process as:

- The potential loss of key members of the management team
- The inability to attract and retain talent required to run the business

Ferratum also acknowledges the shift in modern working habits. Ferratum manages these risks by focusing on the employee well-being, developing its remuneration, bonus and benefits system and offering motivating and interesting career opportunities. Ferratum is also committed to helping its people achieve a better work-life balance and healthier lifestyle.

The Group currently runs a number of initiatives to support the well-being and professional development of its people. These include:

- Providing the option of flexible hours or working remotely
- Supporting physical health and social well-being, offering discounts to gyms and sports clubs
- Providing occupational healthcare, such as private health insurance or subsidizing healthcare expenses

Ferratum is continuously reviewing the benefits it offers to its employees to ensure they are fit for today's working environment. The continuous professional development of individuals is heavily encouraged, through the provision of:

- Formal training and development programmes via seminars, classroom training and online courses
- On-the-job learning and more informal teaching
- Offering challenging tasks and projects
- Mentoring and line management

In 2018, Ferratum continued its leadership training for line managers and team leaders, focusing on improving project and team management skills, data protection and excellence in internal employee-related processes.

Anti-corruption and bribery

Anti-corruption and bribery matters are included in the Code of Business Conduct and Ethics of the Group and implemented accordingly at different levels of Ferratum Bank's organisation. The Code has been communicated to the members of the Board and members of senior management of Ferratum Group, as well as to all employees. In addition, Ferratum has established guidelines for preventing the abuse of inside information, and Ferratum's subsidiaries have in place company-specific policies and guidelines for preventing money laundering and terrorist financing. The organisation's anti-corruption policies are published and accessible to all members and jurisdictions where the organisation operates and shared with our business partners as part of our joint venture processes.

Any corruption or bribery concern or other suspected violation of financial markets regulation, can be flagged via the whistleblowing process and would automatically be escalated to the management team. Depending on the nature, scale and complexity of the issue in question, an internal or external audit could be implemented.

No incidents of corruption or bribery or other suspected violation of financial markets regulation or company policies were reported at Ferratum Group through the whistleblowing channel or any other channel in 2018. In addition, no contracts or business relationships have been terminated due to confirmed cases of corruption and there were no public cases relating to corruption where the company was affected.

Risks related to anti-corruption and bribery vary, depending on the business unit and areas of operation of the relevant subsidiary at Ferratum Group. Where risks are deemed to be higher, appropriate controls are put in place, such as internal audit and the application of four eyes principles. Latest risk assessment reviews have led to certain improvements and Ferratum is currently implementing additional measures within identified units to minimize such risks, such as through enhanced vendor management processes. Training is provided based on the risk-based assessments. In certain business units, such as within Ferratum Bank, emphasis is placed on compliance with the relevant policies.

Key performance indicators were set for anti-corruption and bribery in 2018. In 2019 there will be a review of the Anti-corruption and bribery policies and procedures. Furthermore, the organisation is planning revised training across all jurisdictions where it operates. Finally, the conflict of interest policy and register will be reviewed, and reminders will continue to be communicated across the organisation on a quarterly basis.

Respect for human rights

Ferratum is committed to creating and providing a working environment in which individual differences are recognised and valued; where each employee has equal opportunities in terms of career progression and personal development and that everyone is free from the risk of harassment, discrimination, exploitation or intimidation. Ferratum has implemented a formal equal opportunities policy, that includes a commitment to fair and transparent recruitment and career development, that is based on merit and ability. There are clear policies against discrimination based on age, gender, disability, religion or belief, race, sexual orientation etc. There is also a formal complaints procedure to manage internal complaints about issues such as harassment.

Ferratum operates a zero-tolerance policy for any form of harassment in the workplace, and will treat all incidents confidentially and investigate any allegations of harassment promptly. There is also an internal whistleblowing channel in place, for anonymous reporting of suspicions or instances of possible misconduct against laws or company policies and principles.

In 2018, no cases were reported concerning human rights violations through the internal whistleblowing channel or other channels.

Approval of the non-financial information statement

Pieter van Groos
Chairman of the Board

Lea Liigus
Member of the Board

Jorma Jokela
CEO, Member of the Board

Erik Ferm
Member of the Board

Juhani Vanhala
Member of the Board

Christopher Wang
Member of the Board

FURTHER INFORMATION

Consolidated income statement – Quarterly overview (Unaudited)

EUR '000	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Revenue	71,953	65,963	62,789	61,442	60,632	57,276	53,722	50,009
Other income	(92)	317	10	6	334	180	7	13
Impairments on loans	(23,096)	(23,238)	(23,176)	(18,986)	(19,352)	(20,378)	(18,719)	(17,180)
Operating expenses:								
Personnel expenses	(10,880)	(10,768)	(11,325)	(10,826)	(10,010)	(8,688)	(8,759)	(7,918)
Selling and marketing expenses	(10,992)	(10,662)	(9,706)	(10,028)	(12,226)	(9,086)	(7,994)	(7,877)
Lending costs	(3,824)	(3,390)	(2,917)	(2,839)	(2,630)	(2,729)	(2,406)	(2,380)
Other administrative expenses	(821)	(455)	(667)	(407)	(238)	(457)	(802)	(708)
Depreciations and amortization	(1,528)	(1,357)	(1,256)	(1,082)	(751)	(721)	(672)	(667)
Other operating expenses	(8,350)	(7,572)	(7,209)	(7,233)	(7,732)	(6,528)	(6,285)	(6,441)
Operating profit	**12,371**	**8,838**	**6,543**	**10,048**	**8,027**	**8,868**	**8,093**	**6,849**
Finance income	1	31	77	15	21	(566)	(322)	965
Finance costs	(3,744)	(3,338)	(4,951)	(3,557)	(2,379)	(2,491)	(1,954)	(1,868)
Finance costs – net	(3,743)	(3,307)	(4,874)	(3,542)	(2,359)	(3,057)	(2,276)	(903)
Profit before income tax	**8,628**	**5,531**	**1,669**	**6,506**	**5,669**	**5,812**	**5,817**	**5,946**
Income tax expense	(1,004)	(829)	(250)	(976)	(549)	(875)	(869)	(892)
Profit for the period	**7,623**	**4,702**	**1,418**	**5,530**	**5,120**	**4,937**	**4,948**	**5,054**
Profit attributable to:								
owners of the parent company	7,623	4,702	1,418	5,530	5,120	4,937	4,948	5,054
non-controlling interests	-	-	-	-	-	-	-	-

Consolidated statement of comprehensive income – Quarterly overview (Unaudited)

EUR '000	2018 Q4	2018 Q3	2018 Q2	2018 Q1	2017 Q4	2017 Q3	2017 Q2	2017 Q1
Profit for the period	7,623	4,702	1,418	5,530	5,120	4,937	4,948	5,054
Other comprehensive income								
Items that may be reclassified subsequently to profit or loss								
Translation differences	(38)	(166)	(121)	473	(809)	(251)	(355)	55
Total items that may be reclassified to profit or loss subsequently	(38)	(166)	(121)	473	(809)	(251)	(355)	55
Total comprehensive income	**7,586**	**4,536**	**1,298**	**6,003**	**4,311**	**4,686**	**4,593**	**5,109**
Allocation of total comprehensive income to:								
owners of the parent company	7,586	4,536	1,298	6,003	4,311	4,686	4,593	5,109
non-controlling interests	-	-	-	-	-	-	-	-

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Financial Calendar

17 April 2019
Ferratum Group AGM

29 April 2019
Ferratum Bank p.l.c. 2018 full year results

29 April 2019
Ferratum Capital Germany 2018 full year results

16 May 2019
Ferratum Group first quarter results

21 August 2019
Ferratum Group half year results

30 August 2019
Ferratum Bank p.l.c. half year results

30 August 2019
Ferratum Capital Germany half year results

14 November 2019
Ferratum Group nine month results


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Auditor’s Report (Translation of the Finnish Original)

To the Annual General Meeting of Ferratum Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

- the consolidated financial statements give a true and fair view of the group’s financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU

- the financial statements give a true and fair view of the parent company’s financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Audit Committee.

What we have audited

We have audited the financial statements of Ferratum Oyj (business identity code 1950969-1) for the year ended 31 December 2018. The financial statements comprise:

- the consolidated balance sheet, income statement, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, including a summary of significant accounting policies

- the parent company’s balance sheet, income statement, statement of cash flows and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report.

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

Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 8 to the Financial Statements.

Our Audit Approach

Overview

Materiality	• Overall group materiality: € 2,6 million, which represents 1 % of the group's net sales
Group scoping	• The group audit scope includes all significant companies in Finland, Estonia and Malta, covering the vast majority of revenues, assets and liabilities.
Key audit matters	• Revenue recognition • Provision for impairment losses against loan and account receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 2,6 million
How we determined it	Net sales
Rationale for the materiality benchmark applied	We chose net sales as the benchmark because, in our view, it best reflects the extent of the business operations and the growth rate of the group and it is a generally accepted benchmark.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the Ferratum group, the size, complexity and risks of individual subsidiaries, group's processes and controls related to financial reporting, and the industry in which the group operates. Using these criteria we selected companies and accounts into our group audit scope and at the same time ensured that we get sufficient coverage to our audit, in order to issue an audit opinion for the Group.

We determined the type of work that needed to be performed at group companies by us, as the group engagement team, or by auditors from other PwC network firms operating under our instruction. Audits were performed in group companies which are considered significant either because of their individual financial significance or due to their specific nature, covering the vast majority of revenue, assets and liabilities of the Group. Selected specified procedures as well as analytical procedures were performed to cover the remaining companies.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Revenue recognition *Refer to Note 5 in the consolidated financial statements* Ferratum Group generates its revenue from its lending activities by charging fees to the customer. Management maintains a number of Effective Interest Rate ('EIR') models to determine revenue recognition in accordance with the requirements of IFRS 9 *Financial Instruments*. The EIR method spreads directly attributable revenues over the maturity of the loan. Interest revenue recognised in the year amounted to € 262,1 million. The EIR models are complex and heavily reliant on the quality of the underlying data flowing into the models. We have identified revenue recognition as a key audit matter as there is a risk of inaccurately recognised revenue due to integrity errors in the underlying data. The amount of revenue recognised in any period is dependent on the occurrence of the underlying loan transaction, accuracy of the loan	Our testing of revenue recognition included both tests of controls, as well as substantive procedures. Our tests of controls focused on the controls around contract and cash management and recording of revenue. We also tested the key controls relating to the flow of data from source systems into the EIR models. This procedure included an assessment by our IT specialists of automated controls to determine whether the input data within the EIR models were complete and accurate. We also tested the adequacy of the change management controls over the EIR models. Our substantive testing of the revenue transactions included, among other things, the following: • We tested the arithmetical accuracy of the EIR models to assess whether they were working as intended and in compliance with the requirements of IFRS 9. • We tested a sample of sales transactions to validate whether a loan transaction beneath had occurred

portfolio and the appropriateness of the significant assumptions applied to the EIR models in relation to the expected maturity of each loan and the timing of expected future cash flows. This matter is a significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	by matching outgoing cash to recorded loan receivable. • We performed analytical audit procedures to assess whether the recognized revenue was in line with the expected level. We challenged the assumptions used in the recognition of revenue, including the impact of early redemptions by assessing whether the revenue recognition policies adopted were in compliance with IFRS 9. We considered the assumptions applied to determine the future expected cash flows by reference to the group's historical experience.
Provision for impairment losses against loan and account receivables *Refer to Notes 3.2 and 16 in the consolidated financial statements* As at 31 December 2018 the group's loan and account receivables gross balance amounted to € 467,8 million. Loan and account receivables are measured at amortized cost using the effective interest method. A credit loss provision is recorded to adjust the balance to the present value of estimated future cash flows. The provision for impairment of loan and account receivables amounted to € 147,3 million as at 31 December 2018. The credit loss provision in respect of loan and account receivables represent management's best estimate of the impairment losses using the expected loss model at the balance sheet date. The group's loan portfolio consists of short-term micro-loans, other medium-term credit products, revolving micro-credit facilities and the related fee receivables. The ExpectedCredit Loss (ECL) is measured on either a 12-month (12M) or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit-impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD). A credit loss provision is calculated for homogeneous group of loans with similar credit risk characteristics by collective assessment of impairment using statistical methods and historical collection trends incorporating also forward looking information. The calculation of the collective credit loss provision is	Our audit focused on assessing the appropriateness of management's judgment and estimates used in the impairment analysis through the following procedures: • We tested the operating effectiveness of key controls relating to calculation of impairment provisions. This included using our IT specialists to test the data flows from source systems to spreadsheet-based models to test their completeness and accuracy. We also tested the adequacy of change controls over scripts used to generate the impairment models. • We tested the methodology applied in the credit loss provision calculation by comparing it to the requirements of IFRS 9, *Financial instruments*, and we tested the mathematical accuracy of management's model used to calculate impairment provision. • We tested the key underlying assumptions by evaluating the process by which these were drawn up. • We understood and critically assessed the models used for the credit loss provisioning. Since modelling assumptions and parameter are based on historic data, we assessed whether historic experience was representative of current circumstances and of the recent impairment losses incurred within the portfolios. We compared on a sample basis the estimated future cash flows of loans and receivables against sale of impaired loan portfolios to corroborate the reliability

inherently judgemental. We have identified provisioning for impairment loss as a key audit matter as the calculation of credit loss provision is a complex area and requires management to make significant assumptions on customer payment behaviour and other relevant risk characteristics when assessing the group's statistics of historical information and estimating the level and timing of expected future cash flows. This matter is a significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	of management's estimates.
We have no key audit matters to report with respect to our audit of the parent company financial statements.	

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

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, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Reporting Requirements

Appointment

We were first appointed as auditors by the annual general meeting on 17.11.2009. Our appointment represents a total period of uninterrupted engagement of 9 years. Ferratum Oyj became a public interest entity on 6 February 2015 as a result of the initial public offering.

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki 27 March 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant (KHT)

FERRATUM CORPORATION - CORPORATE GOVERNANCE STATEMENT 2018

This corporate governance statement has been prepared in accordance with the recommendations of the Finnish Corporate Governance Code (2015). The corporate governance statement has been prepared separately from the report of the Board of Directors of Ferratum Corporation ("Ferratum" or "Company"), and it is available on Ferratum's website www.ferratumgroup.com.

Ferratum's Board of Directors has approved this corporate governance statement. Ferratum's external auditor, PricewaterhouseCoopers Oy, has verified that this statement has been issued and that the description of the main features of the internal control and risk management systems pertaining to the financial reporting process is consistent with Ferratum's financial statements.

General governance principles

Ferratum is a Finnish public limited company that in its decision-making and governance complies with the Finnish Companies Act and other relevant legislation concerning companies listed on a regulated market and the Articles of Association of Ferratum.

Ferratum is listed in the Prime Standard Segment of the Frankfurt Stock Exchange. The Company complies with the rules and regulations of Frankfurt Stock Exchange (*Frankfurter Wertpapierbörse*).

Ferratum complies with the Finnish Corporate Governance Code 2015 published by the Securities Market with deviations from the independence recommendations of the Corporate Governance Code regarding the composition of the board of directors and its committees (recommendations 10, 15, 16 and 17). Four out of six members of the Board of Directors and two out of three members of the audit committee are dependent on the Company. All members of the remuneration committee are dependent on the Company. Two out of three members of the risk committee are not members of the Board of Directors. The Finnish Corporate Governance code is available on the Securities Market Association's website at https://cgfinland.fi/ and English version at https://cgfinland.fi/en/.

Supervision and management of the Company is divided among the General Meeting of Shareholders, the Board of Directors and the CEO.

GENERAL MEETING

The shareholders exercise their power of decision at the General Meeting. The Company must hold one Annual General Meeting for shareholders by the end of June each year. If necessary, an Extraordinary Meeting of Shareholders shall be held. Shareholders may exercise their right to speak, ask questions and vote at the General Meeting. The matters to be considered at the Annual General Meeting (AGM) are specified in Ferratum's Articles of Association and in Chapter 5, Section 3 of the Finnish Companies Act.

Decisions by the General Meeting are published without delay after the meeting by a stock exchange release and on the Company's website www.ferratumgroup.com.

Information on General Meetings to Shareholders

The Board of Directors shall convene the Annual General Meeting or an Extraordinary General Meeting with a notice to be published on the Company's website

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www.ferratumgroup.com. The notice must list the agenda for the meeting. The notice to a meeting and the Board of Directors' proposals for the meeting are also published as a stock exchange release.

The notice to the General Meeting, documents to be submitted to the General Meeting and draft resolutions to the General Meeting will be available on the Company's website at least three weeks before the General Meeting.

The Company will disclose on its website the date by which a shareholder shall notify the Board of Directors of the Company of an issue that he or she demands to be included in the agenda of the Annual General Meeting.

The minutes of the General Meeting shall be posted on the Company's website within two weeks of the General Meeting. The documents related to the General Meeting shall be available on the Company's website at least for three months after the General Meeting.

Organization of the General Meeting

According to Company's Articles of Association, the General Meeting shall be held in the Company's domicile in Helsinki, Finland or in Frankfurt am Main, State of Hessen, Germany, as decided by the Board of Directors of the Company.

To be able to participate in the General Meeting, a shareholder must be registered on the record date in Ferratum's shareholder register maintained by Euroclear Finland Ltd. Shareholders must register for a General Meeting in advance within the time prescribed in the notice. A shareholder may participate in a General Meeting personally or through a duly authorized proxy. The proxy must present a power-of-attorney form for such authorization. Upon registration for a General Meeting, the shareholder must report to the Company any powers of attorney issued. The shareholder and proxy may have an assistant present at the meeting.

A holder of nominee-registered shares has the right to participate in the General Meeting by virtue of shares, which he/she holds on the record date of the General Meeting and would be entitled to have registered in the shareholders' register of the Company held by Euroclear Finland Ltd. The right to participate in the General Meeting requires, in addition, that the shareholder on the basis of such shares has been registered into the temporary shareholders' register held by Euroclear Finland Ltd at the latest by the date and time prescribed in the invitation to the General Meeting. A notification by a holder of nominee-registered shares for inclusion in the Company's temporary shareholders' register is perceived as prior notice of participation in the General Meeting.

Attendance of the Board of Directors, Managing Director and Auditor at the General Meeting

The Chairman of the Board of Directors and a sufficient number of members of the Board and its Committees as well as the CEO shall attend the General Meeting. In addition, the Auditor shall be present at the Annual General Meeting.

Attendance of a prospective Director at a General Meeting

A person proposed for the first time as Director shall participate in the General Meeting that decides on his or her election unless there are well-founded reasons for absence.

Shareholder agreements

A shareholder agreement is an agreement among the shareholders of a company on the company's governance and management. A shareholder agreement can be

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made when a company is established or during the time of its operation. A shareholder agreement is binding between the shareholders. A shareholder agreement does not bind the company itself unless the company is included in the agreement. In general the Board of Directors approves a shareholder agreement on behalf of the Company.

Ferratum is not a party to a shareholder agreement regarding Ferratum. Ferratum is not aware of any shareholders agreements between Ferratum's shareholders.

BOARD

The Board of Directors principally administers the Company and decides on the organization of its operations. The Board of Directors is responsible for the appropriate organization of the control of the Company's accounts and finances and acts in accordance with the Company's best interest. The Board of Directors is elected by the General Shareholders' Meeting. A member of the Board of Directors may be removed from office at any time by a resolution passed by the General Shareholder's Meeting.

Under Finnish law, it is not necessary for a public limited company or for a company of a certain size to include employee representatives on the Board of Directors and there are currently no employee representatives on the Board of Directors.

Pursuant to the Articles of Association of the Company in force at the end of the year 2018, the Board of Directors comprises no fewer than three (3) and no more than seven (7) members. The term of office of each member of the Board of Directors ends at the adjournment of the first annual General Shareholders' Meeting following the General Shareholder's Meeting at which the Board of Directors was elected. Therefore, the entire Board of Directors is elected at each annual General Shareholders' Meeting. Pursuant to the Articles of Association of the Company in force at the end of the year 2018, the General Shareholders' Meeting also elects the chairman of the Board of Directors and a deputy chairman.

The Board of Directors has a quorum to adopt resolutions if more than half of its members are present. As the Board of Directors had in 2018 six (6) members, this quorum was four (4). A resolution is adopted if it is supported by more than one-half of the members present at a meeting. In the event of a tie, the chairman can cast the deciding vote.

The Board of Directors is responsible for the Company's management and for the due organization of the Company's operations in accordance with the relevant legislation and the Company's Articles of Association. The Board of Directors controls and monitors the Company's operational management, appoints and dismisses the CEO and approves the major decisions affecting the Company's strategy, capital expenditures, organization, remuneration and bonus systems covering the management and finances.

Charter of the Board

As part of the Company's corporate governance, Ferratum's Board of Directors has approved charter defining the Board's status, duties and the meeting procedures. The Board's rules of procedure complement the stipulations of the Finnish Companies Act and the Articles of Association of the Company.

The Board represents all of the shareholders of Ferratum and strives to advance their interests and those of the Company. The Board is responsible for the administration of the Company and for arranging the operations of the Company in an adequate manner. The Board shall ensure that the controls regarding the

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company's accounting and managing of funds and other assets, and other risk management are adequately arranged.

The Board's duties and tasks include:

1. to ensure that the Company is managed according to sound business principles and that the reporting, controls and risk management are adequate;
2. to attend to such administrative matters that have not been entrusted to the CEO;
3. to appoint and dismiss the CEO and the deputy CEO, if any, and to determine their compensations and other material terms of their contracts;
4. after consultation with the CEO to appoint and dismiss the executive officers of the Company and to determine their compensations;
5. to establish the organizational structure at the group's executive level;
6. to approve the Company's strategy and to oversee its implementation;
7. to approve the group's annual business plan and budget and to oversee the performance of the same;
8. to establish and regularly evaluate the principles in respect of the group's personnel policies including those related to compensation, and in particular approve structures and target settings for the Company's short and long-term incentive structures;
9. to approve the group's investment guidelines;
10. to decide upon establishing subsidiary companies and upon material changes affecting the same, and upon disposal of property or other material fixed assets, to the corresponding extent that investments in such fixed assets would be decided upon by the Board, as well as upon mortgaging of property as security for payment of loan, and to decide upon granting of security for the fulfilment of obligations of third parties or those of the subsidiary companies;
11. to propose to the general meeting the matters that shall be decided upon by the Shareholders;
12. to decide upon proposing to the general meeting making of a decision, or granting the Board the authorization to make a decision, on buy-back and disposal of the Company's own shares, emission of new shares, convertible bonds, share options and other similar instruments;
13. to decide upon charitable donations that are not insignificant and other matters of non-operational nature;
14. to ensure that the Company's and the group's financial statements and the annual report are prepared in accordance with law, and to make a proposal to the general meeting on the use of distributable profits of the Company;
15. to approve the charter of the Board and to establish the committees of the Board and their compositions and charters;
16. to monitor and evaluate the financial reporting process, audit, the effectiveness of internal control and audit and risk management systems, as well as the independence of the auditors and in particular the provision of non-audit services; and
17. to assume to attend any matter that does not according to law belong to the general meeting.

The Board performs an annual self-evaluation.

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Meetings of the Board

The Board meets as often as appropriate fulfilment of its obligations requires. Ferratum's Board of Directors had 9 meetings in 2018. The following members of the Board attended all the meetings during 2018: Pieter van Groos, Jorma Jokela, Erik Ferm, Juhani Vanhala. Member of the Board Lea Liigus attended 8 meetings in 2018 and member of the Board Jouni Hakanen attended 2 meetings in 2018.

Performance evaluation of the Board

On an annual basis, the Board of Directors assesses its activities and work practices. The Board specifies the criteria to be used in the assessment, which is carried out as internal self-evaluation.

Composition of the Directors

The General Meeting elects the members of the Board of Directors. The Board of Directors of Ferratum prepares a list of proposed members of the Board of Directors for consideration by the General Meeting. The candidates proposed by the Board of Directors are reported upon in the summons to the meeting and on the Company's website.

In accordance with the proposal of the Board of Directors, the Annual General Meeting held on 19 April 2018 elected Pieter van Groos as chairman, Jorma Jokela as deputy chairman and Erik Ferm, Lea Liigus, Juhani Vanhala, and Christopher Wang as ordinary members.

Pieter van Groos, born in 1961, is the chairman of the Board of Directors. He has been a member of the Board of Directors since 2015. He was born in 1961 in the UK and studied Business Economics and Law at the Erasmus University, Rotterdam, the Netherlands. Pieter has worked in various managerial positions 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 has held a variety of board positions of financial institutions in Switzerland and Eastern Europe. Currently, Pieter is the co-owner of DynamicMarkets GmbH, Munich which, under the Techpilot brand, operates Europe's largest and most innovative B-2-B online market place for custom-made industrial parts.He is Managing Director of AGERE GmbH and KPK Start-up ventures GmbH.

Erik Ferm, born in 1966, has been a member of the Board of Directors since 2012. He studied business administration at the Stockholm School of Economics in Sweden from 1986 to 1990. Erik Ferm has been working as a director and a board member of GP Chambers Ltd since 2012 and he has founded Jigsaw Adoption. In addition, he is currently a member of the board of Parke Road Services Ltd and director of GP Chambers Ltd, also first director of EMFasis Services Malta Limited.

Juhani Vanhala, born in 1953, 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 2001, 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 from 2006 to 2012. He holds board memberships in several companies: Fira Group Oy (CoB), Glotask Oy, Vahanen

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International Oy, PSI International Oy, There Corporation Oy, Workspace Oy and GordionPro Oy, besides holding a deputy membership of the board of directors in TPI Holding Oy.

Jorma Jokela, born in 1979, is the CEO and the founder of the Company and has been a member of the Board of Directors since 2005. He studied accounting at the Commercial College of Kuopio and the Helsinki Business College. In 2005, he founded the Ferratum Group and has been its CEO since then. Jorma Jokela is currently a member of the board of JT Capital Limited, Jokela Capital Oy, European Recruitment Company OÜ and deputy member of the board of directors of Botnia Capital Oy. In addition, he acts as chairman of the board of Tinozza Oy and Minuntalli Oy.

Lea Liigus, born 1972, is the Head of Legal and Compliance of the Group. She has been a member of the Board of Directors since 2006. She studied law at the University of Tartu in Estonia and completed Master of Laws (LL.M) Programme in Contract and Commercial Law at the University of Helsinki in Finland. Lea Liigus is currently a member of the board of LL Capital Investments OÜ and LL Rent OÜ.

Christopher Wang, born in 1975, joined the Board of Directors of Ferratum Group in May 2017. He holds a Doctor of Law from the University of Chicago Law School and is a licenced attorney under the State Bar of California. Christopher also earned a Bachelor of Arts from Stanford University. Christopher is a co-founder of J&W Partners Co. Ltd., a private equity firm based in Seoul, South Korea founded in 2014. He has more than 17 years' experience as a transactional lawyer and investor operating in the Asian market, gained in roles at leading firms including Shearman & Sterling, DLA Piper, and Jones Day. Prior to setting up J&W Partners, Christopher co- founded various private equity and advisory firms and was Head of Execution for the Asia Pacific Region (excluding Japan) for Merrill Lynch's global proprietary investment desk and $2.65 billion sponsored Asian real estate fund where he oversaw the structuring, formation, and governance of the fund as well as the execution of its investments. At the moment he does not hold any additional board memberships.

Principles concerning the diversity of the Board of Directors

The composition of the Board of Directors should reflect the Company's operations and the markets in which it operates. Sufficient diversity at the Board of Directors level is relevant in ensuring the efficient and optimal work and performance of the Board of Directors.

The Company's Board of Directors has reviewed and confirmed the principles for Board diversity.

Important diversity factors for Ferratum are the mutually complementary expertise of the members, their education and experience in different professional areas, leadership experience, and personal capabilities, as well as experience in an international operating environment, different cultures, and age and gender breakdown.

The Company's Board of Directors shall take account of proposing both genders as of the members of Board of Directors.

In 2018, the composition of the Company's Board of Directors was balanced with regard to the diversity principles.

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Independence of Directors

According to the Finnish Corporate Governance Code, the majority of the Directors shall be independent of the Company. In addition, at least two of the Directors representing this majority shall be independent of significant shareholders of the Company.

The Board shall evaluate the independence of the Directors and report which of them are independent of the Company and which are independent of significant shareholders.

Name	Independent of the Company	Independent of the significant shareholders	Shares and share-based rights of each Director and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.
Jorma Jokela	No	No	11,958,470
Pieter van Groos	No	Yes	36,300
Erik Ferm	Yes	Yes	29,355
Lea Liigus	No	Yes	170,037
Juhani Vanhala	No	Yes	86,708
Christopher Wang	Yes	Yes	0

The composition of Ferratum's Board of Directors deviates from the independence recommendation of the Corporate Governance Code, according to which the majority of the Board members shall be independent of the company and at least two of the persons representing this majority shall be independent of significant shareholders of the company. Four out of six members of the Board Jorma Jokela, Pieter van Groos, Lea Liigus and Juhani Vanhala are dependent on the company, which is why the composition of the Board does not meet recommendation 10 of the Corporate Governance Code 2015 in this respect. The Board members independent of the Company and of significant shareholders are Erik Ferm and Christopher Wang.

Jorma Jokela, CEO, and Lea Liigus, Head of Legal and Compliance, have service contracts with the Company and are therefore dependent on the Company. Juhani Vanhala had an employment relationship with the Company until 31 August 2017 and is therefore still considered dependent on the Company. Pieter van Groos receives remuneration from the Company for providing strategic analysis and consultancy services to the Company and is therefore dependent on the Company. Pieter van Groos possesses expertise and experience that is necessary for the efficient organization of the Company's business operations and difficult to replace. The Board of Directors have considered that despite the deviation

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from independence, the composition of the Board of Directors and the skills and experience of its members correspond to the interests of the Company and its shareholders regarding the Company's current business and going forward.

Obligation of directors to provide information

Each director shall provide the board with sufficient information that will allow the board to evaluate his or her qualifications and independence and notify the board of any changes in such information.

BOARD COMMITTEES

The Board of Directors of Ferratum has established three permanent committees, an audit committee, a remuneration committee and a risk committee. The Board of Directors has confirmed rules of procedure for these committees in accordance with the Finnish Corporate Governance Code 2015. The minimum number of members is three in all the committees. The Board has confirmed written charters for the committees. The committees report on their work regularly to the Board but they do not have decision-making powers independent from the Board.

The Company does not have a nomination committee for the preparation of matters pertaining to the nomination of directors.

Audit Committee

The audit committee is established to ensure the proper functioning of corporate governance, in particular to ensure the overseeing of the accounting and financial reporting, Company's internal control systems and work of external auditors.

In addition, the committee assists the Board of Directors in other duties related to the committee's work as specified by the Board. The purpose of the committee is to assist the Board by preparing the committee- dedicated matters for the Board.

The members of the committee must be sufficiently qualified to perform the responsibilities of the committee and at least one member shall have expertise specifically in accounting or auditing. The members of the committee shall not participate in the daily management of the Company or other companies or foundations consolidated in the consolidated financial statements. Further, the majority of the members of the committee shall be independent of the Company and at least one of the members shall be independent of significant shareholders.

The external auditors and Chief Financial Officer attend the committee meetings on a regular basis. Other senior executives attend the meetings as invited by the committee.

The audit committee consists of Pieter van Groos (chairman), Juhani Vanhala and Erik Ferm. All members of the audit committee are independent of significant shareholders and Erik Ferm is independent of the Company.

The members do not participate in the daily management of the Company or other companies or foundations consolidated in the consolidated financial statements. Pieter van Groos has the required expertise in accounting and auditing.

The composition of Ferratum's audit committee deviates from recommendation 16 of the Corporate Governance Code, according to which the majority of the members of the audit committee shall be independent of the company and at least one member shall be independent of the company's significant shareholders. As described in the section "Independence of Directors" above, two out of

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three members of the audit committee (Pieter van Groos and Juhani Vanhala) are dependent on the Company. Pieter van Groos receives remuneration from the Company for providing strategic analysis and consultancy services to the Company and is therefore dependent on the Company. Juhani Vanhala had an employment relationship with the Company until 31 August 2017 and is therefore still considered dependent on the Company.

The audit committee had 2 meetings during 2018. All members attended one meeting of the audit committee during 2018 and Pieter van Groos and Juhani Vanhala attended the second meeting.

The committee shall:

1. monitor the financial status on the company;
2. monitor and assess the reporting process of financial statements and interim reports; and assess the draft financial statements and interim reports;
3. monitor and assess the efficiency of the company's internal controls, internal auditing and risk management system;
4. monitor the statutory audit and review all material reports from the auditor;
5. monitor and assess the independence of the auditors, in particular with regard to their ancillary services;
6. prepare for the Board the proposals to the annual general meeting regarding the election of the auditor(s) and their remunerations;
7. review the auditors' and internal auditors' plans and reports;
8. review the company's corporate governance statement;
9. prepare for the Board any decisions on significant changes in the accounting principles or in the valuations of the group's assets;
10. assess the group's compliance with laws and regulations; and
11. maintain contact with the auditors.

Remuneration Committee

The Board of Directors of Ferratum has appointed a remuneration committee among the Directors. The Board of Directors has confirmed the central duties and operating principles of the Committee in a written charter, the essential contents of which are presented on the Company's website www.ferratumgroup.com. The remuneration committee reports regularly on its work to the Board.

The task of the remuneration committee is to ensure the proper functioning of corporate governance, in particular, to ensure the efficient preparation of matters pertaining to the remuneration of the members of the Board, the CEO and other executives of the company as well as the remuneration schemes of the personnel. In addition, the committee assists the Board in other duties related to the committee's work as specified by the Board.

The purpose of the committee is to assist the Board by preparing the committee-dedicated matters for the Board. The members of the committee must be sufficiently qualified to perform the responsibilities of the Committee.

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The remuneration committee consists of Juhani Vanhala (chairman), Pieter van Groos and Lea Liigus. All members of the remuneration committee are independent of the significant shareholders.

The composition of Ferratum's remuneration committee deviates from recommendation 17 of the Corporate Governance Code, according to which the majority of the members of the remuneration committee shall be independent of the company. As described in the section "Independence of Directors" above, all members of the remuneration committee are dependent on the company. Juhani Vanhala had an employment relationship with the Company until 31 August 2017 and is therefore still considered dependent on the Company. Pieter van Groos receives remuneration from the Company for providing strategic analysis and consultancy services to the Company and is therefore dependent on the Company. Lea Liigus, Head of Legal and Compliance, has a service contract with the Company and is therefore dependent on the Company.

The remuneration committee held 2 meetings during 2018. Juhani Vanhala and Lea Liigus attended all the meetings, Pieter van Groos attended 1 meeting.

The Committee prepares the following matters for the Board, and where the matter calls for a decision, the Committee prepares decision proposals to the Board:

1. compensations, pensions, benefits and other material terms of the contract of the members of the Board, the CEO and the management team;
2. incentive and retention plans of the Board, the CEO and the management team;
3. the CEO's and the other executives' performance reviews;
4. assessment and development of the HR policy and leadership;
5. equity-based incentive plans;
6. the principles of the company's compensation policies;
7. the management's participation in the boards' of directors of the group companies and of external companies; and
8. major organizational changes.

In addition, the committee shall answer questions related to the remuneration statement at the general meeting.

The committee may also discuss other matters and duties appointed to it by the Board.

Risk Committee

The risk committee is established to ensure that risks are identified, monitored and can be managed. In addition, the committee assists the Board in other duties related to the committee's work as specified by the Board.

The purpose of the committee is to assist the Board by preparing the committee-dedicated matters for the Board. The members of the committee must be sufficiently qualified to perform the responsibilities of the Committee.

The risk committee consists of Erik Ferm (chairman), Clemens Krause and Lilita Gribonika. Erik Ferm, Clemens Krause and Lilita Gribonika are independent of significant shareholders and Erik Ferm is independent of the Company.

The composition of Ferratum's risk committee deviates from recommendation 15 of the Corporate Governance Code, according to which the board of directors shall appoint among itself the members and Chairman of the committee. Clem-

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ens Krause and Lilita Gribonika are not members of the board of directors. Clemens Krause is Ferratum's Chief Financial Officer. Lilita Gribonika is the Head of Risk and Fraud Control in Ferratum Group. Both Clemens Krause and Lilita Gribonika have excellent knowledge about the field of activity of the risk committee and can greatly contribute to the realization of the goals of the committee.

Name, year of birth, education, and main accupation	**Independent of the Company**	**Independent of the significant shareholders**	**Shares and share-based rights of each member and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.**
Erik Ferm, born 1966, M.Sc.(Econ), director and a board member of GP Chambers	Yes	Yes	29,355
Clemens Krause, born 1962, PhD, CFO of Ferratum Group	No	Yes	112,000
Lilita Gribonika, born 1975, M.Sc. (Finance and accounting), Head of Risk and Fraud Control	No	Yes	None

The risk committee met 3 times during 2018. All members of the risk committee attended all the meetings.

The Committee shall work with Ferratum team members to establish and maintain a framework to

1. identify new and existing material risks pertaining to Ferratum and its business;
2. regularly classify, monitor, calibrate probability and severity of risks: and
3. where needed, suggest actions to mitigate risks.

The committee may also discuss other matters and duties appointed to it by the Board.

CEO

The Board of Directors appoints the CEO and terminates this employment as well as monitors the CEO's activities. The CEO of the parent Company furthermore

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acts as the CEO of the Ferratum Group. The CEO is responsible for managing the Group's day-to-day operations in accordance with the rules and instructions issued by the Board of Directors. In addition, the duties of the CEO are as follows:

- be in charge of the day-to-day management and supervision of the Company in accordance with the provisions of the Finnish Limited Liability Companies Act, and the authorisations and guidelines received from the Board of Directors;
- bear responsibility for ensuring that the company's accounting is legally compliant and that its financial affairs are arranged in a reliable manner;
- attend to the everyday management of the company in accordance with the guidelines and instructions given by the Board of Directors
- prepare matters to be presented to the Board;
- attend the meetings of the Board of Directors and present matters to the Board insofar as this is not done by the chairman of the Board or the committee in question;
- oversee compliance with the guidelines, procedures and strategic plans established by the Board of Directors;
- ensure that Board members continuously receive all the information they need to monitor the
- company's financial position, liquidity, financing and development;
- inform the Board of Directors of any major events, decisions and plans related to the company's
- business; and
- serve as the Chairman of the company's Leadership Team.

Jorma Jokela, born 1979, is the CEO and founder of the Company. In addition, he is a member of the Board of Directors. He studied accounting at the Commercial College of Kuopio and the Helsinki Business College. He is the founder of Jokela 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.

Name	Independent of the Company	Independent of the significant shareholders	Shares and share-based rights of CEO and corporations over which he exercises control in the Company and its group companies at the end of year 2018.
Jorma Jokela	No	No	11,958,470

OTHER EXECUTIVES

The CEO appoints members to the Leadership Team who are appropriate from the standpoint of line operations. The Leadership Team supports the CEO with operational planning and execution of Ferratum's targets. The Leadership Team

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is responsible for the different business management areas and among other duties, decides and coordinates the Group's action plans and also supervises the realization of plans and reporting. The Leadership Team is respectively responsible for the implementation of the adopted decisions in their own areas of responsibility. In 2018 it was decided to include more areas of responsibilities to the Leadership Team and respectively now the Leadership Team, in addition to CEO Jorma Jokela, consists of the following members: Lea Liigus, Head of Legal and Compliance, Saku Timonen, Chief Commercial Officer, Clemens Krause, Chief Financial Officer (CFO) and Chief Risk Officer, Ari Tiukkanen, Chief Operation Officer (COO), Jussi Mekkonen, Chief Executive of Ferratum Bank p.l.c., Sami Kalliola, Head of Strategic Partnerships, Adam Tönning, Head of Financial Planning and Analysis, Outi Ellilä, Head of Marketing and Customer Experience, Kristjan Kajakas, Business Unit Director, Revolving Loans, Scott Donnelly, Business Unit Director, SME Lending, Marius Solescu, Head of Human Resources, Emmi Kyykkä, Head of Group Communications and Investor Relations, Antti Kumpulainen, Business Unit Director, Instalment Loans.

Name, year of birth, and education	**Areas of responsibility**	**Shares and share-based rights of members and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.**
Lea Liigus, born 1972, LL.M	Legal and compliance	170,037
Saku Timonen, born 1972, M.Sc (Econ)	Lending function and sales	147,301
Clemens Krause, born 1962, PhD	Financial controlling, taxation, treasury and risk management	112,000
Ari Tiukkanen, born 1961, B.Sc (engineering)	Operations	79,000
Jussi Mekkonen, born 1972, M.Sc (agriculture)	CEO of Ferratum Bank p.l.c.	0
Sami Kalliola, born 1971, Business School	Strategic Partnerships	20,950
Adam Tönning, born 1991, B.Sc (Econ, not completed)	Financial Planning and Analysis	18,765
Outi Ellilä, born 1981, M.Sc (Econ)	Marketing and Customer Experience	0
Kristjan Kajakas, born 1981, BA (Econ)	Revolving Loans	13,739
Scott Donnelly, born 1975, M.Sc (Finance)	SME Lending	12,925

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Name, year of birth, and education	Areas of responsibility	Shares and share-based rights of members and corporations over which he/she exercises control in the Company and its group companies at the end of year 2018.
Marius Solescu, born 1975, M.Sc (Econ)	HR, born	10,675
Emmi Kyykkä, born 1987, BA (business administration)	Communications and Investor Relations	10,310
Antti Kumpulainen, born 1980, B.Sc (econ)	Instalment Loans	10,125

REMUNERATION STATEMENT

Principles applied to remuneration schemes

The goal of the Company's remuneration scheme is to promote competitiveness and long-term financial success of the Company and to contribute to the favourable development of shareholder value. Remuneration schemes are based on predetermined and measurable performance and result criteria.

The task of the Board of Directors' remuneration committee is to assist the Board of Directors in matters related to the remuneration of the Company's CEO and other executives and to prepare matters related to the reward schemes for employees.

Decision-making procedure concerning the remuneration

Board of Directors

The Annual General Meeting decides on the remuneration to the members of the Board of Directors and its committees for one term of office at the time. The preparatory work relating to the remuneration of the Board of Directors is delegated to the Board of Directors' remuneration committee.

CEO and other Leadership Team members

The Board of Directors decides on the remuneration, benefits and other terms of employment of the CEO based on the preparatory work by the remuneration committee. In addition, the Board of Directors decides on the compensation and benefits of the other Leadership Team members based on CEO's proposal and general principles approved by the Board.

Authorizations of the Board of Directors concerning the remuneration

In the Annual General Meeting on 19 April 2018, it was resolved to authorize the Board of Directors to decide to issue at maximum 2,029,196 new shares and to convey the Company's 146,200 own shares held by the Company.

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The authorisation also includes the right to issue special rights, in the meaning of Chapter 10 Section 1 of the Companies Act, which entitle to the Company's new shares or the Company's own shares held by the Company against consideration.

The amount of shares to be issued shall not exceed 2,172,396 shares, which corresponds to approximately 10.0 per cent of the Company's total amount of shares. Shares potentially issued by virtue of the special rights entitling to shares are included in the aforesaid maximum number of shares.

The authorisation entitles the Board of Directors to decide on a directed share issue and issue of special rights in deviation from the pre-emptive rights of shareholders subject to the conditions mentioned in the Companies Act. The Board of Directors can use the authorisation in one or several tranches to all purposes decided by the Board of Directors.

The authorization shall stay in force until the next Annual General Meeting, however, no longer than until 30 June 2019.

Main principles of remuneration

Board of Directors

On 19 April 2018 the Annual General Meeting decided, based on the proposal of the Board of Directors prepared by the remuneration committee, on the remuneration to the members of the Board of Directors for the term of office until the next Annual General Meeting. According to the decision, the monthly fees paid to Board members remained unchanged; to the Chairman of the Board of Directors EUR 2,000 and to the other members of the Board of Directors EUR 1,500.

In addition, the Annual General Meeting decided, based on the proposal of the Board of Directors prepared by the remuneration committee that no remuneration will be paid to the members who are employees or managing director of the company or a subsidiary of the company.

CEO and other Leadership Team members and key employees

The remuneration of the CEO comprises a monthly total salary (including monthly salary and customary fringe benefits, i.e. mobile phone, fax and internet connection). The remuneration of the Leadership Team members and key employees, comprises a monthly total salary (including monthly salary and customary fringe benefits, such as a car and a mobile phone) as well as both short- and long-term incentives. Short-term incentives are quarterly or annual performance bonuses that the Board of Directors sets for the Leadership Team and key employees. As long-term incentives, Leadership Team members and key employees are included in share-based incentive plans that are decided and implemented by the Board of Directors and for which share repurchase and share issue authorizations are obtained from the Annual General Meeting.

Special reward forms or bonuses, such as sign-on, can be utilized under special circumstances to facilitate onboarding and retention of key executives. These additional awards must always be structured to reflect the Company’s remuneration principles in terms of their value, time horizon and performance requirements and be approved by the Board of Directors.

Short term incentives

The Board of Directors annually confirms the terms and targets of the short term incentives on Ferratum company level. The amount paid out as short term incentives, if any, is based on achieving set financial performance targets of Ferratum and/or the business in question. In addition to these, also individual and/or team

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targets are used. The remuneration committee evaluates and the Board of Directors approves the achievement of the predefined targets of the Leadership Team members.

Share-based incentive plans

The Board of Directors decides and implements Ferratum's share-based incentive plans, which are part of the remuneration program for management.

The purpose of the plans is to align the goals of shareholders and management to enhance the value of the Company. The plans also aim to ensure commitment of management and offer them a competitive, ownership- based reward scheme.

Employment terms and conditions of CEO Jorma Jokela

Base salary and fringe benefits	Monthly salary EUR 17 340 and fringe benefits (mobile phone, fax and internet connection).
Bonuses	There are no bonus arrangements in the CEO agreement.
Pension	Retirement age is 65. Jorma Jokela has no contribution pension plan.
Termination of assignment	Notice period for both parties is 6 months. Severance pay (if the Company terminates the agreement) is 12 months' salary.

Retirement age and pension plan of the other Leadership Team members

All other Leadership Team members belong to the pension systems of their country of residence and have a statutory retirement age.

Notice period and termination benefits of the other Leadership Team members

The notice period for all other Leadership Team members varies from 2 to 6 months for both parties. There is no severance payment in case the Company terminates the agreement.

Remuneration report

Board of Directors 2018

Name	**Total Annual Fee**	**Share reward portion of annual fee**	**Total**
Pieter van Groos	24 000	97 460	121 460
Jorma Jokela	208 315	-	208 315
Erik Ferm	18 000	4 869	22 869

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Lea Liigus	-	205 985	205 985
Juhani Vanhala	18 000	4 869	22 869
Christopher Wang	18 000	-	18 000
Total	286 315	313 183	599 498

CEO 2018

EUR	**Annual salaries and other short term benefits**	**Total**
CEO	208 315	208 315

Other Leadership Team members 2018

EUR	**Annual salaries and bonuses**	**Total**
Other Leadership Team Members	2 324 113	2 324 113

INTERNAL CONTROL, RISK MANAGEMENT AND INTERNAL AUDIT

The purpose of Ferratum's risk management is to minimize the probability of unexpected losses and threats against the reputation of the Group and, in addition, to enhance its profitability and shareholder value. The risks of Ferratum's operations can be divided into three main categories: credit risks (receivables from customers), market risks (including foreign exchange risks, interest rate risks and other price risks) and operational risks (such as IT risks, legal and regulatory risks and other operational risks).

Operating principles of internal control

The Board ensures that the Company has defined the operating principles of internal control and monitors the function of such control.

Organization of risk management

Credit risks are managed by developing risk management tools to assist the subsidiaries in evaluating the payment behavior of customers. These tools are used to ensure that only solvent customers are accepted, which enables the control of the level of credit losses. The scoring system and the credit policies of the Group's subsidiaries are managed by the central risk department. The risk department is also responsible for the measurement of the payment behavior of the credit portfolio on a daily, weekly and monthly basis. Risk provisioning and the calculation of the impairments are independently managed by the central finance department.

Market risks are managed by the central finance team and its treasury function. The central treasury function is also responsible for Group cash flow planning and ensures the necessary liquidity level for all Group entities.

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Operational risks, IT risks as well as legal and regulatory risks are of high relevance for Ferratum. Regulatory and legal risks are managed centrally by the Company's legal function in close cooperation with the authorities in the respective countries and relevant stakeholders. Potential or foreseeable changes in applicable laws are analyzed on an ongoing basis and any necessary modifications to Ferratum Group's legal structure are implemented proactively.

The smooth and continuous operation of critical IT systems is effectively guaranteed by various information security solutions. Ferratum has developed its processes and systems in order to offer its customers, stakeholders and partners the most efficient and practical software designed to cater to the demands of the developing mobile consumer lending industry.

Ferratum takes into account moderate and calculated risks in conducting its business. The Board of Directors monitors operations regularly and is ultimately responsible for adequate risk management and ensuring that the company has access to the appropriate software, including instructions on controlling and monitoring risks. The CEO is responsible for the daily operations of the Company. Each member of the Leadership Team ultimately bears responsibility for identifying and controlling the risks related to their functions in line with instructions from the Board.

Ferratum proactively follows all legal changes and continuously monitors the legal environment that might change in the countries it operates in and adjusts its operations accordingly, while always considering customer and user experience.

Risks and risk management are presented on Company's website www.ferratumgroup.com and in Annual report 2018.

Reviews concerning financial risks are presented in the notes to the consolidated financial statements in the Annual Report 2018 on pages 76-95.

Internal audit

Ferratum's internal audit function is the responsibility of Ferratum's audit committee, which is responsible for developing, implementing and overseeing internal audit policies and procedures. The audit committee reports on its findings to the board of directors.

Ferratum observes Group level accounting principles and instructions, which are applied in all Group companies and according to which the Group's financial reporting is prepared. Together with reporting calendar and schedules, accounting principles and instructions form the framework for timely and correct Group reporting.

Financial reporting

The Board of Directors and the CEO have the overall responsibility for organizing the internal control and risk management systems pertaining to financial reporting. The CEO, the members of the Leadership Team and the heads of the business units are responsible for the accounting and administration of the areas within their spheres of responsibility complying with legislation, the Company's operating principles and the guidelines and instructions issued by the Board of Directors.

Ferratum prepares consolidated financial statements 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.

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RELATED PARTY TRANSACTIONS

Ferratum's related parties include the members of the Board of Directors and the Leadership team as well as their close family members, and the companies in which a member of the Board of Directors or the Leadership Team has significant influence.

In 2108, the Company had no related party transactions that are material to the Company and that either deviate from the Company's normal business operations or are not made on market or market equivalent terms.

INSIDER ADMINISTRATION

Ferratum complies with the Market Abuse Regulation ((EU) N:o 596/2015, "MAR") and its implementing instruments, the Finnish Securities Markets Act (746/2012), the Finnish Penal Code, the German Securities Trading Act, as amended (Wertpapierhandelsgesetz – WpHG) as well as the regulations and guidelines of ESMA (European Securities and Markets Authority), the German Federal Financial Supervisory Authority (Bundesanstalt für Finanzdienstleistungsaufsicht) and the Finnish Financial Supervisory Authority (the "FIN-FSA"). In addition, Ferratum complies with the listing rules and regulations of the regulated market of the Frankfurt Stock Exchange and the additional requirements of the Prime Standard of the Frankfurt Stock Exchange.

Insiders at Ferratum

Ferratum maintains non-public project-based insider lists of all persons who have access to deal-specific or event- based inside information and who are working for them under a contract of employment, or otherwise performing tasks through which they have access to inside information. In addition, Ferratum maintains a non- public insider list of the permanent insiders of Ferratum. Such insiders consist of members of the Board of Directors, the CEO and members of the Leadership Team of Ferratum ("Managers").

Closed period

Ferratum applies a closed period of 30 calendar days before the announcement of interim financial reports or financial statements and ending upon the publication of such announcement. During the closed period, Ferratum's Managers are prohibited from trading in Ferratum's financial instruments. Ferratum has imposed a 30-days closed period preceding the announcement of interim financial reports and financial statements also on persons involved in the preparation of such reports or statements.

Managers' transactions

Ferratum publishes Managers' and their closely associated persons' transactions relating to Ferratum's financial instruments through stock exchange releases within three business days from the date of transaction. Ferratum's Managers and their closely associated persons shall notify the FIN-FSA of the transaction within three business days from the date of transaction.

Administration of insider matters

Ferratum has adopted internal guidelines for insiders where the main procedures related to insider administration are described. Ferratum ensures that persons with access to inside information, persons on insider lists, Managers as well as all employees subject to a trading restriction recognize their position and the effects thereof. Lea Liigus, Head of Legal and Compliance, is responsible for the coordination and supervision of insider issues.

FE-Classification: General\Anyone

AUDIT

The primary duty of statutory auditing is to verify that the financial statements give correct and sufficient information about the Company's profit and financial situation for the financial year. Ferratum's financial year is the calendar year. The auditor is responsible for auditing the Company's accounts and the correctness of its financial statements during the financial year as well as for issuing an auditor's report to the Annual General Meeting.

A summary of the Company's audit report is compiled for the audit committee. The auditor attends at least one meeting of the audit committee in the relevant financial year.

Pursuant to the Articles of Association of the Company in force at the end of the year 2018, the Company has one auditor, which must be a firm of independent public accountants so authorized by the Central Chamber of Commerce. In 2018, the Annual General Meeting elected PricewaterhouseCoopers Oy, a firm of authorized public accountants, with APA Mikko Nieminen as the main responsible auditor. The auditor's term ends at the conclusion of the next Annual General Meeting after the election.

Audit fees and services not related to auditing

According to the resolution made by the Annual General Meeting 2018 the the auditor be paid a reasonable fee in accordance with the auditor's invoice which shall be approved by the Company.

The audit fees paid in 2018 totalled EUR 480,000 (in 2017: EUR 564,000). In addition, EUR 407,000 was paid to the firm for services not related to auditing (in 2017: EUR 958,000).

COMMUNICATIONS

Ferratum Group stands for transparency and openness in all its communications. The primary objective of the Company's investor information is to provide the best information for the public and all stakeholders regarding the Company's business.

Distribution of investor information

Ferratum publishes all of its investor information on the Company's website www.ferratumgroup.com. Financial releases will be made available immediately after publication. They will be published in English.

FE-Classification: General\Anyone