BB FINANCE GROUP OÜ

Group annual report 2018

Group annual report 1 January 2018-31 December 2018

Business name	**BB Finance Group OÜ**
Registry number	**11458274**
Legal address	**Pronksi 19, 10124 Tallinn, Estonia**
E-mail	info@bbfinancegroup.eu
Main activity	**Other credit granting**
Management board	**Mart Kolu**
Auditor	**KPMG Baltics OÜ**

CONTENTS

MANAGEMENT REPORT

ABOUT THE GROUP AND KEY EVENTS IN 2018

BB Finance Group OÜ (‘BBFG’ or ‘the Group’) is a consumer credit company that offers loan products in four markets: Estonia, Finland, the Czech Republic and Georgia. BBFG strives to maintain its customers’ trust and provide the service as conveniently as possible. The Group’s offering is underpinned by continuous investment in the software platform, consistent upgrade of the credit systems and a professional team.

In 2018, the Group issued loans of 41.5 million euros. At the year-end, the total gross portfolio of loans to retail customers amounted to 20.0 million euros, a 7% increase on the year before. The main markets continued to be Estonia and Finland, which accounted for 57% and 28% of the year-end gross loan portfolio respectively. Interest and fee income totalled 10.3 million euros (8% growth year on year) while operating profit amounted to 0.8 million euros and net loss to 1.1 million euros.

In Georgia, another amendment to regulations was made (several amendments have been made during a short period), which restricted the issuance of consumer credit significantly. As a result, the Group decided to discontinue the issuance of loans in the first quarter of 2019 and began preparations for exiting the market. Loss for the year was largely attributable to developments in the Georgian market: in the second half of 2018 major investments were made in marketing and at the year-end provisions were adjusted on the assumption that the behaviour of the portfolio would become unpredictable in connection with the exit.

The Group also decided to exit the Czech market in 2019. The decision was based on the fact that the market’s contribution to the Group’s portfolio was insignificant but the time consumed by it equalled or even exceeded that of the home market

The Group began to support sports, signing a two-year sponsorship agreement with Saskia Alusalu, an Estonian speed skater, in autumn 2018. BBFG intends to continue supporting sports and does not exclude the possibility of sponsoring several fields at the same time.

FINANCING

In 2018, financing terms were restructured, which made financing of the Group considerably more favourable and stable.
BBFG joined the co-financing portal Mintos, which is used to finance the Finnish portfolio.

BBFG'S CORE VALUES AND EMPLOYEE ENGAGEMENT

Our core values are:

- Respect
- Development
- Uniqueness
- Helpfulness
- Openness
- Professionalism

The Group values employee health and supports employee involvement in sport activities by providing them with unrestricted access to the corporate gym and sports equipment. From 2018, employees also have an opportunity to use regular massage services on office premises to alleviate muscle stress resulting from sedentary work. During the financial year, air purity and humidity as well as light were measured in all offices to create an ideal working environment.

BBFG continues to organise events, create traditions, and celebrate significant anniversaries to maintain a good climate and promote cooperation within and between teams.

BBFG appreciates tolerance and compassion: via a Christmas charity project the Group and its employees made a donation to the Tallinn Animal Shelter, which they handed over together. In addition, the employees raised money for two non-profit organisations important for them: Children's and Young People's Crisis Programme (MTÜ Laste ja Noorte Kriisiprogramm) and A Family for Each Child (MTÜ Igale Lapsele Pere).

BBFG recognises its employees' long-term contribution to the development of the company. Thus, the Group supports professional training and participation in educational, goal-oriented and commitment-increasing events. Investments have been made in the development of a secure remote work system to offer employees flexible work schedules or the opportunity to work outside the office. In addition to providing opportunities for attending external training events, in 2018 the Group also increased the volume of regular internal training to improve the professional competencies of its people.

BBFG considers it important to develop a motivation programme for its key personnel. The aim is to increase their motivation, ambition and cooperation to better achieve the Group's goals.

During the year documentation and processes were updated. The Group observes environmentally friendly policies designed to reduce the use of paper in work processes and promotes electronic document exchange and retention as well as the use of digital signatures.

OBJECTIVES FOR 2019

BBFG sees that it can significantly increase its market shares and loan portfolios. The focus remains on Estonia and Finland.

BBFG's main objective for 2019 is to implement a new loan management software that should help lower loan administration expenses, speed up processes and improve service quality for the customer. It will first be introduced in the Finnish market and then the Estonian market.

FINANCIAL PERFORMANCE

Key financial indicators of 2018:

	2018	2017	Change %
Interest and fee income	10,317,606	9,569,413	8%
Earnings before interest and taxes (EBIT)	842,106	2,153,000	-61%
Net loss/profit	-1,099,625	759,550	-245%
Equity	4,849,313	6,283,852	-23%
Interest-bearing liabilities	10,397,414	8,037,164	29%
Of which: Payables to related parties	1,299,545	2,309,025	-44%
Loans to retail customers (net)	13,981,608	13,214,240	6%
Total assets	17,016,968	15,644,595	9%

Key financial ratios:

	2018	2017	Change
Return on invested capital (ROIC) %	6%	17%	-11 pp
Return on assets (ROA) %	-7%	5%	-12 pp
Return on equity (ROE) %	-20%	13%	-33 pp
Current ratio (times)	2.3	1.8	+0.5
Debt ratio %	72%	60%	+12 pp
Equity ratio %	28%	40%	-12 pp

Formulas used in the calculation of the ratios:
Return on invested capital (ROIC %) = EBIT/ [(interest-bearing borrowings for the reporting period + equity for the reporting period + interest-bearing borrowings for the prior period + equity for the prior period)/2]
Return on assets (ROA %) = net profit / [(total assets for the reporting period + total assets for the prior period)/2]
Return on equity (ROE %) = net profit / [(equity for the reporting period + equity for the prior period)/2]
Current ratio = current assets / current liabilities
Debt ratio % = total liabilities / total assets
Equity ratio % = equity / total assets

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The notes on pages 12 to 51 are an integral part of these consolidated financial statements

	2018	**2017**
Interest income	4,307,442	4,028,635
Interest expense	-1,577,893	-1,172,432
Net interest income (note 6)	**2,729,549**	**2,856,203**
Fee income	6,010,164	5,540,778
Fee expenses	-761,639	-645,422
Net fee income (note 6)	**5,248,525**	**4,895,356**
Other finance income and costs	-14,949	195,809
Other income (note 7)	144,333	239,283
Other expenses (note 8)	-20,221	-6,927
Other operating expenses (note 9)	-6,837,535	-5,469,911
Personnel expenses (note 12)	-1,750,067	-1,491,004
Depreciation, amortisation and impairment losses (notes 17 and 18)	-235,419	-238,242
Loss/profit before income tax	**-735,785**	**980,567**
Income tax (-) (note 11)	-363,840	-221,018
Comprehensive expense/income for the year	**-1,099,625**	**759,550**
Comprehensive expense/income attributable to owners of the parent	-1,099,625	759,550
Comprehensive expense/income attributable to non-controlling interests	0	0

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The notes on pages 12 to 51 are an integral part of these consolidated financial statements.

As at 31 December	**2018**	**2017**
Assets		
Cash and cash equivalents (note 13)	536,843	390,530
Loans to and receivables from customers (note 14)	14,222,193	13,421,647
Other trade receivables (note 15)	1,241,754	821,535
Other assets (note 16)	52,448	95,478
Property, plant and equipment (note 17)	51,541	53,678
Intangible assets (note 18)	912,189	861,727
Total assets	**17,016,968**	**15,644,595**
Liabilities		
Borrowings (note 19)	10,475,030	8,159,910
Trade payables (note 20)	307,557	293,366
Income tax liability (note 21)	147,428	169,475
Other taxes payable (note 21)	168,553	108,596
Other payables (note 20)	1,069,087	629,395
Total liabilities	**12,167,655**	**9,360,743**
Equity		
Share capital at par value (note 23)	70,288	70,288
Translation reserve	43,911	104,412
Retained earnings (prior years)	5,834,740	5,349,601
Loss/profit for the year	-1,099,625	759,550
Total equity	**4,849,313**	**6,283,852**
Total liabilities and equity	**17,016,968**	**15,644,595**

CONSOLIDATED STATEMENT OF CASH FLOWS

The notes on pages 12 to 51 are an integral part of these consolidated financial statements.

	2018	2017
Cash flows from operating activities		
Operating loss/profit (note 22)	-720,835	784,760
Adjustments for:		
Depreciation, amortisation and impairment losses (notes 17 and 18)	235,419	238,242
Interest income and expense (note 6)	-2,729,548	-2,856,202
Other adjustments (note 22)	944,290	1,648,388
Total adjustments	**-1,549,839**	**-969,572**
Change in receivables and prepayments	-1,289,570	-3,949,281
Change in payables and advances received	-50,117	-947,631
Interest received	3,819,154	3,525,547
Net cash from/used in operating activities	**208,793**	**-1,556,176**
Cash flows from investing activities		
Paid on acquisition of property, plant and equipment and intangible assets (notes 17 and 18)	-283,516	-237,374
Loans provided	-50,000	-6,800
Repayment of loans provided	16,820	18,056
Interest received	3,640	3,360
Net cash used in investing activities	**-313,056**	**-222,758**
Cash flows from financing activities		
Proceeds from loans received	6,872,472	3,310,550
Repayment of loans received	-4,497,755	-566,471
Payment of finance lease principal	-9,715	-22,488
Interest paid	-1,518,995	-1,019,207
Dividends paid	-360,000	-220,000
Corporate income tax paid	-235,431	-172,969
Net cash from financing activities	**250,576**	**1,309,415**
Net cash flow	**146,313**	**-469,519**
Cash and cash equivalents at beginning of period (note 13)	390,530	860,049
Increase/decrease in cash and cash equivalents	**146,313**	**-469,519**
Cash and cash equivalents at end of period (note 13)	536,843	390,530

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The notes on pages 12 to 51 are an integral part of these consolidated financial statements.

	Equity attributable to owners of the parent				Non-controlling interests	Total equity
	Share capital	Translation reserve	Retained earnings	Total		
Balance as at 31 December 2016	**70,288**	**14,158**	**5,480,882**	**5,565,328**	**0**	**5,565,328**
Profit for the year	0	0	759,550	759,550	0	759,550
Dividends paid	0	0	-220,000	-220,000	0	-220,000
Other changes in equity (note 23)	0	90,254	88,720	178,974	0	178,973
Balance as at 31 December 2017	**70,288**	**104,412**	**6,109,152**	**6,283,852**	**0**	**6,283,852**
Loss for the year	0	0	-1,099,625	-1,099,625	0	-1,099,625
Dividends paid	0	0	-360,000	-360,000	0	-360,000
Other changes in equity (note 23)	0	-60,501	85,587	25,086	**0**	25,086
Balance as at 31 December 2018	**70,288**	**43,911**	**4,735,114**	**4,849,313**	**0**	**4,849,313**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 GENERAL INFORMATION

BB Finance Group OÜ is a limited company, which is incorporated and domiciled in the Republic of Estonia. The company's legal address is Pronksi 19, Tallinn, Estonia.

BB Finance OÜ uses online environments (*www.raha24.ee*; *www.avanss.ee; www.kiirlaenud.ee* and *www.bongabonga.ee*) to offer small loans to retail customers in the Estonian market. BB Finance OÜ has held a creditor's activity licence issued by the Estonian Financial Supervision Authority since 25 April 2016.

The core business of Ege Finance OY is the issuance of consumer credit to retail customers in the Finnish market. The loans are provided via an online platform (*www.ege.fi*). Active business operations were launched in 2009 and the company is licensed to operate as a creditor in the Finnish market. Ege Finance OY has a subsidiary incorporated in Finland in 2008, which supports the parent's activities by administering loan disbursements and repayments and managing the bank account.

BB Finance Czech s.r.o. was established in 2011 and its core business is the provision of small loans to retail customers in the Czech market. The loans are provided via an online platform (*www.amigoz.cz*). The company has been operating in the Czech market under an activity licence since 28 May 2018.

MFO BB Credit LLC began offering small loans to retail customers in the Georgian market in November 2016. The loans are offered via an online platform (*www.amica.ge*). Since 25 April 2017 when it obtained an activity licence, the company has been operating as a micro-finance company in the Georgian market.

The Group has customer service offices in Tallinn, Prague and Tbilisi.

The following subsidiaries support the issuance and administration of small loans:

- Inkassokeskus OÜ whose core business is the provision of debt collection services to other Group companies;
- MM Ads OÜ whose core business is the management of marketing campaigns for the Group's brands, loan products and services for Estonian and foreign Group entities;
- I-Makse OÜ whose core function is the provision of invoicing and invoice management services to Group companies which are involved in issuing loans.

In 2018, Nordic Boat Finance OÜ and Raha24 OÜ did not conduct active business operations.

The management board authorised this annual report (including the consolidated financial statements) for issue on 10 July 2019.

Under the Estonian Commercial Code, an annual report including the financial statements, which has been prepared by the management board and approved by the supervisory board, must also be approved by the shareholders' general meeting. Shareholders may decide not to approve the annual report, which has been prepared by the management board and approved by the supervisory board, and may demand that a new report be prepared.

Parties that have significant influence on BB Finance Group OÜ are Mart Kolu who holds 87% of voting power via the Group's parent Credit Capital OÜ, and Urmo Kokmann who holds 11% of voting power via UK Holding OÜ.

1.1. Statement of compliance

The consolidated financial statements of BB Finance Group OÜ and its subsidiaries BB Finance OÜ, I-Makse OÜ, MM Ads OÜ, Inkassokeskus OÜ, Nordic Boat Finance OÜ, BB Finance Czech s.r.o., MFO BB Credit LLC, Ege Finance OY, Finlaina OY (a subsidiary of Ege Finance OY), BB Credit LTD (under liquidation) and Raha 24 OÜ (together referred to as the 'Group' or 'BBFG') as at and for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU).

NOTE 2 ACCOUNTING POLICIES

The main accounting policies applied in the preparation of these consolidated financial statements are set out below. The accounting and reporting policies have been consistently applied to all periods presented and by all Group entities unless stated otherwise.

2.1.Basis of preparation and new standards

The Group's consolidated financial statements as at and for the year ended 31 December 2018 have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS EU). The financial statements have been prepared on the historical cost basis unless described otherwise in these accounting policies.

The preparation of consolidated financial statements in accordance with IFRS EU requires management to make significant estimates and assumptions in a number of accounting areas. It also requires management to exercise judgement in the application of accounting policies. Areas which are complex and require a substantial degree of estimation and areas where management's judgements and estimates have the most significant effect on the financial statements are disclosed in note 3.

The reporting period began on 1 January 2018 and ended on 31 December 2018. The consolidated financial statements are presented in euros unless indicated otherwise.
At the date these consolidated financial statements are authorised for issue a number of new standards, amendments to existing standards and interpretations have been issued which are effective for annual periods beginning on or after 1 January 2018. An overview of their estimated impact on the Group's consolidated financial statements is set out below.

IFRS 9 *Financial Instruments*

(Effective for annual periods beginning on or after 1 January 2018). BBFG has not adjusted comparative data for 2017 in its consolidated financial statements for 2018 because the impact of the expected credit loss model, including the assessment of forward-looking information, implemented on the adoption of IFRS 9 does not differ significantly from that of the previously applied model, which was already highly conservative.

This standard replaces IAS 39, Financial Instruments: Recognition and Measurement, except that the IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting.

Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortised cost if the following two conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in OCI. These are not reclassified to profit or loss under any circumstances.

For debt instruments measured at FVOCI, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as for amortised cost assets. Other gains and losses are recognised in OCI and reclassified to profit or loss on derecognition.

The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised.

There were no significant changes in the measurement of financial instruments compared to IAS 39. The first-time adoption of IFRS 9 did not affect the Group's financial position, financial performance or equity during the period of transition.

IFRS 15 *Revenue from Contracts with Customers*

(Effective for annual periods beginning on or after 1 January 2018). The new standard provides a framework that replaces existing revenue recognition guidance in IFRS. Entities will adopt a five-step model to determine when to recognise revenue, and at what amount. The new model specifies that revenue should be recognised when (or as) an entity transfers control of goods or services to a customer and at the amount to which the entity expects to be entitled. Depending on whether certain criteria are met, revenue is recognised:

- over time, in a manner that depicts the entity's performance; or
- at a point in time, when control of the goods or services is transferred to the customer.

IFRS 15 also establishes the principles that an entity must apply to provide qualitative and quantitative disclosures which provide useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from a contract with a customer.

The first-time adoption of the new standard did not have a significant impact on the Group's revenue because due to the nature of its business and the types of revenue it earns the Group's revenue recognition and measurement did not change on the adoption of IFRS 15.

IFRS 16 *Leases*

(Effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted if the entity also applies IFRS 15.)

IFRS 16 supersedes IAS 17 *Leases* and related interpretations. The standard eliminates the current dual accounting model for lessees and instead requires companies to bring most leases on-balance sheet under a single model, eliminating the distinction between operating and finance leases.

Under IFRS 16, a contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. For such contracts, the new model requires a lessee to recognise a right-of-use asset and a lease liability. The right-of-use asset is depreciated and the liability accrues interest. This will result in a front-loaded pattern of expense for most leases, even when the lessee pays constant annual rentals.

The new standard introduces a number of limited scope exceptions for lessees which include: leases with a lease term of 12 months or less and containing no purchase options, and leases where the underlying asset has a low value ('small-ticket' leases).

Lessor accounting shall remain largely unaffected by the introduction of the new standard and the distinction between operating and finance leases will be retained.

The Group has not yet completed the assessment of the possible impacts of the adoption of IFRS 16. Management expects that the new standard will have a significant impact on the Group's financial statements, since it requires entities to recognise in their statement of financial position assets and liabilities relating to operating leases for which they act as a lessee.

Amendments to IAS 7 *Statement of Cash Flows*

(Effective for annual periods beginning on 1 January 2017; to be applied prospectively. Early application is permitted.)

Amendments to IAS 7 require the disclosure of movements between the opening and closing balances of liabilities arising from financing activities. The amendments, when applied, may have an impact on information disclosed by the Group but they will not have an impact on the Group's financial position or performance.

Other new standards, amendments to standards and interpretations that are not yet effective are not expected to have a significant impact on the Group's financial statements.

2.2. Basis of consolidation

The consolidated financial statements for 2018 comprise the financial information of BB Finance Group OÜ (the parent) and its subsidiaries BB Finance OÜ, Inkassokeskus OÜ, I-Makse OÜ, MM Ads OÜ, Nordic Boat OÜ, Ege Finance OY, Finlaina OY (a subsidiary of Ege Finance OY), BB Credit LTD, BB Finance Czech s.r.o., MFO BB Credit LLC and Raha 24 OÜ.

At 31 December 2018, BB Finance Group OÜ was the sole (100%) shareholder for all its subsidiaries.

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, 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. Business combinations (acquisitions of subsidiaries) are accounted for using the acquisition method (except for business combinations involving entities under common control which are accounted for using the amortised cost method). The cost of a business combination is deemed equal to the acquisition-date fair value of the consideration transferred. Under the acquisition method, the identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are recognised at their fair values at the acquisition date.

When the aggregate of the consideration transferred and the acquisition-date fair value of the Group's previously held equity interest in the acquiree exceeds the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed (the net assets acquired), the excess is recognised as goodwill. When the former amount is less than the fair value of the net assets acquired, the difference (a gain on a bargain purchase) is recognised in profit or loss immediately after the Group has reassessed whether it has correctly identified and measured the fair values of all of the assets acquired and liabilities assumed. When the amortised cost method is applied, the difference between the cost of the business combination and the net assets acquired is recognised in equity.

All intragroup balances of assets and liabilities, transactions and unrealised gains are eliminated on consolidation. Unrealised losses are eliminated to the extent that there is no evidence of impairment.

The income and expenses of a subsidiary acquired during the financial year are consolidated, i.e. included in the Group's consolidated financial statements from the date of acquisition until the end of the financial year. The income and expenses of a subsidiary disposed of during the financial year are consolidated from the beginning of the financial year until the date of disposal.

In accordance with the Estonian Accounting Act and IFRS, the notes to the consolidated financial statements must include the separate primary financial statements of the parent. The parent company's primary financial statements have been prepared using the same accounting policies as those applied in the preparation of the consolidated financial statements except for investments in subsidiaries, which in the separate financial statements are accounted for using the equity method.

All Group entities use uniform accounting policies. Where necessary, the subsidiaries' accounting policies are adjusted to those of the Group.

A non-controlling interest is a portion of a subsidiary's profit or loss for the period and net assets which is not attributable, directly or indirectly, to the Group. Non-controlling interests form a separate component of the Group's equity. Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to owners of the parent. The profit or loss and comprehensive income attributable to non-controlling interests and owners of the parent are presented separately in the consolidated statement of comprehensive income.

2.3. Foreign currency transactions and balances

2.3.1. Functional and presentation currency

The functional currency of a Group entity is the currency of the primary economic environment in which it operates: the Czech koruna (CZK) for the Czech entity, the British pound (GBP) for the UK entity, the lari (GEL) for the Georgian entity and the euro (EUR) for all other Group entities. The Group's presentation currency is the euro (EUR).

2.3.2. Reporting of foreign currency transactions and balances

A foreign currency transaction is recorded on initial recognition by applying to the foreign currency amount the exchange rate of the European Central Bank at the date of the transaction except for amounts in GEL which are recorded using the exchange rates of the Georgian Central Bank. At the end of the reporting period, foreign currency monetary items are translated to euros using the closing exchange rates of the European Central Bank. Exchange gains and losses on the translation of monetary items at rates different from those at which they were translated on initial recognition are recognised in profit or loss within other finance income and expenses.

2.4. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and term deposits with an original maturity of up to three months which can be used without restrictions and are subject to an insignificant risk of changes in value.

2.5. Financial assets and liabilities – policies applied from 1 January 2018

A financial asset or a financial liability is recognised in the statement of financial position when the Group becomes party to the contractual provisions of the instrument. At initial recognition, a financial asset or a financial liability is measured at its fair value plus, in the case of items not at fair value through profit or loss, any directly attributable transaction costs. Transaction costs attributable to items measured at fair value through profit or loss are recognised as an expense. Immediately after recognition, the Group recognises a loss allowance for expected credit losses on financial assets measured at amortised cost and fair value through profit or loss.

2.5.1. Financial assets

Financial assets are reported in the composition of the following line items in the statement of financial position: cash and cash equivalents at banks, loans to and receivables from customers, and other trade receivables.

Financial assets are classified at initial recognition on the basis of the Group's business model for managing the assets and the contractual cash flow characteristics of the financial asset.

The Group's business model is to collect contractual cash flows on consumer credit and assets in the portfolio are sold only when there has been a deterioration in credit risk.

Based on the above, financial assets are classified as follows:

1) Financial assets held to collect contractual cash flows are classified as financial assets measured at amortised cost.
2) Financial assets held to both collect contractual cash flows and sell are classified as financial assets measured at fair value through other comprehensive income.
3) Financial assets that do not meet the conditions for financial assets measured at amortised cost or fair value through other comprehensive income are classified as financial assets measured at fair value through profit or loss.

Purchases and sales of financial assets are consistently recognised using settlement date accounting. The settlement date is the date on which an asset is delivered to or by the Group.

A financial asset is derecognised when:

a) it has been settled or the Group's contractual rights to the cash flows from the financial asset expire or are forfeited by other means,
b) the Group transfers the contractual rights to receive the cash flows of the financial asset along with associated risks and rewards.

In the reporting period, the Group measured all financial assets at amortised cost except for assets held to both collect contractual cash flows and sell. The amortised cost of an asset is its original cost minus principal repayments, adjusted for any loss allowance, plus interest income calculated using the effective interest method. Accounting for the impairment of financial assets measured at amortised cost is described in section 2.5.3. There were no changes in the classification of financial assets during the period.

2.5.2. Financial liabilities

Financial liabilities are reported in the composition of the following line items in the statement of financial position: loans from companies and individuals, interest payable, trade payables, payables to employees, and other payables.

A financial liability is removed from the statement of financial position when its extinguished (i.e. when the obligation specified in the contract is discharged or cancelled or expires). Both in the reporting and the prior period, the Group measured its financial liabilities at amortised cost.

2.5.3. Impairment of financial assets

The Group estimates expected credit losses on financial assets measured at amortised cost and fair value through other comprehensive income on the basis of forward-looking information.

An impairment loss on a financial asset is recognised in profit or loss in the period in which one or more events that have a detrimental impact on the estimated future cash flows of the financial asset that can be estimated reliably have occurred. If the Group determines that it is not possible to estimate the occurrence of an event or events with a detrimental impact for a specific (individually assessed) financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and assesses them for impairment at group level (collectively).

The methodology for recognising loss allowances for groups of financial assets (collective allowances) is based on a widely applied credit loss calculation formula, which is in conformity with the regulations of the Basel Committee on Banking Supervision. For estimating credit risk, financial assets are divided into groups with homogenous credit risk characteristics. The Group estimates the probability of default (the PD rate) and loss given default (the LGD rate) for each such asset group.

The Group defines default as a situation where the creditor has reason to believe that it is unlikely that the debtor (borrower) will be able to satisfy its obligations in full. BBFG assesses default by applying the '90 days past due' criterion, i.e. a loan is considered to be in default when at least one instalment payment is 90 days past due (has not been fully settled within 90 days since the due date).

The Group has established that the probability of default depends mainly on two factors:

a) whether the loan is a customer's first or repeat loan;
b) how many days the loan has been past due.

The PD rate of first loans is higher than that of repeat loans. The longer a loan has been past due, the higher the probability of default.

The calculation of loss given default (the LGD rate) depends on the handling process of loans in default. When the Group has decided to sell a loan that is in default to a third party, the price of that transaction is included in the model for calculating the expected credit loss. Where a financial asset is not covered with an agreement of resale in the event of default, the expected payments (cash inflows) are discounted to the date of default. Expected payments (cash inflows) are estimated based on relevant historical data on prior years.

Expected credit loss allowances are calculated by multiplying the balances of groups of similar financial assets (exposure at default) with their PD and LGD rates and adding up the outcomes. The amount of an expected credit loss allowance is recognised in profit or loss and in the statement of financial position by reducing gross loans to and receivables from customers and other trade receivables.

In estimating the probability of default, the Group takes into account macroeconomic factors. In the case of unsecured consumer loans the most probable factor is the unemployment rate. Accordingly, the dynamics of the unemployment rate are monitored on a regular basis.

When there is an indication of growth in the unemployment rate, then in applying the PD rate greater weight is given to those years in which the unemployment rate corresponded to or approximated the projected value. Such an approach allows taking into account both a company's internal trend metrics and the impact of the expected economic situation on the quality of the Group's loan portfolio.

In countries where BBFG, due to its short presence in the market, has not been able to establish a reliable link between the unemployment rate and the PD rate, it is possible to incorporate into the model a management-approved economic coefficient. The coefficient reflects the company's expectation of how much the estimated PD values will change due to projected changes in the near-term macroeconomic environment.

The Group calculates PD rates in terms of years, i.e. loans are divided into cohorts based on their year of issue and an appropriate PD rate is calculated for each cohort. This approach allows monitoring the trend and, where necessary, identifying a correlation with some macroeconomic variable to evaluate the impact of the macroeconomic environment on the quality of the loan portfolio.

The discount rate is reviewed once a year. In assessing the discount rate, the Group's management takes into account the cost of debt capital, the required rate of return on equity, the financing structure, and the risks specific to the loan product or the country.

LGD rates are reviewed at least annually or whenever there is a significant change in loan handling processes.

2.6. Financial assets and liabilities – policies applied until 31 December 2017

Financial assets comprise cash and cash equivalents, and trade and other receivables.

Management determines the classification of a financial asset on its initial recognition, based on the purpose of its acquisition. The Group's existing financial assets have all been designated to the class of loans and receivables.

Purchases and sales of financial assets are consistently recognised using settlement date accounting. The settlement date is the date on which an asset is delivered to or by the Group. A financial asset is derecognised when the contractual rights to receive the cash flows of the financial asset expire or the Group transfers substantially all the risks and rewards of ownership of the financial asset.

2.6.1. Loans and receivables

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

A loan to a customer is recognised when the Group gives the debtor cash in exchange for a non-derivative unquoted receivable with determinable payments without the intention to use the receivable for trading. Loans and receivables are recognised until their settlement or write-off.

On initial recognition, loans and receivables are measured at their fair value plus transaction costs that are directly attributable to their acquisition or issue. After initial recognition, the Group measures loans and receivables at their amortised cost and recognises interest income on them using the effective interest method.

Due to significant changes in contract terms, a restructured loan is recognised as a new loan if a new loan is issued, e.g. an existing loan is refinanced or increased for the settlement of principal, interest, late payment interest or other associated payments. Loans whose other contract terms are amended due to a deterioration in the customer's credit quality do not qualify for derecognition.

Loans and receivables are assessed for impairment using the policies described in section 2.6.2.

2.6.2. Impairment of financial assets carried at amortised cost

A financial asset or a group of financial assets is impaired if an adverse event (or events) that occurred after the initial recognition of the asset or asset group has had an adverse impact on the future cash flows of the asset or asset group that can be reliably estimated. An impairment loss is recognised in profit or loss in the period in which the adverse event (or events) occurred. If the Group determines that no objective evidence of impairment as a result of an adverse event (or events) exists for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

For the purpose of collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that are indicative of the debtors' settlement behaviour, i.e. their ability to fulfil all contractual obligations on time and in full. Management estimates the future cash flows of a group of financial assets that are collectively evaluated for impairment on the basis of the assets' contractual cash flows and the Group's historical default and loss experience with such assets. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

The Group reviews the methodology and assumptions used for estimating future cash flows regularly to reduce any differences between loss estimates and actual loss experience.

Impairment of a financial asset is recognised through use of an allowance account and measured as the difference between the asset’s carrying amount and the present value of its estimated future cash flows (excluding future credit losses which have not been incurred) discounted at the asset’s original effective interest rate.

The present value of the future cash flows of financial assets secured with collateral is calculated by taking into account the cash flows that are expected from foreclosure on the collateral less the costs of obtaining and selling the collateral irrespective of whether foreclosure is probable. Impairment losses are recognised in profit or loss within *Impairment losses on loans to customers*.

An impaired loan is written off the statement of financial position together with its impairment allowance when all procedures related to the collection of the loan have been completed and the extent of the impairment loss has been determined. When a loan which has been written off is subsequently recovered, the Group reduces impairment losses on loans to customers which have been recognised in profit or loss.

Interest income on loans is recognised in profit or loss within *Interest income*.

2.6.3. Financial liabilities

On initial recognition, all financial liabilities (trade payables, borrowings, accrued expenses and other current and non-current liabilities) are measured at their fair value less any transaction costs. Thereafter they are measured at amortised cost.

The amortised cost of current financial liabilities is generally equal to their nominal value. Therefore, current financial liabilities are measured at the original amount payable. Non-current financial liabilities are measured at amortised cost using the effective interest method. A financial liability is derecognised when it is discharged or cancelled or expires.

2.7. Property, plant and equipment

Property, plant and equipment are tangible items that the Group holds to supply services or for administrative purposes. The expected useful life of an item of property, plant and equipment must be long: at least one year.

On initial recognition, an item of property, plant and equipment is measured at its cost which comprises its purchase price (including customs duties and other non-refundable taxes) and any directly attributable costs of acquisition incurred in bringing the asset to the location and condition necessary.

After initial recognition, an item of property, plant and equipment is carried at cost less any accumulated depreciation and impairment losses. Depreciation is charged using the straight-line method.

Class of property, plant and equipment	**Useful life in years**
Vehicles	3-7
Plant and equipment	5
Other equipment and fixtures	5

2.8. Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance. Non-current intangible assets include trademarks, patents, licences, rights of use, software, goodwill and other assets without physical substance which the Group uses for the provision of services or for administrative purposes and which it expects to use for more than one year. On initial recognition an intangible asset is measured at its cost which comprises its purchase price and any directly attributable costs of acquisition. After initial recognition, an intangible asset is measured at cost less any accumulated amortisation and impairment losses. Amortisation is charged using the straight-line method.

Class of intangible assets	**Useful life in years**
Software	5
Other intangible assets	5-10
Trademark	8
Customer base	5

2.9. Goodwill

Acquisition of goodwill is described in the section *Basis of consolidation* (section 2.2). On initial recognition, goodwill acquired in a business combination is measured at cost. Goodwill has an indefinite useful life and, therefore, it is not amortised. Instead, it is tested for impairment at the end of each reporting period.

After initial recognition, goodwill is carried at cost less any accumulated impairment losses. The goodwill of an investment accounted for using the equity method is included in the cost of the investment.

2.10. Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any indication that a non-financial asset (an item of property, plant and equipment or an intangible asset) may be impaired. If any such indication exists, the asset is tested for impairment.

An impairment loss is recognised when the carrying amount of an asset or a cash-generating unit exceeds its recoverable amount. An impairment loss is recognised in profit or loss as incurred. The impairment loss for a cash-generating unit is allocated to reduce the carrying amount of the assets of the unit (group of units) as follows: first, to reduce the carrying amount of any goodwill allocated to the unit (group of units); and then, to the other assets of the unit (group of units) pro rata on the basis of the carrying amount of each asset in the unit (group of units).

Goodwill is tested for impairment at least annually at the end of the financial year or whenever there is an event or a change in an estimate which indicates that goodwill may be impaired. An impairment loss is determined by estimating the recoverable amount of the cash-generating unit to which goodwill has been allocated.

2.11. Provisions and contingent liabilities

A provision is recognised when the Group has a present obligation (legal or constructive) as a result of a past obligating event, it is probable (more probable than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation but the timing and amount of the obligation are uncertain. A provision is recognised by reference to management’s estimates of the amount required to settle a present obligation and the time the obligation must be settled. The amount recognised as a provision is management’s best estimate of the expenditure required to settle the obligation at the end of the reporting period or to transfer it to a third party at that time. Expenses arising from the recognition of provision and changes to the carrying amounts of provisions are recognised in profit or loss in the period in which they are incurred. Provisions are not recognised for future operating losses.

Possible obligations whose realisation is less likely than their non-realisation or which cannot be measured reliably but which may transform into liabilities under certain circumstances are disclosed in the notes to the financial statements as contingent liabilities. Contingent liabilities may change over time in a manner different from the one originally anticipated. Therefore, they are regularly reassessed to determine whether there has been a change in the probability that the Group may have to transfer resources embodying economic benefits in order to meet the obligation. When the transfer of resources has become probable, the Group recognises a provision for the obligation in the period in which the change in probability occurred.

2.12. Income and expenses – policies applied from 1 January 2018

2.12.1. Interest income and expense

Interest income and interest expense are calculated on the gross amounts of financial assets and liabilities measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but not considering 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. When a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

2.12.2. Fee income and expense

Fee income comprises revenue from contracts with customers. Fee income is recognised as the service promised to the customer is provided, in the amount which reflects the consideration that BBFG expects to receive for the provision of the service.
Fee income and expenses are recognised on a straight-line basis over the period in which the service is provided if the customer benefits from the service at the same time when the service is provided by the Group.

Expenses directly associated with the generation of fee income are recognised as fee expenses.

2.13. Income and expenses – policies applied until 31 December 2017

Income and expenses are recognised on an accrual basis. Income is recognised when it is probable that economic benefits associated with the transaction will flow to the Group, the amount of income can be measured reliably and the Group has rendered the service.

Expenses are recognised when the Group has incurred a liability for certain costs and/or the Group has received goods or services (whichever is earlier).

Fee income is recognised when the service has been rendered and the Group's right to receive payment is established. Fee expenses are recognised when the service has been received and a liability has been incurred.

Interest income and interest expense are recognised on all instruments measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument but not considering 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. When a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is thereafter recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Dividend income is recognised when the shareholder's right to receive payment is established and it is probable that the economic benefits associated with the transactions will flow to the shareholder.

2.14. Taxation and deferred tax

2.14.1. Corporate income tax in Estonia

Under legislation in force, in Estonia corporate profit is taxed only when it is distributed. Therefore, deferred tax assets and liabilities do not arise. Corporate income tax is paid on dividends, fringe benefits, gifts, donations, entertainment expenses, non-business expenditures and transfer price adjustments. From 2019, dividend distributions may be taxed at the rate of 14% (the amount of tax payable may be calculated as 14/86 of the net dividend). The more favourable tax rate may be applied to a dividend distribution which extends to up to three preceding years' average dividend distribution that was taxed at 20% (the amount of tax payable was calculated as 20/80 of the net dividend). In calculating the average dividend distribution of the three preceding years, 2018 is the first year that is taken into account.

Under certain circumstances, dividends received may be redistributed without additional income tax expense.

The income tax payable on a dividend distribution is recognised as a liability and an expense in the period in which the dividend is declared regardless of the period for which the dividend is declared or the period in which the dividend is actually distributed. The obligation to pay income tax arises on the 10th day of the month following the disbursement of the dividend.

2.14.2. Corporate income tax in other jurisdictions

In Finland, the UK, the Czech Republic and Georgia corporate profit, which has been adjusted for permanent and temporary differences as permitted by local tax laws, is subject to income tax.

Deferred tax assets and liabilities are recognised for all significant temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and their tax bases. Temporary differences arise mainly from the depreciation or amortisation on a non-current asset and the carry-forward of tax losses. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the tax asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the end of the reporting period.

A deferred tax asset may be set off against a deferred tax liability of the same taxable Group entity only. A deferred tax asset is recognised for all temporary differences and tax losses to the extent that it is probable that taxable profits will be available against which the deferred tax asset can be utilised. A deferred tax liability is recognised for all temporary differences associated with investments in subsidiaries except to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Corporate income tax rates	**2018**	**2017**
Finland	20%	20%
United Kingdom	20%	20%
Czech Republic	19%	19%
Georgia	15%	15%

NOTE 3 SIGNIFICANT ESTIMATES AND JUDGEMENTS

Under IFRS many items are based on management’s judgements, estimates and assumptions that affect the amounts of assets and liabilities, contingent assets and liabilities and income and expenses reported in the financial statements. Although the estimates and assumptions are based on management’s best knowledge and conclusions drawn from current events, actual results may differ significantly from those assumptions and estimates.

Management’s estimates have been used in several accounting areas, most significantly in determining the value of loans to customers (note 4) as described in section 2.5.3.

Estimates and judgements are regularly reviewed based on historical experience and other factors, including expectations of future events, that are believed to be reasonable under the circumstances. The effect of a change in an accounting estimate is recognised prospectively.

NOTE 4 RISK MANAGEMENT

Financial risk is a possible negative deviation from the expected financial performance resulting from an event (a series of events), an act (a series of acts), or failure to act which may cause loss of assets or damage to reputation and may jeopardise effective achievement of targets set.

Based on the nature, scope and complexity of its operations, the Group has identified the following financial risks which are relevant to its activity:
1) Credit risk
2) Liquidity risk
3) Market risk
4) Concentration risk

The parent company’s management is responsible for designing, reviewing and updating the Group’s risk management framework. The overall objective of the Group’s risk management is to mitigate potential financial risks to reduce undesirable effects on the Group’s financial performance. Risk management involves analysing on a regular basis different development scenarios which may be caused by internal and external risk factors, establishing appropriate risk mitigation rules and methods and checking compliance with those rules and methods.

4.1. Credit risk

Credit risk is the risk that a counterparty to a transaction will fail to discharge its obligations on time. The Group’s credit risk exposure arises mainly from loans to customers.

In the issuance of loans, the Group has established limits for both the maximum loan amount and loan maturity. On the receipt of loan applications, the customers’ creditworthiness is evaluated by taking into account (among other factors) their past settlement behaviour. The share of loans provided, including problem loans, may not exceed the critical level determined by the Group’s shareholders.

The Group divides financial assets exposed to credit risk into the following groups:

a) cash and cash equivalents at banks;
b) loans to retail and corporate customers;
c) other receivables from retail and corporate customers.

Maximum credit risk exposure

As at 31 December	2018	2017
Cash and cash equivalents at banks	473,868	365,064
Loans to customers	14,222,193	13,421,647
Other trade receivables	1,241,754	821,535
Total maximum credit risk exposure	**15,937,815**	**14,608,246**

4.1.1. Cash and cash equivalents at banks

According to management's assessment, the credit risk exposure of cash held at credit institutions is low. Credit risk is evaluated based on the counterparty's financial position, which is determined using the credit ratings of the international rating agency Moody's. The following table provides an overview of cash and cash equivalents at banks and the credit ratings of the banks.

Rating

As at 31 December	2018	2017
Aa2	144,105	0
Aa3	206,167	91,380
A2	0	13,266
A3	45,287	0
Ba2	32,725	18
Ba3	0	238,209
Baa1	37,374	0
Baa2	0	8,213
Baa3	16	9,178
B1	0	1,994
Without rating	8,194	2,806
Total	**473,868**	**365,064**

Cash and cash equivalents at banks does not include any past due items.

4.1.2. Loans to and receivables from retail and corporate customers

To mitigate credit risk, a customer's creditworthiness is analysed before a contract is signed. When a loan has been issued, the customer's settlement behaviour is monitored regularly. On evaluating customers' creditworthiness, the Group takes into account the size of their income and liabilities as well as other circumstances, which may have a significant impact on their ability to meet their obligations on time. This information is used to recognise allowances for potential credit losses. Management's estimate of the concentrations of credit risk is presented in note 4.4.

Loans to and receivables from retail customers by credit quality:

As at 31 December 2018	Loans to retail customers	Interest and other receivables from retail customers
Not past due	9,488,940	249,336
Past due	10,203,126	905,834
Total (gross) (notes 14 and 15)	**19,692,065**	**1,155,170**
Impairment allowance	-5,710,456	-567,027
Total (net)	**13,981,609**	**588,142**

As at 31 December 2017	Loans to retail customers	Interest and other receivables from retail customers
Not past due	10,952,859	423,120
Past due	7,394,369	759,300
Total (gross) (notes 14 and 15)	**18,347,228**	**1,182,420**
Impairment allowance	-5,132,987	-420,503
Total (net)	**13,214,240**	**761,918**

Loans to and receivables from corporate customers by credit quality:

As at 31 December 2018	Loans to corporate customers	Interest and other receivables from corporate customers
Not past due	233,584	2,000
Past due	7,000	40,187
Total (gross) (notes 14 and 15)	**240,584**	**42,187**
Impairment allowance	0	0
Total (net)	**240,584**	**42,187**

As at 31 December 2017	Loans to corporate customers	Interest and other receivables from corporate customers
Not past due	200,406	32,086
Past due	7,000	280
Total (gross) (notes 14 and 15)	**207,406**	**32,366**
Impairment allowance	0	0
Total (net)	**207,406**	**32,366**

The impairment allowance is calculated as the difference between the carrying amount of the receivables and the present value of their expected future cash flows discounted at the effective interest rate. Loans issued that have similar credit risk characteristics are grouped and assessed for impairment collectively based on the Group's historical credit loss experience and estimates of future developments.

Larger and more important loans are evaluated on an individual basis by analysing and evaluating the debtor and the debtor's ability to repay the loan. Such loans account for 0.2% (2017: 0.4%) of the portfolio.

Receivables from retail customers by days past due:

As at 31 December 2018	Loans to retail customers	Interest and other receivables from retail customers	Total
Not past due	9,488,940	249,336	9,738,275
1-30 days past due	2,058,595	121,514	2,180,109
31-60 days past due	788,293	61,165	849,458
61-90 days past due	560,381	51,269	611,650
91-120 days past due	407,829	37,881	445,710
121-150 days past due	358,624	31,647	390,271
151-180 days past due	361,867	35,153	397,020
181-360 days past due	1,925,825	208,739	2,134,565
Over 360 days past due	3,741,711	358,466	4,100,177
Total (gross)	**19,692,065**	**1,155,170**	**20,847,235**
Impairment allowance	-5,710,456	-567,027	-6,277,483
Total (net)	**13,981,609**	**588,142**	**14,569,752**

As at 31 December 2017	Loans to retail customers	Interest and other receivables from retail customers	Total
Not past due	10,952,859	423,120	11,375,979
1-30 days past due	920,333	88,133	1,008,466
31-60 days past due	439,142	46,543	485,685
61-90 days past due	345,803	29,566	375,369
91-120 days past due	479,925	24,185	504,110
121-150 days past due	218,276	22,699	240,975
151-180 days past due	209,958	18,897	228,855
181-360 days past due	1,797,707	132,330	1,930,037
Over 360 days past due	2,983,226	396,949	3,380,174
Total (gross)	**18,347,228**	**1,182,420**	**19,529,648**
Impairment allowance	-5,132,987	-420,503	-5,553,490
Total (net)	**13,214,240**	**761,918**	**13,976,158**

Receivables from corporate customers by days past due:

As at 31 December 2018	Loans to corporate customers	Interest and other receivables from corporate customers	Total
Not past due	233,584	2,000	235,584
Over 360 days past due	7,000	40,187	47,187
Total (gross)	**240,584**	**42,187**	**282,771**
Impairment allowance	0	0	0
Total (net)	**240,584**	**42,187**	**282,771**

As at 31 December 2017	Loans to corporate customers	Interest and other receivables from corporate customers	Total
Not past due	200,406	32,086	232,492
Over 360 days past due	7,000	280	7,280
Total (gross)	**207,406**	**32,366**	**239,772**
Impairment allowance	0	0	0
Total (net)	**207,406**	**32,366**	**239,772**

4.1.3. Other trade receivables

Other trade receivables comprise debt collection receivables, other receivables from customers and various prepayments with a maturity of less than a year whose credit risk, according to management, is minimal.

As at 31 December	2018	2017
Other receivables from services provided to customers	5,530	7,645
Other receivables	159,752	19,608
Total	**165,282**	**27,252**

4.2. Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations to a counterparty on time or in full. The risk arises mostly from financing risk which is the risk that stable sources of financing cannot be secured without a negative impact on the Group’s business operations or financial position.

The Group’s framework for managing liquidity risk comprises all activities necessary for identifying, measuring, controlling and monitoring risk reliably. The Group evaluates and monitors the main factors that may affect its ability to raise resources as and when necessary on a regular basis, taking into account the impact of significant investors and customers on its liquidity.

Available cash is held with credit institutions so that the Group could meet its obligations on time. The Group constantly evaluates its liquidity risk and the combined effect of other risks.

The Group finances the short-term loans it issues with loans with a longer maturity.

The following tables present financial assets and liabilities by remaining contractual maturities. The amounts are undiscounted future cash flows.

Financial liabilities by contractual maturities:

Financial liabilities as at 31 December 2018	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Loans from companies and individuals	1,697,412	1,637,744	7,062,258	10,397,414
Interest payable	77,616	0	0	77,616
Trade payables	307,557	0	0	307,557
Payables to employees	179,703	0	0	179,703
Other payables	347,551	0	0	347,551
Total	**2,609,840**	**1,637,744**	**7,062,258**	**11,309,842**

Financial liabilities as at 31 December 2017	**Up to 3 months**	**3-12 months**	**1-5 years**	**Total**
Loans from companies and individuals	884,372	4,701,200	2,451,592	8,037,164
Interest payable	122,746	0	0	122,746
Trade payables	293,366	0	0	293,366
Payables to employees	151,892	0	0	151,892
Other payables	38,455	439,048	0	477,503
Total	**1,490,831**	**5,140,248**	**2,451,592**	**9,082,672**

Financial assets held to cover liquidity risk by contractual maturities:

Financial assets as at 31 December 2018	**Up to 3 months**	**3-12 months**	**1-5 years**	**Impairment allowance**	**Total**
Cash and cash equivalents	536,843	0	0	0	536,843
Loans to customers	13,661,242	2,084,723	4,186,684	-5,710,456	14,222,193
Other trade receivables	550,201	272,911	332,058	-567,027	588,142
Total financial assets	**14,748,286**	**2,357,634**	**4,518,742**	**-6,277,483**	**15,347,178**

Financial assets as at 31 December 2017	**Up to 3 months**	**3-12 months**	**1-5 years**	**Impairment allowance**	**Total**
Cash and cash equivalents	390,530	0	0	0	390,530
Loans to customers	11,545,489	3,577,473	3,431,671	-5,132,987	13,421,646
Other trade receivables	1,242,038	0	0	-420,503	821,535
Total financial assets	**13,178,058**	**3,577,473**	**3,431,671**	**-5,553,490**	**14,633,712**

4.3. Market risk

Market risk is the risk that changes in market prices and rates (including exchange rates and cost of capital) may cause a loss for the Group. The Group is not exposed to interest rate risk because its financial assets and liabilities have fixed interest rates. However, the Group has identified that it is exposed to market risk through currency risk that results from the Group's core business in markets outside the euro area. Currency risk is the risk that unfavourable movements in foreign exchange rates may cause a loss for the Group.
The Group issues loans in euros (EUR), Czech korunas (CZK) and Georgian laris (GEL). The Group presents its financial statements and raises capital mostly in euros. Thus, it is exposed to currency risk arising from movements in the exchange rates of the CZK and the GEL. Management has explored and continues to consider opportunities for hedging currency risk. At the reporting date, it was more reasonable to have an open currency position because the instruments for hedging currency risk are expensive.

In 2018, the CZK weakened against the EUR, while the GEL remained more stable compared to the EUR.

Net currency positions:

As at 31 December	Position in the statement of financial position 2018		Position in the statement of financial position 2017	
Currency	**Assets**	**Liabilities**	**Assets**	**Liabilities**
EUR (euro)	13,863,612	11,350,970	12,318,066	8,943,514
CZK (Czech koruna)	727,226	164,529	1,062,617	21,675
GEL (Georgian lari)	1,371,870	326,048	1,253,030	107,271
GBP (British pound)	970	10,127	978	10,212
Total	**15,963,678**	**11,851,674**	**14,634,691**	**9,082,672**

4.4. Concentration risk

Concentration risk is the risk which arises from an exposure to a single counterparty or a number of related counterparties or from exposures which are influenced by a common risk factor or risk factors between which there is a strong positive correlation.

Its ordinary business operations do not expose the Group to any significant concentration risk because the Group serves mainly individuals and issues mostly small loans. Still, the Group monitors its credit risk and/or market risk concentrations in respect of any single risk factor and limits, where necessary, its credit risk exposure to a group of customers that are connected or influenced by the same risk factor.

Financial assets by country:

As at 31 December 2018	Estonia	Finland	Czech Republic	Georgia	United Kingdom	Total
Cash and cash equivalents at banks	257,085	105,735	79,324	31,724	0	473,868
Loans to customers	11,449,079	5,524,227	704,127	2,255,216	0	19,932,649
Other trade receivables	795,606	378,969	246,267	386,970	970	1,808,782
Total	**12,501,770**	**6,008,931**	**1,029,717**	**2,673,910**	**970**	**22,215,299**
Impairment allowance	-1,955,939	-2,283,261	-231,461	-1,239,795	0	-5,710,456
Total	**10,545,831**	**3,725,670**	**798,256**	**1,434,115**	**970**	**16,504,843**

As at 31 December 2017	Estonia	Finland	Czech Republic	Georgia	United Kingdom	Total
Cash and cash equivalents at banks	68,532	13,638	38,598	244,299	0	365,067
Loans to customers	10,914,171	4,352,310	1,567,105	1,721,048	0	18,554,634
Other trade receivables	557,679	249,204	376,757	31,146	0	1,214,786
Total	**11,540,382**	**4,615,152**	**1,982,460**	**1,996,493**	**0**	**20,134,487**
Impairment allowance	-2,156,173	-1,720,587	-920,913	-755,817	0	-5,553,490
Total	**9,384,209**	**2,894,565**	**1,061,547**	**1,240,676**	**0**	**14,580,996**

4.5. Capital management

The main objective of capital management is to maintain a strong capital structure in order to ensure sufficient and stable funding for the Group’s operating activities, ability to earn profit for the shareholders and meet all applicable capital requirements.

The Group maintains at all times capital sufficient for managing all significant risks and meeting all regulatory requirements. The capital targets are set considering both the regulatory minimum capital requirement and an additional internal buffer requirement. At the reporting date, the Group was in compliance with relevant capital requirements.

Own funds:

As at 31 December	2018	2017
Paid in share capital	70,288	70,288
Retained earnings (prior years)	5,834,740	5,349,601
Loss/profit for the year	-1,099,625	759,550
Non-controlling interests	0	0
Total own funds	**4,805,402**	**6,179,440**

4.6. Fair value of financial assets and liabilities

The Group has measured the fair values of financial assets and liabilities recognised in its statement of financial position using the valuation techniques described in IFRS 13. The fair value of instruments was measured using the effective interest method.

Loans to customers and *Other receivables from customers* are measured in the statement of financial position at amortised cost using the effective interest method. In determining amortised cost, impairment losses have been deducted from cost as described in note 2 (section 2.4. Financial assets). According to management's assessment, due to the accounting policy applied the carrying amounts of financial assets reflect their fair values.

Financial liabilities are carried in the statement of financial position at amortised cost. The amortised cost of current financial liabilities generally equals their nominal value and the amortised cost of non-current financial liabilities has been determined using the effective interest method (note 2, section 2.5.). According to management's assessment, the carrying amounts of financial liabilities do not differ significantly from their fair values.

All of the fair value measurements of the Group's financial assets and liabilities fall into Level 3 of the fair value hierarchy because they are not predominantly based on observable market data.

As at 31 December 2018	**Carrying amount**	**Fair value**
Financial assets		
Cash and cash equivalents	536,843	536,843
Loans to customers	14,222,193	14,222,193
Of which to related parties	208,584	208,584
Other trade receivables	1,241,754	1,241,754
Of which from related parties	83,976	83,976
Financial liabilities		
Loans from companies and individuals	10,475,030	10,475,030
Of which from related parties	1,299,545	1,299,545
Other financial liabilities	1,376,644	1,376,644
Of which to related parties	6,535	6,535

As at 31 December 2017	**Carrying amount**	**Fair value**
Financial assets		
Cash and cash equivalents	390,530	390,530
Loans to customers	13,421,647	13,421,647
Of which to related parties	200,406	200,406
Other trade receivables	821,535	821,535
Of which from related parties	37,791	37,791

Financial liabilities		
Loans from companies and individuals	8,159,910	8,159,910
Of which from related parties	2,309,025	2,309,025
Other financial liabilities	922,761	922,761
Of which to related parties	440,675	440,675

NOTE 5 SUBSIDIARIES

			Ownership interest	
Name of subsidiary	**Registry number**	**Country**	**31 Dec 2018**	**31 Dec 2017**
BB Finance OÜ	11306564	Estonia	100%	100%
Inkassokeskus OÜ	11742035	Estonia	100%	100%
I-Makse OÜ	12071838	Estonia	100%	100%
MM Ads OÜ	11373903	Estonia	100%	100%
Nordic Boat Finance OÜ	12687367	Estonia	100%	100%
Raha24 OÜ	14021336	Estonia	100%	100%
Ege Finance OY	2229805-5	Finland	100%	100%
Finlaina OY	2176635-5	Finland	100%	100%
BB Credit LLC	405116583	Georgia	100%	100%
BB Finance Czech s.r.o.	24190799	Czech Republic	100%	100%
BB Credit LTD	7744136	United Kingdom	100%	100%

The subsidiaries Raha24 OÜ and BB Credit LTD are dormant, the latter is in liquidation.

NOTE 6 NET INTEREST AND FEE INCOME

Interest income is earned on loans provided to retail customers and companies. Fee income comprises fees charged for services related to credit granting and debt collection services.

Interest and fee income	**2018**	**2017**
Interest income	4,307,442	4,028,635
Of which on: Consumer credits	4,293,982	4,013,572
Loans to companies	5,360	6,645
Loans to related parties (note 24)	8,100	8,418
Fee income	6,010,164	5,540,778
Total interest and fee income	**10,317,606**	**9,569,413**

Interest and fee expense	2018	2017
Interest expense	-1,577,893	-1,172,432
Of which on: Loans from companies	-1,247,442	-829,957
Loans from related parties (note 24)	-330,451	-342,291
Overdrafts	0	-184
Fee expense	-761,639	-645,422
Total interest and fee expense	**-2,339,532**	**-1,817,854**

Net interest and fee income	**7,978,073**	**7,751,559**

NOTE 7 OTHER INCOME

Other income	2018	2017
Other sales	0	2,803
Income from purchase of receivables	102,440	112,157
Income from sale of receivables	0	117,795
Income from sale of non-current assets	18,333	0
Other	23,560	6,528
Total other income	**144,333**	**239,283**

Other revenue comprises revenue from advertising intermediation and the sale of other services which are not the Group’s core business.

NOTE 8 OTHER EXPENSES

Other expenses	2018	2017
Exchange loss on transactions with customers and suppliers	-14,678	-6,025
Other	-5,543	-902
Total other expenses	**-20,221**	**-6,927**

NOTE 9 OPERATING EXPENSES

Operating expenses	2018	2017
Marketing expenses	-1,681,325	-908,531
Operating lease expenses (note 10)	-160,127	-144,719
Miscellaneous office expenses	-234,123	-302,986
State and local taxes	-157,124	-201,992
Other outsourced services	-441,270	-288,167
Transport costs	-4,507	-16,687
Staff training and business travel expenses	-84,580	-58,388
Bank charges	-18,657	-15,841
Impairment losses on loans to customers	-990,856	-2,301,648
Losses on sale of loans to customers	-2,936,603	-1,144,040
Other operating expenses	-128,363	-86,913
Total operating expenses	**-6,837,535**	**-5,469,911**

During the period, there were several major sales transactions involving the loan portfolio in the course of which most of the non-performing loans were sold. As a result, the quality of the portfolio improved and impairment losses on loans decreased significantly year on year.

NOTE 10 OPERATING LEASES

Operating leases	2018	2017
Operating lease expenses (note 9)	-160,127	-144,719
Total operating lease expenses	**-160,127**	**-144,719**

The Group uses office premises and vehicles under operating leases. All lease contracts can be cancelled subject to agreement between the parties.

NOTE 11 INCOME TAX

The Group’s income tax expense for the financial year ended on 31 December:

Income tax expense	2018	2017
Estonian subsidiary	0	-30,000
Czech subsidiary	-152,118	-47,710
Finnish subsidiary	-211,722	-143,308
Total income tax expense	**-363,840**	**-221,018**

Reconciliation of the effective income tax rate:

	2018	%	2017	%
Loss/profit before income tax	**-735,785**		**980,568**	
Income tax on dividends declared in Estonia	0	0%	-30,000	-3%
Income tax payable in foreign jurisdictions	-363,840	-49%	-191,018	-19%
Total	**-1,099,625**		**759,550**	

NOTE 12 PERSONNEL EXPENSES

Personnel expenses	**2018**	**2017**
Salary expenses	-1,409,772	-1,188,422
Social security charges	-340,296	-302,582
Total personnel expenses	**-1,750,067**	**-1,491,004**
Average number of staff	75	68

NOTE 13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents **As at 31 December**	**2018**	**2017**
Cash and cash equivalents at banks	473,868	365,064
Cash on hand	62,975	25,465
Total cash and cash equivalents	**536,843**	**390,530**

NOTE 14 LOANS TO CUSTOMERS

Loans to customers **As at 31 December**	**2018**	**2017**
Loans to companies	240,584	207,406
Loans to individuals	19,692,065	18,347,228
Total loans to customers*	**19,932,649**	**18,554,634**
Of which: Loans to related parties (note 24)	208,584	200,406
Impairment allowance	-5,710,456	-5,132,987
Net loans to customers	**14,222,193**	**13,421,647**

* Loans comprise only loan principal

NOTE 15 OTHER TRADE RECEIVABLES

Other trade receivables As at 31 December	2018	2017
Accrued debt collection and other income	1,643,500	1,214,786
Of which: Interest receivable on consumer credits	1,155,170	1,067,591
Interest receivable on loans provided to companies	42,187	32,366
Other receivables	446,144	114,829
Impairment allowance for accrued debt collection and other income	-567,027	-420,503
Receivables for services provided to customers	5,530	7,645
Other receivables	159,752	19,608
Total other trade receivables	**1,241,754**	**821,535**
Of which: Other receivables from related parties (note 24)	83,976	37,791

NOTE 16 OTHER ASSETS

Other assets As at 31 December	2018	2017
Prepayments to suppliers	11,213	2,240
Prepaid taxes	11,846	59,471
Prepaid expenses	29,388	33,767
Of which: Long-term prepaid expenses	972	979
Total other assets	**52,448**	**95,478**

NOTE 17 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprises computers, office equipment, office furniture, advertising equipment and vehicles.

Property, plant and equipment	Plant and equipment	Total
Balance as at 31 December 2016		
Cost	43,546	43,546
Accumulated depreciation	-29,308	-29,308
Carrying amount	**14,238**	**14,238**
Movements in 2017		
Additions	64,953	64,953
Depreciation for the year	-25,513	-25,513

Balance as at 31 December 2017		
Cost	108,499	108,499
Accumulated depreciation	-54,821	-54,821
Carrying amount	**53,678**	**53,678**
Movements in 2018		
Additions	13,982	13,982
Depreciation for the year	-16,119	-16,119
Balance as at 31 December 2018		
Cost	78,935	78,935
Accumulated depreciation	-27,395	-27,395
Carrying amount	**51,541**	**51,541**

NOTE 18 INTANGIBLE ASSETS

Intangible assets comprises licences, software and software development costs.

Intangible assets	**Software**	**Trademark**	**Customer base**	**Other intangible assets**	**Total**
Balance as at 31 December 2016					
Cost	313,914	269,012	475,665	5,400	1,063,991
Accumulated amortisation	-67,210	-19,615	-55,494	-3,840	-146,159
Carrying amount	**246,704**	**249,397**	**420,171**	**1,560**	**917,832**
Movements in 2017					
Additions	167,682	0	0	4,738	172,421
Amortisation for the year	-83,970	-33,627	-95,133	0	-212,730
Other changes	-15,796	0	0	0	-15,796
Balance as at 31 December 2017					
Cost	481,596	269,012	475,665	10,138	1,236,412
Accumulated amortisation	-166,976	-53,242	-150,627	-3,840	-374,685
Carrying amount	**314,620**	**215,770**	**325,038**	**6,298**	**861,727**
Movements in 2018					
Additions	269,533	0	0	0	269,533
Amortisation for the year and impairment losses	-89,751	-33,626	-95,133	-790	-219,300
Other changes	265	0	0	-35	230
Balance as at 31 December 2018					
Cost	751,394	269,012	475,665	10,103	1,506,175
Accumulated amortisation	-256,728	-86,868	-245,760	-4,630	-593,986
Carrying amount	**494,666**	**182,144**	**229,905**	**5,473**	**912,189**

NOTE 19 BORROWINGS

Borrowings **As at 31 December**	**2018**	**2017**	**Base currency**	**Maturity date**
Short-term loans received, of which:	3,335,156	5,585,572	EUR	
Interest rate of 0%	20,253	25,011	EUR	2018-2019
Interest rate of 1%-16%	3,037,903	3,649,861	EUR	2018-2019
Interest rate of 17%-24%	277,000	1,910,700	EUR	2018-2019
Long-term loans received, of which:	7,062,258	2,451,592	EUR	
Interest rate of 1%-16%	1,890,000	155,000	EUR	2019-2020
Interest rate of 1%-16%	4,898,720	1,652,962	EUR	2021
Interest rate of 1%-16%	3,538	13,630	EUR	2022
Interest rate of 17%-24%	270,000	630,000	EUR	2019-2020
Accrued interest liability	77,616	122,746	EUR	
Total borrowings	**10,475,030**	**8,159,910**	**EUR**	
Of which: Borrowings from related parties	1,299,545	2,309,025	EUR	

A long-term loan of 4,500,000 euros is secured with a pledge of the shares in the subsidiary BB Finance OÜ with a nominal value of 100,000 euros.

NOTE 20 TRADE AND OTHER PAYABLES

Trade and other payables **As at 31 December**	**2018**	**2017**
Trade payables	307,557	293,366
Payables to employees	179,703	151,892
Other short-term payables	347,551	477,503
Deferred income	541,833	0
Total trade and other payables	**1,376,644**	**922,761**
Of which: Payables to related parties	6,535	440,675

NOTE 21 TAXES PAYABLE

Taxes payable **As at 31 December**	**2018**	**2017**
Payroll taxes	138,016	105,712
Value added tax	29,985	621
Other taxes	553	2,263
Income tax	147,428	169,475
Total taxes payable	**315,982**	**278,071**

NOTE 22 CASH FLOWS

The statement of cash flows has been prepared using the indirect method.

Operating loss/profit for the year was found by deducting income tax, other finance costs, loss on other investments and gain on business combinations from consolidated comprehensive expense/income.

Calculation of operating loss for 2018:
-1,099,625 –(-363,840) – (-14,950) = -720,835

Calculation of operating profit for 2017:
759,550 – (-221,018) – 195,808 = 784,760

Operating profit was adjusted for income, expenses and transactions of a non-cash nature, comprising depreciation and amortisation of 235,419 euros (2017: 238,242 euros), income from sale of non-current assets of -18,333 euros, interest income and expense of -2,729,548 euros (2017: -2,856,202 euros), other adjustments of which impairment losses on loans to customers amounted to 990,856 euros (2017: 2,301,648 euros) and adjustments of balances and offsetting transactions of -28,233 euros (2017: -653,260 euros).

NOTE 23 EQUITY OF THE COMPANY

BB Finance Group OÜ is a limited company (*osaühing*). According to the articles of association, the minimum and maximum share capital of BB Finance Group OÜ amount to 50,000 euros and 200,000 euros respectively. At 31 December 2018 and 31 December 2017, share capital comprised 70,288 shares that had been fully paid for. A share grants its owner a right (which is based on the nominal value of the share or shares held) to participate in the company’s management and the allocation of the company’s profit and to receive a corresponding share of the company’s assets when the company is liquidated.

The party that has influence over BB Finance Group OÜ is shareholder Mart Kolu (through Credit Capital OÜ) who holds 87% of the company’s voting power.

23.1. Translation reserve

Translation reserve comprises all foreign exchange differences that arise on the translation of the financial statements of foreign Group entities from their functional currency to the parent’s presentation currency.

23.2. Contingent income tax liability

As at 31 December 2018, the Group's retained earnings totalled 4,735,114 euros. As at 31 December 2018, one third of the dividend for 2018 could be distributed to owners at a lower income tax rate of 14% (income tax would be calculated as 14/86 of the net distribution) and the rest of the dividend would subject to income tax of 20% (income tax payable would be calculated as 20/80 of the net distribution). Taking into account the requirements of the Commercial Code, the distribution of the entire retained earnings as dividends would give rise to income tax expense of 938,651 euros. Distribution of profit which has been earned through a permanent establishment and taxed in Finland is tax exempt in Estonia. Thus, the Group can distribute the earnings accumulated in Finland without incurring any additional income tax liability.

23.3. Other changes in equity

Other changes in equity comprise an adjustment of 27,655 euros made to the balance of contract fees receivable by the Czech subsidiary and other changes of 57,932 euros.

NOTE 24 TRANSACTIONS WITH RELATED PARTIES

In the preparation of these financial statements, the following persons were regarded as related parties:

- the parent and other companies under its control or significant influence;
- associates;
- members of the management board and companies under their control;
- close family members of the above persons and companies related to them.

Transactions and balances with related parties:

Receivables **As at 31 December**	**2018**	**2017**
Loans and advances (note 14)	208,584	200,406
Of which: Other Group companies	208,584	200,406
Interest receivable (note 15)	40,187	32,086
Of which: Other Group companies	40,187	32,086
Receivables for services provided (note 15)	3,205	3,205
Of which: Members of the management board, individuals with a significant shareholding and companies under their control	3,205	3,205
Other receivables (note 15)	40,584	2,500
Of which: Members of the management board, individuals with a significant shareholding and companies under their control	40,584	2,500
Total receivables from related parties	**292,560**	**238,197**

Liabilities **As at 31 December**	**2018**	**2017**
Borrowings (note 19)	1,285,973	2,246,673
Of which: Parent company	398,720	1,472,962
Members of the management board, individuals with a significant shareholding and companies under their control	810,253	724,211
Close family members of members of the management board and individuals with a significant shareholding and companies under their control or significant influence	77,000	49,500
Interest payable (note 19)	13,572	62,352
Of which: Parent company	4,031	15,061
Members of the management board, individuals with a significant shareholding and companies under their control	8,466	47,292
Close family members of members of the management board and individuals with a significant shareholding and companies under their control or significant influence	1,075	0
Trade and other payables (note 20)	6,535	440,675
Of which: Parent company	5,435	1,600
Members of the management board, individuals with a significant shareholding and companies under their control	1,100	436,398
Other Group companies	0	2,677
Total liabilities	**1,305,266**	**2,749,700**

Income	**1 Jan-31 Dec 2018**	**1 Jan-31 Dec 2017**
Interest income (note 6)	8,100	8,418
Of which: Other Group companies	8,100	8,418
Other income (note 7)	18,333	0
Of which: Members of the management board, individuals with a significant shareholding and companies under their control	18,333	0
Total income	**26,433**	**8,418**

Expenses	**1 Jan-31 Dec 2018**	**1 Jan-31 Dec 2017**
Interest expense (note 6)	-330,451	-342,291
Of which: Parent company	-72,072	-174,157
Members of the management board, individuals with a significant shareholding and companies under their control	-258,379	-168,135
Other expenses	-122,365	-67

Of which: Parent company	-9,000	0
Members of the management board, individuals with a significant shareholding and companies under their control	-113,365	-67
Total expenses	**-452,816**	**-342,358**

	1 Jan-31 Dec 2018	**1 Jan-31 Dec 2017**
Remuneration paid to management	226,797	226,307

The interest rates of loans provided to and received from related parties were in the range of 0% to 24%. No receivables from related parties were written down due to impairment. Other transactions were conducted on an arm's length basis.

NOTE 25 EVENTS AFTER THE REPORTING PERIOD

In spring 2019, the Group discontinued the issuance of consumer credit under the Kiirlaenud, Bongabonga and Amica brands. In addition, in June 2019 the Group decided to sell the loan portfolio of its Czech entity in its entirety to third parties.

NOTE 26 PARENT'S PRIMARY FINANCIAL STATEMENTS

26.1. Parent's statement of profit or loss and other comprehensive income

	2018	**2017**
Interest income	489,460	739,199
Interest expense	-1,291,107	-1,058,894
Net interest expense	**-801,647**	**-319,695**
Loss/profit on investments in subsidiaries and associates	-183,992	1,003,125
Other finance income and costs (-)	7,259	0
Other income	2	20
Other expenses	-3	-21
Other operating expenses	-102,501	-81,684
Personnel expenses	-20,833	-82,340
Amortisation and impairment losses	0	-1,560
Loss/profit before income tax	**-1,101,715**	**517,845**
Income tax (-)	0	0
Comprehensive expense/income for the year	**-1,101,715**	**517,845**

26.2. Parent's statement of financial position

As at 31 December	2018	2017
ASSETS		
Cash and cash equivalents	12,878	1,945
Loans to customers	2,362,715	2,795,627
Other trade receivables	123,902	61,891
Other assets	0	800
Investments in subsidiaries and associates	16,111,262	14,407,270
TOTAL ASSETS	**18,610,757**	**17,267,533**
LIABILITIES		
Borrowings	10,982,556	7,610,618
Trade and other payables	103,959	670,958
TOTAL LIABILITIES	**11,086,515**	**8,281,576**
EQUITY		
Share capital at par value	70,288	70,288
Share premium	7,650,268	7,650,268
Other reserves	2,000	2,000
Retained earnings (prior years)	903,401	745,556
Loss/profit for the year	-1,101,715	517,845
TOTAL EQUITY	**7,524,242**	**8,985,957**
TOTAL LIABILITIES AND EQUITY	**18,610,757**	**17,267,533**

26.3. Parent's statement of cash flows

Cash flows from operating activities	**2018**	**2017**
Operating loss	-924,982	-485,280
Adjustments for		
Amortisation and impairment losses	0	1,560
Interest income and expense	801,647	319,695
Other adjustments	-101,469	-50,249
Total adjustments	**700,178**	**271,006**
Change in receivables and prepayments	-15,284	-353,214
Change in payables and advances received	-460,936	-27,440
Net cash used in operating activities	**-701,024**	**-594,928**
Cash flows from investing activities		
Loans provided	-2,079,000	-2,219,548
Repayment of loans provided	272,590	284,641
Interest received	434,873	404,275
Dividends received	360,000	220,000
Other proceeds from investing activities	0	-110,000
Net cash used in investing activities	**-1,011,537**	**-1,420,632**
Cash flows from financing activities		
Loans received	5,409,228	3,730,741
Repayment of loans received	-2,032,596	-775,271
Interest paid	-1,293,138	-836,053
Dividends paid	-360,000	-220,000
Net cash from financing activities	**1,723,494**	**1,899,417**
Net cash flow	**10,933**	**-116,143**
Cash and cash equivalents at beginning of period	1,945	118,088
Increase/decrease in cash and cash equivalents	**10,933**	**-116,143**
Cash and cash equivalents at end of period	12,878	1,945

26.4. Parent's statement of changes in equity

	Share capital	Other reserves	Share premium	Retained earnings	Total
Balance as at 31 December 2016	**70,288**	**2,000**	**7,650,268**	**965,557**	**8,688,113**
Profit for the year	0	0	0	517,845	517,845
Dividends paid	0	0	0	-220,000	-220,000
Balance as at 31 December 2017	**70,288**	**2,000**	**7,650,268**	**1,263,401**	**8,985,957**
Carrying amount of interests under control and significant influence	0	0	-14,407,270	0	-14,407,270
Value of interests under control and significant influence under the equity method	0	0	14,407,270	0	14,407,270
Adjusted unconsolidated equity as at 31 December 2017	**70,288**	**2,000**	**7,650,268**	**1,263,401**	**8,985,957**
Loss for the year	0	0	0	-1,101,715	-1,101,715
Dividends paid	0	0	0	-360,000	-360,000
Balance as at 31 December 2018	**70,288**	**2,000**	**7,650,268**	**-198,314**	**7,524,242**
Carrying amount of interests under control and significant influence	0	0	-16,111,262	0	-16,111,262
Value of interests under control and significant influence under the equity method	0	0	16,111,262	0	16,111,262
Adjusted unconsolidated equity as at 31 December 2018	**70,288**	**2,000**	**7,650,268**	**-198,314**	**7,524,242**