FINORA CAPITAL

CONSOLIDATED ANNUAL REPORT

(translation from Estonian language version)*

Beginning of the financial year: **01.01.2019**
End of the financial year: **31.12.2019**

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**This version of annual report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the annual report takes precedence over this translation.*

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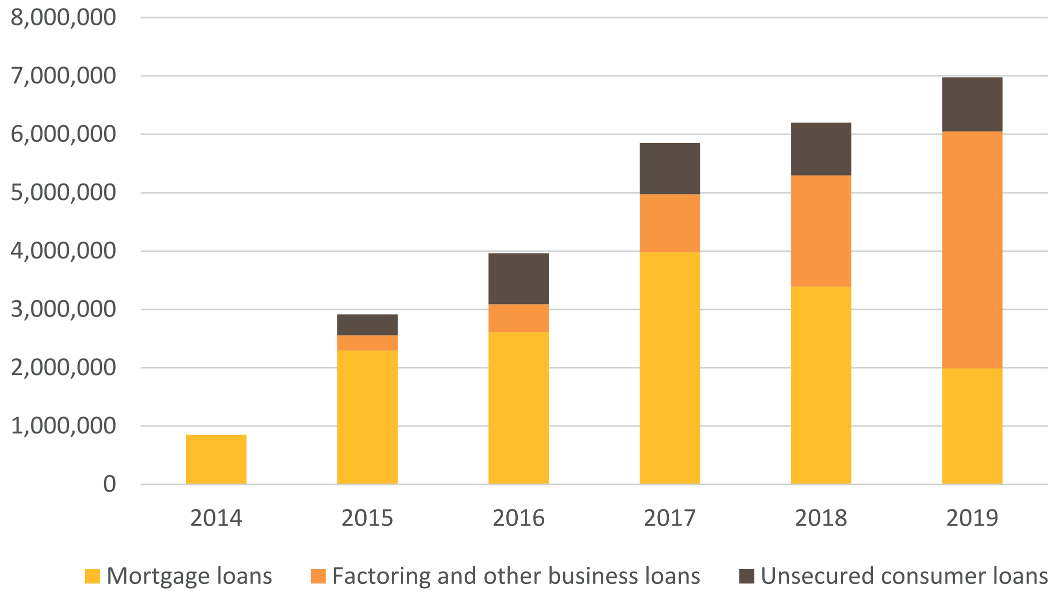
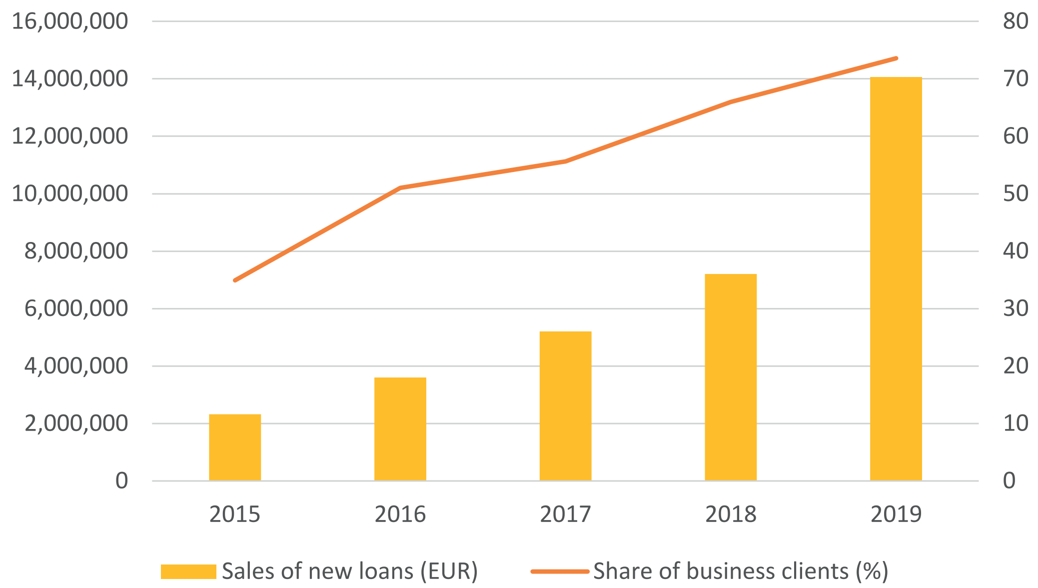
Management report

In the past year, both new sales of loans and the balance of the loan portfolio increased. As in previous years, loans were granted to less than 5% of consumer loan applicants and about 25% of corporate loan applicants, in order to maintain the quality of the portfolio. The volume of new loans issued almost doubled during the year and reached 14 million euros (7.2 million euros a year earlier).

Due to matured loan agreements and loans repaid ahead of schedule, the net growth of the portfolio during the year was 0.73 million euros, or almost 12%. The balance of the loan portfolio reached 7 million euros by the end of the year. The mortgage loan portfolio decreased as several large loans were repaid and no new high-volume mortgage loans were issued. The portfolio of factoring and other business loans more than doubled, inter alia due to the start of lending operations in Lithuania from autumn 2019. The unsecured consumer loan segment is the smallest in the portfolio and changed





minimally over the year (less than 3%). As in previous years, Finora will continue to grow its lending to small and micro enterprises and launch new products. In 2019, guarantees were added to the portfolio. In total, corporate loans account for 73% of the portfolio.

The company financed its operations through equity contributions, loans and bonds. Debt liabilities increased by 9.5% year-on-year and the structure of debt liabilities changed somewhat. While the share of bonds remained at approximately the previous year's level, funding from the bank decreased and the volumes of bilateral loan agreements increased. Most of the bilateral loans are related to a credit line from the UK fund Advanced Global Capital.

The bonds that expired in May 2019 were successfully refinanced with new bonds maturing in April 2022, and the bonds still make up the largest part of debt capital. No public bond offers were organized. All bonds have always been secured more than 100% by various assets and receivables. The company will continue to comply with all the terms of the bond.

In the spring of 2019, Finora kreditas UAB, a 100% owned Lithuanian subsidiary of Finora Capital, was established. The company focuses only on corporate lending in Lithuania and all of its operations are fully consolidated in Finora Capital's results.

The company's revenue last year was over 1.2 million euros. The majority of income is interest income on various loans. In annual terms, total revenues increased by 11% and net revenues by 8%. The opening of a subsidiary in Lithuania did not have a significant impact on revenues, as the first loans were issued only in the last months of the year. In 2020, we want to further diversify both the sources of financing and the loan products we offer in order to increase revenues and provide the financing necessary for the growth of the portfolio.

In annual terms, operating expenses increased by almost 40%, including labor costs by more than 60%, i.e. significantly faster than total revenue. The establishment of a subsidiary in Lithuania increased expenses the most, including hiring employees and office and legal expenses. The costs of the Lithuanian expansion and the increase in personnel costs related to the launch of additional loan products significantly reduced the profit before loan provisions and led to the expected net loss.

AS Bankish, a company the aim of which is the development of new loan management software and which was established in the second quarter of 2017 with the participation of Finora Capital, is continuing its operations. Following the increase in Bankish's share capital, Finora's share in the company has decreased to 17% and the company is considered an affiliate. Today, the developed software is used both in Finora and in several other companies.

In order to better represent the interests of credit providers and to participate in the legislation affecting the sector, a separate creditors' group was formed at the beginning of April 2016 under the MTÜ FinanceEstonia, which is unifying the financial sector. In the autumn of 2016, the Code of Conduct for creditors and credit intermediaries was prepared by the same working group in cooperation with the Ministry of Finance, Estonian Financial Supervision Authority and the Consumer Protection Board. The Board of FinanceEstonia has awarded the Best Practice certificate to Finora Capital in all years from 2017 to 2020. The certificate indicates that Finora Capital is guided by the principles of responsible lending, abides by anti-money laundering rules and actively contributes to the development of good credit market practices.

In 2020, we wish to grow the portfolios of all loan products and bring new products to the market both in Estonia and Lithuania. We are also actively looking for portfolio takeover opportunities. One successful example of this is the full-service leasing company acquired from Inbank in January 2020.

Financial ratios

	2019	Change 2019/2018	2018
Average equity, in euros	826 561	24%	665 640
Return on equity (ROE)	-19,15%	-23,68%	4,53%
Total assets (average), in euros	7 982 029	11%	7 193 311
Return on assets (ROA)	-1,98%	-2,40%	0,42%
Cost and income ratio	98%	23%	76%

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

Return on equity = net profit (loss) / average equity * 100

Assets (average) = (assets at the end of the reporting period + assets at the end of previous reporting period) / 2

Return on assets = net profit (loss) / total assets (average) * 100

Cost and income ratio = operating expenses / net income * 100

Net income = net interest income + other income

Consolidated financial statements

Consolidated statement of financial position (in Euros)

	31.12.2019	31.12.2018	Note
Assets			
Cash	366 816	731 432	
Loan receivables	6 926 452	6 197 425	2
Mortgage loans	1 985 686	3 389 581	
Other loans	4 940 766	2 807 844	
Other receivables and prepayments	819 185	650 310	3, 15
Investments into affiliates	8 380	8 380	7
Property, plant and equipment	12 381	8 416	5
Intangible assets	123 838	111 042	6
Total assets	**8 257 052**	**7 707 006**	
Liabilities and equity			
Loan liabilities	7 314 554	6 680 415	8
Bank loans	397 289	956 156	
Bonds	5 567 265	4 824 259	
Other loan liabilities	1 350 000	900 000	
Payables and prepayments	195 090	120 878	9
Total Liabilities	**7 509 644**	**6 801 293**	
Equity			
Share capital	279 823	279 823	10
Share premium	748 466	748 466	
Own shares	-11	-11	
Retained earnings (loss)	-122 565	-152 712	
Net profit (loss) for the financial year	-158 305	30 147	
Total equity	**747 408**	**905 713**	
Total liabilities and equity	**8 257 052**	**7 707 006**	

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Consolidated income statement (in Euros)

	2019	2018	Note
Interest income	1 025 482	962 077	11
Interest expense	-614 399	-565 836	
Net interest income	**411 083**	**396 242**	
Other income	245 949	213 700	12
Total revenue	**657 032**	**609 942**	
Operating expenses	-328 716	-266 458	13
Labor expenses	-316 531	-195 005	14
Total expenses	**-645 247**	**-461 463**	
Profit before impairment losses	**11 785**	**148 479**	
Depreciation and amortisation	-29 721	-15 375	5,6
Impairment losses on loans	-129 896	-106 487	
Profit (loss) from affiliates	-10 473	3 529	7
Net profit (loss) for the financial year	**-158 305**	**30 147**	

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Consolidated statement of cash flows (in Euros)

	2019	2018	Note
Cash flows from operating activities			
Net profit (loss)	-158 305	30 147	
Adjustments			
Depreciation and amortisation	29 721	15 375	5,6
Loss from shares of affiliate	0	-3 529	
Interest expense	614 399	565 836	
Interest income	-1 025 482	-962 077	11
Total adjustments	**-381 362**	**-384 396**	
Total change in receivables and prepayments related to operating activities	-791 158	-474 711	2,3
Total change in payables and prepayments related to operating activities	74 212	-48 711	9
Interest received	1 030 584	992 457	
Total cash flows from operating activities	**-226 029**	**114 785**	
Cash flows from investing activities			
Purchase of property, plant and equipment	-45 581	-108 751	5,6
Received from the sale of investment property	0	250 000	
Reversal of losses from previous periods	0	-3 529	
Loans to affiliate	-146 000	-309 300	3
Repayment of loans from affiliate	36 000	0	
Total cash flows from investing activities	**-155 581**	**-171 580**	
Cash flows from financing activities			
Loans received	1 056 000	3 364 786	8
Repayments of loans received	-1 164 866	-2 617 359	
Proceeds from issue of shares	0	400 000	
Proceeds from the sale of own shares	0	50 000	
Other proceeds from financing activities (bonds)	2 532 000	1 925 000	8
Other payments from financing activities (bonds)	-1 768 000	-2 081 000	
Interest paid	-638 140	-545 254	
Total cash flows from financing activities	**16 994**	**496 173**	
Total cash flows	**-364 616**	**439 377**	
Cash and cash equivalents at beginning of period	731 432	292 055	
Change in cash and cash equivalents	**-364 616**	**439 377**	
Cash and cash equivalents at end of period	366 816	731 432	

Consolidated statement of changes in equity (in Euros)

	Share capital	Share premium	Own shares	Retained earnings (loss)	Total
31.12.2017	**265 350**	**360 746**	**-2 204**	**-198 326**	**425 566**
Net profit (loss) for the financial year	0	0	0	30 147	30 147
Issue of share capital	14 473	387 720	0	45 614	447 807
Sale of own shares	0	0	2193	0	2193
31.12.2018	**279 823**	**748 466**	**-11**	**-122 565**	**905 713**
Net profit (loss) for the financial year	0	0	0	-158 305	-158 305
Sale of own shares	0	0	0	0	0
31.12.2019	**279 823**	**748 466**	**-11**	**-280 870**	**747 408**

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Notes to the financial statements

Note 1 Accounting Policies

General information

The financial statements have been prepared in accordance with the Estonian Financial Reporting Standard. The basic requirements of the Estonian Financial Reporting Standard have been established in the Accounting Act of the Republic of Estonia and supplemented by guidelines issued by the Accounting Standards Board. In 2019, AS Finora Capital has prepared a consolidated annual report as in the spring of 2018, a 100% subsidiary OÜ Finora Factoring and in 2019 a 100% subsidiary Finora kreditas UAB were established.

The financial statements include the financial statements of the parent company (Finora Capital AS) and its subsidiaries (Finora Factoring OÜ and Finora kreditas UAB).

In the consolidated report, the financial figures of all subsidiaries controlled by the parent company (except for subsidiaries acquired for resale) are consolidated on a line-by-line basis. All receivables and liabilities of the Group companies, their transactions and the resulting unrealized gains and losses are eliminated. Unrealized losses are eliminated unless the transaction indicates impairment of the asset transferred. Income and expenses of subsidiaries acquired during the financial year are consolidated in the income statement of the Group from the time of acquisition until the end of the financial year and the result of subsidiaries sold during the financial year is consolidated in the income statement from the beginning of the financial year to the time of sale.

If necessary, the accounting policies of subsidiaries have been adjusted to the Group's accounting policies.

In accordance with the Estonian Accounting Act, separate consolidated primary financial statements of the consolidating entity (parent company) are disclosed in the notes to the consolidated financial statements. The accounting policies used in the preparation of the parent company's primary financial statements have been the same as those used in the preparation of the consolidated financial statements. The accounting policies for the recognition of subsidiaries have been amended in the parent's separate primary statements in accordance with the requirements of RTJ 11.

In the parent's separate financial statements (note 18), investments in the shares of subsidiaries and affiliates are carried at cost less any impairment losses .

The financial statements are presented in euros (EUR).

The financial statements have been prepared on the historical cost basis.

The main accounting policies used in preparing the financial statements are set out below.

Cash and cash equivalents

Cash and cash equivalents include current account balances and term deposits with maturities of up to 3 months.

Foreign currency transactions and financial assets and liabilities denominated in foreign currency

Foreign currency transactions are recorded based on the foreign currency exchange rates of the European Central bank prevailing on the dates of the transactions. Monetary assets and liabilities, and non-monetary assets and liabilities that are carried at fair value, have been translated to euros using the official foreign currency exchange rates prevailing on the balance sheet date.

Non-monetary assets and liabilities, which are not carried at fair value (i.e. prepayments, tangible and intangible assets), are not translated; instead, foreign currency exchange rates prevailing on the transaction date are used. Gains and losses arising from currency translation differences are recognized in the profit or loss of the financial year on net basis.

Receivables and prepayments

Trade receivables, accrued income and other short and long term receivables (including loans and deposits) are recognized at amortised cost. Amortised cost of short-term receivables is usually equal to the nominal value (less provision made for impairment), therefore short term receivables are recorded in the balance sheet at the collectible amount. All long-term assets are initially recognised at the fair value of the consideration receivable, calculating interest income on the receivable in the following periods using the effective interest rate method.

Factoring

Factoring transactions are considered to be financing transactions where the company provides the financial resources to its sales partner's through transfer of the rights to the receivables from these sales transactions. The company acquires the right for the receivables payable by the buyer subject to the sales contract. Factoring is the transfer (sale) of receivables where depending on the terms of the factoring contract the buyer either retains the right to transfer the risks and rewards back to the seller during a pre-specified term (recourse factoring) or accepts the transfer of substantially all the risks and rewards of the ownership of the receivable (non-recourse factoring) .The receivable to the client is recognized as of the moment of factoring the purchase-sale agreement, i.e. as of assuming the receivable.

Transaction is treated as financing (e.g. loan secured by the receivable) in case the company does not own all the rights related to claim. The claim is booked in statement of financial position until payment is received or recourse is expired. If contract does not include seller's guarantee and the company acquires control of all rights at the moment of selling the claim, the transactions is booked as acquisition of claim. Purchased receivables are initially recorded at fair value and subsequently measured in amortised cost.

Impairment of financial assets

At each balance sheet date the company assesses whether there is evidence that financial assets or group of financial assets carried at amortised cost or at cost are impaired. Whenever evidence of impairment exist financial assets carried at amortised cost are written down to the present value of estimated future cash flows (discounted at the original effective interest rate) and financial assets carried at cost are written down to the amount that according to a reasoned estimate could be obtained if the financial asset were to be sold at balance sheet date. The impairment of financial assets that are individually significant is assessed separately. All financial assets that are not individually significant and for which there is no direct evidence of their impairment are assessed collectively for impairment.

Impairment losses are recognised as an expense in the income statement.

Investments into subsidiaries and affiliates

Subsidiary is a company that is under the control of the parent company. The subisidiary is considered to be under the control of the parent company, if the parent owns directly or indirectly over 50% of the voting shares of the subsidiary or has other means to control the activities and finances of the subsidiary.

Subsidiaries are carried at cost at the statement of financial position. Under the cost method the investment is initially recognised at cost . The cost is subsequently adjusted, if necessary, to recognise any impairment losses. At each reporting date an assessment should be performed to identify whether the recoverable amount of the investment is lower than the carrying amount.

The consolidated financial statements do not include the affiliate company (Bankish AS), an entity over which the Group has significant influence but does not control (Finora Capital holds 17% of the shares). Significant impact means that the Group can participate in making decisions about the financial and operational policies of the company, but cannot determine or control such financial and operational policies.

In accordance with the general principles, affiliates are included in the equity method.

Investment property

The property (land or a building) held by the company for earning rental yields or for capital appreciation, rather than for its own operations, is recorded as investment property. Investment property is initially recognized in the balance sheet at cost, including any directly attributable expenditure.

Subsequently the investment property is accounted for at fair value. Investment property, the fair value of which cannot be reliably determined without undue cost and effort, is accounted for at cost. The method is the same as for tangible assets: any accumulated depreciation and any impairment losses are deducted from the cost.

Tangible and intangible assets

Property, plant and equipment

Property, plant and equipment are assets held by the company for use in production or supply of services, or for administrative purposes with a useful live of over one year and cost of more than 400 euros. Property, plant and equipment are recorded at cost, comprising of purchase price and any costs directly attributable to the acquisition.

The straight-line method is used for calculating depreciation. The depreciation rates are set separately for each item of property, plant and equipment depending on its useful life.

Improvements to property, plant and equipment are capitalized if they comply with the definition of property, plant and equipment and the criteria for recognizing an asset in the balance sheet. Costs related to ongoing repairs are charged to period expenses.

Intangible Assets

Intangible assets are assets with useful life of more than one year and are controllable by the entity, and the cost of an asset can be measured reliably and its future economic benefits will flow to the entity. Intangible assets are initially measured at cost, comprising purchase price less any costs directly attributable to the acquisition. The straight-line method is used for amortizing intangible assets.

Minimum acquisition cost

400 EUR

Useful life by assets group (years)

Asset group name	Useful life
Computers and IT systems	2-5 years
Other tangible assets	2-5 years
Intangible assets	2-5 years

Financial Liabilities

Financial liabilities (trade payables, received loans, accrued expenses, issued bonds and other current and non-current liabilities) are recognised at amortised cost. The amortised cost of current financial liabilities generally equals to their nominal value, therefore current financial liabilities are carried in the balance sheet in their redemption value. For determining the amortised cost of non-current financial liabilities, they are initially recognised at the fair value of the consideration received (less any transaction costs), calculating interest expense on the liability in subsequent periods using the effective interest rate method.

A financial liability is classified as current when it is due to be settled within 12 months after the balance sheet date or the Company does not have an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date or borrowings that the lender has the right to recall on the balance sheet date as a consequence of a breach of contractual terms are also recognised as current liabilities.

Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Other leases are classified as operating leases.

Company as a lessee

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Lease payments are allocated between the interest expense and liability.

Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

Contingent liabilities

All possible or present obligations whose settlement is not probable or the amount cannot be measured with sufficient reliability, are disclosed as contingent liabilities in the notes to the financial statements.

Unused factoring limit arising from differences between total credit limit granted to the seller according to the contract, and the total amount used by the seller, indicating the amount of invoices the seller is eligible to have financed as of the balance sheet date is considered a contingent liability.

Revenue recognition

The company's main revenue stream is interest income from lending activities. Interest income is received from mortgage loans, small loans, hire purchase contracts and factoring contracts.

Revenue is measured on an accrual basis at the fair value of the consideration received or receivable, meaning amounts receivable for services provided, taking into account the amount of any discounts and rebates as specified in the contract. Revenue from rendering the service is recognised during the period of rendering the services when then the receipt of payment from the transaction is probable and the amount of revenue and the costs incurred relating to the transaction can be measured reliably.

Interest income and expenses are recognized in the income statement for all interest bearing financial assets and liabilities carried at amortised cost using effective interest rate method. Interest income is calculated and allocated over the lifetime of the contract

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applying effective interest rate and outstanding principal amount and the income is recorded as „Interest income“ in the income statement.

Taxation

According to the Estonian Income Tax Act the annual profit earned is not taxed. Income tax is charged on fringe benefits, gifts, donations, costs of entertaining guests, dividends, and non-business related disbursements. Thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets and liabilities arise

From 2019, a tax rate of 14/86 can be applied to dividend payments. The more beneficial tax rate can be used for dividend payments in the amount of up to the average dividend payment during the three preceding years that were taxed with the tax rate of 20/80. When calculating the average dividend payment of three preceding years, 2018 will be the first year to be taken into account.

Related parties

Parties are considered to be related either when one party has a control over another party, or significant influence over on the business decisions of another party.

For the purpose of compiling the entity's Annual Report, the following parties have been considered as related parties:

(a) entities that have control or significant influence over the entity;

(b) subsidiaries and affiliates of the entity;

(c) the management of the entity or its parent company, and private owners of the entity having control or significant influence over the entity; close family members of the aforementioned persons and companies controlled by them or under their significant influence;

(d) other related parties.

Note 2 Loan receivables (in Euros)

		ALLOCATION BY REMAINING MATURITY		
	31.12.2019	**within 12 months**	**1-5 years**	**over 5 years**
Mortgage loans to clients	**1 985 686**	**1 227 425**	**395 070**	**363 191**
Mortgage loans	2 029 628	1 227 425	395 070	363 191
Allowance for doubtful accounts	-43 942	0	0	0
Other loans to clients	**4 940 766**	**4 896 285**	**44 481**	**0**
Factoring and other business loans	4 071 929	4 071 929	0	0
Consumer loans	1 047 401	824 356	44 481	0
Allowance for doubtful accounts	-178 564	0	0	0
Total loan receivables to clients	**6 926 452**	**6 123 710**	**439 551**	**363 191**

		ALLOCATION BY REMAINING MATURITY		
	31.12.2018	**within 12 months**	**1-5 years**	**over 5 years**
Mortgage loans to clients	**3 389 581**	**2 165 888**	**572 251**	**651 442**
Mortgage loans	3 446 530	2 165 888	572 251	651 442
Allowance for doubtful accounts	-56 949	0	0	0
Other loans to clients	**2 807 844**	**2 674 916**	**225 954**	**0**
Factoring and other business loans	1 904 608	1 904 608	0	0
Consumer loans	996 262	770 308	225 954	0
Allowance for doubtful accounts	-93 026	0	0	0
Total loan receivables to clients	**6 197 425**	**4 840 804**	**798 205**	**651 442**

As in previous years, all the issued loans are denominated in euro with maturity ranging from 6 months to 20 years (except for factoring contracts, where the usual length of invoice is between 30-90 days). Annual interest rate of the issued loans is 13-32% and the effective interest rate does not differ significantly from the contractual interest rate. As at 31.12.2019, the largest part of the portfolio consisted of factoring, followed by mortgage loans.

Note 3 Receivables and prepayments (in Euros)

		ALLOCATION BY REMAINING MATURITY			
	31.12.2019	within 12 months	1-5 years	over 5 years	Note
Other receivables and prepayments					
Other receivables	296 578	296 578	0	0	
Other paid prepayments	2 516	2 516	0	0	4
Prepaid expenses	25 091	25 091	0	0	
Receivables from affiliate	495 000	0	495 000	0	15
Total other receivables and prepayments	**819 185**	**324 185**	**495 000**	**0**	

		ALLOCATION BY REMAINING MATURITY			
	31.12.2018	within 12 months	1-5 years	over 5 years	Note
Other receivables and prepayments					
Other receivables	242 958	242 958	0	0	
Accrued income	0	0	0	0	
Other paid prepayments	0	0	0	0	
Prepaid expenses	23 646	23 646	0	0	
Receivables from affiliate	383 706	0	383 706	0	15
Total other receivables and prepayments	**650 310**	**266 604**	**383 706**	**0**	

Other receivables mainly consist of penalty interest receivables from loan contracts and receivables from the affiliate.

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Note 4 Tax prepayments and tax payables (in Euros)

	31.12.2019 Tax prepayments	31.12.2019 Tax payables	31.12.2018 Tax prepayments	31.12.2018 Tax payables	Note
Corporate income tax	0	84	0	76	
Value-added tax	0	54	0	28	
Personal income tax	0	8 515	0	5 663	
Social security tax	0	13 839	0	9 379	
Contributions to mandatory funded pension	0	723	0	619	
Unemployment insurance premium	0	719	0	594	
Net of prepayment account	2 516	0	-44	0	3
Total tax prepayments and liabilities	**2 516**	**23 936**	**-44**	**16 359**	**9**

The company does not have any overdue tax payables.

The tax authorities have the right to verify the Company's tax records up to 5 years from the time of filing the tax return and upon finding errors, impose additional taxes, interest and fines. The Company's management estimates that there are not any circumstances which may lead the tax authorities to impose additional significant taxes on the Company.

Note 5 Property, plant and equipment (in Euros)

	Computers and IT systems	Other property, plant and equipment	Total
31.12.2018			
Cost	14 224	4 749	18 973
Accumulated depreciation	-6 415	-4 142	-10 557
Carrying amount	**7 809**	**607**	**8 416**
Additions and improvements	6 430	2527	8 957
Sales	-900	0	-900
Depreciation	-3 903	-1 089	-4 993
31.12.2019			
Cost	19 754	7 276	27 030
Accumulated depreciation	- 9 418	-5 231	-14 649
Carrying amount	**10 336**	**2 045**	**12 381**

No write-downs of assets have taken place during the reporting period.

Note 6 Intangible assets (in Euros)

	Concessions, patents, licenses, trade marks	Other intangible assets	Total
31.12.2018			
Cost	133 925	21 843	155 768
Accumulated depreciation	-25 451	-19 275	-44 726
Carrying amount	**108 474**	**2 568**	**111 042**
Additions and improvements	30 762	6 762	37 524
Depreciation	-20 632	-4 096	-24 728
31.12.2019			
Cost	164 687	28 605	193 292
Accumulated depreciation	-46 083	-23 371	-69 454
Carrying amount	**118 604**	**5 234**	**123 838**

In 2019, several additional software solutions were ordered, with the help of which a new loan product offered to individuals through e-shops was introduced to the market in 2019.

There have been no write-downs of assets during the reporting period.

Note 7 Subsidiaries and affiliates (in Euros)

Shares in subsidiary	**31.12.2019**
Name of subsidiary	Finora kreditas UAB
Registration number	305156796
Country of residency	Lithuania
Ownership share	100%
Ownership nominal value	250 000
Expenses related to establishment	10 473
Profit (loss) in carried at cost method	0
	260 473

Shares in subsidiary	**31.12.2019**	**31.12.2018**
Name of subsidiary	Finora Factoring OÜ	Finora Factoring OÜ
Registration number	14439107	14439107
Country of residency	Estonia	Estonia
Ownership share	100%	100%
Ownership nominal value	10 000	10 000
Expenses related to establishment	190	190
Profit (loss) in carried at cost method	0	0
	10 190	**10 190**

Shares in affiliate	**31.12.2019**	**31.12.2018**
Name of affiliate	Bankish AS	Bankish AS
Registration number	14251833	14251833
Country of residency	Estonia	Estonia
Ownership share	17%	17%
Ownership nominal value	8 000	8 000
Expenses related to establishment	190	0
Share value at acquisition cost	8 190	4 661
Reversal of losses from previous periods	0	3 529
	8 190	**8 190**

Note 8 Loan liabilities (in Euros)

	ALLOCATION BY REMAINING MATURITY				
	31.12.2019	within 12 months	1-5 years	over 5 years	Due date
Bank loans					
Coop Pank AS	397 289	0	397 289	0	May 2021
Total bank loans	**397 289**	**0**	**397 289**	**0**	
Other loans					
Corporates	1 200 000	0	1 200 000	0	
Private individuals	150 000	150 000	0	0	June 2020
Total other loans	**1 350 000**	**0**	**1 200 000**	**0**	
Bonds					
Bonds	5 567 265	0	5 567 265	0	April 2022
Total bonds	**5 567 265**	**0**	**5 567 265**	**0**	
Total loan liabilities	**7 314 554**	**150 000**	**7 164 554**	**0**	

		ALLOCATION BY REMAINING MATURITY			
	31.12.2018	within 12 months	1-5 years	over 5 years	Due date
Bank loans					
Coop Pank AS	956 156	0	956 156	0	May 2021
Total bank loans	**956 156**	**0**	**956 156**	**0**	
Other loans					
Corporates	900 000	0	900 000	0	
Total other loans	**900 000**	**0**	**900 000**	**0**	
Bonds					
Bonds	4 824 259	4 824 259	0	0	May 2019
Total bonds	**4 824 259**	**4 824 259**	**0**	**0**	
Total loan liabilities	**6 680 415**	**4 824 259**	**1 856 156**	**0**	

Interest rates of loans range between 7.0% -11% depending on the maturity of the loans and agreed level of collateralization.

- Loan from Coop Pank AS 7.0%
- Bonds 9.0%
- Loans from legal entities 9.0-11.0%

Since March 2015, the main source of funding has been secured bonds: the bond on the balance sheet at the end of 2019 is maturing in April 2022 and has an interest rate of 9.0%. The effective interest rate on loans and bonds does not differ significantly from the contractual interest rate. Bonds are pledged with mortgages, pledges arising from loan agreements, and account pledges, which must cover 105% of the debt obligations at minimum. As of the end of the reporting period, 31% of the collateral was mortgage and real estate pledges, 16% pledges from the Lithuanian subsidiary (and thus pledges of Lithuanian corporate customers), 8% factoring pledges, 25% corporate microloan and consumer loan pledges, and the rest account pledges and receivables from affiliated companies (total collateral is over 100% of issued bonds). All issued loans and bonds are denominated in euro. The bank loan is 100% secured by mortgage pledges. A loan taken from a legal entity (EUR 1,200,000) is a credit line with no fixed maturity.

Note 9 Other payables and prepayments (in Euros)

	31.12.2019	31.12.2018	Note
Trade payables	24 571	16 644	
Payables to employees	31 588	20 504	
Tax payables	23 936	16 359	4
Other liabilities	61 067	62 529	
Interest liabilities	55 064	46 640	
Other accrued expenses	6 003	15 889	
Prepayments received	53 928	4 842	
Deferred income	53 928	4 842	
Total payables and prepayments	**195 090**	**120 878**	

All payables and prepayments are due within 12 months.

Note 10 Share capital (in Euros)

	31.12.2019	31.12.2018	31.12.2017	31.12.2016
Share capital	279 823 *	279 823	265 350	250 000
Number of shares (pcs)	279 823 *	279 823	265 350	2

* Of this, 11 shares are in the balance sheet as treasury shares

The company had no contingent liabilities (related to dividends) as of 31.12.2019 and as of 31.12.2018.

As retained earnings are negative, there is no contingent amount of income tax on dividends.

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Note 11 Interest income (in Euros)

	2019	2018
Geographical breakdown of sales revenue		
Sales to European Union countries		
Estonia	997 819	962 077
Lithuania	27 663	0
Sales to European Union countries, total	**1 025 482**	**962 077**
Total revenue	**1 025 482**	**962 077**
Sectoral breakdown of sales revenue		
Interests from mortgage loans	296 423	456 206
Other interests	659 459	484 857
Fee income	69 600	21 013
Total revenue	**1 025 482**	**962 077**

Company's main source of revenue is interest received from lending activities. Interest is received from mortgage loans, small loans, microloans, hire-purchase and factoring contracts. The majority of revenue came from Estonia, 2.7% from Lithuania.

Note 12 Other income (in Euros)

	2019	2018
Penalty interest	243 079	210 225
Other fee income	0	475
Other operating income	2 870	3 000
Total other income	**245 949**	**213 700**

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Note 13 Operating expenses (in Euros)

	2019	2018
Office expenses	40 629	21 757
State and local taxes	2 212	844
IT services costs	49 033	53 101
Legal costs	78 211	23 876
Advertising and marketing costs	37 935	39 193
Accounting services (incl. audit costs)	11 370	22 285
Other	109 326	105 402
Total miscellaneous operating expenses	**328 716**	**266 458**

Other expenses include queries to databases, costs related to the issue of bonds, travel costs and various other operational costs.

Note 14 Labor expenses (in Euros)

	2019	2018
Wages and salaries	252 251	148 251
Labour taxes	64 280	46 754
Total labour expenses	**316 531**	**195 005**
Average number of employees in full time equivalent units	**11**	**7**

Note 15 Related parties (in Euros)

Name of accounting entity's parent company: **Nebbiolo Capital OÜ**

Country, where parent company is registered: **Estonia**

Related party balances according to groups	31.12.2019 Receivables	31.12.2019 Liabilities	31.12.2018 Receivables	31.12.2018 Liabilities	31.12.2017 Receivables	31.12.2017 Liabilities
Affiliates	495 000	0	383 706	0	51 975	0
Other companies within the same consolidation group	0	0	0	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher supervisory body	49 711		29 349	6 162	0	2 415

2019	Sales	Purchases	Received loans	Repayment of received loans
Parent company	0	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	83 244	78 907	215 000	65 000

2018	Purchases	Received loans	Repayment of received loans
Parent company	0	0	0
Management and higher supervisory body and individuals with material ownership interest and material influence of management and higher	114 836	175 000	175 000

Remuneration and other significant benefits calculated for members of management and highest supervisory body	2019	2018
Remuneration	37 224	37 224

Parties are considered to be related either when one party is controlled by another, or one party has significant influence over the business decisions of another. Related party is management and supervisory board members and their close relatives and corporates controlled by them. There have been no write-downs of related party assets during the reporting period.
Management received management fees and did not receive any other significant benefits.
The company does not have any contingent liabilities in connection with its management.
The interest rate of the loan to the affiliate is 11% and the loan has no collateral.

Note 16 Contingent liabilities (in Euros)

	2019	2018
Issued guarantees	1 194 460	0
Unused factoring limits	2 492 285	2 329 763
Total contingent liabilities	**3 686 745**	**2 329 763**

Note 17 Events after the balance sheet date

In the first quarter of 2020, the share capital of the Lithuanian subsidiary Finora kreditas UAB was increased to 500,000 euros.

In January 2020, Finora acquired a 100% subsidiary of Inbank, offering full-service leasing. After the acquisition, the company was renamed AS Finora Finance. As a result of the transaction, Finora Group's consolidated loan portfolio increased to 10 million euros by the end of January 2020. In May the ownership of the company returned to Inbank as Inbank and Finora Capital could not agree on the final execution of the share purchase agreement.

Covid-19, which has started to spread in the world and in Estonia, affects the activities of all companies. On the one hand, this is likely to limit Finora Capital's ability to raise additional loan capital and thus may affect the growth of the company's loan portfolio. On the other hand, it affects the payment behavior of the company's customers. At the time of auditing the report, Finora Capital had offered payment holidays to several customers, but the company does not yet notice a significant change in payment behavior. The impact may come in the second half of the year and require additional loan provisions. As the circumstances are uncertain and develop fast, we do not see it reasonable to provide quantitative assessments on the impact of the health crisis to our company. However, to balance potential economic impact, the shareholders increased in May 2020 the equity of Finora by 550 000 EUR.

Note 18 Unconsolidated financial statements of the parent company

Statement of financial position (in Euros)

	31.12.2019	31.12.2018
Assets		
Cash	174 315	269 516
Loan receivables	4 177 043	5 330 532
Mortgage loans	1 985 686	3 389 581
Other loans	2 191 357	1 940 950
Other receivables and prepayments	2 153 737	979 797
Investments into subsidiaries and affiliates	278 853	18 380
Property, plant and equipment	12 381	8 416
Intangible assets	118 800	111 042
Total assets	**6 915 129**	**6 717 683**
Liabilities and equity		
Loan liabilities	6 114 555	5 780 415
Bank loans	397 289	956 156
Bonds	5 567 266	4 824 259
Other loan liabilities	150 000	0
Other payables and prepayments	174 532	120 878
Total Liabilities	**6 289 087**	**5 901 293**
Equity		
Share capital	279 823	279 823
Share premium	748 466	748 466
Own shares	-11	-11
Retained earnings (loss)	-211 888	-152 712
Net profit (loss) for the financial year	-190 348	-59 175
Total equity	**626 042**	**816 390**
Total liabilities and equity	**6 915 129**	**6 717 683**

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Income statement (in Euros)

	2019	2018
Interest income	767 057	831 956
Interest expense	-526 501	-529 841
Net interest income	**240 556**	**302 115**
Other income	245 933	213 700
Total revenue	**486 489**	**515 815**
Operating expenses	-260 210	-261 653
Labour expenses	-257 361	-195 005
Total expenses	**-517 571**	**-456 658**
Profit before impairment losses	**-31 082**	**59 157**
Depreciation and amortization	-29 370	-15 375
Impairment losses on loans	-129 896	-106 487
Reversal of losses from previous periods	0	3 529
Net profit (loss) for the financial year	**-190 348**	**-59 175**

Statement of cash flows (in Euros)

	2019	2018
Cash flows from operating activities		
Net profit (loss)	-190 348	-59 175
Adjustments		
Depreciation and amortisation	29 370	15 375
Reversal of losses from previous periods	0	-3 529
Interest expense	558 666	529 841
Interest income	-767 057	-831 956
Total adjustments	**-179 021**	**-290 269**
Total change in receivables and prepayments related to operating activities	1 098 603	392 082
Total change in payables and prepayments related to operating activities	32 661	-48 711
Interest received	799 220	836 796
Total cash flows from operating activities	**1 561 115**	**830 723**
Cash flows from investing activities		
Purchase of property, plant and equipment	-40 151	-108 751
Received from the sale of investment property	0	250 000
Paid at the establishment of the subsidiary and affiliate	-260 473	-10 190
Reversal of losses from previous periods	0	-3 529
Loans to subsidiaries and affiliates	-2 102 277	-1 355 850
Repayment of loans to subsidiaries and affiliates	950 865	742 891
Total cash flows from investing activities	**-1 452 036**	**-485 430**
Cash flows from financing activities		
Loans received	756 000	2 464 786
Repayments of loans received	-1 164 866	-2 617 359
Proceeds from issue of shares	0	400 000
Proceeds from the sale of own shares	0	50 000
Other proceeds from financing activities (bonds)	2 532 000	1 925 000
Other payments from financing activities (bonds)	-1 768 000	-2 081 000
Interest paid	-559 414	-509 259
Total cash flows from financing activities	**-204 280**	**-367 832**
Total cash flows	**-95 201**	**-22 539**
Cash and cash equivalents at beginning of period	269 516	292 055
Change in cash and cash equivalents	**-95 201**	**-22 539**
Cash and cash equivalents at end of period	174 315	269 516

Statement of changes in equity (in Euros)

	Share capital	Share premium	Own shares	Retained earnings (loss)	Total
31.12.2017	**265 350**	**360 746**	**-2 204**	**-198 326**	**425 566**
Net profit (loss) for the financial year	0	0	0	-59 176	-59 176
Issue of share capital	14 473	387 720	0	45 614	447 807
Sale of own shares	0	0	2 193	0	2 193
31.12.2018	**279 823**	**748 466**	**-11**	**-211 888**	**816 390**
Net profit (loss) for the financial year	0	0	0	-190 348	-190 348
31.12.2019	**279 823**	**748 466**	**-11**	**-402 236**	**626 042**

Adjusted unconsolidated equity	
Investments into subsidiaries and affiliates	-278 853 EUR
Investments into subsidiaries and affiliates, based on equity method	400 219 EUR
Adjusted unconsolidated equity as of 31.12.2019	747 408 EUR

Signatures of the report

Signing of the report: **21.05.2020**

The correctness of the annual report of AS Finora Capital (registry number 12324050) for the period 01.01.2019 – 31.12.2019 has been approved:

Name:	Position:	Date and signature:
Andrus Alber	Member of the Board	21.05.2020 */signed/*

Independent Auditor's Report

To the Shareholders of AS Finora Capital

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of AS Finora Capital and its subsidiaries (together the Group) as at 31 December 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the Estonian financial reporting standard.

What we have audited

The Group's consolidated financial statements comprise:
- the consolidated statement of financial position as at 31 December 2019;
- the consolidated income statement for the year then ended;
- the consolidated statement of cash flows for the year then ended;
- the consolidated statement of changes in equity for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the ethical requirements of the Auditors Activities Act of the Republic of Estonia. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and the ethical requirements of the Auditors Activities Act of the Republic of Estonia.

Other information

The Management Board is responsible for the other information. The other information comprises the Management report and the Distribution of sales revenue by field of activity (but does not include the consolidated financial statements and our auditor's report thereon).

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

AS PricewaterhouseCoopers
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Translation note:

This version of our report is a translation from the original, which was prepared in Estonian. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of our report takes precedence over this translation.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Board and those charged with governance for the consolidated financial statements

The Management Board is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with the Estonian financial reporting standard and for such internal control as the Management Board determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the consolidated financial statements

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Board.

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- Conclude on the appropriateness of the Management Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

AS PricewaterhouseCoopers

/signed/

Evelin Lindvers
Auditor's certificate no.622

28 May 2020
Tallinn, Estonia

Translation note:

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Proposal for loss coverage (in Euros)

	31.12.2019
Retained earnings (accumulated losses)	-122 565
Profit (loss) for the reporting period	-158 305
Total	**-280 870**
Distribution	
Profit (loss) for the reporting period	-280 870
Total	**-280 870**

Decision on loss coverage (in Euros)

	31.12.2019
Retained earnings (accumulated losses)	-122 565
Profit (loss) for the reporting period	-158 305
Total	**-280 870**
Distribution	
Profit (loss) for the reporting period	-280 870
Total	**-280 870**

Declaration of the Supervisory Board

The management board of AS Finora Capital has prepared the company's annual report, consisting of the management report and financial statements for the financial year.

The Supervisory Board has reviewed the 2019 annual report prepared by the management board, consisting of management report, financial statements, independent auditor's report, the management board's profit allocation proposal, and has approved the annual report for presentation on the annual general meeting. The annual report is signed by all members of the Supervisory Board.

Veikko Maripuu

Chairman of the Supervisory Board

/signed/

Anna Trine Raudsepp

Member of the Supervisory Board

/signed/

Vahur Kraft

Member of the Supervisory Board

/signed/

Rein Ojavere

Member of the Supervisory Board

/signed/

Distribution of sales revenue by field of activity

Field of activity	EMTAK code	Sales revenue (EUR)	Sales revenue (%)	Main field of activity
Other credit products, excl pawnshops	64929	1 025 482	100.00%	Jah

Share holders

Name	Registry code	Location	Size of ownership
Nebbiolo Capital OÜ	11918037	Estonia	213 500 EUR
OÜ Bukler	10281394	Estonia	36 500 EUR
AS Esma Vara	10103770	Estonia	8 772 EUR
OÜ Jõuvärk	14324692	Estonia	8 771 EUR
Aleksander Pajuri	35104080310	Estonia	6 140 EUR
Indrek Randveer	37302260340	Estonia	6 140 EUR

Contact details

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