BASE PROSPECTUS

Dated 17 July 2015

€30,000,000
BOND ISSUANCE PROGRAMME
OF A NOMINAL VALUE OF €100,000 PER BOND

FERRATUM BANK P.L.C.
(duly incorporated under the laws of Malta under registration number C-56251)

Guaranteed by
FERRATUM OYJ
(duly incorporated under the laws of Finland under registration number 1950969-1)

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

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

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

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

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IMPORTANT INFORMATION

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

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

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

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

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

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

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

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

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS SHOULD INFORM THEMSELVES AS TO

THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

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

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

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

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

1 Definitions

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

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

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

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

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

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

2 Persons responsible

This Document includes information prepared in compliance with the Guidelines for Listing and Trading on the EWSM for the purpose of providing prospective investors with information regarding the Issuer and the Guarantor. All of the Directors of the Issuer and the Guarantor, whose names appear under the heading **"Identity of Directors, Senior Management, Advisors and Auditors"** in Section 9 of the Document, accept responsibility for the information contained in this Document.

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

3 Risk factors

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

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

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

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

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

3.1 Introduction

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

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

3.2 Risks concerning the Issuer and the Guarantor

3.2.1 Economic risk

Changing economic conditions have a strong influence on the consumer credit and microloans credit markets. The Group results depend on the demand for microloans, as well as on access to capital, which in turn are affected by general and regional economic conditions. Typically, a regional or global economic downturn results in a fall in demand and more difficult access to capital, while putting pressure on the Group's existing and potential customers. The combined effect may translate into lower demand for the Group's products or may translate into lower quality of credit worthiness of customers. The recent financial and economic crisis was global in scale and the risk of the unknown negative effects of this crisis on the economies still cannot be entirely ruled out. Difficulties in access to capital may result in a decreased ability to arrange as many microloans as demanded by the market. In turn, this may cause the Group to lose the momentum of its market growth and market share and, thereby, have a material adverse effect on its business, financial standing, results from operations and prospects.

3.2.2 Fraud risk

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

It is relevant to mention that the fraud risk may have a negative impact on the Guarantor's net income. In the case of existence of fraud risk, the Guarantor would also have to create additional reserves to cover potential fraud losses.

3.2.3 Liquidity risk

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

Lack of liquidity may occur in numerous scenarios, including but not limited to two specific potential risk scenarios: the first concerns the situation when the bad debt rate is increasing uncontrollably due to serious financial problems from a segment of the Group's customers. The second is connected with the growth of business in new countries. New countries' business is incapable of financing itself at the very beginning. Consequently, the Guarantor has to provide the liquidity required for the new business. In case of deterioration of the 'bad debt' ratio and deterioration of cash, material adverse effects on the Group's business, financial standings, results of operations and prospects may result.

3.2.4 Risk of limited access to capital

The sub-prime and European financial crises have demonstrated certain inherent weaknesses in the global financial system. This can result in the weakening of confidence in financial markets, which may in turn lead to a reduced supply of money. The Guarantor is a fast growing group which uses external funding in order to support its rapid expansion. Typically, any disturbances in the banking and financial sector negatively affect leveraged businesses by increasing the cost of money necessary to conduct the day-to-day business and fuel their expansion, and by limiting access to funding. A limited availability of credit and limitations in access to financial and capital markets, combined with rising credit costs, may slow down, deteriorate, or even prevent the growth and further expansion of the Group entirely. Worse yet, the limitations may undermine the Group's potential to remain profitable, which may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.5 Credit loss risk

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

To mitigate and control the above mentioned credit risks, the Group strongly adheres to the established Credit Risk policies and follows ethical and good crediting principles. In a rapidly changing economic environment there might arise a situation where current policies and procedures are not sufficient or are subject to a procedural 'time lag'. As a result, the Group might be vulnerable to credit loss risks and deterioration in portfolio quality. Insufficient risk management procedures might also have a material adverse effect on the Group's overall financial and operational results or prospects.

3.2.6 Risk of unsuccessful strategy implementation

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

The Group constantly evaluates potential new markets throughout the world. This could lead to a material adverse effect on the Group's business, financial condition, results of operations and prospects. Any difficulties associated with the strategy of geographical expansion of the Group, such as delays in openings of new countries, as well as any inability to obtain operational benefits within the expected time after opening a new business unit, could have an adverse effect on the Group's future results and the fulfilment of its strategy. Because of these factors, a failure in the strategy implementation may have a negative impact on the Group's expected growth rate and may weaken the Group's ability to grow.

Intensified investment costs, management time and focus on expansion via banking licence as well as failure in IT development and improvement may have a material adverse effect on the Group's business, financial standing, results of operations and prospects. Product variations would provide the Group with product portfolio diversification. Nonetheless, introduction of new products – even when based on the same process, same systems and same scoring as microloans – involves additional investments and carries the risk of failure or extended period of implementation. Intensified investment costs and risk of new product introduction failure or changes in timeliness may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

Organic growth, product variations and geographical expansion are core components of the Guarantor's growth strategy. However, growth through acquisitions (direct competitors or databases) is not entirely ruled out. In the case of an acquisition, the Guarantor would undertake a rigorous procedure in the evaluation of any potential benefits in comparison to alternative investments (mostly organic growth). Nonetheless, there exist risks connected with any potential acquisitions. Any acquisition the Group may undertake in the future could require the Group to use significant financial resources (including cash). If the Group experiences any difficulties in integrating acquired operations into its business, the Group may incur higher than expected costs and not realize all the benefits of these acquisitions. This could lead to adverse accounting and financial consequences, such as the need to make large provisions against the acquired assets or to write down acquired assets. If the Guarantor is not able to successfully integrate the operations of any companies that the Group acquires in the future, there could be a material adverse effect on the Group's business, financial condition, results of operations and prospects.

3.2.7 Risk of losing diversification ability

The international business operations of the Group allow it to mitigate the risk of lack of microloan portfolio diversification. Nonetheless, some countries, like Sweden or Poland, create more revenues than others and, simultaneously, are more important and more risky from a diversification point of view. If anything goes wrong in those countries, then the diversification process will be endangered. It is noteworthy that the microloan portfolio is built on microloans lent to customers from different social backgrounds. The different socio-economic 'clusters' of the Group's customers allow it to keep the microloan portfolio diversified. If the Guarantor would not be able to successfully diversify its microloan portfolio, then it may have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

3.2.8 Regulatory risk concerning Group business and strategy

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

a. New country business opening legal risk

The legal requirements for opening business in new countries vary significantly:

- Some jurisdictions have no registration / licence requirement
- Some jurisdictions have strict licencing requirements (e.g. banking licence)

Entering new countries presents challenging legal requirements and rules on a local level. Failures of the Group's legal check, whether systemic or based on merit, in new countries may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

b. EU regulatory risk and risk of implementation of EU consumer credit directive

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

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

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

3.2.9 Compliance with consumer protection laws and other local legal requirements

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

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

In some countries, even when the local legal standards are met by the Group, there is still a requirement imposed by local financial regulatory and supervisory authorities to obtain a licence prior to commencing any micro-lending business. Therefore, there is a risk of delays in obtaining the required licence, which may lead to delays in business opening.

To mitigate this risk, the Guarantor cooperates with the best local legal firms. Nonetheless, the long period of approval procedure brings along the risk of delayed entrance into new countries, which may have a material adverse effect on the Group's business and prospects.

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

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

3.2.12 Risk of compliance procedure initiated by a Local Authority

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

3.2.13 Reputation risk

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

3.2.14 Competition risk

The Guarantor faces increasing competition in all countries of its operations. The Guarantor remains competitive due to its superior operational efficiency and fine-tuned, constantly developing processes. The highest risk of competition is experienced in mature markets where there is high saturation. Intensive competition has pushed prices downward, which may erode the margins and the net income of the Guarantor's Group. A deterioration of the Group's position in all countries of its operations may have a material adverse effect on the Group's business, financial standing, results of operations and prospects.

3.2.15 Risk relating to rapid growth and internalisation

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

3.2.16 Market risk

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

3.2.17 Interest rate risk

Changes to interest rates and parameters of financial markets have affected and will continue to affect the Group. Interest rates are highly sensitive to many factors, including international and domestic economic and political conditions, and other factors beyond the Group's control. Fluctuations in interest rates may result in increases to financial costs which may not always be covered by increases in financial revenues from microloan agreements. In particular, the Group is exposed to the interest rate risk resulting from microloan agreements being based on fixed costs of loaned money (including floating charges based on interest rate) and external financing being partly based on floating interest rates. Differences between fixed and floating financial charges create a risk of wider spreads between financial (microloan) revenues and financial (borrowed money) costs which, if negative for the Group, may lead to losses on financial activity. Increased costs of borrowings have a material impact on the cost base of the Group, the impact of which is difficult to offset or partially transfer to customers through increased service costs.

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

3.2.18 Foreign exchange risk

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

3.2.19 IT risks

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

The online applications have two audit logs:

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

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

A security audit covering all IT systems is performed by an independent third party specialist. Thus, a malfunction in IT systems or a break in operations due to IT updates means potentially severe exposure of the Group to IT risk. A deterioration of the Group's IT systems and software or a failure to protect its data against any cyber-attack may have a material adverse effect on the Group's business, financial standing, results of operations and prospects. Additional hosting and back-up solutions have been put in place. Production systems have been transferred from AWS to COLT, which is one of the leading banking systems hosting provider.

3.2.20 Risk relating to the EU Bank Recovery and Resolution Directive

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

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

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

(a) a determination by the competent authority or Resolution Authority that a bank is failing or is likely to fail;

(b) no reasonable prospect that any alternative private sector measures or supervisory action would prevent the failure of the bank within a reasonable timeframe; and

(c) a bail-in is necessary in the public interest.

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

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

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

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

3.2.21 Human resources risk

The Guarantor's activities depend on its employees. With regard to human resources risks, the anticipated increase in personnel expenses because of future wage increases has to be considered. If the rate of increase is particularly high, Ferratum Oyj may not be able to raise productivity enough to compensate for the higher costs.

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

3.2.22 The absence of a prior public trading for the Shares may seriously impact the liquidity and trading price of the Shares issued by the Guarantor.

Prior to the offering and the subsequent listing of the Shares on the Frankfurt Stock Exchange, there has been no public market for the Shares of the Group. The Group cannot give any assurance that an active trading market will develop after the listing or, if developed, can be maintained. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

3.2.23 The market price of the Shares issued by the Guarantor may be volatile.

The Offer Price may bear no relation to the price at which the Shares are trading on the Frankfurt Stock Exchange. Publicly traded securities occasionally experience significant price and volume fluctuations that may be unrelated to the operating performance of the companies that have issued them. In addition, the market price of the Shares may prove to be highly volatile. The market price of the Shares may fluctuate significantly and could decline considerably despite positive business developments.

The market price of the Shares can experience major fluctuations due to, in particular, changes in the Group's actual or projected results of operations or those of its competitors, changes in earnings projections or failure to meet investors' and analysts' earnings expectations, additions or departures of key personnel, changes in market valuation of similar companies, changes in the legal or regulatory framework governing microlending, investors' evaluations of the success and effects of the strategy described in this Prospectus, as well as the evaluation of the related risks, changes in general economic conditions, changes in shareholders, and other factors. Additionally, general fluctuations in share prices, particularly of shares of companies in the same sector, could lead to pricing pressure on the Shares, even where there may not necessarily be a reason for this in the Group's business or earnings outlook. Any of these events could result in a material adverse effect on the market price of the Shares.

3.2.24 Future capitalisation measures by the Group could lead to substantial dilution i.e., a reduction in the value of the Shares and the control rights of existing shareholders` interests in the Group

The Group may require additional capital in the future to finance its business operations and growth, especially to implement its medium-term strategy to expand to new markets. Both the raising of additional equity through the issuance of new or treasury shares and the potential exercise of conversion or option rights by the holders of convertible bonds or bonds with warrants, which may be issued in the future by the Group, may dilute shareholder interest. Additionally, the acquisition of other companies or investments in companies in exchange for newly issued shares of the Group, as well as the exercise of stock options by its employees in the context of future stock option programs or the issuance of shares to employees in the context of future employee stock participation programs could lead to such dilution.

3.2.25 Any future sales of Shares by the Group's CEO Jorma Jokela or other existing shareholders of the Group could depress the market price of the Shares issued by the Guarantor

Following the Offering of shares by the Guarantor, the Group's controlling shareholder, its CEO Jorma Jokela, will continue to hold more than 50% of all Shares (57.43% is the holding of Jorma Jokela following the Offering). While Jorma Jokela and other key shareholders of the Guarantor have committed themselves to a lock-up period of 24 months (except for Pontos Capital and Pontcap which have a lock-up period of 12 months) following the Offering, if Jorma Jokela or any of the Group's other larger existing or future shareholders were to sell substantial numbers of Shares on the public exchange or if market participants were to become convinced that such sales might occur, this could have a significant adverse effect on the market price of the Shares issued by the Guarantor.

3.2.26 The Group's CEO Jorma Jokela controls and subsequent to the Offering will continue to control management and operations and may act in his own interest, which could differ from the interests of other shareholders

The Group is controlled by Jorma Jokela, who directly and indirectly owns more than 50% of the Group's Shares. The remaining Shares are held by investors and key management personnel.

Depending upon the attendance at any shareholders’ meeting, Jorma Jokela may be able to exercise a controlling influence over the resolutions adopted by the relevant shareholders' meeting. Any shareholder (or group of shareholders acting in concert) that controls more than 50% of the Shares represented at a shareholders' meeting will be able to exercise significant influence over resolutions adopted by the shareholders' meeting, including the appointment and removal of members of the Board of Directors, issuances of Shares by way of rights issues and dividend distributions. Additionally, Jorma Jokela will be able to block any resolution by the shareholders' meeting that requires a qualified majority of two-thirds of votes given in and shares represented in the shareholders' meeting or a higher majority of the shares or votes. Resolutions requiring a qualified majority of two-thirds of votes given in and shares represented in the shareholders' meeting include, under the Finnish Companies Act (624/2006, as amended), inter alia amendment of the articles of association of the Group, targeted issuances of shares, issuances of option rights and other rights entitling to shares, and the acquisition of own shares by the Guarantor.

The concentration of share ownership in a single shareholder may have a negative impact on the Group's share price, as investors may regard the holding of shares in companies with controlling shareholders as disadvantageous. This concentration of share ownership could delay, postpone, or prevent a change of control in the Group, as well as a merger, consolidation, takeover, or any other form of corporate acquisition, which could be beneficial for investors.

3.3 Risks relating to the Bonds

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

3.3.1 Bonds may not be a suitable investment for all investors

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

a. have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds as set out in this Base Prospectus;

b. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation and the investment(s) it is considering, an investment in the Bonds and the impact the Bonds will have on its overall investment portfolio;

c. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, including cases in which the currency for principal or interest payments is different from the potential investor's currency;

d. understand thoroughly the terms of the Bonds and the content of this Base Prospectus; and

e. be able to evaluate, either alone or with the help of a financial adviser, possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

3.3.2 Liquidity risk

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

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

3.3.3 Interest rate risk

The Bonds have a fixed interest rate. Accordingly, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds and their transferability.

3.3.4 Risk of unsuccessful issue

The Bonds Issue will be deemed unsuccessful if the Issuer withdraws from the Issue of the Bonds for reasons beyond its control, such as extraordinary events, substantial change of the political, financial, economic, legal, monetary or market conditions at national or international level and/or adverse events regarding the financial or commercial position of the Issuer or other relevant events that in the reasonable discretion of the Issuer may be prejudicial to the offer.

The Issue will additionally be deemed as unsuccessful if the subscriptions and payments for the Bonds do not reach the amount of EUR 200,000 (EUR two hundred thousand). In the event the Issue is unsuccessful, the Board of Directors of the Issuer shall notify the investors thereof in the same manner as the distribution of this Base Prospectus. The payments made by the investors shall be refunded to the bank accounts specified in the subscription forms without any compensation or interest.

3.3.5 Risk of early redemption of bonds

The Bonds may be redeemed at the option of the Issuer (in whole, but not in part) at the Redemption Price (as defined in the Terms and Conditions) plus accrued interest to the date fixed for redemption, (i) for reasons of taxation, as more fully described in the Terms and Conditions or (ii) if 80 per cent or more of the aggregate principal amount of the Bonds then outstanding has been redeemed following a Change of Control Event (as defined in section 14.8.3) or has been repurchased and cancelled, as more fully described in the Terms and Conditions. In the event that the Issuer exercises the option to redeem the Bonds, the Bondholders might suffer a lower than expected yield and might not be able to reinvest the funds on the same terms.

3.3.6 Changes in laws and regulations

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

3.3.7 Creditworthiness of the Guarantor

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

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

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

3.3.8 Amendments to the Terms and Condition of the Bond issue

The Terms & Conditions of the Securities may be amended by the Issuer in certain circumstances (such as to cure a manifest error or where the amendment is of a minor or technical nature and/or where such amendment will not materially and adversely affect the interests of investors) without the consent of the investors and in certain other circumstances, with the required consent of a defined majority of the investors.

3.3.9 Exchange Rate Risk

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

3.3.10 Changes in Circumstances

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

3.3.11 Further Bond issues

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

3.3.12 Credit Rating

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

3.3.13 Market price risk

The development of market prices of the Bonds depends on various factors, such as changes of market interest rate levels, the policies of central banks, overall economic developments, inflation rates or the lack of or excess demand for the Bonds. The Bondholders are therefore exposed to the risk of an unfavourable development of market prices of their Bonds, which would materialise if the Bondholders sell the Bonds prior to the final maturity. If a Bondholder decides to hold the Bonds until final maturity, the Bonds will be redeemed at the Redemption price.

3.3.14 Taxation

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

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

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

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

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

3.4 Forward looking

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

Although we believe that the expectations reflected in such forward-looking statements are reasonable, we can provide no assurances that such expectations will prove to be correct, and such statements are not guarantees of future performance because they are based on numerous assumptions. Any forward-looking statements speak only as of the date on which it is made and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, unless as required by law or regulation.

4 General description of the programme

Under this €30,000,000 Bond Issuance Programme, the Issuer may issue Bonds from time to time. The maximum aggregate principal amount of the Bonds from time to time outstanding under the Programme will not exceed €30,000,000 (or its equivalent in any other currency).

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

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

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

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

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

The Issuer's payment obligations with respect to both the principal amount and the interest due shall be guaranteed by the Guarantor under an unsubordinated corporate Guarantee. For a description of the said guarantee and its ranking at law, refer to section 13.5 entitled 'Guarantee'.

Application will be made for each Series of the Bonds to be admitted to trading on the EWSM, a regulated market supervised by the Listing Authority. The Bonds shall be issued in terms of applicable Maltese law, including the Companies Act, Cap 386 of the laws of Malta.

5 Information on the Issuer and the Guarantor

5.1 Historical development of the Issuer

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

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

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

5.2 Historical development of the Guarantor

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

The Guarantor was first established in Helsinki, Finland at the beginning of 2005. Today, the Guarantor is the European leading provider of unsecured mobile consumer loans disbursed via a highly developed mobile phone solution or the internet.

The Guarantor is a publically listed company, independent of any other business groups in the financial or commerce sector. The founder and current CEO of the Guarantor, Mr Jorma Jokela, owns 57.43% of the said Guarantor.

In 2009, a private equity investor, Pontos Group, made an investment in the Guarantor in the form of a convertible bond of EUR 3,000,000, which was converted to a 10% equity stake during the first quarter of 2012. Following the IPO the shareholding of Pontos Group changed has changed as illustrated in the chart below.

Within 10 years of operations, the Guarantor established operations in 23 European and Asian Pacific countries, in most of which it maintains a leading market share.

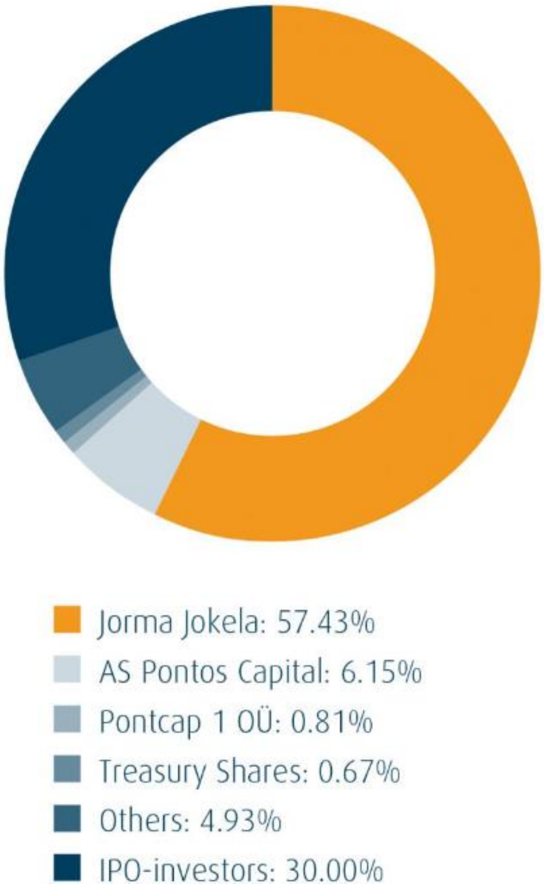
Ferratum Oyj has, over the years, guaranteed bonds issued by companies form are a part of the Group. Between 2011 and 2014, Ferratum Capital Poland S.A. issued two bond series, A and B, which in total include bonds in a value of PLN 78,000,000 (≈EUR 18,700,000[1]). The two bond series consist of seven bond issues. These bonds are listed on the Warsaw Stock Exchange. All bonds in the A series have matured and the outstanding bonds comprise two bonds in series B (PLN 30,880,000) that are to mature in 2015 and 2017.

In 2013 Ferratum Capital Germany GmbH issued a bond of EUR 25,000,000 that is listed on the Frankfurt Stock Exchange. This bond will mature in 2018.

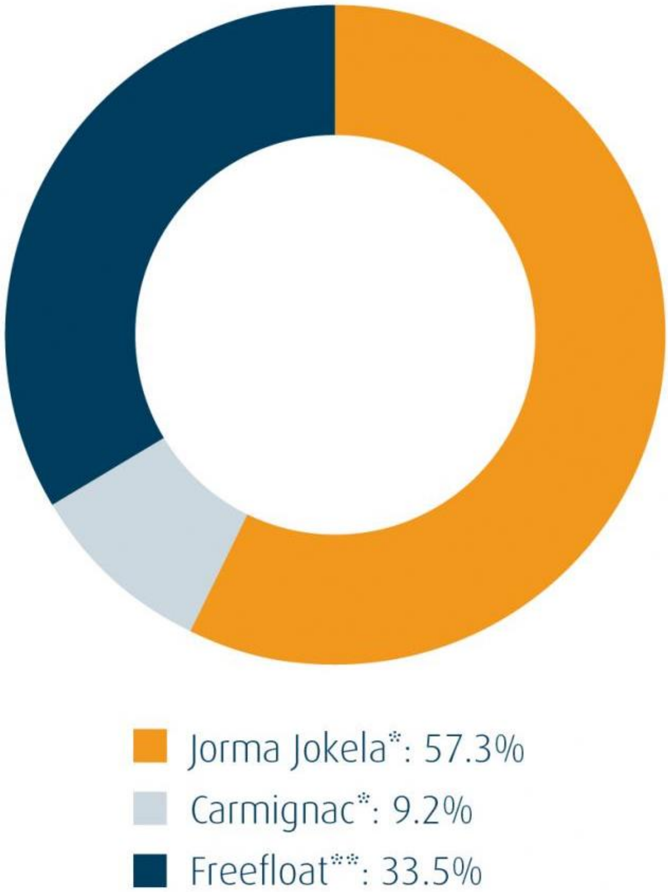
In February 2015, Ferratum Oyj has successfully completed its initial public offering of 6,517,188 ordinary shares. The Offering is listed on the regulated market of the Frankfurt Stock Exchange. The total gross proceeds amounted to €110.8million, based on a price per share of €17. Trading started at an initial price of €17.5, around 2.9% above the Offer price.

[1] Translated at the PLN/EUR exchange rate on the 4 March 2015

The chart below portrays the shareholder structure following the successful issue of shares by the Guarantor:



During the second quarter of 2015 Carmignac Gestion bought 1,012,889 shares from AS Pontos Capital and its subsidiary (Pontos Companies), exceeding the threshold of 5% and holding in total 1,988,811 shares (9.15 % of all shares and voting rights in the Guarantor). Furthermore, 300,000 shares from Pontos Companies have been sold to other institutional investors. Pontos Companies presently hold (directly and indirectly through PontCap 1 OÜ) 200,000 shares and voting rights in the Guarantor (0.92%). The chart below reflects the updated shareholding structure:



* Shareholders holding above 5% of the shares, based on the latest shareholder notifications received.

** Amount includes shares held by employees and managers of Ferratum.

6 Business overview

6.1 Overview

Since its inception, the Guarantor's Group has grown rapidly and today is the largest mobile microloan corporation in Europe with a growing market share in the Asian Pacific Region. The Group has expanded its operations since 2005 to 23 countries and as of 31 December 2014 had 2.8 million customers in its database. Its business is designed for easy and transparent loans to consumers and can be accessed through the internet or mobile devices with loan approval within minutes after a multitude of financial background checks and profiling.

The Group's founder and CEO, Jorma Jokela, initially focused the business in Finland, Sweden, and the Baltic countries. In 2007 and 2008, the Group expanded into Central and Eastern Europe as well as certain Western countries where entry in the micro-lending market was possible without a banking licence. In 2011, the Group decided to expand internationally and enter the markets in New Zealand and Australia, as well as Russia in 2012. Refer to the list below for an illustration of the Guarantor's global operations.

- Finland
- Estonia
- Sweden
- Latvia
- Netherlands
- Czech Republic
- Poland
- Slovakia
- Spain
- Bulgaria
- Denmark
- Lithuania
- UK
- Croatia
- New Zealand
- Australia
- Russia
- Malta
- Romania
- Germany
- Canada
- Norway
- France

The following are just a few of the major milestones in the Group's history:

- In 2006 Ferratum Group commenced international operations by expanding to the Swedish and Estonian markets.

- Between 2007 and 2010 the Group expanded gradually to new European markets, including Latvia, Lithuania, the Czech Republic, Slovakia, the Netherlands, Poland, Spain, Denmark, and Bulgaria.

- In 2011 the Group expanded its operations and entered the UK, Belgian, Croatian, New Zealand and Australian markets.

- Between 2011 and 2014, the Group issued seven bonds that were listed on the Warsaw stock exchange to finance its growth. The bonds amounted in total to approximately EUR 18.7 million. In 2011, the Group also began its cooperation with FICO, an analytics and business intelligence software provider, to develop credit scoring modelling tools. Furthermore, it implemented FICO's state-of-the-art software to improve its microloan approval process.

- In 2012, the Group expanded its operations to Russia through its standard microloan products.

- In September 2012, the MFSA approved the Group's application for an EU Credit Institution licence, following which the Issuer's operations commenced in March 2013 with its first cross-border activities in Slovakia.

- In 2013, the Group founded Personal Big Data Oy, a dedicated company established to research and develop its credit scoring capabilities.

- In October 2013, a €25,000,000 bond was issued by Ferratum Capital Germany GmbH on the Frankfurt Stock Exchange.

- In early 2014, the Group expanded operations in two key markets, Germany and Romania.

- During 2014, the Group implemented a new scoring engine that uses a platform for automated decisions, started using an automated marketing tool, as well as transformed its web interfaces towards web 3.0.

- In December 2014, the Group reached 1.0 million active customers and former customers who have received one or more loans in the past, and a total of 2.8 million user accounts.

In February 2015, the Guarantor successfully completed its initial public offering of 6,517,188 ordinary shares, which it listed on the regulated market of the Frankfurt Stock Exchange.

The banking licence granted to the Issuer in 2012 and the commencement of the Issuer's operations in 2013 enabled the Group's expansion into countries where the said licence is required for consumer lending activities.

The Issuer's focus is presently on the mobile consumer credit market, in particular the segment for smaller credits.

The Group segments its business operations predominately into the Western Region (principally Western Europe) and the Eastern Region (principally Eastern Europe). In certain parts of Eastern Europe and other emerging and developing countries, consumer loans are often provided to underbanked households and are generally regarded as improving livelihood, reducing vulnerability to economic, social, and political risks, and improving social and economic development. In Western Europe, Australia, New Zealand, and other developed countries as well as certain Eastern European countries such as Poland and the Baltic countries, consumer loans serve a similar function but are also a fast means to deliver small consumer credit amounts to meet customers' short-term financial needs, while avoiding the formal, often burdensome, procedures of traditional banks' loan applications.

6.2 Strategic approach of the Guarantor on business

6.2.1 The Guarantor operates in microloan markets through its various Subsidiaries. Its goal is to achieve and sustain the leading position in micro lending industry. From a business and an operational point of view, the Guarantor's Group has divided its markets into the following country groups:

- Start-up countries
- Growing countries
- Mature countries

6.2.2 The preceding classification is based primarily on estimates of the level of competition and profitability. The full characteristics of the country groups are presented below:

a) Start-Up countries characteristics | Inception Phase

- Recently "opened" the business / operating with limited profit
- Focus on fine tuning processes
- Building awareness of the microloan industry and the brand of the Guarantor
- Collecting data to develop more reliable scoring

b) Growing countries characteristics | Expansion Phase

- Rapid increase in new customers and net sales
- Customer Relationship Management (CRM)
- Focus on scoring of new customers

c) Mature countries (markets) characteristics | "Harvest" Phase

- Strong focus to maximise profit before tax
- Behaviour-based scoring
- Development of product variations

6.3 Geographical expansion

To establish the business in new countries, the Guarantor undertakes the following steps:

(i) Legal check on new countries' rules and regulations

(ii) Local market overview

(iii) Process implementation according to best practices derived from existing operations.

The details of establishing a business in new countries are illustrated below:

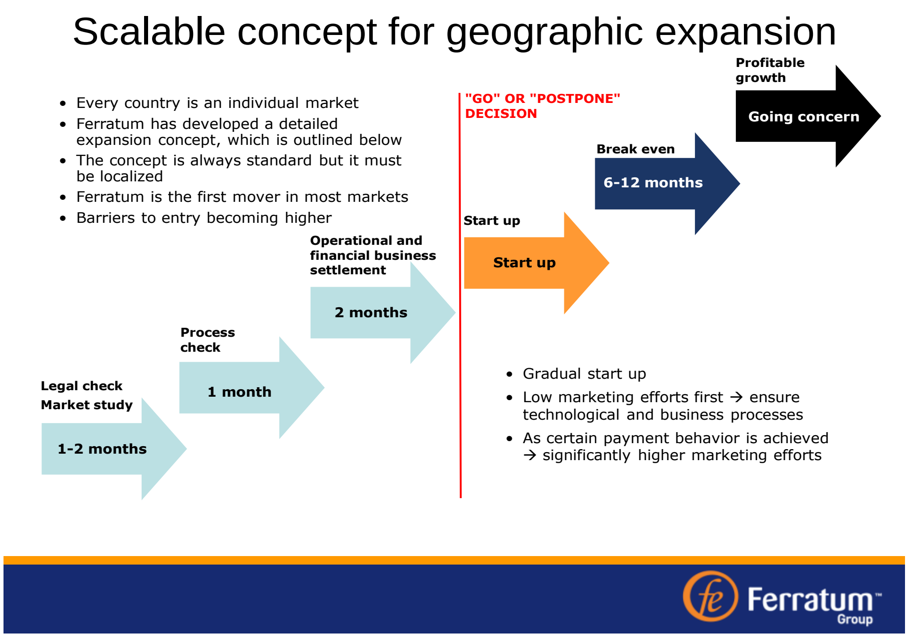


Table 1: Scalable concept for expansion

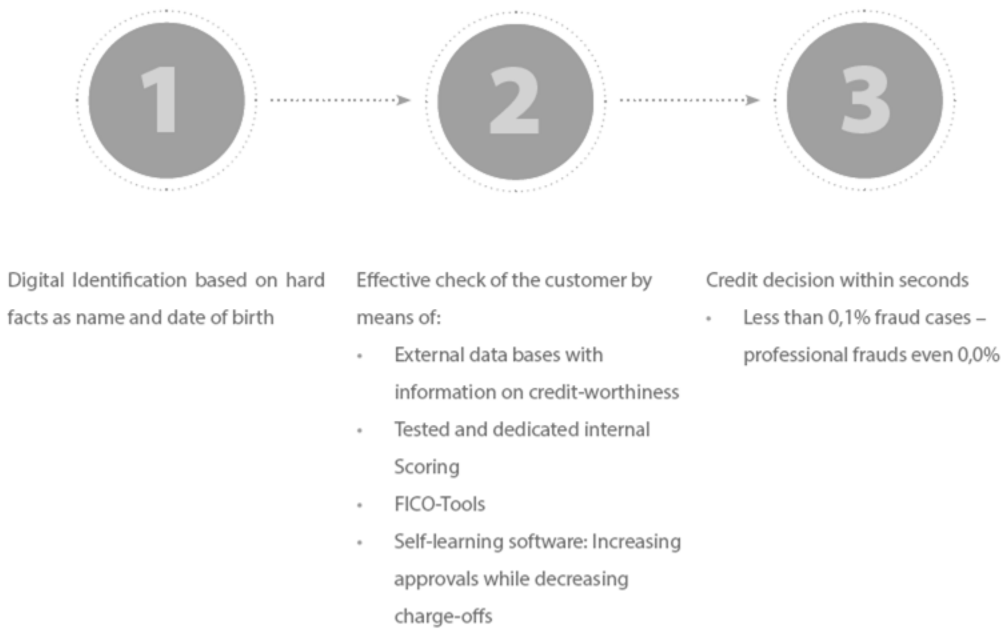
6.4 Overview of the Process Credit Scoring, Delivery and Collection of Loans

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

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

6.4.1 Identification and credit scoring

The following provides an overview of the steps from digital identification of the customer to the credit decision made by the Guarantor.



The Guarantor's approach to identification and credit scoring balances the evaluation of the credit risk from the Guarantor's perspective with market acceptability from the customers' perspective. The Guarantor's identification process is primarily based on; (i) mobile technology, (ii) online banking, and (iii) face-to-face ID verification. The identification process required in some countries can result in an initial delay of several days to receive a loan until the identity check process is completed.

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

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

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

The access to third-party banking scoring databases allow the Group to increase its scoring and analytic inhouse software as availability of relevant parameters increased drastically in recent times. The Group believes this will help to reduce its current customer annual default rate by a further 7%.

In 2014, the Guarantor operated a relatively high rejection rate of 50% of loan applications (70% as of the end of 2013) and in 2013 changed its scoring models which even increased rejection rates. The reasons for relatively high rejection rates is: effective scoring and optimized risk guidelines in order to minimize the rate of defaulting loans. Minimizing this so-called "credit loss rate" allows the Guarantor to optimize the process and further build its customer base, as it is not only important for the Guarantor to reduce its operating expenses, of which credit losses are a large portion, but also to retain repeat customers. This can only be achieved if the Guarantor rejects applications that indicate a high probability of eventual loan default. In some instances, the Guarantor also initially denies a loan application for a certain amount of money, but approves a loan application for the same customer for a lower amount.

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

To mitigate credit risk, the Guarantor uses the following methods:

- **Risk-based pricing**
  Customers deemed more risky will have to pay a higher interest rate to reflect the greater probability of default. The factors considered are credit rating, loan-to-value ratio, and estimated effect on yield (credit spread).
- **Tightening**
  The Guarantor can reduce credit risk by reducing the amount of credit extended, either in total or to certain customers, in order to lessen credit risk by reducing payment terms from, for example, from €45 to €30.
- **Diversification**
  If the Guarantor faces a high degree of unsystematic credit risk related to the same group of customers (concentration risk), it may reduce its risk by diversifying the customers' pools. The Guarantor classifies its customers into groups based on customer credit risk.

Reserve requirements for Group accounting purposes are calculated centrally and the Guarantor supports its subsidiaries in calculating their local reserve requirements.

These are calculated based on certain models, which measure the probability of delinquency based on historic payment behaviour and calculate the required risk provisions for impairment of loan receivables (reserves) accordingly. The need for a provision based on the reserve model may be adjusted by taking into account the market value of impaired receivables, i.e. expected or recent sales prices for overdue loans.

6.4.2 Delivery

The Guarantor delivers consumer loans to its customers through a variety of distribution channels, primarily via bank account money transfer within minutes of loan approval. The Guarantor operates more than 180 bank accounts with a large number of banks and distributes funds among these accounts through an automated algorithm. While this is costly and accounts for approximately 6-7% of sales, this allows the Guarantor to pay out loans in a very short period of time. For existing customers, the mobile channel is the main distribution channel, whereby loan amounts are paid directly into the customer's bank account. The specific distribution channels employed depend on the regulatory, operational and logistical characteristics of each country of operations. In the majority of cases, customers will receive the funds requested in their bank account within minutes.

6.4.3 Collection and disposal

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

6.4.4 Deposit licence in Sweden

In 2012, the Group established a dedicated subsidiary, Swespar AB, with the aim of applying for a registration from the Swedish Financial Supervisory Authority (*Finansinspektionen*) as a deposit taking institution under Swedish legislation. The registration allows the Group to take deposits from individuals up to 50,000 SEK, as well as from legal entities with no restrictions. The application for registration was filed in November 2012 and the registration was granted in February 2013. In April 2013, the Group commenced a deposit service for individuals, offering a high-yield current account and a range of fixed-term deposit accounts.

6.5 Strategy

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

6.5.1 Organic growth in existing markets through product expansion, marketing and enhancements in customer service

The Group has consistently registered high revenue growth over the last several years with revenues amounting to €33.7 million (FAS) in 2011, to €48.9 million (IFRS), to €58.2 million (IFRS) in 2013 and €70.5 million (IFRS). The Guarantor intends to consolidate its market position in all the existing markets it operates in, significantly increase its marketing expenses to increase its credit portfolio and enhance its brand name recognition. While growing the existing customer base adds to overall revenue and profit growth, the Guarantor believes that recurring customers are the most vital part of its customer base. Firstly, recurring customers lower the Guarantor's risk profile as they are more likely to be able to pay back the loans obtained and secondly, recurring customers recommend the Guarantor's services to their friends and family and, thirdly, the Guarantor believes that it can also cross-sell other products to its recurring customers such as the Credit Limit product or its PLUS Loans, as well as any future product it may launch.

6.5.2 Growth through geographical expansion

The Group has rapidly expanded its business to 23 countries since it started operating in 2005. Most recently, in 2014, it has expanded to Romania and Germany, while in 2015 it also started offering its services in Canada, Norway and France. The Group's mid-term goal is to expand its operations to a total of 30 countries. This expansion strategy, which is at the core of the Guarantor's business strategy, involves the diversification of the Guarantor's geographic footprint by expanding to further countries in Europe and globally.

In the past, the Guarantor's geographic expansion was limited principally by the number of staff able to concentrate on entering in a new market and by funding limitations. The Guarantor aims to continue its goal of adding approximately one new country to the Group's geographic business portfolio every three to six months. The Guarantor also considers the Issuer's banking licence as one of the means that will allow further expansion to other European countries. The Guarantor believes that a global geographic presence is key to future long term market success, as economies of scale are particularly relevant in the mobile consumer loan business. A larger scale and bigger footprint may, in the Guarantor's opinion, help to streamline marketing activities and gain the reputation of one of the global market leaders in micro-lending business. In addition, geographic expansion mitigates concentration risk. Should regulatory changes, fierce competition or other factors have a significant impact on its revenues or profitability in one of the countries it operates in, the overall impact will be reduced if it grows in size and diversifies its operations to more countries.

6.5.3 Expansion and diversification of the Group's product portfolio, as well as the geographic rollout of its existing products in most or all of the countries where it operates

The largest part of the Group's revenues is generated by its microloans having a principal amount per customer below €500, an average loan amount of slightly above €200, as well as an average maturity of slightly above 30 days. In the past several years, the Group started to diversify its product portfolio by introducing the Credit Limit and PLUS Loan products. It also launched a merchant focused product, FerBuy. However, all these products are only currently available in select countries. Credit limit products are available in five countries, PLUS Loans are available in eight countries and FerBuy has been launched in two countries. The Guarantor believes that further product expansion and diversification is key to grow its customer base further, to expand revenue per customer as well as increase profit margins. For instance, the Credit Limit product has a significantly higher average loan amount outstanding per customer than the core microloans, and provides higher revenue per customer. The Guarantor generally plans to continue the diversification of its product portfolio by basing products on the same processes, systems, and scoring, but employing distinct marketing tools and targeting different customer segments and markets. In addition, the Guarantor is constantly analysing and developing innovative mobile financing products that can be piloted in small markets. If such pilot projects are successful, the product can be launched across the Group's geographic presence to increase its customer outreach. The Guarantor aims to continue these efforts to come up with new product solutions to further engage existing customers, as well as offer new customers new products.

6.5.4 Provision of banking services as a mobile bank and expansion of cross-border activities of Ferratum Bank p.l.c.

In 2013, the Guarantor expanded its strategic focus and established its vision to grow into a leading mobile bank. The Issuer is currently developing a mobile multi-banking application, with the aim of eventually offering the same functions and products in all the countries it operates in, with only slight regional variations. Through the new multi-banking application, the Issuer also aims to provide new products in addition to its and the Guarantor's current product portfolio. Most notably, the Issuer aims to broaden its product range by adding deposit taking services. In addition to deposits, the Issuer aims to offer new lending products which require higher amounts of funding such as longer term loans, but also eventually offer third party financing services (including lending through crowdfunding) and products accessible over its new multi-banking application. It is currently envisaged that the latter application will be introduced in 2015.

6.6 Products

6.6.1 Microloans

Short-term microloans with a nominal value of less than €500 have been the core product since the Guarantor started operations in 2005, and contributed 77% to its revenues in the nine month period ended on 30 September 2014. The Guarantor currently offer microloans in the range of typically €25–€1,000 with maturity periods of typically 7–90 days, depending on the loan amount and the regulatory framework of the customer's country. In 2013, the average loan amount totalled €217 and the average loan maturity period was 33 days. In 2014, the average loan amounts and average loan maturity period have only changed slightly from 2013. As of 30 June 2014, the average revenue per customer per annum for the twelve month period preceding 30 June 2014 for the Guarantor's microloans product was approximately €80 (calculated as revenues for the twelve month period divided by total number of active and former microloan customers). The Guarantor expects its microloan focus to remain broadly in the same range. The microloans are unsecured, but under the guarantee model, may be guaranteed.

The Guarantor's microloan business model is based on mobile phone and internet technology and electronic bank account debiting, whereby customers are able to obtain microloans in most cases within minutes through the use of its mobile phone application. The markets in which Ferratum Oyj operates are highly diverse in terms of operational and financial circumstances, regulatory requirements, payment cultures and credit risks. This broad spectrum of country-specific operational, financial and legal circumstances necessitates the use of customized microloan interest rates, fee structures, and terms and conditions of the loan agreement depending on each respective market's unique features, advantages, challenges and risks. Accordingly, the specific provisions for customer default, loan modification, technical repayment processes, and additional customer obligations differ from country to country. In a few countries that Ferratum Oyj operates in, the customers are required to provide an additional security – a guarantee. They can do so by choosing a personal guarantor, for instance another individual who guarantees the performance of the customer's obligations under the loan agreement. Alternatively, the customers can choose to obtain a guarantee from an external guarantor. At the moment the guarantee model is only in use for the microloans. However, due to higher loan amounts requested for Credit Limit products, the Guarantor is also considering demanding additional security from customers for this product in certain markets.

6.6.2 PLUS Loans

PLUS Loans were introduced several years ago to complement the Guarantor's core microloan business and to offer certain customers a more flexible loan product outside the typical principal and maturity ranges of microloans. The Guarantor's PLUS Loan products are offered in larger amounts (typically €500–€2,000) with longer maturity periods (typically 6–15 months). Plus Loans contributed to 5% of the Guarantor's revenues in the nine month period ended on 30 September 2014. As of 30 June 2014, the average revenue per customer per annum for the twelve month period preceding 30 June 2014 for the Guarantor's Plus Loans was approximately €300 (calculated as revenues for the twelve month period divided by total number of Plus Loan active and former customers). PLUS Loans are instalment repayment plans. This further distinguishes them from the traditional microloan product. PLUS Loans are offered only to select customer groups, who must apply separately using a simple online application. The PLUS Loans are currently in development, testing, and roll-out phases in several key markets. Currently, the Group offers PLUS Loans in Finland, Sweden, Estonia, Latvia, Lithuania, Poland, Czech Republic and Bulgaria.

6.6.3 Credit Limit

In June 2013, the Guarantor launched the credit limit product in Finland. The Guarantor currently offers the Credit Limit product in five countries, Finland, Estonia, Latvia, Sweden and Czech Republic and has seen strong growth revenues from this product. The Credit Limit product contributed 18% to its revenues in the nine month period ended on 30 September 2014. As of 30 June 2014, the average revenue per customer per annum for the twelve month period preceding 30 June 2014 for its Credit Limit product was approximately €800 (calculated as revenues for the twelve month period divided by total number of Credit Limit active and former customers). The credit limit product is similar to a flexible revolving overdraft facility where its customers can withdraw money within a certain limit over a one month period. Customers can flexibly choose the amount to pay back at the end of each month, which does not necessarily have to be the end of the calendar month.

6.6.4 FerBuy

FerBuy is a secure and flexible e-commerce payment solution for online merchants and consumers. FerBuy offers online merchants a secure payment portal with no financial risk. FerBuy allows customer credit approvals to be conducted by using the Group's established credit scoring processes. Customers can buy and receive online goods or services immediately, but choose to postpone payment on credit with a 2–6 month instalment plan. Fees can be charged to both the merchant or the merchant's customer. So far, FerBuy has been launched in Poland and the Czech Republic. The Guarantor plans to launch FerBuy in additional key markets in the coming years.

6.6.5 Small Business Lending

In May 2015 the Ferratum Group launched its first small business lending activity in Sweden, with a product aimed towards small 'main street' business having a successful track record of two or more years of operation.

6.7 Areas of Operation

The countries/markets in which the Group operates can be divided geographically in the main, as Nordic (Finland, Sweden, Denmark, Norway), Western Europe (Netherlands, Spain, UK, France, Germany), Eastern Europe (Czech Republic, Slovakia, Poland, Bulgaria and Croatia), the Baltics (Estonia, Latvia, Lithuania) and Canada.

The Nordics (Finland, Sweden, Denmark and Norway)
Northern Europeans in general have adopted microloans as an acceptable option to finance short-term financial needs. With close to full household penetration for both internet and mobile phone access, the Nordic markets have seen a huge credit expansion for short-term microloans since their launch in 2005.

Currently, there are few companies operating across their “home country” borders. In addition to the Guarantor, major players include Finnish Risicum Oyj that has been recently purchased by American Dollar Financial Corporation. The markets have reached a point where the participants need to differentiate themselves for the customers. For instance, socially responsible lending and good environmental practices have recently been the differentiating factors between the different companies. Despite the fairly mature status of the Nordic market, mobile micro lending is still growing steadily on an annual basis, mainly through new products and variations. Starting in Finland in June 2013, few companies operating in the small consumer loan industry, have introduced highly sophisticated digital revolving credit lines. The Guarantor was one of the first companies which introduced such revolving credit lines.

The Baltics (Estonia, Latvia, Lithuania)
The Baltic states of Estonia, Latvia and Lithuania are home to many microloan companies. The competition has increased since the first companies entered the market in 2006 and the product offerings have adapted to the changing environment. Although there are many similarities, the one notable difference between the Nordics and the Baltics is the frequent use of loan prolonging in the latter (i.e., the extension of the loan repayment term by paying a fixed fee).

Each of the three Baltic countries have their own characteristics and despite their relatively small population, the Baltics remain an important testing ground for many new products and market strategies for the Guarantor.

Eastern Europe (Czech Republic, Slovakia, Poland, Bulgaria and Croatia)
The Guarantor is currently operating in Poland, Czech Republic, Slovakia, Bulgaria and Croatia. Eastern European countries have fast growing online markets. Certain Eastern European countries, such as Poland or the Czech Republic, have a well-developed banking system and high mobile phone penetration with a fast smartphone ownership growth rate. In other Eastern European countries, with a lower Gross Domestic Product (GDP), the banking system is still dynamic and the smartphone penetration growth rate is faster than in Western European countries. This combination has created opportunities to establish mobile lending as a compelling choice for consumers' needs for short-term financing.

Western Europe (Netherlands, Spain, UK, France, Germany)
Although all of the Western European countries are highly-developed nations with high Internet usage, they have a fairly underdeveloped consumer credit market. Many microloan providers operate in the Western European markets, but most of them operate in a single country and none have the comparable Pan-European presence as the Guarantor. For example, the United Kingdom is home to many local providers of online microloans. The competitive landscape is very active with more than 80 market participants. The market potential remains huge in UK and consolidation is expected.

Following the Guarantor’s entry into the German market, the Group views significant potential in other Western European countries such as Italy. Although, the entry barriers may be very high, e.g., in

Germany a banking licence is required to provide these services, the number of competitors is comparatively low.

Asia Pacific

In 2011, the Group expanded its business to New Zealand and Australia. These markets are highly developed with high mobile and online usage. However, they have an underdeveloped mobile consumer credit markets. Competitors in the Asia-Pacific region primarily offer loan amounts above the average microloan amounts that the Guarantor provides to its European customers and thus there exists high potential for further market penetration.

6.8 The Mobile Banking Market

The Group's strategy involves the expansion of its product portfolio and developing its business into a mobile bank. Mobile banking is the provision of financial services using a mobile device.

Traditionally, customers could access their bank account via their bank's web page through a web browser on a mobile device or via text message. In recent years, as a result of the fast growth of mobile applications, traditional banks have also developed mobile applications that can be downloaded to a mobile device and used to access account information and functionality (Source: FRB Report 2014). For instance, according to the FRB Report, in the United States as at the end of 2013, the use of mobile banking has increased substantially in the past year and appears likely to continue to increase as more consumers use smartphones and start to also use mobile applications for banking services. The trend towards mobile banking also involves lower income segments of the population, which own smartphones and, some of whom, are currently not a customer of a bank or only use certain bank services such as an account provided to receive their salaries (so-called "underbanked" customers). For instance, in the United States in 2013, out of the customers without a bank account 69% have access to a mobile phone (almost half of which are smartphones) whereas 88% of the underbanked customers have access to a mobile phone (64% of which are smartphones) (Source: FRB Report 2014).

Since the mobile banking market is highly correlated with the mobile phone market, the development of mobile devices in general is an indicator for the mobile banking market potential. Not only is the yearly smartphone sales volume expected to reach more than one billion in 2017 (Source: Bain&Company Report 2013), recent forecasts assume the number of overall smartphone connections to reach 6 billion by 2020 (Source: GSMA Intelligence Study 2014). By this time, mobile devices are forecast to become the primary internet connection tool (Source: ITU Report). While 590 million mobile phone users were expected to use their device for banking purposes in 2013, already by 2017 more than one billion mobile phone users globally are expected to use their device for banking purposes (Source: Juniper Research Report). Take-up of mobile phone banking is also proving faster than internet banking. Mobile applications offered by banks register fast growth in downloads, for instance the UK's Lloyds Banking Group's weekly application use has risen from 2.1 million uses in 2012, to 4.7 million in 2013 and by mid-2014 6.6 million (Source: BBA Report 2014).

The adoption of mobile banking also changes the way customers can borrow money. According to the Head of Customer Innovation and Perception at HSBC, John Sills, "over the next few years the lending landscape will change as banks may no longer be the first point of call for those looking for credit”. This development already started several years ago when banks were no longer sole providers of unsecured credits. Point-of-sale finance companies as well as short-term credit lenders entered the market during the financial crisis, since several banks had to cut the amount of credit available to customers. The lean loan application process and therefore convenience, rather than costs, is an important factor for many of these customers.

6.9 Key Strengths

The Guarantor has experienced fast growth in the microloan market. Its continued success is a direct result of the development or acquisition of features during its expansionary phase. The most important key advantages are presented below:

6.9.1 Global presence and common platform

The Guarantor is the world's first mobile microloan provider with such unprecedented expansion within the industry. It has a mobile technology distribution channel that allows to implement basically the same strategy in every new country of operation. The Guarantor, therefore, emphasizes continuous improvement in its mobile processes and technology. A recent example of the Guarantor's improvements in the use of mobile technology is the provision of a loan application for mobile handsets. This application is designed to be convenient for customers by offering them easier access to microloan products.

The Guarantor has a universal common business platform that allows it to start operations in a new country within 45 days.

6.9.2 People – professional commitment

People and especially managerial staff are key assets to the Guarantor's success. Staff at various levels have been employed with the Guarantor since its inception and, subsequently, have developed the expertise of operating an international business. Key employees are also minority shareholders.

6.9.3 Unique database and flexibility of credit policy

International experience and presence provide the Guarantor with a sizeable database of customers. Because of the database, the Guarantor is uniquely positioned to score prospective customers and select the right applicants for loans, resulting in the on-going optimization of revenues and pre-tax profits. Moreover, enhanced scoring procedures prevent the erroneous rejection of prospective customers, who are likely to repay the loan obtained.

6.9.4 International operating knowledge enhances the Guarantor's skills in national regulations

Through its geographical expansion, the Group has obtained valuable knowledge on the legal environment that its subsidiaries operate in, particularly in European and Asia Pacific countries. The Guarantor operates in accordance with legal requirements and adheres to applicable rules necessary to obtain licences to conduct a micro-lending business.

The Guarantor employs a highly-experienced internal legal team, which has the relevant knowledge and experience to find legally suitable solutions in all jurisdictions. Moreover, the Guarantor's legal team cooperates daily with local legal advisors with regards to micro-lending business. Respectively, the Guarantor has acquired a highly skilled ability to develop solutions tailored to new regulations.

6.9.5 Diversity of portfolios (different portfolios in different countries)

International presence and diverse product portfolio attracting different groups of customers allow the Guarantor to be less exposed than competitors to systematic risk. A different customer base leads to better diversification of credit risk, which mitigates the Guarantor's exposure.

6.9.6 Unique business model

The Guarantor's business model is developed to be scalable and is refined based on knowledge and experience derived from internationalization. This experience resulted in small teams setting up the operations in a new country and gradually growing in line with the demand for the micro-lending product.

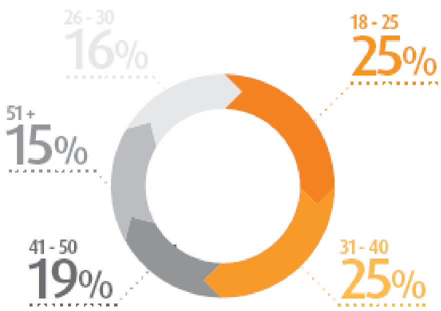
6.10 Commitment to Responsible Lending

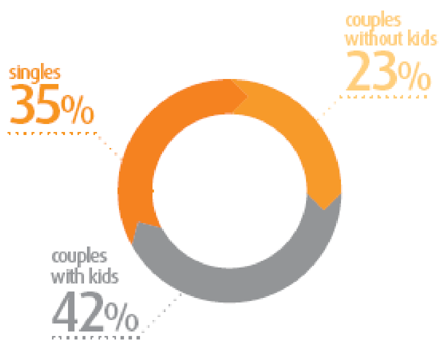
Beyond their compliance with the legal and regulatory frameworks governing micro-lending on the EU and national levels, the Guarantor and the Issuer are committed to the ethical principles of responsible lending. They exercise this commitment by providing transparent contractual terms, ensuring maximum customer data security, and treating all borrowers fairly and reasonably. They consider this commitment to be an obligation to their shareholders, their customers, and the overall industry.

The Guarantor and the Issuer base their lending decisions on a careful assessment of (i) the borrower's financial position, (ii) the borrower's capacity to repay the loan, and (iii) whether the borrower's requirements and objectives will be met by the loan. They only issue loans when they believe, on the information available to them, that the borrower can reasonably afford to repay the loan. When processing the application, the Guarantor and the Issuer are committed to the highest standards of disclosure and procedural fairness, including complete transparency of all interest, fees, and charges as well as information regarding repayment.

6.11 Customers

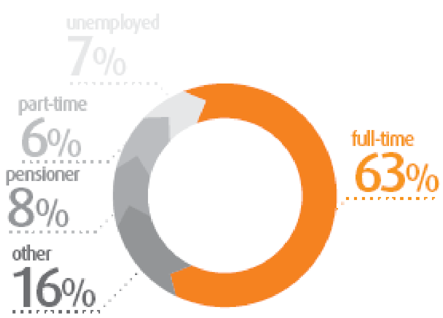
As at 31 December 2014, the Guarantor had a total of 1.0 million active customers and former customers who had received one or more loans in the past. Its customer base comprises a wide cross-section of the markets' populations. In 2013, its customers were almost equally split between men and women. The following charts show a breakdown of the Guarantor's customers based on a customer survey of a representative sample of active customers conducted in 2013 in terms of age, marital status, employment, and usage of product:

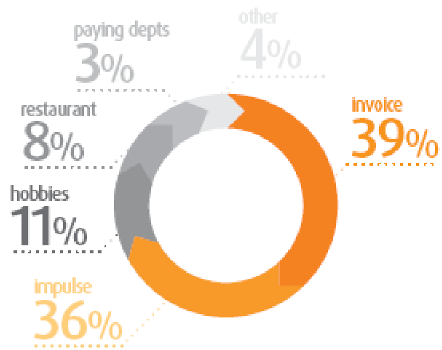




Age

Marital Status





Employment **Product Usage**

6.12 Sales and marketing

Selling and marketing expenses are the second largest class of expense within administrative expenses with €6.0 million incurred in 2013 and €6.5 million in 2012. The Group principally uses online marketing tools similar to those employed by other mobile and internet companies, such as search engine marketing (SEM), search engine optimization (SEO), paid online advertisements and social media optimization (SMO). SEM principally involves a fixed-pay search engine or pay-per-click advertisements, where the Group for instance uses AdWords, Google's marketing tool for advertisers. The Group also optimizes its online presence by using SEO activities. Additionally, the Group also works with affiliate online partners to attract customers, usually through paid advertisements (pay-per-click). Lastly, the Group's social media optimization involves the activities on Facebook and other social media tools commonly used by the customers. All online marketing efforts are based on the Group's statistical analysis of the accumulated data which allows it to make real-time changes to its marketing strategy to optimize the funds employed to attract new customers in the different markets it operates in. In addition to its online marketing efforts, to a lesser extent, the Group also engages in offline marketing through television, radio and newspaper advertisements. The Group has, particularly in Eastern Europe, also engaged local credit point partners to attract new customers and to increase brand awareness.

7 Organisational structure

The immediate parent company of the Issuer is Ferratum (Malta) Holding Limited, a company registered in Malta, which owns 99.99% of the shares of the Bank. Ferratum (Malta) Holding Limited, is in turn fully owned by Ferratum Oyj (the Guarantor).

The guarantor, Ferratum Oyj, is a holding company providing financing and other services to its subsidiaries, executing its business plan, and engaged in business activities through the subsidiaries, which are globally active in the business of providing microloans and consumer credits to private individuals. The following table provides an overview of the Group's 37 subsidiaries, their country of incorporation, and the ownership percentage:

Name	Country of incorporation	Group share of holding	Parent company share of holding
Ferratum Finland Oy	Finland	100%	100%
Ferratum Estonia OU	Estonia	100%	0%
Ferratum Latvia SIA	Latvia	100%	100%
UAB Ferratum	Lithuania	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferbuy Poland Sp. Z.o.o.	Poland	100%	100%
Ferratum Spain SL	Spain	100%	100%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Ferratum d.o.o.	Croatia	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Finance B.V.	Netherlands	100%	100%
Ferratum Australia Pty Ltd	Australia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
OOO Ferratum Russia	Russia	100%	100%
Rus-Kredit OOO	Russia	100%	100%
Ferratum Bank p.l.c.	Malta	100%	0.00001%
Ferratum (Malta) Holding Limited	Malta	100%	99.99999%
Ferbuy Singapore Pte. Ltd.(2)	Singapore	90%	90%
Swespar AB	Sweden	100%	100%
Nereida Spain S.L.	Spain	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Germany GmbH	Germany	100%	100%
Ferratum Romania I.F.N.S.A.(2)	Romania	99%	99%
Personal Big Data Oy	Finland	100%	100%
Sideways Sp Z.o.o.	Poland	100%	0%
Highways Sp Z.o.o.	Poland	100%	0%
Highways Sp. Z.o.o. Sp.k.	Poland	100%	0%
Pelegrat B.V. (1)	Netherlands	100%	100%
Ferratum Belgium BVBA(1)	Belgium	100%	99.99%
Ferratum Canada Inc	Canada	100%	100%

(1) Pelegrat B.V. and Ferratum Belgium BVBA are existing Group companies, however, the liquidation processes of these companies will start in the near future after which these two entities will cease to exist. The liquidation process for Ferratum Belgium BVBA was commenced as a result of the Group's business exit from Belgium and for Pelgrat B.V. was commenced because business in the Netherlands is conducted through the Group's UK entity.

(2) Jorma Jokela holds 10% in Ferbuy Singapore Pte. Ltd and 1% in Ferratum Romania I.F.N.S.A.

Table 2: The Ferratum Group organisational structure

8 Financial Performance and Trend Information

8.1 Trend Information

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

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

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

8.1.1 Trading prospects of the Issuer

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

As described in Section 6.7, the Group has already established operations in multiple countries, which will allows the Issuer to develop its operations further through country expansion. During 2014, the Issuer began to provide micro lending services in Estonia, Latvia, Czech Republic and Sweden, whilst in 2015 it commenced operations in Norway and France.

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

Throughout the coming three years, the Issuer aims to provide micro lending in around ten geographical markets, which have already been managed by the Group. During the transition phase, the Group will provide the Issuer with any assistance needed to ensure a smooth changeover. The Issuer will be able to make use of the extensive knowledge obtained by the Group through its operations and through historic experience.

8.1.2 Trading prospects of the Guarantor

The Guarantor's strategy in the foreseeable future is to continue enhancing profit arising from microloans as this is the youngest and fastest growing segment of the credit consumer market. In addition, the level of competition is very low in the new countries of operation and in emerging markets in contrast to the demand for microloans.

From a strategic point of view, the Guarantor is expecting that the market will grow through the following new actions taken by market players and emerging developments:

- Digitalization of traditional financial services;
- Specialization occurring due to more successful niche players in alternative financial services;
- Technological progress resulting from the revolution in payment methods (e.g. PayPal, Klarna, mobile loans);
- New players entering the payments and financial markets (e.g. Nokia, Apple, Google Mobile operators and government authorities);
- Traditional players like Visa and Mastercard are moving into new technology payments (e.g. Paypass and mobile payments);
- Changes in attitudes of customers as manifested in the rise of social lending – peer-to-peer social lending via internet (e.g. Zopa UK Loans, Kokos Poland, Kiva USA, Smava Germany).

In February 2015, the total gross proceeds from the initial public offering by Ferratum Oyj, amounted to €110.8million based on a price per share of €17. The Group plans to utilise the net proceeds (i) to support the Group's organic growth in the markets where the Group is already present through increased marketing spending and customer acquisition efforts as well as investments in the Group's IT system and the expansion of its product portfolio, (ii) to invest in further expanding into new markets, (iii) to strengthen its equity position as a prerequisite to commence deposit-taking activities in the future, (iv) to develop the Group into a mobile bank, including the launch and marketing of a multi-banking mobile platform, and (v) for acquisitions and general corporate purposes.

8.2 Use of proceeds

In connection with the Bond Issuance Programme, the Issuer will receive proceeds of approximately €30,000,000.The net proceeds are intended to be used for the financing of the operation of Ferratum Bank in Malta and for its general business purposes.

8.3 Key Financial Review

The financial information about the Issuer and the Guarantor is included in their respective audited financial statements for each of the financial years ended 31 December 2012, 2013 and 2014. The said statements are available on display at the Issuer's registered address. Set out below are highlights extracted from the audited financial statements of the Issuer and the audited consolidated financial statements of the Guarantor for the years ended 31 December 2013 and 2014.

8.3.1 Financial review of the Issuer

Statement of Comprehensive Income

	Year ended 31 December	
	2014	2013
	€	€
Interest and similar income	**18,348,726**	4,066,307
Interest and similar expense	**(254,502)**	(141,520)
Net interest income	**18,094,224**	3,924,787
Fee and commission income	**207,742**	18,936
Fee and commission expense	**(701,861)**	(120,982)
Net fee and commission expense	**(494,119)**	(102,046)
Net trading gains	**-**	24,176
Operating profit	**17,600,105**	3,846,917
Employee compensation and benefits	**(2,422,074)**	(955,252)
Other operating costs	**(6,133,653)**	(1,409,457)
Depreciation and amortisation	**(20,989)**	(8,975)
Net impairment losses	**(5,280,841)**	(1,417,181)
Profit before tax	**3,742,548**	56,052
Tax expense	**(1,309,892)**	(2,448)
Profit for the year - total comprehensive income	**2,432,656**	53,604

Statement of Financial Position

	As at 31 December	
	2014	2013
	€	€
ASSETS		
Loans and advances to banks	**3,043,304**	8,954,585
Loans and advances to customers	**16,370,257**	4,365,633
Loans and advances to group companies	**1,360,845**	-
Property, plant and equipment	**101,215**	68,869
Other assets	**327,638**	107,886
Total assets	**21,203,259**	13,496,973
EQUITY AND LIABILITIES		
Equity		
Share capital	**10,000,000**	10,000,000
Other reserves	**96,608**	-
Retained earnings	**2,345,324**	9,276
Total equity	**12,441,932**	10,009,276
Liabilities		
Borrowed funds	**4,218,723**	2,500,000
Other liabilities	**3,230,264**	985,249
Current tax liabilities	**1,312,340**	2,448
Total liabilities	**8,761,327**	3,487,697
Total equity and liabilities	**21,203,259**	13,496,973
MEMORANDUM ITEMS		
Commitments	**1,473,542**	127,310

Statement of cash flows

	Year ended 31 December	
	2014	2013
	€	€
Cash flows from operating activities		
Interest and commission receipts	**18,556,468**	4,191,587
Interest and commission payments	**(1,006,440)**	(212,425)
Cash payments to employees and suppliers	**(6,480,387)**	(3,025,020)
Cash flows from operating profit before changes in operating assets and liabilities	**11,069,641**	954,142
Changes in operating assets and liabilities:		
Loans and advances to group companies	**(1,360,845)**	-
Loans and advances to customers	**(17,285,465)**	(4,365,633)
Borrowed funds	**-**	2,500,000
Net cash used in operating activities	**(7,576,669)**	(911,491)
Cash flows from investing activities		
Purchase of property, plant and equipment	**(53,335)**	(77,844)
Net decrease in cash and cash equivalents	**(7,630,004)**	(989,335)
Cash and cash equivalents at beginning of year	**8,954,585**	9,943,920
Cash and cash equivalents at end of year	**1,324,581**	8,954,585

Statement of Changes in Equity

	Share capital	Other reserves	(Accumulated losses)/ retained earnings	Total equity
	€	€	€	€
Balance at 1 January 2013	10,000,000	-	(44,328)	9,955,672
Comprehensive income				
Profit for the year	-	-	53,604	53,604
Balance at 31 December 2013	10,000,000	-	9,276	10,009,276
Comprehensive income				
Profit for the year	-	-	2,432,656	2,432,656
Other comprehensive income				
Transfers and other movements	-	96,608	(96,608)	-
Balance at 31 December 2014	**10,000,000**	**96,608**	**2,345,324**	**12,441,932**

Notes to the financial statements of the Issuer

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

Standards, interpretations and amendments to published standards effective in 2014

In 2014, the Bank adopted new standards, amendments and interpretations to existing standards that are mandatory for the Bank's accounting period beginning on 1 January 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2014. The Bank has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Bank's management are of the opinion that, with the exception of IFRS 9, 'Financial instruments', there are no requirements that will have a possible significant impact on the Bank's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI without recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The Bank is yet to assess IFRS 9's full impact.

1.2 Foreign currency transactions and balances

Functional and presentation currency

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

Transactions and balances

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

1.3 Financial assets

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

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

Initial recognition and derecognition

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

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

Financial assets at fair value through profit or loss

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

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

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

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

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

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

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

Loans and receivables

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

(a) those that the Bank intends to sell immediately or in the short term, which are classified as held-for-trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;

(b) those that the Bank upon initial recognition designates as available-for-sale; or

(c) those for which the holder may not recover substantially all of their initial investment, other than because of credit deterioration.

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

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

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

Held-to-maturity financial assets

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

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

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

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

Available-for-sale financial assets

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

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

1.4 Impairment of financial assets

Assets carried at amortised cost

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

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

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments;

(c) the lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

(d) it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

   (i) adverse changes in the payment status of borrowers in the portfolio; and

   (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

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

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

Loans and advances to customers

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

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

Collectively assessed loans and advances

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

Homogeneous groups of loans and advances

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

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

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

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

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

Forborne loans

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

A forborne loan is categorised as impaired when:

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

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

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

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

Assets classified as available-for-sale

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

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

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

1.5 Offsetting financial instruments

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

1.6 Property, plant and equipment

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

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

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

	%
Furniture and fittings	12.5
Computer hardware	25
Office equipment	25

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1.7).

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

1.7 Impairment of non-financial assets

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

1.8 Other receivables

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

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

1.9 Current and deferred tax

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

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

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

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

1.10 Share capital

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

1.11 Financial liabilities

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

Financial liabilities measured at amortised cost comprise principally borrowed funds and other liabilities (Note 1.12).

1.12 Other liabilities

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

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

1.13 Financial guarantee contracts

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

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

1.14 Interest income and expense

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

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

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

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

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

1.15 Fees and commissions

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

1.16 Leases

The Bank is the lessee

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

1.17 Cash and cash equivalents

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

2. Financial risk management

2.1 Financial risk factors

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

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

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

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

(a) Credit risk

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

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

	2014	2013
	€	€
Loans and receivables:		
Loans and advances to banks (Note 4)	**3,043,304**	8,954,585
Loans and advances to customers (Note 5)	**16,370,257**	4,365,633
Loans and advances to group companies (Note 6)	**1,360,845**	-
Other financial assets (Note 8)	**311,380**	86,722
	21,085,786	13,406,940

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The table represents a worst case scenario of credit risk exposure to the Bank at 31 December 2014 and 2013, without taking account of any collateral held or any other credit enhancements attached.

Off-balance sheet instruments - Credit related commitments

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

Credit risk management principles for significant financial assets and risk concentrations

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

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

The geographical concentration of the Bank's financial assets as at the end of the reporting period is analysed below. For the purposes of this analysis, the Bank has allocated exposures to regions based on the country of domicile of the respective customers or counterparties. At 31 December 2014, loans and advances to banks amounting to €2,032,864 (2013: €8,209,956) are placed with local banks; the amount of €306,178 (2013: €271,349) relates to banks domiciled in Slovakia; €319,164 (2013: €473,280) is attributable to banks domiciled in Poland; €375,930 (2013: nil) relates to banks domiciled in Czech Republic. The Bank's loans and advances to customers as at 31 December 2014 are linked to lending and related operations in Poland (48%), Czech Republic (17%), Latvia (10%), Sweden (10%), Slovakia (9%), and a number of other European countries. 60% of the Bank's loans and advances to customers as at 31 December 2013 were linked to operations in Poland with the balance attributable to lending activities in Slovakia. At 31 December 2014, loans and advances to group companies consisted of advances to an undertaking registered in Finland.

Loans and advances to customers

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

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

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

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

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

The revised Banking Rule BR/09: Measures Addressing Credit Risks Arising from the Assessment of the Quality of Asset Portfolios of Credit Institutions Authorised under the Banking Act, 1994 requires banks to allocate funds to the General Banking Risks reserve for cover against potential risks linked to the Bank's non-performing loans and advances. This allocation is to occur over a three-year period, with a 40% allocation during the financial year ended 31 December 2013, and a 30% allocation both in the financial year ended 31 December 2014 and in that ending 31 December 2015. The current year allocation amounted to €91,382 taking cognisance of the non-performing portion of the loans portfolio at 31 December 2014. The prior year allocation would have amounted to €5,226; but this amount had not been reflected as an allocation to a designated reserve during the preceding financial year in view of the immateriality of the amount. This amount has been incorporated within the current year allocation.

Information on credit quality of loans and advances to customers

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

Performing

- Regular
- Watch
- Substandard

Non-performing

- Doubtful
- Loss

Regular

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

Watch

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

Substandard

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

Doubtful

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

Loss

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

Gross loans and advances to customers analysed by internal ratings:

	2014	2013
	€	€
Regular	**7,609,902**	3,896,673
Watch (up to 60 days past due)	**3,431,809**	314,257
Substandard (between 60 and 90 days past due)	**916,100**	529,835
Doubtful (between 90 and 180 days past due)	**1,925,201**	667,901
Loss (over 180 days past due)	**9,115,739**	377,389
	22,998,751	5,786,055

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

As at 31 December 2014, loans and advances to customers amounting to €15,388,849 (2013: €1,889,382) were deemed to be past due (and not deemed individually impaired), taking cognisance of the manner in which the Bank practically manages its collection activities. A financial asset is past due when a customer has failed to effect payment when contractually due, but normally past due status is not assigned until the exposure is more than 60 days past due. An ageing analysis of these past due loans and advances is accordingly presented within the table above.

The Bank held renegotiated or rescheduled loans and advances to customers amounting to €3,188,565 (2013: €925,542) as at the end of the reporting period. These are analysed below by ageing and geographical location:

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

	2014 €
Poland	1,091,360
Czech Republic	843,858
Sweden	28,745
Slovakia	1,024,290
Latvia	159,982
Estonia	40,330
	3,188,565

In view of the nature of the Bank's loan portfolio, as at 31 December 2014, no loans and advances to customers were deemed to be large exposures, prior to any eligible exemptions, in accordance with the requirements of Part Four of the Capital Requirements Regulations (CRR), Large Exposures.

Use of collateral

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

Loans and advances to banks

In the normal course of business, the Bank places funds and carries out transactions through correspondent accounts with high credit quality local listed banks and international banks having a very high credit rating, subject to the operational requirements and the application of a limit framework. Accordingly, such exposures are monitored through the practical use of exposure limits. In certain countries, the Bank had to utilise unrated banks for placement of surplus liquidity, in view of the profile of the banking sector in those territories. The Bank would carry out a comprehensive due diligence on such banks, prior to engaging with such banks and on an event-driven basis throughout the term of the relationship. The tables below present an analysis of the Bank's loans and advances to banks by rating agency designation at 31 December 2014 and 2013, based on Fitch credit ratings or their equivalent:

	Loans and advances to banks
2014	**€**
A+	9,168
A	182,150
A-	15,294
BBB+	1,508,557
BBB-	99,858
D+	62,051
Unrated	1,166,226
Total	**3,043,304**

2013	**€**
BBB+	8,209,956
BBB	59,983
BBB-	287,317
Unrated	397,329
Total	8,954,585

Loans and advances to group companies

The advances to a group undertaking, Ferratum Capital Oy, which were outstanding at 31 December 2014 and which were deemed to be fully performing, were considered to be a large exposure for regulatory reporting purposes, prior to any eligible exemptions, in accordance with the requirements of Part Four of the Capital Requirements Regulations (CRR), Large Exposures. These advances were primarily secured against the entire micro loan portfolio of all group companies that operate in the micro finance business. This security was held by the Bank as a continuing security for the payment of all sums of money which became due and payable by Ferratum Capital Oy. These advances are repayable in December 2017, however the Bank may demand repayment at any time. Under the terms of the funding arrangement in place with the group company, the Bank effects advances denominated in euro to the group entity with respect to the Bank's surplus liquidity and borrows funds denominated in Polish Zloty and Czech Koruna for the purposes of funding the Bank's lending activities in specific territories giving rise to exposures in those foreign currencies. The funding arrangement contemplates an offsetting process between the Bank's euro loans to, and its foreign currency borrowings from, the group company. The euro loans are subject to a fixed interest rate of 3% per annum, whereas borrowings denominated in Polish Zloty and Czech Koruna are subject to a fixed interest rate of 11% per annum. Under the terms of the Bank's funding arrangement with the group company, referred to above, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies.

Credit related commitments

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

(b) Market risk

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

Foreign exchange risk

The Bank takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. Foreign exchange risk is the risk to earnings and value caused by a change in foreign exchange rates. Foreign exchange risk arises when financial assets or liabilities are denominated in currencies that are different from the Bank's functional currency (euro), principally in Polish Zloty, Czech Koruna, Swedish Krona and Bulgarian Lev. However, the Bank is not in substance exposed to fluctuations in exchange rates with respect to the Bulgarian Lev as this currency is pegged to the euro. During the financial year ended 31 December 2014, the Bank extended its lending and other credit related activities to a number of European countries.

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

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

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

	Total	EUR	PLN	SEK	CZK	BGL	Other
	€	**€**	**€**	**€**	**€**	**€**	**€**
As at 31 December 2014							
Financial assets							
Loans and advances banks	3,043,304	1,804,211	319,164	535,130	375,631	9,168	-
Loans and advances customers	16,370,257	3,995,515	7,859,96	1,672,9	2,741,316	100,508	-
Loans and advances group companies	1,360,845	4,671,786	(907,841	-	(2,403,100)	-	-
Other assets	327,638	144,237	30,771	885	57,415	94,330	-
Total financial assets	**21,102,044**	**10,615,749**	**7,302,05**	**2,208,9**	**771,262**	**204,006**	**-**
Financial liabilities							
Borrowed funds	4,218,723	2,653,357	-	1,565,3	-	-	-
Other liabilities	3,230,264	1,243,331	682,172		531,177	-	8,501
Total financial liabilities	**7,448,987**	**3,896,688**	**682,172**	**2,330,4**	**531,177**	**-**	**8,501**
Net currency exposure in financial assets/liabilities	**13,653,057**	**6,719,061**	**6,619,88**	**(121,47**	**240,085**	**204,006**	**(8,501**
Commitments and contingent liabilities	**1,473,542**	**352,354**	**-**	**-**	**-**	**1,121,188**	**-**

	Total	EUR	PLN	SEK	CZK	BGL	Other
	€	€	€	€	€	€	€
As at 31 December 2013							
Financial assets							
Loans and advances banks	8,954,585	8,481,305	473,280	-	-	-	-
Loans and advances customers	4,365,633	1,746,253	2,619,380	-	-	-	-
Other assets	107,886	107,886	-	-	-	-	-
Total financial assets	13,428,104	10,335444	3,092,660	-	-	-	-
Financial liabilities							
Borrowed funds	2,500,000	2,500,000	-	-	-	-	-
Other liabilities	985,249	392,623	592,626	-	-	-	-
Total financial liabilities	3,485,249	2,892,623	592,626	-	-	-	-
Net currency exposure in financial assets/liabilities	9,942,855	7,442,821	2,500,034	-	-	-	-
Commitments and contingent	127,310	127,310	-	-	-	-	-

Under the scenario that the euro appreciates by 5% (2013: 5%) against all relevant currencies, the effect would be a decrease of €337,000 (2013: €125,000) in the carrying amount of the net financial assets with the adverse impact recognised in profit or loss. Should the euro depreciate against all relevant currencies by 5% (2013: 5%), the effect would be a gain of €337,000 (2013: €125,000) in the carrying amount of the net financial assets and the favourable impact would be recognised in profit or loss.

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

Interest rate risk

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

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

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

	Floating rates €	Fixed rates €	Non-interest bearing €	Total €
At 31 December 2013				
Loans and receivables:				
Loans and advances to banks	8,125,550	-	829,035	8,954,585
Loans and advances to customers	-	4,365,633	-	4,365,633
	8,125,550	4,365,633	829,035	13,320,218
Borrowed funds	(2,500,000)	-	-	(2,500,000)
Net exposure	5,625,550	4,365,633	829,035	10,820,218

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

As reflected above, the Bank is exposed to cash flow interest rate risk at 31 December in respect of certain financial assets and liabilities which are subject to floating interest rates. Taking cognisance of the nature of the Bank's financial assets and liabilities as described above, under the requirements of IFRS 7, a sensitivity analysis in respect of interest rate changes is required in relation to the Bank's net floating rate instruments. These instruments are the net resultant of floating rate assets, which mainly constitute the Bank's surplus liquidity placed with banks, and floating rate liabilities, consisting of funds borrowed from financial institutions.

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

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

	2014	2013
	€	€
(+) 100 bp	**(11,018)**	120,781
(-) 100 bp	**2,200**	109,773

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

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

	Within three months	Within one year but over three months	Total
	€	€	€
As at 31 December 2013			
Financial assets			
Loans and advances to banks	8,954,585	-	8,954,585
Loans and advances to customers	4,365,633	-	4,365,633
	13,320,218	-	13,320,218
Financial liabilities			
Borrowed funds	-	(2,500,000)	(2,500,000)
	-	(2,500,000)	(2,500,000)
Interest rate gap	13,320,218	(2,500,000)	
Cumulative gap	13,320,218	10,820,218	

(c) Liquidity risk

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

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

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

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

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

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

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

	Within three months	Within one year but over three months	Total
	€	€	€
As at 31 December 2013			
Financial assets			
Loans and advances to banks	8,954,585	-	8,954,585
Loans and advances to customers	4,365,633	-	4,365,633
Other assets	86,722	-	86,722
	13,406,940	-	13,406,940
Financial liabilities			
Borrowed funds	-	(2,500,000)	(2,500,000)
Other liabilities	(985,249)	-	(985,249)
	(985,249)	(2,500,000)	(3,485,249)
Maturity gap	12,421,691	(2,500,000)	
Cumulative gap	12,421,691	9,921,691	

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

	Within three months	Within one year but over three months	Total	Carrying Amount
	€	€	€	€
As at 31 December 2014				
Borrowed funds	1,903,876	2,594,070	4,497,946	4,218,723
Other liabilities	3,230,264	-	3,230,264	3,230,264
	5,134,140	**2,594,070**	**7,728,210**	**7,448,987**
As at 31 December 2013				
Borrowed funds	99,064	2,649,684	2,748,748	2,500,000
Other liabilities	985,249	-	985,249	985,249
	1,084,313	2,649,684	3,733,997	3,485,249

(d) Operational risk

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

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

2.2 Capital risk management

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

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

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

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

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

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

	2014	2013
	€	€
Share capital	**10,000,000**	10,000,000
Other reserves		
Reserve for General Banking Risks	**96,608**	-
Retained earnings	**2,345,324**	9,276
Total original own funds/Total own funds	**12,441,932**	10,009,276

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

	Notional amount	Risk weighted assets
	€	€
As at 31 December 2014		
Credit risk:		
Loans and advances to banks	3,043,304	864,545
Loans and advances to customers	16,370,257	12,277,693
Loans and advances to group companies	1,360,845	1,360,845
Other assets	428,853	428,853
Off-balance sheet items	1,294,452	970,839
	22,497,711	**15,902,775**
Operational risk		37,912,514
Total risk weighted assets		53,815,289
Own funds		12,441,932
Capital requirements ratio		**23.1%**

	Notional	Risk weighted

	amount	assets
	€	€
As at 31 December 2013		
Credit risk:		
Loans and advances to banks	8,954,585	2,014,306
Loans and advances to customers	4,365,633	3,274,225
Other assets	176,755	176,755
	13,496,973	5,465,286
Foreign exchange risk		199,943
Operational risk		44,827,333
Total risk weighted assets		50,492,562
Own funds		10,009,276
Capital requirements ratio		19.8%

2.3 Fair value of financial instruments

At 31 December 2014 and 2013, the carrying amounts of loans and advances to banks, loans and advances to customers, loans and advances to group companies, other assets, borrowed funds and other liabilities reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments and the short period of time between the origination of the instruments and their expected realisation or liquidation.

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

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

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

3.1 Impairment of loans and advances

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

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

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

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

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

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

4. Loans and advances to banks

	2014	2013
	€	€
Current:		
Repayable on call and at short notice	**3,043,304**	8,954,585

Loans and advances with a contractual maturity of three months or less are included in cash and cash equivalents for the purposes of the statement of cash flows (Note 22).

5. Loans and advances to customers

	2014	2013
	€	€
Current:		
Term loans and advances to customers	**16,370,257**	4,365,633

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

	2014	2013
	€	€
Face value of loans and advances	**17,437,392**	4,395,936
Amortised process and reminder fees	**5,783,097**	1,452,072
Unamortised rescheduling fees	**(221,738)**	(61,953)
Collective impairment allowances	**(6,628,494)**	(1,420,422)
Carrying amount	**16,370,257**	4,365,633

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

	2014	2013
	€	€
At beginning of the year	**1,420,422**	-
Increase in allowances - charge to profit or loss	**5,280,841**	1,417,181
Exchange differences	**(72,769)**	3,241
At end of the year	**6,628,494**	1,420,422

6. Loans and advances to group companies

	2014	2013
	€	€
Current:		
Advances to group company	**1,360,845**	-

The movements in the loans and advances are analysed below:

	2014	2013
	€	€
At beginning of the year	**-**	9,910,555
Advances effected	**7,066,732**	3,528,622
Repayments	**(5,705,887)**	(13,439,177)
At end of the year	**1,360,845**	-

During the financial year ended 31 December 2014, the Bank advanced amounts to a group company, Ferratum Capital Oy, in terms of a funding arrangement entered into with this entity. These advances were primarily secured against the entire micro loan portfolio of all group entities that operate in the micro finance business. This security was held by the Bank as a continuing security for the payment of all sums of money which became due and payable by Ferratum Capital Oy. These advances are repayable in December 2017, however the Bank may demand repayment at any time. Under the terms of the funding arrangement in place with the group company, the Bank effects advances denominated in euro to the group company with respect to the Bank's surplus liquidity and borrows funds denominated in Polish Zloty and Czech Koruna for the purposes of funding the Bank's lending activities in specific territories giving rise to exposures in those foreign currencies. The latter borrowings constitute repayments of the euro advances effectively. The funding arrangement contemplates an offsetting process between the Bank's euro loans to, and its foreign currency borrowings from, the group company. The euro loans are subject to a fixed interest rate of 3% per annum, whereas borrowings denominated in Polish Zloty and Czech Koruna are subject to a fixed interest rate of 11% per annum. An offsetting arrangement is also contemplated with respect to these interest flows. Under the terms of the Bank's funding arrangement with the group company, referred to above, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies.

The loan activity throughout the preceding financial year relates to advances to the Bank's ultimate parent, which were fully settled by the end of the year.

7. Property, plant and equipment

	Furniture and fittings €	Computer hardware €	Office equipment €	Total €
Year ended 31 December 2013				
Additions	38,369	31,205	8,270	77,844
Depreciation charge	(2,303)	(5,089)	(1,583)	(8,975)
Closing net book amount	36,066	26,116	6,687	68,869
At 31 December 2013				
Cost	38,369	31,205	8,270	77,844
Accumulated depreciation	(2,303)	(5,089)	(1,583)	(8,975)
Net book amount	36,066	26,116	6,687	68,869
Year ended 31 December 2014				
Opening net book amount	36,066	26,116	6,687	68,869
Additions	17,393	35,942	-	53,335
Depreciation charge	(6,440)	(12,482)	(2,067)	(20,989)
Closing net book amount	**47,019**	**49,576**	**4,620**	**101,215**
At 31 December 2014				
Cost	55,762	67,147	8,270	131,179
Accumulated depreciation	(8,743)	(17,571)	(3,650)	(29,964)
Net book amount	**47,019**	**49,576**	**4,620**	**101,215**

8. Other assets

	2014	2013
	€	€
Current:		
Amount due from immediate parent company	**7,000**	3,500
Amount due from group companies	**266,692**	83,222
Other receivables	**37,688**	-
Prepayments	**16,258**	21,164
	327,638	107,886

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

9. Share capital

	2014	2013
	€	€
Authorised, issued and fully paid		
10,000,000 Ordinary shares of €1 each	**10,000,000**	10,000,000

10. Other reserves

	2014	2013
	€	€
Reserve for General Banking Risks	**96,608**	-

The Reserve for General Banking Risks refers to the amount allocated by the Bank from its retained earnings to a non-distributable reserve against potential risks linked to the Bank's non-performing loans and advances. This allocation is to occur over a three-year period, with a 40% allocation during the financial year ended 31 December 2013, and a 30% allocation both in the financial year ended 31 December 2014 and in that ending 31 December 2015. The current year allocation amounted to €91,382. The prior year allocation would have amounted to €5,226; but this amount had not been reflected as an allocation to a designated reserve during the preceding financial year in view of the immateriality of the amount. This amount has been included within the current year allocation.

11. Borrowed funds

	2014	2013
	€	€
Current:		
Amounts owed to credit institution	**153,357**	-
Amounts owed to corporate entity	**1,565,366**	-
Amounts owed to other financial institution	**2,500,000**	2,500,000
	4,218,723	2,500,000

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

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

Amounts owed to other financial institution comprises funding which is not subject to a contractual maturity date and can be terminated subject to a six-month notice period. The borrowing is subject to a floating interest rate of six months Euribor plus 7.5%.

12. Other liabilities

	2014	2013
	€	€
Current:		
Amounts due to group companies	**1,567,838**	421,498
Other payables	**597,980**	177,989
Accrued interest expense	**-**	50,076
Other accruals	**1,064,446**	335,686
	3,230,264	985,249

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

13. Commitments

Credit related commitments

	2014	2013
	€	€
Financial guarantee contracts issued	**1,294,452**	-

Financial guarantee contracts issued, which represent irrevocable assurances that the Bank will make payments in the event that a customer cannot meet its obligations to third parties, carry the same credit risk as loans. The Bank issues financial guarantee contracts in respect of micro-loans and other credit products originated by other parties. At the end of each reporting period, these commitments are measured at the higher of (i) the remaining unamortised balance of the amount at initial recognition (fees received) and (ii) the best estimate of expenditure required to settle the commitment at the end of each reporting period. As at 31 December 2014, the carrying amount of these contracts issued was not deemed material for disclosure purposes.

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

Operating lease commitments – where the Bank is the lessee

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

	2014	2013
	€	€
Less than one year	**174,865**	127,310
More than one year and less than five years	**4,225**	-
	179,090	127,310

14. Interest and similar income

	2014	2013
	€	€
On loans and advances to banks	**6,697**	356
On loans and advances to customers	**18,342,029**	3,779,508
On loans and advances to group company	**-**	286,443
	18,348,726	4,066,307

15. Interest and similar expense

	2014	2013
	€	€
On borrowed funds	**254,502**	141,520

Interest and similar expense includes a net interest cost incurred on the funding arrangement with a group company, as described in Note 6, amounting to €49,378.

16. Fee and commission income and expense

(a) Fee and commission income

	2014	2013
	€	€
Fee income	**207,742**	18,936

(b) Fee and commission expense

	2014	2013
	€	€
Interbank transaction fees	**675,766**	118,082
Other fees	**26,095**	2,900
	701,861	120,982

17. Net trading gains

	2014	2013
	€	€
Net foreign exchange gains	**-**	24,176

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

18. Expenses by nature

	2014	2013
	€	€
Employee benefit expense (Note 19)	**2,422,074**	955,252
Annual statutory audit remuneration	**47,200**	47,200
Depreciation of property, plant and equipment (Note 7)	**20,989**	8,975
Information technology costs	**161,837**	121,206
Property rental expenses	**163,801**	89,784
Consultancy and business development costs	**3,767,178**	654,129
Other administrative expenses	**1,993,637**	497,138
	8,576,716	2,373,684

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

Auditor's remuneration

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

	2014	2013
	€	€
Annual statutory audit	**47,200**	47,200
Other non-audit services	**127,000**	150,000
	174,200	197,200

19. Employee benefit expense

	2014	2013
	€	€
Wages and salaries (including executive directors' remuneration)	**2,102,653**	880,432
Social security costs	**258,908**	74,820
	2,361,561	955,252

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

	2014	2013
- Senior managerial	**6**	5
- Operational/administrative	**95**	29
	101	34

20. Directors' emoluments

	2014	2013
	€	€
Salaries, fees and other emoluments	**318,513**	311,959

21. Tax expense

	2014	2013
	€	€
Current tax expense	**1,309,892**	2,448

The tax on the profit before income tax differs from the theoretical amount that would arise using the tax rate applicable as follows:

	2014	2013
	€	€
Profit before tax	**3,742,548**	56,052
Tax at the applicable rate of 35%	**1,309,892**	19,618
Utilisation of tax losses brought forward from previous period	**-**	(15,515)
Temporary differences arising on depreciation of property, plant and equipment	**-**	(1,655)
Tax charge for the year	**1,309,892**	2,448

22. Cash and cash equivalents

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

	2014	2013
	€	€
Loans and advances to banks (Note 4)	**3,043,304**	8,954,585
Borrowed funds (Note 11)	**(1,718,723)**	-
	1,324,581	8,954,585

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

23. Related party transactions

Ferratum Oyj is the Bank's ultimate parent company (refer to Note 24), previously known as JT Family Holding Oy. All entities, which are ultimately controlled by Ferratum Oyj, are considered by the directors to be related parties. The ultimate controlling party of Ferratum Bank Limited is Mr Jorma Jokela, who holds a majority stake in the share capital of Ferratum Oyj.

During the year ended 31 December 2014, the Bank effected advances to Ferratum Capital Oy, a group company, in terms of a funding arrangement entered into with this entity with effect from 1 January 2014. Transactions entered into under this agreement are disclosed within Note 6, as are the terms and conditions, including maturity, interest and collateral terms, of all such transactions. Under the arrangement with Ferratum Capital Oy, the group company has also committed to provide cover to the Bank from any realised and unrealised gains or losses arising on foreign currencies as a result of the Bank's lending activities, in certain territories, denominated in specific foreign currencies taking cognisance of the funding obtained by the Bank in those currencies. During the year, the Bank incurred net foreign exchange losses amounting to €161,130, which were borne by the group company (refer to Note 17). The advances to the Bank's ultimate parent effected throughout the financial year ended 31 December 2013 are also disclosed within Note 6 to the financial statements. Interest income and expense attributable to these loans and advances is presented in the table below.

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

	2014	2013
	€	€
Interest receivable from ultimate parent company (Note 14)	**-**	286,443
Interest payable to group company (Note 15)	**(49,378)**	-
Recharge of expenses from ultimate parent company:		
Information technology costs, marketing fees and other costs	**(441,797)**	(158,226)
Recharge of marketing and staff training expenses from other group companies	**(840,946)**	(20,303)
Consultancy services provided by key management personnel	**(108,678)**	-

Amounts owed from/to group companies are disclosed in Notes 8 and 12.

The Bank's directors are deemed to be its key management personnel taking cognisance of the Bank's activities. Key management personnel compensation, consisting of directors' remuneration, has been disclosed in Note 20.

24. Statutory information

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

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

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

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

pwc

Independent auditor's report

To the Shareholders of Ferratum Bank Limited

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

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

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion the financial statements

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

Independent auditor's report - continued

To the Shareholders of Ferratum Bank Limited

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

In our opinion:

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

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

F. Axisa

Fabio Axisa
Partner

13 May 2015

Independent auditor's report on the Financial Statements of the Issuer for the year ended 31 December 2013

pwc

Independent auditor's report

To the Shareholders of Ferratum Bank Limited

Report on the Financial Statements for the year ended 31 December 2013

We have audited the financial statements of Ferratum Bank Limited on pages 5 to 45 which comprise the statement of financial position as at 31 December 2013 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Bank as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Banking Act, 1994 and the Maltese Companies Act, 1995.

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Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

In our opinion:

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

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Fabio Axisa
Partner

25 April 2014

8.3.2 Financial Review of the Guarantor

Consolidated Income Statement

	Year ended 31 December	
	2014	2013
	€	€
Revenue	**70,508,257**	58,198,340
Other income	**156,929**	136,670
Operating expenses		
Selling, marketing and administration	**(28,978,081)**	(21,201,588)
Impairments on loans	**(20,372,148)**	(21,598,446)
Depreciations and amortization	**(627,789)**	(526,844)
Other operating expenses	**(10,075,749)**	(7,679,563)
Operating profit	**10,611,418**	7,328,569
Finance income	**98,978**	75,025
Finance costs	**(4,179,718)**	(3,515,042)
Finance costs - net	**(4,080,740)**	(3,440,017)
Profit before income tax	**6,530,678**	3,888,552
Income tax expense	**(911,254)**	(341,606)
Profit for the period	**5,619,425**	3,546,946
Profit attributable to:		
Owners of the parent company	**5,619,425**	3,546,946
Non-controlling interests	**-**	-

Consolidated Statement of Comprehensive Income

	Year ended 31 December	
	2014	2013
	€	€
Profit for the period	**5,619,425**	3,546,946
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	**(232,440)**	(229,252)
Other comprehensive income for the year net of tax	**(232,440)**	(229,252)
Total comprehensive income	**5,386,985**	3,317,694
Total comprehensive income attributable to:		
Owners of the parent company	**5,386,985**	3,317,694
Non-controlling interests	**-**	-

Consolidated Statement of Financial Position

	As at 31 December	
	2014	2013
	€	€
ASSETS		
Non-current assets		
Property, plant and equipment	**293,658**	282,051
Intangible assets	**4,383,520**	3,104,905
Deferred income tax assets	**2,711,290**	1,865,580
Total non-current assets	**7,388,468**	5,252,536
Current assets		
Accounts receivable – consumer loans	**61,529,207**	44,683,369
Other receivables	**2,193,944**	3,963,145
Income tax assets	**667,737**	335,643
Cash and cash equivalents (excluding bank overdrafts)	**8,025,869**	17,528,034
Total current assets	**72,416,757**	66,510,191
Total assets	**79,805,225**	71,762,727
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	**7,300,000**	10,000
Treasury shares	**(142,315)**	(142,315)
Reserves	**(392,343)**	(171,135)
Unrestricted equity reserve	**2,372,952**	3,067,590
Retained earnings	**12,305,194**	12,914,623
Total equity	**21,443,488**	15,678,763
of which relate to Non-controlling interests	**-**	-
LIABILITIES		
Non-current liabilities		
Borrowings	**28,719,385**	26,244,738
Other payables	**10,803**	17,479
Deferred income tax liabilities	**154,757**	154,866
Total non-current liabilities	**28,884,945**	26,417,083
Current liabilities		
Income tax liabilities	**1,633,965**	455,909
Borrowings	**20,233,026**	19,538,425
Trade payables	**4,400,650**	7,282,034
Other current liabilities	**3,209,151**	2,390,513
Total current liabilities	**29,476,792**	29,666,881
Total liabilities	**58,361,737**	56,083,964
Total equity and liabilities	**79,805,225**	71,762,727

Consolidated Statement of Cash Flows

	2014	2013
<u>Cash flows from operating activities</u>		
PROFIT/LOSS FOR THE PERIOD	**5,619,425**	3,546,946
<u>Adjustments for:</u>		
Depreciation and amortisation	**627,789**	526,844
Gains (-) and Losses (+) of disposals of fixed assets and other non-current assets	**-**	196,152
Finance costs, net	**4,080,740**	3,440,017
Tax on income from operations	**911,254**	341,606
Transactions without cash flow	**(406,368)**	53,016
<u>Working capital changes:</u>		
Increase (-) /decrease(+) in trade receivables (interests accrued)	**(6,806,423)**	(10,430,250)
Increase (+) /decrease(-) in allowances for doubtful current trade receivables	**6,493,156**	18,544,514
Increase (-) /decrease(+) in other current receivables	**1,769,201**	(2,947,664)
Increase (+) / decrease (-) in trade payables and other current liabilities	**(2,062,746)**	(1,340,400)
Interest paid	**(4,309,150)**	(3,859,481)
Interest received	**92,374**	25,949
Other financing items	**(77,333)**	(430,822)
Income taxes paid	**(923,479)**	(968,064)
Taxes received back	**1,622,345**	
Loans granted	**(174,872,660)**	(162,968,684)
Proceeds from repayments of loans	**158,340,090**	148,094,549
Net cash from operating activities	**(9,901,787)**	(8,175,772)
<u>Cash flows from investing activities</u>		
Purchase of tangible and intangible assets	**(1,929,976)**	(1,306,695)
Proceeds from sale of tangible and intangible assets	**11,966**	150,753
Proceeds from sale of other assets		152,827
Net cash used in investing activities	**(1,918,010)**	(1,003,115)
<u>Cash flows from financing activities</u>		
Purchase of own shares		(126,186)
Proceeds from short-term borrowings	**10,016,527**	8,997,633
Repayment of short-term borrowings	**(1,757,934)**	(7,111,294)
Proceeds from long-term borrowings	**4,934,547**	25,000,000
Repayment of long-term borrowings	**(9,750,082)**	(859,743)
Dividends paid / distribution of equity reserve	**(694,638)**	(790,000)
Net cash used in financing activities	**2,748,420**	25,110,411
Net increase/decrease in cash and cash equivalents	**(9,071,377)**	15,931,524

Cash and cash equivalents at the beginning of the period	**17,528,034**	2,670,730
Exchange gains/(losses) on cash and cash equivalents	**(430,788)**	(1,074,221)
Net increase/decrease in cash and cash equivalents	**(9,071,377)**	15,931,524
Cash and cash equivalents at the end of the period	**8,025,869**	17,528,034

Consolidated Statement of Changes in Equity

Changes in equity 1 - 12 / 2013	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	Total equity
Opening balance	**10,000**	**(16,130)**	**3,067,590**	**1,610**	**3,709**	**10,093,483**	**13,160,263**	**13,160,263**
Comprehensive income								
Profit or loss	-	-	-	-	-	3,546,946	3,546,946	3,546,946
Other comprehensive income								
Currency translation difference	-	-	-	(71)	(176,674)	(52,508)	(229,252)	(229,252)
Total comprehensive income	-	-	-	(71)	(176,674)	3,494,438	3,317,693	3,317,693
Transactions with owners								
Dividend distribution	-	-	-	-	-	(790,000)	(790,000)	(790,000)
Acquisition of treasury shares	-	(126,185)	-	-	-	-	(126,185)	(126,185)
Share-based payments	-	-	-	-	-	116,702	116,702	116,702
Other changes	-	-	-	290	-	-	290	290
Total transactions with owners	**-**	**(126,185)**	-	**290**	**-**	**(673,293)**	**(799,193)**	**(799,193)**
Total equity 31/12/2013	**10,000**	**(142,315)**	**3,067,590**	**1,829**	**(172,964)**	**12,914,623**	**15,678,763**	**15,678,763**

Changes in equity 1 - 12 / 2014	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	Total equity
Opening balance	**10,000**	**(142,315)**	**3,067,590**	**1,829**	**(172,964)**	**12,914,623**	**15,678,763**	**15,678,763**
Comprehensive income								
Profit or loss	-	-	-	-	-	5,619,425	5,619,425	5,619,425
Other comprehensive income								
Currency translation difference:	-	-	-	(9)	(221,199)	(11,232)	(232,440)	(232,440)
Total comprehensive income	-	-	-	(9)	(221,199)	5,608,193	5,386,985	5,386,985
Transactions with owners								
Distribution of equity reserve (i)	-	-	(694,638)	-	-	-	(694,638)	(694,638)
Increase of share capital (ii)	7,290,000	-	-	-	-	(7,290,000)	-	-
Share-based payments	-	-	-	-	-	1,072,378	1,072,378	1,072,378
Total transactions with owners	7,290,000	-	(694,638)	-	-	(6,217,622)	377,740	377,740
Total equity 31/12/2014	**7,300,000**	**(142,315)**	**2,372,952**	**1,820**	**(394,163)**	**12,305,194**	**21,443,488**	**21,443,488**

(i) The Board of Directors proposes not to distribute dividends from retained earnings, but to distribute the presented amount out of the invested funds in the unrestricted equity reserve as a return of capital

(ii) The Board of Directors made a decision to increase the Share capital of the Company by 7.29 million EUR from funds available in Retained earnings

Notes to the financial statements of the Guarantor

1. General information

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

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

The financial year for all group companies is the calendar year and it ended on December 31, 2014. The Board of Directors of Ferratum Group has approved these financial statements for publication on March 27, 2015. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting of Shareholders held after publication. It is also possible to amend the financial statements at the General Meeting of Shareholders.

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

The group has adopted the following new and revised standards during the year:

- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IAS 27 (revised 2011) Separate financial statements
- IAS 28 (revised 2011), Associates and joint ventures

In addition, there have been some amendments to existing standards. None of the new or revised standards or amendments had impact on the reported income statement and the statement of financial position.

The preparation of financial statements in accordance with IFRS requires the management to use certain critical accounting estimates. The application of the company's accounting policies also requires the management to make assumptions and exercise its judgment in the process of applying the group's accounting policies. These assumptions and estimates affect the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing this financial statements release, the significant judgments made by management in applying the group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended December 31, 2013.

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

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

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

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

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

2.2 Consolidation

Subsidiaries

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

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

Business combinations

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

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

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

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on

the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised in income statement or other comprehensive income.

2.5 Property, plant and equipment

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

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

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

Fixtures, fittings and equipment:	3 – 8 years
Vehicles:	3 – 5 years

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

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

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

2.6 Intangible assets

Intangible assets of Ferratum Group are mainly representing immaterial rights (licences, trademark etc.) and capitalised software development costs.

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

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

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

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

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

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

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

(b) Loans and receivables

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

2.8.2 Recognition and measurement

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

2.9 Impairment of financial assets

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

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

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

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

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

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

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

2.10 Cash and cash equivalents

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

2.11 Share capital

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

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

2.12 Trade payables

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

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

2.13 Borrowings

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

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

2.14 Current and deferred income tax

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

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

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

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

2.15 Revenue recognition

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

Revenues are recognized when:

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

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

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

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

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

2.16 Finance income and costs

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

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

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

2.17 Other income from operations

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

2.18 Share-based payments

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

2.19 Derivative instruments

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

3. Financial risk management

3.1 Financial risk factors

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

(a) Credit risk

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

	2014	2013
	€	€
Loans and receivables:		
Cash and cash equivalents (i)	**8,025,869**	17,528,034
Accounts receivable – consumer loans	**61,529,207**	44,683,369
Other receivables	**2,193,944**	3,963,145
	71,749,020	66,174,549

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

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The fair value of loans and receivables are equivalent to their carrying amounts. The table represents a worst case scenario of credit risk exposure to the group at December 31, 2014 and 2013, without taking account of any collateral held or any other credit enhancements attached.

Loans and advances to customers

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

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

(b) Market risk

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

Foreign exchange risk

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

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

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

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

As result from intra-group borrowings, main foreign exchange risk arises from Polish Zloty. At December 31, 2014, if euro had weakened/strengthened by 10% against the Polish zloty with all other variables held constant, pre-tax profit for the period would have been EUR 483 thousand higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2013: EUR 310 thousand).

Cash flow and fair value interest rate risk

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

Ferratum Group's main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose Ferratum Group to cash flow interest rate risk which is partially offset by having a short term loan portfolio as main asset in the group. Increasing refinancing cost can be potentially covered by according price changes in new lending whereby the spread between lending interest and borrowing interest is comparably high. During the year ended December 31, 2014 and year ended December 31, 2013, Ferratum Group's borrowings at variable rate were denominated in PLN and EUR.

	2014	2013
	€	€
Fixed interest rate borrowings	**33,304,014**	25,646,366
Fixed interest rate borrowings	**15,548,397**	20,136,797
Total borrowings	**48,952,411**	45,783,163

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

Based on the various scenarios, the group occasionally manages its cash flow interest rate risk by using floating-to-fixed interest rate swaps. As per December 31, 2014 part of the interest rate risk arising from the credit line from Nordea was hedged using a floating-to-fixed interest rate swap. The swap's nominal value was EUR 5,000,000 covering 25% of the group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

At December 31, 2014, if interest rates at that date had been 100 basis points lower/higher with all other variables held constant, pre-tax profit for the period would have been EUR 129 thousand higher/lower, mainly as a result of lower/higher interest expense on variable interest liabilities.

(c) Liquidity risk

Cash flow forecasting is performed in the operating entities of Ferratum Group in and aggregated by Ferratum Group finance. Ferratum Group finance monitors rolling forecasts of the group's liquidity requirements to ensure it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable external regulatory or legal requirements – for example, currency restrictions. Surplus cash held by the operating entities over and above balance required for working capital management are transferred to the group treasury. Ferratum Group treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. At the reporting date, the group had unused credit lines amounting to EUR 348 thousand.

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

Repayment schedule for financial liabilities as of December 31, 2014 including future interest payments is as follows. Variable interest payments are estimated based on the spot interest rate level at the balance sheet date. The amounts are undiscounted.

31 December 2014	Within 12 months €	Between 1-2 years €	Between 2-5 years €	Over 5 years €
Bank borrowings	10,680,502	-	-	111,000
Interest	444,554	2,054	6,161	2,054
Corporate loan	5,000,000	-	-	-
Interest	261,816	-	-	-
Bonds issued	2,415,724	-	28,714,954	-
Interest	2,554,442	2,442,994	4,221,497	-
Deposits from customers	2,136,800	-	-	-
Derivatives	23,875	23,875	71,626	-
Trade payables and other current liabilities	7,609,801	-	-	-
	31,127,513	**2,468,922**	**33,014,237**	**113,054**

31 December 2013	Within 12 months €	Between 1-2 years €	Between 2-5 years €	Over 5 years €
Bank borrowings	4,717,276	-	-	-
Interest	578,973	-	-	-
Corporate loan	5,000,000	-	-	-
Interest	511,000	-	-	-
Bonds issued	9,821,149	2,498,616	23,746,122	-
Interest	2,797,741	2,108,178	5,605,479	-
Deposits from customers	1,110,760	-	-	-
Derivatives	9,090	9,090	27,269	-
Trade payables and other current liabilities	9,672,547	-	-	-
	34,218,536	4,615,884	29,378,870	-

3.2 Capital management

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

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

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

During the year ended December 31, 2014, Ferratum Group's strategy, which was unchanged from 2013, was to maintain the gearing ratio below 3.

	2014	2013
	€	€
Total liabilities	**58,361,737**	56,083,965
Less: cash and cash equivalents	**8,025,869**	17,528,034
Net debt	**50,335,868**	38,555,931
Total equity	**21,443,488**	15,678,763
Gearing ratio	**2.3**	2.5

3.3 Carrying values and fair values of financial instruments

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

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

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

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

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

Financial instruments	31-Dec-2014	31-Dec-2014	31-Dec-2013	31-Dec-2013	
	Carrying value	Fair value	Carrying value	Fair value	Level of fair fair value measurement
	€	€	€	€	€
Financial liabilities					
Items recognised at amortised					
Loans from financial institutions	10,680,502	10,916,239	9,717,276	9,674,172	Level 3
Bonds	36,130,678	36,622,797	36,065,887	35,483,937	Level 1
Items recognised at fair value through profit and loss					
Derivatives	119,376	119,376	45,449	45,449	Level 2

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

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

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

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

4. Segment information

Ferratum Group has two operating reportable segments. Operating segments are based on Group's management structure which consists of two geographical regions: West and East. The West region includes Australia, New Zealand, Canada (launched in January 2015), UK, Spain, Netherlands, Belgium (active until 2013), Sweden, Denmark, Germany and Finland. The East region includes Estonia, Lithuania, Latvia, Poland, Czech, Slovakia, Croatia, Bulgaria, Russia and Romania.

4.1 Business segments 2014

	Year ended 31 December 2014			
	West €	East €	Other* €	Group €
Revenue	42,376,860	28,131,397	-	70,508,257
Other income	138,529	111,983	(93,583)	156,929
Operating expenses:				
Selling, marketing and administration	(15,343,504)	(11,053,084)	(2,581,494)	(28,978,082)
Impairments on loans	(11,272,563)	(9,099,585)	-	(20,372,148)
Depreciations and amortisation	(242,324)	(117,850)	(267,615)	(627,789)
Other operating expenses	(2,824,686)	(3,124,158)	(4,126,905)	(10,075,749)
Operating profit	**12,832,312**	**4,848,703**	**(7,069,597)**	**10,611,418**
Total segment assets	**45,137,553**	**31,028,348**	**3,639,324**	**79,805,225**
Total segment liabilities	**38,890,305**	**15,121,345**	**4,350,087**	**58,361,737**

4.2 Business segments 2013

	Year ended 31 December 2013			
	West	East	Other*	Group
	€	€	€	€
Revenue	33,912,729	24,285,611	-	58,198,340
Other income	24,619	21,339	90,713	136,670
Operating expenses:				
Selling, marketing and administration	(14,103,533)	(5,463,510)	(1,634,545)	(21,201,588)
Impairments on loans	(11,970,260)	(9,628,186)	-	(21,598,446)
Depreciations and amortisation	(247,196)	(53,310)	(226,338)	(526,844)
Other operating expenses	(3,369,228)	(1,318,739)	(2,991,596)	(7,679,563)
Operating profit	4,247,132	7,843,205	(4,761,767)	7,328,570
Total segment assets	48,872,658	20,041,427	2,848,642	71,762,727
Total segment liabilities	38,741,293	13,224,625	4,118,046	56,083,965

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

4.3 Geographical areas

	2014	2013
	€	€
Revenue, abroad	**55,364,389**	47,627,726
Revenue, domestic	**15,143,868**	10,570,614
Total Revenue	**70,508,257**	58,198,340

5. Personnel expenses

	2014	2013
	€	€
Salaries and other employee benefits (incl. bonuses)	**(8,621,591)**	(6,934,860)
Employee pension expenses	**(310,749)**	(415,100)
Other personnel expenses	**(1,762,982)**	(1,293,782)
Share-based payments equity settled (i)	**(1,072,378)**	(116,702)
Total personnel expenses	**(11,767,699)**	(8,760,443)

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

6. Depreciation and amortization

	2014	2013
	€	€
Tangible assets:		
Machinery & equipment	**(113,261)**	(123,520)
Other tangible assets	**(4,259)**	(1,590)
	(117,520)	(125,110)
Intangible assets:		
Trademark and licenses	**(220,462)**	(220,136)
IT Software	**(289,807)**	(181,599)
	(510,269)	(401,734)
Total depreciation and amortization	**(627,789)**	(526,844)

7. Other operating expenses

	2014	2013
	€	€
Rent and other office expenses	**(1,568,334)**	(1,224,806)
Travel expenses	**(1,233,334)**	(1,076,971)
Professional fees (excl. Audit)	**(3,084,439)**	(2,453,666)
Audit fees	**(348,013)**	(239,558)
Other expenses	**(3,841,629)**	(2,684,562)
Other operating expenses	**(10,075,749)**	(7,679,563)

Audit fees and other services from audit companies:

	2014	2013
	€	€
PwC		
Audit fees	**237,910**	193,581
Non-audit fees:		
Tax advise	**46,081**	12,779
Other services	**572,607**	224,224
Other audit companies		
Audit fees	**110,103**	45,978
Non-audit fees:		
Other services	**7,909**	123,888
Total audit fees	**348,013**	239,558
Total non-audit fees	**626,597**	360,892

8. Finance income

	2014	2013
	€	€
Interest income from cash and cash equivalents	**98,978**	64,380
Derivative held for trading – net gain / (loss)	**-**	10,645
Total finance income	**98,978**	75,025

9. Finance costs

	2014	2013
	€	€
Interest on borrowings	**(4,121,093)**	(2,760,367)
Derivative held for trading – gain / (loss)	**(73,927)**	-
Other financing expenses paid on borrowings	**(12,192)**	(406,231)
Foreign exchange loss on liabilities, realised	**27,494**	(348,444)
Total finance expense	**(4,179,718)**	(3,515,042)

10. Income tax expenses

	2014	2013
	€	€
Current tax:		
Current tax on profits for the year	**(1,504,176)**	(597,640)
Adjustments in respect of prior years	**(253,295)**	(3,773)
Total current tax	**(1,757,471)**	(601,413)
Changes in deferred taxes	**846,217**	259,806
Total deferred tax	**846,217**	259,806
Income tax expense	**(911,254)**	(341,606)

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

	2014	2013
	€	€
Profit before tax	**6,530,678**	3,888,552
Tax calculated at Finnish tax rate	**(1,306,136)**	(952,695)
Tax effects of:		
Difference between Finnish tax rate and rates in other countries	**(187,244)**	631,957
Income not subject to tax	**2,279,139**	476,171
Expenses not deductible for tax purposes	**(1,215,740)**	(1,414,155)
Utilization of previously unrecognized tax losses	**918,330**	818,356
Tax losses for which no deferred income tax asset was recognised	**0**	(942,997)
Tax assets from previously unrecognised tax losses	**813,141**	982,477
Re-measurement of deferred tax – change in tax rate *	**(94,508)**	67,142
Changes in tax provisions	**(1,953,132)**	0
Adjustment in respect of prior years	**(85,443)**	(3,773)
Others	**(79,661)**	(4,089)
Tax charge	**(911,254)**	(341,606)

*The corporate income tax rate decreased in Finland from 24,5% to 20%, in Denmark from 25% to 24,5% and in Slovakia from 23% to 22% in 2014. As a result, deferred tax assets and liabilities relating to operations in these countries have been valued at the new tax rate. The full effect of the change has been recorded in the income statement.

	2014	2013
	€	€
Losses carried forward balance at 31 December	**8,525,803**	8,831,983
Out of which:		
expires in one year	**1,336,892**	-
expires in two years' time	**379,000**	-
expires later than two years	**6,809,911**	8,831,983

11. Earnings per share

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

The weighted average number of ordinary shares in issue has been calculated taking into account the share split that was registered on September 26, 2014. The share split ratio was 1:1,700.

	2014	2013
	€	€
Profit for the reporting period attributable to owners of the parent	**5,619,425**	3,546,946
Weighted average number of ordinary shares in issue	**18,744,200**	18,765,345
Earnings per share, basic and diluted	**0.30**	0.19

Taking into account the new number of shares after the IPO (21,577,760 – treasury shares excluded) completed on February 6, 2015, the earnings per share based on profit for the year ended December 31, 2014 is EUR 0.26 (2013: EUR 0.16). Before the IPO related items the earnings per share were EUR 0.36 based on 18,744,200 shares and EUR 0.31 based on 21,577,760 shares.

12. Property, plant and equipment

	Machinery & Equipment	Other tangible assets	Total
	€	€	€
Cost, opening balance, as at 1 January 2013	558,201	69,308	627,508
Year ended 31 December 2013:			
Additions of the period	251,314	8,242	259,556
Disposals of the period	(382,499)	(12,448)	(394,947)
Reclassification during the period	59,198	(63,898)	(4,700)
Cost, closing balance, as at 31 December 2013	486,214	1,203	487,417
Cumulative depreciation, opening balance, as at 1 January 2013	(327,091)	(2,059)	(329,150)
Year ended 31 December 2013:			
Cumulative depreciation of disposals	245,691	3,203	248,893
Depreciation for the period	(123,520)	(1,590)	(125,110)
Cumulative depreciation, closing balance, as at 31 December 2013	(204,920)	(446)	(205,366)
Net book amount, opening balance	231,110	67,248	298,358
Net book amount, closing balance	281,294	757	282,051
Cost, opening balance, as at 1 January 2014	**486,214**	**1,203**	**487,417**
Year ended 31 December 2014:			
Additions of the period	92,109	48,984	141,093
Disposals of the period	(27,019)	-	(27,019)
Reclassification during the period	-	-	-
Cost, closing balance, as at 31 December 2014	**551,304**	**50,187**	**601,491**
Cumulative depreciation, opening balance, as at 1 January 2014	**(204,920)**	**(446)**	**(205,366)**
Year ended 31 December 2014:			
Cumulative depreciation of disposals	15,053	-	15,053
Depreciation for the period	(113,261)	(4,259)	(117,520)
Cumulative depreciation, closing balance, as at 31 December 2014	**(303,128)**	**(4,705)**	**(307,833)**
Net book amount, opening balance	**281,294**	**757**	**282,051**
Net book amount, closing balance	**248,176**	**45,482**	**293,658**

13. Intangible assets

	Immaterial rights	Internally generated software development costs	Computer Software	Total
	€	€	€	€
Cost, opening balance, as at 1 January 2013	1,103,505	904,661	1,179,216	3,187,381
Year ended 31 December 2013:				
Additions of the period	597	847,982	198,560	1,047,139
Cost, closing balance, as at 31 December 2013	1,104,102	1,752,642	1,377,776	4,234,521
Cumulative depreciation, opening balance, as at 1 January 2013	(441,449)	-	(286,193)	(727,642)
Year ended 31 December 2013:				
Cumulative depreciation of disposals	(239)	-	-	(239)
Depreciation for the period	(220,136)	-	(181,599)	(401,734)
Cumulative depreciation, closing balance, as at 31 December 2013	(661,823)	-	(467,792)	(1,129,615)
Net book amount, opening balance	662,056	904,661	893,023	2,459,739
Net book amount, closing balance	442,278	1,752,643	909,984	3,104,905
Cost, opening balance, as at 1 January 2014	**1,104,102**	**1,752,642**	**1,377,776**	**4,234,521**
Year ended 31 December 2013:				
Additions of the period	-	1,788,883	-	1,788,883
Cost, closing balance, as at 31 December 2013	**1,104,102**	**3,541,526**	**1,377,776**	**6,023,404**
Cumulative depreciation, opening balance, as at 1 January 2013	**(661,823)**	**-**	**(467,792)**	**(1,129,615)**
Year ended 31 December 2013:				
Depreciation for the period	(220,462)	-	(289,807)	(510,269)
Cumulative depreciation, closing balance, as at 31 December 2013	**(882,285)**	**-**	**(757,599)**	**(1,639,884)**
Net book amount, opening balance	**442,278**	**1,752,643**	**909,984**	**3,104,905**
Net book amount, closing balance	**221,817**	**3,541,526**	**620,177**	**4,383,520**

14. Deferred income tax assets and liabilities

Changes in deferred taxes during the financial year 2014

	As at 1 January 2014	Recognised in the Income Statement	Recognised in Equity	Translation difference	As at 31 December 2014
	€	€	€	€	€
Deferred tax assets					
Tax losses carried forward	1,123,241	688,165	-	5,560	1,816,966
Deferred revenue and credit loss reserve	730,725	134,856	-	2,344	867,925
Derivative	11,614	14,785	-		26,399
Total	**1,865,580**	**837,806**	**-**	**7,904**	**2,711,290**
Deferred tax liabilities					
Discretionary provisions	154,866	(142)	-	33	154,757
Deferred tax net	**1,710,714**	**837,948**	**-**	**7,871**	**2,556,533**

Changes in deferred taxes during the financial year 2013

	As at 1 January 2013	Recognised in the Income Statement	Recognised in Equity	Translation difference	As at 31 December 2013
	€	€	€	€	€
Deferred tax assets					
Tax losses carried forward	1,599,931	(455,342)	-	(21,347)	1,123,241
Deferred revenue and credit loss reserve	269,400	525,908	-	(64,583)	730,725
Derivative	13,743	(2,129)	-	-	11,614
Total	1,883,073	68,437	-	(85,930)	1,865,580
Deferred tax liabilities					
Discretionary provisions	344,845	(191,370)	-	1,390	154,866
Deferred tax net	1,538,228	259,806	-	(87,320)	1,710,714

15. Accounts receivable – consumer loans

	2014	2013
	€	€
Accounts receivable – consumer loans (gross)	**105,710,443**	82,371,449
Less: provision for impairment of loan receivables	**(44,181,235)**	(37,688,079)
Accounts receivable – consumer loans (net)	**61,529,207**	44,683,369

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

	31 December 2014			**31 December 2013**		
	GBV	Impairments	NBV	GBV	Impairments	NBV
	€	€	€	€	€	€
Not due	37,376,215	(2,395,374)	34,980,842	17,768,761	(1,314,774)	16,453,987
1-90 days due	18,330,285	(4,986,513)	13,343,772	11,770,407	(3,106,821)	8,663,586
91-180 days due	6,956,152	(3,484,713)	3,471,438	10,992,578	(4,067,267)	6,925,311
> 181 days due	43,047,791	(33,314,635)	9,733,155	41,839,702	(29,199,218)	12,640,485
Loan receivables – net	105,710,443	(44,181,235)	61,529,207	82,371,449	(37,688,079)	44,683,369

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

	2014	2013
	€	€
Provision for impairment at January 1	**(37,688,079)**	(19,143,565)
Provisions accruals	**(20,372,148)**	(21,598,446)
Amounts fully reserved and booked out	**13,878,992**	3,053,932
Provision for impairment at December 31	**(44,181,235)**	(37,688,079)

16. Cash and cash equivalents

	2014	2013
	€	€
Cash at bank and in hand	**8,025,869**	17,528,034
Cash and cash equivalents (excluding bank overdrafts)	**8,025,869**	17,528,034

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

	Number of share	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
	€	€	€	€	€
At 1 January 2013	18,890,400	10,000	(16,130)	3,067,590	5,320
Share issue					
Acquisition of treasury shares	-	-	(126,186)	-	-
Currency translation differences	-	-	-	-	(176,455)
At 31 December 2013	18,890,400	10,000	(142,315)	3,067,590	(171,135)
Distribution of Equity reserve	-	-	-	(694,638)	-
Increase of share capital	-	7,290,000	-	-	-
Currency translation differences	-	-	-	-	(221,208)
At 31 December 2014	18,890,400	7,300,000	(142,315)	2,372,952	(392,343)

(i) A share split has been registered on September 26, 2014 with a split ratio of 1:1700. The number of shares presented in the table reflects this split on each reported date, i.e. instead of 11.112 shares Ferratum Oyj has now 18.890.400 shares.

The cumulative translation differences EUR -221 thousand in the Statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-Euro area business units.

On December 31, 2014 Ferratum Group had 146,200 treasury shares in its possession which represent approximately 0.8 % of the share capital and voting rights. No consideration is paid to the treasury shares in a distribution of equity. The treasury shares are to be used for share purchase plans.

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

18. Interest bearing liabilities

	2014	2013
	€	€
Non-current interest bearing liabilities		
Bonds issued	**28,719,385**	26,244,738
Total non-current interest bearing liabilities	**28,719,385**	26,244,738
Current interest bearing liabilities		
Bank borrowings	**10,680,502**	3,606,516
Bonds issued	**7,415,724**	14,821,149
Deposits from customers*	**2,136,800**	1,110,760
Total Current interest bearing liabilities	**20,233,026**	19,538,425
Total interest bearing liabilities	**48,952,411**	45,783,163

* In the annual report 2013 the amount was included in Bank borrowings under Current interest bearing liabilities.

19. Current non-interest bearing liabilities

	2014	2013
	€	€
Current tax liabilities	**1,633,965**	455,909
Trade payables	**4,400,650**	7,282,034
Factoring trade payables	**714,300**	4,806,779
Other trade payables	**3,686,350**	2,475,255
Other current liabilities	**3,209,151**	2,390,513
Derivatives	**119,376**	45,449
Interest liabilities	**463,464**	559,147
Accrued employee expenses	**866,230**	568,918
Other current accrued liabilities on expenses, interest-free	**1,760,081**	1,217,000
Total current non-interest bearing liabilities	**9,243,766**	10,128,456

20. Related party disclosure

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

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

Transactions with related parties

	2014	2013
	€	€
Purchase of services from related parties – Entity controlled by key management personnel	**1,076,087**	817,049
	1,076,087	817,049

Ferratum Group has business relationships with related party companies. The acquired services include administration services, project management, advisory and consulting services, IT services, legal counseling, flight travel services and warehousing services. Related party transactions have been carried out on generally accepted market terms and they have been based on market price of goods and services.

Key management compensation

	2014	2013
	€	€
Compensation to Key Management (that consists of the Board of Directors Senior Management Team)		
Salaries and other short-term employee benefits	**1,138,709**	1,022,006
Share based payments	**1,072,378**	116,702
Total	**2,211,087**	1,138,708
Compensation for members of the Board of Directors and CEO		
Jorma Jokela, CEO, Member of the Board of Directors		
Salaries and other short-term employee benefits	**198,185**	203,209
Erik Ferm, Chairman of the Board of Directors		
Salaries and other short-term employee benefits	**15,000**	15,000
Share based payments	**64,978**	30,098
Juhani Vanhala, Member of the Board of Directors		
Salaries and other short-term employee benefits	**26,100**	27,000
Statutory pension cost	**4,325**	4,474
Lea Liigus, Member of the Board of Directors		
Salaries and other short-term employee benefits	**-**	-
Kai Becker, Member of the Board of Directors		
Salaries and other short-term employee benefits	**-**	-
Total	**308,588**	279,781

21. Commitments

	2014	2013
	€	€
Credit limit agreement		
Total amount of granted limit	**7,611,000**	2,500,000
Limit in use	**7,263,061**	779,251
Collateral on own debt		
Guarantees	**32,199,814**	38,869,630
Corporate pledge	**10,000,000**	3,000,000
Pledged subsidiary shares	**11,000**	10,000
Pledged investments	**5,000**	5,000

22. Share based payments

Over time selected individuals and employees have been offered the opportunity to invest in the shares of the parent company of Ferratum Group. The individuals have purchased the shares at their fair value. According to IFRS 2 (Share based payment) due to the fact that these individual investors are also employed by Ferratum

Group certain expenses needs to be recorded in the income statement as equity settled share based payments although the share ownership doesn't have any expense or cash impact on the company. These expenses reflect the potential upside for the minority shareholders in terms of value increase of the shares. The fair value of this potential increase calculated is recognized as expenses over the vesting period. Based on Ferratum Group´s decision in Q4 2014 to list its shares all remaining expenses were no longer recognized over the vesting period but immediately, i.e. there won´t be any further impact after the financial year 2014.The valuation of the shares is made on the date of the grant using Black and Scholes model, adjusted to take into account the terms and conditions upon which the shares were granted (except for vesting conditions).

During October 2014, selected key management employees were granted options to purchase total of 238,000 shares of the Company from Jorma Jokela. The exercise period starts on 15 January 2015 and ends on 15 June 2016 and there are no vesting conditions attached to the options or shares. In February 2015 the exercise period for 170,000 of these shares has been extend to 31.12.2017. Total fair value of the options at the grant date is approximately EUR 977,027 and the valuation of the share options is made using Black and Scholes model taking into consideration the terms and conditions of the grant and the absence of a liquid market for the Company's shares. Given that there are no vesting conditions attached to the shares, the total fair value will be recognised as share-based compensation expense in the Company's profit or loss with a respective entry to equity on day one. This expense has no cash impact to the Company.

General details:

	Scheme 2007	Scheme 2008	Scheme 2009	Scheme 2010	Scheme 2011	Scheme 2012	Scheme 2014
Number of personnel in scheme at grant date	4	1	3	12	2	5	3
Number of shares sold at grant date	100	10	165	325	40	183	n/a
Number of shares at 31.12.2013	94	10	165	205	40	183	n/a
Number of shares at 31.12.2014	94	10	165	205	40	183	n/a
Vesting period begins (date)	12/31/2007	10/9/2008	1/2/2009	4/22/2010	4/30/2011	2/28/2012	n/a
Vesting period ends	12/30/2011	10/8/2012	1/1/2013	4/21/2014	4/29/2015	2/27/2016	n/a
Share ownership obligation (in years)	4	4	4	4	4	4	n/a
Vesting period left	Vested	Vested	Vested	Vested	0.33 years	1.16 years	n/a
Realization of pay-out criteria (%) at the end of reporting period	100%	100%	100%	100%	92%	71%	n/a
Total value of award at grant date, EUR	36,957	4,693	93,045	214,741	41,408	220,316	977,027
The impact of the scheme on 2014 result before tax, EUR	-	-	-	-	13,727	81,624	977,027
The impact of the scheme on 2013 result before tax, EUR	-	-	-	51,207	10,352	55,079	-

23. Group companies

Ownership in group companies	Country	Group share of holding	Parent company share of holding
Ferratum Finland Oy	Finland	100%	100%
Ferratum Estonia OÜ	Estonia	100%	0%
Ferratum Latvia SIA	Latvia	100%	100%
UAB Ferratum	Lithuania	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferbuy Poland Sp. Z.o.o.	Poland	100%	100%
Ferratum Spain SL	Spain	100%	100%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum Belgium BVBA	Belgium	100%	99.99%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Ferratum d.o.o.	Croatia	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Finance B.V.	Netherlands	100%	100%
Pelegrat B.V.	Netherlands	100%	100%
Ferratum Australia Pty Ltd	Australia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
OOO Ferratum Russia	Russia	100%	100%
Rus-Kredit OOO	Russia	100%	100%
Ferratum Bank Ltd	Malta	100%	0.00001 %
Ferratum (Malta) Holding Limited	Malta	100%	99.99999 %
Ferbuy Singapore Pte. Ltd.	Singapore	90%	90%
Swespar AB	Sweden	100%	100%
Nereida Spain S.L.	Spain	100%	100%
Ferratum Capital Germany GmbH	Germany	100%	100%
Ferratum Germany GmbH	Germany	100%	100%
Ferratum Romania I.F.N.S.A.	Romania	99%	99%
Personal Big Data Oy	Finland	100%	100%
Sideways Sp Z.o.o.	Poland	100%	0%
Highways Sp Z.o.o.	Poland	100%	0%
Highways Sp. Z.o.o. Sp. k.	Poland	100%	0%
Ferratum Canada Inc	Canada	100%	100%

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

pwc

Auditor's Report *(Translation from the Finnish Original)*

To the Annual General Meeting of Ferratum Oyj

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of Ferratum Oyj for the year ended 31 December, 2014. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

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Reg. Domicile Helsinki, Business ID 0486406-8

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Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 27 March 2015

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

Independent auditor's report on the Consolidated Financial Statements of Guarantor for the year ended 31 December 2013

pwc

Auditor's Report (Translation from the Finnish Original)

To the Annual General Meeting of JT Family Holding Oy

We have audited the accounting records, the financial statements, the report of the Board of Directors and the administration of JT Family Holding Oy for the year ended 31 December, 2013. The financial statements comprise the consolidated statement of financial position, income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows, and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

Responsibility of the Board of Directors and the Managing Director

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements and report of the Board of Directors that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

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

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Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the Company's Financial Statements and the Report of the Board of Directors

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki 8 April 2014

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen
Authorised Public Accountant

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9 Identity of Directors, Senior Management, Advisors and Auditors

9.1 Directors

9.1.1 Directors of the Issuer

The Issuer is currently managed by a board of four directors entrusted with the overall direction and management of the Issuer. The Board currently consists of the Chairman, one Executive Director and two Non-Executive Directors. The business address of each Director is the registered address of the Issuer.

Jorma Jokela, CEO Ferratum Group, since 2005 and the Chairman of the Board of Ferratum Bank p.l.c., since 2012

1998 Founder of staffing services company Jokela Capital

(acquired by CapMan in 2004)

Holds approximately 57.43% of Ferratum Oyj's shares

Lea Liigus, Head of Legal & Compliance of the Ferratum Group, since 2006 and CEO and Executive Director of Ferratum Bank p.l.c., since 2012

Previously a lecturer at the Estonian Business School in Tallinn and as an attorney-at-law specialized in commercial, financial law and EU law at Sorainen OÜ in Estonia.

Tonio Fenech, Non-Executive Director, since 2014

Served in the Government of Malta as Minister of Finance, Economy and Investment from March 2008 till March 2013. Before entering politics, he was a Senior Consultant within the management consultancy practice of PwC Malta.

Esa Tapani Teravainen, Non-Executive Director, since 2012

President and Chairman of the Board of Management of ZAO Svenska Handelsbanken in Moscow since November 2008. Previously Head Corporate Banking International of the Russian subsidiary bank Orgresbank of Nordea Bank PLC.

9.1.2 Directors of the Guarantor

Guarantor's Board of Directors consists of the following persons:

Erik Ferm, Chairman and Non-Executive Director, since 2012

Erik Ferm is the chairman of the Board of Directors. He studied business administration at the Stockholm School of Economics in Sweden from 1986 to 1990. After graduating from university, he was a manager at PwC from 1991 to 1993, a partner at Maizels, Westerberg & Co in London from 1993 to 2000, an investment director at UBS Capital in London, a partner at Palamon Capital Partners in London until 2012 and since then, has been working as a director and a board member of GP Chambers. He joined the board of the Group in 2012.

Jorma Jokela, Executive Director and CEO, since 2005

Jorma Jokela is the CEO and the founder of the Group. He studied accounting at the Commercial College of Kuopio and the Finnish Business School. He is the founder of Jorma Capital Oy in Helsinki, where he headed the company as CEO from 1998 to 2000. He subsequently sold the Jokela Capital business in 2004. In 2005, he founded the Group and has been its CEO since then.

Lea Liigus, Executive Director and Head of Legal & Compliance, since 2006

Lea Liigus is the head of the legal department of the Group and is the CEO of the Issuer. She studied law at the University of Tartu in Estonia and completed a master of law (LL.M) program in contract and commercial law at the University of Helsinki in Finland. Before she joined the Group in 2006, she worked as a lecturer for commercial law and EU law at the Estonian Business School in Tallinn and as an attorney-at-law specialized in commercial, financial law and EU law at Sorainen OÜ in Estonia.

Juhani Vanhala, Non-Executive Director, since 2006,
Board Chairman 2009-2012

Juhani Vanhala has been a member of the Board of Directors since 2005. He studied engineering in Finland between 1974 and 1981. His management experience includes serving as the head of the reliability unit at Teollisuuden Voima Oy from 1984 to 1986, as director of risk management from 1986 to 1990 at Tapiola Insurance Company, as director of Ekono Engineering Oy from 1990 to 1993, as president and partner of RAMSE Consulting Oy between 1993 and 2011, as president of Savcor One Oy from 2001 to 2003, as CEO of VIA Group Oy and as CEO of Respace Oy between 2003 and 2006 and as Chief Development Officer at Empower Group Oy. Currently, he works at Empower Oy as Business line director for centralized and professional services.

Pieter van Groos, Non-Executive Director, since 2015

Pieter van Groos was born in 1961 in the UK. He studied Business Economics and Law at the Erasmus University, Rotterdam, the Netherlands. He has a strong international business leadership track record in industry, management consulting and financial services with Exxon-Mobil (1986-1994), McKinsey & Company (1994-1998), General Electric (1998-2008), private equity and ventures. In banking, he served as Chairman and CEO of GE Money Bank Czech Republic, CEO of GE Money Bank Austria and held a variety of board positions of financial institutions in Switzerland and Eastern Europe.

The business address of each Director is the registered office of the Guarantor.

9.2 Senior Management

9.2.1 Senior Management of the Issuer

The Issuer's Board chairman, Jorma Jokela, is one of the pioneers of consumer lending and has continuously driven the performance and innovation of the Group since 2005. As the ultimate majority shareholder of the Issuer, Jorma Jokela is committed to remaining a driving force in its future growth, and intends to remain the majority shareholder in the long-term.

Lea Liigus, the Bank's CEO, joined the Group in 2006, and also heads its legal function. The Bank's CEO leads the Executive Committee of the Bank, with all functional managers within the Bank reporting to her. The CEO is ultimately responsible for all executive matters as she is entrusted by the Board to execute the Issuer's strategy.

In addition, the Issuers' key management consists of highly-experienced operational, IT, compliance, legal and finance specialists, as well as risk and data management experts which have different functional responsibilities and are responsible for leading the respective functions. The expertise of the Issuer's management team is an important factor for further growth and for the continuous optimization of the business model.

9.2.2 Senior Management of the Guarantor

The senior management team of the Guarantor consists of the following:

Jorma Jokela, CEO Ferratum Group, since 2005

1998 Founder of staffing services company Jokela Capital (acquired by CapMan in 2004)
Holds 57.43% of Ferratum's shares

Dr. Clemens Krause, CFO Ferratum Group, since 2012

Managing Director Ferratum Deutschland GmbH, since 2013. Formerly in management positions at Commerzbank, GE-Money, E-Loan, E*Trade, Deutsche Bahn, Bankgesellschaft Berlin

Lea Liigus, Head of Legal & Compliance since 2006

Previously lawyer at Sorainen, lecturer at Estonian Business School

Marko Tuominen, Head of Risk, Analysis & Marketing, since 2005

Several years of experience in statistical modelling on credit scoring and customer behaviour, customer surveys, marketing and collection

Caj Sjöman, Head of Operations, since 2014

Previously CEO and founder of Suomen PC-Tuki Oy, CEO of Anthill Customer Services in Stockholm, Sales director at Elisa Oyj in Helsinki and CEO of Teleperformance Finland Oy, Site director at Stream Global Services in Helsingborg.

Saku Timonen, Regional Director West, since 2009

M.Sc. (Econ.) Previously manager at GE Money and product and account Manager at Sampo Bank

Sari Kauppi, Regional Director East, since 2010

M.Sc. (Econ.) Previously Market Manager (Russia) for Lumene Group, Marketing & Export Manager for Leaf Group

9.3 Conflicts of interest

The Board of Directors and the Senior Management of the Issuer and the Guarantor have declared that they do not have any interests outside the Issuer and/or Guarantor, which would conflict the interests of the Issuer and/or the Guarantor.

9.4 Listing Agent to the Issuer and the Guarantor

9.4.1 Listing Agent

Full legal and commercial name: ISE Listing Services
Registration Address: 28, Anglesea Street, Dublin 2, Ireland

ISE Listing Services is acting on behalf of the Issuer.

9.5 Statutory auditors

9.5.1 The financial statements of the Issuer for the periods ended 31 December 2013 and 31 December 2014 have been audited by PwC Malta of 78, Mill Street, Qormi, QRM3101, Malta. PwC Malta is a firm of certified public accountants holding a practicing certificate to act as auditors in terms of the Accountancy Profession Act, 1979 (Chapter 281 of the laws of Malta) and is registered with the Accountancy Board (registration number AB/26/84/38).

9.5.2 The financial statements of the Guarantor for the years ended 31 December 2013 and 31 December 2014 have been audited by PricewaterhouseCoopers Oy of Itämerentori 2, FI-00101 Helsinki, Finland. PricewaterhouseCoopers Oy are members of the Finnish Institute of Authorised Public Accountants (KHT-yhdistys) having a business identification number of 0486406-8.

10 Corporate Governance Practices

10.1 The Issuer

The Issuer's governance structure comprises two Board Committees and one Management Committee, namely the Audit Committee, the Risk Management Committee and the Executive Committee, respectively. Specific responsibilities are delegated to each Committee.

10.1.1 The Audit Committee

The purpose of the Audit Committee, which is composed of two independent non-executive Directors, is to oversee the quality and integrity of the Issuer's financial reports, particularly, the key financial judgments within them. The Audit Committee also reviews accounting policies and financial statement disclosures, the Issuer's compliance with legal and regulatory requirements, the qualifications, performance and independence of the external auditor and the quality of the Issuer's internal controls. To date the Issuer has not yet appointed an internal auditor, and consequently this committee has not approved an internal audit plan.

The Audit Committee reports on the work performed and on any matters of substance, which comes to their attention during the next Board meeting through the Chairman of the Committee.

10.1.2 The Risk Management Committee

The Risk Management Committee is responsible for overseeing the policy and framework for all banking and operational risks. The Committee is responsible for developing and overseeing the risk management framework, including the Bank's risk appetite and tolerance, and for ensuring on-going execution of all risk policies.

The Risk Committee specifically monitors, inter alia, credit risk, quarterly reporting relating to regulatory requirements, operational risk, currency risk, the Issuer's liquid asset requirement, as well as its capital adequacy ratio.

10.1.3 The Executive Committee

The Board delegates the responsibility for the day-to-day management of the Issuer to the Executive Committee. The CEO chairs the Executive Committee, which is responsible for ensuring that the Issuer is operating effectively. The Executive Committee considers the Issuer's strategic progress, and is directly responsible for its credit risk and asset and liability management.

The Issuer's current size and structure does not require a fully-fledged Nominations and Remunerations Committee. Accordingly, the Board assumes responsibility for reviewing the composition of the Board Committees and for reviewing remuneration levels across the Issuer.

10.2 The Guarantor

The Guarantor has established three permanent committees: the Audit Committee, the Remuneration Committee and the Risk Committee. The Guarantor's Board of Directors has confirmed rules of procedure for these committees in accordance with the Finnish Corporate Governance Code.

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

The Remuneration Committee is formed by Juhani Vanhala (chairman), Lea Liigus and Pieter van Groos. Juhani Vanhala and Pieter van Groos are independent of the significant shareholders and are independent of the Guarantor.

The Risk Committee is composed of Erik Ferm (chairman), Clemens Krause and Marko Tuominen. Erik Ferm is independent of significant shareholders and is independent of the Guarantor.

11 Major shareholders

11.1 Shareholders' equity of Issuer

The Issuer's current authorised and issued share capital is €10,000,000 divided into 10,000,000 ordinary shares of €1.00 each, fully paid up. The issued share capital of the Issuer is divided as follows: Ferratum (Malta) Holding Limited holds 9,999,999 ordinary shares of €1.00 each, and Ferratum Oyj holds 1 ordinary share of €1.00.

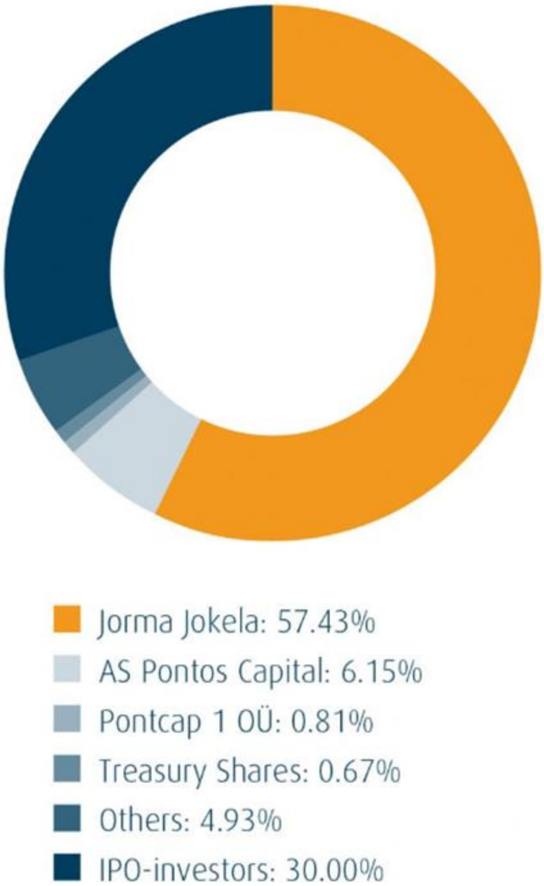
There are no classes of shares and each share confers the right to one (1) vote at general meetings of the Issuer.

The authorised share capital of the Issuer may be increased by an ordinary resolution of the shareholders in general meeting. In terms of the Issuer's Memorandum and Articles of Association none of the capital shall be issued in such a way as would effectively alter the control of the Issuer or nature of its business, without the prior approval of the Issuer in general meeting.

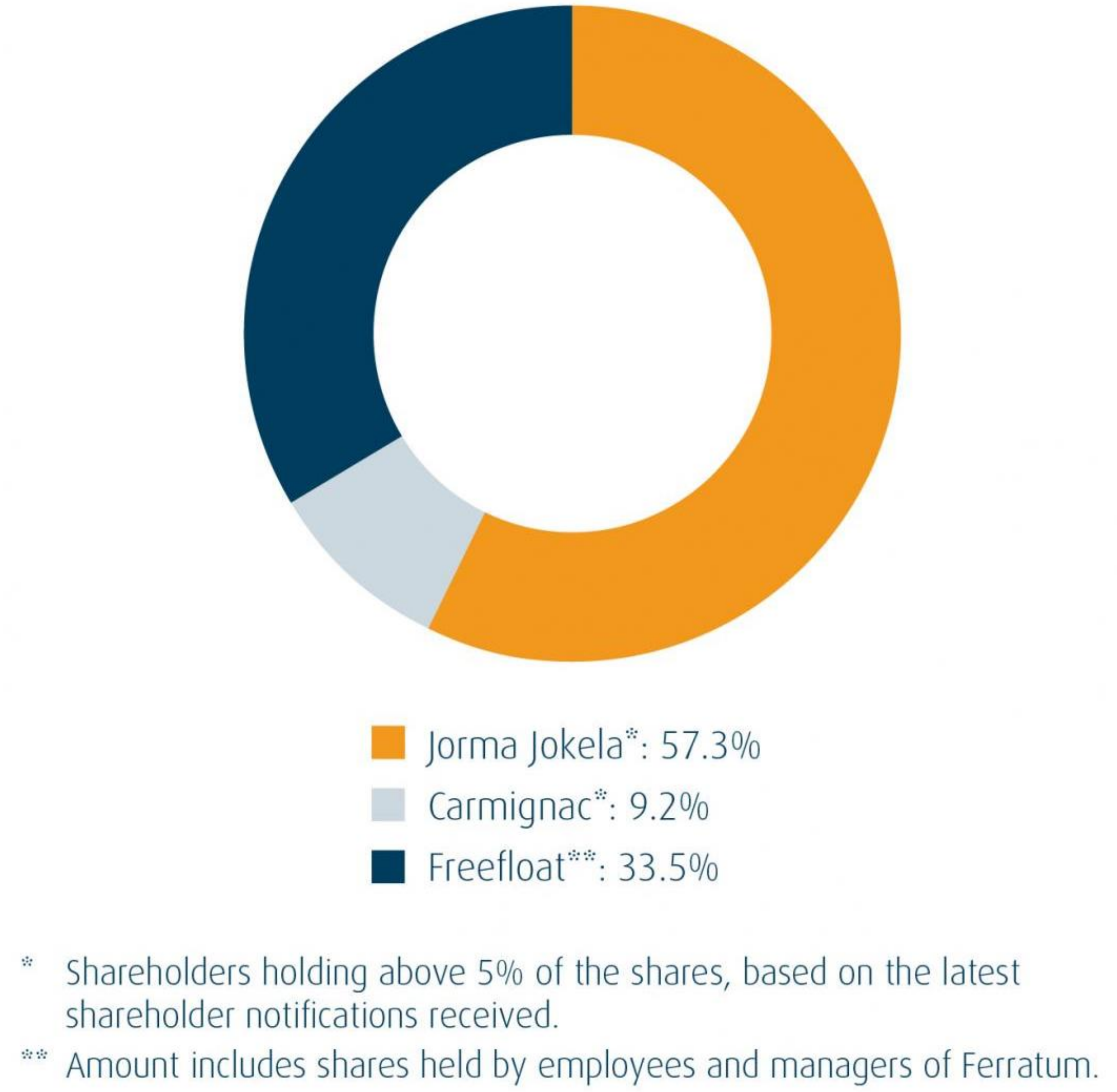
The shares of the Issuer are not listed on any stock exchange, and no application for such listing has been made to date.

11.2 Guarantor Shareholding

The share capital of the Guarantor amounts to EUR 10,133,560. A total of 21,723,960 ordinary shares with no nominal value were issued on the Frankfurt Stock Exchange, as described above. The chart below portrays the shareholder structure following the said issue of shares by the Guarantor:



During the second quarter of 2015, Carmignac Gestion bought 1,012,889 shares from AS Pontos Capital and its subsidiary (Pontos Companies), exceeding the threshold of 5% and holding in total 1,988,811 shares (9.15 % of all shares and voting rights in the Guarantor). Furthermore, 300,000 shares from Pontos Companies have been sold to other institutional investors. Pontos Companies presently holds (directly and indirectly through PontCap 1 OÜ) 200,000 shares and voting rights in the Guarantor (0.92%). The chart below reflects the updated shareholding structure:



On the 23 June 2015 the shares of the Guarantor were listed on the SDAX index of the German Stock Exchange.

12 Financial information concerning the Issuer's and Guarantor's assets and liabilities, financial position and profits and losses

12.1 Historical financial information

The historical financial information for the two financial periods ended 31 December 2013 and 31 December 2014 as audited by PwC in Malta (in the case of the Issuer) and PricewaterhouseCoopers Oy in Helsinki, Finland (in the case of the Guarantor) are set out in the financial statements of the Issuer and in the consolidated financial statements of the Guarantor. Such financial statements are both available on display at the Issuer's registered address.

12.2 Age of latest financial information

The latest audited financial statements available in respect of the Issuer relate to the financial year ended 31 December 2014 as approved for issuance by the Board of Directors on the 13 May 2015.

The latest audited consolidated financial statements available in respect of the Guarantor relate to the financial year ended 31st December 2014 as approved for issuance by the Board of Directors on the 2nd June 2015.

12.3 Legal and arbitration proceedings

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

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

12.4 Significant change in the Issuer's or Guarantor's financial or trading position

In February 2015, Ferratum Oyj has successfully completed its initial public offering of 6,517,188 ordinary shares. The Offering is listed on the regulated market of the Frankfurt Stock Exchange. Other than that, there were no significant changes to the financial or trading position of the Issuer, the Guarantor or the Group of which the Guarantor is the ultimate parent company, since the end of the financial period to which the financial statements reproduced above relate.

12.5 Material contracts

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

There are no material contracts that were entered into outside the ordinary course of business of the Issuer and the Guarantor that would result in any obligation or entitlement that is material to the Issuer and/or Guarantor's ability to meet its obligations with respect to the Bondholders.

13 Information concerning the Bonds

This section sets out the Terms and Conditions of the Bonds, subject to completion and should be read in conjunction to the relevant Final Terms.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Final Terms.

13.1 Introduction

13.1.1 Ferratum Bank p.l.c. (the **"Issuer"**) has established a Bond Issuance Programme (the **"Programme"**) to issue up to EUR 30,000,000 in aggregate principal amount of Bonds.

13.1.2 Bonds will be issued in Tranches, each Tranche consisting of Bonds which are identical in all respects except for issue dates, interest commencement dates and/or issue prices. Each Tranche is the subject of the Final Terms (the **"Conditions"**). The Terms and Conditions applicable to any particular Tranche of Bonds are these Conditions as completed by the relevant Final Terms.

13.2 Denomination, Currency and Form

13.2.1 The Bonds shall be issued in the specified denomination as set out in the relevant Final Terms (the **"Specified Denomination"** at the issue price determined in the relevant Final Terms (the "Issue Price").

13.2.2 The Bonds shall be issued in the specified currency(ies) as set out in the relevant Final Terms (the **"Specified Currency(ies)").**

13.2.3 The Bonds will be issued in fully registered form, with interest coupons. If and for as long as the Bonds are admitted to listing on the EWSM, certificates will not be delivered to Bondholders in respect of the Bonds. The entitlement to Bonds will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the Central Securities Depository ('CSD'). There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account:

Provided that in the event that Bonds are transferred to Bondholders through Clearstream, details retained in the electronic register may vary or may not be required.

13.3 Transferability of the Bonds

13.3.1 The Bonds are freely transferable and, once admitted to the Official List of the EWSM, shall be transferable only in whole in accordance with the applicable rules and regulations.

13.3.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may, from time to time, properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.

13.3.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

13.3.4 The cost and expenses of affecting any registration of transfer or transmission in the Bond shall be at the charge of the Bondholder or at the charge of such person as determined by the applicable rules and regulations.

13.3.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

13.4 Dematerialisation of the Bonds

13.4.1 Notwithstanding any clause in this prospectus, for as long as any of the Bonds issued by the Issuer shall be and remain dematerialised under the Financial Markets Act (Chapter 345 of the Laws of Malta): terms and conditions relating to such Bonds, including without prejudice to the generality of the foregoing, their issuance, transfer, exchange, redemption and/or cancellation, shall be governed in accordance with the applicable rules and procedures set out by the relevant CSD providing dematerialisation and any other provisions in this Prospectus shall apply only to the extent that they are not inconsistent with such rules and procedures.

13.5 Guarantee

13.5.1 The Bonds shall constitute the general, direct, unconditional and unsecured obligation of the Issuer and shall be guaranteed in respect of both the principal amount and the interest due under the said Bonds by the Guarantor under a Guarantee ("Guarantee") granted under the Deed of Guarantee, a copy of which is included in Annex A.

13.5.2 The Guarantee under the Deed of Guarantee has to be granted by the Guarantor in favour of each Bondholders with the maximum amount up to EUR 30,000,000.

13.5.3 Under the Guarantee, the Guarantor has irrevocably obliged itself that whenever the Issuer does not pay any amount in relation to the Bonds, the Guarantor upon the first written demand of each of the Bondholders will pay the amounts due under the said Bonds, consisting of the claims of each of the Bondholders for the redemption of the Bonds, payment of interest on the Bonds, including penalty interest and costs and expenses associated with the satisfaction of the claims of the Bondholders under the Bonds. Any amounts due by the Guarantor under this guarantee cannot exceed amounts due by the Issuer to the Bondholders.

13.5.4 The Guarantee shall constitute the direct and irrevocable obligation of the Guarantor, which may be subordinated to such other obligations and are preferred by provisions of law that are both mandatory and of general application, both in the jurisdiction of the Issuer and in other jurisdictions.

13.5.5 The Bondholders executing their rights under the Guarantee are firstly required to raise their claims against the Issuer, prior to claiming the payment under the Guarantee.

13.5.6 Payment required under this Guarantee will be made by the Guarantor within 7 business days from the first demand in writing, in which each of the Bondholders as the beneficiaries declares that the amount as claimed from the Guarantor in the demand being equal to the amount of the debt (or portions thereof) attributable to such Bondholder under the Bonds has not been paid by the Issuer at the due date.

13.6 Rights attached to the Bonds

13.6.1 There are no special rights attached to the Bonds other than the right of the Bondholders to payment of capital and interest and in accordance with the ranking specified herein.

13.7 Interest and Yield

13.7.1 Each Bond shall bear interest on its outstanding nominal amount from the *Interest Commencement Date* at the rate per annum (expressed as a percentage) equal to the *Rate of Interest*, such interest being payable in arrears on each *Interest Payment Date*.

13.7.2 The Rate of Interest is the rate of interest payable from time to time in respect of the Bonds and that is specified in the relevant Final Terms.

13.7.3 The Interest Commencement Date is the Issue Date or such other date as may be specified in the relevant Final Terms.

13.7.4 Interest Payment Date shall be the date(s) specified in the relevant Final Terms.

13.7.5 If the Issuer shall fail to redeem the Bonds upon the Maturity Date, interest shall continue to accrue beyond the due date until the actual redemption of the Bonds at the Rate of Interest.

13.7.6 The maturity date of the Bonds shall be set out in the relevant Final Terms.

13.7.7 When interest is required to be calculated for any period of less than a full year, such interest shall be calculated on the basis of actual number of days elapsed from and including the most recent Interest Payment Date, or as appropriate, the Issue Date divided by the actual number of days (365 or 366 as the case may be) in the respective year.

13.7.8 The Final Terms issued in respect of each Bond issue will set out an indication of the yield of the Bonds.

13.7.9 In terms of article 2156 of the Civil Code (Cap. 16, laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.

13.7.10 Payment of any claim of interest on a Bond will be made to the person in whose name such Bond is registered up to a period of 12 years after the date of the redemption of the Bond.

13.8 Payments

13.8.1 Payment of the principal amount (with interest accrued to the due date for redemption) as well as payment of any instalment of interest of the Bonds will be made in the Specified Currency by the Issuer to the person in whose name such Bond is registered as at the close of business fifteen (15) days prior to the due date for redemption or fifteen (15) days prior to the Interest Payment Date (as the case may be) by direct credit or transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in the Specified Currency. The Issuer shall not be responsible for any loss or delay in transmission. Such payment shall be effected within seven (7) days of the due date for redemption or the Interest Payment Date (as the case may be).

13.8.2 In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment, the Issuer shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.

13.8.3 All payments are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable fiscal or other laws and regulations. In particular, but without limitation, all payments by the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for, or on account of any present or future taxes, duties, assessments or other governmental charges of whatsoever nature imposed or levied by or on behalf of the government or authority thereof or therein having power to tax.

13.8.4 No commissions or expenses shall be charged to the Bondholders in respect of such payments.

13.8.5 The Issuer mandated the Malta Stock Exchange as the registrar, paying agent and to offer their clearing and settlement services.

13.9 Redemption

13.9.1 Final Redemption

The Issuer will redeem the Bonds (together with payment of interest accrued thereon) at their Redemption Value on such date indicated in the Final Terms as being the Maturity Date (the "Maturity Date").

13.9.2 Early Redemption for Reasons of Taxation

If as a result of any change in, or amendment to, the laws or regulations of Malta or any political subdivision or taxing authority thereto or therein affecting taxation or the obligation to pay duties of any kind, or any change in, or amendment to, an official interpretation or application of such laws or regulations, which amendment or change is effective on or after the date on which the Bonds were issued, the Issuer or a Guarantor is required to pay additional amounts on the next succeeding Interest Payment Date (as defined in Section 13.7, and this obligation cannot be avoided by the use of reasonable measures available to the Issuer or the Guarantor, as the case may be, the Bonds may be redeemed, in whole but not in part, at the option of the Issuer, upon not more than 60 days nor less than 30 days prior notice of redemption given to the Bondholders, at the principal amount together with interest accrued to the date fixed for redemption.

However, no such notice of redemption may be given (i) earlier than 90 days prior to the earliest date on which the Issuer or the Guarantor would be obligated to pay such Additional Amounts were a payment in respect of the Bonds then due, or (ii) if at the time such notice is given, such obligation to pay such Additional Amounts does not remain in effect.

Any such notice shall be given in accordance with Section 13.15 shall be irrevocable, must specify the date fixed for redemption and must set forth a statement in summary form of the facts constituting the basis for the right of the Issuer so to redeem.

13.9.3 Early Redemption upon occurrence of a Change of Control.

If there occurs a Change of Control (as defined below) (a "**Put Event**"), each Bondholder will have the option (unless, prior to the giving of the Put Event Notice referred to below, the Issuer gives notice to redeem the Bonds in accordance with Section 13.9.2) to require the Issuer to redeem on the Optional Redemption Date at its principal amount together with interest accrued to but excluding the Optional Redemption Date.

For purposes of this option a "**Change of Control**" shall be deemed to have occured at each time that (i) Jorma Jokela loses direct or indirect control over the Guarantor or holds less than 50% of shares plus one share in the Guarantor's share capital or (ii) a new equity issue, understood as Jorma Jokela holding less than 35% of the Guarantor's share capital, meaning the right to less than 35% plus one vote at the Guarantor's General Assembly as a result of dilution of the Guarantor's share capital; or (iii) the Guarantor loses direct or indirect control over the Issuer or holds less than 50.1% of the Issuer's ordinary capital.

The "**Optional Redemption Date**" is the seventh day after the last day of the Put Period.

Promptly upon the Issuer becoming aware that a Put Event has occurred, the Issuer shall give notice (a "**Put Event Notice**") to the Bondholders in accordance with Section 13.15 specifying the nature of the Put Event and the circumstances giving rise to it and the procedure for exercising the option set out in this section.

In order to exercise such option, the Bondholder must submit during normal business hours at the registered address of the Issuer a duly completed option exercise notice (the "Exercise Notice") in the form available from the registered address of the Issuer within the period (the "Put Period") of 45 days after a Put Event Notice is given. No option so exercised may be revoked or withdrawn without the prior consent of the Issuer.

13.9.4 Early Redemption at minor Principal Amount

If 80% or more in principal amount of the Bonds then outstanding have been redeemed or purchased pursuant to the provisions of Section 13.9.3, the Issuer may, on not less than 30 or more than 60 days notice to the Bondholders given within 30 days after the Optional Redemption Date, redeem, at its option, the remaining Bonds as a whole at a redemption price of the principal amount thereof plus interest accrued to but excluding the date of such redemption.

13.10 Further Issues in Tranches, Purchases and Cancellations

13.10.1 The Bond Issuance Programme, as set up by Ferratum Bank p.l.c. is, to issue up to EUR 30,000,000, in aggregate principle amount, of Bonds. The Issuer may from time to time, without the consent of the Bondholders, issue further Tranches of Bonds, so as to form a single Series of the Bonds.

13.10.2 The Issuer and/or the Group may at any time purchase Bonds in the open market or otherwise at any price. If purchases are made by tender, tenders for such Bonds must be made available to all Bondholders of the Tranche/s that are being tendered for. All Bonds redeemed in full shall be cancelled forthwith and may not be reissued or resold.

13.11 Events of Default

13.11.1 The Bonds shall become immediately due and repayable at their principal amount together with accrued interest, if any, if any of the following events **("Events of Default")** shall occur:

a. the Issuer or, in the event of default by the Issuer, the Guarantor, shall fail to pay any interest on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer and/or the Guarantor by any Bondholder; or

b. the Issuer or, in the event of default by the Issuer, the Guarantor, shall fail to duly perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer and/or the Guarantor by any Bondholder; or

c. any material financial indebtedness (as defined below) of the Issuer and/or the Guarantor is not paid when due or, as the case may be, within twenty (20) days or, if longer, any originally applicable grace period or is declared to be or otherwise becomes due and payable prior to its specified maturity for reason of the occurrence of an event of default, or any present or future guarantee or indemnity in respect of indebtedness is not honoured when properly due and called upon; PROVIDED THAT for the purposes of this provision, material financial indebtedness shall mean an amount exceeding EUR 5,000,000 or its equivalent in any other currency; or

d. the Issuer and/or the Guarantor announces its inability to meet its financial obligations or ceases its payments generally; or

e. a court opens insolvency proceedings against the Issuer and/or the Guarantor or the Issuer and/or the Guarantor applies for or institutes such proceedings or offers or makes an arrangement for the benefit of its creditors generally, or a third party applies for insolvency proceedings against the Issuer and/or the Guarantor and such proceedings are not discharged or stayed within sixty (60) days; or

f. the Issuer and/or the Guarantor enters into liquidation (except in connection with a merger or other form of combination with another company or in connection with a reconstruction and such other or new company or, as the case may be, companies effectively assume substantially all of the assets and liabilities of the Issuer and/or the Guarantor; or

g. a final judgement has been entered against the Issuer and/or the Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of EUR 5,000,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without it having been satisfied or stayed; or

h. Jorma Jokela is dismissed or resigns as CEO of the Guarantor within the Bond maturity period; or

i. the Guarantor pays out a dividend of an amount exceeding 20% of its Group annual net profit before all Bonds are redeemed; or

j. the Issuer or **the** Guarantor or any entity from the Ferratum Group, excluding the entities having a banking licence, gives a loan (other than **loans and advances to** bank**s**), except for giving a **microloan,** being the core business of the Ferratum Group, the total value of which exceeds EUR 2**,000,000**; orthe Issuer, the Guarantor or any other member of the Ferratum Group execute transactions, where under a single transaction or several transactions they sell a part of their assets and the total amount for which the assets are sold varies from market value by an amount of at least EUR 2,000,000 and the asset(s) sold are not replaced with another asset (other assets) of the same or similar market value; or

k. the Guarantee ceases to be legally valid and binding (other than as a result of a merger of the Guarantor with the Issuer) or the Guarantor fails to fulfil its obligations under the Guarantee. The right to declare Bonds due shall terminate if the situation giving rise to it has been cured before the right is exercised.

13.12 Bonds held jointly

In respect of a Bond held jointly by several investors, the joint holders shall nominate one (1) holder as their representative and his/her name will be entered in the register with such designation. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.

13.13 Bonds held subject to usufruct

In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-a-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner. In the event that an Applicant is the holder of Maturing Bonds held subject to usufruct, both the signatures of the bare owner as well as that of the usufructuary will be required upon applying for the said Bonds.

13.14 Governing law and jurisdiction

13.14.1 The Bonds are governed by and shall be construed in accordance with Maltese law.

13.14.2 Any legal action, suit or proceedings against the Issuer arising out of or in connection with the Bonds and/or the Base Prospectus shall be brought exclusively before the Maltese courts.

13.15 Notices

13.15.1 All notices to investors will be deemed to have been duly given and valid:

i. if published on www.ferratumbank.com and will be deemed to have been given on the date of first publication; and

ii. if given in accordance with the rules and regulations of the EWSM and will be deemed to have been given on the first date of transmission or publication.

13.15.2 Bondholders may request that any such notices be sent by post to the address contained in the register of Bondholders maintained by the CSD on behalf of the Issuer.

13.15.3 Failure to give notice where required will not invalidate any determination, calculation or correction, as applicable.

13.16 Method of Publication of the Base Prospectus and of the Final Terms

This Base Prospectus will be published on the websites of (a) the Listing Authority (www.mfsa.com.mt) during a period of twelve months from the date of this Base Prospectus and (b) the Issuer (www.ferratumbank.com). The Final Terms related to Bonds admitted to trading on any Regulated Market will be published on the websites of (a) the Listing Authority (www.mfsa.com.mt) and (b) the Issuer (www.ferratumbank.com).

13.17 Final Terms

These Conditions shall be completed in relation to any Series of Bonds by the terms of the relevant Final Terms in relation to such Series.

14 Form of Final Terms

Final Terms dated [•]

€30,000,000 Bond Issuance Programme
of a nominal value of €100,000 per Bond

Tranche No: [•]

€20,000,000 Guaranteed Notes

Issued by: Ferratum Bank p.l.c. (the Issuer)
Guaranteed by: Ferratum Oyj (the Guarantor)

The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Bonds in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Bonds. Accordingly any person making or intending to make an offer of the Bonds may only do so in circumstances in which no obligation arises for the Issuer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer.

The Issuer has not authorised, nor does it authorise, the making of any offer of Bonds in any other circumstances.

The expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the Directive 2010/73/EU, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State.

PART A – CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated [date] which was approved by the Listing Authority in Malta on the [date] constitute/s] a base prospectus for the purposes of the Prospectus Directive (Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as amended by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 to the extent that such amendments have been implemented in a relevant Member State) (the "Prospectus Directive").

This document constitutes the Final Terms of the Bonds described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus. Full information on the Issuer and the offer of the Bonds is only available on the basis of the combination of these Final Terms and the Base Prospectus.

The Base Prospectus is available for viewing at the registered address of the Issuer and on the websites of (a) the Listing Authority during a period of twelve months from the date of the Base Prospectus and (b) the Issuer (www.ferratumbank.com) and copies may be obtained free of charge from the registered address of the Issuer (Tagliaferro Business Centre, Level 6, 14 High Street, Sliema SLM 1551, Malta).

1.	Issuer	Ferratum Bank p.l.c. (duly incorporated under the laws of Malta under registration number C-56251)
2.	Guarantor	Ferratum Oyj (duly incorporated under the laws of Finland under registration number 1950969-1)
3.	Tranche Number	[•]
4.	Specified Currency(ies)	
5.	Aggregate Nominal Amount: (i) Tranche	 [•]
6.	(i) Issue Price of Tranche (ii) Total Proceeds	[•] [•]
7.	(i) Issue Date (ii) Interest Commencement Date	[•][*specify/Issue Date*]
8.	Maturity Date	[•]
9.	Redemption Value	Redemption at Par
10.	Register Cut-Off Date	[•]
11.	Dates of the corporate authorisations for Bond issue	Resolution of the Board of Directors of the (i) Issuer - dated [•] (ii) Guarantor – dated [•]
INTEREST		
12.	Rate of Interest:	[•]per cent per annum payable annually and on maturity in arrear
13.	Interest Payment Date(s):	[•]
REDEMPTION		
14.	Early redemption option	As per 'Redemption' section of the Base Prospectus
GENERAL PROVISIONS		
15.	Taxation	As per 'Taxation' section of the Base Prospectus

PURPOSE OF FINAL TERMS

These Final Terms comprise the Final Terms required for the admission to trading on the Official List of the EWSM of the Bonds described herein pursuant to the €30,000,000 Bond Issuance Programme of Ferratum Bank p.l.c.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The audit report has been extracted from the audited financial statements. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published thereby, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Ferratum Bank p.l.c.
Duly represented by:

Lea Liigus
Chief Executive Officer
Ferratum Bank p.l.c.

Part B – Other Information

1. Admission to Trading and Listing	
(i) Listing	EWSM
(ii) Admission to trading	Trading of the Bonds can be executed Over The Counter as from [*specify/Issue Date*].
2. Interest of Natural and Legal persons involved in the issue/Offer	
Save for the fees payable to the Manager in connection with the Issue of Bonds, so far as the Issuer is aware, no person involved in the offer of the Bonds has an interest material to the offer. The Manager and its affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.	
3. Yield	
(i) Indication of Yield	[•]
(ii) Method of Calculating the Yield	[•]
4. Operational Information	
(i) ISIN Code	[•]
(ii) Delivery	Delivery against payment
(iii) Names and addresses of Paying Agent	Malta Stock Exchange Garrison Chapel Castille Place Valletta VLT1063 Malta

15 Taxation

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Securities, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to investors insofar as taxation in Malta is concerned.

The information below is being given solely for the general information of investors and does not constitute legal or tax advice and does not purport to be exhaustive.

The said information is based on an interpretation of tax laws and practices relative to the applicable legislation, as known to the Issuer at the date of this Base Prospectus. Investors are reminded that tax laws and practices and their interpretation may change from time to time.

15.2 Malta Tax on Interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder falls within the definition of “recipient” in terms of article 41(c) of the Income Tax Act, (Cap. 123 of the laws of Malta), interest shall be paid to such person net of final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply. For the purpose of the above, a “recipient” is generally a person who is resident in Malta during the year in which investment income is payable to him or other persons or entities acting on behalf of such resident person or a trustee or foundation pursuant to or by virtue of which any money or other property whatsoever shall be paid or applied to or for the benefit of such resident persons.

The withholding tax is considered a final tax and a Maltese resident individual bondholder need not declare the interest so received in his income tax return. No person shall be charged further tax in respect of such income. Furthermore, any such tax withheld shall not be available as a credit against the bondholders tax liability, or for a refund, as the case maybe, for the relevant year of assessment.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the progressive rate/s applicable to that person at that time. Additionally, in this latter case, the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary does not qualify as a “recipient” in terms of article 41(c) of the Income Tax Act (Cap. 123 of the laws of Malta). Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act, (Cap. 123 of the laws of Malta).

In terms of article 12(1)(c) of the Income Tax Act, (Cap. 123 of the laws of Malta), Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/ evidence being provided to the Issuer in terms of law.

15.3 Malta Capital Gains on Disposals or Redemptions of Securities

To the extent that the Securities would not fall to be characterised as constituting chargeable 'securities' in terms of the provisions of Article 5(1)(b) of the Income Tax Act, (Cap. 123 of the laws of Malta), any disposal or redemption of Securities would not trigger Malta tax on capital gains.

Chargeable 'securities' are defined in Article 5(1)(b) of the Income Tax Act, (Cap. 123 of the laws of Malta) as comprising "shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return".

At any rate, no Malta tax would be chargeable on any disposal of Securities by an Investor who is not resident in Malta and provided that:

i. the Investor is not owned and controlled by, directly or indirectly, nor acts on behalf of an individual or individuals who are ordinarily resident and domiciled in Malta; and
ii. the Issuer shall not own immovable property situated in Malta or any real rights thereon or, directly or indirectly, shares or other interests in any entity or person, which owns immovable property situated in Malta or any real rights thereon where five percent (5%) or more of the total value of the said shares or other interests so held is attributable to such immovable property or rights.

Furthermore, no Malta tax may be chargeable on any disposal of Securities listed on the EWSM in terms of the provisions of Article 5(6)(b) of the Income Tax Act, (Cap. 123 of the laws of Malta).

Unless otherwise exempt from Malta tax on capital gains, a disposal or redemption of Securities would trigger a Malta tax liability on the gains derived as a result. Such gains would be computed by the deduction of the transferring Bondholder's cost of acquisition of the Securities from the consideration received therefor.

15.4 Malta Duty on Documents and Transfers

In terms of Article 50 of the Financial Markets Act, Chapter 345 of the laws of Malta, a disposal or redemption of the Securities listed on the EWSM should be wholly exempt from Maltese duty which may otherwise be chargeable in terms of the Duty on Documents and Transfers Act, Chapter 364 of the laws of Malta.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF SECURITIES MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED MALTA TAX TREATMENT APPLICABLE TO THE SECURITIES AND TO INVESTORS.

THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO INVESTORS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

16 General Information

16.2 Admission to Trading Information

Application will be made for each Series of the Bonds to be admitted to trading on the EWSM. The EWSM is a regulated market in terms of Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments.

16.3 Authorisations

The issue of the Bonds has been authorised by means of a resolution of the Board of Directors of the Issuer adopted on the 13th May 2015. The guarantee being given by the Guarantor in respect of the Bonds has been authorised by a resolution of the Board of Directors of the Guarantor dated 2nd June 2015.

This Base Prospectus has been authorised by means of a resolution of the Board of Directors of the Issuer adopted on 6th July 2015.

16.4 Third party information

The audit report extracted from the audited financial statements has been accurately reproduced, and, as far as the Issuer and Guarantor are aware and are able to ascertain from information published thereby, no facts have been omitted which would render the reproduced information inaccurate or misleading.

17 Documents on display

The following documents or certified copies thereof, where applicable, are available for inspection by electronic means on the Issuer's website (www.ferratumbank.com) for the lifetime of the Base Prospectus:

i. The Memorandum and Articles of Association of the Issuer and the Guarantor;
ii. The audited financial statements of the Issuer for the financial years ended 31 December 2013 and 31 December 2014;
iii. The audited consolidated annual financial statements of the Ferratum Group for the financial years ended 31 December 2013 and 31 December 2014;
iv. The Base Prospectus and each set of Final Terms issued thereunder.
v. The Guarantee document which is also set out in Annex A of the Base Prospectus

Annex A

THE GUARANTEE

FERRATUM OYJ

To All Bondholders

Reference is made to the issue of €30,000,000 bonds by Ferratum Bank p.l.c. (the "Issuer'') pursuant to and subject to the Terms and Conditions contained in the Base Prospectus.

Now, therefore, by virtue hereof we, Ferratum Oyj, hereby stand surety for the Issuer and irrevocably guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds and, without prejudice to the generality of the foregoing, undertake to pay all amounts of principal and interest which may become due and payable should the Issuer default in paying the Bondholders under the Bonds. Any amounts due by Ferratum Oyj under this guarantee cannot exceed amounts due by the Issuer to the Bondholders.

All words and expressions used in the Guarantee in their capitalised form shall, unless the context otherwise requires, have the same meaning assigned to them in the Base Prospectus.

Signed and executed on 2nd June 2015, after approval of the board of directors of Ferratum Oyj at its meeting of the same date.

Jorma Jokela

Director & Majority shareholder