Ferratum™

More than money to everyone

ANNUAL REPORT 2016

CONTENTS

DIGITAL LENDER WITH A VISION

Ferratum is a digital lender with a vision to create a digital financial ecosystem that transcends the hassle of traditional banking and financial transactions.

Our data-driven approach to credit-scoring and knowing our customers puts us at the forefront of the smart banking revolution. Our mission is to provide the best consumer interface for lending and banking processes and 24/7 personal customer service accessible online through our website, mobile apps and those of our partners.

We are about more than money. To everyone.

FERRATUM AT A GLANCE

- Consumer loans
- SME loans
- Mobile bank
- Founded Helsinki 2005
- EU Banking Licence
- Frankfurt Prime Standard

11+ years of profitable growth

1.6M active and former customers

23 countries

2016 HIGHLIGHTS

STRONG FINISH

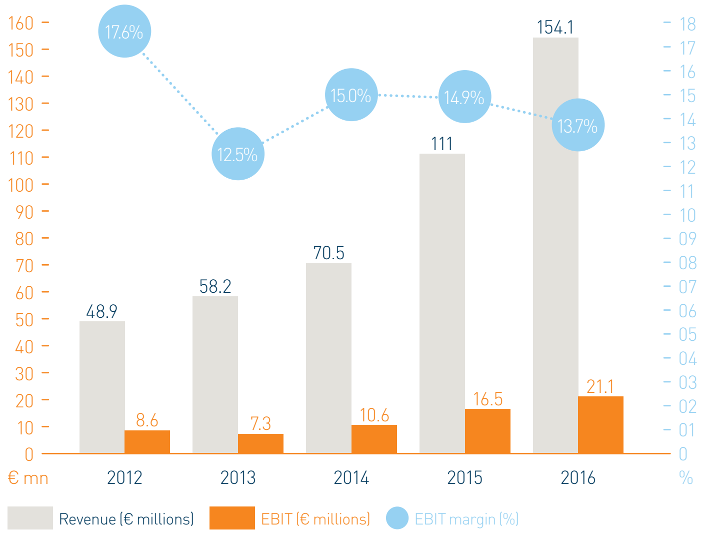
FINANCIAL HIGHLIGHTS

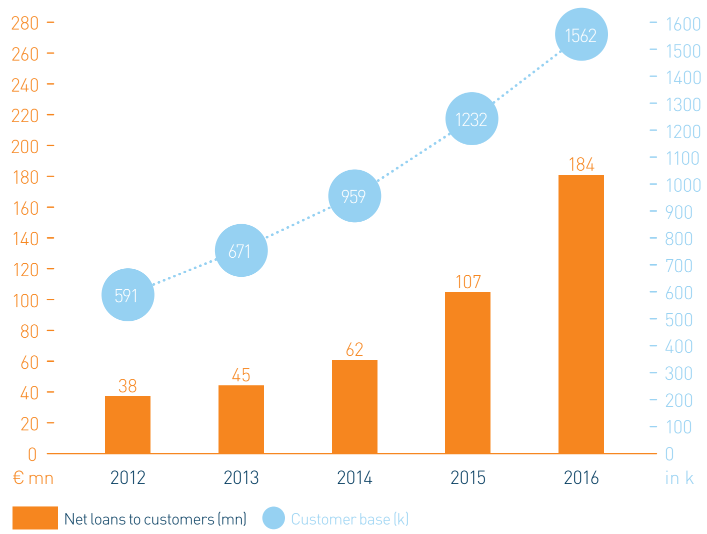
+39%	Record annual revenues up 39% year on year to EUR 154.1 million
+43%	Record Q4 revenues up 43% year on year to EUR 45.5 million
+28%	Operating profit (EBIT) rose 28% year on year to EUR 21.1 million
13.7%	EBIT margin stable at 13.7%
23.7M	Strong positive operating cash flow of EUR 23.7 million
+17.6%	EPS (basic & diluted) increased 17.6% to EUR 0.60 per share
50M	Successful issuance of two EUR 25 million bonds
5.25%	Cost of capital reduced significantly to 5.25%
73.1M	Ferratum Group well funded with ample available liquidity, including EUR 73.1 million in cash as at 31 December 2016

OPERATIONAL HIGHLIGHTS

Q316	Management actions taken in Q3 2016 to accelerate growth have been effective
Q416	Consumer lending performing well with a strong recovery of growth driven by Credit Limit and PlusLoan in Q4
+73%	NBV of loan portfolio as at 31 December 2016 grew by 73% year on year to EUR 184 million
25.4%	Portfolio quality further improved: impaired loan coverage ratio reduced to 25.4%
	Ferratum Mobile Bank launched in Germany, Norway and Sweden – key to our evolution and a critical platform for future growth
+100M	Deposit volume at the end of 2016 over EUR 100 million

GROWTH IN REVENUE AND CREDIT VOLUME





LETTER TO SHAREHOLDERS

Dear Shareholders,

2016 was another year of strong, profitable growth for Ferratum. Our ability to swiftly expand in our countries of operation, based on our scalable, data-driven scoring technology and mobile lending platform, continued to be key to our success. In order to maintain our agility, we further streamlined operations which helped us to deliver full-year results in line with our guidance.

The introduction of our consumer products PlusLoans and Credit Limit, as well as our SME lending service in several of our markets, contributed to overall revenue growth of 39% to EUR 154.1 million, and an increase of our customer base by 27% to 1.6 million, over the course of the year.

While lending continues to be at the core of our business, Ferratum has a much broader vision for the future: to transform the way people conduct their financial lives. We have started to build a global banking platform which connects customers, peers and service providers to offer a full range of financial products.

The first step on this journey was accomplished in 2016 with the public launch of our app-based Mobile Bank in Germany, Norway and Sweden. The services initially offered include multi-currency current accounts, overdraft credit, savings accounts, term deposits and debit cards. In the next phase we will complement these services with other real-time, mobile and easy-to-use products for banking, lending and investment. Our new peer-to-peer (P2P) lending platform, which was launched in the Czech Republic in 2016, will be one of them.

Since launch, demand for our Mobile Bank has exceeded our expectations, attracting over EUR 100 million in total deposits. In combination with the two EUR 25 million bonds successfully placed during the year, Ferratum Group can draw upon a very strong liquidity position of EUR 73 million.

While the Mobile Bank and new products like P2P lending are investments in the future and did not contribute significantly to Group revenue and profit in 2016, our lending business continues to develop strongly, in terms of both absolute revenue growth and profitability. With an operating profit (EBIT) of EUR 21.1 million, which was up 28% from last year's figure, Ferratum achieved an EBIT margin for the period of 13.7%, in line with our guidance published in September 2016.

To further strengthen our core business, we took actions to reorganize our management structures and invest in more scalable IT architecture and systems. This resulted in a record performance in the last quarter of 2016 and will continue to have positive effects this year.

We expect growth to be supported by the roll-out of Credit Limit, PlusLoans and Ferratum Business (SME) lending in additional countries, as well as overall market growth for mobile short-term financing. We will also continue to build the Mobile Bank by launching the service in several additional markets, connecting partners and increasing deposit volumes and cross-selling opportunities. In 2017, we expect revenues to reach a range between EUR 200 million and EUR 225 million while achieving an operating profitability margin (EBIT margin) of 13% to 16%.

Based on a highly profitable core business and large cash reserves, Ferratum is in an excellent position to pursue its ambition to become a leading international mobile bank offering more than money to its clients and partners.

We hope that you will continue to accompany us on this journey to make banking and lending a more straightforward and accessible experience for all our customers. We thank all our shareholders for the trust they have placed in us and we thank our employees who work tirelessly to develop and grow our business.

Helsinki, March 2017

Jorma Jokela
CEO Ferratum Group

STRONG LEADERSHIP

The Directors Team of Ferratum Group, led by Jorma Jokela, comprises a passionate and entrepreneurial team combining expertise from a broad range of relevant industries.

JORMA JOKELA

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

LEA LIIGUS

Lea Liigus is the Head of Legal and Compliance of the Group and CEO of Ferratum Bank p.l.c., the Group's banking subsidiary. She studied law at the University of Tartu in Estonia and completed the Master of Laws (LL.M) Programme in Contract and Commercial Law at the University of Helsinki in Finland. Before she joined the Group in 2006, she worked as a lecturer on Commercial Law and EU law at the Estonian Business School in Tallinn and as an attorney-at-law specialised in commercial, financial law and EU law at Sorainen Law Offices in Estonia.

SAKU TIMONEN

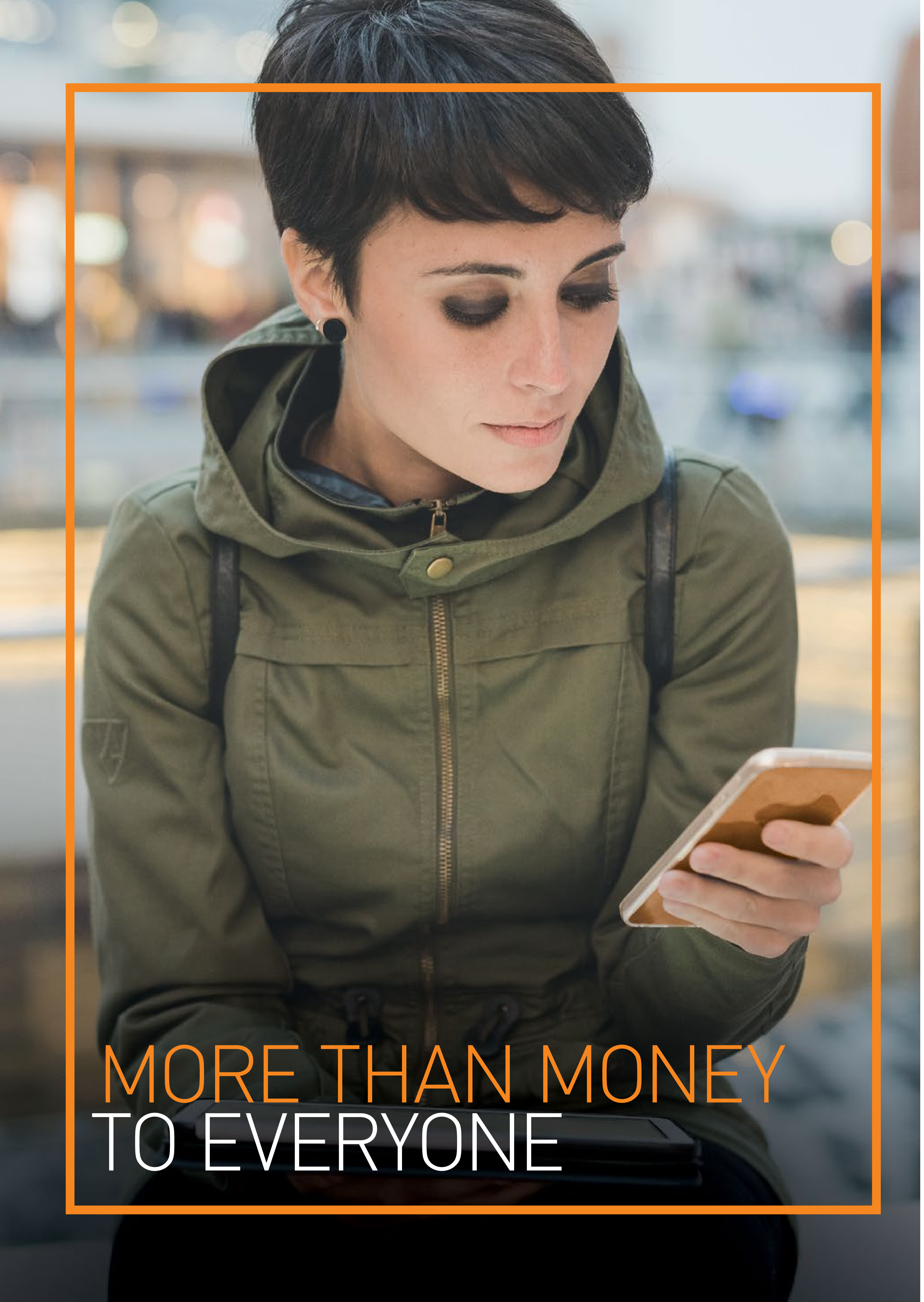
Saku Timonen is the Head of Lending and has worked for the Group since 2009. He studied marketing and finance & economics at the Helsinki School of Economics and Business Administration between 1996 and 2001. From 2000 to 2006 he was marketing planner, product manager and relations manager at Sampo Bank. From 2006 to 2009 he worked as product manager of unsecured products at GE Money Oy.

CLEMENS KRAUSE

Clemens Krause is the Company's CFO and the managing director of Ferratum Capital Germany GmbH. He studied business administration at the Westfälische Wilhelms-Universität in Münster. From 1989 to 1994 he worked at the Institut für Rechnungswesen in Münster, while completing his PhD. In 1994, he joined Bankgesellschaft Berlin AG where he worked as a manager and director of Project Finance. Before he joined the Group in 2012, he held management positions in Germany at Deutsche Bahn, E-Loan Europe, E*Trade Germany, GE Money Bank (General Electric) and Commerzbank.

ARI TIUKKANEN

Ari Tiukkanen is the Head of Commercial and Operations (COO) of the Group. He studied industrial engineering at Jyväskylä University of Applied Sciences and graduated with aa BSc (engineering) in 1986. Before he joined the Group in 2015, he was head of the jbuilding and industry business at Metsä Wood from 2012 to 2015, CEO of Icare Finland / Revenio Group from 2008 to 2012, commercial director of Paloheimo Group from 2006 to 2008, head of the building products business line at Finnforest from 1999 to 2006, and held various management positions at Halton Group from 1992 to 1999.



MORE THAN MONEY TO EVERYONE

MOBILE DISRUPTION

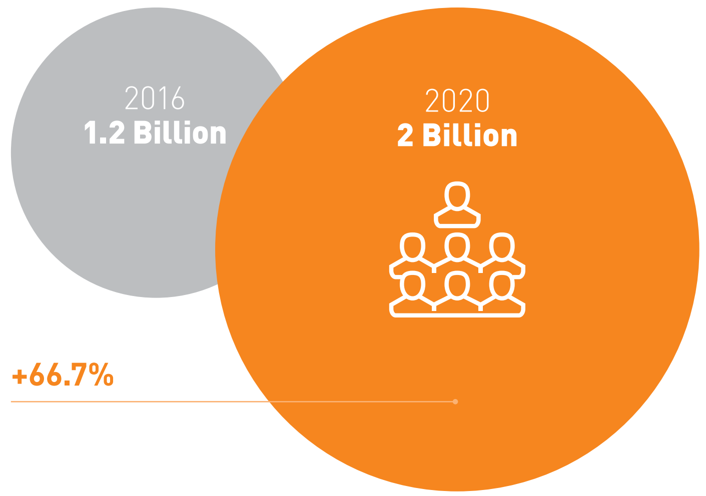
Contemporary banking is digital; tomorrow's banking is mobile. This evolution is closely linked to the use of smartphones to organise everyday life – a life increasingly displayed on screens and arranged via apps.

In order for banking and financial services to fit into this digital, mobile world, they need to be reframed in digital terms and offer new solutions for secure, hassle-free verification and authorisation of financial transactions without lengthy acceptance processes.

Traditional banks are restricted by their legacy systems when they try to find their own place in this new environment. Market trends favour new players, able to systematically use the advantages of mobile connectivity, big data and process automation to make life faster and easier for consumers as well as small business owners. New security processes such as biometrics and geolocation are unique to the mobile channel, delivering higher security standards without compromising on customer experience.

Linking mobile banking, retail credit and SME lending, Ferratum is ideally positioned to capture the great potential of the smart banking revolution as well as to tap into under-served credit markets.

Mobile phone subscribers using their phone for banking



Source: Juniper Research, 2016

MORE THAN A BANK

At Ferratum we don't believe in banks. At least not in the traditional sense. We believe in financial technology that is mobile, user-friendly, international and highly secure.

In the hotly-contested mobile banking and lending market, Ferratum can capitalise on its scalable technology platform as a clear competitive advantage. Our IT architecture is mobile in origin, self-learning by design and open to add-on tools from third parties as well as new products by Ferratum, such as our P2P investing service (see Launch of P2P lending in the Czech Republic). We make sure that our clients always get state-of-the-art services, wherever and whenever they need them.

Still, to conduct our business, we have to be licensed like a bank. In most European countries, Ferratum operates its lending business under an EU banking license via Ferratum Bank p.l.c. Being a bank also allows us to expand our services to include current accounts and deposits as well as payments and debit cards (see "Launch of the Ferratum Mobile Bank").

LAUNCH OF THE FERRATUM MOBILE BANK

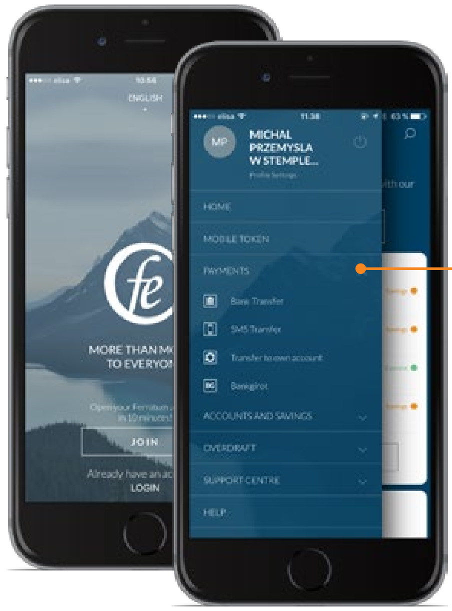
The Ferratum Mobile Bank, launched to the public in 2016 in Germany, Sweden and Norway, is a revolutionary new platform assembling customers' full financial lives in one app. Users can access their current accounts, savings and debit cards in real-time in an easy, secure and mobile manner, regardless of the currency. Opening an account takes just a few minutes with our online application process – no paperwork required.

Client growth is driven by our freemium model, which offers basic account and cross-border payment functions at no charge, as well as attractive term deposit options.

Based on behavioral data analysis, we generate intelligent, real-time and targeted recommendations to improve customer experience and add services over time according to users' preferences.

In addition, the banking platform is designed to provide access to a wide range of premium services from ourselves as well as external partners. This will help the Ferratum Group to grow its lending business and capture additional revenue from commissions and fees.

In 2016, Ferratum Mobile Bank attracted deposits totalling EUR 101 million, which has become a major source of capital for funding the lending business.



MOBILE BANKING SERVICES: FREE BASICS WITH ADDED VALUE

- Free current account, 100% mobile and easy to use
- Optional overdraft facility for the current account.
- Term deposit for three, six or 12 months with competitive interest rates.
- Multi-currency debit card from MasterCard
- Real-time transactions which enable quick and easy payments anywhere in the EU
- Automated savings goals and boosters to maximize savings and spending potential
- In future: Access to new lending and investment products like P2P lending and third party features

LAUNCH OF P2P LENDING IN THE CZECH REPUBLIC

On our peer-to-peer (P2P) lending platform, private investors can invest in consumer loans originally granted by Ferratum. Unlike existing marketplaces, where participants are matched on an individual basis, Ferratum offers shares in credit portfolios. Such investments, which are normally only available to large institutional investors, have lower risk than the usual P2P investments while still generating attractive returns. As part of its service offering, Ferratum handles all payments and collects possible overdue payments. In addition, Ferratum guarantees to buy back payments that are 60 days past due. Thus, the system secures 85% of outstanding loans for the investors.

Given the low interest rate environment, P2P investments are in high demand as complements to investments in bonds, stocks, bank deposits or mutual funds.

MONEY FAST AND 100% ONLINE

The sales representative snatching a last-minute travel deal three weeks before receiving an extra payment from his employer. The young family of four in sudden need of a bridge loan due to moving expenses after a job transition. The small family business needing a loan in order to invest in new data software. No matter how different the customers are, how different their needs and living conditions – they all can rely on Ferratum Group as a smart, fast and uncomplicated provider of financing.

At Ferratum, it takes just a few minutes from loan application to payment, thanks to an automated credit assessment based on big data analytics and self-learning algorithms. With our proprietary technology, we have 1.6 million active and former customers who have been granted one or more loans in the past. Since 2005, we have granted EUR 1.5 billion in short-term loans to individuals and businesses – quickly, confidentially and transparently.

Our software-based scoring system combines historical data from all the markets in which we operate with current information on the specific market and the individual customer. We base our lending decisions on a careful assessment of the borrower's financial position, the ability to repay loans, and whether the borrower's requirements and objectives will be met by the loan.

In order to make scoring results more accurate, our software is continually refined and updated. Improvements are clearly reflected by our performance indicators: In 2016, non-performing loans more than 90 days past due, amounted to only 12.4% of net receivables at year-end, compared to 16% the year before. Accordingly, the impairment rate has been reduced from 31.5% to 25.4% of gross receivables.

STRINGENT CREDIT SCORING – SUPPORTED BY BIG DATA ANALYTICS

Thanks to its automated credit scoring technology, Ferratum is able to make a loan decision in just a few minutes. The applicant is identified based on automated facial ID verification, bank ID or access to prior bank account records.

Scoring and credit decisions are controlled centrally. An application scorecard is used to assess new customers and a behavior scorecard is used to assess repeat customers. The scoring system, which is based on FICO analytics and further developed by Ferratum, draws on public databases, national credit registers, statistics databases, and public tax databases, where available. It also uses internal big data analytics technology which delivers information based, for example, on browser types, browsing behavior and social network membership. The Group's stringent credit scoring and identification system resulted in an approval rate for consumer loan applications of just 14% as of the end of 2016.

1

Digital identification based on hard facts such as name and date of birth. Handled via:

- Mobile technology
- Online banking
- Automatic facial ID verification

2

Effective check of the customer by means of:

- External databases with information on credit-worthiness
- Tested and dedicated internal scoring
- FICO-tools
- Self-learning software: Increasing approvals while decreasing write-downs

3

Credit decision within seconds:

- Less than 0.1% fraud cases
- Professional frauds even 0.0%

QUICK ACCESS TO FUNDS: THE FERRATUM LOAN PRODUCT RANGE

Microloans

With its pioneering Microloan product available since 2005, Ferratum offers consumers quick and easy access to small cash amounts of EUR 25 to EUR 1,000 with durations of seven to 90 days. Microloans are facilitated through the Group's local websites and mobile app.

PlusLoans

PlusLoans are primarily offered to existing customers with a positive track record of repayment. The product features larger amounts (typically EUR 300-EUR 5,000) and longer maturity periods of two to 36 months.

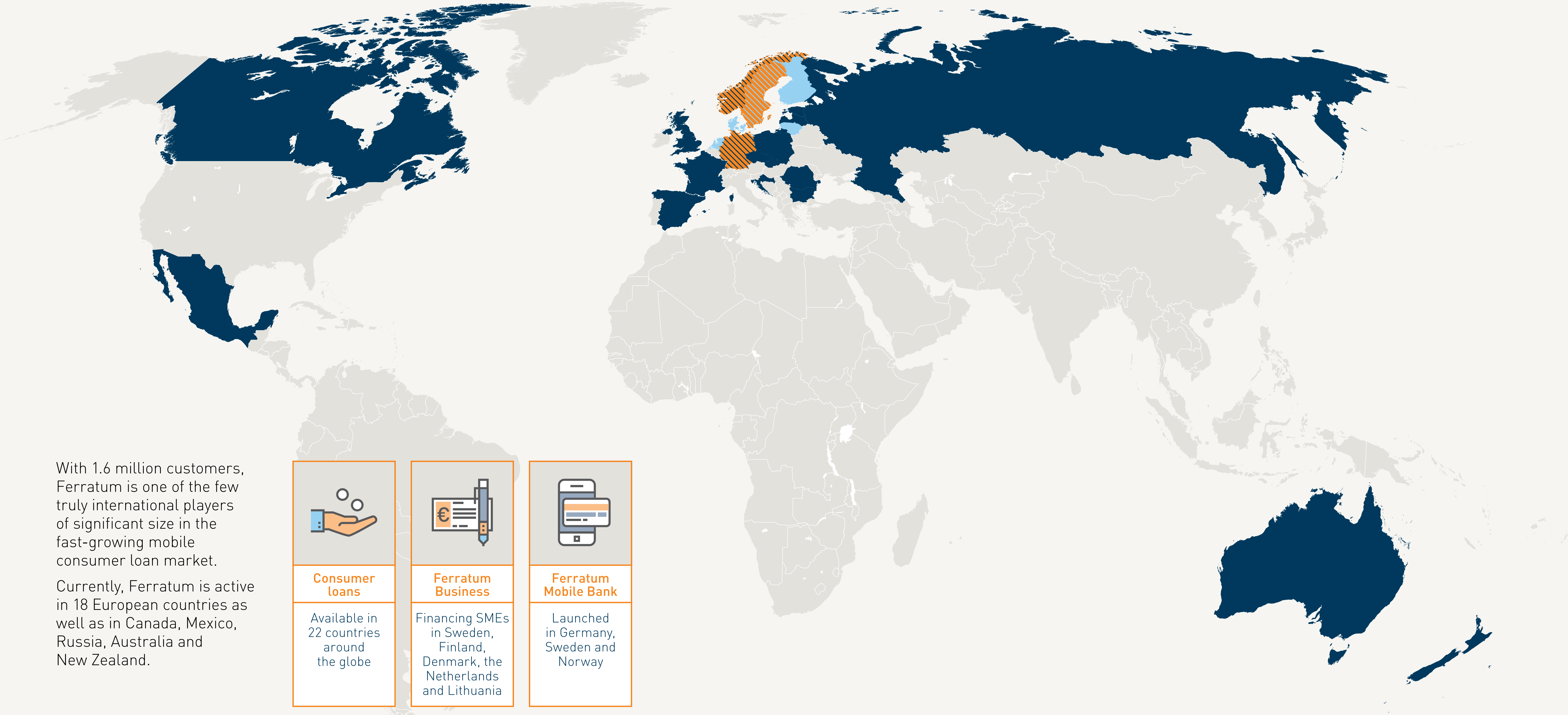
Credit Limit

The Credit Limit product, launched in 2013 and currently offered in nine countries, has proven a major growth driver of the Group thanks to its flexibility. Customers are allowed to withdraw, repay, redraw amounts within the maximum credit limit, any number of times until expiration and in accordance with their cash flow situation. Credit is granted up to a limit of EUR 3,000.

Ferratum Business

Small business loans, currently available in five countries, are offered to established small businesses with a successful track record of at least two years. The loans range between EUR 2,000 and EUR 100,000 and are regularly used for working capital and bridge financing.

TO EVERYONE GLOBALLY



With 1.6 million customers, Ferratum is one of the few truly international players of significant size in the fast-growing mobile consumer loan market.

Currently, Ferratum is active in 18 European countries as well as in Canada, Mexico, Russia, Australia and New Zealand.

Consumer loans

Available in 22 countries around the globe

Ferratum Business

Financing SMEs in Sweden, Finland, Denmark, the Netherlands and Lithuania

Ferratum Mobile Bank

Launched in Germany, Sweden and Norway

A FINANCIAL ECOSYSTEM BASED ON CORE VALUES

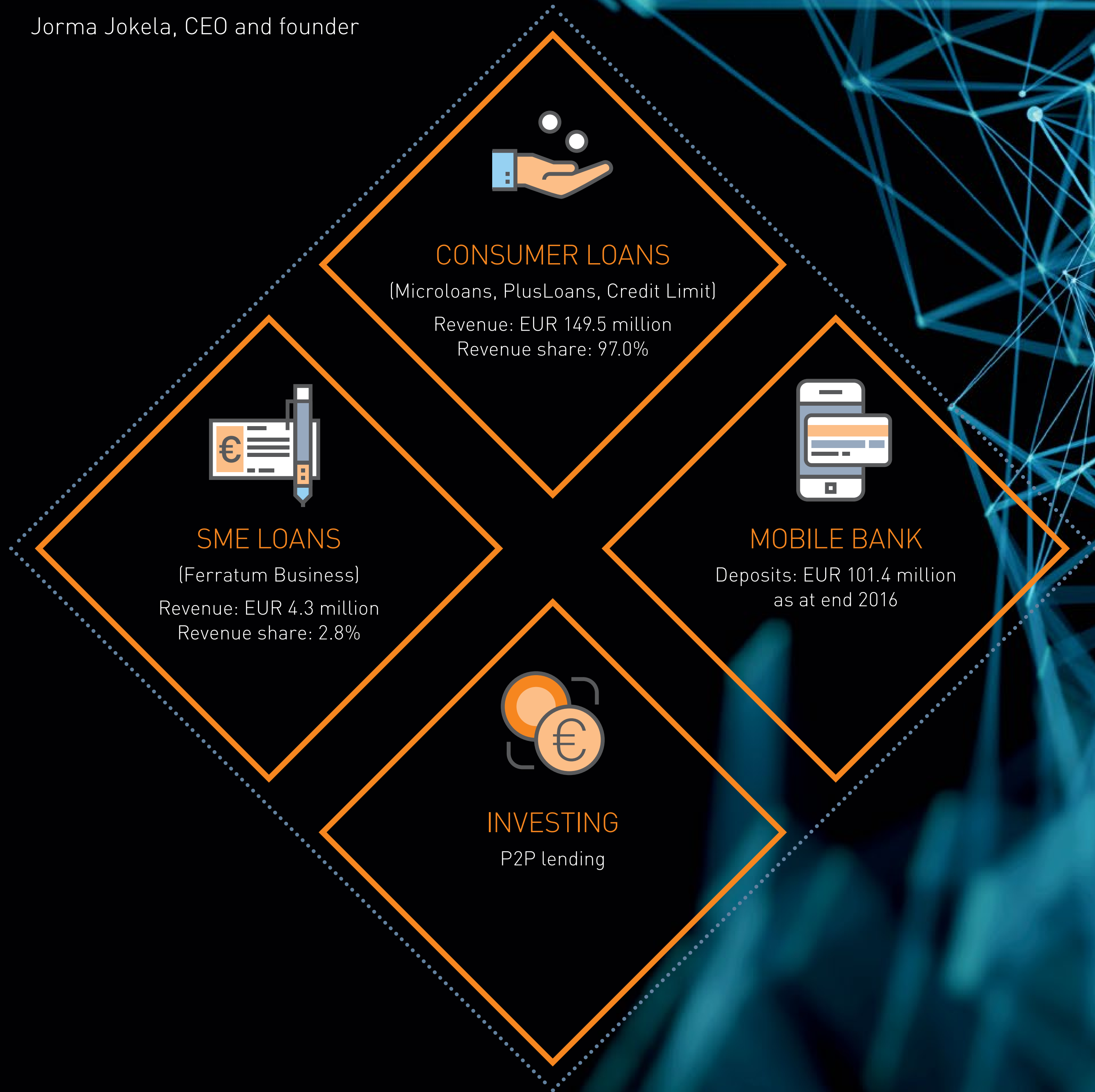
Creating value for customers and investors has been Ferratum's aspiration ever since its launch in 2005. But creating value to partners is just as important. With the launch of the Mobile Bank, Ferratum has established a global platform connecting customers, peers and service providers alike. The open architecture of the mobile banking app allows the easy integration of service widgets published by other companies. Thus, they gain access to Ferratum's large and growing international customer base as well as invaluable customer intelligence.

> "We need to become the partner of first choice offering important win-win opportunities"
>
> Ari Tiukkanen, COO

Unlike traditional banks, Ferratum does not rely solely on its own innovative power, but creates a highly flexible financial ecosystem through partnerships to maximize the customer experience. The partnership approach allows for faster growth with limited capital expenditure. Products will be built around the entire customer lifecycle by involving partners from both the financial industry and non-financial technology companies.

However, new partnerships will not only be based on technology or the relevance to our financial ecosystem. Ferratum favors partnerships with companies sharing similar core values: professionalism, innovation, profitability and clear ethics.

> **"Together, we're aiming at encouraging new ideas, maintaining a convincing performance and creating trust among our customers, employees and stakeholders."**
>
> Jorma Jokela, CEO and founder



INDUSTRY-RELATED CONDITIONS

Ferratum competes with traditional and digital banks as well as other fintechs, mainly in the field of consumer and small business loans. Concurrently, Ferratum looks to fintech peers as partners, as it extends its business model into mobile banking services, including deposits.

Significant external factors influencing Ferratum's business development include:

- The demand for consumer loans and SME loans in present and future markets
- The global development of smartphone and mobile banking usage
- The development of the global fintech sector, with respect to the lending business as well as to mobile banking services
- Competition from mobile banking apps by established banks

In 2016, the volume of consumer loans as well as loans to the private sector continued to increase across all relevant markets[1] while interest rates remained at a constant low level[2]. The ratio of overall non-performing loans decreased in almost all European countries, while there was a slight increase in Russia and Canada.[3]

The use of mobile banking worldwide has continued to rise. The share of smartphone and tablet owners who use mobile banking stood at 47% in April 2016 compared to 41% the previous year across selected European countries, the US and Australia.[4] Analysts expect that by 2021 over 2 billion mobile users will use their mobile phones for banking purposes, compared to 1.2 billion in 2016.[5]

The adoption of mobile banking is highly dependent on regular access to the internet. In 2016, mobile-broadband networks already covered 84% of the world's population.[6] Mobile broadband penetration across all OECD countries reached 95.1% in mid-2016, with subscription rates exceeding 100% in northern European countries and Australia.[7] The trend towards mobile banking is also embracing lower income segments of the population which own smartphones and are currently not bank customers or only use limited bank services such as an account provided to receive their salaries (so-called "underbanked" customers).[8]

The global fintech sector saw a 50% decline of investment in 2016 with an annual funding total of US $24.7 billion, down from US $46.7 billion in 2015.[9] However, the outlook remains positive: two thirds of European fintechs expect a strong increase in their segment's market revenue according to a survey conducted in 2016. Crowdfunding and lending fintechs were among the most optimistic, especially regarding P2P lending. The survey also identified a trend to more diversified business models and expansion to other countries.[10]

At the same time, traditional banks are under pressure to reduce costs as they experience a negative earnings impact from the low interest rate environment. Across Europe, banks have been closing branches in recent years, thereby losing their most important competitive advantage. A study has found that disruption in the banking sector could lead to revenue losses of 10% to 40% percent by 2025, while fintechs will serve a significant part of the market.[11] For the German market, it is expected that fintechs will be able to win an aggregate market share of up to 5% by 2020.[12]

1 Tradingeconomics.com: Consumer credit [http://www.tradingeconomics.com]
2 Euro Area Statistics: Bank interest rates – Loans [https://www.euro-area-statistics.org/bank-interest-rates-loans?cr=eur]
3 The World Bank: World Development Indicators, Bank nonperforming loans to total gross loans
4 ING: International Survey Mobile Banking, 2016
5 Juniper Research: Press Release: Mobile Banking Users to Reach 2 Billion by 2020, Representing More than 1 in 3 of Global Adult Population
6 International Telecommunication Union (ITU): Press release: ITU releases annual global ICT data and ICT Development Index country rankings, 2016
7 OECD: Broadband statistics [oecd.org/sti/ict/broadband]
8 Federal Reserve Board: Consumers and Mobile Financial Services 2016
9 KPMG: The Pulse of Fintech Q4, 2017
10 Roland Berger: FinTechs in Europe – Challenger and Partner, 2016
11 McKinsey: The Future of Bank Risk Management, 2015
12 ESN: Sector Report: German Financials: Fintech – threat or opportunity?, 2015

PART 2 – AUDITED

BOARD OF DIRECTORS' REPORT 2016

Company structure and business model

Ferratum Oyj and its subsidiaries form the Ferratum Group ("Ferratum" or the "Group") which is an international provider of mobile financial services. Ferratum, headquartered in Helsinki, Finland, was founded in May 2005 and has expanded its operations across Europe, North America and the APAC region.

Ferratum is currently represented in 23 countries, in 22 with lending activities and in three countries (Sweden, Germany, Norway) with a mobile banking offer, including deposits. The EU banking license enables passporting of financial services to all EU countries. With 1.6 million active and former customers over all geographies who have been granted one or more loans in the past, Ferratum is one of the leading players for mobile loans to consumers and small businesses.

Ferratum provides retail customers with Microloans from EUR 25 to EUR 1,000 with durations between 7 and 90 days, PlusLoans ranging between EUR 300 and 5,000 with a duration between two months and three years as well as Credit Limits up to EUR 3,000. In 2015, Ferratum expanded into small business lending providing loans from EUR 2,000 to EUR 100,000 with a term of 6 to 18 months. The Ferratum Mobile Bank, launched by Ferratum Bank p.l.c. in 2016, offers current bank accounts and deposits. Ferratum also provides an open platform for new and future products such as the Ferratum peer-to-peer (P2P) lending platform as well as third-party products (commission).

Ferratum is a specialist for automated banking processes with a centralized technology infrastructure and sales experts. Its proprietary self-learning big data scoring system delivers instant credit approvals with state-of-the-art security.

FINANCIAL HIGHLIGHTS

Financial highlights, EUR '000	Jan - Dec 2016	Jan - Dec 2015	Jan - Dec 2014
Revenue	154,128	111,008	70,508
Operating profit	21,142	16,478	10,611
Profit before tax	14,728	12,419	6,531
Net cash flows from operating activities before movements in loan portfolio and deposits received	50,857	46,355*	27,316
Net cash flow from operating activities	23,733	(32,690)	(8,876)
Net cash flow from investing activities	(8,266)	(5,450)	(1,918)
Net cash flow from financing activities	40,857	47,625	1,722
Net increase/decrease in cash and cash equivalents	56,324	9,485	(9,071)
Profit before tax %	9.6	11.2	9.3

* restated: the amount of increase / decrease in interests accrued was taken out and included in the net cash flows from operating activities (after movements in loan portfolio)

Financial highlights, EUR '000	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014
Accounts receivable – loans to customers (net)	184,346	106,758	61,529
Deposits from customers	101,436	3,009	2,137
Cash and cash equivalents	73,059	17,452	8,026
Total assets	295,683	140,127	79,805
Non-current liabilities	72,246	48,927	28,885
Current liabilities	135,563	13,562	29,477
Equity	87,875	77,638	21,443
Equity ratio %	29.7	55.4	26.9
Net debt to equity ratio	1.53	0.58	2.35

Calculation of key financial ratios

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

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

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

KEY ACTIONS AND DEVELOPMENTS

During the fiscal year 2016, Ferratum strengthened its refinancing significantly, further diversified its product portfolio and expanded its current products to existing markets. The Group focused on introducing Ferratum Business (SME loans), PlusLoans and Credit Limit products into additional markets while rolling out the Mobile Bank to three markets. Ferratum also launched its new P2P lending platform.

- **Sound funding:** During 2016, Ferratum issued two new bonds with a total volume of EUR 50 million (see Treasury Update). The successful implementation of the new deposit product in Germany, Sweden and Norway, resulted in customer deposits of EUR 101.4 million by 31 December, 2016. The net receivables from customers have increased by 72.7% to EUR 184.4 million at the end of 2016, compared to EUR 106.8 million at the end of 2015.
- **Growth in the core business:** Ferratum continued to expand its lending business and introduced additional products in existing markets. Credit Limit was launched in Poland, Spain and Norway, thus, making it available in a total of nine markets. Revenues from Credit Limit grew by 69%. PlusLoans was launched in Finland, UK, Romania and the Netherlands while revenues grew by 139%. Revenues from Microloans decreased by 10%, mainly due to a migration of clients to higher volume lending products such as PlusLoan and Credit Limit. The SME lending offer, Ferratum Business, started in three additional markets (Lithuania, Denmark and the Netherlands), increasing its revenue to EUR 4.3 million. The strong growth of the lending activities reflects the increasing demand for alternative and innovative lending models.
- **New products:** Ferratum Bank p.l.c., a licensed credit institution with an EU banking license in Malta, launched the Mobile Bank to the public in Sweden, Norway and Germany. The Mobile Bank offers a new level of convenience in mobile banking: customers will be able to access their current accounts, savings deposits and debit cards in real-time in an easy, secure and mobile manner, regardless of the currency. The offer aims at attracting new customers and increasing the loyalty of existing customers. The Mobile Bank will also contribute to refinance operations under Ferratum Bank p.l.c.'s EU banking license and allow for cross selling into lending products, thereby supporting the revenue growth from lending. In the Czech Republic, the new P2P lending solution Ferratum P2P was launched. The platform enables retail investors to invest in credit portfolios administrated by Ferratum.
- **Adjusted targets achieved:** Based on the positive development of all products, Ferratum increased its revenue to EUR 154.1 million and registered an operating profit of EUR 21.1 million. Ferratum thus achieved its guidance and set crucial impulses for further growth in 2017.

SIGNIFICANT EVENTS AFTER THE REPORTING DATE

On January 21, 2017, Ferratum Bank p.l.c. repaid its EUR 20 million bond (ISIN: MT0000911207) with the proceeds from the EUR 25 million senior unsecured bond issued in the final quarter of 2016 (see Treasury update).

As of March 1, 2017, the two bonds issued by Ferratum Capital Germany GmbH – Ferratum Capital Germany GmbH 8% 2018 (WKN: A1X3VZ) and Ferratum Capital Germany 4.875% 2019 (WKN: A2AAR2) – have commenced trading on Scale, Deutsche Börse's new market segment for those small and medium-sized enterprises that achieve a defined set of financial ratios.

In the first quarter 2017, Ferratum and MilTech Inc, trading as Vodi, have formed a partnership to provide mobile financial services to users of the Vodi messaging app. The deal, which involved Ferratum acquiring a 5% stake in Vodi, aims at accelerating global growth for both parties by integrating Ferratum's services as an offering in Vodi. At present, the app's services include chat, voice and video calls, acquisitions of mobile phone credit and gift cards, among others. It also has a voting functionality.

TREASURY UPDATE

Ferratum ended the reporting period with a strong cash position of EUR 73.1 million (December 31, 2015: EUR 17.5 million).

During the year 2016, Ferratum successfully issued two new bonds. In June 2016, Ferratum Capital Germany GmbH placed a three-year bond with a volume of EUR 25 million and a coupon of 4.875% (WKN: A2AAR2) with both retail and institutional investors in Germany and other EU countries. The proceeds will mainly be used to expand Ferratum's growth in the non-bank sphere. Another EUR 25 million senior unsecured bond was issued as a private placement via Ferratum Bank p.l.c. in December 2016 (WKN: A189MG). It has a coupon of 3 months Euribor plus 6.25% p.a. and matures on 15 March 2020. The proceeds were mainly used to repay an existing EUR 20 million bond expiring in January 2017. The placement is part of a EUR 60 million bond issuance program of Ferratum Bank p.l.c. which will increase the bank's funding position and improve its ability to raise deposits by strengthening its regulatory ratios.

By offering deposit products in Germany, Sweden and Norway, Ferratum is diversifying its funding base. In 2016, the deposit volume strongly increased to EUR 101.4 million. Besides the strong cash position, the Group had unused credit lines amounting to EUR 35 million as per the reporting date.

Ferratum received an initial group rating of BBB from Creditreform AG in April 2016. Before, the bond issued in 2013 by Ferratum Capital Germany GmbH (WKN: A1X3VZ) was also rated BBB. Both ratings were upgraded from BBB to BBB+ in the second quarter of 2016.

The foreign exchange risk, mainly arising from fluctuations of the Polish Zloty against the euro, has been managed by using derivative instruments.

CUSTOMER BASE

	Jan - Dec 2016	Jan - Dec 2015	Growth in %
Active/former customers	1,561,687	1,231,542	26.8%
New customers	330,145	272,787	21.0%

PERSONNEL

At the end of 2016, Ferratum employed 692 people (611 Full Time Equivalents) compared with 583 people in 2015. The average number of personnel in 2016 was 635 (2015: 478 people). Payroll expenses amounted to EUR 24.8 million (2015: EUR 17.0 million).

SIGNIFICANT INVESTMENTS

The primary use of funds in Ferratum is for the growth of the lending portfolio which increased from EUR 106.8 million to EUR 184.3 million in 2016. Besides this, investments were made in software, thus the intangible assets increased from EUR 8.2 million to EUR 12.7 million in 2016.

RISK FACTORS AND RISK MANAGEMENT

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

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

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

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

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

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

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

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

FUTURE DEVELOPMENT

For the 2017 financial year, Ferratum plans to achieve revenues of between EUR 200 million and EUR 225 million. The operating profitability margin (EBIT margin) is expected to range between 13% and 16%.

Ferratum bases this guidance on following assumptions: The company expects that consumer credit volumes continue to grow above market average, based on new customers as well as continued diversification of consumer lending products and growth in new markets. Ferratum Business (SME lending) should continue to gain market shares in the five existing markets and will be introduced in additional markets. The Ferratum Mobile Bank will be rolled out in additional countries and is expected to attract new customers, retain customer loyalty, stimulate cross selling, increase deposit volume and diversify deposit currencies.

Ferratum expects stable market conditions with no material negative changes in the consumer and business credit markets.

SHARES OF THE COMPANY

The share capital of Ferratum Oyj consists of 21,723,960 shares of which 146,200 are held by Ferratum Oyj itself as treasury shares. The number of outstanding shares with voting and dividend rights is 21,577,760 shares.

The following table summarizes the largest shareholders excluding nominee registered shareholders not exceeding five percent ownership in Ferratum Oyj on December 31, 2016.

Largest shareholders	Holdings	% of holdings	% of voting rights
Jokela, Jorma*	12,417,470	57.16%	57.55%
Carmignac Gestion**	1,988,881	9.16%	9.22%
Ferratum Oyj	146,200	0.67%	0.00%
Timonen, Saku	144,301	0.66%	0.67%
Tuominen, Marko	144,301	0.66%	0.67%
Vanhala, Juhani	144,301	0.66%	0.67%
Helle, Tapio	72,151	0.33%	0.33%
Kauppi, Sari	28,860	0.13%	0.13%
Sjöman, Caj-Eric	28,860	0.13%	0.13%
Jokisaari, Milla	27,417	0.13%	0.13%
Total	**15,142,742**	**69.71%**	**69.49%**

*Jokela, Jorma owns through European Recruitment Company OÜ 2,833,570 shares (13.04% of the shares). In total Jorma Jokela's shareholding is 12,417,470 shares which corresponds to 57.16% of all shares of the company. The European Recruitment Company OÜ's shares are nominee-registered. **according to latest notification of major shareholdings

Holdings of the Board of Directors in Ferratum Oyj on December 31, 2016

Name		Holdings	% of holdings
van Groos, Pieter	Chairman	20,800	0.10%
Ferm, Erik	Member	173,911	0.80%
Vanhala, Juhani	Member	145,051	0.67%
Hakanen, Jouni	Member	750	0.00%
Jokela, Jorma*	Member	12,417,470	57.16%
Liigus, Lea	Member	206,301	0.95%
Total		**12,964,283**	**59.68%**

*Jokela, Jorma owns through European Recruitment Company OÜ 2,833,570 shares (13.04% of the shares). In total Jorma Jokela's shareholding is 12,417,470 shares which corresponds to 57.16% of all shares of the company. The European Recruitment Company OÜ's shares are nominee-registered.

Holdings of the Directors Team in Ferratum Oyj on December 31, 2016

Name		Holdings	% of holdings
Jokela, Jorma*	Chief Executive Officer	12,417,470	57.16%
Liigus, Lea	Head of Legal and Compliance	206,301	0.95%
Timonen, Saku	Head of Consumer Lending	144,301	0.66%
Krause, Clemens	Chief Financial Officer	172,500	0.79%
Tiukkanen, Ari	Chief Operations Officer	45,000	0.21%
Total		**12,985,572**	**59.78%**

*Jokela, Jorma owns through European Recruitment Company OÜ 2,833,570 shares (13.04% of the shares). In total Jorma Jokela's shareholding is 12,417,470 shares which corresponds to 57.16% of all shares of the company. The European Recruitment Company OÜ's shares are nominee-registered.

Distribution of holdings by number of shares held on December 31, 2016

Lower Limit	Number of shareholders	% of shareholders	Total number of shares	% of share capital
1-100	0	0	0	0.00%
101-500	2	9.52%	330	0.00%
501-1000	0	0%	0	0.00%
1001-5000	2	9.52%	3,086	0.01%
5001-10000	0	0%	0	0.00%
10001-50000	8	38.10%	203,779	0.94%
50001-1000000	7	33.33%	1,239,883	5.71%
1000001 and over	2	9.52%	20,276,882	93.34%
Total	**21**	**100%**	**21,723,960**	**100.00%**
Nominee registered	5		11,342,533	52.21%
Treasury shares held by Ferratum Oyj	1		146,200	0.67%

Distribution of holdings by group on December 31, 2016

Sector	Total number of shares (book-entries)		Total number of shares (nominee-registered)		Total number of shares	% of share capital
Non-financial corporations	146,400	0.67%	0	0.00%	146,400	0.67%
Financial and insurance corporations	1,086	0.01%	617,489	2.84%	618,575	2.85%
Households	10,233,941	47.11%	0	0.00%	10,233,941	47.11%
Shares registered in the member states of the Euro area			10,725,044	49.37%	10,725,044	49.37%
Total	**10,381,427**	**47.79%**	**11,342,533**	**52.21%**	**21,723,960**	**100.00%**

BOARD OF DIRECTORS' PROPOSAL FOR PROFIT DISTRIBUTION

The profit for the 2016 financial year of Ferratum Oyj amounted to EUR 17,877,502. Distributable equity of the parent company at the end of the financial year stood at EUR 37,258,895.

The Board of Directors proposes to the Annual General Meeting that, for the financial year ended December 31, 2016, the company will distribute a per share dividend of EUR 0.12 to a total of EUR 2,589,331 after which distributable equity would stand at EUR 34,669,564.

Compared with year-end 2016, no significant changes in the company's financial position have taken place. The liquidity of the company is sound and, according to the Board, the proposed dividend distribution does not jeopardize the solvency of the company.

CORPORATE GOVERNANCE STATEMENT

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

COMPANY MANAGEMENT AND AUDITOR

Pieter van Groos served as Chairman of the Board. Other members of the Board were Jorma Jokela, Lea Liigus, Juhani Vanhala, Jouni Hakanen and Erik Ferm.

The Chief Executive Officer was Jorma Jokela. The Annual General Meeting elected PricewaterhouseCoopers Oy as the company's auditor, with APA Mikko Nieminen as the auditor with principal responsibility.

CONSOLIDATED INCOME STATEMENT FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2016

EUR '000	Note	2016	2015 restated*
Revenue	5	154,128	111,008
Other income		64	47
Impairments on loans		(47,964)	(34,687)
Operating expenses:			
Personnel expenses	6	(24,761)	(17,010)
Selling and marketing expenses		(29,918)	(20,046)*
Lending costs		(8,001)	(7,116)
Other administrative expenses		(2,204)	(1,251)*
Depreciations and amortization	7	(1,547)	(1,309)
Other operating expenses	8	(18,655)	(13,158)
Operating profit		**21,142**	**16,478**
Financial income	9	161	95
Finance costs	10	(6,575)	(4,154)
Finance costs, net		(6,414)	(4,059)
Profit before income tax		**14,728**	**12,419**
Income tax expense	11	(1,768)	(1,491)
Profit for the period		**12,961**	**10,928**
Earnings per share, basic	12	0.60	0.51
Earnings per share, diluted	12	0.60	0.51
Profit attributable to:			
– owners of the parent company		12,961	10,928
– non-controlling interests (NCI)		0	0

* Sales Commissions are reclassified from Other administrative expenses to Selling and marketing expenses

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD JANUARY 1 TO DECEMBER 31, 2016

EUR '000	Note	2016	2015
Profit for the period		12,961	10,928
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Translation difference		(965)	(134)
Total items that may be subsequently reclassified to profit or loss		(965)	(134)
Total comprehensive income		**11,996**	**10,795**
Allocation of total comprehensive income to:			
– owners of the parent company		11,996	10,795
– non-controlling interests (NCI)		0	0

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

EUR '000	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Non-current assets			
Property, plant and equipment	13	2,761	560
Intangible assets	14	12,736	8,232
Government stocks	3.3	11,450	
Deferred income tax assets	15	3,480	2,692
Total non-current assets		**30,426**	**11,484**
Current assets			
Accounts receivable - loans to customers	16	184,346	106,758
Other receivables		7,298	4,309
Income tax assets		555	124
Cash and cash equivalents (excluding bank overdrafts)	17	73,059	17,452
Total current assets		**265,257**	**128,643**
Total assets		**295,683**	**140,127**
Equity and liabilities			
Equity attributable to owners of the parent			
Share capital	18	40,134	10,134
Treasury shares	18	(142)	(142)
Reserves	18	(1,202)	(638)
Unrestricted equity reserve	18	14,708	44,708
Retained earnings		34,377	23,577
Total equity		**87,875**	**77,638**
of which related to non-controlling interests			
Liabilities			
Non-current liabilities			
Borrowings	19	72,246	48,739
Other payables		-	4
Deferred income tax liabilities	15	-	184
Total non-current liabilities		**72,246**	**48,927**
Current liabilities			
Income tax liabilities	20	1,143	1,002
Deposits from customers	3.1, 3.3	101,436	3,009
Borrowings	19	18,469	533
Trade payables	20	4,958	2,727
Other current liabilities	20	9,557	6,290
Total current liabilities		**135,563**	**13,562**
Total liabilities		**207,809**	**62,489**
Total equity and liabilities		**295,683**	**140,127**

CONSOLIDATED STATEMENT OF CASH FLOW

EUR '000	Dec. 31, 2016	Dec. 31, 2015*
CASH FLOWS FROM OPERATING ACTIVITIES		
PROFIT/LOSS FOR THE PERIOD	**12,961**	**10,928**
Adjustments for:		
Depreciation and amortization	1,547	1,309
Finance costs, net	6,414	4,059
Tax on income from operations	1,768	1,491
Transactions without cash flow	-	(324)
Impairments on loans	47,964	34,687
Working capital changes:		
Increase (-) / decrease (+) in other receivables and government stocks	(16,848)	(2,115)
Increase (+) / decrease (-) in trade payables and other liabilities	4,803	939
Interest paid	(4,434)	(3,313)
Interest received	163	20
Other financing items	(385)	(121)
Income taxes paid	(3,094)	(1,206)
Net cash from operating activities before movements in the portfolio and deposits received	**50,857**	**46,355***
Deposits received	98,426	873
Movements in the portfolio:		
Movements in gross portfolio	(91,120)	(50,179)
Fully impaired portfolio write-offs	(34,431)	(29,737)
Net cash from operating activities	**23,733**	**(32,690)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of tangible and intangible assets	(8,347)	(5,455)
Proceeds from sale of tangible and intangible assets	81	-
Proceeds from sale of other assets	-	5
Net cash used in investing activities	**(8,266)**	**(5,450)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issue		48,171
Expenses related to share issue		(1,923)
Proceeds from short-term borrowings		
Repayment of short-term borrowings	(198)	(17,563)
Proceeds from long-term borrowings	49,338	20,020
Repayment of long-term borrowings	(6,125)	
Dividends paid / distribution of funds	(2,158)	(1,079)
Net cash used in financing activities	**40,857**	**47,625**
Net increase/decrease in cash and cash equivalents	**56,324**	**9,485**
Cash and cash equivalents at the beginning of the period	17,452	8,026
Exchange gains/(losses) on cash and cash equivalents	(717)	(59)
Net increase/decrease in cash and cash equivalents	56,324	9,485
Cash and cash equivalents at the end of the period	**73,059**	**17,452**

* Restated: the amount of Increase / decrease in interests accrued was taken out and included in the net cash flows from operating activities (after movements in portfolio)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Changes in equity Jan – Dec 2015, EUR '000	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance Jan. 1, 2015	**7,300**	**(142)**	**2,373**	**2**	**(394)**	**12,305**	**21,443**	**0**	**21,443**
Comprehensive income									
Profit or loss						10,928	10,928	0	10,928
Other comprehensive income									
Currency translation difference:				(0)	(252)	118	(134)	0	(134)
Total comprehensive income				**(0)**	**(252)**	**11,047**	**10,795**	**0**	**10,795**
Transactions with owners									
Proceeds from share issue	2,834		45,337				48,171	0	48,171
Expenses related to share issue			(1,923)				(1,923)	0	(1,923)
Distribution of funds			(1,079)				(1,079)	0	(1,079)
Share-based payments						225	225	0	225
Other changes				7			7	0	7
Total transactions with owners	**2,834**		**42,335**	**7**		**225**	**45,400**	**0**	**45,400**
Total equity Dec. 31, 2015	**10,134**	**(142)**	**44,708**	**9**	**(646)**	**23,577**	**77,638**	**0**	**77,638**

Changes in equity Jan – Dec 2016, EUR '000	Share capital	Treasury shares	Unrestricted equity reserve	Other reserves	Translation differences	Retained earnings	Equity holders of parent	NCI	Total equity
Opening balance Jan. 1, 2016	**10,134**	**(142)**	**44,708**	**9**	**(646)**	**23,577**	**77,638**	**0**	**77,638**
Comprehensive income									
Profit or loss						12,961	12,961	0	12,961
Other comprehensive income									
Currency translation difference:					(1,099)	134	(965)	0	(965)
Total comprehensive income					**(1,099)**	**13,095**	**11,996**	**0**	**11,996**
Transactions with owners									
Increase of share capital	30,000		(30,000)				0	0	0
Distribution of funds						(2,158)	(2,158)	0	(2,158)
Transfers between items				536		(536)	0	0	0
Share-based payments						399	399	0	399
Other changes				(1)		(0)	(1)	0	(1)
Total transactions with owners	**30,000**		**(30,000)**	**535**		**(2,295)**	**(1,760)**	**0**	**(1,760)**
Total equity Dec. 31, 2016	**40,134**	**(142)**	**14,708**	**544**	**(1,746)**	**34,377**	**87,875**	**0**	**87,875**

1 GENERAL INFORMATION

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

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

The financial year for all Group companies is the calendar year and it ended on December 31, 2016. The Board of Directors of Ferratum approved these financial statements for publication on March 29, 2017. 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 at Ratamestarinkatu 11 A, FI-00520 Helsinki.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

During the year ended December 31, 2016, there have been some amendments to existing standards. None of the new or revised standards or amendments had an impact on the reported income statement and the statement of financial position.

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

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

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

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

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

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

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

The impact on financial statements of Ferratum from the adoption of IFRS 9 is still under examination.

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

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

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

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

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

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

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

IFRS 16 defines the recognition, measurement, presentation and disclosure requirements on leases. The standard introduces a single lessee accounting model that requires lessees to recognize assets and liabilities for all leases unless the lease term is twelve months or less or the underlying asset has a low value. At the same time, the standard has no substantial changes to lessor accounting. Lessors continue to classify leases as operating or finance. The adoption of the new standard should have no significant impact on Ferratum's financial statements.

2.2 Consolidation

Subsidiaries

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

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to Ferratum'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 recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets.

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

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing the performance of the operating segments, has been identified as the Directors Team that also 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 euros (EUR), which is both the functional currency and the presentation currency of the parent company.

(b) Transactions and balances

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

(c) Group companies

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

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

2.5 Property, plant and equipment

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

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

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

Fixtures, fittings and equipment: 3 – 8 years

Vehicles: 3 – 5 years

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

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

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

2.6 Intangible assets

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

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

IT software: 2 – 10 years

Trademarks: 3 – 5 years

Licenses: 2 – 10 years

Development costs: 2 – 5 years

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

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;

- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

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

2.7 Impairment of non-financial assets

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

2.8 Financial assets

2.8.1 Classification

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

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorized as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are expected to be settled within twelve 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 twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise 'account receivables – loans to customers', 'other receivables' and 'cash and cash equivalents' in the balance sheet.

2.8.2 Recognition and measurement

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

2.9 Impairment of financial assets

Ferratum 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 because of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Assets carried at amortized cost (accounts receivable – loans to customers)

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

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

For the purposes of a collective evaluation of impairment, financial assets are grouped based on 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 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 per the contractual terms of the assets being evaluated.

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

2.10 Cash and cash equivalents

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

2.11 Share capital

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

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

2.12 Trade payables

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

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

2.13 Borrowings

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

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

2.14 Current and deferred income tax

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

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

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

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

2.15 Revenue recognition

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

Revenues are recognized when:

(a) it is probable that the economic benefits associated with the transaction will flow to the entity; and

(b) the amount of the revenue can be measured reliably.

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

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

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

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

2.16 Financial income and costs

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

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

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

2.17 Other income from operations

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

2.18 Share-based payments

Over time, certain individuals and employees have been granted option rights to invest in the shares of the parent company of Ferratum. According to IFRS 2 (Share-based payment), due to the fact that these individual investors are also employed by Ferratum, certain expenses need to be recorded in the income statement as equity settled share-based payments although the share ownership doesn't have any expense or cash impact on the company. These expenses reflect the potential upside for the minority shareholders in terms of a value increase of the shares. The fair value of this potential increase calculated is recognized annually as expenses over the vesting period.

Option plans, introduced in 2015 and 2016, are designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants are granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share.

The fair value of the options is independently determined on the grant date using the Black and Scholes model taking into consideration the terms and conditions of the grant. The material model inputs for options includes the exercise price, the term of the option, the share price on the grant date and the expected price volatility of the underlying shares. The expected dividend yield and the risk-free interest rate for the term of the option did not have a material effect on the option value on the grant date. This expense has no cash impact on the company.

2.19 Derivative instruments

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

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

Ferratum'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's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance. Ferratum uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (Group treasury). Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board is responsible for the overall effectiveness of the risk management function, whose function is, however, carried out by all of the members of the Group's management.

(a) Credit risk

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

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Loans and receivables:		
Cash and cash equivalents (i)	73,059	17,452
Accounts receivable – loans to customers	184,346	106,758
Other receivables	7,298	4,309
	264,702	**128,519**

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

The exposures set out in the table above are based on carrying amounts as reported in the statement of financial position for on-balance sheet financial assets. The fair value of loans and receivables are equivalent to their carrying amounts. The table represents a worst-case scenario of credit risk exposure to the Group on December 31, 2016, and 2015, without taking account of any collateral held or any other credit enhancements attached.

Loans and advances to customers

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

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

(b) Market risk

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

Foreign exchange risk

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

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

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

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

As a result of intra-group borrowings, main foreign exchange risk arises from the Polish zloty. On December 31, 2016, if the euro had weakened/strengthened by 10% against the Polish zloty with all other variables held constant, pre-tax profit for the period would have been EUR 2,098,000 higher/lower, mainly as a result of foreign exchange gains/losses on intra group borrowings (2015: EUR 1,267,000).

Based on the various scenarios, the Group occasionally manages its cash flow foreign exchange swaps and futures contracts. As per December 31, 2016, part of the foreign exchange risk arising from the net assets denominated in Polish zloty (PLN) was hedged by using a PLN-EUR foreign exchange swap and futures contracts. The futures contract's nominal value was EUR 20,000,000, covering 49% of the Group's net assets denominated in Polish zloty.

Cash flow and fair value interest rate risk

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

Ferratum's main interest rate risk arises from long-term borrowings which are issued at fixed and variable rates. These expose Ferratum to cash flow interest rate risks which are partially offset by having a short-term loan portfolio as a main asset in the Group. Increasing refinancing costs 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, 2016, and the year ended December 31, 2015, Ferratum's borrowings at a variable rate were denominated in PLN and EUR.

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Fixed interest rate borrowings	62,002	46,950
Variable interest rate borrowings	28,712	5,332
Total borrowings	**90,714**	**52,281**

Ferratum analyzes its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, Ferratum 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, 2016, 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 17% of the Group's variable rate borrowings. Interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates.

On December 31, 2016, if interest rates on that date had been 100 basis points lower/higher with all other variables held constant, pre-tax profit for the period would have been EUR 496,000 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 and aggregated by the Group's finance. The Group's finance department monitors rolling forecasts of the Group's liquidity requirements to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom on its undrawn committed borrowing facilities at all times so that the Group does not breach borrowing limits or covenants (where applicable) on any of its borrowing facilities. Such forecasting takes into consideration the Group's debt financing plans, covenant compliance, compliance with internal balance sheet ratio targets and, if applicable, external regulatory or legal requirements, currency restrictions, for example. Surplus cash held by the operating entities over and above the balance required for working capital management is transferred to the Group treasury. The Group's treasury invests surplus cash in interest bearing current accounts, time deposits, money market deposits and marketable securities, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient headroom as determined by the above-mentioned forecasts. On the reporting date, the Group had unused credit lines amounting to EUR 35 million.

The repayment schedule for financial liabilities as of December 31, 2016, including future interest payments, is as follows. Variable interest payments are estimated based on the spot interest rate level on the balance sheet date. The amounts are undiscounted.

Dec. 31, 2016, EUR '000	Less than 12 months	Between 1 – 2 years	Between 2 – 5 years	Over 5 years
Bank borrowings	358			
Interest	36			
Bonds issued	18,148	25,000	50,000	
Interest	4,874	4,368	2,463	
Deposits from customers	101,436			
Interest	1,535			
Derivatives	91	45	45	
Trade payables and other current liabilities	14,515			
	140,993	**29,413**	**52,508**	**0**

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

3.2 Capital management

Ferratum's objectives when managing capital are to safeguard its 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 may adjust the amount of dividends paid to shareholders, issue new bonds or sell assets to reduce debt.

Ferratum 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, 2016, Ferratum's strategy, which was unchanged from 2015, was to maintain the gearing ratio below 3.

Net debt to equity ratio	Dec. 31, 2016	Dec. 31, 2015
Total liabilities	207,809	62,489
Less: cash and cash equivalents	73,059	17,452
Net debt	134,750	45,037
Total equity	87,875	77,638
Net debt to equity ratio	**1.53**	**0.58**

Under the terms of certain borrowing facilities, the group is required to comply with the following financial covenants:

- capital cover ratio must be more than 1.3 for Ferratum Bank p.l.c.
- net debt to equity ratio must be not more than 2.5
- net debt excluding non-interest bearing liabilities to EBITDA ratio must be not more than 5.5
- net loss if any must be not more than 20% of equity

The group has complied with all these covenants throughout the reporting period. As at Dec. 31, 2016, capital cover ratio for Ferratum Bank p.l.c. was 1.77 (Dec. 31, 2015: not applicable), net debt to equity ratio was 1.53 (Dec. 31, 2015: 0.58), net debt excluding non-interest bearing liabilities to EBITDA ratio was 5.26 (Dec. 31, 2015: 1.97) and there were no losses, but net profit for the year ended Dec. 31, 2016 of EUR 12,961 thousand (net profit for the year ended Dec. 31, 2015 was EUR 10,928 thousand).

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 that the Group can access on the measurement date.

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

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

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

Financial instruments, EUR '000	Dec. 31, 2016	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2015	Level of fair value measurement
	Carrying value	Fair value	Carrying value	Fair value	
Financial assets					
Items recognized at amortized cost					
Government stocks	11,450	11,450			Level 1
Items recognized at fair value through profit and loss					
Foreign exchange derivative			176	176	Level 2
Financial liabilities					
Items recognized at amortized cost					
Loans from financial institutions	358	358	577	577	Level 3
Bonds	90,356	92,403	48,695	52,913	Level 1
Deposits from customers	101,436	101,436	3,009	3,009	Level 3
Items recognized at fair value through profit and loss					
Foreign exchange derivative	136	136			Level 2
Interest derivative	46	46	129	129	Level 2

The fair value of foreign exchange and interest derivatives is calculated as the present value of the estimated future cash flows based on observable yield curves.

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

4.1 Impairment losses on loans and advances

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

4.2 Share-based payments

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

5 SEGMENT INFORMATION

During the year ended December 31, 2016, Ferratum's management has decided to change its operating segments from geographical to product based. Operating segments are now based on the major product types provided by Ferratum: Microloans, PlusLoans, Credit Limit, Ferratum Business (SME) and other (Mobile Bank, FerBuy and Ferratum P2P).

Non-directly attributable costs are allocated according to the share in revenue. Finance costs are allocated according to the portfolio size of related types of products, i.e. their share in total accounts receivable – loans to customers.

5.1 Business segments in 2016

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Other*	Total
Revenue	52,837	30,232	66,444	4,251	364	154,128
Share in Revenue, %	34.3	19.6	43.1	2.8	0.2	100.0
Directly attributable cots:						
Impairments	(19,779)	(9,709)	(17,204)	(909)	(363)	(47,964)
Marketing	(5,444)	(7,887)	(13,562)	(1,547)	(1,477)	(29,918)
Attributable Product Margin	**27,614**	**12,636**	**35,678**	**1,795**	**(1,476)**	**76,246**
Attributable Product Margin, %	52.3	41.8	53.7			
Non-directly attributable costs:						
Personnel expenses	(8,149)	(4,663)	(10,248)	(656)	(1,046)	(24,761)
Lending costs	(2,749)	(1,573)	(3,457)	(221)	-	(8,001)
Other administrative expenses	(682)	(390)	(858)	(55)	(219)	(2,204)
Depreciation and amortization	(404)	(231)	(508)	(32)	(371)	(1,547)
Other operating income and expenses	(5,507)	(3,151)	(6,926)	(443)	(2,564)	(18,591)
Total Non-directly attributable costs	**(17,492)**	**(10,009)**	**(21,997)**	**(1,407)**	**(4,200)**	**(55,105)**
Operating profit	**10,122**	**2,627**	**13,681**	**387**	**(5,676)**	**21,142**
Gross Product Margin, %	19.2	8.7	20.6			
Unallocated finance income						161
Finance expenses	(1,223)	(1,380)	(2,632)	(442)	(23)	(5,700)
Unallocated finance expense						(875)
Finance costs, net	(1,223)	(1,380)	(2,632)	(442)	(23)	(6,414)
Profit before income tax	**8,899**	**1,247**	**11,049**	**(54)**	**(5,699)**	**14,728**
Net Product Margin, %	16.8	4.1	16.6			
Accounts receivable – loans to customers	39,554	44,626	85,123	14,287	755	184,346
Unallocated assets						111,338
Unallocated liabilities						207,809

*Includes Mobile Bank, FerBuy and Ferratum P2P

5.2 Business segments in 2015

EUR '000	Microloans	PlusLoans	Credit Limit	SME	Other*	Total
Revenue	58,510	12,678	39,398	373	50	111,008
Share in Revenue, %	52.7	11.4	35.5	0.3	0.0	100.0
Directly attributable cots:						
Impairments	(22,712)	(3,845)	(7,909)	(138)	(82)	(34,687)
Marketing	(6,208)	(3,212)	(9,381)	(120)	(1,125)	(20,046)
Attributable Product Margin	**29,590**	**5,621**	**22,107**	**115**	**(1,158)**	**56,275**
Attributable Product Margin, %	50.6	44.3	56.1			
Non-directly attributable costs:						
Personnel expenses	(8,704)	(1,886)	(5,861)	(55)	(503)	(17,010)
Lending costs	(3,753)	(813)	(2,527)	(24)	-	(7,116)
Other administrative expenses	(575)	(125)	(387)	(4)	(161)	(1,251)
Depreciation and amortization	(678)	(147)	(457)	(4)	(23)	(1,309)
Other operating income and expenses	(6,530)	(1,415)	(4,397)	(42)	(727)	(13,110)
Total Non-directly attributable costs	**(20,239)**	**(4,386)**	**(13,628)**	**(129)**	**(1,415)**	**(39,797)**
Operating profit	**9,350**	**1,236**	**8,479**	**(14)**	**(2,573)**	**16,478**
Gross Product Margin, %	16.0	9.7	21.5			
Unallocated finance income						95
Finance expenses	(1,072)	(515)	(2,336)	(83)	(4)	(4,010)
Unallocated finance expense						(144)
Finance costs, net	(1,072)	(515)	(2,336)	(83)	(4)	(4,059)
Profit before income tax	**8,278**	**721**	**6,143**	**(97)**	**(2,577)**	**12,419**
Net Product Margin, %	14.1	5.7	15.6			
Accounts receivable - loans to customers	28,540	13,706	62,193	2,204	115	106,758
Unallocated assets						33,369
Unallocated liabilities						62,489

*Includes Mobile Bank, FerBuy and Ferratum P2P

5.3 Revenue domestic

EUR '000	2016	2015
Revenue, international	121,230	84,730
Revenue, domestic	32,898	26,278
Total revenue	**154,128**	**111,008**

5.4 Revenue of business segments geographically

In addition to operating segments represented by different types of products the management of Ferratum continues analysis of revenue by geographical principle. All the countries where the Group has operating activities are combined into the following four regions: Region 1, Region 2, Region 3 and Region 4. The detailed list of countries within each region together with the total regions' revenues for the year ended December 31, 2016 and the year ended December 31, 2015 are presented in the following table.

EUR '000		2016	2015
Region 1	Finland, Sweden, Denmark, Norway	60,566	39,546
Region 2	Netherlands, UK, New Zealand, Australia, Canada	28,161	21,674
Region 3	Estonia, Latvia, Lithuania, Poland, Czech, Slovakia, Russia	45,034	38,536
Region 4	Bulgaria, Romania, Croatia, Spain, Germany, France, Mexico	20,367	11,252
Total revenue		**154,128**	**111,008**

6 PERSONNEL EXPENSES

EUR '000	2016	2015
Salaries and other employee benefits (incl. bonuses)	(18,425)	(12,533)
Employee pension expenses	(667)	(479)
Other personnel expenses	(5,270)	(3,773)
Share-based payments equity settled	(399)	(225)
Total personnel expenses	**(24,761)**	**(17,010)**

7 DEPRECIATION AND AMORTIZATION

EUR '000	2016	2015
Tangible assets		
Machinery & Equipment	(180)	(138)
Other tangible assets	(71)	(9)
Total tangible assets	**(251)**	**(147)**
Intangible assets		
Trademarks and licenses	(2)	(220)
Internally generated software development costs	(516)	(469)
IT Software	(777)	(473)
Total intangible assets	**(1,295)**	**(1,162)**
Total depreciation and amortization	**(1,547)**	**(1,309)**

8 OTHER OPERATING EXPENSES

EUR '000	2016	2015
Rent and other office expenses	(3,385)	(2,093)
Travel expenses	(1,821)	(1,611)
Professional fees (excl. Audit)	(6,521)	(4,278)
IPO related items	-	(489)
Audit fees	(463)	(329)
Other expenses	(6,465)	(4,358)
Total other operating expenses	**(18,655)**	**(13,158)**

AUDIT FEES AND OTHER SERVICES FROM AUDIT COMPANIES:

EUR '000	2016	2015
PwC		
Audit fees	343	265
Non-audit fees:		
Tax advice	16	16
Other services	831	502
Other audit companies		
Audit fees	120	64
Non-audit fees:		
Other services	179	51
Total audit fees	**463**	**329**
Total non-audit fees	**1,026**	**568**

9 FINANCE INCOME

EUR '000	2016	2015
Interest income from cash and cash equivalents	161	95
Derivatives held for trading – net gain / (loss)		
Foreign exchange gain, realized		
Total finance income	**161**	**95**

10 FINANCE COSTS

EUR '000	2016	2015
Interest on borrowings	(5,364)	(4,010)
Derivatives held for trading – net gain / (loss)	(8)	(9)
Other finance expenses paid on borrowings	(329)	(38)
Foreign exchange loss on liabilities, realized	(875)	(97)
Total finance costs	**(6,575)**	**(4,154)**

11 INCOME TAX EXPENSES

EUR '000	2016	2015
Current tax:		
Current tax on profits for the year	2,124	(1,492)
Adjustments in respect of prior years	(595)	83
Other direct taxes	(43)	(1)
Total current tax	(2,762)	(1,411)
Deferred tax:		
Origination and reversal of temporary differences	1,022	(96)
Impact of change on the corporate tax rates	(27)	16
Total deferred tax	**995**	**(80)**
Total income tax expense	**(1,768)**	**(1,491)**

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

EUR '000	2016	2015
Profit before tax	**14,728**	**12,419**
Tax calculated at Finnish tax rate	(2,946)	(2,494)
Tax effects of:		
– Difference between Finnish tax rate and rates in other countries	1,697	1,903
– Income not subject to tax	131	1,706
– Expenses not deductible for tax purposes	(1,069)	(1,901)
– Utilization of previously unrecognized tax losses	1,970	472
– Tax losses for which no deferred income tax asset was recognized	(937)	(798)
Reassessment of recoverability of deferred tax assets	36	154
Re-measurement of deferred tax – change in corporate tax rates*	(27)	16
Changes in tax provisions	15	-
Adjustment in respect of prior years	(595)	83
Other direct taxes	(43)	(1)
Tax charge	**(1,768)**	**(1,491)**

*The corporate income tax decreased in Spain from 28% to 25% and in Denmark from 23.5% to 22%, during the year 2016. The corporate income tax rate increased in Germany from 29.65% to 29.72% in 2016. Thus, 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.

EUR '000	2016	2015
Losses carried forward on balance as at December 31	**14,365**	**10,634**
of which		
– expires in one year	540	570
– expires in two years' time	709	803
– expires in later than two years	13,116	9,262

The company has in total EUR 3,463 thousands of losses carried forward for which no deferred tax assets has been recognized with maturity of three years (EUR 0.7 million) and four years (EUR 2.7 million).

12 EARNINGS PER SHARE

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased by the company and held as treasury shares.

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

EUR	2016	2015
Profit for the reporting period attributable to owners of the parent	12,960,861	10,928,310
Weighted average number of ordinary shares in issue	21,577,760	21,290,522
Diluted weighted average number of ordinary shares in issue	21,681,913	21,348,485
Earnings per share, basic	**0.60**	**0.51**
Earnings per share, diluted	**0.60**	**0.51**

13 PROPERTY, PLANT AND EQUIPMENT

EUR '000	Machinery & Equipment	Other tangible assets	Total
Cost, opening balance, as of January 1, 2015	**551**	**50**	**601**
Year ended December 31, 2015:			
Additions of the period	364	76	440
Disposals of the period	(66)		(66)
Reclassification during the period			
Cost, closing balance, as of December 31, 2015	**849**	**126**	**976**
Cumulative depreciation, opening balance, as of January 1, 2015	**(303)**	**(5)**	**(308)**
Year ended December 31, 2015:			
Cumulative depreciation of disposals	39		39
Depreciation for the period	(138)	(9)	(147)
Cumulative depreciation, closing balance, as of December 31, 2015	**(402)**	**(14)**	**(416)**
Net book amount, opening balance	**248**	**45**	**294**
Net book amount, closing balance	**447**	**113**	**560**
Cost, opening balance, as of January 1, 2016	**849**	**126**	**976**
Year ended December 31, 2016:			
Additions of the period	471	2,078	2,548
Disposals of the period	(81)		(81)
Reclassification during the period			
Cost, closing balance, as of December 31, 2016	**1,238**	**2,204**	**3,442**
Cumulative depreciation, opening balance, as of January 1, 2016	**(402)**	**(14)**	**(416)**
Year ended December 31, 2016:			
Cumulative depreciation of disposals	(15)		(15)
Depreciation for the period	(180)	(71)	(251)
Cumulative depreciation, closing balance, as of December 31, 2016	**(596)**	**(85)**	**(681)**
Net book amount, opening balance	**447**	**113**	**560**
Net book amount, closing balance	**642**	**2,119**	**2,761**

14 INTANGIBLE ASSETS

EUR '000	Immaterial rights	Internally generated software development costs	Computer Software	Total
Cost, opening balance, as of January 1, 2015	**1,104**	**3,542**	**1,378**	**6,023**
Year ended December 31, 2015:				
Additions of the period		3,103	1,907	5,010
Disposals of the period				
Cost, closing balance, as of December 31, 2015	**1,104**	**6,644**	**3,285**	**11,034**
Cumulative depreciation, opening balance, as of January 1, 2015	**(882)**		**(758)**	**(1,640)**
Year ended December 31, 2015:				
Cumulative depreciation of disposals				
Depreciation for the period	(220)	(469)	(473)	(1,162)
Cumulative depreciation, closing balance, as of December 31, 2015	**(1,102)**	**(469)**	**(1,231)**	**(2,802)**
Net book amount, opening balance	**222**	**3,542**	**620**	**4,384**
Net book amount, closing balance	**2**	**6,175**	**2,054**	**8,232**
Cost, opening balance, as of January 1, 2016	**1,104**	**6,644**	**3,285**	**11,034**
Year ended December 31, 2016:				
Additions of the period		3,090	2,709	5,799
Disposals of the period				
Cost, closing balance, as of December 31, 2016	**1,104**	**9,734**	**5,994**	**16,833**
Cumulative depreciation, opening balance, as of January 1, 2016	**(1,102)**	**(469)**	**(1,231)**	**(2,802)**
Year ended December 31, 2016:				
Cumulative depreciation of disposals				
Depreciation for the period	(2)	(516)	(777)	(1,295)
Cumulative depreciation, closing balance, as of December 31, 2016	**(1,104)**	**(985)**	**(2,008)**	**(4,097)**
Net book amount, opening balance	**2**	**6,175**	**2,054**	**8,232**
Net book amount, closing balance	**0**	**8,749**	**3,987**	**12,736**

15 DEFERRED INCOME TAX ASSETS AND LIABILITIES

Changes in deferred taxes during the financial year 2016

EUR '000	on Jan. 1, 2016	Recognized in income statement	Recognized in Equity	Translation difference	on Dec. 31, 2016
Deferred tax assets					
Tax losses carried forward	1,377	951	0	(70)	2,258
Deferred revenue and credit loss reserve	1,290	(96)		2	1,196
Derivative	26				26
Total	**2,692**	**856**	**0**	**(68)**	**3,480**
Deferred tax liabilities					
Discretionary provisions	184	(183)		(1)	(0)
Deferred tax net	**2,508**	**1,039**	**0**	**(67)**	**3,480**

Changes in deferred taxes during the financial year 2015

EUR '000	on Jan. 1, 2015	Recognized in income statement	Recognized in Equity	Translation difference	on Dec. 31, 2015
Deferred tax assets					
Tax losses carried forward	1,817	(481)	0	41	1,377
Deferred revenue and credit loss reserve	868	423	0	(1)	1,290
Derivative	26	(1)	0		26
Total	**2,711**	**(59)**	**0**	**40**	**2,692**
Deferred tax liabilities					
Discretionary provisions	155	29	0	0	184
Deferred tax net	**2,556**	**(88)**	**0**	**40**	**2,508**

16 ACCOUNTS RECEIVABLE – LOANS TO CUSTOMERS

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Accounts receivable – loans to customers (gross)	247,010	155,890
Less: provision for impairment of loan receivables	(62,664)	(49,131)
Accounts receivable – loans to customers (net)	**184,346**	**106,758**

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:

EUR '000	Dec. 31, 2016				Dec. 31, 2015			
	GBV*	Provision for impairment	NBV**	ILCR***, %	GBV*	Provision for impairment	NBV**	ILCR***, %
Not overdue	153,394	(7,309)	146,085	4.8	81,686	(3,991)	77,695	4.9
1-90 days due	20,683	(5,359)	15,324	25.9	16,800	(4,769)	12,031	28.4
91-180 days due	14,736	(6,597)	8,139	44.8	11,832	(5,661)	6,172	47.8
> 181 days due	58,197	(43,400)	14,797	74.6	45,571	(34,711)	10,860	76.2
Total	**247,010**	**(62,664)**	**184,346**	**25.4**	**155,890**	**(49,131)**	**106,758**	**31.5**

*Gross book value
**Net book value
***Impaired loan coverage ratio

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

EUR '000	2016	2015
Provision for impairment on January 1	(49,131)	(44,181)
Impairments on loans	(47,964)	(34,687)
Amounts fully reserved and booked out	34,431	29,737
Provision for impairment on December 31	**(62,664)**	**(49,131)**

17 CASH AND CASH EQUIVALENTS

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Cash at bank and in hand	73,059	17,452
Short-term bank deposits		
Cash and cash equivalents (excluding bank overdrafts)	**73,059**	**17,452**

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

EUR '000	Number of shares	Share capital	Treasury share	Unrestricted equity reserve	Other reserves
On Jan. 1, 2015	**18,890,400**	**7,300**	**(142)**	**2,373**	**(392)**
Share issue	2,833,560	2,834			
Share premium				43,414	
Distribution of funds				(1,079)	
Currency translation differences					(252)
Other changes					7
On Dec. 31, 2015	**21,723,960**	**10,134**	**(142)**	**44,708**	**(638)**
Increase of share capital		30,000		(30,000)	
Distribution of funds					
Currency translation differences					(1,099)
Transfers between items					535
On Dec. 31, 2016	**21,723,960**	**40,134**	**(142)**	**14,708**	**(1,202)**

The cumulative translation differences of EUR -1,099,000 in the statement of changes in consolidated shareholders' equity contain the translation differences arising from translating the financial statements of non-euro area business units.

On December 31, 2016, Ferratum had 146,200 treasury shares in its possession which represent approximately 0.7% of the share capital. No consideration is paid to the treasury shares in a distribution of equity.

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

19 INTEREST BEARING LIABILITIES

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Non-current interest bearing liabilities		
Bank borrowings	22	44
Bonds issued	72,224	48,695
Total non-current interest bearing liabilities	72,246	48,739
Current interest bearing liabilities		
Bank borrowings	335	533
Bonds issued	18,133	
Deposits from customers	101,436	3,009
Total current interest bearing liabilities	119,904	3,543
Total interest bearing liabilities	**192,150**	**52,281**

20 CURRENT NON-INTEREST BEARING LIABILITIES

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Current tax liabilities	1,143	1,002
Trade payables	4,958	2,727
Other current liabilities	9,557	6,290
Derivatives	182	129
Interest liabilities	1,627	931
Accrued employee expenses	1,700	1,214
Other current accrued liabilities on expenses, interest-free	6,048	4,016
Total current non-interest bearing liabilities	**15,659**	**10,019**

21 RELATED PARTY DISCLOSURE

Ferratum is controlled by Jorma Jokela, who owns 57% of the parent company's shares. The company also holds treasury shares.

Parties related to the Group include Members of the Board, Directors Team, their close family members and the companies in which the Member of the Board or Directors Team has significant influence.

Transactions with related parties

EUR '000	2016	2015
Purchase of services from related parties – Entity controlled by key management personnel	646	776

The Group has business relationships with related party companies. The acquired services include administrative services, project management, advisory and consulting services, legal counseling, flight travel services and warehousing services. The Group has bought the warehousing, security and recruiting services (EUR 151,000) from the companies which are controlled by the Managing Director and legal and financial consultancy services (EUR 495,000) from the companies which are controlled by the Board Members and the Directors Team Members. Related party transactions have been carried out on generally accepted market terms and they have been based on the market price of goods and services.

Option plans have been introduced for key management employees in 2015 and 2016. The terms and conditions of these options are the same for the management and key employees. The fair value of options is determined using the principles described in disclosure 23. The summary of options granted to key management employees in 2015 and 2016 is the following:

	2016	2015
Options granted during the year	71,500	40,800
Of which exercisable on December 31, 2016	–	–
Fair value in total (EUR '000)	398	262
Total number of shares the option rights are entitled to	71,500	40,800

Key management compensation

EUR '000	2016	2015
Compensation to key management (that consists of the Board of Directors and the Senior Management Team)		
Salaries and other short-term employee benefits	1,389	1,337
Share-based payments	399	262
Total	**1,788**	**1,599**
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	220	225
Erik Ferm, Member of the Board of Directors		
Salaries and other short-term employee benefits	20	12
Share-based payments	5	65
Juhani Vanhala, Member of the Board of Directors		
Salaries and other short-term employee benefits	18	18
Statutory pension cost	3	3
Share-based payments	5	
Jouni Hakanen, Member of the Board of Directors		
Salaries and other short-term employee benefits	11	
Share-based payments	5	
Lea Liigus, Member of the Board of Directors		
Share-based payments	145	0
Pieter van Groos, Chairman of the Board of Directors		
Salaries and other short-term employee benefits	22	9
Share-based payments	195	43
Total	**650**	**375**

22 COMMITMENTS

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Credit limit agreement		
Total amount of limits granted to Ferratum	35,111	7,611
Limit in use	0	0
Collateral on own debt		
Guarantees	99,648	49,808
Corporate pledge	20,000	10,000
Pledged subsidiary shares	11	11
Pledged investments	5	5
Operating lease		
Lease liabilities due within the next 12 months	508	340
Lease liabilities due after the next 12 months	245	28
Total operating lease liabilities	**753**	**368**
Total office rent costs	**1,603**	**896**

23 SHARE BASED PAYMENTS

Share purchase programs 2007 - 2012

During 2007-2012, select individuals and employees have been offered the opportunity to invest in the shares of the parent company of Ferratum. The individuals have purchased the shares at their fair value. According to IFRS 2 (Share-based payment) and the fact that these individual investors are also employed by Ferratum, certain expenses need to be recorded in the income statement as equity settled share-based payments although the share ownership doesn't have any cash impact on the company. These expenses reflect the potential upside for the minority shareholders in terms of the increased value of the shares. The fair value of this potential increase calculated is recognized as expenses over the vesting period. The valuation of the shares was made on the date of the grant using the Black and Scholes model, adjusted to take into account the terms and conditions upon which the shares were granted (except for vesting conditions). Based on the Group's decision in Q4 2014 to list its shares, the vesting period changed to end on the date of the IPO. All remaining expenses were recognised over the accelerated vesting period. The total cost recognized as share-based compensation expenses in the company's profit or loss in 2014 amounted to EUR 95,351. The share purchase programs 2007-2012 have no any further impact after the financial year 2014. The lock-up period on the shares related to these programs ended on February 7, 2017, that is 24 months after the IPO.

Employee option plan 2014

During October 2014, select key management employees were granted options to purchase a total of 238,000 shares of the company from Jorma Jokela. The exercise period starts on January 15, 2015, and ends on June 15, 2016, and there are no vesting conditions attached to the options or shares. In the first quarter of 2015, the exercise period for 170,000 of these options was extended to December 31, 2017. The total fair value of the options on the grant date is approximately EUR 977,027 and the valuation of the share options is made using the Black and Scholes model, taking into consideration the terms and conditions of the grant and the absence of a liquid market for the company's shares. Given that there are no vesting conditions attached to the shares, the total fair value is recognized as share-based compensation expense in the company's profit or loss with a respective entry to equity on day one. This expense has no cash impact on the company. Members of select key management exercised options to purchase a total of 34,000 shares in 2016 and 59,500 shares in 2015.

Employee option plans 2015 and 2016

New employee option plans were introduced in April and August 2015 as well in April and December 2016, designed to provide long-term incentives for key management and employees to deliver long-term shareholder returns and increase their commitment to the company. Under the plans, participants are granted options with a defined fixed exercise price which only vest if the EBITDA in the audited consolidated statements under IFRS of the company has grown by an average of 25% a year during the four financial years prior the commencement of the exercising period of the options. Options are granted under the plan for no consideration and carry no dividend or voting rights. When exercisable, each option may be converted into one ordinary share.

The share subscription price for each option shall be EUR 11.90, which constitutes 70% of the initial public offering price of the company's share on Frankfurt Stock Exchange on February 6, 2015. The total fair value of the options issued in 2015 on the grant date is approximately EUR 1,415,000 (EUR 6.46 per option). The total fair value of the options issued in 2016 on the grant date is approximately EUR 1,251,000 (EUR 5.78 per option). The fair value on the grant date is independently determined using the Black and Scholes model, taking into consideration the terms and conditions of the grant. The material model inputs for options granted during the year ended December 31, 2015 and the year ended December 31, 2016, includes the exercise price, the term of the option, the share price on the grant date and the expected price volatility of the underlying shares. The expected dividend yield and the risk-free interest rate for the term of the option did not have a material effect on the option value on the grant date.

The main parameters used in defining the fair value of the option programs 2016, 2015 and 2014 are:

	2016	2015	2014
Share price on the date of issue, EUR *	20.76	22.47	6.75
Original subscription price, EUR	11.9	11.9	2.65
Duration (years)	4	4	4
Expected volatility, %	40	40	40
Fair value of option on the date of issue, EUR	5.78	6.46	4.11

*2016: weighted average value of 144,875 options with a share price of EUR 23.62 on the date of issue and 71,500 options with a share price of EUR 14.99 on the date of issue; 2015: weighted average value of 192,100 options with a share price of EUR 22.50 on the date of issue and 26,860 options with a share price of EUR 22.265 on the date of issue; 2014: pre-IPO valuation based on Black and Scholes model assumptions

Share options outstanding at the end of the year ended December 31, 2016:

Grant date	Number of options granted	Number of employees	Share price on grant date, EUR	Unexercised options	Exercise price, EUR	Share subscription period
October 31, 2014	238,000	3	6.75	144,500	2.65	Jan. 15, 2015 – Dec. 31, 2017
April 10, 2015	192,100	35	22.50	145,520	11.90	May 1, 2019 – Apr. 30, 2021
August 1, 2015	26,860	3	22.27	26,860	11.90	Aug. 2, 2019 – July 31, 2021
April 1, 2016	144,875	85	23.62	112,375	11.90	Apr. 2, 2020 – Mar. 30, 2022
December 1, 2016	71,500	7	14.99	71,500	11.90	Dec. 2, 2020 – Nov. 30, 2022
Total	**673,335**			**500,755**		

On December 31, 2016, the vesting period left for the options granted in April 2015 is 2.3 years, for the options granted in August 2015 it is 2.6 years, for the options granted in April 2016 it is 3.3 years and for the options granted in December 2016 it is 4 years.

Changes in the number of options outstanding during the years ended December 31, 2016, and 2015:

	2016		2015	
	Average exercise price per share option	Number of options	Average exercise price per share option	Number of options
Number of options outstanding on January 1	7.75	397,460	2.65	238,000
Granted options during the year	11.90	216,375	11.90	218,960
Exercised options during the year	2.65	(34,000)	2.65	(59,500)
Forfeited options during the year	11.90	(79,080)		
Number of options outstanding on December 31	**9.23**	**500,755**	**7.75**	**397,460**
Vested and exercisable options on December 31	2.65	144,500	2.65	178,500

Total expenses arising from share-based payment transactions recognized during the years ended December 31, 2016, and 2015 as part of employee benefit expense were as follows:

	2016	2015
Employee option plans 2015	246,444	225,186
Employee option plans 2016	152,399	
Total expenses of share-based payment transactions	**398,843**	**225,186**

24 GROUP COMPANIES

Ownership in Group companies	Country	Group share of holding	Parent company share of holding
Ferratum Finland Oy	Finland	100%	100%
Baltic Skyways OÜ	Estonia	100%	0%
Ferratum Latvia SIA	Latvia	100%	100%
Ferratum Sweden AB	Sweden	100%	100%
Ferratum Czech s.r.o.	Czech Republic	100%	100%
Ferbuy Poland Sp. Z.o.o.	Poland	100%	100%
Ferratum Spain SL	Spain	100%	100%
Ferratum Bulgaria EOOD	Bulgaria	100%	100%
Ferratum Slovakia s.r.o.	Slovakia	100%	100%
Ferratum Denmark ApS	Denmark	100%	100%
Ferratum UK Ltd	Great Britain	100%	100%
Ferratum Capital Oy	Finland	100%	100%
Global Guarantee OÜ	Estonia	100%	100%
Ferratum d.o.o.	Croatia	100%	100%
Ferratum Capital Poland S.A.	Poland	100%	100%
Ferratum New Zealand Ltd.	New Zealand	100%	100%
Ferratum Australia Pty Ltd	Australia	100%	100%
Numeratum d.o.o.	Croatia	100%	100%
OOO MFI Ferratum Russia	Russia	100%	100%
Rus-Kredit OOO	Russia	100%	100%
Ferratum Bank p.l.c.	Malta	100%	0.00001%
Ferratum (Malta) Holding Limited	Malta	100%	99.99999%
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	99.88%	99.88%
Personal Big Data Oy	Finland	100%	100%
Sideways Sp Z.o.o. in liquidation	Poland	100%	0%
Highways Sp Z.o.o.	Poland	100%	0%
Highways Sp. Z.o.o. Sp. k. in liquidation	Poland	100%	0%
Ferratum Canada Inc	Canada	100%	100%
Ferratum Kredi Finansmani A.S	Turkey	100%	100%
Ferratum Georgia LLC	Georgia	100%	100%
Ferratum Mexico S. de R.L. de C.V.	Mexico	100%	99.99%
UAB "Ferratum Finance"	Lithuania	100%	100%
Ferratum Chile Ltda	Chile	100%	99%
Pactum Collections GmbH	Germany	100%	100%
Ferratum Peru S.A.C.	Peru	100%	99%
Ferratum Brazil Servicos de Correspondente Bancario Ltda	Brazil	100%	99%

25 PARENT COMPANY STATEMENTS 2016

25.1 Ferratum Oyj Income Statement

EUR '000	Note	Dec. 31, 2016	Dec. 31, 2015
Other operating income	2	3,359	2,705
Personnel expenses	4	(2,200)	(1,461)
Depreciation, amortization and impairment	6	(746)	(507)
Other operating expenses	7	(10,953)	(8,915)
Operating profit		(10,540)	(8,178)
Financial income and expenses	8	16,900	312
Profit/loss before appropriations and taxes		6,360	(7,866)
Appropriations			
Group Contribution		11,518	11,137
Income tax			
Profit for the year		**17,878**	**3,271**

25.2 Ferratum Oyj Statement of Financial Position

EUR '000	Note	Dec. 31, 2016	Dec. 31, 2015
Assets			
Non-current assets			
Intangible assets	9	6,372	3,551
Tangible assets	10	1,400	119
Investments	11	39,097	18,252
Total non-current assets		**46,869**	**21,923**
Current assets			
Non-current receivables	12	56,639	45,427
Current receivables	13-14	37,032	31,958
Cash and bank		908	3,054
Total current assets		**94,579**	**80,439**
Total assets		**141,448**	**102,362**
Equity and liabilities			
Equity			
Share capital		40,134	10,134
Treasury shares		(142)	(142)
Other reserves total		14,708	44,708
Retained earnings		4,816	3,703
Profit/loss for the period		17,878	3,271
Total equity	**15-16**	**77,392**	**61,673**
Liabilities			
Non-current liabilities, interest-bearing	17	53,062	28,695
Current liabilities, interest-bearing	18	4,020	3,604
Current liabilities, interest-free	18-19	6,973	8,391
Total liabilities		**64,055**	**40,690**
Total equity and liabilities		**141,448**	**102,362**

25.3 Ferratum Oyj Cash Flow Statement

EUR '000	Dec. 31, 2016	Dec. 31, 2015
Cash flows from operating activities		
Profit / Loss for the period	17,878	3,271
Adjustments for:		
Depreciation, amortization & impairment loss	746	507
Financial income and expenses	(16,900)	(312)
Other adjustments	(11,477)	(11,089)
Operating profit before working capital changes	**(9,753)**	**(7,623)**
Working capital changes:		
Increase (-) /(decrease +) in trade and other receivables	(8,306)	(4,737)
Increase (+) / decrease (-) in trade payables	(1,094)	3,781
Cash generated from operations	**(19,154)**	**(8,578)**
Interest paid	(4,031)	(2,893)
Dividends received	11,349	4,210
Interest received	1,583	2,704
Other financing items	(109)	(143)
Income taxes paid	-	-
Net cash from operating activities	**(10,362)**	**(4,699)**
Cash flows from investing activities		
Purchase of tangible and intangible assets	(4,848)	(2,025)
Proceeds from the sale of tangible and intangible assets		7
Acquisition of subsidiaries	(20,891)	(3,862)
Disposal of subsidiaries	7	5
Loans granted (-) / Repayments of loans (+)	21	(30,018)
Net cash used in investing activities	**(25,711)**	**(35,893)**
Cash flows from financing activities		
Proceeds from issue of share capital		48,171
Costs related to issue of share capital		(1,923)
Proceeds from borrowings (+) / Repayment (-)	24,784	(4,107)
Dividends paid	(2,158)	(1,079)
Group contribution received (+) / paid (-)	11,301	2,564
Net cash used in financing activities (C)	**33,927**	**43,625**
Net increase/decrease in cash and cash equivalents	**(2,146)**	**3,033**
Cash and cash equivalents at the beginning of the period	3,054	21
Net increase/decrease in cash and cash equivalents	(2,146)	3,033
Cash and cash equivalents at the end of the period	908	3,054

25.4 Notes to the financial statements of the parent company

1. Notes to financial statement of parent company

Parent company information

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

Valuation methods

Tangible assets have been valued at acquisition cost.

Allocation principles and methods

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

Depreciation periods

Investments for rental premises – 4 years

Immaterial rights – 3 to 10 years

Tangible assets – 25% declining depreciation

Comparative data

The length of the financial year is twelve months (Jan. 1, 2016 – Dec. 31, 2016).

Foreign currency valuation

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

Share capital

The share capital of the company is EUR 40,133,560 and the number of shares is 21,723,960. The shares have no nominal value. All the shares are attached with equal voting rights and equal right when distributing dividends.

25.5 Notes to the income statement of the parent company

	2016	2015
2. Other operating income, EUR '000		
Other operating income	3,359	2,705
3. Average personnel		
During financial year	21	15
4. Personnel expenses, EUR '000		
Wages and salaries	(1,877)	(1,226)
Pension expenses	(294)	(194)
Other social expenses	(30)	(41)
Personnel expenses, total	**(2,200)**	**(1,461)**
5. Management compensation, EUR '000		
Board of Directors and CEO	181	151
6. Depreciation and amortization by asset class category, EUR '000		
Intangible assets		
Other capitalized expenditure	(647)	(441)
Tangible assets		
Machinery and equipment	(99)	(66)
Total depreciation and amortization	**(746)**	**(507)**
7. Other operating expenses, EUR '000		
Selling, marketing and administration	(10,819)	(8,795)
Audit fees	(133)	(120)
8. Financial income and expenses, EUR '000		
Financial income		
Intra-group dividend income	16,585	1,103
Intra-group dividend income, total	**16,585**	**1,103**
Other intra-group interest and financial income	4,839	3,119
Other interest and financial income from others	0	1
Other financial income	4,839	3,120
Financial income, total	**21,424**	**4,222**
Financial expenses		
Other intra-group interest and financial expenses	(3,699)	(3,337)
Other interest and financial expenses from others	(825)	(574)
Financial expenses, total	**(4,524)**	**(3,910)**
Financial income and expenses, total	**16,900**	**312**
Foreign exchange gains and losses, total	**(817)**	**(444)**

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

9. Intangible assets, EUR '000	Other capitalized expenditures
Acquisition cost on January 1, 2016	4,598
Additions during the year ended December 31, 2016	3,505
Acquisition cost on December 31, 2016	8,103
Accumulated depreciation on January 1, 2016	(1,047)
Depreciation during the year ended December 31, 2016	(685)
Accumulated depreciation on December 31, 2016	(1,732)
Net Book value on December 31, 2016	**6,372**
Net Book value on January 1, 2015	**3,551**

10. Tangible assets, EUR '000	Real Estate	Machinery & equipment	Other tangible assets	Total
Acquisition cost on January 1, 2016		291	1	292
Additions during the year ended December 31, 2016	1,241	102		1,343
Disposals during the year ended December 31, 2016				
Acquisition cost on December 31, 2016	1,241	393	1	1,635
Accumulated depreciation on January 1, 2016		(173)	-	(173)
Accumulated depreciation of disposals				
Depreciation during the year ended December 31, 2016		(62)		(62)
Accumulated depreciation at December 31, 2016		(235)		(235)
Net Book value on December 31, 2016	**1,241**	**158**	**1**	**1,400**
Net Book value on January 1, 2016		**119**	**1**	**119**

11. Investments, EUR '000	Other shares & equity interests
Acquisition cost on January 1, 2016	18,252
Additions during the year ended December 31, 2016	20,891
Disposals during the year ended December 31, 2016	(46)
Acquisition cost on December 31, 2016	39,097
Book value on December 31, 2016	**39,097**
Book value on January 1, 2016	**18,252**

12. Non-current receivables, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Receivables from intra-group companies	56,636	45,424
Permanent receivables from employees	3	4

13. Current receivables, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Other receivables	467	98
Receivables from intra-group companies	34,337	30,283
Accruals	2,227	1,577
Current receivables, total	**37,032**	**31,958**

14. Accruals, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Other accruals	2,227	1,581

15. Change in equity 2016, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total Equity on January 1, 2016	**10,134**	**44,708**	**6,831**	**61,673**
Distribution of unrestricted equity			(2,158)	(2,158)
Reclassifications between items	30,000	(30,000)		
Profit/loss for the period			17,878	17,878
Total equity on December 31, 2016	**40,134**	**14,708**	**22,551**	**77,392**

16. Change in equity 2015, EUR '000	Share capital	SVOP reserve	Retained earnings	Equity total
Total equity on January 1, 2015	**7,300**	**2,373**	**3,560**	**13,233**
Share issue	2,834	45,337	-	48,171
Costs related to share issue	-	(1,923)	-	(1,923)
Distribution of unrestricted equity	-	(1,079)	-	(1,079)
Profit/loss for the period	-	-	3,271	3,271
Total equity on December 31, 2015	**10,134**	**44,708**	**6,831**	**61,673**

17. Non-current liabilities, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Loans from financial institutions	22	44
Non-current intra-group debts	53,040	28,651
Total non-current liabilities	**53,062**	**28,695**

18. Current liabilities, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Loans from financial institutions	20	23
Trade payables	1,009	594
Other liabilities	304	460
Accruals	1,333	784
Intra-group liabilities	8,328	10,135
Total current liabilities	**10,993**	**11,995**

19. Accruals (non-current and current), EUR '000	Dec. 31, 2016	Dec. 31, 2015
Accruals of personnel expenses	335	229
Other accruals	997	555
Total accruals (non-current and current)	**1,333**	**784**

20. Other rental liabilities, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Current rental liabilities	2	17

21. Commitments, EUR '000	Dec. 31, 2016	Dec. 31, 2015
Corporate pledge	15,000	7,500
Pledged subsidiary shares, book value	11	11
Commitments for intra-group companies	99,648	49,808

Ferratum Oyj is the guarantor of the bonds issued by Ferratum Capital Germany GmbH, Ferratum Capital Poland and Ferratum Bank p.l.c. The funds from the bond issues have in accordance with the inter-company loan agreements been lent to Ferratum Oyj.

22.Related party transactions

No loans and or any other commitments were issued to any related parties in 2016.

26 LIST OF ACCOUNTING LEDGERS

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

27 APPROVAL OF THE ANNUAL REPORT

Helsinki, 29 March, 2017

Pieter van Groos
Chairman of the Board

Erik Ferm
Member of the Board

Jouni Hakanen
Member of the Board

Jorma Jokela
CEO, Member of the Board

Lea Liigus
Member of the Board

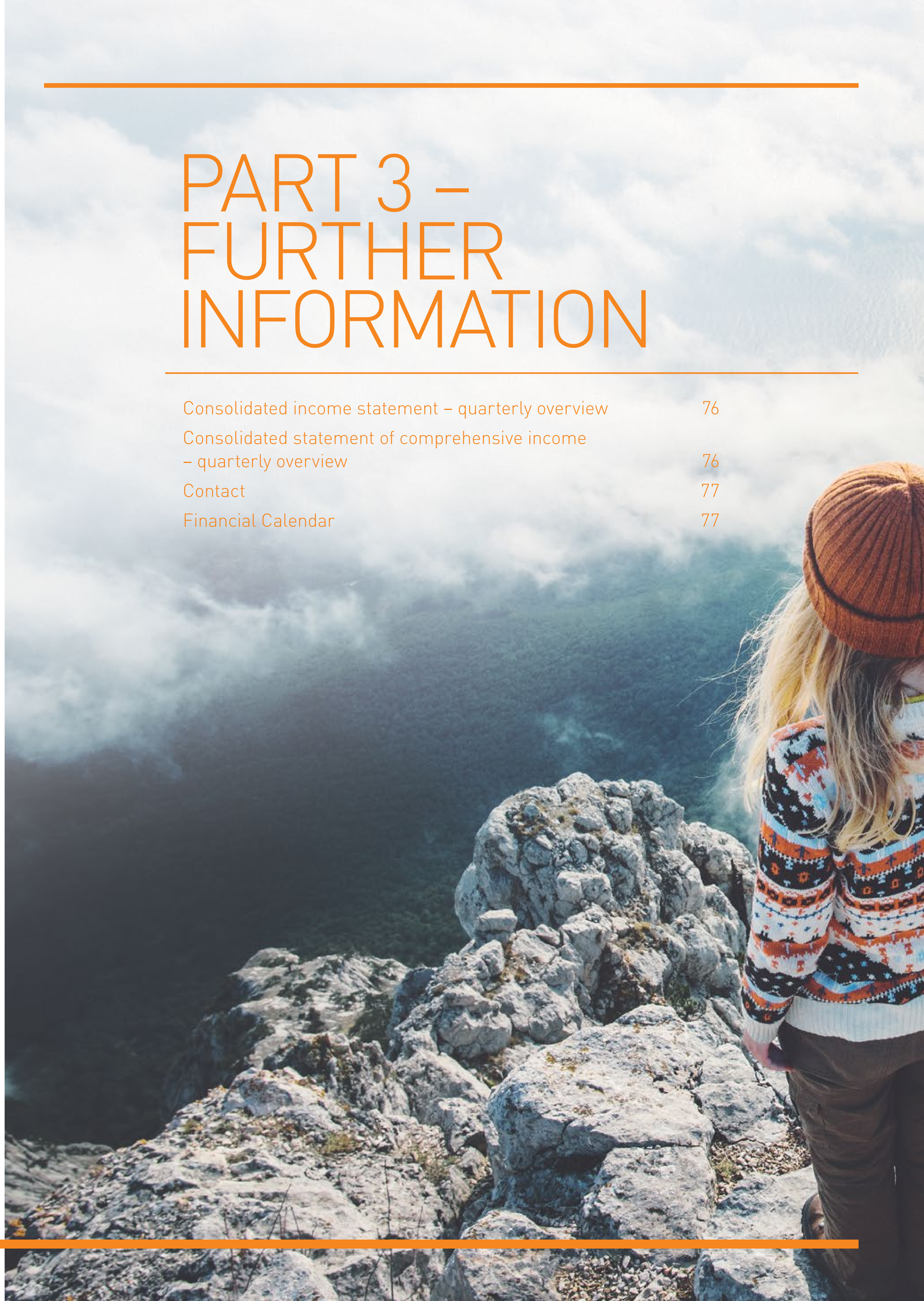
Juhani Vanhala
Member of the Board

THE AUDITOR'S NOTE A REPORT ON THE AUDIT PERFORMED HAS BEEN ISSUED TODAY

Helsinki 29 March, 2017.

PricewaterhouseCoopers Oy
Authorised Public Accountants

Mikko Nieminen, Authorized Public Accountant



PART 3 – FURTHER INFORMATION

CONSOLIDATED INCOME STATEMENT – QUARTERLY OVERVIEW (UNAUDITED)

EUR '000	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Revenue	45,483	38,218	37,215	33,213	31,829	29,384	26,763	23,033
Other income	(49)	97	8	8	(1)	34	(138)	153
Impairments on loans	(12,732)	(12,858)	(12,826)	(9,548)	(9,884)	(8,359)	(8,775)	(7,669)
Operating expenses:								
Personnel expenses	(7,090)	(6,277)	(6,036)	(5,358)	(5,296)	(4,279)	(3,765)	(3,670)
Selling and marketing expenses	(8,928)	(7,551)	(6,715)	(6,724)	(5,047)	(4,340)	(3,584)	(3,229)
Lending costs	(2,200)	(2,108)	(1,921)	(1,772)	(2,092)	(1,722)	(1,786)	(1,516)
Other administrative expenses	(748)	(535)	(457)	(465)	(1,761)	(931)	(1,447)	(957)
Depreciations and amortization	(242)	(497)	(422)	(385)	(357)	(464)	(292)	(196)
Other operating expenses	(6,583)	(4,333)	(3,964)	(3,775)	(3,125)	(3,398)	(3,270)	(3,365)
Operating profit	**6,911**	**4,156**	**4,882**	**5,193**	**4,266**	**5,924**	**3,705**	**2,583**
Financial income	113	49	0	0	(190)	(554)	(134)	973
Finance costs	(1,752)	(1,762)	(1,661)	(1,401)	(1,052)	(1,144)	(953)	(1,006)
Finance costs, net	(1,639)	(1,713)	(1,661)	(1,400)	(1,242)	(1,698)	(1,087)	(32)
Profit before income tax	**5,272**	**2,443**	**3,221**	**3,792**	**3,024**	**4,226**	**2,619**	**2,551**
Income tax expense	(633)	(293)	(387)	(455)	(363)	(507)	(258)	(362)
Profit for the period	**4,639**	**2,150**	**2,835**	**3,337**	**2,660**	**3,719**	**2,361**	**2,188**
Profit attributable to:								
– owners of the parent company	4,639	2,150	2,835	3,337	2,660	3,719	2,361	2,188
– non-controlling interests	0	0	0	0	0	0	0	0

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – QUARTERLY OVERVIEW (UNAUDITED)

EUR '000	2016 Q4	2016 Q3	2016 Q2	2016 Q1	2015 Q4	2015 Q3	2015 Q2	2015 Q1
Profit for the period	4,639	2,150	2,835	3,337	2,660	3,719	2,361	2,188
Other comprehensive income								
Items that may be subsequently reclassified to profit or loss								
Translation differences	(117)	(159)	(104)	(585)	218	182	(430)	(103)
Total items that may be subsequently reclassified to profit or loss	(117)	(159)	(104)	(585)	218	182	(430)	(103)
Total comprehensive income	**4,522**	**1,990**	**2,730**	**2,752**	**2,878**	**3,901**	**1,930**	**2,086**
Allocation of total comprehensive income to:								
– owners of the parent company	4,522	1,990	2,730	2,752	2,878	3,901	1,930	2,086
– non-controlling interests	0	0	0	0	0	0	0	0

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FINANCIAL CALENDAR

Annnual General Meeting 2017
4 May, 2017

Report for the first three months of 2017
11 May, 2017

Report for the first half-year 2017
17 August, 2017

Report for the first nine months of 2017
16 November, 2017

For further information on the Ferratum share and all publications please visit our website **www.ferratumgroup.com**

More than money to everyone

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