TO BE THE FASTEST AND THE MOST COMFORTABLE CREDIT PROVIDER

* Don`t preserve memories of holiday from five years ago

IuteCredit Europe AS

Annual report 2015

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1 General information and contacts

Address:	Rotermanni 5-26 10111 Tallinn Republic of Estonia
Registration nr:	11551447
Phone:	+372 6 229 177
Main activity:	Consumer lending
Auditor:	Ernst & Young Baltic AS
Reporting period:	01.01.2015 - 31.12.2015

2 Management report for 2015

Introduction

IuteCredit's mission is to be the fastest and most comfortable consumer loan provider.

AS IuteCredit Europe (hereinafter referred to as **„ICE"**) is a holding company, which is specialised in consumer credits, via its sole 100% subsidiaries. By December 31 2015, ICE had two subsidiaries: ICS OMF IuteCredit SRL (hereinafter referred to as **„ICM"**) in Moldova and "IuteCredit Albania SHA" (hereinafter referred to as **"ICA"**) in Albania. ICE and ICM, ICA together form the **"Group"** or **"IC"**.

ICE administers the strategic management, software development and Group financing & investor relations. Subsidiaries offer directly the consumer credit services, manage local loan portfolios and develop local investor relations.

ICM is in operation since August 2008. ICA started its business operations after obtaining the license in April 2015.

The Group is actively seeking new markets where to offer its services.

During 2015, the Group increased its net income by 42% (2.3 million euros and 1.6 million euros in 2014) while the net profit increased by 23% (0.71 million euros versus 0.57 million euros in 2014).

CPI, revenue and profit targets set for year 2015 were almost achieved. We did not quite achieve the portfolio target as we started to limit our pay out's in Moldova in the last quarter of 2015. We suffered also foreign exchange losses from weakening Moldovan leu, so the net profit line was a bit smaller than expected.

Key financial parameters

	2015	**2014**
ROA (profit/assets)	13,24%	13,42%
ROE (profit/equity)	59,33%	65,72%
Assets / Equity ratio	4,48	4,90

ROA: During 2015 the Group met its internal target to achieve return on assets above 10% per year. We expect that return rate also from 2016.

ROE: The group aims continuously at ROE values that are higher than 30% per year, considering also the elevated risks on our home markets and volatility of Moldovan leu. Target was achieved.

Assets/Equity: the medium term target of the Group was and is to keep A/E ratio between 5-6 as a reasonable balance between risk and growth. We ended 2014 by having Assets 4.9 times higher than equity. We ended 2015 by having Assets 4.5 times higher than Equity. For the Company it means that the risk / growth ratio has turned too conservative. We expect acceleration of loan portfolio in 2016 by engaging more investor's money and lending it out to consumers.

Description of Consumer loan products

IC's loan products are unsecured consumer loans with maturity of not less than 1 month and not longer than 18 months; the loan amounts of not less than approximately 100 EUR and not more than approximately 2 000 EUR; and the annualized percentage rates (APR) in a range between 45 - 180% per annum depending on the loan amount, maturity and type of customer.

IC aims to serve only clients with a permanent workplace and stable income. Loans are based on personal identification and personal credit rating. For a new applicant, the credit rating depends on automated comparison of the applicant's relevant parameters with respective parameters of performing and poorly performing statistic client groups and certain databases. More than 2/3 of new loan applications have been approved. For returning customers, we apply personal credit rating which is based on individual performance data.

Loans are handled via IC's agent network (such as shops, money transfer companies, postal agencies) and our own retail offices. By the end of 2015 we had own retail offices in Tirana, Chisinau, Balti, Comrat and Cahul. IC handles money only via bank accounts and does not perform cash operations. Certain IC agents perform also cash operations and assume the related risks.

Description of revenue base

The Group's revenue consists of (i) loan agreement commission fees which are charged for receiving, processing the loan application and issuing the loan, or modifying the valid loan conditions; (ii) interest, which is charged on the outstanding principal amount; and (iii) various fees applied in case of different breaches of loan agreement.

IC business is built on the concept that we need only performing customers and we want to avoid situations with poorly performing or defaulting loans. Therefore the majority of Group's interest and fees income is coming from the normally performing customers. Fees applied in cases of different breaches are targeted, as a whole, to compensate the lost money that we should have otherwise received duly according to the original loan agreememts.

Description of client base and portfolio

As at the end of 2015, IC had more than 70,000 individuals in its database. More than 90% of clients are employed. Women represent more than half of the client base. Approximately half of the clients are returning customers with at least one successfully repaid loan agreement.

The loan portfolio (ie the balance of all receivables from customers, adjusted with provisions for impairment of loans and guarantees) increased on a year-on-year (yoy) comparison by more than 30% and reached a new high of approximately 5.0 million EUR (2014: 3.9 million EUR). Loan portfolio does not include future receivables regarding commission fees, that customers are legally bound to pay when the sign the loan agreement, but with the maturity date in the future, based on the loan agreement. The future receivable commission fee is 1.4 million EUR as of 31. December 2015 (2014: 0.95 million EUR).

As at the end of 2015, approximately 28% of the normal loan portfolio was occupied by loan products with longer maturity than 12 months (2014: 30%) and approximately 72% of the normal loan portfolio was occupied by loan products with maturity of up to 12 months (2014: 70%). Less than 5% of the normal loan portfolio represented loan products with maturity of less than 2 months.

Customer performance index (CPI): is an index we use to measure clients' actual repayments against expected repayments according to the original repayment schedules of loan agreements. During 2015 (and until Annual Report Date), are more than 90% of expected loan repayments were actually performed according to the loan agreements, or with a maximum 30 days delay.

Description of the team and team work efficiency

As at the end of 2015, the number of Group's employees was 36 (2014: 23). Weighted average total income per Group employee exceeded 100,000 EUR (2014: 110,000 EUR). We continue increasing the efficiency of work processes and measurement of individual performance of team members. Many new employees joined during the year and we will see their productivity growth in 2016.

The salary levels (including bonuses) are above local market average and above finance industry benchmarks that the Group is aware of. The labor costs for the team amounted to 335 thousand EUR (2014: 203 thousand EUR). We are happy that our team makes more money, if the company and its profit grows.

Despite that, the Group will continue investing heavily into its work process, team training and the supporting software. The annual expenditure on IT development exceeds 100 thousand EUR (2014: 50 thousand EUR).

Legal risks

The Group must make sure that its activities and its loan agreements are recognized by the state authorities. Recognition by the state and the law enforcement is the only security for the Group and its investors of otherwise unsecured loans.

ICM is registered by Moldovan Government for micro financing activities. ICA obtained its licence from Central Bank of Albania in April 2015.

ICE as the parent company is not involved in activities subject to a license. ICE keeps its transparency by disclosing its quarterly reports to investors, and maintaining its accounts according to IFRS standards.

Group's terms of loan agreements and their updates or amendments are scrutinized by external lawyer. The enforcement of these terms is observed and any difficulties in national court of enforcement system are reported.

Investor Relations

Group's Investor products are rather tailor-made and not described in this Annual Report. The Group works exclusively via private placement (Estonian Securities Act § 12 Section 2) by issuing either bonds or taking loans, and has seen increasing demand of various institutions and well established businesses to place certain amount of their free cash into relatively flexible, transparent and high yield financial product. Investors receive Quarterly Reports. Group subsidiaries also develop local investor relations and obtain local loans where interest rates are favourable, considering also the exchange rate risks.

Also the Shareholders continue participating as Group's Investors-lenders.

During 2015 the Group raised more than 1 million EUR in fresh capital. Further capital raise was not necessary because the Group was more focused on internal improvements of the work process, CRM and team training. For 2016 the Group will likely raise at least another 1.6 million EUR to expand its portfolio, so we can expect the increase of both the loan portfolio and the Group's liabilities.

Weighted average interest rate of liabilities towards Investors exceeded 14% p.a (2014: 14%). The amount of interest paid out to Investors in 2015 exceeded 526 thousand EUR (2014: 436 thousand Euros). All obligations by the Group were performed without issues.

Targets for 2016

The Group intends to increase its normal loan portfolio by end of 2016 to at least 7 million EUR without any decline in customer performance index (CPI > 90%) and without significant increase in operational costs share to the interest incomes.

Expected amount of Group loans issued during 2016 should exceed 14 million euros and expected revenues should exceed 4.5 million euros with a net profit margin of at least 15%. Expected equity by end of 2016 should be at least 1.8 million euros (after dividend payments). During the year we may adjust our targets in accordance with the ongoing volatility of MDL exchange rate. Currency exchange risk may become an inhibiting factor for business growth.

The management believes that IuteCredit is a sustainable ongoing business.

3 Consolidated financial statements for the year ended 31 December 2015

3.1 Consolidated statement of comprehensive income for the year ended 31 December 2015 (EUR)

	Notes	2015	2014
Interest and commission income	5	2 572 319	1 923 819
Other income	6	1 089 866	749 963
Total income		**3 662 185**	**2 673 782**
Interest expenses	7	-525 818	-436 760
Allowance /(reversal of allowance) for loan impairment	8	-883 835	-646 676
Total net income		**2 252 532**	**1 590 346**
Salaries and other personnel expenses	9	-334 705	-203 239
Other operating expenses	10	-692 557	-477 216
Depreciation expense	11,12	-32 065	-35 874
Total operating expenses		**-1 059 326**	**-716 329**
Foreign exchange gains and losses		-294 770	-134 677
Total finance income and expenses		**-294 770**	**-134 677**
Profit before taxes		**898 436**	**739 340**
Income tax expense		-189 511	-164 585
Profit of reporting period		**708 925**	**574 755**
Other comprehensive income			
Other comprehensive income to be classified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		-208 602	-50 787
Other comprehensive income total		**-208 602**	**-50 787**
Profit attributable to:			
Equity holders		500 324	523 968
Total comprehensive income attributable to:			
Equity holders		500 324	523 968

3.2 Consolidated statement of financial position as at 31 December 2015 (EUR)

	Notes	31.12.2015	31.12.2014
Assets			
Cash and bank accounts	13	74 084	177 997
Loans to customers	8,14	5 073 174	3 914 308
Prepayments		11 600	8 004
Other assets	15	81 267	86 102
Financial assets		10 000	0
Property, plant and equipment	11	67 488	21 011
Intangible assets	12	38 382	75 934
Total assets		**5 355 995**	**4 283 356**
Liabilities and equity			
Liabilities			
Loans and bonds from investors	16	4 048 756	3 278 558
Other liabilities	17	112 423	130 306
Total liabilities		**4 161 179**	**3 408 864**
Equity			
Share capital	18	275 200	275 200
Unrealised foreign exchange differences		-293 304	-84 702
Retained earnings		503 994	109 576
Profit of reporting period		708 925	574 418
Total equity		**1 194 815**	**874 492**
Total liabilities and equity		**5 355 995**	**4 283 356**

3.3 Consolidated statement of changes in equity for the year ended 31 December 2015 (EUR)

	Share capital	Unrealised foreign exchange difference	Retained earnings	Total equity
At 1 January 2014	**275 200**	**-33 915**	**184 476**	**425 761**
Profit for the year	0	0	574 418	574 418
Other comprehensive income	0	-50 787	0	-50 787
Paid out dividends	0	0	-74 900	-74 900
At 31 December 2014	**275 200**	**-84 702**	**683 994**	**874 492**
At 1 January 2015	**275 200**	**-84 702**	**683 994**	**874 492**
Profit for the year	0	0	708 925	708 925
Other comprehensive income	0	-208 602	0	-208 602
Paid out dividends	0	0	-180 000	-180 000
At 31 December 2015	**275 200**	**-293 304**	**1 212 919**	**1 194 816**

Additional information about share capital is pointed out in note 18.

3.4 Consolidated statement of cash flows for the year ended 31 December 2015 (EUR)

	Notes	2015	2014
Operating activities			
Profit (loss) for the year		708 925	574 418
Adjustments to reconcile profit (loss) for the year to net cash flows:			
Depreciation and amortization of property and equipment and intangible assets	11,12	32 065	36 211
Provisions for doubtful debts	8,14	883 835	646 676
Net foreign exchange differences		294 770	134 677
Interest, commission income	5	-2 572 319	-1 921 581
Interest expenses	7	525 818	436 760
Cash flow from operating activities before changes in assets and liabilities		**-126 906**	**-92 838**
Increase/decrease in loans to customers	8,14	-2 112 678	-1 811 764
Increase/decrease in loan and bonds from investors	16	764 847	606 330
Increase/decrease in other assets	15	1 239	-61 783
Increase/decrease in other liabilities	17	-17 883	97 964
Interest, commission received		2 137 900	1 742 141
Interest paid		-546 053	-433 856
Net cash flows from operating activities		**100 464**	**46 194**
Investing activities			
Purchase of property, plant and equipment and intangible assets	11,12	-61 320	-17 097
Shares of Eesti Ühistupank		-10 000	0
Net cash flows used in investing activities		**-71 320**	**-17 097**
Financing activities			
Dividends paid		-180 000	-74 900
Net cash flows from/(used in) financing activities		**-180 000**	**-74 900**
Net increase/decrease in cash and cash equivalents		**-150 856**	**-45 803**
Cash and cash equivalents at the beginning of the year	13	177 997	226 039
Net increase/decrease in cash and cash equivalents		-101 013	-45 804
Net foreign exchange difference		-2 900	-2 238
Cash and cash equivalents at the end of the year	13	**74 084**	**177 997**

	31.12.2015	31.12.2014
Cash and Cash equivalents comprises		
Cash on hand	142	25
Non-restricted current account	73 943	177 972

4 Notes to the consolidated financial statements

1 Summary of significant accounting policies

Corporate Information

The accompanying consolidated financial statements of IuteCredit Europe AS (the "Company") and its subsidiaries (together referred to as the "Group") were authorized for issue in accordance with a resolution of the Management Board on 31 May 2016. Company's owners have the power to amend the financial statements after issue.

IuteCredit SRL and Iutecredit Albania SHA are consumer credit providers whose shareholder is IuteCredit Europe AS. In the current annual report Group refers to consolidated financial statements of IuteCredit Europe AS and its subsidiaries and their consolidated annual report.

Basis of preparation

These consolidated financial statements of AS IuteCredit Europe are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

These financial statements have been prepared under the historical cost basis, except as disclosed in some of the accounting policies below. The Group classifies its expenses by nature of expense method.

When the presentation or classification of items in the consolidated financial statements is amended, comparative amounts for the previous period are also reclassified, if not referred differently in specific accounting principle.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (IuteCredit SRL and Iutecredit Albania SHA) as at 31 December 2015. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:
• Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
• Exposure, or rights, to variable returns from its involvement with the investee
• The ability to use its power over the investee to affect its returns

The accounting principles are applied consistently when consolidating ownership interests in subsidiaries and are based on the same reporting periods as those used for the parent company. When preparing the consolidated accounts, intra-group transactions and balances, along with unrealized gains and losses on transactions between group units, are eliminated.

Reporting Currency

The consolidated financial statements are presented in euros and all values are rounded to the nearest euro (EUR), except when otherwise indicated. The functional currency of Iute Credit SRL is MDL, the functional currency of IuteCredit Albania SHA is ALL, the functional currency of IuteCredit Europe is euro.

Fair values measurement

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values of financial assets or liabilities, including derivative financial instruments, in active markets are based on quoted market prices.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

• Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities
• Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
• Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

Income Recognition

Interest income is recognized to the extent that it is probable that the economic benefits will flow to the Group and the interest income can be reliably measured.

Interest income and expense is recognized in income statement for all interest-bearing financial instruments carried at amortized cost using the effective interest rate 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 to the net carrying amount of the financial asset or financial liability. The calculation includes all significant fees paid or received between parties (including commission fees as well as admission fees) to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Commission fee income is recognized in the fair value of the consideration received or receivable for the services provided in the ordinary course of the Group's activities. Fees and commissions are generally recognized on an accrual basis when the service has been provided.

Other income are recognized on accrual basis at the moment of executing the respective transactions.

Corporate income tax

According to the Income Tax Act, the annual profit earned by enterprises is not taxed in Estonia and thus there are no temporary differences between the tax bases and carrying values of assets and liabilities and no deferred tax assets or liabilities arise. Instead of taxing the net profit, the distribution of retained earnings is subject to the taxation at the rate of 20/80 on the amount paid out as net dividends. The corporate income tax arising from the payment of dividends is accounted for as an expense in the period when dividends are declared, regardless of the actual payment date or the period for which the dividends are paid.

In Estonia income tax (that is accounted for as income tax cost in profit and loss statement) is accounted for only in cases when the taxable event occurs (like payment of dividends and payments decreasing the equity).

For 2015 Iute Credit SRL, according to the Income Tax Act/code the annual profits earned by Moldovan companies are taxed in Moldova at the rate 12%. Also the distribution of retained earnings is subject to the taxation at the rate 6% on the amount paid out as dividends. During 2015, according to the Tax code Iute Credit SRL paid income tax, the amount was calculated based on taxable income of 2014.

For 2015 Iutecredit Albania SHA, according to the Income Tax Act/code the annual profits earned by Albanian companies are taxed in Albania at the rate 15%. Also the distribution of retained earnings is subject to the taxation at the rate 15% on the amount paid out as dividends. During 2015, according to the Tax code Iutecredit Albania SHA paid prepaid income tax, the amount was calculated based on the cathegory of the business, called Simple Income Tax, which is applicable for small businesses.

Foreign currencies

The Group's consolidated financial statements are presented in euros, which is also the parent company's functional currency. For each entity, the Group determines the functional currency and items included in the financial statements of each entity are measured using that functional currency.

i) Transactions and balances
Transactions in foreign currencies are initially recorded by the Group's entities at their respective functional currency spot rates at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date.
Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.
ii) Group companies
On consolidation, the assets and liabilities of foreign operations are translated into euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI.

Transactions denominated in foreign currencies are recorded in euro at actual rates of exchange set forth by the European Central Bank at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into euro at the rate of exchange prevailing at the end of the period. Any gain or loss resulting from a change in rates of exchange subsequent to the date of the transaction is included in the income statement as a profit or loss from revaluation of foreign currency positions.

The principal rates of exchange (EUR to 1 foreign currency unit) set by the European Central Bank, National Bank of Moldova and Central Bank of Albania, used in the preparation of the Group's annual report were as follows:

Reporting date	MDL	USD	ALL
31.12.2014	18,9966	1,2141	140,14
31.12.2015	21,4779	1,0887	137,28

Average period	MDL	USD	ALL
01.01.14 – 31.12.14	18,6321	1,3292	139,70
01.01.15 – 31.12.15	20,8980	1,1043	139,74

Cash and short-term deposits

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.
For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

Financial assets

Initial recognition and measurement
i) Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

ii) Subsequent measurement
For purposes of subsequent measurement, financial assets are classified as Loans and receivables.

Loans and receivables and allowances for loan impairment

Balances due from clients are accounted for as Loans and receivables from clients and are carried at amortized cost using the effective interest rate method. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in active markets. All loans and receivables are recognized in the balance sheet when cash is advanced to borrowers.

A credit risk allowances for loan impairment is established if there is objective evidence that the Group will not be able to collect all amounts due.

Group determines impairment if loans for a group of loans with similar credit risk characteristics and records collective impairment only. The Group reviews their loan portfolio to assess impairment on a quarterly basis. In determining whether an impairment loss should be recorded in the income statement, the Group makes judgments as to whether there is any objective indication that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. Management uses estimates based on historical loss experience for assets with similar credit risk characteristics and current economic climate in which the borrowers operate. The methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Nevertheless, it is possible, that outcomes within the next financial year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected.

When a loan is uncollectible, it is written off against the related allowances for credit losses; subsequent recoveries are credited to the income statement.

If the Group determines that no loss event has occurred for specific loan, it is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment (using statistical approach, where provisions amount is based on historical loss rate for specific group and probability of becoming impaired).

For 2015 the Group calculated the provision under estimation of future losses using net present value method (NPV). This method is based on estimation of years during which the debts will be collected (t) the discount rate (r) and estimation of percentages from defaulted loans that will be accounted to loss (Co). The discount rate was established by management of the board at 20% (2014: 15%).

$$NPV = \sum_{t=1}^{T} \frac{C_t}{(1+r)^t} - C_o$$

Where
C_t = net cash inflow during the period

C_o= estimation of percentages from defaulted loans that will be accounted to loss

r = discount rate, and

t = number of years during which the debts will be collected

For loans issued in Oct-Dec 2015 incurred but not reported (IBNR) provision was calculated. The IBNR methodology is based on historical loan performance and is calculated based on the loans net present value.

Property, plant and equipment

Property and equipment and other assets are recorded at cost less accumulated depreciation.
Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.
Depreciation is provided using the straight-line method to expense the cost of each asset to their

residual value over the estimated useful life of the asset. The following depreciation rates are applied:

Category	Annual Rate
Network and computer equipment	15-20%
Furniture	15-20%
Vehicles	14-20%

Intangible assets

Acquired computer software licenses are recognized as intangible assets on the basis of the costs incurred to acquire and bring to use the software. Amortization of software is calculated based on straight-line method, considering their service life according to each software description/benefits. Depreciation is calculated on a straight-line basis over 3-10 years.

Financial liabilities

All financial liabilities are initially accounted in acquisition cost, which also includes all expenses related directly with the purchase. Adjusted aquisition cost shall be used for all further reflections. The purchase price for short-term financial liabilities is generally equal to their nominal value, which is why short-term financial liabilities are reflected on the balance sheet in the sum deemed to be paid. In order to calculate long-term financial liabilities' adjusted purchase price, they are accounted by the fair value of gained remuneration. During the following time periods, the interest cost from the obligation is calculated on the basis of internal interest rate method.
A financial liability is categorized as being short-term, if the liability is due within twelve months from the date of the balance sheet; or if the undertaking does not have an unconditional right to postpone the fulfilment of the payment liability for longer than twelve months from the date of the balance sheet. Obligations that stem from a loan agreement with a repayment term of up to twelve months from the date of the balance sheet are reflected as short-term, on the condition that the term of the repayment lapses prior to the approval of the annual report.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in the statement of profit or loss net of any reimbursement.
If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2 Critical accounting estimates and judgments

The preparation of the consolidated financial statements in accordance with the International Financial Reporting Standards as adopted by the EU requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of interest incomes and expenses for the reporting period. Although these estimates are based on management's best knowledge and judgment of current events and actions, the actual outcome and the results ultimately may significantly differ from those estimates. More detailed overview of the estimates made is provided under accounting principles or disclosures set out below.

Impairment losses on loans

Estimates and judgments are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under these circumstances. Changes in assumptions may have a significant impact on the financial statements in the period assumptions change. Management believes that the underlying assumptions are appropriate and the Group's financial statements therefore present the financial position and results fairly.

At the moment the provisions are created monthly, according to estimation of future losses from unpaid loans and receivables (related interest, commissions and penalties), which are recognized as non-performing loans (90th day overdue). Under CRM reports the accountant calculates the amount of provision and accounts for them.

3 Adoption of new and/or changed IFRS and International Financial Reporting Interpretations Committee (IFRIC) interpretations

The following new and/or amended IFRSs have been adopted by the Group as of 1 January 2015:

- Annual Improvements to IFRSs 2011 – 2013 Cycle
- IFRIC Interpretation 21: Levies

Annual Improvements to IFRSs 2011 – 2013 Cycle is a collection of amendments to the following IFRSs:

- **IFRS 3 *Business Combinations*:** This improvement clarifies that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.
- **IFRS 13 *Fair value Measurement:*** This improvement clarifies that the scope of the portfolio exception defined in paragraph 52 of IFRS 13 includes all contracts accounted for within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they meet the definition of financial assets or financial liabilities as defined in IAS 32 Financial Instruments: Presentation.
- **IAS 40 *Investment property*:** This improvement clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in IFRS 3 Business Combinations and investment property as defined in IAS 40 Investment Property requires the separate application of both standards independently of each other.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

IFRIC Interpretation 21 Levies

This interpretation addresses the accounting for levies imposed by governments. Liability to pay a levy is recognized in the financial statements when the activity that triggers the payment of the levy occurs. The implementation of this standard had no effect on the financial statements of the Group.

Standards issued but not yet effective

The Group has not applied the following IFRS and IFRIC interpretations that have been issued as of the date of authorization of these financial statements for issue, but which are not yet effective:

Amendments to IAS 1 *Presentation of financial statements: Disclosure Initiative* *(*effective for financial years beginning on or after 1 January 2016)

The amendments to IAS 1 further encourage companies to apply professional judgment in determining what information to disclose and how to structure it in their financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 7 *Statement of Cash Flows: Disclosure Initiative* *(*effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments improve information provided to users of financial statements about an entity's financing activities. Entities are required to disclose changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes, for example, by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities. The implementation of these amendments will not have any impact on the financial position or performance of the Group but may result in changes in disclosures.

Amendments to IAS 12 *Income Taxes: Recognition of Deferred Tax Assets for Unrealized Losses* (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU)

The amendments clarify how to account for deferred tax assets for unrealized losses on debt instruments measured at fair value. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IAS 16 *Property, Plant & Equipment* and IAS 38 *Intangible assets: Clarification of Acceptable Methods of Depreciation and Amortization* (effective for financial years beginning on or after 1 January 2016)

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue-based method is not considered to be an appropriate manifestation of consumption. The implementation of this amendment will have no impact on the financial statements of the Group, as the Group does not use revenue-based depreciation and amortisation methods.

Amendments to IAS 19 *Employee Benefits* (effective for financial years beginning on or after 1 February 2015)

The amendments address accounting for the employee contributions to a defined benefit plan. Since the Group's employees do not make such contributions, the implementation of this amendment will not have any impact on the financial statements of the Group.

Amendments to IAS 27 *Equity method in separate financial statements* (effective for financial years beginning on or after 1 January 2016)

The amendments reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. The Group has not yet evaluated the impact of the implementation of this standard.

Amendment to IFRS 11 *Joint arrangements: Accounting for Acquisitions of Interests in Joint Operations* (effective for financial years beginning on or after 1 January 2016)

IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business in accordance with IFRS and specifies the appropriate accounting treatment for such acquisitions. Since the Group do not have join ventures and joint operations, the implementation of this amendment will not have any impact on the financial statements of the Group.

IFRS 9 *Financial Instruments* (effective for financial years beginning on or after 01.01.2018, once endorsed by the EU)

IFRS 9 replaces IAS 39 and introduces new requirements for classification and measurement, impairment and hedge accounting. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10, IFRS 12 and IAS 28 - *Investment Entities: Applying the consolidation exception* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

The amendments address issues that have arisen in the context of applying the consolidation exception for investment entities. The Group has not yet evaluated the impact of the implementation of this standard.

Amendments to IFRS 10 and IAS 28 – *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (endorsement deferred indefinitely)

The amendments address an acknowledged inconsistency between the requirements in IFRS 10 and those in IAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business and partial gain or loss is recognised when a transaction involves assets that do not constitute a business. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 14 *Regulatory Deferral Accounts* (effective for financial years beginning on or after 1 January 2016, once endorsed by the EU)

IFRS 14 provides first-time adopters of IFRS with relief from derecognizing rate-regulated assets and liabilities. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents IFRS financial statements is not eligible to apply the standard. The implementation of this standard will not have any impact on the Group.

IFRS 15 *Revenue from Contracts with Customers* *(*effective for financial years beginning on or after 1 January 2018, once endorsed by the EU)

IFRS 15 establishes a five-step model that will apply to revenue earned from a contract with a customer, regardless of the type of revenue transaction or the industry. Extensive disclosures will be required, including disaggregation of total revenue; information about performance obligations; changes in contract asset and liability account balances between periods and key judgments and estimates. The Group has not yet evaluated the impact of the implementation of this standard.

IFRS 16 *Leases* *(*effective for financial years beginning on or after 1 January 2019, once endorsed by the EU)

IFRS 16 replaces IAS 17 and specifies how to recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessor accounting is substantially unchanged. The Group has not yet evaluated the impact of the implementation of this standard.

Improvements to IFRSs

In December 2013 IASB issued the Annual Improvements to IFRSs 2010 – 2012 Cycle (effective for financial years beginning on or after 1 February 2015):
- IFRS 2 *Share-based Payment*;
- IFRS 3 *Business Combinations*;
- IFRS 8 *Operating Segments;*
- IFRS 13 *Fair value Measurement;*
- IAS 16 *Property, Plant and Equipment*;
- IAS 24 *Related Party Disclosures;*
- IAS 38 *Intangible Assets.*

In September 2014 IASB issued the Annual Improvements to IFRSs 2012 – 2014 Cycle (effective for financial years beginning on or after 1 January 2016):
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operation;
- IFRS 7 Financial Instruments: Disclosures;
- IAS 19 Employee Benefits;
- IAS 34 Interim Financial Reporting.

The adoption of these amendments may result in changes to accounting policies or disclosures but will not have any impact on the financial position or performance of the Group.

The Group plans to adopt the above mentioned standards and interpretations on their effectiveness date provided they are endorsed by the EU.

4 General risk management policies

The management constantly observes the following ratios, and if necessary, makes adjustments into operations, into credit policy or in finance management according to:

- CPI - customer performance index – is the ratio of actually duly repaid loan installments against expected (contractually required) repayments within a tolerance period for repayment delays, which is normally 30 days; CPI is measured by whole portfolio, by different loan products, by customer groups and by periods. CPI 100 means that all repayments are duly made, as expected according to the contracts. The Group's target is CPI above 90 but it actually varies by loan product, customer group and even issuing offices (Moldovan and Albanian regions).
- Group's liabilities versus loan portfolio, where the target is to have loans portfolio increase faster than the Group's liabilities;
- Debt collection rates;
- Number of operations performed by each employee, and time spent on various operations – to increase work efficiency;
- Group's actual performance versus the budgeted performance.

Group reviews the risk identification and management policies and procedures according to the change of Group's activities and financial situation, several times a year. The usual review period is once a month, but extraordinary events (such as sharp exchange rate fluctuations or competition situation on the market) trigger immediate responses.

Fair values of financial instruments

The carrying amounts of financial instruments, consisting of cash and cash equivalents, trade and other accounts receivable and trade and other payables with a maturity of less than one year (less estimated credit adjustments) The carrying value corresponds to their fair value.

As at 31 December 2015, the fair value of interest-bearing loans to customers and loans, bonds from investors amounted to EUR 5.073 million and EUR 4.049 million, correspondingly comparing to the respective carrying amounts of EUR 5.073 million and EUR 4.049 million.
The fair value of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. In assessing the fair value of financial instruments, the Group uses a variety of methods and makes assumptions based on market conditions existing at the reporting date. The fair values of interest-bearing loans granted and long-term receivables are estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar financial instruments.

External risks

Moldova's macroeconomic and legal situation

Group loans are repaid by employees of several thousand Moldovan employers (companies). The economic sustainability of employers is the key to Group's sustainability and profitability. The Group observes on a daily basis Moldovan media, exchange rates and the developments related to important macroeconomic aspect, such as (i) Moldovan GDP and GDP per capita; (ii) quarterly export volumes, (iii) quarterly internal consumption volumes; (iv) quarterly volume of money transfers home by Moldovans working abroad, (v) monthly unemployment and average salary rates; (vi) quarterly data on banks' loan and deposits portfolios and (vii) changes in legislation or in the Government.
Group is an active member of American Chamber of Commerce (AmCham), one of the few private sector lobby organizations which is heard by the Government in the issues of future economic policy or change in laws that govern finance sector, consumer finance, consumer protection laws or legal enforcement. Also the Groups major competitors participate in AmCham.
Changes in macroeconomic situation affect Group's lending policy. For example, due to relatively good tax collection results, we have encouraged lending to employees of public sector. Due to overall macroeconomic instability in the Balkans and Southern Europe region, the Group has limited the maximum maturity of its loan products with 18 months.

Exchange rate volatility

Calculation of exchange rate volatility is made based on evolution of exchange rate of foreign currency with which company operates, this evolution is estimated in percentage for certain reporting period and are reflected in statement of profit or loss, as the loss/profit.
The following tables demonstrate the sensitivity to a reasonably possible change in the USD and EUR; MDL and EUR; ALL and EUR exchange rates, with all other variables held constant.

Exchange rate volatility

Currency	Exchange rate		
	EUR	EUR	EUR
	At 31 Dec 2013	At 31 Dec 2014	At 31 Dec 2015
MDL	17,9697	18,9966	21,4779
USD	1,3791	1,2141	1,0887
ALL	140,20	140,14	137,28

Currency	Deviation	Effect on profit before taxation
2015		
MDL	-11,55%	-530 408
USD	11,52%	-8 589
ALL	2,08%	11 180
2014		
MDL	-5,41%	-209 225
USD	13,59%	-8 955

Subsidiary Iutecredit Albania SHA started actual operations in 2015 in local currency (ALL), therefore no comparison numbers for 2014.

Exchange rate volatility poses significant risks of loss, because all subsidiaries loan products are nominated, issued and repaid according to domestic laws in the national currency (MDL and ALL), whereas Group's major liabilities before Investors are assumed in foreign currency. Between 2008 – 2015 the MDL exchange rate fluctuations have been more than 20% in relation to both EUR and USD.

The Group is sensitive to exchange rate volatility only if the exchange rate of the value dates of (i) lending to the Group the principal investment amount and (ii) redemption of the Group of the principal investment amount (bullet payment) differ. Given that the Group's liabilities as at 31.12.2015 were 4.2 mln EUR, weakening of MDL exchange rate versus USD and EUR by investment maturity date by 20% would bring a loss of ca 0.84 mln EUR. The Group's equity is enough to cover that loss, but exchange rate weakening by more than 20% would cause significant difficulties.

The Group is relatively insensitive as regards regular interest payments, because the interest payments (interest expense) amount is 33% of the overall cost base of the group, an amount of approx. 0.53 mln EUR per year. A 20% decrease of MDL value would therefore cause the financial costs to increase to approximately by 106 thousand EUR. Given the Groups margin on its products, it can easily be absorbed.

To mitigate the foreign exchange volatility risks, the Group has taken following measures:
• Diversification of liability currencies – liabilities have been assumed in EUR (ca 96%), USD (ca 2%) and also MDL (ca 2%);
Diversification of maturity dates – liabilities are assumed, and become mature in different dates. No single liability exceeds 25% of the total liabilities and becomes mature within 3 months from the other liabilities. The short- or even middle term fluctuations are counterbalanced with different maturity dates;
• Limitation of loan (products) repayment periods to 18 months which makes the Group's loan portfolio relatively dynamic and the loan fees can be adapted to changing market conditions.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings. With all other variables held constant, the Group's profit before tax is affected through the impact on floating rate borrowings, as follows:

Loans to customers

2015	Changes in base interest rate, in bps	Effect on profit before tax EUR
MDL	+/- 100	+/- 48 751
MDL	+/- 300	+/- 146 253
MDL	+/- 500	+/- 243 754

2015	Changes in base interest rate, in bps	Effect on profit before tax EUR
ALL	+/- 100	+/- 5 041
ALL	+/- 300	+/- 15 123
ALL	+/- 500	+/- 25 206

2014	Changes in base interest rate, in bps	Effect on profit before tax EUR
MDL	+/- 100	+/- 41 634
MDL	+/- 300	+/- 124 902
MDL	+/- 500	+/- 208 170

Loans from creditors

2015	Changes in base interest rate, in bps	Effect on profit before tax EUR
EUR	+/- 100	+/- 38 513
EUR	+/- 300	+/- 115 539
EUR	+/- 500	+/- 192 564

USD	+/- 100	+/- 735
USD	+/- 300	+/- 2 204
USD	+/- 500	+/- 3 674

MDL	+/- 100	+/- 792
MDL	+/- 300	+/- 2 375
MDL	+/- 500	+/- 3 958

2014	Changes in base interest rate, in bps	Effect on profit before tax EUR
EUR	+/- 100	+/- 31 407
EUR	+/- 300	+/- 94 222
EUR	+/- 500	+/- 157 036

USD	+/- 100	+/- 659
USD	+/- 300	+/- 1 977
USD	+/- 500	+/- 3 295

MDL	+/- 100	+/- 527
MDL	+/- 300	+/- 1 581
MDL	+/- 500	+/- 2 635

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Group is exposed to credit risk from its operating activities (primarily for issued loan agreements).

Max exposure to credit risk before collateral held or other credit enhancements

Credit risk exposures relating to on-balance sheet assets are as follows:	**31.12.2015**	**31.12.2014**
Cash and bank accounts	74 084	177 997
Loans to customers	5 073 174	3 914 308
Prepayments	11 600	8 004
Other assets	81 265	86 103
Financial assets	10 000	0
Total:	**5 250 123**	**4 186 412**

Liquidity risk

Liquidity risk is managed by each subsidiaries. Group loan products are unsecured consumer loans with maturity of not less than 1 month and not longer than 18 months; the loan amounts of not less than approximately 100 EUR and not more than approximately 2 000 EUR; and the annualized percentage rates (APR) in a range between 45 -180% per annum depending on the loan amount, maturity and type of customer.

Group aims to serve only clients with a permanent workplace and stable income. Loans are based on personal identification and personal credit rating. For a new applicant, the credit rating depends on automated comparison of the applicant's relevant parameters with respective parameters of performing and poorly performing statistic client groups and certain databases. More than 2/3 of new loan applications have been approved. For returning customers, we apply personal credit rating which is based on individual performance data.

Please refer to Notes, sections "Loans and receivables and allowances for loan impairment" and "Provisions" where we have discussed how the impairment analysis is performed by the Group.

Liquity risk regarding "Loan received" is managed by Group. This has been discussed in the section "Exchange rate volatility".

Loans issued, maturity

	Up to 1 year	1 to 5 years	Total
Year ended 31 December 2015	4 081 080	992 093	5 073 173
Year ended 31 December 2014	3 468 117	703 814	4 171 931

Loans received, maturity

	Up to 1 year	1 to 5 years	Total
Year ended 31 December 2015	1 692 756	2 356 000	4 048 756
Year ended 31 December 2014	1 401 557	1 877 001	3 278 558

Liquidity gap

	Up to 1 year	1 to 5 years	Total
Year ended 31 December 2015	2 388 324	-1 363 907	1 024 417
Year ended 31 December 2014	2 066 560	-1 173 187	893 373

Operational Risk

Damage to Physical Assets or Data

Group’s work process is data processing. Loss of data or damage to physical assets that support the work process must be mitigated to the effect that Group is able to continue its work process without significant interruption.

All Group`s work process data (CRM) is stored at a cloud server with daily backup. Backup is maintained separately and available for system restart within a day.

All Group`s work process is supported by CRM in such a manner that a team member can perform its tasks from any computer which has basic software and internet connection, independently of physical location. Therefore, loss of a computer or even computers can be mitigated within the same day; and loss of an office can be mitigated within two workdays at the latest (relocation of workplaces to a temporary rental office).

Main physical assets are also insured at their replacement value.

Client fraud or incapability

A client with original fraud intention, or inability to repay is the second biggest possible source of financial loss.

Measures to mitigate that risk belong to specific Group`s knowhow and are not disclosed in Annual Report Annex.

We use personal identification, personal contact verification, employment verification, cross-verification of public databases, social links and statistical analysis of performing / nonperforming clients (a scorecard) to make the credit approval / rejection decision.

Approximately 1/3 of new loan applications are rejected by Group. Client incapability or non-performance risk is mitigated by regulating loan product parameters (maximum loan amount, maximum loan duration, maximum monthly repayment in relation to the client’s salary, and commission fee) that particular client qualifies for. Majority of new clients can get loans for up to a year, with a higher APR (annualized percentage rate) to cover the increased risk of loss. Returning clients’ choice or products increases, depending on their individual performance. The APR is reduced and the maturity can also be lengthened for up to 18 months.

Internal risks

Internal user fraud or incapability

An internal user with authority to execute loan agreements, payments out or enter false data into system is the first possible source of financial loss.
Measures to prevent internal fraud are manifold and constantly under development:
• Selection of employees. One of the characteristics required is honesty and punctuality. Whereas honesty is a subjective criteria (until a fraud may be discovered), punctuality and correctness of individual performance are observed by CRM.
• Individual responsibility and traceability. All important work operations at Group (entering new loan application, application data checking, application approval, loan agreement execution, loan issue, accounting the loan repayments and debt collection process) are individually traceable by name, date, time and content.
• System design. Several important operations are double-checked by CRM and the user cannot proceed to next operation unless the prior operation has not been completed up to the parameters required by CRM;
• Task diversification in loan issue process. Normally, it will take input of at least three different employees, to issue a loan. A single internal user cannot pursue fraudulent objectives.
• Task diversification in management. Group’s finance is managed by different persons, local CFO, CEO and also group`s CFO, under direct supervision of Shareholders.

System design errors

Group`s CRM automatically generates tasks and other outputs for its users. A mistake in CRM source code or configuration can cause system malfunction, misreporting, slow or increased cost work process.
System design errors are discovered and corrected only by implementing any changes via testing, and then putting into production.
General system design and performance is also counterchecked against randomly selected individual work processes and randomly selected system reports. If the random check results show a nonsense, respective further inquiry and amendment is commenced.

Workplace safety and efficiency

A safe workplace with enough space, controlled temperature and climate mitigates the risks related to loss of attention or concentration, and deteriorating health or overall dissatisfaction thereafter.

Countermeasures have been, and will be, investments into ventilation and heating systems, functional furniture and optimization of work processes.

5 Interest and commission income

Notes	2015	2014
	EUR	EUR
Interest on loans to customers	540 337	464 417
Commision on loans to customers	2 028 589	1 458 994
Other interest	3 393	408
Total	**2 572 319**	**1 923 819**

Commission fees include administration fees of loan, lease or other credit enhancement contracts of a short-term nature and are considered to be part of effective interest rate calculation.

6 Other income

	2015	2014
	EUR	EUR
Penalties under loans to customers	723 771	507 120
Resigns under customer loans	196 516	173 140
Other fees income	169 578	69 703
Total	**1 089 866**	**749 963**

7 Interest expenses

	2015	2014
	EUR	EUR
Interest on amounts due to creditors	-525 818	-436 760
Total	**-525 818**	**-436 760**

8 Allowance for impairment of loans to customers

	Loans	Note
	EUR	
At 1 Jan 2014	**-410 138**	
Arising during the year	-646 676	
Utilised	149 381	
Exchange differences	38 242	
At 31 Dec 2014	**-869 191**	14
At 1 Jan 2015	**-869 191**	
Arising during the year	-883 835	
Utilised	673 890	
Exchange differences	116 225	
At 31 Dec 2015	**-962 910**	14

For 2015 and 2014 the Group calculated the provision statistically based on historical information.

9 Salaries and other personnel expenses

	2015	2014
	EUR	EUR
Salaries and bonuses expenses	-262 684	-159 925
Social security expenses	-63 461	-38 150
Medical insurance expenses	-7 410	-5 164
Other expenses	-1 150	0
Total	**-334 705**	**-203 239**

10 Other operating expenses

	2015	2014
	EUR	EUR
Advertising expenses	-147 066	-129 355
Office rent expenses	-55 772	-46 884
Outsource services	-355 255	-220 933
Other operating expenses	-134 464	-80 044
Total	**-692 557**	**-477 216**

11 Property, plant and equipment

	Other furniture and equipment
	EUR
Cost or valuation	
At 31 Dec 2013	**60 809**
Additions	10 383
Exchange differences	-3 346
At 31 Dec 2014	**67 846**
Additions	59 224
Exchange differences	-15 238
At 31 Dec 2015	**111 831**
At 31 Dec 2013	**-39 337**
Depreciation charge for the year	-9 804
Exchange differences	2 306
At 31 Dec 2014	**-46 835**
Depreciation charge for the year	-8 365
Exchange differences	10 857
At 31 Dec 2015	**-44 343**
Net book value	
At 31 Dec 2015	67 488
At 31 Dec 2014	21 011

12 Intangible assets

	Computer hardware	Total
	EUR	EUR
Cost or valuation		
At 31 Dec 2013	**124 253**	**124 253**
Additions	6 714	6 714
Exchange differences	143	143
At 31 Dec 2014	**131 110**	**131 110**
Additions	2 096	2 096
Exchange differences	-27 068	-27 068
At 31 Dec 2015	**106 138**	**106 138**
Depreciation and impairment		
At 31 Dec 2013	**-24 506**	**-24 506**
Depreciation charge for the year	-26 070	-26 070
Exchange differences	-4 600	-4 600

At 31 Dec 2014	**-55 176**	**-55 176**
Depreciation charge for the year	-23 700	-23 700
Exchange differences	11 120	11 120
At 31 Dec 2015	**-67 757**	**-67 757**
Net book value		
At 31 Dec 2015	38 382	38 382
At 31 Dec 2014	75 933	75 933

13 Cash and bank accounts

	31.12.2015	31.12.2014
	EUR	EUR
Cash on hand	142	25
Bank accounts	73 943	177 972
Total	**74 084**	**177 997**

14 Receivables from customer

As at 31 December 2015	Neither past due nor impaired	Past due, but not impaired	Impaired	Total
Gross loans to customers	4 577 574	229 517	514 265	**5 321 355**
Other loans to customers	4 327	0	0	**4 327**
Accrued receivables from loans	51 349	191 955	467 097	**710 401**
Provision for loan impairments	0	0	-962 910*	**-962 910**
Total	**4 633 250**	**421 472**	**18 472**	**5 073 173**

As at 31 December 2014	Neither past due nor impaired	Past due, but not impaired	Impaired	Total
Gross loans to customers	3 329 640	264 678	571 945	**4 166 263**
Other loans to customers	5 668	0	0	**5 668**
Accrued receivables from loans	0	73 633	537 935	**611 568**
Provision for loan impairments	0	0	-869 192*	**-869 192**
Total	**3 335 308**	**338 311**	**240 688**	**3 914 307**

*Includes IBNR

Additional information regarding provisions has been disclosed in note 8.

15 Other assets

	31.12.2015	31.12.2014
	EUR	EUR
Receivables of collection companies	69 447	80 570
Other assets	11 818	5 533
Total	**81 265**	**86 103**

16 Loans and bonds

	31.12.2015	Residual maturity		Currency	Interest
		Up to 1 year	1-5 years		
Loans from investors	**2 727 927**	1 647 927	1 080 000	EUR, MDL	10-16%
Bonds A4	**240 000**	0	240 000	EUR	16,00%
Bonds A5	**506 000**	0	506 000	EUR	16,00%
Bonds A6	**530 000**	0	530 000	EUR	16,00%
Accured interest	**44 829**	44 829	0	EUR, MDL	
Total	**4 048 756**	**1 692 756**	**2 356 000**		

	31.12.2014	Residual maturity		Currency	Interest
		Up to 1 year	1-5 years		
Loans from investors	**2 179 586**	302 586	1 877 000	EUR, MDL	10-17,5%
Bonds B2	**73 063**	73 063	0	EUR	15,00%
Bonds A3	**1 006 667**	1 006 667	0	EUR	16,00%
Accured interest	**19 242**	19 242	0	EUR, MDL	
Total	**3 278 558**	**1 401 558**	**1 877 000**		

17 Other liabilities

	31.12.2015	31.12.2014
	EUR	EUR
Trade payables	26 897	17 547
Debt to personel	8 637	7 398
Tax payables	73 622	96 571
Deferred revenues	1 801	5 025
Other payables	1 467	3 766
Total	**112 423**	**130 306**

18 Share capital

	31.12.2015	31.12.2014
	EUR	EUR
Share capital	275 200	275 200
Number of shares	43 000	43 000
Nominal value of share	6,40	6,40

All issued shares are authorized and fully paid.

In 2015, the shareholders declared and paid a dividend in the amount of EUR 180 thousand (74.9 thousand EUR in 2014).
Payment of the dividend has not resulted tax expense and tax liabilities, as the income tax on dividends was paid already in subsidiary.

19 Investments in subsidiaries

Name	Country	Portion	
		31.12.2015	31.12.2014
IuteCredit SRL	Moldova	100%	100%
IuteCredit Albania SHA	Albania	100%	100%

IuteCredit SRL was bought on November 28, 2008.
IuteCredit Albania SHA was established on August 04, 2014.

20 Fair value measurement

The carrying amount of the major part of Group's assets and liabilities is a reasonable approximation of their value.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. For the purposes of current financial statements, mentioned techniques were not used extensively as no such financial assets and financial liabilities exist on the balance sheet of the Group. There have been no transfers between Levels during the period. Loans and accrued receivables, where we have made provisions, are recorded in level 3 as there are significant unobservable inputs.

Fair value hierarchy for financial instruments not measured at fair value as at 31 December 2015 (EUR):

		Fair value measurement using			
		Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	Date of valuation				
Assets for which fair values are disclosed	31.12.2015				
Loan and accrued receivables from customers		0	0	5 069 400	**5 069 400**
Liabilities for which fair values are disclosed	31.12.2015				
Loan and accrued interest payables		0	3 278 558	0	**3 278 558**
Assets for which fair values are disclosed	31.12.2014				
Loan and accrued receivables from customers		0	0	3 914 308	**3 914 308**
Liabilities for which fair values are disclosed	31.12.2014				
Loan and accrued interest payables		0	4 048 756	0	**4 048 756**

21 Related parties

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. Related parties are defined as shareholders, members of the Supervisory Council and the Management Board, key management personnel, their close relatives and companies in which they have a controlling interest as well as associated companies. Transactions are entered into with related parties in the normal course of business. The volumes of related party transactions, outstanding balances at the year end and relating income and expense for the year are follows:

		Loans received from related parties	Interest paid on loans to related parties	Purchases from related parties	Amounts owed to related parties
Shareholders	2015	76 000	12 132	46 000	150 959
	2014	218 500	16 693	59 001	169 756

22 Unconsolidated financial statements of parent company as a separate company

The parent company´s unconsolidated financial statements have been prepared in accordance with Accounting Act of the Republic of Estonia, and do not constitute parent company´s separate financial statements in the meaning of IAS 27 „Separate financial statements".

22.1 Statement of comprehensive income for the year ended 31 December 2015 (EUR)

	2015	**2014**
Interest income	242 302	210 668
Interest expenses	-517 599	-433 873
Net interest income	**-275 297**	**-223 205**
Other fees income	7	0
Net other operating income	**7**	**0**
Total income	**-275 290**	**-223 205**
Salaries and other personnel expenses	-75 821	-29 091
Other operating expenses	-124 466	-71 607
Depreciation expense	-3 855	-3 530
Total operating expenses	**-204 142**	**-104 229**
Foreign exchange gains and losses	14 640	15 940
Total finance revenue and costs	**14 640**	**15 940**
Dividends received	188 000	413 000
Profit before taxes	**-276 792**	**101 507**
Income tax expense	-23 611	0
Profit of reporting period	**-300 403**	**101 507**
Other comprehensive income		
Other comprehensive income to be classified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	0	0
Other comprehensive income total	**0**	**0**
Profit attributable to:		
Equity holders	-300 403	101 507
Total comprehensive income attributable to:		
Equity holders	-300 403	101 507

22.2 Statement of financial position as at 31 December 2015 (EUR)

	31.12.2015	31.12.2014
Assets		
Cash and bank accounts	1 763	22 957
Loans to customers	2 973 584	2 689 831
Prepayments	2 258	682
Financial assets	10 000	0
Investment in subsidiaries	383 581	383 581
Property, plant and equipments	2 645	1 871
Intangible assets	2 133	5 333
Total assets	**3 375 964**	**3 104 254**
Equity and liabilities		
Loans and bonds	3 968 029	3 224 434
Other liabilities	13 238	4 720
Total liabilities	**3 981 267**	**3 229 154**
Share capital	275 200	275 200
Share premium	37 761	37 761
Retained earnings	-918 263	-437 860
Total equity	**-605 302**	**-124 899**
Total liabilities and equity	**3 375 964**	**3 104 254**

22.3 Statement of changes in equity for the year ended 31 December 2015 (EUR)

	Share capital	Share premium	Retained ernings	Total
At 1 January 2014	**275 200**	**37 761**	**-464 467**	**-151 506**
Profit for the year	0	0	101 507	101 507
Total comprehensive income	0	0	101 507	101 507
Paid out dividends			-74 900	-74 900
At 31 December 2014	**275 200**	**37 761**	**-437 860**	**-124 899**
At 1 January 2015	**275 200**	**37 761**	**-437 860**	**-124 899**
Loss for the year	0	0	-300 403	-300 403
Total comprehensive income	0	0	-300 403	-300 403
Paid out dividends	0	0	-180 000	-180 000
At 31 December 2015	**275 200**	**37 761**	**-918 264**	**-605 303**

The adjusted unconsolidated equity of parent company (the calculation of what would the parent's equity be if they would account for their subsidiary using the equity method) at 31.12 is:

	31.12.2015	31.12.2014
Parent Company separate owner's equity	-605 302	-124 899
Affiliated company's value in parent company's separate statement of financial position (minus)	-383 581	-383 581
Affiliated company's value calculated based on equity method (plus)	2 183 698	1 382 973
Total	**1 194 815**	**874 493**

22.4 Statement of cash flow for the year ended 31 December 2015 (EUR)

	2015	2014
Operating activities		
Profit/losses before taxes	-276 792	101 507
Adjustments to reconcile profit before tax to net cash flows:		
Depreciation and amortization of property and equipment and intangible assets	3 855	3 530
Net foreign exchange differences	-14 640	-15 940
Interest income	-242 302	-210 668
Interest expenses	517 599	433 873
Dividends from subsidiaries	-188 000	-413 000
Cash flow from operating activities before changes in assets and liabilities	**-200 281**	**-100 698**
Increase/decrease in loans and other assets	-256 576	-318 612
Increase/decrease loan and bonds liabilities	710 559	555 415
Increase/decrease in other liabilities	8 518	4 549
Interest received	236 118	480
Interest paid	-516 102	-432 390
Net cash flows from operating activities	**182 516**	**-190 558**
Investing activities		
Purchase of property, plant and equipment and intangible assets	-1 430	-2 201
Dividends received	188 000	413 000
Subsidiary shares (establishment)	0	-107 647
Shares of Eesti Ühistupank	-10 000	0
Net cash flows used in investing activities	**176 570**	**303 152**
Financing activities		
Dividends paid	-180 000	-74 900
Net cash flows from/(used in) financing activities	**-180 000**	**-74 900**
Net increase/decrease in cash and cash equivalents	**-21 194**	**-63 004**
Cash and cash equivalents at the beginning of the year	22 957	85 961
Net increase/decrease in cash and cash equivalents	-21 194	-63 004
Cash and cash equivalents at the end of the year	**1 763**	**22 957**

	31.12.2015	**31.12.2014**
Cash and Cash equivalents comprises		
Cash on hand	0	0
Non-restricted current account	1 763	22 957

5 Independent auditor´s report

6 Profit allocation proposal

The Management Board of IuteCredit Europe makes a proposal to the shareholders to allocate profit to retained earnings as follows:

Company retained earnings:	
Retained earnings as at 31.12.2014	683 994
Paid out dividends year 2015	-180 000
Profit of the financial year 2015	708 925
Retained earnings as at 31.12.2015	1 212 919
Dividend distribution	-177 000
Balance of retained earnings after allocations	1 035 919

7 Signature of the management board to the Annual report 2015

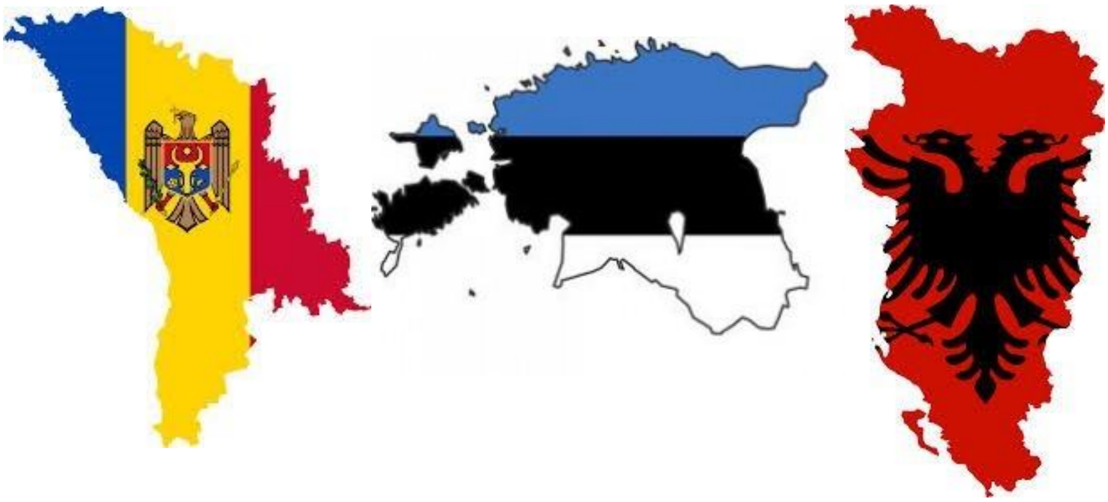
The Company's Management Board has approved the Management Report and Annual Accounts for the year 2015.

The Annual Report as compiled by the Management Board consists of the Management Report, Annual Accounts, Profit allocation proposal and Auditor's Report. The Company’s Supervisory Board has reviewed the Annual Report and has approved it for submission to the General Meeting of Shareholders.

May 31, 2016

Tarmo Sild

Member of the board



VALIDITY CONFIRMATION SHEET

SIGNED FILES

FILE NAME	FILE SIZE
ICE ANNUAL REPORT 2015 ENG 31.05.16.docx	266 KB

SIGNERS

NO.	NAME	PERSONAL CODE	TIME
1	Tarmo Sild	37510135211	31.05.2016 11:29:10 +03:00

VALIDITY OF SIGNATURE

SIGNATURE IS VALID

ROLE / RESOLUTION

PLACE OF CONFIRMATION (CITY, STATE, ZIP, COUNTRY)

SERIAL NUMBER OF SIGNER CERTIFICATE

79775415227832555576895961848071102290

ISSUER OF CERTIFICATE	AUTHORITY KEY IDENTIFIER
ESTEID-SK 2011	7B 6A F2 55 50 5C B8 D9 7A 08 87 41 AE FA A2 2B 3D 5B 57 76

HASH VALUE OF SIGNATURE

30 31 30 0D 06 09 60 86 48 01 65 03 04 02 01 05 00 04 20 B2 F3 7D 43 41 4E 6C 57 6F 6E C3 DD F0 B0 A9 26 CD 30 99 AB 7C A 9 0B 05 43 04 00 C2 BF 12 16 FA

The print out of files listed in the section **"Signed Files"** are inseparable part of this Validity Confirmation Sheet.

NOTES

Building a better working world

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Eesti
Tel.: +372 611 4610
Faks.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com

Äriregistri kood 10877299
KMKR: EE 100770654

Ernst & Young Baltic AS
Rävala 4
10143 Tallinn
Estonia
Phone.: +372 611 4610
Fax.: +372 611 4611
Tallinn@ee.ey.com
www.ey.com

Code of legal entity 10877299
VAT payer code EE 100770654

Translation of the Estonian Original

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of AS IuteCredit Europe

We have audited the accompanying consolidated financial statements of AS IuteCredit Europe, which comprise the statement of financial position as at 31 December 2015, and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of AS IuteCredit Europe as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards as adopted by the European Union.

Tallinn, 31 May 2016

/signed digitally/

Olesia Abramova
Authorised Auditor's number 561
Ernst & Young Baltic AS
Audit Company's Registration number 58

VALIDITY CONFIRMATION SHEET

SIGNED FILES

FILE NAME	FILE SIZE
AS IuteCredit Europe opinion 2015 ENG.pdf	10 KB
ICE ANNUAL REPORT 2015 ENG 31.05.16.bdoc	262 KB

SIGNERS

NO.	NAME	PERSONAL CODE	TIME
1	Olesia Abramova	48010214216	31.05.2016 11:45:17 +03:00

VALIDITY OF SIGNATURE

SIGNATURE IS VALID

ROLE / RESOLUTION

PLACE OF CONFIRMATION (CITY, STATE, ZIP, COUNTRY)

SERIAL NUMBER OF SIGNER CERTIFICATE

110544053139628561557851141388738940849

ISSUER OF CERTIFICATE	AUTHORITY KEY IDENTIFIER
ESTEID-SK 2011	7B 6A F2 55 50 5C B8 D9 7A 08 87 41 AE FA A2 2B 3D 5B 57 76

HASH VALUE OF SIGNATURE

30 31 30 0D 06 09 60 86 48 01 65 03 04 02 01 05 00 04 20 E0 D2 2E 01 33 D7 25 4A 59 E5 21 91 5E 65 D0 B7 B4 B0 8D E1 DD 2
2 59 CA 38 95 11 AD EE 5C 5D 25

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